

**CASE STUDY** Author : Enrico Moriello

# Land, Governance and Settlement Transformation

## Inclusive Rehousing and Land Value Capture: Delivering the Mpazi Redevelopment

This case study demonstrates how on-site inclusive rehousing, land value capture through planned densification, and blended finance can transform informal settlements without displacement. Mpazi offers a replicable institutional delivery model for Commonwealth cities seeking fiscally responsible and scalable upgrading together with compact growth.



Mpazi construction progress, February 2025. *City of Kigali.*

## 1. Overview and Purpose

Mpazi is a centrally located informal settlement in Kigali characterised by high residential density, insecure tenure, substandard housing and limited service provision. As in many rapidly urbanising Commonwealth cities, Kigali faces a structural challenge: upgrading well-located informal settlements without displacement, while ensuring fiscal discipline, institutional clarity and scalability.

The project covers 3.74 hectares and delivered 782 units across studios, one- to four-bedroom apartments, co-housing and commercial spaces, rehousing a population of approximately 2,200 residents, previously living in serious overcrowding across 571 households, at a density and standard substantially exceeding what existed before.

The Mpazi Inclusive Rehousing Project marks a deliberate departure from expropriation-led redevelopment towards a participatory, financeable and institutionally anchored model of informal settlement transformation. The project is led by the City of Kigali, in partnership with the Rwanda Housing Authority, the Ministry of Infrastructure and the Development Bank of Rwanda, with technical and catalytic support from the Swiss Agency for Development and Cooperation (SDC). It combines on-site rehousing, land value capture through planned densification and a blended finance structure.

Mpazi is explicitly positioned as more than a physical redevelopment project. It is being used as a policy and delivery platform to inform housing sector reform, including the restructuring of public housing delivery and asset management functions and the potential establishment of a dedicated public rental housing management entity. In this way, neighbourhood upgrading is directly linked to longer-term institutional reform.

## 2. Urban Context and Structural Challenge

Rwanda is urbanising rapidly, with Kigali growing at approximately 4% annually. An estimated 60–70% of the city's population resides in informal or unplanned settlements, many of which occupy high-value, centrally located land with good access to employment and services. Despite these locational advantages, housing conditions are typically overcrowded, environmentally vulnerable and poorly serviced. In Mpazi specifically there were no formal water connections in roughly half of all homes and no access to individual sanitation..

Historically, urban redevelopment in Kigali has relied on expropriation with cash compensation. While legally robust, this approach has often resulted in displacement, loss of livelihoods and social tension. In parallel, fragmented institutional responsibilities and limited municipal fiscal space have constrained the delivery of inclusive, large-scale upgrading.

Mpazi, located in Nyarugenge District near Kigali's urban core, illustrates these dynamics. Earlier public investments in roads, drainage and risk mitigation improved safety and accessibility but also increased land values and redevelopment pressure. The central policy challenge was therefore to redevelop Mpazi in a manner that improved housing quality and infrastructure, aligned with citywide densification and planning objectives, protected prior public investment, avoided displacement of both owners and tenants, and delivered a substantial increase in urban density. These challenges are common across low- and middle-income cities facing informality, land scarcity and constrained public finance.

### 3. Project Approach and Delivery Model

Mpazi was intentionally structured as a pilot for a new informal settlement redevelopment model in Kigali. It is embedded within national urbanisation and housing policy frameworks, while simultaneously informing their operationalisation, particularly with respect to housing delivery, rental management and asset stewardship.

The City of Kigali acts as project sponsor and statutory planning authority, providing leadership on land use, density and urban design. National institutions ensure policy coherence, institutional legitimacy and access to finance. SDC has played a catalytic role by financing technical assistance, supporting participatory planning processes and commissioning financial and institutional analyses to bridge policy objectives and implementation realities.

At the core of the model is on-site rehousing enabled through densification. Rather than relocating residents to peripheral sites, existing property owners exchange the assessed value of their informal assets for new housing units within the redeveloped area. This process is underpinned by transparent asset valuation, negotiated agreements and sustained community engagement, significantly reducing resistance and social risk.

Urban planning and design are deployed strategically to unlock land value. Medium-density, mixed-use development, improved public realm and enhanced connectivity increase permissible floor area ratios. Surplus units generated through densification are sold or rented at market or near-market rates, creating internal cross-subsidies for infrastructure, public space and affordable housing provision. Indicative projections suggest that 25–30% of units can be offered below market rates under appropriate financing and management conditions, while annual property value appreciation of 10–15% is expected as neighbourhood conditions improve..

Delivery and long-term management are structured through a dedicated Special Purpose Vehicle (SPV), currently under finalisation. The SPV is proposed as a Community Benefit Company, combining commercial bankability with a legally embedded social mandate, including dividend caps and asset locks. This structure enables professional asset management, access to blended finance and insulation from short-term political cycles, while safeguarding public-interest outcomes.

### 4. Tenancy, Rental Housing and Institutional Reform

A central innovation of the Mpazi model is its explicit inclusion of tenants, who typically represent 60–70% of residents in Kigali's informal settlements but are frequently excluded from upgrading programmes focused primarily on ownership.

Mpazi integrates rental housing into a long-term institutional framework rather than treating it as a project-specific intervention. The project is informing a broader restructuring of public housing functions into a clear separation between regulatory and policy roles, and commercially oriented housing delivery and management functions.

Within this framework, a dedicated subsidiary for public rental housing management is envisaged to manage units developed in Mpazi and future projects. This creates a permanent institutional platform for professional maintenance, rent management and long-term affordability protection.

## 5. Financing Structure and Affordability

The Mpazi financial model is structured around blended finance. Indicative projections combine infrastructure grants, concessional senior debt from the Development Bank of Rwanda, patient public capital, subordinated or quasi-equity instruments, and pre-sales or rental income from surplus units.

Alignment with multilateral and concessional finance sources, including World Bank instruments, is critical to maintaining affordability while preserving financial viability. This capital stack enables housing delivery across a range of unit types, from studios at approximately RWF 2.8 million to three-bedroom units at up to RWF 27.9 million, at price points affordable to households earning approximately RWF 200,000–500,000 (USD 140–340) per month, while limiting fiscal exposure and crowding in private capital under public-interest safeguards.

## 6. Capacity Building and Replication

Mpazi also serves as a capacity-building platform, strengthening municipal and national capabilities in project structuring, market analysis, stakeholder coordination and financial management. The SPV structure is explicitly designed for replication, positioning Mpazi as a reference model for future informal settlement upgrading in Kigali and secondary cities. The extended Mpazi masterplan covers approximately 30 hectares for an estimated future mixed-income population of about 25,000, representing an immediate opportunity to test SPV-led delivery at the next phase of scale. Early market signals, including strong absorption of rehoused units and resident satisfaction rates above 80%, suggest that the conditions for replication are present. Mpazi is therefore intended to function not only as a completed project but as a live urban laboratory, generating evidence and institutional capacity for a programmatic approach to informal settlement transformation across Rwanda and beyond.

## 7. Key Lessons and Transferable Insights

Key transferable lessons include:

- **Participatory, on-site rehousing** significantly reduces displacement and social risk.
- **Tenancy protection requires institutional solutions**, not stand-alone project measures.
- **Land value capture through densification** can finance a substantial share of costs when supported by strong planning authority and credible governance.
- **Blended finance is essential**, enabling affordability while attracting private participation under clear public-interest conditions.
- **Institutional design is as critical as physical development**, with SPVs translating policy objectives into implementable and bankable delivery mechanisms.

## 8. Strategic Significance

Mpazi reframes informal settlement upgrading as a long-term urban management and institutional reform agenda rather than a one-off capital investment. By integrating participatory planning, land value capture, rental housing reform and institutional innovation, it provides a credible and scalable pathway for inclusive, compact and financially sustainable urban development aligned with SDG 11 and broader Commonwealth urban priorities.

**This Case Study was prepared by Enrico Morriello during the course of his engagement with the Swiss Agency for Development and Cooperation (SDC) and by way of contribution to the work of the CSCC Housing Action Group, March 2026.**



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