

# GUIDELINES ON BUSINESS ADVISORY SERVICES

## 1. Introduction

Building entrepreneurship among Rwandans is critical to the wider framework of doing business in Rwanda. National flagship programs encourage the younger generation to “**Start Small and Grow Big**”.

Micro, small and medium enterprises (MSMEs) are the engine that drive world economies and the stepping stone to industrialization, both for developing and developed economies. The development of MSMEs is a key strategy for economic growth, job creation and poverty reduction.

The historical data analysis from RRA tax payers revealed that, the average attrition rate was about 30 percent between the year of 2013 and 2018. This shows that the attrition rate for MSMEs is still high in Rwanda.

In different assessments, it was found that Business Development Advisors (BDAs) at sector level tend to inflate the business plans targeting many vouchers (a subsidized coupon cashed at SACCO), which has contributed to non-performing loans and attrition of start-ups. Therefore, the review of BDAs guidelines is necessary to address that issue. Another issue that was pointed out during assessment was that some BDAs were drafting business plans as formality targeting half of the vouchers without minding on the quality and next step of accessing finance. The New BDA scheme will be built from lessons learnt and the existing two BDAs will be assessed to maintain those who meet the criteria and continuous capacity building will be planned to make them more professional.

It was also evidenced that some SMEs need specialized business development advisory services, especially those in supply chain with large companies and those exporting. Those SMEs are not able to get specialized services from BDAs at sector level and thus there is a need to support them to outsource from professional consultancy firms in the businesses. To deal with those challenges, the NSDEPS advocates for partnership between the Government of Rwanda and professional business development service providers in order to help MSMEs to develop strategies to increase their profits and to help them scale up. The partnerships will allow to support BDS training via pay-for-results depending on performance of business development indicators. High growth selected businesses will choose from the trusted business development service providers and get the service subsidized.

## **2. Objectives of Business Advisory Services**

- To nurture an entrepreneurial culture among Rwandans, inculcate a self-employment discipline through capacity building in business development and foster the growth of a locally based business class;
- To offer business support services to MSMEs: project design and business planning, feasibility and market research & analysis, access to finance, advisory services in standard compliance, technology upgrading advisory, financial management, budgeting, financial analysis, tax advisory, sales management and inventory & process management;
- To facilitate linkage between financial institutions and clients;
- To provide technical assistance to business promoters to successfully implement their businesses and equip them with entrepreneurial skills.

## **3. Targeted groups**

- Start-up enterprises; and growing Micro, Small and Medium-Sized Enterprises generating income and employment;
- Enterprises (with high growth potential for job creation) which need access to domestic and international markets and link to global value chains.

## **4. Business Advisory Service schemes**

### **4.1. Business Development Advisory- BDA Scheme**

The BDAs are private service providers with experience who are able and willing to offer business advisory services to MSMEs at Sector/Umurenge level. They coach and mentor entrepreneurs at Umurenge level in business management. Each Sector (Umurenge) has two Business Development Advisors (BDAs) who provide business advisory services to MSMEs. BDAs facilitate MSMEs to come up with viable and bankable business plans which are to be submitted to financial institutions for access to finance.

#### **4.1.1. Selection criteria for new Business Development Advisors**

During the selection exercise of new BDAs, the following criteria will be followed:

- Be a resident in the sector where business advisory services will be performed;
- Have a minimum of Senior Six Certificate in any field with experience in Business activities;
- Proven entrepreneurship skills, including experience in running a business.

#### **4.1.2 Services offered by Business Development Advisors**

Services provided by the BDAs include:

- Training in start-up business management and use of financial services;
- Coaching in business plan writing and linking bankable business plans to financial institutions;
- Coaching, mentoring and providing business Management advisory services, e.g. accounting and bookkeeping, taxation, human resource management, cash flow management, marketing and etc;

#### **4.1.3 BDA payment modalities**

BDAs coach and mentor small entrepreneurs and are paid through a voucher system for the service they deliver to MSMEs. The value of a voucher is Rwf 10,000. *The beneficiary of the BDA services will pay 60% and the remaining 40% is a subsidy from the budget of the program. A BDA is paid only two (2) vouchers for rendered and a full payment (100%) should be effected after the business proposal will have accessed finance (i.e. after the project loan is approved by the financial institution and actually accessed finance). The beneficiary has to pay his/her contribution equivalent to Rwf 12,000 (60%) to the SACCO account before the full payment of 20,000 to the BDA who coached him/her.*

#### **4.1.4 Eligibility criteria for business**

The BDA scheme beneficiary should:

- Be the owner of the income generating project;
- Be eligible for loans from any financial institution.

#### **4.2. Professional Business Development consultancy support services**

The scheme targets the SMEs with high potential for jobs creation which need access to domestic and international markets and link to global value chains because it was found that these SME categories need specialized services which are not yet offered by the Business Development Advisors at Umurenge level.

Business advisory services shall be provided through a partnership with business consulting firm/professional business development service provider(s). Services provided include Business planning, investment readiness, financial analysis, tax advisory, sales and marketing management, digital marketing & website design, standards compliance, branding, product development, technology acquisition, accounting & bookkeeping, organizational structure, and inventory and process management, among others;

Under this scheme, the program will subsidize up to 50% of the service cost and the remaining cost will be covered by the business owner. The scheme is performance based. The Key Performance Indicators that will be agreed between the business promotor and the consulting firm, and the payment will be tied to deliverables.

#### **4.2. 1. Selection modality for business consulting firm**

- Potential Service providers will be requested to submit manifestation of interest and shortlisted ones will be requested to share a full proposal;
- A joint committee between MIFOTRA, RDB, MINICOM, NIRDA and PSF will select the professional business consulting firm to sign MoU for two years renewable basing on the performance.

### **5. Responsibilities of stakeholders in business advisory services scheme**

#### **5.1 Ministry of Public Service and Labour (MIFOTRA)**

- Oversee the implementation of business advisory services in collaboration with RDB;
- Invite and chair NEP/NSDEPS Steering Committee to assess the progress of the implementation of advisory services;
- Play an advisory role in the operationalization of advisory services;
- Support selection process of the SMEs to be supported by the business consulting firm in close collaboration with MINICOM, RDB, NIRDA and PSF;
- In collaboration with RDB, support selection process of BDAs.

#### **5.2 Rwanda Development Board (RDB)**

- Support selection process of BDAs;
- Support selection process of the SMEs to be supported by the business consulting firm in close collaboration with MIFOTRA, MINICOM and PSF;

- Capacity Building and Professionalization of Business Development Advisors through continuous trainings in collaboration with the selected business consulting firms;
- Monitor the implementation of business advisory services in Rwanda;
- Consolidate reports on SMEs supported in business development advisory services;
- Undertake funds mobilization and budgeting (share of the Government) for the implementation of the scheme.

### **5.3 MINICOM**

- Awareness of business advisory services scheme at the national level;
- Support selection process of the SMEs to be supported by the business consulting firm in close collaboration with MIFOTRA, RDB, NIRDA and PSF;
- Follow up to set performance indicators of SMEs supported by Business Development Consulting firms in collaboration with RDB, NIRDA and PSF;
- Availing the vouchers to be used in the implementation of BDA scheme.

### **5.4. Districts**

- Selection of new Business Development Advisors from each sector according to the proposed criteria;
- Monitor the implementation of BDA scheme and produce a quarterly progress report informing RDB and MINICOM on the scheme implementation progress;
- Facilitating the trainings of Business Development Advisors;
- Distributing earmarked funds among SACCOs and monitor their utilization;
- Organize the meeting and invite the SACCOs and BDAs to discuss on the scheme implementation;
- Awareness of business advisory services scheme at the district level.

These guidelines are effective from the date of signature.

**Done at Kigali on 02 September 2020**

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