

FONERWA designed for



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## Private Sector Guidelines – Fund Management Team (FMT)

### Application Guidelines for Call For Proposals (CFP) for the Private Sector

This document describes the instruments by which the private sector can apply for funding. Please read carefully before submitting a proposal.

Established in 2012, FONERWA, the fund for environment and climate change, finances activities aimed at promoting green growth, environmental protection and climate resilience in Rwanda. The fund will allocate a minimum of 20% of its resources for the private sector. Due to the high risk of innovations, private sector financing is typically unavailable to bring a transitioning business idea from R&D to proof-of-concept to demonstration and through to full commercial scale. Often, the early stages of a business are so perilous in the business life cycle; it's referred to as the Valley of Death. Therefore, in order to address these critical private sector related challenges, FONERWA will provide access to early stage financing for private sector applicants through the following instruments:

#### Innovation Grant Windows:

1. Research & Development
2. Proof-of-Concept
3. Demonstration

#### Line of Credit

- Implemented jointly with Rwanda Development Bank
- Below market interest rate

## INNOVATION GRANT

**1. Research & Development grant:** The R&D funding will cover innovative projects in various science and engineering disciplines that fall under the FONERWA thematic windows. The R&D grant can provide financial assistance to:

- Industrial research: Research in the acquisition of knowledge and skills to develop new products, processes or services, or in introducing a significant improvement to existing ones
- Experimental development: The advancement and development of existing scientific, technological and other relevant knowledge skills to produce plans for and create designs for new or significantly improved/altered products, processes or services.

**2. Proof-of-Concept (PoC) grant:** The PoC grant aims at supporting ventures during the pre-investment phase to prepare a "package" or conduct a feasibility study that helps to establish the commercial viability of a new product, process or service. This is to verify whether an idea has market potential. The PoC grant can provide financial assistance through one or all the following ways:

- Basic prototyping
  - o For example, in the field of product development, a prototype of a new idea can be constructed and technical issues tackled
- Execution of Intellectual Property Rights (IPR) position and strategy
  - o For example, Identify what sort of patents can be filed, timeline and cost etc.
- Technical feasibility, validation and testing of the product, service or process
  - o For example, in the field of business development, prepare a trial use of a product with a potential customer to establish economic viability, identify technical issues, develop overall direction/strategy and provide feedback for budgeting, use and acceptance.
- Market strategy/assessment
  - o For example, identify the target market, strategic planning, positioning and market entry
- Business planning and technology commercialization opportunities
  - o Management support to establish commercial viability and connections to later stage funding
- Feasibility studies
  - o Evaluation and analysis of a proposed business/venture that evaluates technology, technical, financial, operational and legal feasibility

**3. Demonstration:** The demonstration grant is targeted toward innovative and promising technologies, services or processes that require demonstration. It allows an eligible entity to design, implement and evaluate a pilot project. The entity must be ready to conduct a pilot scale demonstration project that is developed for the local context and has strong commercial potential. The pre-commercialization demonstration grant can provide financial assistance through:

- A design of a pilot project that will evaluate the product, service or process with targeted end-users

#### **Innovation Grant Eligibility Criteria:**

- Lead applicant must be a registered company in Rwanda
- Duration should not exceed 12 months – this ceiling be reviewed and may be adjusted in light of project scale and scope
- The project has strong commercial potential; successful completion of such project is likely to draw more commercial financiers, benefits from the project are likely to be sustained after the lifetime of the project.
- The project activities are carefully designed to deliver results under the criteria indicated in the FONERWA Operational Manual
- The project matches one of the FONERWA thematic windows (see Annex 1)
- The demonstration grant will not fund 'pilot plants'. These capital investment start-up activities can be supported by the FONERWA line of credit.

### **Innovation Grant Funding Terms**

- Funding ceiling is \$300,000
- Match funding requirement of a minimum of 25%
- All funding will be distributed with performance based payments whereby applicant proposes milestones that will need to be met in order to secure the next round of funding – i.e. \$50,000 for first phase, \$100,000 second phase. These milestones will encourage applicants to be forward thinking, accurate and realistic. The applicant must provide indicative milestones in the full proposal.

### **LINE OF CREDIT**

The line of credit will allow the promoter to initially access a below market interest rate of at least 11.45%. The promoter will go through a joint approval process whereby FONERWA will conduct a technical evaluation and BRD will conduct internal due diligence and a financial evaluation.

### **Credit Line Eligibility Criteria:**

- Companies must be registered in Rwanda
- The project activities are carefully designed to deliver results under the criteria indicated in the FONERWA Operational Manual
- The project matches one of the FONERWA thematic windows (see Annex 1)
- Pre-investment activities such as pre-feasibility and feasibility studies must be completed
- Promoter must display additionality, in that the investment would not have taken place without FONERWA funding.

### **Credit Line Funding Terms**

- Minimum funding levels of GBP 50,000 (approx. FRW 50 million); Maximum of GBP 5 million (approx.. Frw 5 billion)
- Disbursement will be in accordance with FONERWA and BRD lending terms and conditions

## ANNEX 1

The funding must target to address national development priority areas related to environment, climate change and green growth. The specific areas must be categorized according to windows and entry points that are consistent with the examples identified under FONERWA as follows;

1. Conservation & sustainable natural resources management which includes;
  - Ecosystem rehabilitation
    - E.g. restoration of mining sites, development of a technology that helps plant and grow trees
  - Sustainable land management
    - E.g. restoration of mining sites, developing improved, efficient and innovative methods for electricity and heat generation from gasification of municipal solid waste, agricultural waste, or other waste materials
  - Integrated water resource management (IWRM)
    - Products and processes that improve quality and management of and access to water i.e irrigation processes, latrines, waste-water, sustainable water use, Innovations in stream water quality and monitoring, water filtration system for rural end-users
  - Sustainable forestry management
    - E.g. cookstoves that do not use forest products, enhancing post-harvest management of forests, sustainable plantation based forestry management
  - Sustainable mines & quarries
    - E.g. restoration/rehabilitation of mining sites, development of best practices and strategy plan
  - Promotion & protection of biodiversity
    - E.g. Environmental, recycling or energy technologies that are more efficient in using and converting natural resources, R&D into bio-prospecting that can contribute to biodiversity conservation and tourism promotion.
2. R&D and technology transfer and implementation in areas of;
  - Renewable energy & energy efficiency technology
    - E.g. a working concept and feasibility assessment of renewable energy source (solar lighting), an improved energy efficient device, affordable solution and more efficient distribution of improved cook stoves
  - Pollution management
    - E.g. improved cook stoves, waste management solutions
  - Water storage, conservation and irrigation technologies
    - Innovations in stream water quality and monitoring, water filtration system for rural end-users
  - Applied and adaptive research (agroforestry, waste, urban planning)
    - E.g. R&D on green buildings materials and spaces
  - Disaster risk reduction
    - E.g. developing products suitable for disaster prone areas
  - Data collection, monitoring & MIS

3. Environment & climate change mainstreaming through;
  - Strategic Environment & Climate Assessments (SECA's)
  - Sector specific adaptation and mitigation
  - Support to implementation of cross-sectoral integrated planning (e.g. IDP, VUP)