

Contract Valuation for Fin-Tech Service Providers

11 AUGUST 2016

CaLP Webinar



Background: Who is Fritz Institute?

Core Logistics Challenges

Lack of recognition of the importance of logistics



Lack of professional staff



Lack of institutional learning and memory



Limited collaboration



Inadequate use of technology



Fritz Institute Strategies

Communicate the strategic importance of logistics: Conferences, Research, Publications, HLC, KPIs

Invest in standardized training and certification: CHL, HLA

Research technology: HELIOS

Create and connect a professional logistics community: HLA, HLC, NEPARC, BayPrep, KPIs

Develop flexible technical solutions: HELIOS

Background: Why is Fritz involved?

Humanitarian Logistics Certification Program

Certification in
Humanitarian Logistics

Certification in Humanitarian
Supply Chain Management

Certification in Humanitarian
Medical Logistics Practices



Current Project: CTP Operations Core Training

- In partnership with CaLP
- Inter-agency Task Force overseeing development
- ALL of Operations:
 - Finance, IT, Logistics, Procurement, Security
- Challenge: Determining best practice content

May 2016

Finance, IT, & Compliance Working Group Meeting

Participants

- American Red Cross
- International Rescue Committee
- Oxfam-GB
- World Vision International

Contributors

- IFRC
- Mercy Corps
- UNICEF
- WFP

The Valuation Issue

- Service being procured
- Fees for services being provided
- Potential service providers
- Cash transferred to the service provider

QUESTION ⇒

the fees only

- or -

fees + transfer value?

Simple Valuation Example

Program

Program Type:	Food Basket
Predictable/ Unpredictable:	Predictable
Mechanism:	Mobile Money
# of Beneficiaries:	850
Duration:	12 months
Frequency:	Monthly
Transfer Value:	\$50.00
Service Fees:	4%
Payment Terms:	Monthly

Simple Valuation Example

Program		Calculation						
			1	2	...	11	12	TOTAL
Program Type:	Food Basket	Transfer Value	\$42,500	42,500	...	42,500	42,500	\$510,000
Predictable/ Unpredictable:	Predictable	Service Fees	\$1,700	1,700	...	1,700	1,700	\$20,000
Mechanism:	Mobile Money	Total	\$44,200	44,200	...	44,200	44,200	\$530,400
# of Beneficiaries:	850							
Duration:	12 months							
Frequency:	Monthly							
Transfer Value:	\$50.00							
Service Fees:	4%							
Payment Terms:	Monthly							

Simple Valuation Example

Procurement Approval Authority	
Head of Unit	\$2,000
Country Director	\$25,000
Regional Director	\$100,000
Head of Operations	\$250,000
Executive Director	no upper limit

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Valuation & Required Approvals

	Contract Value	Approval By...
Fees – 1 cycle	\$1,700	Head of Unit
Fees – full duration	\$20,400	Country Director
Fees + Value – 1 cycle	\$44,200	Regional Director
Fees + Value – full duration	\$530,400	Executive Director

Problem Constraints

Risk

- Proof of performance
- Service fees
- Transfer value

Speed

- Contract approval
- Payment approval

Flexibility

- Changes in program size
- Changes in program duration

Understanding

- Staff awareness and experience
- Existing organizational policies

Proposed Best Practice Approach

GOAL

Manage risk exposure without compromising speed or flexibility

Proposed Approach

- Framework Agreement
 - Establish acceptable change parameters
 - Label contract fees as contract value
 - Require review and approval of fees plus transfer value plus acceptable change
 - Cover exposure
- Manage payments
 - Authorize payments at total value of fees plus transfer value for the distribution
 - Reconcile after each distribution cycle
- Raise awareness