



# RWANDA REMITPLUS DIASPORA BOND

## PROJECT SUMMARY

### EXECUTIVE SUMMARY

The African Foundation for Development (AFFORD), has designed a new investment offer in response to the growing appetite of both retail and institutional investors to fund high growth development propositions. This proposal introduces the Rwanda RemitPlus Diaspora Bond (RRDB), an innovative solution to meet this opportunity. In 2019 AFFORD will issue a 5-year corporate RRDB offer with a borrowing limit of \$10m USD, issued in local currency and financed through a mix of blended finance, retail investors and institutional funders. This unique blend of development finance will not just be a first but also a next step solution for African diaspora remittances formally valued at over \$40bn in 2018.

### THE PROBLEM

Rwanda faces an acute housing crisis. Rapid urbanisation (currently at 17.2% of population but predicted to raise to 35% by 2020<sup>1</sup>) drives a strong demand for new built housing units. Currently Rwanda's capital city Kigali faces an annual shortfall in housing of 30,000 units, with housing supply of 1,000 new home constructions, against a demand of 31,000 units<sup>2</sup>.

Coupled with this shortfall in housing supply is the ongoing challenge of affordability, with average waged citizens priced out of the traditional market. New build retail pricing range from between RWF35 million (\$40,000 USD) to RWF 70 million (\$80,000 USD), and with average monthly earnings for middle income earners between RWF 200 (\$228) to RWF 600,000 (\$686), calculations have shown that the higher earner would need over 32 years to own a traditionally built home.<sup>3</sup>

### PROPOSAL

To address the problems of affordability and supply shortfall, AFFORD has proposed the following:

- Provide a scalable investment solution for affordable house construction in Rwanda by disrupting inward investment through diaspora enabled funded products. By designing and marketing these investment products for diaspora investors and institutional investors, AFFORD aims to accelerate African development through effective partnerships in delivering best in class affordable housing to low and middle income families.
- To create the RRDB funding instrument will receive development finance through a 5-year diaspora bond, endorsed but, not guaranteed by the Government of Rwanda. As part of the requirement from the government, RRDB-1 will be denominated in Rwanda Francs. It will be a first stage capital raise for a US\$10 million programme, pursued through a combination of retail and institutional bond subscribers. The capital raised through the Bond issue will enable up to 400 environmentally sustainable mixed units of 3 and 4 bedroom houses and apartments over the course of 2-5 years. The pricing of these houses will be within the affordable housing spectrum (under \$30,000 purchase price) and ultimately will be

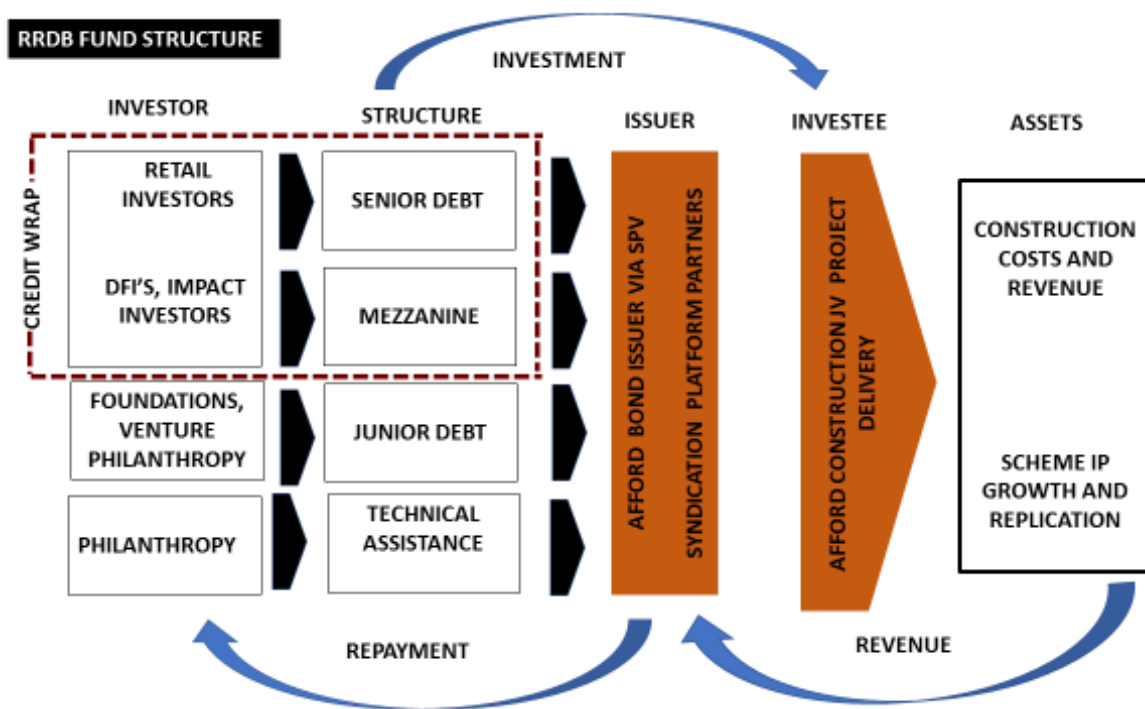
<sup>1</sup> <https://housingfinanceafrica.org/app/uploads/National-Housing-Policy.pdf>

<sup>2</sup> <http://www.newtimes.co.rw/section/read/39137>

<sup>3</sup> <http://www.newtimes.co.rw/section/read/39137>

provided through an integrated model, involving production of bricks, construction, sale of houses and the management of the housing estate. RRDB-1 pilot will be the first of five tranches, which will ultimately raise US\$50 million to finance 2000 affordable houses.

- The propose Special Purpose Vehicle (SPV) will initially operate as 100% ownership by AFFORD and has gained approval from its trustees to establish a for profit generating entity with a separate constitution and oversight committee (with some of the trustees sitting on that committee). This structure will enable AFFORD to have a more flexible approach to commercialising its activities in the enterprise sector as well as leverage its relationships with many of the grant making organisations, making commitments into blended finance initiatives. AFFORD will position itself as the principal sponsor and promoter of the project and will appoint specialist partners to enable it to maintain best practice approaches to the social enterprise.
- To initiate capital raising which will take the form of seeking the flexible funding partnerships with foundations, DFI's and impact investment funds, AFFORD will secure a credit wrap/guarantee to provide security to senior debt subscribers to enable both assurance and confidence for the retail subscriber in particular.



## OPPORTUNITY

With over \$40 billion in African remittances AFFORD has been at the forefront of promoting alternative investment opportunities to enable the African diaspora to invest in their home countries for both social and financial return. Through the use of the diaspora led skills and resource transfer in partnership with traditional development agencies AFFORD aims to accelerate development finance for SME growth in Africa. It is within this context that AFFORD has developed a pilot investment introducing a unique financing solution to meet the affordable housing challenge in Africa.

This innovative alternative investment product the RRDB , aims to fulfill its objective in using diaspora finance as a legitimate funding stream for affordable house construction in Rwanda and once successful there, across the African continent. Through the design and implementation of a corporate bond issue, financed through a blended

finance model, AFFORD will mobilise new forms of capital to support commercial projects in Africa. Further, AFFORD has consolidated relationships with Rwandan construction professionals to develop a competitive sustainable housing product to secure large-scale construction contracts which will generate competitive returns for impact investors.

## **ABOUT AFFORD**

AFFORD was established in 1994, with a mission “to expand and enhance the contributions Africans in the diaspora make to African development”. Priority projects and activities are focused on diaspora contributions to job creation through African enterprise development.

AFFORD’s innovative approach mobilises the financial, intellectual, and political assets of the African diaspora and channels them to drive economic growth and social development in Africa. It also enhances the capacity of actual and potential investors and actively influences international policies to create an enabling investment climate. AFFORD’s mission is achieved through programmes and projects undertaken solely or in collaboration with partners in Africa, the U.K, E.U and other parts of the world.

These projects and programmes fall within the following overlapping themes:

- Investment, Enterprise & Employment
- Diaspora Engagement, Network Building & Training Services
- Learning & Policy Advocacy

## **KEY DELIVERY PARTNERSHIPS**

The RRDB-1 pilot has been developed through the establishment of technical partnerships within key actors in Rwanda who are aligned with the national agenda for affordable housing and have specific roles needed to deliver this pilot:

- AFFORD: designed, developed and undertakes overall programme and project management
- Ministry of Finance: support with structuring and directing the project towards sources of funding.
- Rwanda Development Bank: To be consulted for technical support and potential start-up equity finance.
- Private Sector Federation (PSF): Communication, sensitisation and marketing activities
- Rwanda Housing Authority (RHA): to be consulted about undertaking marketing and sales activities
- Bank of Kigali (BK): to be consulted about undertaking marketing activities and providing mortgages
- Rwandans Abroad/Foreign Affairs Ministry: Awareness raising and marketing the retail bond issue.
- RemitPlus™ Technical Committee (RTC): Gov. stakeholders provide policy and technical guidance
- AFFORD: overall estate developer of AFFORDable Homes.
- Latham & Watkins: to provide legal guidance and documentation.

## **RISKS**

The innovative nature of the project does include some risks but previous work on validating to mitigate foreseen risks have been included into the operational plans. Further technical assistance is addressing some of the structural risks. The key risks are as follows:

- Operational Capacity: Hiring high value management, governance, investment partners and advisors for independent oversight.

- Capital Raising: Ensuring that competitive offers to the retail and institutional investor whilst delivering impact.
- Construction Project Delivery: Ensuring high standards are maintained to enable construction delivery on time, on spec and on budget.
- Political Risks - From currency devaluation to political conflict or war will be mitigated where possible by clear contract with government and private sector partners.

**FOR MORE INFORMATION AND HOW TO GET INVOLVED IN THIS PROJECT CONTACT:**

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