Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 19-Sep-2018 | Report No: PIDISDSA24580

BASIC INFORMATION

A. Basic Project Data

Country Rwanda	Project ID P165649	Project Name Rwanda Housing Finance Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 21-Sep-2018	Estimated Board Date 31-Oct-2018	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economic Planning	Implementing Agency Development Bank of Rwanda	

Proposed Development Objective(s)

To expand access to housing finance to households and support capital market development in Rwanda.

Components

Provision of Long-Term Finance to Expand Housing Finance
Technical Assistance and Implementation Support

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental Assessment Category

F-Financial Intermediary Assessment

Decision

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Rwanda is one of the most densely inhabited countries in Africa and one of its least urbanized, with just over 17 percent of its 12.5 million people living in urban areas.**[1] The Government of Rwanda (GoR) views the relatively low rate of urbanization as an opportunity to create a more efficient urban system. Accordingly, in its vision to become a middle-income country by 2020[2], off-farm job creation and urbanization have been identified as a key driver for economic growth; and urbanization and rural (human) settlement has been established as a 'standalone' sector by the Economic Development and Poverty Reduction Strategy II (EDPRS) for 2013–18. Both urbanization and housing continue to be a high priority in Rwanda's development strategies, namely, Vision 2050 and the National Strategy for Transformation I (NST) I for 2017–24 (which replaces EDPRS III)[3].

2. **The government's ambition to promote urbanization and access to affordable housing in Rwanda is reflected in numerous strategies and policies adopted in recent years.** The National Urbanization Policy (2015) provides an overarching guidance on spatial planning at the national, district, and city levels and discusses housing solutions for different income groups[4]. The National Informal Urban Settlement Upgrading Strategy (2017) broadened the scope of affordable housing policies to include self-construction and home improvement as a solution for low-income residents which are unable to afford even the least expensive units in new housing

[1] NISR (National Institute of Statistics of Rwanda) and MINECOFIN (Ministry of Finance and Economic Planning) (2014). Integrated Household Living Conditions Survey (EICV). Kigali, NSIR.

[2] Rwanda income target is to attain upper middle-income country status by 2035 – NST I

[3] Sustainable urbanization is the Priority Area 2 under the Economic Transformation Pillar of the NST I, with key strategic interventions including the promotion of local construction materials to support the growth of the construction industry and the affordable and low-cost housing program. Housing also appears under the Social Transformation Pillar of the NST I, with plans to operationalize the affordable housing fund, the establishment of which was announced in July 2017.

[4] The NHP offers housing solutions for different segments of the market, with key mechanisms for those on low and irregular incomes, including: (i) direct government support in low-cost real estate development for low-income families; (ii) incremental self-build housing; and (iii) cooperative approaches which can include pooled land or pooled finances.

developments[5]. The Prime Minister's instruction on support for affordable housing - adopted in 2015 and amended in 2017 – was designed as a set of fiscal and financial incentives targeted to developers to encourage them to scale up the supply of affordable housing units.

3. However, efforts to promote housing development and urbanization have not been able to bridge the large and widening gap between formal housing supply and demand. It is estimated that at least 60 percent of houses in Kigali are in unplanned settlements[6] where access to road and transport infrastructure, adequate tap water, electricity, and sanitation is limited, and that almost 147,000 houses need to be replaced[7] (according to current regulatory standards) due to challenges such as build quality, overcrowding, and high-risk/ecologically-sensitive locations. This backlog affects all households, but is more pronounced for lower income groups (**Error! Reference source not found.**). Across the country the majority of housing needs are still in rural areas, although this is changing rapidly. Based on the household formation rate it can be estimated that the annual housing need is currently around 67,000 units. Of these 53,000 are required in rural areas and 14,000 in urban areas. Figure 1 below shows the forecast population growth in both rural and urban areas together with the resulting demand for new housing. It is worth noting that meeting this demand simply maintains the status quo without making any inroads into the qualitative housing deficit.

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[5] The World Bank is supporting the urban upgrading pilot in the City of Kigali, under the Rwanda Urban development Project.

[6] a remote sensing exercise on 2009 and 2015 building supply has revealed that unplanned peripheral neighborhoods are quickly filling with new, rudimentary, housing, in response to rapid population growth and the comparatively small scope of grid planning/enforcement and sites and services provision.

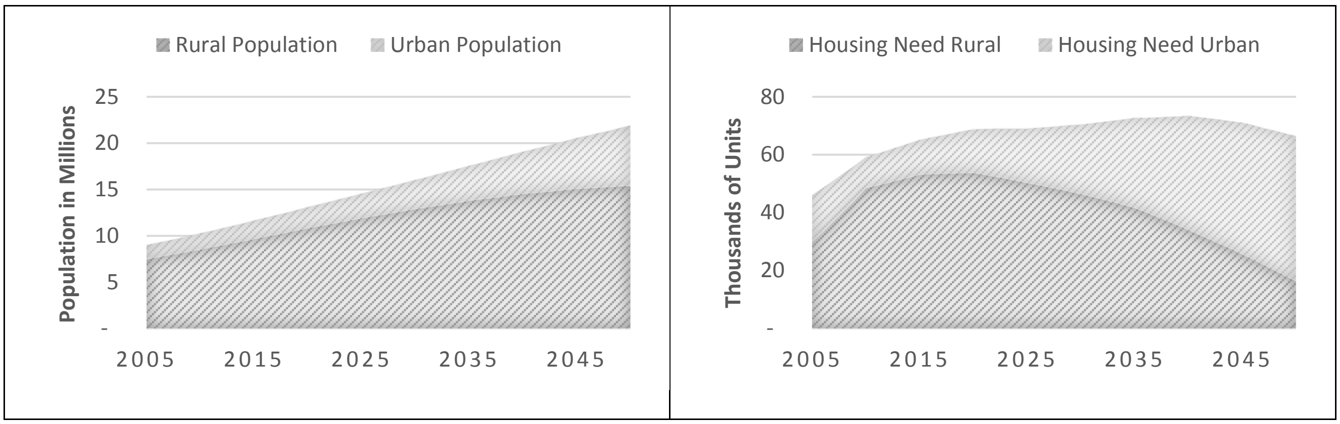
[7] All data from a forthcoming Housing Market Study by the International Growth Centre (IGC)

Table 1. Number of Houses in Kigali and Portion of Backlog (Calculated using EICV 4 data)

	All Kigali	Household Income Quintile				
		Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Number of dwelling units	295,227	59,310	59,051	58,942	58,887	59,038
Of which requiring replacement (nr)	146,866	46,371	36,848	30,326	20,340	12,981
Of which requiring replacement (%)	49.7%	78.2%	62.4%	51.5%	34.5%	22.0%

Source: EICV 4

Figure 1 - Urban and Rural population and housing needs - 2005-2050



Source: UN Populations Division Database 2018

4. **The lack of formal housing[8] supply partly helps explain the prevalence of self-construction as the most common path towards home ownership in Rwanda.** The annual supply of *formal* housing by developers is estimated at just 1,000 new houses in Kigali – equivalent to less than 4 percent of the new demand for housing. The 2016 FinScope survey revealed that 88 percent of Rwandan households are homeowners, while only 7 percent report to be renting (an important exception is Kigali, where about half of residents are renters). Self-construction is the prevalent method of acquiring homeownership: 83 percent of homeowners have built their homes, while 6 percent report to have purchased their homes. Most Rwandans build and finance their homes in phases, often using low-cost construction materials and techniques which are progressively improved over time[9].

5. **The growth of the housing market has also been constrained by the limited capacity of the financial sector to scale-up housing credit.** The lack of long term funds is the biggest challenge to Rwandan banks as their source of funding is predominantly comprised of short-term deposits. The resulting mismatch between (long-

[8] In Rwanda, informal settlements are largely unplanned in the sense that they have developed not according to accepted planning and engineering norms, while it is understood that most owners and occupiers of the area have some right to be there and thus there are few, if any, informal occupiers or squatters in terms of their access to land.

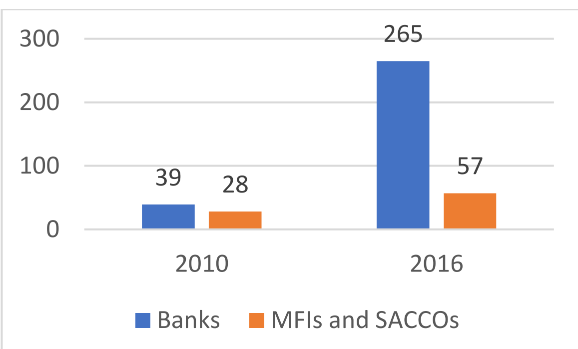
[9] Particular gaps stand out in terms of access to piped water within the house or yard (present in only 36 percent of houses), flush toilets (8.5 percent) rather than pit latrines, low build quality (37 percent use mud bricks without cement, or lower quality wall materials; a further 54 percent use mud bricks with cement), and over-crowding (Source: IGC, forthcoming).

term) assets and (short-term) liabilities creates increased liquidity and interest rate risks which limits banks' ability and willingness to scale-up long-term (housing loans). As a result, banks allocate their limited funding resources to borrowers with the most favorable risk/return profile (higher income earners; salaried employees) which helps reduce risks, but it also reduces access to financing for large segments of the Rwandan population who, as a result, are unable to afford purchasing new homes.

Housing Finance

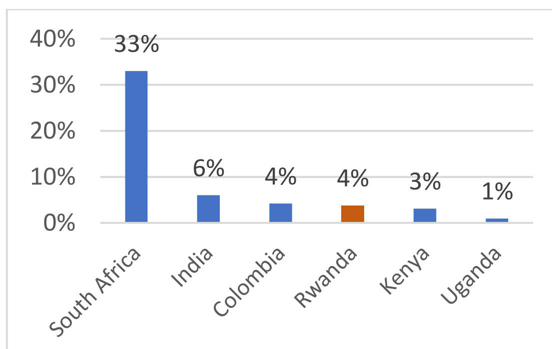
6. **Most Rwandans rely on personal and family savings to build or purchase their homes, supplemented by a small but growing share of mortgage lending offered by financial institutions.** 85 percent of homeowners report their own savings as the main source of financing to acquire/build their homes, while less than 5 percent report bank/MFI loans as primary source of financing. A larger share of credit is used for self-construction and home improvement as the most prevalent home acquisition/construction method in Rwanda. While less than 5 percent of Rwandan home owners report bank credit as primary financing source for their home acquisition, 18 percent of Rwandans who improved/expanded their homes report to have used a loan from a financial institution, based on demand side surveys such as Findex and FinScope (2016), and confirmed through interviews with bank and MFIs (who provide loans mostly for incremental housing). The share of housing loans used to build or repair homes (as opposed to housing loans to purchase an existing or newly built house or apartment) is higher than most other countries in the region. Rwandans in rural areas and with lower household incomes are more likely to get housing loans for self-construction and home improvement than their peers in urban areas and with higher incomes.

Figure 2: Housing credit: evolution over time (USD mn)



Source: BNR

Figure 3: Housing credit: cross-country comparison (% of GDP)



Sources: BNR, World Bank mortgage database

7. **The mortgage market experienced strong growth over the past decade, led by the banking sector in terms of credit volume and microfinance institutions (MFIs)/savings and credit cooperatives (SACCOs) in terms of outreach (number of housing loans).** By the end of 2016, residential mortgage lending accounted for 15 percent of total bank credit[10] and 30 percent of total MFI credit[11] - corresponding to 3.8 percent as a share of GDP (compared to 2.4 percent in 2010). Rwanda's financial sector is dominated by commercial banks, which account for approximately two thirds of total financial sector assets, followed by the pension fund (17.1 percent), insurance (9.7 percent), and microfinance institutions/SACCOs (6.3 percent) (Table 2). The banking sector is quite concentrated and has a comparatively high degree of foreign ownership: The three largest of Rwanda's 17 commercial banks hold nearly half of total bank assets, the share of assets held by majority foreign-owned banks

[10] 265mn USD in Dec 2016 – compared to 39mn USD in 2010
[11] 57mn USD in 2010 – compared to USD 28mn in 2010

is equally high.

Table 2. Rwanda: Financial Sector Structure

	Jun-10		Jun-17		Assets/GDP	
	Number	**%**	**Number**	**%**	**Jun-10**	**Jun-17**
Banking sector	14	71.5	17	66.9	21.6	36.3
Pension	1	13.8	1	17.1	6.4	9.3
Insurance	8	11.1	16	9.7	3.2	5.2
MFIs and SACCOs	524	3.6	473	6.3	2.6	3.5
Total	**547**	**100**	**507**	**100**	**33.8**	**54.3**

Source: BNR (Monetary Policy and Financial Stability Statement, 2017)

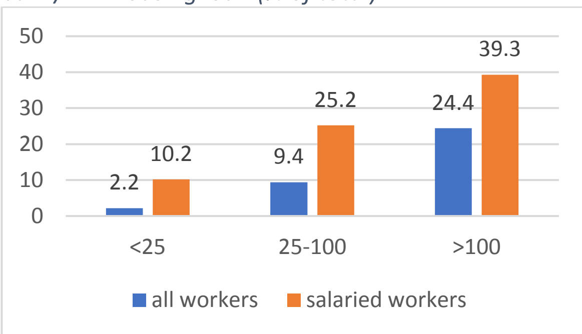
8. **The uptick in housing finance in Rwanda has been also partly a result of one of the most progressive enabling environments in Sub-Saharan Africa, including removing obstacles linked to obtaining clean title on land and being able to use titles as collateral in lending transactions**. Rwanda has also taken important steps to limit the powers of customary rights over land and has introduced a uniform tenure regime implemented through a Land Tenure Regularization program. The program established a formal system for regularizing land ownership and created 10.3 million land parcels. Titles were given out to every landholder, creating an opportunity to leverage this asset by obtaining a loan. A series of regulations have been put in place to govern urban planning and building, while the National Land Use and Development Master Plan (NLUMP) provides general directives for sustainable land use development and guiding principles for the socio-economic development, infrastructure, environment and land administration[12]. The growth in mortgage lending was further enabled after the adoption of an important legal reform in 2011 which raised the maximum loan-to-value (LTV) ratio from 30 percent to 70 percent – lifting a key bottleneck which had hampered the growth of mortgage lending prior to the reform.

Challenges

9. **While the growth in housing finance has been substantive, it has not been able to satisfy the strong demand for housing finance for a growing and increasingly urban population.** Mortgage loans are mostly directed to high income earners and salaried employees as preferred borrowers for financial institutions. The vast majority of Rwandan households with modest and non-salaried incomes remain largely excluded from access to mortgage credit (**Error! Reference source not found.**).

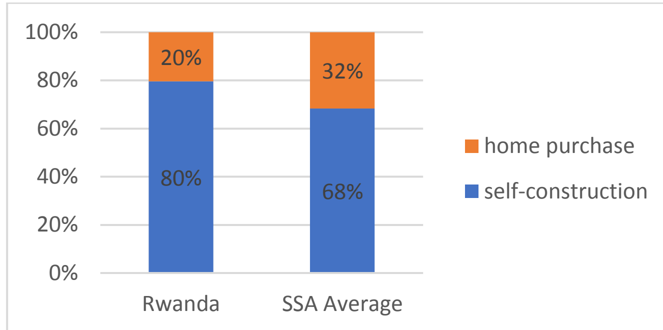
[12] The National Housing Policy, adopted in March 2015, covers the role of various actors in delivering housing to a range of income groups and encourages the development of affordable housing for urban dwellers on low or irregular incomes. It included the upgrading of informal settlements as a new strategic objective, which envisages the provision of basic infrastructure and incentives for higher-density home construction/upgrading to form dense and well-serviced neighborhoods in six secondary cities (supported by a WB project). The National Urbanization Policy (NUP), adopted in December 2015, promotes densification as one of its four pillars to achieve resource-efficient and compact growth.

Figure 4: Percentage of Rwandan workers with a bank/MFI housing loan (% of total)



Source: Rwanda 2016 Finscope Survey

Figure 5: Use of bank/MFI housing loan (% of total)



Source: WB Findex database

10. Rwandan lenders consider housing finance as promising business opportunity as evidenced in their growing mortgage portfolios, but are confronted with major funding constraints which limit their capacity to scale-up mortgage lending. The lack of long term resources is the biggest challenge to mortgage lenders as the maturity profile of their liabilities (mostly short-term deposits) limits their ability and/or appetite to provide long-term loans (including mortgage loans) due to increased liquidity and interest rate risks. While asset-liability mismatch (ALM) issues are not an uncommon feature in most financial systems, these gaps are particularly pronounced in Rwanda: As at June 2017, demand deposits represented 60 percent of total deposits, while term deposits constituted of 40 percent. Even with term deposits, short term deposits (with maturity of 1-12 months account for 81 percent of total term deposits, while long-term deposits (with maturity above 12 months) account for 19 percent[13]. The resulting asset-liability mismatch was identified as a constraint limiting banks' lending capacity in the BNR's last Annual Financial Stability Report (2016-2017). The financing constraints are more pronounced for MFIs and SACCOs which are not only confronted with more short-term and volatile liabilities, but also subject to additional regulatory requirements mandating that 30 percent of their assets are invested in bank deposits, reducing their limited capacity to provide long-term loans even further.

11. Mortgage lenders responded to the aforementioned long-term funding gaps with various strategies which helped them reduce risks, but at the expense of access. Banks have aimed to reduce ALM related liquidity and credit risks by reducing the maturity of mortgage loans, disbursing in installments against milestones (for self-construction) and focusing mortgage lending to target primarily a small segment of high-income salaried employees (considered the lowest risk borrowers). Most banks have also included provisions in their mortgage contracts authorizing them to adjust interest rates based on benchmarks (deposit/t-bill interest rates) to hedge themselves against interest rate risks resulting from a rise in funding costs. While these measures and policies have been helpful to mortgage lenders to mitigate ALM related risks and challenges, they have adversely impacted the availability and affordability of mortgages themselves which, as outlined in earlier paragraphs, remain out of reach to the vast majority of Rwandan households. The introduction of Basel III and associated Net Stable Funding Ratio requirements, which Rwandan banks have to comply with since January 2018, has further exacerbated the problem, by requiring enhanced maturity matching on banks' balance sheets.

12. The lack of long term funding and banks' response rationing credit to a small segment of borrowers helps explain the outcome of a mortgage market which remains to be developed to meet a large and growing market demand. In addition to addressing the asset-liability mismatch, improvements are needed to improve

[13] Source: BNR 2017 Annual report.

the ability of banks, SACCOs and MFIs to assess and manage mortgage risk to scale-up their mortgage lending beyond the principal target segment of higher income, salaried employees. If financial institutions want to grow their mortgage lending, they will need to develop the skills and capacity to underwrite mortgages to other segments as the narrow market segment of higher income, salaried employees is bound to become saturated over time.

13. **The financing capacity of Rwanda's financial system is also limited by institutional constraints which increasingly limit the banking sector's ability to meet the financing needs of a rapidly growing economy.** The remarkable growth in Rwanda's economic growth and investment observed over the last decade has also increased the demand for financing. The banking sector has been the main source of finance to date, but will sooner or later reach its limits as the growing investment and financing needs are bound to exceed the banking sector's financing capacity. At present, Rwanda lacks alternative mechanisms and institutions capable of intermediating long-term financing. In order to meet Rwanda's long-term growth and development ambitions, it is imperative to develop the financial system's institutional framework and build capacity to facilitate financial intermediation beyond the banking sector. The creation of a Mortgage Refinancing Company, proposed under this project, is a strategic milestone which furthers this objective as it will leverage long-term finance trough the capital market towards the financing needs of Rwandan households.

14. **In addition to financing, there are a number of constraints on both the supply and demand side of the housing market that contribute to the limited supply of affordable homes.** On the supply side, challenges arise mainly from access to land, infrastructure provision and cost of construction and development. The availability of land is still limited due to challenging terrains (e.g. more than half of the land in Kigali is on steep slope or in wetland and is difficult and costly to develop). Land is also expensive because of small plot sizes and fragmentation, and leveraging land as incentive for affordable housing (such as in land value capture) is challenging since land is mostly in private possession. Policies and urban development norms and standards are currently with the goal of developing efficient and high-density cities. Among the issues that need to be addressed is the preference of Rwandan households to inhabit single story dwellings with a surrounding wall and some open space. Construction costs are also high in Rwanda, as a function of the high cost of building materials, the lack of developer finance, and outdated building technologies. Rwanda lacks large-scale local housing developers in the market, with local construction industry lacking skills in architecture, engineering and development to operate at scale. The combination of these constraints has contributed to the limited supply of new housing units in Rwanda in price ranges which were only affordable to the highest-income percentiles.

Government response

15. **The GoR is aware of remaining challenges to affordable housing and adopted a series of iniviatives aimed at increasing the availablity and affordability of housing.** In addition to the national strategies and policies in support of urbanization and housing, the GoR approved the establishment of a USD 250mn Affordable Housing Fund (AHF) in July 2017 which was set up to promote accesss to affordable housing through supply side and demand side support. On the supply side, the AHF is expected to tackle the challenges of high cost of land through implementation of a land bank program; high cost of building materials through bulk importation and supply of key building materials geared towards affordable houses with tax exemption on these; improved building and construction technologies through stringent bidding processes targeting experienced developer companies; and cost of financing for developers/investors. For the demand side, the AHF aims to address the high cost of financing for targeted beneficiaries. The AHFP mainly focuses on (i) the demand side by supporting greater access to housing finance through the provision of long-term funding and, (ii) at a lesser extent, the supply side through support to improve regulatory and legal environment for the promotion of affordable housing. A national

steering committee composed of the Ministry of Finance and Economic Planning (MINECOFIN), Ministry of Infrastructure (MININFRA), Ministry of Local Government (MINALOC), Ministry of Public Service and Labor (MIFOTRA), Rwanda Housing Authority (RHA), City of Kigali (CoK), Private Sector Federation (PSF), Rwanda Development Bank ('Banque Rwandaise de Developpement', BRD) and Rwanda Social Security Board (RSSB) was designated to oversee the implementation of the AHF and review existing policies and measures in support of affordable housing[14] in view of improving their effectivness and efficiency.

16. **The WBG supports the GoR's integrated approach to address Rwanda's affordable housing challenges through financing and policy measures.** Policy and financing interventions in support of affordable housing are more effective if undertaken across the entire housing value chain, including policies and regulations, access to land, planning and design standards, infrastructure, subsidies, developer finance and end-user finance. This reform agenda also underscores the importance of addressing both supply side and demand side distortions, ahead of providing subsidies. It is important to address supply side distortions ahead of/in parallel with the demand side interventions and subsidies, because, otherwise, subsidies will be used to compensate for the distortions of the housing market that cause affordable housing units to cost much more than what they should cost. Resolving overarching, structural supply side bottlenecks would also support the development objectives of this project as the impact of the proposed financing solutions would be further increased.

17. **The Project's primary objective – supporting greater access to housing finance through the provision of long-term funding – is part of a comprehensive WBG approach to support greater access to affordable housing in Rwanda through a combination of supply side and demand side interventions.** The IFC's Financial Institutions Group (FIG) is working with the WB team on a joint advisory task to support the preparation of a business plan for the RMRC. As part of the same advisory task, the team will also prepare a feasibility study and business plan of a Rwanda Primary Mortgage Company (RPMC), a proposed, specialized retail mortgage lender[15]. These studies will inform a potential future equity investment under consideration, an anchor investment in a future bond issue and an advisory program to help local banks strengthen their underwriting and risk management capacity. On the supply side, the IFC is considering a financial investment in two affordable housing developments (ongoing) and working on a program to test a PPP Housing model in six secondary cities. The World Bank's Social, Urban, Rural & Resilience (SURR) Global Practice is supporting the affordable housing agenda through a project which aims to provide access to basic infrastructure and enhance urban management in selected urban centers in a number of districts in Rwanda.

18. **The Project aims to sustain the provision of long-term funding for housing including through proposed support for the creation of a Mortgage Refinancing Company (MRC) as a specialized financial institution which would eventually rely on capital market resources through the issuance of bonds to finance housing loans.** This solution, which has been successfully tested in a large number of countries. Mortgage refinancing companies are not only the instrument of choice to secure the provision of long-term housing in the long run as they raise funding through capital markets, but often emerge as champions on this topic and help build capacity and

[14] This includes the review of the PM ordinance in support of affordable housing (2015)

[15] As a retail lender dedicated to housing finance, the RPMC would provide a demonstration effect to the wider banking industry on how to leverage the RMRC to boost their housing finance activities. The creation of the RPMC could also help attract international investors to the enter the Rwandan housing finance market and invest in both the RMRC and RPMC as its potential return on investment from a retail lender are expected to be higher than from the RMRC as a wholesale financial institution. The entry of an international investor experienced in housing finance would bring global good practices which would benefit the Rwandan market.

awareness on broader issues pertaining to affordable housing development and financing. In the absence of a Mortgage Bankers Association, MRCs usually play that advocacy role for the housing and housing finance industry.

19. The ability of MRCs to issue bonds in the capital market is contingent on the readiness and capacity of market participants to invest in such products. Despite considerable growth in recent years, Rwanda's equity and bond markets remain shallow in terms of market size, turnover and investor base. As of end December 2017, the T-Bond market increased to FRW 180.0 billion (US$210.7 million) from FRW8.5 billion (US$9.9 million) end 2013. Since 2013, the participation of institutional investors has been increasing - The share of institutional investors increased from 18.8 percent (FRW1.6 billion or US$1.9 million) in December 2013 to 57.6 percent (FRW103.7 billion or US$121.4 million) in December 2017[16]. Despite the registered growth, the investor base in Rwanda remains very small in comparison to the overall EAC base which stands at over US$22 billion with Kenya accounting for about US$14 billion[17]. However, growing pressures from institutional investors to diversify their investments beyond government bonds is creating demand for alternative investment classes which could present an opportunity for mortgage backed securities, which have a strong potential due to the supportive enabling environment for real estate in Rwanda. Institutional investors such as the Rwanda Social Security Board are already directly investing in real estate development projects due to the lack of investment alternatives and expressed interest to invest in mortgage bonds as a less risky alternative to real estate investments. The strong value of mortgages as collateral, supported by an enabling environment for real estate registration and contract enforcement, is an additional factor which is conductive to refinance mortgage loans of financial institutions through a mortgage refinancing company.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To expand access to housing finance to households and to support capital market development in Rwanda.

Key Results

PDO Level Indicators

Number of housing loans financed by this project

Number of housing loans financed by financial institutions

Number of bonds issued by RMRC

Volume of bonds issued by RMRC

[16] Source: BNR Monetary Policy and Financial Stability Statement, March 2018.
[17] Source: Project Completion Report, Efficient Securities Markets Institutional Development East Africa Community program - ESMID EAC, June 2018.

D. Project Description

20. The proposed project entails two components: (1) Provision of Long-Term Finance to Expand Housing Finance and; (2) Technical Assistance and Implementation Support.

Component 1: Provision of Long-Term Finance to Expand Housing Finance (USD 147mn)

21. This component will support the provision of long-term funding for housing loans to enable financial institutions to scale-up their mortgage lending. Long term funding is provided through a line of credit which is intermediated through a wholesale financial institution to Rwandan financial institutions for mortgage lending. Access to long-term funding allows financial institutions to offer mortgage loans at longer tenors, which renders mortgage loans more affordable to larger segments of the population which remain un- or underserved by the current market.

22. This component will also support the creation of the RMRC through equity and long-term debt to strengthen its capital base and support its offtake as a sustainable, top rated, private sector led financial institution. This will help the RMRC to mobilize funding in larger volumes and at better conditions, as a borrower in an initial phase, and as a bond issuer in the medium/long run. This component is designed to provide support to finance the government's share of its tier 1 or tier 2 capital, if needed, which will help to crowd in other investors. The financing amount and allocation amongst various tiers of capital will be set following the completion of the business plan and due diligence of the RMRC, which will define, inter alia, the proposed capital structure and long term funding strategy of the RMRC. The IFC may explore a tier 1 investment into the MRC and will reach out to other private sector investors and institutional investors, including banks and possible international partners. It will also reach out to local organizations such as the RSSB, BRD and other potential investors to ensure that the capitalization is entirely subscribed and disbursed when the RMRC starts.

Component 2. Technical Assistance and Implementation Support (USD 3mn)

23. The objective of this component is to strengthen the enabling environment for affordable housing and financing through technical assistance and capacity building. The component will focus on analytical work and capacity building to support for housing demand side capacity building and supply side reform agenda – in close coordination with relevant government departments and agencies – in view of fostering the enabling environment to support the supply of affordable housing.

E. Implementation

Institutional and Implementation Arrangements

24. MINECOFIN will be responsible for overall project implementation and oversight, while the BRD and RMRC will be responsible for the implementation of component I (provision of long-term finance to expand access to housing finance) under MINECOFIN's oversight. The Single Project Implementation Unit (SPIU) of the MINECOFIN will have responsibility for the day-to-day project management and coordination of project-related activities. This includes overall responsibility for, among other things, (a) ensuring timely implementation of the project in accordance with the PIM and the BRD's and RMRC's compliance with WB requirements, (b) implementing project activities under its direct responsibility (component II: technical assistance) and overseeing project-related activities to be carried out by other entities (provision of long term finance through BRD and RMRC) (c) managing project finances and maintaining consolidated project accounts, (d) developing and maintaining a system for monitoring the project performance indicators, and (e) preparing progress reports, including updates to the Results Framework, budgets, and Procurement Plan (PP).

25. The Single Project Implementation Unit (SPIU) of the MINECOFIN has long experience and good track record in managing and implementing Development Partners financed projects. To ensure proper implementation of Component-II (Technical assistance) of this project by the SPIU, which will be implemented following the WB's new procurement regulations, the WB will provide additional trainings on the WB's procurement rules to ensure sufficient capacities to manage and implement the project in compliance with WB and country requirements.

26. A Steering Committee will be established for effective coordination and project oversight. To ensure successful implementation of the proposed project and overall advancement of the housing agenda in Rwanda, the project proposes to establish a Steering Committee chaired by MINECOFIN and comprising representatives from Ministry of Infrastructure (MININFRA), Ministry of Local Government (MINALOC), Ministry of Trade (MINICOM), Ministry of Public Service and Labor (MIFOTRA), BRD, RHA, City of Kigali (CoK), Private Sector Federation (PSF), Rwanda Social Security Board (RSSB), National Bank of Rwanda (BNR), Capital Markets Authority, Rwanda Development Board (RDB) and development partners. The Steering Committee will consult with line ministries and districts by inviting them to the Steering Committee meetings and to working groups on components to ensure awareness and ownership for reforms that impact other agencies is maintained. The terms of reference of the Steering Committee, including responsibilities and composition, will be defined in the PIM.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

This is an FI category project, with all envisaged activities and subprojects classified as category C. None of the project activities are expected to have adverse environmental impacts.

G. Environmental and Social Safeguards Specialists on the Team

George Bob Nkulanga, Social Safeguards Specialist
Emmanuel Muligirwa, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	This is an FI category project, with all activities and subprojects classified as category C. None of the envisaged project activities is expected to have adverse environmental impacts.
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	The envisaged project activities are not anticipated to affect natural habitats. The policy is not triggered.
Forests OP/BP 4.36	No	The project activities do not have potential for significant forest degradation or loss. The policy is not triggered.
Pest Management OP 4.09	No	The project is not envisaged to procure pesticides or pesticide equipment or lead to substantial increase in pesticide use. The policy is not triggered.
Physical Cultural Resources OP/BP 4.11	No	The project activities are not expected to affect Physical Cultural Resources(PCR). The policy is not triggered.
Indigenous Peoples OP/BP 4.10	No	The project does not envisage to finance projects in indigenous people's territories. The policy is not triggered.
Involuntary Resettlement OP/BP 4.12	No	The project activities are not expected to involve any resettlement. The policy is not triggered.
Safety of Dams OP/BP 4.37	No	The project activities do not involve the construction or rehabilitation of any dams; and are not dependent on existing dams. The policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	The project does not negatively affect the use and protection of international waterways. None of the investments or project financed activities will be located on international waterways thus this policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	None of the investments, project financed activities or operations will be located in disputed areas so this policy is not triggered.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
N/A

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N/A

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
.N/A

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
N/A

B. Disclosure Requirements

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?
NA
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
NA

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
NA

Have costs related to safeguard policy measures been included in the project cost?
NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
NA

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APPROVAL

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