

RWANDA GREEN INCUBATORS & ACCELERATORS FACILITY (GIAF)

REQUEST FOR PROPOSALS

TO PARTNER

THE RWANDA GREEN INCUBATORS AND ACCELERATORS FACILITY

FOR THE PROVISION OF

BUSINESS INCUBATION AND ACCELERATION SERVICES

FOR

CLIMATE SMART VENTURES

IN RWANDA

OCTOBER 2018



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Introduction

Rwanda's Vision 2020 seeks to transform Rwanda into an information-rich, knowledge-based society and economy. The Countries Economic Development and Poverty Reduction Strategy 2 (EDPRS 2) includes as one of its priorities that of Economic Transformation by developing a 'Green Economy' and calls explicitly for the establishment of an Environment and Climate Change Innovation Centre as the main institutional driver for 'High Environmental Standards and Sustainable Green Innovation in the Industrial and Private sectors'.

A critical part of the Institutional Arrangements for the Implementation of Green Growth in Rwanda is the Environment and Climate Change Facility (FONERWA), the National Financing Vehicle that has been created to Mainstream Climate Resilience and Support the Implementation of Green Growth in Rwanda. A key component of the mandate of FONERWA is to promote and support private sector climate Mitigation and Adaptation projects in Rwanda in line with the Government of Rwanda's Vision 2020 Outcome of Creating and Growing Green Jobs.

In 2016, the DFID in line with the tenets of EDPRS 2 supported FONERWA to commission a scoping study, to assess the potential for the establishment of a Climate Innovation Centre (CIC) in Rwanda to provide support to Innovative Companies in Green Sectors and a Technical Assistance (TA) facility to step up efforts to mainstream and implement climate change and environmental principles in sector strategies. The scoping study recommended the provision of Technical/Technology Assistance, Business & Marketing, Finance and International Networking to SMES in the Agriculture, Energy, Urbanization (Green Cities), Water, Waste and Transportation (Mobility) sectors as areas of focus for the CIC. Per the Institutionalization of the CIC, the scoping studies recommendation is for the CIC to deliver some services and coordinate delivery of others with relevant organizations. FONERWA plans to spearhead Access to Finance as part of the Institutional Arrangement for the CIC by broadening its scope of services and instruments to better align to the needs of private sector Green enterprises, especially Green SMEs.

FONERWA since its inception has been supporting private sector projects; albeit limited in scope as Green SMEs in Rwanda have not been adequately supported by FONERWA mainly due to peculiar constraints faced by SMEs and FONERWA's delivery mechanism for private sector support. Uptake for FONERWA's support to the private sector has been below expectation as private sector commitments to date stands at 4% of Total Commitments and 3% of Funds under Management. FONERWA's goal is to have commitments to the private sector constitute at least 40% of its Funds under Management. In pursuant of its goals, and as part of its private sector window, FONERWA plans to set up the Rwanda Green Incubators & Accelerators Facility (GIAF) as a Special Purpose Vehicle of FONERWA to Anchor and Invest in Incubators & Accelerators supporting Early Stage and Early Growth Stage Innovative Climate Smart Ventures or Green SMEs in Rwanda.

This Request for Proposals (RFP) is being issued to select the organization(s) to partner with FONERWA to Develop, Establish and Manage their own Green Incubation or Acceleration Fund as a Sub-Fund of FONERWA's GIAF. FONERWA's GIAF plans to invest between USD 1 to 5 Million in each selected partner Incubator and Accelerator Fund.

Proposals should be submitted in accordance with the guidelines under the section labeled Instructions to Respondents. Based on responses to this RFP, organizations will be contacted for further discussion. Notwithstanding any other statement in this RFP, the FONERWA reserves the

right to:

- Reject any or all bids for any or no reason.
- Re-bid the investment opportunity on any terms.
- Reduce or Increase the scope of Investment, and re-bid or negotiate with any bidder regarding the revised scope.
- Defer or abandon the project, whether before or after bids have been received.
- Not respond to any type of inquiry or meeting with bidders or their representatives

Proposals must be presented in English, in Microsoft Word or PDF format, and submitted electronically by email to info@fonerwa.org by 30th October 2018.

Applicants must clearly state if they are interested in partnering FONERWA to set-up either a GIAF Incubation Fund or Acceleration Fund.

Please include "Proposal for FONERWA Green Incubators & Accelerators Facility " in the subject line.

Opportunity Description

The Rwanda SME Development Policy (June 2010) clearly identified SMEs as the engine room for national economic development. The SME sector, including formal and informal businesses, comprises 98% of businesses in Rwanda and 41% of all private sector employment. The SME sector has the potential to, create jobs, increase Rwanda's tax base and revenue, lower Rwanda's trade imbalance and contribute to the general wellbeing of the Rwandan people. However, SMEs in Rwanda face a myriad of challenges including but not limited to Access to Appropriate Finance, Quality Business Development Services, Access to Markets, Entrepreneurial Experience, Management Capacity, Inadequate Skills and Training and an Enabling Environment to Nurture their Development and Growth.

In as much as SMEs in general face a myriad of challenges, the situation is much peculiar for Early Stage Climate Smart or Green Ventures as they often have Unproven Business Models, Longer Enterprise Gestation Periods, Increased Cost of Going Green against Business As Usual, Affordability Of Products and Services, Product Development and Market Acceptance etc; all making Early Stage Climate Smart or Green Venture SMEs unattractive to commercial financiers.

To de-risk investments in an ordinarily high-risk sector and to catalyze the sector, GIAF seeks to provide Investment Grants to Seed and Anchor Rwandan based Incubators and Accelerators to Raise and Manage a GIAF Fund to:

- Identify Innovative & Commercially Viable Early Stage and Early Growth Stage Green or Climate Smart Venture SMEs with Sustainable Growth Potential to Incubate and Accelerate their growth to create and grow Green Jobs and contribute to the Green Development of Rwanda

GIAF Incubator Funds will be expected to support Green Incubatees with up to USD 100K per Incubatee and of which up to USD 50K may be used as Seed Capital to fund Working Capital and Limited Assets needed for Commercialization or "Go to Market" of an Incubatee Green Venture. Gestation period for Incubatees is not expected to exceed more than 1.5 years.

Graduating Green Incubatees are very unlikely to raise commercial capital as they may not have adequate track record to meet commercial bank finance requirements; and when they do obtain commercial bank financing, it may not be appropriately structured for their needs and such finance may end up being the "poison pill" that kills such ventures. Additionally, the growth finance ticket size needs of graduating Green Incubatees may be too small to attract the attention of prevailing Investment Funds. It is therefore imperative for GIAF to invest in Accelerators to provide a natural continual development assistance path for Green Ventures. Supported GIAF Accelerator Funds will be expected to invest between USD 100K to USD 1M to accelerate the growth of Green Ventures.

FONERWA's GIAF will provide Seed Funding between USD 1 to 5 Million in reimbursable grants to Anchor selected Incubators and Accelerators to raise and or manage a GIAF Incubation or Accelerator Fund to support Innovative Commercially Viable Green Ventures in Rwanda.

Selected Incubators and Accelerators must be legally domiciled in Rwanda and must demonstrate its ability to professionally make, support and manage commercial investments in Innovative Green Ventures. Additionally, selected Incubators and Accelerators must demonstrate their ability to leverage on GIAF seed investments to raise at least 2X additional funding from donors, private investors, foundations etc to increase the overall funding for Commercially Viable Green Innovative Ventures in Rwanda.

Instructions to Respondents

Proposals from interested Firms must clearly demonstrate the firm's organization and management team's competence and relevant experience per the provision of Business Incubation or Acceleration Services. Firms must also clearly articulate their understanding and approach to advancing FONERWA's GIAF overarching goals. They should also clearly articulate their proposed structure and strategy for the establishment and management of a GIAF Incubator or Accelerator Fund on sound commercial principles and objectives, as well as to advance GIAF's objectives and purpose.

In as much as no formal format is required for proposals, interested firms should use this as a guideline to develop their proposal.

Background and General Overview

- Brief overview of the Firm, including information on the founding, subsequent history and information on any predecessor firm and/or parent firm. Description of any plans to change or expand the Firm (entering/exiting business lines, office locations, etc.) over the next 5 years
- objectives for the Firm including articulation of vision/mission, what defines success, and how GIAF aligns with the strategic objectives/vision of the Firm.
- Overview (including chart) of the ownership structure of the Firm, and any parent organization. Details on timing and rationale for each significant ownership change. Percentage ownership, ownership vesting schedules, and any changes in ownership over the last 10 years.
- Overview (including chart) of the management/organizational structure of the Firm, including back office personnel. Discuss the Firm's succession plans.
- Overview of all investment vehicles/projects/programs, advisory or other business activities performed by the Firm if any, and how accounts are managed by the Firm for each activity. Include information on the fee structures for each investment vehicle/project/program, advisory or other business activities. If the Firm has entered into any joint ventures or partnerships with another organization, describe the structure, governance and economics of the relationship. Motivate the Firm's Financial and Business Continuity plan for the next 5 years.
- Overview of the Firm's culture
- Description of any activity currently underway that could lead to negative publicity about the Firm in the near future. Explain any past negative publicity, and the steps taken as a result.
- Highlights of the Firm's achievements, challenges and failures

Incubation or Acceleration Services, Business Development Assistance and Investment Strategy

- Summary of the Firm's Services and Investment strategy and types of transactions the Firm pursues. Detail on anticipated transaction sizes (including minimum/maximum), investment pace, business development assistance strategies, incubation strategies, acceleration strategies, holding periods, geographical focus, industry/sector focus, investment stage and other relevant characteristics.
- Motivation of ability to provide support to early stage enterprises and small ticket size investments
- Background description and evolution of the Firm's services and or investment strategies. Timeline of this evolution, including when any additional strategic platforms were added to the Firm's offerings. Examples of services or investments that demonstrate this evolution. Is the Firm's service and or investment strategies expected to change in the future?
- Description of the Firm's competitive advantages and how the Firm attempts to produce replicable results and returns.

- Description of Firm's services and expected investment structures. What will be the typical services and investment structures used by the Fund.
- Description of any services or investments that will not be considered. Motivation of any factors that would automatically end a potential deal.
- Discussion of the Firm's approach to working with existing, new and young portfolio management teams. Description of (citing examples) the strategies that are used to incentivize portfolio company management teams.
- Discussion of the typical methods used by the Firm to create value for its portfolio companies (restructuring, strategic re-positioning, leveraging, operational improvements, etc.). Discussions on how the Firm's strengths in creating value from its services and for investments impact its sourcing/deal origination capabilities. Provision of case studies to illustrate the Firm's value creation capabilities.
- What is the return-profile threshold (gross IRR, money multiples, etc.) for targeted investments? What is the expected holding period?

Market & Pipeline

- Description of the market, sectors and potential for climate smart ventures/ green ventures and overview of the current opportunities?
- Profiles of at least 5 climate smart ventures/green venture opportunities in your pipeline

Investment Process

- Description of the the Firm's deal sourcing capabilities and the processes used to identify attractive opportunities. How the sourcing process is staffed, conducted and documented.
- Criteria used to assess an opportunity or investment's attractiveness
- Description of the robustness and sustainability of the Firm's proprietary network of contacts used to identify opportunities. Discussions on any organizations that the Firm will not typically source deals from.
- Description of the Firm's screening and due diligence processes. How is each process staffed, conducted and documented? How long is a typical due diligence process? Is the deal team in charge of the service or investment until exit, or will other professionals be assigned post-acquisition? Include details on any due diligence checklists, internal reports, financial models and investment committee documents prepared.
- Firm's internal decision-making and approval process, including details on the role, composition and function of the Firm's Investment Committee.
- Firm's approach to the valuation of investment opportunities and pricing discipline.
- Discussion of the Firm's service or portfolio investment monitoring policy, including details about contact events (weekly, quarterly, board meetings, etc.). What information is required to be reported by the portfolio investments? Discussions of Firm's approach to board representation at its portfolio companies.
- How many active portfolio companies is each investment or service professional responsible for? In addition to active investments, how many deals in the pipeline is each investment professional responsible for? How were these number determined and how have they evolved over the Firm's history? What is the Firm's process for handling bandwidth during periods of peak activity?
- Description of the Firm's criteria for evaluating follow-on investments or services.

- Discussions on the Firm's strategy/criteria/plan for exiting investments. Include an analysis of past exits (IPO, trade sale, financial buyer, write-offs, etc.). Provide examples that illustrate the Firm's decision-making for choosing the type of exits.
- If applicable, examples of leveraging the management and/or capabilities of one investment to help another investment.
- How does the firm approach the provision of Networking, Coaching, Mentorships etc for portfolio companies?

Risks

- Discussion of the risk factors of the Firm's services & investment strategy (e.g. political risk, economic, financial, technology, business cycle, etc.) and the steps taken to mitigate these risks
- Discuss of the Firm's screening, due diligence and risk management processes prior to acquiring a client.
- Discussions on the Firm's risk management. What types of risks are monitored and how are they measured? Are there dedicated employees assigned to the risk monitoring function?
- Discussions on the Firm's compliance policies. Include information on the procedures and internal controls in place to prevent the Fund from being used to launder money, finance terrorist activities, be used for personal gain, and to identify and mitigate conflicts of interest.
- How the Firm protects itself against fraud and asset ownership risk etc
- Examples of provisions that the Firm incorporates in contracts to protect its investments.
- Description of the Firm's processes for protecting against fraud and corruption, post-investment. If applicable, discuss any fraud and/or corruption that were detected in prior engagements
- What are the Firm's ESG-related policies and how do ESG factors influence its investment beliefs?
- How does the Firm contribute to portfolio companies' management of ESG-related risks and opportunities?
- Description of the Firm's processes, if any, to monitor and verify the supply chains of the portfolio companies per labor practices, EH&S etc

Management & Governance

- Overview of the Firm's Team Members, including the shared work history of the Firm's Principals. Description of each job title, detailing the responsibilities held by junior, mid-level and senior staff.
- How does the team communicate internally? Discuss the co-operation and communication between the Firm's various offices if any. How often do the different offices meet in person? How often do the different offices meet electronically/telephonically?
- Description of the Firm's recruitment plans and procedures for hiring staff. To what extent are background checks involved and how are objective references obtained?
- Discussions on the Firm's approach to staff retention and training. Discussions on the Firm's historical experience in this area.
- How any "Key-Person" events are managed and mitigated against.
- Description of the compensation structure (salary, bonus, group/individual performance incentives, profit sharing, equity ownership, carried interest, etc.) for all Team Members. Provide details on any separate compensation arrangements.
- Description of the role of the Firm's internal advisory board(s). Detail all matters referred to the advisory board(s). Description of any additional governing/advisory bodies that impact the

management or investment activity of the Firm (e.g. CEO Circle, operating committee, management affiliate, etc.)

- Detail how the Firm's policies (Compliance Manual, Code of Ethics, etc.) are supervised, monitored and enforced.
- Detail any conflicts of interest (potential, current and historic) within the Firm, and explain how they have been/are identified, managed, disclosed and resolved. Identify any committees in place to help with the resolution of conflicts (conflict committee, etc.)
- Description of the Firm's policies on the handling and safeguarding of any material, non-public information? How are these policies communicated to employees?

Administration & Accounting

- Description of the Firm's internal accounting. What accounting principles does the firm/fund operate under? Has the Firm established an internal audit function? If so, how often are internal control audits performed? Has there been any major control weaknesses identified from the audits? If so, what is the Firm doing to resolve the identified weaknesses?
- Description of the activities of the Firm's support functions (Finance and Fund Administration, Human Resources, Compliance/Legal, etc.).
- Overview of third-parties if any, providing services to the Firm or Fund (e.g. law firms, custodians, fund administrators, consultants, banks, etc.). How does the Firm manage counterparty risk related to these third-party arrangements?
- List and describe any software if any, that the Firm uses for business functions like portfolio management, administration and risk etc?

Track Record

- Provide examples of the Firm's track record per provision of BDA, Business Incubation and Business Acceleration services. Provide contact information for clients served.
- Discussions on what went wrong in previous engagements, action taken, lessons learned and how (and when) outside experts were brought in.

Fund Raising

- Demonstration of ability to leverage GIAF seed funding to raise additional finance for climate ventures or green ventures in Rwanda.

Evaluation Criteria

The following criteria will be used to evaluate proposals.

- ✓ Firm Capacity - Capacity of the firm to prudentially administer & manage funds; established financial management and reporting processes, monitoring and evaluations capability and ability to develop safeguards process and other policy requirements
- ✓ Fund Management Team - Identified management team and key persons with profiles / track record, and presence/experience in Rwanda, and/or identified plan to attract and build a strong team of individuals to manage business Incubation or Acceleration Funds; Capabilities of management to establish and manage Business Incubation or Acceleration Funds and make successful investments in the chosen sectors
- ✓ Overall Plan and Approach to the Establishment and Management of an Incubation or Acceleration Fund for Climate Ventures in line with the vision of GIAF
- ✓ Quality of Pipeline and Expertise in the management of Climate Investments
- ✓ Expertise in climate SME development and investment; In the Rwandan context will be an added advantage
- ✓ Long-term strategic commitment of the applicant organization(s) and key persons to the mission, vision and objectives of GIAF
- ✓ Rwandan Presence - Existing presence or ability and commitment to establish an active presence in Rwanda, demonstrated pipeline of potential investments in Rwandan Climate or Green Ventures, demonstrated network with relevant private and public sector organizations in Rwanda
- ✓ Capability and track record to leverage existing and additional sources of capital/funding.