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**PROJECT PROPOSAL**

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| **Contacts** | |
| **Fintech Kenya Limited**  16th Floor Ambank House,  University way  P.O BOX 39466-00623  Nairobi.  Tel: +254 222 1754  Email: [businessdev@fintech-group.com](mailto:businessdev@fintech-group.com)  Website: [www.fintech-group.com](http://www.fintech-group.com)  Country Offices: Mauritius, Kenya, Uganda, Malawi, , Zimbabwe, Rwanda | **Lynne K. Miriti**  *Business Development Analyst*  [lmiriti@fintech-group.com](mailto:lmiriti@fintech-group.com)  **Agnes Ogallo**  *Business development Analyst*  [aogallo@fintech-group.com](mailto:aogallo@fintech-group.com)  **Raymond Mutura**  *General Manager - DIT*  [rmutura@fintech-group.com](mailto:rmutura@fintech-group.com) |

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Table of Contents

[1. Introduction 4](#_Toc528166921)

[1. Problem statement 4](#_Toc528166922)

[2. Proposed solution and Benefits. 4](#_Toc528166923)

[1. Client Accounts 4](#_Toc528166924)

[1. 1.1 Client Registration 4](#_Toc528166925)

[2. 1.2 Client Profile 4](#_Toc528166926)

[2. Transactions 4](#_Toc528166927)

[1. 2.1 Bond Application 4](#_Toc528166928)

[2. 2.2 Commission Payment 4](#_Toc528166929)

[3. 2.3 CRB Vetting 5](#_Toc528166930)

[4. 2.3 Bank Approval 5](#_Toc528166931)

[5. 2.4 Delivery of the Bond 6](#_Toc528166932)

[3. Banks 6](#_Toc528166933)

[1. 3.1 Bank Accounts 6](#_Toc528166934)

[4. Administrator’s Panel 6](#_Toc528166935)

[3. Work flow diagram and requirements. 7](#_Toc528166936)

# Introduction

**Bid Bond** isa debt secured by a bidder for a construction job or similar type of bid-based selection process for the purpose of providing a guarantee to the project owner that the bidder has the financial means to accept the job for the price quoted in the bid.

## Problem statement

Currently bonds applications are initialized online and processed at bank which requires physical submission of certain documents at banks premise.

# Proposed solution and Benefits.

## Client Accounts

### 1.1 Client Registration

• During registration we will collect company information

• On account creation we will Collect Business information

• Send account activation details via email or SMS

• When client activates the account Check clients CRB credit rating

### 1.2 Client Profile

• Client can View previous Bond applications and run queries on application status

• Client can apply for a new Bond

• Client can manage a service fee financial account that saves money

• Client s elect a preferred notification mode i.e. SMS/email or Both

• Create company users

## Transactions

### 2.1 Bond Application

• Client can raise multiple bond applications to different banks

• When client creates a new application, the system checks for different bank quotes based on a listing matrix and provides the client with options. The client has also the option of s electing a preferred bank.

•

### 2.2 Commission Payment

• Before application is submitted CRB for vetting the client will make payment for the bond commission and portal charges.

* This is revenue to DIT and other third parties.

### 2.3 CRB Vetting

• Once the commissions and portal charges are paid the Bond application is then forwarded to CRB portal for credit eligibility vetting. This reduces the banks workload.

### 2.3 Bank Approval

• Bond applications that are legible for credit as per the CRB portal are submitted to the bank for processing and approval.

• The bank user can view respective applications and client details that have been submitted and approve or cancel the application reducing the time taken on one bond application.

• Once the bond is accepted the bank will scan and upload the bond to the portal. This will give the customer to validate that the bond has the corrected details before its shipped.

• Notifications on and approvals are sent to the clients via email or SMS increasing efficiency.

• The bond is the s hipped to the preferred customer location.

### 2.4 Delivery of the Bond

• Fully processed Bonds are notified to the client and managed according to their respective delivery options i.e. courier delivery or Direct Collection from the Bank.

• For courier delivery Bonds notifications are sent to the courier company for collection and delivery address.

## Banks

### 3.1 Bank Accounts

• Each Bank will maintain profile in the system that will have respective user account for bank employees and quotes for bonds

• An administrative user account is created for each bank for management of the bank profile, commission matrix and user accounts within the bank.

## Administrator’s Panel

• The portal admin will be responsible for creating banks, updating commission matrix and creating bank users

• Creating and updating portal charges

• Doing other portal

# Work flow diagram and requirements.

Start

Is Account

Created?

Yes

Create Account

Login

Send Activation mail

Verify Account

Check CRB rating

Load client Profile

Previous Bonds and Status

Create Bond Application

Check Bank Quotes

Submit Application

Make Payments

Yes

Service Fee Paid? No

Check CRB Eligibility

Bid Box Portal

Submit to Bank for Approval

Is Application No

Approved?

Yes

Process Bond Document and Check Delivery Options

Deliver Bond

Application

Declined

STOP

Below refers to the Bid Bond Requirements;

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **PROCESS** | **DOCUMENTS REQUIRED & PROCESS DETAILS** | **TAT** | **ACTION BY** |
| 1 | Recruit Customer through the various applicable approaches |  |  |  |
| 2 | Customer Registers on Bid Bond platform and gets a verification email |  |  |  |
| 3 | Customer Logs-in and selects the preferred Bank for Bid Bond application. |  |  |  |
| 4 | Customer accesses Bid Bond application requirements. If okay with requirements, proceeds to the next stage of filling-in the application details. |  |  |  |
| 5 | Customer Fills-in and submits the Bid Bond application details which include;   1. Applicant Name & Address (as required on the bid bond) 2. Applicant’s PIN number 3. Applicant 4. Applicant physical location details. 5. Beneficiary Name and Address 6. Bid Bond Amount and Currency 7. Tender Number 8. Tender Details 9. Tenor of the tender 10. Expiry Date   Customer also accesses Indemnity Form details, reads through the terms and conditions and confirms acceptance of the same if okay. |  |  |  |
| 6 |  |  |  |  |
| 7 | Customer / Applicant authorizes the administrator to use the Kenswitch account if the Bid Bond application is successful OR confirms that they will use Mpesa to pay the bid bond commission.  RM: IF KENSWITCH , USE CARD, OTHERWISE MPESA. |  |  |  |
| 8 | Applicant also confirms whether the Bid Bond will be delivered to their premises or not. If to be delivered, then the applicant also agrees to pay an additional charge for delivery depending on already set delivery schedule and amounts per given radius.  RM: CHALLENGE OF CALCULATING THE AMOUNT BASED ON LOCATION AND CHALLENGE OF ALL LOGISTICS RELATED TO DELIVERY/NON-DELIVERY AND URGENCY BY CLIENT.  We can start with Nairobi County. Other locations to pick from Bank’s branch. |  |  |  |
| 9 | **Administrator;** Receives the online bid bond application and verifies the details given against the already set parameters. This can run concurrently as the applicant is filling the online bid bond application.  RM: WHAT KIND OF PERSON(S) WILL BE ADMIN – PROFILE/QUALIFICATION? To discuss on whether to be skewed to IT knowledge or Financial Institutions’ products knowledge.  The set parameters should be the standard parameters agreed between various banks and which should include the following;   1. Pre-qualified list of procuring entities. 2. Bid bond amount (To be within unsecured limits) 3. Tenor; Within the agreed tenor mostly 180 days’ maximum. 4. - RM: INTEGRATION WITH CRB NEEDED- BUT MUST HAVE SORTED OUT KYC ISSUES, OTHERWISE WE CAN CHECK THE CRB OF THE WRONG PERSON/ENTITY?   Administrator checks the KYC results through the integrated verification system with National ID Administrator accesses KRA portal and verifies the applicant’s PIN through the PIN checker checks.  Administrator checks CRB report through the integrated CRB system. |  |  |  |
| 10 | Administrator Selects the most convenient bank and branch and submits the Bid Bond application.  **Assumption**; there should have been a well negotiated bid bond parameter with the banks including pricing so that there is no bidding for pricing. The administrator will be the one to identify and select the appropriate bank as he tries to spread the requests across the pre-qualified banks.  RM: THESE ITEMS MUST BE DONE BY THE SYSTEM. WE NEED TO BUILT THE LOGIC FOR THIS.  To discuss further. |  |  |  |
| 11 | Administrator receives an online acknowledgement of the bid bond application from the bank (through the bid bond portal) |  |  |  |
| 12 | Bank processes the bid bond and requests for settlement of charges by sending a Bid Bond reference number through the portal.  RM: BRN IS USED TO PAY FIRST. OPTIONS FOR NOW TO INCLUDE KENSWITCH CARD or MPESA – Okay |  |  |  |
| 13 | Administrator collects the Bid Bond commissions from the KENSWITCH card and passes the entries as follows;  Dr: Customer KENSWITCH account  Cr: Bank’s Collection account  Cr: JV Collection account  RM: AGAINST THIS BRN, WE HAVE A LOGIC THAT CALCULATES THE AMOUNTS DUE TO THE ABOVE  OR  Administrator requests applicant to pay via MPESA to ARC’s collection account if this was the payment option selected earlier. |  |  |  |
| 14 | Bank collects the Bid Bond Commission and prepares the hard copy Bid Bond and alerts the administrator through the portal.  RM: TAT IS CRITICAL HERE. HOW DO WE ENSURE WE MEET IT FOR THE CUSTOMERS THAT ARE ALWAYS LAST MINUTE CUSTOMERS?  We should set clear SLA / MoU with banks that states applications and commissions paid before 3pm should be prepared the same day. |  |  |  |
| 15 | Administrator arranges for delivery or pick-up points depending on the customer’s preference noted above.  RM: TAT AND LOGISTICS ON DELIVERY HAVE TO BE THOUGHT THROUGHT THOROUGHLY. BETTER OUTSOURCED? BUT HAVE PRACTICAL IS THAT?  It is practical especially if we start with Nairobi County and perfect that before moving to other regions.  Other regions to pick the bid bonds from bank’s branches. |  |  |  |
| 16 | Customer picks the Bid Bond after delivery through courier to the already agreed physical location (captured during application) or picks it up from the bank’s branch and signs or acknowledges receipt of the bid bond.  RM: TAT?  Applications and commissions paid before 1pm to be delivered same day while those done after 1pm to be delivered the following day. |  |  |  |
| 17 | Bank confirms through the portal that the bid bond has been picked. OR  Administrator confirms through the portal that the Bid Bond has been picked if through the delivery approach. |  |  |  |
| 18 | Administrator awaits for Bid Bond Expiry or cancellation from the bank to close the request from the portal.  RM: MEANWHILE WHO TAKES UP THE RISK ARC OR BANK OR INSURANCE or RISK FUNDS?  Bank to absorb the risk without asking ARC to cover the risk i.e. non- recourse clean arrangement. OR  Bank to absorb the risk without asking ARC to cover the risk but underwrites the risk through an Insurance Company or ATIA at a fee / premium payable by the applicant during commission collection. |  |  |  |
| 19 | Reconciliations continues on a regular basis to avoid any claims. RM: WHAT IS THE CRITERIA FOR THIS REVIEW?  The Bid bond applications should have an expiry date so that they are also closed from ARC’s portal, so active bid bond applications mean they can be claimed for payment but as per point 18 above the bank absorbs that risk. |  |  |  |