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Rwanda’s urban transition and the RPF political settlement: Expropriation, construction and taxation in Kigali

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ABSTRACT

Although still predominantly rural, Rwanda is one of the world’s fastest-urbanising countries. This paper considers the Rwandan Patriotic Front’s approach to urban development in the context of intense pressure on land and a stated long-term agenda of moving towards a future that is ‘100% urban’. The RPF government has won plaudits for its transformation of Kigali, and its Land Tenure Regularisation programme is proceeding at a pace few anticipated. Its approach to the urban question remains, however, both highly controversial abroad and contested within the country. There is widespread acknowledgement that aspects of the government’s urban agenda have been disadvantageous to the poor, but it is also unclear whether the implementation of this agenda is furthering or hindering their overarching drive for economic growth, structural transformation and political stability. In particular, the expropriation of urban land and the political-economic interests embedded in the real estate sector have critical impacts on Rwanda’s development trajectory. Utilising a ‘political settlements’ approach but introducing a spatial perspective focused on the transformation of Kigali, this paper explores the governance of land reform, urban planning, expropriation and property taxation, analyses how these illuminate the broader settlement in place, and considers the implications for Rwanda’s future.
Introduction

Rwanda is hardly a country that has attracted the attention of many scholars concerned with cities and urbanisation. This is unsurprising: with under 20% of its population living in urban areas, it is one of the world’s least urbanised countries. The proportion of its people living in cities and towns is even lower than the average for East Africa, the world’s least urbanised region. Yet the pace at which this has been changing in the past two decades since the Rwandan Patriotic Front (RPF) took power, and the manner in which the change has unfolded, is nothing short of extraordinary. Both in terms of urban growth (the absolute number of urban-dwellers) and urbanisation (the percentage of the population living in cities and towns), the demographic shift has been meteoric. In 1990, there were just 385,000 Rwandans living in towns. Next year, there will be 2.5 million: an increase of over 500%. Meanwhile the percentage of the population in urban areas has almost quadrupled over the same period from just 5.4% in 1990. Between 1950 and today there has been almost no other country in the world urbanising faster. The biggest shift has been in the RPF era and the trend is set to continue.¹

This raises important questions. Why Rwanda’s urban growth rates peaked so dramatically after the genocide, and how this impacted on security, has been discussed elsewhere.² This article instead engages primarily with questions about how the government has managed and shaped its urban trajectory, and what the consequences of this are for Rwandan’s development and political order today and in the future. Indeed, it is not only the growth of cities that has been remarkable but the package of policies that the government has put in place to deal with this shift, and the rigorous manner of their implementation. This is especially evident in Kigali, the capital city in which around half of all urban Rwandans currently live.

Despite the relative lack of attention thus far from scholars, this policy drive has captured the attention of development practitioners both within Africa and beyond. In 2008, UN-HABITAT presented the government of Kigali City with an award for ‘innovations in building a model, modern city’. The city’s mayor went on to become UN-HABITAT Deputy Director. Urban planners in neighbouring Uganda and Kenya send teams of delegates to Kigali, observing its development with undisguised envy and admiration. Meanwhile, development partners such as the UK’s Department for International Development marvel at the pace of the country’s Land Tenure Regularisation programme, which has important implications for Rwanda’s urban future.

There are also many less favourable assessments of the city’s development. Concerns abound that nothing is being done to address the staggering shortfall in low-income housing, that the Master Plan being gradually unveiled since 2007 is unviable, that investment is not forthcoming and that the poor are being pushed out of the city. While all of these issues will be touched on in this paper, the concern
here is not to weigh up the successes and failures of the government’s urban strategy. It is rather to understand the political settlement behind the way Rwanda’s urban transition is being shaped into the Kigali we see today.

Many existing analyses of Rwandan governance are relevant here, despite few focusing explicitly on urban areas as distinctive spaces. At the level of national politics, recent work by Booth and Goloobah-Mutebi has enlivened the debate on the political economy of Rwanda’s post-genocide development, while insights from Beswick, and Purdeková highlight issues of political space and surveillance with important ramifications for urban governance. Meanwhile, critical analyses of rural Rwanda that focus on social re-engineering and modernist planning, often drawing on James Scott, have clear relevance for thinking about the rationale for and practices of urban planning.

This paper benefits from these insights, but also takes a rather different approach. It attempts to understand the nature of contemporary urban Rwanda by bringing perspectives from the emerging literature on ‘political settlements’ (defined below) to bear on the question of Kigali’s development. Drawing on primary research conducted between 2009 and 2013 and comprising 115 interviews, it proposes viewing the RPF’s approach to the ‘urban question’ in Rwanda as embodying an underlying political settlement that is observable in the form of the city itself. It therefore aims to spatialise the concept of the political settlement, using it to illuminate particular aspects of urban development that other political economy and urban geography approaches do not call attention to. In this respect it takes the political settlement idea out of its natural habitat - the study of the political determinants of national economic growth - and explores its value in relation to questions of urban transformation. In so doing, however, it aims to illuminate features of the political settlement in Rwanda that are relevant well beyond the city.

The article begins with a discussion of the concept of the ‘political settlement’ as used in recent literature on the political economy of development. The role of cities as spaces for the articulation of broader political settlements is discussed. This is followed by a section exploring the urban planning drive in Kigali and the institutional and policy framework that supports this, discussing some of the controversies concerning expropriation and land pricing in the city. I then turn to the questions of real estate development and its relationship to local taxation, and what this reveals about the city’s political economy. The article then considers how the urban development issues discussed can contribute to our understanding of the political settlement underpinning the regime. This is followed by a conclusion reflecting on findings and prospects for the future.
The city as political settlement

Political settlements and development

The idea of a ‘political settlement’, as developed in recent years by Khan and others including Di John and Putzel, represents a renewed attempt to understand the underlying political determinants of economic growth in developing countries. It evolved out of an explicit critique of the New Institutional Economics (NIE) propounded by scholars such as North. The political settlement concept emphasises why a preoccupation with formal institutions (such as legally-enshrined property rights and other laws and regulations) is insufficient when attempting to understand economic development outcomes, especially in very low-income settings. Central to the critique is the absence of an adequate conception of power in the neoclassical framework underpinning NIE, and the failure to recognise that power relations sustaining what economists conventionally consider ‘bad’ political and economic institutions may in fact constitute essential foundations for economic growth. In this view it is particular kinds of political settlements, rather than ‘good institutions’ in the mould of Western liberal democracies, that form the foundation of stability and developmental transition.

A political settlement consists of a situation in which the distribution of benefits supported by the institutional structure as a whole is consistent with the distribution of actual power. Khan uses the term ‘holding power’, and defines this as ‘how long a particular organization can hold out in actual or potential conflicts against other organizations’. ‘Holding power’ depends in part on income and wealth, but is also linked to ‘historically rooted capacities of different groups to organize’, and to an organisation’s ‘ability to mobilize prevalent ideologies and symbols of legitimacy to consolidate its mobilization and keep its members committed’. Critically, where formal institutions do not allocate benefits in a way that is compatible with the power structure, informal institutions such as ‘patron-client allocative rules, and informal adaptations to the ways in which particular formal institutions work’ are central to achieving this compatibility. To be viable over time, the settlement must be able to generate and sustain a certain level of political stability and economic performance.

Political settlements emerge through conflict; the power structure that prevails in conflict essentially defines the settlement, and as such they are not necessarily inclusive of everyone’s interests. The resilience of a settlement simply depends on the allocation of benefits to those who have achieved a certain degree of power through past struggles. Nevertheless, for Khan, Putzel and Di John and others, the existence of a fairly stable political settlement is an important foundation for any kind of economic development, because without such a settlement in place continued conflict over the institutional structure will disrupt developmental progress. Even North adopted some elements of this perspective in his more recent work (North, Wallis, & Weingast, 2009).
Certain other scholars associated with conventional institutional approaches, such as Acemoglu and Robinson, have in recent years also attempted to factor the role of what they term ‘de facto power’ into their understanding of the determinants of economic development. As Sen has noted, however, they pay relatively little attention to the role of informal institutions, assuming that particular kinds of formal institutions flow from particular allocations of de facto power and it is these institutions that determine developmental outcomes for better or worse. In fact, formal institutions can often be quite out of step with de facto power, with informal institutions doing the work of holding the settlement together. From a political settlements perspective, the key to growth at low levels of development is thus the underlying informal norms and the degree to which these work with ‘holding power’ to facilitate investment and productive accumulation rather than mere extraction by elites.

This paper, in contrast with most of the emerging literature that has adopted Khan’s concept, is not primarily concerned with the question of what kinds of political settlement lead to economic growth. Rather, it focuses on how formal and informal institutions interact with one another and with existing power relations as a question of interest in its own right, and one which has developmental implications beyond its direct impact on growth. Specifically in terms of this paper’s topic, a political settlement approach can serve as an analytical tool for understanding patterns of urban development, spatial transformation and urban inequality.

**Cities and the spatial embodiment of power**

The current and evolving theoretical debate outlined above is explored here through the localised, spatialised lens of the capital city in a state built on a relatively new political settlement after devastating violence. It aims to look at the city itself as the physical embodiment of a political settlement. What does analysing a city in this way actually mean? Three key dimensions are identified here. First, we can explore how the distribution of ‘holding power’ is partly constituted by the resources rooted in the city itself. In other words, factors specific to the city form important sources of power: as well as urban economic assets such as prime land and real estate, this might include ideational resources such as the construction by political elites of the city as a site of developmental progress and prestige. Particular forms of coercion in urban areas, such as the practice of forced eviction, also bolster the position of those in power. In many places, ethnicity or religious affiliation and how these map geographically onto the city in relation to economic and political resources can also constitute important urban sources of power.

As well as constituting power, cities can reflect a political settlement; in other words, the form and function of a city can indicate whether and how the benefits accruing from formal institutions match those supported by the power structure, and where informal institutions may be coming into play to
‘prop up’ the settlement. How urban land is used and urban space constructed can be highly illuminating with regard to the relationship between power and institutions, and where fault-lines between them might be evident. Whether land-use and construction regulations are implemented, why or why not, and by whom, is one example of how this might be observed. Finally, these investigations into the physical map of power and institutions can also be used to explore the question of whether there is a politically and economically sustainable settlement in place. Assessing how institutions that govern land, space and urban property might come to conflict with the distribution of power in a city, as institutions and/or power dynamics evolve over time, may indicate potential ruptures in the political settlement.

The idea of political economy manifesting physically in urban form is of course not new. Within the disciplines of Geography and Sociology such issues have long been explored by the likes of Harvey, Castells, Logan and Molotch and Zukin, among others. Many concerned with the nature of urban spatial development in recent decades have examined processes of ‘splintering urbanism’ generated by the confluence of technology and globalised private capital, expounding the idea that cities are becoming patchworks of enclaves of wealth and deprivation that are ‘physically proximate but institutionally estranged.’ Scholars concerned with urban planning and land rights in Africa specifically have also devoted considerable attention to the political and economic dynamics underpinning forced and market-driven evictions, as well as how colonial and ‘imported’ planning models facilitate planning practices by domestic elites that persecute the urban poor and exacerbate urban inequality.

With these various bodies of literature in mind, the distinctive contribution made here by spatialising a political settlements approach is the specific focus on how the interplay between formal institutions, informal institutions and power dynamics is embodied in a city. This offers something different both from conventional institutional approaches that suggest formal governance and planning institutions in themselves determine urban form, and from Marxist-influenced urban geography perspectives whose sophisticated grasp of economic power is often not matched by attention to the complex, informalised institutional environment prevalent in developing country cities.

The remainder of this paper focuses on the case of Kigali. As a capital city and by far the largest in Rwanda (in administrative terms the only city), it presents an exploratory study of the potential for using urban development as a lens onto political settlements not only in the city but at the national level. With this exploratory endeavour in mind, it focuses on a few key aspects of the city’s evolution particularly relevant to questions of power, institutions and the relationship between the two. This, it is hoped, will both provide new insights and empirical material of interest to those concerned with
contemporary Rwanda, and offer a fresh avenue of research into political settlements and urban development more generally.

Striving for Singapore: the Master Plan, urban land and expropriation

Rwanda’s traditionally rural society has been undergoing a seismic shift since 1994. The various waves of refugee return in the wake of the genocide, alongside a more general shift in favour of city life spurred in part by the anonymity it offers, gave urbanisation a decisive push. Figure 1 indicates how most movement in the late 1990s was into the two provinces that comprised Kigali. Indeed, between 1995 and 2000, Rwanda’s urban growth rate soared to an average of 18% per year, a figure almost unprecedented in global history since at least 1950. On achieving power, however, the RPF found a virtual vacuum of urban legislation and they embarked in the mid-2000s on radically transforming the city through a new planning drive. The American firm Oz Architects was drafted into a develop a Master plan in 2005-6, which was published in 2007 and formally approved by the government in 2009. Accompanying the plan was a new Expropriation Law (2007), the Rwanda Building Regulations (2009) and a ‘Clients Charter’ aimed at specifying the process of land development for potential investors (2009).

Figure 1: internal migration in Rwanda

![Figure 1: internal migration in Rwanda](image)

Source: Adapted from RoR 2002: 40

With the Master Plan in place, the government brought in a Singaporean firm, Surbana, to develop detailed area plans. The choice of Singapore was not accidental; the island state holds a particular significance in the RPF developmental vision, and its founding father Lee Kwan Yew acts as an adviser to president Kagame. Foreign consultants who have worked in both countries were emphatic about the similarities between Singapore’s predicament in the past the Rwanda’s today, while a presidential advisor spoke of Kagame’s personal notes scribbled in the margins of Lee’s
There is little doubt that Singapore provides the blueprint for a minister’s comment that ‘in the long term, Rwanda will probably be 100% urban’ given its population density and land scarcity. Oz had also used Singapore as an indicative case study when designing the Conceptual Master Plan. More generally, the importation of American and Singaporean expertise reflects a global trend in transporting planning models from ‘centre’ to ‘periphery’ that has attracted considerable interest (and criticism) in recent years.

Achieving the Singaporean dream in a landlocked country where construction costs are ‘outrageously high’ was never going to be easy. The commitment to this project and the authority vested in the Master Plan has, however, been remarkable. Urban plans for major African cities tend to fester on city council shelves, with only a tiny percentage of proposed developments taking place and with private property developers running roughshod over planning regulations. Kigali presents a very different picture. Since the Master Plan was introduced, the strict enforcement of land use and construction rules has been remarkable by regional standards. The ideas that a well-organised city is necessary to court investment, and that urban cleanliness and modernity are constitutive of the ‘New Rwanda’, have been central discourses supporting this approach. Environmental sustainability also provides a legitimising mantra for the government’s planning drive, as well as a source of much delay to and conflict over construction projects; one observer even spoke of a ‘simmering hysteria’ around the (often ill-defined) concept of sustainable construction. More generally, the emphasis on ‘playing by the book’ with respect to (sometimes unclear and unfinished) regulations can render Rwanda an extremely frustrating and often bureaucratically obstructive place for investors, developers and architects to work in.

This frustration is often exacerbated by the difficulties associated with acquiring land. Vital for government’s development vision is the availability of both land and investment to implement the more ambitious aspects of the Master Plan. Here the RPF has moved forward with its characteristic vision and commitment, but not without major difficulty and controversy. In terms of acquiring land to develop new projects envisaged in the Master Plan, the government forged ahead by implementing a legal framework that, at the same time as instituting private property rights over land, allows the state sweeping powers of compulsory acquisition. Thus while the 2005 Organic Land Law enshrined rights to ‘individual land’ with the purpose of increasing tenure security, other aspects of the institutional framework have effectively undermined this security.

In particular, the state has retained strong rights to ‘expropriation due to public interest’, both in the 2005 Organic Land Law and 2007 Expropriation Law. The latter defines ‘public interest’ as covering twenty-two types of projects, but also keeps it expansive enough to include ‘any other activities aimed at public interest which are not indicated on this list that are approved by an Order of the Minister in
charge of expropriation’ (Law 18/2007, Article 5). This has been interpreted to include private investments for commercial purposes that fit broadly with the Master Plan; indeed, a government representative conceded that the Plan encourages land officials to consider big profit-making ventures as ‘public interest projects’. A 2010 Expropriation Manual further emphasizes that some private activities can be classified as acts in the public interest if they meet certain, fairly flexible, criteria.

Investors have clear incentives to lobby government to consider their projects as ‘public interest’, because if they succeed the government will manage the messy business of locating, surveying and expropriating land on their behalf. This is no small advantage in Rwanda, where ongoing problems of contested land ownership and unclear plot divisions can render land acquisition an onerous process lasting many years. One district mayor noted that it was not uncommon for ownership of a plot in Kigali to be claimed by four different people, as well as there often being five or more houses on one plot. In the period between the 2005 Land Law, with its injunction to issue individual land titles, and the completion of the Land Tenure Regularisation process (ongoing at the time of writing) which codifies ownership and plot boundaries, these problems have been acute. In some cases, private investors keen to purchase land have eventually given up. Another reason why the ‘public interest’ option appeals to large-scale investors relates to the cost of land. Being highly scarce and contested, land in Rwanda is liable to become expensive if left to market forces. Consequently, the government has repeatedly intervened to ‘fix’ the prices of land expropriated for ‘public interest’ projects. This proceeded in an erratic manner, resulting in sudden and dramatic shifts the value of land, as will be explored below.

The way in which the government handled the pricing of expropriated land in 2009-10 reflects the conflicting principles and priorities at play. Since 2005, there has been a major tension between providing adequate compensation to landowners and the need to keep land costs down to encourage investment. Controversy over expropriation was especially high in 2006-2007, with the Expropriation Law not yet in place and in the context of the highly visible eviction of 336 households from Ubumwe cell in Kiyovu, which borders the city centre. Ubumbwe was a slum area that was expropriated to make way for the new Central Business District (CBD) envisaged in the Master Plan (see Figure 2). During this expropriation process, the prices being paid as compensation to those expropriated for their land (not including the ‘mankind works’ – structures built on the land) were generally extremely low; around RWF 1,000 per square metre. This was thrown into relief by fact that as much as RWF 77,000 per square metre was being paid for land nearby. Indeed, land in general had skyrocketed in value since being commodified by the 2005 Land Law. This huge discrepancy in pricing emerged partly because there was little by way of systematic valuation: as one land administrator noted, ‘the law provides that you hire a valuer, but they aren’t there to hire, really.’
Following this controversy over the meagre compensation given to slum-dwellers, the City Council intervened in 2009 to fix expropriation costs, initially to levels that would ensure much better compensation to those whose land was expropriated. In Kiyovu, for example – the heart of the city, where previous expropriation had caused such a stir – the cost was fixed at RWF 16,000 per square metre. This was based on careful consideration of the market value of the land, including its prime location.\(^\text{48}\) These prices, however, ushered in a new crisis. While they were not in themselves very high, when combined with the cost of compensating for the destruction of ‘mankind works’, which the government was now also legally obliged to provide and which included every house, tree or other asset on the land, the price of expropriation was prohibitive.\(^\text{49}\) Thus, one investment official claimed, in the wake of this change ‘everything stopped: prices were just too high’.\(^\text{50}\) Panicking about the loss of potential investment, the Minister of Local Government exhorted land officials to re-assess the prices, with the effect that in September 2009 there was a second round of price fixing that set the expropriation cost in Kiyovu at RWF 1,531 per square metre - less than ten percent of the value originally calculated.\(^\text{51}\) In the word of one land official, ‘we were asked in no uncertain terms to review the list in view of the need to implement the Master Plan and generate economic development’.\(^\text{52}\)
Fuelling the controversy further, some plots of land being expropriated at the above cost of RWF 1,531 were then put on the market for as much as RWF 109,000 per square metre.\textsuperscript{53} Government representatives make the valid point that this enormous increment reflects the cost of compensating for the ‘mankind works’ - which usually far outstrips the cost of expropriating the land itself - as well as the cost of infrastructure installed after expropriation.\textsuperscript{54} These additional costs reflect the seriousness of government in attempting to balance providing compensation with making land appealing to investors. Nevertheless, the resulting situation was one in which land was very expensive for investors to buy and those evicted were poorly compensated. These problems were further reflected in the major expropriation of land in 2009 from 3,600 households in Gaculiro, in the North of the city, for a proposed new ‘satellite town’.\textsuperscript{55}

**The real estate boom and the ‘missing’ taxes**

Despite all the problems in securing major investments, there is little doubt that investment in real estate and construction has been substantial in Kigali. For the most part, however, this has consisted
of domestic investment, and has been in high-end residential housing rather than either the grand
business ventures envisaged for the CBD or the affordable housing for which there is an urgent need.
Indeed, compared to foreign investment, the majority of which from 2006-10 was in tourism, finance
and energy, the vast majority of domestic investment in that period was in construction and real
estate. As Table 1 illustrates, 73% of registered investment from the top ten domestic investors in
2006-10 was in property/real estate or construction. The RPF-owned business group Tri-Star/Crystal
Ventures, discussed in recent literature on state-business relations in Rwanda,\textsuperscript{56} has been among the
leading investors in the sector. The high-end property boom in Kigali is clear for all too see in the
rapid proliferation of (often unfinished and unoccupied) large properties.

\textbf{Table 1: Top 10 domestic investors in Rwanda, 2006-2010}

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>Investment (RWF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Contract</td>
<td>Property</td>
<td>227,327,955,620</td>
</tr>
<tr>
<td>Kigali Limousine VIP Tours Travel</td>
<td>Transport</td>
<td>142,126,375,786</td>
</tr>
<tr>
<td>Rwanda Energy Company</td>
<td>Energy</td>
<td>58,297,398,850</td>
</tr>
<tr>
<td>Rwanda Free Zone Company Ltd</td>
<td>Construction</td>
<td>36,978,461,800</td>
</tr>
<tr>
<td>CIMERWA</td>
<td>Construction Manufacturing</td>
<td>30,800,000,000</td>
</tr>
<tr>
<td>Rwanda Investment Group/KIP Finance</td>
<td>Finance</td>
<td>27,763,979,100</td>
</tr>
<tr>
<td>Caisse Social/Kagugu Project</td>
<td>Real Estate</td>
<td>17,400,000,000</td>
</tr>
<tr>
<td>EPCHER</td>
<td>Agribusiness</td>
<td>14,822,527,500</td>
</tr>
<tr>
<td>Market Shopping Centre</td>
<td>Property</td>
<td>12,028,000,000</td>
</tr>
<tr>
<td>Ultimate Concepts LTD</td>
<td>Real Estate</td>
<td>11,660,000,000</td>
</tr>
<tr>
<td>4F Networks</td>
<td>ICT</td>
<td>11,600,000,000</td>
</tr>
</tbody>
</table>

Source: based on ActionAid (2011: 31)

A domestically-financed construction boom of this nature presents an important opportunity for
raising government revenue (and redistributing wealth) through property taxation. However, as this
section will demonstrate, this has largely not been capitalised on. In general, the story of taxation in
post-genocide Rwanda has been one of remarkable success, largely due to the creation of the donor-
supported Rwanda Revenue Authority (RRA) in 1997, which hugely improved national revenue
collection capacity.\textsuperscript{57} Meanwhile there has also been an extensive fiscal decentralisation programme.
In 2002, a law decentralised three taxes previously collected by the central government: property tax,
trading licence tax and rental income tax (Law No. 17/2002, Article 3). These thereafter formed, in
theory, the bedrock of local revenue for Districts along with a number of administrative fees collected
locally. The decentralisation of the first two is normal. Decentralising rental income tax, however,
was highly unusual and controversial.\textsuperscript{58} The rationale was that ‘local government knows more about
how much people are renting for’ and would therefore be more effective at collecting this tax than the
RRA.\textsuperscript{59}
After decentralisation, the collection of local trading licenses was immediately very effective, with 85-95% of businesses reportedly paying in 2009. The other two taxes - both directly related to property - told a very different story. In 2008 only 661 properties were registered for property tax in Nyarugenge District, one of the city’s three districts, which contained approximately 30,000 houses. As Figure 3 demonstrates, the revenue from property tax amounted to only around 3% of local revenue in the city overall, despite the fact that this tax is very often the major source of local revenue in cities; indeed even in neighbouring Uganda’s capital Kampala, hardly a model of effective local taxation, property tax comprises around 20% of local state revenue. In contrast, ‘rent on plots’ generated a substantial proportion of revenue in much of the city; this, however, was not a ‘real property’ tax but a fee paid for the incremental acquisition of land titles under the LTR, and thus a finite revenue stream. Significantly, it was also not something paid by the wealthy, who generally already held freehold titles.

The reasons for the poor performance of property tax are multifarious. First, that so few properties were registered was obviously a major problem, as was the fact that Kigali lacked any system of market-based property valuation even by the end of the 2000s, relying on ‘bricks-and-mortar’ valuations with little relation to location and other market considerations. The few listed property values on record often dated from the 1960s and 1970s, because in most cases the houses were only valued once: when they were built. Meanwhile in new neighbourhoods such as Nyarutarama, where many upmarket properties emerged after 1994, owners were supposed to value the house themselves and have the value approved, which – even if it was taking place – hardly constitutes a robust system of valuation. Given the construction boom, the potential of the tax was enormous; one expert source suggested that in Kigali property tax could in theory amount to as much as 5-6% of GDP. Instead, in 2008 the approximate amount collected in all three of Kigali’s Districts combined was 0.009% of national (nominal) GDP.

This is surprising given the stellar performance of the RRA and the RPF government’s reputation for effectiveness more generally. Interestingly, however, the weakness of the property tax regime seems not so much to be a matter of poor implementation as a reflection of sustained resistance to modernising the property taxation system. One consultant, who first advised the government about developing a functional system in 1997, found that by 2003 there had been no progress whatsoever on the issue despite ministers’ initial enthusiasm. Moreover, he could observe no real movement towards change even by 2009-10 after over a decade of stated commitment to completely overhauling property taxation. A new property tax law had been drafted in 2006, but subsequently brushed under the carpet. This kind of inaction is not characteristic of the RPF, and raised questions for some about the government’s seriousness on this issue.
Figure 3: The composition of local revenues in Kigali’s three Districts

a) Nyarugenge District (2008)

b) Gasabo District (2008)

c) Kicukiro District (Jan-Sep 2009)

Source: compiled from data collected from district finance offices
Rental Income Tax was growing more rapidly than property tax by 2010, but this obscures the opportunity cost of decentralising it and the confusion caused by having ‘rental income’ taxed locally while ‘business income’ was still taxed by the RRA. Sources consulted believed that many people rented out multiple properties as a business but were not taxed on this income by the RRA on the basis that these earnings constituted ‘rental’ incomes. Meanwhile, it was common for the enormous houses in Kigali proliferating throughout the decade to be let (often to expatriates) at prices ranging from $2-3,000 to as much as $12,000 per month. The vast majority of landlords were not declaring themselves: in 2007, the government identified around 27,000 rental properties in Nyarugenge District, but only 500 people had declared themselves to be receiving rent.

Viewed in this light, the approximately $3m collected from Rental Income Tax city-wide in 2009 was nowhere near potential. As a DFID report noted in 2010, ‘the most important single source of untapped revenues in the country is rental incomes from ownership of urban commercial and residential property, above all in Kigali’. The consequence was a distinctly regressive urban taxation regime: the two local taxes with potential to garner resources from Kigali’s wealthy elites were by far the most ineffectual ones. One source claimed that ‘every single politician, parliamentarian and military person here has property that they rent out’. As both owners and landlords they would be subject to both these taxes, which presented a double opportunity for progressive revenue mobilisation. For the same reasons there was a double motivation for ‘passive resistance’ on the part of elites with interests in property.

The lack of effective taxation on property and rental incomes does not only represent a missed opportunity. It also provides a further spur to the evolution of the city in the direction of enclaves of high-end properties on the one hand, given the appeal of real estate as a largely untaxed, potentially high-return investment, and a lack of government finance for affordable housing on the other. Even the so-called ‘medium-standing’ housing built in the pilot section of Gaculiro has largely been captured by wealthy elites. For the most part, the spatial location of the real estate boom has not been in areas prioritised in the Master Plan for business or residential development. In fact, to a great extent the expropriation and the construction are happening in different places: the high-end residential developments have largely been proliferating in the ‘new Kigali’ in the city’s North-East, where there was previously little housing to expropriate. The result is a tripartite city form of i) wealthy enclaves, ii) slum areas and iii) empty space awaiting investment.

Moreover, the kind of spatial segregation emerging, facilitated in part by lax taxation of property, arguably runs the risk of highlighting political and ethnic divides within the city. As one former
Rwandan Patriotic Army soldier noted of the upmarket Nyarutarama neighbourhood: ‘It is a nice place, you can’t get an enemy there […] People look the same. You can make deals with people, people support each other. There will be no enemies amongst your neighbours.’\footnote{80} This reference to mutual support and ‘making deals’ doubtless reflects some of the underlying dynamics of Kigali’s taxation regime and spatial evolution. Indeed, despite the clear problems outlined above in relation property-related taxes, this ‘loophole’ in an otherwise robust taxation system may be considered as a fundamental part of the political settlement that has allowed the country to remain largely stable for almost two decades. It is to the idea of the political settlement that we now return in the final section.

**Kigali, ‘institutional congruence’ and Rwanda’s distinctive political settlement**

As highlighted earlier, a political settlement is a combination of power and institutions that is mutually compatible and sustainable over time. This paper has outlined some salient features of the government’s approach to developing Kigali, in order to analyse how the political settlement maps onto (and is constituted by) urban spatial form. This means linking the urban development issues discussed above to how benefits allocated by the institutional structure (formal and informal) interact with the distribution of power. A first point is that, for the most part, the formal institutional structure seems to match power distribution rather well. Given that power is primarily vested in the RPF as a political organisation whose structures closely align with those of the state,\footnote{81} the fact that the state retains great powers over urban land (both in terms of strong legal rights to expropriate and to set land prices) indicates a high level of compatibility. In this sense, those in government do not need to actively contravene the formal rules in order to achieve the benefits befitting their degree of power.

Having said this, that even elites are forced to follow many environmental, land use and construction regulations\footnote{82} suggests that some of the formal institutional framework legislates against certain benefits that might be desired by those in power. This is not unusual; most countries have rules in place that aim to prevent the rampant pursuit of gain by the powerful. In most less-developed countries, however – and certainly in many of Rwanda’s neighbours – such laws and regulations would simply be ‘overwritten’ by a set of practical norms, usually embedded in practices of informal bargaining generally described as corruption, and in this way a political settlement secured. In Rwanda, by contrast, there is enough of benefit to elites in the formal institutional framework that this is not generally necessary. This outcome is achieved through creating a particular balance whereby formal institutions that might be unpalatable to elites are to some degree compensated for, either by another formal institution that does allocate them benefits, or by retaining a ‘grey area’ in the formal framework that will allow benefits to accrue to them. Therefore the fact that property-developing
elites are expected to comply with exacting land-use regulations is rendered palatable by the clear gains that accrue to them through the existing property and rental income taxation regime.

The evolution of Kigali thus seems to illustrate something distinctive about the political settlement in Rwanda, which can be summarised as follows. In many less-developed countries, a political settlement is sustained through what can be termed institutional incongruence: in other words, because formal rules and laws are inconsistent with the distribution of power, informal norms and practices that actively contradict the formal ones are necessary to establish and retain a settlement. In Rwanda, by contrast, the political settlement is sustained through relative institutional congruence. This is achieved in two ways: on the one hand, the formal institutional framework has in many respects been made to map onto existing structures of power and existing informal norms deriving from Rwanda’s long history of hierarchy and centralised governance; on the other, there has been a concerted effort to shape informal norms and rules into formal ones, as for example reflected in the formalisation of activities such as umuganda and the institution of imihigo performance contracts. Taken together, these amount to the maintenance of a political settlement by way of creating an effective state.

Moreover, in the ‘modal’ developing country political settlement, if powerful elites find the formal institutional structure unpalatable then the proliferation and acceptance of countervailing informal norms provides a safety valve. In the Rwandan settlement, if elites cannot abide by the formal framework in place it is more likely that they will be ejected from power (or even from Rwanda). The rapid turnover of ministers is well known, and is probably even higher among politicians and officials at the local level. Several sources attest to the fact that being a mayor in Kigali is ‘one of the most dangerous jobs’ in Rwanda due to extreme vulnerability to being accused of corruption and dismissed or imprisoned.

The active effort to create institutional congruence is evident in the pace of formal institutional reform, for example with respect to rapid rollout of the Land Tenure Regularisation programme and the development of detailed procedural documentation for investors. A distinctive feature of Rwanda is that where there is perceived to be a problem, it is through formal institutional change that the government usually attempts to address it - sometimes swiftly and dramatically as evidenced by the official land pricing changes discussed above. This approach means, however, that the formal institutional framework is in constant flux and replete with as-yet-unresolved contradictions and grey areas. The Expropriation Manual is a case in point: it was explicitly drafted to address gaps in the 2005 Land Law and 2007 Expropriation Law, but despite introducing a range of procedures with the aim of heightening tenure security, it did not have the force of law. It was said to be hardly in use and some officials were unaware of it even by late 2011. In some respects, therefore, it protected a grey area rather clarified it.
The political settlement in Rwanda arguably depends to some degree on grey areas in the formal framework that provide spaces for elite manoeuvre. Moreover, it is the combination of significant grey areas and unfinished rules alongside an enduring commitment to work through the formal rules that makes Kigali a particularly frustrating place for many investors engaging in land acquisition and construction. The effort to match formal with informal institutions to generate institutional congruence creates a state that can deliver impressive results when the institutions fall in line, but frustrates those who try to develop projects at the fault-lines where institutions have not gelled. Thus, somewhat ironically, the RPF’s determination to build an effective state often makes it a difficult place to work.  

Conclusion

This paper has had two main aims: first, to provide new empirical material on the politics of Kigali’s development in the context of Rwanda’s rapid urban transition, and second, to illustrate how urban development can enhance our understanding of the political settlement in place. It has explored some of the ways in which the government has managed the urban land question, with respect the implementation of the Master Plan, expropriation and pricing of land, as well as highlighting some of the problematic outcomes of this. It has also examined the links between the planning and construction regime and property taxation, analysing why property-related taxes have been remarkably ineffectual, particularly when compared to the RPF government’s usual standards. In relation to the second aim, the paper has suggested what these developments tell us about the particular nature of the political settlement in Kigali, and – given that this city is by far the preeminent seat of economic and political power in the country – in Rwanda more generally.

The aspects of Kigali’s development discussed here seem to embody a form of political settlement that I have argued is characterised by an unusual degree of institutional congruence. Examining Kigali’s trajectory over the past decade illuminates how when formal institutions do not match the balance of power, the government either changes the formal institutions – sometimes abruptly – or stalls until it can resolve an underlying problem that threatens to breach the political settlement. Kigali embodies an effort to create a highly institutionally sophisticated city, and this is reflected in its changing physical form. Yet the paper also explains why for those who wish to make quick, easy investments it will often be a frustrating place so long as ‘Project Kigali’ is still a work-in-progress. Exploring how the RPF regime has chosen to manage its political settlement has shed light on both the effectiveness and bureaucratic gridlock for which Rwanda is well-known, offering insights beyond those yielded by political economy approaches less attuned to how power and institutions interact.
Questions of how sustainable this political settlement is socially, politically and economically, and what a settlement of this nature implies for the city’s future development, are critical. Many tensions and trade-offs are evident. It seems highly probable that the unfinished but rigid nature of the formal institutional structure around land and planning is deterring foreign investors. Meanwhile, the property and rental income tax ‘loophole’ may help sustain a political settlement, but has been encouraging oversupply of high-end housing while depriving the state of resources that might build capacity for affordable housing, as well as drawing investment away from potentially more productive economic sectors into real estate. Also the proliferation of expropriated land around the city, displacing the poor, might cause resentments to fester – especially as the promised new developments on much of that land are proving very slow to materialise. Some positive developments are evident in terms of a new focus on building social housing in Rwanda, which will hopefully gain momentum, and apparent moves to improve property taxation may bear fruit as the government realises the extent of what is being sacrificed fiscally. Nevertheless, the delicate balance between maintaining a political settlement on the one hand, and realising Rwanda’s grand urban developmental aspirations and pressing socio-economic needs on the other, will continue to prove a major challenge.
1 UNPD, World Urbanization Prospects.
2 Goodfellow and Smith, “From Urban Catastrophe to ‘Model City’?”
3 Booth and Golooba Mutebi, “Developmental Patrimonialism?”
4 Beswick, “Managing dissent in a post-genocide environment”
5 Purdeková, “Even If I Am Not Here”
6 Ansoms, “Re-Engineering Rural Society”; Ingelaere, “Peasants, Power and Ethnicity”; Newbury, "High Modernism at the Ground Level”
7 Khan, “State Failure in Weak States”; Khan, “Political settlements”.
8 Di John and Putzel, “Political Settlements”;
9 North, “Institutions, Institutional Change”; North, "The New Institutional Economics”
10 Khan, “Political settlements”, 1.
11 Khan, “Political settlements”, 20.
12 Khan, “Political settlements”, i.
14 North et al, Violence and Social Orders.
15 Acemoglu and Robinson, “The Role of Institutions”.
16 Sen, “The Political Dynamics”.
17 See Sen, “The Political Dynamics” for a fuller discussion of this comparison.
18 See Watson, ‘African urban fantasies’, for some of the ways in which this is occurring in contemporary Africa (including in Kigali)
19 Harvey, Social Justice and the City.
20 Castells, City, Class and Power.
21 Logan and Molotch, Urban Fortunes.
22 Zukin, Landscapes of Power.
23 Graham and Marvin, “Splintering Urbanism”.
24 MacLeod and Ward, “Spaces of Utopia”.
26 See Goodfellow and Smith, “From urban catastrophe to ‘model city’?” for a discussion of the dynamics of urban change after 1994.
27 UNPD 2011.
28 See Goodfellow, “Planning and development regulation”, Goodfellow and Smith, “From Urban Catastrophe to ‘Model City’?”
29 Interview with Singaporean planner, 06.12.09.
30 Interview with foreign consultant, 11.12.09.
31 Interview with Presidential adviser, 20.01.10.
32 Interview with Vincent Karega, then Minister of Infrastructure, 09.12.09.
33 Interview with Singaporean planner, 06.12.09.
34 Nasr and Volait, Urbanism: Imported or Exported?; Watson, “African Urban Fantasies”.
35 Interview with foreign consultant, 11.12.09.
36 Mabogunje, "Urban Planning”; Silva, "Urban Planning”.
37 See Goodfellow, “Planning and development regulation”, for a detailed discussion.
38 Interview with Architect, 28.08.13;
39 Interviews with foreign investors, 2009-2012; Interview with Architect, 28.08.13.
40 This included both freehold and leasehold: Those who held land under customary law (i.e. most rural landowners) were entitled to a documentary title in the form of a renewable lease for a term of 3 to 99 years, while those considered investors were granted freehold title.
41 DFID, “Phase 1”, 26.
42 Interview with land official, 03.12.09.
43 Ministry of Environment and Lands “Procedures Manual for Expropriation in the Public Interest”
44 Interview with government adviser, 14.02.10.
45 Interview with former District Mayor, 15.12.09.
47 Interview with land official, 03.12.09.
48 Interview with land officials, 03.12.09.
49 Interview with RDB official, 08.12.09.
50 Documents obtained from local officials, 2009-10.
51 Interview with land official, 03.12.09.
This was subsequently reduced to 80,000 by scaling down infrastructure investments (Interview with domestic investor, 02.02.10).

Interview with former city official, 10.12.09; Interview with foreign consultant, 11.12.09.

See Goodfellow, State Effectiveness for a discussion.

See Booth and Golooaba-Mutebi, “Developmental Patrimonialism?”; Gokgur, “Rwanda’s Ruling-party owned enterprises”.

Interview with taxation adviser B, 01.12.09.

Interview with Decentralisation official, 23.11.09.

Interview with government decentralisation official, 04.02.10; interview with local research organisation, 08.02.10.

Interview with donor representatives, 03.02.10.

For a detailed discussion of this comparison, and of taxation in Kigali more generally, see Goodfellow, State Effectiveness, Chapter 7.

Interview with land official, 09.12.11.

Interview with donor representatives, Kigali, 03.02.10.

Interview with government decentralisation official, 04.02.10.

Interview with government decentralisation official, 04.02.10.

Interview with taxation adviser A, 26.11.09.

Interview with taxation adviser A, 26.11.09.

Interview with donor representatives, Kigali, 03.02.10.

Interview with various donor representatives and foreign advisers, Kigali, November 2009-February 2010.

Interview with taxation adviser B, 01.12.09.

Ibid.

RoR, “Performance analysis”

Interview with taxation advisers, 26.11.09 and 01.12.09.

DFID, “Phase 1”, 15.

Interview with Kigali City official, 05.02.10.

Interview with taxation adviser A, 26.11.09.

Interview with taxation adviser B, 01.12.09.

Interview with government official, 02.02.10.

Interview with former RPA soldier, 08.02.10.

Reyntjens, “From genocide to dictatorship”, Purdeková, “Even If I Am Not Here”

See Goodfellow “Planning and development regulation” for a discussion.

See e.g. Straus, The Order of Genocide for a discussion of this history.

See for example Purdeková, “Even If I Am Not Here”

Interview with former District Mayor, 15.12.09; Interview with Architect, 28.08.13.

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Why exactly the government is determined to maintain a political settlement through institutional congruence, and how it frequently manages to do so when most states cannot easily achieved this, are important questions that there is no space to go into here. For a discussion see Goodfellow, State effectiveness.

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