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ANGOLA'S HOUSING SECTORS: Understanding Market Dynamics, Performance, and Opportunities

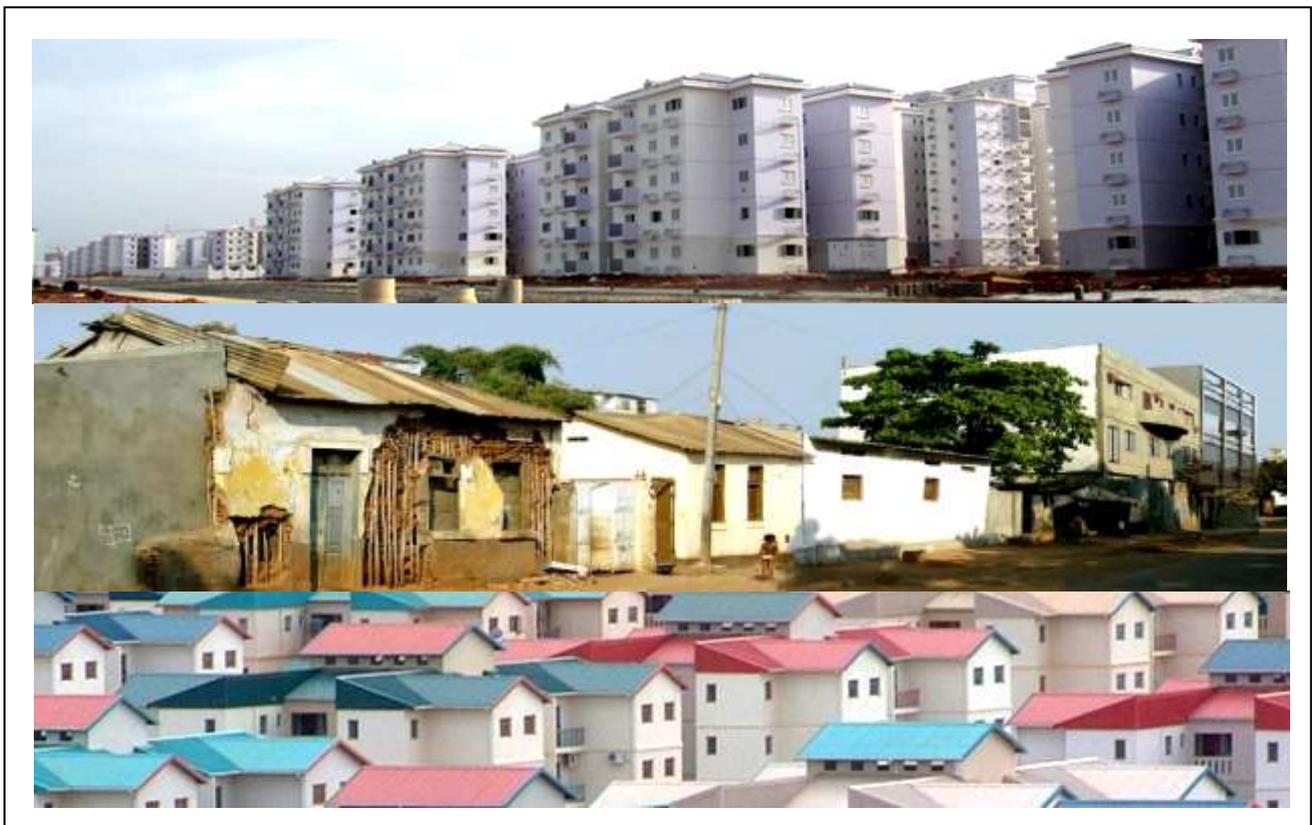




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Acknowledgements

The [Centre for Affordable Housing Finance in Africa \(CAHF\)](#) aims to develop and deepen Africa's housing finance sector through the provision of data and market intelligence. CAHF builds capacity among key players, to support practitioner investment decisions and policy developments, leading to increased investment in affordable housing and housing finance in Africa. CAHF's programme also provides a strong resource base on which FSDs and other country-level organisations such as Development Workshop in Angola can draw as they consider housing finance within their wider national strategies.

[Development Workshop \(DW\)](#) is a not-for-profit organisation that has worked in Angola since 1981 on human settlements and housing issues. DW has implemented extensive research in the sector and carried out pilot and demonstration projects with the aim of promoting good practice, reducing urban poverty and influencing public policy. DW's programs have been supported by the World Bank, International Development Research Centre, UN Habitat, European Union, African Development Bank, the UK Department for International Development and other international and national organisations.

Development Workshop (DW) has been a partner of Government for more than three decades and was initially invited to Angola to help develop the national strategy for the assisted self-help housing sector. DW pioneered micro-finance in Angola and is currently promoting the first housing micro-finance program with British and Swedish financing from CLIFF and investment from the IFC. DW's documentation centre CEDOC has monitored the housing finance and land sectors for over 12 years and collaborated with the Centre for Affordable Housing Finance in Africa and the FinMark Trust in producing the Angolan chapter of the Housing Finance Yearbook for several years. DW has conducted extensive research on the Angolan housing and land sectors for the World Bank, the International Development Research Centre, UN Habitat, Cities Alliance and the European Union. DW has been engaged by the Ministry of Urbanism and Housing to conduct a major study for Habitat III, reviewing Angola's performance in the sector over the last two decades since signing up to the Habitat Agenda in Istanbul in 1996. DW uses evidence-based research and information sharing to influence the emerging Angolan policy on housing finance.

Development Workshop in partnership with CAHF is carrying out research and advocacy on the housing finance sector in Angola. The program aims to develop Angola's housing finance sector through the provision of data and market intelligence, as well as capacity building among key players, to support practitioner investment decisions and policy developments, leading to increased investment in affordable housing and housing finance.

This report was written by Allan Cain and team, and seeks to contribute to the growth and development of Angola's housing finance sector.

1 INTRODUCTION

This report is based on a study of four sub-sectors in Angola's housing market, carried out in Luanda in 2015. The study considers housing delivered by the state, the private sector, housing cooperatives, and owner-builders involved in assisted self-help, to determine how the corresponding clients access finance for their housing. A housing client study was also conducted, and focused on housing projects that have been implemented in the post war period. The report discusses the four housing sub sectors in the context of the national Angolan policy environment and different housing financing mechanisms available.

Detailed housing sub-sector studies based on extended research is currently being carried out and will be available through the course of the year 2016.

Angola's economy has grown eight fold since the end of the civil war in 2002, fueled by a doubling of its petroleum production and for most of those years, unprecedented high oil prices. Much of the income from this increased production has been channeled through central government and directly benefited the growth of cities. The post-war reconstruction programme has channeled significant government investment into urban infrastructure and housing. Angola has become one of the world's fastest urbanizing countries with 62.5% of the population living in cities. The capital area around Luanda is now Africa's fifth largest metropolitan region. Luanda now generates two thirds of the country's GDP and it is home to over a third of its population. A significant portion of the national budget has been dedicated to the National Urban Housing Program¹ with the aim of transforming Angolan cities and meeting the post-conflict housing deficit by building 1 million houses. Angola has had the financing opportunity and access to credit lines from China and other countries to realize some of Africa's most ambitious housing projects.

This study assesses the results to date of the National Urban Housing Program in engaging four key sectors of the housing economy, the State, the private sector, housing cooperatives and owner self-builders. The comparative study focuses on projects in these four sectors and consisted of more than four hundred household questionnaires and key informant interviews of the key actors involved in the program. The report shows that the public sector's target of delivering 115,000 dwellings units has been more than met, achieving 132% above its target, and successfully building 151,800 homes across the country and reaching almost all of Angola's municipalities. However the other sectors of the economy have not delivered as planned.

¹ Programa Nacional de Urbanismo e Habitação was launched in 2008.



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During the post-war years the Angolan Government has made a major effort to reform legislation that affects urban development, the management of settlements and housing. Despite the wide-reaching legislation enacted during these years, some key aspects of these laws remain un-regulated, meaning that there are no procedures in place for their implementation. The private sector and commercial banks have in the past been cautious in investing their own money in real-estate because of the lack of a modern regulation for collateral on mortgages that would allow them adequate protection to easily recover assets on defaulted housing loans.

From late 2014, through to 2016 the Angolan economy has been affected by declining prices of commodities like petroleum on the world market. The Government has been obliged to reduce the state budget and therefore subsidies for urban development and housing. Local and international private sector investments are increasingly mobilized to meet the shortfall in state resources. Some of the pending reforms in land tenure, planning and fiscal decentralization to municipalities may stimulate private sector investment and encourage them to invest its own resources in urban development and housing.

2 BACKGROUND TO HOUSING IN ANGOLA

Angola is one of the fastest urbanizing countries of Africa with annual urban growth rates of 6.6% in 1990 and 4.41% in 2012². The 2014 census³ shows that 62.3% of Angola's 24.4 million people live in urban areas. The National Census of Population and Housing shows that Angola is now among the 12 most populous African countries and is the fourth largest in the SADC region. Angola's capital Luanda of 6.5 million is now the fifth largest urban metropolitan area in Africa.

Housing has become a priority development issue in Angola in the decade following the end of the war in 2002. Housing became a public policy focus when the President announced a first National Housing Development program in 2008, aimed at building one million housing units before 2015. The program aimed at responding to the Millennium Development Goal challenge but also post-war popular demands for housing. The National Housing Development Program aimed at engaging multi-actors in the effort with the state assuming 11% of the responsibility, the private sector 12%, cooperatives 8% and owner-builders taking on the major share of 68%.

The private sector was envisioned as an important partner in the delivery of national housing targets. However, the war in Angola and the country's command-economy history has meant that markets are still at an early stage of development. Private real-estate investors and companies building housing have looked to financing from the state rather than the markets to access funding.

Angola experienced rapid post-war economic growth, largely due to the performance of the oil and diamond sectors. Socio-economic indicators suggest very significant advances in the last 10 years - Angola had experienced the highest average annual economic growth rate in the world between 2001 and 2010 (11.1%)⁴. The demand for housing and urban basic services, pent-up over forty years of conflict, is enormous. The Ministry of Urbanism and Housing estimates that the real shortfall of housing is almost two million units and the household poverty survey carried out in 2009 by the National Statistic Institute estimated that 90% of urban housing was sub-standard and needed substantial investment to upgrade it to acceptable living standards.

With Chinese credit lines the state has been able to build a significant number of units and claims to be able to deliver the number of units that they committed to build by 2015. That will be approximately 120,000 units. However until recently most of the completed multi-story apartment block units remained

² World Bank Data <http://www.tradingeconomics.com/angola/urban-population-growth-annual-percent-wb-data.html>

³ Instituto Nacional de Estatística INE (2014) *Resultados Preliminares Recenseamento Geral da População e Habitação de Angola*, Luanda Setembro 2014, http://www.dw.angonet.org/sites/default/files/online_lib_files/publicacao_resultados_preliminares_censo_2014_final.13.10.14.pdf

⁴ The Economist (2011)

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empty because they were priced well above the capacity of most families to pay and the lack of affordable consumer financing for housing. Commercial banks have been reluctant to provide housing loans due to weak land legislation and the inability of using land-tenure tied guarantees and the lack of “mortgage legislation” that would permit repossession of property on loan defaults. The state was therefore obliged to provide direct subsidies to bring down selling prices by 30 to 40% and also set up a para-statal enterprise to provide a rent-to-purchase scheme with further subsidised interest rates to make units accessible to senior civil servants. Social housing financing from the state has therefore been absorbed in subsidies that have benefited the upper middle class and civil servants.

Private sector investors have focused almost completely on the upper-end of the market and whenever possible entering into public-private projects when the State has been able to provide access to land with clear title guaranteed. Banks are unable to provide loans unless clear land title can be demonstrated. Banks generally take conservative positions on requests for mortgages with less than 10% being approved. Private real-estate operators have been advocating for mortgage legislation which will potentially free up private financing for the housing sector and will provide commercial developers the confidence to move further down-market where substantial demand exists.

The large majority of housing is currently provided by owner-builders who raise financing from family members, employers or their own savings. Land for housing is normally procured on the informal property market, disqualifying home builders from receiving bank loans. Land purchases are normally recorded with legitimate deeds of sale or contracts which do not have the legal weight of land titles. Often owner builders subsequently attempt to regularize their occupation through submissions to municipal or provincial government administrations, but when successful may take years to secure legal tenure. In the meantime housing is constructed, sometimes incrementally and even resold on the informal market. KixiCrédito, Angola’s first microfinance institution is the first to explore this unserved bottom-of-the-pyramid housing market. The KixiCasa product provides small loans of under US\$10,000 for short 36 month terms for incremental and upgradeable housing. Other strategies, such as the financing of site and service developments, insitu upgrading and land readjustment for housing are being experimented within Angola on pilot scales.

2.1 FORMAL AND INFORMAL REAL-ESTATE MARKETS

Angola’s housing and land markets have direct effects on the urban environment and the quality of life in the cities where 62% of the population lives. However, Angolan cities have suffered from land and housing market distortions caused by poor land development and management policies, slow provision of infrastructure and services, poor land information systems, and cumbersome and slow land transaction procedures. Hence, access to land and housing has become even more difficult, particularly for the urban poor.

Informal land and housing markets serve the overwhelming majority of Angola's urban population, not just the poor, because many of the middle class and elite also do not have legal titles to the land and housing they occupy. Informal settlements and the transactions that take place within them are a persistent feature of Angolan cities. Most people have acquired land that they consider to be their own, through a variety of informal mechanisms, albeit ones that are commonly perceived to be legitimate. Informality will, for some time, continue to be a feature of Angola's property markets, hence the 'boundaries' between the formal and informal systems are often fluid. In Luanda for example, much of the land is held, and transactions take place, outside of the officially-recognised system of land management and property ownership. The scale of these transactions is very large. This is because poor families are able to access land relatively easily at the periphery of the city, but this is often very marginal and usually involves un-serviced land. Lands designated by the State as "housing reserves" are also on the periphery of the city. Consequently, both the state and the poor are locked into developing these marginal locations of low value, difficult-to-service, and inconvenient-to-access centres of employment. The poor, who are increasingly alienated from their assets through the process of gentrification of inner-city *bairros*, find that they are unable to generate wealth in the periphery of the city⁵.

Although people are still able to access relatively affordable accommodation in informal settlements, adequate shelter/services and secure tenure in social housing settlements is increasingly available, at least for civil servants and middle income families. However, these are located at a great distance from centres of employment and in areas of difficult transport access.

Access to credit is often equated with access to land because the acquisition of land often requires substantial sums of money. The housing market, like other sectors of the Angolan economy, has been driven over the last decade, by the State's income from its principal extractive industries, petroleum and diamonds. The post-war period has seen relatively high commodity prices, except for the crisis years of 2008 & 2009 and the down-turn in 2015. The availability of international financing (i.e., oil-backed loans) and the willingness and ability of foreign construction companies to carry out work quickly have become an essential element in the country's reconstruction, particularly in terms of housing. Private companies are often subcontracted by national, as well as foreign construction firms or directly by the State. By its nature, income from the oil – diamond economy flows directly to central government in royalties and taxes before being distributed to other sectors, services and programs. The civil service has become the largest formal-sector employer and the salaries of public functionaries are a major channel of money supply into the economy. The concentration of financing at a central level has allowed the Government to fast-track investments into mega post-conflict reconstruction projects, including large-scale housing projects. The ready flow of financing from the centre however has meant that there was little need to

⁵ Development Workshop (2012), *Angolan Urban Land Policies, Strengthening Citizenship through Upgrading Informal Settlements*, World Bank Washington, DC.

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develop other mechanisms to promote housing development. Private companies competed for state contracts rather than seeking other means to finance housing. Banks offered loans for social housing projects only if they were guaranteed by the Government through oil-backed credit lines, rather than developing mortgage based products for private borrowers.

Prior to 2009, the only source of formal credit for housing for both private entities and citizens were the commercial banks who were reluctant to lend and charged very high interest rates. To address this issue, the National Housing Fund⁶ was established by the State in 2009 through Decree 54/09 to serve “all public, private and cooperative entities that promote the construction of social houses and for citizens in general”. However, it is interesting to note that the National Housing Fund has primarily been used to finance state-built projects to date.

While associations such as the Angolan Real Estate Professionals Association (APIMA) seem to have been able to establish a partnership with the government, the real estate sector is still characterized by high levels of informality. The lack of legal regulation and the limited availability of information about the sector are seen as fundamental obstacles to the development of this sector. Overall, key informants from the private sector agree that better management of urban land is necessary, and that the main factors that distinguish the formal from the informal market are tenure documentation and the presence of infrastructures - important factors that influence the value of urban land, in addition to location, distance to essential services, and distance to roads or access to transportation.

More specifically, these key informants in the real-estate sector considered that the main challenges to the management of urban land are⁷:

- the lack of regulation and the existing gaps in legislation’,
- the need for more rigorous *fiscalização* (control/supervision) and enforcement of the existing law, especially on the part of the state,
- the need to narrow the gap between the commitment shown at the central levels of government and the capacity to implement regulations at the local levels,
- the need to improve the level of quality of all actors involved in the process.

⁶ Fundo de Fomento Habitacional (2009).

⁷ Development Workshop (2012), Ibid

3 NATIONAL POLICY ON IMPROVING ACCESS TO ADEQUATE HOUSING

An official housing policy (Resolution 60/06) was approved in 2006 guaranteeing the universal right to housing. The Framework Law for Housing (Law 03/07) was subsequently passed to promote public and private housing policies through:

- the definition of new criteria of human settlement and the construction of new *bairros* (neighbourhoods) and cities,
- the regulation of a system of fiscal incentives,
- the regulation of a system of credit for housing,
- the promotion of raising public or private funds for housing,
- the promotion of public or private partnerships in the field of housing,
- the guarantee of urban security, access and infrastructure,
- the control of urban sprawl by consolidation of the urban and rural identity of the country.

In 2007, the Government decreed the creation of state reserves for the construction of 'new cities' within the capital metropolitan region. The Law identifies four different housing types: urban or rural houses; social houses; market-rate houses; and self-built houses. It also proposed the creation of a Housing Fund⁸ for "all public, private and cooperative entities that promote the construction of social houses and for citizens in general".

Subsequent to the legislative elections of September 2008, the government announced a plan to build one million houses throughout the country by 2012. The National Urbanism and Housing Programme was officially approved in 2009 through Resolution 20/09. The Programme aimed to benefit an estimated 6,000,000 people across the country (all the government's calculations are based on an average of 6 persons per household).

The target of one million homes was initially broken down into:

- 115,000 dwellings - intended for the public sector (11.2% of the total),
- 120,000 dwellings - intended for the private sector (12% of the total),
- 80,000 dwellings - intended for cooperatives (8% of the total),
- 685,000 dwellings - intended for self-built homes (265,000 rural and 420,000 urban homes, or 68.5% of the total).

These housing initiatives are in response to the widely accepted fact that there has been a serious shortage of housing in Angola, and that the shortfall in the supply of housing will continue into the future.

⁸ Fundo de Fomento Habitacional (2009)

In 2015, the housing deficit is projected by the Ministry of Urbanisation grow to more than 1.2 million units. The National Statistics Institute reported that as much as 90.9% of the urban population was living in inappropriate conditions⁹.

TABLE 1: HISTORICAL AND PROJECTED HOUSING DEFICITS, 1990-2015¹⁰

Year		1990	2002	2009	2012	2015
Population	Estimated total population	10,088,727	14,187,587	17,448,942	19,066,930	20,834,949
Housing Units	Estimated housing	1,008,872	1,279,423	1,469,654	1,559,609	1,655,069
Housing need due to demographic growth	Deficit due to population growth (quantitative deficiency): difference between estimated housing and population increase		139,336	275,240	347,084	428,426
Need to construct (units)		485,267	754,738	982,144	1,097,256	1,224,514

SOURCE: MINUC, 2008

In September 2010, the Angolan President announced that the management and commercialization of the housing projects run by the GRN¹¹ (Office for National Reconstruction) would be transferred to Sonangol Imobiliária (Sonip), a subsidiary of the state oil company that manages its real estate. In January 2011, the following were subsequently announced as the national housing targets for 2011 and 2012:

- 56 urban areas will have 144,037 social dwellings and 10,000 self-built dwellings,
- 200,000 dwellings will be built, of which 120,000 will be delivered by Sonangol and 80,000 by the private sector,
- 420,000 urban plots of land will be allocated for self-help building (of which 10,000 will be delivered by Sonangol),
- Social housing will be provided for 564,000 families or an equivalent of 3.3 million people.

In June 2014 an evaluation of the progress of the National Housing Program¹² was made, and it was noted that there was a need to include the construction of infrastructure and social facilities in the housing projects, as well as to establish a selling price for the houses that would correspond to the payment capacity of most of the population. The list below shows the National Housing Program had built or were building 151,800 homes, and it also shows that the private sector is responsible for delivering almost one-

⁹ IBEP (2010)

¹⁰ Ministry of Urbanism and Construction from an unpublished presentation made by Antonio Gameiro in 2010 using data he compiled in 2008.

¹¹ National Reconstruction Office – set up by the state President to promote post-war infrastructure reconstruction

¹² Executive Evaluation of Housing & Poverty - 9 June 2014 Economy & Finance Journal

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third (30.2%) of the houses – a little more than one-fourth (26.4%) by Kora Angola (an Israeli company), and 3.8% by the CIF (a Chinese firm). The municipalities were responsible for a total of 26,000 houses: 200 homes per municipality in 130 districts.

The evaluation of the National Housing Program in mid 2014 summarised achievements as follows:

• SONIP (Angola State Oil Company)	80,000
• CIF (China International Fund)	5,800
• Kora (Israeli Company)	40,000
• Municipalities	26,000
• Total Units:	151,800

In laying out the government’s housing program, the term “adequate social housing” was defined as a minimum unit size of 100 m² construction, including three bedrooms on average. The technologies and building systems were not defined because the expectation was that partnering with construction and architecture firms in the private sector would bring forth models, systems and construction technologies that are adaptable and suitable to Angola’s socio-cultural reality. The National Director of Housing indicated that there are areas of the country where the concrete or cement is not appropriate, because abundant local building materials are available. For instance, it is better to use wood in the northern and north central zones of the country because these are areas rich in timber. Other alternative technologies also work well, such as BTC (Concrete and Compressed Earth or compacted blocks made of earth)¹³.

The strategy of having 130 of the 160 municipalities deliver 200 houses each primarily addresses the housing demand from lower-income groups. At this time, all municipalities have built some units and a few have completed the targeted 200 homes. Due to financial constraints, some provinces have only delivered 50 to 100 units. In parallel, there is a provincial program to build 200 homes priced at US\$ 40,000 each, which are sold as “rent-to-purchase” unit’s payable in 25 years.

In August 2014, the SONIP housing portfolio was transferred to the Angolan semi-private housing management company Imogestin SA, bringing the involvement of the private sector to almost 83% of the program. While private sector involvement in the program is significant, it must be noted that Angolan and international companies were engaged as contractors, not investors. Foreign Direct Investment (FDI) contributed very little to the program. The private sector invested few of their own resources in financing social or even middle-class housing. Private financing, often borrowed from Angolan public and private banks was generally invested in the upper-end of the housing and commercial property market.

It must be noted that the Angolan private real estate sector is still in its infancy. The real estate mediation

¹³ Adriano da Silva (2014), National Housing Director interviewed by DW July 2014.

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law seeks to regulate the process of the establishment and practice/activities of real estate agents. The practice of real estate activities will become subject to licensing and real estate professionals will be required to obtain identification cards from the National Institute of Housing. This Institute will also exercise oversight on the industry, and will inspect and control real estate activities. The Association of Real Estate Professionals of Angola has been advocating for a change in housing finance legislation. They have made a proposal for Angolan legislation relating to the collateralization of real-estate. Their position is that the current lack of a possibility to legally transfer property rights is a limiting factor that constrains public and private investment in housing, and in-turn impacts on urban development. APIMA argues that there is a need in Angola to create new guarantees for the protection of the right to credit. They have been promoting the adaptation of a model of legal practice from Brazil in a Bill that still needs to be approved by the Angolan parliament – this Bill can potentially provide the basis for the healthy growth of the real estate market.

3.1 POLICY AND REFORM IN THE URBAN AND HOUSING SECTOR

Angolan constitutional law of 1976 asserted the State's ownership of land but established the right to property including the right to own a house. Angola, however, does not have a comprehensive, written statement of its national land policy and accordingly has no clear, overarching principles to guide land-related legislation and regulations, or to prioritize plans for economic growth and development with issues relating to land access, tenure security, land use, and land administration¹⁴.

Reforms of 1991 designed to promote private housing by selling urban real estate to individuals and contributed to a general sense that citizens are now guaranteed effective property ownership. The sale of state property also encouraged the development of a nascent national real estate market.

During the post-war period after 2002 the Angolan Government had made a major effort to reform legislation that affects urban development and the management of human settlements. Land Law (Law 9/04) and a Territorial Planning Law (Law 3/04) were adopted after a two-year period of public consultation.

Despite the legislative reforms, fundamental gaps in the legal framework governing land persist, diluting the country's ability to use its land resources to support economic growth, alleviate poverty, and enhance the livelihoods of the country's population, including the marginalized. Implementation of the legal framework relies, in large measure, on institutions that have not been developed or lack capacity such as an elected municipal level of government with the authority to manage urban land.

¹⁴ Development Workshop (2005) Terra – Reforma sobre a terra urbana em Angola, p39.

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The efficient functioning of land management requires the registration of land efficiently and information systems that clearly register legal ownership and land use. The Angolan real-estate market attaches great importance to legal titles to the land. This is evident by the fact that land without legal title, or titles in conflict, or land in informal settlements are much lower than the titled land prices. The registration of land will be increasingly important for the Angolan government, in order to capture some of the values of increasing land prices. Without knowing who owns the land and how that land is used, governments can not levy property taxes¹⁵.

Law N° 3/07 of 2007 or The Basis of Housing Development (*De Bases do Fomento Habitacional*) promotes the emergence of public and private finance for housing construction. It provides the statutory basis for the Housing Investment Fund. The law formally recognises the role of “directed self-construction” as a method of housing development. In July 2009, the government also approved an ordinance that grants duty-free importation of various materials for housing construction. Despite the wide-reaching legislation enacted during the last 14 years, some key aspects of these laws remain un-regulated, meaning that there are no procedures in place for their implementation.

The Land Law 9/04 lacks regulations on the management of customary land and a regulation on how informal settlements (musseques) can be re-qualified has been drafted but not approved.

The Territorial Planning Law 3/04 mentions the need for public consultation but there is no regulation in place about the mechanisms on how the public can exercise their right to participation in the planning process.

The private sector and commercial banks remains cautious in investing their own money in real-estate because of the lack of a modern regulation for collateral on mortgages linked to the Law 3/07 on Bases do Fomento Habitacional that would allow them adequate protection to easily recover assets on defaulted housing loans.

Banks are reluctant to offer credit for real estate and reject 86% of housing loan applications. A client’s default on a mortgage typically takes three years to be resolved in Angolan courts. A reform of mortgage regulations allowing real-estate to be used as “collateral” has been stalled in the Ministry of Justice since 2011¹⁶. The proposed legislation would allow defaults on real-estate mortgage loans to be recovered without the involvement of courts. It is proposed that the former borrower would have to vacate the property; the property then to be auctioned; the debt returned to the bank; and the surplus returned to the former borrower¹⁷.

¹⁵ Adriano da Silva (2014) Interview 19 July 2014

¹⁶ Proposal of legislation has already been made by the Association of Real Estate Professionals of Angola (APIMA)

¹⁷ Cleber Coreia - Interview 25 Sept 2015, *Jornal Expansão*.

In today's economy where interest rates are high and people have low incomes, the role that the State has set itself in the real-estate market is to subsidize interest rates. Many Angolan legislators object the proposed law on real-estate collateral, due to the feeling that people should not be allowed to lose their homes. Financial institutions counter with the argument that residents must take responsibility for their debts incurred. Institutions argue that by lowering risk on real-estate they can lower the cost of money. With this, a larger portion of the population can have access to credit, which will be more easily granted by banks. If the 'legal environment' were to become more favorable, both the state and banks will be able to, over time, contract international loans for longer-terms and at lower cost, for promotion of housing.

4 FINANCING FOR HOUSING IN ANGOLA

4.1 GOVERNMENT BUDGET ALLOCATION

From 1991-1996, the general state budget allocated, on average, 1.46% annually to the housing and urbanism sector (see table 9 below). While the proportion of the state budget allocations to housing development remained relatively stable even after the end of the conflict in 2002, the post-war general budgets increased substantially during this period, hence in real terms, the investment in housing also increased significantly.

TABLE 2: PROPORTION (%) OF THE STATE BUDGET ALLOCATED FOR HOUSING

Years	1991	1992	1993	1994	1995	1996	2004	2005	2006	2007	2011	2012	2013	2014
Percentage	0.59	2.24	1.70	1.14	0.71	2.38	2.30	2.90	5.30	5.70	3.16	1.07	3.94	1.42
Amount \$ 1,000 millions	---	---	---	---	---	---	---	---	---	---	4.64	0.48	2,50	1.00

SOURCE: HABITAT+5 & CEIC, 2010

As of 2011, Angola's Housing Programme had funding of US\$ 4 billion, over half of which US\$ 2.5 billion was obtained through a Chinese credit line. An Israeli credit line was the source of US\$ 1 billion, while the remaining US\$ 500 million was from a state budget allocation. In the state budget for 2011, a total of Kz 4,290,417,663,145 (about US\$ 46.4 billion)¹⁸ was allocated to housing development (*Programa de Desenvolvimento Habitacional*) for distribution to state organs or programmes. This total amount

¹⁸ US\$ = Kz 92.5 as of December 2010 when the budget was approved

corresponds to 3.16% of the total national budget for 2011¹⁹. In the 2012 State Budget²⁰ the Program of Housing Development was allocated approximately US\$ 480,000,000 or 1.07% of the total. By 2013 the allocation was increased to almost US\$ 2,500,000,000 or 3.94% of the state budget²¹. In 2014 the plan was to invest US\$ 1,003,000,000 (1.42% of the state budget)²². The table below summarizes the main features of the National Program for Urbanisation and Housing.

TABLE 3: FINANCING OF THE NATIONAL PROGRAM FOR URBANISATION AND HOUSING

Institution	Central Government
Location	18 Provinces
Product	-One million homes - 68.5% of the homes will be self-built housing - 100, 000 pre-fabricated homes
Key target	-Improve people’s living standards -Promote equity and social stability -Curb housing speculation in Angola -Discourage land grabbing and illegal construction -Support housing cooperatives -Symbol for national cohesion
Features	-The creation of a fund to promote housing, and a financial management institute to define the guidelines for project financing. The fund will finance low-income people’s direct purchase or subsidize their rent into these housing projects.
Target market²³	Minimal wage for lowest paid manual worker US\$ 140 per month (2013) Minimal Wage for a primary teacher or nurse US\$ 300 per month (2013) Minimal wage of civil servant (middle level high school graduate) US\$ 350 (2013) Minimal wage of civil servant (university graduate) US\$ 1,240 (2013)
Partners involved	Banks operating in Angola to provide either: - Interest subsidies for housing loans - Guarantee facility for loans - Responsible for building 10% of the homes

In a bid to make housing finance more affordable and available, the government created a Housing Development Fund as a key component of PNUH (*Programa Nacional de Urbanização e Habitação* or the National Programme for Urbanization and Housing). Launched in 2008 with a view of building one million houses by 2012, it is perhaps the most ambitious government-led real-estate program developed in Africa in recent years. The President had declared that the cost of social housing should not exceed US\$ 50,000 per unit and that vulnerable people are at the center of this program. *Novo Jornal* reported that the program objectives are to reduce poverty, improve people’s living standards and promote equity and social stability²⁴. The President also emphasized that the project is an important tool to promote and finance affordable housing, end the high levels of real estate speculation, and curb the illegal land

¹⁹ Source: compiled from Resumo da despesa do órgão por programa & Resumo da despesa por programa – Orçamento Geral do Estado 2011

²⁰ Min. Finance - Resumo da despesa por programa – Orçamento Geral do Estado 2012

²¹ Min. Finance - Resumo da despesa por programa – Orçamento Geral do Estado 2013

²² Min. Finance - Resumo da despesa por programa – Orçamento Geral do Estado 2014

²³ www.meusalario.org/angola

²⁴ Novo Jornal, 17 Abril 2009, *Fundo de Investimento Imobiliário*, http://dw.angonet.org/sites/default/files/cedoc/scans/200904_dw-cedoc-abril.pdf

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occupation and construction in the country²⁵. As a political tool, the program is a symbol or a “factor” of national cohesion²⁶.

Subsidized loans were to be made available in partnership with commercial banks, and the plan was to create a new public *Banco de Poupança e Promoção Habitacional* under the state-owned oil company Sonangol²⁷.

4.2 HOUSING CREDIT

The formal banking sector has shown reluctance to enter the housing finance market. A national study published in 2005 by the Ministry of Urbanism and Environment showed that less than 2% of the investment that families put into housing comes from banks. On the other hand, another of the Ministry's²⁸ studies indicated that the rejection rate by banks for applications for housing loans was exceptionally high, at 82%. Some of the reasons that banks offered to justify their reluctance to offer housing loans were the following:

- lack of clear land legislation that would allow property to be used as guarantee,
- long loan periods (the bank needs to wait for a long time to recoup their investments),
- lack of a government policy on subsidising housing credit,
- lack of title documents on the part of most clients,
- lack of a client culture of repayment of debts²⁹.

A study of Angolan banks in 2009 found only marginal improvement on the ‘supply side’ of credit from these formal institutions. The bank’s share of the housing credit market had improved from 1.7% in 2002 to 7.8% in 2009. Significant obstacles to access housing loans remained. In 2010, the actors who operated in housing finance were essentially commercial banks, one microfinance institution (KixiCrédito), and certain companies that have internally adopted housing incentives policies for their employees. Out of all commercial banks operating in Angola, only four commercial banks (BFA; BIC; BAI and BTCGA) clearly offered housing loan products in the form of mortgages to their customers. The other banks financed house acquisitions, not from housing loans, but as investment loans and/or consumer or private loans. These latter products have high interest rates, i.e., an average of 12% for loans in US dollars, and 24% for finance in the national currency, with short repayment periods of 36 months. Hence, the majority of

²⁵ Jornal de Angola, 4 Abril 2009, *Fundo de Fomento Habitacional para construir um milhao de casas*, http://dw.angonet.org/sites/default/files/cedoc/scans/200904_dw-cedoc-abril.pdf.

²⁶ Novo Jornal, 17 Abril 2009, *Fundo de Investimento Imobiliario*, http://dw.angonet.org/sites/default/files/cedoc/scans/200904_dw-cedoc-abril.pdf.

²⁷ Angonoticias, *Sonangol cria Banco de Crédito para promover o foment habitacional* (17 June 2013), see <http://www.angonoticias.com/Artigos/item/38877/sonangol-cria-banco-de-credito-para-promover-o-fomente-habitacional>.

²⁸ DW (2014) Literature Review on Current Financial Inclusion Initiatives in Angola, p. 34.

²⁹ DW (2014) Literature Review on Current Financial Inclusion Initiatives in Angola, p. 35.

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funding for housing is borrowed from the extended family (62%) and from friends (27%). Those with formal jobs can often borrow from their employers (8.6%)³⁰.

In 2013 the Angolan government launched a subsidized rent-to-purchase scheme through Delta Imobiliaria, offering an interest rate of 3% over 20 years, for state-built apartments and housing units. Many of these state-financed units received a further discount on their unit selling-price by as much as 70%, in order to bring apartment ownership within the reach of middle-level civil servants (i.e., those with monthly incomes over US\$ 1,500)³¹. By mid-2013 the Governor of the National Bank announced that financing for building construction had increased significantly to 16% of the credit offered by the banking system, but only a modest 8% of this represented private borrowing³². The figure does not distinguish between commercial construction and housing³³.

The government established the *Fundo de Fomento Habitacional*, to “support housing cooperatives, fund real estate projects and self-directed building”³⁴. A second arm to the fund is the financial management institute. Among its responsibilities will be to define the criteria for project approval, and specify the guidelines under which the fund will finance the projects³⁵. The program is intended to provide financing for low-income people. The government engaged in partnership with a network of local banks and international housing developers. In addition to being the leader of this initiative, the Government of Angola (GoA) fulfils the role of regulator and funder of the program³⁶. On the regulatory front, the government is working on the fiduciary alienation law with the aim of addressing the issues surrounding housing loans and foreign capital entry to purchase the houses. According to the former Finance Minister, Mr. Carlos Lopes, the law will increase tax revenues, strengthen mortgage services and increase competition in the real estate industry³⁷.

Another stakeholder group involved in the program is made up of international housing real-estate developers. In particular, the Israeli LR Group specializes in construction and telecommunication infrastructure. They will be responsible for the construction of 100,000 homes, which represents 10% of the program³⁸. One of the projects the group is currently engaged in is “*Cidadela Jovens de Sucesso*” in Bengo province, the objective of which is to “transform young people into professionals and good

³⁰ Finmark Trust. *Access to housing finance in Africa: exploring the issues. No. 11, Angola* (May 2010). Available at http://www.finmark.org.za/wp-content/uploads/pubs/A2HF_Angola.pdf

³¹ Cain, A. *African urban fantasies: past lessons and emerging realities* (April 2014) Environment & Urbanisation, Sage, London.

³² O País, *Credito a promocao imobiliaria e construo* (12 June 2013).

³³ DW (2014), Literature Review on Current Financial Inclusion Initiatives in Angola, p.36.

³⁴ Jornal de Angola, 15 Abril 2009, *Fundo de fomento arranca em breve*, http://dw.angonet.org/sites/default/files/cedoc/scans/200904_dw-cedoc-abril.pdf.

³⁵ *ibid.*

³⁶ *ibid.*

³⁷ Continente, 28 Dezembro 2012, *Lei vai resolver o problema do credito habitacional*, <http://dw.angonet.org/sites/default/files/cedoc/scans/DW-CEDOC-2012-Dezembro.pdf>.

³⁸ Martins, F. (2009, October 14) Grupo LR na construo de casas, *Jornal de Angola*. Retrieved from: http://jornaldeangola.sapo.ao/economia/grupo_lr_na_construcao_de_casas.

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citizens³⁹ by removing them from the streets and providing them with housing and training that will enable them to find a stable job.

The second group of partners in the program is the commercial banking sector. Because the government has little experience in partnering with the financial sector in the housing industry, it has drawn from the experience of other free market economies and proposes two approaches for the banking sector's involvement in the promotion of the housing program. According to *Jornal de Angola*, local banks can get involved by providing: a) *interest subsidies for housing loans*, and/or b) *guarantee facility for loans*.

The first approach considers such risks as overpricing of low-income housing, as well as the potential risk of exposure through sub prime lending⁴⁰. The majority of local banks has expressed interest in financing housing loans, but recognizes that the venture is very risky in the current market environment. José Massano, the president of the Angolan Bank for Investment (BAI), argues that "the current market is unfavourable for long-term loan provision such as mortgages, considering that the banks work primarily with short-term assets"⁴¹. He claims that the market still presents many challenges with respect to banks bearing the risks of long-term loans because "there are still problems with lack of land titles, uncertainties over real property rights, and lack of credit history from potential borrowers"⁴². Hence, the weekly newspaper *A Capital* stated that despite the banks' entrance into this business, "... affordable mortgages will remain the *least common* product offered by the banks in Angola"⁴³.

In 2009, Mr. Pinheiro, the president of BFA, declared that despite the current unfavourable environment, "it is possible [for example] to lend up to US\$ 80,000 to a public employee who earns a monthly income of US\$ 1,500 and is willing to buy a US\$ 100,000 home. To such a borrower, the bank would charge an interest rate of 33%. To another borrower earning for example only US\$ 250 per month, and willing to buy a US\$ 12,500 home, the bank could only lend up to US\$ 10,000"⁴⁴. Although the objective of BFA is to serve low-income families, it finds that loans are far from affordable for this segment of the population. The article does not state the loan period or the expected monthly payments; however, according to an article published by *Nova Gazeta* in 2012, the government defined the maximum period of a mortgage as 30 years. Assuming a 30-year period at the rate of 33% per year, the mortgage is affordable for even elite borrowers, Mr. Pinheiro said. Without any government interest subsidies, it would require a little more than US\$ 2,000 in monthly payments to amortize the mortgage in 30 years. Only those borrowers on the borderline between low-income and the middle-class would be able to afford a home costing US\$ 100,000

³⁹ *ibid.*

⁴⁰ Martins, F. (2009, October 14) Grupo LR na construção de casas, *Jornal de Angola*. Retrieved from: http://jornaldeangola.sapo.ao/economia/grupo_lr_na_construcao_de_casas.

⁴¹ *Jornal de Angola*, April 15, 2009.

⁴² Martins, F. (2009, October 14) Grupo LR na construção de casas, *Jornal de Angola*. Retrieved from: http://jornaldeangola.sapo.ao/economia/grupo_lr_na_construcao_de_casas.

⁴³ *A Capital*, 18 Abril 2009, *Financiamento à habitação condicionada por falta de garantia*, <http://bibliotecaterra.angonet.org/pt-pt/pt/financiamento-habitacao-condicionada-por-falta-de-garantia>.

⁴⁴ *Jornal de Angola*, 15 Abril 2009, *Fundo de fomento arranca em breve*, http://dw.angonet.org/sites/default/files/cedoc/scans/200904_dw-cedoc-abril.pdf.

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but they would be committing more than 50% of their monthly income to housing. According to *Nova Gazeta*, the government considers low-income families as those “households whose monthly income do not surpass the national minimum wages of public employees multiplied by 42 months”⁴⁵. Thus, it appears that if the banks are to be involved in the program and offer affordable mortgages to low-income families, the government must step in and cover a significant portion of the interest rates⁴⁶ because otherwise, only senior civil servants or upper middle-class families would find these rates to be affordable. It was recommended the banks give priority to those borrowers who have at least 10% of the house cost in their savings account. For the first phase, local banks were authorized to lend up to 40% of the value of the house⁴⁷. The problem is that the majority of individuals or households that make up the target market earn far less than US\$ 2,000 and they are less likely to have bank accounts. Those who do have an account, including those who have just recently joined the government’s *Banquita program*, are unlikely to have 10% of the value of the house on deposit in the bank⁴⁸.

5 ANGOLAN HOUSING SECTOR APPROACHES

Subsequent to the legislative elections of September 2008, the government announced a plan to build one million houses throughout the country by 2012⁴⁹. The National Urbanism and Housing Programme was officially approved in 2009 through Resolution 20/09. The Programme aimed to benefit an estimated 6,000,000 people across the country (all the government’s calculations are based on an average of 6 persons per household).

Broadly, Angola’s housing sector can be understood in terms of four approaches adopted within the Government’s Housing and Urban Development Program (PNUH) published in 2009⁵⁰:

- a) State Financed New-Town Housing (Centralidades),
- b) Housing delivered by the Private Sector,
- c) Cooperative Housing,
- d) Assisted Self-help Housing.

The target of one million homes was initially broken down into:

- 115,000 dwellings - intended for the public sector (11.2% of the total),
- 120,000 dwellings - intended for the private sector (12% of the total),
- 80,000 dwellings - intended for cooperatives (8% of the total),

⁴⁵ Nova Gazeta, 4 Agosto 2012, *Credito dirigido a quem tem menos*, http://dw.angonet.org/sites/default/files/cedoc/scans/DW-CEDOC-25....Agosto_o.pdf.

⁴⁶ DW (2014), Literature Review on Current Financial Inclusion Initiatives in Angola, p.80.

⁴⁷ DW (2014), Literature Review on Current Financial Inclusion Initiatives in Angola, p.80.

⁴⁸ DW (2014), Literature Review on Current Financial Inclusion Initiatives in Angola, p. 81.

⁴⁹ The time frame for delivery on this plan has been extended by the Government to 2017.

⁵⁰ Ministerio de Urbanismo e Habitacao (2009), Programa Nacional de Urbanismo e Habitacao – PNUH

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- 685,000 dwellings - intended for self-built homes (265,000 rural and 420,000 urban homes, or 68.5% of the total).

The PNUH also includes an urban renewal provision to renovate or redevelop old slums (*musseques*), to promote the legal ownership of land, and improve housing conditions. The procedure involves the “requalification” or adjustment of the status of land from “informal or illegal” into urbanized land with regularized tenure and basic services. In the requalification process *musseques* are to be consolidated and urbanized. In the future it is envisioned that peri-urban areas will be incorporated into the process with:

- Legalization of land already occupied,
- Economic valuation of the homes of *musseque* residents,
- Installation of public infrastructure and social services that are currently missing.

It is foreseen that the responsibility of government will be to provide the infrastructure and basic public services for the benefit of all residents and that these major public investments will improve the quality of life in these communities.

5.1 STATE FINANCED NEW-TOWN HOUSING (CENTRALIDADES)

By November 2014 new-town centres (*centralidades*) will be completed in the provinces of Cabinda, Uige, Huambo, Huila and Namibe. Each *centralidade* provides housing for 2,000 families, mainly intended for civil servants and middle-income clients⁵¹.

The Kilamba New City project is Angola’s largest keynote housing investment. The project is funded out of Angola’s first Chinese credit line dating back to 2004. To date, the project has delivered over 20,000 units which could provide housing for over 120,000 inhabitants (currently 53 000 inhabitants). It is purported to have cost US\$ 3.5 billion, and the houses were built by CITIC, one of China’s major companies. The president of the Kilamba Administrative Council, Arq. Joaquim Israel, points out that social housing cannot just target the poor, but should benefit the middle class as well (the middle class was the target group for the first phase of the project). He argues that the middle classes need state support because the average low-medium income earner has no chance to buy a house that could cost as much as half a million dollars on the market⁵².

Completed in 2012, the first phase of the Kilamba city project included 750 apartment buildings, schools and more than 100 retail units. The new city was built to accommodate 160,000 people in flats, each with a floor area of between 110 and 150 m² and costing initially from US\$ 120,000 to US\$ 200,000. In order to

⁵¹ Adriano da Silva (2014), National Housing Director interviewed by DW July 2014.

⁵² Joaquim Israel (2014), interview with president of Kilamba’s Administrative Council, Luanda, 20 June 2014.

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stimulate the sale of these units, a para-statal company, SONIP⁵³, was mandated to manage a subsidized “rent-to-purchase” scheme in early 2013. The annual interest charged was 3%, and the selling price of the cheapest units was reduced from US\$ 120,000 to US\$ 84,200. These brought apartment ownership within the reach of middle-level civil servants with monthly salaries of US\$ 1,500 or greater.

FIGURE 1: NEW-TOWN (CENTRALIDADE) OF KILAMBA UNDER CONSTRUCTION



SOURCE: CITIC 2012

Arq. Joaquim Israel said that the second phase of the project got underway in 2014, and the aim was to further bring down the selling prices of the units in order to make these affordable to the poorer strata of families. He mentioned that the government is not recovering the investments in these projects (the subsidies and the infrastructure costs are all borne by the state) but the investment will improve the quality of life of the inhabitants and reduce the costs of health care that are otherwise associated with poor housing⁵⁴.

In June 2014 an evaluation of the progress of the National Housing Program⁵⁵ was made, and it was noted that there was a need to include the construction of infrastructure and social facilities in the housing projects, as well as to establish a selling price for the houses that would correspond to the payment capacity of most of the population.

⁵³ SONIP is a real-estate management company linked with the Angolan national oil company SONANGOL

⁵⁴ Joaquim Israel (2014), interview with president of Kilamba's Administrative Council, Luanda, 20 June 2014.

⁵⁵ Executive Evaluation of Housing & Poverty - 9 June 2014 Economy & Finance Journal

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The list below shows that the results delivered by the national housing program. The public sector aimed at building a total of about 115,000 residential units. The Ministry of Urbanism & Housing's data shows that almost 152,000 units have been delivered with financing from the State budget. The data demonstrates that private companies received funds from the State to the construction of almost one third (30.2%) of these houses. The municipalities were liable for a total of 26,000 homes: 200 homes by municipality in 130 municipalities. In August 2014, the public housing portfolio was transferred to the Angolan Real Estate Management Company, Imogestin SA. The Ministry's assessment has produced the following results:

a) SONIP (National Petroleum Company)	80,000
b) CIF (China International Fund)	5,800
c) Kora (Israeli Company)	40,000
d) Municipalities	26,000
e) Total housing units	151,800

5.2 HOUSING DELIVERED BY THE PRIVATE SECTOR

The state's housing strategy specifies that 120,000 dwellings (12% of the total targeted number of houses to be constructed) will be delivered by the private sector. However, private entrepreneurs estimate that the actual demand for housing is significantly more than the government's estimates⁵⁶.

The head of the Association of Real Estate Professionals of Angola (APIMA), Branca do Espírito Santo⁵⁷, says that market studies indicate that the construction of new large urban centres like Kilamba and Cacucaco will not satisfy the real-estate demand in the short- and medium-term, and that housing entrepreneurs will not be able to supply sufficient units because the costs of construction materials remain high. A study by PROPRIME shows that the supply and demand for the housing and offices sectors continue to dominate the market, that these sectors keep expanding; and that there seems to be no provision to meet the overwhelming demand for dwelling units for the middle- and low-income brackets. Branca do Espírito Santo is of the opinion that currently, there is sufficient supply of housing for the upper end of the segment⁵⁸ and that there may already be a surplus or over-supply in the high end of the market. (see Figure 2 below).

⁵⁶ Cleber Correia (2014), presentation made to Development Workshop Luanda, 24 August 2014, <http://www.dw.angonet.org/forumitem/1383>

⁵⁷ Hebo, Q. (2014, August), interview with Branca do Espírito Santo director of APIMA in *Faltam moradias de média e baixa renda. Economia & Mercado*, p.27.

⁵⁸ Hebo, Q. (2014, August), interview with Branca do Espírito Santo director of APIMA in *Faltam moradias de média e baixa renda. Economia & Mercado*, p.27.

FIGURE 2: CONDOMINIO PRIVATE CONDOMINIUM ATLANTICO DO SUL IN BELAS MUNICIPALITY LUANDA



FONTE: WWW.WIKIMAPIA.ORG/P/00/00/54/61/45_BIG.JPG

There remains a reluctance of private banks to invest in the housing sector without the protection of a “mortgage law” or without the protection of transferable land titles that can act as bank guarantees. The over-supply of high end housing that was often constructed with expensive loaned capital has resulted in commercial banks having taken the ownership of much of this surplus stock.

The role of the private sector at both the national and international levels has therefore been increasingly one of constructor and/or manager of state-financed projects. An early model of public-private partnerships was developed in the late 1990s with the public company EDURB and the Brazilian firm Odebrecht in Luanda Sul. It was envisioned as a mechanism to attract private investment for housing where the role of the state lay in providing serviced land. The trickle-down model was one where the profits from the sale of upper- and middle-class units were to be used to finance social-housing. This project was presented with a UN-Habitat Dubai Award in 2002⁵⁹.

5.2.1 PUBLIC-PRIVATE PARTNERSHIP: PROJECT NOVA VIDA

The end of the war saw the launch of the Nova Vida project in Luanda (Figure 3 below shows the first phase 2001-2004) that was financed primarily by the state with the private firm Imogestin SA providing management services. The project aimed to meet the housing demand from demobilised military officers and civil servants. Three-fourths (75%) of the first units built during this phase was used to meet the demand from the target groups but later, the rest of the units were eventually offered to the wider

⁵⁹ UNHabitat (2002), www.bestpractices.org/bpbriefs/urban_infrastructure.html

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market. The government wanted to reduce the price of housing, deflate the real estate market and make the homes affordable to those who had insufficient income, and provide access to housing to those who otherwise would not be able to have these dwellings⁶⁰. Subsidized prices were set and the units were sold on a “rent-to-purchase” basis, payable over a 20-year period. Nova Vida was the first project in Angola to pilot the “rent-to-purchase” scheme.

In the later phases of the project the state reduced its subsidy, and from 2010 onwards, aimed to subsidise only the land development and infrastructure costs. The target beneficiaries were also progressively shifted to only 30% civil servants and 70% private market. The reduced subsidy system requires purchasers to make a 40% down-payment on the unit and to pay this amount in tranches over 12 months. The remaining 60% is paid on the “rent-to-purchase” basis.

By 2010, the state had spent over US\$ 150 million on the project and built 2,450 units (less than 20% of the project target). By 2014, the project had completed another 3,100 units (more than 80% of its revised target), with another 2,000 units under construction. By this time, the state has invested about US\$ 280 million. The manager, Rui Cruz, noted that many of the people who bought homes in the early stages of the project are still paying, but a significant number have already paid off their homes. He is concerned that Angola has no legislation that punishes non-payers or allows the creditor to repossess the houses and re-sell them. He further notes that contrary to the terms of the purchase contract, some of those who have acquired houses have rented them out to second or third parties⁶¹.

The general manager of the project raised the question of sustainability when the state failed to transfer the management of the project to a private company. Since construction is done using a cost-controlled model, it was possible to maintain the sustainability of the project. The construction of social infrastructure was delayed due to the shortage of funding from the state. He added that the sustainability of a real estate project like this depends on various external factors such as location and the purchasing power of the clients, but in addition, a project such as this must provide the opportunity for the private sector to participate, so that there will be an additional income stream that is not directly related to the sale of homes. For example, the project should build units that can be used for commercial activities and the project should charge slightly higher prices for these⁶².

⁶⁰ Rui Cruz (2014), interview with general manager of IMOGESTIN, Luanda, 2 July 2014

⁶¹ Rui Cruz (2014), interview with general manager of IMOGESTIN, Luanda, 2 July 2014

⁶² Rui Cruz (2014), interview with general manager of IMOGESTIN, Luanda, 2 July 2014

FIGURE 3: PROJECT NOVA VIDA IN LUANDA IS A RESULT OF THE PUBLIC-PRIVATE REAL-ESTATE MODEL

SOURCE: WWW.AO.ALL.BIZ – 2553 (2014)

The second stage of the Nova Vida project targeted young couples aged 30 – 35 years who were working in the private sector or who occupied management positions in the public sector (e.g., senior technicians, etc.). After the government fixed prices in 2011, the apartments cost from Kz 14 million each (about US\$ 140,000) to Kz 30 million (about US\$ 300,000) – this meant that a couple required a household income of US\$ 5,000 to get funding to pay for the house. Houses costing were therefore primarily marketed to the upper-middle class.

Nova Vida intended to make housing affordable for younger couples by offering lower prices that were not available from any other institution. At the same time, this deflated the upper-end of the housing market. Potential buyers pay US\$ 140,000 instead of US\$ 300,000 – US\$ 400,000 for a three-bedroom apartment⁶³.

Within the 2009 National Program for Urbanism and Housing (PNUH), it was provisioned that the private sector would deliver 120,000 units, but the 45,800 homes built by foreign companies under the programme (meeting only 38% of the target) were financed by the State and not by overseas direct investment (ODI). Private financing focused on building for the high-end of the market rather than on social housing. Upper class and upper middle class housing has been over supplied and a number of projects remain unoccupied.

⁶³ Rui Cruz (2014), interview with general manager of IMOGESTIN, Luanda, 2 July 2014

5.3 COOPERATIVE HOUSING

Legislation on housing cooperatives was drafted⁶⁴ in 2010 but not yet implemented, exempting cooperatives from paying any taxes on their profits. Detailed regulations on how housing cooperatives shall run has not been published. The State has committed itself to assist cooperatives by making land available from the state reserves intended for housing. These plots of land are to be made available with basic infrastructure properly installed, although the cooperatives themselves may also parcel up and urbanize the land. The State has also committed itself to assisting cooperatives by swiftly issuing the necessary surface rights titles, and construction as well as other licenses. The state commits itself to making public funds available, as well as to provide preferential funding to cooperatives with at least 100 active members. Houses within the cooperative may be classified as individual or collective property. The prices of houses must correspond to the sum of the following values: cost of the land and infrastructure; cost of the planning studies and designs; cost of the construction and complementary equipment; administrative and financial costs related to the execution of the works; and the cost of all licenses and taxes paid until delivery of the house. The deposit for the house may not be higher than 10% of the sum of the aforementioned values.

Angola's first housing cooperative, named *Lar do Patriota*, (see Figure 4 below) was launched in 2001 as the civil war was coming to an end. The founder, General Dinguanza⁶⁵, said that there was massive public interest from the beginning. They started with 190 members who were formerly with the military, and membership quickly grew to 2,000 in the first year. By the second year, membership had grown to 5,000. Joining the cooperative required the member to purchase one share of the cooperative in the amount of US\$ 100, and then over time, the member was required to pay 20% of the total cost of the house. Depending on the kind of house purchased, the original costs of the homes in 2002 were US\$ 40,000, US\$ 80,000 and US\$ 150,000 for housing unit types T2 (two bedroom), T3 (three bedroom) and T4 (four bedroom), respectively. These prices were significantly lower than those offered in the real estate market. The project had no involvement of the state, and was 100% funded by members and loans secured from banks. The house construction began in 2001 and the aim was to build over 2,000 homes in the first phase. The plot sizes were 600 m² for a two-bedroom unit (the house was built on 80 m² of the plot) and a plot size of 900 m² accommodated three- and four-bedroom units that were built on 120 to 200 m² of the plot. Infrastructure for the housing was not built because the state had committed to provide sanitation, water, and electrical systems, recreational areas, etc. Infrastructure installation therefore lagged several years behind the housing construction and some services were only being installed in 2014.

⁶⁴ MacaHub (2010), Angolan government targets real estate sector, 3rd May 2010, macaHub.com.mo/en/2010/05/03/9012/

⁶⁵ António Henriques da Silva "General Dinguanza" (2014), Interviewed the Architect and Director of Lar do Patrioto on 7 July 2014.

FIGURE 4: LAR DO PATRIOTA HOUSING COOPERATIVE IN LUANDA



SOURCE: WWW.WIKIMAPIA.ORG 1097180

The project targeted middle-income earners. After the initial 20% payment was made, members continued to pay a US\$ 100 monthly amortization for the house. Those who can pay off the full value of the house in one instalment received a 10% discount. After paying the down payment of 20%, most members amortized their payments over 15 years with an annual interest of 5%. There were penalties for defaulters, including suspension and even expulsion from the cooperative. However, current Angolan law makes it difficult for the cooperative to repossess the house in case of default of payment. The total investment made to date has been about US\$ 500 million; the cooperative has a deficit of US\$ 31 million but the project has been allowed to continue to operate on the condition that financial restructuring takes place.

The rate of development of the project is constrained by the availability of finance. General Dinguanza, the architect and instigator of the project, said that the intention was to have their cooperative housing model adopted at the national level so that financial institutions will have a viable market. At present, commercial banks in Angola are reluctant to finance the level of the loans required by housing projects due to land tenure disputes⁶⁶. Commercial real-estate developers on the other hand, see the lower costs of cooperative housing as a threat to a speculative market⁶⁷.

⁶⁶ Par do Patrioto has lost 50% of their original land concession of 1200 hectares to former cooperative members due to litigation in the courts that is currently under appeal. Banks are reluctant to provide financing to real-estate projects that have contested land titles.

⁶⁷ António Henriques da Silva "General Dinguanza" (2014), Interviewed the Architect and Director of Lar do Patrioto on 7 July 2014.

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The cooperative housing sector has not delivered the 80,000 dwellings anticipated within the 2009 National Program for Urbanism and Housing (PNUH). Angola's only housing cooperative, Lar do Patrioto, has completed approximately 3000 of the 15,000 units originally planned.

5.4 ASSISTED SELF-HELP HOUSING⁶⁸

The program of Assisted Self-Help Housing (*auto-construção dirigida*) was conceived as a key component of the 2009 National Urbanism and Housing Program. More than two-thirds (68.5 % or 685,000 units) of the government's target of one million homes was to be met through self-help (*auto-construção*). Of these, 420,000 units are to be built in urban areas. This program also aims to ensure the availability of affordable building materials so that homeowners in both urban and rural areas can construct their own homes. The targeted beneficiaries are owner-builders from the low- and middle-income classes.

FIGURE 5: SELF-HELP OWNER-BUILT HOUSING ON THE PERIPHERY OF LUANDA



SOURCE: DEVELOPMENT WORKSHOP 2011

The government had planned to implement a total of 164 urban municipal projects nationwide. Infrastructure networks of water and electricity will be built and community facilities will be constructed for all 18 provincial capital cities; a total of 100,000 hectares of land will be made available (inclusive of state land reserves for residential purposes). The program aims to ensure the availability of construction materials (in the form of construction kits), and to provide architectural plans and technical guidance.

The Assisted Self-Help Housing program has the following important features:

- a) Housing plots will be allocated in areas to be serviced and will benefit from formal urbanization plans,
- b) Plots will be prepared prior to allocation (this includes clearing of vegetation, site-levelling and marking-out of allotments),
- c) Building plots will be sold at a low price, and occupation documentation will be provided,

⁶⁸ Ministerio de Urbanismo e Habitacao (2009), Programa Nacional de Urbanismo e Habitacao – PNUH

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- d) House design guidance and technical assistance support for house construction will be provided, with emphasis on using local construction materials, improving the quality of traditional buildings, and improving health conditions,
- e) Respect for traditional aspects of architectural design and cultural values will be considered.

Implementation of the assisted self-help housing program has been slow because of the lack of local capacity on the part of the municipalities to issue the large number of land surface-rights titles and building licenses that the program requires. Hence, traditional owner-building continues apace in most urban centres across the country, but largely depending on the informal sector for inputs of land, labour and materials, and without the benefit of subsidies, formal planning, and legal land allocations.

5.4.1 INCREMENTAL HOUSING: THE CASE OF ZANGO

An example of an approach to assisted-self-help is the Incremental Housing: the Case of Zango. An alternative to delivering completed houses is the “*casa evolutiva*”, an upgradeable modular house where the state constructs the foundations and two divisions and a sanitary block, and leaves the home owner to further develop the house (i.e., build a kitchen, bathroom, and one or two more bedrooms) when they have necessary resources (see 7 below).

The Luanda Provincial Program of Social Housing (PPHS) started as a result of the housing emergency program implemented in 2001 and it aims to resettle those people:

- a) whose houses were damaged by flooding, erosion and other natural disasters,
- b) whose houses were built in areas prone to natural disasters,
- c) who live in areas where the government is developing projects such as those living near the roads that are being built or widened, those who live near the railways, etc.

In addition to completely building and providing houses for people who have been forcibly removed, land is also allotted so that families can build their own houses (*auto-construção dirigida*). Some of the displaced families are compensated with upgradeable core-houses (*casas evolutivas*), in which a family receives a starter-unit with two rooms and the foundations totally built, representing 50% of a complete house⁶⁹.

⁶⁹ Luís Anastásio Manuel. (2014). Interview with, Provincial Programme of Social Housing (25 August/2014).

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FIGURE 6: AN INCREMENTAL HOUSING PLAN ("CASA EVOLUTIVA") TO BE BUILT IN PHASES⁷⁰

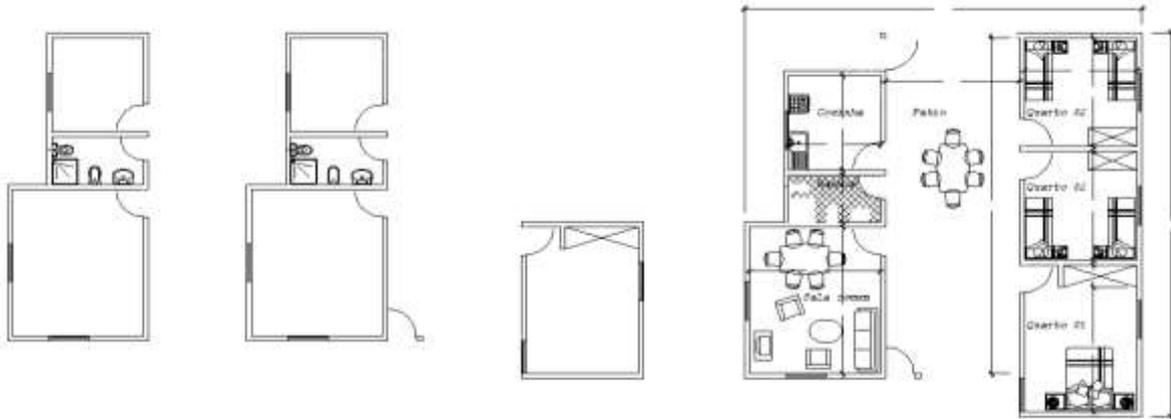


FIGURE 7: INCREMENTAL (UPGRADEABLE) HOUSE IN ZANGO



SOURCE: DEVELOPMENT WORKSHOP, 2011

The PPHS currently has three projects: Morar, Sapu and Zango. In Zango, Odebrecht is the main contractor responsible for the execution of the infrastructure, under the supervision of Dar al Handasa. The plan was to build 20,000 housing units (most of them are still under construction today) and in addition to the already existing 15,000 houses it is estimated that there are approximately 200,000 people living in Zango currently⁷¹.

Residents of Zango come from different places – some were displaced from the different construction projects that are being executed in the districts of Boavista, Miramar, and others (part of the expansion of drainage works underway throughout the province of Luanda). In January 2014, approximately 3,000 families from the bairro of Chicala (adjacent to the Ilia de Luanda) were relocated to Zango. According to Anastásio Manuel, Director of PPHS, it is unfortunate that some people have been taking illicit advantage of this process by constructing illegal houses in advance of removals.

⁷⁰ Antonio Gameiro (2010) Presentation at Dia Internacional de Habitat, Namibe Oct 2010

⁷¹ This number was approximated assuming that there are 5 people in each house (or family)

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In addition to providing houses in Zango, the supply of drinkable water has been increased from 10,000 litres to 15,000 litres per day and plans are underway to increase this by constructing a local water treatment station to avoid transmission losses during the distribution process. Currently Zango's drinkable water comes from Kikuxi, which is far away, and drastic losses have been registered in water distribution because some people illegally tap into the network of pipes in order to draw water and resell it. PPHS is also planning to increase the supply of electricity from 40 to 60 megawatts⁷².

For Assisted Self-Help Housing sector, the Government has planned an allocation of 100,000 hectares as Land Reserves. In 2014 about 210 hectares were subdivided for self-help construction. The program aims to ensure the availability of construction materials (in the form of construction kits), and to provide architectural plans and technical guidance. The plan to support the construction of 685,000 dwellings through self-help appears to be the slowest component of the National Urbanism and Housing Programme to show results with least recourse invested.

⁷² Luís Anastásio Manuel. (2014). Interview with, Provincial Programme of Social Housing (25 August/2014).

6 CONCLUSIONS AND RECOMMENDATIONS

The National Program for Urbanisation and Housing that was launched in 2008 had the objective of significantly addressing the post-war's estimated shortfall of almost two million housing units by promoting the construction of one million dwellings between 2008 and 2012. The initiative was announced as a social housing program targeting workers earning the minimal wage, teachers, nurses and middle and professional level civil servants. The strategy adopted by the program was to promote four subsectors of the housing economy to deliver 1 million units in the following proportions: the state 11.2%; the private sector 12%; cooperatives 8%; and owner-builders to deliver the remaining 68.5%.

The global economic crisis of 2009 and the weakening of commodity prices negatively affected the Angolan state budget and set back the program that has now been extended to 2017. The State however invested a significant portion of the central budget into housing during this period, in some years exceeding 5% of general allocations. In addition, international financing was mobilised for the housing programme in the form of oil-backed loans. As of 2011, Angola's Housing Programme had funding of US\$ 4 billion, of which the bulk (US\$ 3.5 billion) was obtained through international credit lines, while the remaining US\$ 500 million was from a state budget allocation. In the state budget for 2013, 3.94% of the total national budget was invested in housing.

As of 2015 the public sector's target of delivering 115,000 dwellings units has been more than met, achieving 32% above its target, and successfully building 151,800 homes across the country and reaching almost all of Angola's municipalities. However, the other sectors of the economy have not delivered as planned. The private sector met only 38% of the target, but did not invest their own capital and depended on oil-backed loans and guarantees from the State. Private financing focused on building for the high-end of the market rather than on social housing. The cooperative housing sector did not receive support it had hoped for under the PNUH. The plan to support the construction of 685,000 dwellings through self-help appears to be the slowest component of the National Urbanism and Housing Programme to show results with the least financing invested.

From late 2014 until 2016, the Angolan economy has been affected once more by the fall in commodity prices, particularly oil, on the world market. The government was forced to reduce the state budget and therefore subsidies for urban development and housing.

Both the local and international private sector has been reluctant so far to provide their own financing and invest in real-estate due to weak land tenure and the lack of legislative reforms to make a functional land market. Private sector investment may be needed in the future to meet the shortfall in state resources; however affordability realities do challenge how far this can go, given current targeting. Some of the pending reforms in the regularization of land tenure, planning and fiscal decentralization for municipalities

can stimulate private sector investment and overcome their reluctance to invest their own resources in urban development and housing. The real estate market can provide an alternative stimulus for the Angolan economy, in the current environment of declining petroleum income. The population's increased access to housing finance could stimulate the economy, resulting in increased jobs, vocational training, growth of a domestic construction and materials industry, and the resulting increase in tax collection for the State. The money, which may seem to be 'thrown away' by the state⁷³, in housing subsidies, could instead be returned to the housing economy, with increasing tax collection due to the growth of the real-estate markets as a whole. With this said, the creation of a functional land market will be necessary to provide a facilitating environment for the development of housing finance products.

6.1 RECOMMENDATIONS

- **Housing Credit:** Implementing some of the long-pending reforms in housing credit, participatory planning and fiscal decentralization for municipalities could encourage the home owners themselves and private sector to invest in urban development and housing opportunities. The same reforms are also likely to stimulate foreign direct investment (FDI) in the real-estate sector.
- **Land Based Financing:** Urban development and infrastructure for housing in Angola could be financed, at least in part, by capturing the increases in land value resulting from public investment or broad urban trends⁷⁴. Land-based financing is an opportunity for raising the revenue necessary to provide key public services and improvements in urban infrastructure and services⁷⁵. Land-based financing is a tool that offers great opportunities for public financing in post-socialist countries like Angola where land is owned formally by the state. However, land information systems need to be strengthened and based on fiscal cadastres and valuation rolls. These rolls include information about the land and property, the owner (or beneficiary) of the property, and a value on which the tax is based. Fiscal decentralisation from the central state budget to municipalities will provide incentives to capture land value and invest in public infrastructure that can in-turn create more value.
- **Land Information Systems:** Land information systems need to provide up-dated data on land values. The central function of the valuation system is to assess land and property values fairly and accurately.

⁷³ Cleber Coreia - Interview 25 Sept 2015, Jornal Expansão.

⁷⁴ Mennetrier, Romanowicz (2010)

⁷⁵ GLTN (2012) *Handling Land – innovative tools for land governance and secure tenure* – UNHabitat 2012, Nairobi.

http://www.gltn.net/jdownloads/GLTN%20Documents/handling_land_eng_2012_.pdf

- **Land and Housing Registration and Land Tenure:** Solving the problems about land tenure is the first step to stimulate the engagement of private sector participation in providing financing for housing. Land and housing registration is out of date and municipal cadastres need to be created. Only a few thousand properties out of Luanda's one-million dwellings are fully registered and regularly pay taxes. Legislation providing secure tenure remains to be finalized and gazetted and local administrations trained to implement land readjustment of informal settlements.

The Angolan Government has identified⁷⁶ the need for the simplification process of the acquisition of land, reducing its bureaucracy and creating an integrated system that give treatment to the process of land regularization. Need to proceed with building the land register and the granting of land titles or certified concession licenses. This will require an amendment to the Land Registration Code and a review of the powers of the decision-making bodies, involved in granting rights to land. Municipal Geographical Information Systems (GIS) need to be reinforced. Data Centers at local level (municipalities) need to be created and build a data base on the use and occupation of the land. The later recommendation is being piloted by Development Workshop with the support of UN-Habitat's Global Land Tools Network through the piloting of land registration systems in ten municipalities in central provinces of Angola.

- **Mortgage Law:** The law on mortgages needs to be finalised allowing financial institutions to hold liens on real-estate, giving them the confidence to invest their own resources in the housing market. If a new strategy to finance housing is to be sustainable, it is critical to engage the private sector and householders themselves in a productive dialogue. The planned reforms that are currently stalled at in Government chambers, related to urban land, mortgage credit and municipal financing, need to be implemented in order to unblock opportunities to respond to the Angola's enormous pent-up housing demand.

⁷⁶ The Office of the President and the Ministries of Territory Administration, Urbanisation and Housing and Justice and Human Rights, held a National Seminar to diagnose the current state of land occupation in Angola on 1 and 2 December 2014 and specified these actions.

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