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## Delivering low income housing in Rwanda

**Kigali should be an engine of growth and poverty reduction for Rwanda. But just 1,000 formal houses are built there each year, and most are too expensive for the majority low-income citizens. How can the government breathe life into the city's low income housing market?**

Rwanda is one of the least urbanised countries in Africa. However, considering the inability of many rural farms to cover subsistence needs, and rapid population growth, high urbanization rates are inevitable. The national economic plan (EDPRS II) recognizes that even in the presence of rural productivity gains, the country must create an additional 1.8 million off-farm jobs before 2020, and targets the share of urban population to rise from 17% in 2012, to 35% by 2020.

Rwanda's average annual household income is low (about \$400), and land and property prices in cities are expensive (especially in the capital, Kigali), however. How, in this context, can poor Rwandans finance urban housing to access urban jobs and services?

### Promoting urban densification

The government is already committed to promoting urban densification, climate resiliency, connectivity within and between cities, and an inclusive and participatory urban development process. The recently released national housing policy aims to improve the low income housing supply, improve urban living conditions, and prevent the formation of informal settlements. It attempts to involve the private sector, and to be flexibly inclusive so that different approaches can be trialed.

Now the challenge is to move forward from policy-making to local level demonstration projects, which will allow policy-makers, private firms, and residents to evaluate different methods for low-income housing (for example, upgrading, site and services models, cooperative housing, etc.) and their financing options (for example, cooperative renting, rent to own, self- construction, individual or group mortgage, and micro-finance). The results will help institutions at national and local levels understand what methods work best in Kigali's context, and scale up the implementation of successful models.

Kigali, a city of 1.1 million, is almost ten times larger than the next largest city and serves as the hub of Rwanda's trading with the other African countries. It is and will continue to be the key magnet for rural migrants, and an agglomeration of higher productivity than other urban centers. An [EU aid study](#) predicts

that by 2022 the city will need about 458K new housing units, and that this demand can be met by upgrading part of the existing housing stock (114K houses) and building 344K new dwellings. In other words, the city must supply on average 30K new dwellings per year.

### **Housing supply in Kigali**

This compares to the current formal housing delivery rate of 1K per annum. Furthermore, 78% of new housing demand will be among households earning less than 300K RWF (about \$440) per month, meaning the delivery challenge is not limited to the scale of demand but also the affordability of dwellings. Currently over 70% of Kigali residents live in informal settlements, rents are rising, and the units supplied by the formal market are far too expensive for the majority. Besides a 120-unit low-income housing program (“Batsinda”), which offered units at 3.5m RFW (about \$5,125, after a 50% government subsidy), the lowest price houses supported by the government so far have exceeded \$30,000 per unit.

### **Informing a low income housing supply policy**

This IGC study aims to inform an actionable low income housing supply policy framework for Kigali. Surveying international experiences, no one has found a magic bullet. However, many developing countries have demonstrated good policies and practices — and many more mistaken approaches to avoid — from which Rwanda can learn and formulate a context-sensitive approach.

Given the topographical constraints (steep hills, wetlands, etc.) the study will promote efficient use of land by identifying two sets of complementary measures: one to upgrade the existing informal settlements in the central city, and a second to prepare the periphery and/or other urban centers near Kigali for new housing development.

#### **1. Upgrading existing units**

At present, most of the existing housing stock in Kigali is single-storied. One hypothesis to be examined is that it would be much less expensive to increase the *height* of some of these buildings, than construct totally new units. This question is in many ways an architectural and engineering one. Can it be done? If so, at what cost? If construction costs are good, how can finance be made affordable, in the context of high interest rates? Will the change to two-story housing be acceptable to residents- financially and culturally? The study will highlight the key constraints to such upgrading, and the best opportunities to pursue it.

#### **2. New low income housing communities**

How cost effective would it be to improve transport services for commuters, between Kigali and existing smaller towns on the outskirts? How cost-effective would it be to also develop new small towns to feed into the capital? Improving commuting services may improve access to low cost land with relatively modest investment. Moreover, developing low cost peripheral land will make basic “sites and services” provision – a

traditional but effective model of low-income housing – viable. The viability of site and services program will be examined considering various factors such as plot sizes, self-help strategies, use of specific local construction materials and methods, opportunities for incremental dwelling expansion, typologies of dwellings clusters, and land allocation for economic and social activities, etc.

The challenge of delivering affordable housing for Kigali remains huge, but also remains key to sustaining the living quality and economic vitality of Kigali, and allowing Kigali's productivity to transform the economic future of Rwanda. The researchers hope that the actionable and costed solutions analysed in this paper will help to address that crucial challenge in Rwanda, and produce lessons from which other urbanizing developing economies may also learn.