

Italian Development Program



Inter-American Investment Corporation

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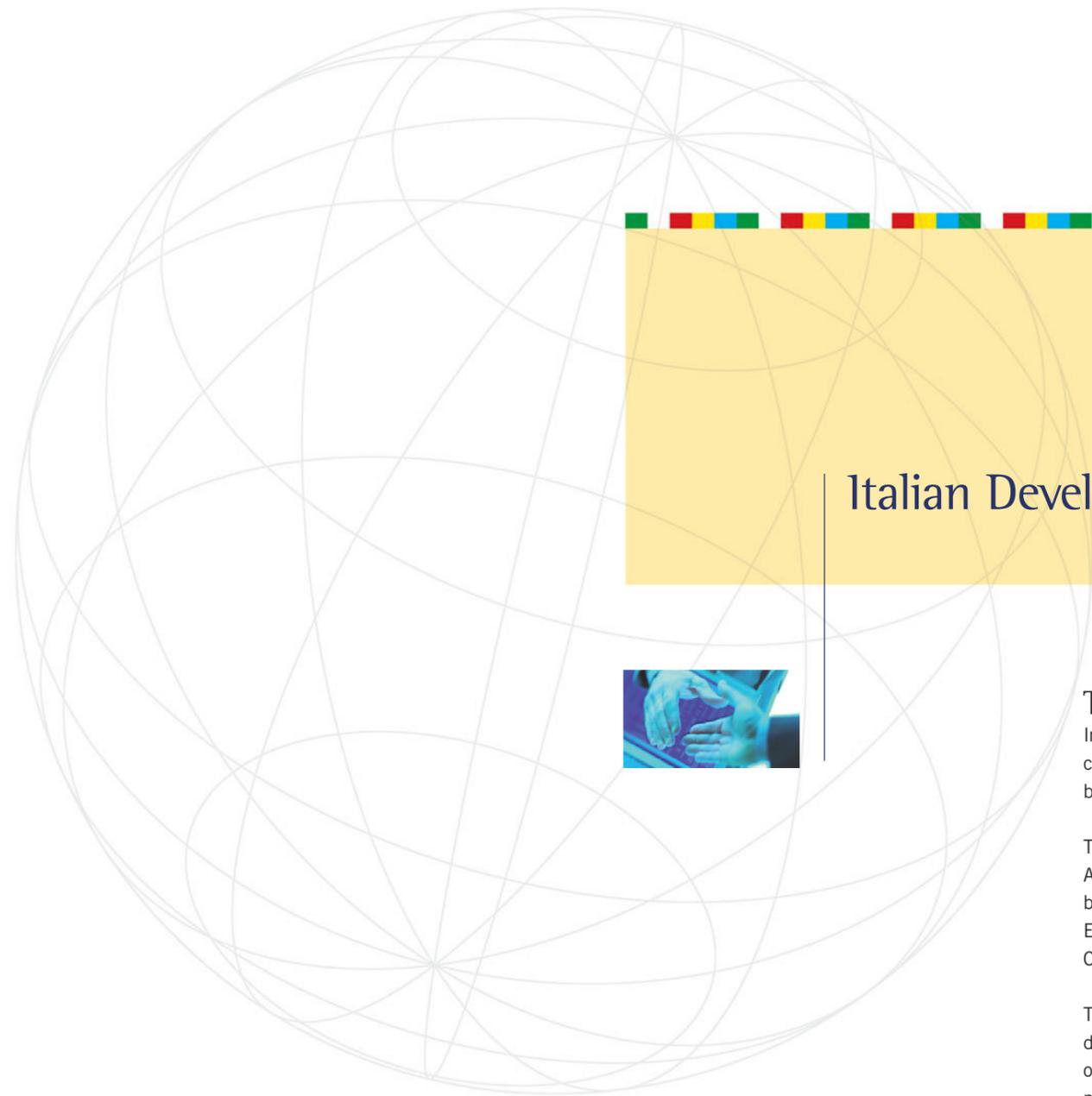
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Strengthening
Business
Between Italy & Latin America
and the Caribbean



Italian Development Program



The *Italian Development Program* is an initiative of the Inter-American Investment Corporation and the Italian Ministry of Foreign Affairs, whose objective is to create a network of Italian, Latin American, and Caribbean enterprises that are linked by import, export, and foreign direct investment operations.

The purpose of the program is to identify small and medium-size enterprises in Latin America and the Caribbean that have a working relationship or are considering doing business with Italian companies and need financing for their expansion investments. Eligible companies can be considered for financing from the Inter-American Investment Corporation.

The program has already created a large network (almost forty organizations) of development agencies, regional and central governments, banks, international organizations, and companies in Italy, Latin America, and the Caribbean that are promoting and doing business in the region.

A comprehensive database of 500 Italian and Latin American companies has been built for creating a map of business connections. We will use this data to target marketing efforts, with the ultimate goal of financing some of the investments to be made by these companies.



Inter-American Investment Corporation

The Inter-American Investment Corporation (IIC) is a multilateral organization affiliated with the Inter-American Development Bank (IDB). The IIC has forty-three member countries.*

The IIC began operations in 1989 to promote the economic development of its Latin American and Caribbean member countries by financing private enterprises.

To fulfill its mission, the IIC provides project financing in the form of direct loans and equity investments, lines of credit to local financial intermediaries, and investments in local and regional investment funds. It particularly targets small and medium-size enterprises that have difficulty obtaining financing from other sources on reasonable terms.

The Corporation serves as a catalyst for attracting other resources: additional financing, technology, and know-how. These resources are mobilized through cofinancing and syndication, supporting security underwritings, and identifying joint venture partners.

Before approving applications for financing, the IIC evaluates project soundness and probability of success. During this preliminary evaluation process, the IIC advises clients on project design and financial engineering and helps them establish a financial plan. Companies referred to the IIC through the *Italian Development Program* go through this evaluation process.

* Argentina, Austria, Bahamas, Barbados, Belgium, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Guatemala, Guyana, Haiti, Honduras, Israel, Italy, Jamaica, Japan, Mexico, Netherlands, Nicaragua, Norway, Panama, Paraguay, Peru, Portugal, Republic of Korea, Spain, Suriname, Sweden, Switzerland, Trinidad and Tobago, United States, Uruguay, Venezuela



Scope

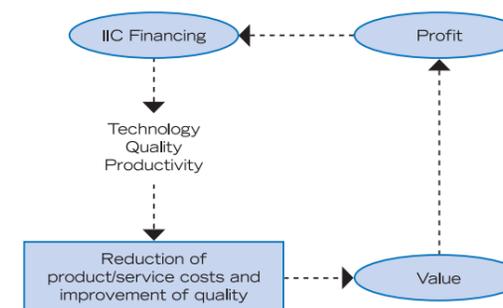
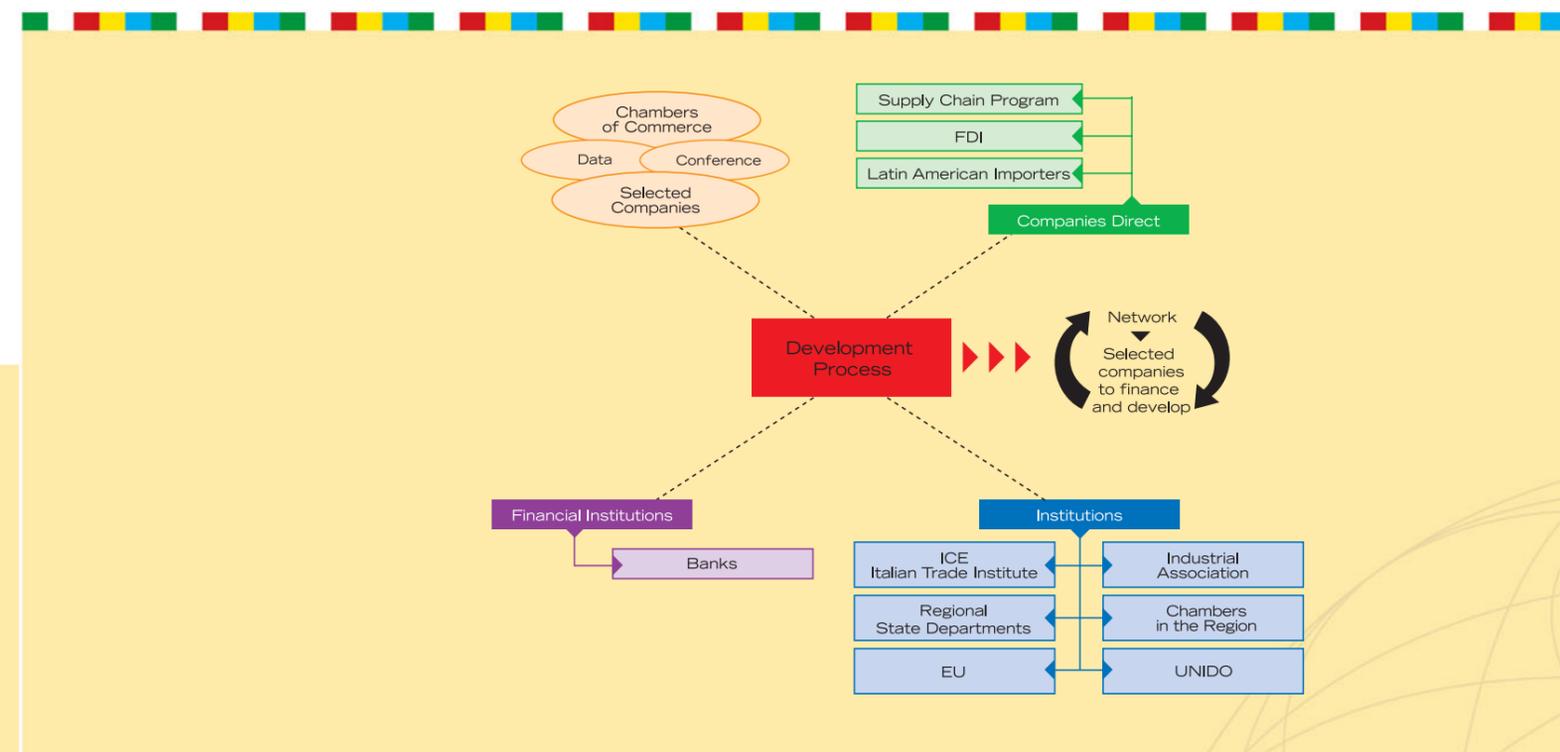
The *Italian Development Program* is designed to strengthen Italy's ties with Latin America and the Caribbean, creating a network of enterprises and organizations that are involved in import, export, and foreign direct investment. The goal is to enable these companies to finance their investments through the Inter-American Investment Corporation.

The network fosters interaction between organizations that promote or assist Italian companies internationally, such as chambers of commerce, financial institutions, industrial associations, trade institutions, and central and regional governments. It also enables direct interaction between companies.

Italy and Latin America and the Caribbean

The historical, cultural, and economic ties linking Italy and Latin America and the Caribbean provide for significant economic and trade opportunities, particularly in the context of increased global trade and investment.

In fact, Latin America and the Caribbean represent a natural area of expansion for the Italian economic system. The presence of Italian communities in many Latin American and Caribbean countries makes them a natural starting point for penetration by Italian companies, be it through trade, business partnerships, or direct investment. And there is a common culture that makes them highly receptive to Italian products. Market conditions are also favorable: Latin America, home to almost five hundred million people with rising levels of education, has a positive outlook for medium- and long-term development and political stability.



The goal of this networking process is to identify investment opportunities in Latin America and the Caribbean with companies that need financing, thus creating value directly and indirectly for the regions involved.



Program Focus

The *Italian Development Program* identifies business partners for Italian companies. Potential partners operate in Latin America and the Caribbean in the supply chain, export (technology transfer), and foreign direct investment sectors.

Supply Chains

As a result of globalization, geographic diversification of the stages of production has become increasingly important worldwide. Teaming up with suppliers in other countries is essential for ensuring low cost and high quality, and Latin America and the Caribbean offer significant opportunities in this area.

For Italian companies seeking to diversify their supplier base, Latin America and the Caribbean offer the significant advantages of cultural similarities and established relationships, facilitating global partnerships.

The *Italian Development Program* seeks to identify supply chain partners and refer them to the IIC for financing. This creates value for the Latin American or Caribbean company by helping it become more competitive; the Italian partner also benefits because the investments financed ensure a higher quality product.

Technology Transfer

Latin America and the Caribbean account for a significant percentage of worldwide purchases of Italian technology.

The *Italian Development Program* seeks to identify the Latin American and Caribbean companies that would like to invest in growth by buying Italian technology such as machinery, tools, and production lines. By financing these investments, the IIC is creating value for all of the companies involved, improving revenue and competitiveness.

Direct Investments

Italian companies are also making direct investments in Latin America and the Caribbean. This is one of the top five regions of the world where Italy is investing through affiliates, joint ventures, equity alliances, and long-term financial partnerships.

By identifying foreign direct investment opportunities for Italian companies through the Inter-American Investment Corporation, the *Italian Development Program* seeks to promote financing of investments that facilitate economic integration and create the local know-how necessary for successful development.

Financing Tools Available through the IIC

The IIC seeks to provide financing to companies that do not have access to medium- or long-term financing from the capital or financial markets. The IIC finances expansion projects in all economic sectors (with the exception of arms manufacture and trade, gambling, and real estate speculation). On a limited and selective basis, the IIC finances new (greenfield) projects.

The IIC provides long-term financing through:

- direct loans
- direct equity or quasi-equity investments
- lines of credit to local financial intermediaries for onlending to small and medium-size enterprises
- agency lines with local financial institutions for joint lending
- investments in local and regional private equity funds
- guarantees for, and investments in, capital market offerings



How to Apply for Financing from the IIC

To obtain financing from the IIC, a company must be a profitable venture with growth potential, requiring medium- or long-term funding to capitalize on its market potential. Companies must have capable management who shares the IIC's commitment to transparency and compliance with domestic accounting, tax, and environmental standards and labor practices.

Instructions on how to apply for financing from the IIC are available on the IIC web page at www.iic.int.

For additional information about the Italian Development Program, please contact:

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Case Studies

Caracol Knits, S.A. de C.V.

Sector:

Textile, leather, and finishing industry

Location:

Potrerillos, Honduras

Relation to Italian Companies:

Purchased water treatment equipment from Italian companies for the process water and wastewater treatment plants.

Caracol Knits, S.A. de C.V.'s production facility is located in the municipality of Potrerillos in the Honduras State of Cortés. The project consisted of completing two industrial buildings and installing the machinery and infrastructure required for increasing production capacity by 80%.

The IIC loan enabled the company to expand and upgrade its wastewater plant, bringing it into compliance with the IIC's environmental requirements.

By participating in the financial plan to expand a successful textile company, the IIC has provided support for the Honduran textile sector. The company is a model in the Honduran textile industry and is adding value to traditional maquila operations by furthering industry integration and consolidation.

This operation created 800 direct jobs and facilitated the transfer of technology and expertise to the local labor force.

The total project cost was US\$31.7 million, of which the IIC funded US\$4.5 million.

Maderera Boliviana Etienne S.A. (MABET)

Business Sector:

Manufacture of wood products

Location:

El Alto, Bolivia

Relation to Italian Companies:

Purchased wood drying and parquet production equipment from Italian companies.

MABET's expansion project increased and diversified the plant's production capacity and increased sawn lumber production capacity at the Pacahuaras facility. This expansion project broadened the company's product range and will increase the production of exterior doors by 42%, from 38,000 units to 54,000 units per year, and the production of interior doors from 10,000 units to 30,000 units per year by year four of the project. The production of planks and parquet flooring is expected to triple to 60,000 square meters per year by year four of the project.

One of the requirements for the IIC loan was certification of MABET's products by the Forest Stewardship Council, thus contributing to the sustainable management and conservation of Bolivia's tropical forests. The project has generated US\$7 million in annual exports and created 230 jobs in low-income areas of Bolivia. The total project cost was US\$7.3 million, of which the IIC funded US\$3.5 million.

American Quality Aquaculture (AQUA)

Business Sector:

Aquaculture and Fisheries

Location:

Peru

Relation to Italian Companies:

The project sponsors are an Italian family interested in transferring their technological know-how to a project in Peru in order to create a joint venture with a Peruvian company or individual in the future.

AQUA is an intensive tilapia farming operation that can produce year-round, thanks to an innovative system that uses high volumes of gravity-fed water. Once harvested, the fish are processed for sale as fillets for export and as gutted, whole fish. The fish scraps are used to make fish meal, one of the chief ingredients of balanced feed for animals, including fish.

The project cost is US\$8.5 million, of which the IIC funded US\$2.8 million.



Testimonials

"The ties between our country's history, culture, and people and those of Latin America run deep and strong, and they are lasting ones. Italian companies are becoming increasingly interested in Latin America, a region that has been identified as one of the natural routes of expansion for Italy's economy.

Aware of these circumstances, the Italian government welcomes the launch of the *Italian Development Program* with gratitude and genuine interest. The program makes it possible for the Inter-American Investment Corporation to substantially increase its already sizeable contribution to Italy's economic expansion in Latin America by easing the obstacles that keep the interest on both sides from turning into real business decisions. Thanks to the links that will be created with IIC's support, Latin America will no longer be seen as out of reach for the players that will participate in the initiative, and their business horizons will become broader and more fruitful."

Giampaolo Bettamio

Undersecretary of State for Latin America – Italian Ministry of Foreign Affairs

"The *Italian Development Program* is an example of how international cooperation can contribute to economic development by creating innovative business promotion mechanisms that reinforce partnerships between Italian and Latin American and Caribbean companies."

Jacques Rogozinski

General Manager – Inter-American Investment Corporation

"IIC's *Italian Development Program* helps strengthen business relationships between Italian and Latin American companies in a global framework where increased internationalization of the economy is a strategic priority for Italy. The involvement of the Ministry of Productive Activities seeks to support these efforts toward integration with Latin America by fostering imports and exports, as well as direct investments by Italian companies."

Gianfranco Caprioli

General Manager, Department of International Trade – Italian Ministry of Productive Activities

"The *Italian Development Program* is specifically designed to help Latin American companies and their business partners strengthen their position in the global market. For quite some time, many Italian companies have found that the road to internationalization has been through successful expansion throughout South America. With this initiative, many of our small and medium-size enterprises will be able to become active partners in this network and grow deeper roots in the Latin American economy. This should have solid, lasting results."

Giuseppe Tripoli

Secretary General – Unioncamere, Italian Chambers of Commerce

"I would like to stress the importance of the *Italian Development Program* sponsored by the Inter-American Investment Corporation as a means to further strengthen the presence of Italian companies in Latin America.

Our entrepreneurial system is following the launch of this program, aimed at fostering new investments and expanding business relationships between Italy and Latin America, with great interest.

I was pleased to note the interest on the part of some associations affiliated with Confindustria and the remarkable availability of experts from the Inter-American Investment Corporation. This resulted in a number of informative events held in several Italian cities, with many business people in attendance."

Vincenzo Petrone

International Affairs Director – Confindustria, Italian Industrial Association



Italian Development Program



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