

Scoping Rwanda's Affordable Housing Sector and its Financing

8. Institutional, Policy and Legislative Review

November 2021

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This report is the eighth in a series of reports published by Access to Finance Rwanda, from a study commissioned to scope the demand and supply side of affordable housing. 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 supply-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**

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Acronyms

ADC	African Design Center	OSC	One Stop Center
AfD	French Development Agency	PROECCO	Promotion off-farm employment through climate-responsive construction material production (SDC project)
AfR	Access to Finance Rwanda		
BK	Bank of Kigali		
BNR	National Bank of Rwanda		
BPN	Business Professional's Network	PSF	Private Sector Federation
BRD	Rwanda Development Bank	RALGA	Rwandan Association of Local Government Authorities
CoK	City of Kigali	RDB	Rwanda Development Board
CMA	Capital Markets Authority	REMA	Rwanda Environmental Management Authority
EE	EarthEnable		
Enabel	Belgian Development Agency	RHA	Rwanda Housing Authority
EU	Delegation of the European Union to Rwanda	RHFP	Rwanda Housing Finance Project
GGGI	Global Green Growth Institute (Korea)	RIA	Rwanda Institute of Architects
GIZ	German Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit)	RLMUA	Rwanda Land Management and Use Authority
GoR	Government of Rwanda	RMRC	Rwanda Mortgage Refinancing Company
IER	Institute of Engineers of Rwanda	RSB	Rwanda Standards Board
IFC	International Finance Corporation	RSE	Rwanda Stock Exchange
		RSSB	Rwanda Social Security Board
		RUDP	Rwanda Urban Development Project
IGC	International Growth Center	RwGB	Rwanda Green Building Organization
IPVR	Institute of Professional Valuers of Rwanda		
LODA	Local Administrative Entities Development Agency	SDC	Swiss Agency for Development and Cooperation
MINALOC	Ministry of Local Government	UEDI	Urban Economic Development Intervention (Enabel project)
MINECOFIN	Ministry of Finance		
MINICOM	Ministry of Trade and Industry	VNG	The Association of Dutch Municipalities
MININFRA	Ministry of Infrastructure		
MoE	Ministry of Environment	WB	World Bank Group
NIRDA	National Industrial Research and Development Agency		

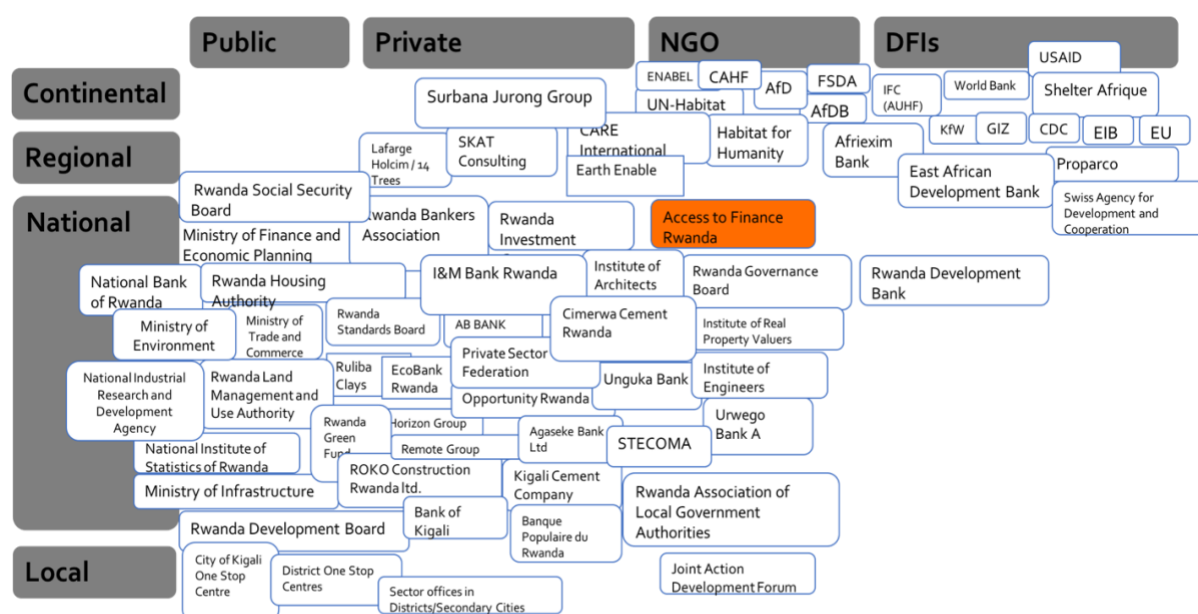
1 Introduction

Rwanda's affordable housing sector is supported by policies and legislation that span multiple departments in government. A highly detailed collection of policies, laws, instructions, and other imperatives together comprise the policy and legislative framework. This report provides a high level summary of the institutions, processes and regulations that govern the delivery of affordable housing with the intention of identifying opportunities for AFR to collaborate with stakeholders to address policy and regulatory constraints.¹

2 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 overall picture is illustrated below.

Figure 1 Stakeholder Map²



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 Strategic Sector Plan (2018-2024), key state institutions and agencies for affordable

¹ Note that the list of legislation presented below may not exhaustively characterize the legislative and regulatory environment of Rwanda's housing sector. We welcome comments on any omissions.

housing³ 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.

The Ministry of Finance and Economic Planning (MINECOFIN) supported by several departments has a strategic role in bridging the development of the housing and finance sectors. This involves co-ordinating the preparation and implementation of the National Development Agenda (i.e. Vision 2050); the preparation and implementation of the National Budget; and Financial Sector Development. The Financial Sector Strategy 2018-2024 identifies “policy actions that focus on commercially viable housing finance that shall be complemented by other policy initiatives to more specifically target affordable and subsidized housing”.⁴ Key stakeholders identified include the Development Bank of Rwanda (BRD), National Bank of Rwanda, commercial banks, Rwanda Social Security Board, Capital Markets Authority and SACCOs.

The Government of Rwanda mandated the Development Bank of Rwanda (BRD) to implement and co-ordinate the efforts of all stakeholders partaking in the Rwanda Housing Finance Project.⁵ Supported by the World Bank, the RHFP seeks to expand housing finance and support capital market development. The BRD’s strategic objectives from 2018-2024 involve supporting access to housing finance , facilitating the supply of affordable housing and launching technical assistance schemes to support these interventions.⁶

The Ministry of Environment (MOE) coordinates the development of the Environment and Natural Resources Sector through implementing agencies such as the Rwanda Environment Management Authority, the Rwanda Land Management and Use Authority (RLMUA), and the Rwanda Green Fund. The National Land Use and Development Masterplan (2020-2050) is the overarching policy tool in support of Vision 2050, for the sustainable management and use of land. The RLMUA is responsible for implementation of all national policies, laws, regulations related to the management and use of land. The Ministry of Trade and Industry (MINICOM) is responsible for developing the sector policies , strategies and programs that support Rwanda’s building and construction materials sub-sectors.⁷ The Rwanda Standards Board is responsible for the implementation of standards, testing and product certification of all new building materials.

Ongoing programmes and projects related to affordable housing are cross-cutting in nature where multiple sectors and stakeholders are involved in each programme, including the private sector and civil society.

3 Enabling environment – policy and legislative framework

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

³ According to the cross sectoral resolutions adopted as documented in page 91 of the Urbanisation and Rural Settlement Sector Strategic Plan.

⁴ Ministry of Finance and Economic Planning (2017). Rwanda Financial Sector Strategic Plan (2018-2024). http://www.minecofin.gov.rw/fileadmin/templates/documents/NDPR/Sector_Strategic_Plans/Financial.pdf pg.30

⁵ Development Bank of Rwanda. (2018). Strategic Plan 2018-2024. https://www.brd.rw/brd/wp-content/uploads/2016/04/BRD_Strategic_Plan_2018-2024.pdf

⁶ Development Bank of Rwanda. (2018). Strategic Plan 2018-2024. https://www.brd.rw/brd/wp-content/uploads/2016/04/BRD_Strategic_Plan_2018-2024.pdf

⁷ MINICOM.(2015). Industrial Sub-Sector Masterplan For Construction Materials. <https://rwandatrade.rw/media/MINICOM%20Construction%20Materials%20MasterPlan.pdf>

public and private sectors make good decisions in favour of affordable housing. Understanding the policy and legislative framework for the data environment is therefore also important. This breadth is outlined briefly below.

3.1 Overarching Policy and Legislation

Four over-arching, cross-departmental policies shape Rwanda’s overall policy environment for affordable housing:

- Vision 2050
- National Land Use and Development Masterplan 2020-2050 (NLUDMP)
- National Strategy for Transformation 1 (2017-2024)
- Rwanda Housing Finance Project

These are outlined below with respect to their relevance to affordable housing.

3.1.1 Vision 2050

The Rwandan government has framed its overall approach towards development and growth within a document entitled Vision 2050.⁸ Developed by the Ministry of Finance and Economic Planning and published in 2020, Vision 2050 sets out the strategic director for “the Rwanda we want”. The document establishes the framework for achieving living standards of upper middle income countries by 2035 and of high-income countries by 2050. Vision 2050 seeks to achieve the overarching goals of economic growth and quality of life for all Rwandans through interventions captured under five pillars: 1. Human Development; 2. Competitiveness and Integration; 3. Urbanization and Agglomeration; 4: Agriculture for Wealth Creation; and 5. Accountable and Capable State Institutions.

Two pillars are of particular relevance to affordable housing. Under the second pillar, competitiveness and integration, Vision 2050 sets out the goal for universal access to financial services. This involves executing policies and strategies to develop the financial sector to tackle the economy’s development needs. Further goals relate to a diversified economy and stronger manufacturing sector, and the importance of the construction sector in Rwanda’s economic strategy. Pillar three focuses on urbanisation and agglomeration, and asserts a commitment to affordable and decent housing, among other objectives. The excerpt below, details this commitment:

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.

⁸ Ministry of Finance and Economic Planning. (2020). Vision 2050.
https://www.nirida.gov.rw/uploads/tx_dce/Vision_English_Version_2050_-31_Dec_2020.pdf pp 27-28

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.nirida.gov.rw/uploads/tx_dce/Vision_English_Version_2050_-31_Dec_2020.pdf pp 27-28

To achieve Rwanda's Vision 2050's aspirations, a set of indicators and targets grouped under the five pillars guides the country's efforts.⁹ The availability of affordable housing and working housing markets will contribute to many of these – the overall objectives of quality wellbeing, inclusive accelerated economic growth, and employment creation – as well as in terms of each of the five pillars. Key indicators that are explicitly relevant to an affordable housing strategy are set out in the table below:

Table 1 Vision 2050 Indicators particularly relevant to affordable housing

Pillar	Objective	Indicator	Baseline (2020)	Target (in 2035)	Target (in 2050)	Relevance to affordable housing
Competitiveness & integration	A diversified economy built upon future industries	(No. 24) Industry sector's Value Added contribution to GDP (%)	19% (2019)	24%	33%	Potential to grow the building materials and residential construction industries in support of modern housing needs (p 17) and local materials production (p 17).
	Modern & innovative services sectors driving transformative growth	(No. 25) Services sector's Value Added contribution to GDP	49% (2019)	46%	42%	Financial inclusion with respect to housing finance (end user and construction) will be a critical component of this objective. In addition, the development of a residential services industry to support the residential property market will also contribute.
	Higher investment	(No. 26) Investment as percentage (%) of GDP	26% (2019)	32.60%	35.10%	Potential to grow domestic investment in affordable housing by focusing on the full financial value chain, from the development of end user and construction finance products that stimulate investment in affordable housing construction, to the leveraging of capital markets for investment in affordable housing.
Urbanisation and Agglomeration	Urbanisation as a driver of growth	(No. 29) Population living in urban areas (%)	18.4 (2016/2017)	52.69	70	Increasing densities will necessitate new housing typologies, multi-family dwellings in multi-storey structures. This will have implications for the finance framework and its associated legislation.
	Affordable and high quality housing	(No. 30) Proportion of urban population living in slums, informal settlements or	62.6 (2016/2017)	44	20	An explicit focus on reducing the population living in slums requires attention on affordability and the need for incremental housing options that address the key components of the slum definition:

⁹ Ministry of Finance and Economic Planning. (2020). Vision 2050.
https://www.nirida.gov.rw/uploads/tx_dce/Vision_English_Version_2050_-31_Dec_2020.pdf pp 49-51

Pillar	Objective	Indicator	Baseline (2020)	Target (in 2035)	Target (in 2050)	Relevance to affordable housing
		inadequate housing (%)				water, sanitation, electricity, housing quality, tenure, overcrowding.
		(No. 31) Land used according to the National Land Use and Development Master Plan (km ²)	Built-up areas and infrastructure: 2,888 km ²	Built-up areas and infrastructure: 3,434km ²	Built-up areas and infrastructure: 3,980km ²	Note that built-up areas and infrastructure are not protected to grow as much as the urban population, re-emphasizing the need for denser affordable housing typologies.
		(No. 32) Renewable water resource availability per capita per annum (m ³ /capita/a)	670 m ³ /cap/annum National Water Resource Masterplan (2015)	1000 m ³ /cap/annum	1700 m ³ /cap/annum	New housing typologies must be sustainable in terms of water and energy use and the impact on the environment. This will require investment in and testing of new technologies.
		(No. 33) Proportion of rural households settled in integrated planned settlements	67.2 (2016/2017)	100%	100%	Within 15 years, the vision is for there to be no unplanned settlements. Rwanda's tenure registration process will be key in achieving this, and will set the stage for the flow of housing finance.
	Sustainable supply and demand for energy	(No. 36) Access to electricity (% of population)	56% (March 2020)	100%	100%	The delivery of universal access to electricity will support the delivery of quality affordable housing.
	Universal access to quality services and amenities	(No. 38) Percentage of households using safely managed sanitation services	86.20% (2016/17)	100%	100%	This focus may require the exploration of off-grid infrastructure options that can be applied in existing settlements.
		(No. 39) Percentage of population using improved water source	87.4% (2016/17)	100%	100%	This focus may require the exploration of off-grid infrastructure and water harvesting options that can be applied in existing settlements.
		(No. 40) % of households with improved water source in dwellings/yard (access to safely managed drinking water services)	9.4 % National; 39.2 % Urban; 2.3% Rural (2016/17)	55%	99%	This focus may require the exploration of off-grid infrastructure and water harvesting options that can be applied in existing settlements.
	Enhanced Service delivery	(No. 42) % of public services rendered fully online	40%	100%	100%	This is already being realised through the launch of Ubutaka – a paperless land transfer system in Rwanda.
Accountable & Capable State Institutions	Reduced dependency on aid	(No. 45) Financial sector contribution to GDP	2%	5.2%	11.8%	Increasing access to housing finance; growth of Rwanda's overall finance framework in support of affordable housing; increase of domestic capital invested in affordable housing

3.1.2 National Land Use and Development Masterplan 2020-2050 (NLUDMP)¹⁰

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”.¹¹ 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.

In 2019, Rwanda was estimated to have about 2,8 million housing units. 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 years¹²

Asserting the density imperative, the NLUDMP recommends the development of vertical housing construction and proposes five housing typologies to be considered at the local level . The table below shows the five typologies and the associated parameters.

Table 2 Five Proposed Housing Typologies and their parameters

Housing Type	Levels / Floors	No. units per building	Lot Area	Net Density	Dwelling Units
A+ (Detached or Semidetached)	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

(Source: NLUDMP Pgs. 50-52)

The NLUDMP proposes a new land use planning framework informed by Vision 2050 by outlining a hierarchy of plans comprising District Land Use Plans; and detailed physical site plans for local planning areas which are prerequisites for the issuance of construction permits.¹³ The NLUDMP recommends that District Land Use Plans¹⁴ include both urban and rural zoning plans to enable integration at the district level and Kigali City level. The development of housing and infrastructure at the district level will be regulated and authorised through the Building Permitting Management Information System.¹⁵ New District Land Use Plans will be completed over a period of four years for all districts and Kigali City.

¹⁰ Republic of Rwanda (2020). National Land Use and Development Master Plan (2020-2050). https://www.environment.gov.rw/fileadmin/user_upload/Moe/Publications/Policies/National_Land-Use_and_Development_Master_Plan_2020-2050.pdf

¹¹ Ibid pg. 1

¹² Ibid pg.48-49

¹³ Ibid.

¹⁴ According to the NLUDMP, the District Land Use Plan (five year periods) will be in the form of one district detailed zoning map and one Kigali City Zoning Map.

¹⁵ Republic of Rwanda (2020). National Land Use and Development Master Plan (2020-2050). https://www.environment.gov.rw/fileadmin/user_upload/Moe/Publications/Policies/National_Land-Use_and_Development_Master_Plan_2020-2050.pdf

The highly specific plans of the NLUDMP offer a level of clarity that will be welcomed by the private sector and around which financial products can be designed. That said, the delivery expectation of 150 000 units per annum between 2020 and 2050 is a tall order: in the ten years between 2010 and 2020, fewer than 5,000 of the developer-driven dwelling units in the pipeline, and only 28 000 state-financed units, have been delivered to market through formal channels nationwide. The effort to scale up to 150 000 units annually will be considerable and will put pressure on all links in the value chain. The planned building typologies will also necessitate a strong legislative framework that currently does not exist, if finance is to accompany the plans for construction. Attached units and multi-family dwellings will require well-designed condominium or sectional title legislation, as well as a key focus on long term management and maintenance.

3.1.3 National Strategy for Transformation 1 (2017-2024)

The Rwandan National Strategy for Transformation (**NST1**) is the implementation instrument for Vision 2050's first four years. The NST1 is anchored by three pillars of Economic Transformation, Social Transformation and Transformational Governance.¹⁶

The NST1 aims to accelerate sustainable urbanisation from 18.4 percent to 35 percent by 2024 as a key driving factor for economic growth.¹⁷ Under Priority Areas 2 and 4 of the **Economic Transformation Pillar**, this will be achieved by the Government of Rwanda (GoR) developing six secondary cities¹⁸ in addition to Kigali, the capital city of Rwanda, to decentralise socioeconomic development to the entire country through public and private investment. Other key strategic interventions include “developing local construction materials in partnership with the private sector in line with the Made in Rwanda Policy” and building the value chain for construction materials. A commitment to develop basic infrastructure through the servicing of 250km of new residential zones offers an important promise to developers that the government will support the infrastructure needs of new housing development. Priority Area 5 of this pillar highlights the potential of the capital market and links to the ten-year capital market master plan. The role of the long term savings and pension sector in enabling beneficiaries to save for housing is explicitly articulated. An important intervention relates to the development of a Land Administration Information System to rationalise and harmonise land use master plans at district and national level. In the 2020/2021 National Budget, the GoR has allocated 55 percent (FRW 1,802.8 Billion) towards achieving targets set by the Economic Transformation Pillar.

The **Social Transformation Pillar** seeks to eradicate extreme poverty by 2024. To this end, Priority Area 5 is about moving towards a modern Rwandan household.¹⁹ Key strategic interventions that promote the improvement of household living conditions include measures to achieve universal access to water, sanitation and electricity. A specific focus on households living in unplanned and inadequate settlements promises the relocation of 10 209 households from high risk zones and 205 488 households from scattered settlements so that 80% of Rwandans will live in planned settlements by 2024. A key intervention is the establishment of an affordable housing fund to offer affordable interest rates to both the private sector and to beneficiaries. In the 2020/2021 National

¹⁶ Ministry of Finance and Economic Planning (2017). National Strategy for Transformation 2017-24. https://www.minecofin.gov.rw/fileadmin/user_upload/Minecofin/Publications/STRATEGIES/NST1/NST_A5_booklet_final_2.04.19_WEB.pdf (Accessed 2 May 2021).

¹⁷ See priority area 2 of the Economic Transformation Pillar on page 4 of the NST1.

¹⁸ Rwanda's six secondary cities are Musanze (Northern Province), Rubavu and Rusizi (Western Province), Muhanga and Huye (Southern Province) and Nyagatare (Eastern Province).

¹⁹ The GOR has allocated FRW 960.4 Billion (a third of the National budget) to the Social Transformation Pillar. In the short term, this maybe delayed due to the impact of COVID and the greater focus on the economic transformation pillar which takes up 55 % of the 2020/2021 National Budget and COVID-19 economic recovery. It is more likely that the GOR will take into account the impact of COVID-19 on achieving previously set targets when revising the NST (2017-2024) to formulate the new 7 year Govt strategy.

Budget, the GoR has allocated about a third (FRW 960.4 Billion) of the national budget towards achieving targets set by the Social Transformation Pillar.

As with the Vision 2050 document itself, the NST1 is highly detailed with its 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 and the ICT Sector Strategic Plans among other sector plans.

3.1.4 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.”²⁰ Managed by the Development Bank of Rwanda and the Rwanda Housing Authority, the RHFP project comprises two main components. Firstly, the Project involves a line of credit extended to financial institutions to expand housing finance;²¹ and secondly, it includes a technical assistance and implementation support grant that is targeted towards enhancing the demand side and supporting a policy reform agenda to encourage the supply of affordable housing.

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.²² 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 onlend 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.²³ As of June 2020, five banks²⁴ had signed participation agreements and another four²⁵ 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.**²⁶

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.

²⁰ 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>

²¹ Development Bank of Rwanda (2020). Priority Sectors – Housing. <https://www.brd.rw/brd/housing-development/> (Accessed 5 September 2020).

²² See Langan, S (2016) The Role of Mortgage Liquidity Facilities in Housing Finance: Lessons learned from Egypt, Tanzania, Nigeria and Malaysia. Case Study 2. Centre for Affordable Housing Finance in Africa. <https://housingfinanceafrica.org/documents/case-study-2-presentation-the-role-of-mortgage-liquidity-facilities-in-housing-finance-lessons-learned-from-egypt-tanzania-nigeria-and-malaysia-2/>

²³ Ahabwe, Emmanuel (2021) Rwanda Housing Finance Project at a Glance. Presentation dated 25 March 2021.

²⁴ These include Bank of Kigali, Zigama CSS, Bank of Africa, Kenya Commercial Bank, and NCBA Bank, as reported in 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>.

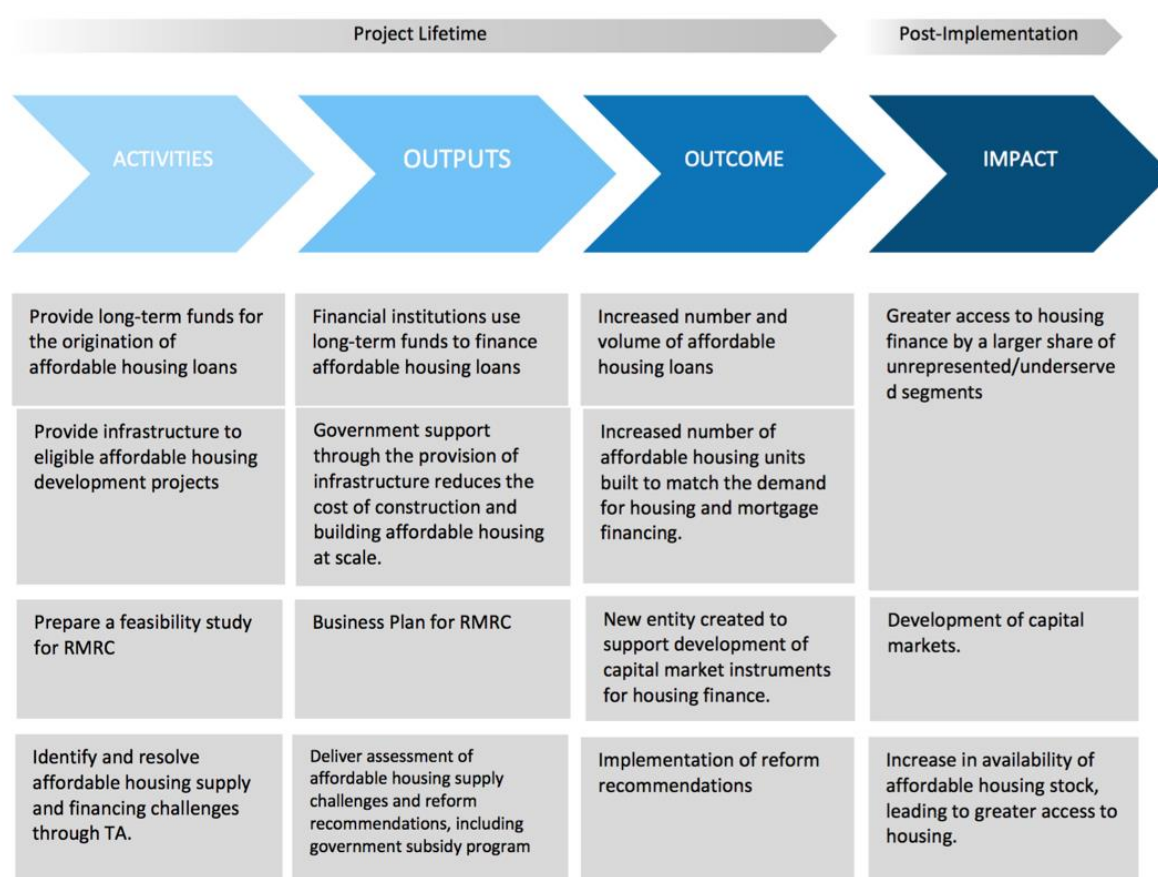
²⁵ These include I&M Bank, Banque Populaire du Rwanda, Access Bank, and CobeBanque, as reported in The World Bank. (2020). Integrated Safeguards Data Sheet. Rwanda Housing Finance Project.

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

²⁶ Regulation No. 33/2020 of 08/06/2020 Governing Mortgage Refinance Companies

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. The BRD notes that the constrained supply of affordable housing is due to the underlying business model which challenges real estate developers’ affordability. 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. As a result, 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.²⁷

Figure 2 World Bank RHFP Results Chain



The RHFP has created an important opportunity for the breadth of institutions involved in Rwanda’s housing sector to work together in the achievement of the Vision 2050 goals for affordable housing. The challenges are clearly inter-departmental, often also spatially defined. 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.

²⁷ Ahabwe, Emmanuel (2021) Rwanda Housing Finance Project at a Glance. Presentation dated 25 March 2021.

3.1.5 Ongoing initiatives by and with local stakeholders

Various actors in Rwanda's affordable housing ecosystem play important roles. The Ministry of Infrastructure and the 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. In addition, there are initiatives that relate to:

- **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 (UED - 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.

3.2 Housing Policy and Regulation

While housing is covered in Vision 2050 and the NST1 plans, Rwanda's housing policy precedes those documents. The National Housing Policy was promulgated in 2015 by the Ministry of Infrastructure. Section 3.3 of the National Housing Policy (2015) notes that "for a housing development scheme to be considered affordable, it shall offer such types of units which are in accordance with the real income structure in the concerned area. As an indicative orientation access to housing is considered affordable, if about a third of income is spent on it."²⁸ Several studies highlight that the major policy gap is that the current definition or understanding of housing affordability does not capture the nuance of different housing submarkets and income groups. It is anticipated that a new Housing Policy will be formulated to align with the targets of Vision 2050. A challenge has been shifting from policy-making to local scale pilot projects which allow evaluation of the different low income housing delivery methods and associated financing options.

Table 3 Key housing sector instruments and tools

Instruments and Tools	Relevance
National Housing Policy (2015)	Access to Housing is supported through 7 options: Private urban rental housing; cooperative rental; rent to own; homeowner mortgage; self-construction with local materials mainly sourced on site; and incremental housing development and improvement.
National Informal Urban Settlement Upgrading Strategy (2017)	Five options for informal settlement upgrading: 1. Collaborative area upgrading by landowners (and possibly tenants) through land pooling 2. Real Estate Investor Driven Developments based on land pooling; 3. Government led basic infrastructure provision in underserved areas; 4. "Social Investment Trust" 5. Collaborative schemes with lending institutions, NGOs and development partners

3.2.1 Housing subsidisation

The Government of Rwanda subsidises land costs and infrastructure where it is to be used for affordable and social housing.

According to Section 5.7 of the NHP (2015), financial government support to affordable housing development will include

²⁸ Ministry of Infrastructure.(2015). National Housing Policy.
https://bpmis.gov.rw/asset_uplds/files/National%20Urban%20housing%20Policy.pdf (Accessed 5 April 2021) pg.16

- The full financing of land/or service infrastructure to and within a project²⁹;
- financing of construction materials for shelter construction;
- advancing of service infrastructure finance to and within developments with cost recovery schemes;
- implementation of service infrastructure to and within housing projects;
- tax incentives for investment in affordable housing;
- financial support to NPOs for small and medium scale rental; housing stock for vulnerable groups; and
- support for the provision of infrastructure for upgrading of existing settlements is also provided for.”³⁰

According to a World Bank Project Information Sheet (2020), government support for affordable housing through the provision of infrastructure accounts on average “for a reduction of 25 to 35 percent on average” on the final selling price.³¹

The Prime Minister’s Instructions Determining the Conditions and Procedures for Obtaining Government Support for Affordable and High Density Housing Projects is a legal instrument that attracts private developers or landowner cooperatives in acquiring the provision of full financing or implementation of basic infrastructure. This PMI is in force, but currently being amended. Article 5 outlines seven criteria for developers to be eligible for “Affordable Housing Projects or high density projects”. Article 6 outlines “high density” housing project eligibility criteria. Articles 7 and 8 list the eligibility criteria for affordable housing beneficiaries and the selection process respectively.

The government maintains a list of first-time homebuyers who earn within a certain bracket who are eligible for affordable units. For units that meet the criteria listed in the Prime Minister's Instructions, a developer can select homebuyers from this list. The development will only benefit from a subsidy (typically the infrastructure agreement) if the units meet the specifications in the PMI.

The World Bank (2020) raises a number of concerns about the prescriptive nature of the eligibility criteria, suggesting that this might deter the interests of potential developers and housing beneficiaries. The 10 year pre-emptive clause is highlighted for its potential to create a “legal, financial and administrative crisis.”

3.2.2 Residential rental

While the National Housing Policy generally promotes homeownership, the need to support the rental market is also acknowledged.³² The policy seeks to enable access to rental housing through private urban rental housing, cooperative rental, and rent to own schemes. There is no legal and regulatory framework governing the relationship between landlords and tenants. However, the National Housing Policy notes that “a legal framework of rights and obligations in the interaction between landlords and

²⁹ According to the World Bank, the government budget to support/provide infrastructure for affordable housing has been affected due to COVID-19 – this is explored to some detail in the final report.

³⁰ Ministry of Infrastructure.(2015). National Housing Policy.

https://www.rha.gov.rw/fileadmin/user_upload/documents/General_documents/Housing_regulations_and_standards/Policies/National_Housing_Policy.pdf (Accessed 15 April 2021) pg.14

³¹ 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> pg.3

³² Ministry of Infrastructure.(2015). National Housing Policy.

https://www.rha.gov.rw/fileadmin/user_upload/documents/General_documents/Housing_regulations_and_standards/Policies/National_Housing_Policy.pdf (Accessed 15 April 2021) pg.14

tenants will be developed and adopted. Such will relate to the clarification of responsibilities on both sides and would include aspects of maintenance and repair, among others.”³³

Landlords are required to pay rental tax according to Article 47 of the Law Determining the Sources of Revenue and Property of Decentralised Entities.³⁴ Article 49 of the Law requires a “rental contract in respect of immovable property is in writing and signed by the contracting parties” be submitted to the Rwanda Revenue Authority. Article 50 highlights that the rental income tax rate is charged between 0 percent and 30 percent of net income (income that accrues after deducting 50 percent of the gross income to cater for expenses incurred on the maintenance and upkeep of property. A regularly mentioned challenge is that of compliance.

The tenure insecurity amongst renters or tenants is a constraint that needs addressing delicately and comprehensively to promote a rental environment that does not deter potential investors or private investment in rental housing. According to the World Bank (2020), there is a draft Rental Housing Strategy issued by the Ministry of Infrastructure that “provides a high level policy view of the context and justification for rental housing.”³⁵ The draft rental strategy is not publicly available and there are no timelines to suggest when it will be finalised and formally adopted.

Multi-family units are dependent on legislation that allows for the property to be used as collateral and for common spaces to be managed. The Law n°15/2010 of 07/05/2010 Creating and Organising Condominiums and Setting up Procedures for their Registration requires the developer of a condominium development to set up a corporate entity, to which land title is then transferred. Deed plans must be created for each condominium and the common areas, and then a condominium title needs to be created for each individual condo. This effort can be very expensive and can take a long time, undermining the cash flow requirements of the developer. Practitioners argue that the law is unclear in terms of defining ownership shares, voting powers, governance mechanisms and so on.

3.3 Land & infrastructure policy and regulation

Registering and administering land ownership in Rwanda. Rwanda’s land reform has been underpinned by the need to establish guidelines ensuring legal ownership, and the sustainable management and rational use of land. The Land Tenure Regularisation Programme has contributed to a number of positive benefits. To date, 11, 549,164 land parcels have been recorded³⁶ and the process of land titling has been reduced to three days from one month. The Land Administration Information System provides access to lenders (among other institutions) access to land title information which has enabled landowners to access finance from banks. Similarly, it is argued that the registration system now offers potential for women to formally register as landholders. According to the Rwanda Land Dashboard, 2,160,584 land parcels are registered to females only while 1,274,627 are owned by men only.³⁷ Joint ownership accounts for 5,552,625 land parcels.

Going forward, various studies identify constraints that need to be targeted in ensuring the sustainability of the land administration process. These include but are not limited to, ensuring the financial independence of the land administration system which has largely been donor supported; and enhancing affordability of the land administration fees structure towards poorer citizens.³⁸

³³ Ibid.36

³⁴ Law No 75/2018 of 07/09/2018 Determining the Sources of Revenue and Property of Decentralised Entities https://www.rra.gov.rw/fileadmin/user_upload/decentralized_taxes_law.pdf Accessed on 2 May 2021.

³⁵ World Bank (2020). Housing Solutions for Low-Income Urban Communities in Rwanda Annexes. <http://documents1.worldbank.org/curated/en/341071582864212932/pdf/Annexes.pdf> pg 16.

³⁶ Figure is sourced from the Rwanda Land Dashboard. <https://rwandalanddashboard.rlma.rw/> (As of 25 April 2021)

³⁷ Ibid

³⁸ See Centre for Public Impact (2017), Ngoga (2019), Makarage (2016)

According to interviews undertaken as part of a World Bank (2020) study, one of the negative outcomes of Rwanda's land reform process is that the Government needs to reacquire land to be able to leverage land through value capture.

Improving Land Based Revenue Collection in Rwanda to fund infrastructure provision. The World Bank (2020) notes that since 2000, Rwanda has “moved towards the decentralisation of its tax regime by devolving tax responsibilities for property, trading and rental income taxation to local governments.”³⁹ However, at the district level, there has been challenges in the collection of taxes and fees. The Urbanisation and Rural Sector Strategic Plan (2018-2024) highlights that “central government fiscal transfers and other grants from partners are equivalent to about 90 percent of a District's total revenue, and locally generated revenues are below 10 percent of a District's budget.”⁴⁰ In response to the District's limited tax collection capacity, Government of Rwanda designated the Rwanda Revenue Authority to support districts in land lease and property tax collection.⁴¹

In 2018, the Government of Rwanda passed the ‘Law determining the sources of revenue and property of decentralised entities’ hereby referred to as the Property Tax Law.⁴² According to Kopanyi (2019) and Bower and Buckley (2020), the property tax law contributes towards developing the tax base and financing infrastructure investments. Article 16 of the Property Tax Law determines that the tax rate will be one percent of the market value of the residential building. According to Article 17, the residential tax rate will be applied progressively from 0.25 percent (in the first year after the Law's commencement), 0.50 percent (in the second year) and 0.75 percent (third year).⁴³ Undeveloped plot of land is subject to additional tax of 100 percent to the tax rate. Article 15 states that the valuation of property should be done either by a certified valuer or by a computerised mass valuation system.

To promote densification, a tax incentive equivalent to 50 percent of the ordinary rate is offered for residential apartments that have a minimum of four floors. The tax rate now varies between zero and RWF 300 per square metre as compared to the previous range of RWF30 and RWF 80. In 2020, the “Ministerial Order No. 001/20/10/Tc of 10/01/2020 Setting Standard Rates and Other Criteria to Determine the Tax Rate Applicable to Plots of Land” was passed. In December 2020, rates on taxable buildings were increased to 0.5 percent (second year) for residential buildings, with the deadline set for 31 March. Due to the pandemic's negative impact on taxpayers and subsequent public outcry, the Government has reversed the increase and the tax deadline has been postponed. The 2020 property tax will be paid based on 2019 tax rates.⁴⁴ There are calls from civil society organisations for government to engage more in multi-sectoral dialogue on the property tax law to collaboratively evaluate implications to the economy and taxpayers.⁴⁵

Several studies highlight key constraints that need to be considered. Kopanyi (2019) notes that a potential policy challenge maybe on how the RRA will complete the mass valuation exercises.⁴⁶ This may require a procedural guide (valuation manual) or strategy to guide the process. The World Bank (2020) notes that the potential of higher financial tax burdens has disincentivised leaseholders to

³⁹ World Bank (2020). Housing Solutions for Low-Income Urban Communities in Rwanda Annexes.

<http://documents1.worldbank.org/curated/en/341071582864212932/pdf/Annexes.pdf>

⁴⁰ Ministry of Infrastructure (2017). Urbanisation and Rural Settlement Sector Strategic Plan

https://www.mininfra.gov.rw/fileadmin/user_upload/Mininfra/Publications/Policies/Urbanization_Human_Settlement_and_Housing_Development/Urbanisation_Rural_Settlements_Sector_Strategic_Plan_2018-24.pdf Pg 14.

⁴¹ USAID. https://www.land-links.org/wp-content/uploads/2016/09/USAID_Land_Tenure_Rwanda_Policy_Research_Brief_No-3.pdf

⁴² Law N°75/2018 of 07/09/2018 Determining The Sources Of Revenue And Property Of Decentralized Entities. Repealed Law n° 59/2011 of 31/12/2011.

⁴³ Ibid

⁴⁴ Kuteesa, H. (2021). Call for deeper consultation as govt changes tack on land tax. <https://www.newtimes.co.rw/news/call-deeper-consultation-govt-changes-tack-land-tax>

⁴⁵ Ibid

⁴⁶ Kopanyi, M. (2015). Enhancing Own Revenues of Decentralised Entities in Rwanda. <https://www.theigc.org/wp-content/uploads/2015/05/Kopanyi-2015-Working-Paper.pdf> (Accessed 20 March 2021)

convert to freehold status. This is attributed to the urban annual leasehold fee being less expensive at RWF 30 to 80 per square metre.⁴⁷ Bower and Buckley (2020) recommend the exploration and evaluation of alternative strategies as part of a comprehensive urban infrastructure financing strategy.⁴⁸

Table 4 Key land sector instruments and tools

Instruments and Tools	Relevance to Housing
Revised National Land Policy (2019)	Under the three main pillars ⁴⁹ of land management, The policy identifies key land related issues and the policy actions required to address them.
National Urbanisation Policy (2015)	Promotes densification as one of its four pillars to achieve resource efficient and compact growth.
Urbanisation and Rural Settlement Sector Strategic Plan 2018-2024	The Strategy outlines the results chain ⁵⁰ organised around the impact goal of "Access to Housing for All Enabled." Outcome 4: Access to social and affordable housing is increased Outcome 5: Eradicated and Upgraded informal settlements
Law N°10/2012 of 02/05/2012 Governing Urban Planning And Building In Rwanda	Provides the overarching legal framework governing urban planning and building in Rwanda. Urban Planning and Construction Standards are captured in the Ministerial Implementation Orders. ⁵¹
Ministerial Order No. 03/COB.M/019 of 15/04/2019 Determining Urban Planning And Building Regulations	Article 9: Requires that proposed sites for urban settlements be serviced with clean water, sanitation and rainwater management; energy source supply; liquid or solid waste management; access and transport infrastructure and ICT. Annex I- Rwanda Urban Planning Code Annex II- Rwandan Building Code Annex III- Green Building Minimum Compliance System
Prime Minister's Instructions No. 001/03 Of 23/02/2017 Determining the Conditions and Procedures for Obtaining Government Support for Affordable and High Density Housing Projects ⁵²	Article 6 lists the eligibility criteria for support for high density housing development projects Article 7 lists the eligibility criteria to be a beneficiary of a Government Supported Affordable housing development Article 8 lists the due diligence process in beneficiary selection
Law N° 32/2015 of 11/06/2015 relating to expropriation in the public interest	Article 7 grants the public agencies or private investors the rights to carry out the expropriation for the implementation of various urban development projects, including the construction of affordable houses

3.4 Finance & investment policy and regulation

Rwanda has a sophisticated financial sector which is governed by a detailed policy framework focused on attracting and leveraging investment for key development sectors. The National Investment Policy (2017)⁵³ recognises the shift required by Rwanda's economy to increase private sector participation

⁴⁷ Law N°75/2018 of 07/09/2018 Determining The Sources Of Revenue And Property Of Decentralized Entities. 1

⁴⁸ Bower. J and Buckley.R (2020). Housing Policies in Rwanda. C-38433-RWA-1. <https://www.theigc.org/wp-content/uploads/2020/02/Bower-and-Buckley-2020-Policy-Paper.pdf>

⁴⁹ Land Use Planning, Surveying and Mapping; Land Use Management and Land Administration

⁵⁰ Fig.12b of the Urbanisation and Rural Settlements Sector Strategic Plan describes the related activities and outputs for 2018-2024 to achieve the outcomes of "Increased Access to Housing for All Enabled" and "Eradicated and Upgraded Informal Settlements".

⁵¹ Ministerial Order No. 02/CAB.M/019 of 15/04/2019 (Building Permit Regulations)

⁵² Republic of Rwanda. (2017). Prime Minister's Instructions No. 001/03 Of 23/02/2017 Determining the Conditions and Procedures for Obtaining Government Support for Affordable and High Density Housing Projects
https://www.rirc.gov.rw/fileadmin/user_upload/LawsOfRwanda/Laws%20of%20Rwanda/7._Administrative/5.14.%20Urbanisation/5.14.1.0.%20PMO%20No%20001-03-2017%20%20government%20support%20for%20affordable%20and%20high%20density%20housing%20projects.pdf

⁵³ Ministry of Finance and Economic Planning (2017). National Investment Policy.
http://197.243.22.137/loda/fileadmin/user_upload/documents/2014_PRO/Documents/National_Investment_Policy_25_April_2017.pdf

and identify innovative sources of financing. The NIP (2017) emphasises the need to strengthen the role of the private sector in public investments (infrastructure development) through PPPs and Joint Venture arrangements. According to Bower and Buckley (2020)⁵⁴, “PPP Guidelines for Affordable Housing Development were drafted by the Ministry of Infrastructure in December 2018 and amended in 2019.” The PPP Guidelines are unpublished, however, and are not available in the public domain.

The Law on Investment Promotion and Facilitation (Law no. 006/2021 of 05/02/2021)⁵⁵ is a legal instrument that makes provisions for investment incentives to registered investors in priority economic sectors that include affordable housing. Incentives for registered investors involved in affordable housing construction consist only of a preferential corporate income tax rate of 15 percent. Eligibility criteria for most incentives provided by the Law consist of minimum investment amount thresholds among other operational requirements.⁵⁶

According to the World Bank Doing Business 2020 report, Rwanda remained the second easiest place to do business in Africa and is now ranked 38th globally out of 190 countries. Land administration and business reforms by the government have contributed to an enabling environment that contributes to increased investment and growth of the mortgage market. Rwanda has an online property registration service that takes three procedures, seven days to register and costs 0.1 percent of the property value. The review of the Law on Mortgages⁵⁷ has made it easier for Rwandans to access home loans by improving the risk parameters under which banks operate. Article 2 of the Law provides banks with the option to “manage, lease, sell or take over the mortgage in case of the mortgagor’s default.”

Limited availability of long term finance to support the growth of housing finance. Given the early stages of Rwanda’s capital market, banks rely heavily on short term deposits. Mortgage interest rates are high in Rwanda, estimated to be 17 percent.⁵⁸ Coupled with low housing affordability, this means only a small segment of households can afford to borrow. In March 2019, the National Bank of Rwanda released the “Directive on the Computation of Loan to Value Ratio for Residential and Commercial Property Loans”.⁵⁹ Article 9 of the Directive requires that banks limit the loan to value ratio to 80 percent “when granting credit facilities to a borrower for the purchase/construction of a second and more primary or non-primary residential properties.”⁶⁰ This further compresses affordability, especially for first time homebuyers, suggesting an opportunity for savings-based housing lending products and rent-to-buy or instalment sale arrangements.

Several studies⁶¹ highlight that the challenges facing the capital markets include but are not limited to a small domestic institutional investor base and the need to deepen regional market integration. The 10-year Capital Markets Masterplan⁶² outlines the actions required to mobilise long term finance to support Rwanda’s development. In line with Vision 2050, the Rwanda Financial Sector Strategy (2018-2024) notes that the anticipated passage of the asset backed security regulation will enable efforts to

⁵⁴ Bower. J and Buckley.R (2020). Housing Policies in Rwanda. C-38433-RWA-1. <https://www.theigc.org/wp-content/uploads/2020/02/Bower-and-Buckley-2020-Policy-Paper.pdf> pg.40

⁵⁵ Repeals Law n° 06/2015 of 28/03/2015 relating to investment promotion and facilitation and all prior legal provisions

⁵⁶ <https://www.newtimes.co.rw/news/five-highlights-rwandas-new-investment-code>

⁵⁷ Law N°13/2010 Of 07/05/2010 Modifying And Complementing Law N°10/2009 Of 14/05/2009 On Mortgages

⁵⁸ Bower. J and Buckley.R (2020). Housing Policies in Rwanda. C-38433-RWA-1. <https://www.theigc.org/wp-content/uploads/2020/02/Bower-and-Buckley-2020-Policy-Paper.pdf>

⁵⁹ NBR (2019). Directive on the Computation of Loan to Value Ratio for Residential and Commercial Property Loans.

https://www.bnr.rw/laws-and-regulations/banking/directives-guidelines/?tx_bnrdocumentmanager_frontend%5Bdocument%5D=1004&tx_bnrdocumentmanager_frontend%5Baction%5D=download&tx_bnrdocumentmanager_frontend%5Bcontroller%5D=Document&cHash=ecf8496b2d4a8a5e31ecdc3b40bd7624

⁶⁰ Ibid. pg.4

⁶¹ See Milken Institute (2017). Capital Markets in the East African Community and IFC (2019). Rwanda Country Private Sector Diagnostic

⁶² Capital Markets Authority. (2016). Capital Markets Masterplan for Rwanda . https://www.cma.rw/fileadmin/user_upload/RWANDA_CAPITAL_MARKET_MASTER_PLAN.pdf

raise long term finance.⁶³ There is no publicly available information on when the asset backed security regulation is expected to pass.

Exploring the impact of Basel II and III implementation on access to housing finance in Rwanda. In 2015, the Government of Rwanda made a formal commitment to concurrently adopt implementation of Basel II and III regulations, and since 2018, commercial banks in Rwanda are required to comply with several components of Basel II and III.

The “Directive On Computation Of Capital Charge For Credit, Market And Operational Risks and Treatment Of Leverage Ratio Of Banks” sets out guidance by the National Bank of Rwanda on the completion of the prudential reporting returns on capital requirements. Section 2.1.27 of the guidelines notes that under the current standardised approach, residential mortgages that are fully secured will be risk weighted at 50 percent subject to a number of extensive criteria.⁶⁴ Residential mortgages that are not fully and completely secured according to the set criteria will attract a risk weight of 75 percent subject to conditions listed in (Section 2.1.29) being met.

Various proponents⁶⁵ argue that this policy shift in adopting global financial standards is likely to create difficulties such as affecting the supply and cost of credit in the short to medium term for domestic banks. That said, an analysis undertaken by CAHF in 2019 also found that there are a number of strategies that banks can apply for meeting the new requirements which might not impact negatively on the cost and availability of mortgage finance.⁶⁶ Certainly, the particular nature of low-value mortgages, where a mortgage lending book might include multiple of sub-\$20 000 loans, possibly payable over shorter periods, is not explicitly accommodated in the regulations and might offer opportunities. This is worth exploring further in support of a mortgage market that meets the particular needs of the affordable housing market and its low income clients.

Rwanda has had REITS Legislation since 2013, however there is yet to be registered a REIT. In 2015, City of Kigali and Rwandan Capital Market Authority were engaged in discussions to design a “Social REIT” to facilitate the movement of residents in unplanned settlements to modern housing.⁶⁷ The study was expected to be completed in 2015 however there is no publicly available information on the outcome of the venture. Due to the pandemic, the short term outlook for residential REITS on the continent is negative.⁶⁸ One of Rwanda’s major regulatory constraints is the lack of a robust rental market legislation that mediates the relationship between the landlord and tenant.

Construction sector heavily relies on importing most building materials such as cement, tiles, manufactured steel and paint, among other things. The ‘Made in Rwanda Policy’ is the “overarching framework to promote domestic production and competitiveness of Rwandan products and services.”⁶⁹ The MIR aligns with the NST 1 (2017-2024) towards achieving Vision 2050 by identifying the Construction Materials Value Chain as a strategic subsector. Specifically, the construction

⁶³ Capital Markets Authority, AFR and FSD Africa are collaborating on this initiative to support the development of ABS Transactions.

⁶⁴ National Bank of Rwanda.(2018). Directive On Computation Of Capital Charge For Credit, Market And Operational Risks and Treatment Of Leverage Ratio Of Banks. Pg 11

⁶⁵ See Emily Jones (2020). The Political Economy of Bank Regulation in Developing Countries: Risk and Reputation and Shukia,J. (2017). Understanding Basel norms in Rwandan banking sector

⁶⁶ See Nketcha Nana, PV (2019) How Basel III and the Latest Changes in Regulation are Likely to Affect Access to Housing Finance in Africa. Working Paper 2. Centre for Affordable Housing Finance in Africa. <https://housingfinanceafrica.org/documents/cahf-working-paper-series-how-basel-iii-and-the-latest-changes-in-regulation-are-likely-to-affect-access-to-housing-finance-in-africa/>

⁶⁷ African Markets (2015). Rwanda’s Capital Market and City of Kigali studying to address financial problems of city housing costs. <https://www.african-markets.com/en/news/east-africa/rwanda/rwanda-s-capital-market-and-city-of-kigali-studying-to-address-financial-problems-of-city-housing-costs>

⁶⁸ Bertoldi.A and Viruly.F. (2021). Role of Residential Real Estate Investment Trusts (REITs) in Sub-Saharan Africa.

<https://housingfinanceafrica.org/documents/presentation-role-of-residential-real-estate-investment-trusts-reits-in-sub-saharan-africa/>

⁶⁹ Ministry of Trade and Industry (2017). Made in Rwanda Policy.

https://nyarugenge.gov.rw/fileadmin/user_upload/REPORT/Made_in_Rwanda_Policy_-_Website_Version.pdf

materials subsector is being targeted for its potential for domestic market recapturing, job creation and value addition to existing production.

In December 2020, the Government of Rwanda approved the ‘Manufacture and Build to Recover Programme’ to accelerate private sector investment in construction and manufacturing.⁷⁰ The programme includes incentives such as tax exemptions on construction materials and tax credits to boost the production of construction materials (See **Table** below). Eligibility criteria for the construction incentives (including affordable housing construction) is however limited to projects that have a minimum investment of US \$ 10 million and US \$1 million for setting up a manufacturing industry. While the incentives would benefit large scale developers, there is need for mechanisms that specifically target the small-scale developers and contractors.

Impact of COVID-19 on the financial sector and economy. The pandemic has negatively affected Rwanda's financial sector performance via increased credit risk and weak demand for credit among other factors.⁷¹ Household and business incomes have also borne the brunt of the pandemic. According to the IMF (2021), the pandemic is expected to cause a revenue shortfall equivalent to 2.2 percent of GDP.⁷² Major fiscal policy responses by the Government include the launch of the Economic Recovery Fund (ERF) to support businesses impacted by the pandemic, boost employment and reduce poverty. Initially set up in June 2020 with a funding of FRw 100 billion fund, the second phase to be launched mid-year 2021 will increase three-fold to FRw 350 billion.⁷³ Parallel to this effort is the Manufacture and Build To Recover Programme which explicitly targets the construction and manufacturing sectors with incentives. Several monetary measures implemented include among others, the lowering of the reserve requirement ratio by 100 points and reduction of the policy rate by 50 basis points to 4.5 percent. According to the IMF, the government's economic recovery plan is estimated at about 6.3 percent of GDP.⁷⁴

Table 5 Key finance sector instruments and tools

Instruments and Tools	Relevance to Housing
Rwanda Financial Sector Strategy (2018-2024)	Priority Area 2 (Private Sector Financing) identifies several strategic actions to strengthen BRD and Commercial Banks' role in Mortgage Finance
Manufacture and Build to Recover Program (2020)	<ul style="list-style-type: none"> • VAT exemption on imported construction materials not available in the East African Community (EAC) • VAT exemption for construction materials sourced domestically • General construction incentives apply to a minimum investment of USD 10 million • Greenfield investments eligible for incentives where total construction value is USD 1 million or greater • Brownfield investments eligible for incentives where total construction value is USD 1 million or 20 percent of total investment

⁷⁰ Rwanda Development Board (2020). Manufacture and Build to Recover Program (MBRP). <https://rdb.rw/manufacture-and-build-to-recover-program>
[mbpr/#:~:text=The%20E2%80%9CManufacture%20and%20Build%20to,incentives%20and%20key%20performance%20indicators.](https://rdb.rw/manufacture-and-build-to-recover-program)
(Accessed 10 April 2021)

⁷⁹ National Bank of Rwanda. (2020). Monetary Policy and Financial Statement. https://www.bnr.rw/news-publications/publications/monetary-policy-financial-stability-statement/2tx_bnrdocumentmanager_frontend%5Bdocument%5D=1738&tx_bnrdocumentmanager_frontend%5Baction%5D=download&tx_bnrdocumentmanager_frontend%5Bcontroller%5D=Document&cHash=321a257956d04ebb416cb0df34a6292e (Accessed 5 April 2021)

⁷² International Monetary Fund. (2021). Policy responses to Covid-19. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#R>

⁷³Namata.B.(2020). Rwanda cushions ailing businesses with \$350m economic recovery fund. The East African <https://www.theeastafrican.co.ke/tea/business/rwanda-cushions-ailing-businesses-3343020>

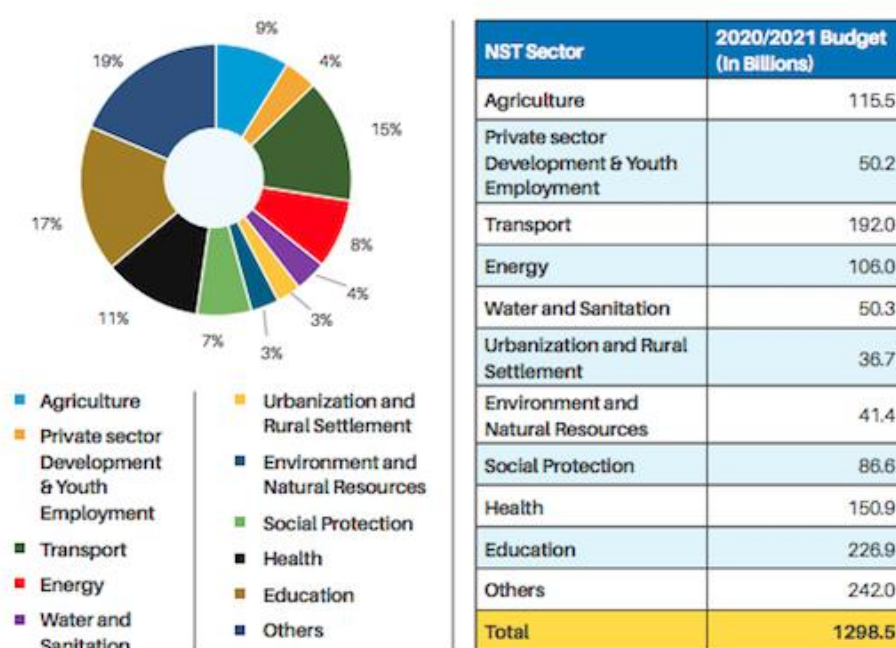
⁷⁹International Monetary Fund. (2021). Policy responses to Covid-19. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#R>

Regulation No.14 Of 05/08/2013 On the Real Estate Investment Trusts	REITs are required to hold 100% of their assets in real estate
Regulation No.20 of 05/07/2016 Modifying and Complementing Regulation No.14 Of 05/08/2013 On the Real Estate Investment Trusts	REITs are required to distribute at least 90% of their annual net income after tax to unit holders as dividends each year
Regulation No. 33/2020 of 08/06/2020 Governing Mortgage Refinance Companies	Article 35 instructs that the mortgage refinance company shall set and uphold underwriting standards for the purpose of refinancing a primary mortgage lender.

3.4.1 Rwanda National Budget

The Rwanda National Budget themed “Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery” was presented in June 2020. The budget for the 2020/2021 fiscal year comprises FRW 3,245.7 billion mainly funded by tax revenue (43,8 percent) and external loans (24.1 percent).⁷⁵ The share of external loans increased from FRw 573.3 billion to FRw 783.4 billion as a result of bilateral and multilateral loans to support COVID-19 responses and project implementation.⁷⁶ The table below shows development spending allocation by National Strategy and Transformation (NST 1) sector. The Urbanisation and Rural Settlement Sector was allocated 36.7 FRw billion (3 percent) of the total amount (1298.5 FRw billion).⁷⁷

Table 6 Development Spending by NST 1 Sectors (in Billion FRW and %)⁷⁸



By programme allocation, the Housing, Urban Development and Land Management Program was allocated FRw 16.5 billion. The budget was revised in February 2021 to reflect a rise in the budget from FRw 3,245.7 billion to FRw 3,464.8 billion to speed up economic recovery amidst the pandemic.

⁷⁵ Republic of Rwanda. (2020). Understanding the National Budget 2020-2021. <https://www.unicef.org/esa/media/7291/file/UNICEF-Rwanda-Understanding-2020-2021-National-Budget.pdf>

⁷⁶ Ibid

⁷⁷ Ibid pg.11

⁷⁸ Ibid pg.11

According to a World Bank Project Information Sheet, the budgeted infrastructure support for the period 2020-2024 is US \$ 41 million.⁷⁹

3.5 Environment policy and regulation

By 2050, Rwanda aspires to be a climate resilient and carbon neutral economy. The environment and climate change have been identified as a cross cutting area of policy concern. Rapid demographic and urban growth has contributed to the proliferation of unplanned settlements. In Kigali, it is estimated that 79 percent of Kigali's total population live in unplanned areas.⁸⁰ Rwanda's geographical landscape makes housing construction difficult or expensive in various parts of the country. Analysis undertaken on Rwanda's total land cover (26 338 km²) shows that Agriculture accounts for 41.6 percent; Forests for 27,5 percent; bare high slopes⁸¹ cover 5.9 percent; Wetlands cover 7.8 percent; Built areas and Infrastructure only represent 11 percent ; and water bodies account for 6.2 percent.⁸²

A hazard assessment undertaken on Rwanda found that various parts of the country are highly susceptible to landslides, droughts, floods, earthquakes or windstorms.⁸³ Comprehensive exposure assessments for all sectors (including housing) were measured at the national and local level. With majority of the population building incrementally, there is a need to work with the financial sector to design products/solutions that enhance low income households' resilience to their particular climatic challenges.

The Rwanda National Environment and Climate Change Policy (2019) promotes the prioritisation of the environment and climate change in decision making across the public and private sectors. Policy Objective 1 of the NECCP (2019) sets out five policy statements and related actions to achieve the greening of economic transformation. Policy Statement 4 asserts the need to 'promote green urbanisation and green rural settlements' by outlining seven policy actions that streamline the use of low carbon materials in housing and infrastructural development.

The Rwanda National Strategy on Climate Change and Low Carbon Development Strategy (2011) aims "to guide the process of mainstreaming climate resilience and low carbon development into key sectors of the economy."⁸⁴ Programme 10 of the GGCRS (2011) details the actions required to achieve low carbon urban systems that include promoting green urban growth and development through densification, zoning regulations and incorporating green efficiencies into the building code.

Anchored by six pillars⁸⁵, the 2015 National Roadmap for Green Secondary City Development guides urbanisation and infrastructure development based on green growth. The Building and Construction

⁷⁹ The World Bank. (2020). Integrated Safeguards Data Sheet. Rwanda Housing Finance Project. <https://documents1.worldbank.org/curated/en/850051603747686617/pdf/Restructuring-Integrated-Safeguards-Data-Sheet-Rwanda-Housing-Finance-Project-P165649.pdf>

⁸⁰ Institute of Policy Analysis and Research. (2017). Affordable Housing in Kigali: Issues and Recommendations. <https://media.africaportal.org/documents/policy-brief.pdf>

⁸¹ Bare High slopes defined as above 55 percent

⁸² Republic of Rwanda (2020). National Land Use and Development Master Plan (2020-2050). https://www.environment.gov.rw/fileadmin/user_upload/Moe/Publications/Policies/National_Land-Use_and_Development_Master_Plan_2020-2050.pdf pg. 21

⁸³ MIDIMAR .(2015). The National Risk Atlas of Rwanda. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjO8ouDwarwAhWJUUhUIHbVwCYsQFjACegQIBRAD&url=https%3A%2F%2Fwww.qfdrr.org%2Fen%2Fpublication%2Fwanda-national-risk-atlas&usq=AOvVaw2KjkGj-AgWlppc_2iLHON4

⁸⁴ Republic of Rwanda. (2011). National Strategy for Climate Change and Low Carbon Development. <https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/RWANDA%20Green%20Growth%20and%20Climate%20Resilience%20-%20National%20Strategy%20for%20Climate%20Change%20and%20Low%20Carbon%20Development.pdf>

⁸⁵ Anchored by six pillars of Green Urbanisation: Building and construction; Energy production and consumption; Urban mobility; Water production and distribution; Sanitation; Waste management

Pillar (Section 5.1) outlines the 3 green guidelines for integrating building design and construction materials into the planning and the development process of secondary cities. The guidelines include promoting the design of green buildings, building with local and sustainable construction materials and embarking on local green building certification.⁸⁶ A commonly highlighted constraint is the low capacity of Rwanda's construction industry and the high costs of building materials. Various options to increase technical and financial capacity exist that could be tested for applicability in the Rwandan context. Access to finance is critical for scaling up local innovative solutions and enabling capacity building and training opportunities for small scale contractors and artisans. From a policy perspective, training and development opportunities should be designed as a long-term strategy or commitment beyond project lifecycles. The Government could play a key role in facilitating platforms such as a country wide database that link the construction industry to housing stakeholders, financiers and the end users.

The Green City Concept is being piloted in Kigali city to set a new standard for affordable housing and sustainable urban development. In February 2020, the project received its first capital injection from the German government through KfW Development Bank worth approximately FRw10 billion (US\$10.5 million). The first phase of the project will see the construction of 749 housing units on 18 hectares at an estimated cost of FRw98.4 billion (US\$103.8 million) for five years, while the entire project will be developed on 620 hectares at an estimated FRw1.4 trillion (\$1.5 billion).⁸⁷ There is currently no available for the sales prices of the housing units.

3.6 Data availability

The availability of data to guide the affordable housing sector is framed by two pieces of legislation.

The **Data Revolution Policy (2017-2022) (DRP)** guides "Government of Rwanda agencies to follow consistent rules on data release, privacy safeguards, use of an open license and technical standards."⁸⁸ A review of policy documents and sector strategic plans finds that there is explicit recognition of the opportunity to improve housing data availability. The National Housing Policy (2015) states that "a good facilitation of the investment environment finally also regards continued practical administrative improvements, such as: Making available data on housing and related aspects."⁸⁹

Rwanda's draft data protection bill has been approved.⁹⁰ When passed into law, this will be Rwanda's first legal instrument governing data protection and privacy. Legal practitioners highlight that the legal constraint is that Rwanda has not established a data protection regulator as required by the draft data protection bill. Directed towards data processors and custodians, the law will have implications for public and private organisations in how the integrity and confidentiality of personal data is protected.⁹¹

⁸⁶ Republic of Rwanda. (2015). National Roadmap for Green Secondary City Development.

<https://gggi.org/site/assets/uploads/2017/12/National-Roadmap-for-Green-Secondary-City-Development.pdf>

⁸⁷ Mwai C. (2020). Kigali Green City Project receives Rwf 10B investment. 1 February 2020. The New Times (2020). <https://www.newtimes.co.rw/news/kigali-green-city-project-receives-rwf-10b-investment> (Accessed 5 September 2020).

⁸⁸ Republic of Rwanda (2017). Data Revolution Policy (2017-2022). <http://statistics.gov.rw/publication/rwanda-national-data-revolution-and-big-data>

⁸⁹ Ministry of Infrastructure. (2015). National Housing Policy. https://bpmis.gov.rw/asset_uplds/files/National%20Urban%20housing%20Policy.pdf (Accessed 5 April 2021) pg.45

⁹⁰ Mudavanhu, E. (2021). Rwanda - Data Protection Overview. <https://www.dataguidance.com/notes/rwanda-data-protection-overview> (Accessed 25 April 2021)

⁹¹ Mudavanhu, E. (2021). Rwanda - Data Protection Overview. <https://www.dataguidance.com/notes/rwanda-data-protection-overview> (Accessed 25 April 2021).

CAHF, 71point4, and Reall have developed 114 key indicators that provide information on activity across the housing value chain as well as critical contextual areas.⁹² By populating these indicators, the team was able to identify key custodians of housing data in Rwanda, current gaps in the housing data landscape, and potential avenues for improving the quality of existing data or filling data gaps.

A total of 96 out of 114 indicators were populated along several levels of aggregation. Key areas of improvement relate to supply-side data, demand-side data and housing transactions data, as follows:

Table 7 Key gaps in Rwanda's housing data landscape

Supply side data	Units supplied	<ul style="list-style-type: none"> Applications vs. completions Typology of dwelling units Location of housing delivery
	Procedural timelines	<ul style="list-style-type: none"> Timeline from application to completion
	Construction costs	<ul style="list-style-type: none"> Land, labour and materials as a percent of total construction cost
Demand side data	Income	<ul style="list-style-type: none"> Accurate net income distribution per occupation
	Financing	<ul style="list-style-type: none"> Borrower profiles (income, age, gender, location) Typical terms by borrower profile (size, duration, interest rate, LTV) Loan performance by borrower profile
Transactions data	Sales	<ul style="list-style-type: none"> Value and volume by region Mortgaged purchases Primary and secondary transfers
	Rental	<ul style="list-style-type: none"> Typical rental prices by typology
	Performance	<ul style="list-style-type: none"> Property price index Government income from property market

Figure 3 below summarises key next steps with high value interventions highlighted in red.

Figure 3 Key next steps for data custodians to improve Rwanda's data landscape

	Rwanda Housing Authority	National Institute of Statistics Rwanda	Rwanda Land Management and Use Authority	National Bank of Rwanda	Rwanda Revenue Authority	Rwanda Development Board
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 EDW	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	

⁹² Two of the Headline Indicators were excluded as these related specifically to data submitted by developers to Reall, a funder of affordable housing projects (<https://www.reall.net/>). Reall does not have any partners in Rwanda, and as such, these indicators were excluded from the analysis.

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