

Getting Paid for International Work

Excerpted from the *Architect's Handbook of Professional Practice, 13th Edition*

Revised November 2006

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SUMMARY

Working internationally requires architects to understand and manage certain financial risks. Effective risk management helps to eliminate some of the financial uncertainty that can arise when completing projects overseas,

COMMON FINANCIAL RISKS OF INTERNATIONAL WORK

The legal system—or the lack thereof—and the prevailing business culture in some foreign countries can mean that foreign clients see little risk in not paying you and, therefore, feel no obligation to pay.

Another risk is unstable currency, which may plummet, leaving your negotiated fee inadequate if it is calculated in the foreign currency. And of course, there is little one can do about sudden political instability.

In addition, some countries limit the amount of money that can be taken out of the country. Some foreign clients—for instance, in Asia—are accustomed to withholding payment until all work, or each phase of the work, is completed satisfactorily. This, combined with the difficulty of moving currency out of some countries, can create cash-flow nightmares such as months-long lags between completion of work and receipt of payment.

RISK MANAGEMENT TIPS

- Require an advance retainer that is sufficient to maintain positive cash flow. Some firms negotiate full payment in advance.
- Propose establishing an escrow account, overseen by a trusted third party, from which payments are made as the project proceeds.
- Specify payment by bank wire transfer.
- Specify in the contract that payment will be made in U.S. dollars. Some foreign clients choose, or are obligated, to pay in their jurisdictional currency as a matter of policy or law.
- In accounting for the project, balance the value of payment in local currency with on-site expenses such as office space, equipment, indigenous workforce, and in-country living and travel.
- If possible, buy insurance against currency fluctuations.
- Arrange for a secured letter of credit from the client if you are at all in doubt. The creditworthiness of a client who cannot secure an irrevocable, confirmed, or advised letter of credit—i.e., one that cannot be canceled or is guaranteed by a second bank—should immediately be suspect.
- If possible, obtain credit risk protection through the U.S. Export-Import Bank. This is an expensive way to protect foreign receivables but may be the best way for a small firm to protect itself and offer competitive terms, such as 180 days net, to a prospective overseas client.

More Best Practices

The following AIA Best Practices provide additional information related to this topic:

- 06.04.02 Managing International Teams
- 06.04.10 Preparing to Work Overseas
- 12.01.07 Controlling Exposure to Risk

For More Information on This Topic

See also “Practicing in a Global Market” by Roger B. Williams, FAIA, and C. Richard Meyer, FAIA, *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 6, page 100.

The *Handbook* can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by sending email to bookstore@aia.org.



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Keywords

- Practice
- Project administration
- Contract requirements
- General conditions
- Payments and completion