

Country - Indonesia

1. **Relationships:** Develop close and culturally sensitive relationships with companies to gain confidence with the management. Maintain and nurture close relationships with expanding regional companies in order to enter markets that the clients are more familiar with and that are new to the IFC. Seek to ensure that partners have a similar strategy when entering into a joint venture and review the credentials of expatriate staff proposed by partners even when the reputation of the foreign firm is beyond doubt.
2. **IFC's reporting requirements:** Ensure that companies comply with the reporting requirements set out under the investment agreements and allow for changes when the project has a strong independent security package from the sponsors or when the project becomes more mature and successful. Establish routine reporting requirements in projects with transfer pricing.
3. **Marketing:** Examine underlying market forces to create a group of scenarios for future market developments. Produce market assessments for premium grade products to assess if the higher quality really matters in the target market. Upon entering a domestic market dominated by one export commodity, create market projections to examine prospects for the export commodity.
4. **Environmental guidelines/conditions:** Attach environmental guidelines to the Investment Agreement so that they are clear to the company and include environmental conditions in the Technical Completion conditions.
5. **Shareholders:** Exercise caution when making investments in companies whose revenues are largely picked up by offshore controlling shareholders. In order to maintain proper policy guidelines, do not hesitate to take a strong stand against the pressures of other shareholders.
6. **Prepayment risk:** In order to protect against prepayment risk, revise IFC's loan pricing system so that its spread over LIBOR would decline with improving country risk as determined by some independent benchmark; also, adjust its spread after project completion to reflect improvements in project risk as determined by the achievement of certain financial ratios. Introduce a prepayment penalty for its variable rate loans.
7. **Supervision:** Provide adequate supervision and technical assistance to small investments on a continuing basis. Ensure that the Environment and Technical units frequently visit the projects, especially when areas of environmental non-compliance have been identified.

The above lessons are based on 24 lessons from past IFC investments.
Last updated January 1999.