Payment & Counterparty Risk

The problem

Advance payments protect the supplier but expose the buyer if the supplier defaults, delays or delivers non-conforming equipment. Cross-border cold-chain projects add bank, sanctions and currency-transfer risk.

Mitigations checklist

- Structure milestone payments against verifiable deliverables (drawings, FAT, shipment, SAT).
- Use a confirmed, irrevocable Letter of Credit against document sets — not against arrival.
- Cap the down payment at 10–20% and back it with an on-demand advance-payment bond.
- Retain 5–10% against defects liability period (DLP), released after 12–24 months of clean operation.

Contract clauses to insist on

- Payment schedule with objective milestone triggers.
- Advance Payment Guarantee (APG) equal to the down payment.
- Retention money or Retention Bond during DLP.
- Governing law and enforceable jurisdiction (avoid supplier home-court in high-risk regimes).