

# Mozambique

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## Overview

Mozambique is a developing country located in Southern Africa with a population of approximately 30 million<sup>1</sup> of which more than 50 percent<sup>2</sup> live below the poverty line. The government housing policy is focused on providing better and affordable housing solutions to the lower income population, however, government struggles to meet its objectives due to the high costs involved. More than 90 percent of the population is categorised as low income and, as a result, do not have access to housing loans.<sup>3</sup> Only the middle and high income households, which account for approximately five percent<sup>4</sup> of the population, can afford housing loans. The majority of families build their own houses incrementally, and this is always dependant on financial availability.<sup>5</sup> Approximately 80 percent of the houses in Mozambique are self-built.<sup>6</sup> These houses are built with low quality materials, particularly in the rural areas and near cities, and as a result, the houses are more vulnerable to natural disasters that constantly plague the country.

To change this scenario the Government launched, in March 2020, a new housing project called Renascer (Reborn), focusing on the low income segment. The goal of the project is to build 300 houses in rural and urban areas of Maputo, Nampula and Cabo-Delgado provinces.<sup>7</sup> Other provinces may be included at a later stage. However, even with this initiative, there is still a lot to be done to provide affordable housing to the lower income population. In addition, due to the impact of cyclones Idai and Kenneth, in 2019, causing massive destruction in central and northern Mozambique, several housing projects are being developed in those areas to help the severely affected population.

Over the past four years, the Mozambican economy has not had satisfactory growth when compared to 2015, when the annual growth rate was at eight percent, mainly driven by the exploitation of natural resources, specifically natural gas and mineral coal. Between 2016 and 2019, the annual growth rate was three percent a year,<sup>8</sup> which was one of the lowest ever recorded. It shows that Mozambique went from relatively high economic growth to a low economic growth rate. With the impact of COVID-19, the Central Bank (Bank of Mozambique) expects an annual growth rate of under 2.2 percent (registered in 2019)<sup>9</sup> but does expect a recovery from 2021. To reduce the impact of the pandemic on the economy, and also to maintain control over consumer prices, the Central Bank adjusted the policy rate and the prime rate in line with the economic outlook and inflation. The current rates are

## KEY FIGURES

Main urban centres	Maputo, Beira, Nampula
Exchange rate (1 July 2020): 1 USD = [a] 1 PPP\$ = [b]	70.07 Mozambican Metical (MZN) 22.52 Mozambican Metical (MZN)
Total population [b]   Urban population [b]	30 366 036   11 092 106
Population growth rate [b]   Urbanisation rate [b]	2.91%   4.40%
GDP per capita (Current US\$) [b]	US\$492
Percentage of population below national poverty line (2017) [b]	46.1%
Unemployment rate (% of total labour force, national estimate) (2017) [b]	25.0%
Proportion of adult population that borrowed formally (2017) [b]	5.0%
Gini coefficient (2017) [b]	45.70
HDI country ranking (2018) [c]   HDI country score (2018) [c]	180   0.45
GDP (Current US\$) [b]	US\$14 934 million
GDP growth rate [b]	2.22%
Inflation rate [b]	2.78%
Yield on 10-year government bonds	n/a
Lending interest rate [e]	15.9%
Number of mortgages outstanding	600
Value of residential mortgages (Current US\$) [d]	n/a
Typical mortgage rate   Term   Deposit (2019) [e]	20%   20 years   20%
Ratio of mortgages to GDP	n/a
Number of mortgage providers [e]	17
Number of microfinance loans outstanding [d]	n/a
Value of microfinance loans in local currency units	n/a
Number of microfinance providers [e]	8
Total number of formal residential dwellings in the country (2017) [i]	4 892 212
Total number of residential properties with a title deed [f]	477 786
Number of formal housing units built in this year [g]	4 017
Price of the cheapest, newly built house by a formal developer or contractor in an urban area in local currency units [h]	2 659 000 MZN
Size of cheapest, newly built house by a formal developer or contractor in an urban area [h]	60m <sup>2</sup>
Typical monthly rental for the cheapest, newly built house [h]	25 000 MZN
Cost of standard 50kg bag of cement in local currency units	450 MZN (US\$6.42)
Type of deeds registry: digital, scanned or paper [i]	Computer/ScannedPaper
World Bank Ease of Doing Business index rank [i]	138
Number of procedures to register property [i]	8
Time to register property [i]	43 days
Cost to register property as share of property price [i]	5.0%
World Bank DBI Quality of Land Administration index score (0-30) [i]	7.50
Percentage of women who own a house alone:	
Total   Urban (2018) [j]	n/a   n/a
Percentage of households with basic sanitation services:	
Total   Urban (2018) [j]	32.2%   57.3%
Percentage of households with no electricity:	
Total   Urban (2018) [j]	72.1%   30.9%
Percentage of households with 3+ persons per sleeping room:	
Total   Urban (2018) [j]	32.6%   23.1%
Percentage of urban population living in slums (2018) [k]	77.2%

NB: Figures are for 2020 unless stated otherwise.

Member organisation of African Union for Housing Finance (AUHF):

Genius Investment, Ida

[a] Xe.com	[g] FFH (Fund for Housing Promotion)
[b] World Bank World Development Indicators	[h] Grupo Mondego, SA
[c] Human Development Reports, United Nations Development Programme	[i] World Bank Ease of Doing Business Indicators
[d] de Credito de Mozabanco	[j] Demographic and Health Surveys, USAID
[e] Central Bank of Mozambique	[k] United Nations Human Settlements Programme (UN-HABITAT)
[f] Presidency of the Republic of Mozambique	[l] National Bureau of Statistics

10.25 and 15.9 percent respectively.<sup>10</sup> Inflation is expected to remain at a single digit for 2020 and 2021.<sup>11</sup>

The Central Bank also made a line of credit of US\$500 million available to commercial banks to reduce the impact of the pandemic. In addition, it also reduced the commercial banks statutory reserves for default loans.<sup>12</sup> Through the National Investment Bank (BNI), the Government launched the BNI COVID-19, a funding program with preferential rates for small and medium enterprises affected by the pandemic. The interest rates vary from five to 12 percent and are lower than commercial bank rates of 18 to 21 percent.<sup>13</sup>

In northern Mozambique (Cabo Delgado), terrorist attacks continue to severely impact the population. In many districts, houses have been burned, and people beheaded and abducted. This has resulted in destruction and displacement.<sup>14</sup> Over the past two years, the attacks have resulted in the deaths of at least 700 people and caused a humanitarian crisis impacting 211 000 people.<sup>15</sup> This scenario accentuates the housing deficit in the country.

### Access to finance

Currently Mozambique has 19 banks, nine microbanks, eight credit cooperatives, three electronic money institutions, one financial lease institution and one investment company. Most of the companies are based in Maputo, with branches in almost all provinces.<sup>16</sup> Despite the significant number of banks, the market share is concentrated. The Central Bank data from June 2020 shows that the Mozambique International Bank (BIM), Commercial and Investment Bank (BCI) and Standard Bank have a combined share of 66 percent.

Despite the expansion of financial services and the number of banks operating in the country, financial inclusion remains a challenge. Data from the 2019 FinScope Consumer Survey shows that 79 percent of the population does not have a bank account and, among them, 22 percent have access to financial services through non-banking mechanisms, 11 percent rely on informal mechanisms and 46 percent are completely excluded.<sup>17</sup>

Most of the banks have a housing credit line, which includes the options of purchase, rehabilitation and construction. Central Bank data shows that, despite the impact of the pandemic on the economy, the amount of housing credit reduced by only one percent between the first half of 2019 and the same period in 2020, from MT50 210 793 (US\$709 994) to MT49 829 754 (US\$704 606).<sup>18</sup> Disaggregated data on credit for construction, purchase or rehabilitation of housing is not available.

Most of the housing credit benefits middle and high income groups, mostly made up of government and bank employees that have easier access to finance than the lower income segment. Mortgages are typically long-term with maturity of 12 to 25 years. For most commercial banks operating in the country, access to housing finance requires a minimum guarantee of 100 percent and a loan-to-value ratio of not more than 100 percent.<sup>19</sup> Banks generally don't provide housing finance without a mortgage, unless there are other guarantees with a minimum cover of 100 to 110 percent<sup>20</sup> such as term deposits, bonds or others. Moreover, the client must have a down payment of 10 to 30 percent.

The normal interest rates for housing loans varies from 16 to 23 percent. These high rates from commercial banks on housing loans are linked to an inherent market risk<sup>21</sup> and therefore the banks proceed with caution. In 2017, housing finance was only 2.97 percent of the total loan book and approximately one percent of gross domestic product (GDP).<sup>22</sup>

The country has limited options for housing loans, and the Fund for Housing Promotion (Fundo de Fomento a Habitação - FFH) is the only government institution that promotes housing solutions for the low income segment. The microbanks and microfinance institutions have higher rates than commercial banks. Overall, the loan amounts are low and mainly channelled to rehabilitation or construction of houses and require other guarantees apart from the house, with a maturity of six months to three years. Most of the low income population do not have access to finance due to the absence of assets and property in their name to be used as collateral, in addition to the absence of steady, long term employment contracts.

The 2019 KPMG survey noted that, as at December 2018, the credit default in the entire banking system was approximately seven percent.<sup>23</sup> The Central Bank stated that the real estate sector has an impact on the quality of banking assets and general financial stability, given that a part of the credit default is linked to real estate, under the assumption that a part of the funds are intended for housing and other durable assets. The housing market has proven to be a key element when measuring costs of potential credit defaults in the financial sector.<sup>24</sup>

### COVID-19 response

- On 30 March 2020, Mozambique declared a State of Emergency for 30 days as part of a series of measures to contain the pandemic and extended the period several times. A lockdown was not enacted.
- On 20 August 2020, the Central Bank reduced the policy interest rate from 11.25 to 10.25 percent.
- The Central Bank also made a line of credit of US\$500 million available to commercial banks to reduce the impact of the pandemic. In addition, it also reduced the commercial banks statutory reserves for default loans.<sup>57</sup>
- Through the National Investment Bank (BNI), the Government launched the BNI COVID-19, a funding program with preferential rates for small and medium enterprises affected by the pandemic.
- The Government reduced water and electricity tariffs by 10 percent and suspended value-added tax (VAT) on products such as soap, sugar and cooking oil.
- The municipal councils and districts removed all informal vendors from public roads and streets and relocated them to restructured formal markets.

With the pandemic, there has been increasing loan defaults, several activities were interrupted, wage reductions and an increase in unemployment.<sup>25</sup> To cope with the impact of the pandemic and avoid defaults, banks have been renegotiating debts with clients, granting a grace period of three to six months, extending loan term periods and reducing interest rates.<sup>26</sup> In addition, the Central Bank has made available a line of credit to help commercial banks.

### Affordability

In Mozambique, providing housing to the low income population is part of the fundamental housing policy strategy. However, in reality, most of the population is excluded due to high costs and strict requirements to access finance.<sup>27</sup> There is no housing market platform where financiers, promoters, builders, brokers and clients meet and interact.<sup>28</sup>

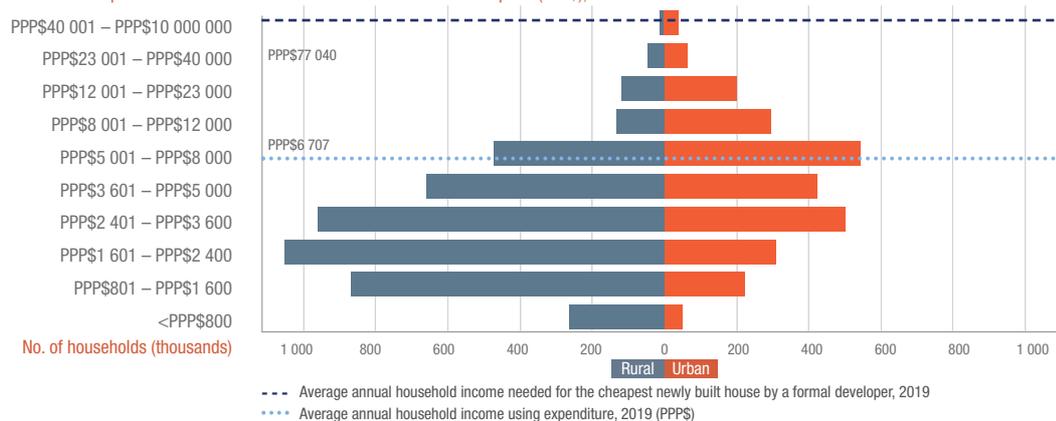
Real estate activities are concentrated in the capital, and housing is mostly available to middle and high income households. Those with formal employment and income that qualify for banking loans opt for short term loans capped at MT1 500 000 (US\$21 210), and up to a five year term, with an interest rate of 16 to 27 percent. Despite the amount being enough to build a modest house, very few people have the capacity to pay for such a loan, in addition to the fact that loan payments cannot be higher than 30 percent of the borrower or household income.

The 2019 FinScope Consumer Survey showed that most of the adult population (52 percent) had a monthly income below MT5 000 (US\$80) which does not cater for all the basic needs such as food, health, education and housing. The Survey also stated that 19 percent of the adult population worked in agriculture,<sup>29</sup> which is the sector with the lowest minimum wage, at MT4 390 (US\$62) compared to MT12 760 (US\$181) in banking and insurance. This year, in the context of COVID-19, minimum wages were not revised,<sup>30</sup> however, the Government decided to reduce water and electricity tariffs by 10 percent and suspended value added tax (VAT) on basic products such as soap, sugar and cooking oil to mitigate the impact of COVID-19 on low income households.<sup>31</sup>

Most houses are built incrementally, and approximately 80 percent are self-built.<sup>32</sup> Construction labour costs in the metropolitan area of Maputo are MT180 (US\$2.5) per m<sup>2</sup> and the construction cost is MT19 500 (US\$275).<sup>33</sup> Recently, construction costs have increased significantly due to the pandemic, considering that most of the construction materials are imported. Data from 2000 showed that 60 percent of construction materials were imported.<sup>34</sup> Updated information was unattainable, however, the cost of imported construction material remains high. In line with the Constitution, which grants the right to housing<sup>35</sup> and due to the absence of projects that provide housing for the low income segment, the Government is preparing tax benefits for importing housing construction materials.<sup>36</sup>

## MOZAMBIQUE

Annual income profile for rural and urban households based on consumption (PPPs), 2019



Population:	30 366 036
Urbanisation rate:	4.40%
Cost of cheapest newly built house:	2 659 000 MZN
House price PPP\$:	PPP\$118 096
Urban households that could afford this house with finance:	1.45%
1 PPP\$:	22.52 Mozambican metical

Source: <https://www.cgidd.com/> (2020)

### Housing supply

Apart from the FFH, created in 1995 with the objective to make housing affordable for all social segments, there are few legally established housing providers. There are public private partnerships dedicated to the construction of houses, and agents that undertake selling and rental processes, however, most households rely on self-construction. The general population census of 2017 stated that 90 percent of the population owned a house, and only 5.6 percent lived in rental housing.<sup>37</sup> The Government, through the FFH, designed several housing projects but only a few were implemented (such as the Intaka and Vila Olímpica projects) and these mostly benefited the middle and high income class. The Zintava apartments cost between MT3.6 million (US\$51 000) and MT4.2 million (US\$60 000).<sup>38</sup> The FFH built 4 017 houses and divided 13 176 plots.<sup>39</sup>

The “Habita” program started in 2019 to ensure decent housing solutions to Mozambican households and together with the FFH program aims to build 44 265 houses by 2024, of which 60 percent is to be allocated to the low income segment that earns between MT4 266 (US\$60) and MT21 333 (US\$301)<sup>40</sup> a month. As part of the same program, the Minister of Public Infrastructure, Housing and Water Resources, Joao Machatine, recently launched, in Maputo province, district of Manhica, the “Renascer” project with the objective of building 300 houses for the low income segment in rural and urban areas of Maputo, Nampula and Cabo-Delgado provinces.<sup>41</sup> The project is estimated at MT240 million (US\$3.3 million).<sup>42</sup>

The project targets government employees and young people in early career stages, and the houses will be built on the land of the beneficiaries, followed by a monthly payment of between MT1 500 (US\$21) and MT2 800 (US\$40) a month, for 20 years without any interest.<sup>43</sup> The project is being implemented in partnership with the city councils and a few districts, and the first 34 houses will be delivered in October 2020 in Maputo.<sup>44</sup> Meanwhile in Beira, the Mayor is developing a project with the aim of building 25 000 houses in Maraza, on a 400 hectare plot. The Dutch government funded the project with €200 000,<sup>45</sup> set to be used on land embankment and infrastructure. The construction will be carried out by the private sector, who will invest in affordable housing models for low income households. In Beira, housing developer, Casa Real has leveraged its partnerships with its investor Reall, the Dutch government, and the Beira Municipal Council to deliver affordable and resilient housing.<sup>46</sup> The developer intends to complete a 200-house scheme in its pilot phase.

### Property market

The Mozambican housing market is limited and real estate offers are not compatible with the income of most households, making it extremely difficult to access housing markets.<sup>47</sup> Most of the real estate activities are in Maputo, and in prime areas, mainly in the Marginal Av., expanding to the metropolitan area. The Unique Service Counter (Balcão de Atendimento Único – BAU), an entity under the Ministry of Industry and Commerce, has 850 registered companies (real estate agents), all in Maputo. This number represents 96 percent of all country agents.<sup>48</sup>

In Mozambique, all land belongs to the Government, therefore, it cannot be sold, pledged, or mortgaged against.<sup>49</sup> Access to land is granted through an official

document that concedes the right to use and exploit a specific land or plot, the Land Use and Exploration Rights (Direito de Uso e Aproveitamento de Terra – DUAT). The document is issued to both individuals and companies. The DUAT system is inflexible and makes land expensive in the informal market, particularly in the expansion areas of the metropolitan part of city. This is the main challenge that young people face, finding and buying land in the informal market to build a house.

Most of the population cannot afford the costs associated with buying a house. The average price of a newly built house in Maputo is approximately MT2.8 million (US\$40 000). Outside the city the cost of a house is 10 to 20 percent less. Houses built under the Intaka Project cost MT2.6 million (US\$37 000). The rental market is dominated by high income individuals, mainly investors and expatriates. With COVID-19, the housing market is now subject to changes,<sup>50</sup> especially due to the fact that supply is currently greater than the demand.

### Policy and legislation

Despite the FFH’s objective to provide affordable housing for low income households, many housing projects developed through public private partnerships benefit only the middle and high income segments,<sup>51</sup> such as the Intaka project and, more recently, the 240 apartments in Zimpetos Olimpic Vila, a partnership with Macau Charlestrong group.<sup>52</sup> The private sector does not invest in the construction of houses due to high interest rates from the banks. The Central Bank policy seeks to reduce the high interest rates of commercial banks, however, to little or no effect.<sup>53</sup> In addition, construction material prices keeps increasing.

The housing finance reforms must be in line with land and housing policy reforms, including reforms on the land and property registration system.<sup>54</sup> The Government approved, in 2018, a new Property Registration Act replacing the previous one in force since 1967. The new law was established to increase the efficiency and quality of public services by installing electronic platforms on notaries and land registry offices as a way of bringing services closer to the companies and citizens.<sup>55</sup> On 16 June 2020, the President launched the official hearing to review the national land policy seeking to adjust it to the current social and economic dynamics and stimulate private investments. However, sole proprietorship of land and natural resources will remain with Government.<sup>56</sup>

### Opportunities

The Mozambican housing market is growing and will continue to grow with the ongoing natural gas project in Palma, Cabo-Delgado, which will attract several investors. There are considerable business opportunities in the low, middle and high income segments. Palma represents a unique opportunity for real estate development. Downtown Maputo will be restructured to become a business and tourist centre, including the Marginal Av., with new hotels, commercial and residential buildings.

The low income housing segment is filled with opportunities because of high demand. However, it is still vastly ignored when compared to the high demand in all cities across the country. The private sector is planning to build 25 000

affordable houses in Maraza, Beira. The construction process is already underway, and it is being managed by the Beira Municipal Council. It is also an opportunity for commercial banks to contribute, offering competitive interest rates to both contractors and borrowers.

The review of the national land policy is ongoing and the new law is expected to overcome some of the constraints. With the exploitation of natural gas in Cabo Delgado, Mozambique should return to a high growth rate, making it feasible for the Government to improve public services and infrastructure. However, political stability, military conflict in the centre, terrorist attacks in Cabo Delgado, natural disasters and good governance will remain a challenge.

## Websites

Fund for Housing Promotion <https://www.ffh.gov.mz/>

National Statistics Institute <http://www.ine.gov.mz/>

Bank of Mozambique <http://www.bancomoc.mz/>

National Investment Bank (BNI) <https://www.bni.co.mz/>

Club of Mozambique <https://clubofmozambique.com/>

Genius Investments <https://www.ggroups.info/>

## Availability of data on housing finance

Information on housing finance can be sourced from several institutions such as FFFH, the Central Bank, the National Statistics Institute (Instituto Nacional de Estatística – INE) and commercial banks. However, these institutions do not have specific and detailed reports and data on housing finance.

The Central Bank has financing information per banking institution for housing construction, market shares, interest rates, and more, and the information is available on the institution's website. Banks do not provide detailed information due to compliance and reputational risk. The INE provides detailed information through surveys and the general population census. The FFFH provides information on ongoing housing projects, house prices, payments, and more. Lastly, DUAT and property registration information can be found on municipal councils and registry offices, however, the information is superficial and not updated.

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