

**U.S.-AFRICA INFRASTRUCTURE CONFERENCE**



**SEPTEMBER 27-29, 2006 • WASHINGTON D.C.**

**Managing Commercial Risk**

**September 28, 2006**

# Supporting the Project Lifecycle



## Challenges

### **Availability and accuracy of information**

Corporate filings

Litigation and property records

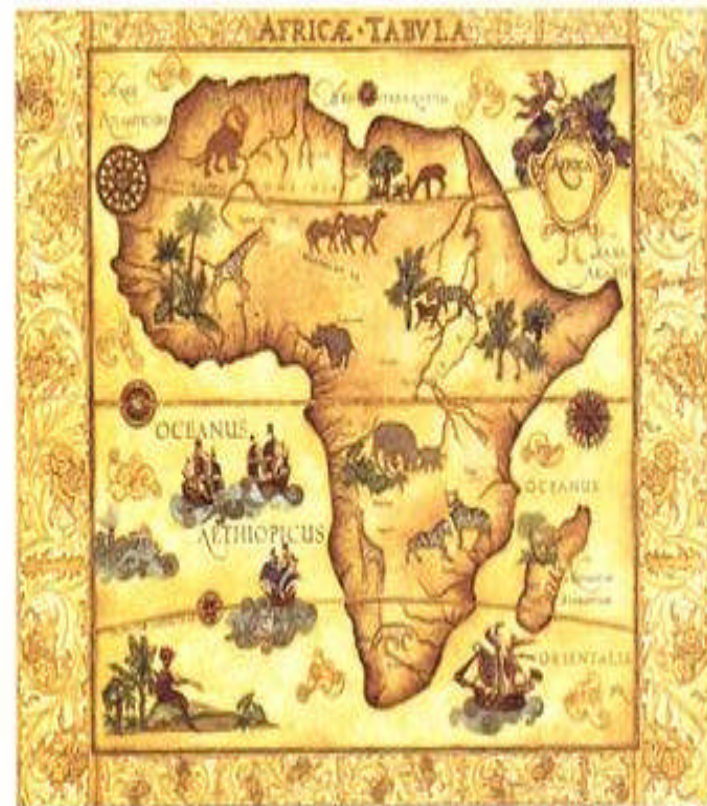
Financial Information

Press articles

### **Broad network of contacts essential**

No substitute for source enquiries

Reputational and ethical considerations



## Considerations

- Political structures, environment
- Political, social, tribal links of key individuals
- Regulatory climate, implications, decision-makers
- Risk assessments
- Country knowledge
- Short- / medium- / long-term outlooks



## Case Study: Power in East Africa

### • BACKGROUND

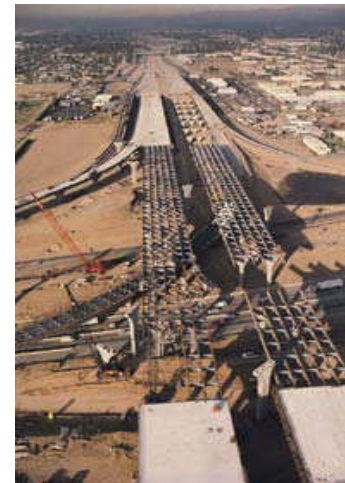
- Client considering major investment in East African power project
- Project dominated by controversy, NGO criticism, corruption allegations
- Client concerned about reputation of partner and partner's intermediary

### • CONTROL RISKS APPROACH

- Due diligence on partner, a European company with solid emerging markets track record
- Due diligence on local agent, a highly connected and successful businessman
- Investigation into the political forces behind the project and questions of transparency

### • FINDINGS

- Partner had been involved in corruption but maintained its reputation
- Intermediary highly connected in African and Libyan intelligence circles
- But political will behind project good
- Profile and expertise of intermediary an assurance against risk



## Case Study: Oil in Nigeria

- **BACKGROUND**

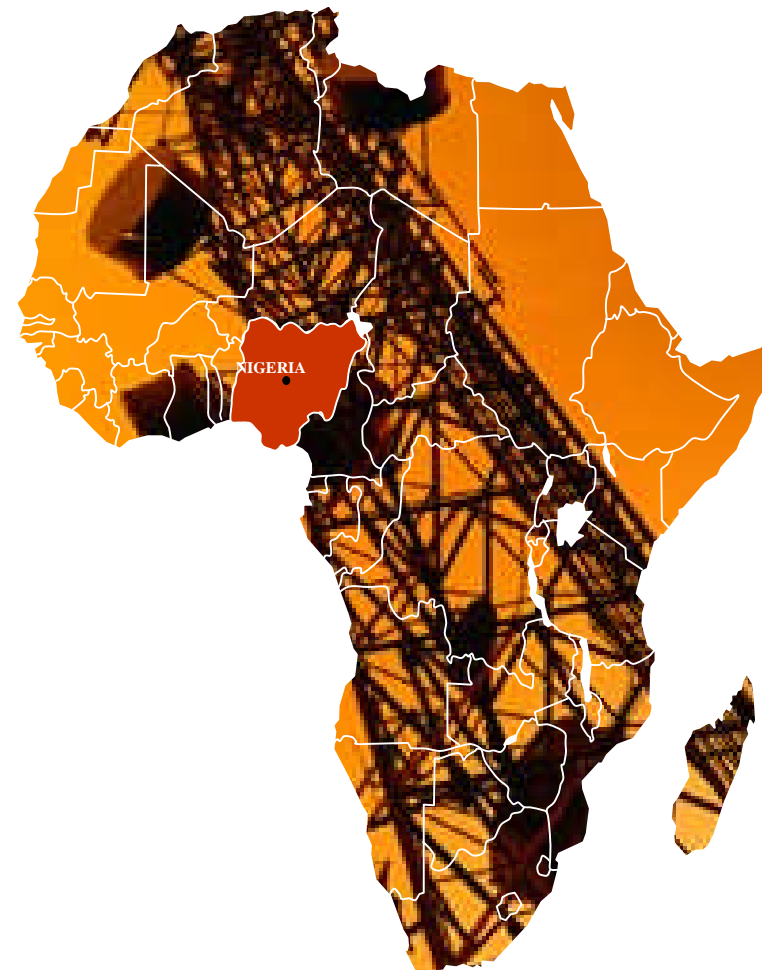
- Client considering oil industry JVs with number of indigenous companies
- Track record and oil licence awards a key issue: potential for contract reversals
- Question of political links and their implications

- **CONTROL RISKS APPROACH**

- Due diligence on companies and their principals
- Enquiries into current, former political connections
- Enquiries into corruption crackdown and implications

- **FINDINGS**

- Company with best business prospects also very prominent
- Principal a well known front man for former President
- Questions of 2007 election and potential for negative publicity
- Questions of partner's political influence



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