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**TRADE &
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Financing and Payment Terms

USAID/West Africa's Trade
and Investment Hub



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Types Of Financing

INVESTMENT (capital or equity) for:

- Product design and product shows
- Capital improvements: buildings and equipment

WORKING CAPITAL for:

- Supplies
- Raw materials
- Salaries
- Overhead



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Financing An Order

Know your sources and costs of financing before negotiating with a buyer.

Ways to pre-finance:

- Your own funds
- Advance payment from buyer
- Bank loan or overdraft:
- Donor, Government loan or guarantee facilities

Consider only if you can afford to wait several months for financing



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Pricing

Pricing for exports can be based on

- FOB: Free on board - price (recommended for West Africa)
- CIF: Cost Insurance and Freight
- FEW: Free Export-Agents Warehouse (for Handicraft Industry)
- CMT: Cost Material and Trim (for Garment Industry)



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Payment

1. Method of Payment

- Cash
- Money Transfers
- Checks & Drafts
- Letters of Credit (L/C) – recommended for West Africa
- Purchase Orders
- Collections Against Documents

2. Terms of Payment

Payments usually based on performance as detailed in the contract:

- Cash Advance (e.g. 30 days in advance), or % of Total Billing
- Cash on Delivery (COD) – e.g. on sight, 30 days sight, etc.
- Cash Against Documents prior to physical delivery
- Letters of Credit



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Controlling your Finances

- Keep careful track of all expenditures with receipts.
- All expenses should be documented; for example, use petty cash vouchers.
- Close out transaction with buyer rapidly:
 - Prepare and send your buyer your final invoice ASAP!
 - Send a written reminder(s) in case of delay in payment
 - Pay off your loans as soon as you receive payments
 - Review your expenses
 - Review your prices and adjust if necessary.



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Your Relationship with Financial Institutions

- Financial planning is critical.
- Financial Institutions are an integral part of export financing
 - Establish open communication and good relationships
 - Provide accurate and honest information
 - Build confidence through performance.



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Inv. & Fin. Objectives and Strategies

Multi-tiered Approach:

Business Level – Identify an investment pipeline, by country and value chain; this enables the project to target assistance to the most strategic systemic constraints and opportunities

Financial Level – Develop long-term partnerships with regional banks, country-level financial institutions and investments firms

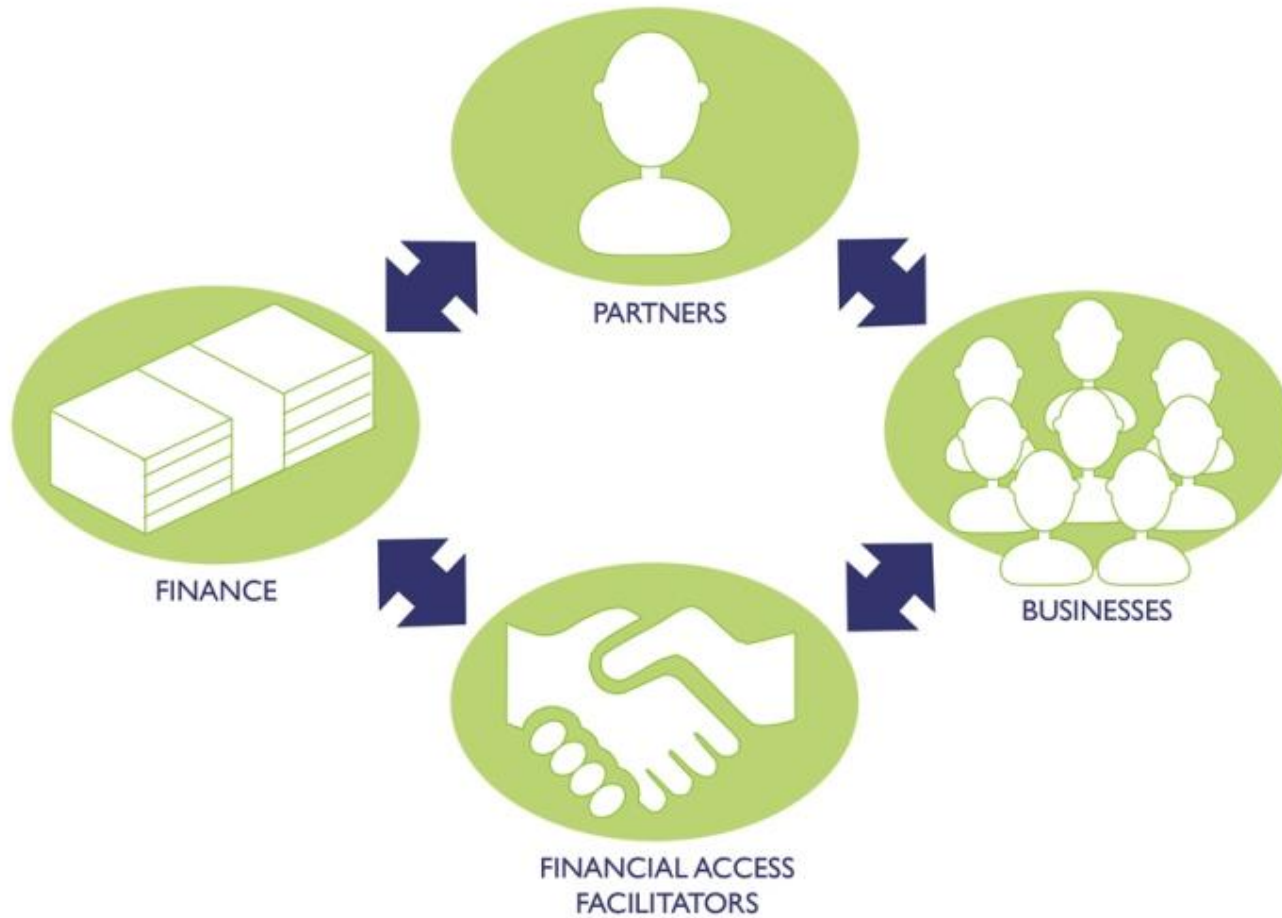
Intermediary Level – Work with a group of Financial Advisors (FAs) undertake consulting services for our targeted businesses and assist these firms in accessing finance



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Trade Hub Access to Finance Financial Advisors Role



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