

Angola



Overview

Angola is an oil-rich nation located in southern Africa. The country has come a long way since its civil war ended in 2002. Angola has managed to transform its economy with a real GDP growth rate of 4.06 percent in 2013 projected to reach 7.9 percent in 2014, the fifth biggest in Africa. This is an impressive increase from 3.5 percent in 2011, due to the rise in oil prices (oil production was 1.69 million barrels a day in May 2014) 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.

Angola is Sub-Saharan Africa's second largest oil producer and oil revenues account for about three quarters of domestic revenues and almost half of the GDP. However, after the crash in oil prices in 2009 and 2014, oil income has shown some decline. Parts of the non-oil sector are thriving e.g. banking, telecoms, construction, drinks and retail industries, fuelled by the rise of a new (though still small) middle class. Manufacturing is picking up, from a very low base. Analysts suggest that Angolan non-oil GDP needs to expand rapidly to bring Angola back to the strong performance observed before the 2009 crisis.

While Angola still has high levels of inflation, it is slowly being brought down. From 11.5 percent inflation in January 2012, the government brought down the rate to 7.7 percent by December 2013, the lowest figure in two decades. Despite the declining trend of inflation, the cost of living remains high. The Angolan economy has grown eightfold since the end of the war, but reducing poverty has been much slower. National poverty has been reduced from 68 percent in 2001 to 37 percent in 2013. The Gini coefficient stands at 42.7 for Angola.

Access to finance

The National Bank of Angola has made a concerted effort to increase the use of banking services in recent years. In the past, commercial banks were restricted to a privileged elite who could meet the high deposit requirement to open an account. The government's decision to pay civil service salaries only through commercial banks has forced employees to open accounts. In 2012, the National Bank of Angola launched the Bankita programme in an effort to improve access to banking services, targeted at low income households. This matched savings programme offers people the possibility to open a bank account with only Kz100 (US\$1).

KEY FIGURES

Main Urban Centres	Luanda (capital)
Exchange Rate: 1 US\$ =	100.31 Angolan Kwanza (Kz)
Inflation 2012 2013 (estimate) 2014 (provisional)	10.3 9.3 8.3
Population [^] Population growth rate (2013) [^]	21,471,618 3.08
Urban population (% of total) [^] Urbanisation rate (% in 2013) [^]	42.49% 4.96%
GDP per capita (current US\$) [^] GDP growth rate (annual %)	5,668.12 4.06%
GNI per capita, Atlas method (current US\$) [^]	5,010.00
Population below national poverty line*	36.6
Unemployment rate (%)*	7.50
Gini co-efficient ~	42.66
HDI (Global Ranking) [~] HDI (Country Index Score) [~]	149 0.526
Lending Interest Rate [^]	15.81
Credit % of GDP [^]	24.02
Average Mortgages % of GDP ^o	
Price To Rent Ratio City Centre** Outside City Centre**	11.15 7.89
Gross Rental Yield City Centre** Outside of City Centre**	8.97% 12.68%
Outstanding loan to purchase a home, older adults (% age 25+)	4.33
Outstanding loan for home construction, older adults (% age 25+)	11.92
What is the cost of standard 50kg bag of cement (in US\$)? #	US\$9,11
What is the price of the cheapest, newly built house by a formal developer or contractor? #	US\$55 000 (2013)
What is the size of this house (in m²)? #	60 (2013)
What is the minimum stand or plot size for residential property #	250 (2013)
Ease of Doing Business Rank !	179
Number of Procedures to Register Property !	7
Time (days) to Register Property !	191
Cost (% of property value) to Register Property !	3

[^] World Bank's World Development Indicators (2013)

[~] World Bank PovcalNet: an online poverty analysis tool, various years

* African Economic Outlook, various years

^o UNDP's International Human Development Indicators (2014)

[~] Various, including World Bank and Hofinet.

** Numbeo Online User-Contributed Database

CAHF Annual Survey Data (August, 2014)

! World Bank's Doing Business Survey Data (2014)

As of 2013, there were 24 banks, four of which are state owned and half of which have entered the market in the past six years. There is, however, significant market concentration: 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) control over 80 percent of total banking assets.

In 2011, four banks – BFA, BIC, BAI and Banco Totta Caixa Geral Angola (BTCGA) – offered loans for housing. In 2012, it was confirmed that BPC would also start offering housing loans, and by 2013 four more banks committed to start offering housing loans. In 2012, the government announced the establishment of a Housing Development Fund that aims to encourage commercial financial institutions to provide credit for the purchase of a house by providing subsidies to banks to reduce their interest rates and by providing financial guarantees to reduce risk and entice banks into the market. Nine banks are involved in this programme. The fund provides 80 percent of the loan to value, and by mid-2013 was offering loans for a select number of government sponsored housing projects in Luanda.

In 2013, the Angolan government launched a subsidised rent-to-purchase scheme through Delta Imobiliária. This scheme offers a three percent interest rate on twenty-year mortgages and is targeted at state-built apartments and housing units.

There is growing interest in the mortgage market. BAI, for example, is now offering terms of up to 20 years and financing up to 85 percent of the value of the property. Other banks finance house acquisitions as unsecured consumer loans. These products typically have much higher interest rates and shorter repayment periods of around 36 months. Lending for house

acquisition is still low, but growing. Only 7.6 percent of housing credit held 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 Kz84 billion (US\$837 million) in July to Kz189 billion (US\$1.8 billion) in August 2010. By mid-July 2013, individual housing loans were still under eight percent of the portfolio of Angolan banks. However 16 percent of overall investments from banks went into housing, the majority of which was for construction by commercial companies.

Until recently, lenders have not had access to a credit information system. The public registry covers 2.3 percent of adults (2013). Lenders have also had to make do without a national identification system. The recent creation of credit bureaux has led to some improvement, but there is still little information available about businesses, and the quality of information is very poor. Only a few companies are audited.

The microfinance sector has seen some growth, but the penetration rate of microfinance institutions (MFIs) remains low, with little more than 30 000 active clients. Only two MFIs – KixiCredito and NovoBanco Angola – report to MIX Market, an online source of microfinance performance data and analysis, which recorded US\$13.2 million worth of loans disbursed in 2011. Most microfinanciers are financial banks; KixiCredito is the largest non-bank microfinancier. In 2014, KixiCredito has a gross loan portfolio of US\$32 million, with loans to 20 000 borrowers. It offers a housing microfinance product known as KixiCasa, that enables groups of between three and five people to access 36-month loans from US\$1 000 to US\$10 000.

The social security system 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, and there is scope for harnessing these resources for housing, through lending to pensioners as well as broader involvement in the residential development industry.

Affordability

Angola has a reputation of having one of the world's most expensive real estate markets, and Luanda ranked first in Mercer's 2014 Cost of Living survey for expatriates, for the second year in a row. Angola's property market is still in its infancy with most properties being bought new or off plan and little turnover of real estate. The focus of formal commercial developers so far has been on the higher income category where a two-bedroom apartment's rent can reach US\$7 000 a month, while a three-bedroom house in Luanda costs about US\$250 000. Outside the main city, property prices have begun to fall with the release of over 25 000 government-built apartments on the market. The cheapest commercial properties are found in Camama, an hour's drive from central Luanda, where there are limited asphalted roads and poor electricity supplies. There, a two-bedroom apartment costs US\$200 000, compared with US\$840 000 in Maianga, an inner-city district.

According to the World Bank's 2014 Doing Business Report, the minimum wage for a 19 year-old apprentice is US\$144.3 a month. It must be emphasised

that the supply of housing within an affordable price range for the 38 to 50 percent of the population living below the poverty line is very thin, and financing is not readily available. High interest rate spreads (15 percent in 2014), have contributed to a moderately low ratio of private sector credit, and very limited affordability for housing.

The Angolan economy has in the past been noted for its very low levels of investment, both public and private. At 13 percent of GDP, it is well below the average of 24 percent for Sub-Saharan Africa. Private investment represents just three percent. The 2013 state budget called for a steep increase of 60 percent in capital expenditure, and a further 30 percent increase in 2014, which will make Angola one of the countries with the highest social expenditure, as a percentage of GDP on the continent. Over a third of the 2014 state budget has been dedicated to the social sector, mainly directed to education, health and social security. Social housing, however, despite public pronouncements to the contrary, has not received the same attention. Historically, attempts at facilitating affordability for housing have been limited. The proportion of the state budget invested in housing rose from 1.07 percent in 2012 to 3.94 percent in 2013. The 2014 state budget provisioned only 1.42 percent amounting to a sum of US\$1 000 million.

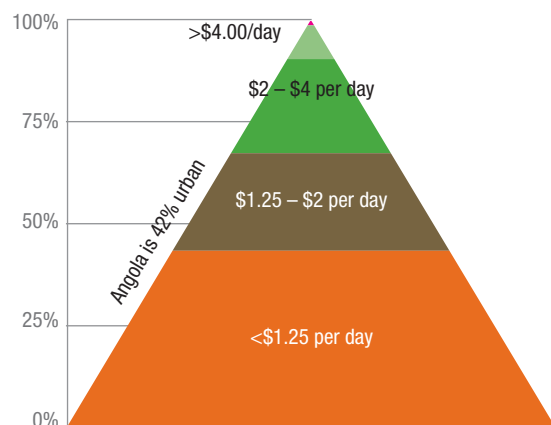
In 1992, the government initiated a programme of selling housing confiscated from the departing colonisers. In general, these houses cost a modest US\$12 000 at the time. This opportunity to purchase state-owned property was restricted, however, and only long-term occupants and renters of these houses or flats benefited. The government also created the National Housing Institute, which developed the Urbanização NovaVida 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 at that time 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.

In more recent years, the Angolan government has adopted four strategies that could significantly reduce poverty levels in the country: 'Water for All'; 'My Dream, My Home', a programme to supply one million houses; decentralisation and fiscal deconcentration; and a commitment to halve poverty by 2015.

Housing supply

The civil war left a legacy of a highly urbanised population, living in areas with little developed infrastructure. The estimated housing deficit is close to two million units. Some 30 percent of the population have no access to electricity and less than 42 percent have access to clean water. The rural areas are the most severely affected, and the government has launched a strategy to supply rural and peri-urban areas with water. Infrastructure limitations restrict housing development in urban areas and make development 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 they face.

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In Camama, an hour's drive from central Luanda, where there are limited asphalted roads and poor electricity supplies, a two-bedroom apartment costs US\$200 000, compared with US\$840 000 in Maianga.

The previous focus on high-end housing developments changed with the economic downturn, and developers are realising the potential for more affordable housing, targeting middle to lower middle income earners in urban centres.

In 2013 the government launched a subsidised rent-to-purchase scheme through Delta Imobiliária which offers 3% on twenty-year mortgages and is targeted at state-built apartments and housing units.

For most Angolans, auto-construção or self-build is the predominant method of housing development. There have been positive developments aimed at harnessing this self-build energy to create better settlements and prevent the development of slums. The government has recognised the potential of self-build, making it an important element in its 'one million houses' programme by providing serviced and legalised land to families who wish to self-build.

The 'one million houses' programme was announced in 2008 and was envisaged to be completed by the end of 2012. The NHI was to lead the project with the cost of these houses to be no more than US\$60 000 – although this was still out of reach for most people. The public and private sector were meant to deliver around 12 percent of these units and co-operatives eight percent, while the majority, more than 68 percent, were meant to be delivered through self-help initiatives. In this context, the state also announced a Social Housing Programme to provide various degrees of subsidy for housing, depending on income. The reservation of 100 000 hectares of land for housing purposes (of which 32 800 hectares would be in urban areas), distributed over Angola's 18 provinces, was also included as part of this ambitious delivery programme. However the housing programme is not delivering as expected, with homes that have been built often remaining unoccupied, are poorly located and unaffordable. By 2013 a large number of middle class housing units subsidised by the state had been released onto the market, but even with subsidised mortgages, they served mainly better paid civil servants. The state has failed to produce sufficient sites and serviced plots of land for the self-help housing sector.

Homeless International, a British NGO supported by UKAid, began working in 2011 in partnership with NGO Development Workshop Angola, to support poor communities in Luanda to work together to improve living conditions and reduce poverty. 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 finance for incremental housing is being provided by the microfinance institution 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 imported. There are campaigns, including financial incentives, to encourage the development and establishment of local manufacturing capacity for cement, ceramics, ironware and timber. Many property developers in the country are foreign-owned or staffed.

Chinese investment is significant, and has come under scrutiny in recent years. In 2012, BBC News reported on a US\$3.5 billion 'ghost town' built in Kilamba by the China International Trust and Investment Corporation. Financed with a Chinese credit line, which Angola is repaying in oil, the development covers 5 000 hectares about 30 kilometres out of Angola's capital city, Luanda, and includes apartment buildings, schools and retail units. It is one of several new 'satellite cities' being constructed by Chinese companies. However, flats in the complex, between US\$120 000 and US\$200 000 a unit, were far from affordable for the vast majority of Angolans. The government has planned a total of almost 120 000 housing units for Luanda, including about 40 000 units that are to re-house residents of the inner-city bairros (areas) of Sambizanga, Cazenga and Rangel.

At the beginning of 2013 the Angolan government substantially reduced the selling price of apartments in several of its large scale housing projects in Luanda and set up a real estate company, SONIP, under the state petroleum company Sonangol. Substantial subsidies were introduced and the price of a three-room apartment was brought down from US\$120 000 to US\$84 200, which could be purchased on a three percent mortgage over 15 years with a US\$14 000 down-payment and US\$390 monthly payments. This brought apartment ownership within the reach of middle-level civil servants earning over US\$1 500 a month. It remains unclear whether this subsidy will be extended to other satellite towns, and to the full, low income population. 151 800 units are being financed nation-wide and are either being built currently or have been delivered. In August 2014, the SONIP housing portfolio was

transferred to the Angolan private housing management company, Imogestin SA.

Property markets

Property prices in Luanda remain high but below their peak of 2008. A big part of the growth of Angola's banks can be ascribed to their financing of the real estate bubble. The demand for high-end, 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. There is a thriving land market in Luanda but it operates 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 the lucrative market at the higher end has slowed down considerably.

A new set of laws for rentals and the transfer of housing has been adopted, replicating Portuguese legislation and making investment in rental housing more attractive to investors. A withholding tax of 15 percent on rental income has been introduced, while taxes on industrial rents have been lowered. Property transfer taxes have been reduced from 10 percent to two percent, and have been eliminated for low cost housing. Stamp duties have been reduced from 0.5 percent to 0.3 percent and the tax on housing credit has been reduced from 0.3 percent to 0.1 percent, while land registry fees have been reduced by half. Since 2005, Angola has made significant progress in reforming the administrative processes for starting a business and registering a property. The cost of transferring property was reduced from 11.5 percent of the property value in 2005 to three percent in 2014. This can be attributed to Angola reducing property transfer taxes.

Policy and regulation

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. Still, policy and legislation around land tenure are a major hindrance to the growth and development of Angola's 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. The government needs to provide greater security of tenure for poorer households and the many overlaps between the various state actors in granting property rights need to be clarified.

Obtaining the official permits and licences necessary to operate remains both costly and time-consuming, although there have been improvements since 2013. Construction permits now take on average 204 days to obtain (down from 348 days in 2013), and it costs 130.1 percent of Angola's annual per capita income to complete the eight procedures needed to start a business. It is extremely difficult to enforce a contract (contracting is Angola's weakest area of business regulation). It takes 1 296 days (an increase from 1 011 days in 2013) to resolve a contract dispute, and the average cost of doing so is equal to 44.4 percent of the value of the claim. These regulations are intended to protect the public, but their costly, time-consuming and otherwise inefficient administration places excessive constraints on businesses, damaging the efficiency of the economy as a whole.

At 187th of 189 countries in 2014, Angola ranks among the worst in the world for ease of contract enforcement. 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 number 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 of various materials for the construction of housing. But by 2013, by-laws regulating and simplifying the legalisation of land in the large informal settlements around Angola's major cities were not yet published. Some local administrations, such as the Municipality of Huambo, have introduced innovative land management and house construction approval procedures that have bypassed the shortcomings of the law.

Opportunities

Angola has strong potential to receive inflows of foreign direct investment thanks to its natural resource wealth and related 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 challenge to sustain its economic growth in the long run as well as to create greater facility for other sectors, beyond extractive-related ones, to grow. Foreign direct investments have come mainly from China, and this country has come to play a major role in the economy of Angola. In 2014 around 50 percent of Angola's oil exports go to China, totalling about US\$30 billion (in the year up to the end of March 2014). 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 focused on high-end housing developments because of the ready market created by oil companies and their employees, amid record prices and oil 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.

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 KixiCrédito, and recognised significant demand for it.

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