

# Overview of Rwanda Housing Finance Project (RHFP)



# Presentation Outline

1. Rwanda Housing Finance Project at glance
2. Project Components & Status
3. Project's Key Challenges
4. Conclusion & Recommendations

# 1- Rwanda Housing Finance Project at glance

- In 2018, the Government of Rwanda signed a US\$150million credit agreement with the World Bank to expand access to housing finance to households and support capital market development in the country. The project became effective in April 2019 and is to last for 5 years.
- The project funds are managed by Development Bank of Rwanda (BRD) but implemented through Participating Financial Institutions (PFI's) that access the funds through a line of credit with BRD.
- The PFIs extend the funds to eligible beneficiaries at a capped interest rate with a tenor of up to 20 years.
- The project's focus is households with monthly income\* ranging between RWF 200,000 and RWF 700,000 to acquire houses in the price range FRW 10 - 35 million with a minimum of 10% owner's contribution.
- *\* The beneficiaries monthly income range is under revision to consider a threshold of RWF 1,200,000*

## 2- Project Components & Status

The project has three (3) components which include:

- **Component 1:** Provision of Long-term Finance to Expand Housing Finance (US\$117 million).
  - To bring onboard at least 5 PFIs
  - To finance at least 6,000 mortgages
  - To Create and Operationalize the Rwanda Mortgage Refinancing Company (RMRC)

## 2- Project Components & Status (cont'd)

- **Component 2: Technical Assistance and Implementation Support (US\$3 million):**
  - ❑ **The Project is staffed**
  - ❑ **8 Institutions/entities to receive the technical assistance**
  - ❑ **Review of the legal framework around the affordable housing program**
  - ❑ **Building the online housing demand registration/database**
  - ❑ **Other consultancies including a study on housing market, low cost & efficient housing technologies, condominium, awareness campaign and mortgage uptake in Rwanda**

## 3- Project Components & Status (cont'd)

- **Component 3:** Infrastructure support for approved affordable housing development projects (US\$30 million):
  - At least 3,000 new affordable residential housing units to receive government Infrastructure Support
  - Implementation to be done in collaboration with Rwanda Housing Authority (there's an MoU in place)
  - Approved projects are yet to tap into the Infrastructure subsidy and many others still under assessment.

# 3- Project's Key Challenges

Generally, at almost two and a half years into project implementation, the fund is under utilized due to:

- **Demand side:**

- ❑ Low purchasing and spending capacity on housing for the targeted income group, moreover the project only provides for ownership tenure through mortgage

- **Supply side:**

- ❑ Lack of affordable developer finance

- ❑ Insufficient incentives in the program such as readily available developable land, offtake guarantee, tax exemptions and flexibility in reviewing the eligibility criteria

- ❑ High construction costs

# 4- Conclusion & Recommendations

For the successful implementation of the project and affordable housing in general, there is need for government's intervention in collaboration with different key players in the housing sector to address the bottlenecks to the project and some of the possible interventions include:

- **Demand side:**

Revisiting the targeted income category to design different housing access schemes (tenures) for different income categories including ownership, rental and rent-to-own options.

- **Supply side:**

Establishing an affordable developer finance, enhanced incentives in the program and high level of flexibility in reviewing the eligibility criteria for developers from time to time to allow innovations that would lead to the supply of an affordable unit on the market.

THANK YOU