Domestic and Foreign Risk Management Practice for Investment Projects

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Abstract: In the modern world, investment projects are the most important tools for programtarget management, in the development and implementation of which the most significant aspect that determines the final result is an effective risk management system. The article discusses the features of domestic and foreign risk management practices for investment projects that have developed in the modern management environment. The theoretical and practical foundations of various methods and techniques for assessing the risks of investment projects and tools for minimizing them are analyzed. Based on the analysis of the application of methods for assessing the risks of investment projects, recommendations were developed to improve the Russian practice of their use.

Keywords: investment projects, risk management, project risks, project management, risk management methods.

An investment project is a socio-economic solution, the implementation of which is based on direct injections in the form of investments. Any investment project must be economically justified by drawing up design estimates indicating the period and volume of capital investments. To evaluate investment projects, payback indicators are used, which characterize the speed and volume of profit) and riskiness (which characterize the probability of receiving the planned profit in full). The riskiness of the implementation of an investment project is an extremely complex assessment tool, since it is associated with forecasting and measuring the likelihood of consequences that may in some way affect the final result of the project. The implementation of investment projects is always associated with a certain set of risks, which are extremely important to identify at the project development stage, which will subsequently allow determining an effective strategy to reduce the predicted negative consequences if they occur. The riskiness of the implementation of investment projects is explained by the complexity of this process, as well as by the large number of its participants. Accordingly, with the increase in the number of stages of project implementation and the expansion of the circle of its subjects, the process of identifying and preventing the onset of risks becomes more complicated.

Most researchers agree that there is practically no difference between risk and uncertainty and these concepts are similar.

However, despite the close relationship, these concepts are actually not similar. Uncertainty means, first of all, the lack of any information about the conditions under which the investment project will be implemented. The risk is a consequence of such uncertainty in case of impossibility of its complete elimination. In a general sense, the risks of investment projects are understood as a set of probabilities of the occurrence of those events that will entail negative

consequences in the form of a complete or partial loss of investment. Depending on the cause of occurrence, the risks of investment projects can be classified into the following types:

➢ economic (associated with general trends in the development of the national and world economy);

➢ technological (characteristic mainly for investment projects at industrial complexes, associated with the reliability of technical equipment, the pace of its modernization, the level of automation, etc.);

➢ social (associated with various social processes, the nature of which is determined to a greater extent by the human factor, and to a lesser extent by the directions of the state social policy implementation);

➢ political (associated with changes in the general political course of the development of the state, the adoption of government decisions that can affect the implementation of the investment project);

➢ legal (closely related to political risks, but differ from them only in their normative nature - the implementation of investment projects is largely influenced by such legal aspects as changes in the key interest rate, the amount of customs duties, the procedure for licensing various types of activities, etc.);

➢ material and financial (associated with the quality of the supplied equipment, timely receipt of funds, etc.).

Also, the risks of investment projects are classified on the basis of scale into systemic, that is, those that are characteristic of the current socio-economic situation as a whole and do not depend on the specific actions of the project participants, and non-systemic - those that are always directly related to the investment object and the actions of the project participants. .

It should be noted that the management of non-systemic risks is a simplified process, since due to the direct relationship between the actions of project participants and the likelihood of risks occurring, the scope of tasks at the risk identification stage is significantly reduced.

Risk management methods for investment projects are a set of ways to reduce the degree of uncertainty in the occurrence of identified risks. All risk management methods for investment projects can be conditionally divided into risk assessment methods and operational management methods. Among the classical methods for assessing the risks of an investment project, one can single out sensitivity analysis, the Monte Carlo method, event tree modeling, among the methods of operational management - the diversification method and the real options method. The first group of methods is the mechanisms identification of risks and development of a strategy for their prevention or minimization of negative consequences upon occurrence, and the second - a set of measures implemented at various stages of the project, depending on the dynamics of changes in the input data.

The sensitivity analysis of an investment project is the calculation of the net present value (NPV). As part of the sensitivity analysis, an assessment is made of the degree of influence of various cash flow parameters on the size of NPV. In cases where the variability of the cash flow parameters is a high degree of fluctuation, there is a high probability of the risk of the investment project occurring. The result of the sensitivity analysis is not only the determination of the degree of dependence of the project on the conditions and factors associated with its implementation, but also the determination of the marginal changes in the values of the factors that are permissible during the implementation of the project. Although sensitivity analysis does not assess risk in quantitative terms, it allows you to assess the amount of information needed to develop a strategy for preventing risks and minimizing negative consequences if they occur.

The Monte Carlo method is based on the variable selection of random variables based on the distribution law, from which one can obtain estimated indicators. The result of this risk

management method is a distribution series of an estimated indicator (in most cases, NPV), which depends on the generated values of random parameters. For the resulting distribution series calculate the variance, standard deviation, coefficient of variation and other indicators that are used as a measure of risk. To calculate all these indicators for a series of data, electronic computers are often used at present.

Event tree modeling is a prediction of various scenarios of the development of events during the implementation of the project, which, presumably, may occur with different probabilities, which distinguishes it favorably from the Monte Carlo method and sensitivity analysis. The tree of events, as a rule, is presented graphically, on its "branches" the probability of a certain outcome is indicated, and at the ends of the "branches" - "leaves" - the value of the desired indicator is indicated. Through the decision tree, the change in NPV, the discount rate of interest, the payback time of the project and other indicators can be predicted.

Investment project risk assessment methods are significant, but only auxiliary risk management tools. One of the methods of direct risk management of investment projects is diversification, which is understood as the process of dividing investment funds between various investment objects that are not directly related to each other. The purpose of applying this method of risk management of investment projects is to reduce the likelihood of risks and loss of funds. Another method of implementing direct risk management measures for investment projects is the use of real options. The concept of real options comes from the sphere of financial markets and includes the right of the owner to perform a certain action in the future. The real options tool allows you to change the course of implementation of the investment project and insure strategic risks. The possibility of using real options directly depends on the degree of flexibility of the investment project activity, because when using them, It assumes a change in the conditions for the implementation of the project (for example, suspension of its implementation, withdrawal from the project of one of the participants, changes in the scope of the project, etc.).

Thus, we can conclude that the investment project management process involves the use of two groups of methods: risk assessment and the implementation of direct impact measures. Despite the fact that the risk management processes of investment projects are based on the same principles and combinations of tools, approaches to the implementation of such management differ in different states. The nature of risk management of investment projects in the Anglo-Saxon countries is characterized by a combination of risk assessment methods and the implementation of measures of direct impact on the project implementation process.

For example, the large American company Amazon, when implementing investment projects, uses at least eight risk assessment methods, the priority of which is the event tree modeling and the Monte Carlo method, and also develops behavior strategies in the event of risks for each of the situations modeled in the process of building the event tree. . One of the largest companies in the UK, HSBC Holdings, when implementing investment projects, uses a mechanism of differentiated risk insurance for each individual scenario for the development of its implementation process.

The countries of the Romano-Germanic group in the process of managing the risks of investment projects resort to a predominantly operational method of management, paying less attention to planning and forecasting risks. For example, the largest automotive German automotive concerns Volkswagen AG and BMW AG at the stage of developing an investment project focuses on planning measures for an operational change of tactics and strategy for its implementation, because they demonstrate greater efficiency in a dynamically changing socio-economic situation, attempts to predict which in practice show less efficiency. In matters of developing strategies for the application of rapid response measures in the event of a change in socio-economic conditions, companies in this group of countries mainly use methods of investment differentiation, which make it possible, with a high degree of probability, to receive a certain minimum of planned profit.

Both Anglo-Saxon and Romano-Germanic countries are characterized by a continuous and extended nature of risk management in the implementation of investment projects: risk analysis is carried out on an ongoing basis and covers all possible outcomes of the project and associated risks.

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