



## Kenya Affordable Housing Finance Project (P165034)

AFRICA EAST | Kenya | Finance, Competitiveness and Innovation Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2019 | Seq No: 4 | ARCHIVED on 04-Mar-2021 | ISR45592 |

Implementing Agencies: Kenya Mortgage Refinance Company, Kenya National Treasury and Planning, Republic of Kenya, Kenya Ministry of Lands and Physical Planning

**Key Dates****Key Project Dates**

Bank Approval Date: 30-Apr-2019

Effectiveness Date: 02-Jun-2020

Planned Mid Term Review Date: 30-Nov-2021

Actual Mid-Term Review Date:

Original Closing Date: 30-Jun-2024

Revised Closing Date: 30-Jun-2024

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

The development objective is to expand access to affordable housing finance to targeted beneficiaries

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

**Components Table**

| Name  |
|---|
| Support to the Kenya Mortgage Refinance Company:(Cost \$252.00 M) |
| Technical Assistance:(Cost \$10.00 M)                             |

**Overall Ratings**

| Name                                 | Previous Rating                                  | Current Rating                        |
|--------------------------------------|--|---------------------------------------|
| Progress towards achievement of PDO  | <input type="checkbox"/> Moderately Satisfactory | <input type="checkbox"/> Satisfactory |
| Overall Implementation Progress (IP) | <input type="checkbox"/> Moderately Satisfactory | <input type="checkbox"/> Satisfactory |
| Overall Risk Rating                  | <input type="checkbox"/> Substantial             | <input type="checkbox"/> Moderate     |

**Implementation Status and Key Decisions**

Disbursements under the loan started at the end of 2020. KMRC is currently in the process of documenting the mortgage loan portfolios that are being refinanced and perfecting the liens over the collateral. Once this process is verified and completed, KMRC would be able to withdraw again to refinance additional eligible mortgage loans. The Bank team is in discussion with National Treasury on how to support the implementation of component 2 (technical assistance).



## Risks

### Systematic Operations Risk-rating Tool

| Risk Category  | Rating at Approval | Previous Rating | Current Rating |
|--|--------------------|-----------------|----------------|
| Political and Governance                                     | □ Substantial      | □ Substantial   | □ Substantial  |
| Macroeconomic  | □ Substantial      | □ Substantial   | □ High         |
| Sector Strategies and Policies                               | □ Substantial      | □ Substantial   | □ Substantial  |
| Technical Design of Project or Program                       | □ Moderate         | □ Moderate      | □ Moderate     |
| Institutional Capacity for Implementation and Sustainability | □ Substantial      | □ Substantial   | □ Moderate     |
| Fiduciary  | □ Substantial      | □ Substantial   | □ Moderate     |
| Environment and Social                                       | □ Moderate         | □ Substantial   | □ Moderate     |
| Stakeholders   | □ Moderate         | □ Moderate      | □ Moderate     |
| Other  | --                 | □ Moderate      | □ Moderate     |
| Overall  | □ Substantial      | □ Substantial   | □ Moderate     |

## Results

### PDO Indicators by Objectives / Outcomes

| Support to the Kenya Mortgage Refinance Company                                     |   |                   |                  |                |
|---|---|-------------------|------------------|----------------|
| ► Volume of bonds issued by KMRC (Amount(USD), Custom)                              |   |                   |                  |                |
|   | Baseline  | Actual (Previous) | Actual (Current) | End Target     |
| Value   | 0.00  | 0.00              | 0.00             | 150,000,000.00 |
| Date  | 20-Feb-2019   | 31-Jul-2020       | 15-Feb-2021      | 20-Feb-2024    |
| Comments:   | Volume of bonds issued by KMRC (amount in local currency translated in US\$). The correct indicator would be 15 billion KES.  |                   |                  |                |
| ► Number of affordable mortgage / housing loans refinanced by KMRC (Number, Custom) |   |                   |                  |                |
|   | Baseline  | Actual (Previous) | Actual (Current) | End Target     |
| Value   | 0.00  | 0.00              | 1,393.00         | 30,000.00      |
| Date  | 02-Jan-2019   | 31-Jul-2020       | 15-Feb-2021      | 21-Feb-2024    |
| Comments:   | This indicator monitors the number of affordable housing/mortgage loans refinanced by KMRC (i.e. of an amount below KES 3 million, or KES 4 million in Nairobi Metropolitan). Further disaggregated data will be collected as needed. |                   |                  |                |

### Overall Comments



The mortgage loans refinanced are being verified to the number provided is provisional. On bond issuance, the Joint Capital Market Program is recruiting a consultant to help KMRC issue its first bond in 2021.

### Intermediate Results Indicators by Components

| Support to the Kenya Mortgage Refinance Company   |  |                   |                  |                  |
|---|--|-------------------|------------------|------------------|
| <b>► Percentage mortgage / housing loans refinanced by KMRC extended to women (Percentage, Custom)</b>              |  |                   |                  |                  |
|   | Baseline   | Actual (Previous) | Actual (Current) | End Target       |
| Value   | 0.00   | 0.00              | 46.00            | 40.00            |
| Date  | 20-Feb-2019  | 31-Jul-2020       | 15-Feb-2021      | 30-Apr-2024      |
| Comments:   | Proportion of housing/mortgage loans submitted as collateral to KMRC that are extended to women or joint ownership   |                   |                  |                  |
| <b>► Average maturity of new mortgage loans refinanced by KMRC in the year (Years, Custom)</b>                      |  |                   |                  |                  |
|   | Baseline   | Actual (Previous) | Actual (Current) | End Target       |
| Value   | 0.00   | 0.00              | 0.00             | 10.00            |
| Date  | 20-Feb-2019  | 31-Jul-2020       | 15-Feb-2021      | 30-Apr-2024      |
| Comments:   | This indicator tracks the average maturity of new mortgage loans submitted to KMRC as collateral in a specific year. It is an indicator of flow, not stock. It will provide an indication of how successful KMRC is in lengthening mortgage loan tenors. |                   |                  |                  |
| <b>► Percentage of Project beneficiaries who feel project activities reflected their needs (Percentage, Custom)</b> |  |                   |                  |                  |
|   | Baseline   | Actual (Previous) | Actual (Current) | End Target       |
| Value   | 0.00   | 0.00              | 0.00             | 80.00            |
| Date  | 22-Feb-2019  | 31-Jul-2020       | 15-Feb-2021      | 30-Apr-2024      |
| Comments:   | Percentage of project beneficiaries surveyed by KMRC and primary mortgage lenders who feels that project's activities reflected their needs  |                   |                  |                  |
| <b>► Volume of mortgage lending (Amount(USD), Custom)</b>   |  |                   |                  |                  |
|   | Baseline   | Actual (Previous) | Actual (Current) | End Target       |
| Value   | 2,230,000,000.00   | 2,240,000,000.00  | 2,175,502,000.00 | 3,160,000,000.00 |
| Date  | 31-Dec-2017  | 31-Jul-2020       | 31-Dec-2019      | 30-Apr-2024      |
| Comments:   | Volume of mortgage lending in the Kenyan market. End target assumes a growth of 6% every year, above inflation but moderate due to the interest rate cap. In 2017, growth was 1.5 percent (2017 was the year when the cap was in force for a full year). |                   |                  |                  |



|  |   |                   |                  |                |
|--|---|-------------------|------------------|----------------|
| the actual amount does not reflect the growth of the mortgage lending from KES 225 billion in 2018 to KES 238 billion as of December 2019, because is translated in USD. in KES this is a growth |   |                   |                  |                |
| <b>► Percentage of Non-Performing Loans in the residential mortgage sector (Percentage, Custom)</b>  |   |                   |                  |                |
|  | Baseline  | Actual (Previous) | Actual (Current) | End Target     |
| Value  | 12.20   | 16.90             | 13.00            | 6.00           |
| Date   | 31-Dec-2017   | 31-Jul-2020       | 31-Dec-2019      | 30-Apr-2024    |
| Comments:  | NPLs to gross mortgage loans in the residential mortgage sector (overall sector)  |                   |                  |                |
| <b>► Volume of affordable housing and mortgage loans refinanced by KMRC (Amount(USD), Custom)</b>  |   |                   |                  |                |
|  | Baseline  | Actual (Previous) | Actual (Current) | End Target     |
| Value  | 0.00  | 0.00              | 25,000,000.00    | 225,000,000.00 |
| Date   | 02-Jan-2019   | 31-Jul-2020       | 15-Feb-2021      | 22-Feb-2024    |
| Comments:  | Volume of affordable housing and mortgage loans in KES translated in USD, cumulative. Indicator in KES in final year would be KES 23 billion. |                   |                  |                |

|  |  |                   |                  |             |
|--|--|-------------------|------------------|-------------|
| <b>Technical Assistance</b>  |  |                   |                  |             |
| <b>► Four strategies/studies/roadmaps completed and adopted by MLPP (Number, Custom)</b> |  |                   |                  |             |
|  | Baseline   | Actual (Previous) | Actual (Current) | End Target  |
| Value  | 0.00   | 0.00              | 0.00             | 4.00        |
| Date   | 20-Feb-2019  | 31-Jul-2020       | 15-Feb-2021      | 23-Feb-2024 |
| Comments:  | Four studies and advice designed to improve the quality of the foundations of the MLPP's computerization of property registration are completed and adopted by MLPP. Indicative timeframe: Year 1: Land Information Management System (LIMS) and Roadmap. Year 2: Land sector strategic assessment. Year 3: Business Process mapping. Year 4: Public information and sensitization program on land laws. |                   |                  |             |

### Overall Comments

The first portfolio being refinanced by KMRC has a high proportion of mortgage loans extended to women or joint ownership (46% , of these 1.5% are joint ownership). This seems to be due to the loan amount considered eligible as women make out a bigger proportion of borrowers in the lower loan segments.

The average maturity of new loan is not being measured for this first refinancing because it is on existing loans. and include few SACCOS. The intent is to measure the gradual lengthening of loans by the SACCOS thanks to KMRC so this will be undertaken on subsequent refinancing.

The survey on beneficiaries will be done in 2022, once KMRC has refinanced new mortgage loans issued as part of the affordable housing program

The volume of mortgage lending does not capture the increment properly because the figure has to be translated in USD. If it was kept in Kenyan Shillings, it would show an increase from KES 225 billion in 2018 to KES 238 billion in 2019, a 5.7% increase which is commensurate



with the assumption made by the team of a 6% increase per year. However since the KES has depreciated versus the USD the increase is not reflected.

### Performance-Based Conditions

| ▶PBC 1 The Project Implementing Entity is legally established, has the required regulatory capital and approvals to start operations (Amount(USD), Process, 10,000,000.00, 100.00%) |  |                   |                  |               |
|---|--|-------------------|------------------|---------------|
|   | Baseline   | Actual (Previous) | Actual (Current) | February 2022 |
| Value   | 0.00   | 0.00              | 10,000,000.00    | --            |
| Date  | --   | 31-Jul-2020       | 15-Feb-2021      | --            |
| Comments:   | The capital was paid in January 2019. The approval for KMRC to start operating is still pending. |                   |                  |               |

| ▶PBC 2 The Borrower has provided Tier 2 Capital to the Project Implementing Entity (Amount(USD), Output, 10,000,000.00, 100.00%) |          |                   |                  |               |
|--|----------|-------------------|------------------|---------------|
|  | Baseline | Actual (Previous) | Actual (Current) | February 2022 |
| Value  | 0.00     | 0.00              | 10,000,000.00    | --            |
| Date   | --       | 31-Jul-2020       | 15-Feb-2021      | --            |

| ▶PBC 3 The Borrower has provided additional Tier 2 Capital to the Project Implementing Entity (Amount(USD), Outcome, 30,000,000.00, 0.00%) |          |                   |                  |               |
|--|----------|-------------------|------------------|---------------|
|  | Baseline | Actual (Previous) | Actual (Current) | February 2022 |
| Value  | 0.00     | 0.00              | 0.00             | --            |
| Date   | --       | 31-Jul-2020       | 15-Feb-2021      | --            |

### Data on Financial Performance

#### Disbursements (by loan)

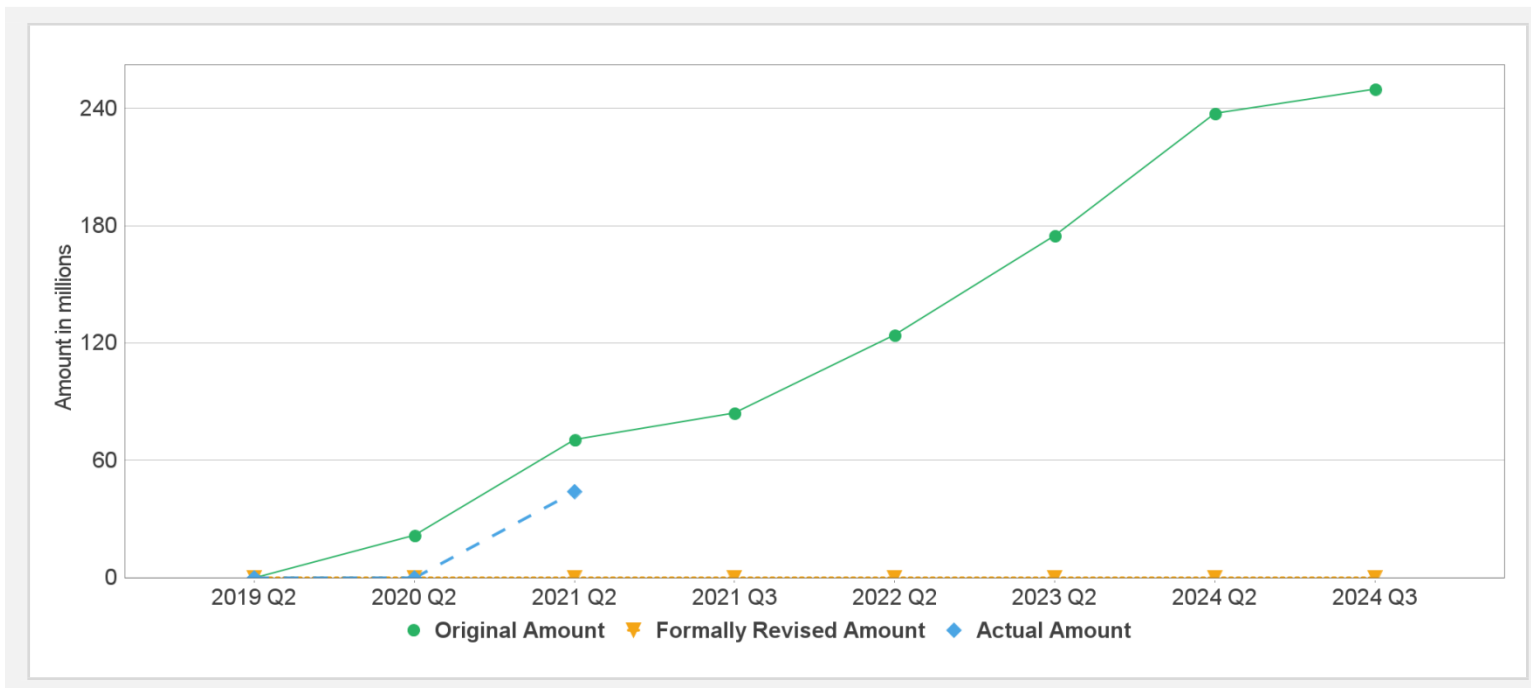


| Project | Loan/Credit/TF | Status    | Currency | Original | Revised | Cancelled | Disbursed | Undisbursed | % Disbursed |
|---------|----------------|-----------|----------|----------|---------|-----------|-----------|-------------|-------------|
| P165034 | IBRD-89580     | Effective | USD      | 250.00   | 250.00  | 0.00      | 44.06     | 207.08      | 18%         |

**Key Dates (by loan)**

| Project | Loan/Credit/TF | Status    | Approval Date | Signing Date | Effectiveness Date | Orig. Closing Date | Rev. Closing Date |
|---------|----------------|-----------|---------------|--------------|--------------------|--------------------|-------------------|
| P165034 | IBRD-89580     | Effective | 30-Apr-2019   | 05-Dec-2019  | 02-Jun-2020        | 30-Jun-2024        | 30-Jun-2024       |

**Cumulative Disbursements**



**PBC Disbursement**

| PBC ID | PBC Type | Description | Coc | PBC Amount | Achievement Status | Disbursed amount in Coc | Disbursement % for PBC |
|--------|----------|-------------|-----|------------|--------------------|-------------------------|------------------------|
|--------|----------|-------------|-----|------------|--------------------|-------------------------|------------------------|

**Restructuring History**

There has been no restructuring to date.

**Related Project(s)**



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There are no related projects.

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