

Terms of Reference (ToR)
**Technical Assistance (TA) to Develop an Early-Stage Financing Mechanisms for Innovative
Technology Startups**

1. Assignment Background & Objective

Rwanda aspires to become a high-income country by 2050, as articulated in Vision 2050, the current national development strategy. Such rapid structural transformation and economic growth will require innovation as a key driver and enabler of that ambitious growth. As a result, building an innovation-led economy and fostering an effective national innovation system are top priorities for the Government of Rwanda (GoR), as highlighted in numerous national strategic plans including the National Strategy for Transformation and the ICT Hub Strategy.

While Rwanda is already viewed as a leader in public innovation and digital infrastructure, private-sector-led innovation remains nascent, with few successful digital startups attracting investment and achieving scale. A key constraint to the development of a robust pipeline of high-quality startups in Rwanda is the lack of early-stage finance, including angel and venture capital (VC) investment. Vibrant startup funding ecosystems, which have been shown to spur innovation, address the financing requirements of young and growing firms across their lifecycle.

The World Bank has partnered with the GoR to achieve its innovation objectives in launching the Rwanda Digital Acceleration Project, a five-year program to “increase digital inclusion, improve the efficiency of public service delivery, and strengthen Rwanda’s digital innovation and entrepreneurship ecosystem.” In particular, the project components on digital innovation and entrepreneurship, which are largely private-sector focused, will provide support to develop the foundations of a thriving early-stage and VC investment ecosystem.

Thus the primary objective of this consultancy is to explore how the GoR can further increase its support for the development of the early-stage investment ecosystem in Rwanda, particularly angel, pre-seed, and seed stage financing to support high-growth potential startups. The focus of this consultancy would be on angel, pre-seed, seed, venture capital and private equity financing. The consultant’s analysis and recommendations will help the GoR to maximize its efforts to create a healthy early-stage VC investment environment.

2. Scope of Work & Expected Deliverables

The consultant will be responsible for the following key deliverables:

- **Conducting a market analysis and mapping of the existing early-stage finance ecosystem** in Rwanda and the region, with the main focus of identifying:
 - Gaps and potential for further support to develop the startup investing ecosystem (focus will be on the supply-side of early-stage finance but should appropriately consider demand-side considerations such as type, quantity, and quality of startup deal flow);
 - Review of the deal flow at angel, pre-seed, seed-stage and VC stages, sources of investible deals, incubation and acceleration programs and forecast potential market growth in Rwanda over a 5 year-period;
 - Mapping of key stakeholders in the early-stage and VC investment ecosystem, both in Rwanda and the region, to enable outreach activities and potential partnerships;
 - Impact assessment of COVID-19 in access to finance for innovators

- **Conducting a review of the legal, regulatory, and tax policy frameworks** in Rwanda and identification of gaps required to establish a VC ecosystem in alignment with international norms, including recommendations on “quick-win actions”;
- **Conducting a feasibility study of and developing a roadmap for new seed, early-stage, and venture capital financing mechanisms and structures.** Such a study should evaluate the potential of various early-stage investment structures and facilities, outline the role of public-sector/development partner interventions to catalyze private capital flows (incl. appropriate risk-sharing), define the and articulate a detailed implementation roadmap for GoR and other partners to maximize its efforts to create a healthy early-stage VC investment environment. For each sub-component considered, the study should detail pre-requisites, pros and cons, types of intermediaries required to support (including existing financial institutions (FIs) such as development banks and other local FIs) and the corresponding amounts of capital to deploy - with a view of maximizing impact, minimizing market distortion, maximizing use of private sector finance and creating sustainable models for early stage finance. The study should cover the following sub-components:
 - Angel funding and networks and crowdfunding solutions;
 - Funding and investment mechanisms for startups, including concept/product development grants and direct investments in seed and early-stage companies;
 - Funding and investment mechanisms for VC funds, including Fund of Fund models and passive Limited Partner investments;
 - Other alternative approaches not considered but suitable for the ecosystem
- Translating the findings of feasibility study into a strategy and **policy paper (including an implementation plan that includes detailed budgets, roles and responsibilities, M&E framework) for the Government of Rwanda** to implement the final recommendations in the feasibility study as well as existing early- stage investment initiatives such as:
 - Key design parameters – proposed mandate, structure, fund manager, and funding source – for the Seed Innovation Fund outlined in the new Investment Law, including benchmarking and materials needed for the Ministerial Order;
- **Developing a capacity building plan for potential implementation partners and intermediaries based off an assessment of the existing capabilities** of existing and prospective local and international financial institutions, fund managers, and angel networks to provide early-stage financing in Rwanda;
- Developing a detailed implementation plan for early-stage financing interventions earmarked to be supported through the Rwanda Digital Acceleration project, in order to swiftly support operationalization of interventions proposed. This includes **developing terms of references (ToRs) and other required inputs into the Project Operation Manual (POM) (e.g., implementation arrangements, M&E framework, budget)**
- **Developing an outreach strategy and communication materials** to build awareness among potential investors (angels, fund managers) and startups of the available enabling policies and structures for early-stage investment.

3. Schedule of Completion of Tasks

The consultancy is expected to be completed within a period of 12 weeks from the start. Weekly progress updates should be shared with the Head of Special Project Implementation Unit (SPIU) at Rwanda Information Society Authority (RISA). The following schedule of deliverables will be the expected timeline, unless otherwise agreed with the consultant:

- Within 1 week of start - inception report with agreed scope, approach, & timeline
- Within 3 weeks of start - first interim report mapping the early-stage finance ecosystem and proposing researched hypotheses for new financing mechanisms to be evaluated
- Within 6 weeks of start - second interim report reviewing the legal, regulatory, & tax policy frameworks for early-stage investment in Rwanda and assessing existing domestic capabilities
- Within 12 weeks of start - final report, including full feasibility study, policy paper, capacity building plan and outreach strategy of potential new early-stage financing mechanisms as well as a detailed implementation plan for interventions earmarked to be supported through the Rwanda Digital Acceleration project featuring inputs into the POM capacity building plan, project budget, M&E framework, implementation arrangements and terms of references for agreed interventions

4. Procedures for Reporting

The consultant will submit all reports and deliverables to the Head of SPIU at RISA. As requested, the consultant may also be responsible for presenting to a team including Kigali Innovation City, Rwanda Information Society Authority, the Ministry of ICT and Innovation, the Rwanda Development Board, Ministry of Finance and Economic Planning and other relevant stakeholders.

5. Qualifications

The consultant must exhibit: (a) the capacity to evaluate the local venture capital ecosystem and (b) the capacity to assess and design potential new early-stage investment mechanisms.

The consultant must demonstrate the following specific experience and qualifications:

- Demonstrate a track record of conducting at least 3 similar assignments, preferably in an emerging market context and in Africa
- Experience in private capital-related market research and analysis;
- Extensive experience in the venture capital/private equity investing industry, preferably in emerging markets and related to the technology sector;
- Experience in evaluating nascent venture capital ecosystems and creating policies and strategies to encourage the development of venture capital ecosystems, preferably in emerging markets
- Demonstrate familiarity with the Rwandan and African early stage financing and innovation ecosystem context;

- Experience in and analytical knowledge of emerging markets, including the East Africa region and preferably Rwanda;
- Experience working with government entities, on policymaking and implementation, preferably in emerging markets and focused on innovation and early-stage investment ecosystems;
- Significant prior exposure and ability to connect to a network of key industry players, including Venture Capital / Private Equity (VC/PE) fund managers (General Partners), Limited Partner investors, financial intermediaries (e.g. legal, accounting, investment banking), and other entrepreneurial finance organizations.

6. Required Team Staffing & Qualifications

The consultant must provide a staffing plan with names, roles, and CVs for the core project team as part of the proposal. It is envisioned that the core project team will consist of a qualified Team Leader and supporting staff. All team members must be fluent in English.

Key Position	Professional Experience	Qualifications
(1) Team Leader, or equivalent	<p>Min. 10 years' experience in management/strategy consulting, investment banking, principal investing, or business operations</p> <p>Led 3+ similar prior assignments related to early-stage finance as a Team Leader or equivalent</p> <p>Demonstrated experience with startups, VC/PE, acceleration/incubation, or early-stage investment ecosystems</p>	<p>Master's degree in Business Administration, Economics, Development Studies, Commerce, Science/Technology, or other relevant fields</p>
(1) Policy Analyst	<p>Min. 5 years' experience in management/strategy consulting, policy advisory, or government</p> <p>Demonstrated experience designing policy instruments and government interventions in early-stage investment ecosystems</p>	<p>Bachelor's degree in Business Administration, Economics, Development Studies, Commerce, Science/Technology, or other relevant fields</p>
(2+) Data Analysts / Consultants, or equivalent	<p>Min. 3 years' experience in management/strategy consulting, investment banking, principal investing, or business operations</p> <p>Experience with startups, VC/PE, acceleration/incubation, or early-stage investment ecosystems is preferred</p>	<p>Bachelor's degree in Business Administration, Economics, Development Studies, Data Science, Science/Technology, or other relevant fields</p>

7. Application/Selection Process

Traditionally, applicants must be available to work and be based in Rwanda; given the current status of travel due to Covid-19, remote work options will be considered, but applicants must submit a clear plan that explains how work will be delivered.

8. Payment Schedule

Payment for services will be made according to satisfactory completion of deliverables, as determined by the Head of SPIU at RISA:

- After receipt of inception report & deliverables - 10%
- After approval of first interim report & deliverables - 20%
- After approval of second interim report & deliverables - 40%
- After receipt of final report & deliverables - 30%

9. Client's Obligation

The Client will cooperate fully with Consulting Firm and provide a focal point to facilitate necessary introductions to stakeholders, provide available documentation, data, and reports and provide timely feedback on deliverables.