

## *Nafinsa Productivas – Mexico*

In 2000, the Mexican government, having identified a serious liquidity issue facing Mexico's SMEs, directed Nafinsa<sup>14</sup>, a government-owned development bank, to establish an IT-based facility to facilitate access to 'structural' liquidity for SMEs to enhance their growth and support the internationalization of their operations.

In 2007, there were about 115,000 registered SME suppliers on the platform, of which about 85,000 were active participants. The platform is anchored by more than 600 buyers, ranging from government agencies providing services to Mexican citizens (which is a vote of confidence by the Mexican government in Nafinsa's operational performance), to major government agencies running power and energy utilities, to major private sector buyers (retail stores, bakeries, hotel chains). The volume of transactions on the platform has grown to about US\$ 12 billion annually.

For the majority of the participants, the primary motivation for being on the system is the financial stability of the principal members of their respective supply chains. By being on this platform and reducing the risk of poor financial performance of their suppliers, they mitigate risk.

For buyers, presence on the platform allows them to obtain extended payment terms from their suppliers (i.e., from 15/30 to 90 days), which has an immediate, positive benefit on their working capital requirements and cash management practices.

For suppliers, participation is a reputation enhancer since it is the buyers who invite them onto the platform. From a cash management perspective, suppliers have now moved from short payment terms (net 15 to 30 days) to next day payment terms once the accounts payable has been recognized by the buyer and posted to the electronic platform. Once posted, suppliers are able

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<sup>14</sup> In mid-2007, operational responsibility for the e Platform migrated from Nafinsa to Mexico's TPO (Bancomext). This move was in part due to the recognition of the platform's value as a trade development tool for Mexico's exporters.