



Centre for Affordable  
Housing Finance  
in Africa



## **Making Affordable Housing a Reality in Rwanda: sustainable and affordable housing solutions for households with monthly incomes below 200.000 RWF**

### **An Urban Lab Initiative**

#### **PROPOSAL**

The Centre for Affordable Housing Finance in Africa (CAHF) and the University of Rwanda (UR) are delighted to offer this proposal to direct an Urban Lab to interrogate how sustainable and affordable housing might be increased for low-income households in Rwanda.

CAHF is an independent nonprofit think tank working to support and grow housing markets in Africa for increased affordability. CAHF's programme of work operates across three broad platforms - Knowledge Production, Advocacy and Market Development.

UR is the leading University in Rwanda that provides interdisciplinary, problem-based academic programmes and conducts research, aligned with Rwanda's development needs.

This proposal sets out our understanding of the intentions for the Urban Lab, and then our approach to the activities. The proposal also sets out team members to be included, and clarifies the roles of the parties – of CAHF, based in Johannesburg, South Africa; and of the University of Rwanda, based in Kigali, Rwanda.

#### **1 Goal, Objectives and Activities**

The **goal** of the project is to strengthen the provision of sustainable and affordable housing for low-income households (with incomes below 200.000 RWF per month) in Rwanda.

It will necessarily involve both the public and the private sectors so that the very limited resources of the parties might be leveraged towards a workable and sustainable solution. The discussions anticipated in Activity 1, Hosting of Workshops and Working Group Meetings, will explore this potential and seek to arrive at concrete recommendations for how such collaboration might work.

The project also has two main **objectives**:

- Bring relevant national and international stakeholders together with the aim to discuss approaches towards an improved provision of sustainable and affordable housing for low-income households in Rwanda.
- To build capacities among participants of the workshops and working meetings regarding market analytics, demand and supply side challenges and opportunities, the potential for public policy and interventions, and international best practice.

These two objectives will be supported by the generation and dissemination of knowledge, as anticipated in Activity 2, and the household level research (focus groups and interviews) anticipated in Activity 3.

#### **Activity 1: Hosting of workshops and working group meetings**

- 1) Elaborate and designing workshop and working group activities, agendas, presentations, and discussion questions.
- 2) Providing physical space for the participants that enables co-creative work among the participants to achieve the above-mentioned objectives.
- 3) Organizing logistics related to the event planning.
- 4) Hosting of two larger workshops with about 40 participants of which at least 50% are female.
- 5) Hosting of 6 working group meetings.

#### **Activity 2: Knowledge generation and dissemination**

- 1) Elaborate, present, and discuss the current housing market situation (demand- and supply-side as well as value chain) for households with incomes below 200.000 RWF.
- 2) Identify, present, and discuss challenges and opportunities with all participating stakeholders in a co-creative process.
- 3) Identify, present, and discuss possible solutions to the identified demand- and supply-side problems, including international best practice examples relevant to the Rwandan context.
- 4) Publicly present the results.

#### **Activity 3: Household level perspectives**

- 1) Gather and document household level perspectives, responses, and feedback from the target group using appropriate formats such as interviews, Focus Group Discussions, or the like.
- 2) Include household level perspectives, responses, and feedback in all activities.

For a targeted and user-centric design of potential solutions for identified challenges, the inclusion of perspectives of low-income households through appropriate activities such as focus group discussions and interviews is vital to the outcome of the project.

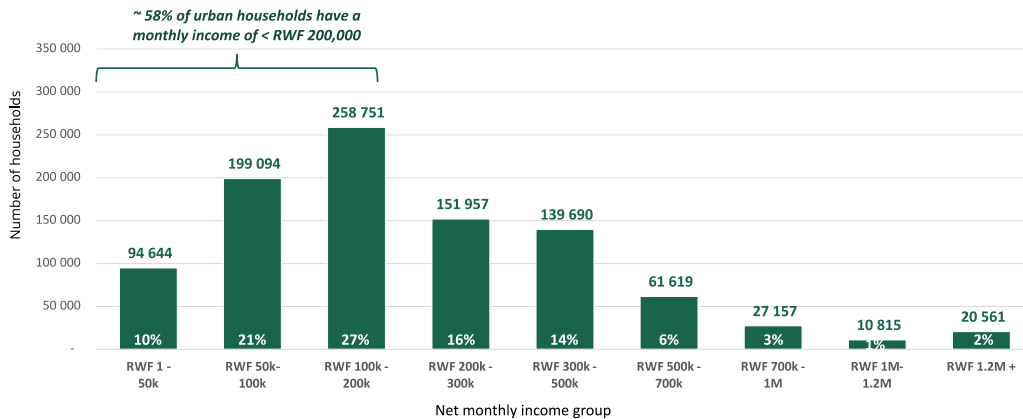
## **2 A focus on households earning less than 200 000 RWF**

The sub 200 000 RWF target is not an easy one. According to data from the Integrated Household Living Conditions Survey 5 (EIVC 5) and analysis by 71point4 inflating it to June 2022, 552 489 (or 58% of) urban households earn a household income of less than 200 000 RWF (of these, almost 300 000 urban households earn less than 100 000 RWF per month). Income earners in these households are primarily employed as blue collar workers, in private services and sales, as farm workers, or they are self-employed but unregistered.<sup>1</sup>

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<sup>1</sup> Analysis by 71point4 in a study undertaken for the Development Bank of Rwanda. To view the full report, visit: [https://www.mininfra.gov.rw/publications?tx\\_filelist\\_filelist%5Baction%5D=list&tx\\_filelist\\_filelist%5Bcontroller%5D=File&tx\\_filelist\\_filelist%5Bpath%5D=%2Fuser\\_upload%2FMininfra%2FPublications%2FReports%2FUrbanisation%2FHuman\\_Settlement%2F&cHash=61027343790f487a51cc305017fddd3b](https://www.mininfra.gov.rw/publications?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2FMininfra%2FPublications%2FReports%2FUrbanisation%2FHuman_Settlement%2F&cHash=61027343790f487a51cc305017fddd3b) Further analysis by 71point4 can be found in a project undertaken by the Centre for Affordable Housing Finance, 71point4 and Fatou Dieye, for Access Finance Rwanda. Full reports available: <https://housingfinanceafrica.org/projects/scoping-rwandas-affordable-housing-sector-and-its-financing/> Data source: NISR. (2017). Integrated Household Living Conditions Survey 5 (EIVC 5). <https://www.statistics.gov.rw/datasource/integrated-household-living-conditions-survey-5-eicv-5>

**Estimated net monthly income for urban households (964 000 urban households)**



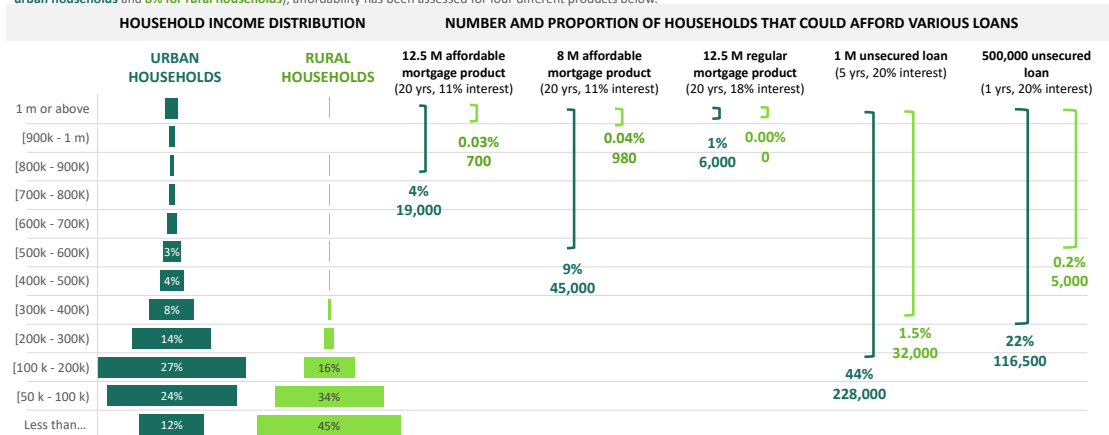
Source: Income distribution based on EICV expenditure data inflated to June 2022 and applied to total number of urban households reported in Census 2022

Policy interventions in support of housing affordability are only available to the top 11% of the household population, as illustrated in the Access to Finance Rwanda (AFR) research, below. Mortgage loans are unaffordable for most, even with the support offered by the Development Bank of Rwanda. Even smaller construction loans are beyond most households' incomes.

**Overview of demand: access frontier**

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.

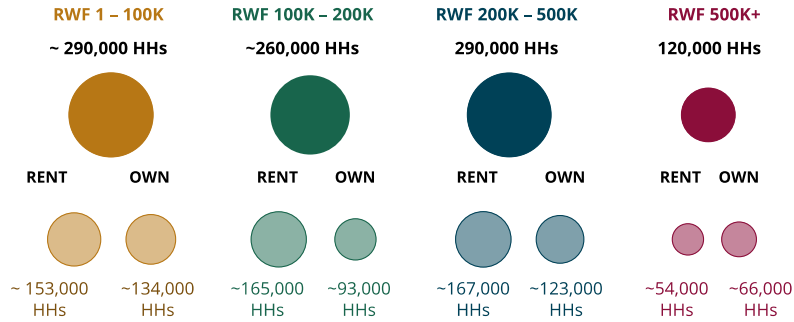
Affordability is generally calculated by using the general assumption that household can contribute 30% of their monthly income to loan repayments. However, as shown previously, Rwandan households contribute significantly less than this to housing. Using the average percentage of expenditure allocated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



Clearly, households in the target market are meeting their housing needs incrementally, with microfinance if they can access it, as well as with their own savings, and their own labour.

A significant number of households in this target market also rent, providing an income stream for their landlords, who are often in the same market segment. As set out below, while 227 000 urban households earning less than RWF 200 000 own their properties, 318 000 households rent.

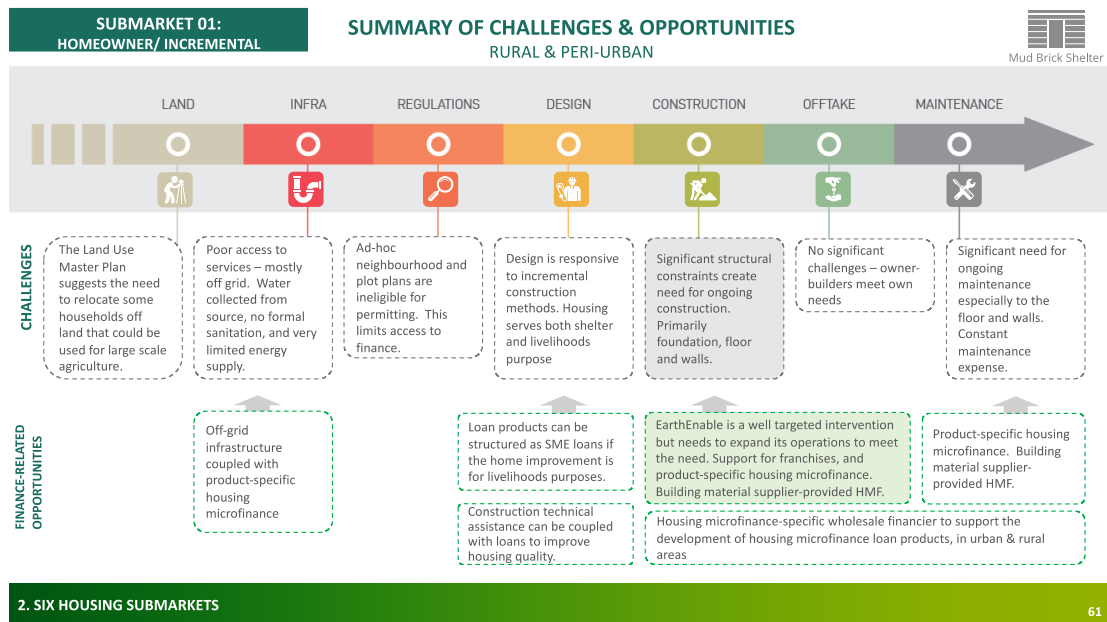
**Urban household income segments (964 000 households in urban areas)**

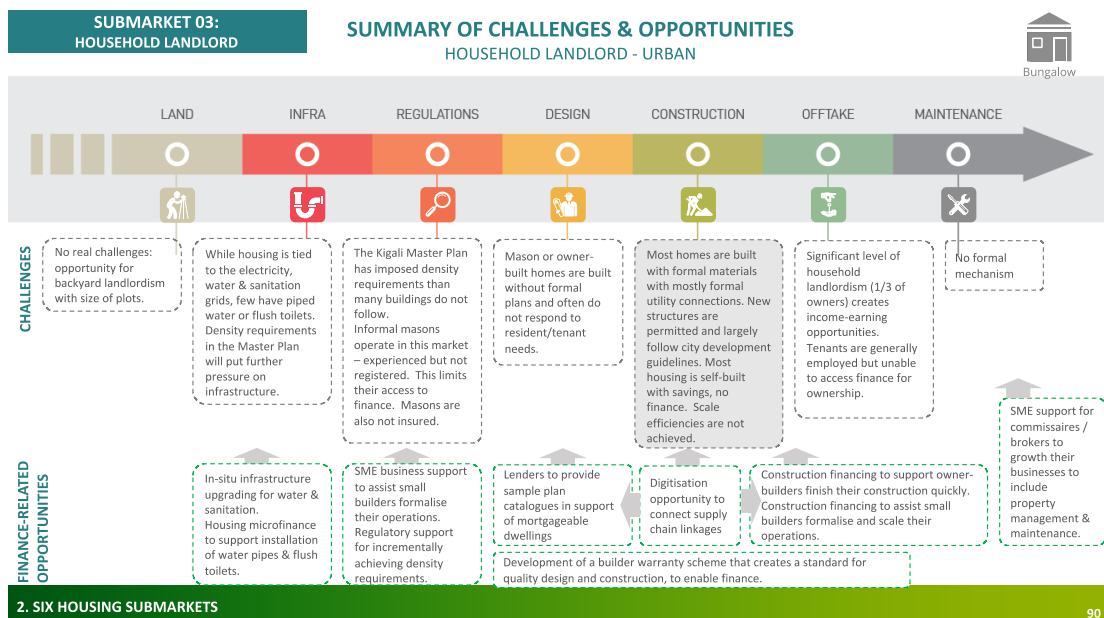
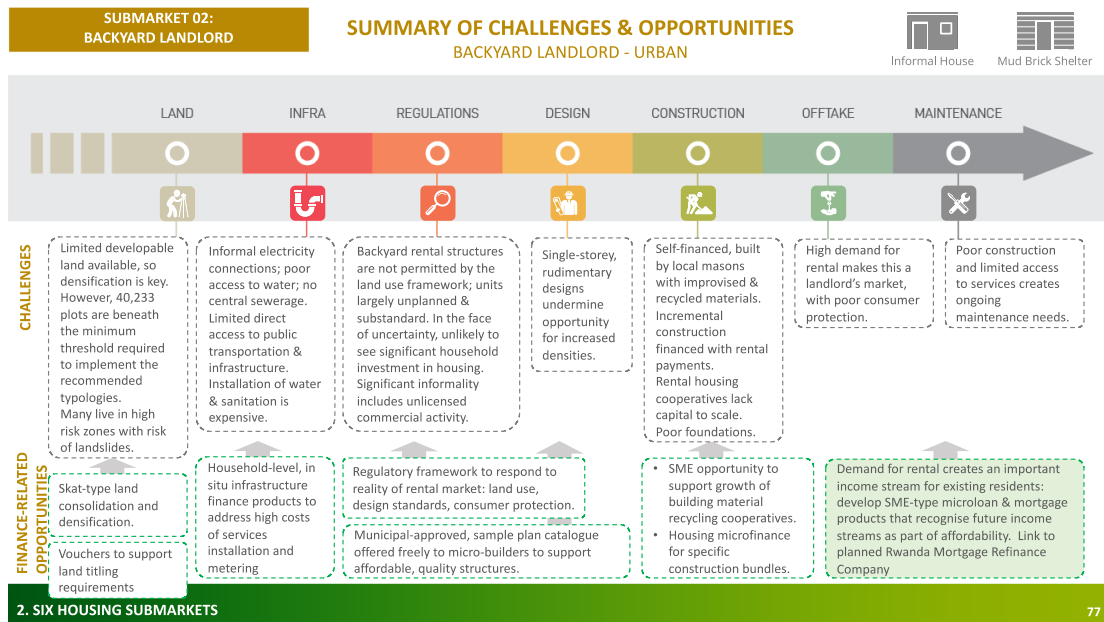


Source: EICV 5, the number of urban households has been factored up to match Census 2022

As noted in the AFR research, the value chains supporting such incremental housing and financing processes whether for ownership or rental are inadequate for the nature and scale of demand that might exist from this target market. While there is innovation in some parts, there are gaps in others. Specifically in this target market, key gaps relate to access to services, the application of health and safety building codes, and appropriate design given the affordability constraints that exist and the delivery methods that are pursued. From the report: “... peri-urban incremental homeowners do not have access to a formal infrastructure grid, mostly build with sub-standard materials and do not have the income to finance design and construction assistance.” At the same time, self-builders rely on the expertise of their masons to determine building design, which leads in some cases to design inefficiencies.

The AFR research summarised the challenges and opportunities in the homeowner/incremental, backyard landlord and household landlord sub-markets as follows:





Taking these insights further, the AFR research recommended

- *Development of housing microfinancing system: the delivery of wholesale finance to accredited housing microlenders that also offer/facilitate access to housing construction technical assistance.*
- *Partnership with building material supply stores as sites of finance, materials and advice for incremental builders and small scale landlords.*
- *Development of in situ infrastructure SMEs, allowing for off-grid water, sanitation and energy*
- *Municipal and lender provision of pre-approved building plans to borrowers, and technical assistance throughout the building process*
- *Development of a landlord-focused, specialist mortgage lender to engage with the particularities of the small scale lender market and to enable maintenance standards*

The purpose of the Urban Lab is to grapple with the challenges and leverage the opportunities to address them, specifically for households living in the sub-200,000 RWF income bracket.

## 2.1 Leveraging existing resources and opportunities

It is worth noting that extensive research has already been undertaken. In 2020/2021, CAHF undertook a study for Access to Finance Rwanda (AFR) on the Affordable Housing Finance Sector in Rwanda and its Financing. The extensive data analysis, literature reviews and research findings were published in nine reports on AFR’s and CAHF’s websites. Following this, the Development Bank of Rwanda (BRD) undertook an in-depth study into the affordable housing opportunities in Rwanda. This was launched in August 2023 and is available for download on the MININFRA website.<sup>2</sup> The teams involved in both of those studies are participants in the team driving the Urban Lab, so that this baseline of information will offer a starting point from which the Urban Lab can take matters further.

At a more operational level, there are already very many players involved in this market segment. Past research undertaken by the team has identified a number of initiatives which will be reviewed and shared with participants in the Urban Lab for consideration in addressing the needs of the target market. Local initiatives will also be part of the consultative and working group process explained below:

Local initiatives (including but not limited to)	International initiatives (including but not limited to)
<ul style="list-style-type: none"> <li>• Local commissionaires &amp; brokers who facilitate the connecting of demand with supply</li> <li>• Household landlords</li> <li>• EarthEnable – earthen flooring/housing solutions</li> <li>• Engie – off-grid solar power solutions</li> <li>• Mass Design Earthen Housing Prototypes (Bbox, etc.)</li> <li>• General Architecture Collaborative Rwanda (GAC-R)</li> <li>• CoK, SDC PROECCO, Skat and UN-Habitat</li> <li>• Used Building Material Resale Cooperative</li> <li>• Rental Housing Cooperative</li> <li>• Master Masons</li> <li>• Great Strength Construction Company</li> <li>• Modern Bricks Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Housing Loan Fund – South Africa</li> <li>• Build It – South Africa</li> <li>• Casa Orescom – Senegal</li> <li>• iBuild Global – Kenya, Indonesia, Mexico</li> <li>• uMaStandi – South Africa</li> <li>• iBuild Homeloans – South Africa</li> <li>• TUHF – South Africa</li> <li>• Zambian Home Loans – Zambia</li> <li>• Grab / SMF – Indonesia</li> <li>• Patrimonio Hoy (CEMEX) – Mexico</li> <li>• Kwangu Kwako Limited – Kenya</li> </ul>

## 3 Approach

The approach to delivering and reviewing the results of the Urban Lab will be undertaken in three overall phases:

Phase 1: Preparation for the Urban Lab

Phase 2: Hosting the Urban Lab

Phase 3: Recommendations Arising from the Urban Lab and Way Forward

<sup>2</sup> See

[https://www.mininfra.gov.rw/publications?tx\\_filelist\\_filelist%5Baction%5D=list&tx\\_filelist\\_filelist%5Bcontroller%5D=File&tx\\_filelist\\_filelist%5Bpath%5D=%2Fuser\\_upload%2FMininfra%2FPublications%2FReports%2FUrbanisation%2FHuman\\_Settlement%2F&cHash=61027343790f487a51cc305017fddd3b](https://www.mininfra.gov.rw/publications?tx_filelist_filelist%5Baction%5D=list&tx_filelist_filelist%5Bcontroller%5D=File&tx_filelist_filelist%5Bpath%5D=%2Fuser_upload%2FMininfra%2FPublications%2FReports%2FUrbanisation%2FHuman_Settlement%2F&cHash=61027343790f487a51cc305017fddd3b)

These are outlined in some detail below:

### **3.1 Phase 1: Preparation for the Urban Lab**

The team will hold short consultations with local role players in the public, private and community based sectors, to set up for their potential participation in the Urban Lab sessions.

In support of Activity 2 (generation & dissemination of knowledge), the team will collect the breadth of existing documents and studies which focus on affordable housing, and the sub 200 000 RWF target market in particular. These will be compiled into an online library providing direct access, or links to original sources, which will be shared publicly as a resource base for participants in support of the Lab. The resource base will be hosted on CAHF's and the University of Rwanda's websites.

A further preparation activity (and linked to Activity 3 (household level research), in the ToR) will involve the collection of detailed "housing investment-"and "housing development chronicles" for six households and six suppliers (i.e. contractors / builders / masons) operating in the sub 200 000 RWF target market. The intention of this effort will be to chronicle the housing investment choices, challenges and outcomes of target market households, and the house building experiences of suppliers in this market, with a view to understanding where they face particular barriers in the realisation of access to affordable housing. This effort will be driven by the University of Rwanda in such a way that the effort is integrated into the student programme. Students will be asked to engage in detailed, deep-dive interviews with households and suppliers regarding their respective housing journeys; to survey and diagram existing plots and the building that has taken place on each; and to engage with the municipality for municipal level data (plans approved, services consumed, etc.). Through this effort, a rounded picture of a housing experience, whether on the demand or the supply side (or a combination of both) will be presented as a set of 12 short but detailed case studies (2 pages each, including photos).<sup>3</sup> The team will endeavour to ensure that across the twelve examples, multiple experiences (four each) of land & services, design & construction, and finance, will be presented.

### **3.2 Phase 2: Hosting the Urban Lab**

The workshops will host about 40 participants of which at least 50% are female. The working group meetings will bring together different stakeholders working on a smaller issue in order to prepare inputs for the larger workshops. It is expected that various stakeholders from the academic community, multilateral organizations, civil society, private sector, financial institutions, and policy makers are engaging in co-creative work to develop possible solutions for the demand- and supply-side challenges of sustainable and affordable housing for low-income households.

Given this, the team proposes the following:

#### **1. Workshop 1: focus on what we know and what we've seen**

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<sup>3</sup> CAHF has a programme "Housing Investment Chronicles" that it has undertaken in Mozambique, Uganda, Côte d'Ivoire, Cameroon and Senegal. The experience with this programme will guide the process of collecting these 12 case studies. See <https://housingfinanceafrica.org/projects/housing-investment-chronicles/>

- a. Presentation on research, highlighting demand and supply-side issues as they exist particularly for households earning less than 200,000 RWF.
- b. Presentation by University of Rwanda on 12 housing investment and housing development chronicles
- c. Presentation by CAHF on international efforts to address this target market
- d. Responses from the delegates / participants
- e. Formation of three working groups and agreement on problem statement:
  - i. Land & services
  - ii. Design & construction
  - iii. Finance

**2. Working Group meetings: confirmation of problem statement and brainstorming opportunities for intervention**

- a. Land & services: two meetings, to be led by University of Rwanda
- b. Design & construction: two meetings, to be led by a local consultant
- c. Finance: two meetings, to be led by CAHF

The brief put to the working groups would be to each finalise a concept note for delivering on their subject-matter to households earning less than 200,000 RWF per month. These short concept notes will then be tested in a series of interviews (3, below), and then presented to Workshop 2 for confirmation or further adjustment (4, below).

3. **Interviews:** testing proposals emerging from the three working groups with stakeholders in the City of Kigali, with service providers, with lenders, and with community representatives. A total of 10 interviews will be undertaken by the University of Rwanda Team and a local consultant.

**4. Workshop 2: What we can do**

- a. Presentation by Land & Services WG
- b. Presentation by Design & Construction WG
- c. Presentation by Finance WG
- d. Presentation by University of Rwanda on interview responses
- e. Responses from the delegates
- f. Confirmation of way forward

**3.3 Phase 3: Recommendations Arising from the Urban Lab and Way Forward**

The overall output of the Urban Lab will be a set of concept notes for projects to be taken forward as pilots or other interventions, in support of making affordable housing a reality in Rwanda, in particular for households earning less than 200,000 RWF. These will be supported by:

- Fact Sheets on the target market and problem statement
- Fact Sheets on value chain interventions - local and international case studies
- Final Report of the Urban Lab in powerpoint format
- Presentations given at the Urban Lab workshops
- Online library of background documentation

The material will be compiled on an online platform on CAHF's and the University of Rwanda's websites. This will be launched in a webinar open to the public and broadcast across the



continent, setting out the process and products of the Urban Lab and speculating how they might be taken forward.

#### **4 Proposed team**

The work will be undertaken by the Centre for Affordable Housing Finance in Africa and the University of Rwanda, working in partnership. In addition, two local consultants will join the team in Rwanda.