

INTERNATIONAL EXPERIENCE IN RISK ASSESSMENT FOR BUSINESS PLANNING

Business planning is the most important function of management that ensures the systematic achievement of the goals or the organization's mission. Currently, having a clear and economically reasonable business plan in the face of increasing competition is one of the key factors for business success. The preparation of such a document requires the coordinated and joint participation of all services and employees in the organization.

The structure of business plan depends on a branch of business and different purposes. There are a lot of national standards for a presentation the projects of business plan. Nevertheless, some standards have been adopted in the world, according to which it is better to structure business plans, analyze the data and make calculations: UNIDO, standard of International bank for reconstruction and development (The World Bank), methods of the "big four" – KPMG, EY, Deloitte, PWC – the largest consulting and audit companies.

The most popular standard for compiling business plans is the UNIDO (United Nations Industrial Development Organization) standard. Its peculiarity is that the structure offered by this standard is suitable for most types of business. The business plan compiled according to the structure of the UNIDO standard is suitable for the presentation to an investor or a partner when developing business plans for obtaining a loan, filing documents with the bank or in a fund to receive a grant.

According to UNIDO standard, the structure of the business plan should consist of the following items:

- Summary;
- Description of the business idea;
- Description of goods or services;
- Review of the competitors' analysis;
- Analysis of the target market;
- Marketing plan;
- Production plan;
- Organizational plan;
- Financial plan;
- Project Effectiveness Evaluation;
- Risk analysis;
- Annexes.

Risk analysis paragraph gives a brief description of the possible risks, ways to minimize them, and possible force majeure.

The most common methods of evaluation risks in the business plan are sensitivity risk analysis (qualitative) and Monte Carlo simulation (quantitative).

In Lebanon the most dangerous risk is a country risk which includes a very high level of a corruption. Doing business in Lebanon has been increasingly difficult in recent years. Lebanon has regressed in global ranks from 104 in 2012 to 133 in 2018 and now has a very dangerous crisis in political, economical and social spheres. Even before the crisis of 2019-2020 years Lebanon's business environment shows that businesses face difficulties across their entire lifetime, i.e. starting a business, finding a location, financing, and settling disputes. No serious reforms have been made since 2012 to improve the business environment (other countries (trade partners of Lebanon) make on average 7-8 changes per year to improve across the doing business dimensions).

Lebanon's business environment has not been conducive for doing business mainly due to an ineffective government in drafting and passing laws, the perceived corruption, and the high cost and complicated procedures associated with doing business in Lebanon

Up to 50 % of companies rank government instability, corruption, and inadequate supply of infrastructure as the 3 most problematic factors for doing business in Lebanon.

The risk of perceived corruption of the government confirms this fact – Lebanon lost 20 places since 2012 on the corruption index. Corruption is considered the second most problematic factor for doing business in Lebanon: 42 % of firms report expecting to give a bribe when applying for a construction permit, 30 % to secure a government contract, and 12 % for an operating license

Complicated procedures of starting the project with multiples stakeholders are numerous, lengthy and involve many stakeholders. This is best exemplified by the 8 procedures to start a business, 19 to handle construction permits and the 20 payments per year for tax purposes, all of which are considerably higher than regional averages.

Procedures are costly. For example, starting a business is 42 % of income per capita compared to a MENA average of 19% and OECD average of 3 %; import border compliance costs approximately 700 dollars (USD) compared to an OECD average of approximately 110 dollars (USD); building permit tax disbursed to the municipality stands at 6300 dollars (USD).

All these facts force to pay a very big attention to business plan and the risk analysis paragraph in Lebanon.