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MOLDOVA

CASE STUDY

Flexible Financing — A New Solution

Trade financing bridges the gap between distributors and producers



Photo: BASA Press

Domestic factoring gives small businesses much needed credit.

“Assistance... included support of a market survey that identified a profitable target customer base,” said Ala Polustanova, Head of the Product Development and Administration at MAIB.

Telling Our Story

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Challenge

Despite five years of economic growth, many of Moldova’s key players have been unable to benefit from the opportunities created by the new market-driven economy. Producers especially face a lack of working capital or access to attractive markets, limiting their potential to develop their businesses. Similarly, distributors, challenged by issues of scale, have not had the capacity to manage large inventory or increase their customer base. Bulk buyers have had no single, reliable source for purchasing essential supplies on favorable credit terms.

Initiative

USAID identified a gap in supply-chain financing and commissioned research to determine how to fill it. Moldova Agroindbank was tapped as the best-qualified institution to launch a new system — “domestic factoring”

— that helps small businesses access flexible financing and better manage the risks of extensive inventories. When a wholesaler requires a quick payment from a buyer that is temporarily short of cash, domestic factoring would reconcile the problems of both parties. Under the system, Moldova Agroindbank purchases the invoices of bulk buyers, extending much-needed financing to local producers and allowing clients to offer competitive credit terms to local wholesale distributors.

Results

Domestic factoring has spurred Moldova’s leading banks to acquire training in international standards and banking practices for a range of trade finance operations. Trade financing techniques have also bridged the gap between distributors and Moldovan producers. Metro, an international wholesale outlet, has already invested \$20 million in Moldova, and is expanding further. Ala Polustanova, Head of the Product Development and Administration at Moldova Agroindbank, says USAID’s support has been invaluable. “The product design exercise generated an innovative product development process, and we found ourselves in a position to win an important contract for the bank with Metro Cash & Carry Moldova. This product matched the company’s trading cycle and credit terms provided by its suppliers.”