

Private equity firms beat path to Tripoli

By Henny Sender in New York

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In an elaborate tent on the outskirts of Tripoli, David Rubenstein, co-founder and managing director of the Carlyle Group, and Steven Schwarzman, chief executive of Blackstone, gathered with a group of men last year to celebrate a wedding.

It was an unlikely scene, given Libya's history. But the presence of two of the most prominent figures in the US financial community made sense because of the identity of the groom - Mustafa Zarti, deputy director of the Libyan Investment Authority, a sovereign wealth fund with tens of billions of dollars waiting to be invested.

All this fresh capital is unusual in a financial world where so many big players are reeling from recent reversals. As a result, executives from private equity firms and investment funds have been beating a path to Libya to court officials of the LIA.

Libya is being encouraged to invest in US funds by state department officials looking to solidify a relationship that has improved since Libya agreed to hand over suspects in the 1988 bombing of a Pan American flight over Lockerbie, Scotland, and the United Nations lifted sanctions against the country in 2003.

"They are just starting to open up," says one banking executive with responsibility for sovereign wealth fund relationships in the Middle East. "They understand there has to be a natural evolution."

Tripoli is moving slowly, having developed little formal expertise during its years as a pariah.

So far, two private equity firms have received funds from the LIA. Carlyle led the way, thanks in part to the efforts of Mr Rubenstein, who first travelled to Tripoli in 2006.

More recently, Libya has invested hundreds of millions of dollars in Goldman Sachs Asset Management vehicles. These include investments in a Goldman loan fund, which invests in the management of young hedge funds seeded by the Kuwait Investment Authority, according to people familiar with the matter.

Saif al-Islam Gaddafi, son of Muammer Gaddafi, the country's leader, has come to be regarded as the new face of Libya for foreign executives, despite having no direct responsibilities at the LIA.

In November he came to the US and met prominent financial executives. Mr Schwarzman hosted a lunch at his Park Avenue apartment for the younger Mr Gaddafi. Frank Carlucci, former defence secretary and retired chairman of Carlyle, hosted a dinner for him in a private room at the City Club. Other financial services executives, such as TPG's David Bonderman, plan to visit Tripoli soon.

Mr Zarti, a veteran of Libya's oil industry, has ambitious plans to improve the LIA and is close to the young Mr Gaddafi, executives say.

"He is a whirling dervish of a man," says one senior Credit Suisse executive who has had extensive dealings with the LIA. "When he meets with you, he does not engage in social foreplay. He asks directly, what have you got for me to invest in?"