MedTOWN

Social Business Incubator

Cooperating across borders in the Mediterranean (ENI CBC MED)

Feasibility Study

Co-production, a model for fair and sustainable societies

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This training material has been produced with the support of the European Union as part of the Mediterranean Program (ENI CBC MED), which is implemented by the Jordanian Hashemite Fund for Human Development (JOHUD). Sarh International Center for Consultancy and Training is held accountable for the content of this document herein. It does not reflect the views of the European Union, the Mediterranean Program (ENI CBC MED) or the Jordanian Hashemite Fund for Human Development (JOHUD).

Co-production, a model for fair and sustainable societies

Icebreaking

Rules of the workshop

- The feasibility study, in general, is a study needed by the owners of different projects, in order to assess the capabilities and possibilities of the project's success and its implementation on time without wasting a lot of effort, money and time in the project.
- The feasibility study provides you with the answer to all your questions revolving in your mind during the implementation of your project, and the most important question is, can the feasibility study implement the idea of the project or only study it?

What is a feasibility study?

It is one of the main components of the project study in general, focusing on measuring profitability of your project.

It also identifies the sources of financing and the proposed financing structure for your project, such as capital and loans.

Before you start conducting the feasibility study, you must complete the marketing feasibility study that shows you the value and volume of potential sales, in addition to completing the technical feasibility study, through which you can determine the elements of investment costs.

These studies show you everything that is spent on your project from its inception until the first milestone, in addition to determining all production costs and the cost of each item.

After completing the examination of the previous studies, we study the financial feasibility, through which we put all the results of marketing feasibility and technical and engineering feasibility in tables that show you the financial revenues and the costs that you bear until you obtain these revenues and work on analyzing them.

What are the objectives of the financial feasibility study for projects?

1. Help you understand the project implementation path and conduct various feasibility studies.
2. The financial feasibility study clarifies everything related to the financing decision-making processes for investment projects.
3. Explains the different methods and criteria that help you evaluate and implement your investment.
4. It works on reviewing and analyzing the data. All results must be discussed at the end of the project study. It is the core of the project to assess the possible risks and changes in the market, in addition to reviewing the project's conditions as a whole and the economic conditions before starting implementation.
5. It also includes studying the stages of the project from its beginning to the end to be completed as quickly as possible through a flexible plan that includes all the tasks necessary for the project until they are scheduled in order on the day and date specified for the implementation of the project.

Steps to prepare a financial feasibility study for a project

First: Market Research

This process identifies supply and demand in the market, which is done by carrying out a study to identify the target audience in addition to the quantities consumed and the increase and decrease in the demand.

In addition to learning the marketing share of the project by making a comparison between supply and demand and determining the volume of sales, taking into account the pricing and quality policy of the product and the method of product promotion and distribution.

Second: Technical feasibility study

This study includes identifying fixed assets, devices and tools necessary for product manufacturing operations, in addition to determining the inputs represented in the production requirements of manpower, raw materials and public facilities that the project must provide, as well as determining the production process in terms of production stages to the storage process and determining the time period of the production cycle to obtain the quantities produced from it.

Third: Financial study

This study is able to calculate the total project costs, by collecting the capital, foundational and operational costs, in addition to determining the amount of investment, then calculating the total monthly profits expected to be subtracted from the monthly operational costs from the monthly return.

The net profit from the monthly is calculated by subtracting it from the total monthly expenses from the monthly return.

Then a cash flow schedule is developed by determining the external and internal cash flows of the project during a specified period of time.

Financial tests are also carried out to measure the financial feasibility of the project through:

1 -Calculating the break-even point.

2- Knowing the return on investment.

What are the benefits of a financial feasibility study?

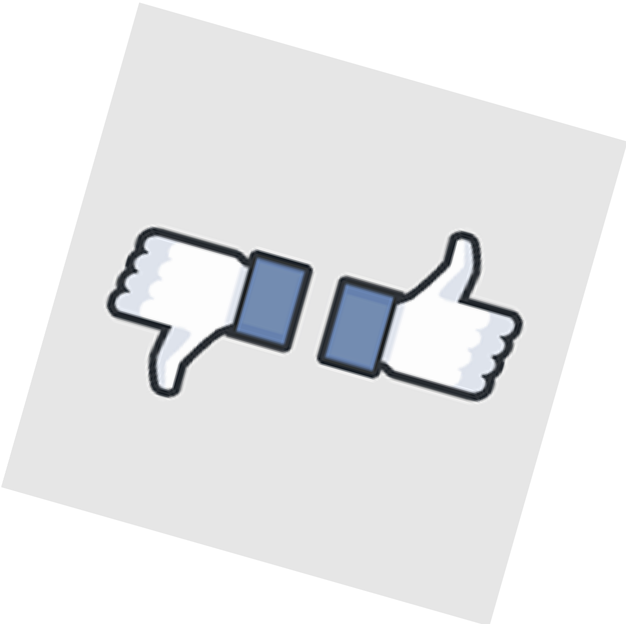
1. The financial feasibility study, in all its analyses and procedures, depends on the result of other feasibility studies of the project represented in the economic, technical, social, marketing and other studies, within the framework of the interrelated relations between the various feasibility studies.
2. It tabulates the results obtained from other feasibility studies and puts them in specific tables and analyses in order to highlight the costs and revenues of the project and the corresponding benefits.
3. One of the most important results of these tables and financial analyses is to reach the tables of cash flows that ultimately give the net cash flows of the project, as the basis for evaluating the project from

the investor's point of view is the donors and financiers of the project.

4. The result of the financial feasibility of the project can be reached by measuring the net cash flows through various analyses of the cash flows inside and outside the project.
5. The financial feasibility study of the project determines its financing structure, as it is a group of different financing sources to cover the investment costs of the project.
6. The financial feasibility study determines the extent of the ability to fulfill obligations, by preparing special estimates for investment and operational costs and revenues during the useful life of your project, in addition to the extent to which the project is able to recover the capital investment costs borne by the project.
7. The ideal tool to distinguish between various investment projects by calculating the net present value of the project and its return. It determines the estimated financial statements for the project and contributes to monitoring the implementation of the project by comparing the actual expenditures with the financial statements, as it is ultimately responsible for rationalizing the client to take the most important decision.

How to prepare a feasibility study

Is my project feasible?



Description of products and services

What products will you provide (a precise explanation of each product)?

What are the unique characteristics of your products or services?

What is the added value of your products?

How will the customer benefit from your products or services?

The effect of technology

Does technology have any negative effects on your products or services?

Does technology have any positive effects on your products or services?

Will your products or services be affected by technology in the near future?

How will you employ technology from your advantage and benefit from it?

The market

Who is the target group?

Who are the future competitors?

How big is the total market? (domestic - international(

How much of the local products make up the market?

How much is imported products from the market?

Exercise

Product/service market

How much was the demand in the past years?

Is demand more than supply or vice versa?

What are the customer's purchase motives?

Why would the customer choose you (what sets you apart from your competition)?

Marketing strategy

What marketing methods will you use?

Are the marketing methods used commensurate with the target group?

How do you differentiate yourself from your competitors?

Exercise

Company and staff

How many employees will you need in the first three months?

How many employees will you need in the first six months?

How many employees will you need in the first year?

What is the organizational structure of the company?

What are the tasks of each employee?

What kind of competencies will you need for each job?

Guidelines for carrying out a feasibility study

1. Description of the proposed project: This part provides the name of the project, the proposed activities, owners, location, legal form, and activities of the project.
2. Market: It depends on the size of your market, and the volume of your sales and services.
3. Staff and its organization: The distribution of roles in the production process is a factor of success.
4. Project needs: Any project, whether large or small, has certain needs that must be met in order for the project to

succeed and to extract the factors of success or failure of any project.

Therefore, the project and production processes must be known in terms of: What do production processes include from start to finish?

What resources do you need, where can you obtain them? and what skills do you need?

Will buy products and why? What are the problems that you could face? What advice would you give?

Technical department

Where is the project located?

Is the location of the project appropriate?

Is the location of the project commensurate with the target group?

What materials will you need to produce the product or provide the service?

What tools and machines will you need to commence work?

To operate the project, you need to:

Production: Who are the workers and what will they work on, and what is the volume of production?

Finance: Who will handle financial transactions and who is responsible for buying and selling?

Management: Who will be responsible for suppliers, debt registration, purchases and sales.

Determine project costs, whether fixed or variable.

Determining the unit cost, and the respective competitive price.

Here you should have the following questions:

Who are your competitors?

How much does it cost to sell similar products to theirs?

How much do they sell?

Is the selling price of your product competitive?

Business model

How will you present your products or services?

How will you distribute it?

How will you price it?

How will you collect the profits?

What value will you get? only profits?

Ability

Do you have sufficient skills to implement the project?

Can you provide materials and tools to implement the project?

Do you have enough experience to complete the project?

Can you save enough money to start the project?

Exercise

Financial projections

The costs in any project are divided into:

A - investment costs:

It is all that is spent on the project from conception to the first normal operating cycle. These costs represent investment expenditure from which the project will benefit for more than one year during the life of the project. It includes all the costs of establishment previously mentioned in the technical feasibility, in addition to the interests of long-term loans.

B- Running costs:

The short-term costs include operating supplies costs for one cycle, wages, salaries, fuel and energy.

Calculating costs:

1- Fixed costs.
2- Variable costs.

Total cost:

Fixed cost + variable cost.

Sources of investment financing:

Projects are financed from multiple sources, one or more of which covers the financial obligations necessary to establish and operate the project.

These sources are:

The capital owned by the project owner.

Loans from different banks or financial institutions, and they may be long-term loans of more than five years and short-term loans of less than one year.

Returns from the project: includes project returns, the value of each of the project's main and secondary outputs by the market price.

Lifetime of the project, which is the number of years in which the project operates.

Income

Profit

Income - Cost

Breakeven point

When will you get back your capital?

Profitability

The rate of return on capital: This rate reflects the relationship between net operating profit and total assets, as the higher this rate indicates the good use of financial resources by the management in an efficient and effective manner. Return on investment = (net profit / capital) x 100%

Net profit / captial

Exercise

Capital requirements and strategy

What are the expected revenues or assets for the proposed business in order to secure financing?

What are the funding sources that you will adopt?

How much funding will the company need (capital) and when?

What is the debt-to-equity ratio that will be financed?

When do investors start reaping returns? What is the expected return on investment?

Important risk factors

What are the internal characteristics of the company?

What are the external characteristics of the market?

What are the economic forecasts?

What is the impact of changes in regulations and laws?

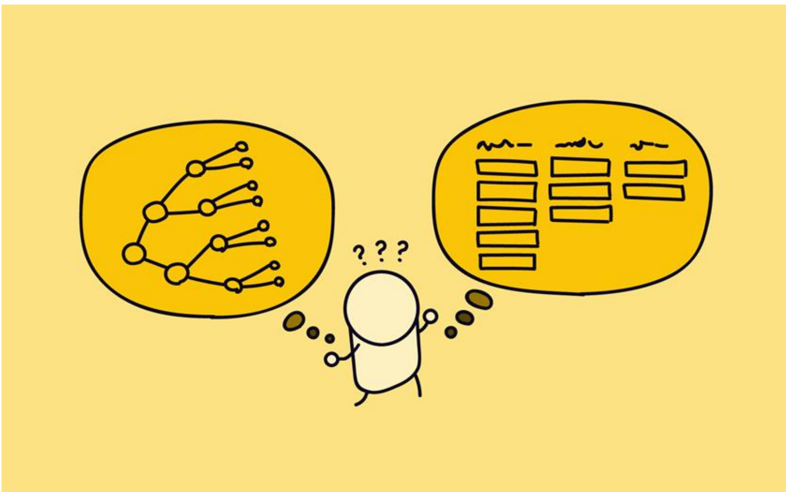
(How to minimize these risks)

Exercise

Timetable

	Task	Expected date
1	Completing the operational workplan	
2	Receiving funds	
3	Recruitment	
4	Soft opening	
5	Official opening	
Total		

Results and recommendations

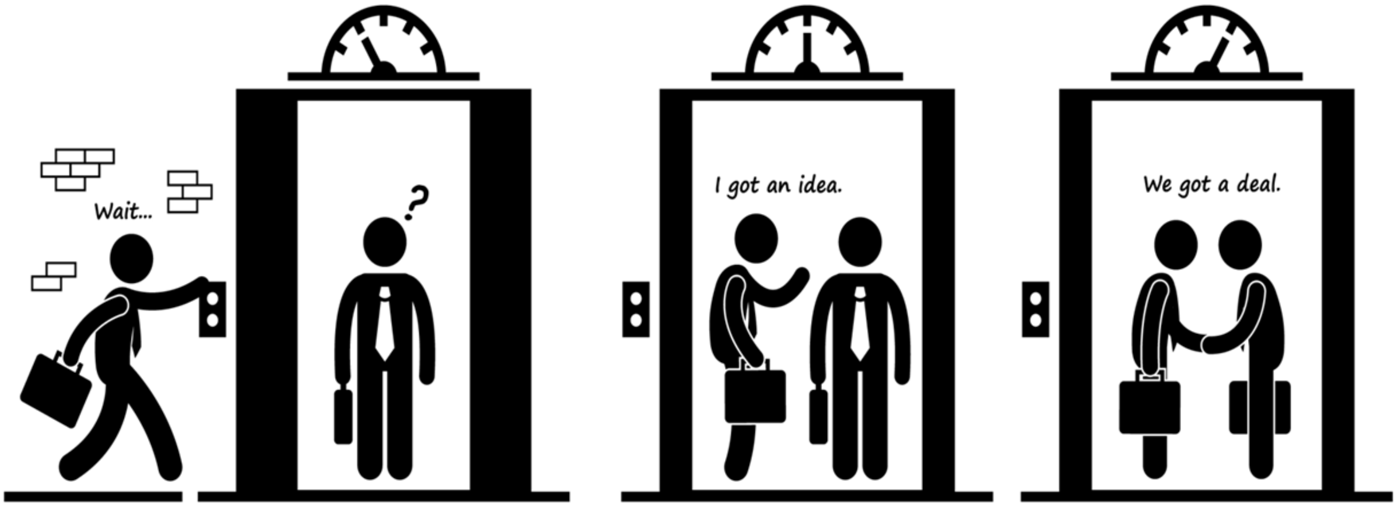


Results of feasibility studies:

1. A successful project.
2. A failed project.

Executive summary

Elevator Pitch



Exercise

Questions