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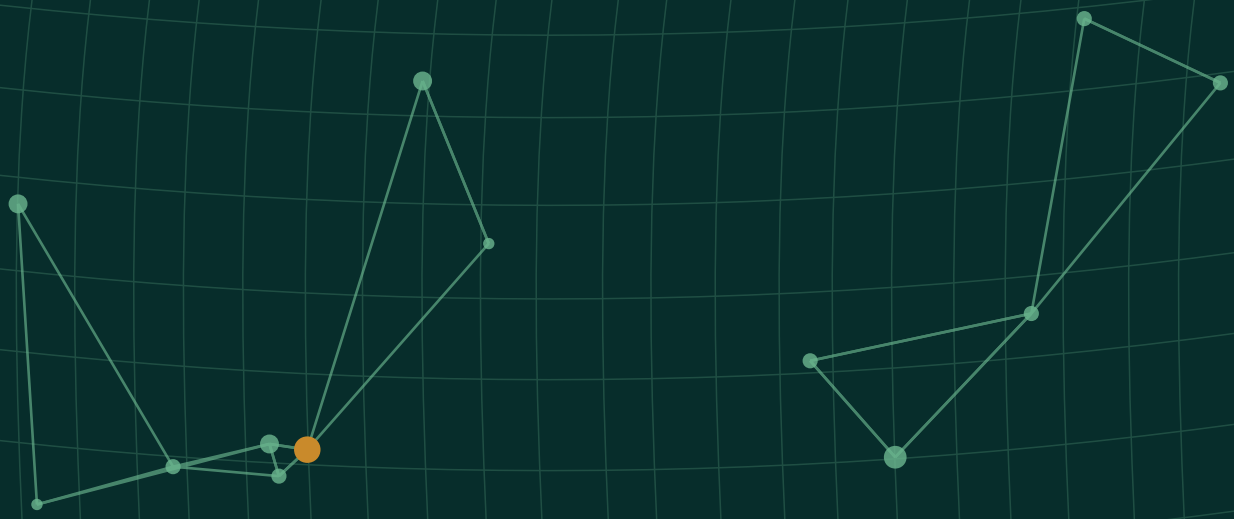
GFT RESEARCH / WARP AND SIGNAL

Financing the First Line

Capital structures for sustainable textile ventures: development finance, blended finance and green instruments

wp13
RESEARCH EDITION

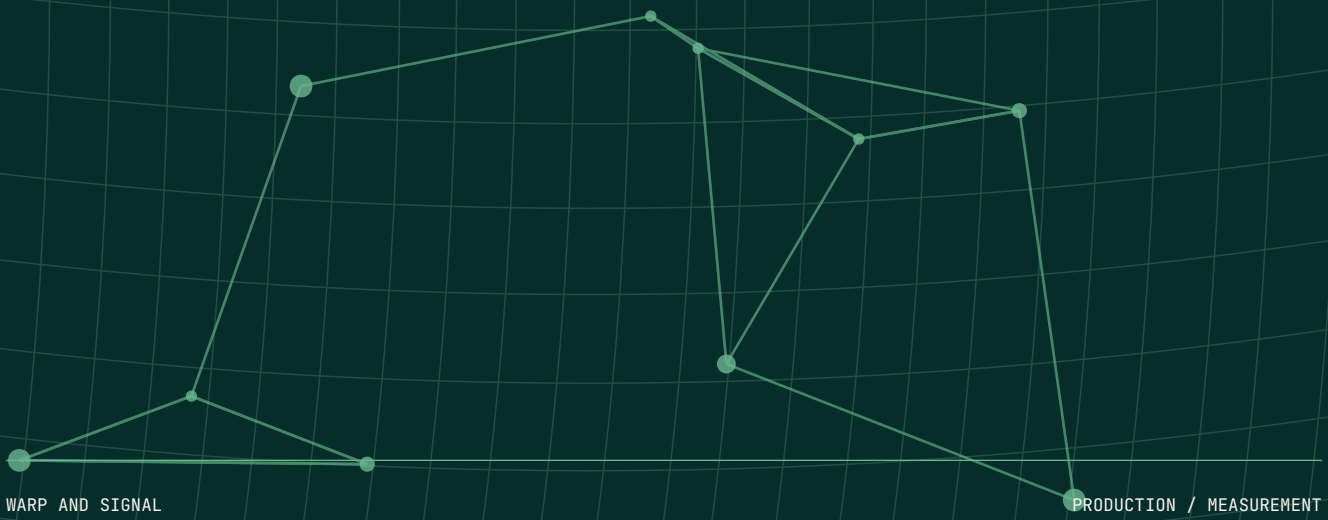
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THE GFT THESIS

Value is made where it is measured.

GFT engineers sustainable factories that capture their own data from the first shift, so raw-material economies can keep the value they grow.



WARP AND SIGNAL

PRODUCTION / MEASUREMENT

Read the evidence before acting on the recommendation.

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Build the factory and its evidence as one system.

A first textile line is financed by evidence of repayment, not by the strength of an industrial-policy ambition or the choice of a green label. This paper argues for a staged capital structure that funds execution risk, operating liquidity and environmental and social obligations together, then releases further capital against verified production and cash-flow evidence. It uses GFT's Cameroon textile programme as a design context while separating programme assumptions from public-source findings and hypothetical financing cases. The analysis follows the borrower from a bounded production scope through sources and uses, cash conversion, debt capacity, sponsor equity, development-finance routes, trade finance, currency exposure and security. It then tests blended concessional support, green use-of-proceeds instruments and sustainability-linked terms against their distinct purposes and evidence requirements. A consistent illustrative capital plan exposes the difference between a balanced funding table and cash that is actually available when needed. The closing chapters specify downside tests, diligence records, conditions precedent, disbursement controls and the operating measures that would justify expansion. Institutional product descriptions are treated as research inputs, never commitments. No lender eligibility, interest rate, guarantee, subsidy, green classification or pricing benefit is assumed for the venture. The result is an engineering-led financing framework for sponsors, financiers and factory teams. It is not investment, legal or tax advice.

01 The local-processing gap establishes a policy rationale, not a repayment forecast. [R06] [R07] [S01]

02 A complete funding requirement includes commissioning, safeguards and operating liquidity as well as machinery. [S01] [S22] [S24]

03 The same debt schedule can pass a base case and fail the downside.

04 Small ventures must distinguish direct institutional appraisal from finance through an intermediary. [S01] [S29]

05 Trade guarantees and accepted-invoice finance address different stages of the cash cycle. [S13] [S14]

06 The XAF euro peg does not eliminate USD exposure, settlement obligations or all transfer risks. [R32] [S07] [S12] [S20] [S32]

07 Concessional capital needs a market-failure rationale, minimum subsidy and an exit case. [S03] [S04] [S10]

08 Green use-of-proceeds finance and performance-linked finance require different evidence systems. [S15] [S16] [S17] [S18] [S19]

09 Development impact and financing additionality must be assessed separately. [S26] [S04]

10 Further lines should depend on repeatable cash, quality, people and safeguard evidence. [S01] [S22] [S26]

GREEN FUTURE TECH

LIMITED / HONG KONG SAR

01

PART I: REPAYMENT MUST PRECEDE INSTRUMENT SELECTION / THE FINANCING QUESTION

A first line earns finance by proving repayment

GFT argues that measured repayment capacity and controlled execution must come before a development-finance or green label.

CHAPTER 01
DECISION TEST

GFT argues that measured repayment capacity and controlled execution must come before a development-finance or green label.

A first sustainable textile production line earns external finance by proving that its operating cash flows can repay capital on schedule, that its physical execution risk is bounded, and that its environmental and social obligations are funded from the outset. [S01] [S22] Neither a national industrialisation gap nor a green or development-finance label can substitute for verified repayment capacity. [R06] [S17] In emerging-market garment ventures, sponsors frequently invert the financing sequence: they start by selecting a concessional window, a green bond framework or a sustainability-linked loan feature, and only then try to fit a production budget to the chosen label. [S04] [S15] [S18] Green Future Tech Limited (GFT), Hong Kong SAR, argues for the opposite discipline. Production is the warp and measurement is the weft. A venture must first define a controllable production boundary, fund the complete cash requirement needed to reach stable operations, and build shift-level measurement records that allow a credit committee to verify cash conversion. [S01] Using GFT's Cameroon textile programme (comprising a feasibility study, a performance-management system design and a digital strategy, prepared on 31 January 2024 with source-refresh notes retained in 2026) as a design context, this chapter sets out the decision rules governing Part I of this paper. [R01] Institutional product descriptions are treated strictly as research inputs, never as financing offers, and nothing in this paper constitutes investment, legal or tax advice. [S01] [S02]

1.1

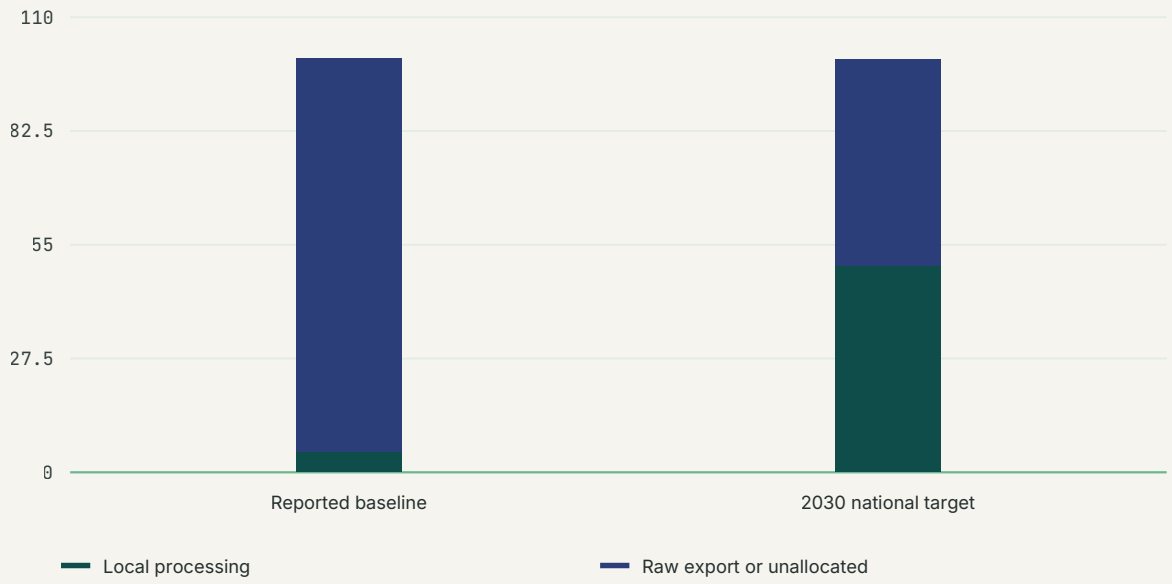
The processing gap is a reason to investigate, not a source of repayment

Industrial policy in raw-material economies starts with a visible gap between primary agricultural output and domestic manufacturing capacity. [R06] In the inherited programme register, Cameroon exports about 95 percent of its cotton fibre raw and processes about 5 percent locally, whilst the National Development Strategy 2020 to 2030 (SND30) restates a target of 50 percent local processing by 2030. [R06] [R07] Those figures rest on Grade C trade-portal and press records with unrecorded original publication dates and source-text verification only. [R06] [R07] They sit alongside large primary supply numbers: seed-cotton output reached 330,000 tonnes in 2022, 314,455 tonnes in 2023 and about 340,000 tonnes in 2024, with a 2025 projection above 350,000 tonnes. [R01] [R02] In northern Cameroon, Société de Développement du Coton du Cameroun (SODECOTON) supports more than 220,000 producers, runs nine ginning plants and two oil mills, and injects roughly US$100 million a year into rural communities, within a CFA-zone harvest of 2.3 million tonnes in 2024/25 (down 11.5 percent). [R03] [R04] [R05]

For a planner or sponsor, the gap between 5 percent local processing and the 50 percent SND30 target is a strong reason to investigate domestic manufacturing, as shown in **Exhibit 1**, p. 16. [R06] [R07] For a credit committee, however, a national processing deficit generates zero cash flow available for debt service (CFADS). [S01] Lenders are not repaid from raw lint exports or strategy targets. [R06] [S29] Repayment depends on whether a borrower can buy yarn or fabric at a known landed cost, convert it into first-quality garments at a stable yield, deliver accepted orders to creditworthy buyers, and collect cash in the currency of its obligations before liquidity runs out. [S01] [S14] [S32]

EXHIBIT 01 / PERCENT OF COTTON FIBRE

The policy ambition is larger than the reported processing base



SOURCED [R06] [R07] Approximate inherited sector baseline (R06) and SND30 national target for 2030 (R06, R07). Grade C trade-portal and press sources; original publication dates unrecorded in the inherited register. This is sector context, not a GFT operating measure.

The comparison in **Exhibit 1**, p. 16 contrasts the reported 5 percent local-processing baseline with the 50 percent national target while keeping observation and ambition separate. [R06] [R07] What **Exhibit 1**, p. 16 cannot establish is commercial bankability for any specific plant. [S01] The inherited register itself documents the cost of confusing sector policy with factory economics. Cotonnière Industrielle du Cameroun (CICAM) saw its domestic market share fall from about 85 percent three decades ago to about 5 percent in the baseline period. [R11] A July 2023 report cited in the register recorded capacity utilisation at 33.7 percent in Garoua, 48.9 percent at CICAM 1 and 10.83 percent at CICAM 2, with underutilisation costing about CFAF 2 billion in 2020 and restructuring estimates ranging from CFAF 30.7 billion to CFAF 48.2 billion (and one relaunch plan cited at CFAF 70.2 billion). [R12] [R13] The register also records an announced SODECOTON and CICAM merger targeted by 2030, and the November 2025 announcement of Camtext SA, a US$300 million (180 billion XAF) integrated project involving Panafritex, Arise, SODECOTON, CNPS and Marlo to process 12,000 tonnes a year, with a projected return on investment near 11 years and optimal capacity around 2033. [R08] [R09] [R10] Announced projects and restructuring plans are third-party sector developments, not proof that a new line will generate immediate cash. [R09] [S01]

1.2 MACRO MARKET PROJECTIONS DO NOT SUBSTITUTE FOR CONTRACTED UNIT MARGINS

Sponsors commit a similar error on the demand side when they treat aggregate consumption forecasts as contracted revenue. [S01] Market-research entries in the register estimate the African textile market at US$37.3 billion in 2025, rising to US$49.41 billion by 2030 at 4.73 percent a year, or US$72.7 billion by 2035 at 6.9 percent a year, with fashion and apparel holding 48.1 percent in 2024. [R24] [R25] For

Cameroon, Grade C estimates place clothing and footwear spend at US$94.70 and 8.0 pieces a person in 2024, with apparel e-commerce revenue rising from US$20.32 million in 2023 to US$33.61 million in 2027 at 13.41 percent a year as user penetration grows from 18.0 percent to 22.7 percent. [R26] These numbers show demand exists, not that buyers will switch from imports at prices covering a new line's debt. [R26] [S01]

Development finance institutions (DFIs) and banks state this plainly. [S01] In its application guide, the International Finance Corporation (IFC) notes there is no standard application form and sets six criteria: a project must be in a developing member country, operate in the private sector, be technically sound, have good prospects of profitability, benefit the local economy, and be environmentally and socially sound under IFC and host-country standards. [S01] While IFC supports sustainable apparel, footwear and textiles manufacturing in emerging markets to improve productivity and supply chains, an investment proposal must supply verifiable specifics: projected volumes, unit prices, distribution channels, existing supply sources, tariff protection, equipment suppliers, infrastructure availability, operating-cost breakdowns and key profitability drivers. [S01] [S0102] Policy alignment addresses local benefit; profitability and technical soundness must be proven on the shop floor. [S01]

1.3

The first financed scope must remain smaller than the full value chain

Because Cameroon exports lint and imports fabric and garments, sponsors often propose a fully integrated spinning, weaving, knitting, dyeing, printing and garment complex in one initial financing request. [R06] [R09] When a greenfield borrower without an audited track record asks lenders to finance every link of the textile chain at once, the project combines maximum capital intensity, multi-year construction risk, heavy utility dependencies and complex effluent-treatment liabilities before selling a single garment. [S01] [S23]

GFT's Cameroon textile programme rejects full initial vertical integration. In the programme's scope, the first stage focuses on cut, make, trim (CMT) and garment finishing under an own brand, with spinning and knitting treated as optional partnered steps. Keeping the initial scope bounded is a capital-structuring control that limits execution exposure while management systems, supervisor pipelines and buyer collections are tested. [S01] Sponsors and credit teams can evaluate this choice by comparing three illustrative financing boundaries:

1. **Boundary 1 (First CMT and finishing line):** The venture sources finished fabric from qualified partner mills, performs cutting, sewing, trimming, inspection, pressing and packing on a single line, and sells through own-brand retail and institutional uniform channels. Capital needs remain bounded (XAF 1,000 million in Illustrative Scenario A), power loads come from dry assembly and pressing equipment, and process effluent is minimal. [S23]

2. **Boundary 2 (Multi-line garment expansion):** After the first line proves first-pass yield, supervisor capability and timely cash collections, additional CMT lines and automated inspection stations are added inside the plant. [R29] Working capital scales with volume, while utility and environmental risks stay within dry assembly parameters. [S23]
3. **Boundary 3 (Integrated wet-processing or spinning extension):** The venture adds scouring, bleaching, mercerising, dyeing, printing or spinning. This step changes the engineering, permitting and financial risk profile completely, requiring a separate appraisal, dedicated effluent treatment and long-tenor capital. [S22] [S23] [S24]

The separation between the initial CMT boundary and a ring-fenced wet-processing extension is illustrated in **Exhibit 2**, p. 18. [S02] [S23]

EXHIBIT 02 /

The first line is a boundary before it is a budget



1. Trade credit or LC
2. Measured yield
3. CFADS boundary
4. Ring-fenced capex

ILLUSTRATIVE [S02] [S23] Illustrative financing boundary based on GFT's Cameroon textile programme scope (cut, make, trim and finishing) and World Bank Group textile EHS process distinctions (S23). Optional upstream steps require separate appraisal.

As **Exhibit 2**, p. 18 shows, placing a hard financing gate before wet processing protects the first line's cash-flow boundary. [S02] [S23] What **Exhibit 2**, p. 18 does not imply is that partnered fabric procurement removes upstream risk; imported or partnered fabric still requires trade finance, incoming inspection and supply-chain due diligence, which Chapter 6 and Chapter 11 examine. [S13] [S27]

1.4 WET PROCESSING MULTIPLIES UTILITY LOADS AND SAFEGUARD COSTS

The World Bank Group Environmental, Health, and Safety (EHS) Guidelines for Textile Manufacturing (S23) and General EHS Guidelines (S24) show why wet processing should be ring-fenced from a starter line. [S23] [S24] Under S23, wet textile benchmarks entail heavy utility loads: knitted fabric finishing uses 1 to 6 kilowatt-hours of electricity, 10 to 60 megajoules of thermal energy, and 70 to 120 litres of water per kilogram; woven fabric finishing uses 0.5 to 1.5 kilowatt-hours of electricity, 30 to 70 megajoules of thermal energy, and 50 to 100 litres of water per kilogram (up to 200 litres per kilogram for dyed woven finishing); and yarn dyeing uses 0.8 to 1.1 kilowatt-hours of electricity, 13 to 16 megajoules of thermal energy, 15 to 30 litres of water per kilogram for dyeing, and 30 to 50 litres per kilogram for rinsing. [S23]

Wet operations also generate alkaline, high-load effluents. [S23] Desizing can contribute 35 to 50 percent of organic load with chemical oxygen demand (COD) up to 20,000 milligrams per litre, while dyeing effluents commonly exceed 5,000 milligrams per litre of COD and carry 2,000 to 3,000 parts per million of salt (with cotton batch dyeing using salt equal to 20 to 80 percent of fabric weight). [S23] Meeting the World Bank Group effluent guidelines (pH 6 to 9, biological oxygen demand 30 milligrams per litre, COD 160 milligrams per litre, adsorbable organic halogens 1 milligram per litre, total suspended solids 50 milligrams per litre, total chromium, copper, cobalt and nickel 0.5 milligrams per litre each, and hexavalent chromium 0.1 milligrams per litre) requires equalisation, chemical precipitation, biological treatment and dewatering yielding 1 to 5 kilograms of sludge per cubic metre of treated wastewater. [S23] Under S23 and S24, new plants are expected to meet Good International Industry Practice (GIIP) levels from the outset. [S23] [S24] Starting with CMT and dry finishing avoids loading a first line with boiler and effluent-plant obligations before garment sales are proven. [S01] [S23]

1.5

Four tests separate a credible proposal from a sustainability narrative

Before debating green or concessional labels, an investment memorandum must answer four foundational questions. [S01] [S22] [S26] GFT organises these into an editorial four-test screening framework:

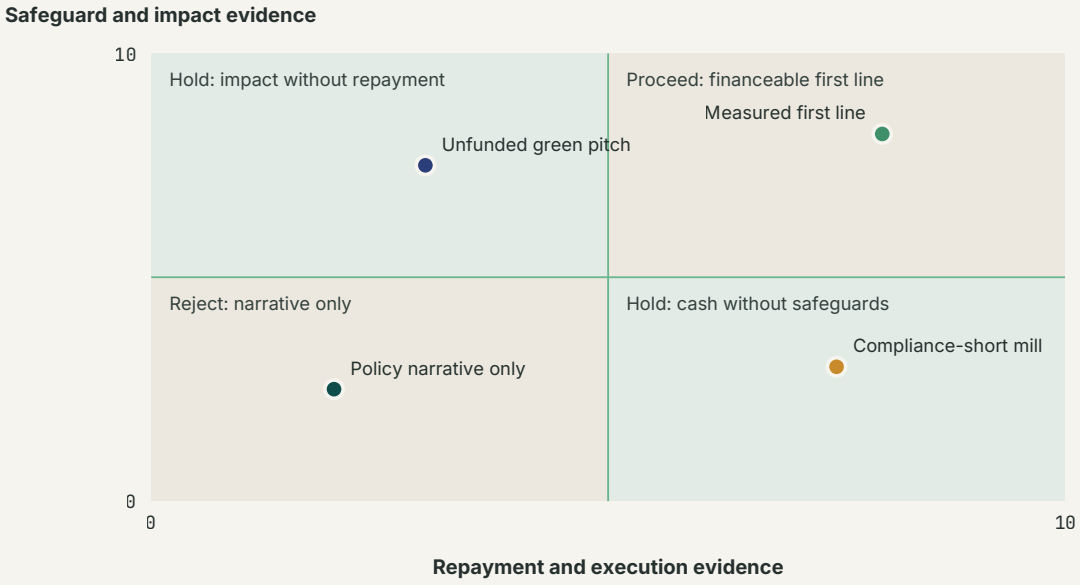
- **Test 1: Commercial repayment capacity.** Does the line generate sufficient cash flow available for debt service (CFADS) from realistic utilisation, first-pass yield, customer payment terms and full operating costs to pay scheduled principal and interest in both base and downside cases? [S01] [S29]
- **Test 2: Implementation and operational readiness.** Are the process boundary, machinery specifications, power protections, supervisor pipelines and shop-floor management routines defined clearly enough to commission and run the line on budget? [S01]

- **Test 3: Environmental, social and legal acceptability.** Has the sponsor assessed site-specific environmental, health, safety and labour risks across the plant and primary supply chain, established an Environmental and Social Management System (ESMS) under IFC Performance Standard 1, and budgeted the full cost of compliance? [S22] [S23] [S24]
- **Test 4: Evidence quality and auditability.** Does every material claim trace to a named owner, a dated primary document (quote, title, permit or contract) or a metered factory record, with unverified inputs flagged for stress testing? [S01] [S17]

This framework is GFT's analytical screening method, not an official rating issued by IFC or any lender. [S01] [S26] Its purpose is to ensure that strength on one axis never excuses failure on another. As shown in **Exhibit 3**, p. 20, a proposal with strong safeguard and impact intent but weak repayment evidence must be held, just as a cash-generative plant that omits worker and environmental safeguards is unfinanceable under international standards. [S01] [S22] [S26]

EXHIBIT 03 / ILLUSTRATIVE READINESS INDEX (0 TO 10)

A financing proposal must pass distinct tests



ILLUSTRATIVE [S01] [S22] [S26] Illustrative GFT editorial framework mapping hypothetical proposal profiles across commercial repayment readiness and safeguard/evidence readiness, informed by S01, S22 and S26. Positions are illustrative and not institution-issued scores.

The quadrants in **Exhibit 3**, p. 20 show why single-dimension pitches stall in credit committees. [S01] [S22] An "Unfunded green pitch" (illustrative position 3 on repayment and 7.5 on safeguards) may fit national processing and clean-energy goals yet fail credit appraisal because its cash conversion cannot service debt. [S01] [S17] Conversely, a "Compliance-short mill" (illustrative position 7.5 on repayment and 3 on safeguards) projects margins only by omitting statutory social charges, dust control or fire safety required under Performance Standard 1 and the EHS guidelines. [S22] [S23] Only the upper-right quadrant ("Measured first line") justifies formal diligence, and **Exhibit 3**, p. 20 still does not replace each lender's credit committee decision. [S01] [S26]

1.6 DEVELOPMENT IMPACT AND FINANCING ADDITIONALITY ARE SEPARATE INSTITUTIONAL TESTS

Sponsors often conflate expected development impact with financing additionality. [S04] [S26] Since January 2018, all new IFC investments have been scored for expected development impact using the Anticipated Impact Measurement and Monitoring (AIMM) system, covering over 2,900 projects across 29 sector frameworks as of April 2026. [S26] [S0101] The March 2026 AIMM Guidance Note (S26) states: "The AIMM framework is designed to assess the expected development impact of IFC's projects, and not its additionality." [S26]

Under S26, development impact combines (i) project outcomes (country development gap and project intensity across stakeholder, economy-wide, and beyond-compliance environmental and social effects) and (ii) market outcomes (market stage combined with innovation and scalability to induce Modest, Sustaining, Deepening or Transformational change in competitiveness, resilience or sustainability). [S26] Potential ratings (Marginal 4, Moderate 12, Strong 30, Very Strong 50) are multiplied by a risk factor of 1.00 (Unqualified) or 0.75 (Qualified) to derive the AIMM score. [S26]

Additionality is the financial and non-financial value a DFI provides beyond private sources so that DFI finance does not crowd out private capital. [S04] [S26] Where donor funds are blended, the DFI Enhanced Blended Concessional Finance Principles (S04) require a market-failure rationale, crowding-in with minimum concessionality, commercial sustainability ("Impact achieved by each operation should aim to be sustainable and contribute towards commercial viability"), market reinforcement and high standards. [S04] Across IFC's FY10 to FY25 blended sample (updated April 2026), average concessionality as a share of project cost was 4.7 percent overall, 6.0 percent in manufacturing, agriculture and services, 3.7 percent for senior debt, 4.7 percent for subordinated debt, and 2.2 percent for equity. [S04] Valuable outcomes do not justify unlimited subsidy; the venture must still prove commercial viability. [S04] [S26]

> **GFT NOTE**
>
> **Prove the unlabelled base case before requesting a label or a subsidy.** GFT recommends that sponsors model and stress-test the first line as an ordinary commercial transaction first. Only after the unlabelled base case shows positive cash conversion, funded safeguards and clear technical boundaries should the sponsor evaluate whether a targeted concessional tranche or a green use-of-proceeds tranche improves execution without masking an uneconomic operating model. [S01] [S04] [S17]

1.7

A financing label cannot repair an uneconomic operating model

Sustainable finance frameworks classify eligible expenditure or price verified performance targets; they do not relax credit standards. [S15] [S17] [S18] Sponsors must distinguish use-of-proceeds instruments from performance-linked instruments. [S17] [S18]

Use-of-proceeds structures, governed by the March 2025 APLMA, LMA and LSTA Guidance on Green Loan Principles (S17) and the June 2025 ICMA Green Bond Principles (S15), require that 100 percent of net proceeds (or an equivalent amount) finance eligible Green Projects under four core components: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting. [S15] [S17] As S17 states: "The focus of green loans is on the eligible projects rather than on the borrower itself." [S17] Even for "pure play" firms (where 90 percent or more of revenues or assets are green), loans are not automatically green without aligning to all four GLP components. [S17] Where one tranche of a loan finances eligible assets, only that tracked tranche is green (S17), and carbon offsetting is excluded from GLP eligible categories. [S17] In a garment plant, sewing machines and general working capital are not green projects simply because the factory uses cotton; only specific capital packages such as solar power, heat recovery or water recycling may qualify, tracked in an allocation register (S15, S17). [S15] [S17]

Performance-linked structures, governed by the March 2025 Guidance on Sustainability-Linked Loan Principles (S18) and the June 2024 ICMA Sustainability-Linked Bond Principles (S16), allow general corporate use of proceeds while varying financial terms against predetermined Sustainability Performance Targets (SPTs) for material Key Performance Indicators (KPIs). [S16] [S18] Although S18 notes that sustainability-linked loans (SLLs) support borrowers anywhere on their transition journey, both S16 and S18 stress that linked debt suits borrowers with an existing sustainability strategy and at least three years of historical KPI data where feasible. [S16] [S18] Without agreed KPIs and SPTs at origination, a loan is not an SLL, and any deferred target-setting clause should close within 12 months with lender consent (S18). [S18]

1.8 EFFICIENCY SAVINGS MUST ENTER THE CASH-FLOW CASE RATHER THAN REPLACE IT

The valid counterargument for green and digital investment is operational: efficient utilities and shop-floor quality systems can reduce unit costs, scrap and working-capital ties. [R27] [R29] [S14] McKinsey's *The State of Fashion 2025* (R27) reports that scaling artificial intelligence in fashion can cut inventory costs by 35 to 40 percent, raise forecast accuracy by 20 to 30 percent, reduce forecast errors by 20 to 50 percent, and cut lost sales by up to 65 percent. [R27] In inspection, manual defect detection is 60 to 70 percent accurate (missing 20 to 30 percent of defects), whereas computer vision exceeds 90 percent accuracy across more than 40 defect types at up to 60 metres a minute (R29), within an AI inspection market projected to grow from US$523.4 million in 2024 to US$6,522.1 million by 2033 at 33.8 percent a year (R28), alongside generative and physics-constrained design pipelines (R30, R31). [R28] [R29] [R30] [R31] Likewise, IFC's Global Trade Supplier Finance programme (S14, a US$1 billion facility with US$22 billion disbursed across 33 countries between 2012 and 2026, and 84 percent of FY2026 disbursements in sustainability-linked facilities) discounts buyer-accepted invoices and links pricing to supplier environmental and social compliance. [S14]

GFT's rule is that any solar fuel saving, rework reduction or invoice-discount benefit must enter the cash-flow model as a verified cost or working-capital line. [S01] [S14] It cannot rescue a debt schedule whose contractual payments exceed conservative cash generation, as shown in the worked example below and **Exhibit 4**, p. 24. [S01] [S29]

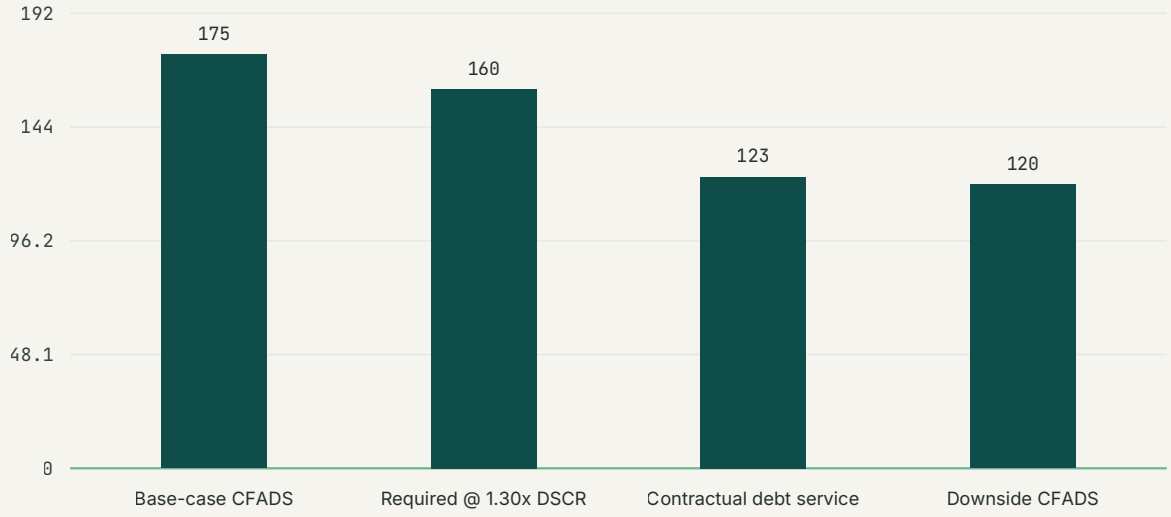
WORKED EXAMPLE: ILLUSTRATIVE SCENARIO A DEBT SERVICE AND COVERAGE BOUNDARY

To provide a consistent numerical spine across all 14 chapters, GFT defines **Illustrative Scenario A**, a hypothetical first-line capital plan in millions of Central African CFA francs (XAF million). Every number is an explicitly assumed illustrative input, not a GFT budget or lender quote. [S01]

1. **Uses of funds (XAF 1,000 million illustrative total):** Productive CMT and finishing equipment of XAF 400 million; site and utilities of XAF 200 million; data capture and metering of XAF 50 million; safeguards and training of XAF 50 million; opening working capital of XAF 200 million; and contingency of XAF 100 million (`400 + 200 + 50 + 50 + 200 + 100 = 1,000` XAF million, all illustrative). [S01]
2. **Sources of funds (XAF 1,000 million illustrative total):** Paid-in sponsor equity of XAF 400 million; senior term debt of XAF 500 million; and subordinated capital of XAF 100 million (`400 + 500 + 100 = 1,000` XAF million, all illustrative). [S02]
3. **Senior debt contractual terms (illustrative):** Principal of XAF 500 million, 8.0 percent annual interest on opening annual balance, six equal annual principal instalments (`500 / 6 = 83.333333` XAF million, or XAF 83.33 million rounded), zero grace and zero fees. First-year interest is `500 * 0.08 = 40.00` XAF million, giving total first-year senior debt service of `83.333333 + 40.00 = 123.333333` XAF million (XAF 123.33 million). [S29]
4. **Base vs downside coverage test (derived from illustrative inputs):** Against an illustrative 1.30 times minimum senior DSCR target (requiring `123.333333 * 1.30 = 160.333333` XAF million of CFADS), assumed base-case first-year CFADS of XAF 175.00 million yields a senior DSCR of `175.00 / 123.333333 = 1.4189` (1.42 times), passing with XAF 51.67 million of headroom above contractual service. Under a delayed-ramp downside CFADS of XAF 120.00 million, senior DSCR falls to `120.00 / 123.333333 = 0.9729` (0.97 times), failing both the 1.30 times target and 1.00 times cash break-even by XAF 3.33 million. [S01] [S29]
5. **Why a linked label cannot fix the downside:** An illustrative 0.25 percentage-point (`0.0025`) SLL margin discount on XAF 500 million saves at most `500 * 0.0025 = 1.25` XAF million in year-one interest before verification fees, trimming senior service to XAF 122.08 million (`120.00 / 122.083333 = 0.9829`, or 0.98 times DSCR). [S18] Fixing the downside requires lower senior debt principal, a principal grace period or a liquidity reserve, not a label. [S18] [S29]

EXHIBIT 04 / XAF MILLION (FIRST OPERATING YEAR)

Identical senior debt passes the base case and fails the downside in Scenario A



DERIVED [S01] [S29] Derived from Illustrative Scenario A: XAF 500 million senior debt at 8 percent opening-balance interest and 6 equal annual principal instalments of XAF 83.33 million equals XAF 123.33 million first-year debt service, compared against assumed base CFADS of XAF 175.00 million (DSCR 1.42x) and downside CFADS of XAF 120.00 million (DSCR 0.97x).

As **Exhibit 4**, p. 24 shows, a debt schedule that passes a base case (1.42 times DSCR) fails contractual debt service when first-year CFADS drops from XAF 175.00 million to XAF 120.00 million (0.97 times DSCR). [S01] [S29] Subordinated cash service, construction interest and tax effects are excluded from this simplified senior-only test and are addressed in Chapters 2, 3, 4 and 12. [S29] [S30]

1.9

The programme is a design basis, not a commissioned operating asset

Rigorous project finance separates engineering design work from verified transaction evidence. [S01] GFT's Cameroon textile programme comprises three deliverables prepared on 31 January 2024, with source-refresh notes retained in 2026: a feasibility study defining the phased CMT and finishing scope, a performance-management system (PMS) design establishing six KPI families and shift reporting routines, and a digital strategy for staged data capture. [R01] [R06] The preparation date (31 January 2024) and source-refresh date (2026) are distinct; neither implies that a plant has been built, commissioned or financed. [R01]

A sponsor using this design basis to approach financiers must supply transaction-specific diligence documents that this paper does not contain, as organised in **Exhibit 5**, p. 25: [S01] [S22]

1. **Sponsor identity and committed equity:** Constitutional documents, beneficial-ownership records, audited sponsor financials, source-of-funds proof, and evidence of paid-in equity. [S01] [S30]

2. **Binding commercial sales evidence:** Executed off-take, institutional uniform or distribution contracts specifying volumes, prices, currency, acceptance rules and payment terms. [S01] [S14]
3. **Firm equipment and construction quotations:** Dated supplier quotes specifying currency, delivery terms, installation, spares, warranty retention and factory acceptance tests, plus civil-works contracts. [S01] [S13]
4. **Site title, permits and utility connections:** Unencumbered land title or registered lease, building and operating permits, utility connection agreements and fire-safety approvals under Cameroon and OHADA law. [S01] [S21] [S22]
5. **Site-specific environmental, social and labour baseline:** Site environmental and social assessment and action plan under Performance Standard 1 (S22), stakeholder and grievance procedures, and a current Cameroon labour-law review verifying statutory wages (reported in the inherited register at XAF 41,875 a month in 2023 and raised to XAF 43,969 a month from 23 February 2024, about US$76, alongside an informal employment share near 90 percent, a 40-hour standard week, a 48-hour maximum and 1.2 times overtime in Grade C sources R14 and R16, compared with an average cross-sector salary estimate of US$359 a month in R15 and Cambodia's 2024 garment minimum wage of US$204 a month in R17). [R14] [R15] [R16] [R17] [S22]
6. **Negotiated financing and security term sheets:** Eligibility confirmations, indicative term sheets, credit approvals, intercreditor terms and legal opinions on OHADA security and BEAC foreign-exchange rules. [S01] [S20] [S21]

EXHIBIT 05 /

Known evidence differs from evidence still required

Evidence category	Current status in wp13	Required before financial close	Primary owner
Sector context (R01 to R18, R23 to R32)	Inherited register (Grade B/C)	Dated legal and market verification	Sponsor and counsel
Programme scope and PMS design	GFT design basis (Jan 2024)	Site-adapted operating procedures	Venture engineering team
Capital stack and debt service	Illustrative Scenario A	Audited model and binding term sheets	Sponsor and lenders
Equipment and civil works	Illustrative budget allocations	Firm supplier quotes and EPC contracts	Procurement lead
Sales and off-take	Illustrative channel assumptions	Executed buyer contracts or credit history	Commercial director
Site, permits and ESMS	Public EHS benchmarks (S22 to S24)	Land title, permits and site ESIA/ESAP	Sponsor and E&S adviser

ILLUSTRATIVE [S01] [S22] Illustrative diligence boundary separating GFT's 2024 Cameroon textile programme design and public research from sponsor-supplied transaction evidence required under S01 and S22.

The register in **Exhibit 5**, p. 25 separates analytical design from a closing data room. [S01] [S22] What **Exhibit 5**, p. 25 cannot do is waive these diligence requirements for smaller borrowers; even an intermediated bank loan requires verified title, permits, quotes and repayment evidence before disbursement. [S01] [S29]

1.10

Instrument choice follows the source and timing of risk

Capital-structure design matches each project risk to an instrument whose cash obligations and control rights can absorb it. [S02] [S29] [S30] IFC's overview of investment services (S02) lists loans, equity investments, trade and commodity finance, derivatives and structured finance, and blended finance, alongside parallel loans and risk-sharing facilities. [S02] For a first textile line, GFT proposes four capital layers aligned with cash-flow timing:

1.11 SPONSOR EQUITY AND PATIENT SUBORDINATED CAPITAL ABSORB DEVELOPMENT AND RAMP RISK

Pre-close preparation costs, installation delays and initial operator learning curves generate zero or volatile cash flow and cannot be funded safely with rigid senior debt. [S01] [S29] Paid-in ordinary sponsor equity must carry primary development exposure, supported where appropriate by patient quasi-equity. [S30] IFC (S30) notes that alongside common equity (typically 5 to 20 percent of a company's equity), it invests via profit-participating loans, convertible loans and preferred shares. [S30] Subordinated capital protects senior debt only when its terms defer cash pay during stress and block early redemption, as examined in Chapter 4. [S30]

1.12 SENIOR TERM DEBT FINANCES PRODUCTIVE ASSETS WITHIN CONSERVATIVE COVERAGE BOUNDS

Medium- to long-term senior loans suit productive equipment whose output covers scheduled interest and principal. [S29] IFC (S29) provides own-account loans typically for seven to 12 years and lends across 74 local currencies, while emphasising on-lending: "We also make loans to intermediary banks, leasing companies, and other financial institutions for on-lending." [S29] Because IFC (S01) does not lend directly to micro, small and medium enterprises, a first line of XAF 1,000 million (Illustrative Scenario A) will often access institutional funding through an intermediary bank or leasing company rather than direct multilateral appraisal, as analysed in Chapter 5. [S01] [S29]

1.13 REVOLVING TRADE AND RECEIVABLES FACILITIES FINANCE SELF-LIQUIDATING WORKING CAPITAL

Working capital fluctuates with fabric shipments and buyer payment cycles. Import letters of credit and performance or advance-payment guarantees supported by programmes such as IFC's Global Trade Finance Program (S13, covering up to 100 percent of transaction value with tenors up to three years for capital goods) address cross-border procurement risk, while post-shipment discounting of accepted invoices under structures like IFC's Global Trade Supplier Finance (S14) releases cash after buyer acceptance, as detailed in Chapter 6. [S13] [S14]

1.14 PUBLIC GREEN BONDS REQUIRE SCALE AND GOVERNANCE TESTING BEFORE SELECTION

Issuing a public green bond (S15) or adopting the voluntary European Green Bond (EuGB) label under Regulation (EU) 2023/2631 (S19) entails prospectus governance, taxonomy alignment, external review and fixed transaction fees. [S15] [S19] For a single line borrowing XAF 500 million (under US$1 million at the fixed parity of XAF 655.957 per euro in R32 and S20), fixed bond issuance costs weigh heavily against bilateral or intermediated green loan tranches (S17), a comparison quantified in Chapter 9. [R32] [S15] [S17] [S19] [S20]

1.15

This paper makes a bounded financing argument

This paper (wp13) maintains clear boundaries with companion GFT papers and tools: [S01]

- **Trade policy (wp08):** Detailed tariff law belongs to wp08. This paper notes from the inherited register only that Cameroon's AGOA eligibility ended effective 1 January 2020 and remained ineligible for 2025 (R18), and that textiles and clothing remained unresolved outside the 92.3 percent of agreed AfCFTA tariff lines (R23). [R18] [R23] Missing annex entries (R19 to R22) are excluded entirely.
- **Engineering and carbon baselines (wp06, wp07, wp16):** Technical sizing of utilities, water treatment and greenhouse-gas inventories (S25) belongs to wp06, wp07 and wp16, entering wp13 strictly as budget lines, safeguard obligations (S23, S24) and KPI denominators (S18). [S18] [S23] [S24]
- **Workforce, operations and data (wp02, wp09, wp14, wp15, wp17, wp18):** Training curricula (wp09), OEE and line balancing (wp02, wp15), and data governance (wp14, wp17, wp18) connect to GFT's analytical tools (unit-economics, ramp-planner, risk-matrix, xaf-exposure, solar-storage, footprint, kpi-cascade, maturity, site-selection, safety-stock, supervisor-pipeline and edge-architecture) as modelling inputs, never as lender-approved or deployed software claims. [S01]

BOUNDARY AND RECONCILIATION PROTOCOL FOR SCENARIO A ACROSS WP13

Every financial illustration across the four parts of this paper follows one reconciliation rule set:

1. **Part I (Chapters 1 to 3):** Establishes the repayment-first thesis, reconciles unit output and working-capital timing to CFADS and DSCR (Chapter 2), and builds the XAF 1,000 million illustrative sources-and-uses requirement (Chapter 3). [S01] [S22]
2. **Part II (Chapters 4 to 7):** Structures sponsor equity and subordinated capital (Chapter 4), screens direct and intermediated DFI and bank routes (Chapter 5), maps trade guarantees (S13) and accepted-invoice finance (S14) to the cash cycle (Chapter 6), and separates the XAF/EUR peg (R32, S20) from USD exposure, transfer risk and OHADA security (S21) (Chapter 7). [R32] [S13] [S14] [S20] [S21]
3. **Part III (Chapters 8 to 11):** Tests blended finance against market failure, additionality (S26) and minimum concessionality (S04) (Chapter 8), defines green proceed registers (S15, S17, S19) (Chapter 9), tests greenfield SLL baselines (S16, S18) (Chapter 10), and budgets E&S safeguards (S22, S23, S24, S27) and impact measurement (Chapter 11). [S04] [S15] [S17] [S18] [S22] [S26]
4. **Part IV (Chapters 12 to 14):** Runs combined downside stresses and debt-sizing bounds (Chapter 12), specifies closing data-room and drawdown controls (Chapter 13), and ties expansion capital for a second line to measured operating gates (Chapter 14). [S01] [S29]

By holding every chapter to this shared arithmetic and evidence discipline, wp13 gives sponsors, credit teams, development partners and factory engineers a practical framework for financing a first sustainable line. A label can describe a sound capital structure, but only measured production and collected cash can repay it. [S01] [S17]

A green label describes how proceeds are allocated or how targets are priced, but only measured production and collected cash repay the loan.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S22 IFC. 2012-01-01.

R06 Cameroon Trade Hub. Publication date unrecorded; inherited source-text check.

S17 APLMA, LMA and LSTA. 2025-03-26.

S04 IFC. 2026-04.

S15 ICMA. 2025-06.

S18 APLMA, LMA and LSTA. 2025-03-26.

R01 Business in Cameroon. Publication date unrecorded; inherited source-text check.

S02 IFC. n.d..

R07 Ecofin Agency. Publication date unrecorded; inherited source-text check.

R02 Fibre2Fashion; Business in Cameroon. Publication date unrecorded; inherited source-text check.

R03 SODECOTON. Publication date unrecorded; inherited source-text check.

R04 Financial Fortune Media. Publication date unrecorded; inherited source-text check.

R05 Ecofin Agency. Publication date unrecorded; inherited source-text check.

S29 IFC. n.d..

S14 IFC. 2026-07.

S32 IFC. n.d..

R11 Business in Cameroon; MMI News. Publication date unrecorded; inherited source-text check.

R12 Business in Cameroon. Publication date unrecorded; inherited source-text check.

R13 Business in Cameroon; MMI News. Publication date unrecorded; inherited source-text check.

R08 Business in Cameroon. Publication date unrecorded; inherited source-text check.

R09 Ecofin Agency. Publication date unrecorded; inherited source-text check.

R10 Ecofin Agency. Publication date unrecorded; inherited source-text check.

R24 Mordor Intelligence. Publication date unrecorded; inherited source-text check.

R25 Market.us. Publication date unrecorded; inherited source-text check.

R26 Statista. Publication date unrecorded; inherited source-text check.

S0102 IFC. 2026-02-24.

S23 World Bank Group / IFC. 2007-04-30.

R29 MDPI; industry inspection literature. Publication date unrecorded; inherited source-text check.

S24 World Bank Group / IFC. 2024-12.

S13 IFC. 2026-08.

S27 OECD. 2026-02-26.

S26 IFC. 2026-03.

S0101 IFC. 2026-04-23.

S16 ICMA. 2024-06.

R27 McKinsey, The State of Fashion 2025. Publication date unrecorded; inherited source-text check.

R28 DataIntelo. Publication date unrecorded; inherited source-text check.

R30 Design Journal (Taylor and Francis). Publication date unrecorded; inherited source-text check.

R31 arXiv 2509.04705. Publication date unrecorded; inherited source-text check.

S30 IFC. n.d..

S21 OHADA. 2010-12-15.

R14 WageIndicator. Publication date unrecorded; inherited source-text check.

R15 wage.is. Publication date unrecorded; inherited source-text check.

R16 WageIndicator. Publication date unrecorded; inherited source-text check.

R17 just-style. Publication date unrecorded; inherited source-text check.

S20 BEAC. n.d..

S19 Netherlands Authority for the Financial Markets. n.d..

R32 Wise; XE. Publication date unrecorded; inherited source-text check.

R18 Congressional Research Service IF10149; AGOA (Wikipedia). Publication date unrecorded; inherited source-text check.

R23 MacMap; AfCFTA. Publication date unrecorded; inherited source-text check.

GREEN FUTURE TECH

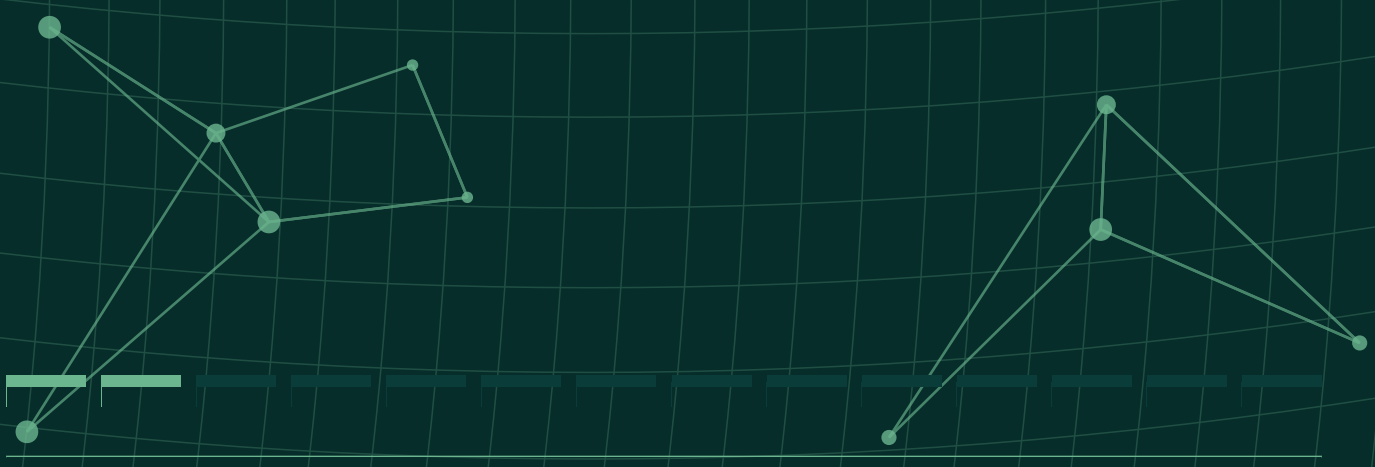
LIMITED / HONG KONG SAR

02

PART I: REPAYMENT MUST PRECEDE INSTRUMENT SELECTION / REPAYMENT MECHANICS

Cash conversion determines how much debt the line can carry

The model must follow good garments through sales, collection and reinvestment before calculating debt service.



CHAPTER 02
DECISION TEST

The model must follow good garments through sales, collection and reinvestment before calculating debt service.

A first textile line can carry debt only when its operating cash arrives before the contractual payments fall due. GFT recommends building the repayment model from accepted garments, invoiced sales, customer collections and necessary reinvestment, then testing the proposed debt schedule against that cash. A profitable annual forecast is insufficient if the factory cannot finance fabric, wages or customer credit during the ramp. The decision is therefore a combination of operating sufficiency and payment timing. This chapter supplies a reproducible analytical method, with explicitly illustrative calculations. It is not investment, legal or tax advice.

2.1

Saleable output must reconcile with the production calendar

The production model should begin with a declared physical boundary. For a cut, make, trim and finishing line, the relevant output is accepted garments meeting a specified product definition. Fabric purchased, pieces cut, garments stitched, garments inspected and orders accepted describe different states. GFT proposes retaining those states separately. A financing model that applies the selling price to every piece leaving a sewing station assumes away the quality and acceptance gates that determine whether the customer will pay.

State whether capacity represents theoretical machine speed, demonstrated line speed or a supplier's estimate of accepted output. Specify the product mix, shift pattern, scheduled hours and bottleneck. Capacity already expressed as good garments per scheduled hour must not be multiplied again by a quality factor embedded in that measure. Likewise, a utilisation allowance that already incorporates stoppages should not be reduced again by the same downtime through an availability assumption. These are proposed modelling controls, rather than claims about observed performance at a GFT factory.

An illustrative production calculation starts with 10,000 theoretical pieces per month, availability of 80 percent, performance of 90 percent and first-pass quality of 95 percent. Multiplying these independent assumptions gives 6,840 first-pass accepted pieces. Applying a further 70 percent utilisation haircut would reduce that figure to 4,788 pieces, but is justified only if it captures a distinct restriction, such as an intentionally shortened selling calendar. If it repeats the assumed availability loss, the resulting forecast understates output without identifying an additional cause. No percentage in this example is an industry benchmark.

Rework needs an explicit route through the model. First-pass rejects may be recoverable, scrapped or awaiting a buyer decision. Recovered units consume time and materials, and become saleable only after another acceptance event. Count that labour in the production schedule, record the associated cost and prevent the same unit entering both the original accepted quantity and the recovered quantity. Separate a quality hold from permanent scrap. This discipline allows a reviewer to change the recovery assumption without manually repairing the revenue calculation.

An illustrative finished-goods reconciliation opens with 500 accepted garments, adds 6,840 newly accepted garments and dispatches 6,200, leaving 1,140 in stock before returns or write-offs. The sales model must explain which dispatched garments sat-

isfy the assumed revenue-recognition condition. The collection model must then explain which invoices turn into bank receipts. A closing inventory quantity is neither an additional sale nor spare cash. It represents an operating asset whose value and recoverability need their own assessment.

GFT recommends a monthly bridge between scheduled capacity, physical production, accepted output, dispatches and closing stock. The production lead should own quantities and causes of loss; the finance lead should reconcile the quantity and value movements. Every material difference should remain visible rather than disappearing into a balancing percentage. IFC's application guidance requires technical soundness and prospects of profitability, but does not prescribe this particular bridge. GFT's proposed bridge is an implementation response to those broad appraisal tests, not an IFC-approved template. [S01]

The calendar should distinguish commissioning, training, normal production and planned maintenance. GFT recommends leaving a commissioning period visible even if it produces saleable pieces, because acceptance, repeatability and collection evidence may still be incomplete. Do not assign normal operating speed to all available hours merely because the equipment has arrived. Conversely, do not charge the same training hours both as lost production and as additional labour without showing why both effects occur. The model should retain the physical explanation behind each reduction.

The unit-economics and ramp-planner interfaces should supply dated assumptions to this bridge. They should not overwrite accepted production records when actual results arrive. Preserve the original forecast, compare it with the actual run and record why the next forecast changes. Detailed operating definitions belong with the operating-system analysis elsewhere in the paper library. Here the acceptance test is narrower: a reviewer must be able to follow an additional accepted garment into inventory, revenue, cost and eventual cash without losing its identity or counting it twice.

2.2

Revenue is earned and collected on different dates

The revenue schedule should identify the event that creates the sale and the separate event that releases cash. As a historical accounting reference, the opened Australian revenue standard links recognition to satisfaction of a performance obligation through transfer, and associates transfer with customer control. That supports separating dispatch, acceptance and payment in the model. This edition is used for the conceptual distinction only; it is not presented as current Cameroonian reporting law or a complete determination of the venture's accounting policy. [S0202]

For the proposed model, give own-brand retail and institutional uniform orders separate collection assumptions. Own-brand sales might involve immediate payment, payment-platform settlement or consignment; the model should select the actual arrangement supported by evidence. Institutional sales might involve an advance, inspection, invoice acceptance and later settlement. These are illustrative channel

structures, not reported GFT contracts. A blended average collection period can conceal a payment condition attached to the largest order. Build the receivable from invoice cohorts before calculating any summary collection-days measure.

An illustrative institutional order has a net selling value of XAF 100 million, a customer advance of XAF 20 million before production, and the remaining XAF 80 million collected after acceptance. If the entire order qualifies as revenue at acceptance, that period's revenue is XAF 100 million, but its remaining collection is XAF 80 million. The earlier advance has already appeared in cash and must not be collected again. Before acceptance, the advance should have its own obligation record rather than being treated automatically as earned profit.

Returns, discounts and non-payment should have different model destinations. An illustrative XAF 100 million invoice subject to a XAF 5 million credit note and a XAF 3 million unrecoverable balance yields XAF 92 million of ultimate collections, before any separately modelled tax. A later payment date changes liquidity without necessarily changing the agreed net price. A credit note changes what is owed. A bad-debt assumption changes expected recovery. Applying all these effects as unrelated percentage deductions to both revenue and collections would create duplicate losses.

Keep indirect taxes outside the net selling-price assumption and model their settlement separately. Amounts collected for the tax authority cannot automatically support debt repayment. Equally, a tax receivable should not become cash merely because an input invoice contains tax. GFT proposes a dedicated tax-control schedule showing opening balances, additions, offsets, expected recoveries and payments, with project-specific tax advice providing the assumptions. No tax rate, exemption or refund timetable is assumed here. This chapter's examples are deliberately stated on a simplified net-of-indirect-tax basis.

Supplier finance does not erase the period before acceptance. IFC's Global Trade Supplier Finance description centres on purchasing and discounting invoices accepted for payment by pre-approved participating buyers. GFT therefore recommends counting prospective invoice finance only after its buyer, acceptance and transaction conditions are evidenced. An own-brand forecast cannot be converted into eligible financed receivables simply by adding a financing line to the spreadsheet. Availability to this venture remains unconfirmed. [S14]

If a receivable is financed, the model should separately record the advance, discount, retained amount, recourse terms and final settlement. The same customer balance cannot appear as full cash collection and as fresh financing without an offsetting repayment or receivable transfer. The appropriate accounting presentation depends on the actual terms. For repayment analysis, GFT recommends an explicit transaction bridge that lets the reviewer see who holds the customer risk and which future receipt has already been brought forward. Instrument selection and detailed eligibility belong in the working-capital chapter.

2.3

CFADS must exclude accounting gains and financing flows

GFT proposes defining cash flow available for debt service, or CFADS, as EBITDA less cash taxes, maintenance capital expenditure and the increase in operating working capital, plus or minus separately identified operating cash adjustments. This is an analytical definition for the chapter, not a universal covenant formula. The actual financing documents may define the numerator differently. The model should carry a reconciliation from its operating calculation to the negotiated test, rather than changing the underlying business cash flows to improve a ratio.

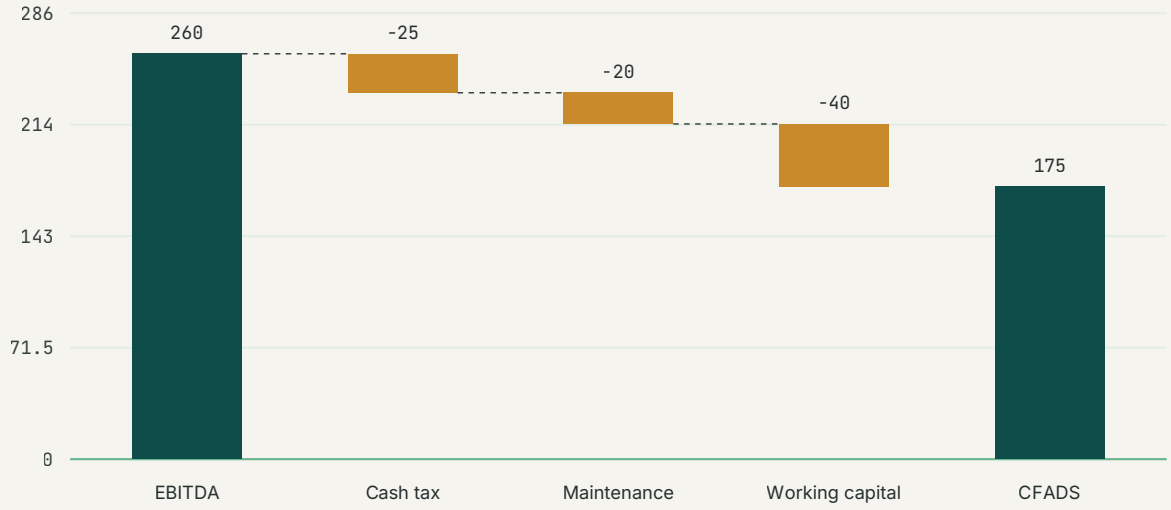
The historical Australian cash-flow standard separates operating, investing and financing movements, and its indirect method adjusts profit for operating balance movements and non-cash items. Those distinctions support the reconciliation discipline used here. They do not make GFT's proposed CFADS measure a financial-statement subtotal. The cited edition has an expressly bounded reporting period and is retained as a methodological reference, not a statement of the current applicable accounting regime. [S0201]

Starting from EBITDA means depreciation has already been excluded. Adding it back again would overstate cash. Starting from net profit instead requires an explicit bridge for depreciation, interest, tax and other relevant items before applying the working-capital movements. A gain on revaluing equipment does not pay a wage bill. Nor should an uncollected receivable be subtracted again if its movement has already reduced the cash calculation. GFT recommends building the indirect bridge and a direct receipts-and-payments calculation independently, then explaining any difference.

For an illustrative EBITDA-to-CFADS bridge, assume EBITDA of XAF 260 million, cash taxes of XAF 25 million, maintenance capital expenditure of XAF 20 million and an increase in operating working capital of XAF 40 million. The arithmetic is 260 less 25 less 20 less 40, giving XAF 175 million. These assumptions explain the base CFADS used in the paper's illustrative capital case; they do not estimate an actual factory's earnings. **Exhibit 6**, p. 35 preserves each deduction instead of applying an unexplained cash-conversion percentage.

EXHIBIT 06 / XAF MILLION, ILLUSTRATIVE ANNUAL CASE

Reinvestment reduces the cash available to service debt



ILLUSTRATIVE Illustrative assumptions: EBITDA 260, cash tax 25, maintenance capital expenditure 20, operating working-capital increase 40. CFADS = 260 - 25 - 20 - 40 = 175. Net-of-indirect-tax simplification; no actual GFT results or lender terms.

The bridge shows an illustrative annual cash outcome, not proof that cash arrives evenly. A parallel downside bridge assumes EBITDA of XAF 230 million, cash taxes of XAF 25 million, maintenance of XAF 25 million and additional operating working capital of XAF 60 million. That gives XAF 120 million of CFADS. The tax amounts are independent cash assumptions, potentially reflecting payment timing, rather than a calculated statutory rate. A complete transaction model must replace them with a supported tax schedule.

Maintenance and expansion also need a consistent boundary. GFT recommends classifying each proposed asset payment by its purpose: keeping the existing line capable of its assumed output, replacing a worn component, or adding a new capability. A payment cannot disappear from the repayment assessment solely because management labels it growth. If the existing revenue forecast depends on that expenditure, the financing case must fund it before treating the associated cash as distributable. Keep the classification review separate from the accounting decision about capitalisation.

Operating working capital should contain the operating balances whose cash effects are not elsewhere deducted. GFT proposes identifying raw materials, work in progress, finished goods, trade receivables and operating prepayments, less eligible operating payables and customer advances. Borrowings belong in the financing schedule. Restricted reserve cash belongs in a separate availability reconciliation. If income tax is deducted through a dedicated cash-tax line, exclude the same tax movement from operating working capital. Specify the boundary before interpreting a positive or negative change.

An illustrative steady-state cross-check assumes annual credit sales of XAF 730 million and annual relevant costs of XAF 438 million, with 365 days used solely as the stated modelling convention. Receivable days of 30 imply XAF 60 million; inventory days of 45 imply XAF 54 million; payable days of 30 imply XAF 36 million. Operating working capital is therefore XAF 78 million. The cycle is 45 days, but multiplying that total by daily sales would give XAF 90 million and use the wrong denominator for stock and payables.

> **GFT NOTE**
>
> Treat a release of working capital as a question before treating it as repayment capacity. Ask whether it comes from paid receivables, genuine inventory reduction or simply overdue suppliers. Record material supplier arrears separately. GFT recommends testing sustainable cash with contractual payment behaviour restored, then showing any temporary relief as a distinct timing effect. Otherwise the model can reward non-payment of operating obligations while claiming improved debt capacity.

New borrowing and sponsor injections can restore liquidity but must remain outside operating CFADS. The accounting reference identifies equity and borrowing changes as financing activities; IFC also distinguishes loans and intermediary on-lending as financing products. Their availability is a capital-structure question, not evidence that garments generate repayment cash. Similarly, speculative carbon-credit income should contribute nothing to the base repayment case without evidenced rights, delivery conditions, costs and a supportable collection basis. [S0201] [S29]

2.4

Debt service must include contractual cash obligations

The denominator must follow a dated debt roll-forward. GFT proposes separate rows for opening principal, drawings, scheduled principal repayment, capitalised interest where applicable, other permitted adjustments and closing principal. Interest should use the balance and timing convention actually assumed. Cash fees belong in an explicit row rather than disappearing into the interest rate. Payment dates, accrual dates and the model's reporting periods must align. A model that calculates coverage annually should still retain the cash movements needed to meet each contractual due date.

The paper's illustrative scenario A assumes XAF 500 million of senior debt, an annual interest rate of 8 percent, six annual equal-principal instalments, no grace period and no fees. Interest is charged on each year's opening balance and paid at year end alongside principal. The example contains no construction period or intra-year drawdown. Its first-year principal payment is 500 divided by 6, or XAF 83.333 million, and first-year interest is 500 multiplied by 0.08, or XAF 40 million. Total senior service is XAF 123.333 million, rounded for display.

An illustrative second-year opening balance of XAF 416.667 million follows from the first principal payment. Interest then becomes approximately XAF 33.333 million, giving service of XAF 116.667 million. This decline is a property of equal-principal

amortisation and the assumed opening-balance interest convention. It is not an annuity schedule with constant total payments. Calculate subsequent periods from unrounded balances and adjust the final instalment for any contractual rounding rule, so a display-rounding residue does not become a fictional outstanding loan.

Grace also needs a precise meaning. A principal holiday with interest paid creates a different early cash requirement from an interest holiday with capitalised interest. Capitalisation increases the balance that later interest and principal must cover. GFT recommends presenting those alternatives as changes to the debt schedule, while keeping the underlying operating case unchanged. A longer tenor can redistribute payments but cannot convert a permanently negative operating cash stream into a self-repaying enterprise. The earlier financing gap still needs an identified bearer.

The scenario's illustrative senior-only calculation excludes any cash payment on subordinated capital. That exclusion is a scope limitation, not an assumption that such capital is free. The actual model must show whether subordinated interest is paid, deferred or capitalised, when principal becomes due and whether distributions are blocked. IFC lists instruments including profit-participating loans, convertible loans and preferred shares. Their different forms reinforce the need to inspect actual cash rights rather than infer them from an equity-like name. [S30]

In a transaction model, reconcile commitment fees, arrangement fees, insurance charges, mandatory reserve funding and any other documented payments to the agreed covenant and the overall cash waterfall. A payment excluded from a senior DSCR definition still reduces available cash somewhere. Lease obligations require consistent treatment between the earnings measure and the service schedule. GFT's recommendation is to expose both the contractual test and total unavoidable cash payments. The simplified example deliberately makes no claim about market rates, lender pricing, taxes on interest or available repayment terms.

2.5

Minimum coverage matters more than an attractive average

Define period debt-service coverage ratio, or DSCR, as the explicitly defined CFADS divided by the debt service for that same period. GFT recommends recording the lowest tested coverage and its date alongside annual and rolling measures. If debt service is absent, report the ratio as not applicable and show the cash position. If CFADS is negative while service is positive, retain the negative ratio. Neither a blank cell nor a very large substitute value should conceal the financing question.

WORKED EXAMPLE: THE SAME DEBT SCHEDULE SURVIVES ONLY THE STRONGER CASH CASE

The illustrative scenario uses the senior schedule above without changing its terms between operating cases. Base coverage equals 175 divided by (500/6 + 500 × 0.08), or approximately 1.419. Downside coverage equals 120 divided by the same denominator, or approximately 0.973. The downside is short of the actual senior payment by XAF 3.333 million. If the sponsor additionally proposes an illustrative coverage target of 1.30, required CFADS is XAF 160.333 million. The downside shortfall against that proposed target is XAF 40.333 million, a different question from the payment deficit. None of these thresholds is a universal lender rule.

Exhibit 7, p. 38 makes the distinction between a payment deficit and a coverage-target deficit inspectable. The exhibit is labelled illustrative because its inputs are assumptions, even though its ratios are arithmetic. Adding a citation about a financing product would not turn assumed operating cash or pricing into sourced observations.

EXHIBIT 07 / XAF MILLION EXCEPT COVERAGE RATIOS

Identical debt passes the illustrative base test and fails the downside

First-year measure	Base	Downside
CFADS	175.000	120.000
Senior service	123.333	123.333
Senior DSCR	1.419	0.973
Cash after senior service	51.667	-3.333
CFADS at target 1.30	160.333	160.333

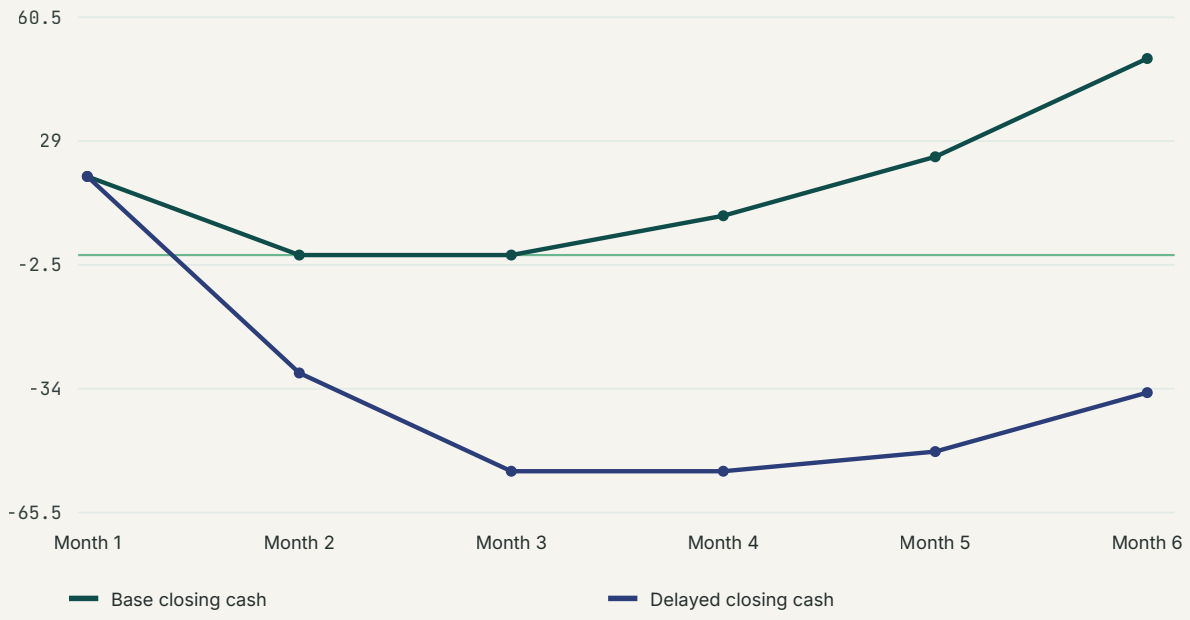
ILLUSTRATIVE Illustrative scenario A: senior debt 500, rate 8%, six equal annual principal payments, opening-balance annual interest, no grace or fees. Service = 500/6 + 500*0.08. CFADS assumptions 175 and 120. Ratios use unrounded service; target 1.30 is assumed. Subordinated cash service excluded.

An illustrative first-year capacity bound can be calculated by rearranging the same schedule: debt cannot exceed CFADS divided by the product of the proposed coverage target and the sum of the annual principal fraction and interest rate. With the assumed target of 1.30, the base calculation is 175/[1.30 × (1/6 + 0.08)], approximately XAF 545.738 million. Using downside CFADS of XAF 120 million lowers it to XAF 374.220 million. These are conditional algebraic bounds, not financing offers; later years, transaction costs and liquidity can impose tighter limits.

A separate illustrative monthly example demonstrates that a year-end ratio can miss an earlier cash failure. Assume opening unrestricted cash of XAF 60 million. Monthly operating payments are XAF 40, 50, 55, 55, 60 and 60 million. Base collections are XAF 0, 30, 55, 65, 75 and 85 million. A collection delay shifts that receipt sequence by a month, giving XAF 0, 0, 30, 55, 65 and 75 million within the displayed window. All other inputs stay fixed; no new funding or debt payment occurs during this isolated timing example.

EXHIBIT 08 / XAF MILLION, ILLUSTRATIVE MONTH-END UNRESTRICTED CASH

A collection delay exhausts cash before the ramp ends



ILLUSTRATIVE Separate six-month timing model, not a monthly decomposition of scenario A. Opening cash 60; payments [40,50,55,55,60,60]; base receipts [0,30,55,65,75,85]; delayed receipts [0,0,30,55,65,75]. Closing = opening + receipts - payments. No financing, taxes, debt payments or additional flows. Negative values show unmet funding needs, not authorised overdrafts.

The illustrative delayed path in **Exhibit 8**, p. 39 first becomes negative in month 2 and reaches a maximum funding deficit of XAF 55 million. The base path touches zero, so it provides no minimum operating cushion even though it ends positive. Negative cash here denotes an unfunded requirement, not permission to overdraw. A longer forecast must collect the delayed final invoice in the next period rather than deleting it. Stress analysis should separately change timing, recoverability and production disruption, since each changes a different mechanism.

Where collections are concentrated around a debt due date, GFT recommends a shorter cash forecast around that date. A month-end balance can conceal a payroll payment that precedes the main customer receipt within the same month. Retain actual expected receipt dates and settlement cut-offs in the supporting schedule. The credit decision should identify the largest cumulative shortfall before each receipt, with restricted cash excluded. A positive closing balance should therefore trigger a timing reconciliation, rather than end the liquidity review.

GFT recommends meeting a timing deficit through a specifically identified source, cash release or operating change, then rerunning the model. A possible credit facility should count only to the extent its availability conditions and timing are supported. Shrinking the assumed operating reserve until the cash line turns positive does not resolve the underlying exposure. The full funding requirement belongs in the next chapter; this chapter identifies the cash gap that that funding plan must cover.

2.6

A valuation metric is not a liquidity covenant

Project IRR describes the return on the project's selected pre-financing cash-flow series. Equity IRR describes the return on the sponsor's selected contributions and distributions after the modelled financing flows. Net present value discounts a defined cash-flow series at a declared rate. DSCR compares period cash available with period debt payments. Closing unrestricted cash measures remaining payment capacity at a date. GFT recommends defining each measure alongside its currency, timing and cash boundary before comparing cases. They answer different questions and should never share an unexplained numerator.

An illustrative terminal receipt of XAF 300 million in a distant final period can improve a valuation without contributing anything to an earlier XAF 55 million cash deficit. A refinancing assumption has the same limitation until a lender, conditions and draw date support it. The model should display the business case without terminal proceeds beside the valuation case that includes them. A reviewer can then distinguish repayment generated during operation from value dependent on a future sale or financing event.

GFT proposes testing distributions only after scheduled operating payments, required maintenance, debt payments, restricted reserve movements and documented distribution conditions. A positive annual equity cash-flow total is insufficient if the proposed transfer occurs before customer settlement. Where the financing definition allows distributions despite an operational funding need, management still needs a separately stated liquidity judgement. Conversely, cash restricted for debt service may exist in a bank account while remaining unavailable for wages. Show unrestricted and restricted balances separately.

A reported return should disclose whether the equity cash series contains assumed residual value, unpaid shareholder balances, release of reserves or new equity subscriptions. GFT recommends flagging multiple sign changes before interpreting an IRR and retaining the dated cash series for inspection. The repayment conclusion should stand on the scheduled operating cash and obligations. Valuation can inform a sponsor's decision to take risk; it does not demonstrate that the borrower can pay an identified creditor on the required date.

2.7

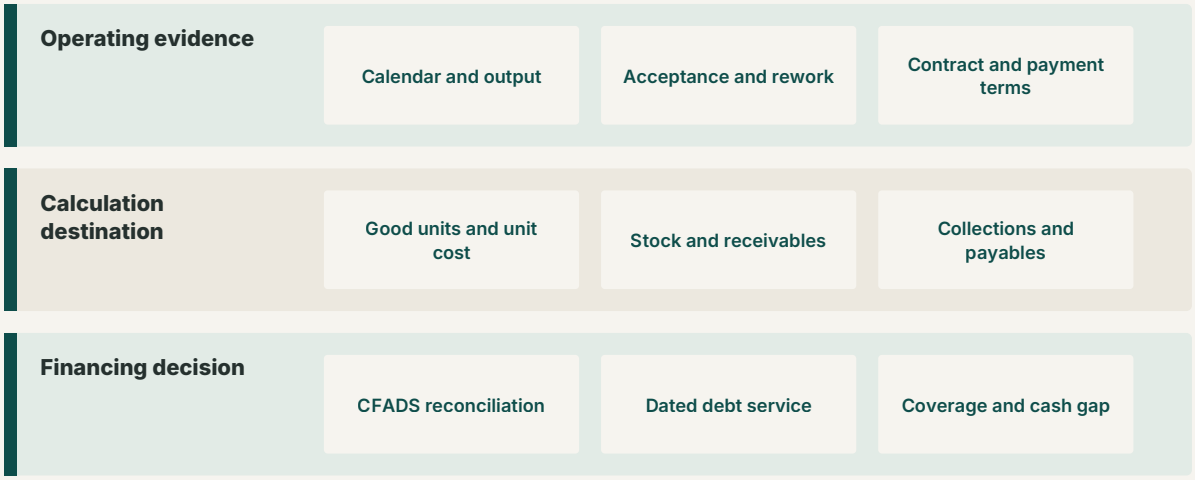
A reproducible model needs a controlled assumptions register

Every material input should have a unit, currency, price basis, timing convention, responsible role, evidence location and uncertainty classification. GFT proposes distinguishing executed terms, supplier quotations, observed operating records, management estimates and illustrative assumptions. A selected assumption should retain both its supporting record and the reason for selection. Uncertainty should attach to the input that creates it, rather than becoming a final arbitrary adjustment to debt capacity. Historic observations remain historic when copied into a current forecast.

Exhibit 9, p. 41 specifies a proposed routing architecture. The exhibit is illustrative: it assigns responsibilities and calculation destinations, not measured maturity scores. Production assumptions affect quantities and costs; collection assumptions affect receivables and cash dates. A utility price affects operating costs, while an equipment replacement affects a maintenance schedule. Routing the assumption to its first economic consequence makes double counting easier to detect and helps the reviewer trace a stressed cash balance back to an operating cause.

EXHIBIT 09 / ILLUSTRATIVE MODEL ROUTING, NO MEASURED SCORES

Each operating assumption needs a defined cash destination



ILLUSTRATIVE GFT proposed control architecture. Production owns quantity and acceptance assumptions; commercial owns contract and collection assumptions; finance reconciles stocks, cash and debt. This is a recommended workflow, not an implemented GFT system.

Keep nominal prices with nominal cash flows and a discount convention consistent with them. A constant-price case should identify its base period and avoid silently escalating selected costs. Currency conversions need an explicit rate basis and date; they must not turn an unverified purchasing assumption into an observed local price. For an input with insufficient evidence, GFT recommends showing the assumption's sensitivity and the record needed to replace it. No exchange rate or inflation forecast is supplied by this chapter.

Before handing the model to a financier, GFT recommends checking that accepted production reconciles to stock movements, dispatches reconcile to the revenue condition, invoices reconcile to receivables, and collections reconcile to receipts. Check that opening cash plus inflows less outflows equals closing cash in every period. Reconcile the debt roll-forward independently and ensure every reserve transfer has an equal and opposite availability movement. A balanced balance sheet alone does not establish these timing links.

GFT also recommends testing the model's direction of response before interpreting its outputs. Later collections should increase receivables or reduce cash until the receipts arrive. Higher scrap should reduce accepted output or raise the resources needed to fulfil an unchanged order. A larger principal repayment should reduce closing debt and cash together. When an assumption produces the opposite effect,

inspect signs, circular references and duplicated formulas before debating the business forecast. These directional checks complement reconciliation; a model can balance while routing an economic effect to the wrong period.

Finally, retain a change log connecting each material revision to its supporting record and approval role. A buyer's informal expression of interest should not silently replace an executed payment term. A production trial should not become a full-year acceptance record. GFT recommends reporting the evidence gained, the uncertainty remaining and the cash consequence of that uncertainty together. That makes the model useful to an operating team as well as a credit reviewer.

The handover should preserve the selected base case, the downside using the same contractual schedule, the formula logic and the unresolved evidence list. Record which assumption change causes the earliest payment failure and which responsible role can obtain better evidence. The deliverable is a reviewable capacity range conditional on explicit inputs. It is not a promised financing amount or evidence of lender approval. Further capital decisions should use updated production and collection records, preserving the original assumptions so improvement can be demonstrated rather than asserted.

Debt is carried by cash that arrives, after the line has paid to keep producing.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S0202 Australian Accounting Standards Board. 2022-12-15.

S14 IFC. 2026.

S0201 Australian Accounting Standards Board. 2023-06-22.

S29 IFC. n.d..

S30 IFC. n.d..

GREEN FUTURE TECH

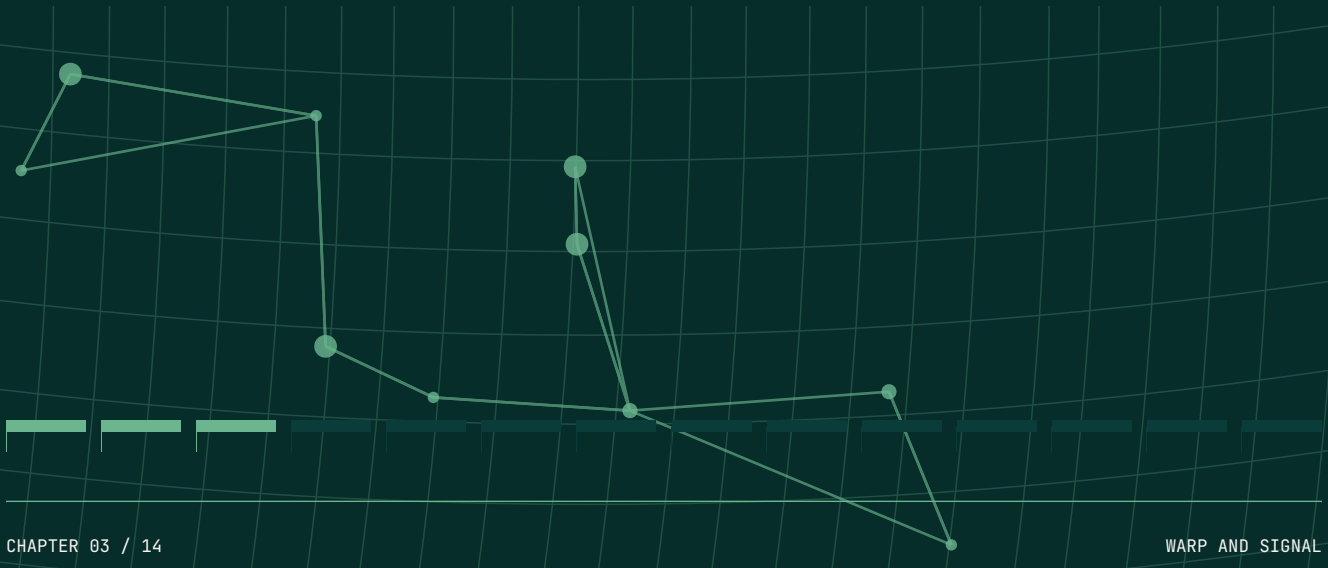
LIMITED / HONG KONG SAR

03

PART I: REPAYMENT MUST PRECEDE INSTRUMENT SELECTION / SOURCES AND USES

The funding requirement includes the cash needed to reach stable production

A machinery budget becomes financeable only when development costs, safeguards, commissioning and liquidity are funded together.



CHAPTER 03
DECISION TEST

A machinery budget becomes financeable only when development costs, safeguards, commissioning and liquidity are funded together.

The funding requirement must cover the route from project preparation to repeatable production and cash collection. Buying machinery is only part of that route. GFT recommends a dated register of work packages, operating cash needs, reserves and funding conditions, reconciled to a cash forecast. The practical question is whether money can be used before the obligation falls due. A balanced capital plan cannot answer that question without a payment calendar and evidence of access to each source.

This chapter proposes that register for a first textile line. It distinguishes the cost boundary from accounting treatment, green eligibility and financing availability. Its numerical cases are illustrative design exercises, not supplier quotations, a GFT financing request or observed factory results. They demonstrate how to identify omissions and timing failures. The framework is not investment, legal or tax advice; transaction documents and local professional advice must determine the applicable obligations.

3.1

Development costs are exposed before a lender can disburse

GFT recommends treating preparation expenditure as sponsor risk unless an identified counterparty has explicitly agreed otherwise. That boundary includes feasibility work, site investigation, engineering, permitting support, financial modelling and legal preparation. Each package should produce a decision or an inspectable deliverable. Site investigation should inform the suitability decision; engineering should define a purchasable scope. Paying for a report should not count as resolving the underlying risk when its recommendations remain outstanding.

IFC's financing application guidance describes preliminary review followed by a possible request for detailed feasibility or business planning before appraisal. GFT's interpretation is that preparation and funding approval are separate steps. A sponsor should therefore establish how preparatory invoices will be paid without assuming later reimbursement. The financier's request for more information is evidence of a review process, not a commitment to fund the information or the eventual factory. [S01]

Preparation facilities can change who bears particular costs, but only within their actual access rules. The Green Climate Fund describes preparation funding for Accredited Entities and Project-specific Assessment Approach applicants through grants, repayable grants or equity. GFT does not infer that a textile sponsor can obtain such support directly or that any preparation grant is permanently non-repayable. A proposal should identify the eligible applicant, approved activity, reimbursement mechanism and repayment conditions before assigning this source to a cost. [S08]

The preparation ledger should distinguish money already paid, invoices incurred but unpaid, future contracted expenditure and future uncontracted expenditure. Add separate fields for the paying entity and any proposed reimbursement. Historical spending may establish sponsor exposure, but it cannot pay an upcoming deposit. Equally, an invoice awaiting payment must not disappear because the budget presentation groups all preparation work under a heading called completed development.

A useful control is to maintain a whole-project cost view and a remaining-cash view. The whole-project view retains verified historical costs and their original funding sources. The remaining-cash view begins at a stated cut-off and includes only later payments and receipts. Reconcile them with paid invoices and bank records. If refinancing reimburses earlier sponsor expenditure, show the refinancing receipt and the payment to the sponsor explicitly. Do not simultaneously count the historical expenditure as fresh equity available to buy equipment.

An illustrative preparation case assumes XAF 12 million already paid from sponsor funds and XAF 8 million still payable. Whole-project preparation cost is XAF 20 million; future cash needed is XAF 8 million before any other spending. An unapproved reimbursement application contributes nothing to available cash. These assumed amounts demonstrate a reconciliation only. Neither the cost of preparation nor the probability of reimbursement is estimated for an actual venture.

GFT recommends setting a preparation spending limit tied to the next decision. If a site fails a technical review, the spending authority should require a revised site decision before equipment deposits proceed. Work that preserves an option should be identifiable separately from work that commits the sponsor to construction. This gives the sponsor a controlled stopping point instead of allowing earlier expenditure to become the reason for accepting a weaker investment case.

3.2

Delivered equipment costs exceed the supplier invoice

The purchasing boundary should end at equipment that is installed, tested and capable of performing the specified task. GFT recommends a landed-and-commissioned cost schedule rather than a machine-price subtotal. Record the quotation currency, quotation date, validity, delivery terms, exclusions, payment milestones and acceptance criteria. Assign responsibility for packing, transport, insurance, handling, storage, installation and testing. A cost belongs somewhere in the register even when a supplier excludes it from the quotation.

Construct the schedule from the contract boundary outwards. First identify what the equipment supplier actually delivers. Then obtain estimates or quotations for the remaining services, with the same destination, equipment scope and installation window. Check whether commissioning consumables and trial material are included, and whether the trial programme requires a supplier technician. Budget initial spares separately from later maintenance replenishment. Counting the same technician visit under installation and training would overstate uses; omitting both would understate them.

For an illustrative equipment package, assume XAF 100 million for the machine, XAF 7 million for freight and insurance, XAF 4 million for handling and installation, XAF 3 million for testing and XAF 6 million for initial spares. The subtotal is XAF 120 million before any separately applicable tax or finance cost. These are assumed allocations at an illustrative budget date of 30 October 2026, expressed directly in CFA franc (XAF), with no exchange conversion. They are not Cameroon price benchmarks.

Tax treatment needs its own review. GFT recommends modelling gross cash payments until a documented treatment justifies another basis. A potentially recoverable tax may still require funding between payment and recovery; a disputed exemption should remain unresolved. Record who supplied the tax interpretation, its date, the transaction to which it applies and the evidence needed to use it. This chapter assumes no customs band, exemption or refund timetable. Changing an accounting cost is not the same as changing the bank payment date.

A budget revision should preserve an audit trail from the earlier quotation to the replacement. GFT recommends recording whether the change arises from quantity, specification, currency, delivery terms or validity expiry. This prevents an apparent price saving from concealing a narrower scope. Equally, supplier credit should change the payment schedule only when agreed; it does not remove the underlying purchase cost. The technical reviewer should confirm that alternatives still meet the acceptance requirement before finance adopts the revised amount. Otherwise the capital plan can become internally balanced around equipment that no longer delivers the intended process.

The procurement schedule should also identify financing requirements that are not purchase costs. If a bank requires cash collateral for a trade instrument, identify the restricted cash, its release condition and whether it can fund anything else. If a deposit is supported by an advance-payment guarantee, record the guarantee terms and expiry. Do not deduct the face amount of a guarantee from project uses as though the supplier had reduced its invoice.

IFC's Global Trade Finance Program describes transaction-specific guarantees covering payment risk on emerging-market banks, including support for certain capital-goods transactions. This is a bank-mediated risk instrument. GFT's budget implication is to identify the covered payment and the participating banks without treating a guarantee as cash for installation, an assurance of machine performance or protection against a failed production ramp. Availability must be confirmed for the actual transaction. [S13]

Acceptance should connect payment to evidence that can be obtained. GFT recommends defining factory testing, delivery inspection, installation completion and site performance testing as distinct events where relevant. The supplier's delivery milestone need not coincide with productive readiness. Retentions should appear as later payments, with the cash preserved until release or dispute resolution. A disputed final payment does not justify consuming the amount elsewhere while the liability remains possible.

3.3

Utility resilience and safeguards belong in the initial budget

The initial scope should fund the supporting systems needed to operate the selected processes safely. The IFC Performance Standards establish a framework for assessing and managing environmental and social risks. GFT's financing recommendation is

to convert the resulting actions into costed work packages, responsibilities and payment dates. Recording a risk without funding the action required to manage it leaves the production budget incomplete. [S22]

Begin with the bounded production process. For a cut, make, trim and finishing scope, GFT proposes identifying the actual electricity loads, water uses, building services, worker facilities and waste streams before assigning utility or safeguard allowances. This is a proposed first-line boundary, not a declaration that a particular factory exists. Do not insert an integrated spinning or dyeing complex into the budget merely because the broader textile value chain contains those activities.

The textile EHS guidance calls for tailoring recommendations to project hazards and site conditions, using qualified professional judgement. It should be read with the General EHS Guidelines. GFT consequently proposes engineering review of power protection, water supply, drainage, ventilation, fire protection and any process-specific treatment before the capital request is fixed. No unit rate or technical design is inferred from the existence of the guidance. [S23]

For each supporting system, separate connection cost, installed equipment, testing, initial consumables and recurring operation. A water system that is purchased without funded testing remains an unresolved commissioning package. A fire system should not be budgeted solely as hardware while training and inspection are omitted. These are GFT completeness checks; the required specification and applicable approvals must come from the qualified technical and regulatory review.

Utility resilience should be evaluated as an explicit design choice. GFT recommends comparing the cash consequences of the selected supply arrangement with a defined interruption scenario, while retaining the engineering team's load and reliability assumptions. If backup equipment is selected, its fuel, maintenance, safe storage and operating responsibility belong in the relevant cash schedules. A resilience asset does not eliminate the need to fund its operation. The financing chapter receives those inputs; it does not design the system.

Wet processing requires a separate boundary decision. The textile EHS guidance addresses process-related environmental issues across textile manufacturing, including wastewater. GFT recommends identifying whether each proposed process is inside the first-line scope, outsourced or deferred. If an expansion changes water demand or treatment obligations, cost that change before approval. An earlier budget for a different process cannot establish that the expansion's environmental provisions are adequate. [S23]

The same boundary discipline should govern shared infrastructure. If an initial site investment supports later lines, identify the portion needed for the first line and the reason for any larger capacity. The sponsor may choose to pre-invest, but the financing plan should show that choice and its current cash cost. Avoid making the first line appear cheaper by allocating a necessary connection to an expansion that has no committed funding.

3.4

Training and data capture require cash before they create benefits

GFT recommends treating training and measurement as defined delivery packages. For training, specify the roles, time away from production, trainer responsibility, materials, supervised practice and evidence of competence. For data capture, specify meters or devices, installation, connectivity, licences where relevant, integration, record definitions and support. A statement that digital systems will improve performance is not a purchasable scope or evidence of an achieved saving.

Budget these activities against the production sequence. Operators need access to the equipment and the applicable work instructions; supervisors need records they can interpret; finance needs an agreed connection between production events, stock movement and cash. GFT recommends reserving time and money for that connection before declaring the line ready. Otherwise training can be marked delivered while the receiving team cannot demonstrate the intended task.

Cost classification should not obscure payment. Some expenditure may be treated as an asset and some as an expense under the applicable accounting policy. Either way, a supplier or employee must be paid. GFT recommends keeping cash uses independent from the accounting classification, with a reconciliation between them. Obtain accounting advice for capitalisation decisions and preserve the documented policy rather than choosing a treatment that makes a funding ratio appear stronger.

Green eligibility is a further judgement. The March 2025 Guidance on Green Loan Principles focuses on eligible projects rather than the identity of the borrower. GFT's interpretation is that a training package, meter or software system requires a specific eligibility rationale before it is allocated to green proceeds. Being useful to a sustainability programme does not by itself determine financing eligibility or accounting treatment. [S17]

The illustrative register in **Exhibit 10**, p. 49 separates those judgements. It is a proposed evidence structure, not an eligibility assessment. Each row requires supporting documents in an actual transaction. The table deliberately makes no assertion that a particular cost qualifies for a lender, a tax treatment or a green instrument.

EXHIBIT 10 / ILLUSTRATIVE REVIEW REGISTER

Each work package needs separate eligibility and cash decisions

Package	Cost evidence	Accounting / tax	Green evidence	Cash source
Equipment	Dated quote	Review policy	Assess project	Confirm draw
Power protection	Load and quote	Review policy	Assess objective	Confirm draw
Metering	Defined scope	Review policy	Trace allocation	Confirm draw
Training	Delivery plan	Review policy	Assess purpose	Confirm payer
Opening stock	Order and terms	Review treatment	No presumption	Confirm facility

ILLUSTRATIVE [S01] [S17] [S22] GFT illustrative control structure. No asset classification, financing approval or green eligibility is asserted. Accounting and tax conclusions require transaction-specific advice.

Support after installation needs a budget owner as well. GFT recommends specifying who replaces a failed device, restores a production record and maintains access when a licence or service expires. Separate initial configuration from recurring support and identify when each payment begins. A supplier demonstration should not be treated as the receiving team's acceptance test. The funded handover should include a record of what was delivered, what was tested, who accepted it and what remains outstanding. Benefits should enter a forecast only on a stated assumption, with a sensitivity that removes them if the system is late or ineffective.

The register is useful only if unresolved decisions remain visible. GFT recommends an owner and an evidence deadline for each review field. If an expected green allocation is rejected, the underlying operating requirement remains. The sponsor must assign another available source, revise the scope safely or defer the purchase. Removing the cost from the funding request without changing the operating plan creates an omission rather than a saving.

> **GFT NOTE**
>
> Freeze the work-package scope before optimising the financing labels. Preserve the payment amount and due date when accounting, tax or green review changes a classification. Then revise the source allocation and demonstrate that the resulting cash forecast still funds safe commissioning and the operating ramp.

3.5

Opening working capital must cover a delayed ramp

Opening working capital should follow the physical and commercial cycle. GFT recommends recording raw materials, work in progress, finished goods and receivables, less the operating payables that are actually available on agreed terms. These

balances are different from free cash. A warehouse full of paid fabric cannot meet payroll without sale or additional finance. Likewise, an unpaid customer invoice is not available cash merely because the income statement recognises a sale.

The initial requirement and later increases should reconcile to a dated operating forecast. Where pre-opening material purchases already sit in the construction payment schedule, do not add the same purchase again as opening stock. Transfer the cost between views while retaining its original payment date. For trial materials, distinguish what is consumed, what is rejected and what remains saleable. Otherwise the model can count both a commissioning expense and a recoverable inventory asset for the same material.

Minimum liquidity should be visible beside operating working capital. GFT recommends defining the cash floor, the obligations it protects and whether it is freely available or restricted. The floor is a balance-sheet requirement, not an extra monthly expense. Its initial funding belongs in the sources-and-uses reconciliation, while subsequent cash movements appear in the cash forecast. Repeatedly adding the floor to monthly outflows would count the same reserve more than once.

Invoice finance cannot automatically pay for the first stock purchase. IFC's Global Trade Supplier Finance programme describes purchasing and discounting invoices accepted for payment by pre-approved participating buyers. GFT's implication is narrow: an assumed own-brand order or an unaccepted invoice cannot be treated as an eligible financed receivable. The sponsor must confirm the buyer, invoice acceptance and other applicable terms before assigning expected receipts to the funding calendar. [S14]

The following illustrative worked example isolates timing inside the outline's XAF 200 million opening-working-capital envelope. Assume XAF 170 million of non-cash net operating working capital and XAF 30 million of unrestricted cash at the start of the ramp. Assume no debt service, taxes, financing charges or additional capital purchases within this short timing exercise. Those exclusions make the example incomplete for transaction sizing; they prevent its result being mistaken for a fully funded operating forecast.

WORKED EXAMPLE: A DELAYED COLLECTION CONSUMES THE OPENING CASH FLOOR

In the illustrative base case, monthly customer collections are XAF 20, 50 and 80 million, while operating payments are XAF 45, 55 and 60 million. With XAF 30 million opening cash, successive closing balances are XAF 5, 0 and 20 million. Net operating cash for the period is negative XAF 10 million: collections of XAF 150 million less payments of XAF 160 million. Closing cash therefore reconciles as 30 + 150 - 160 = XAF 20 million.

In the illustrative delay case, the same XAF 150 million of receipts arrives one month later. Collections in the displayed period are consequently XAF 0, 20 and 50 million; the remaining XAF 80 million falls outside it. Holding payments unchanged gives closing cash of negative XAF 15, negative XAF 50 and negative XAF 60 million. The extra XAF 80 million receivable explains the difference from the base closing balance. This assumption models payment delay only, with no bad debt or change in production.

The illustrative delay case needs XAF 60 million of additional accessible funding merely to avoid negative closing cash at the displayed monthly dates. Preserving the assumed XAF 30 million floor instead requires XAF 90 million. For comparison, the base case requires XAF 30 million extra to preserve that floor at its lowest monthly balance. Intramonth payments could require more: monthly endpoints do not prove that payroll or deposits can be met on their actual due dates.

The calculations appear in **Exhibit 11**, p. 51. Negative balances denote an unfunded requirement, not an assumed overdraft. The table measures liquidity rather than profitability, debt capacity or a permanent financing need.

EXHIBIT 11 / ILLUSTRATIVE XAF MILLION

A collection delay creates a cash gap before sales change

Relative month	Base receipts	Delay receipts	Payments	Base cash	Delay cash
A	20	0	45	5	-15
B	50	20	55	0	-50
C	80	50	60	20	-60

ILLUSTRATIVE Assumed opening cash 30. Base collections 20,50,80; delayed collections 0,20,50; payments 45,55,60 in both. Closing cash = prior closing cash + collections - payments. Delayed receipt 80 occurs after the displayed horizon. Excludes taxes, debt service, fees and additional capital expenditure; monthly endpoints conceal intramonth needs.

For the payment calendar, GFT recommends preserving gross movements rather than netting unrelated receipts against purchases. Record the earliest enforceable due date and the evidence supporting any assumed extension. Customer deposits require their own terms: an advance may support purchases while carrying a refund or performance obligation. Restricted deposits should not be pooled with unrestricted cash simply because both appear in bank accounts. At the receiving end, distinguish goods dispatched, invoices issued, invoices accepted and collections cleared. The funding forecast should connect those events without assuming they happen together.

GFT recommends transferring this test into the complete operating model, with actual payment dates and the separate obligations restored. A temporary bridge must have its own confirmed availability and repayment logic. Supplier credit should enter only on agreed terms and should not be extended silently to make cash positive. If collections, eligibility or finance remain unresolved, the purchase decision should retain the resulting gap.

3.6

Contingency needs a basis and a source of payment

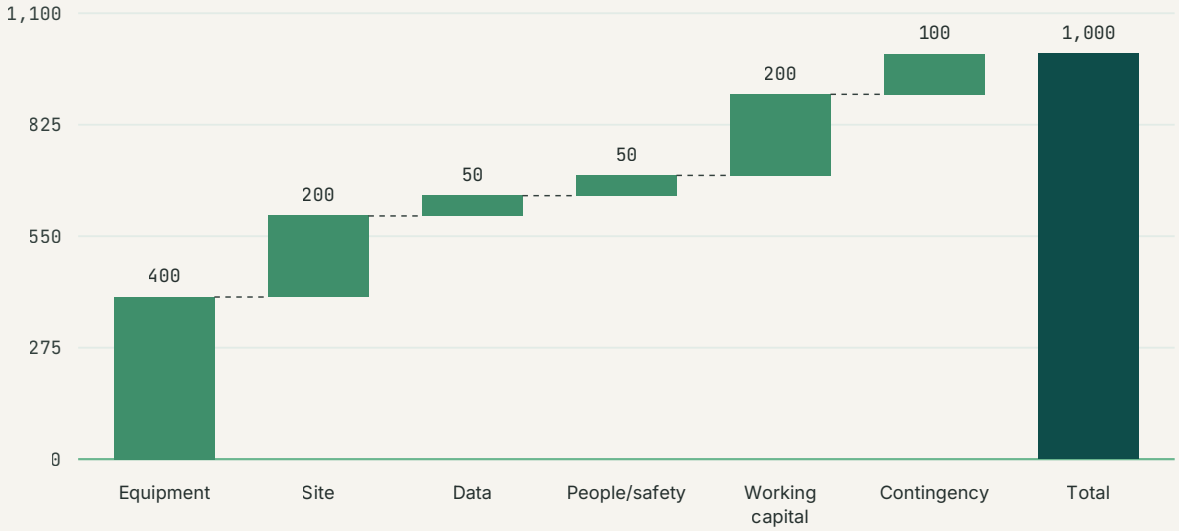
Contingency should represent uncertainty around the defined scope. GFT recommends identifying the exposure behind each allowance: quantities, quotation validity, currency, delivery, installation, commissioning or schedule. An omitted known work package belongs in the base budget. An optional additional production line belongs in a separate scope decision. Neither should be hidden in an undifferentiated contingency that prevents the reader from understanding what is funded.

Scenario A is an illustrative capital envelope from the paper outline. Productive equipment is XAF 400 million; site and utilities XAF 200 million; data and metering XAF 50 million; safeguards and training XAF 50 million; opening working capital XAF 200 million; and contingency XAF 100 million. The sum is XAF 1,000 million. These assumed amounts have an illustrative budget date of 30 October 2026. They do not estimate an actual factory's costs and contain no implied exchange conversion.

The illustrative waterfall in **Exhibit 12**, p. 53 displays that envelope. Machinery represents 400 / 1,000 = 40 percent of planned uses. The difference between machinery and total uses is XAF 600 million. These arithmetic results describe the constructed case only. They are not a recommended equipment share for textile projects or evidence that a particular sponsor's request is sufficient.

EXHIBIT 12 / ILLUSTRATIVE XAF MILLION

Machinery is only part of the illustrative funding envelope



ILLUSTRATIVE Outline scenario A assumptions: equipment 400 + site/utilities 200 + data/metering 50 + safeguards/training 50 + opening working capital 200 + contingency 100 = 1000. Illustrative budget date 2026-10-30. Taxes, transaction fees, insurance, hedging and construction interest are not separately estimated. This is not a complete transaction budget.

The illustrative XAF 100 million contingency equals 100 / 900, or approximately 11.1 percent, of pre-contingency uses. That denominator includes working capital, so it should not be described as a construction contingency rate. The amount is a placeholder allocation within the outline's case, not a risk-based estimate. Transaction preparation must replace that allocation with a documented basis and identify which residual risks remain outside it.

Interest during construction is a separate modelling problem. GFT recommends calculating it from dated debt draws, the contractual interest basis and the payment or capitalisation convention. A financing fee, commitment charge or required reserve should receive the same explicit treatment. Scenario A does not calculate them. They must not be declared funded simply because an unallocated contingency exists. If capitalised interest increases a loan balance, show both the financed cost and the facility capacity it consumes.

An illustrative schedule sensitivity assumes a recurring readiness cost of XAF 6 million per month and a delay of 2 months. Incremental cost is 6 multiplied by 2 = XAF 12 million, excluding financing costs and any supplier penalties. This is a constructed sensitivity, not a local operating-cost estimate. It should be applied only if those payments have not already entered the revised operating forecast; adding both would double count the same delay.

GFT recommends a contingency draw register recording the trigger, supporting evidence, approval, revised completion cost and remaining allowance. A contingency is consumed when it is committed, even if payment follows later. The review should

therefore compare available funding with both outstanding commitments and revised future costs. If an overrun exhausts the allowance, the decision must identify a new source or a feasible scope change before further obligations are accepted.

3.7

No funding source counts until its conditions and timing are clear

The financing register should distinguish interest expressed, indicative terms, internal approval, signed documents, satisfied draw conditions, permitted draw requests and cash received. GFT recommends recording those states separately rather than assigning a single label of secured. Paid equity is different from an unpaid subscription. Signed debt may remain unavailable because a prerequisite is outstanding. Disbursed money may be restricted to an approved payment rather than available for any project purpose.

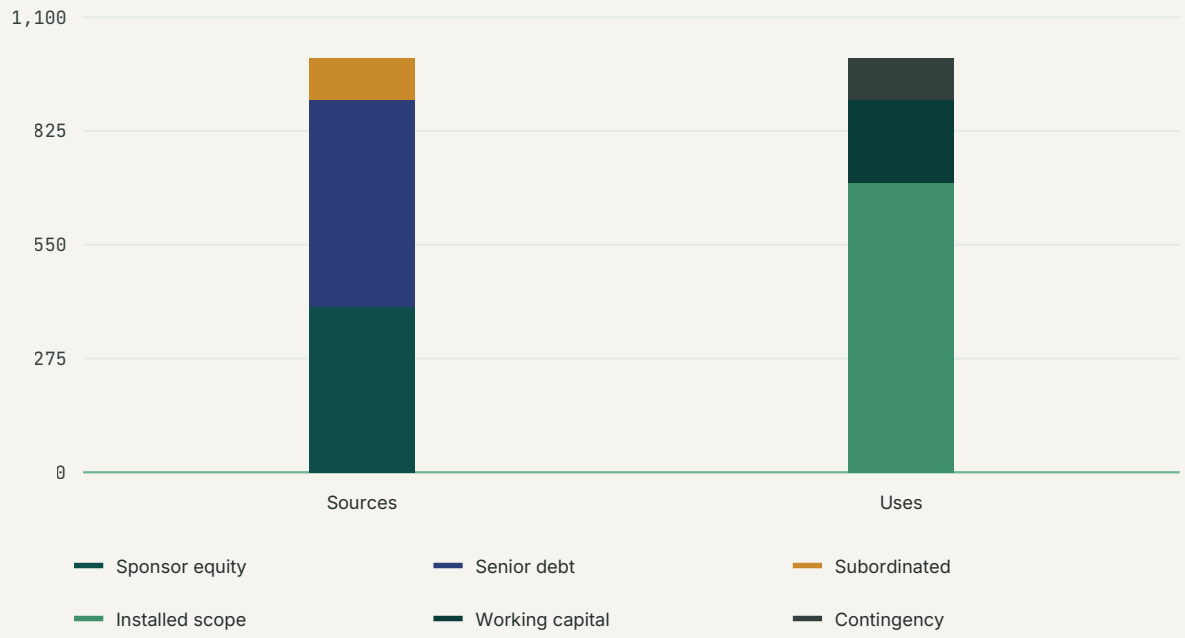
Institutional product descriptions do not establish a source for the venture. IFC describes both own-account lending and loans through financial intermediaries. GFT's interpretation is that the applicable counterparty and route must be identified before a proposal assigns timing or eligibility. An intermediary's potential access to institutional finance does not establish that the sponsor has an approved facility or may use it for preparation costs. [S29]

The illustrative sources for scenario A are sponsor equity of XAF 400 million, senior debt of XAF 500 million and subordinated capital of XAF 100 million. Total sources are XAF 1,000 million, equal to planned uses. No lender or investor is assigned to these assumed tranches. No terms, commitment or cash service for the subordinated capital are established by that label. The example demonstrates an allocation of sources, not debt affordability or legal loss ranking.

The paired composition in **Exhibit 13**, p. 55 makes the arithmetic visible. An illustrative snapshot in which only the equity has been paid would leave XAF 400 million of received funding and XAF 600 million dependent on future access. The gap against total uses is not automatically due immediately: compare each remaining payment with the permitted draw date. That distinction is why a balanced table must be accompanied by a schedule.

EXHIBIT 13 / ILLUSTRATIVE XAF MILLION

Equal planned sources and uses do not establish accessible cash

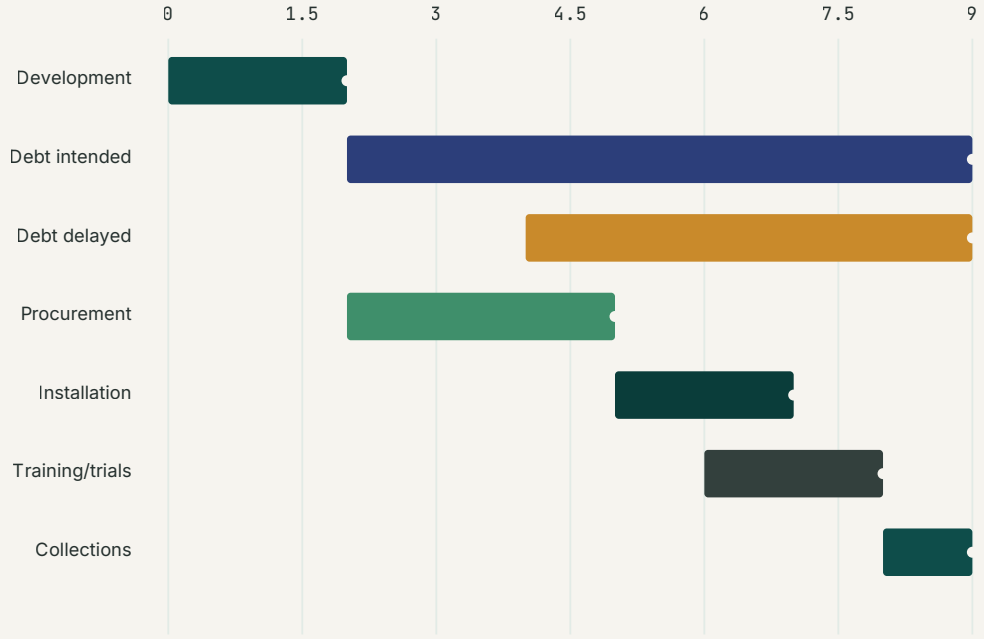


ILLUSTRATIVE Outline scenario A. Sources 400+500+100=1000; uses 400+200+50+50+200+100=1000. Stacks show planned composition only. They do not imply signed commitments, satisfied conditions or disbursement. No named institution is attached.

The illustrative schedule in **Exhibit 14**, p. 56 places activities on relative months after an assumed start instruction. It shows intended funding availability and a delayed alternative. It is not a construction programme or an approved disbursement calendar. A bar represents an activity or access window; it does not represent an amount. The schedule deliberately exposes procurement beginning before the delayed debt-access window.

EXHIBIT 14 / ILLUSTRATIVE RELATIVE MONTHS

A delayed debt draw can follow the procurement commitment



ILLUSTRATIVE GFT constructed schedule, not a forecast. Development 0-2; intended debt access 2-9 versus delayed access 4-9; procurement 2-5; installation 5-7; training and trials 6-8; initial collections 8-9. Activity windows are not payment amounts; each actual due date requires its own funded check.

GFT recommends testing each purchase order against unrestricted cash and funding that is demonstrably drawable for that obligation before its due date. Trace the prerequisites too. If debt access requires evidence of installed equipment while the supplier requires payment before installation, identify the bridge and its repayment. Do not assume the same undrawn facility solves a condition that must already be satisfied to access it.

Contributed assets need a separate bridge between project value and cash. GFT recommends verifying ownership, availability for the project, condition and any encumbrance before recording a sponsor contribution. An agreed value for an existing building can appear in a whole-project statement, subject to the applicable valuation and financing treatment. It cannot also appear as unrestricted cash for payroll. Where a lender recognises it towards a contribution condition, retain that confirmation separately from evidence of money paid into the project. The same discipline applies to an existing machine: its productive usefulness and its capacity to fund a new obligation are different questions.

At each budget update, reconcile paid costs, remaining commitments, uncontracted work, operating liquidity and undrawn funding. Identify the earliest shortfall and the responsible decision-maker. Stable production should mean an agreed operating condition with repeatable quality, dispatch and collection evidence over a defined

observation period. GFT recommends funding that observation period rather than stopping the cash forecast at mechanical completion. Expansion and repayment analysis then receive a budget whose omissions, conditions and timing can be inspected.

The factory is funded only when the next obligation has a usable source of cash.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S08 Green Climate Fund. n.d..

S13 IFC. 2026.

S22 IFC. 2012-01-01.

S23 World Bank Group / IFC. 2007-04-30.

S17 APLMA, LMA and LSTA. 2025-03-26.

S14 IFC. 2026.

S29 IFC. n.d..

GREEN FUTURE TECH

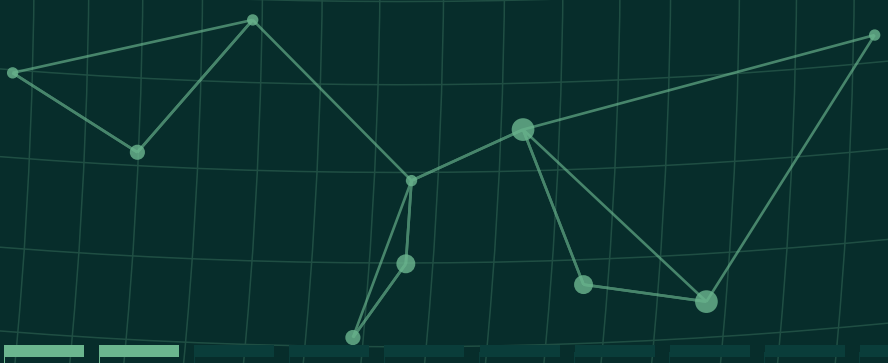
LIMITED / HONG KONG SAR

04

PART II: CAPITAL MUST CARRY THE RISKS IT CAN ABSORB / EQUITY AND SUBORDINATION

Sponsor and patient capital must absorb the unresolved ramp

Equity-like funding should be judged by its cash obligations, control rights and capacity to absorb loss, not by its label.



CHAPTER 04
DECISION TEST

Equity-like funding should be judged by its cash obligations, control rights and capacity to absorb loss, not by its label.

Sponsor equity and genuinely patient subordinated capital should carry the uncertainties that a first textile line cannot yet resolve through contracts, operating history or reliable forecasts. The relevant test is not whether a source is called equity. It is whether cash arrives when required, whether payments can stop without weakening the senior lender, and whether the provider bears loss before operating creditors and workers are asked to absorb it. GFT recommends structuring these sources around the unresolved ramp, with explicit control rights, dilution mechanics, exit limits and an overrun protocol.

A patient label cannot repair an impatient payment schedule. Nor can a sponsor promise substitute for paid-in capital. This chapter sets out the evidence and contractual mechanics needed to tell the difference. Its instruments and numerical cases are hypothetical design exercises, not GFT investments, financing offers or observed venture results. Legal classification, shareholder authority, enforceability, tax and accounting treatment require transaction-specific advice. This chapter is not investment, legal or tax advice.

4.1

Sponsor equity proves exposure, not merely intention

Sponsor equity should be evidenced as an identified allocation of resources to the venture, subject to the actual subscription and shareholder documents. The evidence pack should identify the beneficial owners, the entity subscribing, the source of funds, the internal authority to invest and the amount already paid. It should also show the sponsor's remaining capacity to fund a delay or overrun. IFC's application guidance asks for the history and business of sponsors, their financial information, and the expected sources and terms of equity and debt. GFT treats those fields as the beginning of a funding-capacity review, not as proof that money is available. [S01]

Four forms of sponsor support need separate rows in the financing register. Ordinary shares represent an ownership contribution under the constitutional documents. A shareholder loan creates creditor rights even where the same person owns the shares. A contingent promise is only a potential future source, with its trigger, authority and availability still to be tested. Contributed assets may provide productive value, but they do not provide cash unless they are sold or generate receipts. Combining these rows under one equity total would conceal different obligations and different degrees of access.

The paid-in test should reconcile three records: the shareholder resolution or subscription instrument, the bank receipt and the venture's capital register. Any restriction on the receipt should be visible. An amount held outside the borrowing entity, payable only after an uncertain event or available for another group purpose is not equivalent to unrestricted project cash. Where the sponsor has paid historical development costs, retain those costs in the whole-project record without counting them again as cash available for the next equipment deposit.

Source-of-funds evidence serves a different purpose from a valuation. It connects the contribution to the person or entity providing it and allows the applicable legal, compliance and financing reviews to take place. A high sponsor net-worth statement

would not answer that question. Nor would it establish that the sponsor can convert other assets into cash before a capital-call date. GFT recommends recording asset liquidity, existing commitments and any approval needed for further support as diligence fields, with unsupported capacity left unconfirmed.

Contributed property or machinery needs its own evidence chain. Confirm ownership, condition, location, availability to the venture and any existing claim over the asset. Use an agreed valuation method where a value enters the sources-and-uses statement, and obtain the relevant accounting and legal advice. Then state whether a financier recognises the contribution towards an equity condition. None of these steps turns the asset into payroll cash. The cash forecast should show only actual receipts and usable balances.

Remaining sponsor capacity matters because the first budget is unlikely to remove every uncertainty. A capital-call mechanism should identify who may issue a call, the supporting budget, the notice period, the amount or formula, and the consequence of non-payment. A moral commitment to support the project is not enough for a liquidity model. Conversely, an unlimited and unfunded promise should not be presented as dependable merely because it is written prominently in a sponsor letter.

> **GFT NOTE**
>
> Create a sponsor-support register before financial close. Separate paid cash, contributed assets, shareholder debt and contingent support. For each item, record ownership, authority, restrictions, evidence, availability date and the obligation it can fund. Give the remaining overrun capacity its own downside test rather than treating the original equity cheque as proof of further capacity.

4.2

Subordinated funding is useful only when its terms permit patience

Subordination should be read as a set of contractual rights, not as a permanent characteristic attached to a product name. The documents must establish ranking, permitted payments, maturity, security, enforcement and the effect of a senior payment default. IFC publicly describes preferred shares, convertible loans and profit-participating loans alongside direct equity investment. Those categories justify a comparison of economics and governance. They do not make any instrument available to this venture or determine the terms that a particular provider would accept. [S30]

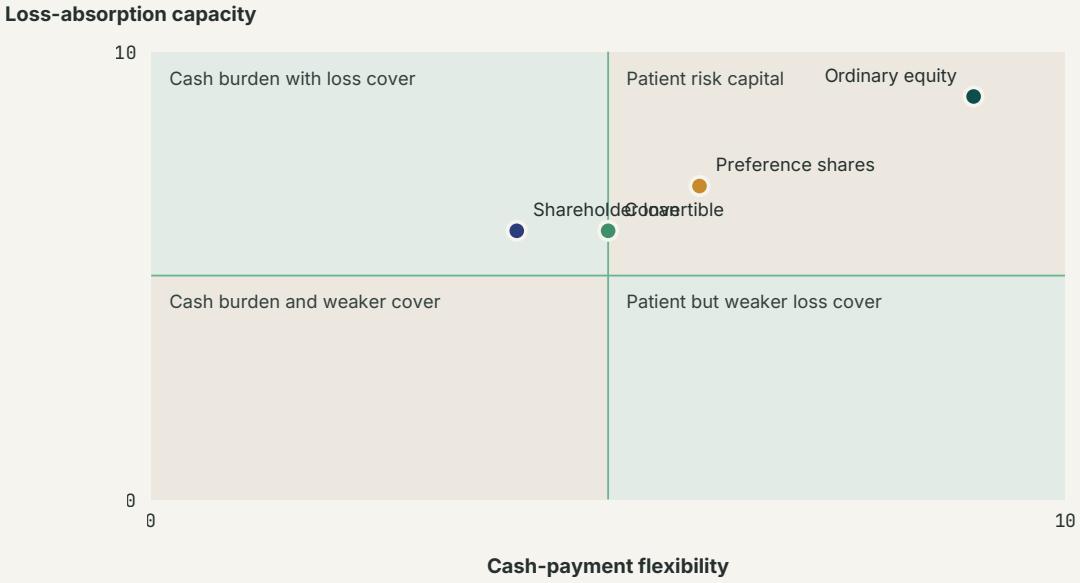
A shareholder loan can preserve cash if interest and principal are blocked during the agreed ramp. It can also behave like senior debt if it pays cash every month, matures early or permits enforcement while the senior facility is outstanding. Preferred shares may allow distributions to be deferred, but a mandatory dividend or redemption would create a different exposure. A convertible instrument may begin with creditor rights and later change the ownership balance. A profit-participating instrument links a payment to a defined measure, which makes the definition, timing and possible cash floor important.

The senior cash-flow model should therefore include every payment that is legally or commercially permitted in each period. It should not assume that a junior label removes the outflow. The outline's scenario A leaves subordinated cash service unspecified and excludes it from the senior-only debt-service illustration. That is a declared limit of the simplified case, not permission to omit the payment from a complete transaction model. A payment blockage should appear in the cash forecast only when the proposed documents actually impose it.

The comparison in **Exhibit 15**, p. 61 uses an illustrative scoring rubric to show why labels are insufficient. Cash-payment flexibility and loss-absorption capacity are scored from low to high on constructed scales. Ordinary equity assumes no scheduled payment and first-loss exposure. The other positions assume particular hypothetical terms, including cash interest on the shareholder loan and convertible, and deferrable but preferential distributions on the preference shares. Different drafting could move every point.

EXHIBIT 15 / ILLUSTRATIVE ORDINAL SCORES FROM 0 LOW TO 10 HIGH

Capital that looks similar can impose different cash burdens



ILLUSTRATIVE [S30] GFT constructed comparison, not a market rating. Ordinary equity assumes no scheduled cash payment and first-loss exposure; shareholder loan assumes scheduled cash interest and junior recovery; preference shares assume deferrable preferential distributions; convertible assumes cash interest before conversion. Scores are judgemental positions for these terms only. Governance, pricing and legal ranking require separate review.

The matrix is a negotiation aid, not a scorecard for selecting an instrument. A provider offering cash-payment flexibility may seek stronger governance, conversion or exit rights. Those terms belong in the same review. GFT recommends comparing each proposal on its total cash schedule under base and delayed-ramp cases, then examining recovery and control separately. A low apparent interest rate is not patient capital if fees, profit participation or an early redemption still withdraw cash during commissioning.

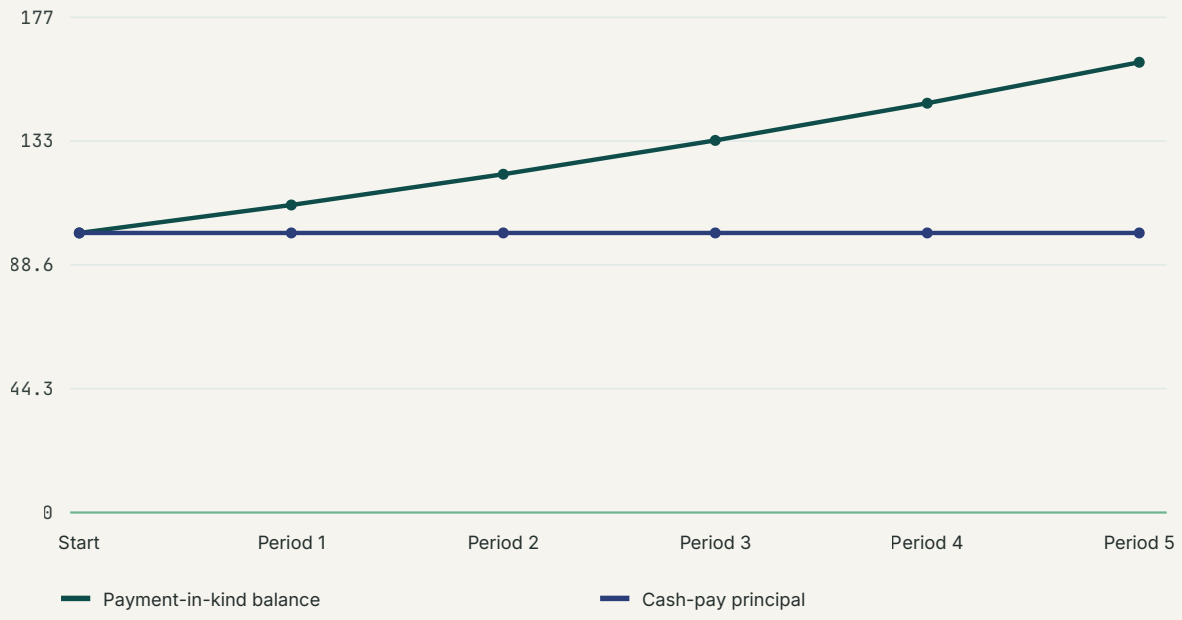
Payment-in-kind accrual illustrates the trade-off. It preserves near-term cash by adding unpaid return to the outstanding claim, but the increased claim can later require cash, conversion or refinancing. The model should show the accrual in the balance rather than hide it because there is no current bank payment. It should also state whether accrual is simple or compound, when it stops, and whether a senior blockage changes the amount or only its payment date.

> **WORKED EXAMPLE: DEFERRED RETURN GROWS THE JUNIOR CLAIM**
>
> Assume an illustrative subordinated principal of XAF 100 million and an annual return of 10 percent for five annual periods, with no fees. Under the payment-in-kind case, no cash return is paid and the balance compounds annually. Closing principal is 100 × 1.10^5 = XAF 161.051 million. Under the cash-pay case, XAF 10 million is paid each year, cumulative cash interest is XAF 50 million and principal remains XAF 100 million.
>
> The illustrative payment-in-kind case avoids XAF 50 million of cash payments during the five periods but increases the claim by XAF 61.051 million. The difference between those figures is the compounding effect within the constructed case. Deferred return is not a cost saving. It exchanges immediate liquidity pressure for a larger later obligation, subject to the actual contract.

Exhibit 16, p. 63 compares the two balances. The cash-pay series shows principal only, not cumulative interest, so the lines must not be read as total economic cost. The relevant financing question is whether the later balance can be serviced, converted or repaid without assuming that a new investor will appear.

EXHIBIT 16 / ILLUSTRATIVE XAF MILLION

Deferred interest can accumulate into a refinancing risk



ILLUSTRATIVE Assumed opening principal 100 and annual return 10 percent for five annual periods. Payment-in-kind balance = prior balance × 1.10, with no cash payments. Cash-pay series is principal only after annual interest payments of 10; cumulative cash interest of 50 is not plotted. PIK values rounded to three decimals. No quotation, forecast or refinancing assumption.

A standstill needs equal precision. State whether it blocks principal, cash interest, dividends, enforcement or some combination. Identify the events that release the blockage and any long-stop date after which junior rights revive. If the senior lender can require payments to stop, model that event rather than assuming the junior provider will voluntarily wait. Counsel should confirm the intercreditor mechanics and enforceability. The finance model should retain the accrued claim even when its cash payment is prohibited.

4.3

Control rights must follow who carries execution risk

Control rights should make the providers of risk capital answerable for the decisions that can consume their capital or weaken operations. GFT proposes a reserved-matters schedule covering new debt, related-party purchases, dividends, material capital expenditure and changes to the business scope. The schedule should also address additional share issues, asset disposals and material amendments to supply or sales contracts where these could change the agreed risk. Each threshold remains a negotiated field, not an invented statutory requirement.

The purpose is not to give every investor a veto over routine management. A board or investor representative should supervise the budget, risk allocation, management accountability and evidence quality. The factory leadership should retain clear

authority over shift planning, maintenance, quality response and ordinary purchasing inside the approved budget. GFT is proposing a governance method here; it is not acting as an investor, director or investment manager for the venture.

Reserved matters work best when each consent has an evidence pack and a response timetable. A request for additional debt should include its amount, cash schedule, security, currency and effect on the downside case. A related-party purchase should identify the counterparty, the independent comparison and the payment terms. A dividend request should show unrestricted cash, senior restrictions, remaining capital commitments and safeguard obligations. A scope change should explain the revised engineering boundary before new capital is approved.

Exhibit 17, p. 64 sets out a proposed schedule. Its protections run in both directions. Capital providers receive a check on decisions that transfer value or increase claims ahead of them. The operating company receives a defined route for approving necessary expenditure without an ambiguous appeal to every shareholder. The schedule must be aligned with the constitutional documents, financing agreements and applicable law.

EXHIBIT 17 / ILLUSTRATIVE DECISION-RIGHTS REGISTER

Reserved matters can protect both operations and capital

Decision	Evidence before consent	Operating protection
New debt	Cash schedule, security and downside	No hidden claim on operating cash
Related-party purchase	Counterparty, comparison and terms	Value and continuity reviewed
Dividend	Free cash and restricted obligations	Ramp and safeguards remain funded
Material capital expenditure	Scope, quote and funding source	Acceptance and utility needs included
Business-scope change	Revised process and risk boundary	No unappraised process transfer
Budget overrun	Cause, completion cost and protocol	Essential work is not silently cut

ILLUSTRATIVE GFT proposed governance schedule. All thresholds, voters, response times and legal effects are negotiated fields. No statutory consent requirement or actual investor right is asserted. Emergency safety action remains subject to the applicable legal and contractual framework.

Information rights make those votes meaningful. Providers should receive the same reconciled view of good output, collections, stock, cash, capital commitments and safeguard actions, with definitions stable enough to reveal change. A report that arrives after a payment deadline has little control value. GFT recommends linking the reporting calendar to the decision calendar, while avoiding duplicative reports that consume operating time without improving the decision.

Deadlock and urgent action require express treatment. If investor consent is needed for an overrun, the documents should state what happens when the parties disagree and cash is running out. Escalation may move from management to the board and

then to the agreed dispute mechanism. Urgent safety or environmental action should not depend on an ambiguous routine-approval path. Any emergency exception should have a narrow purpose, a reporting obligation and a later budget reconciliation, drafted under the applicable legal framework.

Excessive control can itself create execution risk. A junior investor with vetoes over every supplier, appointment and maintenance decision can delay the ramp while claiming to protect capital. The counterargument to broad reserved matters is therefore not weaker accountability. It is a sharper allocation of decisions: informed consent for exposures that change the investment case, delegated authority for repeatable operations, and evidence that allows both to be reviewed.

4.4

Dilution and redemption can create future liquidity problems

Conversion changes ownership; it does not necessarily bring new cash into the venture. The financial model should separate the cash received when a convertible instrument is issued from the later change in share count. The governance model should then show voting and economic rights before and after conversion. A headline conversion price is not enough. Record the principal and accrued return included, the conversion ratio, any cap or floor, fractional-share treatment and the rights attached to each class.

> **WORKED EXAMPLE: CONVERSION DILUTES WITHOUT CREATING NEW CASH**
>
> Assume an illustrative sponsor initially holds 800 ordinary shares and no other shares are outstanding. The sponsor therefore owns 100 percent. A new investor then subscribes for 200 newly issued ordinary shares for cash. The enlarged count is 1,000 shares and the sponsor owns 800 / 1,000 = 80 percent. The subscription cash belongs in the funding model at receipt, while the ownership change belongs in the governance model.
>
> Now assume a separate illustrative convertible instrument converts into 250 newly issued shares without a further cash payment. Total shares become 1,250. The sponsor falls to 800 / 1,250 = 64 percent, the ordinary investor holds 200 / 1,250 = 16 percent, and the converting holder receives 250 / 1,250 = 20 percent. These calculations assume identical share rights solely to demonstrate dilution. They imply no company valuation, share price or investment benchmark.

The example shows why a financing model should not treat conversion as a second funding receipt. It also shows why a sponsor should examine dilution across successive issues rather than only at the first close. If accrued payment-in-kind return increases the conversion amount, the share outcome may change again under the contractual formula. Reserved matters should require an updated capitalisation table before each new issue, with all instruments shown on their actual terms.

Redemption creates the opposite cash question. A mandatory redemption requires the company to find cash for the holder at a specified event or date, even if an accounting presentation describes the instrument as equity-like. Enter the principal, accrued

return and any other contractual payment in the cash forecast on the required date. Do not assume refinancing or a strategic buyer will provide that cash. If payment is subject to legal solvency or distributable-reserve tests, obtain advice and model the contractual consequences of being unable to pay.

A redemption right can be useful to an investor because it creates a defined exit claim. For a greenfield factory, that same claim can collide with commissioning, working-capital growth and senior amortisation. The negotiation should compare the redemption date with the delayed-ramp case rather than the base-case launch alone. A later date does not solve the problem if the balance has been compounding towards it. The model should show the cash wall and the decisions available before it arrives.

Dilution can also alter incentives during an overrun. A sponsor asked to provide new equity may face a lower ownership share under a pre-agreed anti-dilution or default mechanism. That does not remove the project's cash need. It makes the capital-call decision more consequential. GFT recommends modelling the ownership and cash effects together, then obtaining advice on the enforceability and accounting treatment. Neither effect should be discovered only when the factory needs immediate funds.

4.5

Commercial and concessional equity must be distinguished

Commercial risk capital accepts exposure in expectation of a return from operating distributions, a sale or another contractual exit. Concessional capital changes the risk or return allocation to address a defined financing obstacle. The two may sit in the same capital structure, but they need different justifications. IFC's blended-finance guidance calls for a specific rationale, minimum concessionality, commercial sustainability and attention to market distortion. GFT's practical conclusion is that a concessional tranche must explain why ordinary risk capital is insufficient and why the proposed support is no greater than necessary. [S04]

The counterfactual should identify the exact failure without support. It might be an unfinanceable preparation exposure, an absence of investors willing to bear the first operating ramp, or a mismatch between available tenor and the evidence needed to reach stable production. These are hypotheses to test, not facts about this venture. A general statement that textile manufacturing is risky does not establish a market failure. The sponsor should show which financing proposals fail, on what terms and after which evidence has been supplied.

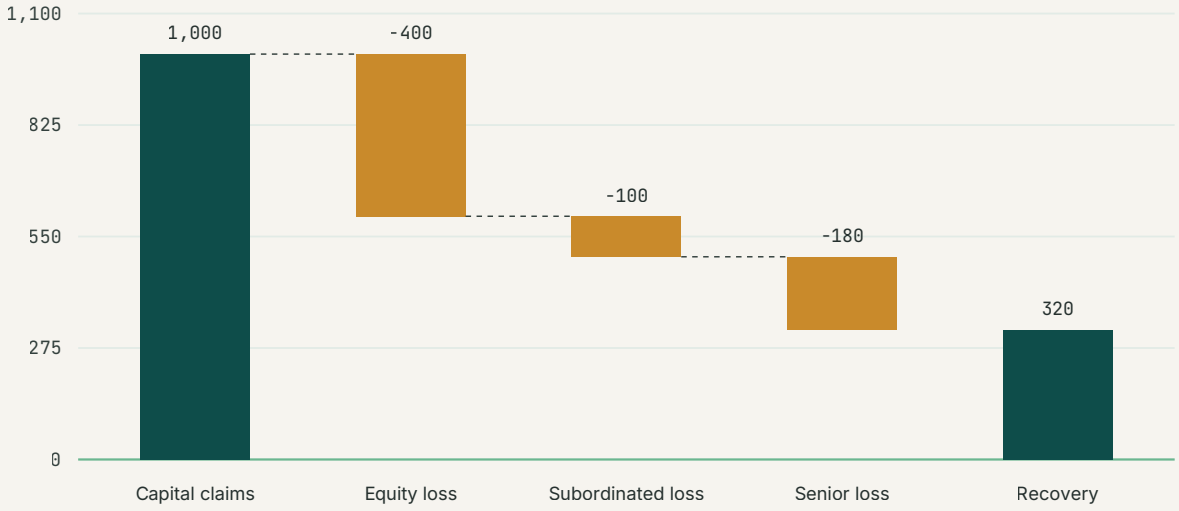
The OECD's 2025 blended-finance guidance says that blended finance has mobilised relatively limited private finance compared with hopes for its scale. That observation cautions against treating a concessional structure as an automatic fundraising mechanism. It does not tell this venture whether support is justified. The transaction still needs a specific beneficiary, a measurable financing additionality case and a credible route towards operation without repeated subsidy. [S03]

Loss allocation makes the distinction tangible. **Exhibit 18**, p. 67 extends the paper's illustrative scenario A into a constructed recovery case. Assume total capital claims of XAF 1,000 million, comprising ordinary sponsor equity of XAF 400 million, subordinated capital of XAF 100 million and senior debt of XAF 500 million. Assume realisable value of XAF 320 million and a simplified ranking in which senior debt is paid first, followed by subordinated capital and then ordinary equity.

Under those illustrative assumptions, senior debt receives XAF 320 million and bears an unrecovered amount of XAF 180 million. Subordinated capital receives nothing and loses XAF 100 million. Ordinary equity receives nothing and loses XAF 400 million. Total losses are XAF 680 million, which reconciles to claims of XAF 1,000 million less recovery of XAF 320 million. The example says nothing about actual security, insolvency distribution, enforcement costs or legal priority.

EXHIBIT 18 / ILLUSTRATIVE XAF MILLION

Subordination changes who absorbs a loss



ILLUSTRATIVE Scenario A capital claims 400 ordinary equity + 100 subordinated + 500 senior = 1000. Constructed recovery 320. Simplified assumed order pays senior first, then subordinated, then equity. Losses: equity 400 + subordinated 100 + senior 180 = 680; 1000 - 680 = 320 recovery. Excludes enforcement costs and all other claims. Not a legal ranking, security valuation or recovery forecast.

The waterfall shows that loss has moved, not disappeared. If public or donor-supported capital occupies a loss-bearing layer, the same discipline must reveal the public exposure and the private benefit. A concessional first-loss layer also needs an exact definition of which losses come first. The subordinated tranche in this example ranks between ordinary equity and senior debt; it is not labelled first-loss capital. Changing that ranking would change the arithmetic and the subsidy question.

GFT recommends three tests before concessional equity-like support enters the structure. First, compare the commercial-only structure and identify the cash, risk or tenor barrier precisely. Second, trace who gains from the support, including existing shareholders and lenders whose losses or returns may change. Third, test whether the venture can operate after the concessional provider exits and without an auto-

matic replacement. A development objective does not remove the need for commercial sustainability, and a financing benefit should not be confused with a development outcome.

The counterargument is that patient concessional capital can make a useful demonstration possible where private investors will not bear the initial uncertainty. That is a legitimate hypothesis, not a conclusion. The evidence should show what the support changes and why a smaller amount or different instrument would not achieve the same result. Governance should include a review point for reducing dependence as operating evidence improves. Repeating support without a narrower residual barrier would suggest that the structure is postponing a weakness rather than resolving it.

4.6

Exit assumptions must not substitute for operating cash

An investor exit and a venture cash receipt are different events. In a strategic or secondary share sale, the buyer normally pays the selling shareholder, not the operating company. The transaction may change control and future funding capacity without paying any project bill. A dividend uses company cash and depends on operations, restrictions and the applicable corporate law. A redemption also uses company cash. GFT recommends modelling each path from its actual payer to its actual recipient rather than entering one terminal proceeds figure.

Strategic and secondary sales remain conditional on a willing buyer, acceptable diligence, agreed value and any required consents. None should be promised in the initial credit case. A sponsor can prepare reliable financial, production and safeguard records to make a future transaction possible, but preparation does not create a buyer or establish a valuation. The downside model should therefore include a no-sale case through the period in which the operating company must service its obligations.

Dividends depend on repeatable operating capacity. Before declaring one, management should reconcile collected cash, remaining working-capital needs, senior restrictions, maintenance, committed capital expenditure and unresolved safeguard actions. The legal availability of a distribution requires separate confirmation. An accounting profit or an increase in asset value is not enough if the company cannot pay the distribution and still meet its obligations.

Early exit demands deserve particular scrutiny in a first line. A holder seeking liquidity before the ramp has produced reliable collections may press for redemption, a sale or distributions at the point of greatest cash fragility. The answer is not simply to prohibit every exit. It is to reveal the mismatch before closing and negotiate transfer, redemption, conversion and approval rights against the delayed-ramp case. The term sheet should show who can initiate each path and what happens if no transaction occurs.

Patient underwriting should therefore ask whether the investment remains acceptable without a favourable terminal event. If the answer depends on a rising valuation, a refinancing or a buyer not yet identified, that dependency belongs in the risk register.

It should not be used to justify senior repayment or to conceal weak operating cash. Published equity-product categories establish possible instrument forms, not an exit route or return for this venture. [S30]

4.7

The first capital commitment should include an overrun protocol

The initial financing documents should state what happens when the completion budget, order intake or sponsor contribution ceases to match the plan. GFT recommends an overrun protocol with a named owner, dated triggers and four possible responses: update the budget, call agreed capital, reduce scope safely or stop further commitments. Renegotiation may support those responses, but an unagreed extension should not be counted as funding. The protocol turns an adverse signal into a decision before unpaid invoices make the decision for the project.

A trigger should connect an operating observation to a financing review. Examples include a revised supplier price, a delayed acceptance test, lower saleable output, slower customer collections or failure of a shareholder to pay a call. The trigger record should state the observed value, the approved budget or covenant reference, the cash date affected and the person responsible for verifying the exception. A general instruction to monitor progress would not tell the board when it must act.

The first response is a revised completion estimate, not an immediate request for more money. Engineering, operations and finance should reconcile work already paid, committed liabilities, uncontracted work, remaining contingency and the cost of reaching the agreed acceptance condition. The revised budget should distinguish a genuine increase from a timing change and from a cost already included elsewhere. Only then can the sponsor see whether the original sources remain sufficient.

> **WORKED EXAMPLE: AN OVERRUN REQUIRES NEW CASH, NOT A NEW LABEL**
>
> Assume an illustrative project has XAF 180 million of remaining contracted and budgeted payments. Unrestricted project cash is XAF 20 million, unpaid but committed sponsor equity is XAF 100 million and confirmed available debt draws are XAF 60 million. Total identified funding is 20 + 100 + 60 = XAF 180 million, equal to the remaining uses before the overrun.
>
> A revised completion estimate then adds an illustrative XAF 50 million to necessary work, taking remaining uses to XAF 230 million. Holding identified funding unchanged leaves a gap of 230 - 180 = XAF 50 million. A further capital call of XAF 50 million restores the aggregate balance only when it is authorised and paid. If it arrives after the relevant supplier or wage date, the timing gap remains even though the revised totals appear equal.

The capital-call response should specify the evidence required, the approval route and the latest usable payment date. It should also state the consequence if a sponsor does not pay. Possible consequences include dilution, suspension of further commit-

ments or activation of another agreed support mechanism, subject to legal review. A model should not insert an automatic balancing inflow called sponsor support. The call is a decision with an owner and a cash result, not a spreadsheet plug.

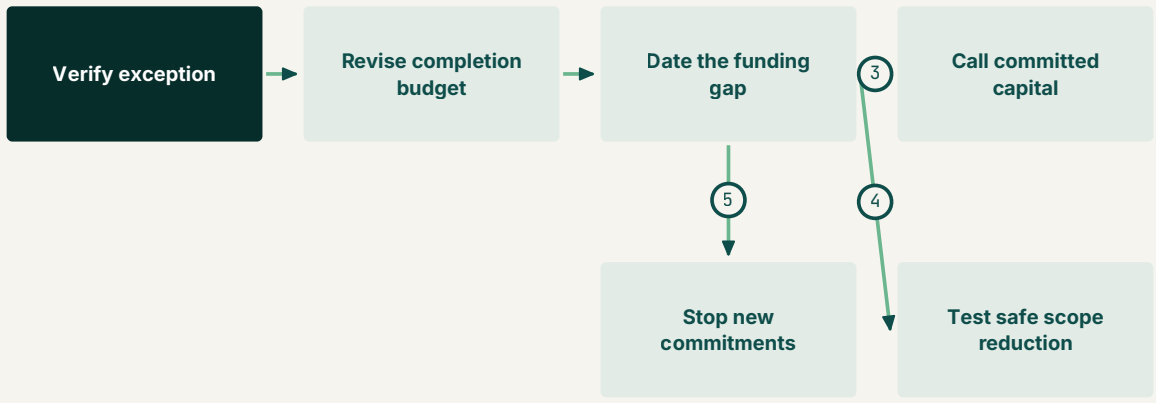
Scope reduction can preserve a viable core only if the revised process still works safely and commercially. The engineering review should test capacity, utilities, quality, acceptance and any shared infrastructure affected by the reduction. The commercial review should update orders and collections rather than retain revenue from removed capacity. Savings should be net of cancellation, redesign and make-safe costs. Deleting a necessary meter, training package or environmental control merely to close a funding gap would change the risk rather than resolve it.

Essential labour and safeguard obligations need explicit protection in the protocol. IFC's Performance Standards require environmental and social risk management for projects with such risks and impacts. GFT's financing implication is that downside actions must retain the relevant management and corrective measures rather than treat them as discretionary cash savings. [S22] The OECD garment and footwear guidance also identifies subcontracting as common in the sector. A response should therefore examine outsourced work and supplier obligations rather than limit its concern to the borrowing factory's own payroll. [S27]

Exhibit 19, p. 70 shows the proposed decision sequence. It does not imply that every branch is available in every transaction. A capital call depends on committed capacity, a scope reduction depends on technical and commercial feasibility, and a stop decision still needs funding for safe suspension and outstanding obligations.

EXHIBIT 19 / ILLUSTRATIVE GOVERNANCE SEQUENCE

A funding exception must lead to a controlled capital decision



3. Committed support
4. Feasible redesign
5. No funded route

ILLUSTRATIVE [S22] [S27] GFT proposed protocol informed by the need to preserve environmental, social and supply-chain obligations. No automatic waiver, capital call or scope approval is asserted. A stop branch still requires safe-suspension and legal planning.

A stop decision is not costless and should not be presented as failure avoidance. Management must identify safe suspension, employee and supplier payments, site security, preservation of equipment and any remediation obligations. The board should compare those costs with the funded alternatives using the same evidence boundary. If no source can meet the essential obligations, the financing plan has already failed and should not be extended through informal arrears.

The programme's ramp-planning interface can supply proposed milestone signals for this protocol, but no existing tool result or automated lender trigger is claimed. Production records should reconcile to the cash exception before capital is released. Each review should leave a dated decision, revised sources and uses, responsible owner and next evidence gate. Expansion should remain outside the response until the first line has a funded route to safe completion and repeatable collections.

Patience is a contractual capacity to wait and absorb loss, not a hopeful description of capital.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S30 IFC. n.d..

S04 IFC. 2026.

S03 OECD. 2025-09-22.

S22 IFC. 2012-01-01.

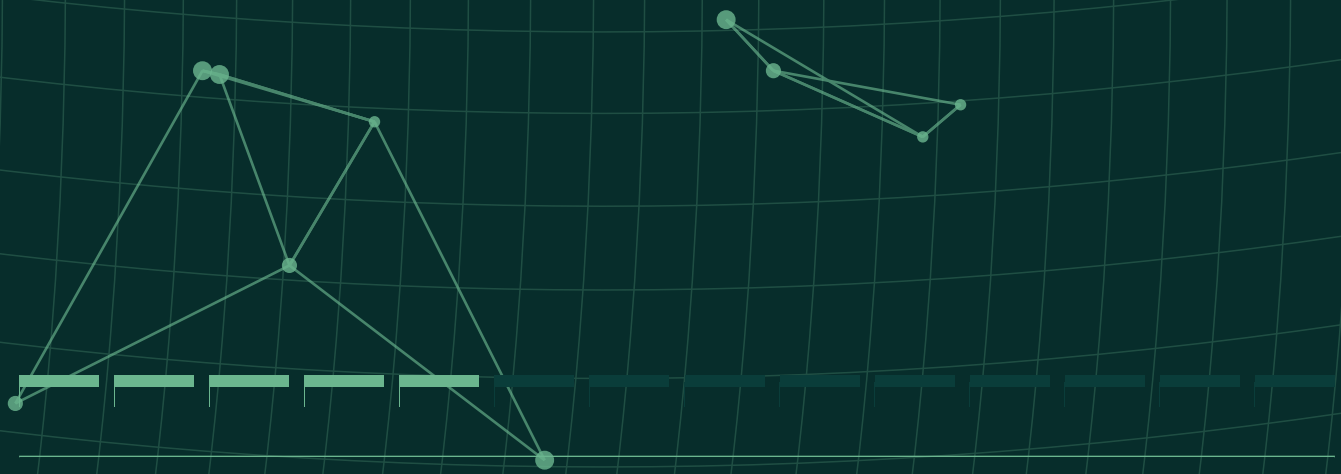
S27 OECD. 2026-02-26.

05

PART II: CAPITAL MUST CARRY THE RISKS IT CAN ABSORB / DFI AND BANK ROUTES

Institutional fit matters before a financing application

A sponsor should select a direct, intermediated or syndicated route using eligibility, scale, mandate and evidence before spending money on an application.



CHAPTER 05
DECISION TEST

A sponsor should select a direct, intermediated or syndicated route using eligibility, scale, mandate and evidence before spending money on an application.

The financing route should match the borrower, the expenditure and the evidence already available. A direct institutional loan, an intermediary's credit facility and a co-financed transaction require different entry decisions. GFT recommends eliminating unsuitable routes before commissioning institution-specific application work. Published products establish questions worth investigating; they do not establish eligibility, available capital or an offer. This chapter supplies a research screen and a preparation method, not a fundraising announcement. The analysis is not investment, legal or tax advice.

5.1

Direct IFC access has eligibility conditions and practical boundaries

IFC's application guidance requires a private-sector project in a developing member country, technical soundness, credible profitability, local economic benefit and environmental and social acceptability against its standards and host-country requirements. The same page allows companies and entrepreneurs to approach IFC with an investment proposal. It also explicitly says that IFC does not lend directly to micro, small and medium enterprises or individual entrepreneurs, pointing instead towards financial intermediaries. Permission to make contact therefore does not establish direct lending eligibility. [S01]

GFT's proposed response is to separate the project's merits from its institutional route. The finance lead should prepare a short eligibility record before paying for a bespoke application. It should identify the proposed borrower, ultimate owners, operating location, production boundary, requested instrument, funding amount, intended currency and evidence of sponsor support. An incomplete ownership structure should remain incomplete in that record. Substituting the name of an adviser or a future operating company would obscure the actual credit question.

For a first textile line, the production boundary should be intelligible without an expansive industrial narrative. State what the borrower will buy, own, operate and sell. Distinguish production on its premises from outsourced processing. Identify which party contracts with customers and receives collections. GFT recommends attaching a simple diagram of these relationships because a promising sector thesis cannot explain which entity will repay a loan. This is a preparation recommendation, not a claim that any institution has accepted that boundary.

Technical preparation should answer why the proposed line can work under the specified utility, staffing and supply conditions. Commercial preparation should distinguish a market estimate from documented customer evidence. Local benefit should have a clear causal account rather than a jobs headline detached from operating costs. Environmental and social preparation should identify unresolved issues and their budget consequences. These records allow an eligibility discussion to expose missing information without pretending that the credit appraisal has already occurred.

The counterargument is that early institutional contact may help refine the project. That can be sensible, provided the objective is clear. An eligibility query should ask which route and borrower category the institution considers relevant, and what information is needed next. It should not describe exploratory feedback as an invita-

tion to negotiate financing. GFT recommends recording who gave the feedback, which legal entity and scope it covered, and whether it was written. General encouragement leaves credit availability unconfirmed.

A sponsor should also resist enlarging the project simply to make direct institutional access appear more plausible. Adding upstream processing, extra sites or speculative capacity changes execution risk and the evidence needed to support repayment. The relevant choice is between routes that can finance the defensible scope. If none can, the sponsor should revise the scope or capital plan openly. The solution is not to turn optional expansion into an assumed first-stage requirement.

> **GFT NOTE**
>
> Prepare a route decision before an application budget. Record the actual borrower and proposed asset boundary, then ask whether direct lending or an intermediary is the appropriate channel. Keep the answer qualified until the institution confirms the relevant scope. A researched institution must never be presented as a GFT financing relationship.

GFT proposes treating eligibility evidence as a controlled handover between the sponsor, engineer and finance lead. The engineer defines the asset and operating dependencies; the sponsor identifies the borrowing entity and committed support; the finance lead reconciles the funding request. Where their descriptions differ, resolve the difference before submission. This prevents a machinery-only query from silently becoming a request that also assumes site works, utility resilience and commissioning liquidity. The result should be a consistent scope, with unresolved assumptions marked for discussion rather than hidden inside the proposal.

5.2

Intermediated finance can be the relevant route for a first line

IFC's loans page describes lending to banks, leasing companies and other financial institutions for on-lending. Its application guidance points smaller businesses towards financial intermediaries. This establishes an institutional mechanism, not an identified facility for the proposed line. A commercial-bank loan should not be called IFC-backed merely because the bank has some relationship with IFC. The particular funding channel and borrower eligibility require confirmation. [S29] [S01]

GFT proposes beginning the intermediary screen with the operating need. Is the request for equipment ownership, equipment use under a lease, opening stock, eligible receivables or expenditure during commissioning? Keep these needs separate in the query. A lender's willingness to discuss working capital would not establish that it will fund machinery or development expenditure. Equally, a leasing proposal should be examined for what happens to deposits, imported equipment, delivery failure and ownership at the end of the contract.

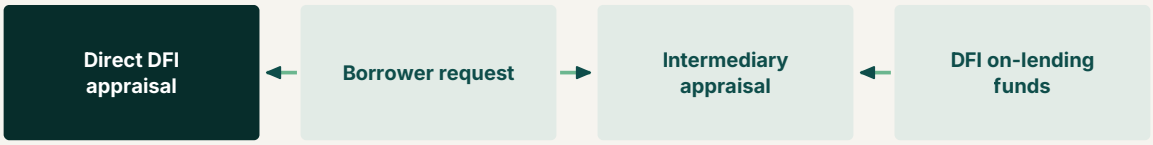
The intermediary makes its own borrower decision. GFT recommends asking about eligible asset classes, operating history, borrower-size definitions, ownership restrictions, permitted sectors, required accounts and treatment of a new operating entity.

Ask whether an institution-supported credit line is actually open, whether it has remaining capacity, and whether the proposed expenditure falls within it. Record a refusal or an unresolved answer explicitly. Do not infer eligibility from another customer's transaction or from the intermediary's promotional material.

The distinction between financing paths is shown in **Exhibit 20**, p. 75. The diagram is illustrative. It represents who considers the borrower and where the funding relationship sits; it does not identify a participating bank, prove that capital is available or establish approval responsibility under a particular agreement. [S29]

EXHIBIT 20 / ILLUSTRATIVE INSTITUTIONAL RELATIONSHIPS

Direct borrowing and on-lending follow different credit paths



ILLUSTRATIVE [S01] [S29] GFT illustration of published route distinctions. No intermediary has been identified or confirmed for this venture. Arrows represent requests or funding relationships, not approvals.

The paths can create different evidence requests even where the factory scope is unchanged. GFT recommends asking the intermediary which environmental, social, reporting and procurement requirements reach the borrower, who monitors them and what records will be retained. Request the actual applicable documents. Assuming that an intermediary removes these obligations could leave the sponsor under-budgeting preparation or agreeing to duties it cannot demonstrate.

Pricing should be requested at the borrower level. Ask how the intermediary's own funding, margin, fees, collateral requirements and monitoring charges enter the proposal. The existence of upstream development funding does not support an assumption that its terms pass through unchanged. Compare the amount of usable cash and contractual payments at the operating company. An attractive institutional narrative has little value if the facility cannot fund the required asset when its supplier needs payment.

A possible disadvantage is that the intermediary's available maturity, security expectations or asset restrictions may not fit the line. This should be treated as a route result, not evidence that the project is necessarily unfinanceable. Ask whether an alternative instrument addresses the mismatch, and preserve the unresolved risk in the capital plan. Avoid implying that an alternative intermediary exists until one has been researched and its position recorded.

A useful intermediary meeting should end with a specific information request or a documented reason not to proceed. GFT recommends recording the source of repayment the credit team expects to examine and whether its proposed facility can remain

available through commissioning. Ask which expenditure must occur before approval and which can wait until a draw is permitted. If the sponsor must pre-fund a payment, identify that exposure explicitly. A possible later reimbursement should never be represented as cash available at the earlier payment date.

5.3

Published lender products are a screening input, not an offer

Proparco describes medium- and long-term lending to businesses and financial institutions for development-oriented projects. IFC separately describes loans, direct and fund-based equity investments, and instruments including convertible loans and preferred shares. These categories suggest distinct questions about repayment, ownership and governance. They do not establish that a Cameroon textile borrower qualifies for any of them. [S06] [S29] [S30]

The research comparison in **Exhibit 21**, p. 76 preserves the distinction between a published route and venture-specific fit. It uses qualitative source information because assigning numerical attractiveness scores would imply a comparable evidence base that has not been established. The lender names identify the publishers of product descriptions. They do not identify proposed members of a financing group. [S01] [S06] [S07] [S09] [S29] [S31]

EXHIBIT 21 / QUALITATIVE RESEARCH SCREEN

Published entry routes leave venture eligibility unconfirmed

Publisher	Published route	Venture fit
IFC	Direct project criteria	Unconfirmed
IFC	Intermediary on-lending	Unconfirmed
Proparco	Medium / long-term loans	Unconfirmed
FMO	Conditional local currency	Unconfirmed
GCF	Accredited entity channel	Unconfirmed
IFC	Parallel lending	Unconfirmed

SOURCED [S01] [S06] [S07] [S09] [S29] [S31] Undated institutional pages opened on 30 October 2026. Descriptions are not offers. Country, borrower, ticket and commercial terms remain unconfirmed. No route preference is scored.

The sponsor should request confirmation of country, sector, ticket, ownership and sponsor eligibility before tailoring a full submission. GFT proposes retaining the institution's wording where it differs from the sponsor's categories. A lender may distinguish a company loan from project finance or an existing enterprise from a new venture. Those distinctions should be resolved through questions, not erased to make a comparison table appear complete.

GFT also recommends asking why the proposed instrument suits the risk. Debt requires a defensible source of repayment under its actual cash schedule. Equity raises questions about control, dilution, distributions and exit. Convertible or preferred instruments require attention to the events that change those rights. The screen should identify the specialist work needed next rather than repeat the detailed capital-structure analysis elsewhere in this paper. A product name is not a substitute for its economic obligations.

Published size ranges are useful filters only when the same unit and boundary are compared. A whole project budget differs from the amount requested from an institution. A planned future financing round differs from the initial commitment. GFT recommends recording these separately and asking whether the institution considers its own participation, the total financing package or another measure when discussing scale. Do not invent a minimum ticket where the relevant published source or institution has not supplied one.

Preparation cost belongs in this choice. GFT proposes comparing the expected need for technical studies, legal work, environmental and social assessment, modelling, reporting and staff time across feasible routes. Treat the comparison as an estimate with its scope and assumptions. It should not become a claim that a named institution is slow or expensive. A more demanding route may be justified by maturity, risk allocation or funding certainty, but the benefit needs a stated basis.

The institutional pages used for this screen generally do not display publication dates. They were opened for this chapter, and the local register preserves that limitation. Their access date is not their publication date. GFT recommends checking the product and responsible channel again when a real transaction is prepared. A research record should remain useful precisely because it shows which conclusions still depend on confirmation.

For any shortlisted institution, GFT recommends separating a mandate question from a credit question. The mandate question asks whether the proposed borrower and activity belong within the institution's remit. The credit question asks whether the particular risk and repayment evidence are acceptable. A favourable answer to the former should trigger proportionate appraisal preparation, not a financing assumption. Conversely, an unresolved repayment weakness should remain visible even if the institution's development objectives appear closely aligned with the programme's purpose. Keeping these questions separate makes institutional feedback more useful.

5.4

A co-financed loan needs aligned decision and documentation processes

IFC describes syndication products and parallel lending frameworks intended to facilitate cooperation with other institutions and investors. This supports considering co-financing as a route. It does not establish a financing group for the line, a shared credit decision or a guaranteed allocation. The precise structure must be identified before assuming which institution has which role. [S31]

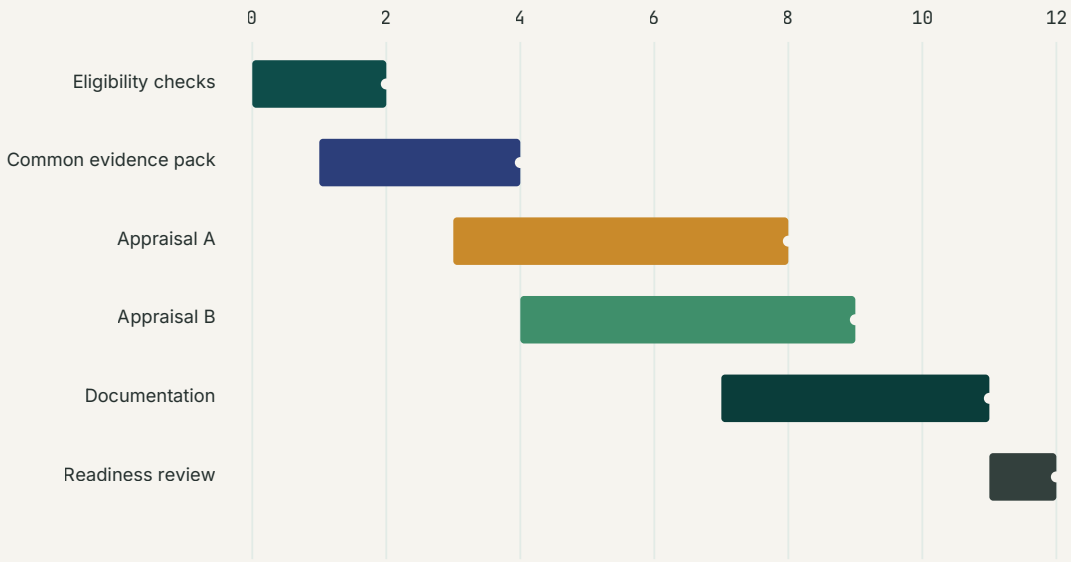
GFT proposes a common scope record for every prospective participant. It should contain the same borrower, expenditure boundary, implementation sequence, model version, environmental and social perimeter and requested draw dates. Differences in the information supplied should be reconciled visibly. Otherwise, apparently compatible expressions of interest could refer to different production scopes or assumptions. A shared project description is useful, but it should not conceal an institution's additional requirements.

The key question is who can commit what, subject to which unresolved decisions. GFT recommends a responsibility table covering eligibility, appraisal, credit approval, documentation, conditions and drawdown. Ask whether work can be shared, which reviews remain separate, who controls amendments and which body may waive an outstanding requirement. These are proposed transaction questions. Their answers must come from the prospective institutions and advisers rather than assumptions about how all co-financing works.

The planning illustration in **Exhibit 22**, p. 78 places overlapping activities on a common calendar. It assumes a planning window of 12 weeks solely to make coordination visible. It is not an estimate of any institution's processing time. Completion of the displayed activities would not itself establish that every condition for funding had been met. The chart deliberately leaves execution dependent on evidence rather than on the arrival of a date.

EXHIBIT 22 / ILLUSTRATIVE WEEKS FROM PREPARATION START

Parallel preparation still needs a common readiness decision



ILLUSTRATIVE [S31] Assumed 12-week planning window, not a lender service standard or forecast. Eligibility 0-2; common pack 1-4; separate appraisals 3-8 and 4-9; documentation 7-11; readiness review 11-12. Actual approvals and draw dates remain unknown. The chart does not calculate dependencies.

A single intermediary may reduce coordination interfaces, while a co-financing structure may make a different funding capacity or risk allocation possible. These are hypotheses to test, not route rankings. GFT recommends comparing them against the same expenditure dates and downside assumptions. The sponsor should identify

which payments become uncovered if a proposed participant declines, delays approval or changes its conditions. An undrawn expected participation is not a bridge facility.

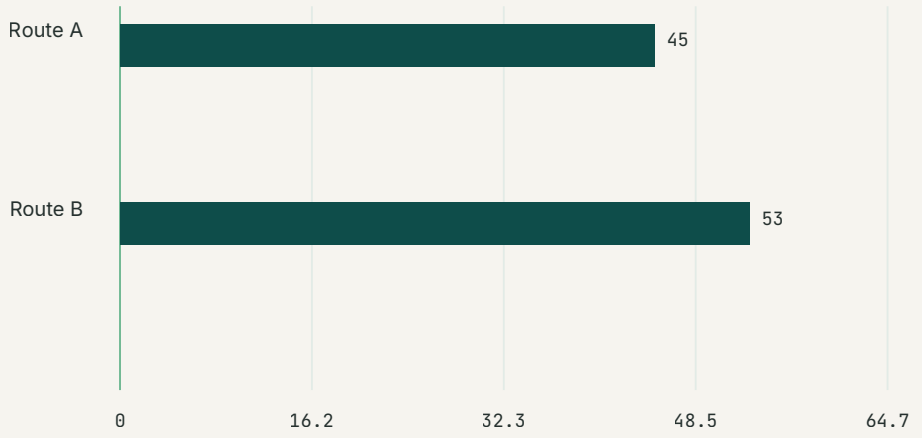
An illustrative comparison can expose why nominal pricing is insufficient. Use the paper's hypothetical senior borrowing amount of XAF 500 million as a common basis, not as a GFT capital request. The example below constructs alternative first-period charges from declared assumptions. It compares the cost of accessing the same gross amount, not complete financing offers, debt capacity or lifetime returns. No rate, fee or timing assumption is attributed to an institution.

> **WORKED EXAMPLE: COORDINATION CHARGES CAN OUTWEIGH A LOWER RATE**
>
> In this illustrative arithmetic, route A assumes XAF 500 million outstanding for a full year, cash interest of 8 percent and an upfront fee of 1 percent. Interest is 500 × 0.08 = XAF 40 million; the fee is 500 × 0.01 = XAF 5 million. Combined first-period charges are XAF 45 million. The fee is assumed paid from separate sponsor cash, so gross debt proceeds remain XAF 500 million.
>
> Illustrative route B assumes the same full-year principal, cash interest of 7 percent, an upfront fee of 2 percent and a separate XAF 8 million coordination bill. Its charges are 500 × 0.07 + 500 × 0.02 + 8 = XAF 53 million. Route B's assumed lower interest saves XAF 5 million, while its extra fee and coordination cost add XAF 13 million relative to A. Its first-period cash charges therefore exceed A by XAF 8 million.
>
> This illustrative comparison excludes principal repayment, taxes, insurance, commitment charges, currency costs and later-period fees. It assumes equal available principal and no construction-period timing difference. It is not an effective annual rate calculation. An actual decision requires dated net cash flows, contractual amortisation and the complete fee schedule. Route B could still be preferable if separately evidenced benefits justify its additional cost.

Exhibit 23, p. 80 makes the arithmetic visible without ranking actual institutions. The illustrative charges equal 9.0 percent and 10.6 percent of assumed principal respectively. Those simple ratios are not annualised yields: they combine differently timed cash charges and omit repayment. The useful result is the need to compare usable funding and full cash obligations at the same boundary.

EXHIBIT 23 / ILLUSTRATIVE XAF MILLION

The lower assumed interest rate has higher first-period charges



ILLUSTRATIVE Assumed full-year principal 500. A: 500$0.08 + 500$0.01 = 45. B: 500$0.07 + 500$0.02 + 8 = 53. Charges paid separately; no principal, taxes, currency or later costs included. Invented route assumptions, not lender quotes or effective annual rates.

The coordination record should include a change procedure. GFT recommends stating who issues revised models and technical scopes, who confirms receipt and how previously reviewed assumptions are withdrawn. A supplier change, revised commissioning date or altered borrower structure could affect several participants differently. The sponsor should obtain confirmation of the resulting position before describing the financing package as intact. This is especially important where one prospective participant's decision depends on another's involvement. Record the dependency explicitly and identify the cash gap if that involvement does not materialise.

5.5

Local-currency options must be checked instrument by instrument

FMO distinguishes true local-currency loans, denominated and settled in local currency, from synthetic loans, denominated locally but disbursed and repaid in hard currency under specified conversion arrangements. IFC likewise identifies borrowing in a currency different from revenue as a source of currency risk. Neither description establishes a XAF product, approved tenor or textile borrower eligibility for the line. [S07] [S32]

GFT recommends requesting the denomination, disbursement currency and repayment currency separately. The headline currency should not answer all these questions by implication. Ask when conversion rates are fixed, which reference determines them, who bears differences during settlement and which account must receive each payment. These are matters for a documented proposal. They should not be filled by assuming that every local-currency product creates identical cash movements.

The comparison should also distinguish rate exposure from settlement exposure. Ask whether the rate is fixed or floating, how any reset is calculated and what applies after a payment date is missed. Request the cash consequences of prepayment, cancella-

tion, refinancing or an altered draw schedule. GFT proposes showing unresolved items as blanks requiring answers, rather than treating a missing charge as zero. That convention protects the comparison from false precision.

The compact request template in **Exhibit 24**, p. 81 identifies the dimensions needed to compare proposals. It is illustrative and deliberately contains no market pricing. It can be used for a direct lender or an intermediary, with fields added where the instrument requires them. A completed template would remain subject to the underlying documents and professional review.

EXHIBIT 24 / ILLUSTRATIVE REQUEST FIELDS

Comparable quotes need cash mechanics as well as interest

Field	Request	Status
Currency	Denomination / settlement	Unconfirmed
Interest	Rate / resets / basis	Unconfirmed
Fees	Amount / date / net cash	Unconfirmed
Schedule	Tenor / grace / principal	Unconfirmed
Exit	Prepayment / break costs	Unconfirmed
Controls	Security / E&S / reports	Unconfirmed
Legal	Tax / approvals / transfers	Unconfirmed

ILLUSTRATIVE [S07] [S32] GFT proposed template informed by published currency distinctions. All venture terms unconfirmed. No rates, security values, tax outcomes or lender deadlines assumed.

Security and tax treatment should be requested rather than inferred. GFT recommends asking what collateral, cash deposits, guarantees or other support the proposal requires, together with the costs and conditions of establishing them. Ask qualified advisers to assess the relevant transfer, borrowing and tax obligations for the actual borrower and payment path. This chapter makes no conclusion about current legal thresholds or the tax treatment of a prospective instrument.

For the route screen, the decision is whether an instrument deserves further examination under the line's actual cash profile. Detailed currency stress belongs in the risk analysis. The present recommendation is to reject any comparison that mixes a gross foreign-currency disbursement with an assumed local-currency net receipt. Carry the same settlement assumptions into the model, supplier-payment schedule and liquidity plan so that every later analysis tests the same proposed contract.

GFT also proposes a settlement rehearsal using the proposed contract's payment instructions before the financing recommendation is finalised. Map the route from disbursement through any conversion to the supplier, then from customer collections to debt payment. Identify the responsible account holder, authorisation and required evidence at each handover. This is a design exercise, not an instruction to move

funds. An unresolved operational step should remain a route risk even where the economic currency exposure appears acceptable. Financial modelling and payment execution must describe the same arrangement.

5.6

Climate funding needs its own rationale and access route

GCF's institutional route involves Accredited Entities that develop and submit proposals and manage projects. Its Project Preparation Facility supports Accredited Entities and Project Specific Assessment Approach applicants through preparation funding that may include repayable support. The dated accreditation framework retains the project-specific pilot and identifies alternative partnership routes. These are separate access arrangements, not a generic grant application available automatically to a factory. [S09] [S08] [S0501]

GFT recommends distinguishing institutional accreditation, working through an existing Accredited Entity and a project-specific assessment. The last concerns an entity's capacity for a particular proposed climate project or programme. It should not be presented as institution-wide accreditation or as a waiver of appraisal. The framework and the current linked PSAA overview were opened for this chapter; a real applicant should confirm the operational and transitional rules before planning its route. No application or eligibility decision is recorded here. [S0501]

A garment factory's development purpose does not by itself demonstrate climate fit. GFT proposes defining the incremental mitigation or adaptation activity before choosing a funding channel. For mitigation, specify the relevant baseline, emissions boundary and counterfactual. For adaptation, explain the climate hazard, exposed activity and proposed reduction in vulnerability. Equipment described as efficient or resilient still needs an explicit causal argument and evidence appropriate to the claimed benefit.

GCF's investment framework addresses climate impact, wider change, sustainable development benefits, recipient needs, country ownership, and efficiency and effectiveness. It also links concessional funding to the minimum support needed for viability. The chapter paraphrases the wider-change criterion to maintain GFT's house language. These requirements explain why employment, local production or an appealing technology cannot independently establish a climate-financing case. [S10]

GFT recommends a separate climate concept record linked to the core factory scope. It should explain what activity is incremental, what ordinary commercial finance can cover, why additional support is needed, how benefits would be measured and who would implement and monitor the activity. The record should identify an access channel to investigate without naming an institution as a partner. Keep the financing obstacle distinct from the environmental benefit so that each can be challenged independently.

Preparation support must also be separated from construction cash. A supported study does not establish that equipment purchases or operating losses will be financed. GFT recommends recording the eligible preparation activity, responsible

applicant, procurement process, reporting duty and any repayment obligation before counting support in the budget. The PPF's description expressly allows repayable forms of assistance; treating every preparation contribution as an unconditional grant would misstate the funding requirement. [S08]

The practical counterargument is that climate preparation may improve the underlying project even without climate funding. That can justify proportionate work. It does not justify making the first line dependent on an unidentified climate award. GFT recommends preserving a commercial funding case and showing which activity would change, be deferred or require sponsor funding if climate support is unavailable. The choice should remain visible rather than disappear inside an assumed blended capital total.

An eligible access channel also needs an implementation boundary. GFT recommends asking which entity would own the financed equipment, procure services, retain climate evidence and respond to performance shortfalls. If an intermediary or programme structure is proposed, distinguish its responsibilities from the factory operator's. Avoid allocating the same reporting task vaguely to both. The concept should identify a responsible role and a source record for each material claim, while leaving institution-specific duties subject to confirmation. This keeps the climate rationale connected to the production system that would have to demonstrate it.

5.7

A lender screen should eliminate unsuitable routes early

The final screen should be a dated decision record, not a directory of attractive institution names. GFT proposes keeping the published mandate, access route, borrower requirements, relevant product and source date beside the actual scope under consideration. Add the evidence missing, the next useful question and the condition that would make the route unsuitable. Each row should explain what decision the research enables and what it still cannot establish.

Use the controlled statuses researched, eligibility query prepared, feedback received, application submitted, approved and signed. Define the evidence required for each transition. A prepared draft can support eligibility query prepared without suggesting it has been sent. Feedback received needs a record of actual feedback. Approval needs the relevant decision and its conditions. Signed needs executed documentation. Even signed should not be used as a synonym for available cash; draw conditions remain a separate execution question.

This chapter records researched routes only. It does not establish that queries have been prepared for dispatch, feedback received, applications submitted or financing approved. GFT recommends assigning an accountable role and a review trigger to every unresolved entry when the screen becomes a live transaction tool. A change in borrower, ownership, production scope, funding amount or settlement path should reopen the affected eligibility assessment rather than inherit an earlier conclusion automatically.

The screen should eliminate routes through explicit reasons. A confirmed mismatch in borrower category can close a route for the present scope. A missing answer should remain unresolved, not be recoded as a rejection or an approval. An uneconomic proposal may justify declining further work even where institutional eligibility is possible. Distinguishing these outcomes helps the sponsor avoid spending on application detail before the decisive questions have been answered.

GFT's risk-matrix can organise this uncertainty as a proposed management use, without implying that a financing tool has been deployed or tested for the venture. Record eligibility, funding timing, currency settlement, preparation cost and evidence gaps separately. Pair each with the document or decision needed to close it. Preserve adverse evidence alongside favourable product descriptions so that the management discussion reflects the full record.

The recommended output is a bounded next step: investigate an intermediary, request direct-route clarification, test a co-financing structure or develop a separately justified climate concept. Advance only the route supported by the borrower's actual readiness. Institutional prestige cannot substitute for accessible funding, and a published product cannot substitute for its transaction-specific conditions. The better application begins with a decision about where it belongs.

Before committing further preparation expenditure, GFT recommends a concise challenge meeting using the screen. Ask what evidence would reverse the preferred route, whether any assumption depends on unreceived financing feedback and which near-term payment remains uncovered. Record the decision to continue, hold or stop preparation alongside its reason. This is a sponsor decision about the next research or application step, not a substitute for a lender's approval. The discipline is useful because it converts an institutional wish list into an accountable decision while the cost of changing direction is still limited.

Choose the capital's doorway before building the application.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S29 IFC. n.d..

S06 Proparco. n.d..

S30 IFC. n.d..

S07 FMO. n.d..

S09 Green Climate Fund. n.d..

S31 IFC. n.d..

S32 IFC. n.d..

S08 Green Climate Fund. n.d..

S0501 Green Climate Fund. 2025-07-03.

S10 Green Climate Fund. n.d..

GREEN FUTURE TECH

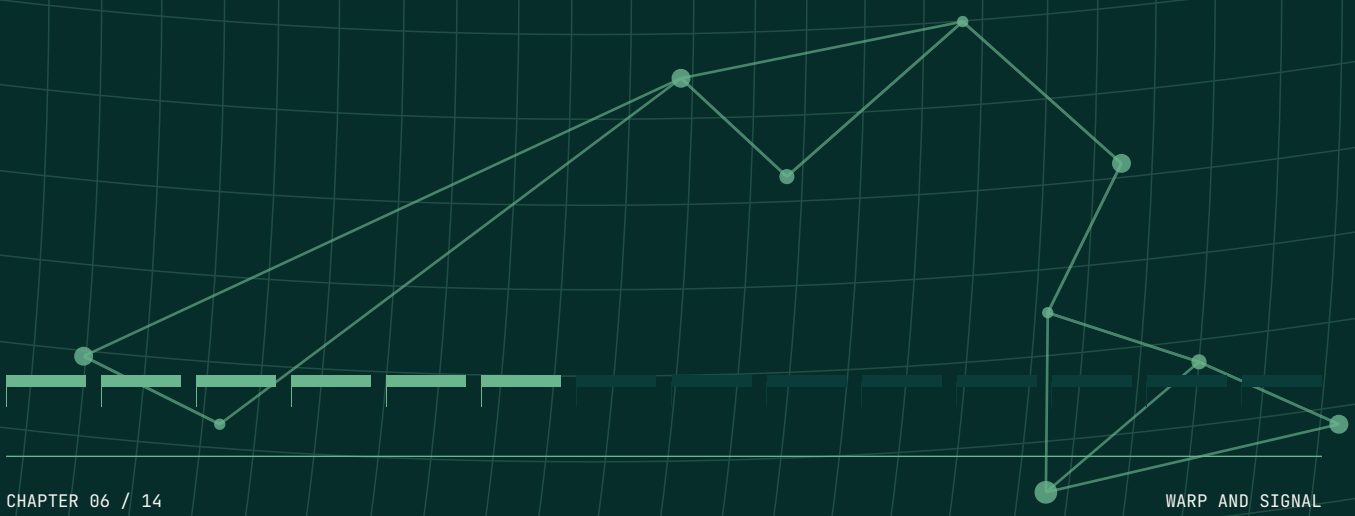
LIMITED / HONG KONG SAR

06

PART II: CAPITAL MUST CARRY THE RISKS IT CAN ABSORB / TRADE AND RECEIVABLES

Working-capital instruments must follow real transactions

Import finance, buyer advances and accepted-invoice discounting solve different parts of the cash cycle.



CHAPTER 06
DECISION TEST

Import finance, buyer advances and accepted-invoice discounting solve different parts of the cash cycle.

Working-capital instruments cannot be selected as a single undifferentiated credit line. Each stage of a garment factory's operating cycle creates a distinct legal, documentary and physical exposure, and each instrument transfers only a narrow slice of that risk. Import letters of credit and bank guarantees address cross-border documentary settlement and supplier payment risk during equipment or fabric procurement, before the factory holds a productive or saleable asset on site. [S13] [S0601] Post-shipment supplier finance and receivables discounting operate at the opposite end of the cycle: they convert a payment obligation into immediate cash only after goods have been delivered, inspected and formally accepted by a pre-approved creditworthy buyer. [S14] [S0602] Between those two boundaries sits the physical conversion process on the factory floor, where raw fabric becomes cut panels, sewn garments and finished stock. Unaccepted inventory, disputed invoices, speculative production runs and commissioning losses cannot be financed through self-liquidating trade lines; they require opening working capital funded by patient capital or a borrowing base backed by verified, unencumbered assets. [S01] [S21]

GFT's argument in this chapter is that a first textile line in Cameroon must map its trade and working-capital requests directly to the underlying commercial events and factory records. Within GFT's Cameroon textile programme (prepared 31 January 2024, with sources refreshed in 2026), the initial operating boundary covers cut, make, trim and finishing under an own brand, while spinning and knitting remain optional partnered steps. Even though the sector context shows about 95 percent of Cameroonian cotton fibre exported raw and about 5 percent processed locally against a 2030 national processing target of 50 percent, that macro industrialisation gap does not make a new garment factory's purchase orders or finished inventory automatically bankable. [R06] [R07] Financiers lend against enforceable documents, reconciled stock ledgers and verified buyer obligations, not against domestic value-addition targets. All transaction structures, advance rates and cash-cycle calculations in this chapter are analytical proposals and illustrative cases; nothing here constitutes investment, legal or tax advice.

6.1

Imports create payment exposure before productive assets exist

A new garment line faces its first cash drain months before an operator stitches a seam. Cross-border suppliers of sewing machines, cutting tables, power protection or shirting fabric typically demand payment protection before surrendering title or shipping goods. An exporter regards a shipment as an uncompensated exposure until cash or an irrevocable bank undertaking is in hand, whereas an importer faces the mirror risk that advance payments leave the buyer exposed to late shipment, transit damage or non-conforming machinery. [S0601] Cash or credit capacity is consumed while the physical asset is still abroad, on a vessel, or awaiting customs clearance at Douala or Kribi. [S01] [S13]

The finance lead must map the sequence from commercial commitment to productive operation across six milestones:

1. **Purchase order and contract**: Buyer and supplier fix specifications, unit prices, delivery terms, inspection rights, warranties and payment dates. [S01] [S0601]
2. **Advance deposit**: Equipment and textile suppliers frequently require a deposit to schedule production; without an advance-payment guarantee from the supplier's bank, this is an unsecured exposure. [S13]
3. **Shipment and bill of lading**: When goods are loaded, transport and commercial documents are presented; under a letter of credit, compliant presentation triggers sight payment or draft acceptance before containers reach Cameroon. [S0601]
4. **Customs clearance and inland transit**: Upon arrival, the borrower funds customs duties, value-added tax, port handling, demurrage and inland haulage, none of which are covered by the supplier's letter of credit. [S01] [S13]
5. **Installation and utility connection**: Machinery is uncrated, wired to protected power and calibrated while generating zero output. [S01]
6. **Commissioning and acceptance**: Only after trial runs meet speed, quality and safety tolerances does the asset generate cash flow capable of servicing debt. [S01]

6.2 TRADE GUARANTEES AND CASH FUNDING SOLVE DIFFERENT PROBLEMS

Early-stage proposals frequently confuse a trade-finance guarantee with long-term funding. IFC's Global Trade Finance Program (GTFP), updated August 2026, illustrates the boundary of institutional trade support. [S13] Under GTFP, IFC provides confirming banks with partial or full transaction-specific guarantees covering payment risk on emerging-market issuing banks for letters of credit, promissory notes, bills of exchange, bid and performance bonds, advance-payment guarantees and supplier credits for capital goods imports with tenors up to three years. [S13] That guarantee connects local issuing banks to international confirming banks where correspondent lines are constrained and can reduce interbank cash-collateral requirements. [S13]

However, a bank guarantee transfers risk between banks; it does not replace the borrower's own credit approval or provide equity. [S13] [S29] The local issuing bank in Cameroon still underwrites the textile venture before opening a letter of credit or guarantee, and may require cash collateral, sponsor support or a committed term-loan take-out from a new project company. [S01] [S29] Moreover, a 90-day, 180-day or illustrative two-year trade maturity falls due long before a factory amortises its capital cost. As scenario A demonstrates, productive equipment (illustrative XAF 400 million) and opening working capital (illustrative XAF 200 million) require committed long-term debt, subordinated capital and sponsor equity rather than short-term import lines. [S01]

6.3

Letters of credit allocate document risk, not all performance risk

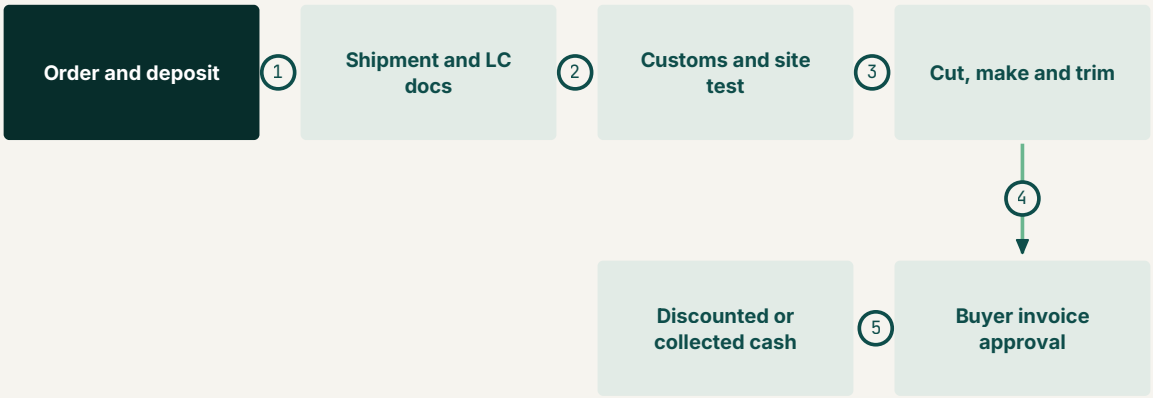
When a garment venture uses a letter of credit to import machinery or fabric, it enters a documentary contract rather than a physical performance guarantee. Official guidance from the International Trade Administration notes that a letter of credit is a commitment by the buyer's bank to pay once the exporter ships the goods and presents required documentation, and that those required documents are detailed and prone to errors and discrepancies. [S0601] Banks examine documents, not sewing machines or bolts of twill. If the supplier presents transport, invoice, insurance and inspection documents matching the letter of credit on their face, the banks must pay or accept the draft even if crates opened later at the factory contain uncalibrated machines or off-shade fabric. [S0601]

In a confirmed transaction, the borrower instructs its local issuing bank to open an irrevocable letter of credit in favour of the foreign supplier, and an international confirming bank adds its confirmation. [S13] [S0601] Where correspondent limits are tight, IFC's GTFP may guarantee up to 100 percent of transaction value to the confirming bank, responding within 24 to 48 hours via SWIFT. [S13]

The sequence of cash and documentary boundaries across the operating cycle is shown in **Exhibit 25**, p. 89. The flow diagram is illustrative: it separates the upstream import instruments described in S13 and S0601 from the factory conversion phase and the downstream receivable instruments described in S14 and S0602. [S13] [S14] [S0601] [S0602]

EXHIBIT 25 / ILLUSTRATIVE TRANSACTION SEQUENCE

Each cash-cycle event needs the right financing instrument



1. Advance guarantee (S13)
2. Import LC (S13, S0601)
3. Equity and term capex
4. Opening working capital
5. Receivables finance (S14)

ILLUSTRATIVE [S13] [S14] [S0601] [S0602] GFT illustrative mapping of transaction stages to instrument boundaries based on S13, S14, S0601 and S0602. No bank line, GTFP guarantee or GTSF buyer platform is committed or confirmed for this venture.

As **Exhibit 25**, p. 89 demonstrates, no single trade instrument spans the whole chain. An import letter of credit terminates when shipping documents are honoured at sight or at draft maturity; it does not fund work in progress while operators cut and sew garments, nor does it bridge the wait while a customer delays invoice approval. [S13] [S14] [S0601] Conversely, a post-shipment supplier-finance facility cannot be drawn to pay a foreign fabric mill before garments have been manufactured, delivered and accepted by the buyer. [S14]

6.4 DOCUMENTARY CONDITIONS MUST BE LINKED TO PHYSICAL VERIFICATION

If a letter of credit requires only a bill of lading and a supplier's self-issued quality certificate, the bank will pay 100 percent of the invoice value while the borrower bears 100 percent of the commissioning failure risk. [S0601] GFT proposes dividing payment terms for imported equipment and critical inputs into staged documentary milestones, subject to specialist legal review:

- **Advance payment against an unconditional bank guarantee**: Any deposit paid upon contract signing (an illustrative 10 to 20 percent reservation payment) should require an advance-payment guarantee from an acceptable bank, ensuring recovery if the supplier fails to ship. [S13]

- **Shipment tranche against independent pre-shipment inspection**: The main payment upon shipment (an illustrative 60 to 70 percent of contract price) should require clean transport documents, insurance certificates and a pre-shipment inspection report from an independent verifier confirming model numbers, serial plates, spare parts or laboratory test results before container sealing. [S01] [S0601]
- **Final retention tranche tied to site acceptance or a performance bond**: The remaining balance (an illustrative 10 to 20 percent retention) should be payable only against a dual-signed site acceptance certificate confirming commissioning on site, or against an autonomous performance bond covering the warranty period. [S01] [S13]

> **GFT NOTE**
>
> Do not allow procurement teams to sign equipment or fabric supply contracts before the issuing bank and legal counsel review the documentary payment triggers. In GFT's Cameroon textile programme, machine availability and first-pass yield drive unit economics directly. An illustrative letter of credit that pays 100 percent at foreign port loading leaves the venture with no documentary protection if machines arrive without calibration software, spare needles or voltage protection suited to local grid conditions. [S0601] Split payment milestones between shipment and verified site acceptance, and budget bank issuing, confirmation and amendment fees explicitly.

Even with staged triggers, documentary discrepancies remain an operational hazard. Any discrepancy between presented documents and letter of credit terms requires formal amendment or waiver, generating extra fees and settlement delays. [S0601] When the factory is the importer, a clerical error can hold up document release while containers accumulate port demurrage. When the factory exports under a letter of credit, a late shipment date or misstated consignee strips away the bank's undertaking and converts a secured sale into an open-account exposure. [S0601]

6.5

Accepted invoices can release cash after delivery

Once the line is commissioned and shipping garments, the working-capital challenge shifts from import settlement to cash collection. Corporate and institutional buyers rarely pay cash in advance; open-account terms where goods are delivered before payment is due in 30, 60 or 90 days are standard international practice. [S0601] Waiting two or three months to collect cash can starve a first line of the liquidity needed to pay wages, power bills and replacement fabric.

Supply-chain finance (reverse factoring or post-shipment supplier finance) bridges that post-delivery wait. IFC's Global Trade Supplier Finance (GTSF) programme, a US$1 billion short-term facility updated July 2026 that disbursed US$22 billion across 33 countries between 2012 and 2026 and US$3.8 billion to over 301 suppliers in fiscal year 2026, defines the mechanism. [S14] Under GTSF, IFC finances suppliers directly via web-based platforms or indirectly through financial institutions by purchasing and discounting invoices accepted for payment by pre-approved participating buyers. [S14] Similarly, IFC's Global Supply Chain Finance (GSCF) pro-

gramme, established in 2022 and updated July 2026, works through financial institutions via funded or unfunded risk-sharing facilities on a portfolio basis, focusing on reverse factoring so suppliers convert receivables into cash without separate physical collateral. [S0602]

6.6 AN ACCEPTED RECEIVABLE IS LEGALLY DISTINCT FROM A SALES FORECAST OR A PURCHASE ORDER

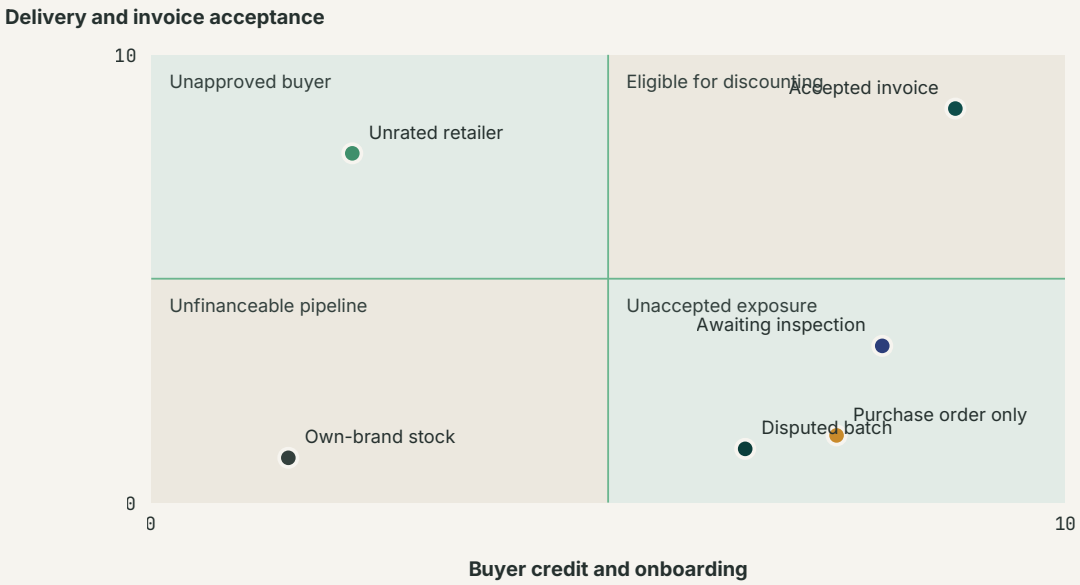
Sponsors frequently overstate receivables finance by treating projected sales, framework agreements or open purchase orders as discountable collateral. Under both GTSF and commercial invoice discounting, a discountable asset exists only when three conditions are met simultaneously:

1. **The buyer is pre-approved and onboarded**: The lender underwrites the credit strength of the corporate buyer rather than the fixed assets of the supplier. [S14] [S0602] Unrated boutiques, informal traders or a newly formed distribution subsidiary do not qualify. [S14]
2. **Goods have been delivered in compliance with the contract**: Post-shipment finance applies only after shipment and delivery; a purchase order is an executory obligation, not a receivable. [S14]
3. **The buyer has formally accepted the invoice for payment**: Suppliers can sell receivables at a rate based on the buyer's credit strength only after the buyer approves the receivable for payment. [S14] Before acceptance, the invoice remains exposed to commercial disputes over sizing, defects, shade consistency or late delivery.

To prevent counting ineligible sales as instant cash, **Exhibit 26**, p. 92 maps commercial claims across the two dimensions established by S14 and S0602: buyer credit approval on the horizontal axis, and delivery verification and invoice acceptance on the vertical axis. [S14] [S0602]

EXHIBIT 26 / QUALITATIVE ELIGIBILITY INDEX (0 TO 10)

Not every invoice qualifies for receivables finance



SOURCED [S14] [S0602] Sourced qualitative eligibility boundaries from IFC GTSF (S14, July 2026) and GSCF (S0602, July 2026). Numeric coordinates (0 to 10) represent qualitative position on the two programme requirements: buyer credit approval and formal invoice acceptance. No venture buyer is currently approved.

The message of **Exhibit 26**, p. 92 is direct: only claims in the upper-right quadrant ("Accepted invoice") meet the S14 and S0602 threshold for post-shipment supplier finance. [S14] [S0602] Within GFT's Cameroon textile programme, the commercial scope includes own-brand retail sales and institutional or corporate uniform orders. Own-brand garments held in a warehouse or consigned to retail outlets sit in the lower-left quadrant: there is no external corporate buyer, no accepted invoice, and zero eligibility for receivables discounting. [S14] Even with a large corporate buyer, the claim sits in the lower-right quadrant from purchase order signing until the buyer's warehouse inspects the garments and signs an irrevocable acceptance. [S14] What this chart cannot establish is which specific buyers in Cameroon a bank or DFI would approve, or at what discount rate; those require transaction-specific underwriting. [S01] [S14]

6.7

Buyer credit quality can matter more than the supplier's label

Because receivables discounting relies on the creditworthiness of the obligor paying the invoice, a credit committee will scrutinise the factory's customer ledger more closely than its branding materials. [S14] [S0602] A sustainable garment venture still faces strict deductions if its buyers pay late, return defective lots, or concentrate exposure in a single debtor. [S01] [S14]

GFT recommends building a customer credit diligence file addressing six operational risks before assuming any receivable is financeable:

- **Customer concentration limits**: If one buyer exceeds an illustrative 20 to 30 percent of receivables, a platform or bank will cap exposure to that debtor, leaving excess sales at the factory's cash risk. [S01] [S14]
- **Inspection and acceptance lag**: Payment terms of 60 days often run from formal acceptance rather than drop-off. An illustrative 20-day inspection lag turns a nominal 60-day invoice into 80 days of working capital, with only the post-acceptance portion discountable under S14. [S14]
- **Quality rejections and dilution**: Buyers deduct penalties for off-shade dyeing, seam puckering, wrong size ratios or late delivery. Manual textile inspection achieves only 60 to 70 percent accuracy and misses 20 to 30 percent of defects, whereas computer-vision inspection reaches above 90 percent accuracy across more than 40 defect types at speeds up to 60 metres a minute (inherited programme register, Grade C source-text check). [R29]
- **Contractual set-off**: A buyer holding material advances or prior warranty claims may set them off against current invoices unless the accepted receivable waives set-off under governing law. [S21]
- **Public-sector payment arrears**: Public uniform tenders carry budgetary and treasury settlement delays that banks and supplier-finance programmes rarely treat as equivalent to approved corporate acceptances. [S01] [S14]
- **Recourse versus non-recourse terms**: Under recourse discounting, unpaid invoices past maturity (or an illustrative 30-day grace window) are debited back to the factory; non-recourse terms cover only insured insolvency, never quality disputes. [S14]

> **WARNING**
>
> Do not model public-sector uniform tenders or unrated domestic wholesale accounts as eligible for immediate post-shipment invoice discounting. Unless an approved commercial buyer or credit insurer has formally underwritten the debtor and the buyer has accepted the delivered garment lot without right of set-off, the cash model must fund the entire production and collection period from committed working capital.

6.8 SUSTAINABILITY-LINKED SUPPLIER PRICING REQUIRES PROGRAMME ONBOARDING AND VERIFIED METRICS

Building an environmentally responsible garment factory does not automatically entitle the borrower to discounted trade or receivables financing. IFC's GTSF page reports that 84 percent of its fiscal year 2026 disbursements were in sustainability-linked facilities, citing its partnership with Levi Strauss and Co. to encourage textile and apparel suppliers to improve energy and water efficiency and reduce greenhouse gas emissions by connecting receivable discount rates to environmental and social performance. [S14] That mechanism has strict prerequisites. [S14]

First, sustainability-linked supplier finance under GTSF operates inside a participating buyer's supply-chain programme; a factory selling under its own brand to local consumers has no participating anchor buyer to sponsor a GTSF platform facility. [S14] Second, as the APLMA, LMA and LSTA Guidance on Green Loan Principles (26 March 2025) and Guidance on Sustainability-Linked Loan Principles (26 March 2025) explain, a green use-of-proceeds facility requires proceeds to be tracked exclusively to eligible green projects, while a sustainability-linked facility requires material, quantifiable key performance indicators, ambitious sustainability performance targets beyond business as usual, a credible baseline and independent verification. [S17] [S18] A greenfield factory in commissioning lacks multi-year historical data. [S18] Until the factory establishes a verified baseline for energy intensity, water use, defect rates and labour compliance under IFC Performance Standards and OECD garment due-diligence guidance (including any subcontracted steps), no financial model should assume a sustainability pricing discount on its working-capital lines. [S14] [S18] [S22] [S27]

6.9

Working-capital needs grow with volume and payment delays

Even a profitable garment line can suffocate during its production ramp if its cash-conversion cycle expands faster than retained cash flow. In Chapter 03, illustrative scenario A allocates XAF 200 million of initial capital uses to opening working capital within a total XAF 1,000 million funding plan. To test whether XAF 200 million is adequate, the finance team must calculate the cash locked in physical stock and unpaid customer bills at each stage of the ramp, rather than apply a static percentage of revenue. [S01]

The operational lag between paying for inputs and collecting cash from customers is measured by the cash-conversion cycle (`CCC = DIO + DSO - DPO`), where `DIO` is days inventory outstanding, `DSO` is days sales outstanding, and `DPO` is days payables outstanding.

METHOD

Denominators and tax treatment must not be mixed when converting days into XAF cash. Multiplying total cash-conversion days by annual revenue overstates inventory cash because inventory and payables are carried at cost, whereas receivables are carried at invoiced sales value. On an illustrative 365-day year basis:

1. **Inventory cash**: `Annual Cash Cost of Goods Sold * (DIO / 365)` on an illustrative 365-day basis, excluding depreciation.
2. **Receivables cash**: `Annual Net Credit Sales * (DSO / 365)` on an illustrative 365-day basis, excluding sales tax consistently.
3. **Payables offset**: `Annual Cash Purchases * (DPO / 365)` on an illustrative 365-day basis, counting only confirmed credit. [S0601]
4. **Collection-delay sensitivity**: Extra receivable cash is `Annual Net Credit Sales * (extra days / 365)` on an illustrative 365-day basis.

Consider a fully disclosed worked case for the first garment line.

WORKED EXAMPLE: CASH CONSUMED BY ACCEPTANCE AND SETTLEMENT DELAYS

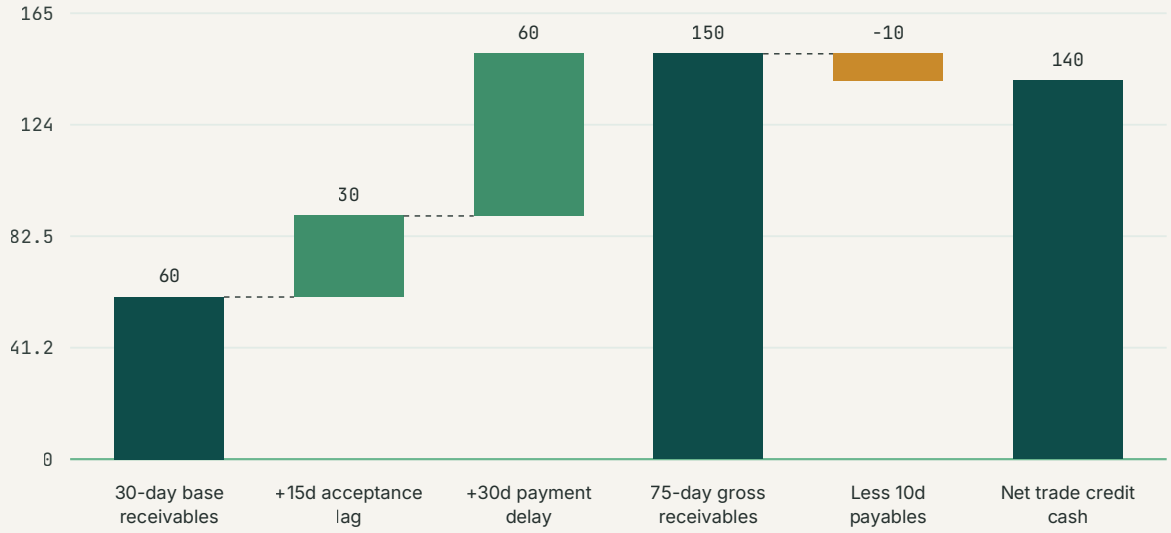
Assume an illustrative steady-state year with **XAF 730 million** of annual net credit sales (excluding sales tax) on a **365-day** basis (**XAF 2.0 million/day**), illustrative annual cash cost of goods sold of **XAF 511 million** (**XAF 1.4 million/day**), and illustrative annual credit purchases of **XAF 365 million** (**XAF 1.0 million/day**). All figures are illustrative assumptions to demonstrate the method, not GFT operating results.

- **Baseline balance**: With an illustrative 45 days inventory (`DIO = 45`), 30 days collection (`DSO = 30`), and 10 days payable credit (`DPO = 10`), inventory locks up **XAF 63.0 million** (`45 * 1.4`), baseline receivables lock up **XAF 60.0 million** (`30 * 2.0`), and payables offset **-XAF 10.0 million** (`-10 * 1.0`), yielding **XAF 113.0 million** of net operating working capital (and XAF 50.0 million of net trade credit excluding inventory).
- **Stress sensitivity (+45 extra collection days)**: Suppose buyers take **15 extra days** to inspect and accept delivered lots (absorbing **XAF 30.0 million**, ineligible for S14 discounting while unaccepted), and delay settlement by **30 extra days** (absorbing **XAF 60.0 million**, bringing illustrative `DSO` to 75 days). [S14] Gross receivables rise from XAF 60.0 million to **XAF 150.0 million** (+XAF 90.0 million), and total net operating working capital rises from XAF 113.0 million to **XAF 203.0 million**, exhausting scenario A's illustrative **XAF 200 million** opening working-capital allocation.

The receivable component of this derived sensitivity is reconciled in **Exhibit 27**, p. 96. Even when accounting EBITDA and unit margin remain unchanged, adding 15 days of inspection delay and 30 days of payment extension absorbs XAF 90 million of extra cash in receivables alone. [S01] [S14]

EXHIBIT 27 / XAF MILLION

Extra collection days consume cash even when margin is unchanged



DERIVED [S01] [S14] Derived from illustrative annual net credit sales of XAF 730 million (excluding sales tax) on a 365-day year basis (XAF 2.0 million/day). Baseline 30-day receivables equal XAF 60 million; +15 acceptance days add XAF 30 million; +30 settlement days add XAF 60 million; less XAF 10 million illustrative payable offset gives XAF 140 million net trade credit requirement (before adding XAF 63 million inventory).

As **Exhibit 27**, p. 96 shows, separating the XAF 30 million acceptance lag from the XAF 60 million post-acceptance delay determines what can be financed. [S14] If the buyer participates on an S14 or S0602 platform, the XAF 60 million post-acceptance wait can be discounted once the invoice is approved, whereas the XAF 30 million pre-acceptance lag remains unfunded. [S14] [S0602] If the buyer is not pre-approved, the full XAF 140 million net trade credit requirement (plus the illustrative XAF 63 million inventory, totalling XAF 203 million) must be carried by the factory's own liquidity and committed capital. [S01] [S14] In Chapter 02, illustrative scenario A showed that a drop in first-year CFADS from XAF 175 million to XAF 120 million pushes senior DSCR from an illustrative 1.42 to 0.97 against senior debt service of XAF 123.33 million (`500 / 6 + 500 * 0.08`). Because CFADS deducts the period increase in working capital, an unplanned XAF 55 million working-capital build turns the XAF 175 million base case into the XAF 120 million downside breach even when EBITDA hits budget. [S01]

6.10

Collateral and borrowing bases require reconciled stock records

Where a garment venture seeks a working-capital overdraft or revolving facility from a commercial bank in Cameroon secured against inventory and receivables, the bank will not lend 100 percent of unaudited book value. Asset-based facilities operate through a borrowing base: the lender deducts ineligible stock and overdue or disputed invoices, applies valuation haircuts (advance rates) to eligible balances, and deducts prior-ranking claims. [S21]

Here the GFT **Warp and Signal** architecture serves as a credit control. Production is the warp and measurement is the weft: the records tracking fabric roll consumption, cutting waste, lot traceability (paper wp05) and inventory discipline and safety stock (paper wp12) are the exact records needed to prove a borrowing base. [S01] [S21] Inherited programme research (McKinsey State of Fashion 2025, Grade B source-text check) reports that AI at scale in fashion can cut inventory costs by 35 to 40 percent and improve forecast accuracy by 20 to 30 percent. [R27] Yet for a first line seeking bank credit, no software forecast replaces a reconciled physical warehouse count and a perfected security interest. [S01] [S21]

6.11 OHADA MOVABLE SECURITY AND WAREHOUSE FINANCING REQUIRE LEGAL AND PHYSICAL CONTROL

In Cameroon, security over movable assets and receivables is governed by the OHADA Uniform Act Organizing Securities (*Acte uniforme portant organisation des sûretés*), adopted 15 December 2010 and in force since 15 May 2011. [S21] The Uniform Act instituted the professional security agent (*agent des sûretés*) and organised movable securities (*sûretés mobilières*) covering the right of retention (*droit de rétention*), title retained or assigned as security (*propriété retenue ou cédée à titre de garantie*), pledges of tangible movables including stock (*gage*), pledges of receivables and accounts (*nantissements*), and liens (*privilèges*), perfected through registration in the Trade and Personal Property Credit Register (RCCM). [S21]

Upstream in agriculture, IFC's Global Warehouse Finance Program (GWFP), updated July 2026, provides banks with liquidity or risk coverage (participating up to 50 percent) backed by warehouse receipts for stored commodities. [S0603] However, a garment factory's inventory differs sharply from baled cotton in a commodity warehouse. [S0603] Once fabric is cut into panels or embroidered with a customer's logo, third-party liquidation value drops toward zero. To prevent double financing and verify collateral, six reconciliations are required:

1. **Retention of title by suppliers**: Under OHADA law, a supplier may register a retention-of-title clause (*réserve de propriété*) in the RCCM, meaning the factory does not own unpaid fabric in its store. [S21]
2. **Import letters of credit**: Stock financed under an unpaid usance letter of credit is already encumbered to the issuing bank. [S13] [S21]
3. **Stock ageing and shade-lot fragmentation**: Remnant rolls, off-shade lots, seconds and finished goods aged beyond an illustrative 90 or 120 days are deducted as ineligible.
4. **Subcontracted off-site stock**: As OECD 2026 garment guidance notes, subcontracting is common in the sector. [S27] Stock at external dyehouses or printers sits outside the borrower's custody and faces subcontractor retention rights (*droit de rétention*) for unpaid fees. [S21] [S27]
5. **Double discounting of receivables**: Invoices sold on an S14 or S0602 platform must be excluded immediately from any bank receivable pledge (*nantissement de créances*). [S14] [S21] [S0602]
6. **Insurance and cycle counts**: Stock requires all-risks insurance naming the lender or security agent as loss payee, backed by monthly physical counts. [S01] [S21]

An illustrative borrowing-base certificate is set out in **Exhibit 28**, p. 98. All balances, deductions and advance rates are illustrative examples; actual terms require bank negotiation and OHADA counsel review. [S14] [S21] [S0603]

EXHIBIT 28 / XAF MILLION (ILLUSTRATIVE)

A borrowing base must reconcile to physical and financial records

Asset category and deduction rule	Gross (XAF m)	Ineligible (XAF m)	Eligible (XAF m)	Advance rate	Available (XAF m)
Accepted corporate receivables (<60d, not on S14)	55.0	10.0	45.0	80%	36.0
Unaccepted, disputed or >60d overdue receivables	65.0	50.0	15.0	50%	7.5
Receivables already sold via S14 platform	30.0	30.0	0.0	0%	0.0
Raw fabric in site warehouse (paid, unencumbered)	32.0	7.0	25.0	50%	12.5
Work in progress on cutting and sewing floor	11.0	11.0	0.0	0%	0.0
Finished garments (confirmed vs aged stock)	20.0	8.0	12.0	40%	4.8
Gross subtotal before priority reserves	213.0	116.0	97.0	n/a	60.8
Less priority statutory and warehouse liens (S21)	n/a	n/a	n/a	100%	-5.8
Net borrowing-base availability (illustrative)	213.0	116.0	97.0	n/a	55.0

ILLUSTRATIVE [S14] [S21] [S0603] Illustrative GFT monthly borrowing-base certificate showing how a XAF 213.0 million gross working-capital ledger reduces to XAF 55.0 million of net borrowing availability after exclusions, illustrative advance rates and prior liens. All numbers and percentages are illustrative examples, not lender quotes or GFT results.

In **Exhibit 28**, p. 98, an illustrative XAF 150.0 million of gross receivables (`55.0 + 65.0 + 30.0`) and XAF 63.0 million of gross inventory (`32.0 + 11.0 + 20.0`) total XAF 213.0 million. Removing XAF 30.0 million of S14-discounted receivables, XAF 60.0 million of unaccepted or overdue debtors, XAF 7.0 million of supplier-retained fabric,

XAF 11.0 million of work in progress and XAF 8.0 million of aged finished stock leaves an eligible base of XAF 97.0 million; after illustrative 40 to 80 percent advance rates and XAF 5.8 million of priority liens, net bank availability is **XAF 55.0 million** (illustrative). [S14] [S21] The XAF 118.0 million gap left after S14 discounting (XAF 30.0 million), supplier credit (XAF 10.0 million) and bank availability (XAF 55.0 million) shows why permanent opening working capital must come from equity and long-term capital. [S01] [S21]

6.12

A failed cash cycle cannot be solved by ever-shorter debt

Rolling over overdrafts or opening deferred-payment letters of credit to cover a persistent cash deficit confuses a self-liquidating peak with a structural loss. Inherited sector evidence on CICAM (July 2023 report, Grade C source-text check) illustrates the cost of low utilisation: capacity utilisation stood at 33.7 percent at Garoua, 48.9 percent at CICAM 1 and 10.83 percent at CICAM 2, with underutilisation costing about CFAF 2 billion in 2020 and restructuring estimates reaching CFAF 30.7 to 48.2 billion (and one relaunch plan cited at 70.2 billion). [R12] [R13] Those figures describe CICAM rather than a GFT venture, but the financial principle is general: unrecovered fixed overhead from low utilisation or defective output is an operating loss, not a working-capital timing gap. [R12] [S01]

A self-liquidating trade facility requires an intact loop: imported fabric becomes first-quality garments, garments are delivered on time, the buyer accepts the invoice, and collected cash repays the advance. [S13] [S14] If the deficit stems from a delayed ramp, high sewing rejects, uncreditworthy distributors or unhedged USD import costs (examined in Chapter 07 alongside the XAF 655.957 per euro peg), borrowing 90-day money only compounds fees and default risk. [R32] [S32]

6.13 BREACHES IN BORROWING-BASE AVAILABILITY REQUIRE AN ORDERED OPERATIONAL PROTOCOL

Rather than assuming automatic renewal when aged stock or late buyers breach credit availability, GFT proposes binding management and sponsors to a five-step protocol:

1. **Freeze discretionary raw-material orders and reconcile the ledger**: Halt new letters of credit or purchase orders for slow-moving own-brand styles and audit warehouse rolls, work in progress, finished cartons and open invoices. [S01] [S13]
2. **Separate acceptance bottlenecks from credit defaults**: Deploy quality and commercial leads to clear missing shipping documents, size-ratio errors or minor rework so delivered lots cross the formal acceptance threshold required for S14 discounting. [S14]
3. **Reallocate capacity to orders with verified payment security**: Shift production toward orders backed by confirmed letters of credit, buyer advances or pre-approved buyers, while maintaining all labour and safety obligations under IFC Performance Standards. [S13] [S14] [S22]

4. **Call committed sponsor support for commissioning or operating losses**: Fund learning-curve or defect shortfalls with subordinated sponsor capital rather than short-term trade lines or delayed wages. [S22] [S30]
5. **Engage lenders early with a reconciled recovery plan**: Present issuing and term lenders with a verified 13-week cash forecast, stock ageing and a standstill or restructuring proposal before a payment default occurs. [S01] [S21]

> **GFT NOTE**
>
> Never finance a commissioning loss or unaccepted own-brand inventory with a short-term import facility or an uncommitted overdraft. In GFT's performance-management architecture, weekly stock ageing, first-pass quality yield and buyer acceptance lag must be reviewed alongside an illustrative 13-week cash forecast. [S01] If an invoice is not accepted or a garment lot is not contracted, treat its short-term collateral value as zero until physical and documentary evidence proves otherwise.

Working-capital finance works only when the instrument matches the legal and physical state of the transaction: import letters of credit bridge shipping documents, permanent opening working capital carries stock across the factory floor, and receivables discounting accelerates cash only after a creditworthy buyer accepts the goods. [S13] [S14] [S0601] Backed by reconciled records under OHADA security rules, working-capital lines remain self-liquidating; blurred across boundaries, short-term debt accelerates distress. [S21] The next chapter applies the same boundary discipline to currency parity, settlement mechanics, political risk and security enforcement.

A garment in the warehouse is an operating cost; only an accepted invoice from a solvent buyer is a near-cash receivable.

CHAPTER SOURCE NOTES

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S14 IFC. 2026-07.

S0602 IFC. 2026-07.

S01 IFC. n.d..

S21 OHADA. 2010-12-15.

R06 Cameroon Trade Hub. Publication date unrecorded; inherited source-text check.

R07 Ecofin Agency. Publication date unrecorded; inherited source-text check.

S29 IFC. n.d..

R29 MDPI; industry inspection literature. Publication date unrecorded; inherited source-text check.

S17 APLMA, LMA and LSTA. 2025-03-26.

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S22 IFC. 2012-01-01.

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R13 Business in Cameroon; MMI News. Publication date unrecorded; inherited source-text check.

R32 Wise; XE. Publication date unrecorded; inherited source-text check.

S32 IFC. n.d..

S30 IFC. n.d..

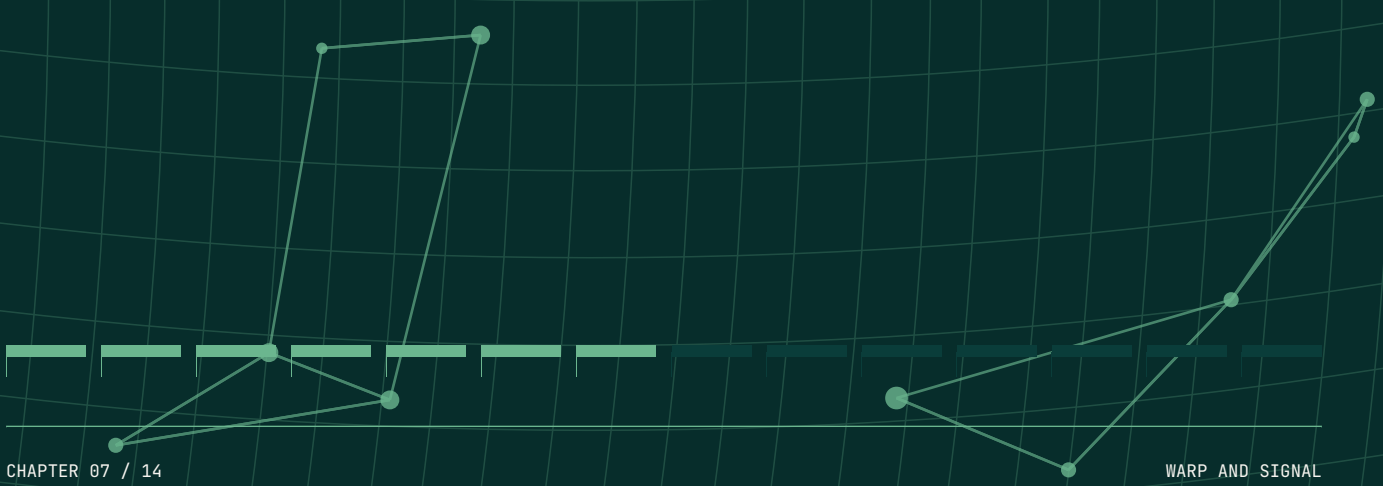
GREEN FUTURE TECH

LIMITED / HONG KONG SAR

07

A euro peg does not remove every financing risk

Currency, transfer, security and political risks require separate tests and separate mitigants.



CHAPTER 07
DECISION TEST

Currency, transfer, security and political risks require separate tests and separate mitigants.

A fixed parity between the Central African CFA franc (XAF) and the euro does not make a Cameroon garment factory immune to foreign-exchange, settlement, political or collateral-enforcement failure. [R32] [S20] Sponsors and credit committees frequently compress four distinct questions into one currency assumption: whether exchange rates between revenues and obligations can move, whether domestic cash can be converted and transferred abroad on time, whether a political-risk policy will pay out if a shock occurs, and whether a secured lender can recover principal from factory assets in a workout. [S07] [S12] [S21] [S32] Each question is governed by a different legal text and cash-flow boundary. A currency peg addresses only bilateral nominal parity against the anchor currency while that monetary arrangement holds. [R32] [S20] It does not fix the XAF cost of US dollar (USD) machinery, spare parts or dollar debt; it does not eliminate settlement friction under a synthetic local-currency loan; it does not replace exchange-control compliance; and it does not turn unperfected or illiquid collateral into cash. [R32] [S07] [S20] [S21] [S32]

GFT's argument in this chapter is that a first sustainable textile line must separate price risk, convertibility and transfer risk, political-event coverage and security recoverability into independent diligence workstreams before any financing term sheet is signed. Within GFT's Cameroon textile programme (prepared 31 January 2024, with sources refreshed in 2026), the initial operating boundary covers cut, make, trim and finishing under an own brand, while spinning and knitting remain optional partnered steps. Even though the sector baseline records about 95 percent of Cameroonian cotton fibre exported raw and about 5 percent processed locally against a national target of 50 percent local processing by 2030 (inherited programme register, Grade C source-text checks), domestic fibre availability does not insulate a factory from cross-border currency or legal exposure. [R06] [R07] Equipment, chemical finishes, dyes, trims, metering hardware and cross-border capital still cross currency and regulatory borders. [S13] [S32] All scenario calculations, exchange-rate sensitivities and recovery waterfalls in this chapter are illustrative analytical models or GFT arithmetic from declared inputs; nothing here constitutes investment, legal or tax advice.

7.1

XAF obligations must be modelled against actual revenue currencies

The starting point for currency analysis in Cameroon is the institutional architecture of the Central African Monetary Union (UMAC). As the Banque des Etats de l'Afrique Centrale (BEAC) sets out in its official guidance, BEAC is the central bank for the six member states of the union: Cameroon, the Central African Republic, the Republic of the Congo, Gabon, Equatorial Guinea and Chad. [S20] Within that union, the legal currency is the Franc de la Coopération Financière en Afrique Centrale (F.CFA, ISO code XAF), which maintains a fixed parity against the euro of XAF 655.957 per euro (`1 EUR = 655.957 XAF`), and BEAC holds the exclusive privilege of issuing legal-tender currency across the six member states. [R32] [S20]

In financial modelling and legal drafting, XAF must be distinguished from the West African CFA franc (ISO code XOF) issued within the West African Monetary Union. Although both currencies share the nominal parity of 655.957 per euro, they are sep-

arate currencies issued by separate central banks under distinct foreign-exchange regimes. [R32] [S20] A Cameroon textile venture selling into West Africa or paying suppliers in Côte d'Ivoire or Senegal cannot treat XOF and XAF as a single domestic cash pool without verifying inter-zone settlement rules, transfer fees and conversion procedures through an authorised commercial bank. [S20] [S32]

7.2 A EURO PARITY DOES NOT INSULATE A FACTORY FROM US DOLLAR COST AND DEBT SWINGS

A fixed parity against the euro leaves XAF floating against every non-euro currency, led by the US dollar. [R32] Because the XAF/EUR rate is fixed at 655.957, any movement in EUR/USD produces an identical percentage movement in XAF/USD. [R32] [S20] The inherited GFT programme register illustrates that variability: reference rates from Wise and XE place the CFA franc near XAF 590 to 610 per US dollar across the 2023 study window and near XAF 563 to 577 per US dollar more recently, treating currency conversions as estimates (Grade C source-text check). [R32]

As IFC's Treasury Client Solutions guidance explains, when companies borrow in a currency different from their revenue currency, they face currency risk; if a borrower takes on US dollar debt while earning local currency and the local currency depreciates against the US dollar, its debt in local-currency terms can increase sharply and become unsustainable. [S32] TCX states the same operational rule: when a borrower earns local currency but owes US dollars or euros, exchange-rate movements alter debt cost independently of underlying business performance. [S0702]

For a Cameroon garment line invoicing in XAF, borrowing in USD or buying USD-priced inputs creates an unhedged mismatch. [S32] [S0702] The finance team must map every budget and operating line by denomination, economic indexing and settlement currency:

- **Revenues**: Domestic sales in Cameroon are invoiced in XAF; euro-area exports are invoiced in EUR (at XAF 655.957 per euro), whereas non-euro exports are commonly priced in USD. [R32] [S20] [S32]
- **Capital equipment**: Sewing machines, cutting tables, stabilisers, boilers and inspection cameras are quoted in EUR, USD or other hard currencies, creating exposure between quotation, letter-of-credit opening and payment. [S13] [S32]
- **Materials and consumables**: Local yarn may be invoiced in XAF, but imported fabric, trims, needles, dyes and finishing chemicals are typically priced in USD or EUR on international markets. [S32]
- **Overheads and labour**: Wages, social contributions and grid electricity in Cameroon are paid in XAF, though backup diesel generation remains sensitive to USD fuel prices. [R14] [S32]
- **Financing obligations**: Local bank lines and domestic equity are denominated in XAF, whereas cross-border loans or supplier credits may be denominated in EUR, USD or synthetic local currency. [S07] [S29] [S32]

Exhibit 29, p. 105 shows how a fixed euro peg at XAF 655.957 coexists with XAF cost increases when the US dollar strengthens. [R32] [S20] [S32] Taking illustrative scenario A's XAF 1,000 million budget, the grid calculates incremental XAF costs

across four assumed shares of USD capital expenditure (illustrative 20 to 80 percent) and five illustrative USD appreciation shocks (0 to 20 percent), holding XAF/EUR constant at 655.957. [R32] [S20]

EXHIBIT 29 / ILLUSTRATIVE EXTRA CAPITAL COST, XAF MILLION

A stable euro parity can coexist with USD exposure

	0% USD move	+5% USD	+10% USD	+15% USD	+20% USD
20% USD share (200m)	0	10	20	30	40
40% USD share (400m)	0	20	40	60	80
60% USD share (600m)	0	30	60	90	120
80% USD share (800m)	0	40	80	120	160

Cell scale: 0 to 160

ILLUSTRATIVE [R32] [S20] [S32] GFT illustrative sensitivity on scenario A total uses of XAF 1,000 million, holding XAF/EUR fixed at 655.957 (R32, S20). Cell value = 1,000 *(USD share of uses)* (USD appreciation against EUR). For example, at a 50 percent USD share (XAF 500 million equivalent) and a 15 percent USD appreciation, extra XAF cost = 1,000 $\times$ 0.15 = XAF 75 million, consuming 75 percent of scenario A's XAF 100 million contingency.

The arithmetic in **Exhibit 29**, p. 105 exposes a vulnerability that a EUR/XAF table hides. In illustrative scenario A, productive equipment (XAF 400 million), site and utilities (XAF 200 million) and data and metering (XAF 50 million) total XAF 650 million alongside XAF 100 million of contingency. If an illustrative 60 percent of the XAF 1,000 million budget (XAF 600 million) is contracted in US dollars and the US dollar appreciates by an illustrative 15 percent against the euro before payment, the XAF cost rises by XAF 90 million (`600 * 0.15 = 90`), absorbing almost the entire XAF 100 million contingency. [R32] [S32] At an illustrative 20 percent USD appreciation, the extra XAF 120 million exceeds the reserve.

What **Exhibit 29**, p. 105 cannot establish is the future path of EUR/USD rates or the durability of the monetary parity itself. [R32] [S20] Even for euro debt, credit committees test a low-probability parity-adjustment scenario over the loan life to evaluate solvency if the fixed rate were altered. [S29] [S32] Within GFT's toolkit, the `xaf-exposure` and `risk-matrix` tools test those currency shares and parity scenarios; trade-policy status remains governed by White Paper 08 (`wp08`).

7.3

Local-currency pricing must include settlement mechanics

When a sponsor approaches international development-finance institutions (DFIs) to avoid hard-currency debt mismatch, the term "local-currency loan" requires contractual dissection. Both IFC and FMO publicly describe local-currency financing

solutions to protect borrowers earning domestic revenue from exchange-rate volatility. [S07] [S29] [S32] IFC notes that it has provided financing in 74 local currencies and committed nearly US$32 billion equivalent in more than 70 local currencies since 2014. [S29] [S32] FMO likewise offers local-currency financing to reduce exchange-rate volatility and improve debt sustainability. [S07]

However, FMO's product description distinguishes two structures that work differently at disbursement and repayment:

1. **True local-currency loans**: FMO defines true local-currency loans as facilities fully denominated and settled in local currency where the lender holds local bank accounts (listing INR, ZAR, TRY, GEL, KES, UGX and LKR). [S07] XAF is not on FMO's published list of true local-currency account markets. [S07]
2. **Synthetic local-currency loans**: FMO explains that where it lacks local bank accounts, it offers synthetic local-currency loans. [S07] These are denominated in local currency, but disbursed and repaid in hard currency (USD or EUR); the exchange rate setting the local-currency principal is fixed at disbursement, and the exchange rate calculating each hard-currency repayment is fixed before the payment date. [S07] FMO also supports case-by-case currency conversions of existing hard-currency loans. [S07]

7.4 SYNTHETIC LOCAL-CURRENCY DEBT TRANSFERS INDEXATION RISK BUT LEAVES CROSS-BORDER SETTLEMENT OPEN

Under a true XAF loan from a domestic bank (or DFI on-lending through a local bank under S29), the borrower receives and repays XAF inside the domestic payment system. [S07] [S29] Under a cross-border synthetic XAF loan, economic indexing is in XAF, but physical settlement requires converting XAF into EUR or USD through an authorised local bank and wiring hard currency offshore on the due date. [S07] That leaves four operational risks with the borrower unless addressed in the loan agreement:

- **Reference-rate vs execution-rate basis risk**: The synthetic loan fixes hard-currency payments using a reference rate before the due date. [S07] If the local bank's spot execution rate plus commission and transfer tax is worse than the reference rate, the borrower pays the spread from XAF working capital. [S07] [S32]
- **Conversion-window liquidity lock-up**: Because bank and central-bank foreign-exchange checks require advance submission of loan schedules and forms, the factory must deposit XAF cash days or weeks ahead of the offshore value date. [S01] [S07] [S20]
- **Convertibility and transfer-delay exposure**: If a central-bank queue or correspondent bottleneck delays remittance past the fixing value date, the borrower faces default interest or spot-rate movement between fixing and settlement. [S07] [S12]
- **Prepayment and hedge breakage costs**: Because synthetic loans are backed by swaps or forwards, early repayment, delayed drawdown or rescheduling can trigger mark-to-market breakage costs payable by the borrower. [S07] [S11] [S32]

GFT NOTE

Require every prospective local-currency or hedged lender to complete a settlement schedule stating: (1) whether disbursement and repayment settle onshore in XAF or offshore in EUR/USD as a synthetic loan; [S07] (2) the exact reference rate source, fixing time and look-back days; [S07] (3) all local bank conversion fees and withholding taxes borne by the borrower; (4) the formula for swap breakage charges upon delayed draw or prepayment; [S32] and (5) whether a central-bank transfer delay triggers an onshore XAF escrow cure rather than immediate default.

7.5

A currency-risk provider is not a universal guarantee

Where an international lender is funded in USD or EUR and lacks balance-sheet appetite for local currency, a hedging intermediary may bridge the gap. The Currency Exchange Fund (TCX) helps international lenders provide financing in local-currency terms across emerging and frontier markets by absorbing currency risk that commercial markets cannot readily take. [S11] As of the third quarter of 2026, TCX reports hedging across more than 90 active currencies (with cumulative activity in 104 currencies across 121 countries, over US$21 billion hedged and over US$10 billion in FX risk transferred to private investors), backed by 19 DFIs, the European Commission and donor governments. [S11] The OECD's 2025 case study notes that by absorbing currency risk, TCX has supported investments in microfinance, renewable energy, housing and infrastructure. [S33]

TCX operates as a wholesale derivative counterparty rather than a direct lender to a small factory. [S11] [S0702] When an international lender offers local-currency terms, it enters into an FX forward or cross-currency swap with TCX, retaining hard-currency cash flows while TCX manages exchange risk across a diversified portfolio. [S11] [S0702] IFC similarly offers Client Risk Management products under Treasury Client Solutions, using its triple-A rating to absorb client credit risk so borrowers can access interest-rate, currency or commodity hedges. [S32]

7.6 DERIVATIVE HEDGES ISOLATE EXCHANGE RATES FROM PROJECT CREDIT AND COMMERCIAL EXECUTION

Sponsors must recognise three boundaries when evaluating currency hedges through TCX, IFC or banks:

1. **No implied venture availability or pricing**: Neither TCX's global coverage nor the OECD's 2025 case study establishes that XAF swap capacity, textile appetite or economical forward points are available for this venture; terms require a live quotation. [S11] [S32] [S33]
2. **Counterparty and credit-support requirements**: Because a cross-currency swap creates mark-to-market credit exposure, hedging providers typically transact with the DFI lender (embedding the hedge into a synthetic loan) or require credit support that a standalone XAF 1,000 million project company cannot post alone. [S07] [S11] [S32]

3. **Rigid scheduled notional profiles**: Derivatives are corporate risk-management tools structured around fixed schedules, not speculative instruments or operating buffers. [S11] [S0702] If a commissioning delay or buyer rejection cuts XAF cash flow, the hedged debt service still falls due on schedule, and unwinding an over-hedged swap can crystallise a termination charge. [S32] [S0702]

7.7

Political-risk insurance covers named non-commercial events

A frequent misconception is that political-risk insurance (PRI) from the Multilateral Investment Guarantee Agency (MIGA) acts as a blanket repayment guarantee. MIGA's Investment Guarantee Guide (October 2021) and product overview state the boundary clearly: MIGA protects cross-border investments against non-commercial risks caused by government actions or political events, not commercial failure. [S12] [S0703] MIGA warns that its summary does not include all policy exclusions, and that supported projects must be financially viable, environmentally sound and consistent with host-country labour standards. [S12]

MIGA's guarantees cover four primary political-risk categories, alongside sovereign or state-owned credit enhancement:

- **Currency Inconvertibility and Transfer Restriction**: Covers inability to legally convert local currency into guarantee currency for debt service, dividends or capital return, and host-government actions preventing cross-border transfer, including failure to grant authorisation. [S12] [S0703] MIGA does not insure against currency devaluation or depreciation, nor does it supply local XAF cash that the borrower failed to earn. [S12]
- **Expropriation**: Covers losses from host-government measures depriving the guarantee holder of ownership or control (or preventing debt service), including direct and creeping expropriation, while excluding bona fide non-discriminatory regulatory or tax measures. [S12] [S0703]
- **War and Civil Disturbance**: Covers physical asset damage or business interruption from military action, civil disturbance, sabotage or terrorism, excluding ordinary labour strikes, crime or grid outages unrelated to political violence. [S12] [S0703]
- **Breach of Contract**: Covers losses from a host government's repudiation or breach of a contract with the guarantee holder or project company, provided a final and binding arbitration award or court decision has been rendered in the investor's favour and cannot be enforced against the government. [S12] [S0703] It never covers a private buyer's default. [S12]
- **Non-Honoring of Sovereign or State-Owned Enterprise Financial Obligations**: Covers failure by a sovereign or state-owned enterprise to pay when due under an unconditional and irrevocable financial payment obligation or guarantee without requiring an arbitral award, provided the obligation is unconditional and not subject to defences. [S12] Conditional uniform supply tenders do not qualify. [S12]

7.8 ELIGIBILITY, COVERAGE PERCENTAGES AND SMALL INVESTMENT PROGRAM LIMITS CONSTRAIN RECOVERY

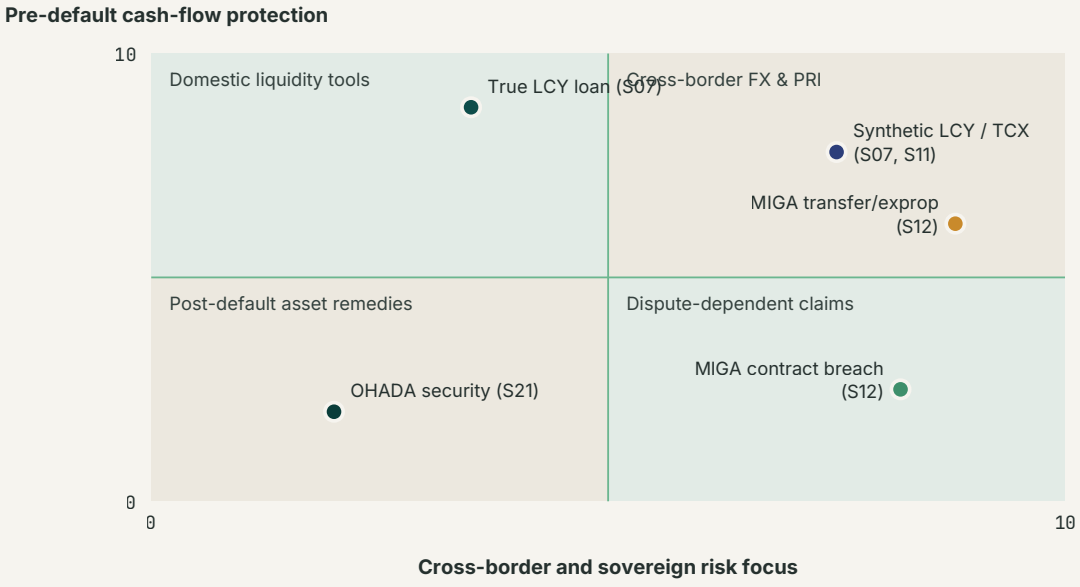
Under MIGA's rules, the investor or lender must originate from a MIGA member country outside the host country (or meet foreign-ownership or cross-border fund-origin rules), and loans must exceed one-year maturity and relate to a covered direct investment. [S12] MIGA typically guarantees up to 90 percent of equity and up to 95 percent of loan principal (or 90 to 95 percent of eligible contract value) for up to 15 years (or 20 years in special cases), leaving a mandatory uninsured co-insurance share. [S12]

For smaller ventures, MIGA's Small Investment Program (SIP) offers streamlined approval and coverage up to US$10 million for SMEs meeting at least two of three tests: direct employment up to 300 employees, total assets up to US$15 million, and annual sales up to US$15 million. [S12] However, Breach of Contract and Non-Honoring of Financial Obligations are excluded from the SIP, requiring application through MIGA's regular programme. [S12]

Exhibit 30, p. 109 maps five protections across cross-border political and currency risk focus on the horizontal axis and pre-default scheduled cash-flow protection on the vertical axis. [S07] [S11] [S12] [S21] [S32]

EXHIBIT 30 / QUALITATIVE BOUNDARY INDEX (0 TO 10)

Different risks require different protections



SOURCED [S07] [S11] [S12] [S21] [S32] Sourced qualitative boundary comparison from FMO (S07), TCX (S11), MIGA (S12), OHADA (S21) and IFC (S32). Coordinates (0 to 10) represent qualitative scope across the two analytical axes, not empirical performance ratings. Exclusions remain decisive: synthetic LCY (S07) and TCX swaps (S11) do not cover commercial default or transfer bans; MIGA PRI (S12) excludes devaluation and ordinary commercial losses; OHADA security (S21) depends on perfection and secondary asset value.

As **Exhibit 30**, p. 109 shows, no product covers the whole field. True local-currency loans (S07, S32) and synthetic facilities backed by TCX swaps (S07, S11) align scheduled exchange-rate cash flows but do not cover poor garment sales or political shutdowns. [S07] [S11] [S32] MIGA transfer-restriction and expropriation guarantees (S12) sit in the upper-right quadrant, whereas MIGA breach-of-contract sits in the

lower-right quadrant because payout requires an unhonoured final arbitration award or court judgment. [S12] OHADA security (S21) sits in the lower-left quadrant as a post-default domestic remedy. [S21] What **Exhibit 30**, p. 109 cannot establish is whether any provider would underwrite this venture or what policy exclusions would apply. [S01] [S12]

7.9

Foreign-exchange compliance needs a transaction-specific legal review

Even under a euro peg, cross-border capital flows, offshore accounts, external loans, import payments and debt-service remittances are governed by central-bank exchange rules. [S01] [S20] BEAC conducts the exchange policy of the union, holds and manages official foreign-exchange reserves, and oversees payment and settlement systems. [S20] IFC's application guide likewise requires an outline of government regulations on exchange controls and conditions of capital entry and repatriation (item 6 of IFC's preliminary checklist). [S01]

> **WARNING**
>
> **Research boundary on CEMAC foreign-exchange regulation**: During the preparation of this paper, the research team opened the background CEMAC foreign-exchange regulation PDF (`BEAC-foreign-exchange-background.pdf`), but its extracted text is unreliable. Under GFT's evidence rules, no unverified numeric threshold, deadline, repatriation percentage or exemption is asserted here. BEAC's FAQ (S20) identifies the monetary authority and the XAF 655.957 euro parity, not a complete legal opinion. [S20] Sponsors must obtain a current written opinion from Cameroon counsel and an authorised intermediary bank (`banque intermédiaire agréée`) before signing cross-border financing or supply contracts.

Rather than rely on secondary summaries, the finance director and counsel should submit a six-part compliance questionnaire to the project's authorised bank in Cameroon:

1. **Capital entry and registration**: What filings with the Ministry of Finance and BEAC are required when foreign sponsors or DFIs remit equity or shareholder loans into Cameroon, and what proof preserves future dividend or capital repatriation rights? [S01] [S20]
2. **External borrowing approval**: Does a cross-border term loan, synthetic loan, subordinated loan or supplier credit require prior authorisation or declaration to BEAC and the national monetary authority before signing or drawdown? [S01] [S20]
3. **Import and export domiciliation**: Through which authorised local bank must import and export contracts be domiciled, and what customs and inspection documents clear each wire or letter-of-credit reimbursement? [S01] [S13] [S20]
4. **Onshore and offshore accounts**: Are Cameroon project companies permitted to hold onshore foreign-currency accounts or offshore debt-service reserve accounts, or is prior central-bank dispensation required? [S01] [S20]

5. **Debt-service documentary pack**: What supporting documents (registered loan agreement, amortisation schedule, tax clearance, swap invoice) must be presented before each cross-border payment, and how many business days does conversion require? [S01] [S07] [S20]
6. **Taxes and transfer commissions**: What withholding taxes, value-added taxes, central-bank commissions and bank FX fees apply to cross-border interest, guarantee fees and swaps, and how do gross-up clauses allocate them? [S01] [S32]

7.10

Security value depends on perfection and real recoverability

When operating cash flow fails and neither hedges nor PRI apply, senior lenders rely on their security package. In Cameroon, collateral and insolvency law is governed by the Organisation pour l'Harmonisation en Afrique du Droit des Affaires (OHADA) through two Uniform Acts:

- **The Uniform Act on the Organisation of Securities (`Acte uniforme portant organisation des sûretés`, AUS)**: Adopted on 15 December 2010 in Lomé, published on 15 February 2011 and entered into force on 15 May 2011 (replacing the 17 April 1997 Act). [S21] The AUS defines a security interest as the allocation to a creditor of assets or an estate to guarantee performance of an obligation, dividing securities into personal securities (`cautionnement` and autonomous guarantee), movable securities (retention rights, title retained or assigned as security, pledges/gages, charges/nantissements and liens/privilèges), and real-property mortgages (`hypothèques`). [S21] It modernised registration in the Registre du Commerce et du Crédit Mobilier (RCCM), created the security agent (`agent des sûretés`), and introduced alternative realisation mechanisms. [S21]
- **The Uniform Act on Collective Proceedings for Wiping Off Debts (`Acte uniforme portant organisation des procédures collectives d'apurement du passif`, AUPC)**: Adopted on 10 September 2015 in Grand-Bassam, published on 25 September 2015 and entered into force on 24 December 2015 (replacing the 10 April 1998 Act). [S0701] The AUPC governs judicial prevention and insolvency proceedings (conciliation and preventive settlement; judicial recovery and liquidation), regulates insolvency practitioners (`mandataires judiciaires`), establishes a "new money" (`argent frais`) priority privilege for rescue credits, and clarifies creditor priority order, including the employee wage super-privilege (`super privilège des salariés`), landlord rights and seller retention-of-title claims. [S0701]

7.11 PERFECTION AND INSOLVENCY RANKING SEPARATE A SIGNED PLEDGE FROM AN ENFORCEABLE CLAIM

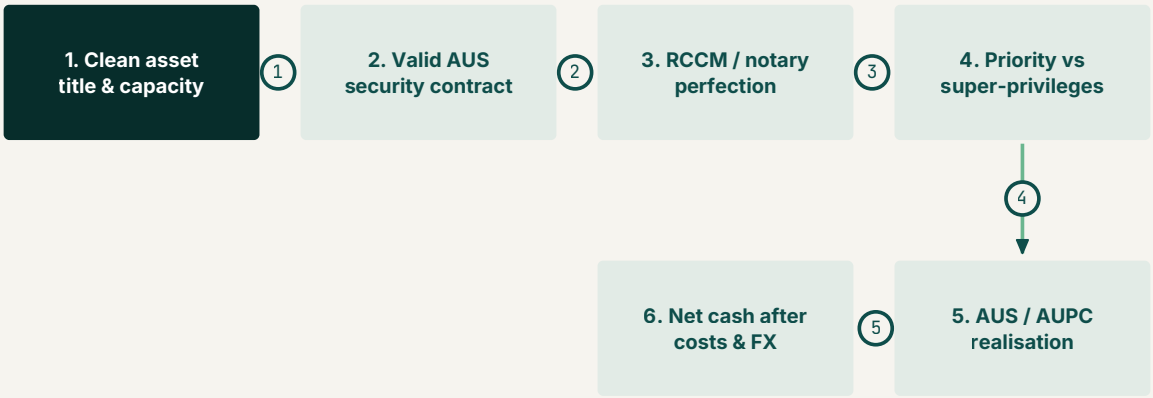
A term sheet specifying "first-ranking comprehensive security" is only an aspiration until local counsel verifies creation, registration and priority under the AUS and AUPC. [S21] [S0701] Five legal hurdles commonly erode nominal collateral coverage:

1. **Land title versus lease occupancy**: A real-property mortgage (hypothèque) requires registered land title. [S21] If the factory occupies a leased shed rather than holding a freehold land certificate (titre foncier), the borrower cannot grant a standard freehold mortgage without leasehold rights and landowner consents verified by a Cameroon notary. [S01] [S21]
2. **Perfection and RCCM filing**: Movable security under the AUS over equipment (gage de matériel professionnel), inventory (gage de stocks), or receivables, bank accounts, shares and the business concern (nantissement) requires written particulars and timely RCCM registration to be opposable (opposable aux tiers) against third parties and an insolvency trustee. [S21] [S0701]
3. **Retention of title**: Equipment or fabric suppliers may retain title (clause de réserve de propriété) or take title as security under the 2010 AUS and 2015 AUPC; a lender's equipment pledge cannot attach ahead of an unpaid title-retaining vendor. [S21] [S0701]
4. **Statutory super-privileges and stays**: Opening collective proceedings under the 2015 AUPC stays individual enforcement (effets suspensifs) and ranks judicial costs, qualified "new money" rescue credits, employee wage super-privileges and landlord liens ahead of ordinary secured recoveries. [S0701]
5. **Going-concern versus dismantled liquidation value**: Specialised sewing lines, switchgear, metering hardware and cut garment panels suffer steep discounts when dismantled and auctioned in a thin secondary market, while soft costs for training, safeguards and software integration (illustrative XAF 100 million combined in scenario A) have zero resale value. [S21]

The legal chain that every security interest must survive is mapped in **Exhibit 31**, p. 113; local counsel must validate each step in Cameroon. [S21] [S0701]

EXHIBIT 31 / ILLUSTRATIVE OHADA LEGAL VERIFICATION SEQUENCE

Security must survive a sequence of legal tests



1. No vendor retention (S21)
2. Timely filing (S21)
3. Opposable to third parties
4. Survives AUPC stay (S0701)
5. Secondary sale less fees

ILLUSTRATIVE [S21] [S0701] GFT illustrative sequence based on the OHADA Uniform Act on Securities of 15 December 2010 (S21) and Uniform Act on Collective Proceedings of 10 September 2015 (S0701). Failure at any link (such as missing title, expired RCCM registration or super-priority exhaustion) interrupts recovery. Local Cameroon counsel must validate every step.

As **Exhibit 31**, p. 113 illustrates, failure at any link severs the chain between book value and cash recovery. [S21] [S0701] Missing title (Link 1), defective statutory descriptions under the 2010 AUS (Link 2), or omitted RCCM registration (Link 3) forfeits priority before enforcement begins, while the 2015 AUPC rules on stays, wage super-privileges and practitioner fees (Links 4 and 5) govern how much auction cash reaches the lender at Link 6. [S21] [S0701] What **Exhibit 31**, p. 113 cannot establish is the exact recovery rate or court timeline in Cameroon, which require a legal opinion and equipment valuation. [S01] [S21] [S0701]

METHOD

Comparing going-concern restructuring value against dismantled liquidation value. GFT proposes calculating net senior debt recovery under two explicitly illustrative boundaries:

1. **Going-concern restructuring boundary**: Values the intact operating line as the present value of restructured post-stress CFADS after curing the operational bottleneck, less priority "new money" rescue financing and restructuring costs under the 2015 AUPC. [S0701]
2. **Dismantled asset-liquidation boundary**: Assigns an illustrative secondary-market realisation rate to each line of scenario A's XAF 1,000 million uses: (a) 0 percent to intangible training, safeguards, data integration and consumed contingency; (b) 0 to 15 percent to tenant leasehold site and utility works; (c) 25 to 45 percent to dismantled sewing and cutting machinery net of auction costs; and (d) 40 to 60 percent to verified raw-fabric stock and undisputed receivables, then deducts court, syndic (`mandataire judiciaire`), landlord and employee super-privilege claims (S21, S0701) before calculating net cash for senior debt of XAF 500 million. [S21] [S0701]

Applying that method to illustrative scenario A shows why collateral is a loss-mitigation floor, never a substitute for operating CFADS. Under an illustrative dismantled liquidation where productive equipment recovers 35 percent (`400 * 0.35 = XAF 140 million`), site and utility gear recovers 10 percent (`200 * 0.10 = XAF 20 million`), data and metering hardware recovers 10 percent (`50 * 0.10 = XAF 5 million`), safeguards, training and consumed contingency recover 0 percent (`0`), and working-capital stock and receivables recover 45 percent (`200 * 0.45 = XAF 90 million`), gross realisation is **XAF 255 million** (`140 + 20 + 5 + 0 + 90`). Deducting an illustrative **XAF 45 million** for judicial costs, syndic fees, landlord arrears and employee wage super-privileges under the 2015 AUPC leaves net recovery of **XAF 210 million** (`255 - 45`), or **42 percent** (`210 / 500`) of the XAF 500 million senior debt, resulting in a **XAF 290 million** senior loss and a 100 percent loss for subordinated capital and equity. [S21] [S0701]

7.12

A risk register must expose what remains with the sponsor

Because every risk-transfer instrument has carve-outs, documentary preconditions, waiting periods and caps, transferring a named risk never eliminates residual cash exposure. [S07] [S12] [S21] [S32] GFT recommends maintaining an explicit risk-and-residual register separating foreign-exchange price risk, convertibility, transfer delay, political events, collateral shortfall and counterparty failure, as shown in **Exhibit 32**, p. 115. [S07] [S12] [S21] [S32]

EXHIBIT 32 / PROPOSED RISK-TRANSFER AND RESIDUAL-EXPOSURE REGISTER

Risk transfer never means the residual risk disappears

Risk category	Proposed mitigant	Key exclusions & limits	Documentary prerequisite	Residual cash owner	Evidence status
FX price mismatch (USD/XAF)	XAF borrowing or TCX/IFC swap (S07, S11, S32)	USD input inflation; swap breakage on prepay	Matched currency schedule & ISDA/loan docs	Project cash flow & sponsor equity	Unconfirmed; quote required
Synthetic LCY settlement basis	Fixing-window buffer & onshore XAF loan (S07)	Spot-to-index spread; bank FX fees & taxes	Confirmed rate-fixing rule in loan agreement	Borrower working-capital reserve	Unconfirmed; term sheet needed
Convertibility & transfer block	MIGA transfer restriction PRI (S12, S0703)	Excludes devaluation; 5-10% uninsured share	Prior FX registration & compliant bank filing	Lender co-insurance & sponsor cash	Unconfirmed; counsel & MIGA check
Expropriation or civil unrest	MIGA expropriation & war PRI (S12, S0703)	Bona fide regulation; non-political strikes	Cross-border eligibility & E&S compliance	Sponsor equity & uninsured debt	Unconfirmed; preliminary app needed
Government contract breach	MIGA breach of contract PRI (S12)	Excluded from SIP; requires final arbitral award	Sovereign contract & unhonoured award	Sponsor funds during arbitration wait	Unconfirmed; regular MIGA route
Collateral shortfall in default	OHADA AUS security & agent (S21, S0701)	AUPC wage super -privilege; thin resale market	Title check, notarised deed & RCCM filing	Senior & subordinated creditors	Unconfirmed; legal opinion required
Hedge or insurer counterparty	DFI-intermediated hedge or LC (S13, S32)	Tenor caps; strict documentary compliance	Credit support annex & compliant shipping docs	Borrower & issuing bank	Unconfirmed; bank limit check

ILLUSTRATIVE [S07] [S12] [S21] [S32] GFT illustrative risk-allocation register based on product boundaries in FMO (S07), MIGA (S12), OHADA (S21) and IFC (S32). Every proposed mitigant remains unconfirmed until underwriting, legal opinions and binding quotations are obtained.

Every row of **Exhibit 32**, p. 115 reinforces the same rule: a risk transfer works only if its documentary prerequisite is satisfied in advance, and a defined residual still remains with the borrower or sponsor. [S07] [S12] [S21] [S32] For example, MIGA's Currency Inconvertibility and Transfer Restriction coverage (S12) requires that the underlying investment and loan were properly registered and that the borrower holds the local XAF cash and submitted a compliant conversion application to the authorised bank. [S12] [S20] If the borrower lacks XAF cash because domestic buyers paid late, or if a transfer stalls because customs declarations were omitted, the political-risk policy does not pay. [S01] [S12]

7.13 COMBINED STRESS TESTING EXPOSES HOW CURRENCY, COLLECTION AND CONVERSION SHOCKS INTERACT

To test whether a capital structure survives real-world friction, the model must combine a foreign-exchange shock on imported inputs with a commercial collection delay and a cross-border settlement lag. [S07] [S12] [S32]

WORKED EXAMPLE: COMBINED USD INPUT SHOCK, LATE COLLECTION AND SYNTHETIC SETTLEMENT DELAY

Consider illustrative scenario A during its first operating year, with senior debt principal of **XAF 500 million** at **8 percent** annual interest and six equal annual principal instalments (`500 / 6 = XAF 83.333 million` principal plus `500 * 0.08 = XAF 40.000 million` interest, for scheduled senior debt service of **XAF 123.333 million**). Base first-year CFADS before shocks is **XAF 175.000 million** (base DSCR of `175.000 / 123.333 = 1.42x`). All inputs are illustrative assumptions to demonstrate the stress method, not GFT operating results or lender quotes.

Now apply three simultaneous illustrative operational and currency stresses during the first operating year:

1. **USD appreciation on imported consumables and spare parts**: Assume the factory purchases **US$300,000** of imported dyes, trims, needles and spares during the year, budgeted at an illustrative **XAF 580 per USD** (**XAF 174.000 million**), while XAF/EUR remains fixed at **655.957** (`R32`, `S20`). [R32] [S20] If the USD strengthens by an illustrative **12 percent** against the euro (to **XAF 649.600 per USD**) while domestic XAF garment prices remain fixed, annual cash input costs rise by **XAF 20.880 million** (`174.000 * 0.12 = 20.880`), reducing annual operating cash generation from XAF 175.000 million to **XAF 154.120 million**. [R32] [S32]
2. **Buyer collection delay at year-end**: Assume an institutional uniform buyer delays acceptance and payment of an illustrative year-end delivery worth **XAF 35.000 million** past the debt-service payment date. [S14] Because uncollected revenue is locked in working capital (Chapter 02 and Chapter 06), actual illustrative cash flow available for debt service (`CFADS`) on the payment date falls by **XAF 35.000 million**, from XAF 154.120 million to **XAF 119.120 million** (`154.120 - 35.000 = 119.120`). [S14]
3. **Synthetic local-currency fixing and conversion spread**: Assume the XAF 500 million senior facility is a cross-border synthetic XAF loan settled in EUR (`S07`). [S07] Even with official parity at 655.957, assume bank FX conversion commissions, wire fees and fixing-window friction add an illustrative **1.5 percent** settlement cost (`123.333 * 0.015 = XAF 1.850 million`), raising the onshore XAF cash required to **XAF 125.183 million** (`123.333 + 1.850`), which must be deposited with the local bank **10 business days** before the offshore value date. [S07] [S20]

Resulting cash gap and incidence:

- **Realised coverage**: Available illustrative cash flow is **XAF 119.120 million** against a cash settlement requirement of **XAF 125.183 million**, dropping coverage to **0.95x** (`119.120 / 125.183 = 0.952x`, or `119.120 / 123.333 = 0.966x` against nominal service) and creating an immediate cash deficit of **XAF 6.063 million** (`125.183 - 119.120 = 6.063`).
- **Why external risk-transfer tools do not pay this deficit**: A EUR/XAF peg does not prevent the XAF 20.880 million USD input shock; [R32] a synthetic XAF loan does not waive the XAF 123.333 million payment when a buyer pays late; [S07] and a MIGA transfer-restriction policy does not pay out because the shortfall is a commercial cash deficit of XAF 6.063 million rather than a central-bank conversion blockade. [S12]

- **Who supplies the cash**: Unless the venture holds an unencumbered onshore XAF debt-service reserve account (DSRA) funded at close or calls committed sponsor overrun equity (S01, S30), the loan enters payment default despite every headline currency and political-risk shield. [S01] [S30]

GFT NOTE

Do not treat a debt-service reserve account (DSRA) or sponsor overrun commitment as redundant simply because the borrower operates in the CFA franc zone or carries political-risk insurance. In GFT's financing framework, the onshore XAF liquidity reserve bridges commercial collection delays and pre-payment bank conversion windows, while perfected OHADA security (S21) and MIGA political-risk guarantees (S12) address tail events. [S12] [S21] Require the financial model to track onshore unrestricted XAF cash, onshore reserved XAF cash and offshore settlement dates on separate lines so conversion lead times are visible before close.

When currency exposure, settlement mechanics, exchange-control compliance, political-risk boundaries and OHADA security perfection are tested separately, the sponsor and its financiers can see which risks can be priced and transferred and which remain on the factory floor. Where an identified market barrier still prevents commercial capital from bearing a well-structured exposure, the next question is whether blended concessional finance is justified, which Chapter 08 examines under strict additionality and minimum-subsidy rules.

A currency peg fixes a ratio between central banks; it does not pay a dollar invoice, clear a transfer queue or turn unperfected collateral into cash.

CHAPTER SOURCE NOTES

R32 Wise; XE. Publication date unrecorded; inherited source-text check.

S20 BEAC. n.d..

S07 FMO. n.d..

S12 MIGA. 2021.

S21 OHADA. 2010-12-15.

S32 IFC. n.d..

R06 Cameroon Trade Hub. Publication date unrecorded; inherited source-text check.

R07 Ecofin Agency. Publication date unrecorded; inherited source-text check.

S13 IFC. 2026-08.

S0702 TCX. n.d..

R14 WageIndicator. Publication date unrecorded; inherited source-text check.

S29 IFC. n.d..

S01 IFC. n.d..

S11 TCX. n.d..

S33 OECD. 2025.

S0703 MIGA. n.d..

S0701 OHADA. 2015-09-10.

S14 IFC. 2026-07.

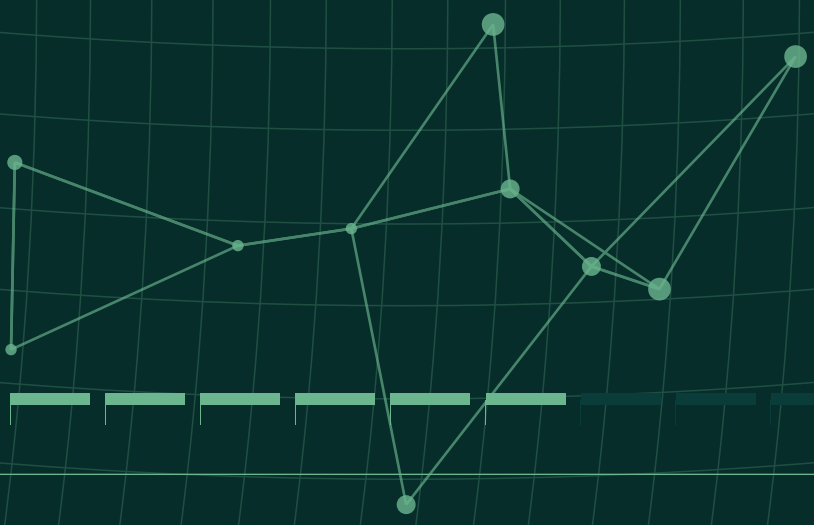
S30 IFC. n.d..

08

PART III: SUSTAINABLE FINANCE MUST SURVIVE VERIFICATION / ADDITIONALITY AND SUBSIDY

Blended finance must solve a defined market failure

Concessional capital is defensible only when its purpose, minimum amount, beneficiaries and exit are explicit.



CHAPTER 08
DECISION TEST

Concessional capital is defensible only when its purpose, minimum amount, beneficiaries and exit are explicit.

Blended finance is justified only when an evidenced financing obstacle prevents a worthwhile textile venture from proceeding on commercial terms, and when a defined concession can remove that obstacle without transferring unnecessary value to private parties. The answer is not to find the cheapest money. It is to diagnose the failure, establish the counterfactual, calculate the minimum support, trace its beneficiaries, and withdraw it when the obstacle has fallen. GFT recommends that no concessional tranche enter the capital structure until those tests have produced an inspectable record.

A development objective is not itself evidence of financing additionality. Nor does the presence of a development-finance institution make its whole investment concessional. The OECD's 2025 guidance observes that blended finance has mobilised relatively limited private finance compared with earlier hopes, which is a reason to scrutinise the mechanism rather than assume that blending creates scale. [S03] This chapter applies that discipline to a hypothetical first line. Its rates, losses and capital shares are illustrative design cases, not lender quotations, GFT results or financing commitments. It is not investment, legal or tax advice.

8.1

Commercial finance and concessional finance answer different questions

Commercial finance asks whether the expected return compensates the provider for the risks and costs it must carry. Concessional finance asks a second question: what public or donor-supported contribution is needed to make an otherwise unavailable transaction possible, and why is that contribution justified? IFC describes blended solutions as debt, equity, risk-sharing or guarantees with different rates, tenors, security or rank, tailored to specific market barriers. Its own-account investment and the concessional contribution therefore need separate identification. [S04]

This distinction prevents a common labelling error. A development-finance loan at ordinary commercial terms is not a subsidy merely because the lender has a development mandate. Conversely, a concessional guarantee may carry substantial value even when no grant cheque is paid. The analysis must compare actual rights and cash flows, including repayment priority, fees, maturity, coverage and recourse. The instrument name cannot settle the question.

A market-failure hypothesis must then locate the obstacle inside the proposed transaction. An information barrier may prevent financiers from distinguishing a well-controlled ramp from an uncontrolled one. A demonstration cost may produce learning for later factories that the first sponsor cannot fully capture. A coordination problem may leave metering, safeguard and training work unfunded because each financier expects another party to pay. An unpriced public benefit may justify support where the venture cannot collect revenue for the wider outcome. These are competing hypotheses, not conclusions about Cameroon or about GFT's programme.

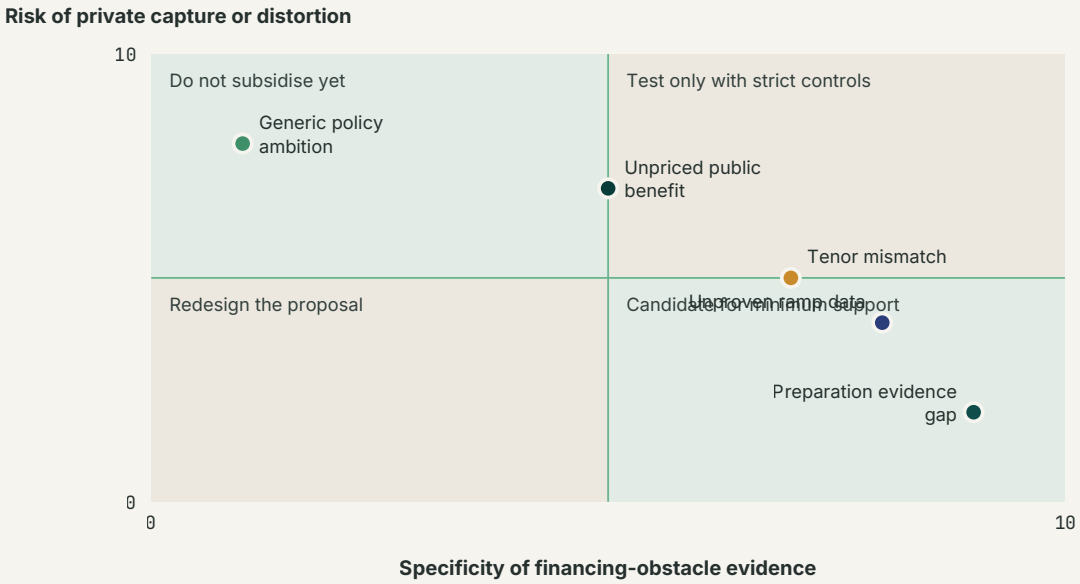
Ordinary commercial weakness is not a market failure. A factory with negative operating cash, unacceptable quality or no credible route to customers does not become financeable because a donor absorbs part of the loss. High risk alone is also insuffi-

cient. Private capital routinely prices and carries risk. The sponsor must show why the relevant risk cannot be borne, measured or priced efficiently, and why the proposed intervention changes that condition rather than merely improving returns.

Exhibit 33, p. 121 illustrates the screening logic. The axes are constructed scores, not observed ratings. Specificity means the quality of evidence linking a defined obstacle to the financing gap. Capture risk means the possibility that support mainly benefits parties that would have financed or owned the venture anyway. Each position still requires the counterfactual and minimum-concession tests that follow.

EXHIBIT 33 / ILLUSTRATIVE ORDINAL SCORES FROM 0 LOW TO 10 HIGH

Each proposed subsidy needs a matching market failure



ILLUSTRATIVE [S03] [S04] GFT constructed screening positions, not market measurements or institutional scores. Higher specificity requires transaction evidence. Higher capture risk requires stronger controls or rejection. Candidate responses: preparation evidence gap, separately procured technical assistance; unproven ramp data, bounded risk-sharing plus measurement; tenor mismatch, the smallest maturity or payment adjustment that works; generic policy ambition, no concession; unpriced public benefit, support only after outcome and incremental-cost evidence.

The matrix deliberately leaves no automatic pass. A preparation evidence gap may suit a repayable preparation facility better than a permanent interest subsidy. An unproven ramp may require sponsor equity and better records before any public risk-sharing is defensible. An asserted public benefit needs a baseline, an incremental-cost calculation and a route to verify the outcome. A generic policy ambition fails because it identifies no transaction-level obstacle at all.

The distortion test runs alongside the rationale. IFC's principles call for minimum concessionality, commercial sustainability and markets that are reinforced rather than distorted. [S04] For a first textile line, the practical question is whether support allows a new financing capability or operating record to emerge, or whether it gives one sponsor an enduring cost advantage while competitors remain outside the subsidised circle. The latter may still be proposed in exceptional circumstances, but it needs a much stronger public-value case and a credible end point.

GFT NOTE

Open a concession register before approaching a provider. Give each proposed contribution one row containing the obstacle, counterfactual, instrument, reference terms, valuation method, private beneficiary, public exposure, evidence owner, review trigger and exit condition. Reject any row whose rationale is only that the project is desirable or capital is expensive.

8.2

The counterfactual must show why the project does not proceed otherwise

The counterfactual is the same decision examined without the proposed concession. It must preserve the production scope, evidence quality, timing basis and commercial alternatives. Otherwise the comparison becomes theatrical: a fully prepared subsidised project is set against an imaginary commercial project with incomplete diligence, unrealistic debt or free preparation. GFT recommends building both cases from one controlled model and changing only the financing terms and actions that the support genuinely affects.

A commercial-only case should begin with finance that is actually available or credibly testable. Record the provider, instrument, amount, currency, tenor, payment schedule, security, conditions and evidence status. A declined application should record the stated reason and the proposal version reviewed. An absent application proves nothing. Equally, a refusal does not prove a market failure if the proposal omitted essential cash-flow, sponsor, safeguard or collateral evidence. The purpose of the log is to separate information deficiencies from a residual financing barrier after remediable weaknesses have been addressed.

The failure should be named in the language of the model. A coverage failure means operating cash cannot support the proposed service under an agreed downside. A tenor failure means available repayments fall due before the ramp can generate the required collections. A risk-appetite failure means providers decline a defined exposure even after the evidence pack is complete. A preparation failure means the sponsor cannot rationally fund studies or capability work whose benefits extend beyond the immediate equity case. An execution-capability failure means the venture lacks the controls needed to make the financing evidence dependable. Each points to a different instrument.

A single counterfactual can therefore produce different decisions. If the project proceeds on the same terms and timetable without support, financing additionality is absent. If it proceeds later or at a smaller, less useful scale, the analysis must value that specific change rather than claim the whole project as additional. If it cannot proceed because cash flows remain structurally negative under every reasonable operating case, the correct response is redesign or rejection, not a larger concession. If it cannot proceed only because no party has yet paid for verifiable preparation, targeted assistance may be the narrower intervention.

Development impact requires another counterfactual. IFC's AIMM guidance states explicitly that the framework assesses expected development impact, not additionality. It describes development impact as expected project results and additionality as financial and non-financial value provided to clients. The same guidance asks what would have happened in the absence of the project, even where the project might proceed without IFC financing. [S26] These distinctions prevent a sponsor from counting every job, garment or saving as evidence that concessional finance was necessary.

The two questions can produce opposite answers without contradiction. A venture may promise valuable local processing outcomes yet need no subsidy because commercial capital is already willing. Another may face a genuine financing barrier but produce weak or uncertain development outcomes. A third may pass both tests and still fail minimum concessionality because the requested support exceeds the residual gap. The approval record should show the three decisions separately: financing additionality, expected development contribution and efficient subsidy.

Attribution also needs restraint. If concessional support changes a loan's maturity while sponsor equity, buyer contracts and engineering improvements change at the same time, the resulting performance cannot be assigned wholly to the concession. GFT recommends recording the causal contribution expected from each action and the evidence that would isolate it. Where isolation is impractical, report the combined result and state the attribution limit instead of manufacturing precision.

A usable counterfactual ends with a decision rule. Proceed with blending only when the unsupported case fails for a stated reason, the supported case removes that reason, and no smaller intervention would do so. Keep the unsupported model live after financial close. It is the reference against which later claims of mobilisation, improved terms and reduced dependence must be tested.

8.3

Minimum concessionality requires more than a cheaper rate

Concessionality is the value transferred through terms that are more favourable than a defensible reference. It can sit in the interest rate, but also in grace, maturity, subordination, security, guarantees or performance payments. A low coupon attached to a short, rigid loan may provide less support than a smaller pricing change attached to the maturity the ramp actually needs. Minimum concessionality means using the least valuable contribution that removes the evidenced obstacle, not simply selecting the lowest nominal rate.

The reference must be declared before the saving is celebrated. IFC explains that its concessionality calculation compares a reference price, which may be a market price, a modelled price reflecting risk, cost and net profit, or a negotiated client price, with the concessional price charged by the co-investment. [S04] GCF's investment framework likewise describes concessional funding as below-market and calls for grant-equivalent accounting so that different instruments can be compared. It also states that loans should support financially sound revenue-generating activities. [S10] Neither source supplies a reference rate for this textile case.

A transparent grant-equivalent calculation uses matching dates and consistent cash-flow definitions. Identify the reference and concessional payments, including principal, interest and fees. Discount each series using a stated currency, timing and rate convention. The difference between their present values is the estimated grant equivalent on that convention. Where the concessional provider funds only part of a loan, calculate on that part rather than the whole facility. Where a guarantee has no scheduled coupon difference, its valuation needs explicit coverage, fee, default and recovery assumptions rather than a made-up interest saving.

The discount rate is not a neutral detail. Choosing the reference lending rate as the discount rate makes the reference loan's present value equal to its initial principal under a standard fully serviced loan, which provides a useful arithmetic check. It does not prove that the same rate is the correct economic discount rate for every stakeholder. A public provider may also report budget cost, expected loss or opportunity cost separately. Those measures answer different questions and should not be mixed into one subsidy figure.

> **WORKED EXAMPLE: THE SMALLER SUFFICIENT CONCESSION PROTECTS PUBLIC RESOURCES**
>
> Assume an illustrative loan of XAF 100 million with three equal annual principal payments and annual interest on the opening balance. The reference rate is an assumed 10 percent, the discount rate is also an assumed 10 percent, and there are no fees or taxes. These are calculation inputs only, not market quotations or recommended terms.
>
> Under the illustrative reference loan, total payments in years one to three are XAF 43.333 million, XAF 40.000 million and XAF 36.667 million. Their present value is XAF 100.000 million after rounding. Under an illustrative 6 percent concession, payments are XAF 39.333 million, XAF 37.333 million and XAF 35.333 million, with a present value of XAF 93.158 million. The grant equivalent is 100.000 - 93.158 = XAF 6.842 million.
>
> Under an illustrative 4 percent concession, payments are XAF 37.333 million, XAF 36.000 million and XAF 34.667 million, with a present value of XAF 89.737 million. The grant equivalent is 100.000 - 89.737 = XAF 10.263 million. If the counterfactual shows that 6 percent is sufficient to make the transaction proceed, choosing 4 percent adds 10.263 - 6.842 = XAF 3.421 million of grant equivalent without additional financing additionality in this constructed comparison. [S04] [S10]

Exhibit 34, p. 125 preserves the cash flows behind that conclusion. The table is derived entirely from the illustrative assumptions. Rounding is to three decimals, so displayed rows may differ slightly from a full-precision recalculation. The zero grant equivalent on the reference row is a convention check, not a statement that commercial lending has no cost or risk.

EXHIBIT 34 / ILLUSTRATIVE XAF MILLION

Grant-equivalent arithmetic requires a declared reference

Case	Year 1	Year 2	Year 3	Present value	Grant equivalent
Reference, 10 percent	43.3	40	36.7	100	0
Concession A, 6 percent	39.3	37.3	35.3	93.2	6.84
Concession B, 4 percent	37.3	36	34.7	89.7	10.3

DERIVED [S04] [S10] Derived from assumed principal 100, three equal annual principal payments, annual opening-balance interest, no fees and annual discount rate 10 percent. Reference rate 10 percent; alternatives 6 percent and 4 percent. PV = sum of year-t total payment / 1.10^t. Grant equivalent = 100 - PV. Full-precision results: 6 percent PV 93.1580265, GE 6.8419735; 4 percent PV 89.7370398, GE 10.2629602. No market rate, lender quote or sufficient-price finding is asserted.

The worked example does not prove that the illustrative 6 percent option is sufficient. Sufficiency comes from the counterfactual: the financier must accept the exposure, the venture must meet its obligations under the downside, and the barrier must disappear. If a guarantee or technical-assistance package achieves that result at lower public cost, the cheaper loan is not minimum concessionality. If the 6 percent loan leaves a defined coverage gap, the analysis should test maturity, grace or risk-sharing before cutting the rate further.

Alternative instruments also need comparable boundaries. A training grant has an immediate cash cost but may leave no financing claim. A subordinated loan has a present-value concession and a possible recovery. A partial guarantee has fees, a contingent public exposure and an expected recovery that cannot be read from its nominal coverage. Present each result with its assumptions, and avoid ranking a certain cash outlay against an unvalued contingent promise as though the latter were free.

Finally, minimum concessionality must be tested against private benefit. A concession can increase sponsor returns, protect an existing lender or reduce the price paid by customers. Those are not automatic reasons for rejection, but the approval record should identify the beneficiary and explain why the transfer is necessary. IFC expressly links its case-by-case analysis to avoiding undue private subsidy and undue public risk. [S04] The smallest effective contribution is therefore both a valuation discipline and a governance control.

8.4

First-loss structures must reveal who benefits

First-loss capital is a contractual allocation of downside, not a disappearance of downside. The documents must define which loss is being allocated, when it is measured, which claims rank where, and what happens to later recoveries. An operating

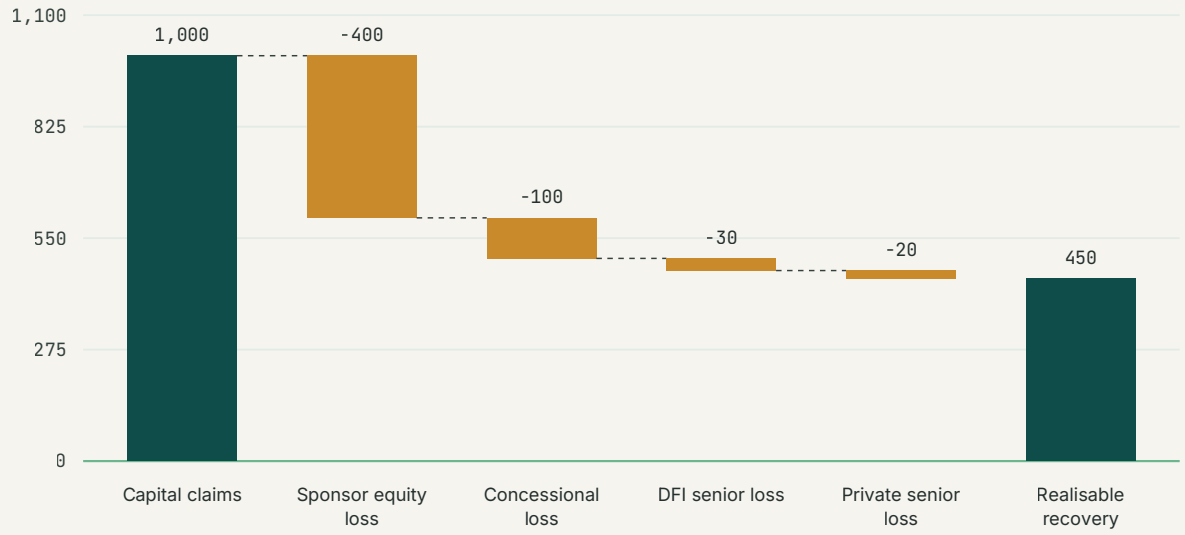
cash shortfall, a covenant breach, a payment default and an insolvency recovery shortfall are different events. A structure that calls them all losses would make the public exposure impossible to assess.

The financing model should show two related but separate schedules. The cash schedule records whether each tranche receives interest, principal, dividends or fees during operation. The recovery schedule allocates realisable value after the defined stress or enforcement event. Payment blockage during operation does not necessarily determine legal ranking on enforcement. Security, intercreditor terms, insolvency law and enforcement costs require transaction-specific advice. No illustrative waterfall can settle those questions.

For a constructed stress, **Exhibit 35**, p. 126 uses the paper's XAF 1,000 million capital scale but changes the junior tranche into expressly illustrative concessional first-loss capital. Sponsor ordinary equity is XAF 400 million, concessional first-loss capital is XAF 100 million, and commercial senior claims total XAF 500 million, split into DFI own-account exposure of XAF 300 million and private-bank exposure of XAF 200 million. Realisable value is an assumed XAF 450 million, with the senior claims sharing recovery pro rata.

EXHIBIT 35 / ILLUSTRATIVE XAF MILLION

First-loss support changes the allocation of downside



ILLUSTRATIVE [S04] Constructed stress, not a recovery forecast or legal ranking. Claims = sponsor equity 400 + concessional first loss 100 + DFI senior 300 + private-bank senior 200 = 1000. Recovery 450 goes entirely to senior claims, shared pro rata: DFI receives 270 and loses 30; private bank receives 180 and loses 20. Equity loses 400 and concessional first loss loses 100. Losses 400 + 100 + 30 + 20 = 550; 1000 - 550 = 450. Enforcement costs, taxes and other claims excluded.

In that illustrative allocation, the sponsor loses its full XAF 400 million and the concessional provider loses its full XAF 100 million. The DFI receives XAF 270 million and loses XAF 30 million. The private bank receives XAF 180 million and loses XAF 20 million. The total loss is XAF 550 million, leaving XAF 450 million of recovery. The arithmetic shows risk transfer with complete transparency; it does not make that transfer desirable.

Now consider a separate illustrative commercial-only loss comparison, not a claim that this commercial structure would actually be funded. Replace the concessional XAF 100 million with additional senior capital in the same DFI-to-private proportions. Senior claims become XAF 600 million, comprising XAF 360 million from the DFI and XAF 240 million from the private bank. The same XAF 450 million recovery then represents 75 percent of senior claims. DFI loss becomes XAF 90 million and private-bank loss becomes XAF 60 million, while the sponsor still loses XAF 400 million.

Comparing the two illustrative recoveries, first-loss support reduces DFI loss by XAF 60 million and private-bank loss by XAF 40 million. The combined XAF 100 million benefit equals the concessional loss. This is the incidence of the support under the stated assumptions. It is not yet evidence of additionality. If the commercial parties would have supplied the larger exposures anyway, the concession has improved their outcomes. If they would not have supplied any viable financing without it, the same transfer may be the necessary cost of mobilisation.

That is why a loss waterfall cannot substitute for the counterfactual. It answers who bears a defined loss after the transaction exists. It cannot answer whether the transaction would exist without support. Both analyses are required, and their results belong in the approval record. Otherwise a structure can present a reduction in commercial loss as a financing achievement while concealing that incumbent financiers were the principal beneficiaries.

Risk retention deserves the same scrutiny. A guarantee or first-loss layer that removes nearly all commercial exposure can weaken the lender's incentive to appraise, monitor and restructure carefully. GFT therefore proposes testing a meaningful retained exposure, aligned reporting and a clear decision process for enforcement or restructuring. These are design recommendations, not universal thresholds. The appropriate retention depends on the instrument, the lender's role and the behaviour the public provider needs to preserve.

The sponsor's position also needs examination. First-loss support that ranks ahead of ordinary equity but behind senior debt may leave the sponsor's recovery unchanged while improving senior terms. That may be justified if the sponsor gains a viable company rather than a direct cash payment. It becomes harder to justify if the sponsor can withdraw cash early, transfer assets to related parties or earn an excessive return while the public layer remains exposed. Distribution restrictions, related-party controls and review rights should follow that analysis.

8.5

Technical assistance can address capability rather than subsidise debt

Technical assistance is the narrower intervention when the binding obstacle is missing capability or dependable information rather than the price of capital. A sponsor may need supervisors who can control quality, an environmental and social management system that survives staff turnover, or production records that reconcile good output to collections. Paying those work packages can improve the evidence on which every financier depends. A permanent interest subsidy would not, by itself, create any of them.

The workstream should be separate from the debt documentation and separately costed. Its budget should identify the deliverable, the executing party, the procurement route, the venture's own contribution, the acceptance evidence and the recurrent cost after handover. A report delivered to a sponsor is not the same as a capability operating inside the factory. Acceptance should test use: a supervisor completes an assessment, a meter register reconciles to source readings, or the safeguard owner closes an action with supporting records.

Preparation finance still needs instrument discipline. GCF's Project Preparation Facility describes grants, repayable grants and equity for eligible Accredited Entities and Project Specific Assessment Approach applicants. It assigns responsibilities for procurement, oversight, use and reporting, and states that support leading to a feasible income-generating project should generally be repayable on terms determined during proposal development and review. [S08] This demonstrates why preparation support is not automatically a non-repayable operating subsidy. It does not establish that GFT, the venture or an unnamed partner qualifies for that route.

The content of the assistance should follow the actual constraint. GFT's Cameroon textile programme provides design context through its feasibility, performance-management system and digital-strategy components. That programme is not evidence that a factory has implemented the systems or achieved results. For a proposed blended structure, GFT would translate the relevant components into procurable work packages: supervisor development, manual production records, metering definitions, data reconciliation, safeguard responsibilities and assurance readiness.

Environmental and social work illustrates the ownership test. IFC Performance Standard 1 applies where environmental and social risks and impacts exist, with management through an appropriate management system. [S22] The accompanying Guidance Notes explain the Performance Standards and good practice, but do not replace them. [S34] Technical assistance should therefore leave named operating responsibilities, procedures, records and corrective-action routines. A lender pack prepared externally and never adopted by management would leave the capability gap intact.

> **GFT NOTE**
>
> Procure technical assistance against observable handover tests. Require each provider to transfer templates, source records, training materials and decision rules to the venture. Make final payment conditional on an operating demonstration and a reconciled evidence pack, not only on submission of a report. Budget the people, maintenance and assurance needed after the provider leaves, and state which costs the venture must thereafter carry itself.

The minimum-concession test also applies to technical assistance. Fund only the increment needed to overcome the defined barrier. Do not pay for a broad corporate consultancy programme because a small metering or training gap is difficult to isolate. Where the work produces private value that the sponsor can reasonably finance, consider sponsorship, cost-sharing or repayment. Where it produces verifiable public learning, define what may be disclosed without exposing legitimately confidential operating information.

8.6

Subsidy must have a review and exit mechanism

A concession should last only as long as the obstacle that justified it. The review mechanism should therefore follow evidence, not the calendar alone. Relevant signals include accepted machinery, repeatable collections, reconciled production and cash records, completed safeguard actions, demonstrated management capability and credible expressions of commercial financing interest. Each signal needs an owner, a verification method and a decision consequence. An improving narrative without those records is not an exit trigger.

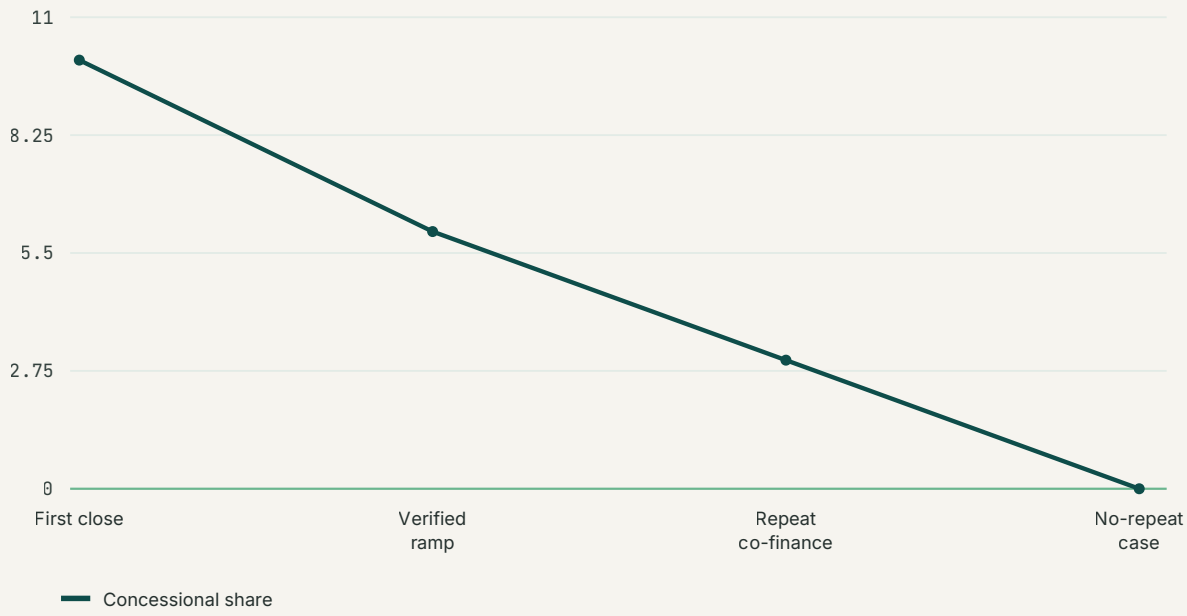
The no-repeat-subsidy case belongs in the original model. Remove future concessional disbursements that are not contractually committed, then test operating cash, debt service, safeguard spending, maintenance and working capital. Include any recurring verification and reporting costs that remain after support ends. If the venture survives only by assuming another donor, the proposal has not established commercial sustainability. IFC's principle that impact should contribute towards commercial viability points directly to this test. [S04]

Exit does not always mean immediate repayment or refinancing. A preparation grant can end with accepted handover evidence. A technical-assistance agreement can close when the venture operates the new capability and funds its recurrent cost. A subordinated instrument can amortise or remain until its agreed maturity without receiving a further public contribution. A guarantee can expire as the covered exposure falls. Refinancing is only one possibility, and it should be counted only when actual terms support it.

Exhibit 36, p. 130 shows an illustrative review path. The starting concessional share of 10 percent comes from the paper's hypothetical XAF 100 million junior contribution within XAF 1,000 million of capital. Later shares are constructed choices, not forecasts. They decline only if new financing rounds satisfy the stated evidence gates. A falling share must never be produced merely by increasing the denominator while the absolute subsidy continues to grow.

EXHIBIT 36 / ILLUSTRATIVE CONCESSIONAL SHARE OF NEW CAPITAL, PERCENT

A subsidy should narrow as the financing obstacle falls



ILLUSTRATIVE [S04] Constructed exit path, not an observed series or promised refinancing. First-close value = illustrative 100 / 1000 × 100 = 10 percent. Values 6, 3 and 0 at later gates are proposed case settings only. Each reduction requires verified operating evidence and commercial terms that make the residual support unnecessary. No dates, automatic withdrawal or new-money commitments are assumed.

Every gate needs three possible decisions, not just continuation and exit. Reduce support when the evidence shows a smaller residual barrier. Redesign the instrument when the barrier persists but its form has changed. Stop when the operating case remains weak or the public cost exceeds the justified benefit. Automatic reduction on a fixed date could destroy a useful demonstration before its evidence exists. Automatic renewal would conceal whether the demonstration has worked.

The final exit review should revisit the original counterfactual. Ask whether commercial providers now accept the exposure, which verified evidence changed their decision, and whether later projects can obtain comparable terms without the same contribution. If the answers remain unclear, retain the uncertainty in the record. A completed disbursement is not proof that a market has been reinforced.

8.7

Transparency protects both development purpose and confidential terms

Transparency makes the concession inspectable without requiring publication of every commercially sensitive contract. The disclosure record should reveal why support is needed, what it is worth under the stated method, who benefits, what private finance changes, and when support ends. Detailed customer prices, personal information, security credentials and protected supplier terms can remain controlled. The rationale, valuation basis and public exposure should not disappear behind that confidentiality.

IFC states that it discloses subsidy levels and their justification in its Summary of Investment Information, and that an internal blended-finance committee checks adherence to its principles. [S04] GFT treats that as an institutional governance example, not as a rule binding this venture or evidence that any provider will accept its proposal. The transferable lesson is to separate recommendation from approval: the team designing the concession should not be the only team testing its necessity and incidence.

Exhibit 37, p. 131 proposes a disclosure record that keeps the main judgements visible. Amounts should distinguish committed, available and disbursed states. Beneficiaries should include indirect incidence where a lender's loss or sponsor's return changes. Results should carry their period, source and verification status. Confidentiality exceptions should identify the protected field and the reason rather than suppress the entire analysis.

EXHIBIT 37 / PROPOSED DISCLOSURE AND ASSURANCE REGISTER

A concessional decision needs an inspectable public-purpose record

Field	Minimum record	Control purpose
Market failure	Obstacle, evidence and distortion risk	Prevent a generic policy rationale
Counterfactual	Same-scope unsupported case	Test whether support changes the decision
Concession value	Instrument, reference, cash flows and method	Make subsidy reproducible
Beneficiaries	Sponsor, DFI, private lender and public incidence	Expose transfers and retained risk
Mobilisation	Provider type, commitment state and attribution	Prevent double counting
Development results	Baseline, outcome, source and attribution limit	Separate impact from finance
Review and exit	Evidence gate, owner, decision and residual cost	Limit duration and dependence
Confidentiality	Protected field, reason and controlled summary	Preserve accountability without over-disclosure

ILLUSTRATIVE [S03] [S04] [S26] GFT proposed governance template. It does not reproduce an institution's mandatory form or require disclosure of legitimately protected commercial terms. Mobilisation categories and attribution method are proposals for transaction-specific agreement. Development outcomes remain separate from financing additionality.

Mobilisation reporting needs especially strict definitions. Sponsor equity is not automatically capital mobilised by the concession, because it may have been committed before support was considered. DFI own-account finance should be shown separately from private commercial finance and from donor resources. The concessional contribution itself is never private mobilisation. If several interventions occur together, the method should state whether capital is attributed wholly, proportionally or only descriptively. Totals must reconcile to the sources-and-uses statement without counting one commitment twice.

Commitment states matter as much as categories. An indicative discussion, an approved amount, a signed facility and a cash disbursement are not interchangeable. Report each on its actual date and retain undrawn conditions. The OECD's observation about relatively limited private mobilisation cautions against presenting a large headline ratio as self-evident success. [S03] A smaller amount of genuinely additional finance may be more useful than a large total that includes capital already present.

Development reporting must remain on a separate axis. The venture can report jobs, production, resource use and local value only with their own baselines and methods. AIMM's explicit separation of expected development impact from additionality reinforces that boundary. [S26] Achieving an operating result after receiving support does not prove that the concession caused the whole result, just as obtaining commercial finance does not prove development value.

GFT's recommended approval sequence is therefore restrictive. Reject blending when the market failure is undefined, the unsupported case already works, or the operating model remains structurally weak. Where a genuine barrier remains, choose the smallest intervention that removes it, disclose its incidence, fund the associated measurement, and make continued support conditional on verified progress. Concessional capital then becomes a bounded instrument for changing a financing decision, not a permanent feature of the business model.

The purpose of a concession is to make itself unnecessary.

CHAPTER SOURCE NOTES

S03 OECD. 2025-09-22.

S04 IFC. 2026.

S26 IFC. 2026.

S10 Green Climate Fund. n.d..

S08 Green Climate Fund. n.d..

S22 IFC. 2012-01-01.

S34 IFC. 2021-06-14.

GREEN FUTURE TECH

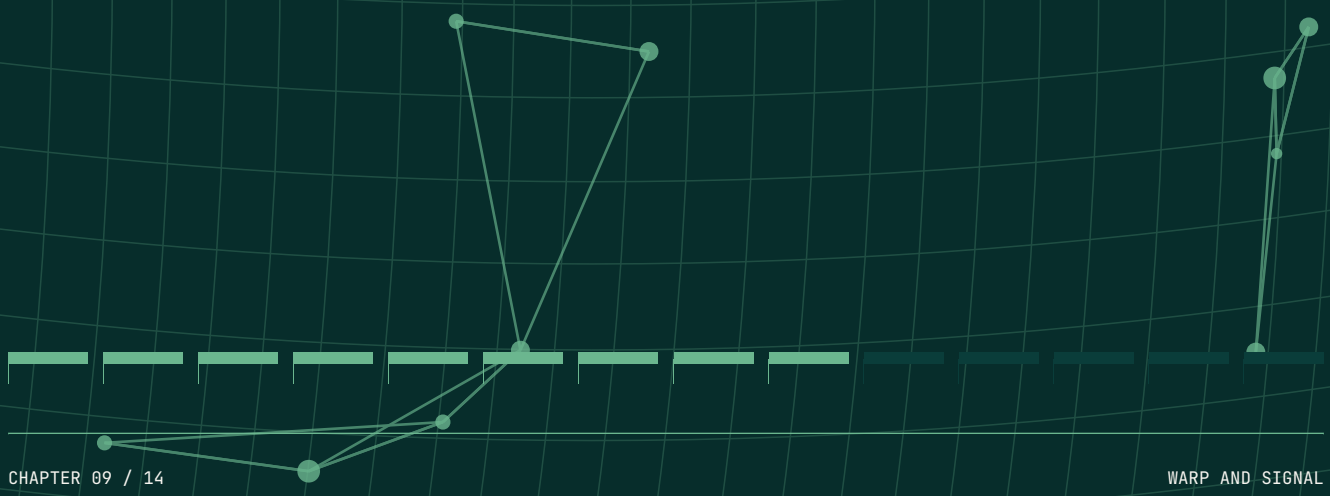
LIMITED / HONG KONG SAR

09

PART III: SUSTAINABLE FINANCE MUST SURVIVE VERIFICATION / GREEN LOANS AND BONDS

Green finance eligibility attaches to defined expenditure

A use-of-proceeds instrument needs a defensible eligible-project boundary and a register that reconciles to disbursements.



CHAPTER 09
DECISION TEST

A use-of-proceeds instrument needs a defensible eligible-project boundary and a register that reconciles to disbursements.

Green finance eligibility attaches to defined, verifiable expenditure rather than to the general identity of a textile manufacturer. [S15] [S17] A sponsor building a first garment line in Cameroon cannot classify an entire factory capital budget as a green loan or green bond merely because the venture processes locally grown cotton or intends to operate cleanly. [S01] [S17] Under both the Green Loan Principles (GLP) guidance published by the Asia Pacific Loan Market Association, the Loan Market Association and the Loan Syndications and Trading Association in March 2025, and the Green Bond Principles (GBP) updated by the International Capital Market Association (ICMA) in June 2025, a use-of-proceeds designation requires two foundational elements: an eligible project boundary that delivers clear environmental benefits, and an internal allocation register that tracks net proceeds to specific disbursements until full allocation. [S15] [S17] [S0902] By contrast, sustainability-linked loans and bonds under the Sustainability-Linked Loan Principles (SLLP) and Sustainability-Linked Bond Principles (SLBP) finance general corporate purposes and tie terms to entity-level performance targets (wp13 Chapter 10). [S16] [S18] Where eligible environmental assets represent only a fraction of a first line's capital plan, the borrower should isolate those work packages within a dedicated green tranche or an ordinary loan backed by a ring-fenced capital schedule, and should adopt a formal green label only if the financing scale justifies the fixed costs of framework preparation, external review and annual allocation reporting. [S01] [S17] [S0901] This chapter provides an engineering and financial analysis of use-of-proceeds instruments and does not constitute investment, legal or tax advice.

9.1

A sustainable business is not automatically a green borrowing

A textile venture's strategic positioning around domestic value addition does not convert its general machinery and working-capital requirements into eligible green projects. [S01] [S17] Replacing imported garments with locally assembled cotton apparel is a legitimate industrial-policy rationale and may support a development-finance institution's assessment of local economic benefit. [S01] However, industrial localisation is not an environmental use-of-proceeds category. [S15] [S17] The March 2025 GLP guidance states the governing rule without ambiguity: "The focus of green loans is on the eligible projects rather than on the borrower itself." [S17]

That project-level boundary applies even when a company views its entire commercial mission as environmentally beneficial. [S17] [S0902] The GLP guidance notes that even "pure play" companies, defined as enterprises whose business activities are exclusively focused on the green economy or where 90 percent or more of their revenues or assets are dedicated to green initiatives, do not automatically enter into green loans when they borrow. [S17] Every facility claiming a green loan designation must align with the four core components of the GLP and restrict proceeds to eligible Green Projects. [S17] ICMA's June 2025 GBP text records the parallel rule for debt capital markets: bonds issued by organisations mainly or entirely involved in environmentally sustainable activities that do not follow the four core components of the GBP cannot imply GBP alignment simply by referencing a green theme. [S0902] For a Cameroon cut, make, trim and finishing plant, neither the agricultural origin of cotton

lint nor the social value of factory employment makes standard sewing machines, cutting tables or opening raw-material stock eligible for green use-of-proceeds financing. [S15] [S17]

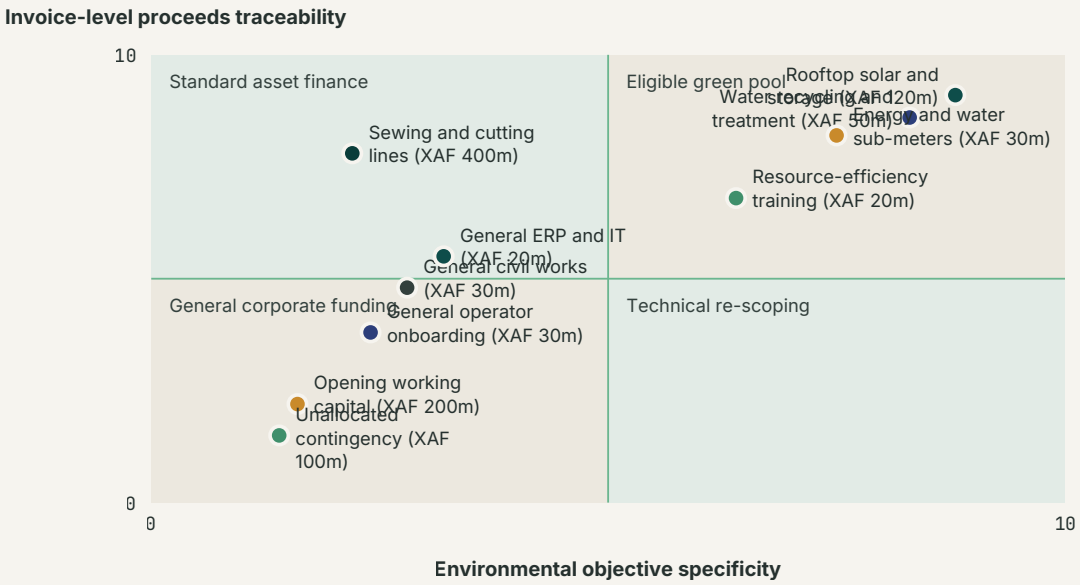
9.2 EVERY CAPITAL WORK PACKAGE REQUIRES AN INDEPENDENT ELIGIBILITY SCREEN

To establish what can legitimately enter a green use-of-proceeds structure, the sponsor and its engineers must decompose the capital budget into discrete work packages and test each package against recognised environmental objectives. [S15] [S17] [S0901] Both the GBP and the GLP recognise five environmental objectives: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. [S17] [S0902] Indicative project categories under those objectives include renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, circular economy adapted products and production processes, and certified green buildings. [S17] [S0902] The June 2025 GBP also incorporate activities alongside assets, investments and supporting expenditures in the definition of Green Projects, and reference ICMA's June 2024 guidance on Green Enabling Projects for value-chain components necessary for an enabled green project. [S15] [S0902]

When GFT's Cameroon textile programme scope is tested against these categories using illustrative Scenario A, the boundary between eligible green expenditure and general industrial capital expenditure becomes sharp, as mapped in **Exhibit 38**, p. 136. [S15] [S17] [S0901] Scenario A sets out an illustrative XAF 1,000 million total funding requirement across six cost categories: productive equipment of XAF 400 million, site and utilities of XAF 200 million, data and metering of XAF 50 million, safeguards and training of XAF 50 million, opening working capital of XAF 200 million, and contingency of XAF 100 million (all figures are illustrative scenario inputs, not supplier quotations or GFT commitments). Standard garment assembly machinery (sewing machines, spreaders, cutting tables and pressing stations totalling an illustrative XAF 400 million) performs ordinary mechanical conversion. Unless a machine subsystem is procured as a verified energy-efficiency upgrade against a documented baseline, core assembly equipment belongs to general industrial capital expenditure rather than a green use-of-proceeds pool. [S17] [S0901]

EXHIBIT 38 / ILLUSTRATIVE SCORE (0 TO 10)

Eligibility must be decided work package by work package



ILLUSTRATIVE [S15] [S17] [S0901] Illustrative GFT screening of Scenario A work packages (total XAF 1,000 million) on environmental objective specificity (x-axis) and invoice-level proceeds traceability (y-axis) using S15, S17 and S0901 criteria. Scores are analytical illustrations, not external review determinations.

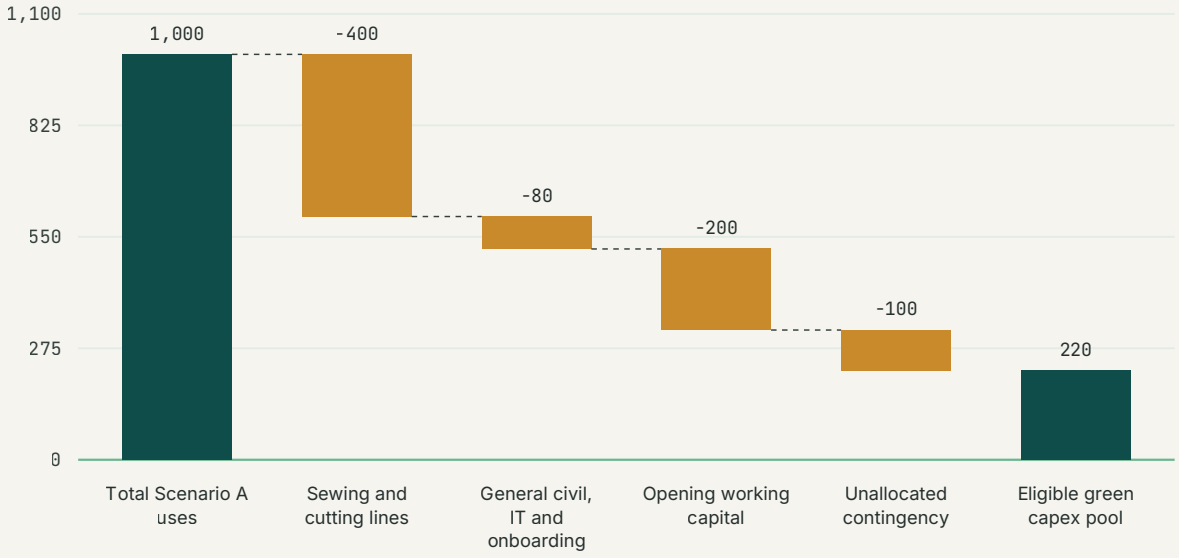
By contrast, specific sub-packages within the utilities, metering and safeguard budgets can satisfy project-level eligibility if they are contracted with separate technical specifications and supplier invoices. [S17] [S0901] In an illustrative breakdown of Scenario A's XAF 200 million site-and-utilities budget, a rooftop solar photovoltaic array and battery storage package of XAF 120 million qualifies under renewable energy, and a closed-loop wash-water filtration, heat-recovery and effluent-treatment package of XAF 50 million qualifies under sustainable water and wastewater management and pollution prevention, leaving XAF 30 million of general civil works outside the green boundary. [S17] [S23] [S0902] Within the illustrative XAF 50 million data-and-metering allocation, XAF 30 million for electrical sub-meters, flow meters and dryer humidity sensors that directly monitor energy and water efficiency qualifies as supporting environmental expenditure, whereas XAF 20 million for general accounting hardware remains ordinary capital expenditure. [S17] [S23]

Intangible expenditures such as training and monitoring require contractual separation under Section 3.B.I.c of the March 2025 GLP guidance. [S17] That section confirms that green loan proceeds may finance or refinance intangible expenditures such as training, monitoring, research and development, and finance costs, provided they support eligible Green Projects and clear environmental benefits. [S17] Within Scenario A's illustrative XAF 50 million safeguards-and-training budget, XAF 20 million for technical training on solar-storage dispatch, effluent-plant operation and resource-monitoring protocols links to the eligible environmental assets, whereas XAF 30 million for general sewing-operator onboarding belongs to the general budget. [S17] [S22] [S23] Opening working capital of XAF 200 million and unallocated contingency of XAF

100 million cannot be treated as pre-qualified green projects at close, although contingency drawn for a verified variation on an eligible solar or water invoice can be allocated upon documented expenditure. [S17] [S0901]

EXHIBIT 39 / XAF MILLION

Only a defined subset of the first-line budget qualifies for green proceeds



ILLUSTRATIVE [S15] [S17] [S0901] Illustrative Scenario A decomposition from XAF 1,000 million total uses to XAF 220 million of potentially eligible green expenditure (120 solar and storage + 50 water recycling and treatment + 30 sub-metering + 20 supporting environmental training and monitoring). All figures are illustrative.

The resulting carve-out in **Exhibit 39**, p. 137 shows why an engineering eligibility screen must precede any marketing conversation with lenders. [S17] [S0901] Out of an illustrative XAF 1,000 million funding requirement, XAF 780 million funds garment assembly, general site works, software, onboarding, working capital and unallocated contingencies, leaving an illustrative XAF 220 million (22.0 percent of total uses) as a defensible green project pool. [S15] [S17] [S0901] Only that XAF 220 million pool can legitimately support a use-of-proceeds green loan or green bond claim. [S01] [S15] [S17]

GFT NOTE

Do not attempt to stretch a green use-of-proceeds definition across standard garment sewing lines or general working capital in the hope of securing a headline green label for the whole factory. Credit teams follow ICMA's Harmonised Framework guidance on partial eligibility and the GLP guidance on tranche separation: over-claiming eligibility invites greenwashing queries during diligence and delays credit approval for the entire capital stack. [S01] [S17] [S0901]

9.3

Green loans need the complete process, not just an asset list

Identifying an illustrative XAF 220 million pool of solar, water-treatment, metering and supporting training expenditure is necessary but insufficient to classify a borrowing as a green loan. [S17] Under the GLP guidance, a loan or contingent facility (such as a bonding line, guarantee line or letter of credit) qualifies as a green loan only when proceeds or an equivalent amount are exclusively applied to finance, refinance or guarantee eligible Green Projects and the transaction aligns with all four core components of the GLP: [S17]

1. **Use of proceeds**: designated eligible Green Projects must be specified in the finance documents or green loan framework and provide clear environmental benefits that are assessed and, where feasible, quantified by the borrower. [S17]
2. **Process for project evaluation and selection**: the borrower must communicate to lenders the environmental sustainability objectives of the projects, the process for determining how projects fit within eligible categories, and the processes for identifying and managing perceived, actual or potential environmental and social risks associated with the projects. [S17]
3. **Management of proceeds**: net proceeds of the green loan or green tranche must be credited to a dedicated account or tracked by the borrower in an appropriate manner, with disclosure of intended temporary placement types and durations for unallocated funds. [S17]
4. **Reporting**: the borrower must make and keep readily available up-to-date information on the use of proceeds to lenders, updated at least annually until the loan is fully allocated (or until loan maturity for a revolving credit facility) and on a timely basis upon material developments, alongside expected and, where feasible, achieved environmental impacts. [S17]

A borrower that procures rooftop solar panels and an effluent filtration skid using an ordinary term loan without documenting these four components has acquired environmental assets, not a green loan. [S17] Component two also links green loan eligibility to environmental and social risk management. [S17] [S22] A factory cannot claim green loan status for an on-site solar array whilst ignoring occupational hazards, chemical handling risks or untreated discharges on the adjacent production floor; the GLP require disclosure of minimum standards, governance structures and trade-off analyses used to mitigate material social and environmental risks across the project. [S17] [S22] [S23]

9.4 FOUR STRUCTURAL OPTIONS GOVERN HOW A MIXED CAPITAL PLAN IS DOCUMENTED

Because a first textile line combines eligible environmental packages (illustrative XAF 220 million) with non-green industrial assets and working capital (illustrative XAF 780 million), the sponsor and its lenders must choose how to structure the debt facilities. [S01] [S17] [S0901] In Scenario A, total senior debt across the venture is an illustrative XAF 500 million alongside XAF 400 million of sponsor equity and XAF 100 million of subordinated capital. Even if every franc of the illustrative XAF 220 million eligible

green pool were debt-financed, at least XAF 280 million of the XAF 500 million senior debt would finance non-green equipment and working capital. Four proposed structuring routes address this boundary. [S17] [S0901]

Proposed debt structure	How proceeds are ring-fenced	GLP label scope	Primary operational trade-off
Dedicated green facility alongside a commercial loan	Separate facility agreement and bank account for the illustrative XAF 176m to XAF 220m green capex pool. [S17]	Only the dedicated green facility is classified as a green loan. [S17]	Requires negotiating two credit agreements or intercreditor schedules. [S01] [S17]
Multi-tranche senior facility with a Green Tranche	One credit agreement split into Tranche A (Green, up to illustrative XAF 220m) and Tranche B (General senior debt). [S17]	Only the designated green tranche is classified as green; the whole loan is not deemed green. [S17]	Preserves single-agreement documentation whilst requiring separate sub-account tracking for Tranche A. [S17]
Revolving credit facility (RCF) with green drawdowns	General or multi-purpose RCF permitting drawdowns for identified eligible green categories under an agreed framework. [S17]	Only proceeds allocated to eligible Green Projects complying with all four GLP components are classified as green. [S17]	Suited to recurring upgrades, but inappropriate for funding long-lived initial solar or civil works. [S17]
Ordinary senior term loan with covenanted capex schedule	Single ordinary loan of illustrative XAF 500m with disbursement conditions tied to solar, water and sewing invoices. [S01] [S22]	No green loan label is claimed or marketed by the borrower or lender. [S17]	Avoids external green review and annual GLP allocation audit fees whilst preserving engineering and E&S controls. [S17] [S22]

Section 3.B.I.a of the March 2025 GLP guidance settles the central structuring question: if a tranche of a loan is green, the whole loan is not deemed green. [S17] Only the green tranche may be classified as green, and it must be clearly designated with its proceeds credited to a separate account or tracked in an appropriate manner. [S17] Similarly, Section 3.A.I and Section 3.A.II confirm that a revolving credit facility or contingent facility can qualify under the GLP, but where a facility is available for general corporate purposes as well as green projects, only the proceeds allocated to eligible Green Projects that satisfy all four GLP components may be classified as green. [S17] None of these structures carries an implied lender approval; the APLMA, LMA and LSTA model green loan provisions are starting points subject to case-specific negotiation and credit appraisal. [S01] [S17]

9.5

Green bonds add market-facing governance and disclosure

When a sponsor or adviser proposes a green bond rather than a green loan, the use-of-proceeds logic remains aligned with the GLP, but the governance, documentation and public-disclosure burden rises substantially. [S15] [S17] [S0902] ICMA's Green Bond Principles (updated June 2025) are voluntary process guidelines built around the same four core components (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting) plus two key recommendations for heightened transparency: a public Green Bond Framework and External Reviews. [S15] [S0902] [S0903] While a bank lender in a relationship-driven loan market can negotiate bespoke undertakings and, where appropriate, rely on documented borrower self-certification, a bond is a capital-market security designed for investors who rely on standardised public disclosures, offering circulars and independent verification. [S17] [S0902] [S0903]

Crucially, green bond eligibility does not alter or enhance the credit risk of the instrument unless the security structure itself is engineered to ring-fence cash flows or collateral. [S15] [S0902] Appendix I of the June 2025 GBP distinguishes four types of Green Bonds:

- **Standard Green Use of Proceeds Bond**: an unsecured debt obligation with full recourse to the issuer only, aligned with the GBP, where investors bear the issuer's general corporate credit risk. [S0902]
- **Green Revenue Bond**: a non-recourse-to-the-issuer debt obligation aligned with the GBP in which credit exposure is to pledged cash flows of revenue streams, fees or taxes, and whose proceeds go to related or unrelated Green Projects. [S0902]
- **Green Project Bond**: a project bond for single or multiple Green Projects for which the investor has direct exposure to the risk of the project(s), with or without potential recourse to the issuer, aligned with the GBP. [S0902]
- **Secured Green Bond**: a secured bond where net proceeds are exclusively applied to finance or refinance either the Green Projects securing the specific bond only (a Secured Green Collateral Bond) or Green Projects of the issuer, originator or sponsor where such Green Projects may or may not secure the specific bond in whole or in part (a Secured Green Standard Bond). [S0902]

For a greenfield first textile line with an illustrative XAF 1,000 million total capital requirement and XAF 220 million of eligible environmental capital expenditure, this four-part taxonomy exposes a fundamental mismatch between public bond issuance and early-stage factory finance. [S01] [S15] [S0902] A single-line garment venture has no historical operating cash flows to support an unsecured Standard Green Use of Proceeds Bond in the capital markets, and its eligible green assets (rooftop solar panels, water filtration skids and sub-meters) do not generate standalone third-party utility tariffs that could service a non-recourse Green Revenue Bond or an isolated Green Project Bond independently of garment sales. [S01] [S0902] Even if structured as a Secured Green Collateral Bond or private placement, repayment still depends on the factory converting cotton fabric into paid garment deliveries. [S01] [S0902]

9.6 BOND ISSUANCE IMPOSES QUOTE-REQUIRED FIXED COSTS WITH NO GUARANTEED PRICING BENEFIT

Beyond credit readiness, a green bond requires transaction-specific expenditure that must be budgeted from verified vendor quotations. [S01] [S0903] Pre-issuance preparation under ICMA's Pre-issuance Checklist involves drafting a Green Bond Framework, mapping eligible categories to environmental objectives, establishing selection governance, specifying temporary placement rules for unallocated proceeds, and engaging an external review provider for a Second Party Opinion, Verification, Certification or Scoring/Rating. [S0902] [S0903] Footnote 2 of ICMA's June 2023 Pre-issuance Checklist notes that some institutional investors restrict investments to companies that pledge in the bond prospectus that regular third-party assurance on the use of proceeds is foreseen until the funds have been fully accounted for. [S0903] Alongside sustainability reviews, a bond issuer faces legal counsel, prospectus drafting, regulatory approval, paying-agent, trustee, rating-agency and listing fees.

Neither ICMA nor the loan-market associations set a universal minimum issue size, and this paper does not invent one; instead, a sponsor must request fee quotations and compare the fixed cost burden against the eligible expenditure pool. [S15] [S17] [S0903] Moreover, the financial model must not assume a "greenium" or automatic coupon discount. [S15] [S17] Market principles describe process integrity and disclosure so investors can evaluate environmental credentials alongside an investment opportunity; they never guarantee a lower interest rate. [S15] [S17] Where an intermediary bank or development-finance institution issues its own green bonds under the GBP and on-lends proceeds to local enterprises under the GLP (recognised in Section 2.H of the GLP guidance), bond issuance costs sit with the intermediary, whilst the factory borrower uses an intermediated green loan and must still satisfy all four GLP components without double counting. [S17]

9.7

The European green bond designation has a specific rulebook

Sponsors in export-oriented manufacturing sometimes conflate voluntary international guidelines (such as ICMA's GBP) with statutory European Union sustainable-finance labels, or assume that selling garments to European buyers makes a factory's debt eligible for a European green bond designation. [S15] [S19] The regulatory framework summarised by the Netherlands Authority for the Financial Markets (AFM) establishes why that assumption is incorrect. [S19] As of 21 December 2024, bonds may be issued using the designation "European green bond" or "EuGB" under Regulation (EU) 2023/2631. [S19] The AFM notes that the EuGB label is a voluntary standard for bonds complying with Regulation (EU) 2023/2631: no issuer is compelled to use the EuGB designation, and voluntary market standards continue alongside it. [S19] Once an issuer elects to use the EuGB label, however, compliance with the regulation's allocation, review, prospectus and notification rulebook is mandatory. [S19]

EXHIBIT 40 / FRAMEWORK COMPARISON

The EuGB label differs from voluntary market principles

Dimension	Green Loan Principles (S17)	Green Bond Principles (S15, S0902)	European Green Bond (S19)
Instrument and status	Voluntary guidelines for bilateral, syndicated or contingent loans	Voluntary process guidelines for debt capital-market instruments	Voluntary label governed by Regulation (EU) 2023/2631 from 21 December 2024
Eligibility benchmark	Indicative GLP environmental categories defined in framework or contract	Indicative GBP categories covering assets, activities and enabling projects	Proceeds must be used in line with EU Taxonomy Regulation (EU) 2020/852
Pre-issuance document	Green loan framework and/or legal documentation shared with lenders	Recommended public Green Bond Framework accessible to investors	Mandatory EuGB factsheet and an approved prospectus
Pre-issuance review	External review where appropriate, or documented borrower self-certification	Recommended external review (Second Party Opinion, Certification, etc.)	Mandatory positive assessment of the factsheet by an external reviewer
Allocation reporting	At least annually to lenders until full allocation or RCF maturity	Annually until full allocation and timely updates on material changes	Mandatory annual allocation report until proceeds are fully allocated
Allocation assurance	Optional external auditor verification of internal tracking and allocation	Recommended external auditor or third-party verification of allocation	Mandatory review of annual allocation reports by an external reviewer
Impact report and filing	Expected and achieved impact reported to lenders; public access encouraged	Expected and/or achieved impact reported; Harmonised Framework recommended	Mandatory post-allocation impact report plus notifications to AFM and ESMA

SOURCED [S15] [S17] [S19] [S0902] Sourced qualitative comparison of the Green Loan Principles guidance (S17, March 2025), Green Bond Principles (S15 and S0902, June 2025) and the European Green Bond standard as explained by the AFM (S19, Regulation (EU) 2023/2631). Bounded to opened texts; no legal equivalence is asserted.

As structured in **Exhibit 40**, p. 142, four statutory obligations separate the EuGB regime from voluntary principles: [S15] [S17] [S19] [S0902]

1. **EU Taxonomy alignment**: under the EuGB regime, the issuer must use bond proceeds in line with the EU Taxonomy Regulation (EU) 2020/852, including where applicable a published CapEx plan. [S19] Exporting garments to Europe does not establish EU Taxonomy alignment; technical screening criteria, "do no significant harm" thresholds and minimum safeguards must be verified at the activity and expenditure level. [S19]
2. **Mandatory factsheet, external review and approved prospectus**: prior to issuing EuGBs, the issuer must publish a standardised factsheet together with a positive assessment by an external reviewer, and an approved prospectus must be available. [S19]

3. **Reviewed annual allocation reports and post-allocation impact report**: after issuance, the issuer must publish an annual allocation report until proceeds are fully allocated, with each allocation report reviewed by an external reviewer (with the first reporting period end date set under Article 11(1) of Regulation (EU) 2023/2631 as twelve months after issue date, the last day of the calendar year, or the last day of the financial year), followed after full allocation by an impact report (review optional). [S19]
4. **Website retention and regulator notifications**: all mandatory documents and amendments must remain on the issuer's website until at least one year after maturity and be notified without undue delay to the national competent authority (such as the AFM) and ESMA. [S19]

For a first textile line in Cameroon with an illustrative XAF 220 million of eligible environmental capital expenditure, the EuGB regime is disproportionate: its prospectus, EU Taxonomy and European regulatory notification requirements are designed for capital-market issuers under European prospectus supervision, not for a single-line factory venture. [S01] [S19]

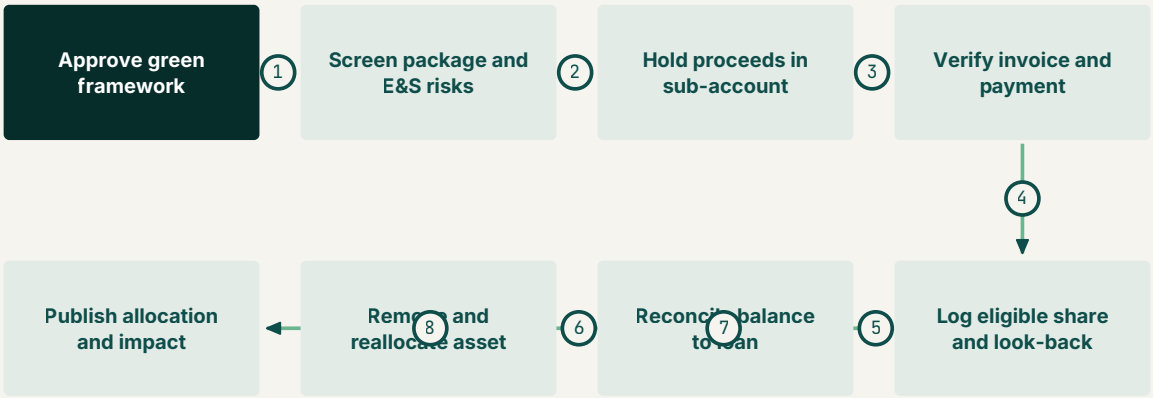
9.8

An allocation register must prevent double counting

Whether a sponsor uses a dedicated green loan tranche under the GLP or issues a green bond under the GBP, the operational backbone of the instrument is the internal allocation register. [S15] [S17] [S0901] [S0902] Both frameworks require net proceeds, or an equivalent amount, to be credited to a sub-account, moved to a sub-portfolio, or tracked in an appropriate manner linked to investment operations for eligible Green Projects. [S17] [S0902] Auditors and external reviewers verify a ledger that links drawn proceeds to purchase orders, supplier invoices, payment confirmations, delivery receipts and commissioning certificates. [S17] [S0901] [S0903]

EXHIBIT 41 / CONTROL SEQUENCE

Every allocated amount must trace to an eligible payment



1. Eligibility rules
2. Drawdown
3. Disbursement check
4. Tag payment
5. Periodic audit
6. If asset fails or exits
7. Replacement capex
8. Verified ledger

ILLUSTRATIVE [S15] [S17] [S0901] [S0902] Illustrative GFT proceeds-allocation and reconciliation control sequence combining S15, S17, S0901 and S0902 requirements. Represents a proposed financial control architecture, not an implemented software product.

As illustrated in **Exhibit 41**, p. 144, the register must govern six operational boundary conditions addressed in the March 2025 GLP guidance and ICMA's June 2024 Harmonised Framework: [S17] [S0901] [S0902] [S0903]

- **Temporary placement of unallocated proceeds**: both the GBP and GLP require disclosure of intended temporary placement types and durations for unallocated net proceeds, preferring placements that preserve market integrity. [S17] [S0902] [S0903]
- **Partial invoice eligibility**: where one contract covers both an eligible component (such as an effluent ultrafiltration skid) and non-eligible civil works, ICMA's Harmonised Framework recommends reporting only the eligible portion as the signed and allocated green amount and disclosing the attribution rule. [S0901]
- **Refinancing look-back periods**: when proceeds refinance prior expenditure, the borrower must estimate the financing-versus-refinancing share, identify refinanced investments and disclose the look-back period in years, noting that lenders often expect a shorter look-back for operating expenditures than for capital projects. [S17] [S0902]

- **Overlapping refinancing and consecutive loans**: Section 3.A.III.b and Section 3.A.III.c of the GLP guidance confirm that eligible assets can be refinanced before original borrowing maturity or across consecutive green loans over a long useful life, provided the borrower discloses original maturity, asset age and remaining useful life, and prevents contemporaneous double counting during any overlap. [S17]
- **Collateral pledges versus use-of-proceeds claims**: Section 3.A.III.d of the GLP guidance confirms that existing assets pledged as collateral against an ordinary borrowing may still be refinanced through a green loan within their usable lifetime, *unless* they are already included in the use of proceeds of an outstanding green, social or sustainability loan or bond. [S17]
- **Disqualification and project removal**: ICMA's Harmonised Framework states that projects should be removed from reporting if they experience issues that negatively affect expected impact (such as cancellation, disqualifying restructuring, or becoming past due) or after underlying loans are repaid, with proceeds reallocated to eligible disbursements. [S0901] [S0903]

METHOD

Allocation register reconciliation and pro-rata impact attribution

To prevent double counting across tranches, invoices and reporting periods, GFT specifies five reconciliation rules aligned with Section 3.A.III and Section 3.B.IV.d of the GLP guidance and Paragraphs 3, 6, 14 and 17 of ICMA's Harmonised Framework: [S17] [S0901]

1. **Invoice eligible cap**: for each work-package invoice `i` with gross tax-exclusive cost `C_i` (in XAF) and technical green eligibility fraction `e_i` between 0 and 1, maximum eligible expenditure is `E_i = e_i * C_i`. [S0901]
2. **Non-overlapping allocation bound**: across all active green facilities `f` at reporting date `t`, total proceeds allocated to invoice `i` must not exceed `E_i` or the remaining active useful-life basis at refinancing. [S17]
3. **Facility proceeds conservation**: for each green facility `f` with drawn net proceeds `D_f(t)`, allocated proceeds `A_f(t)` plus tracked unallocated proceeds in temporary placements `U_f(t)` must equal `D_f(t)`. [S17] [S0902]
4. **Pro-rata financing share**: when green facility `f` finances part of an eligible project pool `p` with total eligible cost `E_p`, the facility's prorated financing share is `s_p(t) = A_p(t) / E_p`. [S17] [S0901]
5. **Prorated impact reporting**: for gross annual physical environmental benefit `I_p` (such as MWh generated or cubic metres of water recycled), the prorated impact attributable to facility `f` is `I_prorated(t) = s_p(t) * I_p`, reported alongside total project cost `E_p` and gross impact `I_p`. [S17] [S0901]

WORKED EXAMPLE

Reconciling Scenario A's eligible green tranche from invoice to prorated impact

Assume the hypothetical Cameroon venture in Scenario A structures its illustrative XAF 500 million senior debt into two tranches within one credit agreement: **Tranche A (Green Tranche)** of XAF 176 million (financing 80 percent of the illustrative XAF 220 million eligible green expenditure pool, with 20 percent or XAF 44 million funded by sponsor equity), and **Tranche B (General Commercial Tranche)** of XAF 324 million (financing sewing machinery and general civil works alongside XAF 356 million of sponsor equity and XAF 100 million of subordinated capital). All figures are illustrative. [S17] [S0901]

At Quarter 2 after close, the borrower has drawn XAF 176.0 million of Tranche A net proceeds into a designated XAF sub-account and logs five invoices in the register: [S17] [S0901]

- **Invoice WP-U01 (Rooftop solar PV and battery storage)**: illustrative supplier invoice of XAF 120.0 million, 100 percent eligible (`E_1 = XAF 120.0 million`), new capex (0 months look-back), paid 80 percent from Tranche A (`XAF 96.0 million`) and 20 percent from equity (`XAF 24.0 million`). [S17]
- **Invoice WP-U02 (Combined civil drainage and closed-loop water ultrafiltration skid)**: illustrative contractor invoice of XAF 80.0 million, of which engineering schedules certify XAF 50.0 million for closed-loop water recycling and effluent treatment and XAF 30.0 million for general site grading (`e_2 = 62.5 percent`, `E_2 = XAF 50.0 million`), paid XAF 40.0 million from Tranche A (80 percent of eligible) and XAF 40.0 million from Tranche B and equity. [S0901]
- **Invoice WP-D01 (Electrical sub-meters, flow meters and dryer humidity sensors)**: illustrative pre-close invoice of XAF 30.0 million paid 4 months before close (`E_3 = XAF 30.0 million`), refinanced under an agreed 12-month capex look-back window at 80 percent (`XAF 24.0 million`). [S17]
- **Invoice WP-S01 (Technical training on solar dispatch and effluent plant operation)**: illustrative training contract of XAF 20.0 million (`E_4 = XAF 20.0 million` under GLP Section 3.B.I.c), 50 percent invoiced and paid by Quarter 2 (`XAF 10.0 million` paid), with Tranche A allocating 80 percent (`XAF 8.0 million`). [S17]
- **Invoice WP-M01 (Sewing and cutting machines)**: illustrative invoice of XAF 400.0 million, screened as 0 percent green eligible (`E_5 = XAF 0.0 million`), funded by Tranche B and equity. [S17]

Summing Tranche A allocations at Quarter 2 gives `96.0 + 40.0 + 24.0 + 8.0 + 0.0 = XAF 168.0 million`. Because drawn net proceeds are `XAF 176.0 million`, the unallocated balance is `176.0 - 168.0 = XAF 8.0 million`, held in the tracked sub-account pending the final XAF 10.0 million training milestone. [S17] [S0903] Across the total eligible pool of `XAF 220.0 million`, Tranche A's allocated share at Quarter 2 is `168.0 / 220.0 = 76.36 percent`, rising to `176.0 / 220.0 = 80.00 percent` at full allocation. When the solar array generates an illustrative 360 MWh per year in steady state, the borrower reports both gross project generation (360 MWh/year on XAF 120.0 million solar capex) and Tranche A's 80 percent prorated share (288 MWh/year). [S17] [S0901]

Register field	Invoice WP-U01 (Solar + storage)	Invoice WP-U02 (Water + civil)	Invoice WP-D01 (Sub-meters)	Invoice WP-S01 (Green training)
Gross invoice (illustrative XAF m)	120.0 (100% paid)	80.0 (100% paid)	30.0 (100% paid)	20.0 (50% paid at Q2)
Eligible green capex (illustrative XAF m)	120.0 (Renewable energy) [S17]	50.0 (Partial: 62.5%) [S0901]	30.0 (Efficiency meters) [S17]	20.0 (Supporting intangible) [S17]
Look-back status	New capex (0 months) [S17]	New capex (0 months) [S17]	Refinanced (4 months) [S17]	New supporting spend [S17]
Tranche A allocated at Q2 (illustrative XAF m)	96.0 (80% of eligible)	40.0 (80% of eligible)	24.0 (80% of eligible)	8.0 (80% of XAF 10m paid)
Unallocated Tranche A (illustrative XAF m)	0.0	0.0	0.0	8.0 in tracked sub-account [S17]

9.9

Environmental benefit must use a stated baseline and boundary

Allocating proceeds solves only the financial half of verification; the engineering half requires proving that funded assets deliver measurable environmental benefit against an explicit baseline and boundary. [S17] [S23] [S25] [S0901] Both the GLP guidance and ICMA's June 2024 Harmonised Framework distinguish between *ex-ante* estimates developed prior to implementation for a representative year at normal capacity and *ex-post* measured operating results once assets operate. [S17] [S0901] Because ex-ante estimates carry no guarantee of materialising during ramp-up, the Harmonised Framework requires full transparency on calculation methods, grid factors, system boundaries and baselines. [S0901]

9.10 BASELINE EHS COMPLIANCE IS DISTINCT FROM INCREMENTAL GREEN PERFORMANCE

Engineers and credit officers must separate minimum environmental, health and safety (EHS) compliance required for project bankability from incremental environmental performance that justifies a green project label. [S17] [S22] [S23] [S24] Under IFC Performance Standard 1, every project with environmental and social risks must maintain an Environmental and Social Management System (ESMS) and comply with host-country law and Good International Industry Practice (GIIP), reflected in the World Bank Group General EHS Guidelines (updated December 2024) and the EHS Guidelines for Textile Manufacturing (30 April 2007). [S22] [S23] [S24] While the 2007 Textile Manufacturing EHS Guidelines note that application to *existing* facilities may involve site-specific targets with an appropriate timetable, new facilities are expected to achieve guideline levels from the start. [S23] [S24]

For direct discharges of treated textile effluent to surface waters, Table 2 of the 2007 Textile EHS Guidelines specifies indicative GIIP limits including pH of 6 to 9, five-day biochemical oxygen demand (BOD) of 30 mg/L, chemical oxygen demand (COD) of 160 mg/L, adsorbable organic halogens (AOX) of 1 mg/L, total suspended solids (TSS) of 50 mg/L, oil and grease of 10 mg/L, total chromium of 0.5 mg/L, hexavalent chromium of 0.1 mg/L, copper, cobalt and nickel of 0.5 mg/L each, sulphide of 1 mg/L, phenol of 0.5 mg/L, total nitrogen and ammonia of 10 mg/L each, total phosphorus of 2 mg/L, and a temperature increase below 3 degrees Celsius at the mixing-zone edge. [S23] Table 3 and Table 4 of the 2007 Textile EHS Guidelines also record European Commission benchmarks for wet-processing intensity, such as knitted-fabric finishing use of 1 to 6 kWh/kg of electrical energy, 10 to 60 MJ/kg of thermal energy and 70 to 120 litres/kg of water, and woven-fabric finishing use of 0.5 to 1.5 kWh/kg of electricity, 30 to 70 MJ/kg of thermal energy and 50 to 100 litres/kg of water. [S23]

These parameters show why GFT's first-line boundary (cut, make, trim and low-water garment finishing, reserving spinning, knitting and wet dyeing for optional partnered or later-stage appraisal) avoids the heaviest wet-processing loads. [S23] Where the venture invests in closed-loop water recycling, mechanical dewatering, dryer humidity sensors (noting the 2007 Textile EHS Guideline observation that water temperature control at 65 degrees Celsius and automatic humidity sensors reduce energy use) or solar-storage generation, the impact report must define the baseline alternative. [S23] [S0901] In this library, `wp06` owns energy and water baselines and `wp16` owns carbon accounting; `wp13` consumes their verified parameters.

9.11 THE FINANCIAL MODEL MUST NEVER DOUBLE COUNT PHYSICAL SAVINGS, AVOIDED EMISSIONS AND CARBON CREDITS

A recurring error in green project pitches is counting the same kilowatt-hour or cubic metre three times: as an operating cost reduction in EBITDA, as a corporate Scope 1 or Scope 2 greenhouse-gas reduction, and as speculative carbon-credit revenue added to cash flow available for debt service (CFADS). [S01] [S17] [S25] The standards cited here enforce strict boundaries:

- **Corporate GHG inventories versus project-level avoided emissions**: the WRI and WBCSD Greenhouse Gas Protocol Corporate Standard states that it is written from the perspective of a business developing a corporate GHG inventory covering seven Kyoto Protocol gases (CO2, CH4, N2O, HFCs, PFCs, SF6 and NF3), updated in 2015 with Scope 2 Guidance, and "should not be used to quantify the reductions associated with GHG mitigation projects for use as offsets or credits." [S25]
- **Impact reporting core indicators**: ICMA's June 2024 Harmonised Framework requires impact reports to state core quantitative metrics such as annual GHG emissions reduced or avoided in tonnes of CO2 equivalent per year, annual renewable generation or energy savings in MWh/GWh and GJ/TJ, renewable capacity in MW, and water saved or treated in cubic metres per year, referencing the GHG methodology and baseline assumptions. [S0901]
- **Carbon offsetting exclusion in the GLP**: Section 3.B.I.g of the March 2025 GLP guidance states that "Carbon offsetting has not been envisaged within the GLP list of eligible projects." [S17] Replacing diesel or grid electricity with on-site solar

power already lowers utility cash outflows in EBITDA and CFADS; adding uncontracted voluntary carbon-credit sales on the same solar output would double count the benefit and compromise the green loan's reported impact. [S01] [S17] [S25]

> **WARNING**
>
> **Unresolved baseline and double-counting constraint**
>
> A greenfield factory has no historical utility bills before commissioning. Reporting ex-ante savings against an undocumented diesel-only baseline when connected to a hydroelectric grid, or selling carbon offsets from the same solar MWh reported to a green lender, invalidates impact assurance. [S17] [S25] [S0901] Resolution requires three pre-close controls: (1) a written baseline protocol under `wp06` and `wp16` specifying grid factors, backup-generator share and meter points; (2) sub-metering installed before commissioning to record gross consumption and generation separately; and (3) a loan undertaking prohibiting separate sale of environmental attributes from financed green assets without lender consent and impact-report adjustment. [S17] [S25] [S0901]

9.12

Review and reporting costs can change the preferred instrument

Even when a venture possesses a genuinely eligible environmental capital pool (such as Scenario A's illustrative XAF 220 million) and a metering plan, the finance director must test whether the all-in cost of administering a green label is justified by the borrowing scale. [S01] [S15] [S17] [S19] Every use-of-proceeds label introduces fixed upfront and recurring annual compliance costs across four stages: (1) framework and legal drafting; (2) pre-origination external review (recommended under the GBP, used where appropriate under the GLP unless relationship self-certification applies, and mandatory under the EuGB standard); (3) sub-account tracking and annual allocation and impact reporting; and (4) post-origination external allocation audit (recommended under the GBP, optional under the GLP, and mandatory annually until full allocation under the EuGB standard). [S17] [S19] [S0901] [S0902] [S0903]

9.13 FIXED COMPLIANCE EXPENSES PENALISE SMALL GREEN TRANCHES UNLESS REVIEW IS STREAMLINED

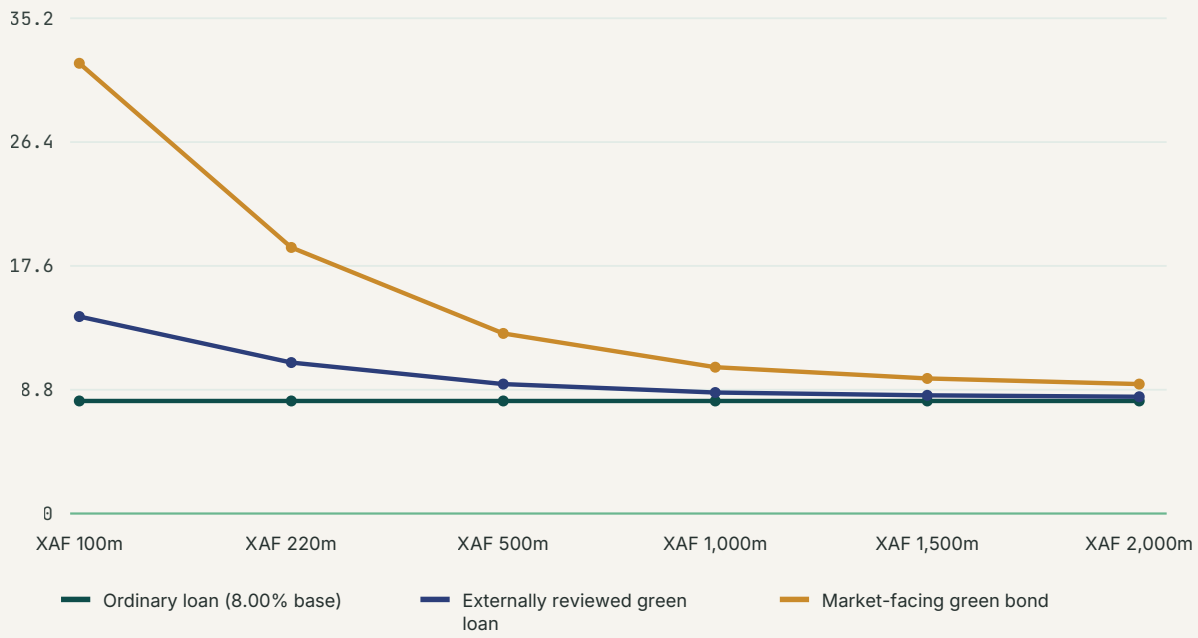
To show how fixed review and reporting costs behave across facility sizes, GFT constructs a derived illustrative cost model from Scenario A's debt parameters, plotted in **Exhibit 42**, p. 150. [S01] [S15] [S17] [S19] In Scenario A (`outline.json` illustrative case A), senior debt carries an assumed 8.00 percent annual interest rate on opening annual balance, repaid in six equal annual principal instalments of `P / 6` with zero grace and zero base fees (declared illustrative inputs, not market quotes). Across Years 1 to 6, opening balances are `6/6 P`, `5/6 P`, `4/6 P`, `3/6 P`, `2/6 P` and `1/6 P`, giving an average opening outstanding principal of `P_avg = (21 / 36) * P = (7 / 12) * P` (58.333 percent of initial principal `P`). Base contractual interest divided by `P_avg` is therefore 8.00 percent per year across all facility sizes.

Now compare three illustrative structuring cases across initial facility sizes `P` from XAF 100 million to XAF 2,000 million (using explicitly assumed illustrative compliance costs):

- **Case 1: Ordinary senior term loan (or self-certified relationship green tranche with zero external review fees)**: assumed incremental external green review fees of XAF 0.00 million upfront and XAF 0.00 million/year, keeping annualised cost at **8.00 percent** of `P_avg`. [S17]
- **Case 2: Externally reviewed green loan tranche**: assumed illustrative upfront framework and external review cost of XAF 10.50 million (XAF 1.75 million/year over 6 years) plus assumed annual allocation and impact assurance cost of XAF 1.75 million/year, totalling XAF 3.50 million/year. Dividing XAF 3.50 million/year by `P_avg = (7 / 12) * P` adds `600 / P` percentage points per year to the 8.00 percent base rate. [S17]
- **Case 3: Market-facing green bond**: assumed illustrative upfront prospectus, legal, Second Party Opinion and listing cost of XAF 42.00 million (XAF 7.00 million/year over 6 years) plus assumed annual allocation audit, trustee and reporting cost of XAF 7.00 million/year, totalling XAF 14.00 million/year. Dividing XAF 14.00 million/year by `P_avg = (7 / 12) * P` adds `2400 / P` percentage points per year to the 8.00 percent base rate. [S15] [S19] [S0902]

EXHIBIT 42 / ANNUALISED ALL-IN COST (PERCENT OF AVERAGE PRINCIPAL)

Fixed review costs weigh more heavily on smaller facilities



DERIVED [S01] [S15] [S17] [S19] Derived illustrative calculation: total annualised financing cost divided by average opening principal (7/12 of initial principal under Scenario A 6-year equal-principal amortisation and 8.00 percent base rate) across declared assumed facility sizes (XAF 100m to XAF 2,000m) and assumed annualised compliance costs (XAF 0m, XAF 3.50m and XAF 14.00m per year). No market quote is implied.

The derived curves in **Exhibit 42**, p. 150 establish the economic threshold. [S01] [S15] [S17] [S19] At an illustrative facility size of XAF 2,000 million (`P_avg = XAF 1,166.67 million`), an annualised green loan review cost of XAF 3.50 million/year adds 0.30

percentage points to average principal (total 8.30 percent), while the bond structure adds 1.20 percentage points (total 9.20 percent). At Scenario A's illustrative eligible green pool of **XAF 220 million** (`P_avg = XAF 128.33 million`), however, the same XAF 3.50 million/year green loan review burden adds **2.73 percentage points** per year (raising effective cost to 10.73 percent), and the standalone green bond structure adds **10.91 percentage points** per year (total 18.91 percent). Even if a lender offered a hypothetical 0.25 percentage-point coupon discount on a XAF 220 million green tranche (never guaranteed), that discount saves only `0.0025 * 220 = XAF 0.55 million` in Year 1 and `0.0025 * 128.33 = XAF 0.32 million/year` on average, which is less than one-tenth of the illustrative XAF 3.50 million/year external verification cost. [S15] [S17]

9.14 CHOOSE THE INSTRUMENT THAT FITS THE BOUNDARY AND THE VERIFICATION BUDGET

Section 3.C.I of the March 2025 GLP guidance provides the practical alternative for relationship-based bank loans: where a borrower has demonstrated or developed internal expertise to confirm alignment with the GLP, **documented self-certification** communicated to participating lenders as agreed in the legal documentation may be sufficient without appointing an external reviewer. [S17] Alternatively, a borrower may access an intermediated DFI green credit line where technical assistance covers external verification (`wp13` Chapter 08). [S01] [S17] Analytical inputs from the `solar-storage` and `footprint` tools, together with the technical methods in `wp06`, `wp16` and `wp17`, feed the work-package screen (**Exhibit 38**, `p. 136`) and allocation register (**Exhibit 41**, `p. 144`) whether or not a formal label is marketed.

> **GFT NOTE**
>
> For a first textile line whose eligible environmental capital expenditure is an illustrative XAF 220 million out of XAF 1,000 million total uses, GFT recommends three sequential rules: (1) reject standalone green bond issuance and EuGB designation at the single-line stage because fixed prospectus, legal and external-audit costs outweigh the eligible pool; (2) ring-fence solar, water-treatment, sub-metering and supporting resource-training invoices in the accounting ledger from day one so the allocation trail exists regardless of the debt label; and (3) adopt a formal GLP green tranche only where the lender accepts documented borrower self-certification under GLP Section 3.C.I, covers external review under an intermediated facility, or provides a verified pricing or tenor improvement that exceeds the quoted cash cost of compliance. [S15] [S17] [S19]

A green label belongs on the ledger that proves where the money went, not on the brochure that describes what the factory hopes to become.

CHAPTER SOURCE NOTES

S15 ICMA. 2025.

S17 APLMA, LMA and LSTA. 2025-03-26.

S01 IFC. n.d..

S0902 ICMA. 2025-06.

S16 ICMA. 2024.

S18 APLMA, LMA and LSTA. 2025-03-26.

S0901 ICMA. 2024-06.

S23 World Bank Group / IFC. 2007-04-30.

S22 IFC. 2012-01-01.

S0903 ICMA. 2023-06.

S19 Netherlands Authority for the Financial Markets. n.d..

S25 WRI and WBCSD / GHG Protocol. n.d..

S24 World Bank Group / IFC. 2024.

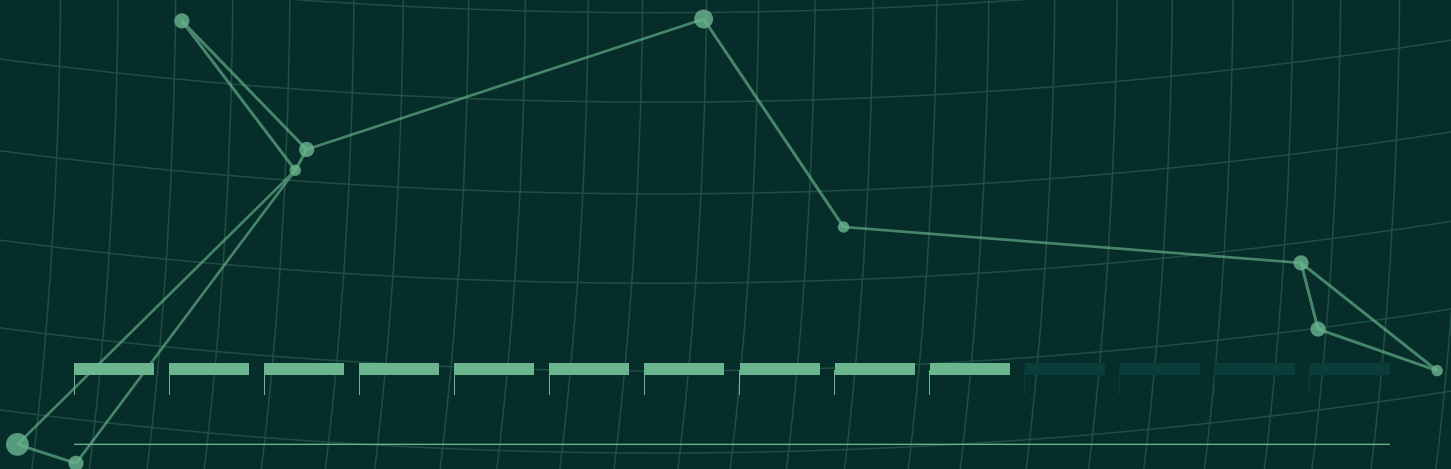
GREEN FUTURE TECH
LIMITED / HONG KONG SAR

10

PART III: SUSTAINABLE FINANCE MUST SURVIVE VERIFICATION / TARGETS AND INCENTIVES

Performance-linked finance needs a credible baseline first

A first textile line should adopt linked pricing only after its baseline, targets and verification rules can withstand changes in production and reporting.



CHAPTER 10
DECISION TEST

A first textile line should adopt linked pricing only after its baseline, targets and verification rules can withstand changes in production and reporting.

A first textile line should establish a defensible operating baseline before making its borrowing cost depend on sustainability performance. GFT recommends financing the measurement system from the outset, then activating any linked feature only when the borrower and financiers can agree what improvement means. A pricing incentive should reward a material change against a stable reference, supported by records that an independent practitioner can inspect. It should not reward an unusually poor commissioning period, a smaller production boundary or a missing report. This chapter develops a proposed transaction method, not a financing offer. Its examples are illustrative and it is not investment, legal or tax advice.

10.1

Sustainability-linked finance is not restricted to green invoices

Performance-linked borrowing and green use-of-proceeds borrowing answer different questions. ICMA's sustainability-linked bond framework connects instrument characteristics to predefined sustainability objectives, while allowing general-purpose proceeds. Its green bond framework focuses on financing projects with environmental benefits and tracking the use of proceeds. These are separate architectures, even where a transaction combines them. [S16] [S15]

The distinction also applies to loans. The opened green-loan guidance makes the eligible project central to the green designation, while the sustainability-linked guidance addresses the borrower's performance. A proposed general corporate loan can therefore contain linked terms without every financed invoice being green. Conversely, an eligible green investment need not carry a performance-linked margin. [S17] [S18]

GFT proposes writing the ordinary credit case before designing the linked feature. The borrower should identify the funded production boundary, cash available for debt service, liquidity requirements and unresolved operating risks. The sustainability schedule then sets out the separate performance promise. A favourable target result cannot repair an unfunded cash shortfall. A missed sustainability target need not establish insolvency. Keeping these questions explicit allows a financier to assess repayment capacity and the integrity of the incentive without confusing their evidence.

For a first textile line, the useful starting question is whether management can influence and evidence the chosen outcome. A training-completion measure may be easy to count yet say little about safer work. Electricity intensity may be relevant but sensitive to operating hours and garment mix. Purchasing equipment does not establish that the equipment works efficiently. These are proposed screening questions, not conclusions about a named factory. The financing team should record why the selected outcome matters more than a convenient substitute.

The linked schedule should state its relationship to the wider sustainability strategy. GFT would ask the borrower to identify the operational action that is expected to improve the measure, the budget that funds it and the management role accountable for delivery. Where an action depends on a supplier, utility or buyer, the schedule

should describe that dependency. Management control should not be presented as complete merely because management signs the certificate. The record should separate controllable decisions from external conditions and specify how both will be reported.

A combined green and linked structure would require parallel records under GFT's proposed method. An allocation record would connect eligible expenditure to the relevant funds. A performance record would connect measured outcomes to targets and pricing. The same equipment may appear in both records for different reasons, but an eligible payment is not evidence of target attainment. The preceding chapter owns the detailed proceeds register; this chapter concerns the performance promise. The distinction should remain visible in internal reporting as well as in the financing documents.

GFT would also keep the claimed scope of any designation narrow. A verified target result supports the stated result within its defined boundary. It should not be used to imply that all products, suppliers or working practices have been certified. The commercial team should use wording that the evidence supports, and the finance team should retain a register of the public statements that rely on each report. This proposed control prevents the pricing certificate from becoming a broader, unsupported endorsement of the business.

10.2

A greenfield baseline requires explicit treatment of commissioning

The opened loan guidance calls for recent, relevant baselines and notes the suitability of an established sustainability strategy or historical performance data. That makes the absence of operating history a design constraint for a new line, rather than a reason to invent one. GFT's alternatives below are proposed responses; they do not establish that any particular lender will accept a greenfield linked structure. [S18]

GFT proposes separating commissioning, stabilisation and the target observation period. Commissioning records should retain abnormal consumption, trial batches, rejects and interrupted shifts. They are important operating evidence, but they need not form a representative target baseline. The baseline protocol should identify which records enter the comparison and why. Exclusions should follow a rule agreed before the results are known. A manager should not be able to choose a favourable comparison window retrospectively.

An independently reviewed engineering baseline is a possible provisional reference. Its file should identify the equipment duty, expected loading, product specification, ambient assumptions, utility boundary and loss allowances. Supplier design data should remain distinguishable from measurements. GFT would require a reconciliation after representative operation becomes available, including an explanation of differences that exceed the agreed tolerance. An engineering model should retain its status as a model even after a reviewer finds its assumptions reasonable. It cannot become an observed operating history through a change in label.

A measured stabilisation period is a different option. GFT proposes defining readiness through evidence of repeatable production conditions rather than elapsed time alone. The protocol should cover meter availability, stable recording practices, product families, planned downtime and the treatment of rework. It should also test whether the observed range includes the conditions expected during the target period. A quiet period with unusually simple orders should not be described as representative merely because the readings are complete. If the evidence remains narrow, the comparison should retain that limitation.

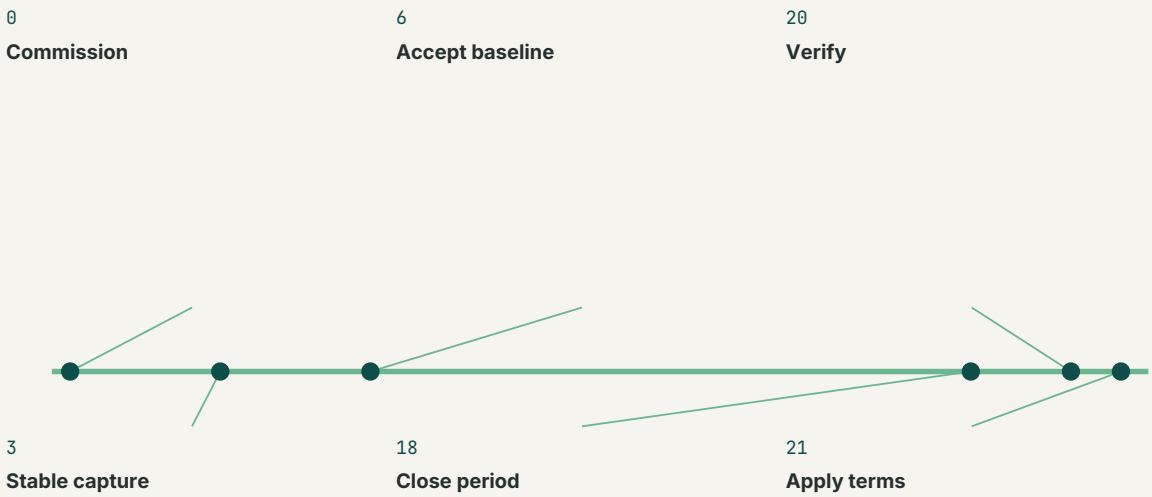
Deferring the linked feature is the fallback when neither reference is credible. GFT would propose ordinary financing terms alongside a funded measurement plan, a review milestone and an explicit procedure for considering a later amendment. The borrower should avoid presenting this as an active linked facility before the relevant terms and alignment have been agreed. Deferral leaves the underlying operating and reporting work necessary. It simply avoids assigning a financial consequence to a target that the parties cannot yet define fairly.

The baseline file should also describe the measurement chain at handover. GFT proposes recording meter identifiers, calibration status, reading intervals, ownership of shared loads and the reconciliation to purchased utilities. Where production crosses the reporting cut-off, work in progress should have an agreed treatment. Otherwise consumption can enter one period while its accepted output enters another. The production supervisor should confirm the output record, while the responsible utility role confirms consumption. A named management role should resolve the difference before either record becomes the contractual baseline.

The illustrative sequence in **Exhibit 43**, p. 157 places the target period after baseline review. Its timing is assumed solely to explain the dependency. An actual schedule would be agreed around the production programme, representative conditions, reporting capacity and assurance scope. A delayed baseline decision should move the dependent steps through the agreed amendment process, rather than compress the target period without reconsidering its ambition.

EXHIBIT 43 / ILLUSTRATIVE MONTHS FROM COMMISSIONING START

Target observation follows baseline acceptance



ILLUSTRATIVE Illustrative proposed sequence, not a delivery forecast: commissioning at month 0, stable capture at 3, baseline acceptance at 6, observation close at 18, verification at 20 and prospective pricing at 21. No target is assumed achieved.

The sequence does not prove that the illustrative stabilisation window is adequate. Under GFT's proposed control, baseline acceptance would record who reviewed the file, which version was accepted, unresolved qualifications and whether the target methodology uses that same boundary. Acceptance would authorise the stated comparison, not endorse every forecast in the financing model.

> **GFT NOTE**
>
> Fund the meters, record ownership, reconciliations and independent review before negotiating a reward. If the baseline cannot be defended, defer the linked feature and keep building the evidence. Do not replace missing operating history with an unlabelled engineering estimate.

10.3

Material KPIs should resist changes in product mix and output

ICMA's opened bond principles emphasise material, consistently measurable and externally verifiable KPIs. GFT translates that architecture into a proposed challenge: attempt to improve each candidate indicator without improving the underlying outcome. If a plausible operational change produces that result, the indicator needs a companion measure, a boundary rule or replacement. [S16]

For energy, GFT proposes retaining both total consumption within the declared boundary and an intensity denominator appropriate to the process. Mass of accepted output may be useful for some operations, while standardised production effort may explain others. Neither denominator should be selected merely because it gives the most favourable trend. The technical team should show how garment weight, processing stages, quality rejection and utilisation affect the ratio. Comparisons between different product families should disclose the method for weighting them and retain the unadjusted totals.

An illustrative arithmetic test assumes electricity use falls from 100,000 kWh to 90,000 kWh while accepted output falls from 50,000 kg to 30,000 kg. Intensity rises from 2 to 3 kWh per kg, an illustrative deterioration of 50 percent despite the lower total use. In the reverse illustrative case, intensity falls from 2 to 1.8 kWh per kg while output doubles to 100,000 kg, so consumption rises to 180,000 kWh. The example demonstrates why the contract must identify the outcome it intends to reward; neither an absolute figure nor an intensity alone answers every question.

For water, GFT would require process boundaries that follow the relevant wet operations. Moving dyeing or washing to an external processor should trigger review of comparability rather than an automatic claim of resource improvement. The operating file should identify purchased services, the output they support and any unavailable supplier measurements. Where a material outsourced impact remains unmeasured, the limitation should be reported. A site meter can establish site consumption, but it cannot establish the water performance of a service outside its measurement boundary.

For emissions, the GHG Protocol Corporate Standard addresses corporate inventories and distinguishes that task from offset-credit quantification and the conduct of verification. GFT therefore proposes naming the inventory boundary, factor vintage and treatment of purchased energy before a financing target uses a carbon figure. Product footprints and avoided emissions should remain separate claims, with their own methods. [S25]

A labour-related indicator needs a different challenge. IFC's Performance Standards include labour and working conditions within the environmental and social framework. GFT would retain compliance and remediation obligations independently of any pricing incentive. A proposed safety or grievance measure should test reporting behaviour as well as the headline result. A decline in recorded complaints should prompt checks on access and confidence in the channel before management interprets it as improvement. [S22]

The illustrative screening register in **Exhibit 44**, p. 159 summarises proposed controls. It is a method template, not a finding about a factory or a universal list of suitable loan KPIs. Each candidate still needs a materiality decision, an accountable owner and a documented link to the borrower's strategy.

EXHIBIT 44 / ILLUSTRATIVE SCREENING REGISTER

Each candidate KPI needs a test for false improvement

Candidate	Denominator	False signal	Companion check
Energy intensity	Accepted mass	Changed mix	Mix and total use
Water intensity	Matched output	Outsourced step	Supplier boundary
Absolute emissions	Declared period	Smaller perimeter	Restatement bridge
Safety outcome	Hours worked	Under-reporting	Access and review

ILLUSTRATIVE GFT proposed screening method. These are hypothetical failure mechanisms, not observed conditions. Companion evidence tests comparability; no KPI is approved by this exhibit.

GFT proposes a separate test for quality-related distortion. Rejected output should not increase the denominator simply because it passed through a machine. Equally, excluding all rework consumption while counting the eventual accepted garment would omit part of the production burden. The method should show how repeated processing, downgraded goods and scrap enter both numerator and denominator. Where goods are returned after the observation cut-off, the agreed correction rule should determine whether the result is reopened or adjusted later. Management should not decide this only after learning which treatment secures the reward.

GFT would retain a reasoned rejection file for discarded KPIs. This should record why an apparently attractive measure was too narrow, too dependent on an external assumption or too difficult to verify. The rejected alternatives help a later reviewer understand the selection. They also make it harder to substitute an easier indicator after operating results become available.

10.4

Targets must exceed business as usual on a defined timetable

The opened loan guidance expects target ambition beyond ordinary improvement and regulatory requirements. GFT's proposed transaction response is a target memorandum that distinguishes the expected operating path from the additional change being promised. A target should not be selected solely because it is below a distressed commissioning reading or already achieved at the time it is agreed. [S18]

The memorandum should identify the KPI, baseline version, observation boundary, target level, deadline, method, evidence owner and proposed verification criteria. It should describe the reference case, planned investments and operational actions expected without the linked incentive. It should then explain the further effort or performance that makes the proposed target meaningful. GFT would require this comparison even when a sponsor has already announced a sustainability ambition. An announcement can establish an intention; it does not establish an appropriate financing threshold.

An illustrative target test starts with baseline electricity intensity of 2.0 kWh per kg. Assumed improvements already funded in the ordinary capital plan reduce the expected reference to 1.8 kWh per kg. A proposed target of 1.85 kWh per kg is an illustrative 7.5 percent improvement against the baseline, calculated as (2.0 minus 1.85) divided by 2.0. Yet it is weaker than the assumed reference case. An illustrative target of 1.7 kWh per kg improves on that reference by about 5.6 percent, calculated as (1.8 minus 1.7) divided by 1.8. Neither comparison alone proves sufficient ambition; the reference assumptions still require scrutiny.

GFT would ask the technical team to reconcile the reference to equipment acceptance criteria and the funded operating plan. If commissioning is expected to remove trial-batch losses, that effect belongs in the reference analysis. If a new meter changes the allocation of shared utility consumption, the apparent improvement may be a measurement change. The target memorandum should explain these mechanisms separately. The finance team should not treat every fall from the initial reading as an incremental sustainability achievement.

Benchmark selection should follow process comparability. GFT proposes recording the product, production stage, utilisation range, geography where relevant, reporting boundary and methodological differences for every benchmark used. A technical benchmark from wet processing should not set an assembly-only target without a defensible bridge. The detailed energy, water and carbon methods belong to the relevant technical papers. This chapter requires those methods to be identified in the financing file; it does not invent a sector-wide efficiency threshold or claim that a current tool already implements the contractual calculation.

The observation period should be long enough to represent the conditions relevant to the promise, with the actual duration justified in the transaction. GFT would specify the cut-off for production records, the treatment of inventory and rework, and the point at which late corrections enter the next report or reopen the current determination. Management should see provisional results early enough to act, but the final contractual result should use the agreed complete record. An internal dashboard and a financing certificate may have different timeliness and assurance requirements.

Measurement uncertainty deserves an explicit decision rule. If the difference between the reported result and the target is smaller than the method's uncertainty, GFT proposes disclosing that fact rather than silently rounding towards success. The parties should agree measurement precision, rounding, tolerance and treatment of unresolved exceptions before observation begins. The same rule should apply to success and failure. A threshold negotiated after the outcome is known would weaken the credibility of the incentive and make later comparisons harder to defend.

10.5

Linked economics must be modelled in both success and failure

The financial effect should be calculated before the borrower treats linked pricing as a funding benefit. GFT recommends separating the contractual margin adjustment from measurement, reporting, assurance and operating expenditure. Only incremental compliance cost belongs in a comparison with ordinary debt; expenditure already

required for the factory or another obligation should remain visible without being counted again. All figures in the following case are illustrative assumptions from the paper's constructed capital scenario, not lender quotations.

WORKED EXAMPLE: THE MARGIN EFFECT IS SMALLER AFTER AMORTISATION

The illustrative scenario assumes senior opening principal of XAF 500 million, annual equal principal instalments over six years, and an annual base rate of 8 percent charged on opening principal. A hypothetical adjustment of 0.25 percentage points equals 0.0025 in decimal form. Holding the opening balance for the annual calculation gives an illustrative first-year effect of 500 multiplied by 0.0025, or XAF 1.25 million. A discount gives an illustrative rate of 7.75 percent; a symmetric penalty gives 8.25 percent. These are constructed terms, with no promise that either adjustment is available.

Illustrative first-year principal repayment is 500 divided by 6, or about XAF 83.33 million. Base opening-balance interest is 500 multiplied by 0.08, or XAF 40 million. Senior service is therefore approximately XAF 123.33 million before any linked change. Under the assumed symmetric adjustment, service becomes approximately XAF 122.08 million on success or XAF 124.58 million on failure. These illustrative figures exclude fees, construction interest, subordinate debt service and other unmodelled obligations.

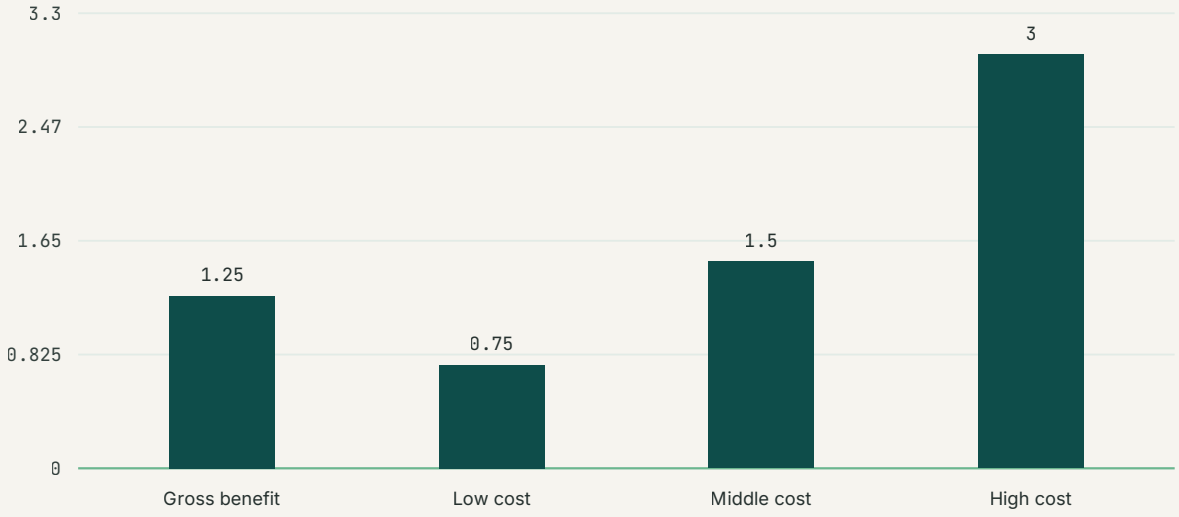
After the illustrative first principal instalment, opening senior principal becomes about XAF 416.67 million. The next annual effect is approximately XAF 1.04 million, calculated as 416.67 multiplied by 0.0025. Across the illustrative six opening balances, 500, 416.67, 333.33, 250, 166.67 and 83.33 million XAF, the total adjustment is approximately XAF 4.375 million. This assumes the adjustment applies throughout, annual opening-balance interest, no prepayment and rounding only for presentation. It is an undiscounted sum, not a present value or a forecast.

For the illustrative cost screen, assume incremental annual assurance and reporting costs of XAF 0.75 million, XAF 1.5 million or XAF 3 million. Against the illustrative first-year discount of XAF 1.25 million, net outcomes are respectively a saving of XAF 0.50 million, a cost of XAF 0.25 million and a cost of XAF 1.75 million. The assumed costs are sensitivity inputs only. They include no claimed market fee, and actual quotations should identify scope, travel, taxes and internal effort before use in a transaction.

The illustrative comparison in **Exhibit 45**, p. 162 shows gross margin effect and assumed costs separately. It does not imply that the borrower can choose a cheaper assurance scope while preserving the same evidential strength. The relevant question is whether a proportionate, sufficient verification package is funded, and whether the financing feature justifies its incremental cost.

EXHIBIT 45 / ILLUSTRATIVE XAF MILLION PER YEAR

Assurance cost can exceed the gross margin benefit



ILLUSTRATIVE Assumed opening principal 500 multiplied by assumed adjustment 0.0025 gives 1.25. Annual incremental cost sensitivities are assumed at 0.75, 1.5 and 3. All values are illustrative, not quotes. Benefit falls with amortisation; cost is not assumed to fall.

Failure needs its own cash line. GFT would model the agreed adverse margin outcome and continuing reporting obligations without assuming that assurance expenditure disappears when a target is missed. The borrower may still need to measure performance, verify the result and fund corrective action. Where a target requires operating investment, its cash cost should appear in the operating or capital plan independently of the interest adjustment. The same expenditure should not be treated as both a cash deduction and an extra financing saving.

A proposed multi-KPI package needs an explicit aggregation rule. GFT would require a worked determination showing what happens when one target passes, another fails and another lacks sufficient evidence. The parties should agree whether each result has a separate consequence or whether the package is assessed together. A favourable environmental result should not silently cancel an unresolved labour obligation. The credit model should reproduce the actual proposed rule, including any limits on total adjustment, rather than assume that every target succeeds independently. The commercial presentation should use that same rule.

GFT would also compare timing. A prospective discount delivered after verification cannot pay for an earlier liquidity need unless another funding source bridges it. A price adjustment should therefore be mapped onto actual interest periods, balances and payment dates. If the incentive begins late or applies only briefly, the opening-principal headline will overstate its total value. The illustrative arithmetic is useful precisely because it exposes these dependencies; it does not establish the best instrument or replace the wider debt-capacity model.

10.6

The contract must address missing data and perimeter changes

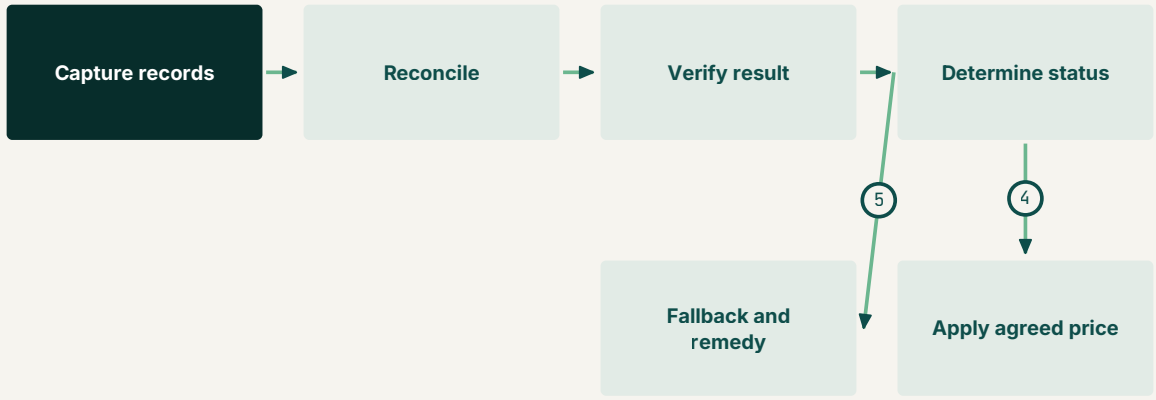
GFT proposes a missing-data schedule with separate states for a missed target, an unavailable result, an incomplete report and an adverse assurance conclusion. Each state should have a defined notice, responsible party, deadline, interim pricing treatment and route to resolution. Absence of evidence should not automatically earn favourable pricing. Equally, a mechanical price consequence should not be described as a default unless the executed documents make it one. The drafting requires transaction-specific legal review.

The proposed default position for an unverified result is to withhold any favourable adjustment pending the agreed process. That is a recommendation, not a statement of market-standard terms. The parties should decide whether a late verified result changes pricing prospectively, triggers a retrospective true-up or leaves the original determination intact. Any true-up should identify the interest periods, affected balances and calculation method. A correction should not disappear into an unexplained net figure in a later payment request.

The illustrative decision path in **Exhibit 46**, p. 163 separates evidence review from pricing determination. Its branch for unresolved evidence means that the agreed fallback applies; it does not prescribe a universal penalty. The final contractual determination should remain traceable to the report version, any qualifications and the authorised decision.

EXHIBIT 46 / ILLUSTRATIVE CONTRACTUAL DECISION PATH

Unresolved evidence follows an agreed fallback



4. Evidence sufficient

5. Unresolved

ILLUSTRATIVE GFT proposed sequence. Qualified, missing or late evidence goes to the fallback and remedy process. Actual pricing, cure, true-up and default consequences require executed terms; no automatic legal consequence is asserted.

Perimeter changes need a comparable discipline. GFT would require notification of acquisitions, disposals, outsourced production steps, material product-mix changes and changes to shared-utility allocations. The review should first decide whether the original measure remains meaningful. If a restatement is proposed, the borrower should provide the original result, the revised result and a bridge explaining the change. The approval record should state which future and past determinations are affected. Maintaining both versions protects the audit trail and allows financiers to understand whether performance or merely presentation changed.

For revised emission factors or methods, GFT proposes separating changes in activity from changes in calculation. A reconciliation on a consistent basis should accompany the restated inventory where practicable. The technical team should identify whether the original factor was wrong, superseded or simply different from a newly selected approach. The financing schedule should specify when recalculation is required and who approves the resulting target adjustment. A new method should not quietly lower ambition or erase an unfavourable observation.

The documents should distinguish the price mechanism, permission to use a designation, a reporting covenant and an event of default. These consequences may interact, but they should not be collapsed into an undefined sustainability breach. GFT would also require explicit authority for amendments and an escalation route for disputes. A sustainability coordinator, verifier and facility agent may perform different tasks. The proposed allocation of responsibilities should be written in the relevant mandates rather than inferred from participation in a call or review meeting.

10.7

Independent verification is a financing control, not a decorative review

ICMA separates external review of the proposed structure from independent verification of performance relevant to an instrument adjustment. GFT would preserve that separation in procurement and reporting: a favourable view of target design before signing cannot establish the later measured result. [S16]

GFT proposes appointing a verifier against an evidence specification rather than a general request for a sustainability endorsement. The engagement should identify the subject matter, criteria, assurance approach, expected conclusion, exclusions, reporting recipients and timetable. The practitioner should demonstrate competence in the selected metrics and independence from the work being assessed. Where specialist engineering or labour expertise is required, responsibilities should be clear. An attractive report cover and an external signature cannot compensate for an undefined scope.

GFT would ask the reporting team to maintain an exception register throughout observation. Each exception should identify the affected period, missing or corrected record, provisional calculation, authorisation and resolution. The register should remain available to the practitioner even where management believes the issue is immaterial. A reasoned assessment of significance is stronger than removing excep-

tions from the record. The verifier can then evaluate the complete proposed determination, and the financing administrator can see which unresolved matters prevent its use for pricing.

Data access should be tested before the observation period closes. GFT would require a trial trace from a reported KPI back to the source records, through calculations and adjustments, then forward to the certificate. The exercise should include an exception, not only a clean sample. The team should establish whether supplier records can be obtained, whether corrections retain their history and whether meter outages have a documented treatment. Detailed data-system design belongs to the measurement and digital papers; the financing file needs evidence that the required chain can actually be followed.

The reporting calendar should leave time for questions, corrections and an authorised determination before the relevant interest calculation. GFT proposes assigning distinct ownership of operational records, management certification, independent review and financing administration. A financial-statement audit should not be assumed to cover the KPI simply because the electricity invoice affects operating cost. The scope of each engagement should be checked directly. Reusing evidence may reduce duplicate work, but reusing a report title does not extend its assurance conclusion.

When the practitioner cannot confirm the result, GFT would preserve the qualified conclusion and route it through the contractual fallback. Management should identify the evidential defect, fund the corrective action and set a realistic review date. Corrected data should retain the earlier version and explain the change. If the defect exposes an invalid baseline, the response may require reconsidering the whole target comparison, not simply replacing a missing attachment. Remediation should improve the evidence system rather than obscure the failed determination.

The recommended decision is conditional: establish a material, comparable baseline; set a target that survives the reference-case test; agree the consequences; fund the reporting and review; then consider activating linked economics. GFT's proposed method makes the production record the basis of the financial promise. Where those conditions are absent, the next useful investment is in measurement and operating control. Neither a proposed structure nor a completed review is reported here as an approved transaction or an achieved factory result.

A credible incentive starts where the baseline can be checked.

CHAPTER SOURCE NOTES

S16 ICMA. 2024.

S15 ICMA. 2025.

S17 APLMA, LMA and LSTA. 2025-03-26.

S18 APLMA, LMA and LSTA. 2025-03-26.

S25 WRI and WBCSD / GHG Protocol. n.d..

S22 IFC. 2012-01-01.

GREEN FUTURE TECH

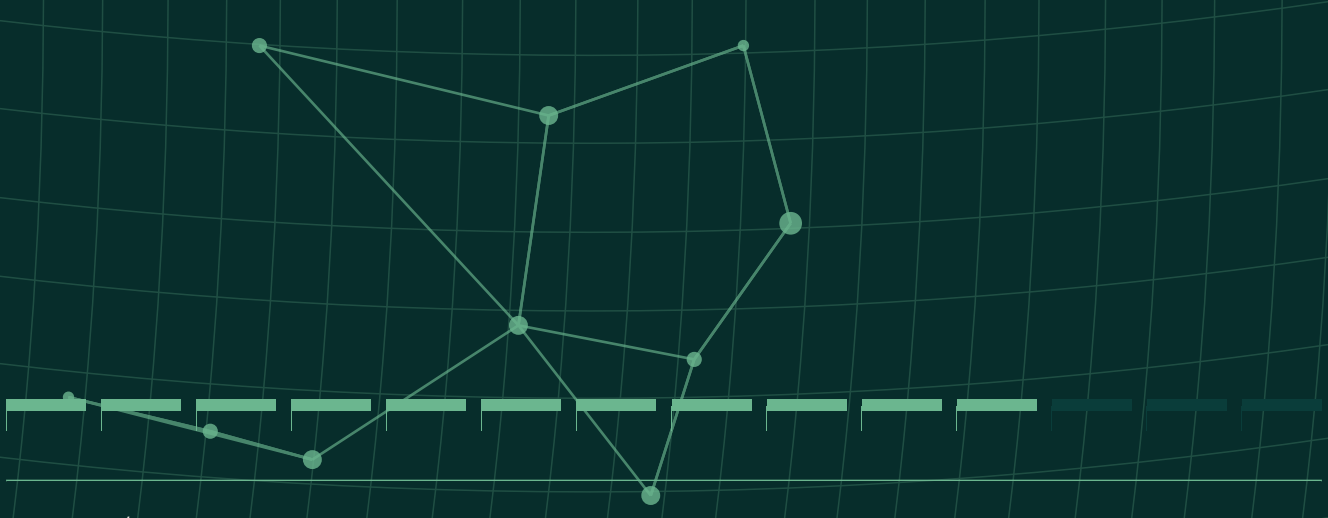
LIMITED / HONG KONG SAR

11

PART III: SUSTAINABLE FINANCE MUST SURVIVE VERIFICATION / E&S AND DEVELOPMENT OUTCOMES

Safeguards and impact evidence must be funded from the start

A factory cannot claim sustainable financing while leaving worker protection, environmental controls and results evidence outside the budget.



CHAPTER 11
DECISION TEST

A factory cannot claim sustainable financing while leaving worker protection, environmental controls and results evidence outside the budget.

A sustainable financing case must fund the management system, physical controls and evidence that make its claims testable. GFT recommends placing four provisions in the first capital plan: assessment and design, implementation and training, recurring monitoring and maintenance, and corrective action after an adverse finding. Impact evidence needs the same treatment. A baseline, an employment register or an emissions inventory produced after the money is committed cannot reliably guide the commitment. The budget should therefore follow the actual production boundary and assign every action to an accountable role, a payment source and a completion record. This chapter proposes that financing method. It reports no factory result, assigns no institutional risk category and offers no investment, legal or tax advice.

11.1

Environmental and social management is part of bankability

IFC's Performance Standard 1 applies to projects with environmental and social risks and impacts. Its management-system elements include policy, risk identification, management programmes, organisational capacity, emergency preparation, stakeholder engagement, and monitoring and review. The standard also calls for sufficient ongoing human and financial resources. This is why an environmental and social management system, or ESMS, belongs inside the operating case rather than in a separate sustainability annex. The opened Guidance Notes page explains the Performance Standards; it does not replace them or establish a second set of duties. [S22] [S34]

The financing consequence is practical. A borrower needs competent people to identify hazards, authority to stop an unsafe activity, money to implement controls and records that show whether those controls work. An assessment without an implementation budget is only a diagnosis. A policy without trained supervisors is not an operating control. A monitoring report without corrective action leaves the finding unresolved. GFT would therefore test the ESMS as a chain of decisions and payments, not as a collection of documents bearing the right titles.

The action plan is the financial interface. IFC describes action plans with desired outcomes, actions, measurable events where possible, indicators or acceptance criteria, defined periods, resource estimates and responsibilities. GFT proposes adding the accounting fields needed to execute that requirement: capital or operating treatment, budget line, procurement route, payment date, funding source and evidence of completion. Each action should name the role that can approve closure. The finance director should be able to trace the same item from the original finding to the paid invoice and the later monitoring result. [S22]

Resource estimates should distinguish known work from uncertainty. A required fire-safety modification identified before close is a base use of funds, even if its supplier quotation is still being finalised. General contingency cannot make an omitted known action disappear. By contrast, an allowance for a defined investigation after an unex-

pected monitoring result may be a genuine contingency. The register should record the trigger and authority for that allowance. This preserves the distinction between a cost estimate, a budget provision and accessible cash.

Stakeholder engagement also creates recurring work. IFC's framework calls for engagement proportionate to project risks and development stage, with disclosure, consultation, grievance handling and ongoing reporting where applicable. A single launch meeting cannot perform those functions. The work plan may need stakeholder analysis, accessible local-language materials, meeting facilities, translation, documented responses and administration of complaints. Consultation should begin early enough to influence decisions, rather than merely announce them. [S22]

A grievance channel needs more than an inbox. The borrower should assign receipt, acknowledgement, investigation, escalation, response and closure responsibilities. The record should protect confidentiality where needed and permit anonymous worker complaints under the proposed procedure. IFC states that community grievance mechanisms should be accessible, transparent, culturally appropriate, free of cost and retribution, and should not impede judicial or administrative remedies. The financing budget should cover the operating time and specialist support required to honour those principles. [S22]

Exhibit 47, p. 169 shows the proposed connection between site evidence and a financing obligation. It is an operating design, not a claim that GFT or any factory has implemented it. The important feature is the feedback path: monitoring and grievances can reopen the risk assessment and change the funded action plan.

EXHIBIT 47 / ILLUSTRATIVE MANAGEMENT AND FUNDING LAYERS

A financeable management system connects site evidence to obligations



ILLUSTRATIVE [S22] [S34] GFT proposed ESMS architecture informed by the opened IFC framework. S34 explains the Performance Standards and does not establish policy alone. Layers are not implemented systems, institutional approvals or evidence of project compliance.

Senior management should review exceptions rather than receive only a green status summary. The review pack should show overdue actions, repeated incidents, unresolved complaints, unavailable monitoring data and the cash remaining for committed controls. Where a risk exceeds internal competence, the budget should permit qualified external support. IFC's framework provides for external expertise in appropriate circumstances, but it does not tell this venture which specialist to appoint or what that appointment costs. [S22]

> **GFT NOTE**
>
> Before financial close, require one costed E&S action plan and one evidence register. Every action should have an owner, due date, funding line, completion test and escalation route. Hold back an irreversible commitment when a material control has neither an accepted design nor a credible source of payment. Do not treat a general sustainability statement as a substitute.

No generic chapter can assign an IFC risk category or conclude that a Cameroon site complies with the Performance Standards. Land acquisition, pollution, worker exposure, community effects, associated facilities and supply-chain relationships require project-specific investigation. The applicable national permits and legal duties also

require current local advice. The financing decision should record those open questions and price the work needed to resolve them, rather than imply certainty through a category label.

11.2

The production boundary determines the environmental burden

The first financing map should show every physical process, utility and outsourced step before it allocates safeguard costs. Cut, make and trim operations do not carry the same effluent burden as dyeing, but they are not impact-free. Yarn and fabric operations can involve fibre dust, noise, moving machinery and energy use. IFC's textile guideline notes that organic dusts, including cotton dust, are combustible and present a potential explosion hazard. Dust extraction, housekeeping, ignition control, equipment guarding and maintenance therefore belong in the relevant process design. [S23]

Wet processing changes the engineering and monitoring requirement. The textile guideline describes preparation, dyeing, printing and finishing operations that use chemical and liquor baths, often followed by repeated washing, rinsing and drying. These processes can generate significant wastewater and require energy for heating and drying. Assessment should therefore cover water supply, chemical selection, liquor use, effluent quality, sludge, air emissions, heat, storage and emergency response. A generic allowance for a factory labelled sustainable cannot answer those process questions. [S23]

The budget should follow five stages for each identified burden: assess the baseline, avoid or reduce the impact, install and commission the control, monitor and maintain it, and prepare for abnormal conditions. Avoidance can change the process before treatment equipment is sized. Reduction can include suitable rinsing, reuse, substitution or heat-recovery measures identified by the engineering team. Monitoring then verifies the actual installation rather than assuming the design intent has been achieved. The General EHS Guidelines call for specific technical recommendations to follow good international industry practice and qualified professional opinion. [S23] [S24]

That expert qualification matters because the opened textile guideline is an edition dated 30 April 2007, while the General EHS page displays a December 2024 update. Neither source supplies current Cameroonian discharge permits or a site-specific legal limit. Historical benchmark values in the sector guideline are not measurements from the proposed line. The engineer should state the applicable edition, design basis, receiving environment, operating envelope and approval route before the budget is fixed. [S23] [S24]

Finishing needs a precise verb in the process map. It may describe mechanical, thermal or chemical treatments with different hazards. The financing team should not assume that every finishing step is wet, or that a dry description removes chemical and heat exposure. Equipment lists, chemical inventories, mass and water balances,

utility loads and supplier process descriptions provide a better basis. Any shared boiler, compressor, treatment unit or drainage system should identify which costs belong to the first line and which belong to a later extension.

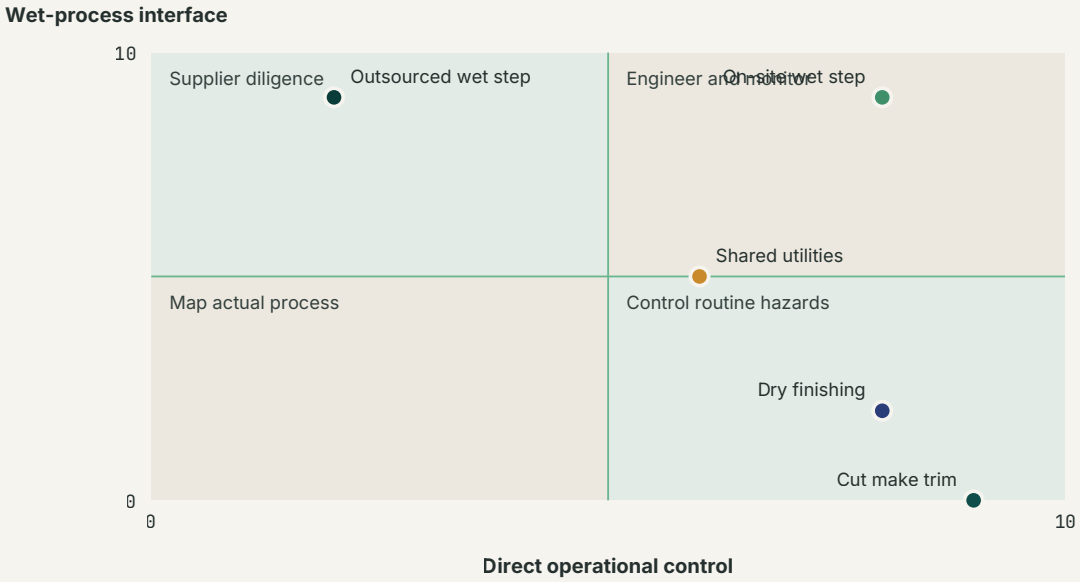
Outsourcing changes control and evidence, not the need for diligence. IFC's textile guideline observes that manufactured textiles are often sent to specialist dyeing and finishing shops, while integrated plants may perform wet processing themselves. OECD's opened garment and footwear page states that subcontracting is common in the sector. These observations do not prove that this venture uses a subcontractor. They do require the proposed map to identify where each process would occur. [S23] [S27]

For an outsourced wet step, the diligence file should identify the provider, location, process, workers, effluent destination, waste handling, incidents, grievance access and the borrower's contractual influence. IFC's Performance Standards distinguish contractors, primary supply chains and other third-party relationships; they do not make every relationship legally identical. The proposed response should reflect risk and actual control. Supplier assessment, monitoring, corrective plans and a possible change of provider all have costs. [S22]

Exhibit 48, p. 171 is deliberately a boundary workshop map, not a quantitative risk rating. Its vertical axis records how directly the proposed scope involves wet processing. Its horizontal axis records direct operational control. An outsourced high-impact step can move left on control while remaining high on the diligence agenda.

EXHIBIT 48 / ILLUSTRATIVE WORKSHOP COORDINATES FROM 0 TO 10

Outsourcing changes control, not the need for diligence



ILLUSTRATIVE [S22] [S23] [S24] [S27] GFT proposed boundary-screening positions, not measured hazards, legal liability or an IFC classification. Horizontal: 0 little direct operational control, 10 strong direct control. Vertical: 0 no identified wet-process interface, 10 substantial wet-process interface. Actual positions require site and supplier evidence.

The output of this exercise should be a boundary schedule tied to the sources-and-uses model. Each process receives an owner, a control design, an assessment cost, implementation expenditure, recurring monitoring and an emergency provision. Where an external processor cannot yet supply evidence, the register should say unmeasured rather than zero. A later decision to bring that process on site, or to change provider, triggers a new boundary review and a revised funding requirement.

11.3

Labour rights cannot be reduced to a jobs headline

Employment creation does not demonstrate decent work. IFC's Performance Standard 2 addresses documented terms and conditions, reasonable working conditions, non-discrimination, freedom of association, worker grievances, occupational health and safety, retrenchment, contracted workers and specified primary-supply-chain risks. The financing file should test those subjects through records and worker experience, not infer them from a recruitment target. The same standard requires a safe and healthy work environment that reflects the sector and the hazards in particular work areas. [S22]

A labour due-diligence plan should begin with the workforce map. Direct employees, agency workers, contracted workers performing core work and primary-supply-chain workers need distinct definitions. The map should identify employer, workplace, contract type, working-time arrangement, supervisor and grievance access. Procurement records should connect the contractor register to actual service contracts. This prevents the borrower from reporting only its payroll while material work takes place under another organisation's weaker controls.

Working-time and pay evidence should reconcile to production. GFT proposes tracing a sample of shifts from the production log to attendance, payroll and overtime records, then interviewing workers through a channel that does not depend on the line supervisor. The review should examine whether peak orders create excessive hours, whether training time is recorded and whether deductions are understood. These are proposed diligence procedures, not findings about a factory. Any non-compliance requires a corrective action and a check that production planning does not recreate the problem.

Current Cameroonian law needs a dated compliance review before statutory obligations are costed. The chapter does not repeat inherited wage or working-time figures as current law. Local counsel should identify the applicable instruments, effective dates, workforce coverage, payroll charges, leave, overtime, termination and consultation duties. The financial model should retain that advice as an input with a review date. A standard published by an international financier does not replace national law, and national compliance alone may not answer every requirement in an agreed financing framework.

Occupational safety needs engineering and operating expenditure. IFC's textile guideline discusses extraction and ventilation for fibre dust, machinery guarding, maintenance controls, personal protective equipment and responses to heat, noise and chemical exposure where those processes exist. Its monitoring discussion

includes normal and unsettled conditions. The budget should therefore include inspection, exposure assessment, preventive maintenance, calibration, incident investigation and refresher training, not only the initial guarding or protective equipment purchase. [S23]

Worker participation is part of control quality. A proposed safety committee should have access to incident and inspection information, a route to raise concerns and recorded management responses. The grievance mechanism should allow prompt, transparent and non-retaliatory handling, including anonymous complaints under IFC's worker framework. A low number of complaints is not automatically a favourable result. The reviewer should test awareness, accessibility, trust and whether cases move to another unrecorded channel. [S22]

Contracting requires commercial follow-through. IFC calls for commercially reasonable efforts to use reputable and legitimate third parties with appropriate management arrangements, and for monitoring of contracted workers in the relevant circumstances. GFT would include E&S requirements in tender evaluation, contract schedules, induction, supervision and payment certification. Procurement should price the safe method rather than select a low bid and treat the resulting controls as an unfunded contractor problem. [S22]

Primary-supply-chain findings can require remedy and, in specified severe circumstances, a transition to suppliers that can demonstrate compliance. That possibility belongs in procurement and liquidity planning. Changing provider can alter price, lead time, quality, minimum orders and working capital. The source does not prescribe a reserve or a universal supplier-audit programme. It does show why a financing case should not assume that every supplier failure can be corrected at no cost or without production disruption. [S22]

The labour section of the impact register should consequently report job quantity and job quality separately. Headcount, full-time-equivalent work, wages, hours, injuries, exposure results, grievances and corrective actions answer different questions. None should be collapsed into a single sustainability score. Financing success is a system that can fund safe work and respond to adverse evidence, not a headline that remains favourable only while reporting is incomplete.

11.4

Development impact and additionality need separate evidence

IFC's AIMM guidance states that the framework assesses expected development impact, not additionality. Its project counterfactual asks what would happen without the project. Financing additionality asks a different question: what constraint prevents the transaction proceeding without the financier's contribution? A venture can have a plausible development rationale and still fail the case for concessional support. It can also require additional finance without producing every impact initially claimed. [S26]

GFT proposes keeping two memoranda. The impact memorandum defines the no-project comparison, intended beneficiaries, outputs, outcomes and uncertainties. The additionality memorandum identifies the financing or capability obstacle, the counter-

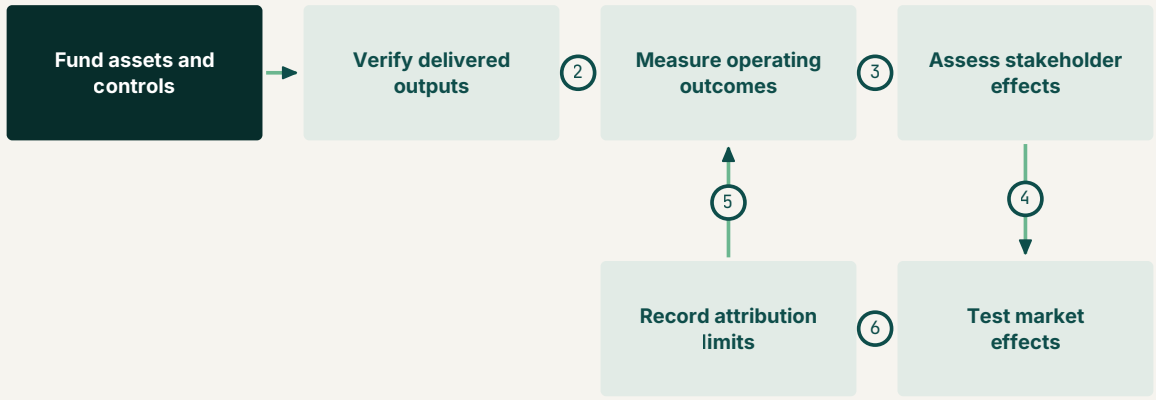
factual capital structure and the minimum support required. The same evidence can inform both, but neither conclusion should be inferred from the other. No official AIMM score is assigned in this paper, and a workshop theory of change is not an institutional rating.

A defensible theory of change starts with financed inputs rather than aspirations. In this chapter's proposed chain, the inputs are production assets, safeguards, training and metering. Outputs include installed and accepted capacity, workers trained, controls operating and records produced. Outcomes might include saleable output, safer work, improved resource productivity and locally retained value. Each step needs an operating mechanism and evidence. Paying for a training course establishes attendance at best; it does not establish competent supervision or fewer incidents.

Exhibit 49, p. 174 makes those distinctions visible. It also places a limit around the claim. Market competitiveness, resilience or replication would require separate systemic evidence and should not be inferred from one factory's output. The flow is a proposed evaluation design, not a report of realised impact.

EXHIBIT 49 / ILLUSTRATIVE RESULTS CHAIN

Impact claims need a causal chain and an attribution limit



2. Operating mechanism
3. Measured change
4. Separate evidence
5. Qualify claim
6. Do not overstate

ILLUSTRATIVE [S26] GFT proposed theory of change informed by the opened AIMM architecture. It is not an official AIMM assessment. Development impact uses a no-project counterfactual; financing additionality uses a separate without-this-financier test. No outcome or market effect is claimed achieved.

Attribution needs an explicit boundary even when a formal control group is impractical. The evaluator should ask which changes were already financed, which arose from buyer requirements, public infrastructure or another programme, and which external conditions affected the result. A no-project comparison should not become a

claim that every observed improvement was caused by the venture. Where the evidence supports contribution rather than sole attribution, the report should use that narrower language.

Baseline funding is therefore an appraisal cost, not a late communications cost. The baseline protocol should identify the indicator, population, geography, period, collection method, owner and known limitations before implementation changes the conditions being measured. Some outcomes may use administrative records or an engineering reference, while others need worker or community data. The chosen method should be proportionate and ethically reviewed where appropriate. Missing baseline data should remain an explicit constraint rather than be reconstructed as though observed.

IFC's guidance also distinguishes actions undertaken solely for environmental and social compliance from investment effects intended to improve outcomes beyond compliance. GFT would apply that caution to the impact narrative. Installing a required safety control can be essential risk management without automatically counting as an additional development outcome. A further, measured improvement may qualify for analysis under the chosen method, but it needs its own counterfactual and evidence. [S26]

Monitoring should compare actual results with the original expectation and preserve adverse findings. AIMM's architecture includes ex-ante expectations and subsequent monitoring, which reinforces the need to budget collection and review after operations begin. The first-line financing plan should include data extraction, fieldwork, specialist analysis, management review and, where agreed, independent evaluation. The reporting calendar should allow corrective action rather than make impact reporting a year-end reconstruction exercise. [S26]

11.5

Jobs and local value added must avoid double counting

Employment claims need a unit before they need a target. Construction jobs, permanent direct positions, full-time-equivalent employment, contracted work, supplier employment and modelled induced effects measure different populations. A person working for a short period is not interchangeable with a full-year position. A headcount total does not show hours, continuity or job quality. GFT proposes separate registers linked to payroll, time records, contracts and a declared full-time-equivalent convention, with no conversion hidden in a presentation total.

The counterfactual applies to jobs as well as to other outcomes. New positions at the financed site are an output or direct result that still needs definition. Net economy-wide employment is a harder claim because activity may move between employers or regions. Supplier jobs require supplier evidence and a clear attribution rule. Induced effects rely on a model whose assumptions and multipliers must be disclosed. AIMM's impact-accounting architecture cautions against counting closely related effects more than once, which supports keeping these categories separate. [S26]

Local procurement is not itself local value added. A domestic invoice can contain imported equipment, fabric, chemicals or services. Gross sales also include the cost of intermediate inputs and cannot be described as value retained in Cameroon. The analysis should start with a production account, identify intermediate consumption and state whether value added is gross or net of depreciation. Wages and operating surplus are components of the resulting account, not additional amounts to add again.

An illustrative factory account demonstrates the control. Assume no change in finished-goods or work-in-progress inventory, so output equals gross sales of XAF 1,000 million. Also assume imported materials of XAF 420 million, domestic intermediate inputs of XAF 180 million and external services of XAF 100 million. Illustrative gross value added at the factory is 1,000 minus 420 minus 180 minus 100, or XAF 300 million. If assumed wages are XAF 140 million, depreciation XAF 60 million and operating surplus XAF 100 million, those components reconcile to 300. The domestic input of 180 is not added again, and gross sales of 1,000 are not local value retained.

This constructed account still does not establish national value retained across the supply chain. The imported content of domestic inputs would require further evidence, while taxes, subsidies, financing flows and ownership of operating surplus need a stated treatment. Depreciation is included in gross value added but excluded from a net measure. The report should show both definitions where relevant rather than select the larger figure without explanation.

Exhibit 50, p. 177 converts these requirements into an evidence and budget register. Unmeasured means that no defensible baseline is available; it never means zero impact. The final column identifies the work package to be costed rather than an invented market price.

EXHIBIT 50 / ILLUSTRATIVE EVIDENCE REGISTER

Each sustainability outcome needs a baseline and an owner

Claim	Baseline and boundary	Owner and evidence	Funded work package
Direct employment	Unmeasured; direct payroll	HR and finance; FTE and hours	Payroll reconciliation
Supplier employment	Unmeasured; named suppliers	Procurement; supplier records	Supplier evidence review
Worker safety	Unmeasured; direct and contracted	Operations and E&S; incidents	Monitoring and investigation
Water and effluent	Unmeasured; actual wet processes	Engineering; flow and quality	Meters and laboratory tests
Energy and GHG	Unmeasured; declared inventory	Engineering; activity and factors	Meters and specialist review
Factory value added	Unmeasured; production account	Finance; input reconciliation	Finance analysis
Engagement and remedy	Unmeasured; affected people	E&S; commitments and actions	Engagement and follow-up

ILLUSTRATIVE [S22] [S25] [S26] GFT proposed register. All baselines are marked unmeasured because no project observations are supplied. This is not an AIMM score, a GHG inventory or an assurance conclusion. Work packages require scoped quotations and internal-cost estimates before financing.

The financing team should review this register alongside the commercial model. A strong sales forecast cannot compensate for an unmeasured labour baseline, and an impressive job total cannot compensate for an unsafe workplace. The useful commitment is narrower and more credible: define each result, finance the record, state the counterfactual and report only what the completed evidence supports.

11.6

Carbon and resource claims require separate accounting and assurance

The GHG Protocol Corporate Standard is written primarily for a business developing a corporate greenhouse-gas inventory. Its page distinguishes that task from the separate value-chain standard and from quantifying mitigation-project reductions for offsets or credits. GFT separately treats a corporate inventory, a product footprint, an avoided-emissions estimate and a carbon credit as different products of evidence. That wider classification is a proposed financing control; none should be substituted for another in a financing claim. [S25]

The inventory file should identify organisational and operational boundaries, gases, activity data, purchased energy, emission-factor sources and vintages, estimation methods and uncertainty. Resource records need equal discipline: meter identifier, calibration status, reading period, process boundary, absolute quantity and output denominator. Where dyeing or another step is outsourced, the report should identify the missing supplier boundary rather than present the site total as a complete value-chain measure. Detailed calculation methods remain with the technical papers.

As an illustrative navigation map, the programme's KPI families should feed this register without being collapsed into one score. For navigation, wp02 owns production measurement, wp06 and wp16 own resource and carbon methods, and wp09 owns labour development. The planned footprint, supervisor-pipeline and maturity interfaces should supply respectively resource evidence, training and competence evidence, and reporting-readiness evidence. This chapter does not represent those planned tools as implemented or lender-approved.

Assurance is a separate engagement. GHG Protocol states that the Corporate Standard is designed to develop a verifiable inventory but does not prescribe how verification should be conducted. GFT would therefore procure a reviewer against defined criteria, access, materiality, exceptions and reporting outputs. A financial audit, a green-allocation review and a carbon-inventory verification may share records without sharing conclusions. Their costs should be scoped separately and duplicate work removed only where the evidence permits. [S25]

The financing baseline should be accepted before the outcome claim, following the control developed in the preceding chapter. Its illustrative timetable is not automatically sufficient for an impact evaluation. It establishes the same ordering principle: define and review the reference first, then measure change. If a meter, factor or production perimeter changes, retain the original result and a reconciliation rather than silently rewriting history.

11.7

Remediation must remain funded after an adverse finding

An ESMS proves its value when an adverse result changes action. IFC requires documented monitoring and identification of corrective and preventive actions in amended management programmes and plans. Its grievance and supply-chain provisions also include remedy in relevant circumstances. The textile guideline connects monitoring departures with management review and corrective action. A financing agreement should therefore preserve money and authority for correction after close, not merely fund a favourable baseline. [S22] [S23]

GFT proposes an action-plan reserve or another explicitly funded response mechanism as a transaction option, not an IFC requirement. Its memorandum should define eligible findings, account control, permitted draws, investigation costs, emergency authority, replenishment and release. A reserve for remediation is not simultaneously debt-service liquidity. Where distributions are restricted while material actions remain overdue, that consequence must be agreed in the financing documents and reviewed by counsel.

WORKED EXAMPLE: SAFEGUARDS CONTINUE WHEN OPERATING CASH WEAKENS

This standalone illustrative case assumes on-site wet finishing solely to make the cost categories visible. It is not scenario A, a supplier quotation or a recommended budget. Baseline assessment, ESMS design and legal review are assumed at XAF 18 million; safety, emergency and monitoring equipment at 32; treatment and enabling works at 45; metering and evidence systems at 12; and initial engagement and training at 8. Illustrative setup expenditure is therefore 18 + 32 + 45 + 12 + 8 = XAF 115 million. A restricted corrective-action reserve of 20 gives an illustrative at-close envelope of XAF 135 million.

Illustrative annual recurring costs are staffing and refresher training of XAF 14 million, monitoring and calibration of 9, engagement and grievance operation of 4, external evidence review of 6, and control maintenance of 10. Their sum is XAF 43 million a year. If the entire first operating year were pre-funded, the illustrative envelope would be 115 + 20 + 43 = XAF 178 million. Otherwise, 135 belongs in the at-close requirement and 43 in the annual operating case, with any pre-revenue portion funded in working capital. Scenario A's combined safeguards, training, data and metering lines would need a fresh reconciliation, never a silent addition of this separate case.

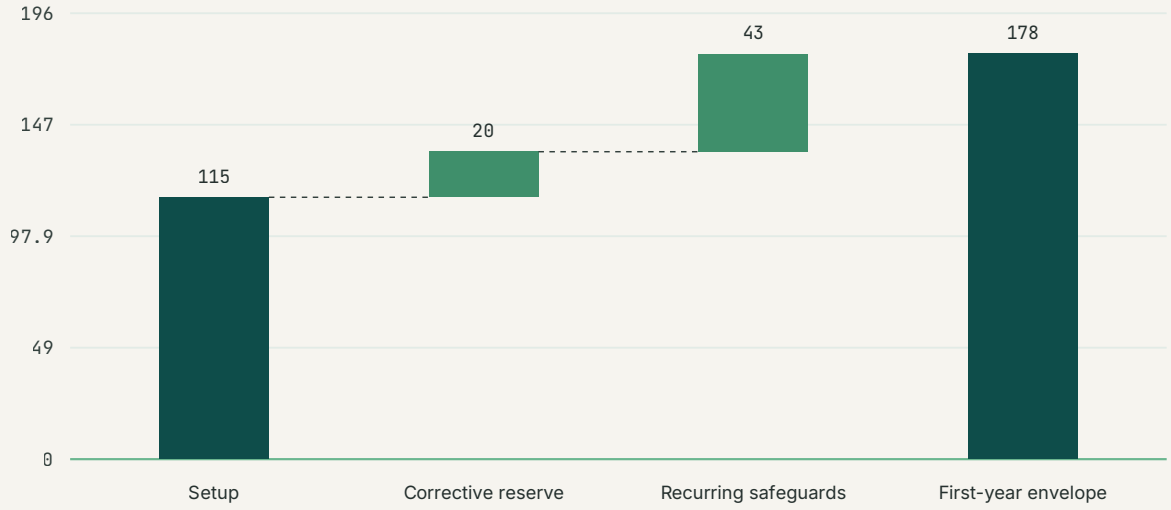
For the illustrative downside, assume annual operating cash before recurring safeguards of XAF 85 million, annual debt service of 36 and the recurring safeguard cost of 43 above. Base cash after safeguards is 85 minus 43 = 42, giving illustrative coverage of 42/36 = 1.17 times and a cash surplus of 6. In the downside, operating cash before safeguards falls by an assumed 25 percent to 63.75, while essential recurring safeguards remain 43. Cash before any corrective event is therefore 20.75, only 0.58 times debt service.

Now assume an illustrative corrective event requiring XAF 12 million of repairs and 3 of additional monitoring. The restricted reserve funds 15 and falls from 20 to 5. Because the reserve pays the correction, the same 15 is not deducted again from operating cash. Cash available for debt service after recurring safeguards remains 63.75 minus 43 = 20.75. Illustrative coverage is 20.75/36 = 0.58 times and the debt-service shortfall is 15.25. The remaining reserve of 5 stays restricted for correction; it does not cure the payment deficit. A later corrective event would need another authorised funding source. The case demonstrates why recurring controls, remediation capacity and a separate liquidity response all need funding.

Exhibit 51, p. 180 reconciles the constructed first-year envelope. Its values are arithmetic from the worked assumptions, while the sources support the need for management, resources and monitoring rather than any amount. The chart cannot establish adequacy for another process boundary.

EXHIBIT 51 / ILLUSTRATIVE XAF MILLION

Setup, remediation and recurring evidence are distinct cash needs



DERIVED [S22] [S23] [S24] [S26] Derived from the standalone worked example: setup 18+32+45+12+8=115; corrective reserve 20; recurring costs 14+9+4+6+10=43; full first-year envelope 115+20+43=178. Sources support cost categories only. All amounts are illustrative, not quotations, benchmarks or an addition to scenario A.

A real downside response should identify who can authorise immediate safe action, which account pays and what happens if the reserve is insufficient. It should also test production interruption, repeat monitoring and supplier replacement where relevant. Cutting wages, essential maintenance or corrective work would improve the arithmetic by creating an unpriced obligation. The following chapter takes that failure into the wider credit decision, including the stop condition when safe and compliant operation cannot continue.

Before commitment, GFT would require three reconciliations. The action plan must reconcile to the process and workforce evidence. Its costs must reconcile to sources and uses, annual operating expenditure and accessible reserves. The reporting plan must reconcile each public or financier-facing claim to a baseline, an owner and an assurance scope. If any reconciliation fails, the appropriate decision is to redesign, reduce or defer the commitment while retaining enough funding to operate the bounded stage safely.

Fund the control and the evidence before claiming the outcome.

CHAPTER SOURCE NOTES

S22 IFC. 2012-01-01.

S34 IFC. 2021-06-14.

S23 World Bank Group / IFC. 2007-04-30.

S24 World Bank Group / IFC. 2024.

S27 OECD. 2026-02-26.

S26 IFC. 2026.

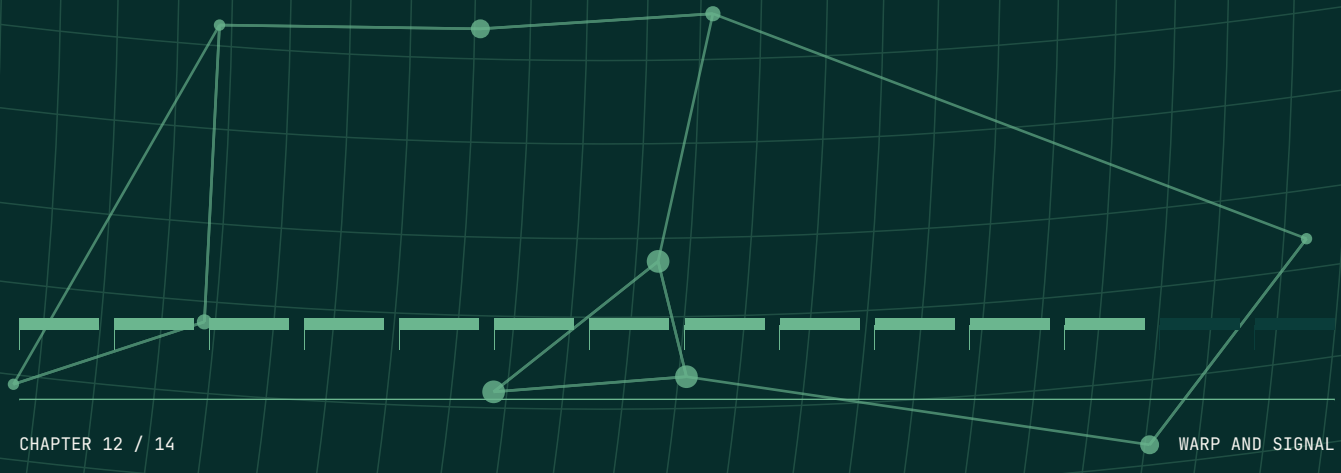
S25 WRI and WBCSD / GHG Protocol. n.d..

12

PART IV: CLOSING MUST LEAD TO MEASURED DELIVERY / CREDIT CHALLENGE

Downside cases determine the defensible capital structure

A credible financing case shows where it fails and who provides cash before the failure occurs.



CHAPTER 12
DECISION TEST

A credible financing case shows where it fails and who provides cash before the failure occurs.

A defensible capital structure is one that can meet essential operating obligations and contractual payments under stated downside cases, without depending on uncommitted rescue finance. GFT recommends testing independent sensitivities before combined shocks, then sizing debt against the tightest tested period rather than the most favourable year. The paper's illustrative scenario A shows why: XAF 500 million of senior debt passes its base coverage case but fails its downside, while the downside debt bound falls below the proposed funding source. The remedy is not a more optimistic label. It is less debt, more risk-bearing capital, a smaller scope, a different payment schedule or a decision not to proceed. Every calculation here is illustrative, no financing term is an offer, and this chapter is not investment, legal or tax advice.

12.1

Independent sensitivities must precede combined stress

A sensitivity is useful when it changes one operating mechanism and preserves every unrelated contract, calendar and calculation rule. Start with the approved base model, identify the input being challenged and record its destination in production, cost, working capital, cash flow available for debt service and liquidity. The reviewer can then explain a movement rather than merely observe a lower ratio. IFC's application guidance calls for technical soundness and prospects of profitability, among other eligibility conditions. It does not prescribe the stress design proposed here. GFT's method is a way to make those broad appraisal questions inspectable before a financing commitment. [S01]

Utilisation should be tested against a declared capacity basis. If the base capacity already reflects planned shifts and ordinary stoppages, a further blanket availability deduction may duplicate losses already embedded in it. The stress should name the additional event, such as a shorter selling calendar or an interrupted shift pattern, and show its effect on accepted output. First-pass yield needs a separate route. Lower first-pass acceptance can increase rework, consume machine time, delay dispatch and raise material use. Applying the same loss to both utilisation and yield is justified only when those variables represent distinct physical effects.

Selling prices should be stressed by product and channel, using the contractual net realisation rather than a general market index. A price reduction changes revenue, while a collection delay changes the date of cash. A credit note changes the amount owed. These events may occur together, but they are not interchangeable. Material costs require equal care. A higher purchase price affects new procurement, while existing stock retains its recorded cost until consumed. Lower production can reduce later purchases without releasing cash already paid for fabric. The model should therefore connect price, quantity, stock movement and supplier settlement instead of applying one margin deduction to every period.

Energy reliability should be represented as an operating sequence. An outage may stop equipment, interrupt a batch, create rejects, require a restart and delay an order. Standby power or protection equipment may avoid part of that sequence but introduces capital, fuel, maintenance and testing requirements. The stress file should state

which effects remain after the assumed mitigation. A single energy-cost percentage cannot capture both physical interruption and a tariff change. Nor should a utility shock improve the model through lower consumption while leaving saleable output unchanged.

Collection periods belong in the receivables ledger. Later payment increases cash tied up in accepted invoices until the receipts arrive, but it does not by itself prove bad debt. A separate default case changes expected recovery and may also affect eligibility for receivables finance. Use the same invoice cohorts, acceptance dates and value-date conventions in base and stress cases. This prevents an annual collection-days assumption from concealing a payment due immediately before payroll or debt service.

Combined stress comes only after those routes reconcile. GFT proposes a causal chain for each compound case: event, physical consequence, commercial consequence, cash consequence and financing consequence. A power interruption followed by late customer acceptance may legitimately reduce output and delay collections. If the output model already includes the interruption's rejects and lost hours, the collection stress should begin from that reduced dispatch set. It should not apply another independent production haircut to the same event. Related shocks need shared timing and shared quantities, not a stack of unrelated percentages.

The counterargument is that a compound worst case can become implausibly severe. That is a reason to disclose the combination and challenge its joint probability, not a reason to omit it. Use several coherent cases: a temporary timing shock, an operating underperformance case and a severe case that tests the stop decision. Keep mitigation out of the initial shock unless its funding and effectiveness are supported, then add it explicitly and rerun the model. The output is a sensitivity register showing the assumption changed, the earliest cash failure, the maximum cumulative shortfall and the evidence that would narrow the uncertainty.

12.2

A completion delay is a cash shock as well as a time shift

A delayed completion changes more than the start date of revenue. Storage, insurance, security, site supervision, equipment preservation and repeated acceptance work may continue or increase. Workers may need further training, while temporary facilities and project advisers remain engaged for longer. At the same time, supplier deposits, retention releases and other milestones can still fall due under their contractual conditions. The base model's construction calendar therefore needs a complete cash reforecast, not a simple drag of operating receipts across later columns.

The first distinction is between incremental cost and changed timing. Additional site expenditure increases the total funding requirement. A customer receipt moving into a later period creates a current liquidity gap but may remain fully recoverable. A supplier payment that stays fixed while completion slips can bring cash outflow forward relative to the delayed operating inflows. Recording these effects separately prevents the team from treating every delayed receipt as a permanent loss or every incremental cost as a mere timing difference.

Construction interest needs its own convention. The paper's scenario A excludes a construction period and construction interest unless an extension explicitly adds them. Where a delay creates interest, state the principal on which it accrues, the rate, day-count convention and whether it is paid or capitalised. Paid interest consumes current liquidity. Capitalised interest increases the debt balance and later service, and may require additional commitment or an agreed change to the facility. Neither treatment should appear through an unexplained increase in the first operating year's interest.

WORKED EXAMPLE: DELAY CAN CONSUME LIQUIDITY BEFORE IT CHANGES ANNUAL PROFIT

An illustrative two-month completion delay assumes incremental site, storage and repeated training costs of XAF 22 million. It also moves XAF 80 million of customer collections out of the current period and leaves a XAF 70 million supplier milestone payable before the delayed receipts, whereas the base timing placed that milestone after them. These are constructed events, not supplier or buyer terms.

For the financing effect, assume for this delay example only that XAF 500 million accrues simple interest at an illustrative annual rate of 8 percent for two months, using a twelve-month year. Additional interest is 500 multiplied by 0.08 multiplied by 2/12, or approximately XAF 6.667 million. If paid currently, the additional funding requirement relative to the stated base timing is 22 + 80 + 70 + 6.667, approximately XAF 178.667 million. The XAF 80 million is delayed cash, not necessarily lost revenue, and the XAF 70 million is a timing change, not an extra total purchase cost.

If that illustrative interest is capitalised instead, the current cash requirement in this simplified comparison falls by XAF 6.667 million, but principal rises to approximately XAF 506.667 million before any other adjustment. Future interest and amortisation must then be recalculated under the actual permitted terms. The example excludes fees, tax effects, compounding and any subordinated payments. It demonstrates liquidity and debt-balance consequences, not a forecast of delay cost.

A reserve or contingency can fund this requirement only if its cash is accessible for that purpose. The same XAF amount cannot simultaneously remain minimum operating cash, cover a construction contingency and be presented as an unused debt-service reserve. The draw should reduce the relevant available balance and trigger the agreed replenishment or approval process. If a committed facility is the proposed source, the model should test whether delay itself breaches a draw condition or changes the amount available.

Delay can also alter working capital in both directions. Fewer production days may defer material purchases, but fabric already received still requires storage and payment. Customer advances may carry delivery obligations even when they provide temporary cash. A later dispatch can postpone invoicing without removing payroll, rent or safeguard costs. The model should retain those stock and obligation movements rather than assume that all operating expenditure scales with completed garments.

The decision file should end with a revised cost-to-complete test. Compare remaining verified uses with paid equity, accessible facilities and other genuinely available sources after the delay. Identify who can approve scope reduction, additional sponsor

funding, renegotiated milestones or a controlled stop. A stop condition is appropriate when no credible source covers the completion path, when required acceptance cannot be achieved or when the commercial obligation no longer justifies further exposure. The date alone should not make that decision silently.

12.3

Debt sizing must use the tightest tested period

Debt capacity is an output of stressed cash and contractual payments, not a percentage applied to total project cost. For each period, divide defined CFADS by the debt service due in that same period. Then compare the lowest result with the proposed coverage condition, while separately checking whether cash before and after payment remains sufficient. A strong average can conceal a weak ramp year, a principal step-up or a final balloon. The tightest period can also change when the capital structure changes, so every material amendment requires the full schedule to be rerun.

The illustrative scenario A uses annual equal principal over six years and opening-balance interest at an assumed 8 percent. Under those constructed terms, first-year service for each XAF 1 of opening senior debt is 1/6 + 0.08, approximately 0.246667. If an illustrative minimum DSCR of 1.30 is imposed, the algebraic first-year debt bound is CFADS divided by 1.30 multiplied by that service factor. This is a formula for the stated case, not a market debt ratio or a lender rule.

Using illustrative base CFADS of XAF 175 million gives a bound of approximately XAF 545.738 million. Illustrative downside CFADS of XAF 120 million reduces it to approximately XAF 374.220 million. Both calculations use unrounded inputs and round only the displayed answer. The proposed XAF 500 million senior tranche therefore sits inside the first-year base bound but exceeds the downside bound by approximately XAF 125.780 million. The base surplus is not a recommendation to borrow more, because liquidity, later periods, total cash obligations and legal constraints may be tighter.

Exhibit 52, p. 187 extends that comparison across constructed debt and CFADS levels. The grid is a deterministic sensitivity, not a probability map. Its purpose is to expose combinations below the illustrative 1.30 target and below the still more basic point at which CFADS can pay the stated senior service.

EXHIBIT 52 / ILLUSTRATIVE FIRST-YEAR SENIOR DSCR

Coverage fails across coherent illustrative combinations

	Debt 300	Debt 375	Debt 450	Debt 500
CFADS 100	1.35	1.08	0.901	0.811
CFADS 120	1.62	1.3	1.08	0.973
CFADS 140	1.89	1.51	1.26	1.14
CFADS 160	2.16	1.73	1.44	1.3
CFADS 175	2.37	1.89	1.58	1.42

Cell scale: 0.811 to 2.37

DERIVED [S29] S29 supplies loan-product context only, not any numeric assumption. Derived from illustrative CFADS and senior principal: DSCR = CFADS / [debt * (1/6 + 0.08)]. Six equal annual principal instalments, opening-balance interest, no grace or fees. The assumed target is 1.30. Values below 1 also imply negative cash after this senior service. Subordinated service, reserves and other cash obligations are excluded.

The grid also warns against reading a coverage pass in isolation. At illustrative CFADS of XAF 120 million and debt of XAF 375 million, coverage is approximately 1.297, just below the assumed target, while cash after the stated senior service remains positive. At debt of XAF 500 million with the same CFADS, coverage is approximately 0.973 and the payment deficit is about XAF 3.333 million. Those are different credit problems. The first is a negotiated headroom issue. The second is an inability to meet the modelled payment without another cash source.

Exhibit 53, p. 188 reconciles the bound to the proposed capital plan. It is a first-year senior-only screen. It does not incorporate subordinated cash service, reserve funding, fees, tax adjustments or a minimum unrestricted-cash condition, each of which can reduce the defensible amount further.

EXHIBIT 53 / ILLUSTRATIVE XAF MILLION EXCEPT DSCR

The downside debt bound falls below the proposed senior tranche

First-year measure	Base	Downside
CFADS	175.000	120.000
Debt bound at target 1.30	545.738	374.220
Proposed senior debt	500.000	500.000
Bound less proposed debt	45.738	-125.780
DSCR at proposed debt	1.419	0.973
Cash after senior service	51.667	-3.333

DERIVED [S29] S29 supports only the general loan context. All figures are constructed scenario A inputs or arithmetic from them. Debt bound = CFADS / [1.30 *(1/6 + 0.08)*]. *Proposed senior debt 500. Service at 500 = 500/6 + 500*0.08 = 123.333333. DSCR = CFADS / service. Displayed results rounded to three decimals; calculations use unrounded values.

If total illustrative sources and uses remain XAF 1,000 million, with sponsor equity of XAF 400 million and subordinated capital of XAF 100 million unchanged, capping senior debt at the downside bound produces sources of approximately XAF 874.220 million. The illustrative funding shortfall is therefore XAF 125.780 million. A credible response could add paid risk-bearing capital, reduce uses, negotiate and retest a different schedule, or stop. An unapproved grant, a hoped-for refinancing or a larger balloon does not close that gap on the strength of its label.

Reverse stress makes the decision boundary visible. At illustrative senior debt of XAF 500 million, CFADS must be approximately XAF 123.333 million merely to equal first-year senior service. It must be approximately XAF 160.333 million to meet the assumed 1.30 target. Relative to illustrative base CFADS of XAF 175 million, headroom is therefore XAF 51.667 million before payment failure but only XAF 14.667 million before the target fails. The credit memorandum should show both boundaries and identify which operating changes could erode them.

Finally, the first-year bound is not automatically the binding one. A later principal increase, declining CFADS, a reserve replenishment obligation or a bullet maturity may produce a tighter period. The model should report minimum coverage, minimum unrestricted cash and maximum cumulative funding deficit across the entire tested horizon. Debt sizing ends only when all three remain acceptable under the selected cases and every assumed response has an owner, funding source and permitted execution path.

12.4

Liquidity reserves cover timing but cannot cure persistent losses

A liquidity reserve has a defined job: supply cash during a bounded timing or operating shortfall while the underlying repayment case remains viable. It is not additional CFADS, not profit and not a substitute for an unfunded capital package. The reserve

memorandum should state its purpose, initial funding source, account control, permitted draws, minimum balance, replenishment order and conditions for release. It should also distinguish restricted reserve cash from unrestricted cash available for wages, suppliers and other ordinary payments.

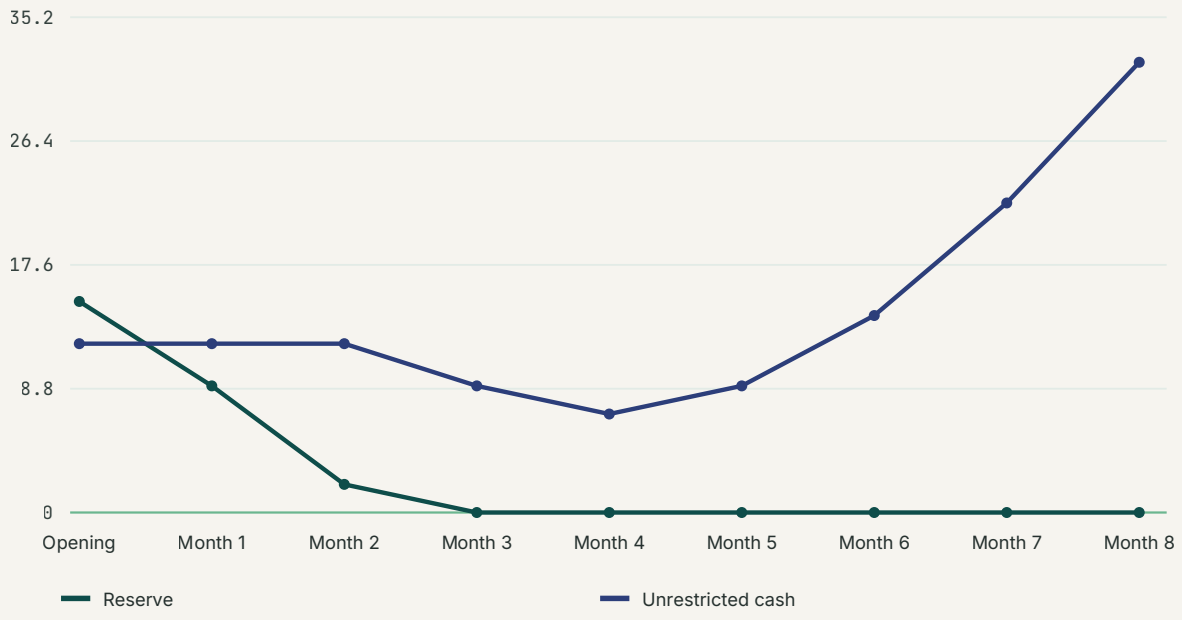
GFT recommends sizing the reserve from the maximum cumulative shortfall in an agreed stress sequence, after explicitly modelled receipts, essential payments and debt service. That method is more informative than asserting a universal number of months of debt service. A reserve sized only against one payment can still fail when several weak periods arrive consecutively. Conversely, an excessive restricted balance can starve commissioning or working capital. The appropriate amount is therefore the result of a timing model and a funding trade-off, not a standard percentage claimed for every venture.

The draw rules matter as much as the opening amount. A reserve available only after a lender waiver may not be accessible when the timing shock occurs. Replenishment from later surpluses should precede distributions where that is the agreed purpose, but the model must show the cash consequence. Release to shareholders or another project belongs only after the remaining risks and required balance have been reassessed. Any facility treated as reserve-equivalent needs its own availability, draw and expiry conditions.

Exhibit 54, p. 190 presents a separate illustrative monthly case. It assumes CFADS before senior service recovers through the ramp, while early debt service exceeds that cash. The reserve absorbs deficits first, then unrestricted cash absorbs any excess. Later surpluses remain unrestricted and do not replenish the reserve during the displayed window.

EXHIBIT 54 / ILLUSTRATIVE XAF MILLION, MONTH-END BALANCES

The reserve is exhausted before coverage recovers



ILLUSTRATIVE Separate illustrative timing model, not a monthly decomposition of scenario A. Opening unrestricted cash 12 and reserve 15. Monthly CFADS before senior service is [4,3,5,8,12,15,18,20]; monthly senior service is 10. Deficits draw reserve first, then unrestricted cash. Surpluses accumulate as unrestricted cash with no reserve replenishment in this window. No other payments, funding or shocks. Corresponding monthly coverage is [0.4,0.3,0.5,0.8,1.2,1.5,1.8,2.0].

In that illustrative sequence, the reserve reaches zero at the end of month 3. Monthly coverage subsequently rises above 1 in month 5 and reaches 2 by month 8, yet no reserve has been rebuilt. Unrestricted cash recovers because later surpluses are retained, but the next adverse event would meet a thinner defence than the opening structure provided. A dashboard showing only the recovering ratio would miss that weakened state. The report should therefore show coverage, restricted balances, unrestricted balances and cumulative draws together.

Repeat weakness exposes the limit more starkly. Assume illustratively that annual CFADS remains XAF 80 million against the scenario's annual senior service of approximately XAF 123.333 million. The annual deficit is approximately XAF 43.333 million. An illustrative reserve of XAF 100 million falls to approximately XAF 13.333 million after two such years and cannot cover the third deficit in full. No later reserve release should be assumed to solve that trajectory. The response must change operating cash, obligations, capital or scope.

GFT NOTE

Size the reserve against a dated cumulative cash deficit and show its balance after every draw. Do not count reserve cash as operating repayment capacity. If the stress requires repeated draws without a credible replenishment path, reduce debt, add risk-bearing funds or redesign the venture rather than enlarging a reserve that finances continuing weakness.

12.5

Refinancing should be an option, not the only repayment plan

A repayment case should stand without assuming that another lender arrives, that assets sell at a premium or that a terminal value appears at maturity. Those events can be analysed as conditional options, with counterparties, costs, conditions and dates where evidence exists. They should not supply the base answer to a contractual cash shortfall. IFC's public loan description covers own-account lending and loans through financial intermediaries, but neither product description supplies this venture with a refinancing commitment or repayment terms. [S29]

Amortisation, grace and a balloon allocate risk across time in different ways. Equal principal creates higher early service when opening interest is largest, then reduces the payment as the balance falls. Principal grace can protect an evidenced ramp, but it leaves more principal outstanding and usually increases later instalments or total interest under otherwise comparable assumptions. A balloon minimises scheduled principal before maturity while concentrating the final repayment question. None is inherently preferable. The test is whether the operating cash and available liquidity match the actual profile under stress.

For a consistent illustrative comparison, hold senior principal at XAF 500 million, annual opening-balance interest at 8 percent and the total horizon at six years. The amortising case pays six equal principal instalments. The grace case pays interest only for two years, then four equal principal instalments. The balloon case pays annual interest and all principal at maturity. These constructed structures exclude fees, capitalised interest, subordinated payments and refinancing proceeds.

The illustrative amortising structure produces total interest of XAF 140 million, calculated from opening balances that sum to XAF 1,750 million. Its first-year service is approximately XAF 123.333 million and final-year service is XAF 90 million. The illustrative grace structure produces total interest of XAF 180 million. Its first principal payment arrives in year 3 alongside interest on the still outstanding XAF 500 million, producing service of XAF 165 million. At illustrative downside CFADS of XAF 120 million, that year's coverage is approximately 0.727.

The illustrative balloon produces annual interest of XAF 40 million before maturity and a final-year payment of XAF 540 million including principal. Total interest is XAF 240 million. Early coverage can look comfortable precisely because principal has been deferred. At illustrative CFADS of XAF 120 million, final-year coverage is approximately 0.222 and the final payment deficit is XAF 420 million before any cash reserve. Without an evidenced source for that amount, the early ratio has concealed rather than solved repayment risk.

EXHIBIT 55 / ILLUSTRATIVE XAF MILLION OVER A SIX-YEAR HORIZON

Grace and a balloon move the repayment burden into later periods

Structure	First-year service	Peak annual service	Final-year service	Total interest
Equal principal	123.333	123.333	90.000	140.000
Two-year principal grace	40.000	165.000	135.000	180.000
Balloon	40.000	540.000	540.000	240.000

ILLUSTRATIVE Constructed comparison using senior principal 500 and annual opening-balance interest at 8 percent. Amortising: six equal principal instalments. Grace: two interest-only years then four equal principal instalments. Balloon: annual interest and principal at maturity. Total interest is undiscounted. No fees, capitalisation, subordinated service or refinancing. Figures rounded for display.

Exhibit 55, p. 192 does not argue against every grace or balloon structure. It shows what must be evidenced. A grace case needs a ramp that generates enough later cash after the higher payments. A balloon needs a credible cash accumulation, contractual amortisation substitute or separately evidenced repayment event. A refinancing case should be shown beside a no-refinancing case, with its costs, conditions and earliest feasible draw made explicit. If removal of that assumption creates an unfunded maturity, the present capital structure is not yet defensible.

12.6

A downside response must preserve essential obligations

The response sequence should protect the operating system before protecting a financial ratio. GFT proposes containing discretionary expansion first, then pursuing verified collections and operating corrections, calling contractually agreed sponsor support, renegotiating obligations where feasible, and stopping further exposure when no funded path remains. The order is not automatic. An immediate safety event may require an immediate hold. What matters is that management does not manufacture coverage by leaving essential obligations unpaid.

Wages, legally due taxes, safe operation, environmental controls and corrective safeguard work belong in the stressed cash case. IFC's Performance Standards address the identification and management of environmental and social risks throughout an investment, while the General EHS Guidelines call for project-specific application informed by qualified professional opinion. Those sources do not supply this venture's budget or legal duties. They do support the decision boundary that safeguard measures require assessment, ownership and implementation rather than treatment as discretionary savings. [S22] [S24]

Each failure mode needs a trigger, liquidity effect, accountable role, funded response and stop condition. Completion delay can be triggered by a missed acceptance milestone or an adverse cost-to-complete update. The project and finance roles should

reforecast site costs, supplier payments, interest and receipts, then use only authorised contingency or additional committed capital. Further discretionary exposure should stop if the remaining sources cannot complete a viable scope.

A power disruption needs operating and utility ownership. The trigger should connect recorded interruption and acceptance data to lost output, restart costs and delayed dispatch. The response may include funded power protection, revised scheduling, maintenance or customer communication, with each effect modelled after mitigation. If safe and compliant operation cannot continue, the affected activity should stop even when the debt ratio still appears adequate.

Buyer default requires commercial and credit ownership. The response should distinguish a disputed acceptance, a late payment and an expected recovery failure. Collections work cannot rely solely on sending more reminders where the underlying delivery or invoice is disputed. IFC's supplier-finance description centres on discounting invoices accepted by pre-approved participating buyers. A default stress should therefore test whether the relevant receivable was ever eligible and whether recourse or other terms leave risk with the supplier. It should not assume that a financing line replaces the missing collection. [S14]

A currency shock should be mapped through actual revenues, imported inputs, operating costs and debt settlement. IFC explains that borrowing in a currency different from revenue creates currency risk. The treasury response should identify the exposed cash flow, conversion timing and any evidenced mitigation rather than apply a generic exchange-rate movement to the whole business. A reserve denominated in the wrong currency may itself lose purchasing power relative to the obligation it is meant to fund. [S32]

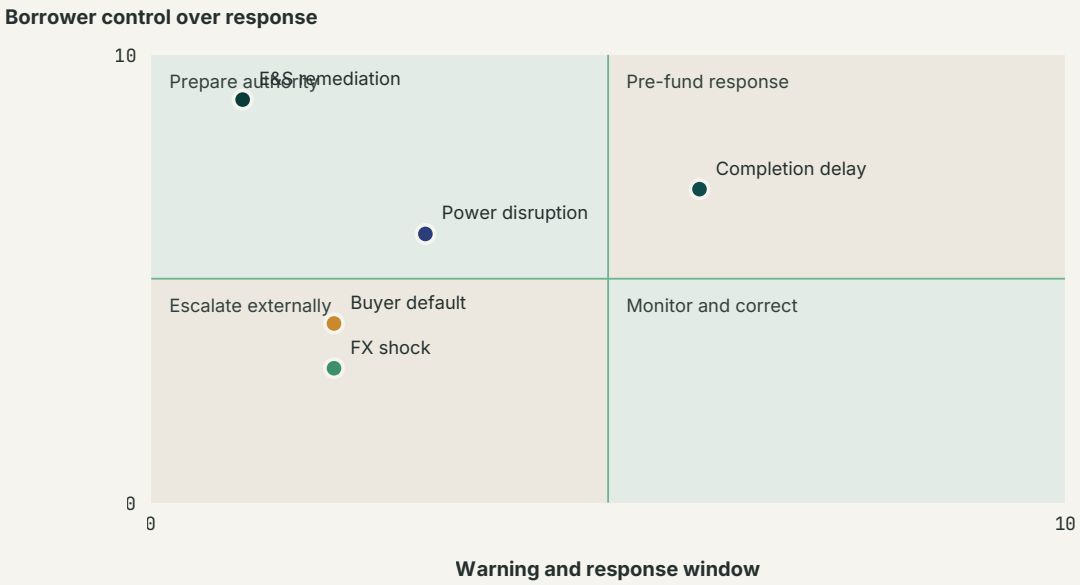
Environmental or social remediation requires its own authorised budget and a role authorised to hold the affected activity. The trigger may be an incident, monitoring exception or adverse review. The model should include investigation, corrective work, monitoring and any interrupted production. A stop condition applies where continued activity is unsafe, unlawful or inconsistent with the agreed requirements. Improved cash coverage achieved by deferring that work is not an acceptable mitigation.

Sponsor support must be evidenced before it enters the response case. A non-binding expression of intent is not cash. The file should identify the committed amount, decision authority, funding date and any conditions. IFC lists profit-participating loans, convertible loans and preferred shares among its investment forms, illustrating why an equity-like label alone says little about payment rights. Any proposed shareholder instrument needs its own maturity, cash-pay, conversion and standstill analysis before it is treated as patient support. [S30]

Exhibit 56, p. 194 summarises why these responses must be arranged before stress occurs. Its positions are illustrative workshop judgements about warning time and borrower control, not measured risk scores. A fast event with limited external control needs pre-funded authority and cash, while a controllable event still needs a stop rule if remediation fails.

EXHIBIT 56 / ILLUSTRATIVE SCORE FROM 0 TO 10

Each failure mode needs a funded response



ILLUSTRATIVE GFT proposed workshop map, not observed performance or a lender score. Horizontal: 0 immediate effect, 10 longer warning and response window. Vertical: 0 little borrower control, 10 strong borrower control. Positions are hypothetical. Response owners and stop conditions are defined in the adjacent text; no position authorises action or measures probability.

The matrix does not rank which loss is largest, because that answer belongs to the cash model. Its decision value is organisational. The committee should be able to see who acts, which account funds the action, what evidence authorises it and when action stops. Renegotiation belongs in the same register, with its proposed terms and cash effect shown rather than assumed. If no combination of operating correction, committed support and permitted amendment produces a viable path, the defensible response is to limit further exposure.

12.7

A credit challenge needs a documented accept or reject decision

A stress exercise becomes a financing control only when it ends in an authorised decision. GFT proposes a committee memorandum that identifies the model version, base assumptions, every stressed change, supporting evidence and reviewer. It should report the lowest coverage and its period, minimum unrestricted cash and its date, maximum cumulative funding shortfall, reserve depletion and any unmet essential obligation. Average outcomes may supplement that record, but they cannot replace the binding period.

The memorandum should distinguish the shock from the response. For each material mitigation, name the accountable role, amount, funding source, authority, execution date and remaining residual risk. If the response is additional sponsor cash, attach the evidence of commitment. If it is a lender amendment, record its status as proposed

until agreed. If it is an operating correction, show the physical mechanism and its cost. This prevents the committee from accepting a favourable output that depends on an unowned action.

An independent challenge should reproduce the decisive arithmetic and reconcile it to the cash ledger. The reviewer should test that a later collection reduces current cash, a reserve draw reduces accessible reserves, capitalised interest increases debt and a principal payment reduces both cash and principal. The reviewer should also confirm that the same production loss is not counted twice and that restricted cash has not restored an operating deficit. These are model-integrity checks, not evidence that the stressed events will occur.

Decision states should be explicit. Accept means the defined case and conditions support the stated commitment. Accept with conditions identifies evidence or funding that must be completed before a specified irreversible step. Redesign returns scope, capital or payment terms to appraisal when the current structure fails. Reject records that no defensible structure has been demonstrated. A conditional acceptance should not be used to authorise the very expenditure that an unresolved funding gap is meant to constrain.

The record should preserve the counterargument and dissent. A sponsor may consider a combined case too severe, or a credit reviewer may consider a mitigation unproven. The resolution should identify the evidence and authority behind the decision rather than delete the objection. Where uncertainty remains, a smaller bounded commitment can buy information without approving the full exposure. That option still needs enough funding to complete the bounded stage safely.

Base-case feasibility, institutional eligibility, credit approval and signed finance are separate states. IFC's application page describes information that may support appraisal, including a feasibility study or business plan after preliminary review. Submission and appraisal do not themselves constitute an approval or cash commitment. The committee record should therefore avoid converting a coherent stress model into a claim that any financier has accepted the venture or its proposed terms. [S01]

Before an actual commitment, the decision owner should refresh the inputs that can expire: buyer terms, supplier quotations, construction schedules, interest and currency quotes, capital commitments, permits, insurance, tax and legal advice, and environmental and social actions. Every refresh should update the affected stress case, not sit outside the model as correspondence. The final approved pack should retain both the selected case and the rejected alternatives so later changes remain visible.

The defensible capital structure is consequently a conditional conclusion, not a permanent ratio. It holds only for the stated scope, cash definitions, contractual schedule, downside cases and funded responses. When one of those changes, the credit ques-

tion reopens. That discipline allows a sponsor to proceed where the evidence supports payment and to stop before optimism becomes an obligation that the factory cannot meet.

Stress should decide the capital before the capital decides the failure.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S29 IFC. n.d..

S22 IFC. 2012-01-01.

S24 World Bank Group / IFC. 2024.

S14 IFC. 2026.

S32 IFC. n.d..

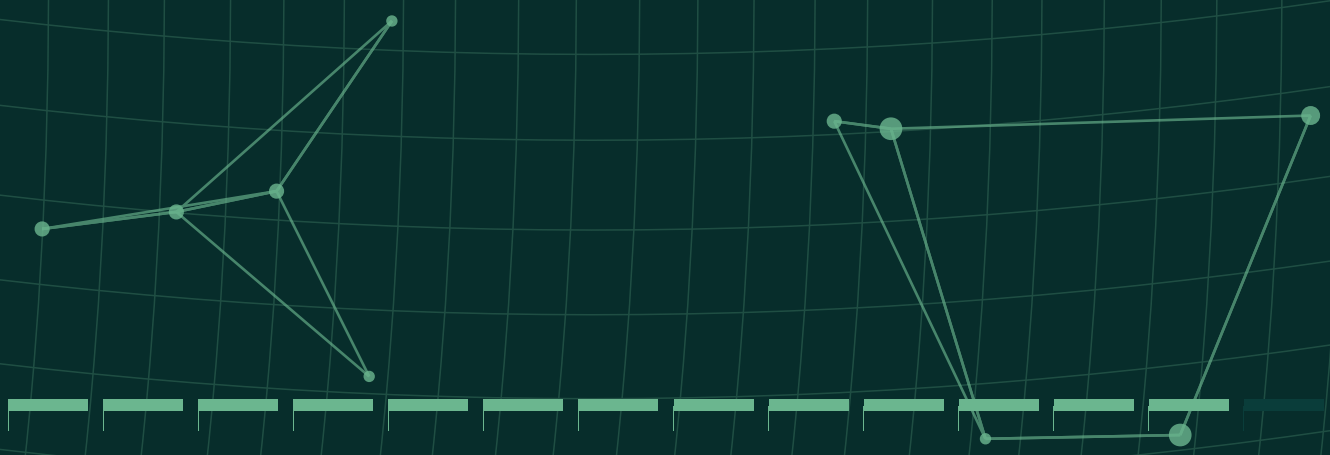
S30 IFC. n.d..

13

PART IV: CLOSING MUST LEAD TO MEASURED DELIVERY / EXECUTION AND ASSURANCE

Financial close is a document and cash-control process

A well-argued proposal remains unfunded until the documents, conditions and disbursement controls are satisfied.



CHAPTER 13
DECISION TEST

A well-argued proposal remains unfunded until the documents, conditions and disbursement controls are satisfied.

Financial close converts a financing proposal into enforceable obligations and controlled cash. It does not occur when a sponsor finishes a feasibility study, receives an indicative term sheet or signs a facility agreement. It occurs when the agreed documents are effective, the required evidence has been accepted, the specified conditions have been satisfied or validly waived, and the borrower can draw funds under controlled instructions. IFC's application guidance distinguishes an initial proposal from a decision to appraise a project, which reinforces the difference between submission and approval. [S01]

The practical answer is therefore a closing system, not a closing meeting. The sponsor needs a governed data room, a model reconciled to source documents, comparable financing terms, a sequenced conditions register, controlled bank accounts and an acceptance record that starts the operating evidence history. GFT's Cameroon textile programme supplies the design context: feasibility, performance-management system design and digital strategy, prepared in January 2024 with later source-refresh notes retained. It is not evidence of a commissioned factory or an approved financing package.

This chapter uses the paper's illustrative Scenario A only to demonstrate the controls. Its XAF 1,000 million funding plan comprises XAF 400 million of sponsor equity, XAF 500 million of senior debt and XAF 100 million of subordinated capital. These are assumed analytical inputs, not quotations, commitments or GFT funding requirements. Legal, tax, foreign-exchange, security and insolvency points require transaction-specific professional advice. This chapter is not investment, legal or tax advice.

13.1

A data room needs a document owner and a status for each claim

A useful data room makes every material claim retrievable and testable. It is not a folder count or a collection of files named `final`. IFC's public preliminary-information list spans the project, sponsors and management, market and sales, technical feasibility and environment, investment requirements and returns, regulation and the preparation timetable. [S01] A sponsor should use those categories to organise evidence, while recognising that each financier will issue its own request list and acceptance standard.

GFT proposes ten workstreams: corporate authority; beneficial ownership and source of funds; technical design and procurement; sales and buyer evidence; financial model and accounts; environmental and social management; site rights; permits and regulatory filings; insurance; and financing, security and legal opinions. The classification is a proposed control design, not a universal lender template. Its purpose is to prevent a document from being lost between disciplines. A supplier quotation, for example, belongs to procurement but also affects the financial model, import documents, security schedule, insurance and any green-allocation register.

Each record needs an owner, issuer, issue date, version, validity date where relevant, reviewer and decision dependency. The owner is accountable for completeness, not for approving his or her own evidence. The reviewer records whether the document satisfies the defined test. A board resolution may establish authority but not the avail-

ability of equity. A bank statement may show cash but not that it is unencumbered or committed to the project. A buyer letter may describe demand without creating an accepted receivable. IFC's supplier-finance description, for instance, concerns invoices accepted for payment by pre-approved participating buyers, which is a narrower condition than a sales forecast. [S14]

13.2 FIVE STATES SEPARATE RECEIPT FROM ACCEPTANCE

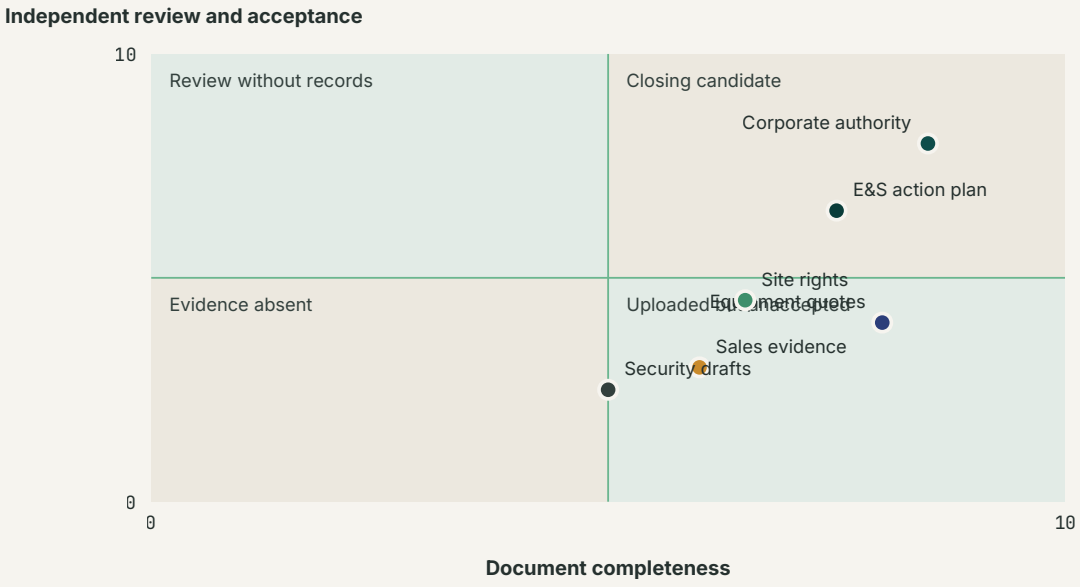
GFT recommends five states: *Requested*, *Received*, *Reviewed*, *Accepted* and *Expired*. *Requested* means the evidence and acceptance test are defined. *Received* means a complete, legible and current document is present. *Reviewed* means the responsible technical, legal, financial or safeguard reviewer has examined it and logged queries. *Accepted* means the authorised reviewer has closed those queries in writing for a stated transaction purpose. *Expired* means the document can no longer support the decision without renewal or reconfirmation.

These states stop two common reporting errors. The first is calling a room complete because every folder contains something. The second is treating acceptance as permanent. Quotations can lapse, insurance indications can depend on final specifications, and permits or corporate extracts can require refresh before drawing. The register should therefore report both the evidence state and the date on which that state must be retested. A condition that depends on an expired document remains open even if the file itself is still stored.

The illustrative positions in **Exhibit 57**, p. 199 show why completeness and acceptance must be reported separately. The scores are a teaching device, not measurements of a real venture.

EXHIBIT 57 / ILLUSTRATIVE SCORE FROM 0 TO 10

Document completeness is not lender acceptance



ILLUSTRATIVE [S01] [S22] Illustrative governance model. Horizontal positions represent assumed document completeness and vertical positions represent assumed independent review maturity. Scores are invented to demonstrate the five-state register, using diligence categories informed by S01 and S22. They are not observed borrower or GFT results.

The matrix does not say that corporate records are inherently easier than site or security records. It shows how a sponsor should discuss readiness. Equipment quotations can be complete yet unaccepted because technical queries remain open. An environmental and social action plan can be well developed but still require agreement on owners, resources and completion evidence. IFC Performance Standard 1 links action plans to measurable events, performance indicators, targets or acceptance criteria, resources and responsibilities, so a narrative policy alone is not a complete action plan. [S22]

> **GFT NOTE**
>
> Publish a weekly exception report rather than a single percentage-complete figure. It should list only items that block signing, first draw, the next draw or expiry renewal, with the owner, reviewer, missing evidence and next decision date. GFT's practical recommendation is to chair that report as a dependency review: no document moves to *Accepted* without a named reviewer and a recorded acceptance test.

13.3 ACCEPTANCE NEEDS A RECORDED SCOPE AND A CLOSED QUERY TRAIL

Acceptance should state what the reviewer has accepted and for what purpose. A technical adviser may accept a machine specification against the tender requirement without accepting the supplier's price, tax treatment or delivery date. Counsel may accept a form of security document while registration and ranking remain open. The status register must preserve those boundaries. Otherwise, one positive review can be misread as approval of the entire workstream.

Every query needs an identifier, owner, due date and closure reference. A response such as "noted" is not closure unless the reviewer confirms that the evidence resolves the issue. Where a response changes the transaction, the owner should identify every affected record. A revised delivery date can alter the procurement contract, insurance start, construction schedule, interest calculation and first repayment date. The acceptance meeting should end with an updated dependency list, not only revised presentation slides.

The sponsor should also retain rejected and superseded versions in a restricted archive. They explain why a decision changed and prevent an old quotation from returning unnoticed. They should not sit beside the accepted closing set without clear status labels. The objective is a single readable decision trail: proposal, query, response, review and acceptance, followed by any later refresh.

13.4

The financial model must reconcile to supporting documents

The financial model is the numerical expression of the evidence room. If a quotation changes but the equipment input does not, or a buyer's payment clause changes but collections do not, the model has ceased to represent the transaction. The answer is a controlled assumption register, not another summary tab. Each input needs a para-

meter identifier, value, unit, currency, price basis, timing rule, source-document identifier, version, owner and support status. Unsupported inputs should remain visible as estimates rather than acquire false authority through formatting.

Three reconciliations matter before signing. First, the sources-and-uses table must agree with the funding agreements and the latest cost schedule. Second, the timing model must agree with procurement, construction, acceptance and sales documents. Third, the debt terms in the model must agree with the proposed facility and intercreditor documents. IFC's preliminary-information guidance expressly connects the proposed financial structure, expected equity and debt terms, projected statements and critical profitability factors, so these records should be reviewed together rather than as separate workstreams. [S01]

13.5 THE CHANGE LOG IS PART OF THE CREDIT RECORD

Every model release should record the previous version, the changed cells, the authorising document, the person making the change and the independent checker. Output changes should be visible in funding need, cash low point, debt service and coverage. A reviewer must be able to distinguish a commercial update from a correction and a scenario switch from a change to contractual terms. File hashes can help identify the released workbook, but they do not prove that its contents are right.

The checks should be mechanical where possible. Sources must equal uses, but only on the same eligibility and timing basis. Opening cash plus receipts less payments must equal closing cash in every modelled period. Debt schedules must roll from opening principal through drawdowns, interest, scheduled repayment and closing principal. Foreign-currency inputs need a stated conversion rule. IFC warns that borrowing in a currency different from revenue creates currency risk, so the model should expose conversion and settlement assumptions rather than bury them in a single exchange-rate cell. [S32]

For euro-denominated inputs, BEAC's FAQ states a fixed parity of XAF 655.957 per euro for the Central African CFA franc. [S20] That parity does not validate a supplier price, remove US dollar exposure or establish that a particular transfer can be made on the required date. The model should retain the original currency, conversion source and date, and the cash account from which settlement will occur.

> **MODEL RELEASE TEST**
>
> Before a model is issued for credit review, the finance director should sign a release sheet confirming four things: every numeric input has a document reference or an explicit estimate label; every formula change has an independent check; the base and downside cases use the same contractual debt schedule unless the documents themselves differ; and the workbook contains no unexplained balancing receipt. The reviewer should reproduce the funding total, cash low point and first-period debt service from the released inputs, not accept the displayed outputs.

A model can be arithmetically correct and still be unfit for closing. That happens when the inputs describe different transaction versions. The release reviewer should therefore compare the model's document index with the accepted data-room index and investigate every mismatch. An estimate may remain in the model, but its con-

sequence must be visible and its conversion into a contracted input must have an owner. This is particularly important for working capital, where buyer terms, inventory assumptions and supplier credit can otherwise be sourced from inconsistent drafts.

The approved assumption set should travel with the credit paper. If the committee approves a different structure, the sponsor should issue a new release and repeat the checks. Marking a spreadsheet "approved" without identifying its version creates precisely the ambiguity that the closing process is meant to remove.

13.6

Term sheets must be compared on more than interest

A lower coupon can produce the weaker financing structure. The sponsor should compare offers on net cash available, the timing of principal, restrictions on operating accounts and the consequences of a missed test. The comparison must also separate binding obligations from indicative discussion. Legal counsel should state which provisions are binding, which remain subject to credit approval and which depend on documents not yet agreed.

Published institutional product descriptions provide comparison dimensions, not venture-specific terms. IFC describes own-account loans and loans to intermediaries for on-lending, while Proparco describes customised medium- and long-term loans. [S29] [S06] Parallel or syndicated structures add coordination questions because participants may have separate approvals, documentation and funding calendars. IFC describes parallel lending as a cooperation framework, not as evidence that a particular borrower has coordinated commitments. [S31]

A common comparison schedule should therefore include principal, currency, interest basis, fees, tenor, grace, amortisation, security, reserves, cash sweep, prepayment, covenants, reporting and draw conditions. It should show who pays legal, technical, insurance, registration and review costs, and when. A fee deducted at draw reduces cash available for expenditure even when it never appears in interest expense. An undrawn fee can consume liquidity during delay. A cash sweep can protect senior credit while restricting the sponsor's ability to rebuild working capital.

13.7 AMORTISATION CAN DOMINATE THE FIRST OPERATING PERIOD

The illustrative comparison in **Exhibit 58**, p. 203 holds principal and operating cash inputs constant while changing rate, tenor, grace and fees. Option A is Scenario A's simplified senior debt case. Options B and C are invented structures used to expose the mechanics. None is a market quotation or a recommendation.

EXHIBIT 58 / XAF MILLION UNLESS STATED

Term-sheet differences can change the downside outcome

Dimension	A: baseline	B: shorter	C: grace
Illustrative annual rate	8.00%	7.50%	8.50%
Principal instalments	6	4	5 after grace
Upfront fee	0.00	10.00	5.00
Year 1 principal	83.33	125.00	0.00
Year 1 interest	40.00	37.50	42.50
Year 1 service	123.33	162.50	42.50
Year 1 base DSCR	1.42x	1.08x	4.12x
Year 1 downside DSCR	0.97x	0.74x	2.82x

DERIVED [S06] [S29] [S31] [S32] Derived arithmetic from illustrative inputs. Principal 500; CFADS 175 base and 120 downside. A: 8%, six annual instalments. B: 7.5%, four instalments, 2% fee. C: 8.5%, one-year grace then five instalments, 1% fee. Service is principal plus opening-balance interest. DSCR is CFADS/service. Cash excludes fees and other flows. Sources support comparison dimensions only.

EXHIBIT 59 / XAF MILLION UNLESS STATED

Term-sheet differences can change the downside outcome, continued

Dimension	A: baseline	B: shorter	C: grace
Year 1 base cash after service	51.67	12.50	132.50
Year 1 downside cash after service	-3.33	-42.50	77.50
Year 2 service at unchanged CFADS basis	116.67	153.13	142.50
Year 2 downside DSCR	1.03x	0.78x	0.84x

DERIVED [S06] [S29] [S31] [S32] Derived arithmetic from illustrative inputs. Principal 500; CFADS 175 base and 120 downside. A: 8%, six annual instalments. B: 7.5%, four instalments, 2% fee. C: 8.5%, one-year grace then five instalments, 1% fee. Service is principal plus opening-balance interest. DSCR is CFADS/service. Cash excludes fees and other flows. Sources support comparison dimensions only.

The lowest illustrative coupon does not produce the strongest first-year cash position. Option B leaves only XAF 12.50 million of illustrative base cash after scheduled senior service and creates a XAF 42.50 million illustrative downside shortfall before its XAF 10.00 million upfront fee is considered. Option C protects the grace year but does not extinguish principal: its illustrative second-year service is XAF 142.50 million, and downside coverage is below one at unchanged CFADS. These calculations are sensitivity analysis, not a complete model or a statement that grace is preferable.

The negotiating implication is precise. Do not ask only for a lower rate. Ask which structure preserves enough liquidity to finish commissioning and operate through a defined delay, then test the later repayment burden. Check also whether covenants begin before a meaningful operating baseline exists, whether reserves can be used for their intended timing risk, and whether prepayment or break costs prevent a future refinancing. Currency clauses require the same scrutiny because denomination, conversion and settlement can create different exposures. [S32]

13.8

Conditions precedent need clear evidence and sequencing

A conditions-precedent register translates risk allocation into a work plan. Each entry should name the contractual action it blocks, the required evidence, the responsible party, the accepting party, the dependency, the current state and the expiry rule. It should distinguish a condition to signing, a condition to first draw, a condition to a later draw and a continuing undertaking. Combining them in one checklist hides the critical path and encourages premature supplier commitments.

Conditions to signing might include corporate authority, agreed financing terms, an approved model and an agreed environmental and social action plan. Conditions to first draw might include paid equity, executed subordinated documents, site rights, specified permits, insurance, legal opinions, bank accounts and the required security steps. Later draws can require evidence that earlier funds were spent on approved work, that the cost to complete remains funded and that no specified default or unresolved material safeguard failure exists. Continuing undertakings can include reporting, registration updates and action-plan completion. These are proposed categories for negotiation, not assertions about a particular lender's documents.

13.9 SECURITY AND SAFEGUARDS BELONG ON THE SAME CRITICAL PATH

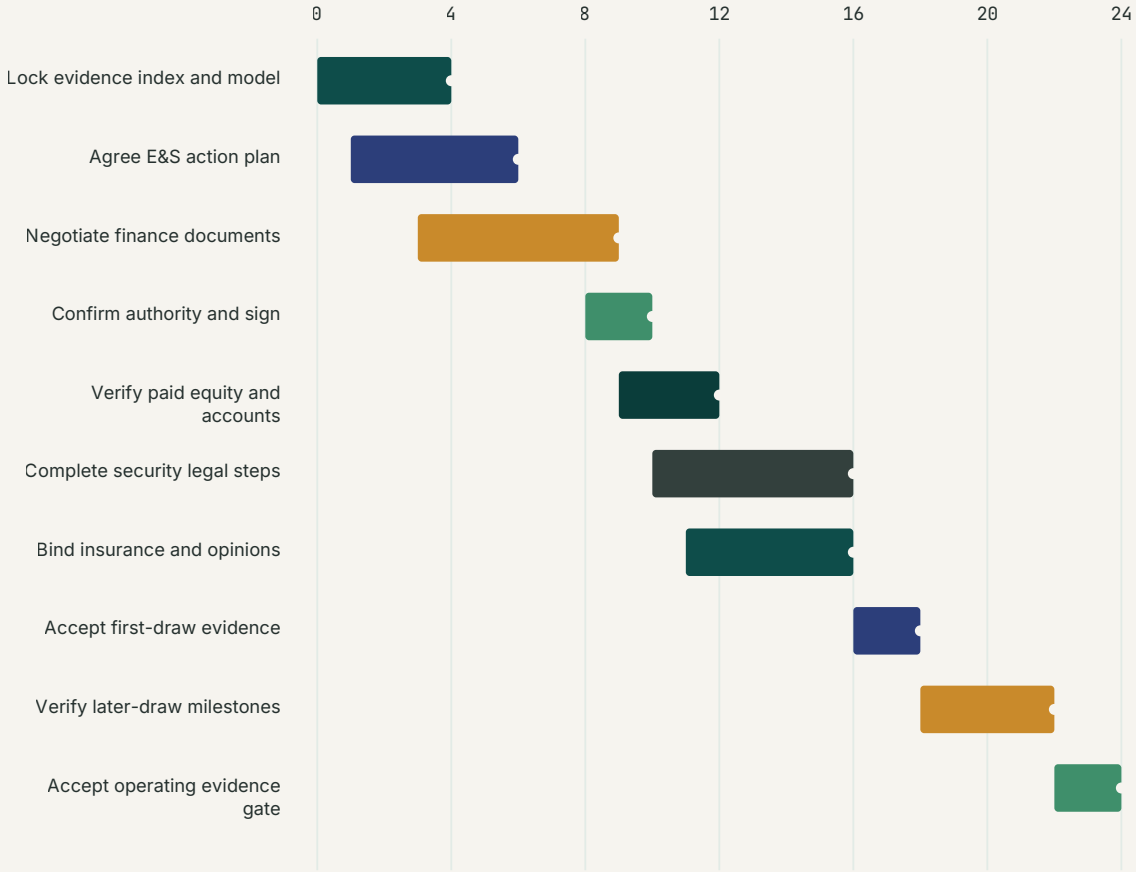
OHADA's security framework distinguishes personal security, movable security and mortgages, and provides for a security agent responsible for managing security from constitution to realisation. [S21] That makes title, asset identification, authority, ranking and agency legal-review subjects before funds move. The closing team should obtain counsel's advice on the exact creation, registration, perfection and enforcement steps for each asset and jurisdiction. A chart of proposed security is not evidence that security is effective.

Environmental and social readiness also needs evidence, not only an approved narrative. IFC Performance Standard 1 requires management programmes and action plans with defined outcomes, actions, tracking criteria, resources and responsibilities. [S22] The closing register should therefore connect each material action to a budget line, owner and completion record. World Bank Group EHS guidance is technical and site-specific, with applicability based on project hazards and qualified professional judgement. [S23] [S24] It should inform the design and acceptance criteria rather than be reduced to a generic policy upload.

Exhibit 60, p. 205 places these dependencies on an illustrative relative calendar. Its purpose is sequencing, not prediction.

EXHIBIT 60 / ILLUSTRATIVE WEEKS FROM MANDATE

Close depends on a chain of evidence approvals



ILLUSTRATIVE [S01] [S21] [S22] Illustrative 24-week sequence invented to show dependencies among evidence workstreams. Week 0 is lender mandate, not a calendar date or promised turnaround. Tasks overlap only where the proposed control design allows parallel work. First draw remains conditional on actual written acceptance, not completion of a bar.

Signing at illustrative Week 10 would not make the facility available. The illustrative first-draw acceptance gate follows equity verification, account setup, security work, insurance and legal opinions. Later drawing remains conditional on milestone evidence. A delay in a third-party registry, permit process or supplier document can move the entire chain, so the procurement calendar must include a stop point before the sponsor incurs an obligation that only debt can pay.

WAIVERS NEED A FUNDED FAILURE CASE

Converting an unfinished condition into a condition subsequent may allow an early payment while leaving a later draw exposed. Before accepting that route, the sponsor should record who controls completion, the contractual consequence of missing the new deadline and the cash available if drawing stops. GFT recommends against relying on a waiver for a third-party title, permit or security action unless the downside includes a funded holding period and an executable stop or fallback plan.

A useful first-draw pack is self-reconciling. Its index should match each condition to the exact document and acceptance reference, while the funds-flow statement matches each expected receipt and payment to an account and date. The sponsor should reconcile the pack to the model and procurement schedule before submitting it. Missing evidence should be shown as open, not silently removed from the index.

The draw notice itself deserves a final independence check. The person certifying use of funds should not rely solely on a supplier's statement that a milestone is complete. Technical certification, invoice approval and payment authority should be distinguishable even where a small team assigns several roles to one officer. Where the lender permits a waiver, the pack should record its scope, duration and consequence alongside the remaining conditions.

13.10

Drawdowns must follow verified eligible expenditure

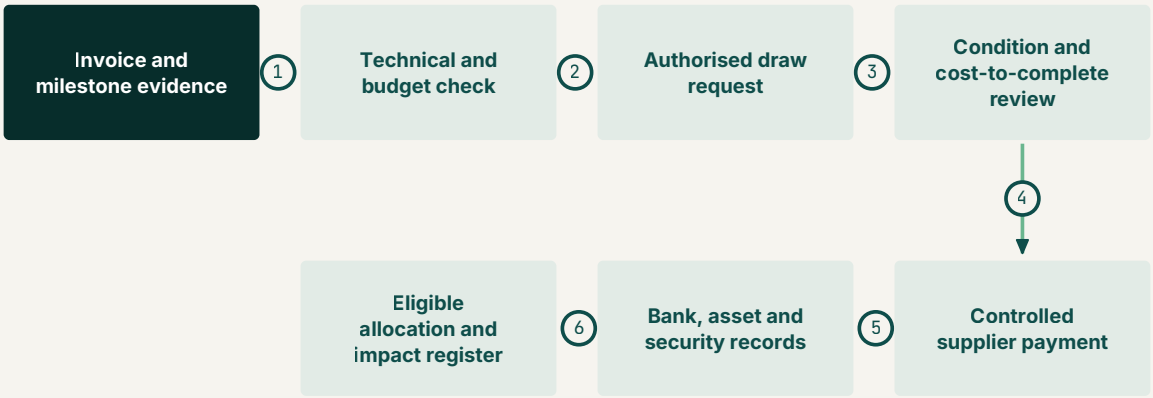
Draw control begins after the first conditions are accepted. Every request should connect an approved budget line to a supplier or contractor record, a verified milestone, an authorised instruction and a bank payment reference. The payment file should also show the remaining commitment, the remaining cost to complete and any retention. Direct supplier payment can reduce diversion risk for major equipment, but it does not prove performance. IFC's trade-finance description covers transaction-specific guarantees for instruments including letters of credit and advance-payment guarantees, which can support bank-mediated imports without replacing technical acceptance. [S13]

GFT proposes separate accounts for equity, construction disbursements, operating collections and any agreed debt-service reserve, subject to legal and bank review. A delegation matrix should name who certifies the milestone, who checks the budget, who signs the payment and who reconciles the bank entry. Dual signatures are useful only if the signatories receive the underlying evidence and can refuse an unsupported request.

Green finance adds an allocation control rather than replacing these payment controls. The Green Bond Principles concern capital raising and investment in projects with environmental benefits, while the Guidance on Green Loan Principles focuses on eligible projects rather than the borrower as a whole. [S15] [S17] The guidance states that only a designated green tranche is classified as green and that its proceeds are credited to a separate account or otherwise appropriately tracked. [S17] Ordinary expenditure therefore does not become eligible merely because it sits inside a venture with a sustainability objective.

EXHIBIT 61 / PROPOSED CONTROL SEQUENCE

A draw request must reconcile to expenditure and allocation



1. Match contract
2. Certify milestone
3. Submit evidence
4. Approve if satisfied
5. Reconcile cash
6. Tag eligible share

ILLUSTRATIVE [S13] [S15] [S17] [S21] Illustrative control design. The sequence connects supplier evidence, technical verification, authorised request, lender review, payment, asset records and any applicable green allocation. It is not a representation of a particular lender's process. Green steps apply only to an agreed eligible tranche.

The allocation node comes after verified payment and asset recording. If the milestone fails, neither cash nor an environmental allocation should be recorded. Where only part of a project is financed by a green loan, the guidance calls for impact reporting on the prorated share financed and disclosure of total project cost when available. [S17] This prevents two funding providers from each attributing the whole outcome to themselves.

WORKED EXAMPLE: HOLDBACK AND PRORATED ALLOCATION

Assume an illustrative eligible utilities and metering package costs XAF 125 million, funded by XAF 75 million of green debt and XAF 50 million of sponsor equity. These inputs are invented to test the arithmetic, not to claim eligibility for any actual equipment. The green debt share is 60 percent and the equity share is 40 percent. [S17]

Suppose an illustrative 10 percent holdback leaves XAF 112.50 million payable before final acceptance: XAF 125 million less XAF 12.50 million. Applying the same funding shares gives XAF 67.50 million of green debt and XAF 45.00 million of equity. The remaining XAF 7.50 million of green debt and XAF 5.00 million of equity stay associated with the holdback until the agreed release evidence is accepted. [S17]

After final release, the full illustrative XAF 75 million green allocation represents 60 percent of total package cost. If the package later produces an illustrative 150,000 kWh in a defined operating year and the chosen impact method uses prorating, the green-loan report would attribute 90,000 kWh, calculated as 150,000 multiplied by 0.60, while also disclosing the total. That figure is an arithmetic demonstration, not an operating result or an emissions claim. [S17]

13.11

Intercreditor terms determine what happens under stress

Scenario A combines senior debt, subordinated capital and equity, so the bilateral senior agreement cannot describe the whole cash-control system. The intercreditor and subordination documents should state priority, permitted payments, turnover of receipts, enforcement control, standstill, additional debt, distributions and cure rights. These are legal-review subjects. Their effect depends on executed wording, governing law and insolvency rules, not on the label given to a tranche.

A payment blockage should identify exactly which subordinated cash payments stop when a specified senior condition fails. A standstill should identify restricted enforcement actions and its duration. A turnover clause should address a payment received contrary to the agreed ranking. Distribution restrictions should cover dividends and related-party payments where negotiated. The sponsor should model the resulting cash restrictions rather than assume that patient capital remains patient under every circumstance.

Creditor governance also matters when several lenders participate. IFC describes profit-participating loans, convertible loans and preferred shares within its equity investment products, and separately describes parallel-lending cooperation. [S30] [S31] Those categories do not settle ranking or enforcement in Scenario A. OHADA's provision for a security agent supplies a relevant legal framework for coordinated security management, but counsel must confirm agency powers, voting, priority and enforcement for the actual transaction. [S21]

Cure rights need the same documentary discipline as the original commitment. The documents should state who may cure, which instruments qualify, when cash must arrive and how the cure affects coverage or a default. A sponsor letter of intent is not

the same as available cash. If the cure depends on a new investor, regulator or bank transfer, the closing risk register should retain that dependency rather than treat the cure as automatic.

The negotiation map should finish with a stressed cash waterfall. It should show which payments are contractually due, which are blocked, which accounts can be used and who can instruct enforcement. If the map requires an unpaid shareholder to provide an immediate cure with no committed capacity, the closing case still contains an unfunded assumption.

13.12

Acceptance testing must start the operating evidence history

The final construction gate should create the first trusted operating records. Factory acceptance, delivery, installation and site acceptance answer different questions. A factory test can support shipment. Delivery records can confirm identity and condition. Installation checks can confirm that the asset is ready for energisation. A site acceptance test should then assess the integrated line under stated operating conditions. None of these milestones alone proves repeat orders or long-term repayment capacity.

The acceptance protocol should define test duration, input material, operators, output measure, quality rule, utility meters, safety checks, data capture, exceptions and signatories. It should distinguish mechanical completion from commercial readiness. EHS guidance calls for site-specific application based on project hazards and qualified judgement, so safety and environmental acceptance criteria must reflect the selected process boundary rather than a generic textile checklist. [S23] [S24]

GFT recommends recording the site acceptance shifts in the same manual performance-management logs that operations will use. Scheduled time, available time, downtime causes, good output, rejects, rework, fabric issued and utility readings should reconcile to the trial batch. Supervisors should sign the records, and the finance team should be able to connect the accepted assets to the payment and security registers. The later digital layer should inherit these definitions rather than create a parallel history.

A holdback can be tied to this evidence package if the procurement and financing documents agree. The release certificate should state any open defects, the responsible party and the remedy deadline. Passing a narrow machine-speed test is not enough if quality records, safety interlocks or meter readings remain unreliable. Con-

versely, a complete acceptance test does not justify immediate expansion; it establishes the start of the record on which later operating and financing decisions can rest.

Financial close is complete only when legal effectiveness, accepted evidence and cash control meet at the same boundary. The sponsor can then show not merely that capital was committed, but which evidence released it, which assets received it and which operating records began when construction ended.

A signature authorises a commitment, but verified evidence releases the cash and starts the record of repayment.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S14 IFC. 2026.

S22 IFC. 2012-01-01.

S32 IFC. n.d..

S20 BEAC. n.d..

S29 IFC. n.d..

S06 Proparco. n.d..

S31 IFC. n.d..

S21 OHADA. 2010-12-15.

S23 World Bank Group / IFC. 2007-04-30.

S24 World Bank Group / IFC. 2024.

S13 IFC. 2026.

S15 ICMA. 2025.

S17 APLMA, LMA and LSTA. 2025-03-26.

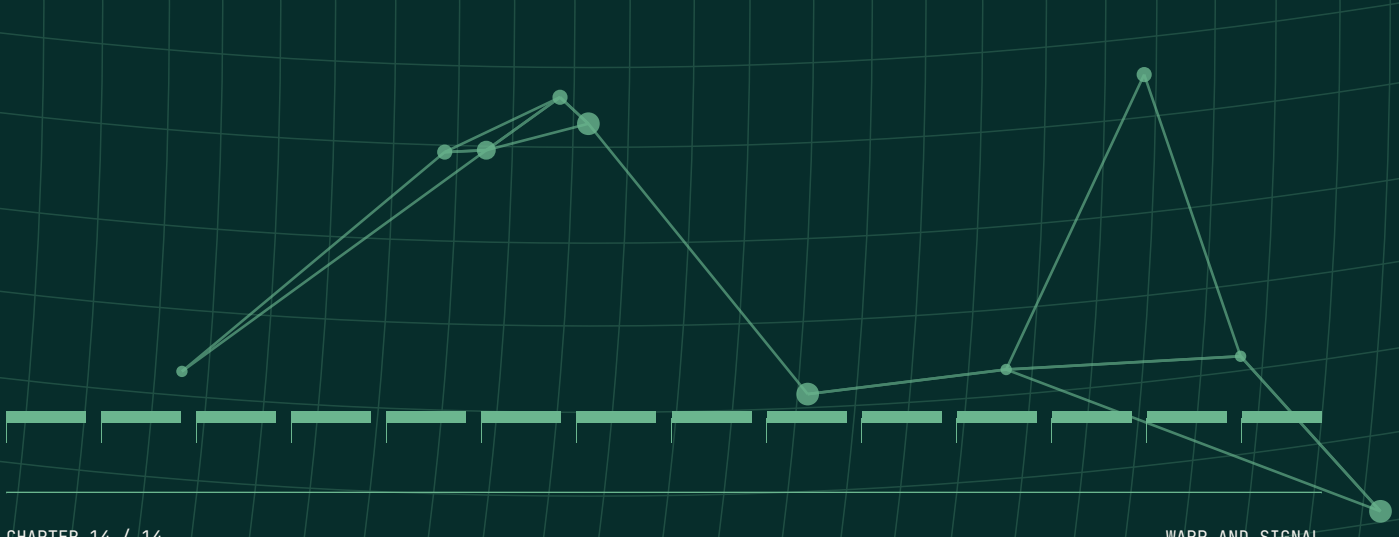
S30 IFC. n.d..

14

PART IV: CLOSING MUST LEAD TO MEASURED DELIVERY / RECOMMENDATIONS AND ROADMAP

Release capital in stages and measure what justifies the next line

The recommended financing path is a conditional sequence of evidence gates, with a measured operating record before expansion.



CHAPTER 14
DECISION TEST

The recommended financing path is a conditional sequence of evidence gates, with a measured operating record before expansion.

GFT recommends financing a tightly bounded first textile line through capital that is fully committed but released against evidence, then considering another line only after demand, collections, production, people and safeguards have proved repeatable. The sequence protects the venture in two directions. It avoids starving commissioning, working capital or environmental and social obligations, and it prevents an optimistic calendar from turning unresolved risk into an irreversible expansion. Production records become financing evidence only when they reconcile to cash and retain their definitions. This chapter sets out a proposed decision method. No gate is reported as achieved, no financing route is confirmed, and the arithmetic is illustrative. This is not investment, legal or tax advice.

14.1

Start with a tightly bounded and fully funded first stage

The first commitment should preserve a scope that management can operate and financiers can inspect. For GFT's Cameroon textile programme, that design boundary is cut, make, trim and finishing under an own brand, with spinning and knitting treated as optional partnered steps rather than silently included in the borrowing base. A later integration case would need its own technical appraisal, utility design, market evidence, safeguards and capital plan. The recommendation is not that integration is undesirable. It is that a first-line approval should not carry an unpriced second industrial system inside its assumptions.

A bounded scope still requires a complete funding requirement. Productive equipment sits alongside site works, utilities, installation, acceptance testing, data capture, metering, supervisor development, operator training, safeguards, opening working capital and contingency. Each package needs a cost basis, payment calendar, responsible role and funding source. IFC's published application guidance connects project appraisal to technical feasibility, infrastructure, raw materials, operating costs, investment requirements and environmental issues. GFT's proposed first-stage file follows that wider boundary rather than presenting a machinery invoice as the investment case. [S01]

Full funding describes certainty and timing as well as arithmetic. The sources-and-uses table should distinguish paid equity, committed but unpaid equity, approved debt, signed debt, satisfied draw conditions and cash received. An undrawn facility can be economically necessary while remaining unavailable on the date a supplier must be paid. The finance director should therefore reconcile every use to the earliest permissible funding date and identify who carries any interval between commitment and collection. A grant under discussion, an expected buyer advance or an unapproved shareholder loan cannot close that interval.

The first stage also needs a downside liquidity decision before orders become irreversible. The sponsor and financiers should see the cash consequence of delayed acceptance, lower early collections, additional training and corrective safeguard work. The response may be a larger reserve, a reduced procurement package, more patient capital or a decision not to proceed. It should not be an assumption that suppliers, employees or essential environmental controls will absorb the shortfall. IFC's Per-

formance Standards make assessment and management part of projects with environmental and social risks and impacts, so these obligations belong in the funded operating plan rather than in a discretionary residue. [S22]

> **GFT NOTE**
>
> Approve the whole first-stage funding plan, but release it through defined evidence gates. Keep machinery, commissioning, measurement, training, safeguards and opening liquidity in the same sources-and-uses control. If the complete stage cannot survive the downside cash test, reduce or redesign the stage before signing irreversible orders.

Green and blended classifications remain separate decisions. Opened green-loan guidance focuses on eligible projects rather than the borrower's general description, so a sustainable industrial purpose does not make every first-stage payment green. The eligible expenditure register should be built only after the production boundary and invoices are known. [S17] Likewise, concessional support requires a defined obstacle and no more concession than necessary. It should not be used to make an incomplete funding plan appear complete. [S04]

14.2

Choose the financing route that matches current readiness

The appropriate route is the one whose eligibility, risk allocation and decision process match the venture now, not the route with the most impressive institutional name. GFT would begin with a dated readiness screen covering sponsor funds, scope definition, buyer evidence, cost quotations, site and permits, environmental and social preparation, financial model quality and reporting capacity. Each route then receives an explicit reason to advance, hold or reject. This avoids spending the development budget on an application whose basic entry conditions were never tested.

Direct institutional appraisal requires particular care. IFC states that eligible projects must be technically sound, have good prospects of profitability and satisfy environmental and social criteria. Its page also distinguishes direct proposals from its statement that it does not lend directly to micro, small and medium enterprises, while noting that financial intermediaries can on-lend to smaller businesses. Neither statement establishes that a textile venture is eligible or ineligible. Together they show why borrower size, route and project evidence must be confirmed before a sponsor infers access. [S01]

Intermediated finance is a different credit path, not a diluted form of direct approval. IFC publicly describes loans to banks, leasing companies and other financial institutions for on-lending. Under that route, the intermediary's own credit decision, security requirements, pricing, reporting and available tenor remain decisive. The sponsor should ask whether the relevant institution has an applicable facility and whether the proposed asset and borrower fit its current rules. An institutional product description is research input, not a commitment to the venture. [S29]

Other published products belong to the same screening discipline. Proparco describes medium- and long-term loans to businesses and financial institutions, with customised structures and environmental, social and governance analysis. That description can help shape a query about route and fit. It cannot supply a venture-specific amount, maturity, currency or approval. GFT would record the page edition or access status, the exact unanswered eligibility questions and the date on which the route must be refreshed. [S06]

Unresolved development exposure belongs first with capital that can absorb delay and revision. Sponsor equity may fund investigation, preparation and early execution where repayment evidence is not yet sufficiently repeatable. Equity-like or subordinated instruments may also be relevant, but their labels are not enough. IFC's opened product page lists profit-participating loans, convertible loans and preferred shares among its investment forms. Each possible form needs analysis of cash payments, maturity, conversion, redemption, control and ranking before it is treated as patient capital. [S30]

Senior debt should enter where the cash-flow case supports contractual service under both base and tested downside conditions. A longer tenor does not cure negative operating cash, and subordination does not help if payments still leave before senior obligations. The financing model should reproduce the actual payment blockage and distribution rules rather than assume them from a tranche title. Where debt sizing falls below the funding need, the decision is to add risk-bearing funds, change scope or stop, not to hide the gap in a later refinancing assumption.

Blended support enters only after that ordinary structure has been challenged. IFC describes blended finance as addressing specific market barriers with minimum concessionality and aiming for commercial sustainability. The proposed file should therefore identify what fails without support, which instrument addresses that failure, who benefits and how the need for support ends. Development impact alone does not answer this financing question. [S04] The result is a sequence based on readiness: evidence and patient capital first, suitable credit routes second, and specialised labels or concessional features only where their separate tests are met.

14.3

Tie capital release to evidence gates rather than calendar optimism

The programme's set up, launch and stabilise, scale, and optimise phases provide a useful operating spine. GFT proposes converting them into financing gates with explicit entry evidence. Set up should establish the approved scope, site and sourcing decisions, paid-in sponsor funds, procurement authority, safeguard actions and a working manual performance-management system. Launch and stabilise should establish accepted machinery, trained supervision, usable quality records, controlled utility consumption and the first complete reconciliation from production to collected cash. Scale should follow repeated evidence, while optimise should improve a measured system rather than disguise an unfinished one.

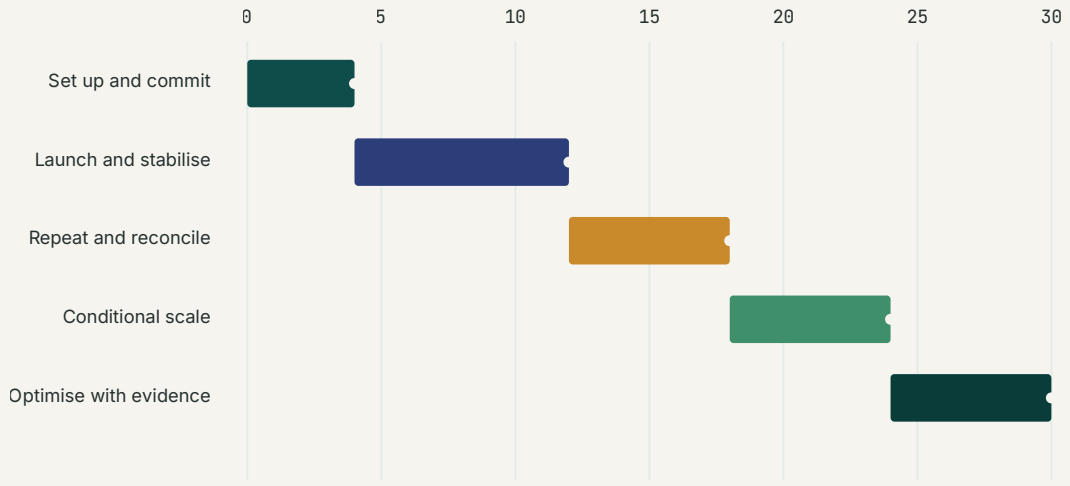
Each gate needs a decision owner and an evidence pack. The pack should identify the source document, version, reporting period, reviewer, exceptions and unresolved conditions. A procurement certificate answers a different question from a buyer collection, and a supervisor attendance record answers a different question from demonstrated line control. The gate reviewer should not accept one as a substitute for another. Where independent technical, legal, financial or assurance review is required, the approval should name its scope rather than rely on a generic statement that diligence is complete.

Capital release should follow the approved use, not merely the passage of time. A date can prompt a review, but it cannot create the evidence needed to pass. If machinery acceptance is delayed, the dependent commissioning funds remain controlled while the team reassesses storage, site costs, supplier obligations and liquidity. If a safeguard action is unresolved, the response may be to hold the affected activity even when procurement is technically complete. The financing calendar must be reforecast through change control, with the cash consequence shown before management commits to a new date.

The illustrative roadmap in **Exhibit 62**, p. 215 shows dependency rather than a promised duration. Its numeric positions are chosen only to make the sequence visible. A real programme would set dates from supplier quotations, site conditions, training needs, buyer contracts and financier requirements. The scale phase remains conditional throughout, and optimisation does not imply that the earlier gates were achieved.

EXHIBIT 62 / ILLUSTRATIVE MONTHS FROM INVESTMENT AUTHORISATION

Capital release follows evidence before expansion



ILLUSTRATIVE Proposed sequence using the programme phase spine. All positions and durations are illustrative, not forecasts or achieved milestones. Scale begins only after the repeated-evidence gate; optimisation continues measurement rather than waiving it.

The roadmap also needs a stop rule. A failed gate can lead to proceed, hold, redesign or stop, depending on the defect and its cash consequence. Proceed means the specified evidence is sufficient for the defined release, not that the whole venture is derisked. Hold preserves the current boundary while a named role resolves an excep-

tion. Redesign changes scope, funding or operating method and returns the affected assumptions to appraisal. Stop prevents further discretionary exposure and activates the agreed completion, preservation or exit actions. None of these decisions should occur silently through an overdue report.

> **WORKED EXAMPLE: STAGED RELEASE CAPS EXPOSURE WITHOUT REMOVING RISK**
>
> The illustrative scenario uses total first-stage funding of XAF 1,000 million. For this gate exercise, assume set-up receives XAF 100 million, procurement and installation XAF 580 million, commissioning and opening liquidity XAF 220 million, and controlled contingency XAF 100 million. The allocations sum to 100 + 580 + 220 + 100 = XAF 1,000 million. They subdivide the paper's constructed uses solely to demonstrate release control; they are not supplier quotations or a recommended capital request.
>
> Illustrative exposure through procurement and installation is therefore 100 + 580 = XAF 680 million. The unreleased balance is 220 + 100 = XAF 320 million, but it is not automatically available for another purpose. If an approved corrective package draws XAF 40 million from contingency, the illustrative controlled contingency becomes 100 minus 40 = XAF 60 million, while the total authorised plan remains XAF 1,000 million. A stop before commissioning would still leave cancellation, preservation and contractual settlement questions. The gate limits further discretionary exposure; it does not erase money already at risk.

This arithmetic explains why full commitment and staged release must coexist. Cutting the opening liquidity package to create an apparently smaller capital request would weaken the launch. Committing every payment on the first day would remove the benefit of a stop decision. The better control is to fund the complete bounded stage, identify the conditions under which each amount becomes payable and retain an authorised response when evidence differs from the plan.

14.4

Measure cash and production in the same management cycle

The operating record should let a reviewer follow a garment from production to sale, collection and debt service without changing denominator or period along the way. GFT proposes shift-level records of good output, rejects and rework, weekly review of collections and stock, and monthly reconciliation of cash flow, cash available for debt service, debt-service coverage, minimum cash, covenant headroom and remaining funding availability. These cadences are recommendations for management control, not universal lender requirements. Contractual reports should follow the executed agreements and use definitions that reconcile to the operating record.

Every metric needs a compact dictionary: unit, numerator, denominator, period, owner, source system, cut-off and reconciliation. Good output should mean accepted units under a stated quality rule, not all units that crossed a machine. Collections should identify the invoice, payer, amount, value date and deductions rather than rely on a sales forecast. Stock should distinguish raw material, work in progress, finished

goods, rejected items and goods already allocated to a customer. Cash should distinguish unrestricted balances from controlled accounts and amounts reserved for a defined obligation.

The monthly review should begin with physical and commercial reconciliation before calculating coverage. Accepted output connects to dispatch records, dispatch to invoices, invoices to collections and deductions, and collections to bank statements. Operating payments connect to the same period's production and stock movements. Only then does the finance team calculate cash available for debt service under the stated definition. New borrowing and sponsor injections remain financing flows, not operating repayment capacity. A growing bank balance can therefore coexist with weak operating cash if its source is another capital injection.

The proposed dashboard in **Exhibit 63**, p. 217 places factory signals and financing consequences beside one another. It does not populate performance values because none has been observed for this proposed venture. Its purpose is to force each reported number to carry an owner and a reconciliation path. Where a measure is unavailable, the report should say so and identify the decision affected. A blank or estimated field should not be converted into an apparently precise zero.

EXHIBIT 63 / ILLUSTRATIVE METRIC DICTIONARY

The lender dashboard reconciles factory signals to cash

Measure	Proposed cadence	Required reconciliation	Capital decision
Accepted output	Shift	Quality and dispatch log	Ramp acceptance
First-pass yield	Shift	Rejects and rework	Release corrective funds
Collections	Weekly	Invoice and bank value date	Liquidity forecast
Stock and age	Weekly	Physical count and ledger	Borrowing availability
CFADS	Monthly	Operating cash bridge	Debt capacity
DSCR	Monthly	Contractual debt service	Covenant action
Unrestricted cash	Weekly	Bank and controlled accounts	Draw or hold
Safeguard actions	Monthly	Owner and closure evidence	Gate exception
Green allocation	Contractual	Invoice and proceeds ledger	Eligible release

ILLUSTRATIVE [S15] [S18] [S22] GFT proposed reporting design, not observed results or a standard lender template. Green allocation, linked performance and safeguard reporting follow their actual contractual scopes. Cadence is proposed and may differ from financing-report deadlines.

Management should review exceptions in the same cycle as the headline measures. A sudden yield improvement may reflect a changed acceptance rule. Faster collections may reflect one prepayment rather than repeatable buyer behaviour. Lower stock may indicate an impending material shortage. The reviewer should ask what operational

event explains each movement and which independent record supports that explanation. Trend commentary without this challenge can make the dashboard look disciplined while concealing a definition change.

The manual performance-management system is therefore part of the financing infrastructure, not a temporary inconvenience before digitisation. It establishes the identifiers, responsibilities and reconciliations that a later digital layer can automate. Software cannot repair an unclear acceptance boundary or an unrecorded adjustment. GFT's recommendation is to test the manual chain during commissioning, retain correction history and introduce automation only where it preserves those controls. The resulting record serves operations first and financier reporting through a controlled extraction, rather than maintaining two inconsistent versions of performance.

14.5

Report environmental and social delivery alongside credit performance

A strong debt-service ratio cannot compensate for an unsafe or environmentally unmanaged line. GFT proposes a monthly review of relevant resource use, safety events, worker concerns and environmental and social action-plan progress beside the cash dashboard. The precise indicators should follow the actual process boundary and risk assessment. IFC's Performance Standard 1 includes management programmes, organisational capacity, emergency preparedness, stakeholder engagement, and monitoring and review within the management system. A financing report should show those activities as continuing responsibilities, not as documents completed at close. [S22]

Each action needs an owner, due date, budget, closure evidence and, where necessary, verification of effectiveness. Closing a training action means more than recording attendance if the remaining risk concerns whether supervisors apply the procedure. Closing a metering action means more than installing a device if shared loads remain unreconciled. Where an action is late, the report should state the operational and cash consequence and identify whether the delay affects a capital gate. Essential corrective work should remain funded in the downside case.

Use-of-proceeds reporting follows a separate evidence chain. ICMA's Green Bond Principles connect green issuance to projects with environmental benefits and emphasise reporting that permits proceeds to be tracked. That supports an allocation control from the financing facility to eligible invoices and outstanding financed shares. It does not turn an allocation into evidence of cash-flow performance or proof that every factory activity is green. [S15] The green register and the credit dashboard should reconcile where they share an invoice, while retaining their distinct purposes.

Opened green-loan guidance distinguishes estimated from actual impact and calls for clear disclosure of data scope and limitations. GFT would carry that distinction into every capital gate. Before operation, an engineering estimate can support appraisal if its assumptions remain visible. After operation, measured values should replace the relevant estimate through a documented bridge rather than overwrite the original file. Where actual impact cannot yet be calculated, the report should retain that limitation instead of presenting forecast benefit as delivered benefit. [S17]

Sustainability-linked reporting requires its own determination. Opened loan guidance connects verification to the dates or periods that can change financial or structural characteristics, and calls for the report to describe procedures, criteria and limitations. The financing administrator should therefore use the verified result specified in the agreement, not an informal dashboard extract. A missed target, an unavailable result and a qualified verification conclusion are different states with consequences that must come from the executed documents. [S18]

Carbon claims need an explicit accounting boundary. The GHG Protocol Corporate Standard addresses a corporate emissions inventory and states that it is not the method for quantifying offset credits; it also does not itself prescribe how verification should be conducted. GFT would therefore keep corporate emissions, product footprints, avoided emissions and any credit revenue as separate records. None should enter the cash case or an expansion announcement merely because another environmental indicator improved. [S25]

Development outcomes require the same restraint. IFC's AIMM guidance distinguishes expected development impact from additionality and describes monitoring against expected outcomes over time. GFT's proposed report would separate financed outputs, observed operating results and wider outcomes that require an attribution argument. It would not issue itself an institutional impact score or claim that local employment and market effects are caused solely by the first line. [S26] This status discipline gives the capital committee a credible choice: an assured result can support the decision within its scope, while an estimate remains a reason to test and measure.

14.6

Expand only after repeatable evidence supports another line

Expansion should be a new investment decision, not a reward for elapsed time or one favourable reporting period. GFT proposes six independent tests: repeat orders, collected cash, verified quality, trained supervisors, sufficient utility capacity and funded safeguards. Each test needs a transaction-specific threshold, observation window and reviewer. Demand should be evidenced by orders and buyer behaviour relevant to the proposed product mix. Cash should be evidenced by collections after deductions and by operating headroom after essential payments. Neither a sales pipeline nor a single large prepayment establishes repeatability.

Quality evidence should demonstrate consistent acceptance under a stable rule. The review should cover rejects, rework, returns and complaints, with product families kept sufficiently distinct to expose mix effects. People evidence should show that supervision and critical operating skills are available beyond one individual or one favourable shift. Utility evidence should test capacity and reliability at the expanded load rather than infer headroom from the current bill. Safeguard evidence should show that existing actions are controlled and that the incremental impacts have been assessed and funded.

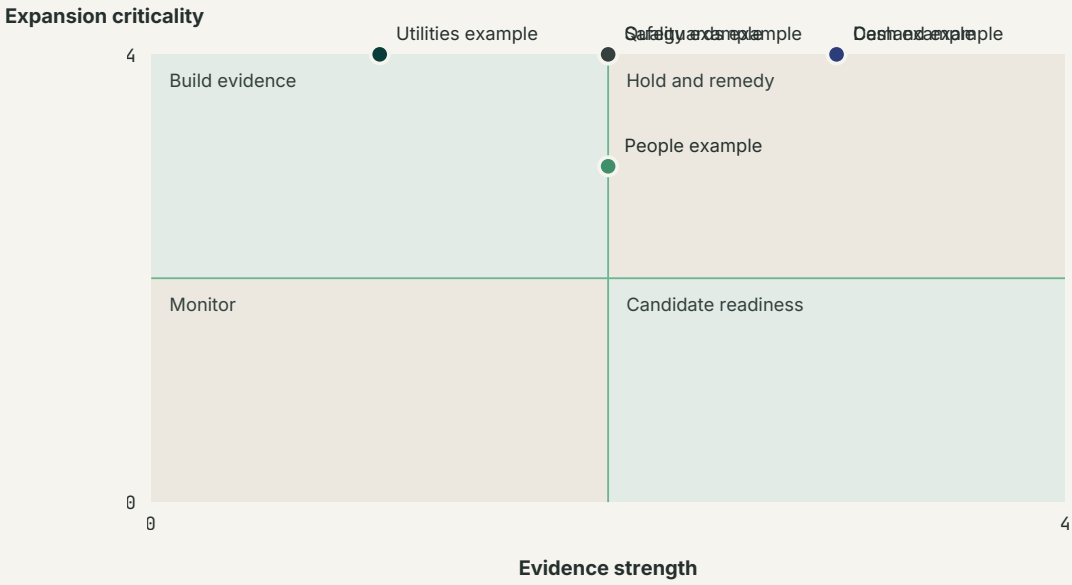
The dimensions should not collapse into an average that allows a strong sales result to hide a failed safety or liquidity test. GFT recommends a weakest-critical-dimension rule: where a failed test makes expansion unsafe, unlawful, unfunded or unable to

service its obligations, the decision is hold or redesign regardless of the other scores. Less critical gaps may enter a conditional action plan only where the financing documents and responsible reviewers permit it. The rule is a proposed governance method, not a lender scorecard.

The illustrative review in **Exhibit 64**, p. 220 demonstrates why position matters more than an aggregate. Its scores describe a hypothetical committee exercise, not a factory assessment. Evidence strength ranges from no evidence to independently reviewed repeated evidence, while expansion criticality represents how directly a weakness should stop the investment. The hypothetical utility result sits in the hold region even with stronger demand evidence. The exhibit supplies no universal passing score and no actual readiness conclusion.

EXHIBIT 64 / ILLUSTRATIVE SCORE FROM 0 TO 4

A critical weakness should hold expansion despite stronger demand



ILLUSTRATIVE Hypothetical committee example, not observed performance. Evidence strength: 0 absent, 1 defined, 2 captured once, 3 repeated and reconciled, 4 independently reviewed. Criticality: 0 limited effect, 4 expansion-stopping effect. Positions demonstrate the weakest-critical-dimension rule; no threshold is recommended.

A strong month deserves investigation before it deserves capital. The reviewer should test whether a temporary order, lower-quality acceptance, delayed supplier payment, unusual product mix or postponed maintenance explains it. Seasonal and ramp effects should be shown against comparable periods where available. A measured improvement becomes more useful when it persists under the conditions the new line would face. Where the record is short, the honest conclusion may be that the operating design is promising but the evidence remains insufficient.

Digital and AI applications require the same financial test. A forecast of fewer defects or better scheduling does not become debt-service capacity until the effect is observed, reconciled and retained after the costs of implementation and operation. Finance should use the validated cash effect, not a vendor saving percentage or an

unreviewed model output. The relevant technical papers and application tests own those evaluations. This chapter asks only whether the resulting cash, quality and control evidence is dependable enough to support another liability.

The expansion model should be incremental and complete. It should include additional equipment, site and utility works, data and control changes, training, safeguards, working capital, contingency and any disruption to the existing line. Shared utilities and shared overhead need an allocation method that does not make the new line appear free of costs. Existing cash flow should not be counted simultaneously as support for current debt, a distribution and unrestricted funding for expansion. If debottlenecking the present line produces the required output with lower risk, that alternative belongs in the comparison before a new line is approved.

14.7

Publish the assumptions that would change the recommendation

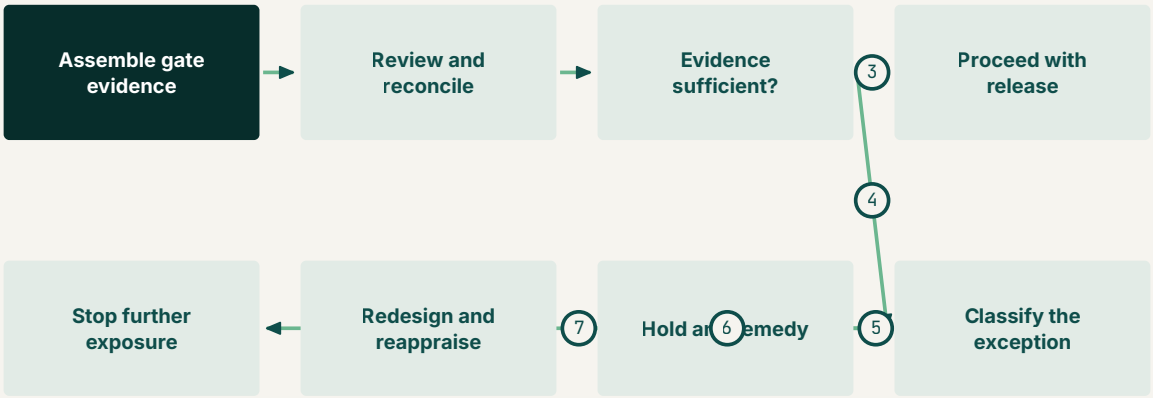
A conditional recommendation is useful only if readers can see what would reverse it. GFT proposes a decision memorandum that records the approved scope, capital at risk, evidence accepted, exceptions, downside liquidity, responsible roles and the conditions for the next review. It should state why the decision is proceed, hold, redesign or stop, and what new fact would move it to another state. This makes disagreement inspectable and prevents a later narrative from replacing the original basis of approval.

Decision authority should be equally visible. The memorandum should identify who may accept evidence, who may release funds and who may approve a waiver or redesign. A reviewer should not waive the very condition that protects their own delivery responsibility without the required independent authority. Any waiver should retain the original condition, the reason for departure, the additional risk accepted and the funding consequence. Where documents do not permit a waiver, management should treat the condition as binding rather than create an informal exception in the dashboard.

The illustrative path in **Exhibit 65**, p. 222 keeps evidence review separate from the capital decision. Proceed authorises only the defined release. Hold preserves the boundary pending a specified remedy. Redesign returns scope, funding or operating assumptions to appraisal. Stop limits further discretionary exposure and initiates the agreed protective actions. A sponsor funding shortfall or unresolved safeguard can therefore change the decision even when the factory's technical report is favourable.

EXHIBIT 65 / ILLUSTRATIVE GOVERNANCE SEQUENCE

A failed gate changes the capital decision



3. Yes
4. No
5. Remediable
6. Assumption fails
7. No viable path

ILLUSTRATIVE GFT proposed decision method. Actual notice, waiver, cure, draw and default rights depend on executed documents. No gate result or legal consequence is asserted for a live venture.

The refresh register should be published internally with the recommendation. Before any transaction, it should cover lender products and eligibility, interest and foreign-exchange quotations, local law, permits, tax, insurance, environmental baselines, supplier terms and buyer contracts. Each item needs an owner, source date, expiry or review trigger and a model destination. A changed quotation should update the cash model and gate decision, not remain in a correspondence folder. A changed law or permit requires qualified review rather than an editorial assumption.

External reporting should use the same status controls. Approved finance is not drawn cash, installed capacity is not accepted output, estimated impact is not measured impact, and an operating result is not automatically a wider development outcome. Public statements should identify the evidence boundary and avoid implying institutional endorsement. Confidential commercial records can remain protected while the decision team retains a complete audit trail.

GFT's closing recommendation is therefore conditional. Fund a bounded first stage completely. Match the route to readiness. Release against accepted evidence. Manage cash, production and safeguards in one review cycle. Expand only when repeated records support the incremental liability, and stop or redesign when a critical

assumption fails. The method does not promise a lender, a subsidy or a second line. It defines what must be true before any of them can responsibly support the next decision.

The next line should be financed by evidence repeated, not by optimism compounded.

CHAPTER SOURCE NOTES

S01 IFC. n.d..

S22 IFC. 2012-01-01.

S17 APLMA, LMA and LSTA. 2025-03-26.

S04 IFC. 2026.

S29 IFC. n.d..

S06 Proparco. n.d..

S30 IFC. n.d..

S15 ICMA. 2025.

S18 APLMA, LMA and LSTA. 2025-03-26.

S25 WRI and WBCSD / GHG Protocol. n.d..

S26 IFC. 2026.

Provenance travels with the claim.

Available inherited records and all chapter-local source records are graded below. Identical source identities are consolidated without losing citation aliases. Missing annex references are excluded. Unrecorded dates are disclosed rather than invented.

R01 Inherited evidence R01 GRADE C

Business in Cameroon. Publication date unrecorded. businessincameroon.com

Cameroon seed-cotton production 2022-2024: 330,000 t (2022), 314,455 t (2023), about 340,000 t (2024).

Inherited source-text check; original source not independently re-opened for this edition.

R02 Inherited evidence R02 GRADE C

Fibre2Fashion; Business in Cameroon. Publication date unrecorded. fibre2fashion.com; businessincameroon.com

2025 seed-cotton projection above 350,000 t.

Inherited source-text check; original source not independently re-opened for this edition.

R03 Inherited evidence R03 GRADE C

SODECOTON. Publication date unrecorded. sodecoton.cm

Company profile: more than 220,000 cotton producers supported in northern Cameroon; nine ginning plants; two oil mills.

Inherited source-text check; original source not independently re-opened for this edition.

R04 Inherited evidence R04 GRADE C

Financial Fortune Media. Publication date unrecorded. financialfortunemedia.com

SODECOTON injects roughly US$100 million a year into rural communities.

Inherited source-text check; original source not independently re-opened for this edition.

R05 Inherited evidence R05 GRADE C

Ecofin Agency. Publication date unrecorded. ecofinagency.com

CFA-zone cotton output 2.3 million t in 2024/25, down 11.5 percent.

Inherited source-text check; original source not independently re-opened for this edition.

R06 Inherited evidence R06 GRADE C

Cameroon Trade Hub. Publication date unrecorded. cameroontradehub.cm

About 95 percent of cotton fibre exported raw against 5 percent processed locally; industrialisation target of 50 percent local processing.

Inherited source-text check; original source not independently re-opened for this edition.

R07 Inherited evidence R07 GRADE C

Ecofin Agency. Publication date unrecorded. ecofinagency.com

SND30 restates the 50 percent local-processing target by 2030.

Inherited source-text check; original source not independently re-opened for this edition.

R08 Inherited evidence R08 GRADE C

Business in Cameroon. Publication date unrecorded. businessincameroon.com

Announced SODECOTON and CICAM merger to create a cotton-textile industrial pole targeted by 2030.

Inherited source-text check; original source not independently re-opened for this edition.

R09 Inherited evidence R09 GRADE C

Ecofin Agency. Publication date unrecorded. ecofinagency.com

Camtext SA integrated cotton-to-textile project, US$300 million (180 billion XAF); Panafritex and Arise with SODECOTON, CNPS and Marlo; 12 November 2025.

Inherited source-text check; original source not independently re-opened for this edition.

R10 Inherited evidence R10 GRADE C

Ecofin Agency. Publication date unrecorded. ecofinagency.com

Camtext SA: 12,000 t a year processed; about 12,000 jobs at the Dibamba hub and 3,000 at Garoua; return on investment near 11 years; optimal capacity around 2033.

Inherited source-text check; original source not independently re-opened for this edition.

R11 Inherited evidence R11 GRADE C

Business in Cameroon; MMI News. Publication date unrecorded. businessincameroon.com; mimimefoinfos.com

CICAM market share from about 85 percent three decades ago to about 5 percent today.

Inherited source-text check; original source not independently re-opened for this edition.

R12 Inherited evidence R12 GRADE C

Business in Cameroon. Publication date unrecorded. businessincameroon.com

CICAM capacity utilisation, July 2023 report: Garoua 33.7 percent, CICAM 1 48.9 percent, CICAM 2 10.83 percent; underutilisation cost about CFAF 2 billion in 2020.

Inherited source-text check; original source not independently re-opened for this edition.

R13 Inherited evidence R13 GRADE C

Business in Cameroon; MMI News. Publication date unrecorded. businessincameroon.com; mimimefoinfos.com

CICAM restructuring cost estimate CFAF 30.7 to 48.2 billion; one relaunch plan cited at 70.2 billion.

Inherited source-text check; original source not independently re-opened for this edition.

R14 Inherited evidence R14 GRADE C

WageIndicator. Publication date unrecorded. wageindicator.org

Cameroon minimum wage (SMIG) XAF 41,875 a month in 2023, raised to XAF 43,969 a month from 23 February 2024, about US$76, a rise of 5 percent.

Inherited source-text check; original source not independently re-opened for this edition.

R15 Inherited evidence R15 GRADE C

wage.is. Publication date unrecorded. wage.is/cameroon

Average salary across sectors in Cameroon about US$359 a month.

Inherited source-text check; original source not independently re-opened for this edition.

R16 Inherited evidence R16 GRADE C

WageIndicator. Publication date unrecorded. wageindicator.org

Informal share of employment about 90 percent; standard 40-hour week, 48-hour maximum, overtime at 1.2 times.

Inherited source-text check; original source not independently re-opened for this edition.

R17 Inherited evidence R17 GRADE C

just-style. Publication date unrecorded. just-style.com

Cambodia garment-sector minimum wage US$204 a month for 2024 (labour-cost benchmark).

Inherited source-text check; original source not independently re-opened for this edition.

R18 Inherited evidence R18 GRADE B

Congressional Research Service IF10149; AGOA (Wikipedia). Publication date unrecorded. congress.gov; en.wikipedia.org

AGOA: Cameroon terminated effective 1 January 2020 for gross human-rights violations; remained ineligible; listed ineligible for calendar year 2025.

Inherited source-text check; original source not independently re-opened for this edition.

R23 Inherited evidence R23 GRADE C

MacMap; AfCFTA. Publication date unrecorded. macmap.org

Textiles and clothing among unresolved AfCFTA tariff-line categories; 92.3 percent of lines agreed excluding vehicles, textiles and clothing.

Inherited source-text check; original source not independently re-opened for this edition.

R24 Inherited evidence R24 GRADE C

Mordor Intelligence. Publication date unrecorded. mordorintelligence.com

Africa textile market about US$37.3 billion in 2025, projected US$49.41 billion by 2030 at 4.73 percent a year.

Inherited source-text check; original source not independently re-opened for this edition.

R25 Inherited evidence R25 GRADE C

Market.us. Publication date unrecorded. market.us

Africa textile market to about US$72.7 billion by 2035 at 6.9 percent a year; fashion and apparel 48.1 percent of the market in 2024.

Inherited source-text check; original source not independently re-opened for this edition.

R26 Inherited evidence R26 GRADE C

Statista. Publication date unrecorded. statista.com

Cameroon clothing and footwear spend about US$94.70 a person in 2024 and about 8.0 pieces a person; apparel eCommerce revenue US$20.32 million (2023) to US$33.61 million (2027) at 13.41 percent a year; user penetration 18.0 percent (2023) to 22.7 percent (2027).

Inherited source-text check; original source not independently re-opened for this edition.

R27 Inherited evidence R27 GRADE B

McKinsey, The State of Fashion 2025. Publication date unrecorded. mckinsey.com

AI at scale in fashion: inventory cost down 35 to 40 percent; forecast accuracy up 20 to 30 percent; revenue per customer up 15 to 25 percent; forecast errors cut 20 to 50 percent; lost sales down up to 65 percent; 75 percent of executives prioritising; sector operating-profit potential US$150 to 275 billion over three to five years.

Inherited source-text check; original source not independently re-opened for this edition.

R28 Inherited evidence R28 GRADE C

DataIntelo. Publication date unrecorded. dataintelo.com

Fabric-defect-detection AI market US$523.4 million (2024) to US$6,522.1 million (2033) at 33.8 percent a year; Asia-Pacific about 46 percent in 2024.

Inherited source-text check; original source not independently re-opened for this edition.

R29 Inherited evidence R29 GRADE C

MDPI; industry inspection literature. Publication date unrecorded. mdpi.com

Manual defect inspection 60 to 70 percent accurate, missing 20 to 30 percent of defects; computer vision above 90 percent across more than 40 defect types; line-scan inspection up to 60 metres a minute.

Inherited source-text check; original source not independently re-opened for this edition.

R30 Inherited evidence R30 GRADE C

Design Journal (Taylor and Francis). Publication date unrecorded. tandfonline.com

Generative AI in apparel 2023-2024 mainly design-side image generation (Midjourney, Stable Diffusion) across style, silhouette, colour and pattern.

Inherited source-text check; original source not independently re-opened for this edition.

R31 Inherited evidence R31 GRADE C

arXiv 2509.04705. Publication date unrecorded. arxiv.org/abs/2509.04705

By 2025-2026 the field moved to multi-model garment-design pipelines (fabric construction, shade, weave, silhouette) and physics-constrained generation coupling neural generation with simulation validation.

Inherited source-text check; original source not independently re-opened for this edition.

R32 Inherited evidence R32 GRADE C

Wise; XE. Publication date unrecorded. wise.com; xe.com

CFA franc to US dollar reference rates; franc pegged to the euro at 655.957. The GFT study's method note places the franc near 590 to 610 per US dollar across the 2023 study window and near 563 to 577 more recently, and treats currency conversions as estimates.

Inherited source-text check; original source not independently re-opened for this edition.

c01-S01 How to Apply for Financing GRADE A

IFC. n.d.. https://www.ifc.org/en/what-we-do/products-and-services/how-to-apply-for-financing

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S02 Products and Services GRADE A

IFC. n.d.. https://www.ifc.org/en/what-we-do/products-and-services

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S04 How Blended Finance Works GRADE A

IFC. 2026-04. https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S13 Global Trade Finance Program GRADE A

IFC. 2026-08. https://www.ifc.org/en/what-we-do/sector-expertise/trade-and-supply-chain-finance/global-trade-finance-program

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S14 Global Trade Supplier Finance GRADE A

IFC. 2026-07. https://www.ifc.org/en/what-we-do/sector-expertise/trade-and-supply-chain-finance/global-trade-supplier-finance

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S15 Green Bond Principles GRADE B

ICMA. 2025-06. https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S16 Sustainability-Linked Bond Principles GRADE B

ICMA. 2024-06. https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Sustainability--Linked-Bond-Principles-June-2024.pdf

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S17 Guidance on Green Loan Principles GRADE B

APLMA, LMA and LSTA. 2025-03-26. https://www.lma.eu.com/application/files/1717/4298/0842/Guidance_on_Green_Loan_Principles_-_26_March_2025.pdf

Opened source record.

Accessed 2026-10-30. Quote retained in the machine-readable source record.

c01-S18 Guidance on Sustainability-Linked Loan Principles GRADE B

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Stable definitions make comparisons useful.

Additionality

A contribution beyond what would otherwise be available; distinguish financing additionality from development impact.

Allocation register

Record connecting financing proceeds to identified eligible expenditure and its outstanding financed share.

Amortisation

Scheduled repayment of principal over the loan life.

Bankability

Capacity to satisfy an identified financier's commercial, technical, legal and environmental and social requirements.

Baseline

Explicit reference condition and period against which an outcome or target is assessed.

Beneficial ownership

Identification of the natural persons who ultimately own or control an entity, subject to applicable legal definitions.

Blended concessional finance

Combination of concessional development resources with commercial finance to address an evidenced financing obstacle.

Borrowing base

Value of eligible financed assets after agreed exclusions and advance rates.

Cash-conversion cycle

Inventory days plus receivable days less payable days; underlying cash values use the correct sales or cost denominator.

CFADS

Cash flow available for debt service, defined explicitly in the model and reconciled to the negotiated financing definition.

Conditions precedent

Requirements that must be satisfied or validly waived before a specified contractual action such as a first draw.

Concessionality

Financial support on below-reference terms, assessed against a declared comparator and valuation method.

Contingency

Budget provision for defined uncertainty; its basis and source of funding must be specified.

Corporate finance

Financing assessed against a company's wider credit and cash flows rather than only an isolated project.

Covenant

Contractual undertaking or financial test; its actual consequence depends on the executed agreement.

Debt service

Cash interest, scheduled principal and other charges included under the stated contractual definition.

DSCR

CFADS divided by debt service for a stated period; undefined or not applicable where the denominator is zero.

Environmental and social action plan

Time-bound measures, responsibilities and evidence for closing identified environmental and social gaps.

ESMS

Environmental and social management system used to identify, manage and monitor relevant risks and impacts.

First-loss capital

Capital contractually assigned to absorb specified losses before another tranche, subject to the actual terms.

Financial close

Transaction milestone at which the relevant financing documents and defined closing conditions have been completed.

Full-time equivalent

Employment measure normalised to a specified full-time hours basis rather than a simple headcount.

GIIP

Good international industry practice, interpreted for the project by appropriately qualified practitioners.

Grant-equivalent

Present-value measure of concessional support using explicitly stated reference cash flows and discount conventions.

Green bond

Debt instrument whose equivalent net proceeds are directed to eligible environmental projects under the applicable framework.

Green loan

Loan financing eligible green projects with the required selection, proceeds-management and reporting processes.

Interest during construction

Interest incurred before operations under the specified construction and financing schedule; payment or capitalisation must be explicit.

Intercreditor agreement

Agreement defining rights and coordination among creditors, including ranking, payment and enforcement matters.

IRR

Discount rate that sets the net present value of a specified cash-flow series to zero; project and equity series differ.

KPI

Key performance indicator with a defined scope, calculation, owner and evidence source.

Liquidity reserve

Cash or committed accessible facility earmarked for a defined timing risk; it does not itself generate operating profit.

Maintenance capital expenditure

Cash spending required to sustain the productive asset base rather than add the modelled growth capacity.

Minimum concessionality

Use of no more concessional support than required to address the evidenced financing obstacle.

NPV

Present value of a cash-flow series using a stated discount rate, timing basis and currency.

Perfection

Legal steps required to establish or protect the relevant security rights against specified parties; jurisdiction-specific.

Political-risk insurance

Cover for defined non-commercial events under a policy's eligibility, exclusions, waiting periods and claims terms.

Project finance

Financing structured primarily around project cash flows and contractual risk allocation; actual recourse varies.

Receivables discounting

Sale or financing of receivables at a discount, subject to eligibility, acceptance, recourse and other agreed terms.

Security agent

Appointed party responsible for specified security functions under the governing law and financing documents.

Sources and uses

Reconciled statement of funding sources, expenditure, reserves and timing.

SPT

Sustainability performance target tied to a defined KPI, observation period and methodology.

Subordinated capital

Funding whose rights to payment or recovery rank behind other specified claims under its terms.

Synthetic local-currency loan

Loan with local-currency denomination or economic terms but hard-currency disbursement and repayment under agreed conversion rules.

Theory of change

Explicit causal explanation connecting an intervention to outputs and outcomes, with assumptions and attribution limits.

Use of proceeds

Specified eligible purpose to which financing funds or an equivalent amount are allocated.

Working capital

Operating investment in stock and receivables net of relevant operating payables, under an explicit definition.

XAF

Currency code for the Central African CFA franc issued by BEAC; distinct from XOF.

Follow the terms back to their context.

Page references point to occurrences in chapter prose. When a term does not occur in a chapter, its glossary definition is indexed.

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