

## REQUEST FOR PROPOSALS – ESTABLISHMENT OF THE PROPOSED SME FUND IN RWANDA

### 1. Summary of Procurement

FSD Africa invites calls for applications for an experienced fund manager who will be responsible for the day-to-day management and administration of the proposed SME Fund in Rwanda, which the Rwanda Social Security Board will anchor at first close and which FSD Africa will sponsor. In collaboration with both sponsors, the fund manager will co-design and set up the fund, including fundraising, establishing the investment process, appropriate legal and governance structures to operationalise the fund effectively and implementing the strategy.

### 2. About the Sponsors

#### 2.1. FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's financial sector experts work alongside governments, business leaders, regulators, and policymakers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK International Development from the UK government.

More information on FSD Africa is available [here](#).

#### 2.2. Rwanda social Security Board (“RSSB”)

Rwanda Social Security Board is a specialized organ established by law N°.009/2021 of 16/02/2021 in Rwanda. RSSB's mission is to manage and promote social security in Rwanda with the overall vision of a comprehensive social security system that addresses all social security needs. RSSB is Rwanda's largest investment fund, with an AUM in excess of USD 1.9 billion, making up 15% of Rwanda's GDP. With its financial resources, RSSB intends to be the trusted anchor investor in Rwanda within various sectors of activity such as infrastructure, financial services, hospitality, manufacturing, healthcare. RSSB investments are intended to generate strong financial returns while having significant socio-economic impact.

More information on RSSB is available [here](#)

### 3. Background

Rwanda has set an ambitious target of becoming an Upper-middle-income country by 2035 and a High-Income country by 2050. At the heart of this strategy is the Rwanda Private-sector-led Transformation Program (RPTP). The RPTP focuses on three focus areas: Agriculture & Agro-Processing, Manufacturing, and Infrastructure & Energy, with the True North being to increase the

Gross Domestic Product (GDP) per capita to USD1,283, to generate USD 2.9 billion of private investments, and to generate 218,854 jobs – all by 2027<sup>1</sup>.

SMEs<sup>2</sup> in Rwanda contribute 55% to GDP, are responsible for 41% of employment and represent 97% of all businesses in the country. Therefore, MSMEs are critical to achieving the country's medium-to-long-term growth targets. As with many African countries, whilst MSMEs are a significant contributor to GDP growth, access to finance remains a key inhibitor to the growth of SMEs. There seems to be an absence of focused, flexible and innovative financial instruments in the market to fund SMEs

The funding gap for SMEs in Rwanda is estimated at **\$1.8 billion**<sup>3</sup>.

Banks and microfinance institutions (MFIs) are instrumental in supporting SMEs, yet they face significant challenges in fully meeting the sector's financial needs. Banks in Rwanda lend approximately 30%<sup>4</sup> of project costs for SMEs, while most enterprises rely on owners' capital and funds from family or friends. A major barrier to accessing bank loans is the heavy collateral requirements, often demanding assets that can be up to five times the loan amount, making it difficult for smaller businesses to access these funds. The limited availability of tailored loan products also restricts SME access, as many banks still base loan decisions on collateral rather than cash flow or credit history.

In Rwanda, SMEs seem to have a higher rate of financial inclusion, measured by the operation of bank accounts by owner-managers and the usage of mobile money as a base for business transactions. Overall, Bank credit to SMEs is at 22%, far lower than required to close the existing funding gap.

Several initiatives have been established to bridge this gap and offer more accessible financing for SMEs. The East African Development Bank (EADB), in partnership with local institutions like the Development Bank of Rwanda (BRD), Duterimbere IMF Plc, and others, recently launched a \$36 million<sup>5</sup> Fund targeting over 500 SMEs in sectors such as agriculture, transport and commerce. This initiative aims to increase affordable lending options and reduce reliance on traditional collateral requirements by leveraging technical assistance for financial institutions in Rwanda.

Despite these initiatives, the funding gap for SMEs, especially micro and informal businesses, remains a major challenge. Addressing this gap requires further policy adjustments, such as reducing collateral requirements, increasing engagement from microfinance institutions, and expanding alternative financing models. These strategies are crucial for meeting the diverse financing needs of Rwanda's MSME sector and ensuring its sustained contribution to economic growth.

---

<sup>1</sup> Rwanda Private Sector-Led Transformation Programme Lab

<sup>2</sup> SME is used to describe micro, as well as small and medium enterprises per the definition in Rwanda

<sup>3</sup> IFC

<sup>4</sup> [www.microsave.net](http://www.microsave.net)

<sup>5</sup> [www.eadb.org](http://www.eadb.org)

There is a compelling need to establish an SME fund targeted to provide growth capital in Rwanda. The fund will have to address the hydra-headed issues of capital and capacity for SMEs. Stakeholders in the country support the establishment of an SME fund anchored by the Rwanda Social Security Board (RSSB). The initial market assessment estimates a short-term demand of up to US\$50 million for the fund with some potential companies already identified. The long-term demand could reach US\$100 million over the next 4 years.

#### Proposed Structure of the Rwanda SME Growth Fund

The Fund		Rwanda SME Growth Fund
Legal Structure		TBD
Incorporation		Rwanda
Fund Term		Permanent Capital Vehicle
Currency		Rwf
Capital Structure		Equity – To be anchored by RSSB. The Fund Manager is expected to raise capital from other institutional or private investors in subsequent closes. Debt – to be raised through public and private markets, considering the asset and liability profile of the fund.
Governance Structure		Advisory Board   Independent Fund Manager   Investment Committee
Geographical Focus		<b>For Investment:</b> Rwanda
Sector Focus		Generalist but with a focus on productive sectors as per RPTP recommendations (agro-processing, manufacturing, infrastructure and energy)
Investment themes	Sub-	The fund manager may consider sub-themes with the primary guiding principle being the sectoral focus. Climate eligible   2X Eligible   Youth
Investment Strategy		Direct investment in SMEs Indirect investment through intermediaries (MFIs, SACCOs, factoring companies, Digital Credit Platforms, etc)
Asset Class		Debt, quasi-equity, mezzanine capital and other self-liquidating instruments Equity investment with clear exit strategy
Investment tenor		Up to 10 years (Self-liquidating or exit)
Target Raise		\$100 million total fund size - First close of \$30m
Distribution		TBD

## 4. Objectives and Scope

### 4.1 Objective

There is a need to set up an SME Fund in Rwanda that provides growth capital to SMEs, expanding the funding opportunity for SMEs using flexible and innovative financing instruments tailored to the financing needs of SMEs.

### 4.2 Scope of work

FSD Africa and the RSSB seek an experienced fund manager who will support the sponsors in establishing an SME fund and managing its day-to-day administration. The scope is, therefore, two-phased: (i) pre-setup of the SME Fund and (ii) post-setup.

#### (i) Pre-set up phase

This involves the design of a viable business model, developing and implementing a fundraising strategy, developing a pipeline and investment strategy and putting in place the necessary processes, policies and procedures to enable successful registration, licensing and launch of the fund. For this phase, the fund manager should include the following in their proposals.

- Preliminary views on the proposed structure of the Rwanda SME Growth Fund and suggested changes/additional input based on market insights and investment strategy for profitable performance.
- A proposal on a viable business model for the proposed fund.
- Brief assessment of a proposed investment strategy, including a strategy for developing a pipeline of investment opportunities for the fund
- A proposed fundraising strategy
- A proposed impact and sustainability metrics for the fund.
- A proposed approach, methodology, next steps, timelines and key milestones for setting up and launching the proposed fund taking note that the anchor investor (RSSB) has a target first close of June 30, 2025. The fund manager should outline strategic constraints, if any, to be addressed to improve operationalisation.
- A detailed breakdown of the estimated setup costs.
- A proposed governance structure for the fund.
- Detailed and specific description of support required from fund sponsors to successfully set up and operationalise the fund.

#### (ii) Post-set up phase

Once the fund is set up, the SME fund board would be expected to officially appoint the fund manager to implement an agreed-upon investment strategy. The investment strategy will ensure that the fund continuously meets the conditions of its license and invests in the right people, systems and processes to implement the strategy profitably and deliver on the vision of the sponsors and investors. For this phase, the fund manager should include the following in the proposal.

- An outline of how the fund manager intends to manage the fund and profitably implement the investment strategy proposed above. This should include a proposed fee and compensation structure and a performance/profitability analysis. An initial fund financial model may be attached to demonstrate this, but is not compulsory.
- An outline of how the fund manager intends to deploy the technical assistance fund to support the fund in achieving its objectives.
- A description of how the fund manager will embed and implement the proposed sustainability and impact frameworks, including periodic impact evaluation and reporting.
- A brief background of the proposed team that will manage the proposed SME fund: the proposed investment team, including the lead manager of the fund, will be expected to have physical presence in Rwanda. As a Rwanda-targeted fund, bidders must demonstrate strong knowledge of the Rwandan SME eco-system. Potential collaborations with local players may be considered.
- Previous experience in managing an SME or similar funds in Sub-Saharan Africa – This should include details of the fund, including the investment team and the fund's performance
- Previous experience managing investments in Rwanda – this should include details of such investments such as company name, a brief about the investment made (debt/equity) and investment outcome. Bidders may also indicate previous pipeline of companies evaluated from Rwanda that did not translate into an investment with an elaboration on why the investment did not materialize.
- An indicative term sheet

## 5. Invitation to tender

FSD Africa is inviting proposals from suitably qualified fund managers to establish and manage the proposed SME Fund. In addition to the specific requirements indicated in the above phases, the proposal should contain the following:

- A description of your firm's history, ownership and organisational structure. Include the details of relevant regulatory licences to perform fund management functions in your jurisdiction(s) of operation.
- A confirmation that you are licensed to offer the required services in Rwanda or have a credible path to obtaining such regulatory approval.
- A summary of your firm's experience setting up and managing a venture capital, private equity or SME fund. Indicate the personnel involved in the set-up/ management of the funds, their role and the fund's performance.
- Any past/ongoing material litigation, regulatory, legal proceedings or sanctions in which your firm or its principals have been involved in the last five years.

**Your proposal should be no more than 25 pages.** Bidders may include appendices, but the main proposal must include all specific requirements. The proposal should be presented chronologically from the pre-setup phase to the post-setup phase. These will form the basis of evaluation.

Your proposals should be emailed to [bids@fsdafrica.org](mailto:bids@fsdafrica.org) with the subject “**Proposal - Rwanda SME Growth Fund**” by 1200hrs East African Time **on 4 April 2025.**

## 6. Basis of award

RSSB and FSD Africa will award a contract to the most economically advantageous tender based on the following requirements and assessment criteria:

Mandatory requirements
The firm must demonstrate experience in undertaking similar assignments of setting and managing fund structures, including fundraising, with examples.
The proposed team should have good knowledge of East Africa/ Rwanda’s public and private investment markets, SME financing, credit analysis and valuations, and investment portfolio management/value creation.
The firm must have demonstrable capacity to identify and engage stakeholders on this assignment, with the appropriate involvement of senior team members.

Assessment criteria	Weighting
Relevant, demonstrated experience and capacity of the firm in undertaking similar assignments	<b>25%</b>
Relevant, demonstrated experience and capacity of the proposed team for the project, with an emphasis on East Africa/ Rwanda market experience	<b>30%</b>
Understanding/interpretation of the assignment set out in the TORs, detailed implementation approach, milestones and work plan	<b>15%</b>
Fee basis and total costs;  Anticipated total cost to get to a first close and a proposal on how those costs should be met (10%)  Fund management fees and incentive proposal (20%)  $FS = 30\% \times LB/BP \text{ where:}$ $FS = \text{is the financial score}$ $LB = \text{is the lowest bid quoted}$ $BP = \text{is the bid of the proposal under consideration.}$	<b>30%</b>
<b>Total</b>	<b>100%</b>

## 7. Contact

Questions or comments regarding these terms of reference should be emailed to [bids@fsdafrica.org](mailto:bids@fsdafrica.org) on or before **10:00am East African Time on 21 March 2025.** Feedback will be provided by **14:00pm Eastern African Time on 26 March 2024.**