Federal Ministry
for Economic Cooperation
and Development

Implemented by: giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Risk checklist

Guidelines for effective management of the risks associated with new business projects in developing countries

Start

Introduction

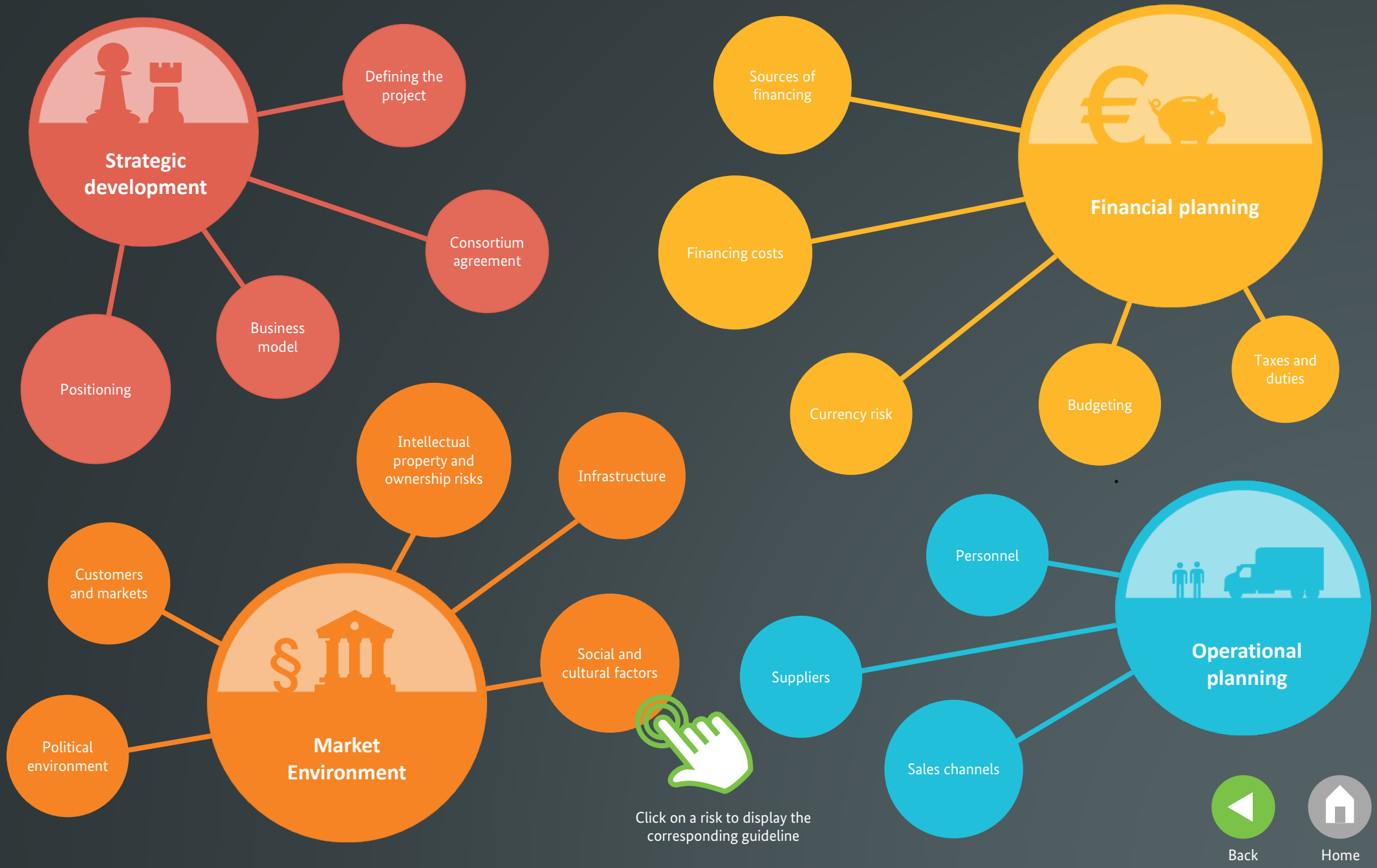
The guidelines contained in this document are aimed at participants in the *Lab of Tomorrow.* You may wish to use them to help you:

1. structure the general risks of new project initiatives
2. deal more effectively with specific risk issues using established strategies, risk management tips and additional information
3. save time when looking for relevant sources of information

For each risk there is a guideline broken down into three steps that you can work through on an interactive basis.

1. What?	2. How?	3. What next?
Risk management tips	Toolbox: do-it-yourself	Possible next steps
	Toolbox: Get support	

Risk overview



Guideline: Defining the project

Defining the project

What are the risks?

- No focus or guidelines for joint project work
- Different perceptions of the problem and of how to successfully resolve it

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Describe the problem
- Establish a mission statement
- Understand the criteria for success

2. How?

Toolbox: Do-it-yourself

- Templates for preparing a project description and defining a mission statement
- Information on success criteria from empirical research and practice

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Quantify project objectives
- Specify project plans

Home

Guideline: Defining the project

Defining the project

1. What?

Risk management tips

Problem

You need to carry out three steps to produce a clear description of a problem:

- **Outline the situation**

  First of all, describe the main elements of the current situation and discuss how they contribute to the acute problem.
- **Establish a common understanding**

  It is important to establish a common perception/understanding of the main elements of the problem.
- **Define the problem**

  Once the project partners have a clear understanding of the issues, they can agree on the specific problem to be addressed by the project.

Mission statement

In the next step, **each** of the project partners must **define** the **results** they wish to achieve through the project and on this basis define a **shared mission statement**.

The **mission statement** should **answer** the **following questions** about the project:

- What? (Content)
- How? (Implementation)
- For whom? (Beneficiaries)

Ideally, a mission statement should:

- be simply and clearly worded
- create a shared focus
- motivate project staff

Success criteria

Once a common understanding has been established, you need to identify other project-specific success criteria and ensure that they are met over the course of the project.

Examples of **general success criteria** for project management:

- Put together a team with the necessary expertise.
- Establish clear project responsibilities.
- Request support from top management.

Examples of **development-specific success criteria**:

- joint learning
- coordination with local partners/official bodies
- measures to ensure an appropriate ‘cultural fit’

Guideline: Defining the project

Defining the project

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information	
Template for defining the project	Source: *GIZ*
Template for developing a project mission statement and defining it in relation to your vision	Source: *GIZ*
Overview of project management success criteria	Source: *Koblenz University of Applied Sciences*
Examples of success criteria from other development cooperation projects	Source: *GIZ*
Scaling up development projects as part of your mission statement	*Source: GIZ*

Guideline: Defining the project

Defining the project

2. How?

Toolbox: Get support

Government funding/support

Funding to cover feasibility studies and transaction costs

Source: *KfW DEG*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Defining the project

Defining the project

3. What next?

Possible next steps

Follow-up activities	
Quantify project objectives	Once you have the established a qualitative focus for the project, you need to define quantifiable project objectives.
Specify project plans	During the subsequent project planning stage, you need to establish a specific time frame and financial framework.

Guideline: Consortium agreement

Consortium agreement

What are the risks?

- No mission statement for joint project implementation
- Unclear allocation of responsibilities
- Property rights not defined

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Clarify the purpose of the consortium
- Select type of consortium agreement
- Specify content of agreement

2. How?

Toolbox: Do-it-yourself

- Templates and notes
- Model consortium agreements
- Intellectual Property Rights (IPR) Helpdesk for legal questions relating to intellectual property rights

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Draft a consortium agreement
- Operate the consortium

Home

Guideline: Consortium agreement

Consortium agreement

1. What?

Risk management tips

Purpose of consortium

Before clarifying the purpose of the consortium, consider the **strategic intentions of the project**:

- **What should the consortium help to achieve?**

  → Project objectives and intentions
- **What will each partner contribute to the consortium?**

  → Own contribution to the value proposition
- **How are the specified objectives to be achieved?**

  → Breakdown of activities and responsibilities

Consortium model

Once the purpose of the consortium has been clarified, define an appropriate **consortium model**. With regard to intellectual property, there are four particularly common models:

Model 1: Each partner is entitled to the intellectual property that it develops. The other partners are granted non-exclusive licences.

Model 2: Each partner is entitled to the intellectual property that it develops. The other partners have to specifically negotiate licences.

Model 3: Each partner is entitled to the intellectual property attributable to its own area of business.

Model 4: All intellectual property is assigned to the lead consortium partner.

Content of agreement

Once the consortium model has been defined, you need to think about what should be the **core elements** of the **consortium agreement** and establish a corresponding **position**.

In general these will include:

- the purpose of the agreement and definitions
- the commencement date, duration and end
- the responsibilities of the partners and the internal structure of the consortium
- each partner's financial contribution and a funding schedule
- ownership, attribution and use of intellectual property rights
- confidentiality provisions and contractual penalties

Negotiations

Having established a clearer understanding of the purpose, nature and content of the planned consortium agreement, you can now begin **negotiations** with your **contractual partners**.

If the partners **cannot reach agreement** on the value of individual contributions, it may be necessary to engage the services of a **valuation expert**.

Guideline: Consortium agreement

Consortium agreement

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Template: key questions to ask on the consortium model	Source: *Lambert Working Group*	Consortium agreements for specific research and development purposes	Source: *European Union*
Checklist for consortium agreements	Source: *Federal Ministry for Economic Affairs and Energy*	List of model agreements for selected industries	Source: *Federal Ministry of Education and Research*
Notes on specific aspects of the consortium agreement	Source: *Intellectual Property Office (UK)*		
Model consortium agreements with notes	Source: *European Union*		

Guideline: Consortium agreement

Consortium agreement

2. How?

Toolbox: Get support

Government funding/support

IPR Helpdesk (no charge)

Source: *European Union*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Consortium agreement

Consortium agreement

3. What next?

Possible next steps

Follow-up activities	
Draft the agreement	The partners should commission their own legal department or an external solicitor to draft the agreement, which should then be signed by the authorised parties.
Operate the consortium	The partners assume their contractual responsibilities and carry out their respective activities.

Guideline: Business model

Business model

What are the risks?

- Unclear value proposition
- Unclear value realisation mechanism
- Inefficient value creation

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Design your business model by specifying:
  - customer groups
  - value proposition
  - value realisation
  - value creation

2. How?

Toolbox: Do-it-yourself

- Templates, handbook, additional information on how to use a business model canvas
- Familiarise yourself with real-life business models

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Visualise your business model using a business model canvas
- Present your business model to line managers
- Pilot the business model

Home

Guideline: Business model

Business model

1. What?

Risk management tips

Customer groups

As a first step, clarify potentially interesting customer groups and identify their specific needs:

- **B-to-C (consumers)**
  - What do consumers want? What are the key service/product features?
  - What improvements are perceived as valuable?
- **B-to-B (business partners):**
  - What gives my product the leading edge for business customers?
  - What problems can be solved by combining additional services?

Value proposition

The next step is to specify the core element of your business model – the value proposition.

This should take the form of a clear statement explaining why the customer should make contact with the company.

A value proposition should describe:

- how your customers' problems will be solved (**relevance**)
- the benefit generated by using the product/service (**quantifiable value**)
- what makes the product/service stand out from the competition (**differentiation**)

Value realisation

Having established your value proposition, you can elaborate those elements of your business model that describe methods of interaction with your customers.

The key elements of value realisation are:

- **customer relationships**
- **sales channels**
- **revenue-generating mechanisms**

See Guideline: Sales channels

Value creation

To conclude, you should now elaborate the remaining elements of the business model, i.e. clarifying how the proposed product/service is to be made/delivered.

The key elements of value creation are:

- **activities**
- **resources**
- **network of business partners**
- **cost structure**

See Guideline: Suppliers

Guideline: Business model

Business model

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

The business model canvas – a visualisation template for designing business models	Source: *GIZ*
Value chains and business models in different African countries	Source: *GIZ*
Notes on designing business models using a business model canvas	Source: *Entrepreneurial Insights*
Review of business models used in developing countries from the company's perspective	Source: *Global Entrepreneurship Summit*
Handbook for designing innovative business models	Source: *Orange Hills, Fraunhofer Venture*
Brochures – Innovative business models in developing countries	Source: *GIZ*

Guideline: Business model

Business model

2. How?

Toolbox: Get support

Government funding/support

Inclusive Business Action Network	Source: *GIZ*	Federal Ministry for Economic Affairs and Energy (BMWi) – Market Development Programme	Source: *BMWi*
CIM-AHK (German Chambers of Commerce) programme	Source: *GIZ*	'develoPPP' development partnerships	Source: *BMZ*
Germany Trade & Invest (GTAI) – International tendering	Source: *GTAI*	Strategic development partnership	Source: *BMZ*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Business model

Business model

3. What next?

Possible next steps

Follow-up activities	
Design a business model canvas	Design a comprehensive business model canvas, e.g. at a project team workshop
Present your business model	Present the main conceptual elements of your business model to line managers
Pilot the business model	Set up a pilot and conduct a small-scale test of the business model you have designed

Guideline: Positioning

Positioning

What are the risks?

- Inadequate research into competition
- Failure to differentiate product/service from the competition
- Too big a gap between actual and target position

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Analyse the market environment and competition
- Determine your own capacity
- Define your own market/product position within the competitive environment
- Based on the above, identify available options

2. How?

Toolbox: Do-it-yourself

- Templates and tools for analysing the competition and positioning your product
- Links and further information

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Decide how to make your product stand out (differentiation)
- Implement differentiation measures

Home

Guideline: Positioning

Positioning

1. What?

Risk management tips

Market environment and competition

Start by **analysing** the **external conditions**. To do this, you will need to **delimit and define** the **market environment**. You can then **analyse** the main **competitors** and their respective **positions**.

Sources of information on competitors:

- German national and international Chambers of Commerce (IHKs/AHKs), other institutions
- Internet research (once you have defined a specific market)

Positioning involves defining for example:

- price/range of service
- growth rate/market share

See Guideline: Customers and markets

Capacity

You should then conduct an **internal analysis** based on an assessment of your own **capacity**.

Some of the key **elements** of this **internal analysis** are:

- strengths and weaknesses
- value chain
- cost structure
- quality issues

See Guideline: Business model

Current market/product position

The next step is to **define** your own market/product **position** within the competitive environment by collating the external and internal analyses.

This can be done effectively by **visualising** your position using a **2x2 matrix** with various positioning factors along the axes.

This visualisation matrix should highlight:

- whether you need to **differentiate** your product more clearly from those of your competitors
- your **comparative advantages** compared with your competitors
- **which market segments** as a whole are **not yet being served.**

Available options

Building on your actual market/product position, you should now identify a set of **options** that allow you to formulate a **target position** and **highlight** the **measures** needed to achieve it.

These **options** may **vary** in terms of **complexity**:

- differentiation with regard to a specific product feature (better performance)
- comprehensive reconfiguration of the business model (from value creation to customer relationships)

The **options** should then be **evaluated** with regard to their feasibility, costs and benefits.

Guideline: Positioning

Positioning

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information	
Competition analysis template	Source: *fuer-gruender.de*
Product positioning template	Source: *fuer-gruender.de*
Information on markets and competitiveness in Africa	Source: *World Economic Forum*
Conceptual issues to be addressed when positioning a product alongside those of competitors	Source: *Harvard Business Review*

Guideline: Positioning

Positioning

2. How?

Toolbox: Get support

Government funding/support	
Base of pyramid sector dialogues	Source: *GIZ*
Inclusive Business Action Network	Source: *GIZ*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Positioning

Positioning

3. What next?

Possible next steps

Follow-up activities	
Decide how to make your product stand out (differentiation)	Building on your assessment of the available options, you should decide how best to make your product or service stand out (differentiation).
Implement differentiation measures	Depending on the complexity of your chosen option for differentiation, you should begin to implement it at an early stage.

Guideline: Political environment

Political environment

What are the risks?

- Fundamental changes to the project as a result of political uncertainties
- Instability (country and government)
- Regulatory changes

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Analyse the political environment
- Assess the situation and likely developments
- Work out your options in response to the risks you identify

2. How?

Toolbox: Do-it-yourself

- Brief reports on country risks and general information
- Links to useful websites for more detailed information

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Enquire about risk cover from insurance companies.

Home

Guideline: Political environment

Political environment

1. What?

Risk management tips

Current situation

Establish a **detailed overview** of the political situation in the target country and develop a clear **understanding** of sensitive issues and potential risks.

Possible questions to ask:

- How is the **political system** in the target country structured?
- What **regulatory requirements** are in place in the target country?
- Has a **trade embargo** been imposed against the target country for certain commodities (or even your own product)?
- Are there any **conflicts** with neighbouring countries, etc. or any **unsafe regions**?

Likely developments

You should evaluate the risks you have identified and elaborate **scenarios** to address potential developments. These should highlight the **probability of occurrence** and the potential **impact.**

Possible questions to ask:

- What is the likelihood of **political change**?
- Is a **change** in the **political situation** conceivable? (new elections, coup)
- Are there any **latent, unresolved conflicts**?
- Are there any **specific risks**, e.g. legal uncertainty, withdrawal of licence, expropriation/nationalisation in the event of a change of government?

Available options

Your options are to **safeguard against** or **accept** the risks that you identify and/or to establish a **management system** that **minimises** your **risk exposure**.

If you choose to safeguard against risks, you can opt to take a **general approach** of covering political risks or to **limit** your cover to **specific areas** such as:

- withdrawal of licence
- war and civil unrest
- trade embargoes

Guideline: Political environment

Political environment

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information	
Reports on African countries including descriptions of the political situation	Source: *African Economic Outlook*
Country risk assessments	Source: *Euler Hermes*
International economic rankings	Source: *World Bank Group*
International rankings (regulatory environment)	Source: *World Bank Group*
Country information (worldwide)	*Source: Euler Hermes*

Guideline: Political environment

Political environment

2. How?

Toolbox: Get support

Government funding/support

Export guarantees	Source: *Euler Hermes*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Political environment

Political environment

3. What next?

Possible next steps

Follow-up activities	
Prepare decisions	Decisions on how to respond to political risks need to be thoroughly prepared by analysing the available options (safeguard, accept or avoid) and presenting the results of your analysis to those with decision-making responsibility.
Obtain guarantees/insurance cover where required	Request a quotation for tailored (export) insurance cover.

Guideline: Customers and markets

Customers and markets

What are the risks?

- Inaccurate assessment of market
- Problems identifying customer groups
- Inaccurate assessment of competitors

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Define precise market and determine its potential
- Define customer groups
- Analyse competitors
- Check your product against market requirements

2. How?

Toolbox: Do-it-yourself

- Brief reports on markets and customers
- Links to useful websites for more detailed information

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Test your product/service
- Use what you have learned to optimise your product marketing

Home

Guideline: Customers and markets

Customers and markets

1. What?

Risk management tips

Market definition and potential

When performing a **market analysis** it is important to take account of the **size and nature** of the market, set clear **market limits** and factor in **potential developments**.

Possible questions to ask:

- What is the structure of the market in the target country?
- How **big** is the **market** (revenue, annual unit sales)?
- Do individual market participants **influence the market**?
- How has the market **developed** in the **last 3-5 years?**
- How is the market likely to **develop in the future?**

Customer groups

The next step is to identify **customer groups**. This will allow you to **target your communications** more effectively.

Possible questions to ask:

- Who is going to buy the product/service?
- Which **customer groups** can be found in the market (e.g. age, gender, income)?
- What are their **needs**?
- Are there any specific patterns of market **behaviour** in relation to **buyers and product use?**
- Do you use a **B2B or B2C** business model?

Competition

When analysing the competition, it is particularly important to include both **current and future competitors**.

Possible questions to ask:

- **How many competitors** are there?
- **How big** are those competitors, and how **strong** is their **market presence**?
- How have competitors **positioned** their products?
- Are there any **barriers to market entry**?

See Guideline: Suppliers
See Guideline: Positioning

Comparison

The next step is to check the product you plan to market against the market characteristics you have identified. This will allow you to make an informed decision on whether your product meets the criteria for successful marketing or needs to be improved.

Possible questions to ask:

- Is there a **sufficiently large customer group** for the product?
- Have you taken account of specific patterns of market behaviour in relation to buyers and product use?
- Do your product and your marketing strategy meet customer needs?
- Having performed your analysis, does the market still appear fundamentally attractive?

Guideline: Customers and markets

Customers and markets

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Country-specific data on economies, infrastructure and education	Source: *ADBG*	Customer segmentation in Africa	Source: *Nielsen*
Market opportunities in Africa	Source: *GTAI*	Customer segmentation in African countries	Source: *Nielsen*
Evaluating country risks	Source: *African Economic Outlook*	Africa competitiveness report	Source: *World Economic Forum*
Report on African consumers	Source: *McKinsey & Co.*	Africa attractiveness survey	Source: *Ernst & Young*

Guideline: Customers and markets

Customers and markets

2. How?

Toolbox: Get support

Government funding/support	
Economic data and advice by country (worldwide)	Source: *GTAI*
Market development programme for SMEs	Source: *GTAI*
DEinternational services (Government cooperation and official foreign representation for German business)	Source: *Association of German Chambers of Industry and Commerce (DIHK)*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Customers and markets

Customers and markets

3. What next?

Possible next steps

Follow-up activities	
Test your product/service	Products/services should be tested by a market research institute or by your own organisation in collaboration with potential customers and/or in test markets.
Optimise your product marketing	You can use what you learn from product and market testing to optimise your product/service and your marketing strategy.

Guideline: Intellectual property and property rights

Intellectual property and property rights

What are the risks?

- Lack of expert legal knowledge of property rights in the target country
- Inefficient measures to protect intellectual property and ownership

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Define which property rights are relevant to the project
- Risk classification – check the general legal situation
- Perform a detailed analysis of the legal situation in the target country
- Evaluate risks and analyse options for protecting intellectual property and property rights

2. How?

Toolbox: Do-it-yourself

- Handbooks on intellectual property and property rights
- Documentation on the legal situation in Africa
- Protecting intellectual property in Africa
- Possible contacts

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Validate required measures for protecting intellectual property and property rights
- Introduce protection measures

Home

Guideline: Intellectual property and property rights

Intellectual property and property rights

1. What?

Risk management tips

Relevant property rights

First, define clearly which property rights are actually relevant to the project.

It is important to distinguish between the two main types of property:

- **Intellectual property**
  - copyright
  - patents
  - trade marks
  - commercial designs and models
  - indications of origin
- **Material property**
  - buildings (immovable)
  - movable property

Risk classification

In the next step, it is important to familiarise yourself with the overall legal situation so that you can classify the different risks involved.

As well as the overall legal situation, you need to consider other factors, such as:

- judicial independence
- corruption
- political stability

The **International Property Rights Index** will help you classify the risks.

See Guideline: Political environment

Detailed legal situation

Once you have classified the risks that you have identified, you should carry out a detailed analysis of applicable legislation in the target country.

You need to answer the following questions:

- How much protection is available in the target country for those property rights that you have identified as being relevant to the project?
- What does the country's national legislation actually stipulate?
- What has been the experience of other companies?
- What is the view of official partners (e.g. GTAI, BMWi, UNESCO)?

Protection and insurance

Finally, based on step three, you need to assess the risk of insufficient legal protection in the target country.

Are the risks containable or **do you need to research alternative options to protect your intellectual property and property rights?**

- If additional protection is required, you should contact a professional firm.
- You can also seek advice from German or local organisations, e.g. GTAI, German International Chambers of Commerce (AHKs) or local institutions.

Guideline: Intellectual property and property rights

Intellectual property and property rights

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Intellectual property – principles, laws and application	Source: *WIPO*	Practical handbook on intellectual property in Africa – intellectual property rights in different African countries	Source: *Pretoria University Law Press*
Functions and protection of property rights	Source: *Saarland University*	Doing Business – a compilation of business laws and regulations	Source: *World Bank Group*
Comparative study to quantify property rights – The International Property Rights Index (IPRI)	Source: *The Property Rights Alliance*	PCT – the international Patent Cooperation Treaty	Source: *WIPO*
Information on legal situation outside Germany (country-specific search function)	Source: *GTAI*	African organisations dealing with issues of intellectual property - OAPI and ARIPO	Source: *Freehills Patent Attorneys*

Guideline: Intellectual property and property rights

Intellectual property and property rights

2. How?

Toolbox: Get support

Government funding/support	
IPR Helpdesk (no charge)	Source: *European Union*
DEinternational services (Government cooperation and official foreign representation for German business)	Source: *DIHK*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Intellectual property and property rights

Intellectual property and property rights

3. What next?

Possible next steps

Follow-up activities	
Validate method of protection	Validate the required measures for protecting intellectual property and property rights with the relevant line managers.
Introduce protection measures	Once the method of protection has been validated, you can introduce the corresponding measures.

Guideline: Infrastructure

Infrastructure

What are the risks?

- Absence of general infrastructure in the target country
- Absence of specialised infrastructure needed to implement the project

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Decide whether to export the product or produce it locally
- Evaluate the infrastructure situation in the target country
- Check regional availability of infrastructure
- Identify available options

2. How?

Toolbox: Do-it-yourself

- Brief reports on availability of infrastructure and general information
- Links to useful websites for more detailed information

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Identify potential partners for expansion

Home

Guideline: Infrastructure

Infra-structure

1. What?

Risk management tips

Export or local production?

You need to consider whether to **export your product** or **make it in the partner country**. This **decision** is closely linked to the infrastructure required.

Possible questions to ask:

- Is the product suitable for **export**?
- Is **production in the target country** possible?
- Can the **service** be provided from other countries using **telecommunication** systems?
- Is the product **perishable**?
- Does either of the two options involve **additional costs**?
- What **type of infrastructure** is required?

Country assessment

Once you have decided on the required infrastructure, you need to clarify whether that infrastructure is actually available **in sufficient quantities in the target country**. **Compare** the situation with **other potential target countries**.

Possible questions to ask:

- **At present, how well developed** is the **infrastructure** (electricity, water, telecommunications, transport) in the target country?
- Are supplies **reliable**?
- How does the infrastructure situation **compare with** that in **neighbouring countries**?

Regional infrastructure

Although the general infrastructure of a country is a good indicator, you should also examine the **infrastructure situation** at **local level**.

Focus on **attractive business locations** in the target country.

Possible questions to ask:

- Are there any **business/industry hubs** with particularly good infrastructure?
- Are **local infrastructure projects** currently being planned or under construction?
- Have infrastructure **partnerships** been established between the government and private sector?

Available options

If the infrastructure you require is not available in your chosen location, your **options** might include:

- switching to a region or country with better infrastructure;
- **expanding** the location at your own cost, possibly through financial cooperation with development or other organisations;
- using the **available infrastructure;**
- **adapting or cancelling** the project.

Guideline: Infrastructure

Infra-structure

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information	
Global database of infrastructure information	Source: *CIA*
Current state of infrastructure in Africa (from page 19)	Source: *UN HABITAT*
Infrastructure in Africa	Source: *German–African Business Association*
Infrastructure reports on Africa (by country)	Source: *ADBG*
Infrastructure reports on Africa (by sector)	Source: *ADBG*

Guideline: Infrastructure

Infra-structure

2. How?

Toolbox: Get support

Government funding/support

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Infrastructure

Infra-structure

3. What next?

Possible next steps

Follow-up activities	
Identify potential partners	You may wish to seek opportunities to establish partnerships with international development organisations and local governments as a source of funding or financial support for infrastructure development.

Guideline: Social and cultural factors

Social and cultural factors

What are the risks?

- Unprofessional behaviour towards customers
- Potential misunderstandings

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

When dealing with each of the four issues (key success factors) below, it is very important to adopt a professional approach:

- initial meeting
- the way business negotiations are conducted
- personal contact and business meals
- maintaining relationships

2. How?

Toolbox: Do-it-yourself

- Guide to African culture, customs and etiquette
- Handbook on business etiquette and phrase book
- Individual contacts

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Contact expatriates, German companies and institutions in the target country
- Provide training for selected employees (e.g. language, business etiquette)

Home

Guideline: Social and cultural factors

Social and cultural factors

1. What?

Risk management tips

Initial meeting

It is particularly important to make a good impression at the first meeting.

When you are preparing for that initial meeting, find out:

- what form the **greeting** should take (handshake, eye contact, bow)
- which **form of address** to use
- whether you should exchange **business cards**
- whether there are particular customs for speaking to **women**
- whether you should make **small talk**

Business negotiations

Business negotiations are heavily influenced by the culture in which participants grew up.

The following questions are particularly important:

- What are you expected to **wear**?
- Do you need to provide an **agenda**?
- **How long** are the negotiations likely to take?
- How much time should you plan for **small talk**?
- How important is it to **avoid losing face**?

Personal contact and business meals

Do not underestimate the importance of personal contact and business meals in African culture.

To improve your understanding, find out:

- whether you should always **accept invitations** (e.g. home or restaurant)
- whether it is acceptable to talk about **politics** and **religion**
- when you can hold both **business** and **private discussions**
- who is expected to **pay the bill**
- whether there is a particular **dining etiquette**

Maintain relationships

Well-maintained business relationships are vital for establishing successful business dealings.

To help you establish and maintain such relationships, find out:

- what importance is attached to **personal communication**
- whether you should **invite** your African partners **to Germany**

Guideline: Social and cultural factors

Social and cultural factors

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Country profiles – culture, customs and etiquette	Source: *Kwintessential*
Guidelines on cultural standards, tips on behaviour and practical examples from sub-Saharan Africa	Source: *IHK*
IHK blog on cultural skills	Source: *IHK*
Guide to etiquette for Africa and the Middle East	Source: *Dean Foster*
Contacts on intercultural skills	Source: *IHK*
Phrasebook app for Android – 150 everyday expressions in 51 different languages	Source: *Goethe Institut*

Guideline: Social and cultural factors

Social and cultural factors

2. How?

Toolbox: Get support

Government funding/support

List of international skills training providers – for German management or local staff	Source: *GIZ*	The Senior Expert Service (SES) can provide expert local knowledge in developing countries and emerging economies.	Source: *SES*
Alumniportal Deutschland – international network for those who have studied in Germany	Source: *BMZ*	Financial support and global networking opportunities	Source: *BMZ*
Placement of technical and managerial staff in key positions with employers in developing countries and emerging economies	Source: *CIM*	International Corporate Volunteering –staff secondments to help promote sustainable development in developing countries and emerging economies	Source: *GIZ*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Social and cultural factors

Social and cultural factors

3. What next?

Possible next steps

Follow-up activities	
Make contact	Contact expatriates, German companies and institutions in the target country to find out more about social and cultural factors.
Train staff	Before the project is launched, you should consider providing country-specific training for selected staff, e.g. language courses and workshops on business etiquette.

Guideline: Personnel

Personnel

What are the risks?

- Inadequately qualified personnel
- Failure to observe local employment law
- Poor tax and social security planning

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Decide on the basic mix of personnel required for the project
- Find out about employment legislation in the target country
- Identify recruitment options

2. How?

Toolbox: Do-it-yourself

- Information on employee qualifications and recruitment
- Further information on double taxation and medical insurance

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Identify senior personnel
- Recruit additional personnel
- Establish training requirements

Home

Guideline: Personnel

Personnel

1. What?

Risk management tips

Personnel requirements

Start by identifying your basic **personnel requirements**, both in your **own country** and in the **target country**, taking account of the **required skills and qualifications**.

Possible questions to ask:

- What **qualifications** do employees need?
- Do local workers have the required **experience and qualifications**?
- Do you need to recruit people with the required expertise from your own country's labour market (**expatriates**)?
- What should be the ratio between **expatriates and local workers**?

Legal information

You also need to research the **employment law** situation for both expatriates and local workers. It is advisable to seek help from employment and tax law experts.

Possible questions to ask:

- What is the **legal situation** if I want to employ local workers or expatriates?
- What are the rules on **residence in the target country**?
- Are there specific **requirements** for local **employment contracts** and **secondment contracts**?
- Do I need to be aware of any **particular tax or social security legislation** in the target country?

Recruitment

You should now examine the options for **recruiting** personnel in **your own country and the target country** and produce appropriate draft employment contracts/secondment agreements. Once again, it is advisable to seek help from employment and tax law experts, particularly in the case of seconded personnel.

Some possible questions in this context:

- Which **platforms** can I use to recruit local personnel?
- Should I recruit **expatriates within the company or from outside**?
- **How willing** are employees at my company to **work abroad for a lengthy period**?
- **When** will project personnel be **ready to start work** in the target country?

Guideline: Personnel

Personnel

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Global education reports	Source: *UNESCO*	Secondment of employees abroad	Source: *MIA PP*
Country information on literacy rates and unemployment	Source: *CIA*	Working abroad	Source: *Deutsche im Ausland e.V.*
Guide to employing workers abroad	Source: *Funding Circle*	Seconding employees abroad	Source: *DKVA*
Global employment conditions	Source: *Bayme vbm*	Tax rules for seconding employees	Source: *BMF*

Guideline: Personnel

Personnel

2. How?

Toolbox: Get support

Government funding/support	
Help for companies wishing to recruit employees abroad	Source: *Federal Ministry of Labour and Social Affairs (BMAS)*
DEinternational services (Government cooperation and official foreign representation for German business)	Source: *DIHK*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Personnel

Personnel

3. What next?

Possible next steps

Follow-up activities	
Identify senior personnel	Identify senior employees and recruit them for the project.
Recruit additional personnel	Together with senior employees, identify other suitable project staff. Arrange for and hold recruitment/secondment talks.
Establish training requirements	Establish your local staff training requirements and design appropriate training courses to ensure that all employees have the necessary skills and qualifications.

Guideline: Suppliers

Suppliers

What are the risks?

- Failure to harness full potential of regional suppliers in the target country
- Lack of clarity over whether suitable suppliers can be found in the target country

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Make basic decision on geographical location
- Identify potential suppliers*
- Contact suppliers and obtain further information
- Obtain and evaluate offers

2. How?

Toolbox: Do-it-yourself

- Databases, platforms and contact details to help you locate suppliers
- Templates and tools to help you select and evaluate suppliers

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Initiate contractual discussions
- Hold contractual negotiations

*Only for identifying regional suppliers in the target market

Home

Guideline: Suppliers

Suppliers

1. What?

Risk management tips

Basic decision

First of all, you need to make the **basic decision** of whether to work with suppliers in the target country.

Some of the **key questions** to ask here are:

- Will the product be made locally or exported from your own country?
- What functional and other criteria do suppliers need to meet?
- How important are suppliers as part of the value chain?
- What is the general opportunity/risk ratio for suppliers in the target country?
- Does acceptance of your product on the local sales market depend on having a regional supplier?

Identifying suppliers*

The next step is to identify **appropriate suppliers** and draw up a **long list**. If your chosen suppliers lack a regional presence, it is advisable to draw on the **expertise** of other **organisations** that are active in the target country or to attend suitable trade fairs and other events.

Some useful contacts:

- IHK, AHK
- Germany Trade & Invest (iXPOS platform)
- GIZ/DEG
- Business associations in Germany and abroad
- German companies in the target country

Obtaining information

Once you have identified potential suppliers through various channels, you should **request further information** from those suppliers.

Examples of key information:

- information provided by the supplier (e.g. turnover, employees, footprint, pricing model)
- business requirements (e.g. performance, quality production capacity, delivery capacity)
- technical requirements (e.g. software, systems)

Next, evaluate the **replies** you receive from suppliers and use them to draw up a **shortlist**.

Obtaining and evaluating offers

Finally, **obtain specific offers** from the remaining suppliers on your shortlist.

Some of the key points to cover in the tender documentation:

- description of the situation
- guidelines and requirements
- precise scope of the service to be provided, procedures and pricing structure
- offer process and contractual issues

Offers submitted by suppliers should be rated on the basis of a defined evaluation system. You can then select your **preferred suppliers** with a view to conducting further **contractual negotiations**.

Guideline: Suppliers

Suppliers

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Sustainable procurement - opportunities and risks in developing countries and emerging economies	Source: *GIZ*
Integrating supply chains in Africa - insights and considerations	Source: *OECD, African Development Bank*
Overview of advisory institutions in sub-Saharan Africa	Source: *IHK*
Database of German companies operating in sub-Saharan Africa	Source: *IHK*
Doing business in Africa - Overview of partners, campaigns and events	Source: *GTAI*
Overview of key documents to be included in requests for proposals (RFPs)	Source: *Deloitte*

Guideline: Suppliers

Suppliers

2. How?

Toolbox: Get support

Government funding/support	
Platform for coordinating potential business partners	Source: *GTAI*
DEinternational services (Government cooperation and official foreign representation for German business)	Source: *DIHK*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Suppliers

Suppliers

3. What next?

Possible next steps

Follow-up activities	
Initiate contractual discussions	Based on your evaluation of the offers you have received, you should now contact your preferred suppliers and arrange dates on which to start the contractual talks.
Hold contractual negotiations	The negotiations should clarify and provide contractual certainty with regard to any outstanding specifications related to your future business cooperation.

Guideline: Sales channels

Sales channels

What are the risks?

- Lack of clarity over whether suitable local sales channels can be found.
- Inefficient sales channel or sales partner

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Specify your requirements and choose a sales channel
- Identify potential sales partners*
- Make contact and request further information*
- Obtain and evaluate offers

2. How?

Toolbox: Do-it-yourself

- Handbook and checklist to help you choose sales channels and partners
- Business practice and potential partners

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Arrange talks with preferred suppliers
- Hold contractual negotiations

* For sales partners in the target market

Home

Guideline: Sales channels

Sales channels

1. What?

Risk management tips

Requirements

As a first step, clarify your requirements and choose the type of sales channel.

Possible questions to ask:

- **Will the product be made in the target country?**
- **Do I need a partner, or can I sell/distribute the products myself?**
- **What sales/distribution method is required?**

Identifying sales partners

Once you have identified the required sales/distribution method, you need to find a partner in the target country.

Some of the main criteria to consider when looking for a partner:

- **local cultural awareness, i.e. understanding local buyers**
- **experience representing foreign companies**
- **local market knowledge**
- **sector image**
- **knowledge of the language**

Making contact

Once you have identified potential sales partners, you need to make initial contact.

At this stage you should request **further, more detailed** information (i.e. In addition to the criteria listed in point two).

If possible, it is **advisable** to **verify** the information you have compiled. Use your own informal channels to do this.

Obtaining and evaluating offers

When you have gathered all the information you require, you can then go on to request proposals (offers).

The **offers** you receive should be analysed and **rated** on the basis of **predefined criteria** and where applicable **compared** with other offers.

Guideline: Sales channels

Sales channels

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Checklist for selecting a sales channel	Source: *Gvt. of South Australia*
Choosing sales channels – Handbook	Source: *Fraunhofer*
Retail selling in Africa	Source: *Nielsen*
Export sales – possible questions	Source: *BMWi*
Selling and finding commercial representatives – business practice	Source: *GTAI*
Checklist for selecting a sales partner	Source: *World Bank Group*

Guideline: Sales channels

Sales channels

2. How?

Toolbox: Get support

Government funding/support

Events, links and contacts for your business operations in Africa	Source: *GTAI*
Platform for coordinating potential business partners	Source: *GTAI*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Sales channels

Sales channels

3. What next?

Possible next steps

Follow-up activities	
Set up talks	Once you have rated the offers you have received, you can set up talks with your preferred sales partners in order to launch the contractual negotiations.
Hold contractual negotiations	The negotiations should clarify and provide contractual certainty for any outstanding specifications related to your future business cooperation.

Guideline: Sources of financing

Sources of financing

What are the risks?

- Miscalculation of financing requirements
- Insufficient liquidity
- Failure to adapt method of financing

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Establish key project parameters: define project scope and calculate liquidity and cash flow.
- Establish the total volume of financing: calculate the critical amount of financing required.
- Analyse financing options.

2. How?

Toolbox: Do-it-yourself

- Budgeting template
- Financing options
- Funding and development programmes

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Validate financing requirements with line managers
- Validate your evaluation of financing options
- Contact potential financing institutions

Home

Guideline: Sources of financing

Sources of financing

1. What?

Risk management tips

Project scope

Start by establishing the key project parameters.

- **Define the scope of the project by asking the four W questions:**
  - What?
  - When?
  - Where?
  - With whom?
- **Establish a budget for project costs:**
  - Draw up a schedule of personnel costs
  - Calculate other costs
- **Specify the duration of any financing requirements:**
  - Draw up a project plan
  - Calculate your liquidity requirements on the basis of a detailed cash-flow analysis

Volume of financing

Then specify the volume of financing required.

Ask yourself these questions:

- **How much financing do we need?**

  Use your budget calculations to work out the volume of financing required.
- **What proportion of our financing requirements do we need to source from outside the company/organisation?**

  Can we provide some of the required funds out of our own resources?

Financing options

There are various potential sources of financing to cover any shortfall in liquidity. You need to analyse which is the most suitable in your particular case.

- **Some conventional and alternative financing options:**
  - factoring, private equity, debt instruments (bonds), profit participation rights, leasing, etc.
  - mezzanine capital, long-term equity investments, SME capital market, etc.
- **You can also look into the availability of government funding through development programmes operated by the following institutions:**
  - German Federal Foreign Office
  - German Federal Ministry for Economic Cooperation and Development
  - DEG

Guideline: Sources of financing

Sources of financing

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information	
Budgeting template	Source: *Hagen Mgt. Gmbh*
Financing – Where can SMEs turn for new cash?	Source: *Wirtschaftswoche*
Capital for SMEs – Alternative methods of corporate financing	Source: *Bdp*

Guideline: Sources of financing

Sources of financing

2. How?

Toolbox: Get support

Government funding/support

Instruments designed by the German Federal Foreign Office, the German Federal Ministry for Economic Affairs and Energy and the German Federal Ministry for Economic Cooperation and Development to encourage private sector engagement in development countries.	Source: *Federal Government*
Financing investment in fixed assets at a new or existing subsidiary	Source: *KfW DEG*
Protecting export borrowings and investments against the risk of default for economic or political reasons	Source: *Euler Hermes*
DEG programme financing	Source: *KfW DEG*
'develoPPP.de' development partnerships	Source: *BMZ*
The most important financing institutions in the development cooperation sector	Source: *GTAI*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Sources of financing

Sources of financing

3. What next?

Possible next steps

Follow-up activities	
Validate the amount of financing required	Validate your project financing requirements with line managers.
Select financing options	Select the most appropriate financing solution in consultation with line managers.
Contact financing providers	Contact potential financing providers and request a specific financing offer.

Guideline: Financing costs

Financing costs

What are the risks?

- Incorrect assessment of project risks
- Poor credit rating
- Unsustainable financing costs

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Identify all your project risks from a critical perspective
- Assess and minimise project risks – try an alternative approach
- Check your credit rating

2. How?

Toolbox: Do-it-yourself

- Risk assessment template
- Overview of project risks
- Rating strategies for SMEs
- Basel III and ratings

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Validate your assessment of project risks
- Validate the results of your in-house creditworthiness check
- Obtain an external credit rating

Home

Guideline: Financing costs

Financing costs

1. What?

Risk management tips

Identify project risks

Your financing costs will depend on the project risks, i.e. the greater the risks, the higher the financing costs.

The first step here is to honestly identify all the risks associated with the project in each of the four categories listed below:

- **strategic development risks**
- **market situation risks**
- **operational planning risks**
- **financial planning risks**

Risk assessment

The next step is to assess the project risks that you have identified. One useful method of doing this involves plotting the risks on a two-dimensional grid in terms of their:

- **impact**
- **probability**

You can then use this assessment to prioritise the different risks.

Next you can experiment with alternative project approaches with a view to reducing the project risks and therefore minimising your financing costs.

Credit rating checks

Step three involves checking the company's overall credit rating.

Obtaining a 'good' rating (and therefore lower financing costs) will depend on criteria such as:

- **the company's profile and an assessment of the sector in which it operates**
- **market conditions and competitive position**
- **income and financial position**
- **past record of account management**
- **length of customer relationship**
- **strength and traceability of evidence provided to back up of forecasts**

Guideline: Financing costs

Financing costs

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Financing costs – an insight into Germany's SME sector	Source: *Standard & Poors*	Rating strategies for SMEs	Source: *Deutsche Gesellschaft für Krisenmanagement*
Financial portal for the SME sector	Source: *Compeon*	Basel III and rating	Source: *Handwerkskammer Koblenz*
Risk assessment template	Source: *Deloitte*		
Ratings: a 'results certificate' for your company	Source: *DIHK*		

Guideline: Financing costs

Financing costs

2. How?

Toolbox: Get support

Government funding/support

Federal Republic of Germany - Foreign Trade and Investment Promotion Scheme	Source: *BMWi*
Federal Ministry for Economic Affairs and Energy – Market development programme	Source: *BMWi*
DEG project financing	Source: *KfW DEG*
DEG programme financing	Source: *KfW DEG*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Financing costs

Financing costs

3. What next?

Possible next steps

Follow-up activities	
Validate your assessment of project risks	Validate your assessment of project risks and possible changes with line managers
Validate the results of your in-house creditworthiness check	Validate the results of your creditworthiness check with the audit unit and work out suggestions for improvement
Obtain an external credit rating	Contact lenders/government-backed financing institutions and obtain an external credit rating

Guideline: Budgeting

Budgeting

What are the risks?

- No project structure
- Estimated project budget proves inaccurate
- Budget overshoot

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Prepare a workflow plan (project structure plan)
- Plan schedules and milestones
- Draw up a cost and resources plan

2. How?

Toolbox: Do-it-yourself

- Guides to effective budgeting
- Planning, budgeting and forecasting
- Project budgeting tools (Excel)

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Validate your cost/resources plan with line managers
- Analyse the available financing options
- Set up a budget control system

Home

Guideline: Budgeting

Budgeting

1. What?

Risk management tips

Workflow plan

The project structure plan is the first building block of a detailed budget plan.

Ideally, the plan should include every workflow step required in order to achieve the project objectives.

Project structure plans are generally divided into **three levels**:

- **Project title**
- **Project components**
  These are typically the main tasks, functions or phases of a project.
- **Workflow packages**
  A workflow package comprises a number of individual jobs/tasks whose purpose is to achieve the objective.

Schedule and milestone plan

The schedule and milestone plan is one of the most important project communication, planning and control instruments and as such can be used to supplement your project structure plan.

One possible approach to establishing a project schedule and milestone plan involves:

- specifying appropriate **milestones**
- identifying logical **connections** between workflow packages
- establishing the **time needed to process** each workflow package

Cost and resources plan

Building on your project structure plan and the corresponding schedule and milestone plan, you can now go on to plan the costs and resources that you need in order to comply with them.

Some of the recurring elements of cost and resource planning involve:

- **plans for the deployment of personnel**
- **costing**
- **personnel cost planning**
- **planning for and calculating other costs**

Guideline: Budgeting

Budgeting

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Project management handbook	Source: *WorldPress*	Project management templates	Source: *WorldPress*
Project budgeting for development organisations	Source: *PM4DEV*	Guidelines for selecting project management software	Source: *Business News Daily*
Project budgeting for NGOs	Source: *BOND*		

Guideline: Budgeting

Budgeting

2. How?

Toolbox: Get support

Government funding/support

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Budgeting

Budgeting

3. What next?

Possible next steps

Follow-up activities	
Validate the budget	Validate your cost/resources plan with line managers.
Analyse the available financing options	Once you have validated the budget, you will need to research the available financing options. The financing options open to SMEs are shown in the guideline 'Sources of financing'.
Set up a budget control system	Budget control is a key element of the overall budgeting process. Once the project has commenced, you will need to stipulate regular checkpoints so that you can identify budget discrepancies as soon as possible.

Guideline: Currency risk

Currency risk

What are the risks?

- The impact of currency risk on the business has been incorrectly estimated
- Failure to protect against currency risk

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Calculate the potential impact of the exchange rate
- Estimate the impact of potential exchange-rate fluctuations on the business
- Evaluate options for protecting against currency risk

2. How?

Toolbox: Do-it-yourself

- Currency risk factors
- Overview of options for protecting against currency risk
- Documentation on how to manage currency risk

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Verify the potential impact of currency risks
- Validate options for protecting against currency risk
- Contact insurance providers

Home

Guideline: Currency risk

Currency risk

1. What?

Risk management tips

Factors determining the exchange rate

In the first step, you identify and calculate the various factors that determine the exchange rate.

The most common are:

- **historical inflation figures**

  Past inflation trends can give you an overview of price stability in the country.
- **historical exchange rates**

  These can be extrapolated to reveal initial trends.
- **currency futures**

  Currency futures can provide an indication of the future value of a currency. This can help you to estimate the likely direction of exchange-rate movements.

Impact

The second step is to determine whether the exchange rate could have a critical impact on your business.

This involves assessing the four risk components shown below:

- **operating risk**

  Covering all payment flows
- **risk from competition**

  Long-term and strategic risk
- **translation risk**

  This can affect the accounting value of net assets
- **transaction risk**

  Outstanding accounts receivable denominated in the foreign currency

Options to protect against currency risk

In step three you need to analyse the various options available for protecting against currency risk.

Some of the options are listed below:

- **Issue invoices in your own currency**
- **Take out a loan in the foreign currency**
- **Purchase a currency futures contract**
- **Forfaiting (selling your receivables)**
- **Obtain state or private insurance cover**
- **Agreement on another (stable) invoicing basis**

Guideline: Currency risk

Currency risk

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Official exchange rates (LCU per US$, period average)	Source: *The World Bank*
Inflation and consumer prices (annual as %)	Source: *World Bank Group*
What are currency futures?	Source: *Brokerdeal*
Protecting your business against currency risks	Source: *Bizkanal*
Systematic approaches to currency risk management for industrial firms	Source: *PWC*
Currency risk and possible solutions	Source: *Deloitte*

Guideline: Currency risk

Currency risk

2. How?

Toolbox: Get support

Government funding/support	
Potential availability of long-term loans (debt finance)	Source: *KfW DEG*
Additional solutions for conversion, transfer and political protection	Source: *KfW DEG*

Need more help? Find a professional service provider.
Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Currency risk

Currency risk

3. What next?

Possible next steps

Follow-up activities	
Verify potential impact	Discuss and verify the impact of anticipated exchange-rate fluctuations on the business with line managers
Validate chosen method of protecting against currency risk	Validate your analysis of currency insurance methods and where applicable your chosen mechanism for protecting against currency risk with line managers
Contact insurance providers	Contact a number of insurance providers (where applicable)

Guideline: Taxes and duties

Taxes and duties

What are the risks?

- Incorrect assessment of the impact of tax and duty policies on the project
- Failure to choose the most tax-efficient method of sales/distribution and/or legal status for the trading company

Click on the green buttons to work your way through the guideline step by step

1. What?

Risk management tips

- Establish whether taxes and duties are relevant to the project
- Obtain expert advice for the next steps
- Research the target country's tax and duty policies
- Clarify and evaluate their impact on the project

2. How?

Toolbox: Do-it-yourself

- Tax and duty handbook – African countries
- Websites offering tax services
- Guide to choosing the most efficient legal status for trading

Toolbox: Get support

- Government funding/support
- Professional service providers

3. What next?

Possible next steps

- Seek advice from a tax consultant
- Reduce the project's overall tax burden

Home

Guideline: Taxes and duties

Taxes and duties

1. What?

Risk management tips

Relevance

Start by clarifying whether the project is likely to be affected by taxes and duties.

To help with your assessment, ask these three questions:

- **Will the product be exported or made in the target country?**
- **Will production be outsourced or will you operate the plant yourself?**
- **Will you sell/distribute the product yourself or leave this to service providers?**

The taxes and duties payable will depend on your combination of choices.

See Guideline: Sales channels

Expertise

If you lack the in-house expertise, you may need to **find** a suitable **tax expert**.

You can then call on your chosen tax expert to:

- **clarify legal matters**
- **draw your attention to key tax issues**
- **validate your tax calculations.**

Tax and duty policy

The third step is to research the target country's tax and duty policies.

You should examine the target country's tax and duty policies with regard to:

- **company taxation**
- **taxation agreements**
- **value added tax**
- **customs procedures**
- **import duties**
- **general trade policy**
- **business compliance rules**

Impact on project

In step four, you need to clarify the potential impact of taxes and duties on the project.

Based on your assessment of the relevance of the target country's tax and duty policies, you can now examine various **scenarios** to help you gauge their **impact** on key project decisions such as:

- choice of legal status
- company structure
- investment
- financing

For this step it is advisable to seek advice from an in-house or outside tax expert.

Guideline: Taxes and duties

Taxes and duties

2. How?

Toolbox: Do-it-yourself

Publicly available tools and information

Tax information guidelines – key African countries	Source: *Deloitte*
Country overviews with tax information	Source: *African Development Bank Group*
Deloitte Tax Guides	Source: *Deloitte*
Taxation handbook	Source: *KPMG*
Information sheet on commercially imported goods	Source: *GTAI*
The impact of taxation on the choice of legal status	Source: *Freie Universität Berlin*

Guideline: Taxes and duties

Taxes and duties

2. How?

Toolbox: Get support

Government funding/support

DEinternational services
(Government cooperation and official foreign representation for German business)

Source: *DIHK*

Need more help? Find a professional service provider.

Business advisors, accountancy firms, solicitors, tax advisors, etc.

Guideline: Taxes and duties

Taxes and duties

3. What next?

Possible next steps

Follow-up activities	
Seek advice from tax consultant	Given the complexity of rules on taxes and duties, you will need to seek external support. You should obtain comprehensive tax advice to ensure that you cover every area of the project.
Reduce the overall tax burden	Examine legally admissible options and methods for reducing the company's overall tax burden.

Federal Ministry
for Economic Cooperation
and Development

Implemented by: giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Publication details

Published by
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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Eschborn and Berlin

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Acknowledgements
Title page image by Freepik www.flaticon.com

Date
February 2016

GIZ is responsible for the content of this publication.

Commissioned by
German Federal Ministry for Economic Cooperation and Development (BMZ),
Division 114 - Cooperation with the
private sector; Sustainable economic policy
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