

Sector – Mining and Extraction of Metals and other Ores

1. **Sponsors:** Experience, abilities, financial strength and commitment are critical to success. Local sponsors can facilitate the approval and acceptance of a project. A sponsor is more motivated for success if the project is significant in relation to its overall operations.
2. **Management:** Highly competent management is vital. Employ local staff in senior positions, or institute training programs, to improve continuity and local relations. An experienced operator can improve project success.
3. **During appraisal,** test key technical and operational assumptions and address concerns. Prepare projects thoroughly and base projections on market fundamentals and prudent judgment. Early involvement in pre-development evaluation work can be beneficial.
4. **Environmental monitoring:** Clearly specify the information required. As sponsor data is often inadequate, arrange third party monitoring or frequent IFC supervision visits. Consider imposing specific compliance requirements.
5. **New or complex technology:** Include training plans in investment conditions and assume a conservative learning curve. Expect longer than usual implementation schedules. Heavy penalties for non-performance can motivate the supplier.
6. **Sensitivity analysis:** Test impacts of economic downturns in forecasts and assess the effect of lower output prices and higher unit costs. Test sensitivity to adverse capacity utilization scenarios in the early years, and to possible flaws in process parameters.
7. **Loan structure:** Match the loan currency to the currency of the revenues. Perceived country risk can limit the ability to raise loans. Consider including alternative intermediate measures (e.g., penalties) in loan documents to improve IFC leverage if technical default occurs.
8. **IFC Policies and Guidelines:** Keep approval times to a minimum. It should be mandatory to include the P&L statements for the project and the company in the Board Report. Clearly communicate any guideline changes to all clients.
9. **IFC staff turnover:** Maintain the original Investment Officer during the initial project phase, or arrange a formal hand-over to improve project and supervision continuity.
10. **Completion commitments** from sponsors can be crucial.
11. **Product quality** should be the basis for competitive advantage, not price alone. Neither favorable markets nor superior marketing can compensate for an inferior product.
12. **Price cycles:** The point of entry into the cycle significantly affects project returns, regardless of planning or management quality.

The above lessons are based on 66 lessons from past IFC investments.

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