

SECTION C - STATEMENT OF WORK

C.1 OBJECTIVES

The goal of PSD-AG is to increase smallholder incomes by promoting private sector investments – internationally and domestically - that contribute to the Government of Rwanda’s (GoR’s) Vision 2020 aim of “transforming agriculture into a market-oriented, competitive, and high-value sector.” PSD-AG has two primary objectives:

1. Assist the GoR to Increase Private Sector Investment
2. Facilitate Increased Private Sector Investment in Upgrading Agricultural Value Chains

C.2 BACKGROUND

The following provides relevant background information regarding (a) general background, (b) activity rationale and (c) relationship to mission and agency strategy.

C.2 (a) General Background:

The Government of Rwanda (GoR) commitment to agriculture as the basis for economic growth is well established. In 2007, two years before any other African country, Rwanda signed a Comprehensive Africa Agricultural Development Program (CAADP) Compact and thus committed itself to a rigorous process of focusing and evaluating its national agriculture strategy. Additionally, three of Rwanda’s key socioeconomic development strategies identify private sector–led agricultural intensification and commercialization as the next phase of economic growth and job creation.¹ The Crop Intensification Program (CIP), which is the investment backbone of the Strategic Plan for the Transformation of Agriculture in Rwanda, Phase III (PSTA III) (Attachment 6), has been the driver of the gains Rwandan agriculture has made over the past four years. The bulk of CIP programming has been in supply-focused public investments designed to increase production and achieve food security. In a country that was receiving food aid a mere three years ago, CIP’s successes have been substantial: by 2011, the program increased maize yields six fold and bean production grew by over 40 percent. These CIP successes have translated into livelihoods improvements across socioeconomic strata, with the Third Integrated Household Living Conditions Survey (EICV III), released in early 2012, showing a 20 percent reduction in poverty in Rwanda since 2008.

After five consecutive years of dramatic productivity increases, Rwanda’s food security objectives seem well in hand. The GoR’s follow-on goals, expressed in the country’s Vision 2020 national development strategy, include transforming agriculture into a market-oriented, competitive, and high-value sector. While productivity has dramatically increased, returns from existing government investments in agriculture have plateaued, as the government has shifted from not only increasing productivity but also ensuring a market for surpluses. The private sector has not had the capacity to take over the functions in the market that it would normally perform

¹ Strategic Plan for the Transformation of Agriculture (PSTA), Economic Development and Poverty Reduction Strategy (EDPRS), Vision 2020; GoR is currently drafting successive iterations PSTA III and EDPRS II

in a highly developed economy. The weakness in the private sector has driven the government to take over transactions and investment in processing facilities, storage, and the state-owned Rwanda Grains and Cereals Corporation (RGCC) to manage bulk commodity purchases. A feedback loop has developed where the government performs more functions in the market to ensure that farmers have a steady market, and the private sector remains weak because it is unable to manage more functions in the market. Surveys of local and regional private sector actors show an interest in such purchasing, productivity, and quality investments, but also describe policy or capacity constraints as being hurdles.

With a central budget consisting of approximately 40 percent donor funds, the GoR has limited resources with which to expand new agricultural investments. Yet the pursuit of Rwanda's economic strategy of modernizing agriculture requires significant new investments. GoR strategy envisions a broader role for market-led agriculture in Rwanda as expressed in the GoR's Economic Development and Poverty Reduction Strategy (EDPRS) 2013 – 2018 (Attachment 7). The GoR has expressed an interest in shifting resources into greater infrastructure and energy investments but needs a robust private sector in agriculture to be able to move money from direct agriculture investments.

C.2 (b) Activity Rationale

The GoR intends to transition from an implementer of agriculture sector growth to that of a facilitator and regulator and increasingly highlights the country's need for private business to invest. In 2011, Rwanda was selected by the World Economic Forum and the African Union to be a pilot country under Grow Africa, a public-private initiative dedicated to increasing investment opportunities for the private sector in African agriculture. Grow Africa promotes partnerships that identify areas of competitiveness and the reforms necessary to realize new private investment. The Grow Africa process, and the extensive consultations with the private sector that it entailed, have prompted the beginnings of serious GoR policy discussions on the transition identified above.

PSD-AG will support GoR agencies involved in investment promotion by facilitating the transition that the government envisions for itself - as demonstrated through government agency policies - from that of direct agriculture investor to a role of regulator and facilitator. PSD-AG will also build private sector capacity and facilitate expanded investments for existing and new private sector entities. PSD-AG envisions creating a virtuous feedback loop where a robust private sector is investing in markets and producers for continual upgrading, while the government is creating the enabling environment for this upgrading to occur. This new cycle will build food security in Rwanda by building on government-led achievements in increasing the availability of locally produced food and by increasing incomes for smallholder producers. Ultimately, USAID/Rwanda seeks results from PSD-AG, and offerors are free to propose innovative activities designed to achieve those results, consistent with this RFP.

C.2 (c) Relationship to Mission and Agency Strategies

This project has strong linkages with the 2014-2018 USAID/Rwanda Country Development Cooperation Strategy (CDCS), and two of its foundational documents, the USAID/Rwanda Feed the Future Multi-Year Strategy 2011-2015 (MYS) and the Feed the Future Project Appraisal Document. Because of the project's overall purpose of facilitating productive private investment that links directly with smallholders and Micro Small and Medium Enterprises (MSMEs) in the agriculture sector, it fits squarely under CDCS Development Objective 1: Economic Opportunities Increased, and the MYS First Level Objective Inclusive Agriculture Sector Growth. Consistent with these objectives, USAID assistance in this context is designed to support Rwanda's transition from subsistence to market-led, demand-driven agriculture, with tangible results at the smallholder farmer level. The project seeks to support this transition through working to broaden access to input, output, and services markets along value chains that the private sector has identified for investment, addressing CDCS Intermediate Result (IR) 1.1, FtF Project Purpose 1, and MYS IR 2. USAID/Rwanda will also invest project resources in productivity-enhancing measures, positioning smallholder farmers and businesses to raise household incomes and better respond to market demand signals, addressing CDCS IR 1.2, FtF Project Purpose 2, and MYS IR 1. Finally, the project will also work towards more responsive financial markets in the agriculture sector, enabling smallholder farmers and MSMEs greater opportunities to save and invest, addressing CDCS IR 1.3, FtF Project Sub-Purpose 2.2, and MYS IR 3.

C.3 RESULTS

As discussed above, PSD-AG has two primary objectives:

1. Assist the GoR to Increase Private Sector Investment
2. Facilitate Increased Private Sector Investment in Upgrading Agricultural Value Chains

These two objectives are seen as inter-related and activities should be designed to support both. Objective 1 will include the development and implementation of a clear roadmap for attracting and supporting private investment, including clear definition of roles and responsibilities within the GoR to improve the enabling environment and work with potential investors from their expression of investment interest to the implementation of the investment. Objective 2 will include activities that assist the private sector by identifying market opportunities and facilitating investments to take advantage of opportunities. Given the need for working models of successful private sector investment transactions in Rwanda, it is hoped that there will be ample opportunities to pursue the two objectives and corresponding results simultaneously. There are also a number of systemic and/or cross cutting issues that are critical to achieving these objectives, including gender-equitable solutions to improved productivity and competitiveness, Integration of youth (defined as ages 18 – 35) and sustainable natural resource management that supports productivity improvements.

PSD-AG expects to achieve multiple results in addressing these objectives and cross-cutting issues. Interventions under Objective 1, aimed at assisting the GoR in expanding agriculture-related private sector investment, should achieve the following results:

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- Result 1.1 Coordinated establishment of a comprehensive GOR inter-agency investment framework for increasing private sector investment
- Result 1.2 Collaborative stakeholders engagement to identify and define the roles and responsibilities of different public entities
- Result 1.3 Strengthen the capacity of relevant public entities
- Result 1.4 Enhance the ability of government and business to productively engage each other

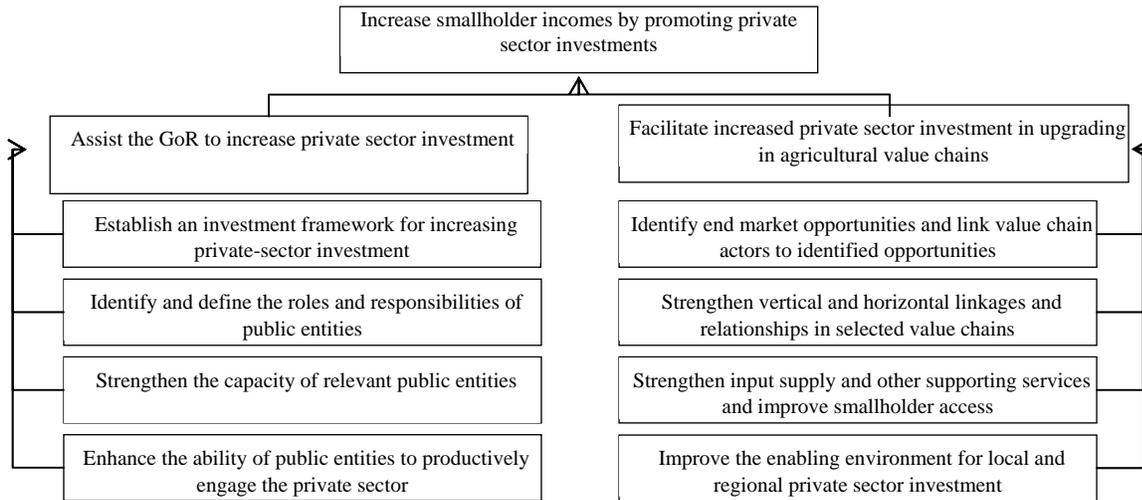
Interventions under Objective 2, aimed at promoting private sector investment in upgrading, are expected to achieve the following results:

- Result 2.1 Identify end market opportunities and link value chain actors to identified opportunities
- Result 2.2 Strengthen vertical and horizontal value chain linkages and build capacity in selected value chains
- Result 2.3 Strengthen input supply and other supporting services and improve smallholder access to these interconnected markets
- Result 2.4 Improve the enabling environment for local and regional private sector investment (link to Objective 1)

Project interventions may include, but are not limited to, grants and sub-grants, catalytic investment funds, sub-contracts to host country entities, policy and regulatory reform, public-private alliances and local capacity development for promising Rwandan institutions and organization. Respondents to this RFP are encouraged to use novel and non-traditional interventions to achieve the project's objectives following USAID's initiative for implementation and procurement reform and USAID Forward. Such approaches could include a non-exclusivity clause for local partners as this would bring greater flexibility in teaming arrangements and guarantee their participation in winning bids.

PSD-AG objectives and corresponding results are shown below in the results framework.

Figure 1: PSD-AG Results Framework.



C.4 SERVICES AND TASKS REQUIRED

The Contractor will provide the services and deliverables specified below. In general, services and deliverables will be provided to achieve the objectives identified below, subject to the guidance and limitations specified below. Specific services, activities and deliverables required will be established in the annual work plans approved by the Contracting Officer’s Representative (COR) and, when necessary, through modifications to work plans approved in writing by the COR. Such technical direction must be consistent with all of the terms and conditions of the Contract and the determinations of the Contracting Officer.

C.4(a) Technical Services

Technical services designed to achieve the objectives of the Contract will be provided. As discussed above, annual work plans and/or modification to the work plans will establish the specific services, activities and deliverables required. In addition, the performance milestones in the work plans will establish the basis on which performance will be evaluated. Set forth below are illustrative activities, results and specific guidance for providing technical services and performing tasks under the Contract for each of the two objectives and their sub-objectives.

C.4(a)(1) Objective 1: Assist the GoR to Increase Private Sector Investment

The following will guide the provision of services and activities designed to achieve Objective 1.

C.4(a)(1)(i) Climate for Investment

The GoR has consistently demonstrated credible commitment to increasing investment and improving the overall enabling environment for investors. Through the recently adopted Economic Development and Poverty Reduction Strategy Phase II, the host country commits to pursue reforms that are believed to increase investment, while knowing that increased economic

welfare should help to stabilize Rwanda for the long term. Consequently, the GoR has aggressively sought to improve indicators in the World Bank's *Doing Business* assessments, resulting in dramatic improvements to Rwanda's *Doing Business* rankings. This work has not, however, resulted in dramatic improvements in investment, whether in agriculture or other industries.

Although there is clear commitment to reform, the GoR is in the early stages of understanding investor needs and incentives, and the appropriate roles of public and private stakeholders in promoting investment. Efforts to attract investment are not always well matched with follow-up. This sends a mixed message to the investor community and increases investor uncertainty. The problems can be overcome, but will require focused effort to change practices that discourage greater investment.

Many GoR agencies tasked with increasing investment – such as the Rwandan Development Board (RDB), the Ministry of Industry and Commerce (Minicom) and the Ministry of Agriculture and Animal Resources (Minagri) – have tangible performance targets that they must meet, and therefore are open to assistance in meeting existing targets and setting new ones.

The ultimate goal of Objective 1 is to help the GoR create an attractive investment climate that meets private sector needs through a well-organized investment promotion and support system. It is assumed that to some extent the reform process will be shaped by increased GoR interaction with the private sector, with the government accumulating lessons learned. Ultimately, Objectives 1 and 2 combined should lead to a sustainable system for attracting foreign and domestic investment with results consistent with national goals.

C.4(a)(1)(ii) Implementation Principles for Objective 1

Symptoms versus Causes. The fundamental problems in Rwanda's investment environment are a combination of technical gaps and a poorly functioning system. A systems problem cannot be fixed with technical solutions, such as training or capacity building, because they do not address the more complex malfunctions of the system itself.

For example, transport problems reduce the competitiveness of *all* cross-border activity in Rwanda, such that any gains from improving producer skills will be counteracted by excessive export costs. Likewise, RDB and other government agencies with investment promotion mandates can improve their performance, but the impact of such improvements is dependent on other parts of the system – from agricultural policy to tax collection to cost of electricity. Once the systems problems have been identified, technical interventions can be very valuable. Put more simply, assistance must be based on careful analysis of what is a symptom of an underlying problem, and what is the cause. Thus, the overall approach for this objective is to facilitate interactions and discussions among relevant public and private sector organizations to define the investment promotion system, and from that definition, identify additional reform, training, incentive or other needs that can be addressed through technical assistance.

Governing for Growth. Although PSD-AG focuses on economic growth, the enabling environment for agriculture and agro-business depends on the system of governance – that is, the

way in which government operates and interacts with the private sector to promote or restrict behaviors affecting growth. USAID’s approach to improve governance of the enabling environment incorporates four elements: participation, inclusion, transparency, and accountability.

“Participation” simply describes the process by which stakeholders are included in the formulation and implementation of policies, such as allowing public input into the policy process. “Inclusion” promotes participation of a broader range of stakeholders so that legitimate interests are appropriately represented in the process. For example, it is often important to explicitly examine women and youth’s perspectives on a change in agricultural policy, because it may affect their income or opportunities differently than men. “Transparency” introduces openness to avoid inappropriate capture or influence by vested interests and to enable citizens to better understand and participate in the decisions affecting them. “Accountability” – which depends on transparency – requires clear standards of behavior and a way to enforce them. These four elements should be incorporated into every aspect of program implementation, and into the resulting reforms.

Engagement. One of the most important aspects of enabling environment reform is the relationship and level of engagement between public and private sectors. USAID has learned that relationship must be forged across a much wider range of participants than just a few national leaders from each sector. Instead, trust is built and reforms are improved through engagement of the public sector along the entire implementation chain of actors, including executive, legislative and judicial branches (when appropriate) at every level – national, provincial and municipal. Likewise, private sector needs can vary across economic segments and at different levels, from nationwide associations to groups at the village level. Constructive engagement between citizens and government requires new skills but yields great results in building consensus, ownership and trust.

Legitimacy. Policy reforms are complete only when stakeholders change their behavior to align with the new policy. Most people – and especially farmers – are slow to embrace change unless they perceive the reforms to be legitimate. Thus legitimacy is critical for implementation. It can be established by attention to process (how reforms are identified, selected and conducted), substance (whether the content of reform provides desired benefits), and origin (whether those promoting the change are trusted).

Ownership. Reforms of the agricultural enabling environment cannot be externally imposed. Reform priorities must therefore be based on GoR priorities, and support should be flexible enough to change course based on GoR demand.

C.4(a)(1)(iii) Objective 1 Results

The following results are included under Objective 1.

Result 1.1: Support to establishment and implementation of a comprehensive investment framework for private-sector investment

The 2013 Private Sector Development Strategy (PSDS) indicates RDB's plan to update their Investment Code. The Ministry of Agriculture and Animal Resources has created recently an investment delivery unit with the goal to strengthen institutional capacity to engage, develop and implement public-private partnership programs in agriculture, in partnership with RDB. In March 2013, as part of USAID's package support to Rwanda in the World Economic Forum/Grow Africa conference, the Deloitte/Monitor group facilitated and supported development of an Agribusiness Investment Road map. As a result of these efforts, inter-ministerial discussions and coordination have started.

The GoR has explicitly requested support to help optimize the existing Investment Framework process in development within its ministries and agencies. The purpose of this result is to assist the GoR in finalize and implement a framework for attracting, supporting and promoting increased investment based on understanding of investor needs in the agriculture and agribusiness sectors. The framework should address individual investments by foreign and domestic investors as well as the overall enabling environment for investment, including recognition of constraints beyond the *Doing Business* indicators. It should also recognize a full range of investment types and sizes, not just multimillion-dollar projects. To be effective, the framework should set forth indicators for an improved investment climate that identifies and measures barriers at the provincial and municipal level – sub-national indicators, not just national.

The Investment Framework will serve as the backbone of all interventions under Objective 1. It will be used as a guide for setting reform targets for the enabling environment and for engaging with investors. The Investment Framework should facilitate stronger cooperation and mutual understanding between the GoR and the private sector.

Result 1.1 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Publication of an approved Investment Framework to serve as a practical guide for GoR efforts to increase investment in agriculture and agribusiness;
- GoR approval of Investment Framework;
- Incorporation of the Investment Framework into the implementation plans and guidelines of all GoR agencies, including provincial government agencies, with an investment promotion mandate.

Result 1.2: Identify and define the roles and responsibilities of public entities

Investors in Rwanda find that approvals, licenses and other official actions related to their investments involve a host of different government agencies, both at the national and local levels. This is not necessarily inappropriate, but today these efforts are not sufficiently coordinated as a result of a lack of an investment framework to organize promotion and support efforts. Once the investment framework has been developed, it will be necessary to map the agencies that interact with investors, and define their roles, responsibilities and authorities in

achieving increased investment. It is anticipated that RDB will take a lead role in coordinating interactions and information flows as relates to investment promotion, but that will need to be determined in the future. Once the various players and their mandates are identified, they will need written guidelines addressing their roles, including customer-service plans and performance targets against measurable indicators.

Result 1.2 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Internal agreement of the GoR relevant institutions and related procedures and systems on the roles and responsibilities of public institutions in attracting, promoting, facilitating and supporting agriculture-related investment.
- Measurable indicators developed and adopted for each public entity involved in agriculture-related investment;
- Improved coordination and collaboration of disparate public entities in supporting investment;
- Aftercare of investors improved.

Result 1.3: Strengthen capacity of relevant public entities

Once a framework for public sector involvement in investment has been established through the previous activities, it will be possible to assess the capability of each public-sector entity to fulfill its mandate. In other words, after deciding what should be done (investment framework) and who should do it (roles and responsibilities), assistance can concentrate on making sure each stakeholder has the resources and ability to perform their functions effectively.

One recognized capacity gap is in the collection and use of information. Minagri's National Post-Harvest Staple Crop Strategy specifically targets "information available for public and private sector decision making" through better data and better use of data.² Public sector entities need to have access to reliable data (whether through international or national sources) to generate or arrange for generation of quantitative and qualitative data where missing, and to analyze data once available. For some entities, it is enough to rely on information obtained by public or private service providers; for others, internal capacity may be necessary. For all, the ability to analyze and interpret information for policy decisions is fundamental. Overall, public stakeholders should be able to develop and advocate for policies that incorporate private sector perspectives and public sector capabilities.

Government must also be able to measure its impact on investment through appropriate monitoring and evaluation. In addition to management plans (Result 1.2) and performance scorecards such as those currently being piloted by Transparency Rwanda, GoR needs to inform performance through impact measurement. The point of private-sector-oriented policy is to

² Ministry of Agriculture and Animal Resources, Republic of Rwanda, *National Post-Harvest Staple Crop Strategy*, March 2011, page 33.

reduce regulatory costs and risks while increasing revenue potential for an ever-increasing range of investors. Useful impact indicators also help to set appropriate, time-delineated targets for performance.

Result 1.3 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Relevant GoR entities effectively support agriculture-related investment through improved performance-based capacity;
- GoR regularly monitors progress in FTF value chains and adjusts policies as needed;
- Policy and performance targets incorporate robust data and analysis and are informed by understanding of private-sector need;
- Working with the investor community, the GoR adopts regulatory cost compliance indicators to inform policy through quantification of regulatory burdens;
- A critical mass of relevant public officials are able to conduct necessary analysis to support the work of their agencies;
- Policy reforms effectively target costs and risks of investing.

Result 1.4: Enhance the ability of government and business to productively engage each other

Rwanda has a tradition of public-private dialogue, but the tradition has not been fully consistent over time. There is need for a more comprehensive, deliberate approach to facilitating communication between policy-makers and the private sector on reforms and their implementation. Effective engagement is a skill that can be taught, but it must also be utilized. Reform projects are often fraught with failure because their agents neglected to engage stakeholders, and instead relied on outside experts and local power structures to create legislation, which, when passed, could not be implemented. Likewise, private sector investment plans can falter in the absence of the strong understanding of policy and public investment choices that result from familiarity and engagement with government.

Investors are best placed to identify the constraints to their success, and to consider whether proposed reforms will achieve the intended results. Optimizing reforms for investment is therefore dependent on the ability of both government and business to communicate objectives and constraints to one another. Consequently, Result 1.4 will guide complementary work with the private sector to interface effectively with government.

Success will also depend on the ability of USAID/Rwanda's PSD-AG team and the Contractor to coordinate effectively with other donor projects and initiatives. If numerous projects independently engage government counterparts for potentially competing or redundant public-private dialogue opportunities, donor fatigue (and resentment) is likely to undermine otherwise worthwhile activities. Collaboration thus becomes essential, with great deference to the needs and limitations of Rwanda's public officials.

Result 1.4 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Support of existing public-private dialogue process and other similar existing local forums to bolster interactions between Rwanda private and public sectors.
- Relevant GoR entities formally adopt, use and publicize productive practices for initiating private sector engagement to identify, develop and implement reforms
- Relevant GoR entities develop appropriate mechanisms to respond effectively to private sector initiatives for reform
- The GoR coordinates development partners for better collaboration on public-private dialogue initiatives
- The reform agenda for agriculture adequately reflects private sector concerns and interests

C.4(a)(2) Objective 2: Facilitate increased private sector investment in upgrading agricultural value chains.

The following will guide the provision of services and activities designed to achieve Objective 2.

C.4(a)(2)(i) Characteristics of the Rwandan Private Sector

Rwanda's private sector is not well developed. Moreover, the size distribution of firms is bimodal, with only a small segment of total businesses falling in the medium- to large-sized category while the bulk of firms are small or micro. According to a 2008 census conducted by the Private Sector Federation (PSF), there were a total of 117,539 businesses in Rwanda and the distribution of these by size are as follows:

Micro	89.9%;
Small	7.63%;
Medium	0.22%; and
Large	0.15%

The same census showed that 98.1 percent of businesses are informal, while 1.9 percent of all enterprises are formal.³ The large and medium firms in the formal sector account for the bulk of industry sales, employment and assets. The dominance of these firms likely limits the number of new entrants due to the difficulty of competing with these powerful incumbents.

³ National Institute of Statistics of Rwanda, "Formal and Informal Sector Definition in Rwanda: Evidence from the Establishment Census 2011," Presentation to MINICOM, May 27, 2011

C.4(a)(2)(ii) Implementation Principles for Objective 2

PSD-AG's implementation approach will include two characteristics: the portfolio approach and facilitation.⁴ The portfolio approach will allow PSD-AG to manage the risks of working with the limited number of participants currently or potentially involved in Rwanda's agricultural markets. By applying the principles of facilitation, PSD-AG will ensure that market functions are not overtaken by the project and that changes created throughout implementation are sustainable.

C.4(a)(2)(ii)(A) Portfolio Approach:

Many African markets, including Rwanda, have a very small private sector with few participants beyond a large number of farmers and small traders. For example, in Rwanda there is one large maize miller even though there are thousands of maize farmers. In countries where there are many end market players in each value chain, the potential for identifying participants whose incentives align with producers and who are willing to risk a new type of business relationship are much higher. In countries like Rwanda, where there are few end market participants in any value chain, the project should organize itself into a portfolio approach based on themes or sectors, such as staple crops and cash crops, versus organizing itself around achievements in particular value chains.

These teams continually scan for opportunities in multiple value chains, novel and non-traditional value chains to identify the few private sector participants that demonstrate the desire to invest in upgrading their processing operations. These teams can then work with the private sector to test new transactions in multiple value chains and then hone in on the few where they find the best response from the private sector. This approach allows for the greatest flexibility for a project to locate market failures and opportunities while continually morphing activities based on learning from achievements and failures of working with the private sector. Finally, the teams would work on cross cutting issues that affects value chains development, specifically issues affecting regulations or laws on exports, plants breeds, fertilizers, taxation, land farming structure, etc.

For the portfolio approach to be successful, the implementer must also develop strong learning capabilities to adjust activities and rebalance the portfolio. Learning is dependent on management ensuring a culture where information is shared throughout implementation between staff members and up to management. The management team must maintain an operating culture that ensures the capture of tacit knowledge, which is the information observed but maintained within individuals. Some examples of ways to ensure the capture of tacit knowledge include: internal small group workshops, team meetings, project-to-project exchanges, *etc.* The roles that managers must be capable of within value chain projects include that of communicator, relationship builder, businessperson, coach and innovator⁵. The information derived from staff will lead the direction for changes in activities under the portfolio management approach.

⁴ <http://microlinks.kdid.org/library/portfolio-approach-value-chain-development-programs>

⁵ http://microlinks.kdid.org/sites/microlinks/files/resource/files/Being_Market_Facilitator_Guide.pdf

C.4(a)(2)(ii)(B)Facilitation:

PSD-AG will facilitate change in the market without becoming part of the market system while using a portfolio approach to identify opportunities for upgrading. Facilitation aims to improve the functioning of a system and to catalyze systemic change without taking a direct role in the system. Its objective is to ensure sustainability by working through market participants as drivers of the change process. Ideally, these market participants are local private sector actors and organizations. It focuses on both opportunities and constraints that explain why the market system functions the way it does. While understanding the “tangible” constraints to systemic change, such as lack of access to resources or markets, facilitation also addresses the “intangibles,” such as lack of trust between actors, lack of transparency, rent seeking behavior, power asymmetries and/or socio-cultural beliefs and norms that underpin why people behave the way they do. The principles of facilitation⁶ include:

- ***“Light touch” or intensity of involvement:*** The magnitude of resources and visibility that a project employs when intervening can range from light-touch to heavy involvement. The default will always be light-touch unless there are compelling reasons that increased intensity is needed to achieve outcomes. Where facilitators are compelled to take a heavier hand, there should be a clear rationale and an up-front exit strategy to ensure eventual ownership.
- ***Ownership of the change process by value chain actors:*** The implementing organization will seek ways to catalyze, but not own, the desired changes to improve the functioning of the selected value chain. Actors and institutions that drive changes along the value chain are more likely to take ownership of change when they are required to invest their own time or resources against project support. Those that invest early should receive greater benefits from the project than those that invest based on the risk takers success. This process creates competition and assists in finding lead firms.
- ***Relationships*** among target stakeholders are critical for improving competitiveness and upgrading. Moving smallholders from subsistence to commercial production requires engaging market participants in new relationships and broader commercial networks. The role of projects should be to encourage and help targeted beneficiaries mitigate the risks of forming new relationships without playing a direct role. This reduces longer-term dependence on the project and helps to build trust among stakeholders in these new relationships.
- ***Leverage*** will be a principle in targeting interventions to strategic points in the selected market systems with potential for generating broader systemic change. Use of influential social networks; social or cultural norms; economic incentives; or aggregation points in marketing systems are examples of leverage points.

⁶ For a briefing paper on facilitation: http://microlinks.kdid.org/sites/microlinks/files/resource/files/Facilitation_Brief.pdf

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- ***Honest broker*** the project must ensure that it is not seen as selecting favorites or supporting one group over another. Impartiality must be maintained to be able to facilitate new relationships based on mutual trust.
- ***Demonstrate, scale up and exit.*** The demonstration effect of successful approaches and interventions influences the attitudes, incentives and behaviors of other value chain actors. Demonstrations can relay success to a wide numbers of actors. When influential or less risk-averse individuals have adopted changes during the demonstration phase, other individuals are motivated to replicate. Carefully reducing project support and/or increasing self-selection help ensure that adoption and change are driven by the value seen in adopting the change rather than by simply receiving project assistance. As the process reaches a certain critical mass or saturation point, the project can successfully cease its support (or exit) and shift focus to the next incremental intervention.
- ***Incorporate learning and adaptive management.*** Given the flexible nature of the portfolio approach and the need to achieve targets, PSD-AG will incorporate collaborate, learning and adapt (CLA), an approach developed by USAID’s Policy, Planning and Learning Bureau. CLA in the context of PSD-AG will include “learning as you go,” including ongoing evaluative activities that inform learning through the life-of-the project and adaptive management based on that learning. CLA will further allow PSD-AG to hone in on “what is working” and drop what is not.

In combining the portfolio approach with change facilitation, it is anticipated that PSD-AG will produce more sustainable outcomes in terms of both policy and investment growth in Rwanda. Sustainability will be aided through support for local value chain actors and organizations, and PSD-AG should consequently target local actors for capacity building activities, including grants and business development services. Furthermore, PSD-AG should be alert to all opportunities to leverage other investments, programming, or policy towards its investment facilitation mandate.

C.4(a)(2)(iii) Value Chain Selection

PSD-AG is expected to catalyze private sector investments in agricultural value chains. Though USAID’s core Feed the Future value chains remain a priority, it is expected that PSD-AG will have the flexibility to pursue all private sector investments in agriculture that achieve the Agency’s larger goals of building market linkages and reducing poverty.

Equally important will be a focus on stimulating investment that achieves the GoR’s vision of transforming agriculture into a market-oriented, competitive, and high-value sector that also ensures food security for Rwanda’s population. Building on number of deep dives and value chain studies already conducted, the contractor will present USAID with potential value chains for concurrence with selection throughout the length of implementation.⁷ Not all selected value

⁷ Some relevant deep dives and business cases that are relevant to the selection of value chains are attached to this solicitation. See Section J, Attachments Nos. 8-12.

chains will need to achieve a high rating against all criteria but all criteria must be considered during selection.

Criteria for value chain selection include:

- Strong potential opportunities for private sector investment
- Strong market opportunities – local, regional or international
- Potential for increasing smallholder incomes
- Potential for benefiting significantly large numbers of farmers
- Potential for benefiting women
- Potential for upgrading products handling and processing
- Potential to generate employment, particularly among Rwandan youth
- Potential to support or advance Rwanda’s environmental and natural resource management objectives

C.4(a)(2)(iv) Objective 2 Results

The following results are included under Objective 2.

Result 2.1 Identify market opportunities and link value chain actors to identified opportunities

PSD-AG will use the portfolio management approach, continuously identifying and understanding market opportunities that can drive investment in upgrading by using the selection criteria listed in section C.4.a.2.c. Analysis of opportunities begins with understanding the end markets capable of catalyzing upgrading.⁸ These opportunities will demand an improved product (e.g. quality) or operations (e.g. efficiency) and offer returns that incentivize investment in upgrading. PSD-AG also needs to facilitate improvements in the ability of market actors to use end market information to better ensure profitable investments.

Once PSD-AG understands the opportunities, the next step will be to understand why market participants have not taken advantage of these opportunities. Once this is understood, PSD-AG should use a variety of risk reduction tools (e.g. targeted subsidies such as insurance, matching grants, promotional activity grants, regulatory reform) to remove the constraints that impede the market from investing in these opportunities.

Result 2.1 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Increased access to analysis/information by market players
- Increased use of information by potential investors

⁸ See <http://microlinks.kdid.org/good-practice-center/value-chain-wiki/tools-end-market-analysis>

- Increased access to markets by all market actors

Result 2.2: Strengthen vertical and horizontal value chain linkages and build capacity in selected value chains

Knowledge flow throughout the value chain is critically important for upgrading. Knowledge can flow from supporting markets and services, from horizontally connected firms (e.g. farmer to farmer), or through vertical linkages of buying and selling relationships. These knowledge transactions are essential for innovation and sustained value chain competitiveness.

Horizontal linkages between firms—whether formal cooperatives and associations or informal groups—can reduce transaction costs, create economies of scale, and contribute to increased efficiency throughout the chain. In addition to lowering the cost of inputs and services, including financial services, cooperation contributes to shared skills and resources and enhances product quality through common production standards. Moreover, formal and informal linkages also facilitate collective learning and risk sharing while increasing the potential for upgrading and innovation.

In order to facilitate investment in upgrading, PSD-AG will work both on the strength of vertical and horizontal linkages but also the relationships embedded in these linkages that enable learning and innovation. PSD-AG should also prioritize cooperative or farmers groups level activities to facilitate investments, such as those that build capacity to deliver commodities in quantity and of a quality demanded by end markets. PSD-AG will intervene in such linkages strategically where they can have the greatest impact on private sector investment in agriculture.

The selection of target value chains will be linked to market demand and evidence based as to the need for specific interventions and activities. It is anticipated that a significant portion of PSD-AG will focus on the strengthening and development of Rwanda’s “missing middle”, or small and medium sized agribusinesses.

As for the previous result, the activity should explore using risk management tools like investment and grant funds to fill gaps identified in vertical and horizontal linkages and boost formal relationships and trust between actors in a value chain.

Result 2.2 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Strengthen vertical linkages that connect value chain actors – smallholder farmers, traders, processors and/or exporters (women and men) to markets while addressing the nature of relationships and transactions (e.g., trust, distribution of benefits, and willingness to cooperate)
- Strengthen the horizontal linkages of smallholder farmers, traders, processors, and other value chain actors that enable aggregation, productivity improvements, and facilitate access to markets, inputs and services

- Promote learning and innovation among stakeholders that leads to improved competitiveness; greater inclusion of smallholder farmers and small firms (women and men); and greater transparency

Result 2.3: Strengthen input supply and other supporting services and improve smallholder access to these interconnected markets

In many cases, the inefficiencies in one market are caused by another interconnected service market. Access to quality inputs and supporting services (e.g. business development services, agronomic services, ICT, and/or financial services) are important to enabling smallholders, traders, processors, and/or buyers to upgrade. As underscored by USAID's fertilizer privatization project, PReFER, the effective and timely delivery of inputs and services is essential to promoting upgrading all along the value chain, from smallholders to exporters. PSD-AG will strengthen input supply and other supporting services and improve smallholder access to these interconnected markets where such interventions can have the greatest leverage for driving growth in selected agriculture markets.

Result 2.3 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Improved access to affordable, high quality inputs and supporting services that enable value chain actors, from smallholders to traders to processors to exporters, to upgrade
- Improved delivery, in terms of cost effectiveness and timeliness, of inputs and supporting services that incentivize upgrading
- Strengthened input distribution systems that reach smallholder farmers
- Improved access to embedded or external financial services (e.g. credit, saving, remittance, insurance, leasing) all along the value chain (men and women) where these services can most effectively enable/incentivize upgrading
- New behaviors that include investment in and use of quality inputs, practices, financial services, new technologies and/or inputs by women and men viewing agriculture as a business
- Increased investment by farms agribusiness in upgrading by using purchased inputs and services

Result 2.4 Improve the enabling environment for local and regional private sector investment

PSD-AG will improve the enabling environment for investing, especially for local investors aiming to take advantage of local and/or regional market opportunities. PSD-AG will achieve this result by building private sector capacity to interface with government through strengthening the advocacy capacity of associations representing private sector actors throughout the value chain. By coordinating and linking with activities under Objective 1, PSD-AG interventions aimed at promoting the private sector will help ensure input of investors into GoR efforts to increase investment. These activities will complement recent efforts by the Rwanda

Development Board (RDB) and the Private Sector Federation (PSF) at fostering Public Private Dialogue (PPD) and Public Private Partnerships (PPP).

Result 2.4 Expected Outcomes

The Contractor should provide services and deliverables, as further defined in the work plans, to help achieve the following outcomes.

- Increased private sector contribution to business enabling environment policy making
- Improved dispute resolution mechanisms
- Increased GoR efforts to promote new business creation, competition, and labor mobility
- Increased trust in business relationships (repeat customers, renewed contracts)

C.4(b) Management and Administrative Services

The Contractor will provide all general management and administrative support necessary to perform the Contract. The services authorized include, but are not limited to:

1. Overall management and administration of the Contract, including both expatriate and home office support and administrative services. The Contractor will provide both the key personnel specified in the Contract and additional personnel, both long-term and short-term, necessary to meet recurring general management and administrative support needs under the Contract.
2. The Contractor shall procure or lease necessary facilities, supplies and services as necessary to perform the Contract.
3. The Contractor shall provide the planning necessary for performance of the contract. As discussed in more detail elsewhere, implementation and other plans are required.
4. Oversight, quality control and general technical support of all services and deliverables provided pursuant to the Contract.
5. Provide and assure the proper, efficient and uniform use of modern management and administration, accounting practices, information technology (IT), communications, reporting, human resource management, property control, security, records and other administrative processes and systems required under the Contract.
6. Manage the overall reporting needs of the program as specified in the Contract and developed in work plans in conjunction with the COR.
7. Manage and administer grants under contract program pursuant to Section H.17 and as discussed below. It is anticipated that significant resources will be allocated to local development partners in the form of grants or sub-contracts (sub-grants and sub-contracts to non-local organizations are allowed in appropriate circumstances). Public-private alliances are encouraged to leverage buy-in and additional support for achieving overall objectives. Prospective sub-grantees are urged to consult with relevant key partners in jointly preparing their proposal.