



ACCESS TO FINANCE TO RWANDA

Request for Proposals

for

Procurement of Consultancy Services without Publication of a
Notice of Expression of Interest

Subject of Procurement: Consultancy carry to out a survey on
Shadow Banking System in Rwanda and Development of the
Regulatory Framework for Shadow Banking.

Procurement Reference Number: AFR/ 2018/JAN/001

January 2018

Part 1: Proposal Procedures

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17 January, 2018

REQUEST FOR PROPOSALS

PROCUREMENT REFERENCE NUMBER: AFR/DFS/ 2018/JAN/001

Dear Prospective bidder:

Access to Finance Rwanda (AFR) on behalf of the National Bank of Rwanda would like to recruit a firm to carry out a survey on Shadow Banking System in Rwanda and Development of the Regulatory Framework for Shadow Banking. AFR invites sealed proposals for the provision of the above services.

- Proposals should be directly responsive to all items, terms, conditions, specifications, and other documents referred to in this RFP.
- Requests for clarifications to the contract may submitted until **January 26, 2018**.
- Interested parties should submit their proposals no later than **February 09, 2017**.

Responding bidders are advised that this solicitation does not in any way obligate AFR to make a contract award or compensate the responding firms for any costs associated with the preparation and submission of their proposals. Additionally, AFR may award a contract without conducting negotiations; all proposals should be submitted initially using your most favourable terms. AFR reserves the right to award any resultant contract to other than the offeror submitting the lowest price proposal based on technical excellence, schedule superiority or client request.

All enquiries and Requests for Clarification regarding this RFP should be addressed via email to Jean Bosco Iyacu, the Director of Programs, AFR: iyacu@ afr. rw

Below is the planned procurement schedule (subject to changes):

| Activity | Date |
|--|---|
| a) Advert | 19 th January 2018 |
| b) Request for Clarifications | 26 th January 2018 |
| c) Proposal closing date | 09 th February 2018 at 5:00 pm Central African Time (CAT) |
| d) Evaluation process | 23 rd February 2018 |
| e) Display and communication of best evaluated bidder notice | 02 nd March 2018 |
| f) Contract Signature | 09 th March 2018 |

Cordially,

Waringa Kibe

Country Director

Part 1: Proposal Procedures

Access to Finance Rwanda

1.1 SECTION 1: INSTRUCTIONS TO PROSPECTIVE BIDDERS

Preparation of Proposals: You are requested to submit separate technical and financial proposal, as detailed below. The standard forms in this Request For Proposal may be retyped for completion but the Consultant is responsible for their accurate reproduction.

You are advised to carefully read the complete Request for Proposals. Where an electronic copy of the Request for Proposals is issued, the paper or hard copy is the original version. In the event of any discrepancy between the two, the hard copy shall prevail

Technical Proposals: Technical proposals should contain the following documents and information and should **not exceed 25 pages**:

1. The Technical Proposal Submission Sheet in this Part;
2. An approach and methodology for performing the services;
3. A detailed work plan, showing the inputs of all key staff and achievement of deliverables;
4. Copies of previous contracts - at least 3 for similar projects
5. CV's of key staff;
6. A summary of your experience in similar assignments;
7. The documents evidencing your eligibility, as listed below;
8. The consultant's comments or suggestions on the TORs and appreciation of the assignment – the objectives, tasks and deliverables.

Financial Proposals: Financial proposals should contain the following documents and information and should **not exceed 5 pages**:

1. The Financial Proposal Submission Sheet in this Part;
2. A copy of the breakdown of Lump Sum Price form in this Part for each currency of your proposal, showing all costs for the assignment, broken down into fees and reimbursable and miscellaneous costs. The costs associated with the assignment shall be US dollars.

Validity of Proposals: Proposals must remain valid for 90 days.

Submission of Proposals: The technical and financial proposals should be submitted separately, both clearly marked with the Procurement Reference Number above, the Consultant's name, AFR and either "Technical Proposal" or "Financial Proposal" as appropriate.

Proposals (both technical and financial) should be emailed to: procurement@ afr. rw in **PDF or Word/Excel formats ONLY** with clear subject line: **"Consultancy to carry out a survey on Shadow Banking System in Rwanda and Development of the Regulatory Framework for Shadow Banking"** by **09th February 2018 at 5.00pm Central African Time.**

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1.2 SECTION 2: ELIGIBILITY CRITERIA

Eligibility Criteria: You are required to meet the following criteria to be eligible to participate in the procurement exercise:

1. have the legal capacity to enter into a contract;
2. not be insolvent, in receivership, bankrupt or being wound up or subject to legal proceedings for any of these circumstances;
3. not have had your business activities suspended;
4. have fulfilled your obligations to pay taxes and social security contributions;
5. have the nationality of an eligible (defined in the proceeding section) country;
6. not to have a conflict of interest in relation to this procurement requirement; and
7. not have a conflict of interest in relation to this procurement project.

Documents Evidencing Eligibility: Consultants are requested to submit copies of the following documents as evidence of your eligibility and sign the declaration in the Technical Proposal Submission Sheet:

1. Certificate of Incorporation
2. A copy of the Bidder's Trading license or equivalent and a copy of the Bidder's Certificate of Registration;
3. Evidence of statutory compliance such as a tax clearance certificate
4. Power of attorney with a specimen signature of authorised representative
5. Any other relevant documentation.

Nationality of Personnel: All personnel employed under any resulting contract shall have the nationality of an eligible country to conduct business in Rwanda.

All countries are eligible, unless as a matter of law or official regulation, the Government of Rwanda prohibits commercial relations with that country or by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Government of Rwanda prohibits any import of Supplies from that country or any payments to persons or entities in that country.

1.3 SECTION 3: EVALUATION OF PROPOSALS

Evaluation of Proposals: The evaluation of Proposals will use the **Quality Cost Based** methodology as detailed below:

1. Preliminary examination to determine eligibility (as defined below) and administrative compliance to this Request for Proposals on a pass/fail basis;
2. Detailed Technical evaluation will contribute 80%;
3. Financial scores will be allocated 20% to determine the best evaluated bid.

Proposals failing at any stage will be eliminated and not considered in subsequent stages.

Part 1: Proposal Procedures

Technical Criteria: Proposals shall be awarded scores out of the maximum number of points as indicated in below.

| Evaluation Criteria | Marks |
|--|------------|
| Relevant qualifications (at least Post Graduate degree preferably in Banking related courses with experience of at least 8 years in financial services sector regulation and policy formulation). Preference will be given to individuals with considerable experience in regulating Financial Services Providers | 20 |
| Specific experience: Familiarity with shadow banking and its regulatory framework; Familiarity with trends in developed as well developing economies financial sectors | 30 |
| Understanding of the Terms of reference and comments on them including any suggested amendments | 10 |
| Adequacy of the proposed technical approach, methodology and work plan in responding to these Terms of Reference | 20 |
| Financial Evaluation – (fees and expenses, value for money) | 20 |
| Grand Total | 100 |

Minimum technical score: The mark required to pass the technical evaluation is 70%.

Financial Criteria:

Pricing information should not appear in any other section of the proposal other than the financial proposal.

Financial scores shall be determined by awarding 100 points to the lowest priced proposal and giving all other proposals a score which is proportionate to this.

Total scores: Total scores shall be determined using a weighting of 80% for technical proposals and a weighting of 20% for financial proposals.

Currency: Proposals should be priced in **US dollars**.

Best Evaluated Bid: The best evaluated bid shall be the firm with the highest combined score and shall be recommended for award of contract.

Right to Reject: AFR reserves the right to accept or reject any proposal or to cancel the procurement process and reject all proposals at any time prior to contract signature and issue by AFR, without incurring any liability to Consultants.

Part 1: Proposal Procedures

AFR reserves the right, at its sole discretion, to reject all proposals received and seek fresh proposals, to negotiate further with one or more of the bidders, to defer the award of a contract or to cancel the competition and make no contract award, if appropriate.

1.4 SECTION 4: TECHNICAL PROPOSAL SUBMISSION SHEET

[Complete this form with all the requested details and submit it as the first page of your technical proposal, with the documents requested above attached. Ensure that your technical proposal is authorised in the signature block below. A signature and authorisation on this form will confirm that the terms and conditions of this RFP prevail over any attachments. If your proposal is not authorised, it may be rejected.]

| | |
|-------------------------------|--------------------------|
| Proposal Addressed to: | Access to Finance Rwanda |
| Date of Technical Proposal: | |
| Procurement Reference Number: | |
| Subject of Procurement: | |

We offer to provide the services described in the Statement of Requirements, in accordance with the terms and conditions stated in your Request for Proposals referenced above.

We confirm that we are eligible to participate in public procurement and meet the eligibility criteria specified in Part 1: Proposal Procedures of your Request for Proposals.

We have signed and undertake to abide by the Code of Ethical Conduct for Bidders and Providers attached during the procurement process and the execution of any resulting contract;

Our proposal shall be valid until _____ *[insert date, month and year]* and it shall remain binding upon us and may be accepted at any time before or on that date;

I/We enclose a separate financial proposal.

Technical Proposal Authorised By:

Signature: _____ Name: _____

Position: _____ Date: _____
(DD/MM/YY)

Authorised for and on behalf of:

Company: _____

Address: _____

Part 1: Proposal Procedures

CODE OF ETHICAL CONDUCT IN BUSINESS FOR BIDDERS AND PROVIDERS

1. Ethical Principles

Bidders and providers shall at all times-

- (a) maintain integrity and independence in their professional judgement and conduct;
- (b) comply with both the letter and the spirit of-
 - i. the laws of Rwanda; and
 - ii. any contract awarded.
- (c) avoid associations with businesses and organisations which are in conflict with this code.

2. Standards

Bidders and providers shall-

- (a) strive to provide works, services and supplies of high quality and accept full responsibility for all works, services or supplies provided;
- (b) comply with the professional standards of their industry or of any professional body of which they are members.

3. Conflict of Interest

Bidders and providers shall not accept contracts which would constitute a conflict of interest with, any prior or current contract with AFR. Bidders and providers shall disclose to all concerned parties those conflicts of interest that cannot reasonably be avoided or escaped.

4. Confidentiality and Accuracy of Information

- (1) Information given by bidders and providers in the course of procurement processes or the performance of contracts shall be true, fair and not designed to mislead.
- (2) Providers shall respect the confidentiality of information received in the course of performance of a contract and shall not use such information for personal gain.

5. Gifts and Hospitality

Bidders and providers shall not offer gifts or hospitality directly or indirectly, to staff of AFR that might be viewed by others as having an influence on a government procurement decision.

6. Inducements

- (1) Bidders and providers shall not offer or give anything of value to influence the action of a public official in the procurement process or in contract execution.
- (2) Bidders and providers shall not ask a public official to do anything which is inconsistent with the Act, Regulations, Guidelines or the Code of Ethical Conduct in Business.

7. Fraudulent Practices

Bidders and providers shall not-

- (a) collude with other businesses and organisations with the intention of depriving AFR of the benefits of free and open competition;
- (b) enter into business arrangements that might prevent the effective operation of fair competition;
- (c) engage in deceptive financial practices, such as bribery, double billing or other improper financial practices;

Part 1: Proposal Procedures

- (d) misrepresent facts in order to influence a procurement process or the execution of a contract to the detriment of AFR; or utter false documents;
- (e) unlawfully obtain information relating to a procurement process in order to influence the process or execution of a contract to the detriment of the AFR;
- (f) withholding information from the Procuring Disposing Entity during contract execution to the detriment of the AFR.

I agree to comply with the above code of ethical conduct in business.

AUTHORISED SIGNATORY

NAME OF CONSULTANT

Part 1: Proposal Procedures

1.5 SECTION 5: FINANCIAL PROPOSAL SUBMISSION SHEET

[Complete this form with all the requested details and submit it as the first page of your financial proposal, with the documents requested above attached. Ensure that your proposal is authorised in the signature block below. A signature and authorisation on this form will confirm that the terms and conditions of this RFP prevail over any attachments. If your proposal is not authorised, it may be rejected. The total price of the proposal should be expressed in the currency or currencies permitted in the instructions above.]

| | |
|-------------------------------|--------------------------------|
| Proposal Addressed : | Access to Finance Rwanda (AFR) |
| Date of Financial Proposal: | |
| Procurement Reference Number: | |
| Subject of Procurement: | |

The total price of our proposal is: _____ .

We confirm that the rates quoted in our Financial Proposal are fixed and firm for the duration of the validity period and will not be subject to revision or variation.

Financial Proposal Authorised By:

Signature: _____ Name: _____

Position: _____ Date: _____
(DD/MM/YY)

Authorised for and on behalf of:

Company: _____

Address: _____

Part 1: Proposal Procedures

Breakdown of Lump Sum Price

[Complete this form with details of all your costs and submit it as part of your financial proposal. Where your costs are in more than one currency, submit a separate form for each currency. Authorise the rates quoted in the signature block below.]

Procurement Reference Number: _____

CURRENCY OF COSTS: _____

| FEES | | | | |
|--------------------------------|----------------|---------------|------|-------------|
| Name and Position of Personnel | Input Quantity | Unit of Input | Rate | Total Price |
| | | | | |
| | | | | |
| | | | | |
| TOTAL: | | | | |

| REIMBURSABLE AND MISCELLANEOUS COSTS | | | | |
|--------------------------------------|----------|-----------------|------------|-------------|
| Description of Cost | Quantity | Unit of Measure | Unit Price | Total Price |
| | | | | |
| | | | | |
| | | | | |
| TOTAL: | | | | |

TOTAL LUMP SUM PRICE IN CURRENCY: _____

Breakdown of Lump Sum Price Authorised By:

Signature: _____ Name: _____

Position: _____ Date: _____
(DD/MM/YY)

Authorised for and on behalf of:

Company: _____

Part 2: Terms of Reference

2.0 TERMS OF REFERENCE

REQUEST FOR PROPOSALS FOR A CONSULTANCY FIRM TO CARRY OUT A SURVEY ON SHADOW BANKING SYSTEM IN RWANDA AND DEVELOPMENT OF ITS REGULATORY FRAMEWORK.

INTRODUCTION

I.1. RWANDA FINANCIAL SECTOR LANDSCAPE

The Rwandan financial sector is primarily composed of banking, microfinance, pension and insurance sub-sectors. The financial institutions in these sub-sectors as well as the payment system and the credit information system are regulated and supervised by the National Bank of Rwanda. The Capital Market, regulated by the Capital Market Authority (CMA) is also an integral part of the Rwandan financial system.

The Current Rwandan banking system is composed of 11 commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank. The microfinance sub-sector is composed of 17 MFIs constituted as limited companies, 39 SACCOs and 416 UMURENGE SACCOs. There are also 88 foreign exchange bureaus. Non-Bank Financial Institutions include: 12 private insurers, 2 public insurers, 8 loss adjusters, 15 brokers, 455 insurance agents and 1 public pension fund and 54 private pension funds. The Rwanda financial sector counts also 1 credit reference bureau. The Rwandan financial sector remains sound and stable. The sector is dominated in terms of total assets by banks at 66.9% as of December 2016; followed by pension sub-sector (17.1 %); insurance (9.7%) and microfinance sector (6.3%).

I.2. OVERVIEW OF THE SHADOW BANKING

The Financial Stability Board broadly describes “**shadow banking system**” as “credit intermediation involving entities and activities (fully or partially) outside the regular banking system” or non-bank credit intermediation in short.

The shadow banking sector can also be defined as “financial intermediaries that conduct maturity, credit and liquidity transformation without access to central liquidity or public sector credit guarantees”, that is, the shadow banking sector contains all financial institutions that perform bank-like activities, however the shadow banking system is not subjected to the same regulatory requirements as banks and do not have access to public safety nets.

The beginnings of 21st century witnessed the developing of a new banking system, one characterized by a wide myriad of highly leveraged non-deposit-taking institutions that lend long and illiquid and borrow short in liquid markets. These parallel institutions were functionally very similar to traditional banks but barely supervised, regulated or insured. They did not hold any capital for security reasons and were not subject to any meaningful prudential requirements as regards liquidity, leverage or any other feature of their assets and liabilities. They also had very few reporting obligations and have to meet few governance standards. The shadow banking system may provide market participants and corporates with an alternative source of funding and liquidity. **However**, as the 2008 financial crisis has shown, the shadow banking system can also become a source of systematic risk, both directly and through its interconnectedness with the regular banking system.

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It can also create opportunities for arbitrage that might undermine stricter bank regulation and lead to a build-up of additional leverage and risk in the system. (FSB, 2011, p. 1).

The Alliance for Financial Inclusion(AFI) conference held in Moscow in 2015 on Financial Inclusion and Shadow Banking: (i) **highlighted** the importance of non-bank financial intermediaries in driving innovation and channeling funds for financial inclusion and economic growth, especially in emerging economies and developing countries; (ii) **supported** the efforts of regulators and supervisors (following the Financial Stability Board's (FSB) recommendation) *to identify and monitor trends in shadow banking and advance proportionate regulations to address the risks to financial stability emerging outside the regular banking system while not inhibiting sustainable non-bank financing models that do not pose systemic risk;*

In Rwanda, some entities have been identified with shadow banking characteristics as credit only institutions, guarantee providers, peer to peer lending platforms, cloud finding, factoring companies, SPVs and equities, etc,. On one hand, activities of these institutions when monitored may participate in driving innovation and channeling funding for financial inclusion while on another hand, the non-oversight of shadow banking system can be a source of systemic risk when there is interconnectedness with regular banking system.

I. OBJECTIVE OF THE CONSULTANCY

Objectives of the consultancy

The study has the following objectives:

- Assessment of the current shadow banking system and related activities in Rwanda;
- Review the existing legal and regulatory framework linked to shadow banking,
- Identification of non-regulated entities that provide finance with shadow banking operations;
- Advise the National Bank of Rwanda and other supervisory entities on how to regulate and supervise shadow banking;
- Developing the regulatory and supervisory frameworks for shadow banking system (regulations and guidelines and reporting format)

Output and Deliverables

The expected deliverables will include the following;

- a) Inception report indicating the methodology for the assessment of the current shadow banking in Rwanda;
- b) Detailed report that:
 - assess the current shadow banking operations in Rwanda and its impact on financial sector growth and stability;
 - identify entities that provides shadow banking operations or related businesses;
 - Review the existing legal and regulatory framework related to shadow banking operations;
 - Advise the National Bank of Rwanda on how to regulate and supervise shadow banking operations;
- c) Develop the draft regulations for shadow banking system,

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- d) Develop reporting format and supervisory manuals for off and onsite supervision for shadow banking system
- e) Organize a workshop for identified shadow banking operators;
- f) Organize a workshop for regulators on the supervision framework of shadow banking
- g) Organize a workshop for the validation of the survey, validation of the draft regulations, reporting and supervisory manuals

Profile of the Consultant

The **consultant Firm** and must have solid experience in financial sector policies and regulations and expertise in financial services intermediation, especially in economies similar to Rwanda.

The **consultant firm** is expected to have the following qualifications and competencies:

(A). Essential:

- At least Post Graduate degree preferably in Banking related courses with experience of at least 8 years in financial services sector regulation and policy formulation.
- Preference will be given to individuals with specific experience in how to regulate shadow banking operations.

(B). Desirable:

- Familiarity with financial services sector regulatory framework;
- Familiarity with trends in developed as well developing economies financial sectors

-END-