

Country - Mexico

1. **Management:** Skill requirements depend on the nature of the business, but a well-established, adaptable team is vital. Decentralization is beneficial where a quick response may be required. Board representation can allow participation in strategic decision making.
2. **Expert sources:** Obtain independent projections from third party experts (inside and outside the Bank Group) to mitigate the risks of new markets/technology or sponsor inexperience. Analyze a company's clients as well as industry.
3. **Project developmental impact:** Pay as much attention to developmental impact as to business and financial issues, and use common sense to assess the benefits.
4. **Sponsors:** Financial strength and commitment, technical knowledge, contacts and strategy are important. Ensure that areas of responsibility are clear. Do not rely on sponsor assumptions. A sponsor must be willing to listen to outside expertise on a complex project.
5. **Agency lines:** Keep things simple - too many details to be negotiated undermines the ability to support client companies. Ensure the agent has appropriate technical skills and adequate financial incentive. Allow for flexibility in risk-based pricing of loans to SMEs.
6. **Automotive components producers:** Efficient, flexible production facilities with the latest technology are essential. Once an adequate original parts base load is achieved, the replacement parts market typically provides better prices.
7. **Appraisal:** Carefully analyze the economic fundamentals underpinning a business. Anticipate lower than expected revenue build-up in the early stages.
8. **IFC role:** Be proactive in identifying pioneering market situations where IFC can lend credibility, such as projects with small sponsors, good project concept, important developmental impact and economic benefit to the country.
9. **Reporting:** Timely and accurate reporting is necessary during the start-up phase to anticipate and respond to emerging problems. Ensure reporting requirements are clear.
10. **Loan structure:** Match the loan currency to the currency of the revenues. Tailor repayment schedules to match the projected cash flow stream. Ensure debt-equity ratios are kept low in high risk sectors.
11. **Market analysis:** Consider factors that might result in changes in past trends or relationships. Long-term contracts should adequately reflect market price determinants.
12. **Vertical integration:** Non-vertically integrated ventures are more susceptible to margin squeeze. Integration must be financially justified.

The above lessons are based on 44 lessons from past IFC investments.
Last updated November 1998.