



# Case Study: Halting a Risky Investment in Peru

Preventing Exposure in  
an Extortion-Prone  
Region

# Case Study: Preventing a High-Risk Investment in an Extortion-Prone Region of Peru

## Executive Summary

A client planning to invest in a logistics-heavy project in Peru requested a due diligence review. Pholus identified extortion threats, transit strikes, and criminal exposure in the target zone. We advised immediate withdrawal from the investment—averting financial risk, reputational damage, and potential physical harm to future staff.

## Key Results & Indicators

- Investment halted pre-deployment, avoiding capital loss
- Security risk score flagged as “high-severe” using local intel
- Contractor selection paused, preserving legal optionality
- No negative press or stakeholder concern triggered
- Client redirected funds into a lower-risk market

## **Introduction**

Some of the most effective interventions don't involve rescue missions or damage control—they happen quietly, before the problem begins. In high-risk environments, the smartest money is often the money that stays out.

Pholus was approached by a client exploring a mid-sized infrastructure and services investment in Peru. On paper, the opportunity was sound: underdeveloped but promising territory, a willing local partner, and a sector (transportation-adjacent logistics) aligned with regional development priorities.

But before committing capital or setting up operations, the client wanted an external view of the operating risks—not just legal or financial, but practical. Pholus was brought in to conduct an environmental due diligence review and provide a go/no-go recommendation.

What we found saved the client millions—and potentially much worse.

## **The Problem**

The region in question had been flagged by the client's internal risk team for elevated rates of protest and intermittent supply chain disruption. But these concerns had been downplayed by local partners, who framed them as "manageable" or "part of the normal cycle."

The founder still had doubts. There had been conflicting reports about security incidents and employee turnover in similar projects nearby. And news coverage—though sparse—had referenced recurring transit strikes, allegations of local authority corruption, and increased gang-style extortion targeting contractors.

The client needed clarity: Was this a real operational risk, or just background noise typical of a low-governance environment?

## **The Plan of Action**

Pholus conducted a layered due diligence review focused not on hypothetical or academic risks, but real-world feasibility. Our approach combined on-the-ground intelligence with open-source data and human behavior forecasting.

**1. Geographic Risk Mapping and Trend Analysis:** We began by mapping out the specific sub-regions where operations would take place, using historical data on:

- Transit strikes and protest actions over the last 18 months
- Reports of theft, vandalism, and intimidation affecting construction crews and logistics firms
- Shifts in political control and local power dynamics

This wasn't just about crime—it was about contested territory, where economic projects frequently become leverage points for political actors, informal syndicates, or community demands.

**2. Stakeholder Risk Assessment:** Next, we conducted a reputation scan on the client's proposed local partners and contractors. While none had criminal records, multiple red flags emerged:

- Previous affiliations with firms that had withdrawn from nearby projects under unclear circumstances
- Known ties to local officials with a documented pattern of favoritism and fee-for-access behavior
- Unusual patterns of labor hiring that often involved short-term, undocumented workers vulnerable to coercion

This suggested that even if the project itself was clean, the ecosystem was not—and would expose the client to elevated risk from day one.

**3. Extortion and Labor Vulnerability Modeling:** Drawing from public records and anonymized testimony, we identified several recent cases of local extortion schemes targeting mid-tier construction and logistics workers in the area.

These schemes included:

- Demands for “protection payments” made directly to subcontractors
- Threats to family members of field staff to extract operational delays or sabotage

- Manipulation of transit blockades to extract informal concessions from project managers

In each case, the result was the same: increased security costs, reputational damage, and near-immediate exit by foreign partners.

**4. Client Briefing and Strategic Recommendation:** We consolidated our findings into a concise but high-confidence briefing. Our recommendation: do not proceed.

We emphasized that while some elements could be mitigated with careful planning and additional budget (e.g., supply chain rerouting, enhanced personnel screening), the fundamental operating environment remained unstable. The extortion risk was not just financial—it was moral, reputational, and legal.

We advised the client to:

- Decline the investment opportunity
- Avoid public reasoning that might trigger local backlash or retaliation
- Reframe their withdrawal as a result of broader portfolio reprioritization, rather than a vote of no confidence in local partners

### **The Outcome**

The client took our recommendation and pulled the plug on the investment before any capital was committed or ground broken. There was no public fallout, no contractual disputes, and no lingering obligations.

Just as importantly, the client avoided exposure to:

- Ongoing extortion risk affecting employees and contractors
- Reputational damage from perceived insensitivity to local politics
- Operational shutdowns due to transit blockades and community demands

Instead, they redirected funds to a different region with stronger institutional support—and are now exploring a separate opportunity under our guidance.

## Final Thoughts

In fragile markets, the most expensive risk is the one you *think* you can manage—until it's too late.

Pholus provides quiet, clear-eyed due diligence before the first dollar is spent. We look beyond the pitch deck, beyond the partner's reassurances, and into the lived operating reality you'll face once your team's on the ground.

If you're considering an investment in a politically sensitive, high-crime, or infrastructure-challenged region, talk to us first. We'll help you understand not just what's possible—but what's survivable.



## About Pholus

Pholus is a discreet advisory firm that supports founders, boards, and stakeholders in fragile or complex environments. We specialize in quiet interventions, exit planning, and operational clarity when reputations, relationships, or resources are at risk.

**Need to navigate something delicate or high-stakes?** We work behind the scenes to help you stabilize, reset, or exit — without triggering avoidable fallout.

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