



# Screening & feasibility studies

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# Overview

1. Why screen investors & projects?
2. How to screen – principles
3. Screening the investor & concept
4. Feasibility studies: what are they & why are they important?
5. What should be included?
6. What is involved in the approval process?
7. What next?
8. Next session: reviewing a business plan



# Why screen investors & projects?

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- Project failure **foreseeable & avoidable.**
- What does 'failure' look like?
  - Benefits don't materialise
  - Negative community impact
  - Enviro damage
  - Wasted govt resources
  - Opportunity costs



# Why screen investors & projects?

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## Key Qs for screening:

- Can the investor deliver on their promises?
  - **Socio-economic risks/benefits?**
  - How to **mitigate?** (better design & approaches)
  - Are the investor's intentions aligned with national development goals?
- Ultimately: translating investment into sustainable development



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**Quick Q:**

*Why might effective screening not happen?*

Technical capacity

Political pressure

Investor pressure

Over-optimism

Corruption/favouritism

Don't want to 'scare away' the investor



# How to screen – principles



## Screening should:

- Use **pre-established objective** criteria
- Have a **clear, transparent & predictable** process
- Have a **broad** focus
- Be done in **stages**:
  1. **Investor & concept**
  2. **Feasibility study & business plan**
  3. **Compliance & due diligence**
- Be **overseen** by a designated (ideally central) agency



# Screening the investor & concept

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## Key questions:

1. Is the investor capable & credible?
2. Is the project aligned with development goals?
3. Is the proposed site suitable?



# Screening the investor & concept



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## Investor credibility & credentials

- Reputation & experience (crop & country/region)
  - Financial capacity
  - Competence of senior management
- Mostly desk based
- Use online resources & contacts





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**Quick Q:**

***What do you look at to determine project alignment with development goals?***

National development plan

Ag sector strategy

Budgets

Infrastructure planning

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**Quick Q:**

***What do you look at to determine site suitability?***

Mapping

Land use & tenure

Local govt reports

Infrastructure

Previous EIAs

Weather records

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# Feasibility study & business plan

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- If investor is credible & capable, the site is appropriate & the project aligned with DGs...
  - Is the project likely to be a technical & financial success?
  - What are the socio-economic benefits & risks?
  - How can risks be mitigated?



# What is a feasibility study?

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*Feasibility study:* economic & technical viability of a proposed project:

- Address key social & enviro factors undermining project viability
- Turned into a business plan for ongoing operations
- Conducted by investor, verified by an independent expert





# What happens when the FS is not done properly?

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- 50% of projects fail: “concept was fatally flawed, e.g. wrong location, wrong crop, or over-optimistic planning assumptions.”
- Two thirds of these were ‘knowable’:
  - i.e. Poor feasibility studies and business planning.
- 1/4 of investors use <10% of land acquired

Sources: World Bank & UNCTAD



# Some examples

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- **Poultry in Gambia**
  - No market for Gambian eggs in the UK.
- **Coffee in Vanuatu**
  - Plantations established in cyclone zone.
- **Rice in Ethiopia**
  - An “unexpected” native bird population...



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**Quick Q:**

***Why would an investor not conduct an adequate FS?***

Govt does it

Box ticking

Taking over brownfield

Asset speculation

Only partial implementation of BP

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# What should be included in the FS?

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## Technical feasibility

- Climatic suitability
- Water source & reliability
- Soil testing
- Sourcing of inputs e.g. machinery, seeds
- Output assumptions
- Farming practices
- Realistic phasing





# What should be included in the FS?

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## Economic & financial feasibility

- **Markets:** domestic, regional, internat.—accessibility
- Historic **demand** & projections
- **Financial assessment**, cash-flow, income statement, balance sheet forecasts.
- Primary sources of **funding** & contingency funds
- **Compliance** costs: consultations, ESIAs, community development programs.



# What should be included in the FS?

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- Full environmental & social impact assessment
  - Environmental & social risks identified & management strategy.
- Business model.
  - How does it share value?
    - Out-growers, processing, linkages, shared infra.
  - NB risks of new cultivation



# What should be included in the FS?

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- **Approach to consultations with communities and other stakeholders**
  - **Community consultation plan**
  - **Intention to integrate results**
- **HR & staffing plans**
  - **Numbers & composition (locals, women, youth)**
  - **Recruitment strategy & employment policies (e.g. pay, O&S, permanent/casual/seasonal)**



# What should be included in the FS?

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## Potential to deliver broader social & economic benefits:

- Community development agreements or programs
- Local sourcing commitments
- Gender equality strategy
- Upskilling of local staff
- Technology transfer to out-growers





# Feasibility Study approval

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## Approaches

- Specifics depend on local institutional arrangements.
- Review team: financial, legal, agribusiness, land, tax, business planning, community engagement, enviro specialists.
- Ask Qs, clarification, more information from investor
- Require changes to be incorporated
- Seek external advice & support where needed
- Final FS converted into business plan for operational use



# The overall approach to screening

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... unfortunately, there is no perfect system or checklist that can be applied to all investments.

- Maximise information
- Rely on external expert opinion, where possible
- Ask questions!
- Learn from other countries
- Use evidence of failures to convince senior decision makers



# Final points

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Screening does not end with approval of the investment....

- Phase 3: formal compliance with legal requirements & due diligence
- Ongoing monitoring & enforcing adherence to commitments.
- Material changes to the operation should require an update to the business plan, notification or re-approval.

**Questions, comments,  
experiences to share?**



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# Group exercise

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## Instructions

- Groups of 4
- Review the sample business plan
- Discuss:
  - Is any information missing?
  - What questions would you have for the investor?
  - Would you proceed further with this proposal?
  - How would you advise decision-makers?
- Be ready to report back to the group