

Angola



KEY FIGURES

Exchange Rate: 1 US\$	94.56 Angolan Kwanza (Kz)
Main Urban Centres	Luanda (capital)
Population [^]	19 618 432
Population growth rate (2011) [^]	2.8
Urban population (% of total) 2009	59
Urbanisation growth rate (2010) %	4.3
GDP growth rate (real, 2011) [^]	3.5
GDP per capita [^]	5 148
GNI Per Capita, PPP (US\$) 2011 [^]	5 290
GINI Index (2007 – 2011) [^]	58.6 (2000)•
HDI (Global Ranking)• (2011)	0.486 (148)
Unemployment rate [^] (total labour force) (%)	25.2% (2006)
Population less than US\$2 per day (PPP) (%) [^]	70.2
Lending Interest Rate [^] (2011)	18.8
Deposit Interest Rate [^] (2010)	12.8
Ease of Doing Business (out of 183) (2012)	172
Access to formal financial institution (%)~	39.2
Outstanding loan to purchase a home (%)~	3.6
Outstanding loan for home construction (%)~	10
Credit % of GDP [^] (2011)	18.2
Mortgages % of GDP [^]	
Cost of standard 50kg bag of cement (in US\$)*	10
Price of the cheapest, newly built house by a formal developer (in US\$)*	60 000
Size of this house (in m ²)*	80m ²
Minimum stand or plot size for residential property*	250m ²

Sources:

- [^] World Bank Data (2011)
- + African Economic Outlook (2011)
- www.coinmill.com (as at 13 September 2012)
- * Email correspondence with local practitioners (September 2012)
- UNDP
- ~ Global Index (2012)

Overview

Angola is an oil-rich nation located in southern Africa, on the Atlantic coast of Africa, and bordered by Namibia, Zambia and the Democratic Republic of the Congo. President Jose Eduardo dos Santos' ruling party, the People's Movement for the Liberation of Angola, won a further term at the elections in August 2012, having taken 72 percent at the polls. The country has come a long way since its civil war ended in 2002. In 10 years Angola has managed to transform its economy into a robust system, with real GDP estimated at 8.2 percent and 7.1 percent in 2012 and 2013 respectively. This is an impressive increase in real GDP from 3.5 percent in 2011, due to the rise in oil prices (oil production is expected to increase to over two million barrels a day) and the growth of 7.7 percent of other non-oil sectors. The growth in GDP is also attributed to the start of the Angola Liquefied Natural Gas project that will cost US\$9 billion. The economy has a huge structural dependence on oil. Angola has high levels of inflation. In December 2011 inflation was at 11.4 percent and increased to 11.5 percent in January 2012. The government aims to bring down the rate to 10 percent by the end of 2012. While the Angolan economy has grown eight fold since the end of the war, reducing poverty has been much slower.

Access to finance

Access to banking in Angola is for a privileged few, with only eight percent of the population using the financial system. Despite these low numbers, future projections suggest high growth potential. As of 2011, there were 23 banks. There is, however significant market concentration among a few banks: Banco de Fomento Angola (BFA), the state-owned Banco de Poupança e Crédito (BPC), Banco Africano de Investimento (BAI), Banco Espírito Santo Angola (BESA) and the Banco Internacional de Crédito (BIC) capture 85 percent of the savings market. In 2012, the National Bank of Angola launched the Bankita programme in an effort to improve access to banking services. This matched savings programme offers people living in Kuito the possibility to open a bank account with only Kz100 (80 euro cents) and allows the accountholder to earn Kz60 for each Kz100 placed in the account.

In 2011, four banks (BFA, BIC, BAI and Banco Totta Caixa Geral Angola (BTCGA)) offered mortgages. In 2012, it was confirmed that BPC will also start offering housing loans. This comes after the rise of new city centres that are being built in the country, and efforts by the government to increase the role that commercial banks can play in providing housing access. This year kicked off with the announcement by government to establish a Housing Development Fund, a programme that aims to provide credit for the purchase of a house. Nine banks will be involved in this programme: BPC, BAI, BIC, BFA, BPA, International Business Bank, and Commerce and Industry Bank. The fund will provide 80 percent of the loan to value.

There is growing interest in the mortgage market. BAI, for example, is now offering terms of up to 20 years, financing up to 85 percent of the value of the property. Other banks finance house acquisitions as consumer loans. These products typically have much higher interest rates and shorter repayment periods, of around 36 months. Like other forms of credit, lending for house acquisition is still low, but growing. Less than eight percent of housing credit by households came from banks in 2009, with the rest obtained from family and friends, savings and employers. In 2010, lending for housing picked up from Kz189 billion (US\$2 billion) in August to Kz84 billion (US\$900 million) in July of the same year.

The microfinance sector has seen some of the highest growth rates on the continent and is often at the forefront of product diversification. However, only two MFIs report to the MixMarket (KixiCredito and NovoBanco Angola) with US\$13.2 million worth of loans dispersed to 12 686 active borrowers. Most microfinanciers in Angola are financial banks; BAI in 2007 moved into microfinance by acquiring NovoBanco and other banks such as BFA and Banco Sol are diversifying into agricultural lending. KixiCredito is the largest non-bank microfinancier, launched by Development Workshop. In 2011, KixiCredito had a gross loan portfolio of US\$13.2 million, with loans to 12 686 borrowers. Together with microfinance for small business, it also offers a housing microfinance product known as KixiCasa. This was developed on the realisation that more than 30 percent of business loans were being diverted for housing purposes. The product enables groups of between three and five people to access 10 month loans starting from US\$800 and increasing to US\$2500 a year.

Lenders in Angola do not have access to a well-developed credit information system and the public registry covers less than three percent of adults. They have also had to make do without a national identification system.

The social security system in Angola covers less than 10 percent of the economically active population and mainly benefits government functionaries. There are some special pension funds set up for war veterans and oil sector workers. There is some scope for harnessing these resources for housing, both through lending to pensioners as well as broader involvement in the residential development industry. Angola does not have a stock market, although there are great hopes for the promised plans to set one up.

Affordability

Angola has a reputation of having one of the world's most expensive real estate markets, and Luanda ranked second in Mercer's 2012 survey. The focus of formal developers so far has been on the higher income category. A two bedroom apartment rents on average for about US\$7 000 a month, while a three bedroom house in Luanda costs about US\$250 000. According to the World Bank's Doing Business 2012 report the minimum wage for a 19-year-old apprentice is US\$126 a month. It must be emphasised that the supply of housing within an affordable price range for the 50 percent of the population living below the poverty line (estimated by CEIC 2011) is very thin, and financing not readily available.

While Angola has one of the highest social expenditure's as a percentage of GDP on the continent, housing has not received much attention until recently. Historically, attempts at facilitating affordability for housing have been limited. In 1992, the government initiated a programme of selling housing confiscated from the departing colonisers. In general, these houses cost a modest US\$12 000. This opportunity to purchase state-owned property was restricted, however, and only long-term occupants and renters of these houses or flats benefited. The government also created the National Housing Institute which developed the Urbanização Nova Vida housing project in 1995. It was designed to build 1 430 homes for public sector workers and some for the general public in two phases. The official average price was about US\$45 000 for an 85m² apartment, a bargain considering the dearth of supply for this segment of the market. The eligibility criteria for the project were not well defined, however, and the project has had little effect on demand.

The Angolan government has adopted four strategies that could significantly improve poverty levels in the country. These are:

(i) Water for All – adequate and affordable water supply is to be

brought to 80 percent of peri-urban and rural families by the end of 2012; (ii) My Dream, My Home – the one million houses programme; (iii) decentralisation and fiscal deconcentration in which democratically elected municipal councils will be in place after 2012; and (iv) a commitment to half poverty by 50 percent by 2015 in terms of the Millennium Development Goals.

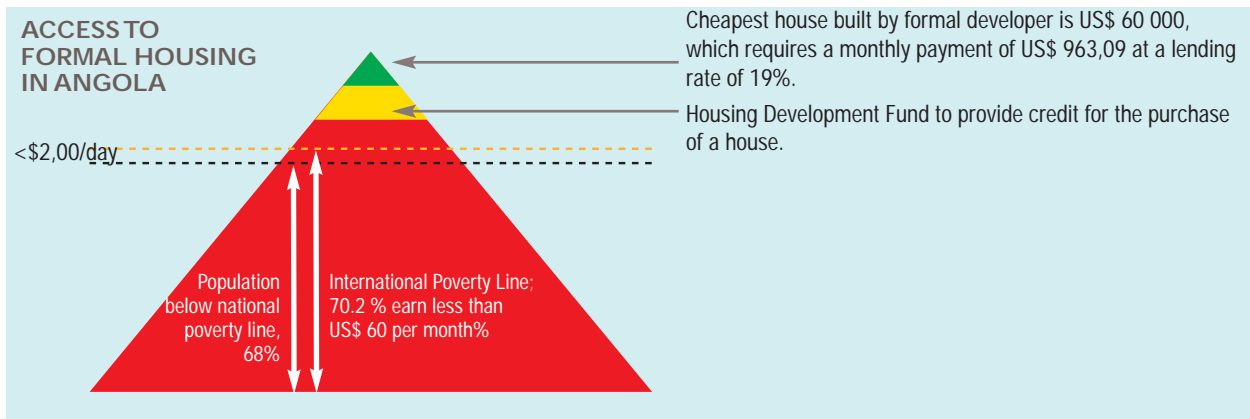
Housing Supply

The civil war in Angola left a legacy of a highly urbanised population, living in areas with little developed infrastructure for water, sanitation, roads and electricity. According to the director of the National Housing Institute (NHI), the estimated housing deficit is closer to two million. Thirty percent of the population have no access to electricity and less than 18 percent have access to piped water. The rural areas are the most severely affected, and the government has launched a strategy to supply 80 percent of rural and peri-urban areas with water. Infrastructure limitations restrict housing development in urban areas, and where it happens, make it expensive. This has led to a severe shortage of habitable housing in urban areas and widespread slum development. The country's urban areas also lack basic land tenure laws and regulations to deal with the highly urbanised, high density reality it faces.

For most Angolans, auto-construção or self-build is the predominant method of housing development. The concept of an owner-managed building, a process that combines local tradespeople and family labour, is fundamental to the traditional way of building houses in Angola. There have been positive developments aimed at harnessing this self-build energy to create better settlements and prevent the development of slums. Apart from housing microfinance being provided by one institution, the government has recognised the potential of self-build, making it an important element in its one million houses programme. This will be through providing serviced and legalised land to families who wish to self-build.

The one million houses programme was announced in 2008 and promised for completion by the end of 2012. The NHI was to lead the project. President dos Santos announced that the cost of these houses should be no more than US\$60 000, which would, however, be out of the reach most people. The public and private sector are meant to deliver around 12 percent of these, co-operatives around eight percent and the majority, more than 68 percent, through self-help. In this context, the state also announced its Social Housing Programme to provide for various degrees of subsidy for housing depending on income, including fully subsidised housing for citizens who earn an equivalent of about US\$150 a month and below. Reservation of 100 000 hectares of land for housing purposes (of which 32 800 will be in urban areas) distributed over Angola's 18 provinces is also included as part of this ambitious delivery programme. Critics, however, argue that the housing programme is not delivering as expected and that the homes that have been built often remain unoccupied and are poorly located, unaffordable, or include plots for directed self-construction which remain empty because of the high cost of labour.

Homeless International, a British NGO supported by UKAid, began working in Angola in 2011 in partnership with Development Workshop Angola. The organisations work to support poor communities in Luanda to work together – and with governments – to improve living conditions and reduce poverty for even the poorest city residents. In 2012 Homeless International gave Development Workshop access to its CLIFF line of financing for a new social housing project in Huambo Province. End-user financing



for incremental housing is being provided by the MFI KixiCredito's housing finance arm KixiCasa.

The domestic construction sector in the country is underdeveloped, and the local construction material industry remains inadequate to meet all of the demand for mass housing. This means many building materials are still imported. The legacy of war left the country with little local industrial capacity and limited skills, including in the built environment and finance sectors. There are campaigns, including financial incentives, to encourage the development and establishment of local manufacturing capacity for cement, ceramics, ironware and timber. There are a few, mostly foreign-owned, property developers in the country.

Chinese investment in Angola is significant and this has come under scrutiny in recent months. In July, BBC News reported on a "ghost town" built in Kilamba by the China International Trust and Investment Corporation at a cost of US\$3.5 billion. Financed with a Chinese credit line, which Angola is repaying in oil, the development is one of the largest new-build developments on the continent. However, less than ten percent of the 22 000 unit development has sold. Covering 5 000 hectares about 30 kilometers out of Angola's capital City, Luanda, the residential development includes 750 eight-story apartment buildings as well as schools and retail units to serve the expected population. When President dos Santos spoke of the development, he said that it exemplified the Angolan social housing policy. It is one of a several new "satellite cities" being constructed by Chinese companies in Angola. Flats in the complex are far too expensive for the target market, however. At between US\$120,000 and US\$200 000 a unit, the housing is far from affordable for the vast majority of Angolans.

The Kilamba project failed to link the ideal of a quality social housing project with the affordability realities of the target market. In response to the problem, the government has recently announced that some of the units in Kilamba will be defined as "social housing" and offered to qualifying beneficiaries at subsidised rent-to-purchase arrangement. The scheme proposes to offer a 30-year mortgage at a subsidised three percent annual rate of interest. This subsidy would make loans available for higher paid public servants young enough to commit to a 30-year mortgage. The administrative arrangements for this programme, to be made through commercial banks, are still not clear. Nor is it clear whether this subsidy would be extended to the housing in other satellite towns, and whether it could be sustainably applied to the full, low-income population in Angola.

Property Market

The demand for quality housing in secure developments with the reliable provision of utilities means rental and sale prices are among

the most expensive in Africa and in the world. Development Workshop with the support of the World Bank carried out the first comprehensive study of Luanda's urban land markets in 2011. It demonstrated that there was a thriving land market but it operated mainly in the informal sector with less than 10 percent of land parcels outside the urban core having legal titles. There have been signs, however, that this lucrative market at the higher end has slowed down considerably, mainly because of the recent economic downturn. What should develop in the future is a more active housing market, catering for middle income earners, as developers and the government shift their interest to this segment.

Policy and regulation

Policy and legislation around land tenure is a major hindrance to the growth and development of the housing market. The poor often obtain land through informal processes in urban areas, but there is always the threat of forced evictions. This has happened relatively frequently in recent years as urban renewal and infrastructure have been priorities. According to a study by Development Workshop, only 20 percent of land has been accessed through formal means and has clear title. The government needs to provide greater security of tenure for poorer households, extend the coverage of the land registry, and introduce simplified and rapid procedures to allow acquisition of formal tenure rights. The many overlaps between the various state actors in granting property rights need to be clarified. Angola has a Ministry of Urbanisation and Housing, a National Housing Institute, a Ministry of Public works, and an Office of Special Work, all with land and housing-related mandates.

Angola has dropped by one point, from 171 in 2011 to 172 in 2012, on the Ease of Doing Business indicator in the World Bank's Doing Business survey. However, the country has improved its land registry and moved up 45 places to 129th in 2012. This can be attributed to Angola reducing property transfer taxes. Angola still ranks among the worst in the world for ease of contract enforcement – sitting at 181 in 2012. The country's legal and judicial system is hampered by a general lack of capacity, and has largely ineffective mechanisms for the resolution of commercial disputes. The judicial system also often lacks the capacity to assert its independence. While the National Assembly approved the Voluntary Arbitration Law in 2003 to provide a general legal framework for faster, non-judicial arbitration of disputes, this has yet to be fully implemented – no further regulations have been published.

There have been some positive developments. Law n° 3/07 of 2007, The Basis of Housing Development (De Bases do Fomento Habitacional) promotes the emergence of public and private finance for housing construction. It is the statutory basis for the Housing Investment Fund. The law formally recognises the role of "directed self-construction" as a method for housing development.

Regulations to implement the law are yet to be promulgated, however. Also, the government in July 2009 approved an ordinance that grants duty-free imports for various materials for the construction of housing.

Opportunities

Angola has strong potential to receive inflows of foreign direct investment thanks to its natural resource wealth and booming economy, but its unfavourable business environment holds the country back from fully realising these gains. The government needs to resolve the issues that contribute to this to sustain its economic growth in the long run as well as create greater facility for other sectors, beyond extractive related ones, to grow. Foreign direct investments have come mainly from China and it has since come to play a major role in the economy of Angola. Around 40 percent of Angola's oil exports are to China, totalling over US\$20 billion in 2011. China will continue to play a role in Angola's economy in the foreseeable future, especially within the construction sector. Angola draws from China its professional contractors to undertake most infrastructural projects in exchange for oil.

The real estate sector has historically been overly focussed on high-end housing developments because of the ready market from oil companies, amid record prices and exports in 2007 and 2008. This has changed with the recent economic downturn, and more and more developers are realising the potential for more affordable housing, targeting the middle to lower middle income earners in the country's urban centres. There are opportunities both in financing and development. The ambitious government housing programme will further provide opportunity for residential financiers and developers if incentives are fully implemented. In February this year, the Chinese minister of commerce together with Angolan locals announced plans to construct 100 000 houses in 14 provinces of Angola, another example of the turnaround by the Chinese from focusing solely on infrastructure projects. There is, however, room for the development of the affordable housing segment.

Housing microfinance presents big opportunities, having the advantage of a supportive legislative regime that formally recognises incremental housing, an established tradition of microfinance lending, established practices by players such as Development Workshop, and recognised significant demand for it.

Sources

1. AfDB, OECD, UNDP and UNECA (2012). African Economic Outlook 2012. Country Note Angola
2. CAHF (2010). Housing Finance in Africa: A review of some of Africa's housing finance markets.
3. CAHF (2011). Housing Finance in Africa: A review of some of Africa's housing finance markets.
4. CEIC (2011). Relatório Económico de Angola 2011, Universidade Católica de Angola, Luanda.
5. Development Workshop (2012). Angolan Urban Land Markets, World Bank Land Conference, 26-28 April 2012 Washington, DC.
6. KPMG (2011). Angola Banking Survey
7. Redvers, L (2012). Angola's Chinese-built ghost town. BBC News Africa
8. World Bank (2010). Angola: Country Brief

Websites

www.allafrica.com
www.africaneconomicoutlook.org
www.bbc.co.uk
www.coa.gov
www.dw.angonet.org
<http://education.stateuniversity.com>
www.mfw4a.org
www.mixmarket.org
www.worldbank.org
www.doingbusiness.org