

Country - Turkey

1. **Sponsors:** Financial strength and support is critical. A strong local sponsor can facilitate project acceptance and success. When the sponsor is inexperienced in an industry, a technical partner may be beneficial. Completion commitments are useful as incentives.
2. **Management:** Highly competent management is crucial. A proven experienced operator can be beneficial. Overly centralized decision making or reliance on foreign management can lead to a lack of continuity, which in turn undermines long-term strategy.
3. **Competition:** International cost-competitiveness is the best defense in down markets. Do not underestimate the competition from subsidized imports. Forecasting competing capacity rather than demand is difficult but requires attention.
4. **IFC reporting requirements:** Establish information systems at the outset to avoid misunderstandings. Ensure financial institutions generate proper asset-liability management information. Consider applying requirements to parents and subsidiaries of investees.
5. **Markets/marketing:** Don't underestimate the difficulties of entering a new market. Successful marketing of one product does not ensure equal success for another. Thoroughly assess alternative sources of raw materials available to competitors.
6. **Inflationary environment:** Carefully analyze the risks to sustained profitability. Don't assume that currency depreciation will offset inflation to neutralize impact on dollar-equivalent margins, debt service capacity and dividends.
7. **Foreign exchange:** Be cautious in unstable environments. Access to foreign exchange credit lines can reduce a company's motivation to mobilize more appropriate local currency resources, while increasing its credit risk.
8. **Loan structure:** Encourage clients to borrow the same currencies as they will need for procurement. Consider including restrictions on short-term debt and, when financing a group of companies, negotiating financial covenants for the group as a whole.
9. **Completion guarantees** can be crucial as an incentive to sponsors and to help keep the debt burden manageable. They can also mitigate the risk related to the effect of complex ore bodies on a mining project.
10. **Product quality:** Neither favorable markets nor superior marketing can fully compensate for an inferior product.

The above lessons are based on 43 lessons from past IFC investments.
Last updated November 1998.