

Country – Czech Republic

1. **Leasing** is a good funding source in transition economies. The regulatory environment should be comparable to that of other financing sources. Leasing's added-value is often highest for SMSEs. Local currency funding access is an obstacle to new companies. Corporate car leasing can add the needed operating leverage for a leasing company's profitability.
2. **Partners:** The technical partner's role is critical. Motivate a foreign technical partner to bring in a local partner over time, to avoid delays and inappropriate partnerships. Avoid partners lacking project enthusiasm. Leasing companies focusing on SMSEs are preferable.
3. **Investment structure:** Consider a flexible debt-equity structure. Insist on mechanisms to protect against later debt service risks. Never pre-commit to fixed price share purchasing. A graduated repayment schedule is prudent where early revenue uncertainty exists.
4. **Transition economies:** Assess a range of potential regional market developments. Leasing has proved appropriate for the emerging private sector. Value companies taking account of likely useable capacity and projected market potential and prices, not installed capacity.
5. **Sponsors:** Strong commitment is crucial. Solid multinational sponsors with strategic local interest and equity exposure are preferable. Avoid reliance on referrals from local sponsors to support marketing and sales activities due to potential conflicts of interest.
6. **Maximizing development impact:** IFC should move more rapidly in association with pioneering investments in fast-evolving markets. Select leasing companies prepared to tackle the SMSE market, and focus on less developed leasing markets in the region.

The above lessons are based on 18 lessons from past IFC investments.
Last updated January 1999.