

IGC International Growth Centre

Rwanda

Sustainable Urbanization in Support of Economic Transformation

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Directed and Organised by



Objective & Approach

Identify the building blocks for managing urbanization process in support of the proposed economic transformation strategy

Review the status of rural – urban transformation, supporting infrastructure/ services & govt. policies



Identify critical shortfalls & constraints



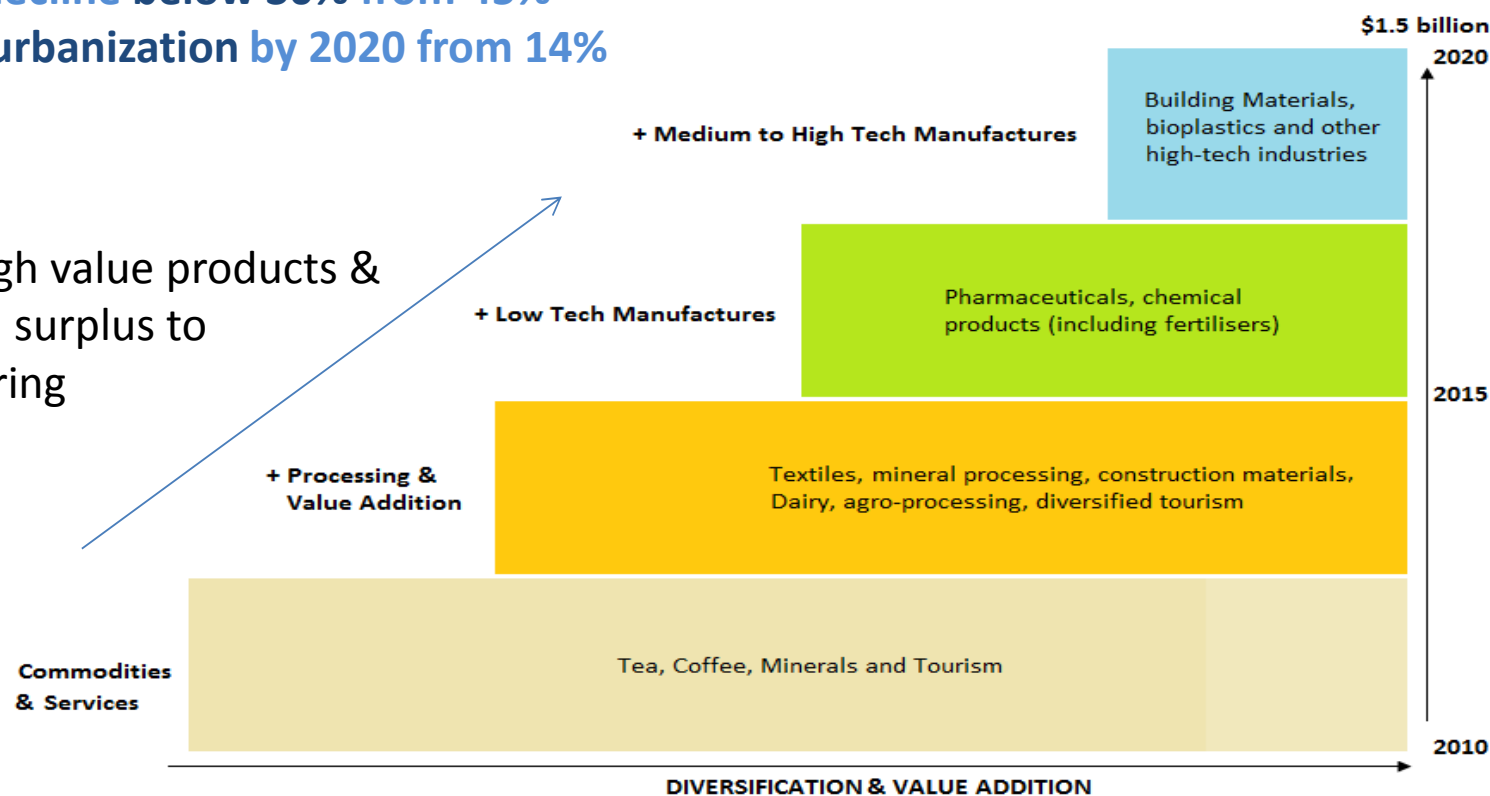
Recommend building blocks of urbanization framework

A vision for sustaining growth & reduced poverty

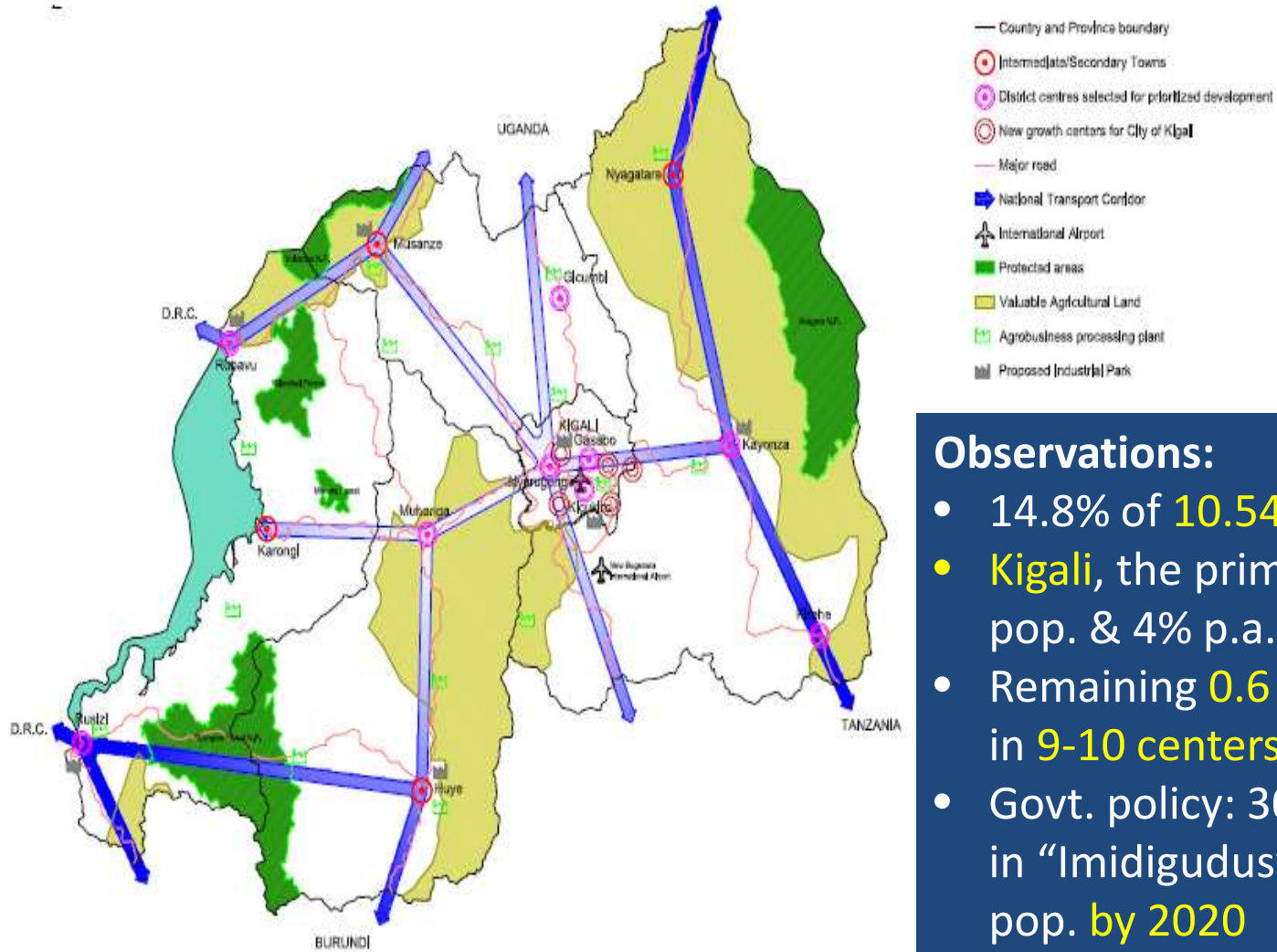
2013-2017

- Annual GDP growth: 11.5% from 8.2% with new 200K non-farm jobs p.a. & shares of industry, Service & agriculture reaching 27.7, 54.7 & 17.6 % GDP respectively
- Accelerate export growth to reach 28%
- Private investment from 10% to 15.4% of GDP
- Poverty to decline below 30% from 45%
- Attain 35% urbanization by 2020 from 14%

Move to high value products & agriculture surplus to manufacturing



Urbanization at a nascent stage but accelerating



Observations:

- 14.8% of 10.54m pop. urban
- Kigali, the primal city with 1.13 m pop. & 4% p.a. growth
- Remaining 0.6 m in 27 districts, most in 9-10 centers
- Govt. policy: 30% urban & 70% rural in “Imidigudus” of 13 m national pop. by 2020
- High pop. Growth 2.6% p.a.
- High pop. density

Land market & rules fail to provide affordable shelter, generate revenue & attract private investments

Observations:

- **Regulated land value** by expropriation laws (2007 and 2010)
- Lack of clarity over **what determines market value of plots** which may vary between \$0.34/sqm to \$300/sqm in Kigali
- **Low property tax and lease** fees (0.1% of govt. determined land value)
- **Uniform land transaction fee** fails to capture the value of transaction
- **Demand – supply gap on the rise** for housing in Kigali since current supply rate is 800-1000 units p.a. while the need is 300K units within next decade
- Almost **80% of housing demand comes from below RWF 300K** annual income with the results **70% of Kigali residents** find **informal** ways to meet housing needs
- Proposed **planning standards** (e.g., 250 Sqm min. plot size is 6-7 times Asian stds.) render large share of current housing stock illegal, decrease new construction, raise house & rental rates & encourage sprawl (outside Kigali city boundary)
- No effective **market or public based housing** solution for low income

Infrastructure deficiencies affect mobility, productivity & access to basic services

Transport:

- Average truck **speed to** reach Mombasa and Dar-e-salaam **ports are 4.4 & 3.6 kmph** respectively compared to the international average of 50-70 kmph
- Good paved national roads but **poor** most unpaved **district & rural roads, & PT services**
- **Transport expenditure: 15%** of household monthly, up to **25%** for microenterprises
- **Poor road connectivity , conditions & fuel cost** increase logistics and freight costs
- **Low access**, frequency & capacity of **Public Transport (PT)** to serve inter-city & Kigali users
- **Multiple transfer** payments & delays **raising PT cost** for poor
- Weak **regulations** for managing **private PT** services

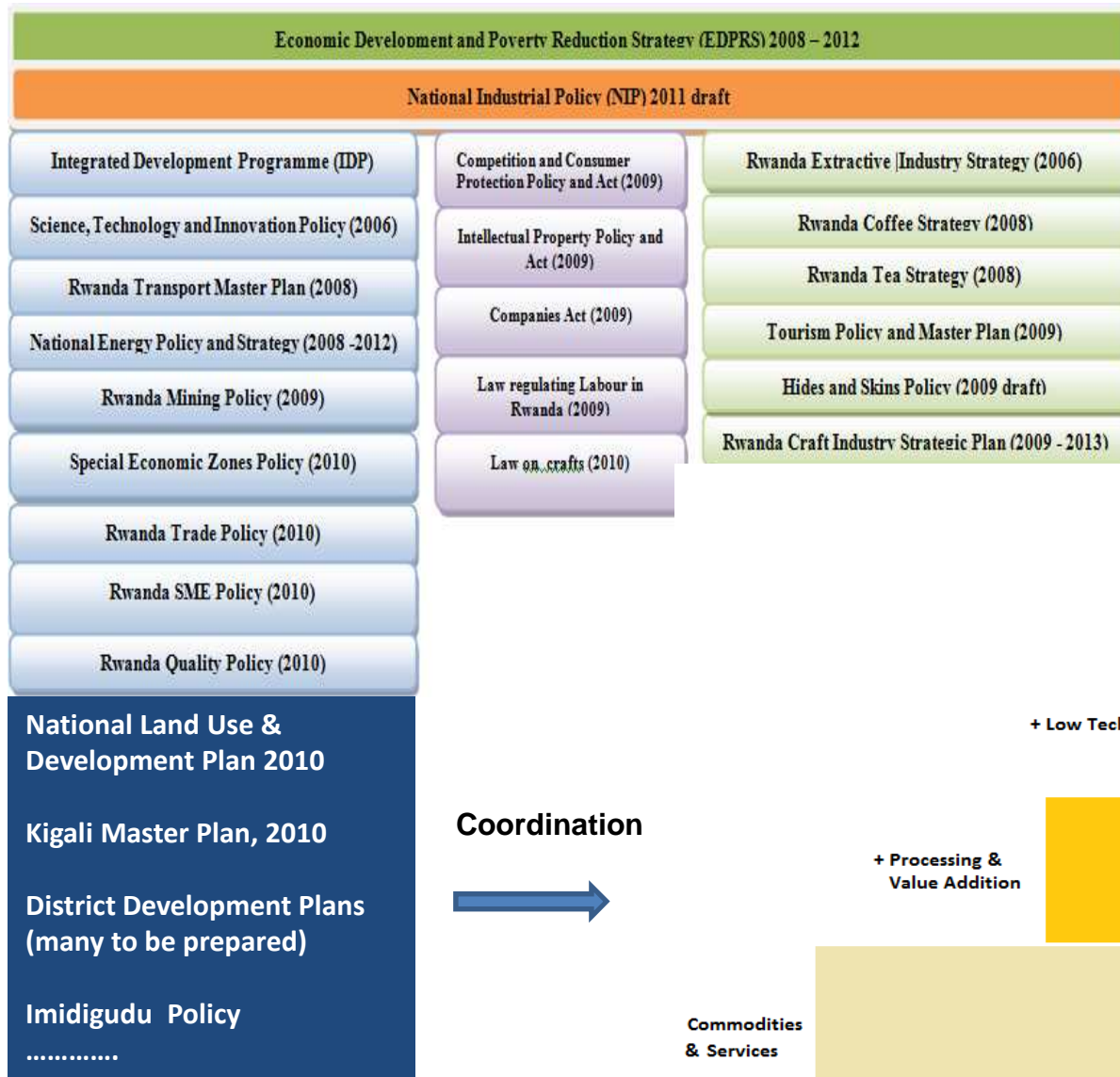
Water & Sanitation:

- Access to water on the rise but **high price** paid by Kigali informal settlements
- **No central sewage** plant in Kigali
- Requirement for each large development to build their **own waste water treatment plant imposes high cost** (>\$60,000) & lost opportunity for exploiting economy of scale

Energy:

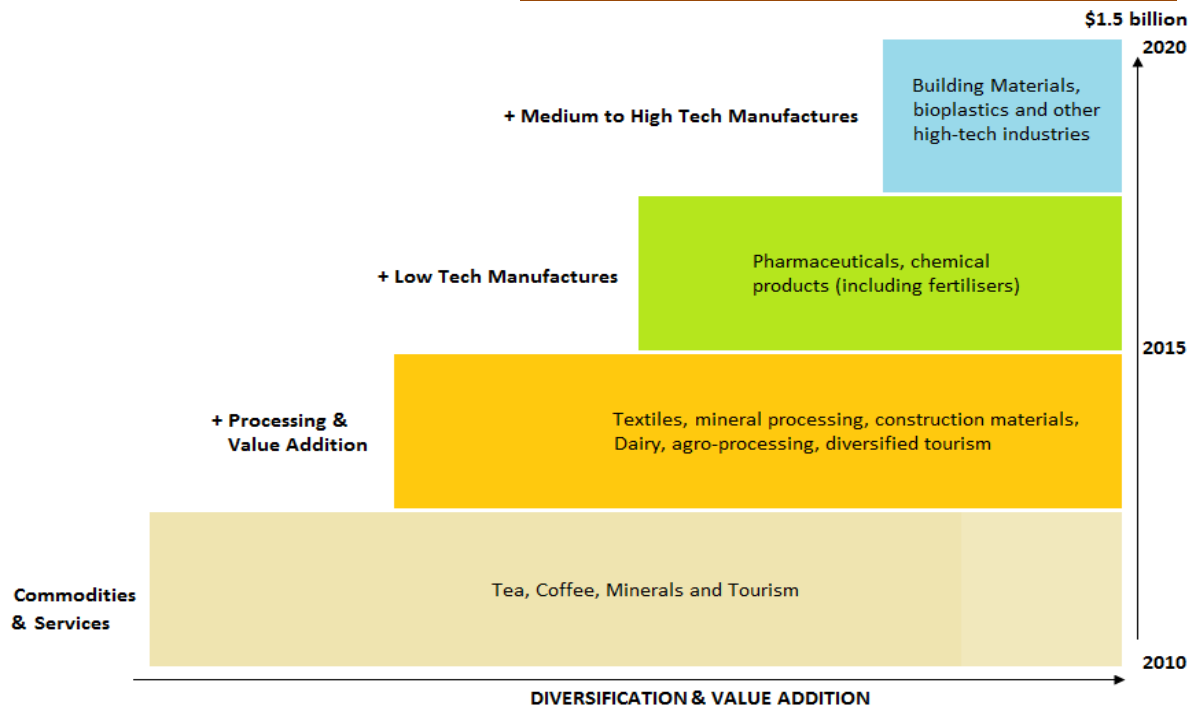
- Only **13%** population with **electricity access**; while high unit cost affecting small businesses
- **Cost of generation is high**, double (\$0.24/Kwh) than neighbors

Need to align economic development policies & spatial plans persists



- Issues:**
- Synergy across economic & spatial policy at national & local levels
 - Managing development beyond city boundary
 - Urban sprawl & congestion in Kigali area

Coordination



Key issues for rural – urban transformation

- Policies to switch sector composition away from agriculture will trigger urbanization but its **form & quality** will be determined by
 - **primacy & efficiency of Kigali**- productivity of its economic activities, labor mobility & city's connectivity to internal – external markets
 - **enhanced interdependence between settlements** - specialization & roles of hierarchical and connected urban agglomerations & their rural hinterland
 - availability of **universal basic services** so that rural migrants to cities are endowed with human capacity
 - provision of **affordable shelter & services** for urban poor to improve living conditions & accommodate future demand
 - effectiveness of **urban land management & planning** – functioning of land market, inter-district management, appropriate regulations
 - removal of **infrastructure** bottlenecks – power, logistics

A framework for Action (1)

Institutions, Infrastructure and Incentives

- *Coordination across sectors will be key to manage rural-urban transformation*
 - Ministries as **managers of a portfolio** of national urban centers
 - **Synchronize** national sector **strategies** and coordinate with districts to their translation in terms of **local priorities** and actions plans through an inclusive process
- *Economic interdependence among settlements should be nurtured to maximize the benefits of existing agglomeration economies*
 - Review the potential **roles of 10 existing urban centers**
 - Adopt a **regional approach** to establishing economic linkages between Kigali, secondary towns, market towns and villages

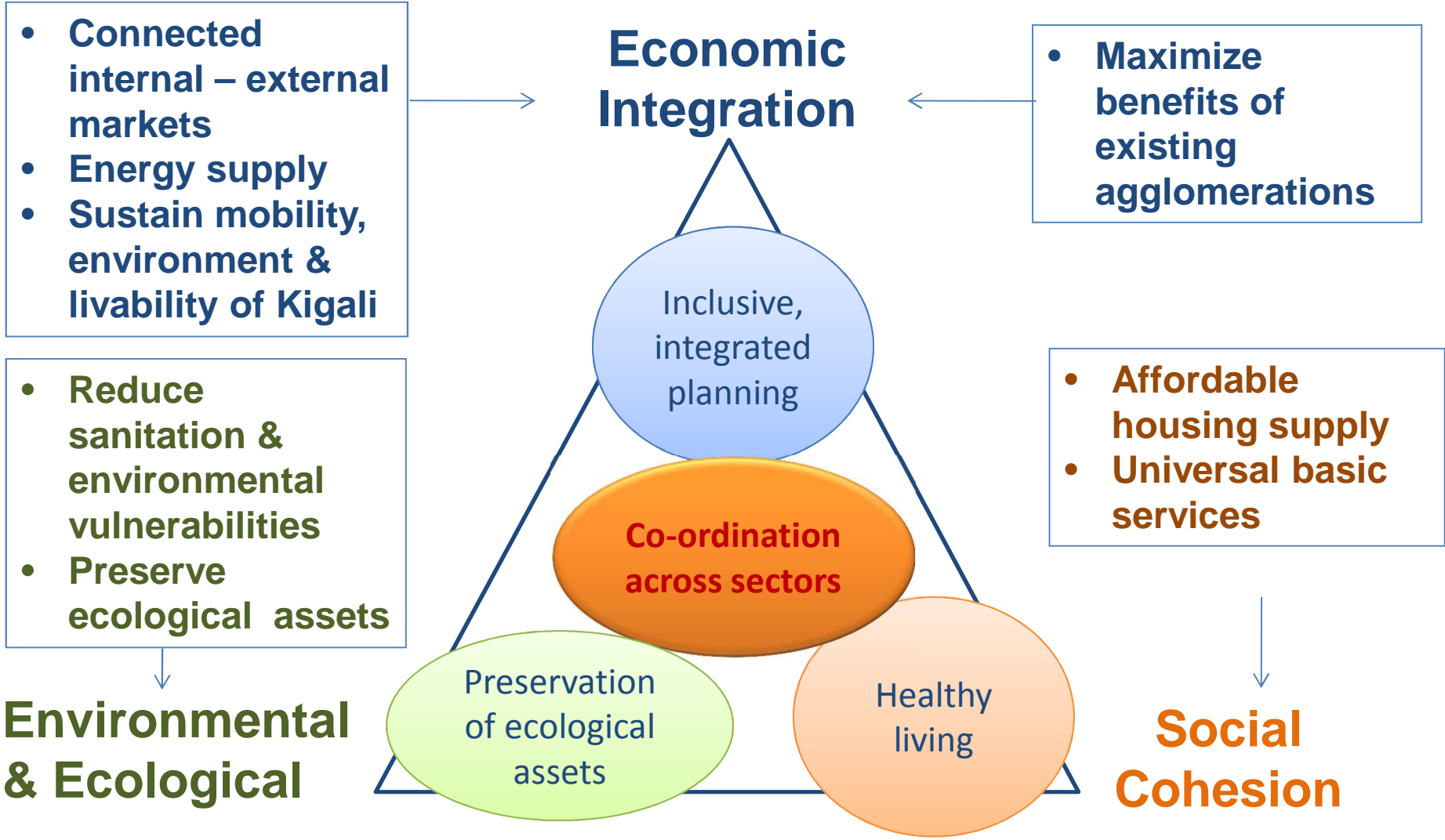
A framework for Action (2)

- *Affordable housing supply will ensure inclusive and sustainable growth of Kigali*
 - Promote **upgrading** of existing informal settlements and “**site and Services**” scheme for land parcel development
 - **Update current codes and standards** to suit present conditions and affordability of various population segments
 - Establish a dedicated **unit responsible for planning, implementation and monitoring** of approved settlement projects under the guidance of RHA
- *Connected markets and supporting infrastructure in promising areas will sustain growth*
 - Improve transport **connectivity between hierarchies of settlements** particularly in **Kigali region and north-western** part of the **country** for expanding trade and exports.
 - Introduce MININFRA regulated **franchising regime for private inter-city bus** services
 - Supply adequate **energy** for industries, agro-businesses and microenterprises

A framework for Action (3)

- *Efficient and accessible public transport will be pivotal to sustain mobility, environment and livability of Kigali city*
 - Improve operating **efficiency of existing roads and public transport** services simultaneously in Kigali
 - A **competitive regime for private bus** service providers to expand coverage and reduce supply cost
 - Establish a **unit within Kigali to plan and design a competitive bus service regime** while **MINIFRA** to create a separate agency for **service procurement and economic regulation** by revisiting the function of RURA
- *Provision of universal basic services is essential to enhance human well-being and to minimize undesired migration*
 - Continue to expand coverage of **basic services to meet MDG targets**
 - **Kigali** to consider a combination of **centralized and decentralized waste water systems** under a new regulatory and cost recovery regime
 - Promote **community based targeted water delivery** options with private sector for informal settlements

Summary: Promote sustainable urbanization



Economic Transformation Objective for EDPRS 2

“Sustain rapid economic growth and facilitate the process of economic transformation by increasing the internal and external connectivity of the Rwandan economy.

This will be achieved through improved infrastructure, exports, and more integrated supply-chains, while meeting demand in the energy sector, planting the seeds of a green economy, and better managing the process of urbanisation”

Thanks

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