

Country - India

1. **Venture capital funds:** Review internal control systems and financial performance drivers. Detailed status reports are crucial. Disburse funds in stages. To ensure sufficient liquidity for management fees, consider restricting the level of investment in initial stages.
2. **Loan structure:** Flexibility in covenants or innovative financing options help counter adverse market conditions. Hedge/swap exchange rate risks/exposure.
3. **Resource exploration projects:** Emphasize high-risk nature in Board Reports. Consider whether risk/returns and contract terms are appropriate against industry norms. Limited financial resources may make small companies risk-averse.
4. **Shipping projects:** Consult advisors, as this dynamic sector requires specialized knowledge. Be flexible in investment agreements. Risks may be reduced by timely purchases and appropriate financing.
5. **Sponsors:** A sponsor's experience, abilities and financial strength are critical to success. Small shareholders can still provide effective leadership if incentives are sound.
6. **Management:** Capable management is vital.
7. **Non-market determined pricing:** Where input or output prices are under government control, pricing behavior may not reflect market processes. Carefully consider project advisability and the effects on cost structure.
8. **IFC Policies and Guidelines:** Keep approval time to a minimum. It should be mandatory to include the P&L statements for the project and the company in the Board Report. Maintain files regarding key project document changes.
9. **Government liberalization:** After stringent controls, true liberalization can take some time. Extrapolating growth rates during such periods of change is unreliable.
10. **Competition:** Do not underestimate the response of competitors.
11. **Markets:** Analyze and test markets thoroughly. Reliance on export markets requires conservative financing.
12. **New technology:** Expect longer than usual implementation schedules. Heavy penalties for non-performance can motivate the supplier.
13. **IFC staff training:** Specialized sectors require on-going training. Design training sessions to take into account IFC's international presence, and provide for non-HQ IAR team training.

The above lessons are based on 50 lessons from past IFC investments.
Last updated November 1998.