NATL: What Happened?

- January 1999
  - Farmers grow only 150k tons, only 65k delivered to mill
  - Tate & Lyle forced to inject $10 million (Ouch!)
  - Payment system changed (pay farmers up-front)

- January 2000
  - IFC approves $40 million in loans
  - Government beings to build road infrastructure

- June 2003
  - Annual sugar production exceeds 900k projection

- January 2007
  - Vietnam joins WTO, sugar tariffs ↓ to only 5% by 2010

NATL: What Happened?

Growing Season	Cane Crushed (1000s of tons) Planned Initially	Actual
1998/1999	330	65
1999/2000	400	320
2000/2001	750	730
2001/2002	850	870
2002/2003	900	950

Compare Adesemi, Mozal, and NATL

- Three specific investments
- If things "go right", each sees big opportunities
- Why WON'T there be a problem?
  - *Identify* relevant counterparties
  - *Assess* their natural incentives
  - *Align* their incentives with yours
  - *Insure* against unfavorable changes
- IFC: "If it's not fair, it's not sustainable"

Identify Relevant Counterparties

- Government (always!)
  - "Creeping expropriation"
  - Bribe-seeking bureaucrats
- Losers: who are you hurting?
  - Adesemi: local telecom firms, govt telecom
  - Mozal: few losers locally, if any
  - NATL: handicraft mill operators
- Winners: who sees gains?
  - Potential suppliers (workers, input providers)
  - Partners / providers of capital
  - Quasi-government agencies seeking development

Assess/Align Incentives

Adesemi

- Active antagonists (local telecom)
- Local partners exist, but are weak
- Little attention to alignment before sinking investment

Mozal

- Many strategies to align government incentives
- Multi-stage smelter, price hedges, IFC, etc.
- Enormous attention prior to sinking investment

NATL

- Local govt partner, approval from Prime Minister
- But large scale coordination problem with farmers
- Pushes risk onto (poor) farmers?
- Seeks IFC involvement but fails initially
- Serious attention to alignment, but some mistakes

Insure Against Unfavorable Outcome

Adesemi

- Tenuous connection to World Bank once in trouble
- Not enough
- Outcome: failure

Mozal

- IFC (and others) in back pocket with $$ to lose
- But incentives are well aligned, nothing goes wrong
- Outcome: success

NATL

- Initially, farmers' incentives not aligned, local govt does not build roads
- Receives IFC support only after investment
- Outcome: mixed

END