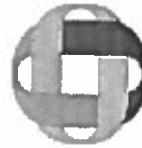




Ministry of Local Government
P.o Box 3445 Kigali
Website: www.minaloc.gov.rw



BTC RWANDA

RWANDA DECENTRALIZATION SUPPORT PROGRAM (RDSP) RWA1308911

TENDER NOTICE

The Rwanda Decentralization Support Program (RDSP) Coordination unit, through the Ministry of Local Government hereby invites hereinafter individual local consultants to provide the following consulting services: **a Study on the establishment of a revolving investment fund in Rwanda based on the Local Competitiveness Facility (LCF)**

More details on the services are provided in the terms of reference.

**TITLE OF TENDER: REQUEST FOR EXPRESSION OF INTEREST FOR
HIRING A CONSULTANT FOR A STUDY ON THE ESTABLISHMENT OF A REVOLVING
INVESTMENT FUND IN RWANDA BASED ON THE LOCAL COMPETITIVENESS
FACILITY(LCF)**

Tender number: **135/RDSP/2016-2017**
Procurement method: **Individual Consultant Selection**
Duration of contract implementaion: **47 working days**
Funding: **BTC/ RDSP**

1. Background and problem statement

The Local Competitiveness Facility (LCF) is a matched grant facility to support private business partnerships focusing on value chain integration. NGOs and Training and Vocational Centres (TVETs) can also be a partner under certain conditions. Four Districts were selected to pilot LCF, namely Nyagatare, Gisagara, Gakenke and Rutsiro. One District per Province was chosen, to promote interlinkages in value chains to facilitate trade and business development.

The main purpose of LCF is to fund innovative economic partnerships projects to enhance **pro-poor local economic development (LED)**. The relevance of LCF lies in its ability to enhance pro-poor LED, which means that a pro-poor-economic-impact should be made in

the Districts where LCF is implemented so that jobs can be created, income can increase and value can be added to the District economies.

To this end, the **four objectives** of LCF are as follows:

1. LCF will fund projects that will make a positive LED impact
2. LCF will fund projects that make a real pro-poor impact
3. LCF will fund partnerships between micro, small, medium and large companies or cooperatives
4. LCF will fund innovative project ideas in the area of value chain development to mitigate cost and risk barriers that inhibit development of innovative private sector partnerships

Currently, LCF has been implemented as a grant fund. The comparative advantage of LCF is that there is no other fund that focuses on providing funding to business partnerships. The rationale of providing funding to business partnerships lies in the fact that in this way micro and small companies/cooperatives could get access to certain value chains and markets, which they alone cannot achieve. This ensures economic inclusion of micro and small companies/cooperatives which is important to achieve economic growth. Also, micro and small companies/cooperatives could cluster together to reduce transaction costs and risks which inhibit individual companies to grow. In addition, the LCF assessment identified that access to finance is the main barrier for MSMEs to grow. The available finance options are out of reach for many MSMEs due to high interest rates, unaffordable deposits, lack of understanding of procedures, communication barriers, and a risk-averse attitude from finance providers to MSMEs due to the high rate of defaulted loans. LCF grant fund is an answer to this issue as it provides matched grants without expected beneficiaries to pay back.

However, questions have been raised whether it would be opportune to switch to a revolving loan or equity investment fund because of sustainability reasons. If LCF would be a loan fund, or an investment fund, at least some of the capital would return and ensure (part) of LCF's sustainability. Likewise, there are concerns about the possible capital substitution effect of LCF and crowding out of the domestic financial sector. For the sake of sustainability, the domestic financial markets should be encouraged to develop and apply affordable products that support value chain-based partnerships or clustering for micro- and small enterprises. LCF, established as a commercially-based fund, will allow domestic financial institutions and companies to engage with this segment of the private sector and will contribute to the development of the domestic financial markets.

Hence, there is a need to conduct a feasibility study to cover the following issues:

- 1) Comparison of various models of commercially-based and non-commercial funds (LCF loan fund, LCF venture/equity investment fund and LCF grant fund), particularly in the context of least developed and developing economies, to identify the best option for Rwanda, given the considerations of relevance, effectiveness, efficiency and sustainability;
- 2) The feasibility of transforming LCF (or part of LCF) as it currently exists into a revolving fund and/or venture/equity investment fund, considering the existing legal and regulatory frameworks, the state of financial markets, the interest of key stakeholders in a revolving fund and the opportunities for its capitalization, including the tentative cost of capital (CoC) as well as the key activities and timelines associated with this transition; assessment whether LCF AS a grant/revolving/investment fund will not create market distortion. The feasibility should include whether LCF can become a public-private partnership (PPP) as defined in the Rwandan PPP law where both GoR, development partners and financial institutions can contribute to
- 3) The appropriate institutional setup for the future fund in terms of its ownership and management, key governance arrangements, and design issues, including financial instruments and products used, terms of funding and proposed funding windows as well as non-financial support that such a fund may be providing to complement its financing objective, and key partnerships.

2. Scope and Objective of the assignment

The objective of the assessment is four-fold:

1. Assess the need and the feasibility for LCF as a revolving fund, meaning that beneficiaries receive funding which they pay back, in full or partially depending on the type of the funding as well as possibly the size and nature of the project, after a certain period of time. A comparison should be included with other existing loan funds in Rwanda as well as with good international practices, particularly in the context of least developed and developing economies.
2. Assess the legal, regulatory and financial feasibility of transforming LCF into a revolving and/or venture/equity investment fund with the option to (re)invest part of the money in financial instruments (equity, debt and possibly grants) and to (re)capitalize such a fund from external sources (e.g. banks, investment funds, and other financial institutions), including an assessment of the appetite of investors like companies, banks, international public investment funds (e.g. BIO, Alterfin, etc.), sovereign wealth funds, etc... to invest in LCF as well as the tentative cost of capital (CoC).
3. Assess whether LCF AS a grant/revolving/investment fund will not create market distortion

4. Assess whether LCF can become a public-private partnership (PPP) as defined in the Rwandan PPP law where both GoR, development partners and financial institutions can contribute to.
 5. Compare various types of revolving and non-revolving mechanisms, such as LCF loan fund, LCF equity investment fund, LCF grant fund or a combination of the three and determine which, or which combination, would be the best model for Rwanda.
 6. Suggest the appropriate institutional setup for the future fund, including ownership, governance and management arrangements as well as financial instruments and products to be used, terms of funding and proposed funding windows as well as non-financial support that such a fund may be providing to complement its financing objective, and key partnerships. Overall, the design of the fund should cover the following issues:
 - a. Targeting policies
 - b. Financial policies
 - c. Capital policies
 - d. Underwriting criteria
 - e. Development services
 - f. Relationship policies
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3. Profile of the consultant

- A MBA or master's degree in economics (option finance, investment banking) or another relevant subject (proven with degrees' certificates)
- Ten years' experience in banking/finance in private sector with focus on private sector finance in least developed and developing countries
- Five years' experience in undertaking similar consultancy assignments (conducting studies on feasibility of grant/loan/investment funds) proven by service certificates
- Extensive knowledge in research and assessments (i.e. sampling, data collection and analysis)
- Very good knowledge of working with local government, national government and development partners in Rwanda (at least five years of experience)
- Having worked for a grant fund/revolving fund programme would be an added advantage
- Excellent English writing skills proven by certificates.

7. Application

The interested consultants will be required to submit their interests and technical proposals in English or French, addressed to the Director of Intervention of SPIU/ MINALOC not later than **10/02/2016 at 4:00 pm, time.**

The interests and technical proposals must be sent to the following e-mail address: bernard.ningabire@minaloc.gov.rw; and Laurent.messiaen@btctb.org in copy.

Interest and Technical proposal will be composed by the following:

- a) Letter of confirmation of interest and availability.
- b) Detailed Personal CV indicating all past experience of the candidate and at least three (3) professional references.
- c) Listing of relevant references realized in the last 5 years in the consultancy field with central and local governments as well as the contact details (email and telephone number)
- d) A clear methodology, on how they will approach and complete the assignment;
- e) A work plan for the assignment

Please note that the terms of references shall be accessed on the following website: www.minaloc.gov.rw

The interested consultants may obtain further information from the office of procurement at Minaloc building – Kacyiru, on working days and working hours.

Tendering process will be conducted in accordance with the Law N° 05/2013 of 13/02/2013 modifying and completing the law n° 12 /2007 of 27/03/2007 on Public Procurement

Done at Kigali, on 17th of January 2017

Yves Bernard NINGABIRE
Director of Intervention
Rwanda Decentralization Support Program.

Yves Bernard NINGABIRE
Director General Planning
Monitoring & Evaluation - MINALOC