

Scoping Rwanda's Affordable Housing Sector and its Financing

EXECUTIVE SUMMARY

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Centre for Affordable
Housing Finance
in Africa



Introduction

Rwanda has a developing housing and housing finance sector – but there are constraints. While Rwanda’s mortgage to GDP ratio (3,35 percent) is relatively high for the region, mortgage lending is concentrated at the upper end of the income pyramid; and while Rwanda’s microfinance sector is an important source of finance for lower income segments of the market, the products and services of microfinance providers are not typically addressed towards housing. In addition, Rwanda has a critical, but poorly documented residential rental sector. As is the case in most countries, the affordable rental sector operates off the radar, unattended by both policy and finance.

In 2020, the Government of Rwanda partnered with the World Bank to access two grants, one of which is for housing finance. US\$150 million has been approved to fund the Rwanda Housing Financing Project, the main objective of which is to expand access to long term housing finance for the benefit of middle-income segments that have limited or no access to mortgages, while also supporting capital market development. While this is important, it is unlikely to cover the breadth of the need for housing finance, specifically for lower income earners who are outside the scope of mortgage lending. How the end user finance intentions align with the availability of construction finance, and whether this addresses the needs of the so-called informal, or small-scale supply sector (and critically, rental accommodation) is also not clear. To this end, a broader and more detailed understanding of the demand and supply sides, how they intersect, and the specific housing value chains engaged with and served by each, is required.

Rwanda’s Vision 2050 “sets a new pathway that will lead the country to the livings standards of upper middle income by 2035 and high-income countries by 2050”. In line with this vision, the National Land Use Development Management Plan predicts a 2% annual growth rate, such that by 2050, Rwanda’s population will be 22.1 million people. To meet the housing needs of these people, the NLUDMP projects that 5,5 million dwelling units will be required by 2050, or an annual delivery of 150 000 dwelling units between 2020 and 2050. The research finds the urban figure to be an estimated 3,2 million units by 2050. Even just this urban projection demands a higher rate of annual delivery than current formal capacity has been able to achieve. The report finds that most housing in Rwanda is being delivered by smaller scale players and by households themselves, often informally. Meeting the Vision 2050 affordable housing targets both in terms of the anticipated scale and quality will require strong partnerships between market players and with government, while also explicitly leveraging and growing the capacity of smaller scale players.

As Rwanda develops in line with its vision, there is an opportunity for AFR to support the development of a housing finance sector in Rwanda that meets the needs of all residents and all housing supply approaches, with a variety of products and services designed explicitly to engage with the breadth and nuance of their capacity.

This review of Rwanda’s affordable housing sector and its financing explored the overall institutional, policy and legislative environment for affordable housing, scoped the demand side, interrogated the capacity and activities of the supply side, and considered where finance could make a difference. This report sets out the findings of the project, referencing a series of additional inputs that also shaped the conclusion and recommendations. The full study was presented to Rwandan stakeholders for a validation workshop on 24 August 2021. The team is grateful for the detailed engagement and inputs from all stakeholders and looks forward to further engagement on the recommendations.

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peri-urban



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03: Household
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04: Employee
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05: Small-scale
developer: urban



06: Large-scale
developer: urban



Additional content available in the full report:

- Household housing conditions
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- Household income sources & expenditure patterns
- Demand-side profiles
- Overall sub-market characteristics
- Local interviews and case studies
- Supply chain linkages
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- Summary of challenges & opportunities
- International examples

1. AFFORDABLE HOUSING IN RWANDA

- Institutional, Policy & Legislative Framework
- Overview of demand
- Overview of supply
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Policy and legislative environment

Rwanda’s enabling environment for affordable housing is shaped by an overarching policy and legislative framework, with key commitments articulating a focus on this sector of the economy. Further structure is given to the sector through policies and legislation applied in terms of housing, land, the financial sector and the environment. A key component of the enabling environment involves the availability of data that makes it possible for housing sector practitioners in both the public and private sectors make good decisions in favour of affordable housing.

Overarching policy & legislation

Vision 2050 | National Land Use & Development Masterplan (NLUDM) 2020 – 2050 | National Strategy for Transformation (NST 1 (2017-2024))

Vision 2050, the NLUDM and NST1 include highly detailed implementation plans and targets. Many of these are expected within the next three years, by 2024. The NST 1 (2017-2024) is being implemented through 9 sector strategic plans aligned to the priorities of the NST 1 (2017-2024). These include the Financial, Urbanisation and Rural Settlements Strategic Plan.

Housing

- National Housing Policy (2015)
- Urbanisation and Rural Settlement Sector Strategic Plan 2018-2024
- National Informal Urban Settlement Upgrading Strategy (2017)
- Prime Minister’s Instructions Determining the Conditions and Procedures for Obtaining Government Support for Affordable and High Density Housing Projects
- Law No. 20/2011 of 21/06/2011 governing human habitation;
- Law No. 10/2012 of 02/05/2012 governing urban planning and building in Rwanda;
- Law No. 32/2015 of 11/04/2015 relating to expropriation of land in the public interest

Land and Infrastructure

- Revised National Land Policy (2019)
- Urbanisation and Rural Settlement Sector Strategic Plan 2018-2024
- National Land Use and Development Masterplan (NLUDM) 2020 – 2050
- Law No. 43/2013 of 16/06/2013 governing land in Rwanda
- Law No. 03/2013 OL of 16/06/2013 repealing Organic Law No. 08/2005 of 14/07/ determining the use and management of land in Rwanda
- Law No. 24/2012 of 15/06/2012 relating to the planning of land use and development in Rwanda

Finance & Investment

- National Investment Policy (2017)
- The Rwanda Financial Sector Strategy (2018-2024)
- Law N° 05-2015 Governing The Organization Of Pension Schemes
- Law Governing The Organization Of Banking 2017
- Law Establishing The Organisation Of Micro Finance Activities 2008
- Regulation Governing Mortgage Refinance Companies-2020
- Regulation No. 14 of August 2013 on REITs, Regulation No. 20 of July 2016 and Guidelines No. 21 of July 2016 governing the development of REITs

Environment

- Rwanda National Environment and Climate Change Policy (2019)
- Rwanda Green Growth and Climate Resilience Strategy (2011)
- Nat’l Roadmap for Green 2ndary City Development (2015)

Data availability

- Data Revolution Policy (2017-2022)
- ICT Sector Strategic Plan (2018-2024)
- Data Protection Bill (2020)

Gaps in the policy and legislative environment

- The widespread incidence of **rental housing** is not well regulated and disadvantages tenants (eviction, rent hikes, etc.)
- The **NLUDM’s** clarity of purpose is not matched with an implementation framework. This is creating uncertainty for private investors.
- While the Special Economic Zone policy imagines Industrial Parks it fails to address **employee housing** needs
- Given the density expectations of the NLUDM, weaknesses in the **Condominium Law** require attention.
- The **property tax** regime has been identified as a constraint to government’s ability to raise revenue from property taxation.

Vision 2050: Universal access to affordable and decent housing

Rwanda’s vision for 2050 imagines a working housing market in which the housing needs of all Rwandans are met by an array of products that are financed by local investors and a working housing finance sector. While pitching for the delivery of 5,5 million new dwellings, the plan necessitates a comprehensive housing finance strategy that addresses both the demand and supply side.

Vision 2050: Universal access to affordable and decent housing

- Decent settlement for Rwandans will be developed. 56% (2019/20) Rwandans living in rural and urban areas will live in safe and decent settlements. The increase in population comes with an increase for demand of decent housing. By 2050, Rwanda will have a formal housing sector sufficiently available and accessible to all segments of the population.
- The percentage of rural households settled in integrated planned settlements will increase from 67.2% (2017, EICV 5) to 80% by 2024 and 100% by 2035, maintained throughout 2050. Rural settlements will grow in a clustered and densified way with the necessary basic infrastructure, services and facilities.
- With more than 70% of Rwandans projected to be living in urban areas, a national spatial human settlement framework will be established to guide the location, hierarchy and service levels of human settlements in the country, as well as their linkage with each other and with their non-settlement surroundings.
- The housing finance sector will further be improved to develop long-term investment including the insurance industry and long-term savings schemes; mortgage lending, and facilitation of liquidity in mortgage lending through securitisation legislation.
- The target is a steady annual increase of housing units constructed and housing mortgages accessed resulting from the public private partnership schemes. Organizing the demand side of housing will be of paramount importance to ensure asymmetry in market information is addressed. Research into new local construction materials and housing typologies will be developed as a backbone for the roll out of affordable and decent housing countrywide.
- In order to overcome urban sprawl urbanization will largely have to take place in existing settlements which will be upgraded to high density settlements.

Ministry of Finance and Economic Planning (2020), **Vision 2050**, [https://www.nirda.gov.rw/uploads/tx_dce/Vision_English_Version_2050 - 31 Dec 2020.pdf](https://www.nirda.gov.rw/uploads/tx_dce/Vision_English_Version_2050_-_31_Dec_2020.pdf) pp 27-28

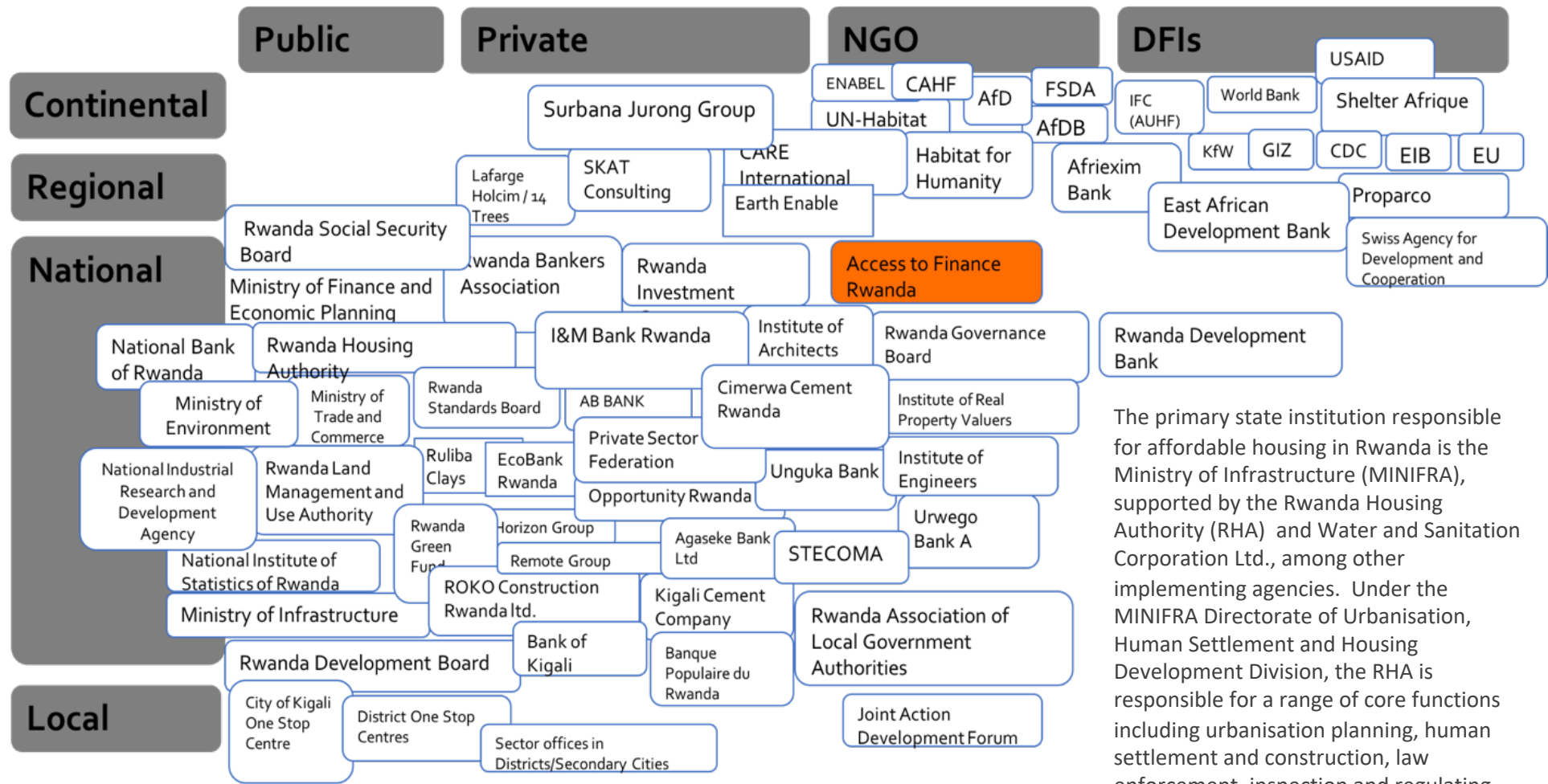
The National Land Use and Development Master Plan (NLUDMP) is a “national spatial planning tool intended to guide the well balanced, integrated and efficient use of land in Rwanda during the implementation of Vision 2050”. By 2050, the NLUDMP targets Rwanda to have a population of 22,1 million (at a growth rate of 2 percent) distributed according to the carrying capacity of the different types of settlements and their specific function in the national economy. To meet the housing needs of 22,1 million people in 2050, the NLUDMP projects that 5,5 million dwelling units will be required. The plan estimates an annual average construction of 150 000 dwelling units from 2020 until 2050, emphasising the replacement and upgrading of existing informal settlements and densifying existing cities and centres before embarking on greenfields developments. To this end, the plan envisions the delivery of 2.7 million new and 1.8 million replacement dwellings over the 30 years.

Housing Type	Levels / Floors	No. units / building	Lot Area	Net Den sity	Dwelling Units
A+ (Detached or Semi-detached)	1	1-2	0.05	40	1,656,000 units in 830 000 buildings
A (Attached)	2	2-4	0.05	80	2 175 000 units in 550 000 buildings
B (Multi-family house)	3-4	5-12	0.1	120	1 000 000 units in 11 000 buildings
C (Multi-family high rise)	5-9	36	0.2	180	370 000 units in 40 000 buildings
D (High rise)	10-22	90	0.3	300	245 000 units in 11 000 buildings

Five Proposed Housing Typologies and their parameters (Source: NLUDMP Pgs. 50-52)

Institutional framework for affordable housing

Affordable housing in Rwanda has been given explicit policy and legislative attention in recent years, supported by a wide and diverse set of public, private and non-governmental institutions operating at both the national and local levels, with strong links also to regional and international operations, through the work of NGOs and development finance institutions.



The breadth and diversity of Rwanda's affordable housing sector is substantial – and yet each player operates in relative isolation. Broken links in key supply chains, and no overall sector coordination in favour of the private sector's role in affordable housing and its financing undermine the potential of the sector to grow.

The primary state institution responsible for affordable housing in Rwanda is the Ministry of Infrastructure (MINIFRA), supported by the Rwanda Housing Authority (RHA) and Water and Sanitation Corporation Ltd., among other implementing agencies. Under the MINIFRA Directorate of Urbanisation, Human Settlement and Housing Development Division, the RHA is responsible for a range of core functions including urbanisation planning, human settlement and construction, law enforcement, inspection and regulating permitting services, and promoting housing investment.

The Urbanisation and Rural Settlement Sector Working Group brings together key stakeholders (government and development partners such as the World Bank) to coordinate their respective initiatives in implementing the Urbanisation and Rural Settlement Strategic Sector Plan (2018-2024). Under the Plan, key state institutions and agencies for affordable housing include but are not limited to the Ministry of Finance and Economic Planning, Ministry of Trade and Industry, Ministry of Local Government, RHA, Rwanda Transport Development Agency, Rwanda Standards Board, City of Kigali and the Districts.

Rwanda Housing Finance Project

The Rwanda Housing Finance Project (RHFP) is a World Bank (International Development Association)-funded initiative approved at the end of 2018. The US\$150 million credit agreement establishes the RHFP with an aim “to expand access to housing finance to households and to support capital market development in Rwanda”.

A key focus of the RHFP is on the structure of Rwanda’s housing finance market, and the capacity for financial intermediation beyond the banking sector. To this end, a Rwanda Mortgage Refinancing Company (RMRC) has been considered along the lines of similar liquidity facilities in Kenya, Nigeria, Tanzania, Egypt and the WAEMU region. The expectation is that the liquidity facility would be capitalised with funds from the RHFP together with an investment from the government of Rwanda, and local participating banks. By participating in the RMRC, lenders would be able to access capital for mortgage lending at a rate of 6 percent, enabling them to on lend this to eligible beneficiaries at an interest rate of 11 percent over twenty years, and with a 10 percent deposit – terms not yet achieved in Rwanda’s mortgage market.

As of June 2020, five banks (Bank of Kigali, Zigama CSS, Bank of Africa, Kenya Commercial Bank, and NCBA Bank) had signed participation agreements and another four (I&M Bank, Banque Populaire du Rwanda, Access Bank, and Cogebanque) had expressed interest in participating. **Regulations governing the Rwanda Mortgage Refinance Company’s activities were approved by the National Bank of Rwanda and gazetted in June 2020.**

Ahabwe, Emmanuel (2021) Rwanda Housing Finance Project at a Glance. Presentation dated 25 March 2021.

The World Bank. (2020). Integrated Safeguards Data Sheet. Rwanda Housing Finance Project. <http://documents1.worldbank.org/curated/en/850051603747686617/pdf/Restructuring-Integrated-Safeguards-Data-Sheet-Rwanda-Housing-Finance-Project-P165649.pdf>.

Regulation No. 33/2020 of 08/06/2020 Governing Mortgage Refinance Companies

The focus of the RHFP is on households with monthly incomes of between RWF200 000 – RWF700 000, with the expectation that through the financing terms enabled by the RMRC they would be able to access housing of between RWF10 million – RWF35 million.

A key challenge facing the implementation of the RHFP, however, has been the limited supply of affordable housing – a problem similarly faced in other countries where the World Bank has made similar interventions. A World Bank review of the programme highlights that the anticipated project pipeline has not been forthcoming, primarily due to delays in the provision of infrastructure, and the impact of the Covid19 pandemic on implementation capacity broadly.

The BRD notes that the constrained supply of affordable housing is due to the underlying business model which challenges real estate developers’ affordability. High development costs relating to both building materials and the development process, together with high land costs and inefficient taxation arrangements all put pressure on the margins that developers can realise when delivering affordable housing. These are issues that the RHFP can address through its technical assistance programme. They will require a careful review of and engagement with blockages along the entire housing value chain.

Given the challenges, there have been new considerations towards shifting some of the RHFP funds (US\$ 30 million) explicitly towards infrastructure, drawing on the capacity of the Rwanda Housing Authority (RHA) for its implementation. The BRD has signed a Memorandum of Understanding with the RHA. To date, however, infrastructure subsidies have not yet been awarded to approved projects.

Ongoing initiatives by and with local stakeholders

MININFRA and World Bank co-chair an Urbanization Sector Working Group to coordinate activities and investments in the sector, including those related to Affordable Housing. Members include NGOs, DFIs and the private sector.

Housing Policy : Guidelines and implementation

MININFRA continues to lead the policy work related to affordable housing in Rwanda, particularly as it relates to the WB portfolio. Current work includes revision of the PM instructions for affordable housing subsidies, drafting of ministerial instructions, real estate management guidelines and an implementation guide for infrastructure subsidies.

RHA to continue rural resettlement (IDPMV) and draft informal settlement studies to support upgrading initiatives in CoK.

BRD to supervise a WB-funded consultancy to develop housing typologies and national guidelines for affordable housing

UNHabitat drafted the Kigali Citywide Upgrading Strategy to support CoK in addition to developing a roadmap for GoR's sustainable cities program.

The World Bank (WB) continues to support GoR in the rollout of Phase III of the Rwanda Urban Development Project (RUDP), aimed at improving infrastructure in Secondary Cities and supporting wetland rehabilitation and upgrading in Kigali's unplanned settlements. In addition, the WB is supporting GoR in establishing the Rwanda Mortgage Refinancing Company (RMRC) to expand housing finance and capital markets in Rwanda. The WB is also supporting MININFRA to develop Sites and Services guidelines for first pilot project and a new national Housing policy.

RHA currently redrafting building materials policy to include adobe for rural home construction with LODA, RSB, EE and others.

Finance

The Rwanda Development Bank (BRD) hosts the SPIU responsible for the implementation of the RHFP and creation of the RMRC, in addition to facilitating local developers to build, 6,000 affordable homes.

MINECOFIN is evaluating whether to finance infrastructure upgrades through municipal bonds.

The economists at the International Growth Center (IGC) support GoR with research and policy papers on urbanization and the housing sector. Recent and upcoming study reports include: 1/ measuring the urban wage premium in Rwanda, 2/ the economics of building materials and 3/ assessing the financial and fiscal sustainability of the PROECCO informal settlement upgrading model

Investment

RDB created a department aimed at attracting local and foreign investment into affordable housing and informal settlement upgrading.

ENABEL (former Belgian Technical Cooperation) is implementing the **Urban Economic Development Intervention (UEDI - 2019)** that is 1/ building social economic infrastructure (roads, markets) in secondary and satellite cities and 2/ supporting NIRDA in building capacity and facilitating access to finance for manufacturers of MiR construction materials (priority in clay, stone and wood value chains)

Capacity Building

RALGA's mandate includes capacity building for local government. They have recently released guidelines on effective land management practices.

Since 2013 GIZ has supported MINICOM in formalizing the wood value chain (Agakiriro program, product sourcing and certification, quality management).

SDC and Skat Consulting Ltd. are implementing the **PROECCO project**, focused on preparing the construction industry for the mass supply of affordable housing through demonstration of neighborhood upgrading, coaching and training in local building material production and construction using cost-effective techniques.

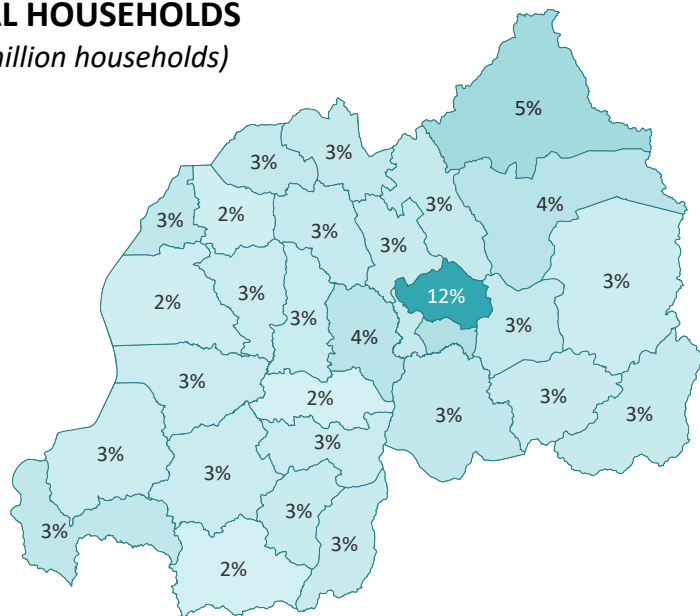
GGGI has developed green building assessment protocols and is supporting landslide and flood management studies.

Overview of demand

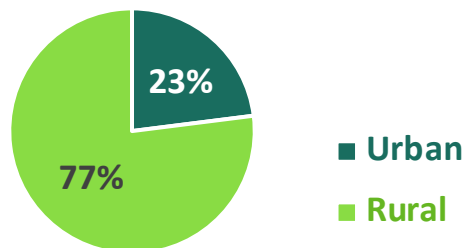
According to FinScope 2020, there are 2.8 million households, of which less than a quarter (23%) live in urban areas). Just under 70% of urban households and more than 90% of rural households own their dwellings. The majority of owners built their dwellings

TOTAL HOUSEHOLDS

(2.8 million households)



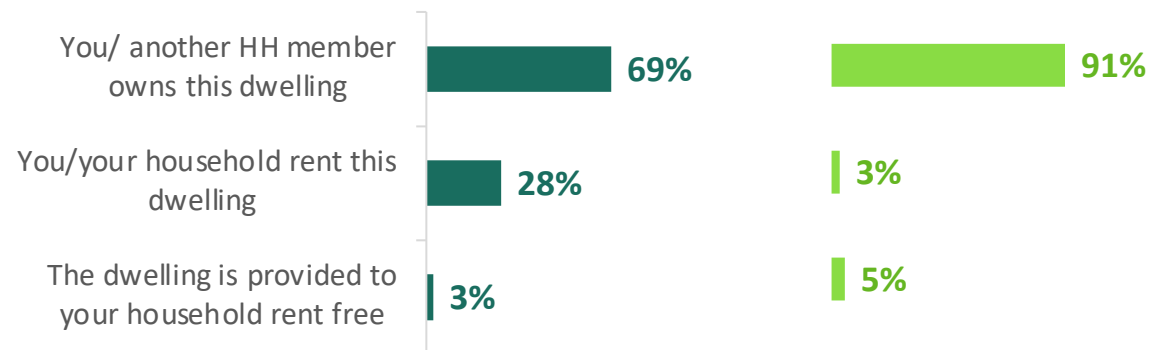
AREA TYPE



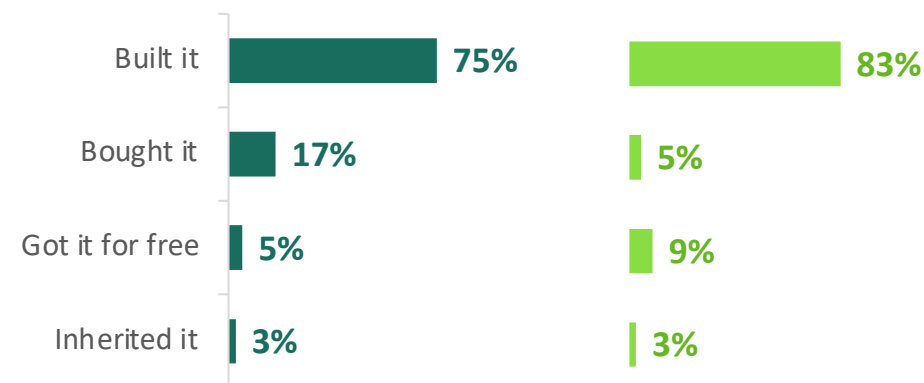
HOUSEHOLD OCCUPANCY STATUS

URBAN HOUSEHOLDS

RURAL HOUSEHOLDS



**HOW DID YOU GET
THE DWELLING?
(OWNERS ONLY)**



**PERCENTAGE OF OWNERS
WHO HAVE A TITLE DEED
FOR THE LAND/ PLOT
(OWNERS ONLY)**



Source: FinScope 2020

Overview of demand

Housing conditions for urban households in the secondary and satellite cities differ widely. According top FinScope, households in Kigali and Huye have better access to services, while households in Rusizi and Nyagatare have limited access to services and just 5% live in dwellings made from improved materials

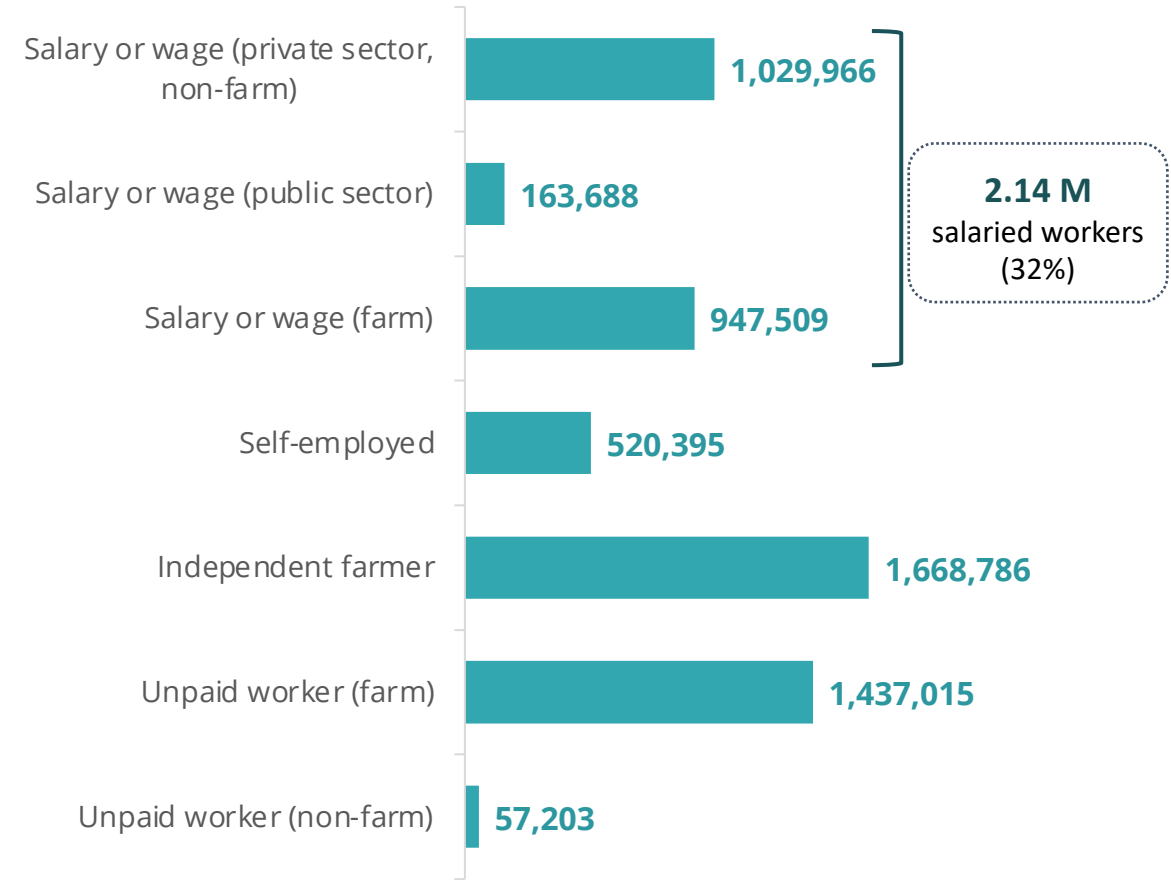
	HOUSING CONDITIONS: URBAN HOUSEHOLDS IN SECONDARY AND SATELLITE CITIES							
	KIGALI	RUBAVU	MUSANZE	RUSIZI	NYAGATARE	MUHANGA	HUYE	BUGESERA
Number of urban households	463,927	25,711	25,090	24,793	11,302	10,966	7,079	5,646
% of households living in improved dwellings	<div><div></div></div> 32%	<div><div></div></div> 12%	<div><div></div></div> 13%	<div><div></div></div> 5%	<div><div></div></div> 5%	<div><div></div></div> 20%	<div><div></div></div> 28%	<div><div></div></div> 7%
% who use electricity for lighting	<div><div></div></div> 95%	<div><div></div></div> 89%	<div><div></div></div> 56%	<div><div></div></div> 68%	<div><div></div></div> 65%	<div><div></div></div> 85%	<div><div></div></div> 90%	<div><div></div></div> 60%
% whose MAIN source of water is piped into dwelling or yard	<div><div></div></div> 75%	<div><div></div></div> 47%	<div><div></div></div> 32%	<div><div></div></div> 21%	<div><div></div></div> 25%	<div><div></div></div> 55%	<div><div></div></div> 65%	<div><div></div></div> 33%
% who have a flush toilet	<div><div></div></div> 38%	<div><div></div></div> 12%	<div><div></div></div> 5%	<div><div></div></div> 4%	<div><div></div></div> 2%	<div><div></div></div> 11%	<div><div></div></div> 31%	<div><div></div></div> 11%
% which are overcrowded*	<div><div></div></div> 5%	<div><div></div></div> 6%	<div><div></div></div> 3%	<div><div></div></div> 14%	<div><div></div></div> 9%	<div><div></div></div> 4%	<div><div></div></div> 5%	<div><div></div></div> 8%

Source: FinScope Rwanda 2020
*Over-crowding is defined as more than 3 adults per sleeping room

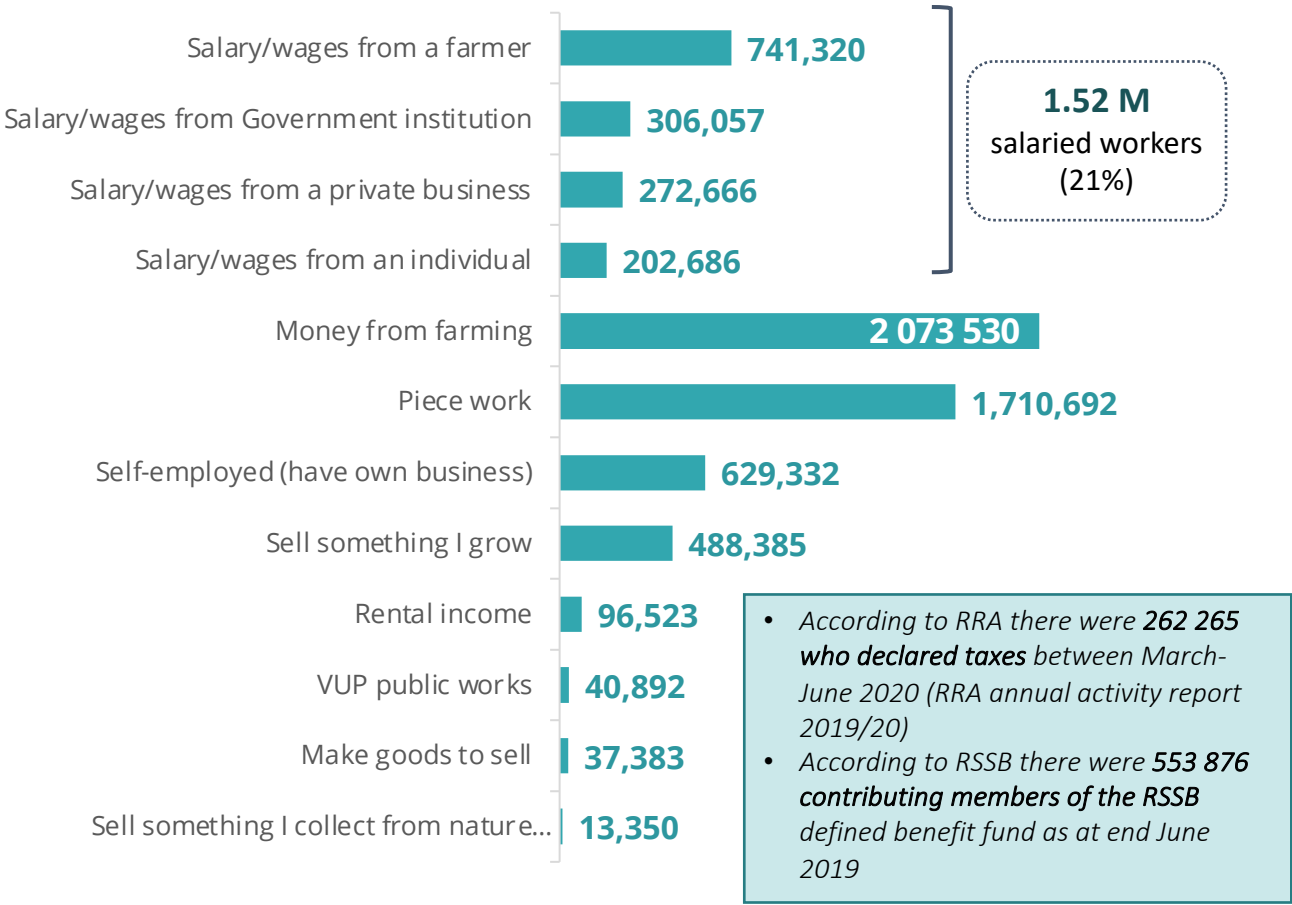
Overview of demand

According to EICV 5, around 2.1 million adults (32% of all adults) say their main income source is a wage or salary. FinScope 2020 estimates the total to be around 1.52 million (21%). The discrepancy may be due to some 'piece workers' being included as salary or wage earners in the EICV data, or some farm workers classifying themselves under 'money from farming' in FinScope

EICV5 (2016): MAIN OCCUPATION
(All adults 16+; 6.76 million)

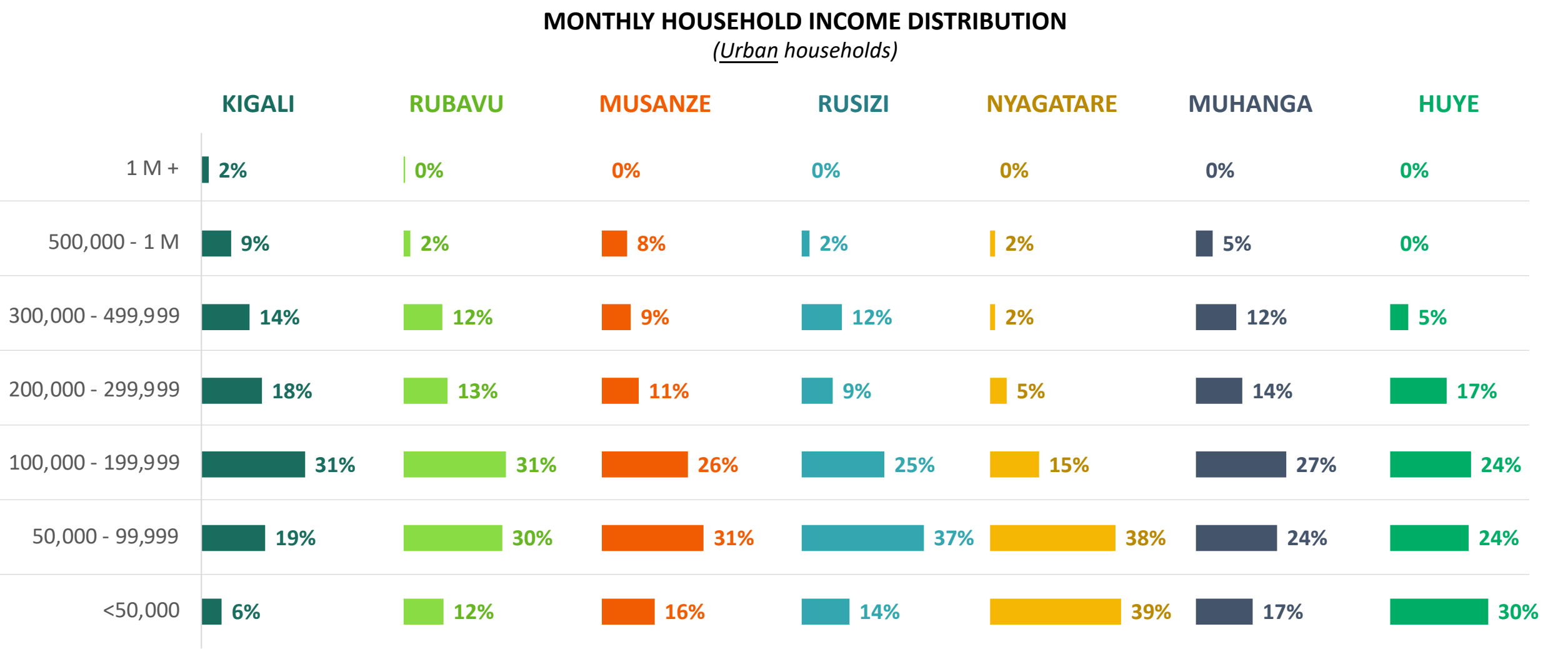


FINSCOPE (2020): MAIN OCCUPATION
(All adults 16+; 7.13 million)



Overview of demand

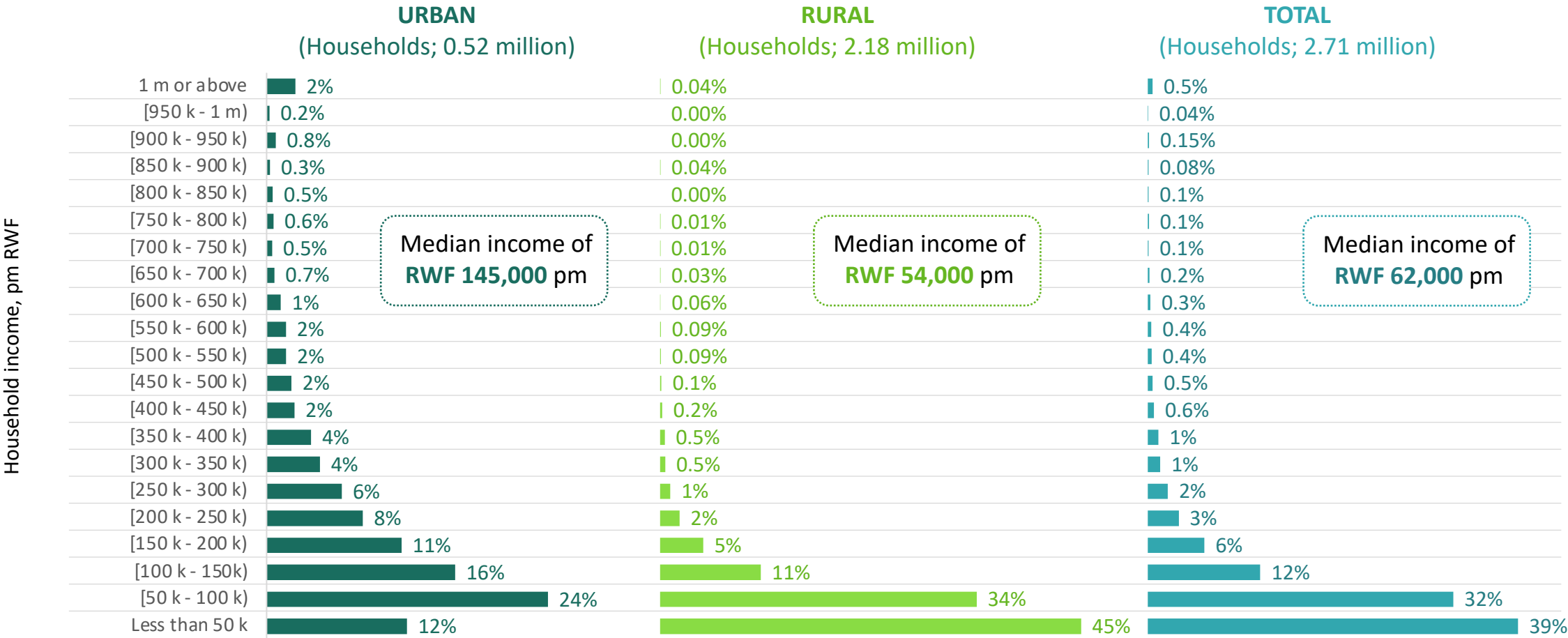
Estimated monthly household incomes based on EICV 5 data show that income distributions for urban households in the secondary and satellite cities also differ widely. Urban areas in Kigali and Musanze contain the wealthiest households, while Nyagatare contains the poorest



Overview of demand

Most households have a monthly income below RWF 100,000 (approx. 100 USD). Household incomes in urban areas are noticeably higher than incomes in rural areas

MONTHLY HOUSEHOLD INCOME* DISTRIBUTION



% with a monthly HH income of between RWF 200,000 and RWF 700,000 (target segment for mortgage loans under the GoR's strategy on affordable housing finance)

32%

5%

10%

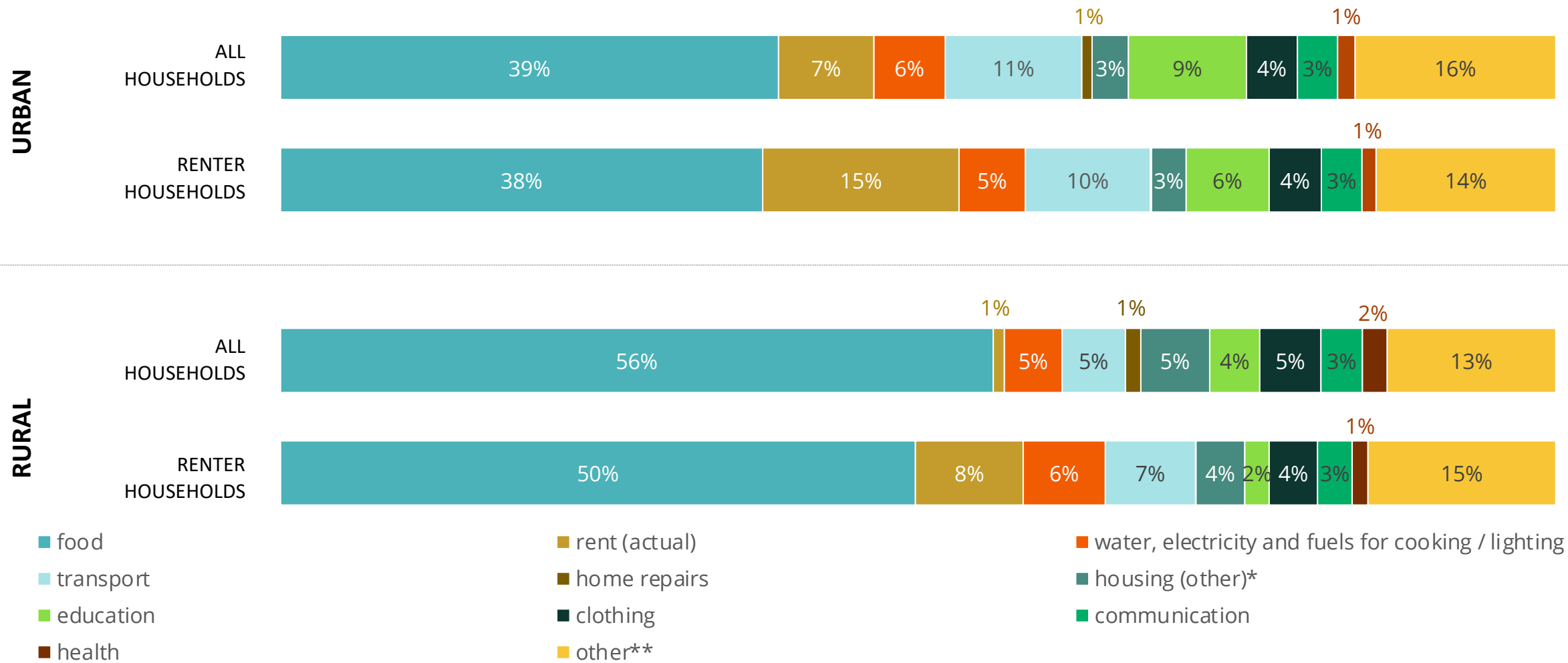
Source: EICV 5 2016

Note*: Household expenditure has been used to estimate incomes.
Amounts have been inflated from 2017 to 2021

Overview of demand

The breakdown of expenditure for urban and rural households indicates that urban renter households spend 15% of their total expenditure on rent, whereas rural renter households contribute 8% to rent. Given that such a high proportion of expenditure is allocated to food, it is unlikely that households can afford to allocate 30% of their incomes to housing

EXPENDITURE

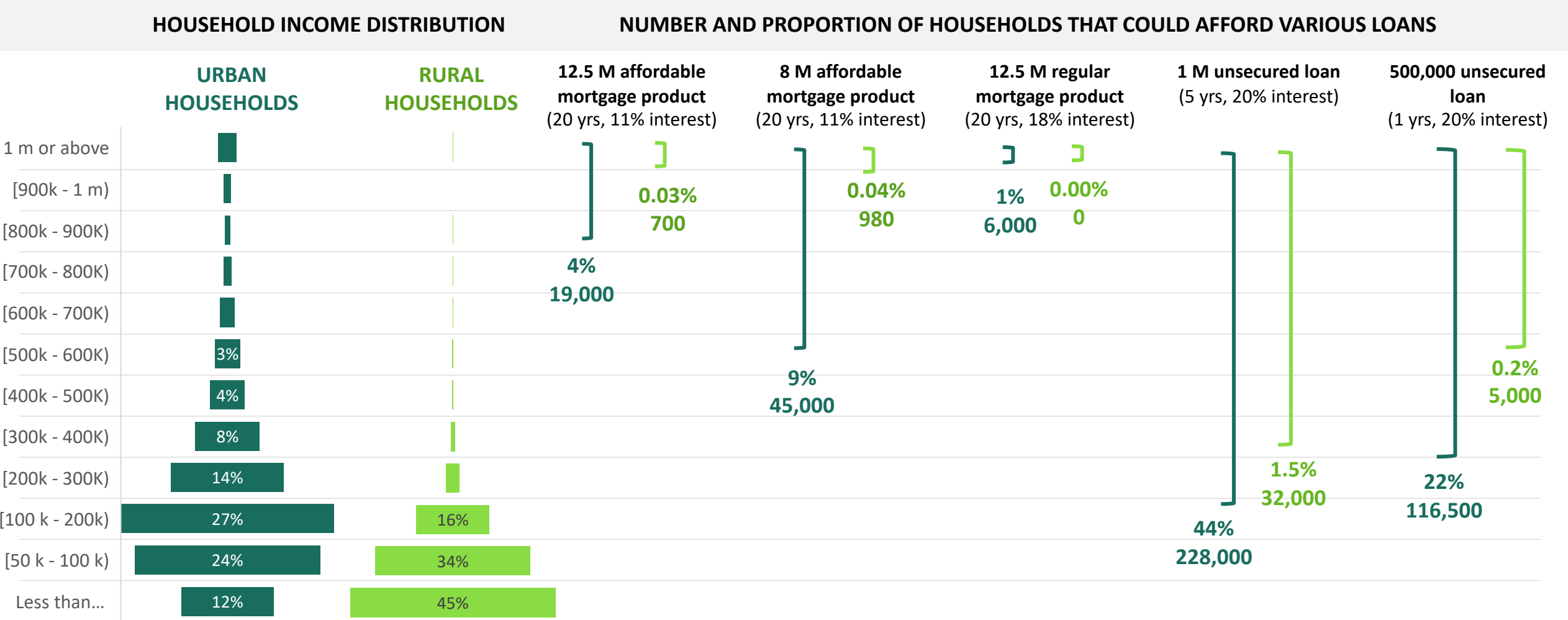


Source: EICV 5
*Housing (other): furnishings, appliances, domestic cleaning and hygiene
**Other: Equipment maintenance, recreation, alcohol and tobacco, miscellaneous

Overview of demand

The main barrier keeping households out of the market enablement zone is affordability. Mortgage loans are unaffordable for most. Even smaller construction loans are beyond most households' incomes.

Affordability is generally calculated by using the general assumption that household can contribute 30% of their monthly income to loan repayments. However, as shown previously, Rwandan households contribute significantly less than this to housing. Using the average percentage of expenditure allocated to rent as a proxy for housing finance affordability (**15% for urban households** and **8% for rural households**), affordability has been assessed for five different products below.



Overview of supply: Rwandan formal housing stock

A sampling of existing and pipeline housing supply revealed a somewhat diverse housing delivery sector that is currently not achieving the outcomes anticipated by Vision2050's housing aspirations.

2007 - 2021

Developer	Project Name	Year Started	Year Completed	Public Private PPP	Total no. Projects	Completed DUs	Ongoing DUs	Typology	Sales Price Mio FRW	Rental	Access Capital Markets	Subsidy
Large Developer with International Backing												
Shelter Afrique / Remote Group	Rugarama Park Estates	2019	paused	Private	1	0	1,960	1 – 3BHK	12 - 35			Infrastructure from GoR
Shelter Afrique	Rugarama Park Estates	2020	ongoing	Private	1	0	840	1 – 3BHK	15 - 35			Infrastructure from GoR
Remote Group	Masaka Fields Estate	2017	paused	Private	2	0	260	1 – 4BHK	20 - 61			Infrastructure from GoR
Homart Group	Phoenix, Rose Hill, Emerald, etc.	2019	ongoing	Private	5	108	TBD	0 – 4BHK	42 - 117	✓		
KFW / GoR	Green City Kigali	2020	ongoing	PPP	1	0	1,650	1 – 3BHK	TBD			TBD
NextGen Developers	Ubuntu Affordable Housing Project	2019	paused	Private	1	1	120	2 – 4 BHK	18 - 55		No	Infrastructure from GoR
Local Developers: + 100 DU												
Rwanda Social Security Board	Umucyo Estates	2009	2012	Private	1	122	0	3BHK	70		No	
	Vision City (Phase 1) via UDL	2013	2019	Private	1	504	3950	1 – 5 BHK	166 - 500		No	- 60% for civil servants
	Batsinda I	2007	2009	Private	1	250	0	2BHK	3.5		No	- 50% for buyer
	Batsinda II	2015	ongoing	PPP	1	0	536	2 – 3BHK	40+		No	AfriPrecast discount
John Dubai	Urukumbuzi Estates	2013	2016	Private	1	300	0	2 – 3BHK	28 - 40		No	valley access for bricks
	Rusororo Estates	2016	ongoing	Private	3	200	50	2 – 4BHK	20 - 60		No	
Vincent Sekimondo	Gatehill Estates I and II	2014	2016	Private	2	75	0	3BHK	60		No	
	Kanombe Estates	2017	paused	Private	2	125	0	2 – 4BHK	45 - 56		No	
Paul Karangwa	Kigali Top Mountain	2007	2015	Private	1	100	0	4BHK	125		No	
Local Developers: 50 - 100 DU												
Oxypro	Karibu Homes	2014	2016	Private	1	64	0	-	100		No	
Geoffrey Byegeka	Rubirizi Homes	2014	2016	Private	1	60	0	4BHK	60		No	
DND Developers Triangle RE	DND Development Phase I, II and III	2015	ongoing	Private	3	50	14	2 – 4BHK	75 - 160		No	
Local Developers: 10 - 50 DU												
Real Contractors / CVLD	Gisozi Apartments	2015	2016	Private	1	32	0	3 – 4 BHK	100 - 120		No	
Thomas & Piron	Sunset Estates	2010	2013	Private	1	23	0	3 – 5BHK	132 - 172		No	
Real Contractors / CVLD	Kabuga Estate	2009	2012	Private	1	79	0	3 – 4 BHK	80		No	
Real Contractors	Gacuriro	2007	2009	Private	1	6	0	4BHK	93		No	
Recobuilders Ltd	Kanombe Housing Project	2019	ongoing	Private	1	6	13	3BHK	TBD		No	
Bwiza Projects Limited	Valleyview Estates	2019	ongoing	Private	1	4	12	2 – 4BHK	75+		No	
Solaria	Solaria	2019	ongoing	Private	1	0	42	2 – 3BHK	TBD		No	

Overview of supply: Rwandan formal housing stock

A field study of housing supply revealed a somewhat diverse housing delivery sector that is currently not achieving the outcomes anticipated by Vision2050's housing aspirations.

2007 - 2021

Developer	Project Name	Year Started	Year Completed	Public Private PPP	Total no. Projects	Completed DUs	Ongoing DUs	Typology	Sales Price Mio FRW	Rental	Access Capital Markets	Subsidy
FINDING 01 Fewer than 5,000 DU delivered through traditional developer-driven channels over a 10-year period, be they local or international <i>>> Housing being provided by micro-developers in the formal and informal sector</i>												
Large Developer												
Shelter Africa	Shelter Africa	2019			1	0	1,960	1 – 3BHK	12 - 35			
Shelter Africa	Shelter Africa	2019				0	840	1 – 3BHK	15 - 35			
Remote Growth	Remote Growth	2019				0	260	1 – 4BHK	20 - 61			
Homart Group	Homart Group, etc.	2019				108	TBD	0 – 4BHK	42 - 117			
KFW / GoR	KFW / GoR	2019				0	1,650	1 – 3BHK	TBD			
NextGen Development	NextGen Development Project	2019				1	120	2 – 4 BHK	18 - 55			
FINDING 03 With the exception of Batsinda I by RSSB, no large-scale housing project has successfully delivered affordable units below 15 million FRW <i>>> Developers do not view affordable housing as profitable despite high demand</i>												
Local Developer												
Rwanda Social Housing	Rwanda Social Housing via UDL	2019				122	0	3BHK	70			
		2019				504	3950	1 – 5 BHK	166 - 500			
		2019										
		2019										
John Dubai	Urukumuzi Estates	2019										
Vincent Sekimondo	Vincent Sekimondo	2019										
Paul Karangwa	Paul Karangwa	2019										
FINDING 02 Delays in providing infrastructure subsidies have delayed or stalled major developer housing projects in the pipeline <i>>> Lack of implementation guidelines/instructions for subsidies</i>												
Local Developers: 50 - 100												
Oxypro	Oxypro	2014	2016	Private	1							
Geoffrey Byegeka	Geoffrey Byegeka	2014	2016	Private	1							
DND Developers Triangle	DND Developers Triangle	2015	ongoing	Private	3							
Local Developers: 10 - 50												
Real Contractors / CVLD	Real Contractors / CVLD	2015	2016	Private	1							
Thomas & Piron	Thomas & Piron	2010	2013	Private	1							
Real Contractors / CVLD	Real Contractors / CVLD	2009	2012	Private	1							
Real Contractors	Real Contractors	2007	2009	Private	1							
Recobuilders Ltd	Recobuilders Ltd	2019	ongoing	Private	1						No	
Bwiza Projects Limited	Bwiza Projects Limited	2019	ongoing	Private	1						No	
Solaria	Solaria	2019	ongoing	Private	1	0	42	2 – 3BHK	TBD		No	
FINDING 04 Formal (built-to-code) rental housing is being offered at only the highest end of the income pyramid <i>>> Loan conditions and regulations do not favour development of rental housing at scale</i> <i>>> Robust analysis of informal rental housing market required</i>												

SUPPLY SIDE ANALYSIS METHODOLOGY

1. Analyze formal and informal housing delivery channels to determine Rwanda's main housing Submarket
2. Complete analysis of value chain for each submarket to better understand delivery failures and identify opportunities that will promote inclusivity and formalization, while enabling scale-up of formal delivery channels
3. Aggregate demand-side data audit (EICV) with field study to develop more accurate profile of actors in need of support

Overview of supply: value chain mechanics

The IDP model village programme has been tremendously successful in structuring an efficient and effective supply chain in support of maximizing affordability and facilitate socio-economic transformation of rural and peri-urban areas. The model offers useful lessons for private sector supply chains also seeking to target the affordable market.

INTEGRATED DEVELOPMENT PROGRAMME

Government of Rwanda Model Housing Villages



PROGRAM MISSION

Initiated in 2010, Rwanda's Integrated Development Programme (IDP Model Village) was designed to promote proper human settlement in rural areas. In 2016, GoR extended this mandate, announcing that all thirty districts nationwide should also accommodate an urban community model village. As of 2021, settlements (both rural and urban) have been constructed in all 30 of Rwanda's Districts.

The successful delivery of more than 28,000 units in 222 settlements over a 10-year period is the result of an **efficient and closely monitored supply chain** involving agencies and actors at all levels of government, from planning, design through construction.

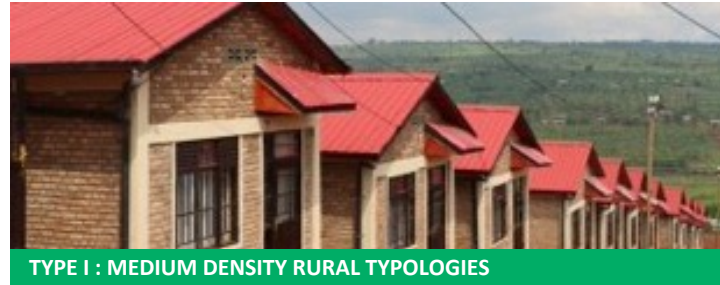
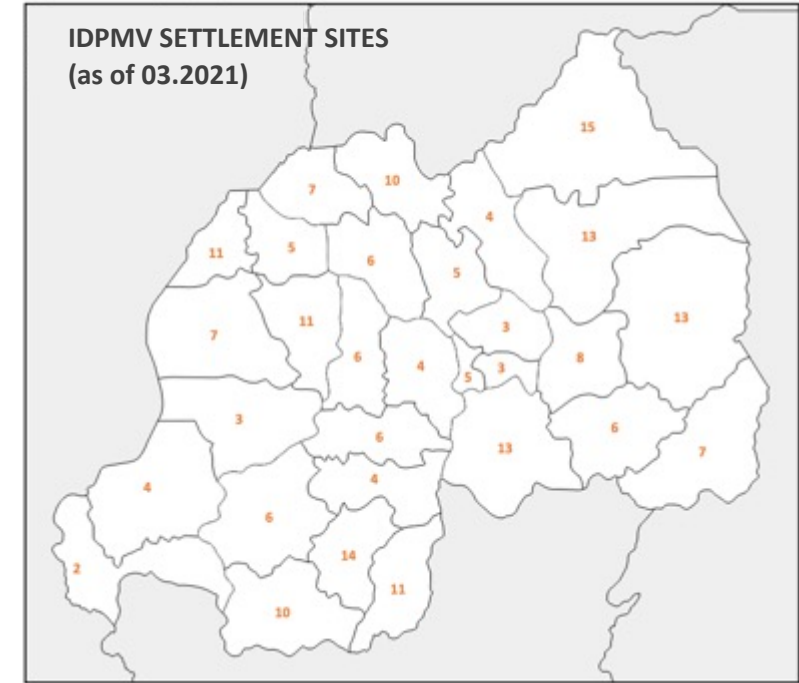


Fig 1. Available typologies vary based on context



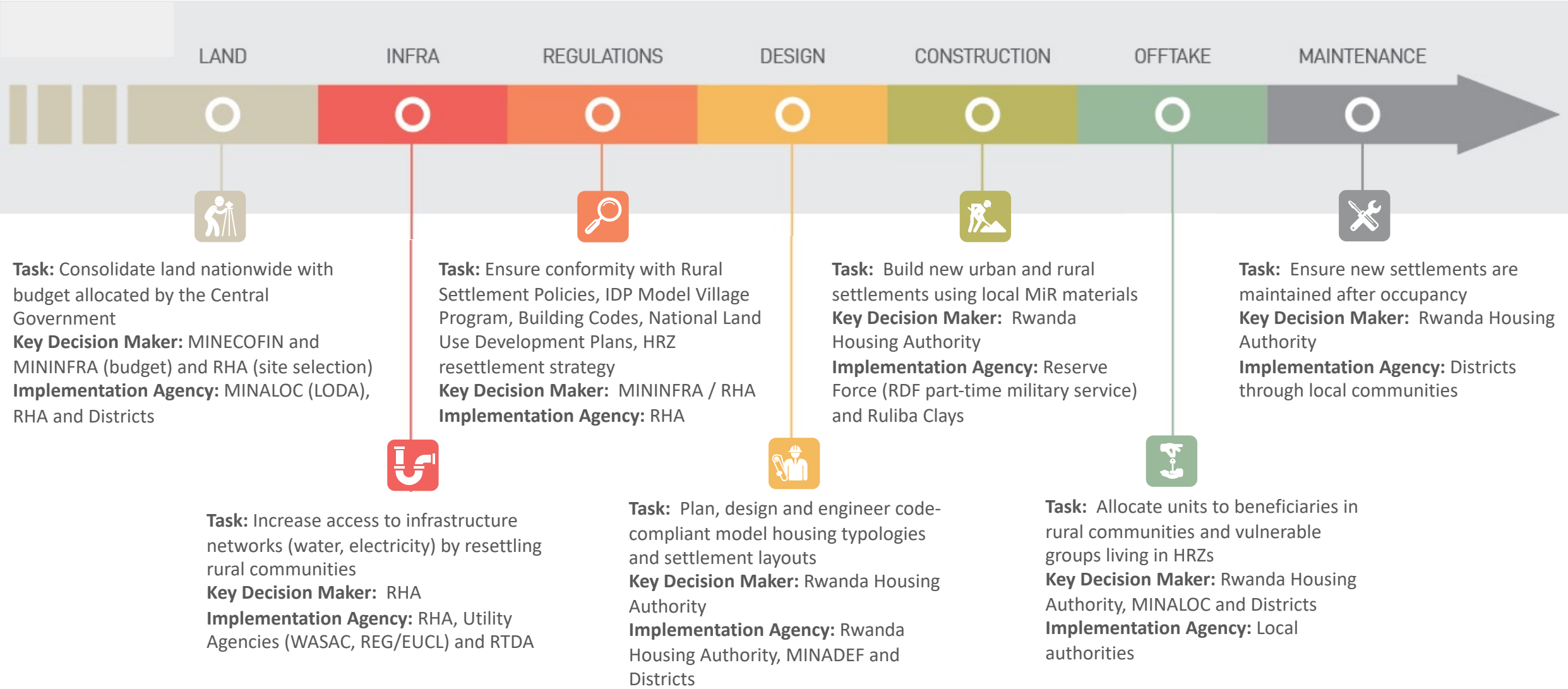
- Model villages constructed in **30** out of **30** Districts
- Typologies and settlement layouts designed and approved by Rwanda Housing Authority
- Eligibility criteria tailored to vulnerable households in high-risk zones or low-income groups (as defined by Ubudehe categories)
- **12,508** HH's accommodated in Eastern Province, nearly half of the national total
- All-inclusive settlement model gives residents access to health and social services, infrastructure and economic opportunities.

Overview of supply: value chain mechanics

Rwanda’s IDP model village program is an important example of a robust and complete housing value chain. What lessons could it yield for the private sector?

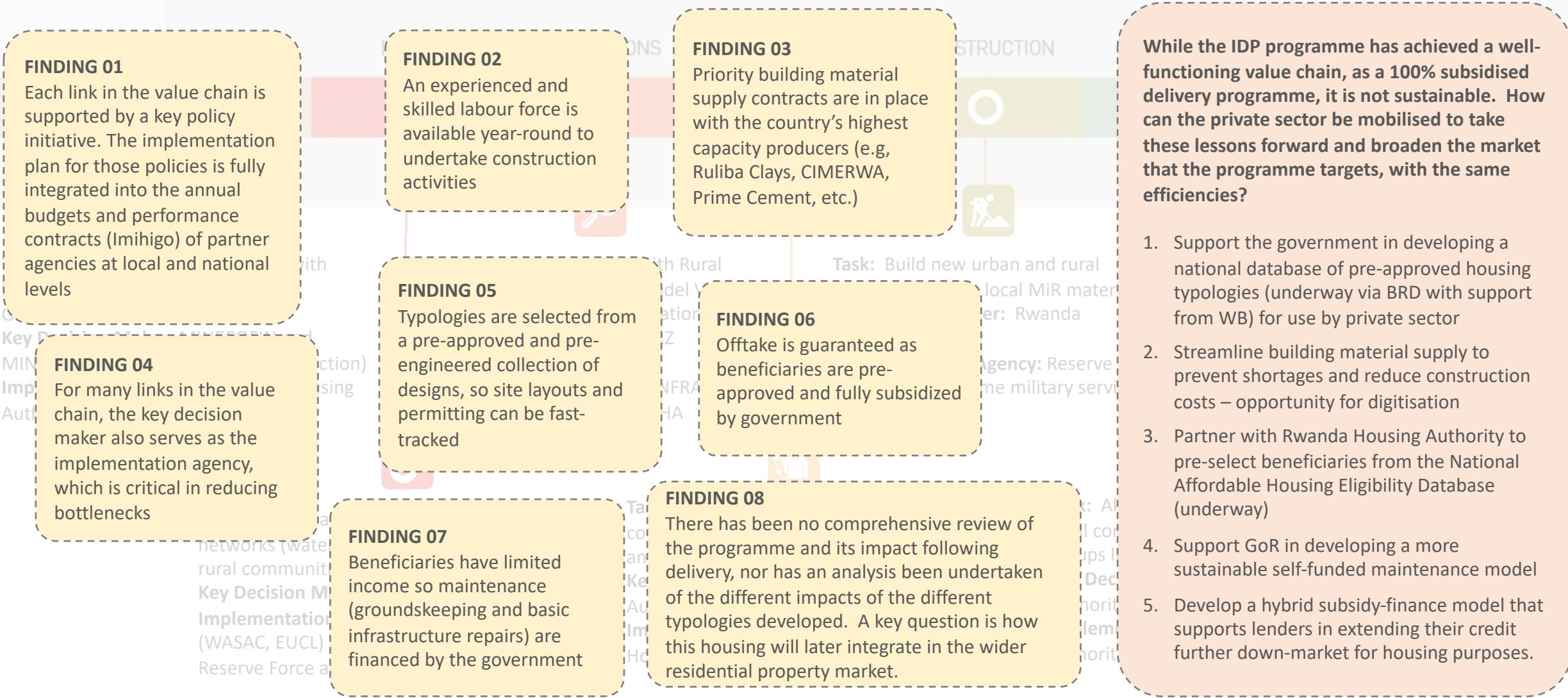
CASE STUDY

IDP MODEL VILLAGE PROGRAM



Overview of supply: value chain mechanics

Rwanda's IDP model village program is an important example of a robust and complete housing value chain. What lessons could it yield for the private sector? And how might the private sector support and scale this effort?



Key observations and questions







- State institutions remain heavily involved in all levels of the housing supply chain, from building material production, infrastructure provision and construction. Consequently, the biggest supplier of housing since 2010 has been the Government of Rwanda, through the IDP Model Village Program. The financial incentives offered by GoR to the private sector are not sufficiently attractive for developers to establish similar supply chains profitably.
- Extending the concept of the IDP Model Village Programme to a wider segment of the market, explicitly engaging the private sector in a hybrid subsidy-financing arrangement, offers a potential opportunity to build the capacity of Rwanda's housing supply sector.
- Rwandan culture still places a premium on home ownership, therefore alternative pathways to acquire a home (e.g., rent-to-own) remain high on the list of products to consider. Could such products also incentivize buyers to acquire multi-family low-rise high-density homes despite a marked preference for single-family home solutions?
- Access to developable land remains one of the primary bottlenecks for scaling-up the supply of affordable housing. With 90% of land in Rwanda owned by private entities, assembling large swaths of land for development, especially in areas connected by road and infrastructure networks, remains a challenge. Consequently, for the last 10+ years, local housing developers have delivered the majority of formal houses to the market by developing private land (in many cases, previously owned/inherited, which limits their financial exposure). This requires attention – there is a clear need for land consolidation regulations to avail land to builders.
- The construction industry could benefit from more formalization, particularly as it relates to property transactions (valuation, taxation, sales, and rental) and construction labour.
- Although permitting data on Kigali and Secondary and Satellite Cities provides insights into the quantity of housing being delivered through formal channels, construction activity by individual households is invisible.

Six housing submarkets

Segmenting the supply side into six housing submarkets that reflect the diversity of housing form and type and tenure across Rwanda.










SUBSTANDARD / INFORMAL						FORMAL
	Homeowner / incremental: rural + peri-urban	Backyard landlord/ unplanned settlement : urban	Household Landlord : urban	Employee housing : urban	Small-scale developer : urban	Large-scale developer : urban
MORPHOLOGY						
STRUCTURES						
TYPOLOGIES	 Mud brick shelter	 Informal House	 Bungalow	 Housing Block	 Villa	 Rowhouse
TYP. CON. COST	FRW 60,000 – 70,000 /m2	FRW 75,000 – 160,000 /m2	FRW 150,000 – 350,000 /m2	FRW 150,000 – 350,000 /m2	FRW 400,000 – 650,000 /m2	FRW 550,000 – 920,000 /m2
TYP. UNIT SALE PRICE	Owner-occupied	Owner-occupied	20 - 50,000,000 FRW	N/A	50 - 100,000,000 FRW	100 – 400,000,000 FRW

Six housing submarkets

SUBSTANDARD / INFORMAL						FORMAL
SUB-MARKET	Homeowner / incremental: rural + peri-urban	Backyard landlord / unplanned settlement : urban	Household Landlord : urban	Employee housing : urban	Small-scale developer : urban	Large-scale developer : urban
						
DESCRIPTION	Owner-occupied single family homes built with mud bricks, mud cob and/or mud and mesh in peri-urban and rural communities across the country. Housing is constructed incrementally, with continuous upgrades provided through own-labour or local masons. Homes are designed to serve as accommodation but also as storage for business products (livestock, harvest, etc.).	Housing constructed in dense urban settlements on plots with limited direct access to formal transport and infrastructure. Rudimentary housing self-financed by owners and built by local masons with recycled materials made available by owner. Plots in most popular neighbourhoods typically include multiple rental rooms/units and may accommodate some commercial activity.	Centrally located housing delivered as urban infill along spinal roads, with better access to public transport routes. These are the next step up after unplanned settlements. Many property owners develop units for rental as a way of supplementing their income. Although the model fails to achieve economies of scale, it is popular because it creates income-earning opportunities for entrepreneurial landlords.	Housing constructed in proximity of special economic zones and manufacturing districts as designated in National Land Use Master Plan, District Development Plans and City Master Plans. Dense multi-story housing block for workers (who may travel back to the village on the weekends). Ready access to public transport networks. Housing provided by companies established in the industrial clusters.	Mid-range houses in small serviced estates built-to-code and eligible for government subsidies. Common model among local developers with access to finance. No rental options, direct sales preferred in order to ensure a quick return. Scale and affordability remain a challenge due to weak supply chains, high cost of capital and limited end-user finance.	Higher quality housing that remains unaffordable to majority of the population. Target market is largely foreigners and diaspora with a rental component for expats and consultants. Delivers the highest share of rental units in the formal sector. Developer typically has access to foreign capital.

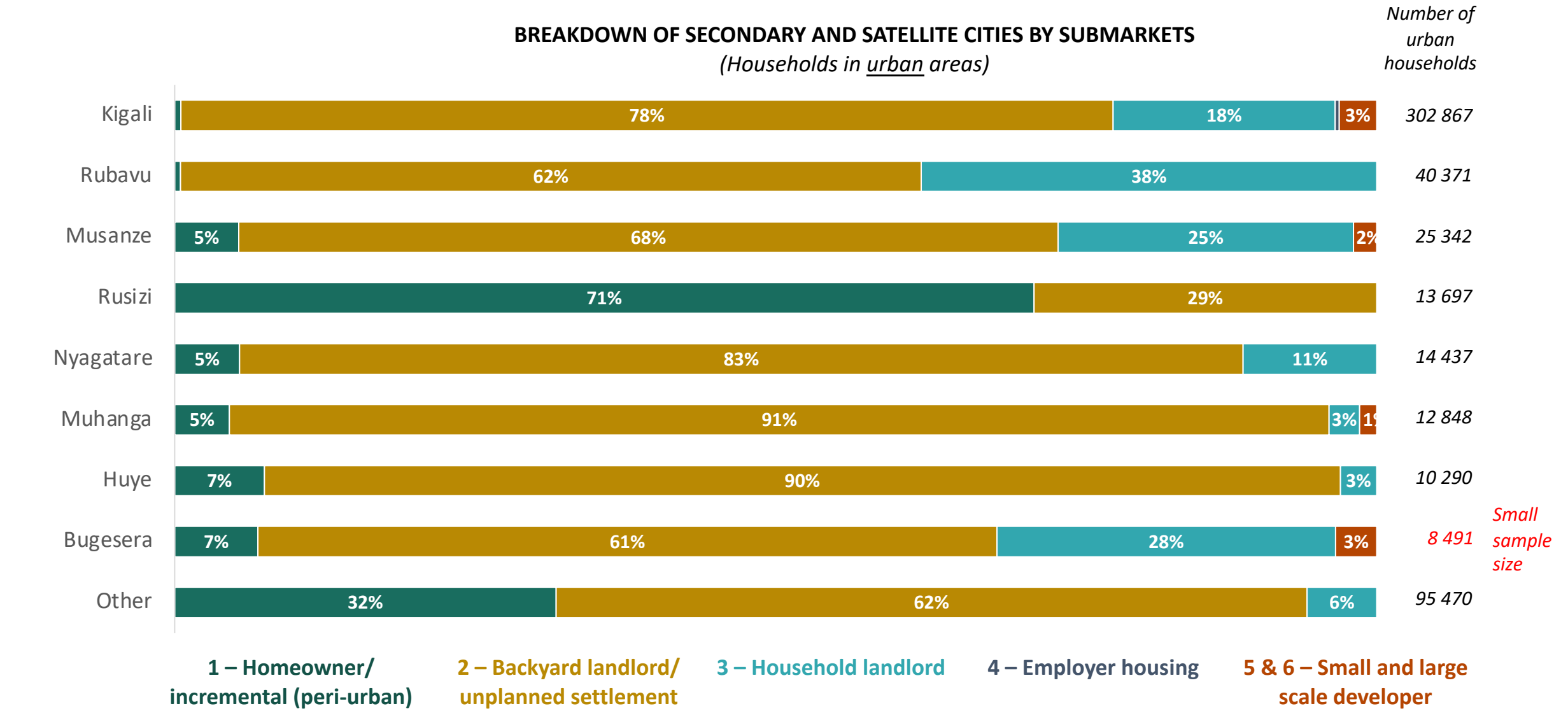
Six housing submarkets

EICV 5 data has been used to segment households into the six submarkets to provide an estimate of the size of each submarket. The distinction between submarkets can at times be blurry, for example the distinction between submarkets 2 and 3 (backyard landlords and household landlords), therefore segment sizes are an estimate based on various criteria described below:

SUBSTANDARD / INFORMAL						FORMAL
SUB-MARKET	Homeowner / incremental: rural + peri-urban	Backyard landlord / unplanned settlement : urban	Household Landlord : urban	Employee housing : urban	Small-scale developer : urban	Large-scale developer : urban
SURVEY DEFINITION	 <ul style="list-style-type: none">Households in rural areasTo identify 'peri-urban', households in urban areas where habitat type is "Isolated rural housing", "Unplanned clustered rural housing", or "Small settlement" have been included	 <ul style="list-style-type: none">Households in urban areasLive in "unplanned settlements"OR housing conditions are sub-standard; have a pit latrine without a slab, main source of water is not piped or from a public tap, walls are not cement bricks, oven fired bricks or mud bricks with cement)	 <ul style="list-style-type: none">Households in urban areasHousehold income is less than RWF 300,000 per monthOR household income is above RWF 300,000 per month but there is no flush toilet or the walls are not made of oven fired bricks or cement bricks	 <ul style="list-style-type: none">Households in urban areasHousing is provided by employer	  <p><i>Small and large scale developers have merged due to their small size and difficulty in splitting them using the survey data</i></p> <ul style="list-style-type: none">Households in urban areasMust have a flush toiletWalls made of oven fired bricks, cement bricks or ABTsHousehold incomes must be over RWF 300,000 per month	
ESTIMATED HOUSEHOLDS	 ~2.23 million	 ~0.38 million	 ~87,000	~1000	~10,500	
% OF TOTAL HHs	82%	14%	3%	0.04%	0.4%	
% OF URBAN HHs	9%	72%	17%	0.2%	2%	

Six housing submarkets

Urban areas in Kigali, Bugesera and Musanze have the largest proportion of developer housing. However, this still only makes up 3% or less of households. Urban areas in Rubavu have the largest proportion of household landlords



2. KEY ISSUES FOR CONSIDERATION

- Gaps in the value chain
- Affordability
- Capacity
- Economic impact
- Data

Gaps in the value chain

The government of Rwanda’s IDP Model Village programme (submarket 00) exemplifies an efficient housing delivery model, with good engagement at each link of the housing delivery value chain. Outside of this success, however, key gaps exist in different links for each of the six submarkets. Addressing these is the key to enabling the affordable housing sector.


















Gaps in the value chain: potential interventions

At the same time, the targeted delivery of finance can influence the shape and character of the value chain, and improve outcomes.



Affordability

Affordability is a serious constraint that will challenge the realisation of Vision2050’s housing goals. The pending, RMRC-supported “affordable mortgage loan”, which specifically targets households with a monthly income of between RWF 200,000 and RWF 700,000 is not affordable for that income group based on the assumptions used; just 5% of households in that income group could afford a RWF 8 million loan assuming they are able to contribute 14% of their income to loan repayments. Given this, greater attention must be given to the role of shorter-term, unsecured loans of smaller amounts that support an incremental housing process.

		Affordable mortgage product (20 years, 11%)			Banque Populaire du Rwanda mortgage (20 years, 18%)			Zigama mortgage (25 years, 15%)		
Monthly household income group	% of income that can be contributed to repayments*	8 million loan	12.5 million loan	20 million loan	8 million loan	12.5 million loan	20 million loan	8 million loan	12.5 million loan	20 million loan
RWF 1M or more (0.5% of households)	16%	 13 581 (100%)	 13 581 (100%)	 6 326 (47%)	 13 581 (100%)	 7 362 (54%)	 3 225 (24%)	 13 581 (100%)	 12 723 (94%)	 5 031 (37%)
RWF 700,000 – 1M (0.6% of households)	19%	 15 907 (100%)	 15 907 (100%)	0	 15 907 (100%)	0	0	 15 907 (100%)	 7 505 (47%)	0
RWF 200,000 – 700,000 (10% of households)	14%	 13 591 (5%)	0	0	0	0	0	0	0	0
RWF 100,000 – 200,000 (18% of households)	12%	0	0	0	0	0	0	0	0	0
Less than RWF 100,000 (71% of households)	12%	0	0	0	0	0	0	0	0	0

Source: EICV 5
Note* Based on renter households proportion of total expenditure on rent

Capacity

The number of registered real estate companies in Rwanda increased by 2,500% between 2014 and 2017, a clear sign that the market is growing. Brokers report that their business is heavily focused on rental, since the sector is still struggling to deliver well-located affordable solutions at scale.

Developer type	Housing type	Scale	Key value chain challenge	Key financing challenge	Relationship to / impact on affordability
Informal developer	Mudbrick cement house for rental in a centrally located neighborhood	3 – 5 units per plot	Regulations	Construction finance	The informal developer is confronted with the building code and changing plot development requirements. The inexpensive rental housing solutions cannot be offered at the same price unless this developer receives important financial support to finance the transformation.
Household landlord / house flipper	Stand-alone family home for rental or sale on single plots in centrally-located neighborhoods	1-2 new houses every 5 years	Regulations	Construction finance	The Household Landlord / House flipper advances all costs for renovating existing housing or building individual new homes for rental and sale. However, changing regulations may force this supplier to update his housing model to multi-story and/or multi-family, a more costly construction that would require support from the bank.
Micro-developer	Mini estate of single-family standalone units (outer neighbourhoods of Kigali) or rowhouse (central)	5 houses every 2 years	Offtake	End-user finance	The micro-developer advances all costs so need a quick return and high-profit to continue to the next set of projects. Tends to sell higher priced homes to command a high return but will consider discounts for those who are quick to pay.
Small-scale developer	Estate of single-family, twin or rowhouse units	30-40 houses every 3 years	Offtake	End-user finance	The small-scale developer relies on his own supply chain and connections to design, build and sell units. The number of units is sufficiently large for affordability to be profitable but lack of end-user finance prevents the developer from delivering to the lowest end of the market.
Large-scale developer	Varied housing typologies delivered in phases in large housing estate with amenities	500+ houses every 3-5 years	Infrastructure	Construction finance	This developer has the best chances of delivering large quantities of affordable units to market. However, poor governance or delays in the acquisition and servicing of land can quickly lead to developer failure and the affordable homes cannot materialize.

Capacity

Capacity of the Land: Plans for Densification

Rwanda's National Urban Master Development Plan argues in favor of the benefits of densification, namely maximization of infrastructure expenses and environmental protection of Rwanda's wetlands and hilly terrain (this is also a disaster prevention strategy). For housing developers these directives will require reworking existing supply chains to accommodate high-rise typologies that require skills, materials and technologies not currently available. In addition, land will need to be re-parceled to accommodate these higher density typologies, a lengthy and costly exercise that requires legal, economic and planning qualifications.

A new opportunity: Employer Housing

Rwanda's Vision2050, which lays out the foundation for the country's socio-economic transformation is driven in no small part by an ambitious green urbanization and industrialization plan. It follows that the NLUDP and the new Master Plans for Kigali and Secondary Cities include Industrial Parks that should generate a maximum number of off-farm employment opportunities. Consequently, workers' housing will become a key demand driver for suppliers in the affordable housing space. While the current stock of employer housing is negligible, new supply networks and value chains (from design through construction) will need to be built from scratch to deliver on these targets. If land agreements and construction financing support could be negotiated with IP investors, the number of affordable rental units for singles and families could skyrocket. In addition to construction finance products, access to a trained building corps (a type of civilian Reserve Force) could help power this transformation.

Construction capacity

According to the Rwandan Establishment Census, there were just 159 construction firms and 105 real estate firms in 2017, less than 0.1% of Rwanda's 190,288 establishments. However, while the absolute numbers may seem modest, the shifts observed from 2014 to 2017 tell the story of a rapidly developing urban housing market where 50% of rural construction firms shifted to the city and the number of urban real estate companies increased by more than 2,500%.

To date, the construction sector is the most formalised of all Rwanda's business sectors with 78% of construction establishments listed as formal entities. Despite being a relatively new sector, real estate is also highly formalised – at 70% it is the third most formalised sector after construction and finance/insurance. According to the 2017 data, 95% and 91.4% of construction and real estate establishments, respectively, were registered as private businesses.

However, despite a higher rate of formalisation and the visibly growing potential of urban markets, construction firms in Rwanda remain limited, both in numbers and technical and financial capacity. Consequently, housing suppliers have focused on the delivery of lower-risk high-return products, unaffordable to 80% of the population. As the demand for affordable housing continues to grow, sector stakeholders (builders, bankers, developers, etc.) are exploring solutions to massively scale up supply. These 'solutions' however, are poorly targeted and miss the bulk of the demand.

The opportunity associated with building financial capacity in submarkets 03 and 05

Field surveys and discussion groups reveal that the shortage of affordable housing options below 25 million FRW creates a situation where household landlords and house flippers dominate the affordable housing space by providing temporary rental solutions in Submarkets 03 and 05.

This is likely to change, however, if/when truly affordable (below 20 million FRW) units hit the market, a viable rent-to-own model is introduced and/or the new land use and development guidelines are strictly enforced. Either way, any changes in current market supply conditions will be predicated on the introduction of strong end-user and construction finance products. There is strong evidence that developers (either big or small) cannot bear the risks and burdens associated with affordable housing delivery otherwise.

Nevertheless, the micro-developer remains a model to be encouraged particularly because supply-side financial products do not yet exist and would need time to reach maturity. If construction financing were offered in combination with solid offtake commitments and in exchange for affordability guarantees, micro-developers (who operate mostly in Submarkets 03 and 05) could see their productivity and profits increase. They could then continue to offer housing to the market through their modest, but powerful, supply chains.

Capacity

Rwanda's financial sector is significantly invested in residential property. With the capacity for growth, the sector is also focused on mobilizing domestic savings, and also for housing purposes.

Rwanda's financial sector is well-supported with domestic capital, protecting it from fluctuations in global financial markets. The strength of the banking sector in Rwanda's financial system is equally supported with domestic capital, which accounted for 74,4% of total liabilities in 2020. Mortgage lending already constitutes a significant proportion of the overall lending sector (34,5% of all bank loans, with 10% of this related to commercial real estate). Houses and plots are the main source of collateral. The consequent link between the performance of the financial sector and the performance of the real estate sector has been noted by the National Bank of Rwanda in its recent Financial Sector Stability Report (2019-2020). NPLs for all mortgages constitute 36,8% of the total, and having risen to 5.5% by June 2020, were at 4.6% by December 2020, and 3% for residential mortgages.

The NBR reports that mortgage loans for residential houses were valued at 375,5 FRW billion at December 2020, up 20,3% on the previous year, far ahead of commercial mortgages, but behind public works which grew by 57% in the year. A concern raised by the NBR is the concentration risk of deposits in the banking sector. Almost 39,8% of total deposits of banks come from 20 depositors, the RSSB being the most significant.

Financial institutions other than the commercial banks play a negligible role and the microfinance sector is tiny. The pensions and insurance sector holds just over a quarter of total assets, and within this, the RSSB dominates. Total pension assets in Rwanda were 990 billion FRW in June 2020, versus commercial bank assets which were at 3,1 trillion FRW.

Rwanda's capital market is developing, still smaller than the banking sector, with a capitalisation to GDP at 32,7% in 2019. The Rwanda Stock Exchange is small, and dominated by government debt issues.

The Rwanda Social Security Board Strategic Plan for July 2020-June 2025 set's out the RSSB's plans to support the NST1, and gives specific attention to mobilising domestic savings, and to the role of pension assets in housing, on both the supply and the demand side. On the supply side, RSSB is an important source of capital for infrastructure for housing – this being poorly supported by the property taxation framework. Affordable housing features within the RSSB's top five investment priorities: “rise to the challenge of developing the role of RSSB in funding affordable housing ... as part of its focus on making socially responsible investment choices” – however a target for percent of funds to be invested in this way has not yet been set. On the demand side, RSSB has set up a matched savings scheme, Ejo Heza, to assist informally employed households save for retirement. The scheme is voluntary, and has registered almost half a million savers. Participants can use Ejo Heza savings to get a housing loan, using part of their savings as collateral.

Key takeaways & opportunities

RSSB is taking their obligation to mobilise domestic savings seriously and the Ejo Heza scheme offers an important opportunity for especially those households who lack formal employment. Ejo Heza includes a matched component for lower income households. A similar mechanism may be useful in encouraging households in the affordable market to save for housing.

Support to the RSSB in crafting its affordable housing investment strategy could drive this important form of long term capital into the development of the small scale developer sector. As part of this, a specific focus on digitising payments in the housing supply chain would also support lending activity.

More data is needed to understand the diversity of mortgage lending, and affordable mortgage loans in particular. It would be useful to explore data reported by lenders to credit reference bureaus to track loan level performance of mortgages, and monitor default patterns and foreclosures together with data reported to the RDB.

National Bank of Rwanda. (2021). Monetary Policy and Financial Stability Statement. <https://www.bnr.rw/news-publications/publications/monetary-policy-financial-stability-statement/>

Rwanda Social Security Board. (2020). Strategic Plan July 2020-June 2025. https://www.rssb.rw/fileadmin/user_upload/RSSB_Strategic_Plan_2020_-_2025.pdf

Capacity

Real Estate Investment Trusts offer an opportunity to focus investment into real estate. While the mechanism exists in Rwanda, it has not yet been used to promote housing

Rwanda introduced a regulatory framework for Real Estate Investment Trusts in 2013. The framework included Regulation No. 14 of August 2013 on REITs, Regulation No. 20 of July 2016, and Guidelines No. 21 of July 2016 which governs the development of REITs.

Rwandan REITS are managed by an independent licensed REIT Manager and governed by a Trustee appointed by the promoters. Trust companies are designated financial institutions licensed to perform Trust duties.

The regulation allows for both Development REITs and Income REITs and requires that 100% of the assets be held in real estate properties. I-REITs can engage in limited redevelopment activities provided that they do not exceed 20 percent of total assets. The companies are required to distributed 90 percent of net income and are limited to a gearing of 20 percent.

To date, no housing REITs or REIT-style development companies have been listed on the Rwanda Stock Exchange. While the RSSB, has been contemplating establishing a REIT, it is yet to list a vehicle. Critics have suggested that the slow growth of the REITs market might be due to the unfavourable tax structure which prejudices low-rate tax investors.

A paper commissioned by CAHF in 2019 lists the following actions as needed to make REITs a commercial proposition in Rwanda:

- Enact the REITs-style tax and regulatory regime to address the tax incentive issues.
- Develop the capital markets away from reliance on government debt, and educate potential sponsors, investors and developers on the REIT industry and its use of the capital markets.
- Involve the state pension fund industry in creating a sustainable housing REIT development model.
- Reduce government borrowing to reduce real interest rates.
- Develop the capital markets so that shares in REITs could be actively traded and easily valued by introducing liquidity, perhaps by involving pension funds or other financial institutions.

Key takeaways

- The REITs market is dependent on the development of the capital market and the participation of pension funds.
- The taxation regime does not provide tax exemptions for investment in REITs. This has been identified as a constraint to the development of the REITs market.

Opportunities for Rwanda

- RSSB is a particularly important player and could be engaged to explore the potential of the model for affordable housing
- A key opportunity would seem to be employee housing in the Industrial Parks imagined by the Special Economic Zone policy
- The development of tax regulations specifically for REITs (and specifically for affordable housing) may unlock the potential of the vehicle.

Altair Consultancy & Advisory Services Ltd. (2020) The potential for developing a Residential Real Estate Investment Trust (REIT) market in Africa, with a focus on Morocco, Ghana, Nigeria, Kenya, Rwanda, Tanzania, Uganda and Zimbabwe. Unpublished report prepared for the Centre for Affordable Housing Finance in Africa.

Economic impact

Rwanda’s housing economic value chain shows a significant contribution of residential construction to the national economy. There is also an opportunity to boost the contribution of residential rental to GDP.

CAHF has undertaken an analysis of the Housing Economic Value Chain for Rwanda, exploring the primary, secondary and tertiary sector inputs and gross value added into the housing construction process. In 2017, it was estimated that housing construction (including both formal and informal activity) comprised 10,4% of GDP. Employment sustained by this level of activity was estimated at just under 160 000 jobs during 2017.

The analysis also highlights the potential importance of housing construction as a lead economic sector, given the local value added in the intermediate inputs. Housing production stimulates demand for manufactured goods – windows, doors, geysers, etc. – as well as primary materials such as sand, cement, timber and steel.

Further opportunity is identified in growing the capacity of the so-called informal housing sector, the small scale and owner builders who currently (but insufficiently) drive the majority of Rwanda’s housing delivery.

Another opportunity exists in formalizing and developing Rwanda’s rental sector. The analysis only finds a contribution by residential rental of 1.1% to GDP. Given the extent of rental tenure in Rwanda, there is substantial scope to grow the formal rental sector. This will have a particular impact on job creation and demand for contributions by the tertiary sector.

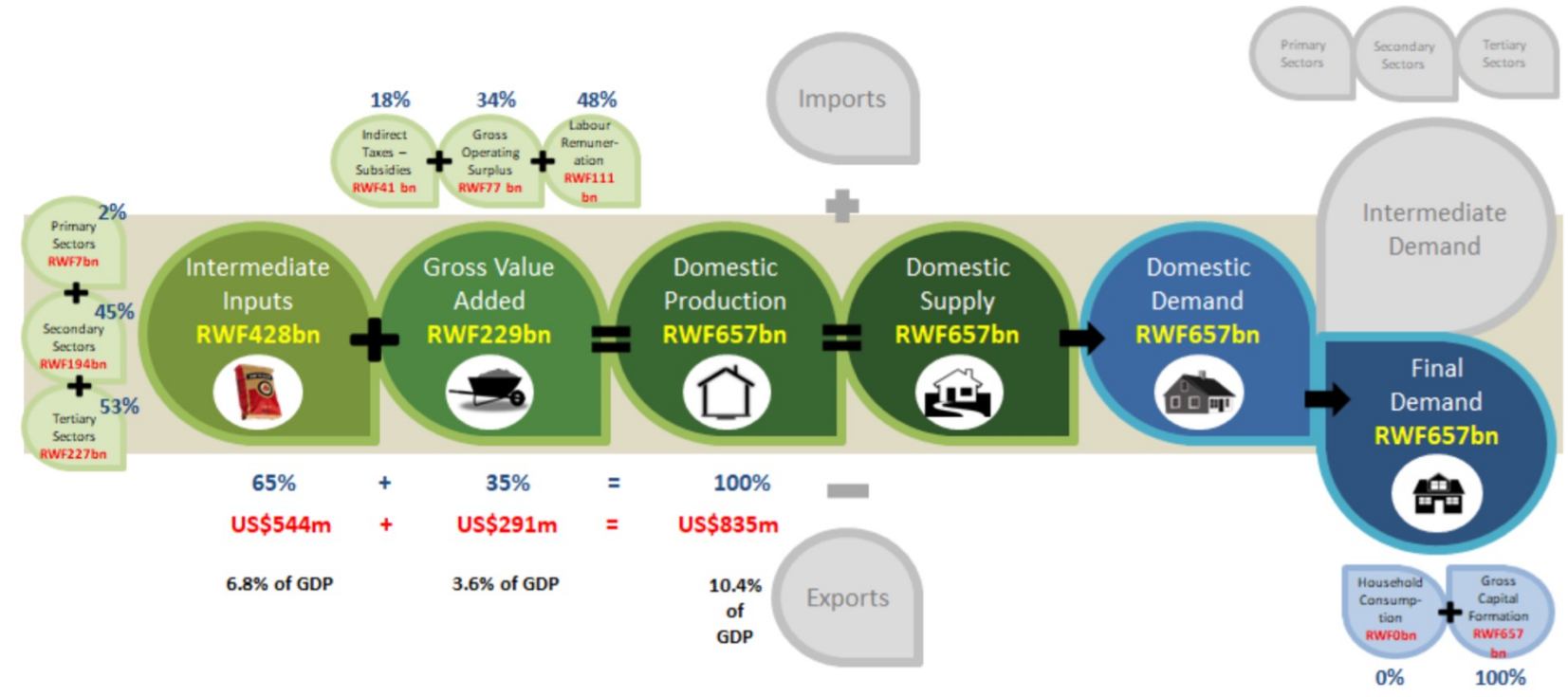


Figure 4: Estimated economic value chain for housing construction in Rwanda (2017) Source: Calculations by Keith Lockwood based on available information. Note: Values and percentages may not add up due to rounding.

Data

Rwanda's housing data landscape was assessed with reference to a set of key housing market indicators that aim to provide context to the housing market and activity along the value chain. Data was found for a total of 96 out of 114 indicators (84% of all indicators) along several aggregations*. Areas for improvement were identified with regards to supply-side data, demand-side data, and housing transactions data.

Supply

- ❑ Units supplied
 - Applications vs. completions
 - Typology of dwelling units
 - Location of housing delivery
- ❑ Procedural timelines & costs
 - Timeline from application to completion
- ❑ Construction costs
 - Land, labour and materials as a % of total construction costs

Demand

- ❑ Income
 - Accurate net income distribution per occupation
- ❑ Financing
 - Borrower profiles (income, age, gender, location)
 - Typical terms by borrower profile (size, duration, interest rate, LTV)
 - Loan performance by borrower profile

Transactions

- ❑ Sales
 - Value and volume by region
 - Mortgaged purchases
 - Primary and secondary transfers
- ❑ Rental
 - Typical rental prices by typology
- ❑ Performance
 - Property price index
 - Government income from property market

*Where possible, the team populated at more than one level of aggregation. These included National, Urban, Kigali (urban areas only), Bottom 40, and Developer (Marchal Real Estate Developers). These levels of aggregation provide different cross-sectional perspectives (e.g. how household do access to services in Kigali compare to Rwanda as a whole?) and also makes it easier to collect certain data points that are not stored in a centralized repository (e.g. rely on data provided by a specific developer as opposed to data which is representative of the market as a whole)

Data

Rwanda already has a rich administrative data landscape that can offer valuable insights on the state of the housing market. Key next steps are provided below with high value interventions highlighted in red.

	<i>Rwanda Housing Authority</i>	<i>National Institute of Statistics Rwanda</i>	<i>Rwanda Land Management and Use Authority</i>	<i>National Bank of Rwanda</i>	<i>Rwanda Revenue Authority</i>	<i>Rwanda Development Board</i>
Unlock	Extract and analyze e-permit system data to track applications and completions	Provide an EICV dataset where expenditure data has been aggregated to an annual frequency	Add primary and secondary transfer metrics to dashboard	Extract and analyze housing related data from the Electronic Data Warehouse	Provide access to an anonymized version of the tax data in a secure data center	Link eMRS with the BPMIS, NBR's EDW and RRA payroll database to have a full view of the housing value chain
Disaggregate	Create key housing supply metrics (incl. volume, timelines, cost) by typology and location	Disaggregate National Accounts data to show gross fixed capital formation on residential dwellings	Incorporate more user flexibility in dashboard to allow for existing metrics to be viewed from all dimensions (national, district, sector)	Segment borrowers and create key housing finance metrics (incl. providers, value, volume, and financing terms)		
Disseminate	Extract and analyze data on IDP villages including typologies and cost	Disseminate annual income distribution per ISCO/ISIC group using income data received from RRA		Release a periodic report on housing market developments as well as excel versions of property price index and mortgage market metrics	Release property and rental tax revenues per district	
Gather		Conduct a real estate survey to track performance of the rental and sales markets		Work with institutions to improve the quality of the data that they submit	Improve compliance with submission of ISIC codes with tax returns to better link more firms to sectors	

3. WHAT CAN FINANCE DO?

Conclusions & Recommendations

What can finance do to help the housing sector realise Rwanda's Vision 2050 intentions for affordable housing?

Finance is a key enabler in the housing ecosystem, and its application in support of affordable housing can seriously impact on the capacity of the sector to deliver. In addition, finance can influence the quality of delivery: nudging practitioners towards good practice and value, the acceptance of green standards and the prioritization of specific demand-side target markets and housing supply submarkets.

End user finance

- The availability of end user finance (mortgage and non-mortgage) for housing can assist housing suppliers to target their products realistically at household affordability.
- This can also help shift expenditure patterns from consumption to productive investments
- Conditions on financing can assert construction quality standards that are affordable

Construction finance

- Digitisation formalizes and puts businesses into the tax net
- Construction finance can enable growth to scale
- Conditions on financing can ensure green, sustainable building and provision for long term maintenance

Careful housing finance product design on both the demand (end-user) and supply (construction) side can leverage additional capacity in terms of:

• Savings and income opportunities

- A significant proportion of households realise additional income through remittances, whether from the city or abroad. How can this be leveraged to improve housing affordability?
- The RSSB matched savings programme Ejo Heza could be replicated by employers. Integrating these programmes into mortgage product design could further grow affordability
- Many households have land assets – vacant plots – that they could sell to realise a deposit for home purchase, or that they could develop as small scale landlords

• Digitisation

- Rwanda's existing efforts at digitization stand the affordable housing sector in good stead, providing opportunities for demonstrating credit worthiness and bringing efficiencies into supply chains
- Consideration of the iBuild model which creates a virtual marketplace could address supply chain gaps while enhancing access to finance
- Digitised income streams improve visibility of cashflows
- Digitised payments to create a visible track record of business activity and enable access to finance

• Landlordism

- A significant number of Rwandans rent their accommodation, providing their landlords with an important income stream that is largely invisible.
- Lenders need to build financial products that respond to this form of housing supply and SME
- A key opportunity in this regard is the role of women – often the landlords, or the purveyors of home-based enterprises

What can finance do to help the housing sector realise Rwanda's Vision 2050 intentions for affordable housing?

Although each Submarket has its finance particularities, the value chain studies reveal that all chains have challenges with construction and offtake financing

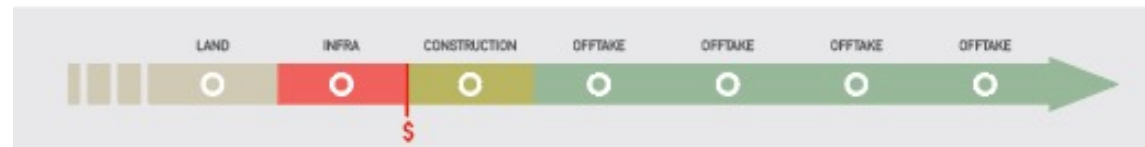
Submarket 6 Large-scale developer



Submarket 5 Small-Scale Developer



Submarket 4 Employee Housing



Submarket 3 Household Landlord



Submarket 2 Backyard Landlord



Submarket 1 Rural Housing



PRIMARY FINANCE LINKAGE GAPS

Rwanda's robust land registration and management system powers a micro-developer-friendly ecosystem that provides tens of thousands of informal housing units. Formalizing these units (bringing them into compliance with codes) requires finance to repair broken value chain links, especially as it relates to construction finance and end-user finance.

As the housing sector grows, so too do the opportunities for SME supplier businesses to multiply. Anywhere that the \$ appears in the value is an opportunity for business exchanges to be structured and financial products developed.

Minimizing the gaps between the \$ does not necessarily mean a healthier value chain, but it does reflect the presence of more financial products on the market.

What can finance do? By submarket

06: Large-scale developer: urban



Critical need for **construction finance** that shapes activity towards affordability and sustainability.

05: Small-scale developer: urban



Primary need for **end-user finance** to enhance buyer affordability for this housing type. **Construction finance** would also assist these developers scale.

04: Employee housing: urban



Potential for an **Industrial Park REIT** for employee housing? Develop an Employee Housing Strategy including financial structuring & taxation benefits
Explore **private sector application of the IDP Programme**

03: Household landlord: urban



Use technology to support supply-side linkages and create **digital marketplace**.
Construction finance to enable developer to scale.

02: Backyard landlord / unplanned settlement: urban



Digitised payments to create a visible track record of business activity and enable access to finance
Remittance-enabled sale of building materials / maintenance solutions

01: Homeowner / incremental: rural & peri-urban



SME financing for off-grid infrastructure provision
Remittance-enabled sale of building materials / maintenance solutions

Rwanda Mortgage Refinance Company to broaden the mortgage products it finances to target affordability

Information portal for first time home-buyers with sites, commissionaires/brokers, providing information on properties, financial products and other advice – tie into RMRC.

Extending the IDP programme to be delivered by the private sector as a hybrid, subsidy + finance intervention.

End user finance product design: mortgage & unsecured, for niche market groups – young professionals, households with remittance income, households with informal incomes, backyard and small scale landlords and micro builders.

Loan performance analytics to better define risk in support of targeted loan and insurance products

Streamline building material supply to prevent shortages and reduce construction costs – opportunity for digitisation

Wholesale finance apex fund to provide housing-specialist capital and construction TA to non-bank lenders & SACCOs offering:

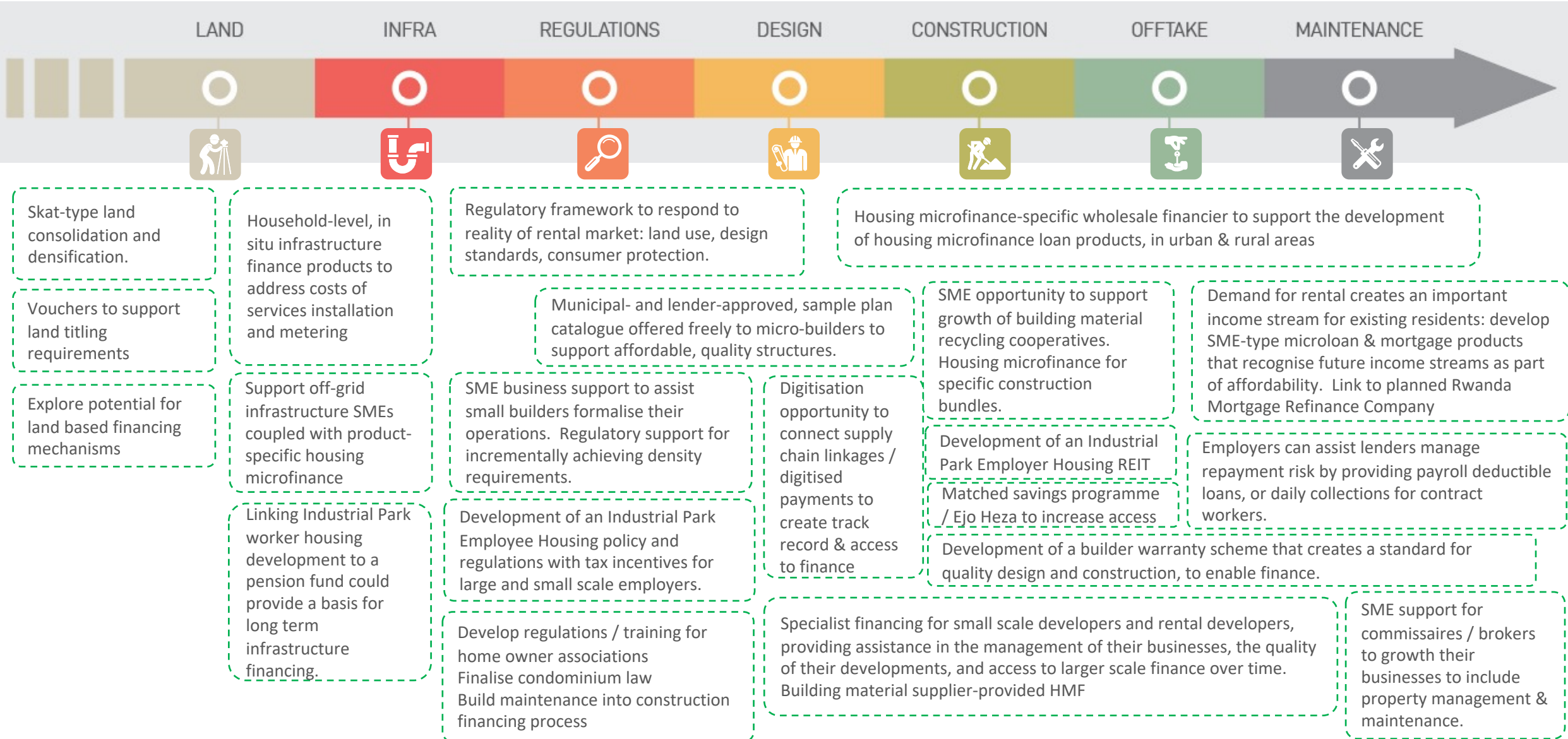
- Housing microfinance
- SME finance for housing-related businesses
- Unsecured construction finance for household landlords

Digitised payments to create a visible track record of business activity and enable access to finance

Sector coordination to explore finance intervention to overcome supply chain blockages and risks.

Comprehensive data collection and analysis to track affordable housing sector progress

What can finance do? By value chain links



ADDITIONAL DOCUMENTS

The following documents are available as separate files:

1. Scoping Rwanda's Affordable Housing Demand & Supply: Full Report
2. **Scoping Rwanda's Affordable Housing Demand & Supply: Executive Summary**
3. Affordable Housing in Rwanda: Demand-side analysis
4. Affordable Housing in Rwanda: Housing Finance Access Frontiers
5. Affordable Housing in Rwanda: Housing Submarkets
6. Affordable Housing in Rwanda: Sale and rent prices in Rwanda's housing market
7. A Review of the Data Landscape in Rwanda's Housing Ecosystem
8. Rwanda's affordable housing sector: overview of the institutions, policies and legislation that shape the sector