

Sector – Consumer Goods Manufacturing

1. **Agency lines:** Ensure the agent has the capability for project identification, processing and follow-up, and consider IFC's contribution. Riskier projects may be channeled through the agency line. Check that agent's reports are prepared as required. Avoid approval delays due to IFC staff changes.
2. **Markets:** Thoroughly examine technology, trends, product differentiation, the global market, and all major inputs, not only labor. Entering new markets can be risky. Subsidized imports can undermine home market supplies. Project flexibility to serve evolved markets is key.
3. **Sponsors:** The more central a project is to corporate strategy, the more committed the sponsor. Review related sponsor businesses. Isolating IFC-financed projects from a troubled sponsor may be difficult. Multinational sponsors will tend to build and produce to corporate standards, and in local markets they may not realize the commensurate margins.
4. **Reporting requirements:** Agree on reporting requirements at the time of entry, and validate reports by periodic site visits.
5. **Management:** A capable, experienced team with a clear business strategy is critical, as is the ability to adjust strategy to changing circumstances.
6. **Supervision:** Ensure IFC staff properly document critical investment assumptions. To help avoid future misunderstandings, assist in the establishment of information generating systems.
7. **Financial covenants:** Consider negotiating covenants for a group as a whole. Include restrictions on short-term debt.

The above lessons are based on 28 lessons from past IFC investments.
Last updated February 1, 1999.