

# IFU IN LATIN AMERICA



CAPITAL FOR **SUSTAINABLE INVESTMENTS**



**IFU**

INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

# LATIN AMERICA

## - A CONTINENT OF OPPORTUNITY

The countries in Latin America hold a wealth of interesting business opportunities within sectors where Danish businesses have strong competencies and world class technology, e.g. environment and energy, agriculture and food as well as infrastructure and services.

Economic growth in Latin America correlates to some extent with international growth, but some countries were severely adversely affected by the decline in raw material prices. In 2017, all countries

(except Venezuela) showed positive and increasing GDP growth rates. And more importantly, the sectors where Danish companies traditionally have a competitive advantage show growth rates above country average.

### High growth in Colombia

Colombia is one of the positive stories to follow. While plagued by civil war for decades, the peace accords of 2016 unleashed the country's unexploited potential. Foreign investors show increa-

sing interest in the country, and investments are expected to increase further in the years to come. The country has vast fertile land and holds many opportunities within agribusiness. The growing middle-class is increasingly demanding modern and privately-owned homes, and consequently, the building sector is expected to grow further.

### One of the largest exporters

Peru has also been showing solid development over the past years, and the Danish company Danper is a good example of how to build a healthy business in a poor country. Growing from a small plot of land, the company is today one of Peru's largest agriculture exporters.

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*Ingemann Food, cocoa production in Nicaragua.*



### Renewable energy moving ahead

Latin America focuses increasingly on renewable energy, and many countries have ambitious goals to improve their share of energy production from solar, wind, water and other non-fossil fuels. The Danish Climate Investment Fund, managed by IFU, has invested in several solar plants, producing electricity or hot water, and is also looking at a number of wind projects in the continent.

# IFU'S INVESTMENTS IN LATIN AMERICA

IFU has made more than 120 investments in Latin America. The total expected investment in the project companies is more than USD 1.6bn, of which IFU has contributed almost USD 310m in equity, loans and guarantees. IFU currently has 22 active investments in Latin America.

### More than 45 years of experience

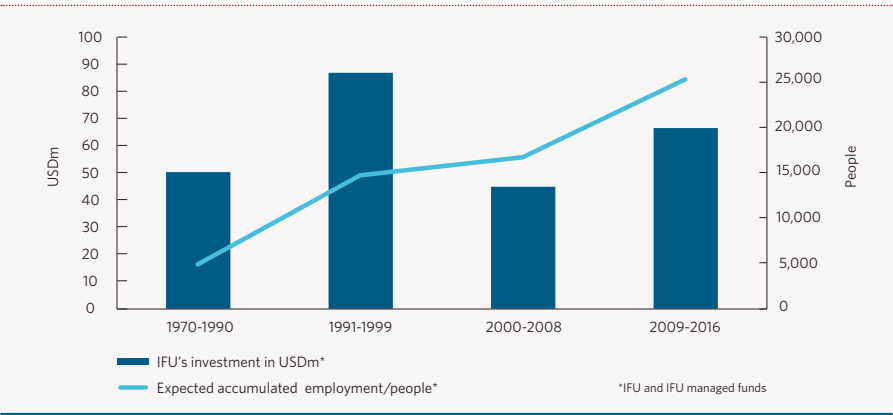
IFU made its first investments in Latin America back in 1970 and has broad experience from several sectors, including industry, infrastructure, agribusiness, food, services and renewable energy. In recent years, IFU has increased its

investments in Latin America, in particular within renewable energy and the agribusiness and food sectors.

### Regional office can assist on location

In 2014, IFU reopened its regional office in Latin America. The office, located at the Danish Embassy in Bogotá, Colombia, cooperates with our Latin America investment team in Copenhagen and advises potential investors as well as partner companies and assists them on location. Regional director in Colombia, Frederik Zeuthen, has lived and worked in Latin America for more than eight years.

IFU's investments in Latin America



### A NUMBER OF IFU'S PARTNERS IN LATIN AMERICA



# PROVIDING **RISK CAPITAL** AND **ADVICE**

IFU's aim is to create economic and social progress in developing countries by assisting companies in establishing sustainable businesses. Over the years, IFU has made more than 1,200 investments in over 100 countries in cooperation with more than 900 Danish companies as well as local and international partners.

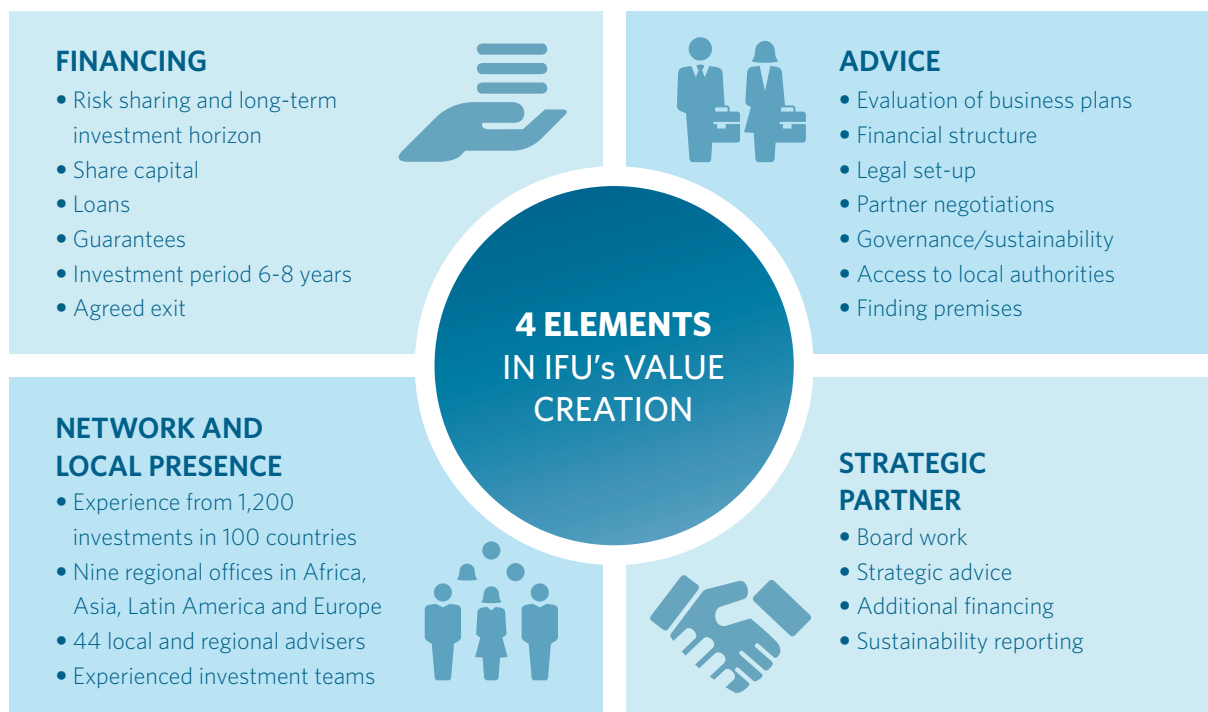
IFU operates from a commercial platform and assists our clients in many

ways. We provide different types of financing, including share capital, mezzanine financing, loans and guarantees. IFU has a long-term investment horizon and can participate in start-up companies, joint ventures, acquisitions and in projects with a Danish economic interest.

## **Professional advice all the way**

Typically, IFU is involved from the start, and by utilizing our vast experience, we

offer professional advice on several relevant issues like the business plan, financial structure, legal set-up, management, governance and sustainability. Through our regional offices and local network, we also assist in negotiations with local partners and authorities. Moreover, by serving as board members in the companies that are set up in the host countries, we contribute with strategic advice on an ongoing basis.



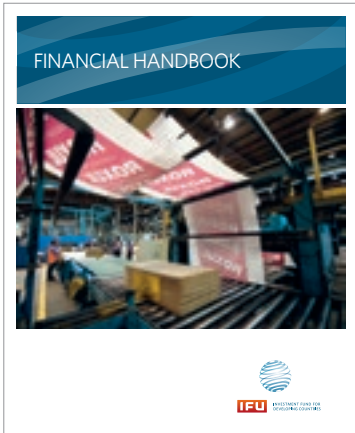
# IFU's 5 STEP INVESTMENT PROCESS

	FIRST CONTACT	DUE DILIGENCE	APPROVAL OF INVESTMENT	ACTIVE OWNERSHIP	AGREED EXIT
Project company/partner	Presentation of company and business idea/plan	Data collection and presentation of the final business plan	Signing the final agreement Obtaining legal opinion Developing sustainability policy	Appointment of competent management and board Execution of business plan	Prepare future ownership structure Possible purchase of IFU's shares
IFU	Assessment of company's business plan/idea Advice on next steps Approval in principle of partner, investment location and business idea	Evaluation of the business plan Discussion of market strategy, management, budget, finance and ESG Visit to the partner company etc.	Approval of the project by IFU's board of directors/investment committee Presentation of agreement	Using IFU's local knowledge and network Active participation in board work Additional funding	Valuation of company Sales price Exit agreement

As inspiration for our partners, IFU has published handbooks on best practice on business plans and financial issues.

## A five-step investment process

IFU has set up a five-step investment process that provides a solid framework for preparing, establishing and running a successful business in a developing country or emerging market. Some of the key elements are shown in the figure above. Contact one of our investment professionals to learn more.



IFU's Financial Handbook and Best Practice on Business Plans can be found on [www.ifu.dk/publications](http://www.ifu.dk/publications).

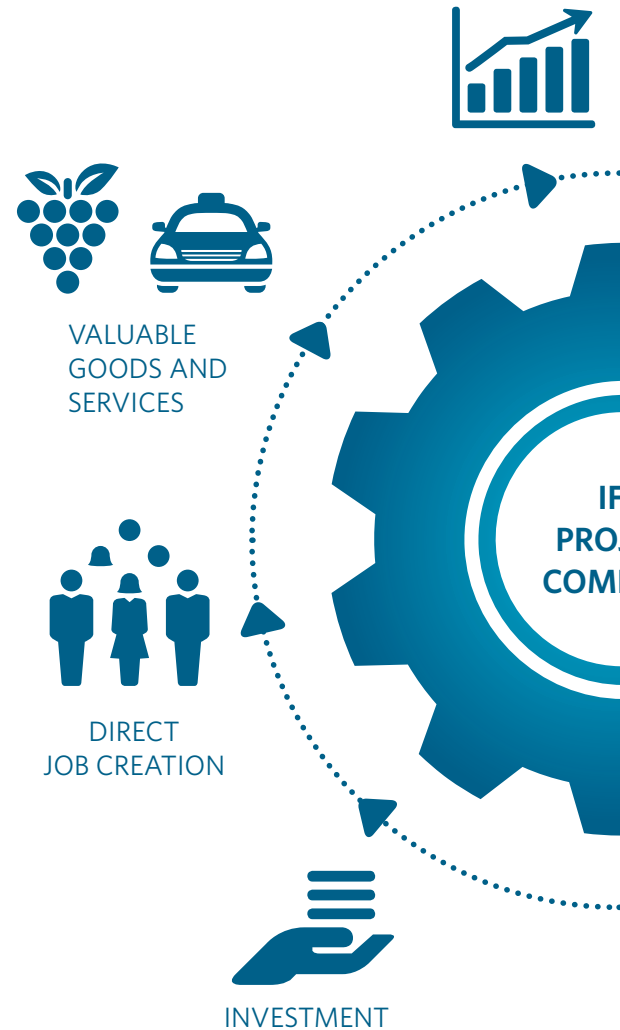
# SUPPORTING THE UN **SUSTAINABLE DEVELOPMENT GOALS**

Private capital is crucial for making progress in developing countries. By providing risk capital and professional advice, IFU actively encourages companies and investors to make business a driver for change. Creating jobs helps to alleviate poverty, investing in agribusiness projects reduces hunger, erecting wind farms and producing solar energy cuts CO<sub>2</sub> emissions, and paying corporate taxes strengthens the ability for the society to invest in infrastructure, health and education.

Consequently, the investments made by IFU and its partners are already supporting the Sustainable Development Goals set by the UN as a guideline for creating a better world towards 2030.

## **Unlock business potential**

We encourage companies to work with the SDGs as an integral part of their business model and strategy and use the 17 Sustainable Development Goals as an inspiration to unlock further business potential, contributing to a positive impact on people's lives and improving company earnings at the same time.





FINANCIAL  
RETURN



TAX  
PAYMENTS

IFU  
PROJECT  
COMPANY



THE GLOBAL GOALS  
For Sustainable Development

SOCIETY



EDUCATION



INFRASTRUCTURE



HEALTH

## CASE COEXCA

JB Equity, a partnership founded by two Danish agricultural entrepreneurs, contacted IFU in early 2016 regarding a profitable pig farming, meat processing and branded pork business in Chile.

Coexca S.A. was founded in 2002 by local pig producers. The company is one of the market leaders in the Latin American pork industry and is certified to export to 33 markets across the globe, including Japan, South Korea and several EU countries.

The financing provided by the Danish Agribusiness Fund, managed by IFU, will go towards expanding capacity as well as modernising the farms and lifting the standards to meet Danish rules and regulations.



- **Partner:** Danish interest
- **Investment year:** 2017
- **IFU investment:** USD 13.3m
- **Total investment:** USD 62.1m
- **Expected direct employment:** 100



# WHY LATIN AMERICA?



## Frederik Zeuthen

Regional Director, Bogotá.

M.Sc. in Public Administration  
from Roskilde University.

10 years of work experience.

6 years of board work experience.

- IFU has invested in several great companies in Latin America. For many years, primarily in the industrial sector, but now we see a shift towards agribusiness, food, services, infrastructure and renewable energy, such as solar power and wind, explains Frederik Zeuthen, who is IFU's regional director in Bogotá, Colombia.

## Latin American countries are modern societies

The countries in Latin America are generally modern societies with a growing middle class, demanding more goods and services at a higher quality. There is high activity within construction, infrastructure and energy, and, when it comes to the latter, great focus on renewable energy.

- It is my clear impression that the countries in Latin America are very ambitious

and wish to implement green solutions wherever possible, not only within renewables, but also within urban development, water treatment and waste handling. This creates good business opportunities for Danish companies with the right technology, says Frederik Zeuthen.

## Growth is returning

After some tough years, it looks like the economies in Latin America are on their way up. In Brazil and Argentina that were hit the hardest, growth is back on track.

- We are seeing economic progress, which is projected to increase further in

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*IFU has invested in Gustu in La Paz, Bolivia, one of the best restaurants in Latin America.*





the years to come. This creates a solid starting point for long-term investment, says Frederik Zeuthen.

### IFU is increasing its investments

In recent years, IFU has almost doubled its total annual investment level, and in Latin America investments have also doubled and are expected to do so again over the coming years. The reasons are increase demand combined with a more flexible approach by IFU and increased financial power, due to innovative partnerships with institutional and private investors.

### Specialized agro and renewable funds

IFU has, among other things, set up the Danish Climate Investment Fund and the Danish Agribusiness Fund, partly capitalized by Danish pension funds. Moreover, IFU has launched a Project Development Programme to reduce the financial risk for Danish partners by co-financing development cost in new projects.

- The new funds fit very well with the demands in Latin America, but we are also well aware that in some cases good and relevant projects do not materialize

because the risk and development costs associated are considered too high. With the new Project Development Programme, we can offer to finance some of these costs and hopefully assist more Danish companies in entering the markets in Latin America, says Frederik Zeuthen.

### Still many opportunities

#### - and challenges

Despite the progress, there are still many issues to be aware of when doing business in Latin America, in terms of language barriers, business culture, bureaucracy and corruption.

- I highly recommend companies to consider the possibilities of doing business in Latin America. It is not more challenging than other emerging markets, which means that it requires persistence, patience and a willingness to invest in establishing long-term relationships. Remember that Latin American culture is not that different from European culture, with most descendants being from Spain and Portugal, ends Frederik Zeuthen.

## CASE ECOSOLAR

The Danish Climate Investment Fund (DCIF) and ECOsolar have invested in a 6.8MW solar energy project in Chile that will supply electricity to the national grid. The northern part of Chile has the most hours of sun, which means a higher effect from the solar panels installed.

Parque Solar is based on state-of-the-art technology, and the two plants each consist of 13,000 modules as well as two transformers and two inverters. The latter is produced by SMA Solar Technology AG, which is partly owned by the Danish company Danfoss.



- **Partner:** Danish interest
- **Investment year:** 2015
- **IFU investment:** USD 6.8m
- **Total investment:** USD 15.0m
- **Actual direct employment:** 2

# SUSTAINABLE INVESTMENTS PAY OFF

Over the years, IFU has seen that companies working strategically with environmental, social and governance issues stand a better chance of becoming commercially viable, providing a solid financial return to investors and having a positive development impact in the host country.

On that basis, IFU has launched a sustainability policy and set up a process that companies can use to identify sustainability issues and take action.

## Part of the business plan

The process consists of four phases, which ensure that the business plan addresses questions regarding sustainability, and that the project company sets up a monitoring system.

As a starting point, the project company must comply with national legislation in the country in which it operates, and the company has to work towards implementing relevant international standards. Necessary initiatives are described in an

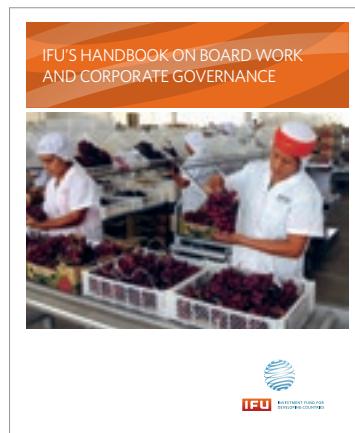
action plan that needs to be implemented within an agreed timeframe.

Additionally, the company must:

- Adopt a written sustainability policy
- Appoint a person with overall responsibility for sustainability
- Establish a system to ensure continuous improvements
- Promote sustainability to partners and suppliers
- Prepare an annual sustainability report

## IFU's **SUSTAINABILITY WORKFLOW** MODEL





IFU's handbooks on Sustainable Investments and Board Work and Corporate Governance can be found on [www.ifu.dk/publications](http://www.ifu.dk/publications).

### Providing sustainability advice

IFU has extensive experience with sustainability issues that our partners face in developing countries, and one of the services provided by our sustainability team is assisting project companies in

finding appropriate solutions to be implemented. For inspiration and guidance, IFU has published handbooks about sustainable investments and corporate governance.

### STRATEGIC PARTNERSHIP ON HEALTH

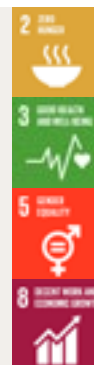
IFU has joined forces with the Danish Family Planning Association to motivate companies in developing countries to invest in the health of their employees. Some of our project companies have already introduced initiatives in relation to health insurance, maternity leave, access to health facilities, etc. Their experience is that the investments pay off both socially and financially, as they help reduce absenteeism, increase retention and create higher productivity, among other things. IFU provides tools and guidelines for companies that want to take action on this agenda.

## CASE DANPER

Danper produces vegetables, grapes and avocados for export. It is among the largest agricultural companies in Peru. The company employs more than 6,000 people and cooperates with close to 250 local farmers.

Danper has a strong focus on sustainability. The company continuously educates its employees, works strategically to ensure a healthy and safe working environment and contributes to the development of local communities with water, electricity and health programmes.

IFU first invested with Danper in 1991 and has since contributed to several expansions. The purpose of the most recent investment was to establish a processing plant of 22,000 m<sup>2</sup>.



SUSTAINABILITY



- **Partner:** AHB Holding
- **Investment year:** 1991
- **IFU investment:** USD 32.7m
- **Total investment:** USD 71.0m
- **Actual direct employment:** 6,200



INVESTMENT FUND FOR  
DEVELOPING COUNTRIES

ifu.dk

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