

“Bang for buck” study for BABSEA CLE

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Background



Background

- FTI Consulting is a global expert services firm specialising, inter alia, in litigation support and valuation.
- My area of expertise is valuation, whether of losses, financial instruments, companies or intangible assets.
- In recent months, FTI Consulting has worked with BABSEA CLE to undertake an assessment of the impact or “bang for buck” of certain of its activities.

Framework

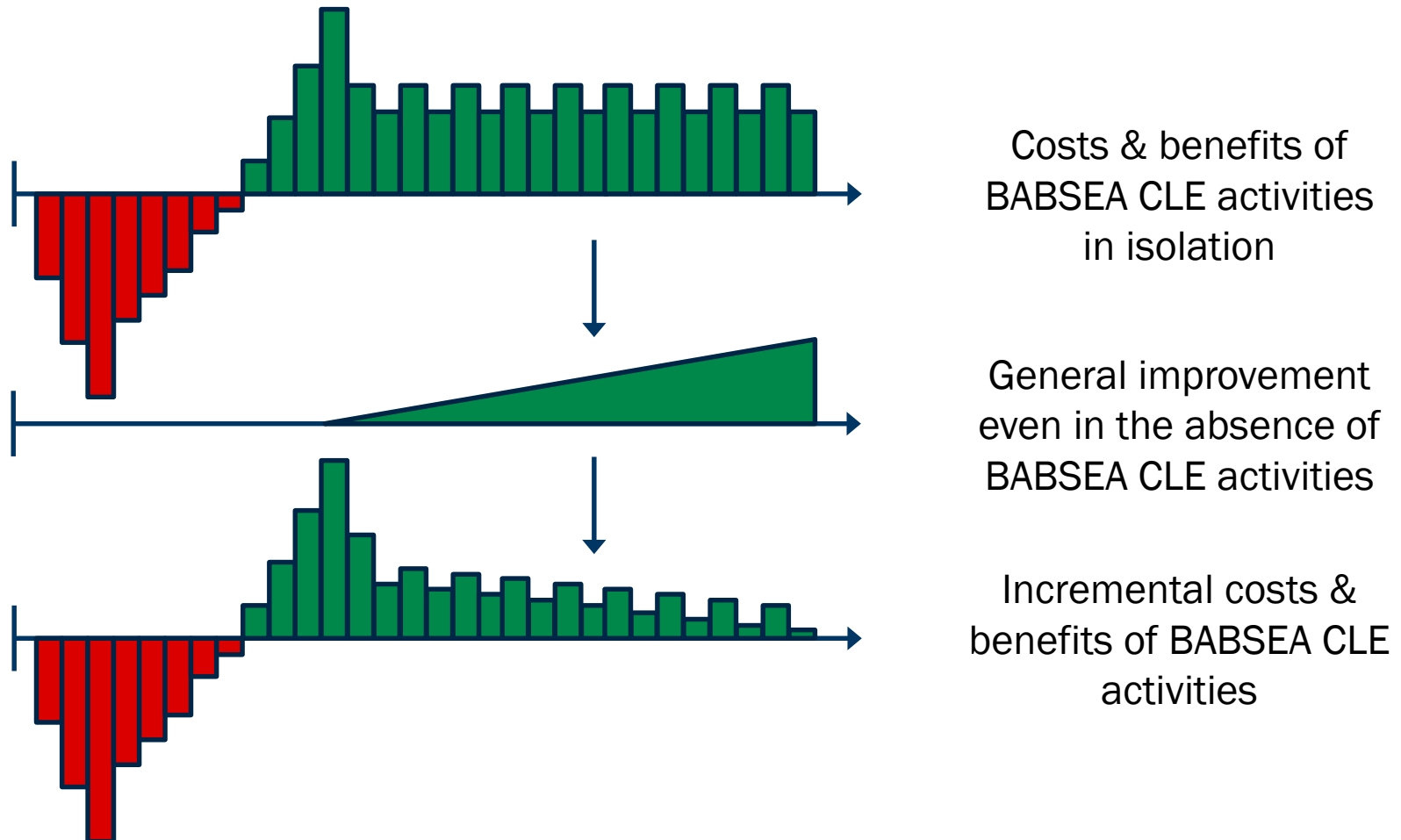


Valuation approach

- The value of an asset (whether it be a company, a contractual right, a brand, etc.) depends upon expectations about the size and timing of its cash flows in the future and the degree of uncertainty inherent in those expectations.
- We have used a DCF approach to study the impact of BABSEA CLE.
- A DCF approach requires:
 - a forecast of future free cash flows; and
 - an estimate of an appropriate discount rate.

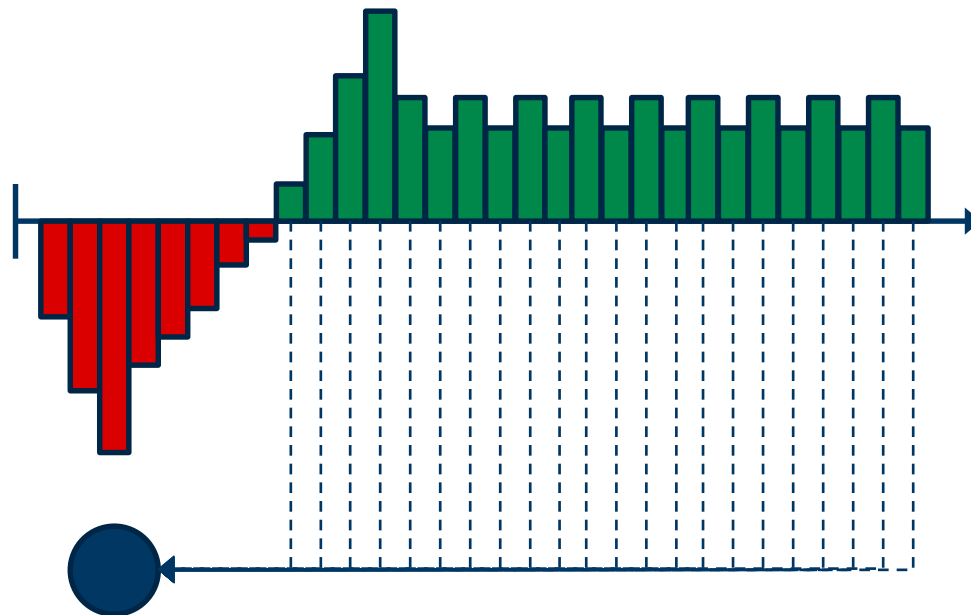
Forecasting cash flows

- As a starting point, the *incremental* costs and benefits must be quantified.
- These are the costs and benefits relative to the position that would likely otherwise exist 'but for' the item being studied.



Discounting

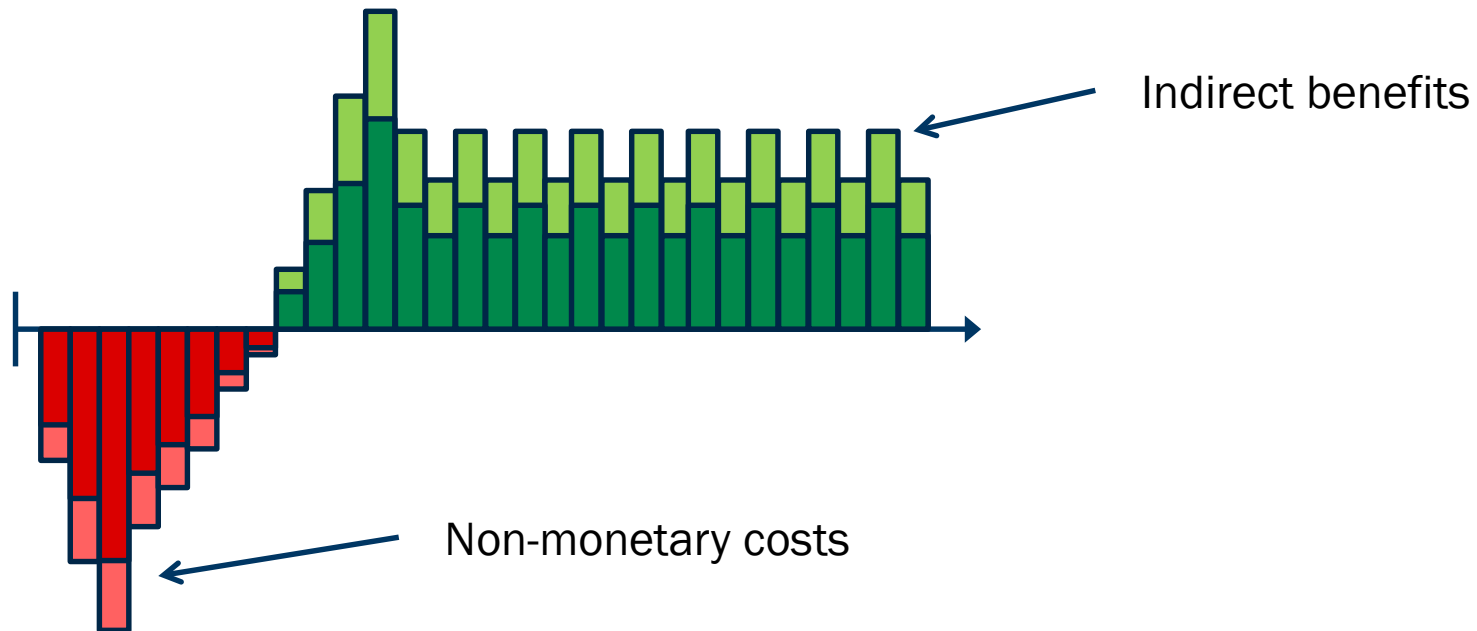
- Then, future amounts are translated into their present value. This recognises:
 - the time value of money (i.e. a dollar today is worth more than a dollar certain to be received in a year's time because money can be invested to earn a return in the interim); and
 - the risk or uncertainty associated with the expected future cash flows (i.e. the possibility that the cash flow is higher or lower than expected).
- In essence, discounting puts costs and benefits arising at different times on a comparable footing.



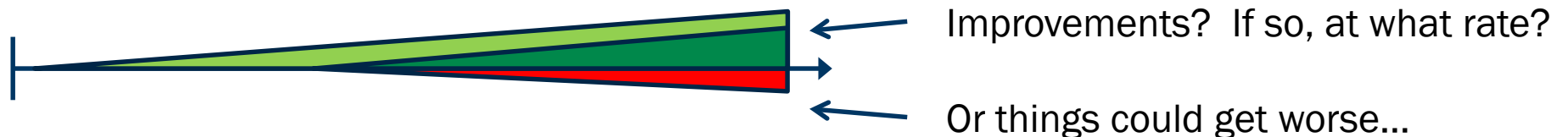
Challenges and uncertainties

■ A number of challenges arise in applying standard valuation techniques to the activities of BABSEA CLE.

■ For one, certain inputs and outputs of BABSEA CLE's activity are difficult to quantify.



■ Additionally, it is difficult to forecast the state of affairs but for BABSEA CLE.



The path to CLE in Vietnam



The path to CLE in Vietnam

- From June 2012 to October 2013, BABSEA CLE provided technical support to progress the development of CLE programmes in Vietnam. This was phase 3 of a multi-phase project.
- Building upon phases 1 and 2, through its work in phase 3 BABSEA CLE:
 - strengthened and supported the network of CLE programmes in Vietnam;
 - placed law lecturers from universities in Vietnam at universities overseas;
 - placed international clinicians at CLE programmes in Vietnam;
 - contributed to the development of a CLE curriculum;
 - worked with universities in Vietnam to introduce accredited CLE courses; and
 - conducted and facilitated trainer workshops and community teachings.

June 2012



Quantifying the impact in Vietnam



Costs and benefits

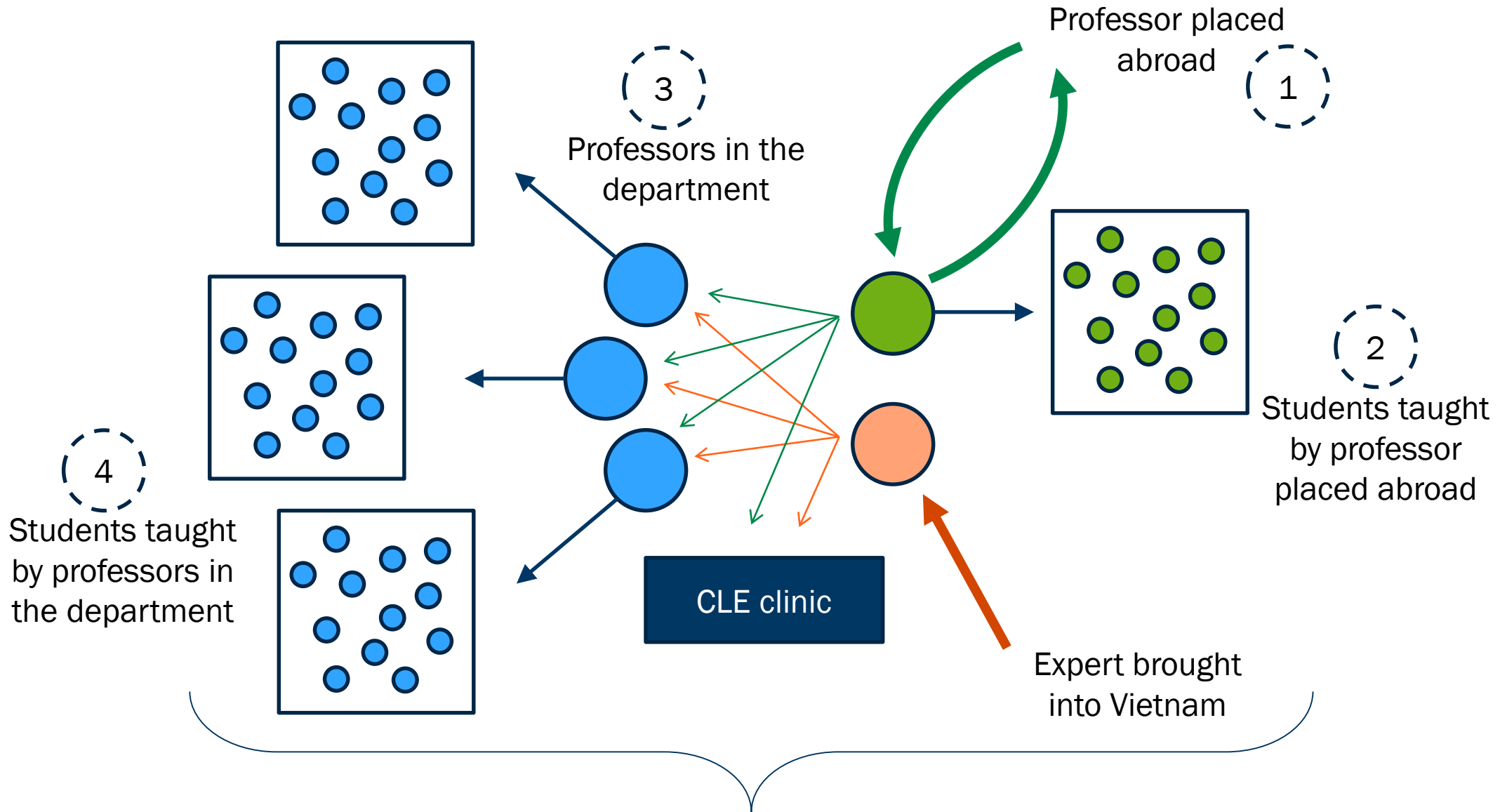
- The costs of BABSEA CLE's activities include:
 - cash expenditure (e.g. travel and accommodation for trainers; BABSEA CLE salaries)
 - non-paid labour (e.g. in-kind work provided by trainers, BABSEA CLE, and others); and
 - other non-monetary items (e.g. in-kind travel costs; office and training equipment).

- The benefits are relatively difficult to identify and value. They include:
 - direct benefits, where these are the more immediate and tangible impacts; and
 - indirect benefits, where these are the longer term and less observable impacts.

- We considered two approaches:
 - a bottom-up approach focused on each of the component parts of a system; and
 - a top-down approach focused on the system as a whole.

- We selected a top-down approach based on increases in the **amount** and **value** of time given by individuals to pro bono work.

Quantifying the benefits



Modelling assumptions

(1) Professors placed abroad & (3) Professors in the department	Change
Hours given to CLE work	—
Value of CLE hour	↑
Number of students reached	—
Number of students reached who get involved	↑

(2) Students taught by professors placed abroad & (4) Students taught by professors in the department	Change
Hours given to CLE work	↑
Value of CLE hour	↑



Impact of a project

Inputs

- Cash of approximately USD 100,000 was spent; and
- Non-paid labour and other non-monetary items worth USD 150,000 were contributed.

Outputs

- Based on the inputs above, we estimate that BABSEA CLE created benefits that will be realised over the next ten years whose present value is around USD 500,000.

Impact

- Therefore, we find that the benefits of this project are **2x** the total costs and **5x** the cash expenditure.
- In other words, for every USD 1.00 of cash spent, BABSEA CLE secured additional inputs of value USD 1.50. Putting these together, BABSEA CLE was able to provide benefits worth approximately USD 5.00.

Note: these figures are preliminary at this stage. We are continuing to work with BABSEA CLE to verify data and finalise modelling assumptions.

Creating further value



Beyond the project level

- The preceding analysis focused on one phase within one project – in particular, phase 3 of a multi-phase CLE support initiative in Vietnam.

- BABSEA CLE creates further value by:
 - building upon successive phases within projects; and
 - building upon other projects, both within countries and across countries.

- All else equal, this allows BABSEA CLE to:
 - achieve a given level of impact for lower cost; and/or
 - achieve a larger impact for a given level of costs.

Illustration of building upon phases

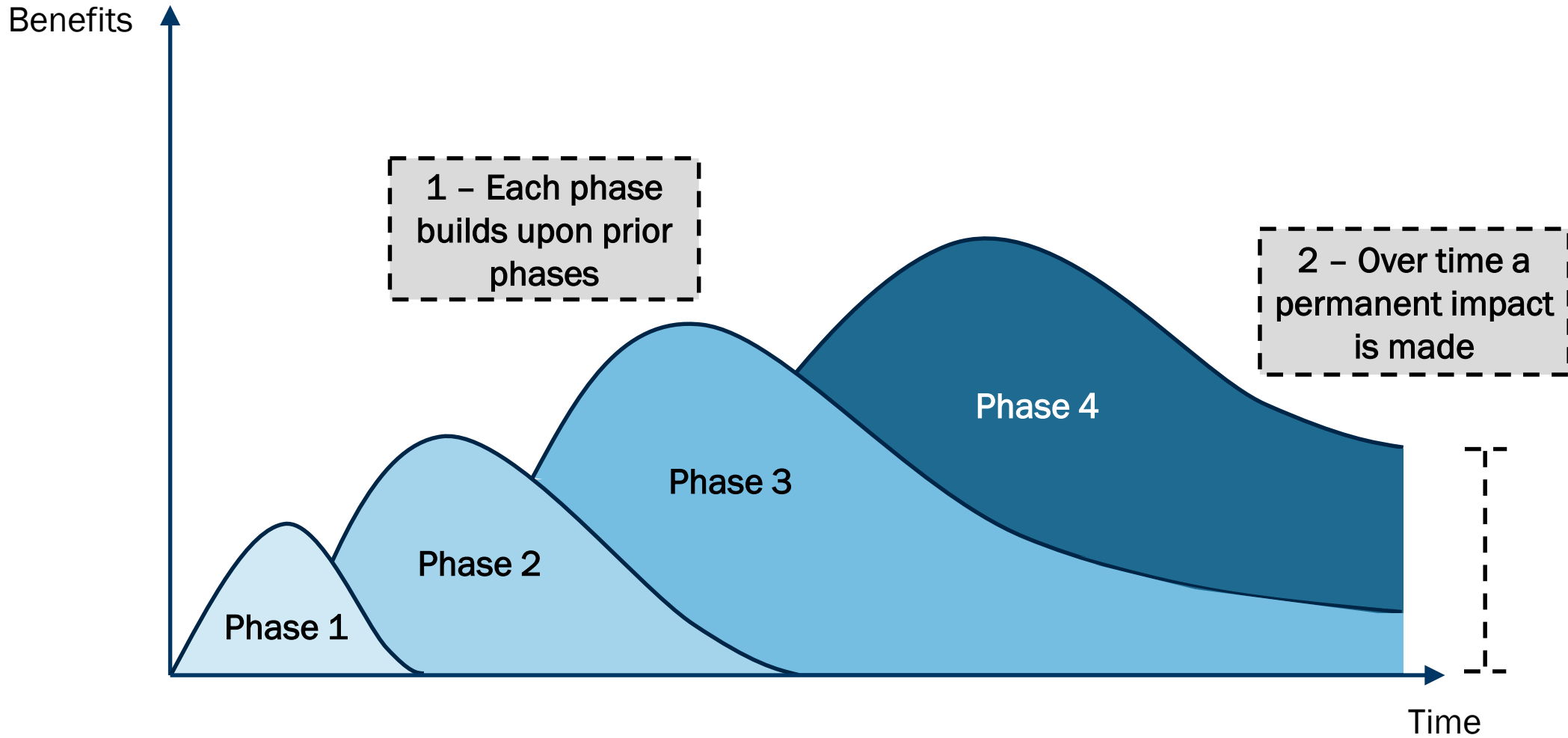
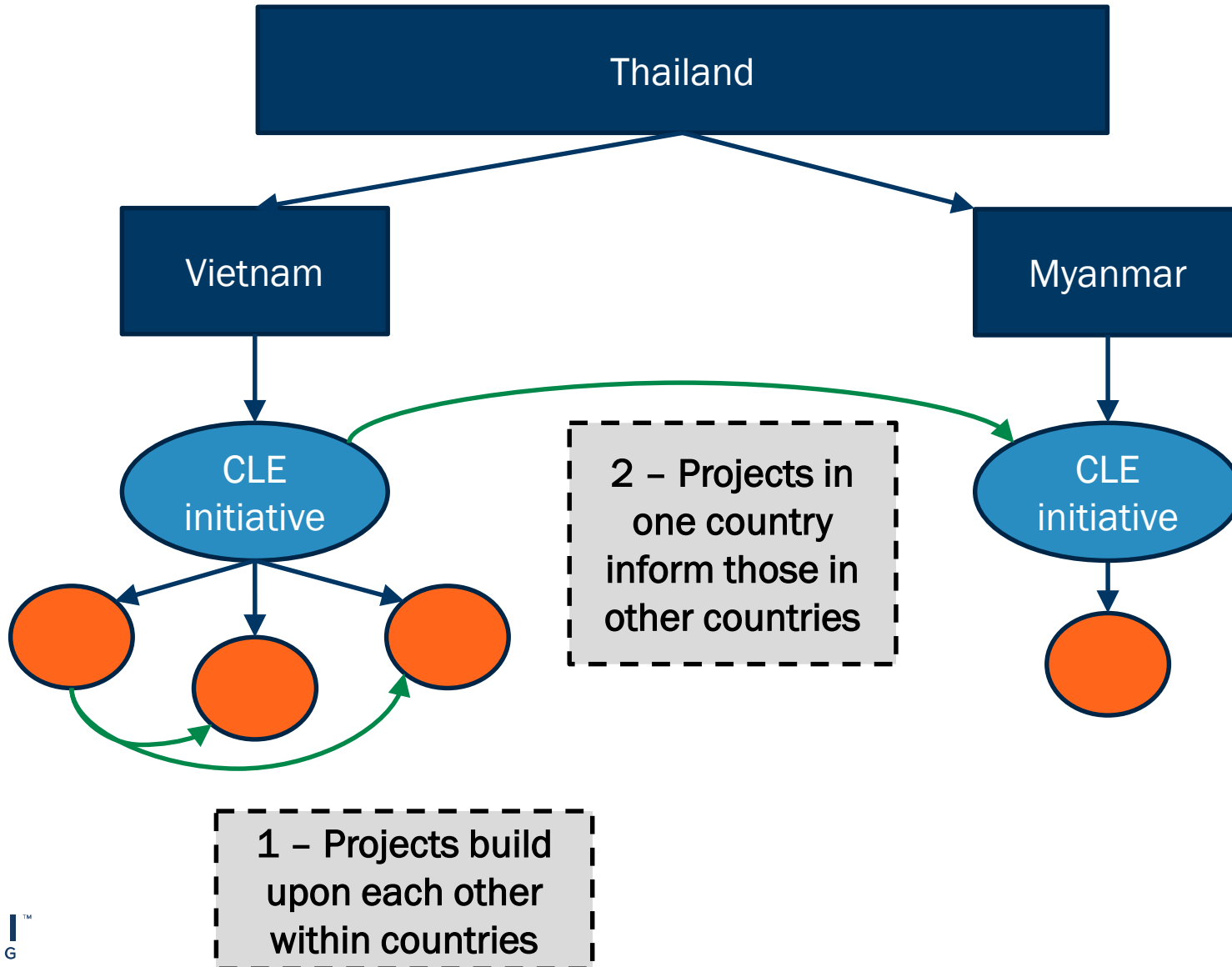


Illustration of building upon projects



Preliminary conclusions and next steps



Preliminary conclusions

- At the project level, based on our analysis of BABSEA CLE's recent activities in Vietnam, we find that the benefits of BABSEA CLE's work were **2x** the total costs and **5x** the cash expenditure.
- BABSEA CLE undertakes work through various projects across the region. Each phase builds upon prior phases and the experiences within and across countries inform other projects.
- These linkages increase the “bang for buck”, especially as BABSEA CLE continues to undertake work in the region and build upon what it has already established.



Next steps

- Our estimates at this stage are preliminary – we are continuing to work with BABSEA CLE to verify data and finalise modelling assumptions for assessing the impact of its work in Vietnam.
- Following this, we hope to assist BABSEA CLE in designing systems for thinking about and tracking “bang for buck” across its projects. This would serve as a tool for BABSEA CLE in planning future spending and activity in the region.

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