'Market Analysis of Economic Studies in Rwanda'

Final Report

By

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For

GIZ-Rwanda

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Executive summary

Purpose

This paper has been prepared by the Institute of Policy Analysis and Research (IPAR-Rwanda) under the mandate of the macroeconomic programme of GIZ in collaboration with the Ministry of finance and Economic Planning (MINECOFIN) on the grounds that for the coming months and years Rwanda will put in place its development policies and strategies. Economic studies will then help providing information on the possible tenure of these policies and on the possible effects shaping the future economic environment. However, given that there is a limited knowledge about the economic studies in Rwanda and about Rwandan actors, it seems that institutions are biased towards contracting international firms rather than Rwandan firms to conduct their studies. Therefore, this paper aims at providing a leading step into the understanding of the main actors active on the economic studies market in Rwanda, the most demanded research products, the level of satisfaction with research services provided by Rwandan firms, a possible expertise gap between Rwandan and international supplier and which are the current dynamics on the economic research market in Rwanda.

Approach

This market analysis used a mix-method combining a collection of quantitative and qualitative information. A preliminary desk research in collaboration with GIZ-Rwanda, PSF, ROPC, OCCAR and IPAR identified potential stakeholders active in the economic studies market, both from the demand and supply side. Quantitative and qualitative data was collected from 56 organisations, during a workshop and bilateral consultations. Quantitative information was collected through a questionnaire and bilateral meetings while qualitative information was collected in the form of additional questions individually answered and in the form of a contribution in Focus Group Discussions.

Findings

Actors' characteristics

Demand Side	Characteristics
Nationality	84% are Rwandan organisations
Sector	75% in Ministry or GoR related sector
Own research unit	35% has their own research unit
Own expertise	Main sector: Agriculture economics
	Main type: Impact evaluation
Supply Side	**Characteristics**
Nationality	All respondents are Rwandan organisations
Sector	84% in the private sector
Experience in economic studies	Medium experience (3-10 yrs)
Collaboration	Less than 10 researchers
	Mostly employ own staff
	12% employ consultants as well as their own staff

Before a research study is implemented, it passes through **the tendering process.** In Rwanda, it goes mainly through call for proposals, which is a competitive process. Almost half of projects (46%) are requested to be joint research. The collaboration is either between Rwandan organisation(s) only or between Rwandans and internationals organisations. Projects with a value above 1.2 million Rwf are made international tenders. 43% of projects require at least one Rwandan organisation to implement the project. The main client of economic studies in Rwanda is the ministry or GoR related institution..

Expertise available

In terms of field and types of studies available on the market, supply firms provide their services mostly in the fields of agriculture economics and in financial economics while market analysis and

feasibility studies are the most provided types of expertise. More than half of the suppliers (55%) are highly specialized in a few fields (less than 4 fields). However there is low specialization (38%) in types/methods.

Quality

Looking at the recipe of a good quality in economic studies, both the demand and supply agrees that it is mainly the methodology and context knowledge that defines the quality of a research study; demand institutions added researcher's skills while suppliers estimate communication and network to be as well important. In terms of quality provided by research organizations, based on demand institutions satisfaction, international suppliers perform between a medium and good quality and their main strength are talented researchers and innovation. While Rwanda organizations have more strength in context knowledge, contracting them results in a lower satisfaction (on average) and in a wider range of performance (from weak to very good).

Value

The overall value of projects undertaken in the last year by suppliers of economic studies is estimated to be 6.25 Million USD. The range value of projects ranges from 2,000 USD to 2 Million USD. Public tenders commissioned during the 2016-17 financial year range from 1,000 USD to 1.5 Million USD. Moreover, the market daily fees for individual researchers depending on the diploma and the experience of the researcher can go from 30USD to 700 USD.

Market fees for researchers

Highest Diploma (PhD, Master or Bachelor)	Associated experience (# of years)	Daily fees (USD)
Ph.D.	4-25	300-700
Master	0-10 >10	100-350 350-400
Bachelor	0-10 >10	30-300 150-300

Preferences and needs

Demand institutions prefer to contract with Rwandan, large and internationally renowned organization operating as consulting companies or research centres/universities. However, given that this ideal type is hard to meet, they usually stick to first selection criteria, which is the reputation. In terms of needs, financial economics and environmental economics are the most demanded fields of research. While in terms of type of expertise, cost benefit analysis and impact evaluations are the most demanded.

Supply market structure

The supply market in Rwanda is highly concentrated for every field and type of expertise. The field of financial economics is the only one to be moderately concentrated. This is valid even when not considering high value projects (> 120,000 USD). Regarding the potential barriers to entry we found the main barriers are excluding criterias from the terms of reference, reputation and statistical discrimination.

Good practices and challenges

On the one hand, both demand and supply institutions consider the existence of the well established legal and regulatory framework for procurements as a facilitator to conduct research. In addition, supply firms find the market overflow of well qualified human resources to be a driver of quality. They also acclaim the existence of training centres that help them bridge the gap on their skills. On the side of demand institutions, effective communication, suppliers' responses, well driven contract negotiations and a good business environment are current practices that facilitate their daily work.

On the other hand, a major challenge for the supply side resides in the fact that demand institutions rely relatively more easily on foreign expertise. This bias towards international suppliers makes it even more difficult for Rwandans to compete in terms of quality. This hence pushes some domestic organisations to compete aggressively in terms of prices. Some suppliers in fact create market distortions with under-pricing. This is partly due to the fact that there is no professional body and no standard prices which contribute to stain their reputation as Rwandan researchers.

Suppliers also reckon that they still lack some technical expertise. Some of them find the costing of research projects not straightforward. Others encounter language barrier. They complain about unrealistic terms of reference prepared by the demand side, which do not match the reality on the ground. Moreover, demand can fail to make advance payments, leaving supply firms to pre-finance studies, which leads to financial constraints in the implementation. On the side of demand institutions, the main challenge they face is that suppliers do not meet deadlines agreed on in the contract, and that they provide unsatisfactory deliverables. Demand side also consider that despite what they pretend, suppliers sometimes lack of research skills and/ or expertise.

Recommendation for action

The aim of the following recommendation is to strengthen the sector of Economic studies in Rwanda and to support Rwandan supply organizations to catch up to the standard of quality of their international counterparts.

Recommendation #1: The demand institutions should **favour partnerships of national and international institutions** in order to (i) benefit from studies that combine good methodology and context relevance and (ii) ensure skills and knowledge transfer from international to national organisations.

Recommendation #2: Financial offers from suppliers should be evaluated **on a deliverables basis** and not on daily fees, as the latter is not a good measure of the overall cost.

Recommendation #3: Contracts should systematically **provide (i) a pre-finance scheme,** in order to facilitate the kick start of the projects and also (ii) **a safeguard mechanism** in case of non delivery and in order to discourage delays and unsatisfactory deliveries.

Recommendation #4: **Training course** offer should be based on the expertise gap between local supply and demand. The needs identified are in the fields of **financial and environmental economics** and in the types of **impact evaluation and market analysis**.

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List of Acronyms

7 YGP	7 Years Government Program
BNR	National Bank of Rwanda
CSO	Consulting Services Organization
EAC	East African Community
FGDs	Focus Group Discussions
Frw	Rwandan Francs
GIZ	Deutsche Gesellschaft fur Internationale Zusammenarbeit
GoR	Government of Rwanda
HHI	Herfindahl –Hirschman Index
INGO	International Non Government Organisation
MINECOFIN	Ministry of Finance and Economic Planning
NGO	Non Governmental Organisation
NST	National Strategy for Transformation
OCCAR	Organisation for Agreed Auditors in Rwanda
PSF	Private Sector Federation
ROPC	Rwanda Organisation for Professional Consultants
RPPA	Rwanda Public Procurement Authority
TORs	Terms of Reference
USD	United States Dollars

1. Background

The Republic of Rwanda is at a turning point. In the coming months and years, it will develop and implement its National Strategy for Transformation (NST1)[1], and its Vision 2050. It also encounter other international and regional development strategies such as the Sustainable Development Goals (SDGs), Africa Union Agenda 2063 and the East African Community (EAC) Vision 2050. While the level of the target of each programs vary based on the time horizon, they share a common goal, which is to increase economic activity and reach an income target for the country. With Rwanda developing at a high speed, we expect the economic environment to change quickly. As a result, the country will need to rely on the expertise of economists to design appropriate policies. It will also need to assess whether policies have a welfare effect, and to be sure that this effect can be attributed to the concerned policy. Indeed, to increase public intervention impact and efficiency, there is a need to quantify costs and benefits that results from every policy and those of its alternatives. This allows to have a single scale of comparison when deciding which decision to take. That is, which option has the best cost to benefit ratio. This type of information will help the country achieve its targets.

In these settings, it is expected to have the private sector contributing to research as it is also expected to lead the economic development. The private sector is a potential supplier but also a potential consumer of economic studies. We hence expect it to be demanding and supplying services. Since better information results in better economic efficiency, more economic studies should lead to less uncertainty, and is hence likely to influence private sector development positively.

However, there is limited knowledge about the market of economic studies in Rwanda. It seems that international companies are contracted to produce the research, because of the limited information about Rwandan actors.[2] Lots of questions about the market remained unanswered: Who are the main actors in this very domain? What fields and services of economic research

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[1] Republic of Rwanda, *The Government 7-year programme & National Strategy for Transformation,* Prime minister office.

[2] Jan Misch, Representative of the GIZ- Macroeconomic programme for poverty reduction, *Market Analysis of Economic Research in Rwanda,* Workshop Closing Remarks, Umubano Hotel, Kigali, November 27th 2017.

products are mostly demanded by existing consumers (public, private, and civil society actors)? Are the consumers satisfied with the research services offered by Rwandan organizations? What are the expertise gaps? What are the current dynamics of economic research in Rwanda?

It is against this background that Macroeconomic programme of GIZ in collaboration with the Ministry of Finance and Economic Planning (MINECOFIN), commissioned the Institute of Policy Analysis and Research (IPAR-Rwanda) to undertake a market analysis of economic studies in Rwanda. The analysis carried in this study provides a full overview on the above questions and hence a comprehensive understanding of the market of economic studies in Rwanda. This market analysis will be replicable yearly. Capacity building during the project ensured its replicability. The present report can hence be considered as a baseline study against which future evolution will be assessed.

The remainder of this report is organized as follows: the second Section provides the objectives of this study. In Section three, we describe the methodology. Section four identifies who are the actors present on the economic studies market in Rwanda. We analyze how projects are sourced in Section five. Section six provides an analysis of the current state of expertise while Section seven identifies the needs for expertise. Section eight provides an insight into the market structure of the supply in Rwanda. Section nine presents some good practices in the demand-supply relationship. Challenges in the sector of economic studies are presented in Section ten before the conclusion and recommendations.

2. Objectives and Scope of the project

2.1. Research Objectives

The purpose of this Market analysis of Economic studies in Rwanda is threefold. First, it aims at informing the consumers of economic research - among others, the Government of Rwanda and its ministries, other public agencies, international organizations, development partners and the private sector - on who are the actors on the economic studies market in Rwanda, which are the challenges and issues they face. In addition, it also aims at informing them on the market price and

the quality of the analysis. As better upfront information leads to better output, we expect this analysis to have an impact on the quality of research that research consumers are using.

Second, it aims at informing the suppliers of economic studies – that is, consultants in economics, incumbent firms and potential entrants – on the market size, the market price, the degree of competition and the quality of research needed to compete in this market. It also identifies which domains and sub-domains are more competitive and where there is room for newcomers or further research development. We hence expect to shed light on this nascent market and strengthen efficiency on the supply side.

Third, this Market analysis of Economic studies in Rwanda identifies the share and quality of economic research conducted by Rwandan consultants and/or institutions in comparison to international consultants. This provides valuable information about the needs for development capacities in the areas and sub-areas of economic studies in the country. This last contribution is of major importance for Rwanda to further strengthen the quality of its researchers and institutions in the domain of economic development.

2.2. Scope of the analysis

The above three objectives reflect the scope of this analysis. This study used market analysis techniques and data collection for analyzing economic studies. Inspired by the economic law of demand and supply, the analysis provides a robust description of both the demand and supply sides in terms of identifying who are the actors in the demand and supply side and what are the types of the products and services mostly used in the economic policy making and evaluation. Furthermore, the analysis provides the current differentials between the Rwandan and international research institutions capacities, country's preferences, gaps, and process of procurement of economic research by government, international organizations, development partners and private institutions.

3. Research Methodology

3.1. Description of the research process

The research follows standard methods of market analysis[3], as described hereafter. As above-mentioned, the purpose of this market analysis is not only to provide the information for a challenger or incumbent firm, which would respectively enter or reinforce its presence on this market. It also aims to inform the consumers of economic analysis and identify the needs and gaps in quality economic studies in Rwanda.

3.2. Methodological Approach

A kick-start meeting including economic researcher at IPAR was held to identify the main research questions above-mentioned. This kick-start meeting was complemented by a discussion with stakeholders[4] at the inception report presentation. Comments and suggestions on the inception report were integrated so as to identify additional gaps to be bridged by this research project. The information gaps to be bridged by this research project can be categorized into 3 groups:

- Demand side
- Supply side
- Field/service side

As the basis of the analysis, we used a mix method to collect information in the 3 identified groups of gaps. The mix-method combines the collection of qualitative and quantitative information (see *data collection* section infra). This methodological approach led to a comprehensive description of the environment as it gathered information (i) on the level of economic research development in Rwanda and (ii) on the challenges faced by both suppliers and consumers of economic analysis, as well as on the enabling factors of quality research. The results are turned into policy

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[3] M. Bruhn (2009), Marketing – Grundlagen für Studium und Praxis. Wiesbaden: Gabler.
[4] Stakeholders present were representative from GIZ-Rwanda, MINECOFIN, DFID-Rwanda, PSF and IPAR-Rwanda.

recommendation on how to bridge identified gaps in the production of quality economic studies in Rwanda.

The analysis defines and describes the market and its actors. The scope of research in Rwanda is broad. While some research projects are clearly and purely economic research projects, others are multidisciplinary or have an economic component. Some are in a specific area of economics while others are cross cutting. As the main agents of this analysis are the actors themselves, the methodology has given some latitude to the concept of economic studies in Rwanda. With these regards, some sectors and types of economic research have been pre-identified by IPAR. In addition, each actor consulted has been given the opportunity to complement the list of sectors and/or types of economic studies. This process has resulted in a list of sector and types of economic studies. These sectors and types of analysis define the boundaries of what is understood as economic studies in this report. The types of analysis include: Experimental Economics, Cost Benefit analysis, Feasibility Studies, Econometrics, Impact evaluation, Market Analysis and Political Economy. While exhaustive sectors of analysis include: Agriculture Economics, Industrial Organization, Economics of Education, Economics of Technology, Environmental, Resource and Energy Economics, Financial Economics, Health Economics, International Trade, Labour Economics, Macroeconomics, Monetary Economics and Public Economics.

A special focus was given to the mapping of market's actors and their respective activities. Among others, the analysis answers the following questions: Who are the suppliers and who are the consumers of economic studies in Rwanda? What type of research are they providing, and which are their domains of expertise? What are the backgrounds of their researchers? What business model do they follow? Which services do they offer?

Furthermore, we present the first attempt of a market dimension analysis, as outlined by Aaker[5], looking at the market size, both actual and potential, paving the way for a past trend and future growth analysis in the subsequent yearly version of this study. In this line, a baseline market profitability analysis was also conducted, through revised Porter forces analysis (supplier and consumer power, barriers to entry, rivalry among firms) that are relevant for the market analysis of economic studies. The analysis also focuses on the channels of economic studies service

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[5] A. Aaker and D. McLoughlin (2010). Strategic Market Management – Global Perspectives. West Sussex: John Wiley & Sons Ltd.

delivery in Rwanda. Finally, challenges and enabling factors of quality economic studies were identified and analysed.

3.3. Data collection

In terms of data collection, data collection techniques used are the desk research, questionnaire based information provision, Focus Group Discussions with relevant officials and actors on both sides- the demand and the supply of economic studies. From a preliminary desk research, IPAR, in collaboration with the GIZ-Rwanda, the Private Sector Federation (PSF), Rwanda Organization for Professional Consultants (ROPC) and Organisation of Agreed Auditors in Rwanda (OCCAR), provided a list of actors on the supply and demand side of economic research in Rwanda. The supply side list consisted of 82 organizations potentially active in Economic research in Rwanda, mainly consultancy companies but also NGOs and International Organisations. The demand side consisted of 92 organisations potentially active in Economic research in Rwanda, from ministries or Government related organizations (including Districts), Development partners, NGOs and the private sector. Contacts from the list of demand and supply actors have been identified by IPAR, PSF, ROPC and OCCAR either from existing contact list of these partner organisations or through a systematic web research for the contacts, both emails and phone numbers. A special attention was given to the choice of the interlocutor, so that he or she was well aware of the information needed by this research project. To this end, the head of organisation was first contacted. The goals were to (i) validate the contribution of his/her organisation to our research project and (ii) to direct our data collection team to the appropriate person(s) in his/her organisation.

3.3.1. Tools

Identified (representatives of) actors on both the demand and supply were invited to a common workshop held on November 27th 2017 at Umubano hotel, Kigali. Two interview questionnaires had been designed, one for the demand side and one for the supply side (See Annex B and C). Supply and demand side questionnaires are different as the nature of activities and the information tracked from the demand and supply sides are different, even if they share similarities. On the supply side the focus is on the characteristics of the organisation and its staff, the field of expertise

and the services provided, including challenges and opportunities in the sector, the projects sourcing strategy and past and future financial aspects. On the demand side the focus is on the characteristics of the institutions, the need for expertise, the satisfaction with services delivered, the sourcing strategy and past and future financial aspects.

The workshop consisted of the provision and collection of information. First, IPAR researchers provided information about the research project so as to increase knowledge and ownership of the audience. Second, participants were asked to share their knowledge through (i) filling in a questionnaire of both quantitative and qualitative information and (ii) contributing to Focus Group Discussion (see infra how groups where set up) by providing qualitative information. The questionnaires and Focus Group Discussion guides can be found in Annex A.

After the workshop, a second wave of questionnaires has been sent to key organizations not present during the workshop. This version of the questionnaire was adapted and consisted of only information for quantitative analysis. Data collection team was available for any clarification and for collecting the questionnaire once filled.

Finally, a few interviews were held with major demanders of economic research in Rwanda, namely MINECOFIN, RPPA, The World Bank, UNDP, DFID, PSF and GIZ-Rwanda. (See Annex D for details). In addition, we received data on public tenders on economic research from RPPA for the 2016-17 financial year.

3.3.2. *Data collection process*

Data collection process and planning were revised given the short period of time in which this project had to be completed. Each identified actor was invited to the Workshop held on November 27th 2017 at Umubano Hotel, Kigali. The workshop lasted from 8am to 12.30pm. Each actor was asked to fill in a questionnaire. Invitees were assisted by specially trained research assistants in filling in the questionnaires. Thereafter, actors participated in the Focus Group Discussion (FGD). There were two sets of FGDs: the Demand side FGDs and the Supply side FGDs. During the FGDs also, trained research assistants were employed to provide assistance, if needed, in ensuring good process.

4. The Actors

Out of the 174 identified and contacted organizations, IPAR collected information on 56 (32% turnout) of them among which 36 from the supply side and 20 from the demand side.[6] The difference between the number of contacted firms and the number of respondents comes from the fact that (i) some of the organizations were not active in economic research (see Box 1) and (ii) others chose not to provide information for this study. The filled questionnaires, the input from the Focus Group Discussions and the interviews serve as the basis for the analysis.

Before analysing the market and assessing its challenges and opportunities, it is interesting to first give an overview of the characteristics of the players involved in this study and operating on the Rwandan market for economic studies.

Box 1: Economic research at District level

The information from districts was gathered through phone interviews, all the 30 districts were contacted except for two (Gakenke and Gicumbi) that could not be reached. The purpose of the interview was to look into whether districts commission economic research.

We found that districts do not conduct economic research. In fact, even with their District Development Plans (DDPs) the analysis is made by consultants hired by MINALOC and decentralized to district level based on administrative data from the National Institute of Statistics (NISR). These consultants are paid and monitored by MINALOC, among others their tasks include: Designing the plan and format for district's DDPs and Writing a final version of DDPs.

*The main reasons raised to justify the fact that the districts do not commission economic research was that: i) there is **no budget allocated for economic research** at the district level thus the districts cannot afford to hire the consultants, and ii) Districts **lack of detailed data** as they still relies to national data from NISR.*

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[6] District representatives of every districts were contacted to provide information on economic studies commissioned. Only 2 of them have commissioned these type of studies last year.

4.1. The demand side

The demand side is composed of organisations that are commissioning and/or looking for to contract economic studies in Rwanda. The characteristics of the organisation defined for the purpose of this study cover the nationality of the organisations, the sector in which it operates whether it is a ministry or GoR related institution, international NGO or working in the private sector, its size, estimated in terms of number of employees, and its maturity / creation date to evaluate its experience in the sector.

Among the organisation set, we found that among economic studies demanders in the country, 84% are Rwandan. When looking at the sector in which they operate, we can see on Figure 4.1 that 75% of respondents operate in the ministry/ GoR related sector, 20% operate in the INGO sector and the 5% left in the private sector. While our organisation set does not include the overall population of demand-side actors, this finding is not surprising and reveals the relatively low demand of economic studies by the private sector in Rwanda. In addition, demand-side organisations interested in economic studies are mainly large organisations with a mean and median size of respectively 382 and 135 employees. The smallest organisation employs 10 persons.

Figure 4.1: Proportion of Organisations by sector (Demand Side)
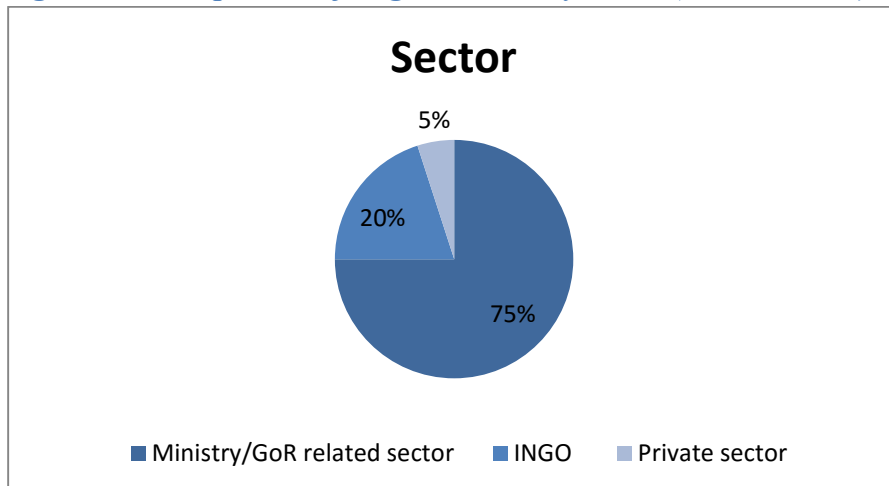
In terms of sectors (or field), most demand institutions have expertise in agriculture economics and environmental, resource and energy economics. In terms of type most of them have expertise in impact evaluation and market analysis.

Figure 4.2: Demand in-house expertise
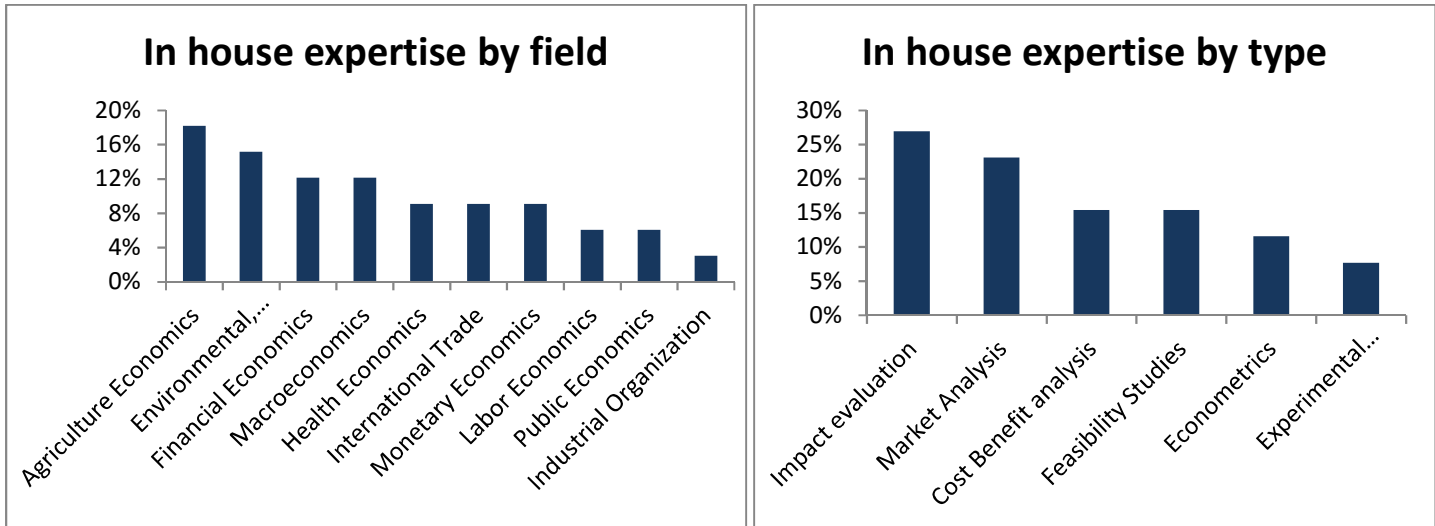
4.2. The supply side

The supply side consists of organisations that are producing economic studies. The characteristics of these organisations include the nationality of the organisation, the sector in which they operate, the experience in number of years conducting economic research and the number of researchers they have in house. In addition, there are characteristics on the type of collaboration between the organisation and its researchers (business model), that is the proportion of researchers who are full-time staffs, part-time staffs or consultants. The provided proportion of total research conducted by each type of collaborator gives additional information on the business model of these suppliers of economic studies.

The entire dataset of the supply side organisations is fully composed of Rwandan organization. Among these, 86% is operating in the private sector, 10% are ministries or GoR related institutions with internal research departments and the rest is in the CSO/NGO (local) sector. The experience of organisations in economic studies is illustrated in Figure 4.3. More than half of the organisations

have medium experience in economic studies (between three and ten years of experience), with the most experienced organisation and least experienced organization having respectively 21years and six months experience (median experience is 6 years).

Figure 4.3: Experience in Economic Studies

Experience

10%

31%

59%

■ Basic experience ■ Medium experience ■ Long experience
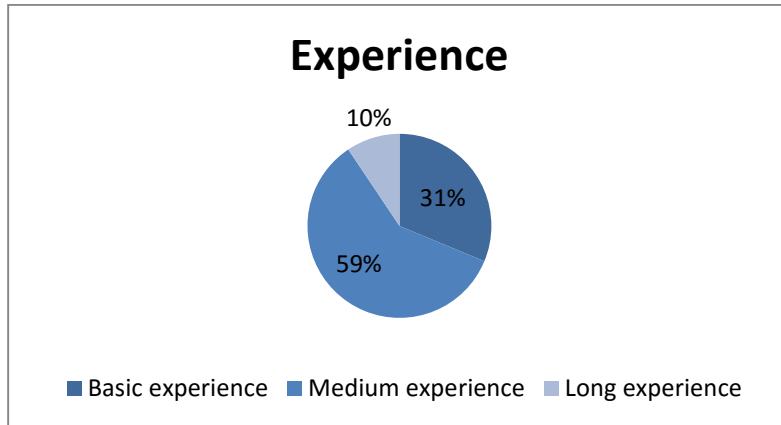
Also, organisations vary by their size and knowledge resources model. Most organisations have less than ten researchers, and they mostly rely on their own staff only, either as full-timer or part-timer (See Figure 4.4). A non-negligible proportion of organisations (18%) call out for consultants only. Finally, about a quarter of organisations providing economic studies use a mix approach, collaborating with consultants and also hiring their own staff.[7] This means that the consultants are concentrated among a few larger organisations.

Figure 4.4: Type of research collaboration

Staffing

12%

18%

70%

■ Own staff ■ Consultants ■ Mix

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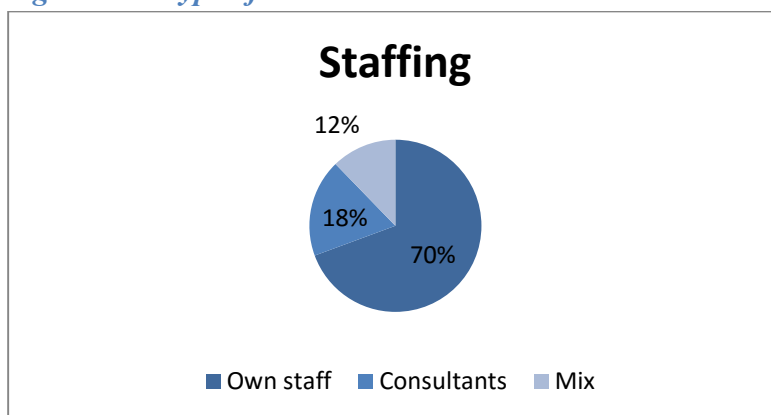
[7] A single consultant can contract with various organisations, which increases the collaboration occurrence with consultants.

5. Project Sourcing

This section aims at informing on the processes the demand goes through to make their proposal. First we will look at the tendering process regulations in Rwanda and then we will look at where the demand comes from, what kind of partners Rwandan researchers partner with and what kind of tendering method prevails on the economic studies market.

5.1. Tendering process in Rwanda

The tendering process in Rwanda is regulated by the Rwanda Public Procurement Authority (RPPA); the authority supervises the implementation of the existing public procurement laws as well as public procurement policies. More broadly, it mainly focuses on regulatory measures, monitors and builds capacity in public procuring entities.

The procurement regulation in its article 18 states that only procurements whose values do not exceed 100,000 Rwf can be procured without tendering. Thus, any other procurement goes under the tendering process. In Rwanda, the main method of procurement supported by the law is the open competitive bidding. Nevertheless, depending on the circumstances and the terms of the proposals, the law is bendable and provides other alternatives such as the restricted tendering and direct contracting (single sourcing).

For the restricted tendering and direct contracting methods, demand mostly pick from its contacts with whom it has worked before or ones that are highly recommended to it. In this case, the selection is more reputation based. However, before using these other sourcing methods the demand needs to have approval from the RPPA and motivate the reason for not using a more competitive method.

The tender process goes through five stages.[8] The preparation, advertising, bid evaluation, award and the contract signing. Here we go through each stage and describe their implications.

Stage 1: Preparation

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[8] See the public procurement user guide,

At this stage, tender entities undergo the planning of the procurement process. It includes activities such as the choice of the procurement method, specification of requirements, the choice of the contract type and the preparation of bidding documents.

The choice of the procurement method consists in the choice to make rather a quality/ qualification based evaluation or a price based evaluation. For the first, the bidding selection will be more technical based and will go through a two-stage tendering process as for the latter it will be only a one-stage tendering process.

The tendering entity has to prepare specific requirements relating to the services being procured, they have to be clear, to give a correct and complete description of services to be procured. It allows for fair and open competition among those who may wish to participate in the procurement proceedings.

The bidding documents are prepared based on the approved annual procurement plan which provides important details like quantities, cost estimates, method of procurement etc. Once the bidding documents are ready, they must be given to the Tender Committee which will review and provide comments.

Stage 2: advertising

Once the tenders have been prepared, tenders have to make the procurement opportunity public by sending invitations for bids/ proposals and by issuing biding documents. Projects whose estimated value exceeds 1,000,000 Rwf have to be advertised at least in one newspaper of wide circulation and on internet website if available. And those with estimated value exceeding 1,200,000,000 Rwf have to be made international tenders. In addition, the time allotted to the preparation of bids for open competitive bidding must not be less than 30 calendar days from the time the notice is published through a newspaper.

Stage 3: Bid evaluation

When biddings are closed, the tendering entity starts the management of the received bids. This includes the opening of these bids, their evaluation and possibly renegotiate with the bidder(s). For the price based method, it will be as for any other market, the consultant firm/ individual with the lowest price will win the bid. While for the quality based evaluation, tendering entities will rank

the bids received according to the technical analysis and generally bidders with more than 70% will be selected to give in their financial proposals and then tenders will choose the lowest price. Theoretically, the fact that they choose the lowest price should not negatively impact the quality of services given that bidders have to follow clear and complete term of references.

The tendering entity has to notify simultaneously the successful and unsuccessful bidders on the outcome of the bid evaluation before the expiration of the bid validity period. Moreover, they have to specify to every unsuccessful bidder the reason why it did not qualify for the award and the unsuccessful bidder has seven days to lodge a protest before the tendering entity signs the contract with the successful bidder.

Stage 4: Award

This stage consists of the contract awarding which is basically the approval of the bid by donor if donor-funded, the design of the contract award and a debriefing. Before signing the contract, the successful bidder has to provide a performance security[9] which cannot be less than 5% or exceed 10% of the total bid cost. And the security has to be provided within 15 days following the final notification of the tender if national tenders and 21 days for international tenders.

Stage 5: Contract

After the signing of the contract, the tendering entity has to publish the results of the tender, which include at least the winner of the tender, the amount of the tender awarded and the duration of the contract. The results are supposed to be published on the tendering entity website, the RPPA website and displayed on the tendering entity's notice board. However, while the data is available on demand,[10] it is not accessible on the RPPA website.

At this stage, the organisation or individual that will implement the service has been chosen. The management of the contract begins, the tendering entity ensures contract is well performed and completed and that the payment is made and disputes settled if any.

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[9] Performance security means any guarantee, by a bank or any other relevant institution, is established to guarantee the procuring entity, in case the contract is not performed (be it technically or at the level of deadlines) would receive the amount provided for such a guarantee.
[10] We are thankful to RPPA for the provision of this data.

5.2. Project sourcing statistics

As described above, the tendering process in Rwanda theoretically passes mainly through an open competitive bidding process (call for proposals) and the law also allows for alternatives such as single sourcing. This section aims at informing the players on the market of (i) what proportion of research procurements passes through single sourcing and through call for proposals, (ii) how often researchers suggest their own topics as new research projects, and (iii) whether joint research significantly contributes to the overall research conducted. In fact, when there is an international bidder, tenders sometimes require for a joint research project that includes a Rwandan researcher organization. The underlying idea is to facilitate the exchange of knowledge between Rwandan and International researchers and/or to promote Rwandan organizations.

Figure 5.1: Main clients
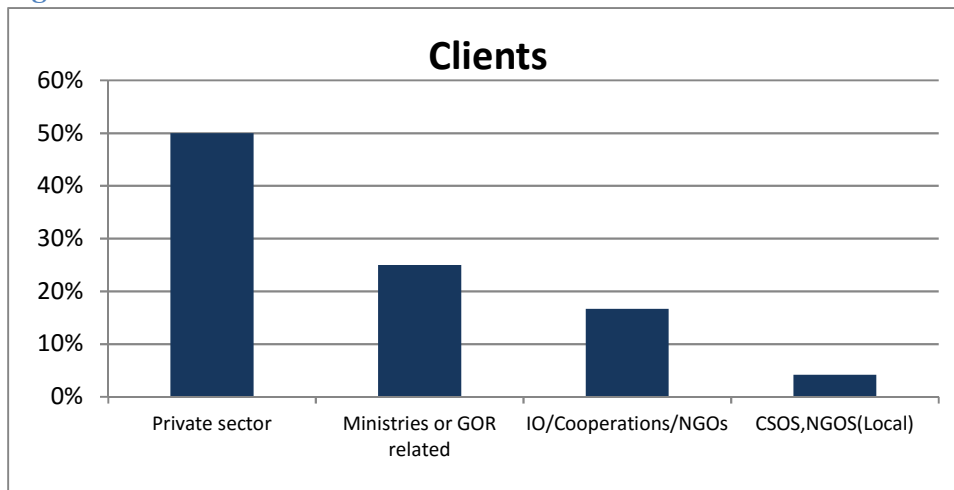
The main commissioning party (Demand institutions) of economic studies is private sector institutions (See Figure 5.1). In fact, half suppliers (50%) assert to be commissioned by the private institutions. The ministry/GoR related institutions commission 25% of the numbers of research studies and International actors (International organisations, cooperations and INGO) 17%.[11] However, the contract value is often higher with the last two commissioners. This was

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[11] These results are driven by the fact that numerous suppliers active in the field of financial economics contract numerous low values projects from the private sector. This drives up the occurrence of the private sector as a client of economic studies.

corroborated during the FGDs where a participant affirmed that "Often, local organizations have scarce budget, while the GoR and Development partners (DPs) have much more resources. This is why we have an incentive to work with GoR or DPs both on the short run, as you get more and in the long run, as securing a wealthy client brings more sustainability".

Figure 5.2: Main Partners
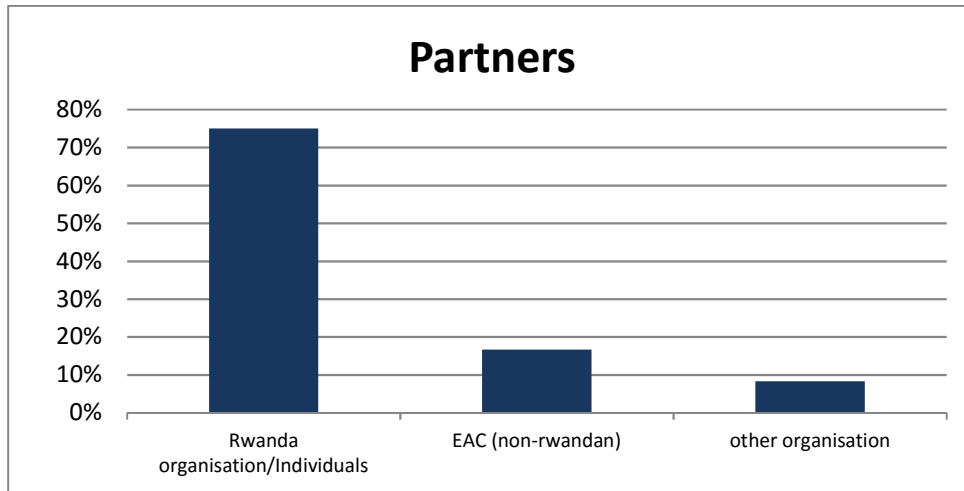
Suppliers of economic studies partner in almost half of their studies (46%), either voluntarily or because it is mandatory (i.e. specifically requested by the demand). When choosing their joint research partners, Rwandan organizations mainly collaborate with other Rwandans (i.e. Individuals and organisations as well) (75%), more than with partners from the East African Communities (17%) and less with other international organisations (8%).

Figure 5.3: Main Sourcing method
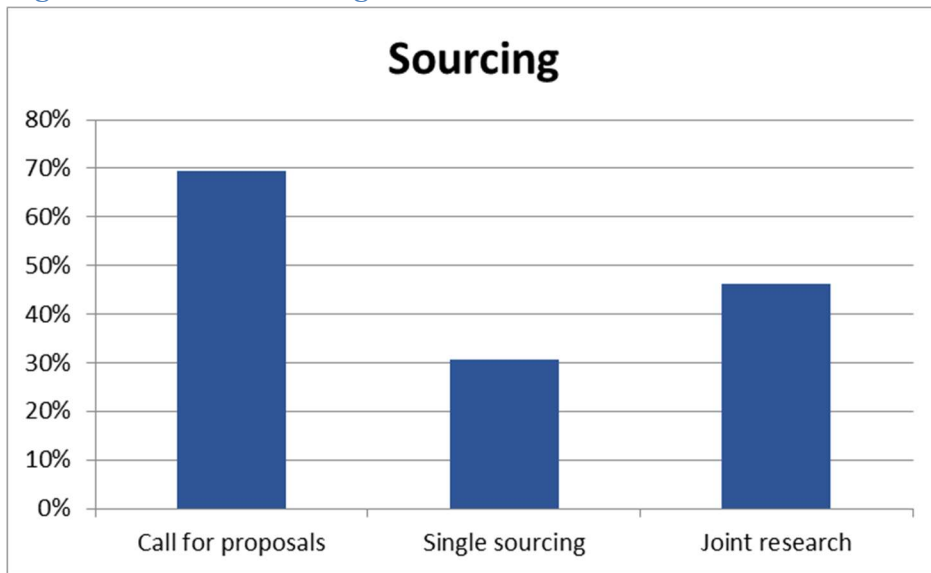
Suppliers get their project mainly through call for proposals (69%). However, almost one third of the projects are awarded to them through single sourcing. Single sourcing has the advantage to save time from both demand and supply side as it is flexible in terms of the formal steps before the contract signature. It usually involves two parties that mutually know each other, so that the asymmetry of information is reduced since there is already a level of confidence between the service provider and its client/partner. However, while it clearly entails advantages, single sourcing may not be desirable in all cases, especially for a first collaboration. Indeed, call for proposals are still a good method that allows a screening of the potential suppliers. More specifically, calls for proposals are linked to more contestable market as barriers to entry may be lower for challengers. Also, as provided for in the Procurement Act, almost half of the economic studies demanders promote or enforce joint research projects, partly to improve quality delivery and knowledge transfer to local firms.

6. Current state of expertise

This section describes the current state of expertise in the sector of economic studies in Rwanda. It is based on the sample described in the section "The Actors". It covers 4 areas as designed in the questionnaire in Annex A. These areas are (i) field and services, (ii) human Resources, (iii) quality and (iv) the value of projects. The purpose of this section is to shed light on resources currently present in Rwanda. It hence aims at informing the demand side on, what type of studies are available, on which sectors, with what human resources and at what price. It also aims at informing the supply side on the same features.

6.1 Sectors and Types

The economic studies sector is wide. Both the demand and supply side surveyed for this project have been active in economic studies, for a long or a shorter period, depending on the organization. Economic studies can be disaggregated into different sectors and types of analysis. Sectors refer to different domains of the economy (Agriculture, Education, Health, International Trade …). Types refer to the approach of the research and the method of analysis used (Feasibility studies, Cost Benefit Analysis …). The two categories are not mutually exclusive as a specific type of analysis can be used to conduct a sectoral analysis. As an example, assessing the feasibility of a public investment project is using the type "Feasibility Studies" in the "Public Economics".

Different sectors and types of studies often need different expertise, and tools of analysis. *Figure 6.1* provides the number of organizations that are offering economic studies in Rwanda, in the various sectors of economics. In addition, Figure 6.2 provides the number of organizations offering the different types of research. From the results below, two main fields are ahead in terms of the number of organizations providing research: Financial economics and Agriculture economics. The rest of the fields are evenly distributed. This result may be due to the large number of microfinance institution in Rwanda, focusing on the agriculture sector, and the fact that a high proportion of suppliers providing their services in these sectors positively responded to the research project collaboration.
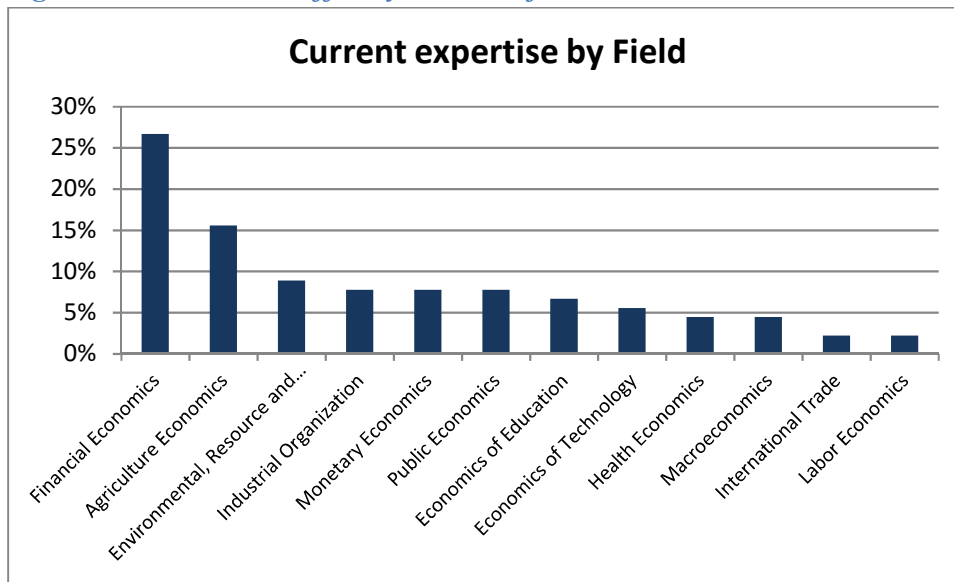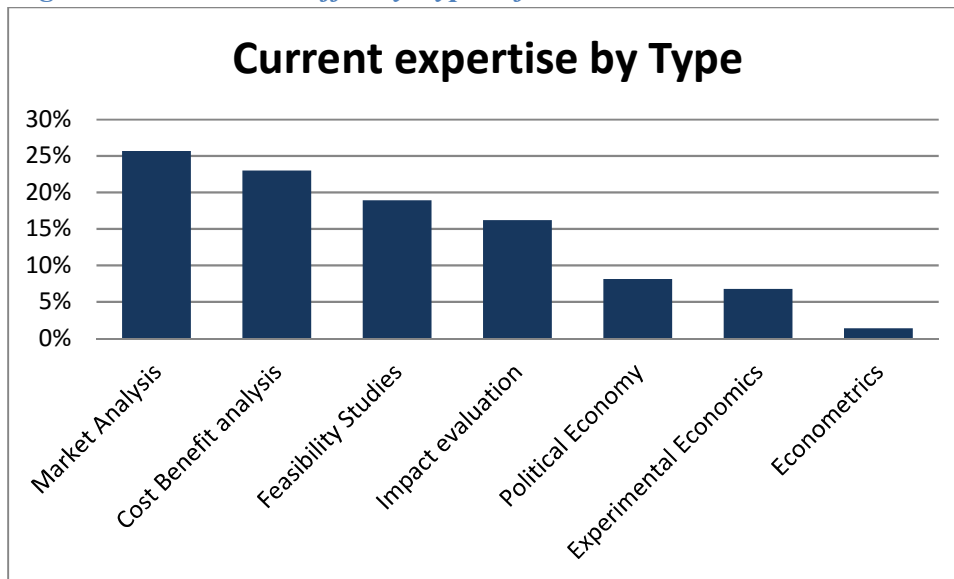
Figure 6.1: Available offer by Sectors of Economic Studies

Current expertise by Field

Figure 6.2: Available offer by Types of Economic Studies

Current expertise by Type

When it comes to the types of study offered, business oriented research is dominating, with market analysis, cost benefit analysis, feasibility studies and impact evaluation scoring high in occurrence. As for the sectoral supply, this result is driven by the high number of consultancy firms present in the field of microfinance and audit. More research oriented types, such as experimental economics and econometrics are much less offered.

Figure 6.3: Degree of specialization of suppliers
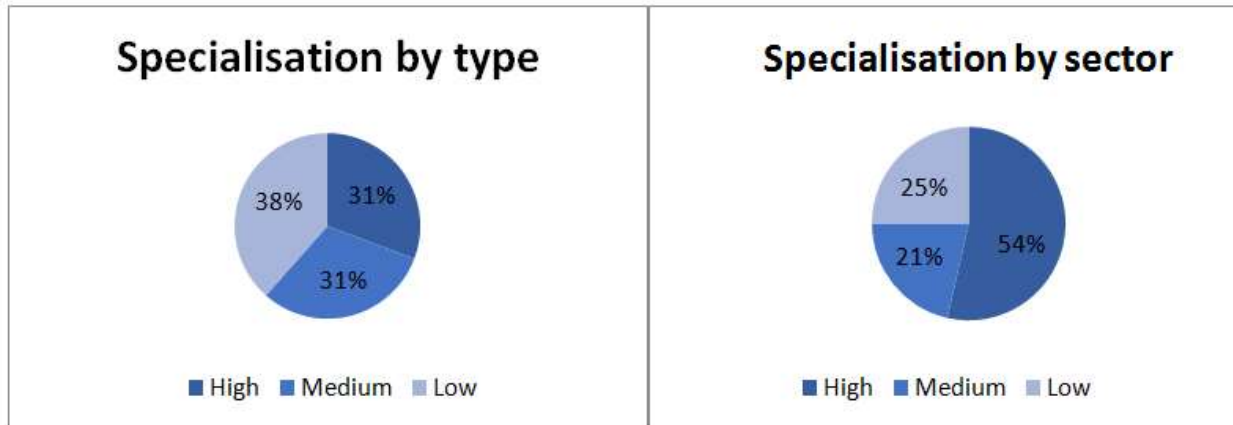
Looking at the degree of specialization of suppliers, we notice than most of them specialize in sector analysis but can offer different types of research. In fact, in terms of sectors, most firms have high specialization (54 %) while in terms of types only 38% has high specialization. (i.e. we consider high specialization when organizations do not engage in more than 4 sectors and 2 types. Medium specialization refers to offering analysis in a range of 5 to 8 sectors and of 3 to 4 types, while low specialization refers to more than 9 sectors and above 5 types of research.) Moreover, we observe a moderate correlation between the number of researchers in supply organizations and the associated sectors and types in which these organization operate (the correlation is respectively 0.52 and 0.51). Thus, this result suggests that overall suppliers have relatively enough researchers to engage in different sector and type of economic studies.

On the demand side, organizations are looking for mono-sector (78%) and mono-type (63%) of economic studies. This contrasts with the fact that some of the suppliers are ready to work on whatever is demanded, irrespective of their field of expertise. Demand organizations hence require specific expertise they do not have in house. And some suppliers, which do not have the required experience, end in conducting the study. In some cases, the suppliers may even have lower expertise than the demander. In this configuration, the result is often unsatisfactory for the demander. This mismatch between the demand and supply was pointed out during interviews: "Consulting companies are struggling to find contracts, for this reason, some try to bid on anything they see, whatever their field of expertise." (A participant during the FGDs).

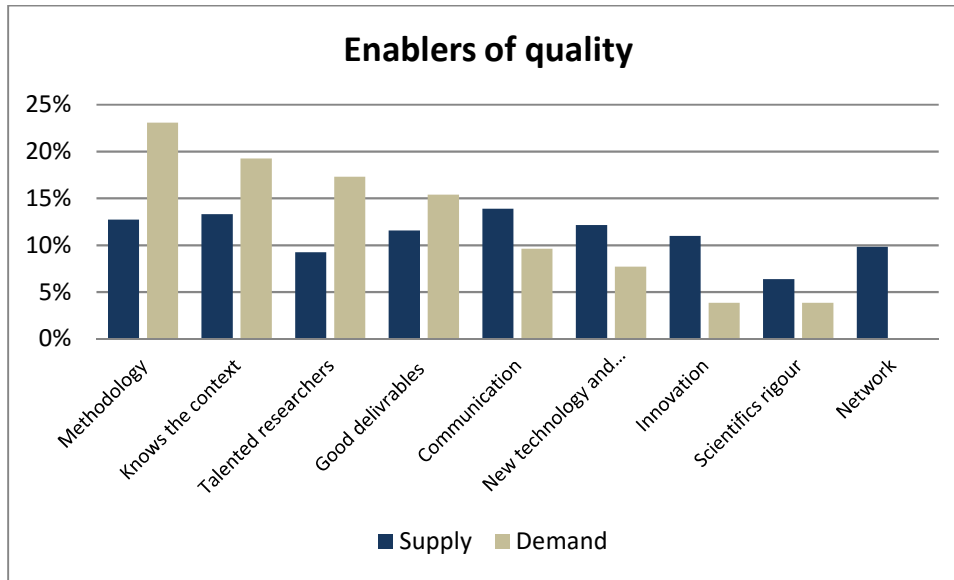## *6.2. Quality of Economic Studies*

This sub section analyses the perceived quality of Economic studies. As the client of research is the one to assess the quality of economic studies provided, we mainly rely on the demand perspective in this subsection. However, the quality also has to be seen as a dynamics process of the relationship between the demand and the supply side, where the perceived quality depends on the previous experienced or reported levels of quality. With this respect, this first edition of the Market analysis of Economic studies will serve as the baseline against which future perception will be assessed. On the one hand, we expect better information to result in better quality. On the other hand, we expect better quality research to increase expectation that may result into lower satisfaction of a given level of quality. The analysis of this subsection is complemented by the qualitative analysis provided in sections 9 and 10.

In general terms, while the deliverables are not always satisfactory, the demand side still manage to use the research for its initially intended purpose (93%). In other words, the research finding is responding (at least partly) to the research questions. This outcome is attributed to the fact that the demand and the supply side share similarities about what are the main enablers of quality economic research (correlation of 0.46 on the occurrence of what are the enablers of economic research), which facilitates the match in expectations of the service and its delivery. *Figure 6.4* provide an interesting view of what the demand side finds most important to provide quality economic studies. Three main components clearly range above the others on the demand side: the methodology, the researcher's skills and the context knowledge.

On the supply side, importance is higher for each enabler and more evenly distributed. The demand and supply side share two of the main enablers of quality economic research, namely methodology and context knowledge. The main difference is that scientific rigor and network are important for the supply side and almost overlooked on the demand side. On the one hand, this is surprising as the demand side often mandate the supplier for the dissemination of the results, which is directly linked to the final goal of a research. On the other hand, different types of services do not require

network as the final product is for internal demand usage, which is the case for e.g.: cost-benefit analysis, market analysis, feasibility studies.[12]

Figure 6.4: Enablers of quality studies

Our approach to the satisfaction of economic studies focuses both on the level of satisfaction with respect to different dimensions of an economic study and on the satisfaction gap between Rwandan and non-Rwandan organization. For the sake of clarity, we present satisfaction with Non-Rwanda organizations as the benchmark against which we evaluate Rwandan organizations. This approach is preferred to the opposite as this section is supposed to advise on how to build capacities of Rwandan organizations, so that they can catch up to international quality standards of economic studies. The underlying hypothesis, drawn from the kick off meeting, is that international quality standards are higher than Rwandan standards. This assumption is verified here under.

On average, international research and Rwandan organizations providers are performing between medium and good quality (overall score of respectively 3.56 and 3.46). Looking at the quality of international researchers in different dimensions that constitute economic studies, we observe average "good" satisfaction for deliverables, researchers' skills and innovation.

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[12] Unfortunately, we are not able to disaggregate the data in such a way that we could verify this interpretation.

Figure 6.5: Strength in economic research service provided
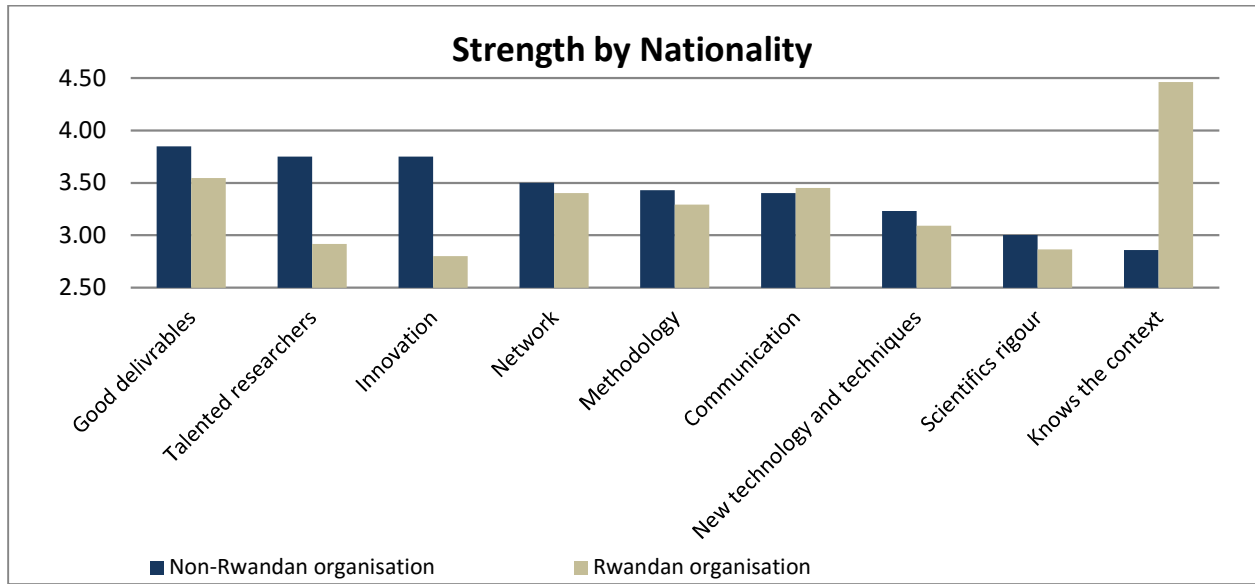
The context knowledge is the dimension that narrows the satisfaction gap between Rwandan and non Rwandan organizations. It is also worth pointing that the quality of innovation, new technologies and the scientific rigor are substantially higher for international organizations than for Rwandan firms. Network and methodology are also of a slightly better quality among Non-Rwandan organizations. This suggests that either international are putting more emphasis on networking activities than Rwandans or that they make better use of their network or both.

Looking at the median Rwandan organization, that is the organization that sees half of the organizations performing better and half of the organizations performing worse than itself, we notice that this median Rwandan organization provides an overall medium quality (median score 3.40), while the median international supplier provides a median good quality (median score 3.75).

Looking at the median large and well known firm, it offers higher satisfaction (good quality) to their clients than small local firms (medium quality). Finally, universities are reported to produce lower scores than private firms, NGOs and International organizations. A potential explanation is that there is not enough business orientation of academia and a fail to commit to quality standards and deadlines.

However, while these findings clearly show that Rwandan organizations deliver lower quality service, results have to be interpreted carefully. Indeed, this does not mean that all Rwandans deliver lower quality project than Non-Rwandans. What is hidden behind these numbers is a much higher spread in the quality of services offered by Rwandan organizations. The quality of the researchers is much more volatile for Rwandan suppliers[13], as it was pointed out during the interviews: "It is difficult to assess Rwandan organizations as a whole. Some of them are producing high quality products that we are very satisfied with. Others are producing very low quality products. It often depends on chance and probably on the field or type of interest." [14]

This analysis thus brings important information about the quality of economic research from Rwandan and non-Rwandan organizations. It shows that contracting Rwandan organizations is more likely to result in a lower satisfaction and that it is also riskier. That is, contracting an international supplier will usually result in a product of medium to good quality while when contracting Rwandan firms, the final product can range from poor to very good quality.

The underlying problem about the Rwandan quality gap is the information asymmetry on the quality of service delivery between the demand and the supply side. This problem is much more present than for international suppliers as the latter partly reveal its quality by being an international actor in the domain and being in that position is a signal of past positive experience in other markets. Proposals (or concept notes) and their assessment should act as a safeguard, providing an ex ante assessment of the quality of the service to be provided, hence reducing information asymmetry between the actors. However, this safeguard seems not to be efficient in each cluster of the market.

The Rwandan market structure of economic studies is dual, with different suppliers not competing in the same stratum of the market. One side of the market, usually associated to high value (monetary) project, consists of the part accessible to international organizations, which are also competing with high quality Rwandan organizations. On this side of the market, there is a dynamic process where higher value projects bring together high quality suppliers to compete. These high

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[13] This is captured by a higher variance of the indicators of talented researchers for the Rwandan organizations (0.84 vs 0.39).

[14] A participant from the demand side during the workshop organized at Umubano hotel, Kigali on November 27[th]2017.

value projects are much more subject to scrutiny and lots of resources are spent for the selection of the good candidate, which in turn ensures quality. The other part of the market is constituted by lower project value for local organizations, where high quality Rwandan organizations do not participate, as it is less attractive. On this side of the market, lower value projects are much less subject to the scrutiny of quality in the selection of the suppliers as lower value projects have less resources for quality assurance, including the selection of the supplier. As a result both the competitive process and the evaluation process are less efficient, which results in a higher risk associated to quality.

6.3. Value

The estimated overall market value of Economic studies supplied and/or demanded in Rwanda in was 6,250,000[15] USD on a yearly basis. The value range of a project being wide, as it ranges from as low as 2,000 USD to as high as 2 Million USD, with a median project value of 12,000 USD. We observe the same pattern for projects commissioned by the public sector. They range between 1,000 USD to 1.5 Million USD with a median project value of 14,000 USD.

Nevertheless, this overall amount underestimates the value of economic studies undertaken in the country since (i) some supply side organizations did not collaborate in this study and (ii) the economic analysis undertaken by Non-Rwandan organizations is not captured by the supply side analysis. Nonetheless, the research has been designed such that the total market value can also be assessed from the demand side. Unfortunately, this has not been possible as well since (i) some demand side organizations did not collaborate to this study and (ii) some organizations that collaborated to this analysis were reluctant to provide information about commissioned projects value for fear of being publicize despite the assurance of anonymity.

Breaking down to individual researcher's fees, we analyze the range for five different groups, each group being defined by a given background and a level of experience. These groups are: PhD, Master with high experience (>10 years), Master with low experience, Bachelor with high

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[15] The overall market value is estimated by: The reported project value by Rwandan suppliers x 125% (To account for non respondents)/ 80% of Rwandan reported value commissioned to national suppliers as the proportion from RPPA

experience (>10 years) and Bachelor with low experience. The findings are described in *Table 6.1*.[16] We observe a large spread between researcher fees. However, unsurprisingly, we also observe two usual types of premium: Educational background (highest diploma obtained) and experience. There is no premium with respect to specific field or type of expertise.

Table 6.1: Market fees for researchers

Highest Diploma (PhD, Master or Bachelor)	Associated experience (# of years)	Daily fees (USD)
Ph.D.	4-25	300-700
Master	0-10	100-350
	>10	350-400
Bachelor	0-10	30-300
	>10	150-300

7. Needs for Expertise

Economic studies are needed because it is among the types of analysis that can address a problem. In addition to the better understanding of a solution to a problem faced, the added value of economic research is that it brings quality evidence as well as scientific validity.[17] This section aims at informing stakeholders on: (i) the institutions preferences in terms of who they are willing to work with, (ii) the needs in terms of fields and types of expertise, and (iii) to which extend the Rwandan supply satisfies the demand's needs.

Many research organizations operating in Rwanda are Non-Rwandan owned. In addition, many of these organizations are of medium or large size and have a regional or international reputation. However, if this reflects the current market structure, it is not the preferred option on the demand side. Indeed, 54% of demand organizations would prefer to work with Rwandan suppliers. Currently, 63% of these demanders that have a strict preference for Rwandan institutions are

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[16] Some outliers were not taken into account to avoid a mis-presentation of the fees range.

[17] These findings are drawn from the results to the questions "How economic research is used in your organization" and "What is the added value of a research project?"

contracting non-Rwandan. This clearly indicates a mismatch between the demand and supply on the market of economic studies. The causes of this mismatch are numerous and will be further investigate in section 9 of this report.
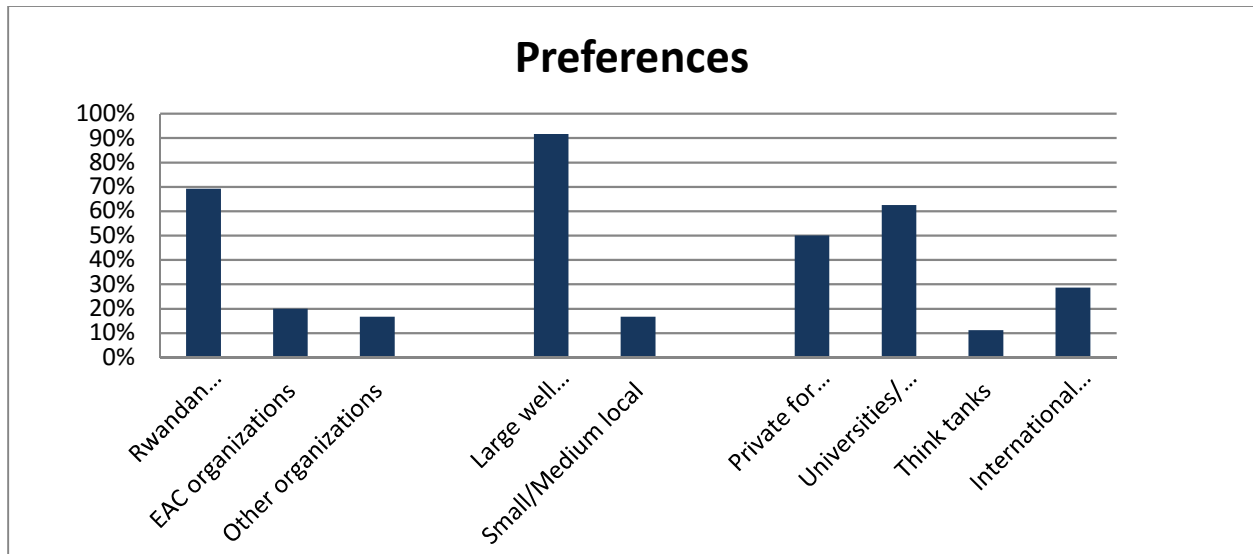
Figure 7.1: Preferences of demand organizations

Figure 7.1 presents the preferences of the demand side with respect to the type of organizations they would be willing to contract with. Preferences are provided over three subgroups: Region of affiliation, size and reputation and sectoral nature.[18] The trend is clear; the preference would go for Rwandan, large and internationally renowned research providers, operating as consulting companies or research centres/universities. However, "There are a few organizations corresponding to this ideal type, and if the organization exists, it is not conducting studies in each and every research field and type. The sup-group priority criteria is then more likely to be the reputation than the region of affiliation, as the final purpose on the demand side is the quality of the study, and not the capacity development of the national economic studies providers" (An interviewee during the focus group discussion). Therefore, given that reputation prevails on the region of affiliation this leads in the selection of more internationally renowned non-Rwandan supply organizations.

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[18]As there may be either no preference for a specific type of supplier, or equal preference over a subset of supplier or a preferred type of supplier, the total percentage per sub group may respectively be under, higher or equal to 100%.

Figure 7.2: Needs of economic researchers by types and sectors
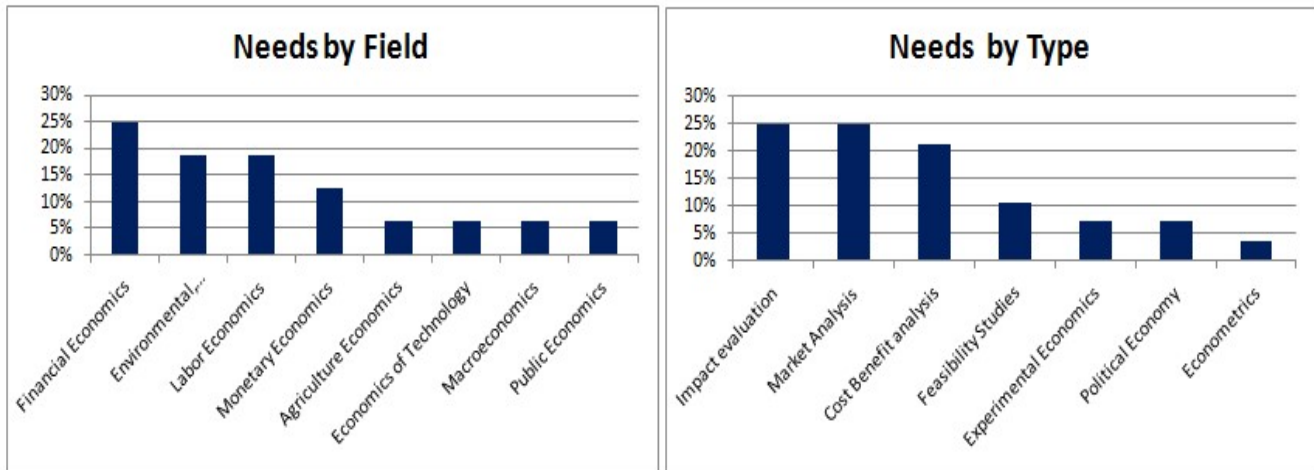
To pursue on the needs in terms of field of expertise, we observe an inclination towards financial, labour and environmental economics (see Panel 1 of Figure 7.2). While, macroeconomics studies and monetary economics studies are much less demanded in terms of number of studies. In fact, macroeconomics and monetary economics are very specific field areas and are almost monopsonies of national institutions (i.e. MINECOFIN and BNR).

Considering the volume of projects conducted over the last 2 years by field, the biggest projects are assigned to international trade and macroeconomics research with respectively a median value of 80,000 USD and 21,769 USD and the smallest projects are assigned to economics of technology, and economics of education with respectively a median value of 3,679 USD and 6,098 USD. We observe that the number of projects demanded by field decreases with the increase of the volume of projects but the correlation - between the median value of projects by fields of expertise and the number of demand institutions in need of economic research by field of expertise - is pretty low (-0.33). Thus, even if there is a negative relationship between the numbers and the volume of projects we cannot conclude that the needs of the demand (number of projects) systematically depend on the volume of projects.

To complete the above findings, we now consider the needs of demand institutions in terms of the type of expertise (see Panel 2 of Figure 7.2). The results show that cost benefit analysis method is the most demanded analytical type of expertise. When, more technical and mathematical types of expertise, namely econometrics and experimental economics are much less requested in terms of number of projects.

In terms of volume of projects by type of expertise, the largest projects are related to impact evaluation and political economy types of expertise with respectively a median value of $16,769 USD and 16,647 USD. While cost benefit analysis, feasibility studies and market analysis are the smallest projects with a median value of respectively 4,000USD and 6,000 USD for both market analysis and feasibility studies. We found also a low correlation (-0.35) between the volume of projects and the need of demand institutions by type of expertise. The volume and number of projects demanded are hence independent.

Considering the responsiveness of the Rwandan supply to the demand, many firms look forward to work more in agricultural economics and financial economics areas. Meanwhile, firms are ready to conduct research in industrial economics and economics of technology despite their low demand. In fact, the correlation of the supply to the demand in terms of fields is quite low (0.34) which shows a mismatch between the demand and supply.

In terms of analytical types provided, the supply fits well the demand needs (i.e. the correlation with the demand is 0.85). In fact, cost benefit analysis, market analysis and impact evaluation are the most used and as well needed analytical tools. However, despite the fact that more technical analysis types are much less needed, research firms are ready to use highly mathematical and scientific methodologies such as econometrics and experimental economics in conducting research.

In a nutshell, Rwandan suppliers are ready to offer economic studies in more fields than what is needed by the demand side. However, there is still an unmet demand need. This conveys either an information mismatch between the demand and the supply or low confidence from the demand to the Rwandan suppliers, or both. This information asymmetry, where demand does not have complete information on the competences of the supply, and where the supply does not have complete information on the demand needs, results in a market failure where less research is commissioned and undertaken. Lower activity thus leaves a smaller room for challengers on the economic studies market in Rwanda.

8. Market Structure

Competition on a market may bring innovation and help firms to focus on their core business by choosing an area of expertise they can master. This section analyzes the level of concentration on the economic studies supply market, considering both the fields and types of expertise. It also looks at the entry barriers.

8.1. Concentration

This section describes concentration in the economic studies market. It aims at informing stakeholders on (i) how supply firms are distributed into the market and (ii) their market share.

We used the Herfindahl Hirschman Index (HHI) to measure the level of competitiveness of the economic studies market in terms of the market concentration of its participants. It is computed as the sum of square of market shares of firms on the market. It ranges from zero to 10,000; a HHI close to zero indicates that the market is perfectly competitive while a HHI of 10,000 indicates a monopolist market. One usually consider that a market with a HHI lower than 100 is a highly competitive market, if the HHI is between 100 and 1,000 the market is not concentrated, if it is between 1,000 and 1,800 the market is moderately concentrated and lastly if it is above 1,800 the market is highly concentrated.

Figure 8.1: Concentration by field of expertise
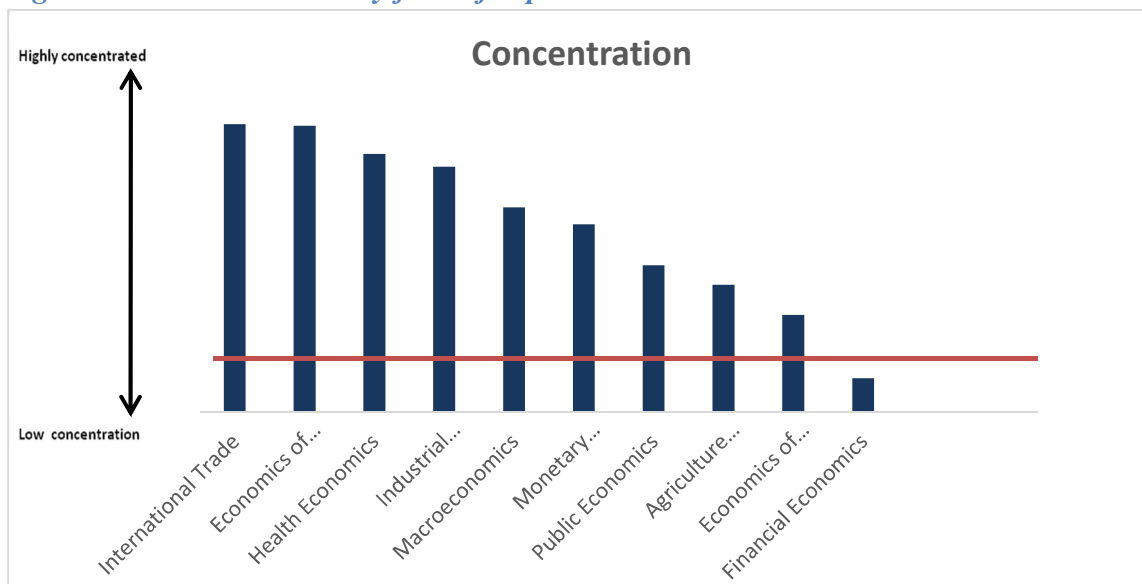
Analyzing the market by field of expertise, our findings show that firms are highly concentrated (average HHI of 5,575) even when we do not consider high valued projects. However, when we disaggregate by field the results are contrasted. In fact, each field is highly concentrated (above 1800-orange line on figure 1) except for financial economics which is moderately concentrated (1,151). Considerably, some are or are close to be monopolist markets; indeed, international trade and economics of technology markets are monopolies while health economics and industrial organization markets are close to be monopolies. The rest are highly concentrated.

Now looking at the market in terms of type of expertise, our results show that the market is also highly concentrated (average HHI of 6,349) this result is still valid even when not considering high valued projects. And if we look closely at every type of expertise, as showed in figure 2, the results remain the same, the concentration is still high (Above 1800) with some disparities. The markets of experimental economics and econometrics are monopolies while the rest are highly concentrated with the least concentrated being the cost benefit analysis (2,579). This is linked to the fact that former markets require relatively more technical knowledge and face relatively low demand. This results in monopolistic markets. For the latter the markets, the level of technical expertise can be considered as less demanding and there is relatively high demand. Therefore many suppliers are attracted to that market.

Figure 8.2: Concentration by type of expertise
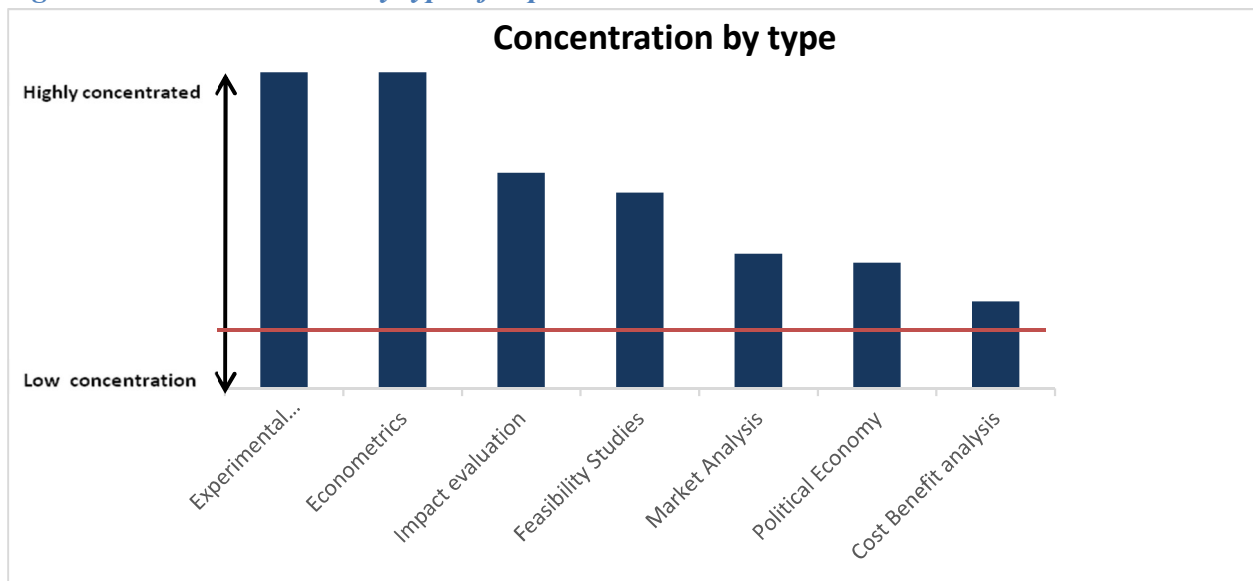
8.2.Contestability

Barriers to entry are defined by Joe S. Bain as "*an advantage of established sellers in an industry over potential entrant sellers, which is reflected in the extent to which established sellers can persistently raise their prices above competitive levels without attracting new entrants to enter the industry.*" As mentioned above, the economic research market is highly concentrated; one explanation of this high concentration is high to very high barriers to entry. Below is compiled a list of potential barriers to entry on the economic studies market.

Considering that the biggest share of projects is sourced through call for proposals, the main barrier to entry will be **excluding or weighting criterias from the terms of reference** defining the project expectations. The terms of reference define and weight the evaluation criteria that the demand will follow to select a supplying firm or individual. These excluding criterias can be the level and type of expertise, experience, the nationality, the language knowledge, the methodology and work plan, and depending on the project the demander might add exclusive conditions. As an example, the demander can request the supplying firm to be registered as a firm for at least 2 years.

If bids are the main channel of studies procurement, single sourcing also holds an important role in the economic research market in Rwanda; therefore, **reputation/recognition** is also an important barrier to entry. In addition, the firms' experience is very often a criterion of selection to select the successful bidder, which clearly favour incumbent over challengers as the incumbent is likely to be selected even if the quality of the technical proposal as well as the financial offer is of lower quality/less competitive. This bias toward incumbent associated to the call for proposals lowers the contestability of markets.

Next to that, there are other none less important barriers to entry:

1. General **sunk costs** linked to the setting up of a company. These sunk costs include administrative costs, advertising costs, networking costs, etc.

2. **Finances.** Supply firms encounter finances issues first during **the preparation of document**. First, as bidders have to prepare a technical proposal for the client, they invest (with no direct return) as the research team is paid for the design of proposal and related

administrative costs are beard. Second, after signing a contract, suppliers may need to **pre-finance** economic studies, which may be unbearable by some actors (challengers).

3. **Statistical discrimination**. It is the phenomenon of a decision-maker using observable characteristics of a group as a proxy for unobservable, but outcome relevant characteristics for an individual. For instance, Rwandan suppliers may be seen as unsatisfactorily delivering. A finding of this analysis is that contracting with Rwandan organization is riskier and will lead to a lower satisfaction compared to contracting with non-Rwandans. These statistics might lead the demand to discriminate against Rwandan suppliers. This is a behavior linked to the lack of information.

9. Good practices in the economic studies market

We define good practices as the methods that are generally accepted to lead to superior results compared to other alternatives within the economic studies sector. In that light, the following good practices were identified by both demand institutions and the supply firms in Rwanda.

One good practice upraised by both the demand and supply side is the existence of well established **legal and regulatory frameworks.** On the demand side, well-established legal frameworks for public and private institutions procurements, which govern the procurement processes (e-procurement) from awarding tenders to contracts completion, helps to smoothen the business relationships and make both parties more responsible and accountable to the terms of references. In addition, the presence of a national body (RPPA) which monitors all procurement processes and contracts delivery helps counteract malpractices about the e-procurement. On the supply side, well defined and established laws that govern the relationships between demand side and supply side help them in the process to be qualified, to have strong capacities and facilitate them as well in terms of budget management.

Next to this, the **existence of qualified human resources** and of **training economic research centres** facilitates suppliers' delivery. In fact, the supply views the economic studies market in Rwanda has having huge capacity in terms of human resources, with qualified and competent researchers in different economic research specialisations, which is mainly due to capacity

building. Nevertheless, there is still a need for more training to improve skills in order to meet the demand expectations in quality. To this matter the increasing availability and accessibility of training centres that aims at bridging the gap in research field across the various economic fields such as the Economic Policy Research Network (EPRN-Rwanda)[19] is a strong driver of quality service delivery.

In addition to this, demanding institutions applauded the good practices in terms of **effective communication**. In fact, with the advent of information technologies such as internet, Newspapers, radios etc., firms quickly find and adopts international best practices through information sharing, assimilation and innovation with other firms both in Rwanda and abroad easier. This enhances the services delivered by the supply and reduces the inherent asymmetric information constraints prevalent on the market. Parallel to accessible information is **the improved supply side possibility of response or feedback,** which is recommendable as it now takes less time to get sufficient response or feedback from the demand side and ease to keep track of requests. This enhances better understanding of the parties and increased possibilities to timely deliver projects by the contracting firms.

Last but not least, the fact that the Government of Rwanda has created a corrupt free **business environment** which discourages bad business practices and foster business growth and development is commonly agreed to facilitate service delivery on both the demand and supply side. More specifically, there is a growing spirit among suppliers to improve the service delivered and to meet the demand's expectations.

10. Challenges

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Despite the successes recorded above, the economic studies market still faces some major challenges. The challenges of suppliers can be separated in three areas, challenges they face related

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[19] EPRN is a training centre, which organizes various research trainings for both researchers and students on policy analysis and economic and statistical analysis tools to bridge the gaps in research in Rwanda.

to the market, their profession and the service they deliver. While the challenges raised by the demand are only linked to the service they receive.

On the one hand, regarding the challenges related on the market they operate in, supply firms estimate that most demand institutions have **higher beliefs in foreigners expertise** and this mindset undermines local experts, albeit the fact that foreign experts have got their own limitations just like local expert have got their own. As a matter of fact, suppliers consider that demand institutions don't realize that local experts have got a mastery of the local context and local experience. So even in a situation where foreign expertise is not required, demand institutions will tend to prefer foreign institutions, which is seen as a mindset bias. In addition, suppliers expected that globalisation of the research market would open up a much larger market for Rwandan researchers. Instead, they consider it has narrowed their own market, as they have to face **more competition** from regional and international firms, and that they find difficult to compete outside Rwanda. Moreover, some suppliers are very aggressive in terms of price competition, as they are not able to compete in ex ante quality. As a result, some offers are awarded to bidders with low quoted prices and in the end, provides poor quality work and services. This is a vicious circle that stains the reputation of Rwandan researchers.

Regarding their challenges linked to their profession, supply firms recognised that they still have **skills and expertise gaps** compared to foreign firms, for example in data analysis techniques and software mastering such as SPSS, STATA etc. Moreover, some researchers find difficult the **costing of research projects,** as they are short of information about the market, and that over costing results in losing the bidding process and under costing is unprofitable for their business. Suppliers would hence benefit from **a professional body** that would bring them together to have a stronger voice, set standards of processes, standards and quality, and harmonize professional ethics.

Lastly, regarding the service they have to deliver, **unrealistic Terms of References** (ToRs) that do not matching the reality on the ground is a major issue. One reason for this phenomenon is that demanding institutions staff sometimes lacks sufficient capacity and skills to conceptualize the problem and design ToRs appropriately. Suppliers specifically complained that clients **break the contract terms** not for clear reasons that are specified in the contract. This leads to disputes that has a high opportunity cost. This of course affects their viability. Moreover, the demand does not

always pay in-advance, which can compromise the quality of the studies as the supplier may not be able to adequately fund the project. Nevertheless, supply firms estimate that their greatest challenge today and in the coming years is facing decreasing funds allocated to R&D and hence lower budget for economic studies.

In addition, as Rwanda have three **languages**, and not every actor masters the three languages. Language requirement for studies may restraints some suppliers. This appears as a barrier, especially for communication and information search. Moreover, **poor infrastructure** such as internet and telephone network coverage does not allow all the suppliers to systematically access information, which is the basis of any quality study.

On the other hand, the major challenge faced by demand institutions is the risk of **deadlines failure** by suppliers**.** This leads to client disappointment and delays in project implementation. Some of these delays are caused by multiple handling of projects, for which institutions may not have the in house staff, nor rely on outsourcing, to carry them out. Some suppliers also commit themselves to deliver even if they lack sufficient skills, capacity, budget and competencies to fulfil the client expectations. They hence end up handing **unsatisfactory deliverables.** Moreover, suppliers have not usually accumulated enough reserve funds to conduct research before the advance payment can be made. The bid guarantees may not help the clients to ascertain the **liquidity** competency organisations. This leads to loss of time and inefficiency at an early stage of a project and creates lack of trust in the future dealings. This scenario may limit a potential supplier to win future tenders and it compromises the quality of the deliverable done by Rwandan suppliers. Demand institutions also feel that most research firms behave as profit oriented (even some NGOs) and accept any kinds of contracts, regardless of their specialisations. Some submit bids for the most jobs including those ones where they have **gaps in expertise**, hoping for more projects payout which lead to substandard deliverables and poor service offered to the clients. Finally, there is unsatisfactory data in terms of quality and availability, which is due to poorly developed data systems for institutions. This creates a limitation for time series data, which negatively affects the quality of various analyses. This challenge is also associated with **lack of research skills** for the staff of these entities, which lack data management skills. Data systems are poorly designed or developed. As a result some important data goes unrecorded, which hinders the development of some important economic research areas. In addition, entities lack efficient Research and Development

(R&D) departments and processes. There are no systematic standards for data compilation. This absence leads different computational methods, which ends in different and non-consistent figures between sources.

11. Conclusion and recommendation

This report enlightens the main shadows around the market of economic studies in Rwanda. It adopted a mix-method combining both qualitative and quantitative analysis. This methodology contributed to draw a comprehensive description of the actors and structure of the market. The present report also describes and analyse what was found to be the dynamical environment of economic studies in Rwanda, with its challenges, good practices and enabling factors of quality.

We found that demand institutions on the economic studies market in Rwanda are large entities from the ministry/GoR related sector and INGOs. The main sector and type of expertise needed are respectively financial economics and impact evaluation. Demand preference goes to contracting large and well renowned Rwandan organisation. However, 63% of demanders still contract non-Rwandan organisations, as the latter is reported to deliver on average higher quality product, which is the main prospect. This report paves the way to solution this identified discrepancy between preference and choice.

The analysis shows that the economic studies market in Rwanda is dual. Different suppliers are competing on different segments of the market. That is, the market is divided into an upper part and a lower part.

The lower part of the market is characterized by low value projects in monetary terms. On this side of the market, low value projects leap up to low quality service delivery in a vicious circle. The projects value is low relative to the associated effort required to get the project and to other administrative costs of implementation. Restricting fees grid for national researchers apply. They are lower than fees grid for international researchers. As a result, the opportunity cost of bidding is high for international suppliers, and it prevents them to participate to this part of the market. National suppliers are hence the only players in this segment. The suppliers are often sourced through call for proposals with different firms competing on a market, which is still concentrated.

Since these projects have low budgets, low resource is invested into the drafting of good Terms of References (ToRs) and into the quality control of technical proposals. This leads to two types of failure. On the one hand unclear and unrealistic ToRs lead to conceptual misunderstanding between demand and supply. On the other hand, low resource allocation to the screening of the quality of proposals may result in a selection that is mainly based on the financial criteria. As there is no barrier to submit a proposal, some suppliers can distort the market quality by bidding under the market price to win the tender. These price aggressive bidders usually do not have the resources in-house to carry out quality work nor they can outsource it at the price of the bid minus their commission. As skilled researchers are few and not affordable (or the bid winner is not willing to pay for it), they end up with researchers that are not specialized in the domain, or/and that lack the skills to conduct the studies. Unclear goals and poor screening may often be complemented by low resource allocated to quality assurance, both on the demand and supply side. As a result, the peer reviewing process is not performing efficiently, with insufficient knowledge of minimum quality standards on both sides. Low quality assurance processes may be complemented by under provision of advance payments to institutions that do not have the capacity to pre-fund studies. This prevents trainings of researchers and induces timely and quality problems. Therefore, the return on investment is low and there is a fear to invest in economic studies. This results in low investment. This describes the vicious circle of the lower part of the market.

On the other hand, the upper part of the market is characterized by high value projects where a more dynamic process round up high quality suppliers. Indeed, on this part of the market, high value projects, using international grid fees for researchers, attract international suppliers and (the few) well-known and highly experienced Rwandan organisations. These organisations are using high quality researchers and internal peer reviewing mechanisms. This is complemented by high screening in the selection process of the successful bidder, when it is an open tender. Usually, a quality threshold is required before the financial offer is considered, and aggressive pricing has to be combined with quality for a successful bid. In addition, experienced researchers may help refine the ToRs and help the demander clarifying its objectives, when needed. Along the project, a committee made of specialized experts in the domain usually assures quality. Also, pre-financing is not a problem, as the supplier usually has sufficient funds and that demand does not fear delivery failure. The entire process results in high quality and timely delivery. The return on investment is high, which boosts the level of investment. This describes the virtuous circle.

The above described dual structure of the market of economic studies in Rwanda sheds light on how the current state of the market leads to a discrepancy between preference and choice on the demand side. Its also shows the dynamics that leads to timely and quality service delivery by the supply side, and why contracting Rwandan organisations may result in more risk in terms of standard of quality.

From the above, we identified four priority areas to break the vicious circle of the lower market segment and bring it into the virtuous circle of the upper segment part. These are our areas of recommendation:

1. *Skilled and specialised researchers to provide quality research:*
   Recommendation #1: Offer Training course based on the expertise gap between local supply and demand. The priority needs identified in this study are in the fields of **financial and environmental economics** and in the types of **impact evaluation and market analysis**.

2. *Knowledge and understanding of minimum quality standards in economic studies:*

   Recommendation #2: Demand institutions should **favour partnerships of national and international institutions** in order to (i) benefit from studies that combine good methodology and context relevance and (ii) ensure skills and knowledge transfer from international to national organisations.

3. *Committee to assure quality and efficient peer review mechanisms*

   Recommendation #3a: Financial offers from suppliers should be evaluated **on a deliverables basis** and not on daily fees, as the latter is not a good measure of the overall cost.

   Recommendation #3b: Demand & Supply should spend a significant amount in high **quality assurance committee**. The multiplication of this good practice will turn into a dynamical process where reviewed researchers will become reviewers, increasing the efficiency of the peer review mechanism.

4. *Pre-finance economic studies to facilitate their implementation*

Recommendation #4: Contracts should systematically **provide (i) a pre-finance scheme,** in order to facilitate the kick start of the projects and also (ii) **a safeguard mechanism** in case of non delivery and in order to discourage delays and unsatisfactory deliveries.

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13. Annexes

Annex A: Questionnaire Focus Group Discussion

*Topic 1: About the **relationship Demander (client) – Supplier** in Economic Research, what:*
   1. *Works well?*
   2. *Are the main Challenges?*
   3. *Solutions/ Recommendations?*

*Topic 2: About Economic Research, what **(Quality, Human capacities, Finance …)**:*
   1. *Works well?*
   2. *Are the main Challenges?*
   3. *Solutions/ Recommendations?*

Topic 3: What do you foresee as the important topics of Economic research in the Future (List)?

Annex B: Supply - Side Questionnaire

Confidentiality Statement: *Your individual responses are confidential. The results from this analysis will be presented in aggregate values and the name of your organization will not appear together with information provided in this questionnaire.*

1. Organization and staff characteristics

What is the name of you organization?							
Are you a fully owned Rwandan organization?	☐	Yes	☐	No			
In which sector does your organization operate?	☐	Ministry / GoR Related	☐	International organization / Cooperation / INGO	☐	Private Sector	☐ CSO, NGO (local)
Experience/years of your organization in Economic Research?							
How many researchers are working in your organization?							

Are these researchers (provide the associated number)	Number of researchers	Proportion of total research conducted by (in % of total research conducted)
Full-time staff		
Part-time staff		
Consultants/research associates		

2. Field of expertise

Fill in the Expertise Matrix	What type of research field has your organization already worked on?	What type of research field would your organization be ready to work on, if demanded?	Approx. Budget per field over the last 2 years
Sector	*Check box if yes*	*Check box if yes*	*in USD or Rwf*
Agriculture Economics	☐	☐	
Industrial Organization	☐	☐	
Economics of Education	☐	☐	
Economics of Technology	☐	☐	
Environmental, Resource and Energy Economics	☐	☐	
Financial Economics	☐	☐	
Health Economics	☐	☐	
International Trade	☐	☐	
Labor Economics	☐	☐	
Macroeconomics	☐	☐	
Monetary Economics	☐	☐	
Public Economics	☐	☐	
Type			
Experimental Economics	☐	☐	
Cost Benefit analysis	☐	☐	
Feasibility Studies	☐	☐	
Econometrics	☐	☐	
Impact evaluation	☐	☐	
Market Analysis	☐	☐	
Political Economy	☐	☐	

Would you accept a Research project where you do not have expertise?	☐ Yes ☐ No

What type of research services does your organisation offer?	*Check box if yes*
Literature review & Desk review	☐
Secondary data collection	☐
Quantitative surveys (Primary data collection)	☐
Qualitative survey	☐
Key informants interview	☐
Focus group discussion	☐
Data Analysis and interpretation	☐
Recommendation	☐

During the last year, which software did you mainly use for economic research?	*Check box if yes*
Excel	☐
SPSS	☐
Stata	☐
Eviews	☐
R	☐
NVivo	☐
Other	☐

What tools/techniques do you use to conduct surveys?	*Check box if yes*
Traditional survey (head 2 head with questionnaire)	☐
Focus group discussion	☐
Key informant interview	☐
Mobile survey	☐
Online questionnaire	☐
Other (Specify):…………………………	☐

What is most important for the survival/development of your organization?	Check box if yes	Rank first 3
Knows the context	☐	
Methodology	☐	
New technology and techniques	☐	
Good delivrables	☐	
Talented researchers	☐	
Scientifics rigour	☐	
Communication	☐	
Network	☐	
Innovation	☐	

What are the greatest challenges in the Economic research sector?

Today

In the coming years

What are the greatest opportunities in the Economic research sector?

Today

In the next 5 years

3. Finance

What was the volume of Economic research services contracted on a yearly average for the last (in USD or RwF)?

year _____

3 years

What is the value of research projects (in USD or RwF)?

Minimum value

Average Value

Maximum Value

Projected research Earnings ☐ Large increase >25% ☐ Small Increase <25% ☐ Status quo ☐ Small Decrease <25% ☐ Large Decrease >25%

Fill the following table for main researchers profile

	Diploma (PhD, Master or Bachelor)	Associated experience (# of years)	Main Field of expertise*	Daily fee charged (RwF or USD)*	Monthly wage	Type of association*	Nationality*
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

*Main Field of expertise	*Daily Fee	*Type of association	*Nationality
Agriculture Economics	0-100 USD	Full time staff	Rwanda
Industrial Organization	101-200 USD	Part time staff	EAC
Economics of Education	201-300 USD	Consultant	Other
Economics of Technology	301-400 USD	(on a project basis)	
Environmental, Resource and Energy Economics	401-600 USD		
Financial Economics	601-800 USD		
Health Economics	> 800 USD		
International Trade			
Labor Economics			
Macroeconomics			
Monetary Economics			
Public Economics			

4. Project Sourcing*

How do you get your projects (Frequence %)	
Call for proposals	
Single sourcing	
What is the proportion of research for which you sell your own ideas/proposals - supply driven research?	
What is the proportion of joint research of your projects?	

* Provide an estimation

Which sector is your client	Rank
Ministries or GoR related	
International Organizations/ Cooperations/ INGOs	
CSOs, NGOs (local)	
Private Sector	
Other (Specify):………………………………	

Who do you partner with (for joint Research)	Rank
Rwandan Organization	
EAC (non-Rwandan)	
Other Organization	
Other (Specify):………………………………	

Annex C: Demand side Questionnaire

Confidentiality Statement: Your individual responses are confidential. The results from this analysis will be presented in aggregate values and the name of your organization will not appear together with information provided in this questionnaire.

1. Organization and staff characteristics

What is the name of you organization?						
Are you a Rwandan organization?	☐ Yes		☐ No			
In which sector does your organization operate?	☐ Ministry / GoR Related	☐ International organization / Cooperation / INGO		☐ Private Sector	☐ CSO, NGO (local)	
When was your organization created?						
How many employees in your organization?						

2. Need for expertise

Do you have your own Research Department/Unit?	☐ Yes	☐ No

Please, Fill in the Expertise Matrix	In which field do you have expertise?	In which field do you need expertise?	In which field has your organization already commissioned/purchased Research?	Approx. Budget spent over the last 2 years on this research field? (in USD or RwF)
Sector	Check the box if yes	Check the box if yes	Check the box if yes	
Agriculture Economics	☐	☐	☐	
Industrial Organization	☐	☐	☐	
Economics of Education	☐	☐	☐	
Economics of Technology	☐	☐	☐	
Environmental, Resource and Energy Economics	☐	☐	☐	
Financial Economics	☐	☐	☐	
Health Economics	☐	☐	☐	
International Trade	☐	☐	☐	
Labor Economics	☐	☐	☐	
Macroeconomics	☐	☐	☐	
Monetary Economics	☐	☐	☐	
Public Economics	☐	☐	☐	
Type				
Experimental Economics	☐	☐	☐	
Cost Benefit analysis	☐	☐	☐	
Feasibility Studies	☐	☐	☐	
Econometrics	☐	☐	☐	
Impact evaluation	☐	☐	☐	
Market Analysis	☐	☐	☐	
Political Economy	☐	☐	☐	
Other (Specify):..	☐	☐	☐	

How is economic research used in your organization?	Rank first 3*
To answer important questions that cannot be answered with other data sources	
It is one input among others for decision making	
It is the main way of understanding decisions faced by the individuals/firms/...	
It provides story telling	
What is the main added value of a research project?	Rank first 3*
It helps understanding an issue	
It brings evidence	
It adds scientific validity	
It helps put things together/make links between different points	
It provides new angle/approach	
What makes a good research project/research company?	Rank first 3*
Knows the context	
Methodology	
New technology and techniques	
Good delivrables	
Talented researchers	
Scientific rigour	
Communication	
Network	
Innovation	

*1 = First choice; 2 = Second Choice; 3= Third choice

3. Satisfaction with Economic research provided

Would you prefer working with specific organizations?	Would you prefer working with specific organizations?	With which type of organizations have you already worked?	Are you satisfied with the research services provided by	Approx. Budget spent over the last 2 years to these organizations? (in USD or RwF)
Geography	*Rank*	*Check box if yes*	*Assess from 1 - 5**	
Rwandan organizations		☐		
EAC organizations		☐		
Other organizations		☐		
Size & Reputation				
Large well internationally known/experienced		☐		
Small/Medium local		☐		
Sector				
Private for profit/consulting companies		☐		
CSOs		☐		
Universities/ research centers		☐		
Think tanks		☐		
NGOs		☐		
International Organisation		☐		

What are the strengths of the research companies you worked with?	Assess from 1 - 5*	
	Non-Rwandan organizations	**Rwandan organizations**
Knows the context		
Methodology		
New technology and techniques		
Good delivrables		
Talented researchers		
Scientifics rigour		
Communication		
Network		
Innovation		

What services were you satisfied or not with?	Assess from 1 - 5*	
	Non-Rwandan organizations	**Rwandan organizations**
Literature review & Desk review		
Secondary data collection		
Quantitative surveys (Primary data collection)		
Qualitative survey		
Key informants interviews		
Focus group discussions		
Data Analysis and interpretation		
Recommendations		

* 1 - Very Poor Quality   2 - Poor Quality   3 - Medium Quality   4 - Good Quality   5 - Excellent Quality

Were you able to use the research for its intended purpose?　　□ Yes　　□ No

If No, give up to 3 main reasons why you did/could not

1 _____

2 _____

3 _____

What tools/techniques were used to conduct the surveys?	Check box if yes
Traditional survey (head 2 head with questionnaire)	□
Focus group discussion	□
Key informant interview	□
Mobile survey	□
Online questionnaire	□
Other Specify:...................................	□

What are the enablers of quality economic research?	Check (max 3)
Knows the context	□
Methodology	□
New technology and techniques	□
Good delivrables	□
Talented researchers	□
Scientific rigour	□
Communication	□
Network	□
Innovation	□

What are the greatest challenges in the Economic research sector?

Today

In the coming years

What are the greatest opportunities in the Economic research sector?

Today

In the next 5 years

4. Finance

What was the volume of Economic research services purchased on a yearly average for the last (Amount in USD or RwF)

year _____

3 years

What is the value of research projects (in USD or RwF)?

Minimum value

Average Value

Maximum Value

Projected research spendings ☐ Large increase >25% ☐ Small Increase <25% ☐ Status quo ☐ Small Decrease <25% ☐ Large Decrease >25%

Fill the following table for main researchers

	Diploma (PhD, Master or Bachelor)	Associated experience (# of years)	Main Field of expertise*	Daily fee charged (RwF or USD)*	Maximum Daily Fee allowed from your organization grid*	Nationality*
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

*1 Main Field of expertise	* Daily Fee	* Nationality
Agriculture Economics	0-100 USD	Rwanda
Industrial Organization	101-200 USD	EAC
Economics of Education	201-300 USD	Other
Economics of Technology	301-400 USD	
Environmental, Resource and Energy Economics	401-600 USD	
Financial Economics	601-800 USD	
Health Economics	> 800 USD	
International Trade		
Labor Economics		
Macroeconomics		
Monetary Economics		
Public Economics		

5. Project Sourcing*

How do you chose your supplier (frequence in %)	
Call for proposals	
Single sourcing	
What is the proportion of research projects for firms?	
What is the proportion of joint research of your projects?	
Which proportion of your commissioned research projects requires at least one Rwandan firm?	

* Provide an estimation

Annex D: list of names of interviewed individuals

Major Demanders	Interviewed person	Position
RPPA	Goretti Buhiga	Director of Monitoring and Audit
The World Bank	Mulugeta Dinka	Director of Procurement
UNDP	Evard Havugimana Alessandro Pezza	Research Associate strategy and Policy unit Director of economic research and strategy
DFID	Kato Kibumbwe	
PSF	Claudia Sperlich	Development advisor
GIZ-Rwanda	Herman Van Bommel	Programme manager