Mpazi Redevelopment: Aligning Investor Interest Through Blended Finance

Demonstrating 4:1 Private Capital Leverage Through Strategic Blended Finance

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Why Mpazi? Why Now?

200,000+ Housing unit deficit in Kigali

2,000+ Vulnerable households in Mpazi

Strategic Timing:

- Central Location: Located in the heart of Kigali with high economic potential
- Environmental Risks: Currently facing flooding and landslide vulnerabilities
- Aligns with Kigali City Master Plan and Rwanda’s Vision 2025



The Challenge We’re Tackling

High-density informal settlement, insecure tenure.

Lack of infrastructure and affordable housing.

Risk of gentrification and resident exclusion.



The Challenge: Financing the Gap



$200M Total project financing need



70% Financing gap with traditional approaches

Investment Barriers:

- Below-market returns for affordable units
- Limited end-user mortgage finance availability
- Complex land tenure and regulatory hurdles
- High upfront infrastructure costs

Key Obstacles:

- **Limited Private Sector Confidence:** Perceived high-risk, low-return profile deters investment
- **Risk of Exclusion & Gentrification:** Market-rate development displaces vulnerable residents
- **Scarce Affordable Housing Supply:** Only 5% of new housing targets affordable segments

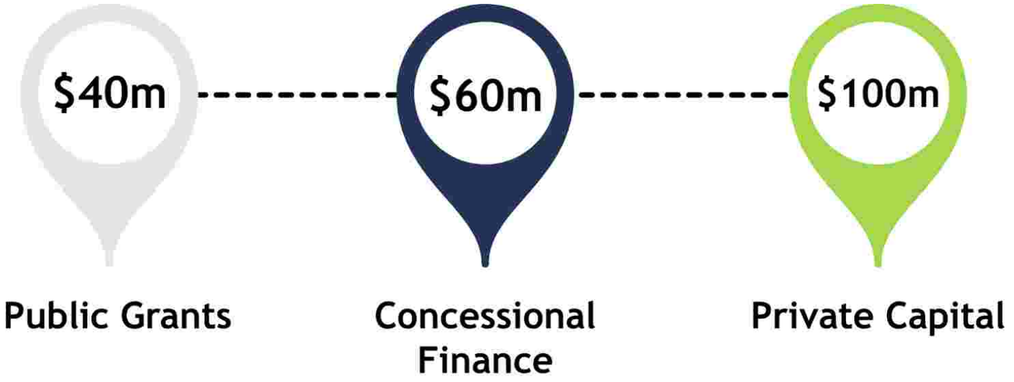
Our Solution: The Mpazi Blended Finance Model

The non-for-profit Special Purpose Vehicle (SPV):

Community-Led: Participatory planning process with current residents, ensuring their needs and priorities shape development outcomes.

Public-Supported: Government provides land, infrastructure investment, and enabling policy environment to reduce investment risks.

Investor-Aligned: Strategic capital stacking with varied risk-return profiles matching different investor appetites and impact goals.



Blended Finance Impact

This approach breaks down traditional silos between public interest, community needs, and investor returns – creating aligned incentives for all stakeholders while achieving social, environmental and financial objectives simultaneously.

Blended Finance Structure: Strategic Capital Stacking

Capital Stack: Making the Numbers Work

Private Capital (50%)
- Commercial debt and equity targeting 12-15% returns
- Finances: Market-rate units, commercial spaces, middle-income mortgages
- Sources: Private developers, banks, pension funds, impact investors

Concessional Finance (30%)
- DFI loans at 3-5% for below-market returns
- Finances: Affordable rental units, shared infrastructure
- Sources: Development banks, climate funds, social impact funds

Public Grants (20%)
- Non-repayable capital focused on public good
- Finances: Land acquisition, infrastructure, social housing, replacement housing
- Sources: Government, multilateral donors, philanthropic grants



Risk Mitigation Features:
- Government guarantees for low-income housing units
- First-loss protection through concessional capital
- Cross-collateralization across different project components

Market Segmentation & Returns

Low-Income Segment (40% of Units)

3 – 5 % Social Returns

- Rental housing units
- Rent-to-own programmes
- Vendor market spaces

Middle-Income Segment (40% of Units)

8 – 10 % Blended Returns

- Sale units with mortgage finance
- Shared equity ownership models
- Small business premises

Commercial Segment (20% of Units)

15 – 18% Market Returns

- Market-rate apartments
- Retail and office space
- Paid parking facilities

Cross-Subsidy Model

This segmented approach enables:

- Higher returns from commercial units subsidising affordable housing
- Each capital source deployed where most effective
- Integrated mixed-income community development
- Sustainable financing structure with diversified revenue streams

Investment Case: Returns & Leverage

Compelling Financial Metrics:

12 - 15% Expected IRR for Private Investors

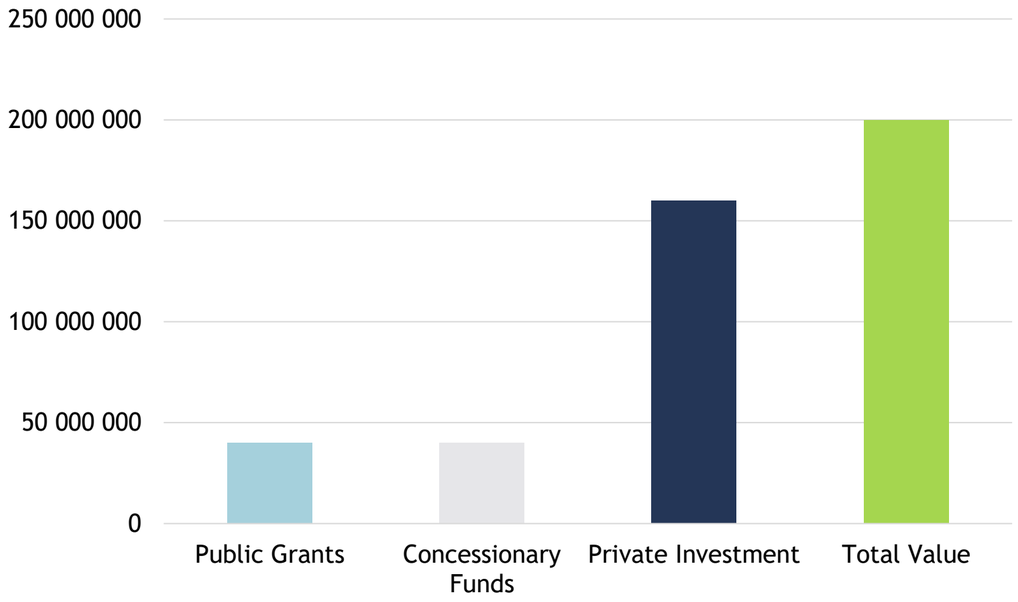
Competitive returns in line with commercial real estate developments, with lower risk profile due to blended finance structure.

7 - 10 Year Payback Period

Structured with stable long-term cash flows and multiple exit options for different investor types.

4:1 Private Capital Leverage Ratio

Every $1 of public/concessionary funding unlocks $4 of private investment capital.



Mpazi Financial Impact

$40M public and concessionary funds strategically deployed attract $160M in private investment, unlocking $200M+ in total development value while reducing public cost per household from $100K to $20K.

Leverage Impact: Multiplying Development

Transforming Public Funds into Development Capital:

Public Investment $40m

Every $1 of public money strategically deployed in Mpazi unlocks….

Total Development $200m

The Blended finance structure creates 5x total project value from initial public commitment.

Benefits of the 4:1 Leverage Model:

- Reduces public cost per household from $100K to $20K
- De-risks urban development exposure for private investors
- Creates stable, inflation-linked returns for private capital
- Generates resolving funds for government reuse in future projects

Funding Allocation:



Development Impact:

- 2,000+ families housed in upgraded community
- 1,500+ construction and permanent jobs
- Improved infrastructure for 10,000+ residents
- Climate-resilient development with reduced flood risk

Implementation Progress & Achievements

Feasibility & Assessments

Technical, environmental, and social impact studies completed with positive economic evaluation.

Land Assembly

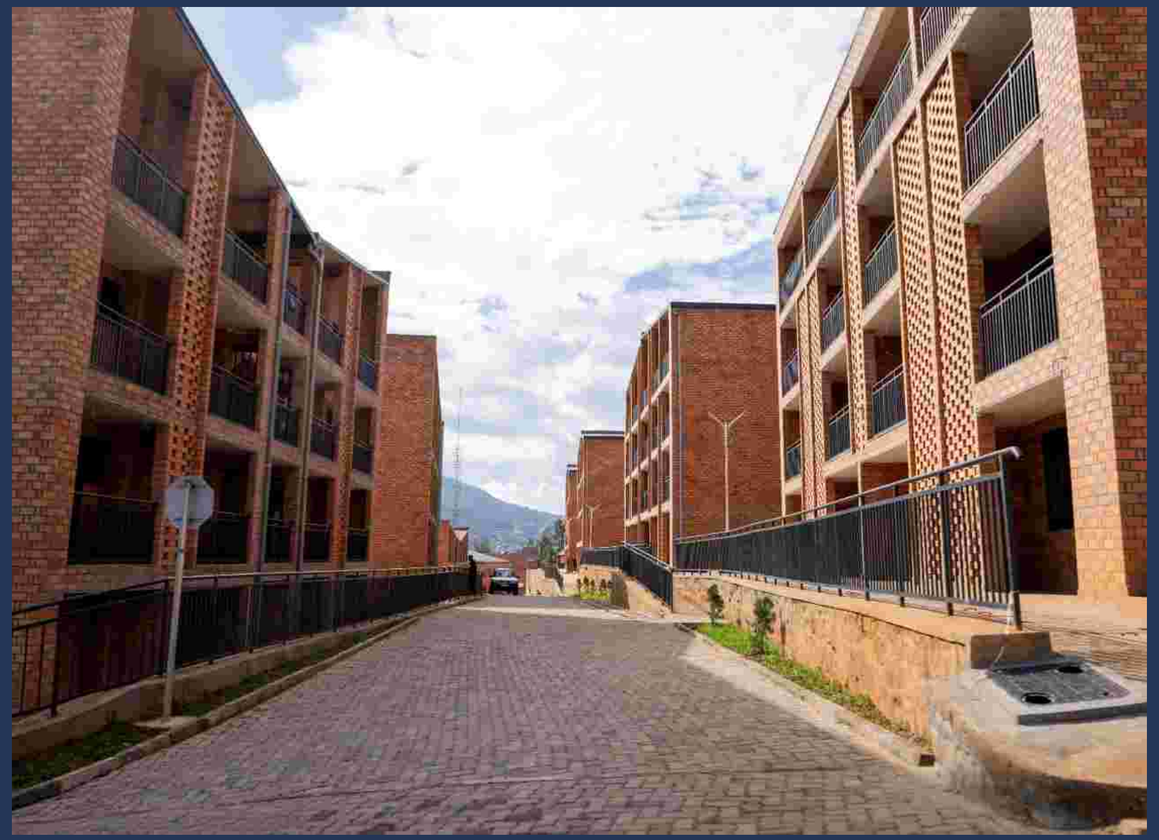
90% of required land secured through government partnerships and community agreements.

Proof of Concept

690 homes and 300-vendor market constructed in Phase 1, demonstrating viability.

Stakeholder Engagement

Community workshops, investor roundtables, and government approvals secured.



Policy Enablers: Making the Model Work

Government Support Mechanisms:



Land Provision: Government land contribution as equity, reducing upfront capital requirements and enhancing project viability for private investors. Land assembly powers and negotiations with local community.



Regulatory Incentives: Fast-track approvals, master plan and high-density planning approvals.



Risk Mitigation: Government partial guarantees and first-loss capital protecting private investment and enhancing bankability of lower-income housing units.



Value Capture Mechanisms: Land value capture tools targeting through overage sales agreement

Climate Finance Integration:
Green infrastructure bonds and climate adaptation funds providing concessional rates for resilient housing components.

Gender Mainstreaming:
Targeted policies ensuring women's ownership, participation in governance, and access to economic opportunities within development.

Infrastructure Investment:
Public sector commitment to trunk infrastructure, drainage systems, and public space development, reducing developer costs.

Technical Assistance:
SDC-funded capacity building for local authorities, ensuring sustainable management and policy implementation.

Risk Mitigation: Protecting Investments

How Blended Finance Reduces Risk:

Government Guarantees

To explore what forms of government guarantees could support the project.

First-Loss Protection

- Concessional capital absorbs initial 20% of potential losses
- DFI-funded guarantee facilities to enhance credit profile
- Technical assistance funds to improve implementation quality

Structured Repayments

- Waterfall payment structure prioritizing private investor returns
- Cross-subsidy from commercial units to affordable housing
- Phased development ensuring early revenue generation

Risk Protection Structure



Risk Reduction Metrics

- Default risk reduced by 60% through blended structure
- Market risk buffer through 20% pre-leasing requirements
- Political risk mitigated via multi-stakeholder governance
- Implementation risk reduced through technical assistance

Replication Across Africa: A Scalable Blueprint

Adapting the Mpazi Model:

Standardised Blended Finance Structure

Adaptable capital stacking framework that can be customized to local policy environments and market conditions across African urban centres.

Technical Assistance Package

Knowledge transfer protocols and capacity building resources for local municipalities, enabling effective implementation and governance.

Policy Toolkit

Legal frameworks, zoning templates, and value capture mechanisms that can be adapted to different regulatory environments.

Replication Framework:

1. **Assessment & Adaptation:** Local context analysis, stakeholder mapping, adaptation of financing model.
2. **Capacity Building & Policy Alignment:** Technical assistance, municipal training, policy harmonisation.
3. **Capital Formation & Structured SPV:** Blended financing assembly, legal structuring, investor engagement.

Priority Replication Cities:

- Lagos
- Nairobi
- Dar es Salaam
- Accra
- Addis Ababa
- Johannesburg

Stakeholder Value Proposition

Creating Value for all Stakeholders:

Government & DFIs

- Social impact with 3-5% concessional returns
- Achievement of affordable housing targets
- Climate resilience & urban transformation
- Policy objectives alignment with SDGs

Private Investors

- 12-15% IRR on commercial components
- De-risked entry into emerging markets
- Stable, long-term cash flows
- ESG portfolio diversification

Community

- Affordable,secure housing ownership
- Increased agency in development decisions
- Improved infrastructure & services
- Employment & economic opportunities

Alignment of Interest Matrix

	Financial Return	Risk Level	Social Impact
Government & DFIs	**3-5%** Concessional Rate	**High** Fat-Loss Position	**Primary** Policy Objective
Private Investors	**12-15%** Market-Rate Returns	**Reduced** Through Blending	**Secondary** ESG Benefits
Community	**Wealth Building** Asset Ownership	**Reduced** Housing Security	**Primary** Quality of Life

The Blended Finance Advantage

By aligning stakeholder interests through our blended finance structure:

- Governments achieve policy goals with reduced capital
- Private investors gain de-risked returns + impact
- Communities secure affordable housing & ownership
- Each stakeholder receives tailored benefits package

Next Steps: From Commitment to Investment

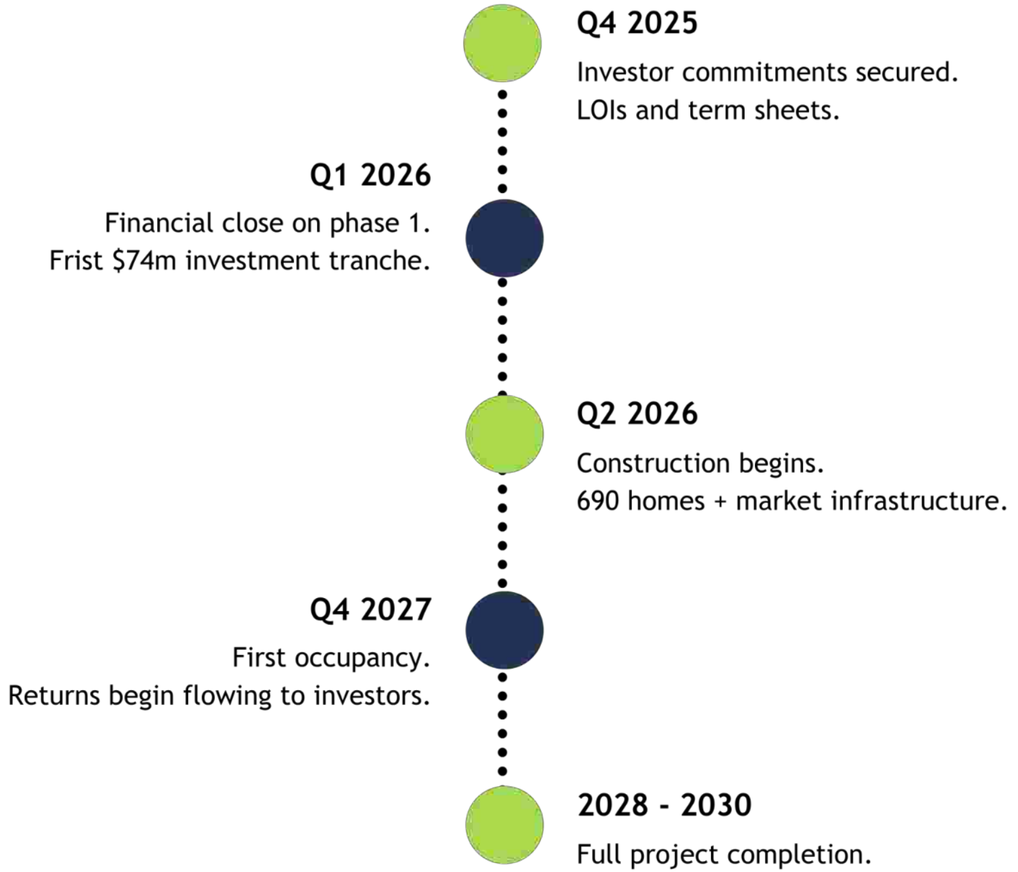
Immediate Investment Requirements:

Catalytic Capital $40m: Seeking concessional finance from DFIs and impact investors to fund infrastructure and de-risk private investment.

Technical Assistance $5m: Funding for community engagement, detailed design, environmental assessments, and capacity building.

Private Equity $120m: Commercial investment for market-rate units, retail, and commercial spaces yielding 12-15% IRR.

Construction Finance $35m: Short-term loans for construction phases with clear exit through refinancing or sales.



Mpazi as a Fit For Blended Finance & Impact Investment

High social impact: jobs, health, gender, climate resilience.

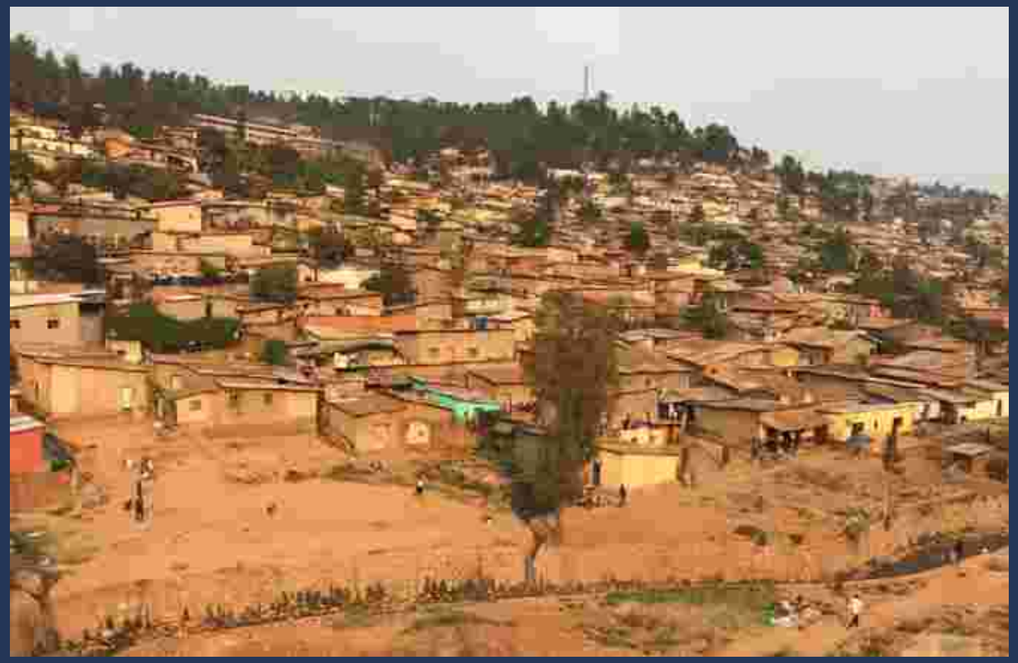
Long-term cash flows (e.g. rent-to-own).

Tangible, asset-backed investments.



What Makes Mpazi a Model?

- Affordability, resilience, and community agency.
- Municipalities unlocking investment.
- Scalable lessons for other African cities.





Partner with Us: Building Africa’s Urban Future

Join the Mpazi Initiative

The Mpazi Redevelopment represents more than just a single project, it's a blueprint for transforming Africa's urban landscape through innovative financing and inclusive development.



Development Finance Institutions: Catalyse private investment through concessional funding and technical assistance.



Government Partners: Leverage public resources to unlock private capital and address housing deficits.



Private Investors: Access de-risked opportunities with compelling returns and measurable impact.



Technical Partners: Contribute expertise in affordable housing, climate resilience, and social inclusion.

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