

Information | Analytics | Expertise



# IHS COUNTRY RISK

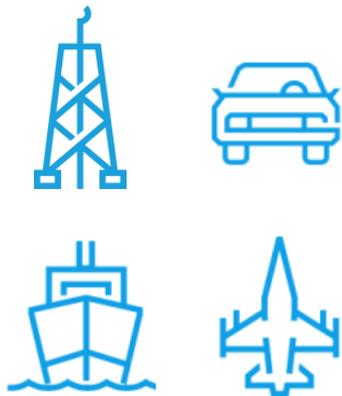
Consulting Services

**Where is the world going?**

**Where is your sector going?**

**What does that mean for the likely success of your current strategy?**

# IHS Country Risk



We reduce uncertainty through **political and economic forecasting** that helps our clients understand where their business is or could be going.

We enable **profitable and sustainable operations** through intelligence-led insight specific to our client's concerns.

We use our **understanding of local dynamics and stakeholders, industry data and market analysis** to help clients develop strategies for both business growth and regional economic development.

This allows us to place **economic and social impact** in the right context and inform strategies to achieve the desired impact.

# We support business critical decisions



# Risk vs Opportunity



# Country Risk and 'Political' Risk

**Political Risk is at the heart of country risk and is when human decisions – not always technically driven – change the direction of policy and the operating environment for our clients.**

**It is when the economic or sector forecasts based on technical data are derailed.**

**We help clients understand where and when these changes are likely to take place to inform pro-active and appropriate mitigation strategies.**

# What changes?

**FISCAL  
TERMS**

**CURRENCY  
CONVERTIBILITY**

**CONTRACT  
CERTAINTY**

**PERSONNEL  
& ASSET  
SECURITY**

**LABOUR  
LAWS &  
LOCAL  
CONTENT**

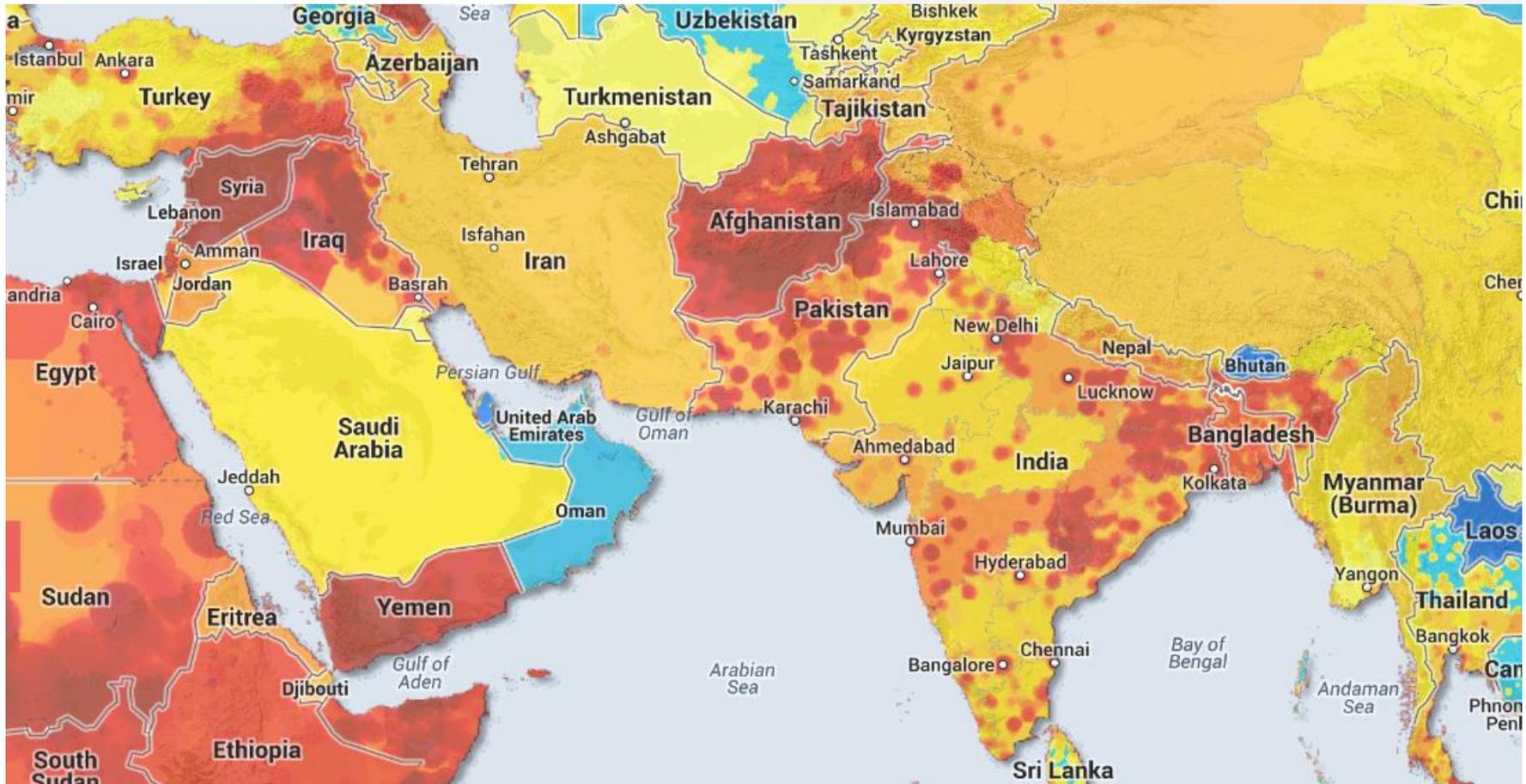
**SUPPLY CHAIN  
RELIABILITY**

**BUSINESS  
CONTINUITY**

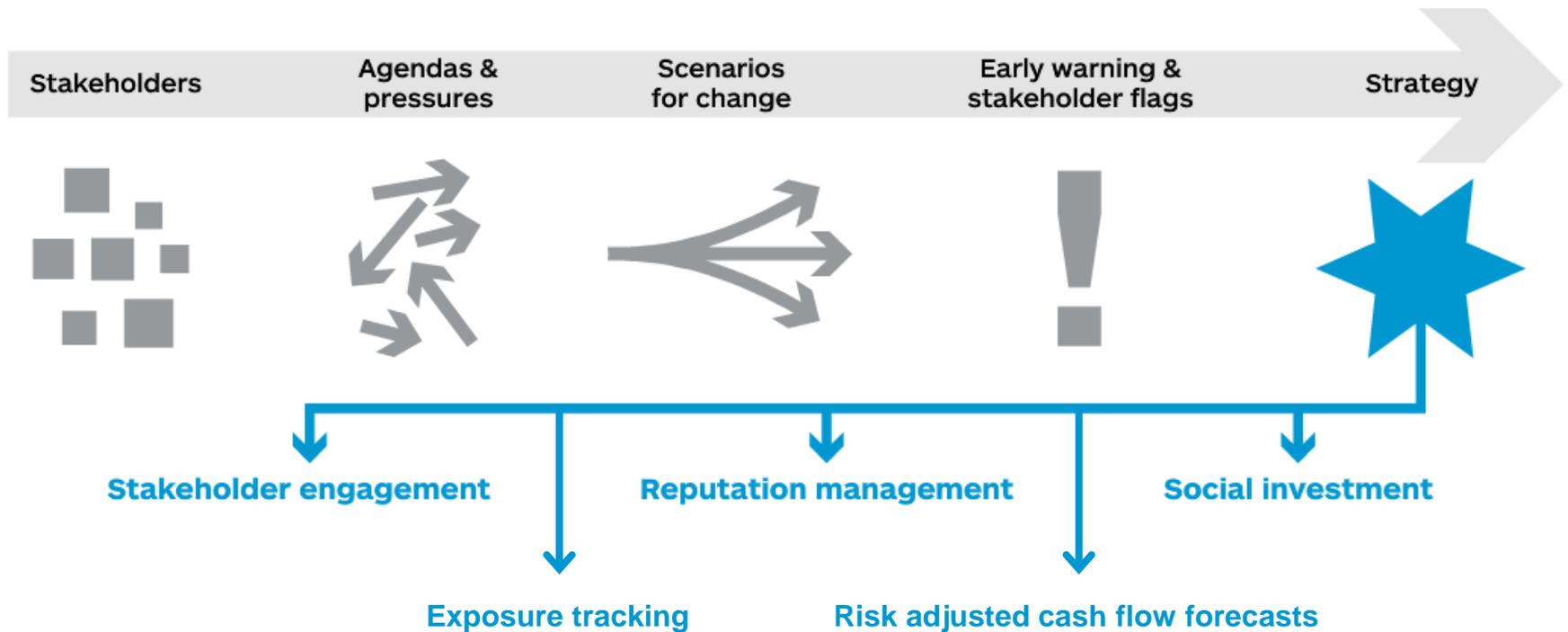
**...COST**

# Where does it change?

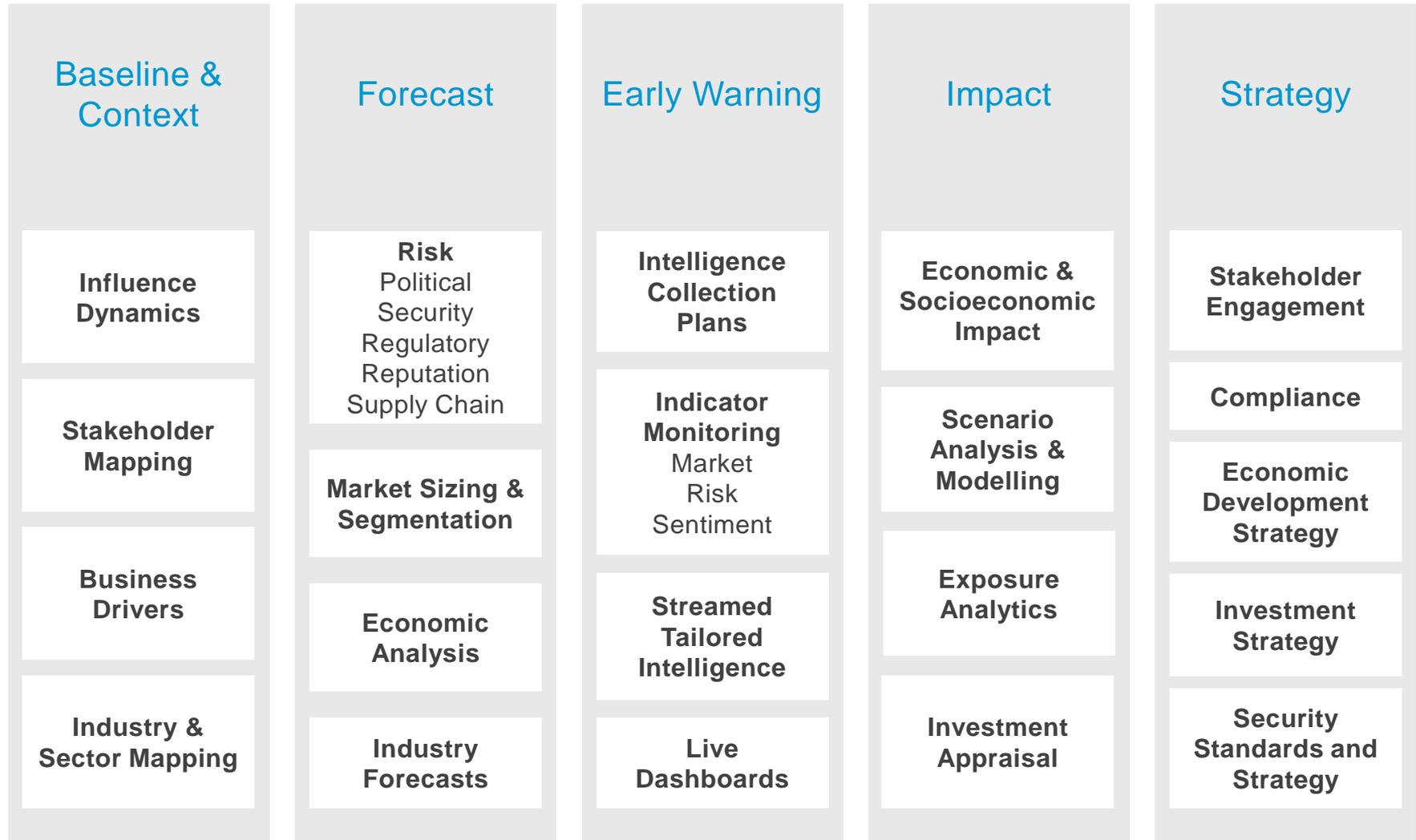
We differentiate outlooks for war, terrorism and civil unrest risk down to 500m2 globally



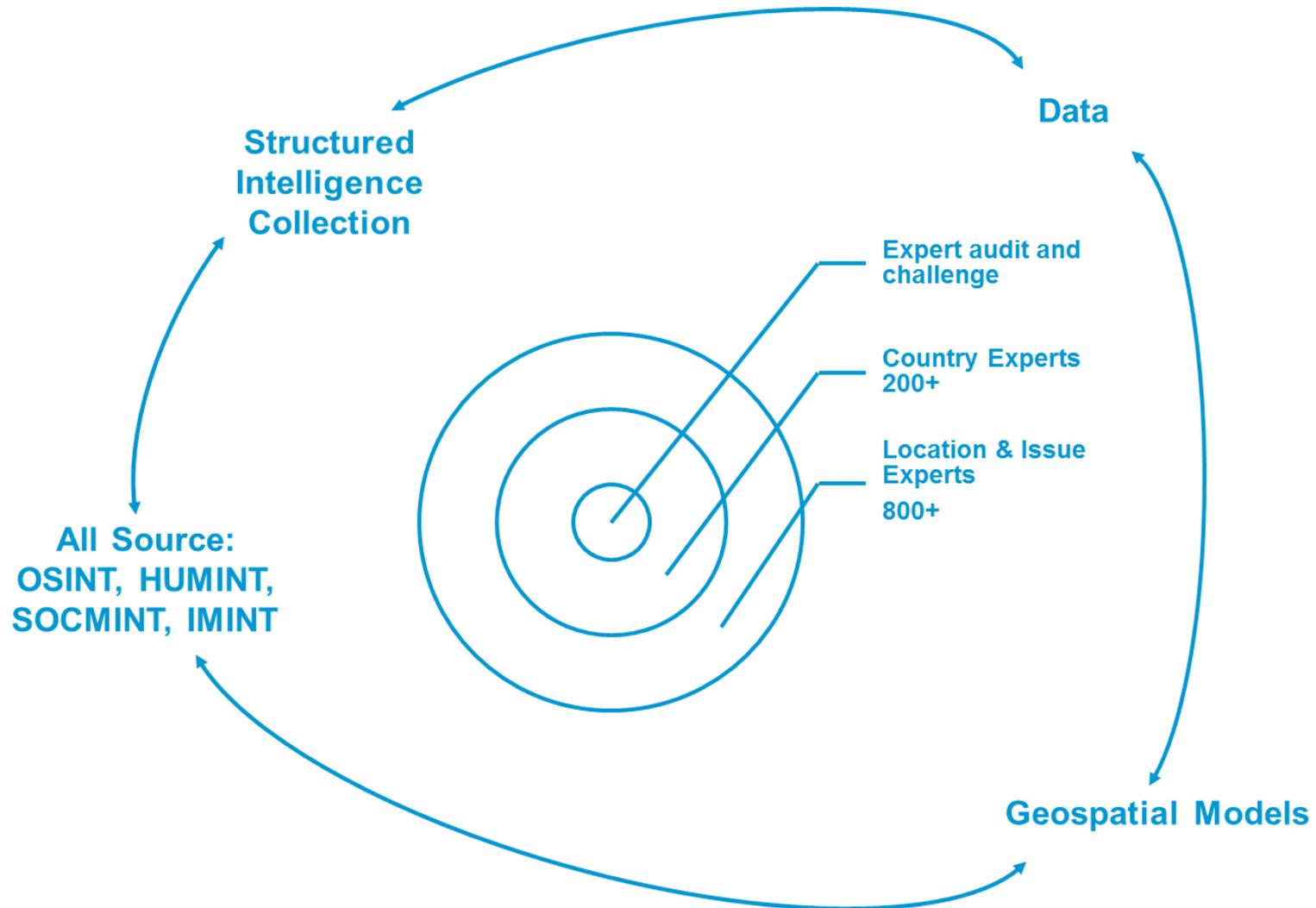
# How do you manage the risk?



# Our customised solutions



# Drawing on our unparalleled expertise and infrastructure



# How we have helped clients

# Market entry

**Client Problem:** A construction company was looking for new opportunities in Egypt at a time when the Muslim Brotherhood were only starting to consolidate their position in government. They were unfamiliar with the key stakeholders active in and with influence over their niche sector and wanted to understand how these stakeholders were likely to change in view of political developments.

**IHS Solution:** IHS identified key individuals, institutions and political and economic power structures that would impact the sectors with direct impact on the client's interests: at a national level to identify how sector stakeholders would be impacted by political shifts; and at niche sector levels to identify stakeholder agendas that were either competitive or potential opportunities for our client.

**Client Problem:** An global retailer was considering entering a new market in East Africa and needed to understand the challenges they were likely to face through the process of starting operations. They specifically wanted greater visibility over competitive issues likely to arise from political linkages of local manufacturers and distributors and the risks this would pose to a successful market entry.

**IHS Solution:** IHS mapped political and sector influence to identify potential conflicts with local actors and their linkages with key political decision makers. We also mapped likely changes to the regulatory environment over a 5-year forecast period. We tested these findings against probable scenarios for political change to assess whether risks would increase or decrease and how this would be likely to affect our client's operations.

# Stakeholder and counterparty risk

**Client Problem:** A country manager with projects in a Latin American country was experiencing project delays as a result of militant union activity. Despite being well established in the country and having significant in-house knowledge, the team was failing to pre-empt union activity and therefore mitigate against project delays.



**IHS Solution:** IHS identified key stakeholders at the national level that the client could engage with to secure government support in resolving their disputes at a local level. At local level we identified key relationships between unions and organized crime and how these were likely to play out in relation to our client's project going forward. This included identification of actors that could help mitigate disruption risks if engaged effectively.

**Client Problem:** A well-known firm of professional liability brokers wished to expand its operations into Russia. It had agreed with a scientific research institute to buy shared ownership of intellectual property rights to certain drugs. However, the client was uncertain whether the agreement was financially and legally sound.



**IHS Solution:** IHS undertook a counterparty risk investigation and discovered the legal process governing transfer of intellectual property rights from the state to the institute had not been properly adhered to. Furthermore, the drugs had been tested in secret trials which raised a reputational issue for the client since Food and Drug Administration ethical conditions were likely to have been bypassed.

# Supply chain and location risk

**Client Problem:** A global mining company was concerned about high risk exposure for an East African operation and needed an independent view of the risks to the supply chain and associated timely development of the project. They wanted a baseline assessment accompanied with ongoing monitoring of risks along the supply chain to inform pro-active risk management.



**IHS Solution:** IHS undertook a detailed assessment of the projects supply chain exposures in the region and identified critical indicators to watch for early warning of increasing risk. Based on this assessment IHS designed an early warning intelligence system for disruption to the regional supply chain through political or violent risks, which delivered regular intelligence on changing outlooks to the client.

**Client Problem:** A government development agency active in Afghanistan in February 2011 was making strategic planning decisions regarding resource allocation between operational geographies. They needed forward-looking assessments of the likely development of security risks in the country and what this would mean for the risk profiles of their operations in different provinces.



**IHS Solution:** IHS developed four realistic scenarios for Afghanistan with detailed assessment of differentiated impacts by geography. Combining qualitative analysis with quantitative risk scoring, based on location-specific intelligence, we could identify which client operations were likely to see significant changes in exposure over the coming 3-year period.

# Investment appraisal

**Client Problem:** A global energy company wanted to develop a system for measuring country risk for a specific investment project as well as broader investment types, in order to risk-adjust cash flow projections as part of corporate risk management.



**IHS Solution:** IHS designed a model to incorporate assessment of country risk directly into the financial evaluation of an investment. The model estimates expected cash flow losses due to country risk, measured as a risk-adjusted NPV/IRR compared to a baseline or as a country risk premium – the increase in an investor's required rate of return to compensate for higher risk.

**Client Problem:** A global mining company wanted better insight into the financial exposures at their operations world wide as a result of political, regulatory or security risk.



**IHS Solution:** IHS developed a mining-sector specific model for country risk investment appraisal. The model estimated expected cash flow losses, measured as a risk-adjusted NPV/IRR, taking into account the specific operating requirements and associated exposures for large-scale mining operations.

# Contact us



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