

Sector – Mining and Extraction of Fuel Minerals

1. **Sponsors/Technical Partners:** Financial strength, commitment and environmental awareness are crucial. Multi-sponsor projects benefit from experienced management. Carefully assess partners and ensure similar strategies. Base incentives on profitability.
2. **Loan structure:** Be flexible. Structure financing to protect IFC's interests. Be prepared to accept a lower interest rate to participate in the upside, bearing in mind the loan term may limit the upside potential. Repayment schedules should reflect the expected resource depletion.
3. **Management:** Strong teamwork, experience, sound judgment and clear accountability are crucial. Conversely, poor quality management can undermine positive project features. If concerns arise, be willing to withdraw, even at a late stage. Base incentives on profitability.
4. **Start-up oil development projects:** Assess special commercial risks and structure the project to protect IFC's interests accordingly. Have a technical specialist visit the field. Include a strong technical partner or relevant managerial experience. Consider aggregate adverse impacts scenarios in sensitivity analysis.
5. **Technical supervision** should be maintained as needed. In high risk profile projects, schedule an early technical visit. Projects sensitive to parameter changes need close supervision. The ability to provide adequate supervision in small investments is limited.
6. **Hedging:** Thoroughly review a sponsor's hedging activities and consider covenants to limit involvement. Where hedging is an IFC requirement to assess company potential exposure, use advisors to review sponsor activities and instrument types.
7. **Environmental compliance:** To improve compliance in small companies, ensure personnel are aware and capable of meeting standards. Environmentally aware sponsors and management can benefit projects even without IFC guidelines.
8. **Small independents** may have a more conservative risk assessment because of limited financial resources. Ensure that staff are capable of following environmental guidelines.

The above lessons are based on 28 lessons from past IFC investments.
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