



Making financial markets work for the poor

## **ACCESS TO HOUSING FINANCE IN AFRICA: EXPLORING THE ISSUES**

**No. 11**

**ANGOLA**



**Overview of the housing finance sector in Angola,  
commissioned by the FinMark Trust.**

Development Workshop  
May 2010

## BACKGROUND TO THE SERIES

Since 2002, the FinMark Trust has been pursuing its mission, *Making Financial Markets Work for the Poor*, first in the Southern African Customs Union (SACU) countries and now throughout Africa. An independent trust with core funding from the UK Department for International Development (DFID), FinMark Trust aims to promote and support policy and institutional development towards the objective of increasing access to financial services by the un- and under-banked in Africa.

A key product developed by the FinMark Trust is FinScope™, a national-level survey of individual usage of financial services, now being undertaken in eleven African countries.<sup>1</sup> FinScope™ provides baseline data to stimulate policy change and support innovation by commercial providers seeking to deliver products and services sustainably to consumers who are currently outside the formal financial system. FinMark Trust will build on the impact of FinScope™ by promoting and supporting change processes across the continent.<sup>2</sup>

The Centre for Affordable Housing Finance in Africa, a division of the FinMark Trust,<sup>3</sup> conducts research and engages with sector stakeholders in the promotion of innovative housing finance mechanisms to enhance access to housing finance for the poor. Broadly, the CAHF's activities can be separated into the following categories:

- Understanding the housing asset
- Exploring housing finance innovation
- Understanding issues relating to housing finance in Africa

This report is the eleventh of a series of studies which will explore access to housing finance in various African countries (earlier reports consider housing finance sectors in Zambia, Botswana, Kenya, Uganda, Rwanda and Namibia). It is meant as an input into a larger debate about how to enhance access to housing poor by low and moderate income earners throughout Africa. Comments and contributions can be sent to the FinMark Trust's Housing Finance Theme Champion, Kecia Rust on [Kecia@iafrica.com](mailto:Kecia@iafrica.com).

The FinMark Trust hopes that its research into access to housing finance in Africa will begin to shed some light on the key issues facing the poor as they seek to mobilise the finance necessary to access adequate and affordable housing.

### Country Profile: Angola

- **Population:** There is no official data on the population of Angola, as the last national census conducted was in 1973 and only a partial census in Luanda and Malanje in 1982. Various projections on the current population have been advanced, with some conservative estimates suggesting 10 million people, but the more realistic estimate is thought to be around 18 million people. Population density is quite low at 8.6 persons per km<sup>2</sup>.
- **Life expectancy:** 43.1 years
- **Capital:** Luanda / **Area:** 1,276,700 km.
- **Major language:** Ovimbundu 37%, Kimbundu 25%, Bakongo 13%, mestico (mixed European and native African) 2%, European 1%, other 22% **Major religions:** indigenous beliefs 47%, Roman Catholic 38%, Protestant 15% (1998 est.)
- **Monetary unit:** Kwanza (Denominação abreviada moeda angolana)
- **Main exports:** Crude oil and gas; diamonds
- **GDP per capita:** USD 8800



<sup>1</sup> FinScope™ is a nationally representative study of consumers' perceptions on financial services and issues, which creates insight to how consumers source their income and manage their financial lives. The sample covers the entire adult population, rich and poor, urban and rural, in order to create a segmentation, or continuum, of the entire market and to lend perspective to the various market segments. FinScope™ explores consumers' usage of informal as well as formal products and builds a picture of the role that the informal sector can play in the financial markets of developing countries. Since FinScope™ is a perceptual study, it also encompasses attitudes, behaviours, quality of life factors and consumption patterns. See [www.finscope.co.za](http://www.finscope.co.za)

<sup>2</sup> By 2012 it is intended that some 20 countries in Africa will have the survey. Repeat studies will take place on 2-3 year cycles, enabling trends within countries to be monitored and providing the basis for cross-country comparison especially around access to finance. FinScope™ data will provide financial service providers and regional integration initiatives with comparable, standard and reliable data about demand for financial services across borders. (FinScope™ Africa Brochure)

<sup>3</sup> To go to the CAHF page on the FinMark website, go to [www.finmark.org.za](http://www.finmark.org.za), click on "focus areas" and then click on "housing finance".

## Acknowledgements

The research team leader for the current study was Azancoth Ventura who is the manager of Development Workshop's Research and Policy Unit in Angola. He was assisted by Michel Cerqueira Bailundo, an economist from one of Angola's leading commercial banks who worked as a consultant on the project.

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We also thank all those who contributed to this research by granting interviews and answering questionnaires.

We thank Kecia Rust and FinMark Trust for the opportunity to participate in the Africa Regional Project on Housing Finance. Angola too often gets left out of regional programmes and we hope that the current project will encourage Angola's nascent housing finance sector to learn from other experiences in the region. Kecia provided on going critical advice and editorial support in preparing the present scoping study. Appreciation also goes to the donors including DFID and Habitat for Humanity who supported the African Regional Housing Finance research,

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Allan Cain, Director  
Development Workshop Angola

## Acronyms and abbreviations

ADRA	Acção para Desenvolvimento Rural e o Ambiente (Action for the Rural Development of Angola)	CLUSA	Cooperative League of the USA
A-IP	Angola Instituto de Pesquisa Económica e Social (Angolan Economic and Social Research Institute)	CVPHE	Commission for the Sale of State Housing Patrimony
BAI	Banco Africano de Investimento (African Investment Bank) SA	DIG	Development Innovations Group
BANC	Banco Angolano de Negócios e Comércio (Angolan Business & Commercial Bank) SARL	DRC	Democratic Republic of the Congo
BCA	Banco Comercial de Angola (Commercial Bank of Angola) SARL	DW	Development Workshop
BCI	Banco de Comércio e Indústria (Bank of Commerce & Industry) SARL	EGSC	Programa Estrategico para Saída da Crise de 1999-2000 (Strategic Programme to End the Crisis 1999-2000)
BDA	Banco de Desenvolvimento de Angola (Development Bank of Angola)	EIU 30	Economist Intelligence Unit
BESA SARL	Banco Espirito Santo (Bank of the Holy Spirit) Angola SARL	FAPLA	Angolan Armed Forces (pre 1992)
BFA SA	Banco de Fomento Angola	GDP	Gross Domestic Product
BFE	Banco de Fomento Exterior	GOE	Office of Special Works
BIC SA	Banco Internacional de Crédito (International Credit Bank) SA	IDPs	internally displaced persons
BMA	Banco Millenium (Millenium Bank) Angola	IMF	International Monetary Fund
BNA	Banco Nacional de Angola (National Bank of Angola)	KZ	Kwanza, the currency in Angola
BNI SA	Banco de Negócios Internacional (International Business Bank) SA	MPLA	Popular Movement for the Liberation of Angola (the majority political party)
BPA	Banco Popular de Angola	NB	Novo Banco SARL
BPA SARL	Banco Privado Atlântico (Atlantic Private Bank) SARL	NGO	Non-government organization
BPC	Banco de Poupança e Crédito (Savings and Credit Bank)	OPEC	Organization of Petroleum Exporting Countries
BRK	Banco Regional Keve (Keve Regional Bank) SARL	SACCO	Savings and Credit Cooperative Organization
BSOL	Banco Sol (Sun Bank) SARL	SEF	Programa de Saneamento Económico e Financeiro (Programme for Economic and Financial Health)
BTA20	Bancos Totta and Açores	UNDP	United Nations Development Programme
BTCGA	Banco Totta Caixa Geral Angola	UNITA	National Union for the Total Independence of Angola (main opposition party)
BVTB	Banco VTB		
CBO	Community-Based Organization		

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## Exploring housing finance in Angola

This report outlines key findings of a study into the housing finance sector conducted by the Development Workshop (DW). The study was designed to document the actual state of Housing Finance in Angola. On the supply side it researches what is available from, commercial banks and other formal financial institutions, from microfinance institutions, non-government institutions (NGOs), community-based organizations (CBOs), savings and credit cooperative organizations (SACCOs), Harambes, donors, and for whom these services are extended<sup>4</sup>. On the demand side, it explores some key features of housing finance need across the country.

The lack of authoritative and reliable sources of information made this study difficult. Almost 30 years of civil war precluded the systematic accumulation of national statistical data. While the project was initially conceived of by FinMark to be largely a desk study, the lack of published data on Angolan housing finance meant that Development Workshop had to undertake some original research. The researchers built on what data was available, validated against first-hand information from key informants. To validate the data from available documents, interviews with key informants were made, particularly with the staff of the Supervisory Office of the Financial Institutions at the National Bank of Angola (Gabinete de Supervisão das Instituições Financeiras do Banco Nacional de Angola) and the Ministry of Urbanisation and Housing.

### Key findings from the study

This study makes recommendations for some areas of intervention that could make housing financial markets work better for the poor in Angola. They include:

- The public and private commercial banks, as well as real estate developers, should pressure and engage the Government to provide legal tenure guarantees as well as introduce simplified and rapid procedures to manage land rights.
- The government should institute legislative frameworks to appropriately regulate and encourage all microfinance activity, to international standards.
- There is a need to incentivise construction of housing for lower income groups, for example through government fiscal incentives targeting building materials and so on. Provision of land likewise is a critical aspect of this.
- The land registry, land cadastre and conservatory registers need to be improved to adhere to best international practices.
- The housing finance system is hampered by a lack of a national identity system. Angola should learn from other countries in similar post-conflict situations on how to overcome this problem.
- Likewise the absence of a credible credit rating system needs to be resolved by joint measures among public and private financial institutions.
- Banks have traditionally displayed conservative lending practices, and have often opted for investments in government borrowing instruments. There is a need to incentivise public and private banks to develop medium and long-term financial products which meet the economic needs of families and businesses.
- There is a need to expand the sources of investment capital for housing lending to include sources such as pension funds and private investment funds. Risk guarantors, in a market where qualifying for loans is difficult and banks are very risk averse, are also needed

<sup>4</sup> World Bank Report n° 35362-AO-2006.

## Overview of Angola's macro-economy

### Political Context

For 27 years, Angola fought a civil war that saw two main contending parties: the UNITA (União Nacional para Independência Total de Angola or the National Union for the Total Independence of Angola), led by the late Jonas Malheiro Savimbi, and the MPLA (Movimento Popular de Libertação de Angola or Popular Movement for the Liberation of Angola) led by the current president of the republic, José Eduardo dos Santos. Angola finally achieved peace on April 4, 2002 when the UNITA leader was killed in combat.

With the approval of Law nº 23/92 in September 16 1992, Angola formally institutionalised a multi-party democracy, expanding the recognition and guarantee of the fundamental freedom and rights of citizens, and adopted the basic principles of a market economy.

### Macro economic indicators

After the country gained independence from Portugal in 1975, it adopted a centralised economy. From 1987 however, the first initial steps towards a market economy were taken with the adoption of an ambitious reform programme called the SEF (Programa de Saneamento Económico e Financeiro or Programme for Economic and Financial Health). This programme was guided by the following objectives:

Stabilisation of the financial situation -- internal and external economic imbalances resulted in inflationary pressures, large budget deficits, excessive debt for many companies, serious disintegration of the banking system, accumulation of foreign payment arrears, and difficulty in servicing external debt

Reform of the economic system with a view to increasing productivity, improving the value of resources, and creating the conditions for accelerated economic growth rate for equitable development in the future.

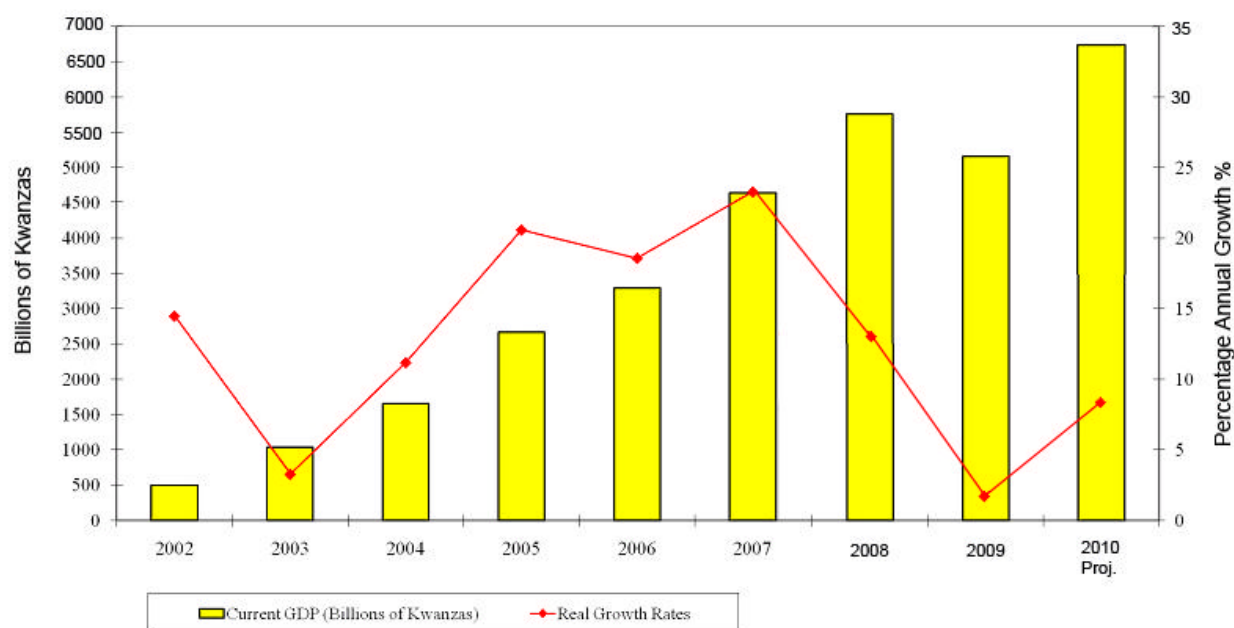
From a structural perspective, the SEF reforms envisaged an increased role for the private sector, with a gradual reduction of the importance of the state within the economy. Despite the appropriate focus, the reforms did not produce the anticipated results. From 1989 to 2000, approximately a dozen economic programmes were designed to produce macro-economic stability, but these programmes failed.

The failure of the diverse economic programmes to deliver, beginning with the SEF to the EGSC (Programa Estratégico para Saída da Crise de 1999-2000 or Strategic Programme to End the Crisis 1999-2000), changed direction from April 4 2002, with the signing of the Peace Accord, and the positive developments occurring in the oil sector.

From then, approximately four (4) million displaced persons were resettled in their areas of origin, agricultural production received a new impetus, and the non-mineral economy gave strong signs of recovery. In 2005, the non-mineral economy represented 10% of GDP, and overall Angolan economic growth reached double digits.

The macro-economic stability achieved by Angola in the period 2006-2008 was the result of high oil prices and production capacity, as well as the concession of diverse credit lines resulting from diverse bilateral agreements signed with the various governments.<sup>5</sup> The fall of oil prices internationally had a negative impact on the Angolan economy from late in the first quarter of 2009, resulting in a cut in public expenditure and a virtual paralysis in growth for the rest of the year.

<sup>5</sup> These include China (\$3 billion); Spain (amount unknown); Brazil (\$800 million) and Portugal (\$500 million). Recently, the President of the Republic was in China, and he returned to Angola with a strengthened credit line, which at this point is thought to be \$7 billion.



In 2007, Angola achieved a growth of 19.8%<sup>6</sup> -- its principal trading partners were the US, with approximately 39.8% of national exports; China with 29.6% of exports; Portugal with about 13.4% Angolan imports. Portugal has a strong presence in Angola, particularly in civil construction, banking, commerce, and manufacturing.

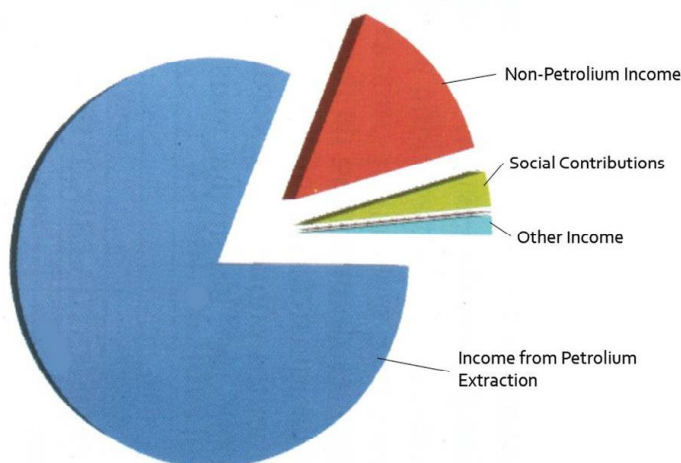
Foreign investment has taken on a fundamental role in economic recovery, with the accumulated investments in 2007 having reached \$7.7 million. These investments are principally targeted at civil construction, road infrastructure, and railroads. Despite signs of life in the non-oil sector, the Angolan economy remains dualistic, and continues to be largely centred on oil and diamond revenues.

In 2008, the extractive industries contributed almost 60% to the GDP but the main contribution principally came from oil (58.3%), indicating the great dependence of the national economy on this sector. Banking services (15.3%) was a distant second, contributing about four times less than the extractive industries. Although contributing less than 10% each, agriculture (8.2%), manufacturing (6.6%) and construction (4.4%) are still seen as dynamic sectors because they are starting from very low base levels.

Composition of 2008 GDP by sector	Percent
Extractive Industries (Crude Oil & Gas)	58.3
Other Extractive Industries (Diamonds & others)	1.2
Banking Services	15.3
Agriculture, Livestock & Fishing	8.2
Manufacturing	6.6
Construction	4.4
Electricity	0.1
Others	6.1

Source: State Budget, Calculations BBPI

<sup>6</sup> Source IMF.



Sources of Income - State Budget 2008

Real growth in GDP was less in 2008 compared to 2007, but it must be pointed out that the non-oil sectors grew more than the oil sector, which posted a growth rate of just slightly more than half of that in 2007. Growth declined dramatically however in 2009 due to the fall of oil prices in the early part of the year and the flight of the country's accumulated foreign reserves. By the beginning of the second quarter of 2009, foreign exchange had dried up and the value of the national currency, the Kwanza began to decline. The currency, pegged at about Kz 76 to the US Dollar, fell to about Kz 95 on the parallel market, only to recover to about Kz 85 by the last quarter of the year, thanks to intervention from the National Bank.

Economic growth declined to less than 2% in 2009 from double-digit figures during the previous five years.

Growth in Gross Domestic Product (based on 2002 prices) %								
	2003	2004	2005	2006	2007	2008	2009 <sup>7</sup>	2010
Income Growth <sup>8</sup>								
Petroleum Income	13.0	23.3	55.0	39.6	14.1	33.5		
Non-Oil Income	23.3	6.6	24.0	13.1	23.9	25.1		
<b>Total Income</b>	<b>15.3</b>	<b>19.3</b>	<b>48.4</b>	<b>34.9</b>	<b>15.5</b>	<b>32.2</b>		
Real GDP Growth								
Oil %	-2.2	13.1	26.0	13.1	20.4	11.7	-3.6	3.4
Non-Oil %	7.0	9.6	17.7	19.6	21.49	15.2	5.2	10.5
<b>Total %</b>	<b>5.2</b>	<b>11.3</b>	<b>20.6</b>	<b>18.6</b>	<b>20.9</b>	<b>13.6</b>	<b>1.3</b>	<b>8.6</b>

Source: CEIC July 2009 Relatório Económico de Angola 2008

The 2009 budget allocated 19.5% of GDP for investment expenditure. Of this, approximately 21% is earmarked for building construction and installations. This year's budget foresees an increase in foreign debt to \$13.5 billion (up by \$4.4 billion), representing 17.5% of GDP.

For 2009, the Angolan government had projected overall economic growth of 11.8%, the oil sector growing by 5.9%, and the non-oil sector by 16.3%. Inflation was expected to be about 10%, with the average price of a barrel of crude oil expected at about \$55. However, these forecasts were made under a different economic context and the global financial crisis, the fall in the price of oil, production cuts announced and imposed by OPEC, etc., have caused the Angolan government to announce budget readjustments in expenditure and income. Budget allocations for personnel costs and sub-contracting/suppliers, have been adjusted downwards, assuming \$35 for a barrel of crude oil; and the estimate for the GDP was revised downward to about 3%<sup>9</sup> in March 2009 and then to 1.3% by November 2009.

<sup>7</sup> Estimates for 2009 & 2010 are from the Angolan Ministry of Finance – November 2009

<sup>8</sup> Income Growth x Kz 100,000,000,000

<sup>9</sup> Projection done by the Angolan government during a Council of Ministers Meeting in March 18, 2009.

**Economic Performance & Forecasts**

	2003	2004	2005	2006	2007	2008	2009	2010
GNP	5.2	11.3	20.6	18.6	20.9	13.6	2.3 <sup>10</sup>	6.2
Inflation (annual)	76.56	31.01	18.53	13.21	11.76	13.17	14	13
Exchange Rate Kz / US\$	79.08	83.44	80.78	80.26	76.5	75.17	85	-

Source: CEIC July 2009 Relatorio Economico de Angola 2008, & forecasts by EIU, Country Report. Jan 09

**Consumer Prices and the Loss of Purchase Power based on Average Basic-Level Civil Service Monthly Salaries**

	2003	2004	2005	2006	2007	2008
Average Monthly Salary (Kz)	9,759.50	9,060.52	9,032.75	8,900.91	8,995.90	9,013.90
Annual Loss of Purchasing Power %	-24.15	-7.83	-0.67	-0.54	+0.801	-0.431
Accumulated Loss of Purchasing Power (since 2002) %	-24.15	-30.09	-30.56	-30.85	-30.38	-30.88
Actual Monthly Salary (Equivalent in US\$ )	\$123.41	\$108.59	\$111.81	\$110.90	\$117.59	\$119.91

Source: CEIC July 2009 Relatorio Economico de Angola 2008, & forecasts by EIU, Country Report. Jan 2009

**Ease of Doing Business**

According to measurements developed by the World Bank, Angola ranks 168th out of 181 countries in terms of the ease of doing business in the country. In other words, it is one of the most difficult countries in which to develop and run a business, having only improved one place from last year. It is interesting to note that Angola has fallen in the rankings in six indices (registering title deeds, obtaining credit, investor protection, payment of taxes, cross-border trade, and closing a business deal) compared to improvements in ranking in three indices (beginning a business, obtaining a planning permission, and employing people).

**Indices of Angola's Comparative International Competitiveness (rank among 181 countries)**

Facility in ...	Doing Business 2009	Doing Business 2008	Variation
General Index	168	169	1
To begin a business	156	176	20
To obtain planning permission	125	134	9
To employ people	174	175	1
To register title deeds	173	169	-4
To obtain credit	84	79	-5
Investor Protection	53	49	-4
Payment of taxes	130	126	-4
Cross-border trade	172	169	-3
Fulfilment of Contracts	179	179	0
To close a business deal	142	141	-1

Source: World Bank, Doing Business 2009

According to this index, Angola is ranked one of the worst countries in terms of employing people (174 out of 181 countries), registering title deeds for instance takes 360 days on average (173 out of 181 countries), and fulfilling contracts (179 out of 181 countries). All these make it very difficult, particularly for small enterprises, to survive and prosper.

Angola is ranked high at the 53rd position in terms of the protection of investments, and the 84th position for obtaining credit, but it seems that these apply to the large multinational corporations, particularly the oil companies.

<sup>10</sup> The Angolan Government forecast at the beginning of 2009 growth in the order of 11%, and currently in December 2009 estimates growth of only 1.3%.

## Social indicators

After the end of the civil war in 2002, the Angolan economy has posted one of the highest economic growth rates in the region. However, many argue that the benefits of this economic boom have not benefited the ordinary citizen. Inflation has eaten into the salaries of most workers. The above table demonstrates that the purchasing power of basic-level civil service salaries has actually declined since the end of the war. The indicators of social well-being (see table below) show that despite the political and economic stability and despite consistently posting outstanding economic growth after the end of the war, Angolans are not much better off than their much poorer neighbours (e.g., Human Development Index rank of 166 out of 177 countries and 68% of the population living under the poverty line). Admittedly, it takes time for investments in social development to bear fruit, particularly when the government has to start with devastated infrastructures and a very low human resource base. But given the revenues and resources at the government's disposal, the above criticism has found traction among observers.

Social indicators	2006 <sup>11</sup>	2008 <sup>12</sup>
Population (million)	18	18
Population ≤ 24 years	64%	
Population under poverty line	68%	
Life expectancy	42.4	43.1
Mortality rate 0 to 5 years (for 1000 births)	250	130
HIV/AIDS prevalence rate	3.9%	
Adult Literacy rate	33%	31%
Human Development Index: Angola's rank among 177 countries	166	
GDP per capita: Angola's rank among 177 countries	128	
Gini co-efficient 1995	0.54	
Gini co-efficient 2001	0.62	0.62

### Poverty Index in Post-War Angola<sup>13</sup>

Year	Poverty Index	Number of Poor	Total Population	GDP Growth per capita	% Change in Poverty Index
2003	67.70%	10,503,700	15,507,100	2.20%	n/a
2004	66.00%	10,539,100	15,956,800	8.20%	1.70%
2005	62.60%	10,275,600	16,419,600	17.20%	3.40%
2006	59.70%	10,081,400	16,895,700	15.30%	2.9%
2007	56.50%	9,820,100	17,385,700	17.50%	3.2%
2008	54.70%	9,784,200	17,889,900	10.40%	1.8%

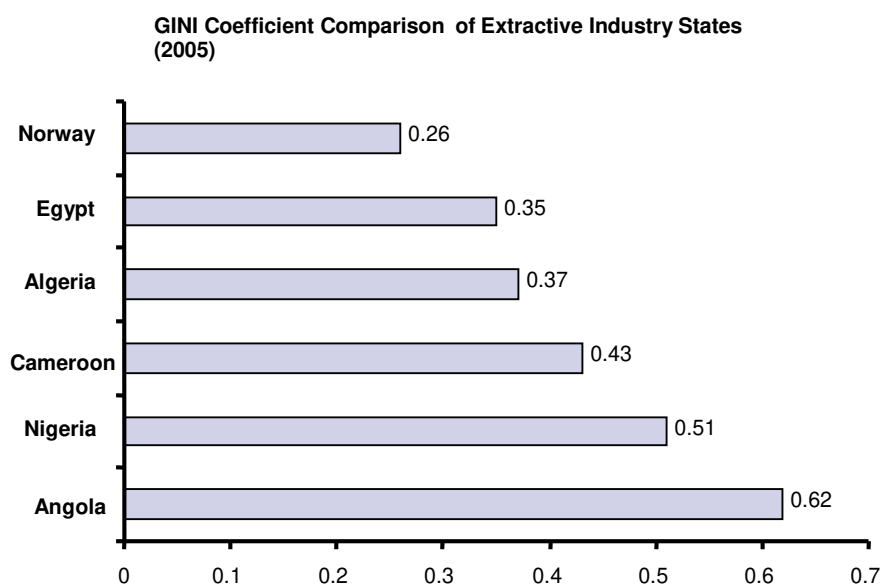
The lack of correspondence between economic growth and poverty reduction is an indication of a widening gap between the elite classes who have benefited most from the post-war growth and the poorer classes who have not gained equal benefits from the 'peace dividend' and Angola's extractive industry economy. Angola's GINI Coefficient<sup>14</sup>, which measures the relationship between the haves and have-nots, is one of the worst in the world, even when compared with other states with extractive industry economies.

<sup>11</sup> World Bank Report on Angola, 2006

<sup>12</sup> African Development Bank Annual Report, 2008

<sup>13</sup> Centro de Estudos e Investigação Científica (2009), Relatório Económico de Angola 2008, pg 43

<sup>14</sup> The Gini coefficient is a widely used indicator for inequality, ranging from 0.0 for perfect equality, to 1.0 if all income accrues to one person. Values above 0.6 are extremely high.

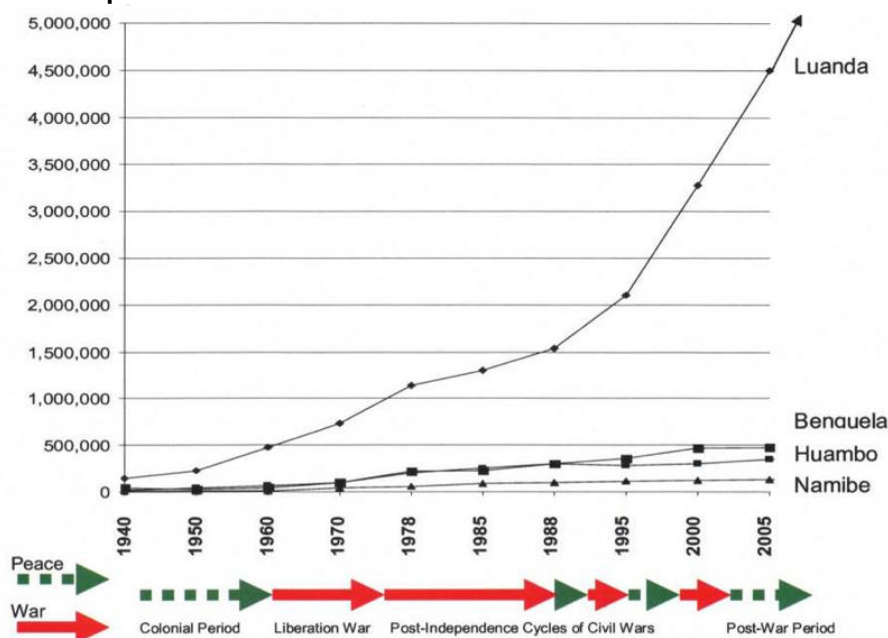


Economic benefits from 'growth' not only have been spread unequally vertically to different social classes but also geographically between different regions of the country as illustrated by the following table.

#### Regional Asymmetries in Angola (2006)<sup>15</sup>

Indicators	Luanda	L.Norte	L. Sul	Malanje	Bie	Huambo	National
GDP per capita (US\$)	3,476	1,324	1,842	243	201	489	2,422
Poverty Index %	49.1	68.2	68.0	77.7	87.6	60.5	59.7
Unemployment Rate %	20.9	18.9	18.7	19.7	22.4	37.5	27.4
Business Volume % <sup>16</sup>	71.2	0.6	1.6	1.3	0.3	4.2	100.0

#### Urban Population Growth and the influence of Conflict<sup>17</sup>



<sup>15</sup> IBID pg 74

<sup>16</sup> Percentage of national business transactions that occur by province.

<sup>17</sup> Development Workshop, adapted from Cain, Allan "Livelihoods and the informal economy in post-war Angola", ISS Pretoria. In: Cain, A. 2007: 362

# The Legal and Policy Framework for Housing

## The Legal & Regulatory Framework

The Angolan legal framework in relation to habitation is basically governed by two principle pieces of legislation elaborated and approved in different contexts. These refer to Law n° 19/91 of May 25, 1991 on “The Sale of State Housing Stock” (“Sobre a Venda do Património Habitacional do Estado”) and Law n° 3/07 of 2007 on “The Basis of Housing Development” (“De Bases do Fomento Habitacional”).

**Law n° 19/91.** In its essence, this legal framework deals with the issue of state housing patrimony after the colonial period. After independence was gained from Portugal, many of the old and large property owners left the country, and as a result of this, Angolan nationals occupied the various dwellings. Within a period of 45 days of being abandoned these dwellings could be individually taken over by the State through a process of legal confiscation.

In conformity with this law, the occupiers acquired the right of tenancy from the Angolan State, and with the opening of the market during the early 1990s, the occupants gained the right to purchase the dwelling that they had previously rented at an almost symbolic price. A large part of the urban housing infrastructure therefore that was inherited by the State from the colonial period, was in-turn transferred from the State to private citizens that were fortunate enough to meet the legal residency conditions and pay the small purchase price. Under the law, these properties could not be sold or transferred for a period of ten years after the purchase from the state. At the time of writing (more than 15 years after the law was passed) many of these urban properties are on the real-estate market fetching prices hundreds of times greater than their original purchase cost.

**Law n° 3/07.** This is the most recent legislation that deals with housing. In general, its objective is to define the policy to promote housing, and establish the instruments for housing growth which lay the foundation for a developing state policy on housing.

Based on this law, the Angolan government proposes to regulate, among other things, the system for housing credit, as well as to promote the emergence of public or private finance for housing construction. The Angolan State decided to create a Fund to Promote Housing and hopes to confer administrative and financial autonomy on the Fund. This fund proposes to provide concessions or subsidies aimed at the construction of housing, drawing on income from the sale of properties, income from the rent of state-owned and commercial housing, as well as future financial contributions directly from the state budget.

Under Law n° 3/07, the Angolan State classifies housing as follows:

- Rural Housing - those dwellings located in rural areas
- Totally subsidised social housing - housing intended for citizens who don't fulfil the minimum income<sup>18</sup> requirements (currently the equivalent in Kwanzas to about \$150)
- Subsidised social housing - for citizens who have minimum or average incomes
- Social Housing
- High valued housing – for dwellings whose price is determined by the free market
- Self-built housing - those which were built from citizen initiative, having due regard for specific urban regulations

This law, which aims to map out the state's housing policy still lacks regulations and bylaws. It therefore lacks the legal instruments to make it enforceable. As it presently stands the Law is a formal statement of intention on housing promotion on the road to developing a state housing policy.

Most of the housing patrimony of the state was acquired through confiscation of colonial properties since 1976, under law n.º 43/76 of June 19, by which the Revolutionary Council, the legislative organ of the time, ordered the confiscation of all Housing buildings, the property of all national and foreign citizens who were unjustifiably absent from the country for more than 45 days following the passing of the law, as well as all the property of national and foreign citizens who had voluntarily and actively collaborated with anti-government nationalist

<sup>18</sup> Minimum wage set as of 1st June 2009 at AKZ 8.891 for the agricultural sector, AKZ 11.114 for urban transportation, services and industry sectors and AKZ 13.337 for the commerce and extractive industry sectors.

organisations. In the absence of a policy that promoted low-cost housing, this confiscation act functioned as the greatest mechanism in the creation of a stock of public housing.<sup>19</sup>

The following institutions now administer the vast housing patrimony:

### **Commission for the Sale of State Housing Patrimony (CVPHE)**

Created in 1991 under law nº 19/91 of May 25, this commission is comprised of members from the Ministry of Urbanisation and Housing, Finance and Justice. The CVPHE objective is to grant to citizens, housing which the state confiscated immediately after independence under laws 3/76 and 43/76 (Laws on Nationalisation and Confiscation) and which were immediately occupied by citizens. Under Law 19/91, those eligible to acquire a residence are all citizens who have signed a Housing Contract with the State. Through this, one acquires the preferential right on purchase, and one formally makes his interest known to the CVPHE which is represented throughout the country. As a general rule, the cost of these homes is approximately the equivalent of \$12,000,<sup>20</sup> the average prices being much less than those being sold by the private sector. A regular employee earning about \$500 per month, could secure a bank credit to the value of \$12,000 at 8% interest, and will need to make monthly repayments of \$145 over a period of 10 years. The opportunity to purchase a state-owned property is only available to those who can prove to be long-term occupants and renters of these houses or flats.

To acquire these homes, some citizens used their bank credit and savings accounts to secure a consumer loan (though often at interest rates up to 12% since the demands for documentation were less stringent. However, a study from A-IP (“Angola Instituto de Pesquisa Económica e Social” or Angolan Economic and Social Research Institute) has shown that banks rarely intervened in financing the purchase of homes from the state at low cost.<sup>21</sup>

One of the major constraints in the selling process within CVPHE is the effective transfer of property rights because it is rare when the State signs the required Public Notice of Sale and Purchase (“Escritura Pública de Compra e Venda”) with the buyer (this is the deed which validates the purchase-sale of fixed assets). Most processes get complicated after the buyer makes the payment to the National Treasury – the CVPHE restricts itself to issuing a certification of legal occupation status (“Termo de Quitação”) on proof of payment, a document which does not guarantee the buyer the right to the property. This makes the legal framework for business very difficult given that the house occupier (in contrast to the owner) cannot formally offer the residence as a guarantee or collateral in any banking transaction nor resell it.

The legal party responsible for Public Notice of Sale and Purchase should formally be the seller, but in the present context, it is the buyers who endeavour to organise the necessary documents for the required exchange of contracts. However, not all buyers have the patience and skills to face the bureaucratic machinery of the State, therefore they often settle for the acquisition of legal occupation status, rather than full ownership.

### **National Housing Institute**

This institute of the Ministry of Urbanisation and Housing currently only manages the housing project “Urbanização Nova Vida”. Created in 1995, this project was designed to build 1,430 homes for public sector workers, in two distinct phases. The decision-making process for allocating the houses to government workers and the eligibility criteria are not well defined. As well as being open to public sector workers, the project is also open to whoever wishes to be included. The official average price of a residence at that time was approximately \$45,000 for an 85 m<sup>2</sup> apartment<sup>22</sup>. While these prices may appear to be high, they were amongst the most economical on the market at this time for middle income housing. A private entity, Imogestin SARL, was created to manage and implement the sales/purchase process; they also deal with the transfer of title deed to the buyers. Through this system, it is hoped that the problems related to transfer of property similar to those encountered within the CVPHE would be avoided.

### **Office of Special Works (GOE)**

This department, nominated by the President, manages specific infrastructure projects and emergency housing in Luanda, and its work is financed by particular credit lines from overseas.

<sup>19</sup> A-IP; “The transfer process for legal ownership of houses which belong to the State, to their actual occupiers”, May 2003, p. 12

<sup>20</sup> Source: *Commission for the Sale of State Housing Patrimony*.

<sup>21</sup> A-IP; “The transfer process for legal ownership of houses which belong to the State to their actual occupiers”, May 2003, p. 64

<sup>22</sup> At the time of writing in 2009, some of the Nova Vida flats are being offered for rent on the private market for US\$ 5,000 per month.

The target group for emergency housing are low-income citizens (who are displaced from areas of risk<sup>23</sup>), and middle-income earners (who are displaced from areas of strategic interest for the Government), for whom various buildings are constructed. It was not possible to determine the number of dwelling units made or available, nor the cost of each of these, but they continue to be developed around the periphery of Luanda. Examples are dwelling units in Panguila in the municipality of Cacuaco; Sapú in the municipality of Kilamba Kiaxi; and Morar and Zango in the municipality of Viana.

### National Reconstruction Office (GRN)

The GRN is a special office under the jurisdiction of the Head of State staffed by senior military officials that manages much of the Chinese credit line to Angola. In 2006 the GRN announced the plan to construct 200,000 residential apartment units across the country. The three and four bedroom apartments ranges in size between 120 and 150 meters squared in the form of standardised 14 story buildings. 120,000 units were to be built in Luanda, 25,000 in Malanje, 12,000 in Huambo, 5,000 in each of Bie, Zaire, Huila and Cabinda and 2,500 in each of the remaining provinces. Construction was to be done mainly by Chinese construction companies in partnership with a number of Angolan firms.

### Security of Land Tenure in Angola

According to the Constitution and Land Law, land is the property of the State. Citizens, in practice, have the right to the surface area, which, with the passing of time becomes de-facto ownership. During the war, the legal framework which governed the use of land was weak. Only in 2004 was a new land law approved, which structures the use of land, and what rights can be attributed to land.

The opportunity to formally receive a plot of land from the state (principally in the capital city, Luanda) is very limited. On the one hand, there is very weak institutional capacity to effectively respond to requests for land, and on the other, a widespread lack of confidence exists in the government's capacity to deliver urbanised housing plots. Defending the argument of "public interest", the government forcibly removed thousands of people from inner-city areas of insecure tenure, to make way for new housing developments and infrastructure such as roads and drainage channels. The displaced population was resettled on the margins of the city in new areas, often far from their previous homes and places of employment.

Informal land markets exist in all urban and peri-urban districts in all provinces of Angola. About 30% of residents in peri-urban districts have acquired their land through purchase on the informal real-estate market. An owner of a large area of land, occupied for example after being abandoned by a departing Portuguese owner at independence<sup>24</sup>, might later subdivide it for sale in small plots. Not all urban migrants can afford a plot, because of the large initial investment required. Money is often borrowed, most often comes from relatives, sometimes in the form of remittances from outside the country.

In the 1970s and immediately after independence pressure on land was not so great<sup>25</sup>. People squatted on any area that appeared to be empty, and then informed the bairro authorities, the administration or the Soba (traditional chief), depending on the location.<sup>26</sup> The peri-urban bairros of provincial towns of the interior like Huambo always had Sobas, and they indicated an area where a new arrival could build.<sup>27</sup> Today the situation is rather different, particularly in Luanda, where land pressures are greater and social capital weakened. Over the years of the war the Sobas' control over the flow of people and their authority has diminished. In Huambo, a city severely affected by the war, instability and the resulting frequent migrations meant that Government control still remains relatively weak even in the post-conflict period. It is still possible in some cases to squat on an "empty" plot, and then inform the local authorities so that he can "recognise" the acquisition.

<sup>23</sup> Living on hillsides, along by drainage valleys, etc

<sup>24</sup> After Independence, private land abandoned for more than 45 days could be nationalized by the State. Nationalizations were done irregularly and only slowly over time. Often previous Portuguese owners sold their land informally before their land could be legally confiscated.

<sup>25</sup> Robson P., Roque S., *"Here in the City"*, Development Workshop Occasional Paper No.2, p.54, Luanda, 2001

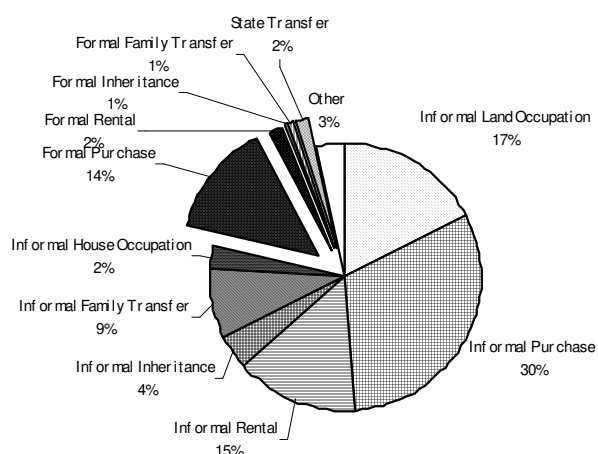
<sup>26</sup> For example, in the final years of the colonial period the peri-urban neighbourhoods of Luanda mostly used to be fields, farms or areas set aside for future development. During the years immediately after independence there was no control of these areas, which were still unoccupied. So, according to many of those interviewed by DW, "all we had to do was occupy it".

<sup>27</sup> There is a general absence of neighbourhood chiefs or *Sobas* in Luanda, although some, displaced from rural districts during the war, did appear in peri-urban zones with large numbers of IDPs. Witnesses for land transactions in Luanda therefore are normally figures appointed by the local administration as *bairro* coordinators. Usually they are long-standing members of the Residents' Committee, or senior residents who are respected in the neighbourhood.

A false sense of security of land tenure has become the norm in urban areas throughout the country. Families who have purchased a plot of land and have a signed bill of sale, often witnessed by the soba, or a local administration official or even legally notarised feel legally secure in their occupation, then proceed with building their house. Similarly those former squatters who feel that they have regularised their occupation by obtaining a document recognising their occupation from the local authorities also feel that they have secured their tenure rights. In fact, only those who have gone through the arduous and expensive process of obtaining a formal title from the Provincial Government have any legal rights. These rights are only granted under the current land law in those few areas where an urban development plan already exists. Therefore the vast majority of those who feel that they have occupied or purchased their land in “good faith” or even later regularised their informal occupations are in fact still at risk of expropriation by the state or even commercial developers who have secured clear legal concessions to tracts of urban land.<sup>28</sup> Only those owner occupiers with legally registered land titles are able to secure bank loans for housing construction.

According to a study of access to urban land by Development Workshop in 2004, only twenty percent of land was accessed through formal means and had a clear title.

### ACCESS TO LAND DW 2005



### State Housing Policy

From the practical point of view, Angola does not yet have a housing policy nor a formalised housing sector programme. What exists is a declaration of State political will (laid out in speeches<sup>29</sup> and press statements such as the Minister's speech in the text-box below) to resolve the problems associated with the housing supply. Public commitments have been made by senior political officials regarding the urgency of ensuring that each citizen has a place to live (the most important being the promise of the head of state – to build 1 million homes by 2012).

#### Housing policy seen as important aspect of Angolan development

A statement by the then Angolan Minister of Urbanisation and Housing, Diankumpuna Sita José, made in Luanda on November 2008, at the opening of the development forum, 'Path for Angola's Development', indicated that the Angolan government considered its housing policy as an important component of the country's social and economic development.

With this policy, the government is seeking to create opportunities to establish mutually advantageous partnerships between the public and private sectors.

<sup>28</sup> Angolan cadastral and property title records have not been systematically updated since independence in 1975. There is no accurate estimate at the national level of the proportions of land that fall into public, private, communal and informal domains. DW's 2004's study of peri-urban Luanda indicates that over 80% of land is informally occupied.

<sup>29</sup> The most illustrative example of this is the speech of President Jose Eduardo dos Santos, during the opening of the National Housing Conference, held by the Angolan Government on April 13, 2009.

According to Minister Sita José, the most recent studies on the country's demographic evolution forecast the emergence, in the period 2008 to 2012, of more than one million new families distributed between both urban and rural areas. This would create an urgent need for new housing.

About six million people are estimated to be living in Luanda, and according to the Minister, this means that about one-third of the Angolan population is concentrated in the capital city. From the point of view of the government, this trend should be discouraged. The Minister said that 80% of the urban population lived in informal settlements, or in compounds considered as precarious – a trend that would continue unless measures were taken to reverse the situation.

The Minister pointed out that the Ministry of Urbanisation and Housing had started the implementation of its Integrated Programme on Constitution and Urbanisation of Municipal Land Reserves in 2008, with an emphasis on the promotion of housing programmes of social interest. Minister Sita José added that of the 100,000 hectares identified at national level, only about 32,800 hectares would cover the urban goals for the 2008/2012 period. The Minister also stated that funding of about KZ 60 billion (approximately US\$798 million) had been allocated to the housing programme from the state budget for 2009, and the process to respond to the needs of about 390,000 inhabitants would therefore be set in motion.

The 'Path for Angola's Development' forum comprises three panels focusing on a range of topics, including housing credit, financing of public/private partnerships, housing tax, and challenges of housing promotion.

(Source: allAfrica.com, 1 December 2008)

## Housing Supply and Demand

### The Post-War Housing Crisis in Angola

During the three decades of conflict since independence, formal sector housing construction has been minimal. During that same time there has been almost no maintenance or upgrading of physical infrastructure and service networks. This period also coincided with a massive migration of population to coastal cities like Luanda. Land and property registry systems have not been updated and transactions in many cases have gone unregistered. Land regulations have not been adapted to the new high-density urban reality and land legislation has focused on rural rather than urban contexts. A massive housing backlog exists with demands from all economic groups for adequate housing.

Angola's rapid post war economic development has been uneven meaning that the elite socio-economic strata has been able to transform their demand for improved housing into numerous high-end luxury projects. To date, most investment in housing has been attracted to this segment of the market and little has trickled down to even start to meet the needs of the middle classes and civil servants. This is an emerging and increasingly articulate segment of the population and therefore government has felt under considerable pressure to address the need of these groups. Housing for the poor remains a serious dilemma however. The urban poor live in informal musseque settlements both close to the urban centres and in the city periphery. Ironically many of the long-term-urban poor are living on some of the most valuable inner-city lands, but in situations where they lack tenure and basic services.

With the evolution of democracy in Angola, demands from the poor majority are increasingly heard. Shortly after winning the 2008 parliamentary elections, the President of the Republic made a dramatic announcement, committing the newly elected government to deliver one million houses within their four-year term of office. This will be a difficult challenge to meet since by the President's own calculations this will demand almost a quarter of the State's investments during this period. Further, the legacy of war has left Angola with an underdeveloped entrepreneurial class and a financial system that still does not serve two thirds of the population. Foreign capital has identified Angola as an opportunity at a time when demand for house construction at home has slumped due to the world economic crisis. Angola obliged in mid 2009 by reducing tariffs on imported foreign building materials and allocating construction contracts to foreign firms. While expedient in order to quickly meet the short-term housing targets, Angola may be missing an opportunity to build up an indigenous building industry and nurture its own nascent entrepreneurial class with all of the employment opportunities that a more gradualist approach may provide.

The chart below demonstrates the accumulated housing short-fall that existed at the end of the war in 2002 and the continued growth of demand during the post war period. The table projects the expected demand through to the end of the mandate of the Government in 2012, up to 2015 which is the target date for delivery on the Millennium Development Goals (MDGs).

**Housing Demand Estimates (Programa Nacional de Urbanismo e Habitacao - Novo Jornal - 4 Dez 2009)**

Year >	1990	2000	2002	2003	2006	2009	2012	2015
Total Population	10,098,727	13,373,161	14,187,587	14,613,214	15,968,000	17,448,942	19,066,930	20,834,949
Housing Stock (units)		1,229,741	1,279,423	1,305,011	1,384,888	1,469,654	1,559,609	1,653,184
Added Demand (units)		107,575	139,336	156,310	211,937	275,240	347,084	428,426
Total Demand (units)	485,267	699,080	754,738	784,021	878,068	982,144	1,097,256	1,224,514

### Price vs Affordability

In general, the cost of housing in Angola, particularly in Luanda, is very high due to the limited supply of construction materials, high construction costs, land speculation, etc. Currently 50kgs of cement costs \$25-30, and this is complicated by the fact that much material is imported. There is also no direct relationship between price and the quality of buildings, and there are no standard housing categories nor standard codes that builders have to conform with. There is as yet no rule of thumb regarding the estimated cost of constructing a square metre of housing. In the same manner, it is very difficult to estimate the selling price of a home based on floor area (m<sup>2</sup>) alone, since the value of a house is determined by different factors such as location, materials used, access to utilities, etc.

The table below shows the prices of various types of dwelling units built by real estate developers. Delivery times are long and the prices are beyond the reach of ordinary Angolans. With the exception of the Angolan State, national and foreign developers erect buildings whose average cost for apartments or homes with a floor space of approximately 70m<sup>2</sup> is \$125,000.<sup>30</sup> On the other hand, the basic public sector worker earns a salary of about KZ 9,013.90 per month or about \$120 so he will not qualify for a housing loan from the banks, and he cannot afford to purchase a house from the private sector. For example, a 25 year-old worker would need to make a monthly income of about \$1,500 to qualify for a bank loan valued at \$50,000, to be repaid at \$600 per month over a period of 10 year, at an annual interest of 8%.<sup>31</sup>

Housing Category	Type	Price / Bought off Plans	Delivery Time	Examples
Economy	House	\$ 25,000-50,000 (excluding land)	12-18 months	Imobiliária Royal Prestige, Ltd
Middle	House	\$ >150,000	18-24 months	Urbanização Nova Vida
	Apartment	\$ >60,000	18-24 months	Nova Vida
High	House	≥ \$ 250,000	18-24 months	Imobiliária Rita Projects Ltd
	Apartment	≥ \$ 250,000	18-24 months	

The minimum cost of economy-type houses is from \$25-35,000 to build (assuming land is available). The majority of the population cannot afford this price due to lack of financial resources, given that monthly repayments would approximately be \$300-\$400, based on a housing loan from a commercial bank under prevailing conditions (see table below).

Salary	Credit Amount	Monthly Payments	Affordability Payment to Salary Ratio	Repayment Period (years)	Age of borrower	Interest rate
US\$ 3,000	US\$ 125,000	US\$ 1,500	50%	10	25	8%
US\$1,500	US\$ 50,000	US\$ 606	40%	10	25	8%
US\$ 900	US\$ 25,000	US\$ 300	33%	10	25	8%
US\$ 500	US\$ 12,500	US\$ 150	30%	10	25	8%
US\$ 250	US\$ 6,000	US\$ 73	29%	10	25	8%

<sup>30</sup> Source: 2<sup>o</sup> real Estate Forum, which took place in May 2008, organised by 'Polis Luanda Imobiliário'.

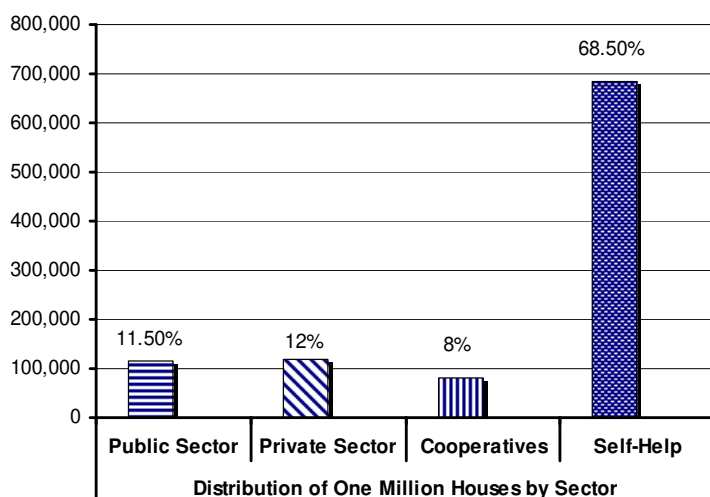
<sup>31</sup> Figures provided by the flowing banks: BFA S.A; BIC S.A and BAI.

## Real Estate Developers

In the present context, real estate developers include the Angolan State, national companies and foreign construction companies. Few national companies are capable of seriously implementing a housing project. Those currently operating in the market, do so with difficulty, fail to fulfil the timelines for the handing over of buildings, and as with foreign companies, their target group are clients with incomes of \$3,000 per month and whose debt capacity is in the region of \$125,000.

## National Programme of Urbanisation and Housing

This government programme was created to build 1 million houses in the four-year period from 2009-2012. The target of 1 million homes as follows:



Source: Jornal de Angola, nº11445

## Projected Housing Supply (Programa Nacional de Urbanismo e Habitacao - Novo Jornal - 4 Dez 2009)

	2009		2009 - 2012 (planned)									
	Delivered by Public & Private Sectors		To be Supplied by Public Sector		To be Supplied by Private Sector		To be Supplied by Cooperative Sector		To be Supplied by Self-Help Owner-Builders		TOTAL Housing Projected	
PROVINCE	Housing Units	Beneficiaries	Housing Units	Beneficiaries	Housing Units	Beneficiaries	Housing Units	Beneficiaries	Housing Units	Beneficiaries	Housing Units	Beneficiaries
Bengo	500	3,000	4,792	28,750	5,000	30,000	3,333	20,000	28,542	171,250	41,667	250,000
Benguela	800	4,800	7,667	46,000	8,000	48,000	5,333	32,000	45,667	274,000	66,667	400,000
Bie	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Cabinda	500	3,000	4,792	28,750	5,000	30,000	3,333	20,000	28,542	171,250	41,667	250,000
Huambo	800	4,800	7,667	46,000	8,000	48,000	5,333	32,000	45,667	274,000	66,667	400,000
Huila	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Kuando Kubango	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Cunene	500	3,000	4,792	28,750	5,000	30,000	3,333	20,000	28,542	171,250	41,667	250,000
Kuanza Norte	500	3,000	4,792	28,750	5,000	30,000	3,333	20,000	28,542	171,250	41,667	250,000
Kuanza Sul	200	1,200	1,917	11,500	2,000	12,000	1,333	8,000	11,417	68,500	16,667	100,000
Luanda	4,980	29,880	47,725	286,350	49,800	298,800	33,200	199,200	284,275	1,705,650	415,000	2,490,000

Lunda Norte	520	3,120	4,983	29,900	5,200	31,200	3,467	20,800	29,683	178,100	43,333	260,000
Lunda Sul	250	1,500	2,396	14,375	2,500	15,000	1,667	10,000	14,271	85,625	20,833	125,000
Malanje	250	1,500	2,396	14,375	2,500	15,000	1,667	10,000	14,271	85,625	20,833	125,000
Moxico	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Namibe	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Uíge	300	1,800	2,875	17,250	3,000	18,000	2,000	12,000	17,125	102,750	25,000	150,000
Zaire	400	2,400	3,833	23,000	4,000	24,000	2,667	16,000	22,833	137,000	33,333	200,000
<b>TOTAL</b>	12,000	72,000	115,000	690,000	120,000	720,000	80,000	480,000	685,000	4,110,000	1,000,000	6,000,000

The government adopted the following strategies to implement this programme:

- Regulate the housing credit system
- Create exemptions or tax reductions on the acquisition of dwellings and land
- Provide land concessions for home construction and provide space for social institutions such as schools and medical centres
- Approve general political directives for the allocation of land for housing purposes

The programme aims to benefit an estimated 6,000,000 people across the country, with the primary target group being made up of families displaced by urban-renewal projects (“requalificação”), flooding and other disasters; former soldiers, and recently graduated youth. Dwelling units will be purchased or rented (“renda resolúvel”), with the rules to be determined in the future by the government.

This programme is also partly designed to strengthen the management capacity of municipal and provincial administrations. In particular, the provincial governments are expected to:

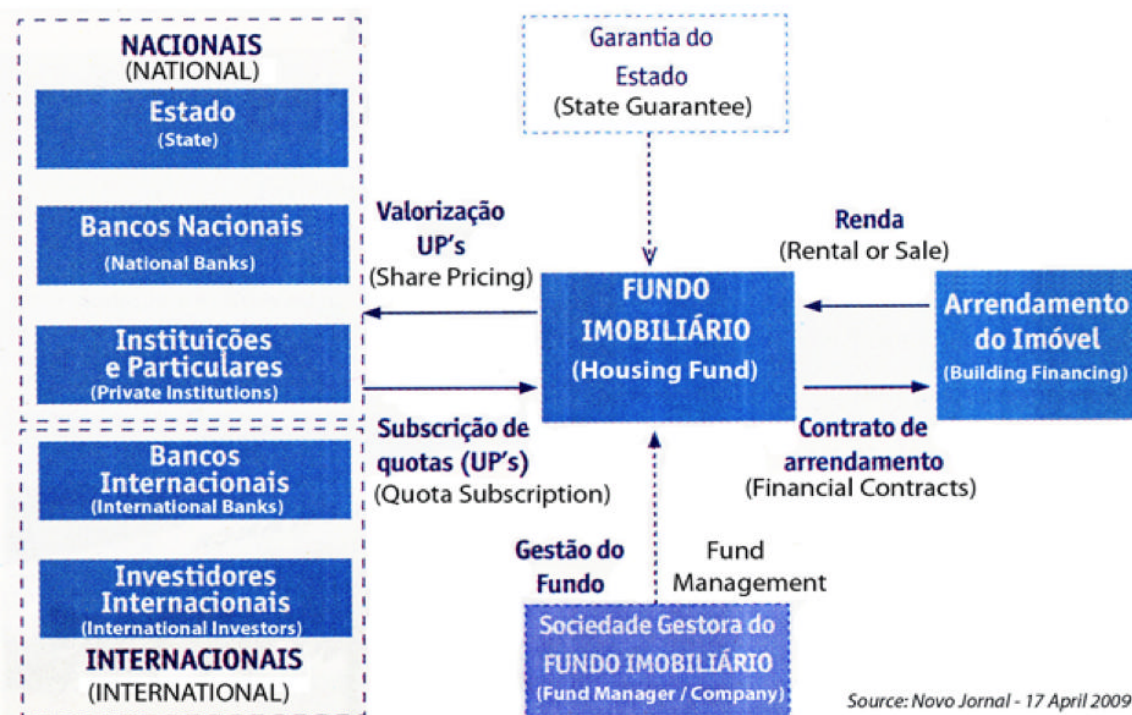
- make serviced and legalised land available to families who wish to self-build, or for the reintegration of families affected by flooding, or those who are living in areas at risk;
- restructure and renovate old, degraded slum areas, so as to guarantee legal ownership of urbanised (serviced) land, while at the same time seeking to maintain the maximum number of families in the areas where they currently live; and
- implement a criterion-based land legalisation process to deal with resident communities in suburban and urban areas that can be legalised, while installing the missing public and social infrastructure.

At the same time, the Ministry of Justice is expected to open Registration and Notarisation offices, and to concentrate diverse services in targeted locations to facilitate the rapid acquisition of title deed, with a view to simplifying procedures and reducing the transaction costs for users.

### Housing Promotion Fund (Fundo de Fomento Habitacional)

This fund was announced by President Dos Santos in Luanda on World Habitat Day the 6th October 2008, indicating a commitment of \$50 billion. The plan is to build one million houses over forty years, an investment equivalent to \$12.5 billion per year (an amount equal to a quarter of the State budget<sup>32</sup> every year) starting in the first semester of 2009. It is intended to primarily assist low-income families to purchase homes, finance self-build projects, finance larger building projects, finance housing cooperatives or to provide housing subsidies. Hence the role of the State is as guide, regulator, and financier all rolled into one.

<sup>32</sup> The 2010 State Budget announced in November 2009 foresees an over all expenditure of Kz 3.9 trillion or an equivalence to US\$ 45 Billion.



### Housing Land Reserves (Reservas Fundarias)

In order to prevent the further growth of slums in the peripheries of cities and to rapidly provide land to begin to meet the needs of the one million homes programme the Ministry of Urbanism and Housing (MINUAH) set out a national plan of designating housing reserves in each of Angola's 18 provinces. In total 100,000 hectares were to be set aside for demarcation and sub-divisions. 32,800 hectares of this land were to be allocated in urban areas and the remainder in towns and rural areas.

Many of the housing reserves were demarcated in the peri-rural green belts around provincial cities and municipal towns. Invariably conflicts arose with local peasants and farmers who are using the land for agriculture. A dispute resolution and compensation mechanism must be developed in order to ensure the success of this programme. In August 2009 Provincial Housing Technical Commissions were set up to oversee the implementation of the Reservas Fundarias and budgets were allocated to commission urban plans for the new housing and site & service areas. Municipal authorities were mandated to grant individual land concessions for house construction.

### Social Housing Construction Plans

There are several ambitious housing construction projects planned or underway in various provinces. In the province of Luanda, housing projects are concentrated in the four municipalities of Kilamba Kiaxi, Cacuaco, Viana, and Km 44. In Kilamba Kiaxi, the target is to build 20,000 apartments for 160,000 inhabitants. Apartments with floor areas of 110, 120 and 150 m<sup>2</sup> are to be built in 11 storey-buildings by the end of 2011. It is planned that by the end of 2009, 3,000 apartments will have been built, by the end of 2010 12,000 apartments will be ready for occupancy, and the remaining 5,000 to be available in 2011.

In the municipality of Cacuaco, 30,000 apartments are planned to be built in the form of 5 - 11 storey buildings in 3 phases. Ten-thousand apartments are currently being constructed, the rest to be built within 2.5 years. In the municipality of Viana, 51 new buildings are planned to be built in the community of Zango while 2,000 houses are targeted to be built in the municipality of Km44, with the majority of the beneficiaries being the workers at Luanda's future airport.

In the province of Huambo, about \$500 million will be invested in a project that encompasses both a 4-star hotel and 130 homes. In the province of Huila, 25,000 new low-cost housing units are planned, while 20,000 homes are planned for the city of Dundo in the province of Lunda Norte. The city of Saurimo in the province of Lunda

Sul are destined to have 5,000 dwelling units while 3,000 new homes are planned for the city of Luena in the province of Moxico.

#### National Real Estate Companies.

A project was carried out three years ago by Promotora Real Prestige Ltd, in partnership with a Public Institution that needed to provide accommodation for its workers. This contractor successfully built 100 homes out of 550 units planned, in the capital city of Luanda, the municipality of Kilamba Kiaxi, Camama sector. The cost to construct one unit was \$15,000 and each unit was sold for \$25,000 which included a provision for land and services. This project benefited the low-salaried workers of the partner institution – the average salary was KZ 37,000 per month or about \$481<sup>33</sup>; monthly payments were at \$143 over a period of 420 months, and at an interest rate of 8%.

It is important to mention that each house from Real Prestige was handed over unfinished – a 59m<sup>2</sup> house with zinc roofing, and with much work still to be done (i.e., internal investment, external walls, internal flooring, false ceilings and protective walls). However, the homes had electricity and running water. Despite all these shortcomings, the project is rather innovative and much sought after, given the fact that it was the only registered private initiative, focusing on a population group whose capacity for debt does not reach \$125,000.

The major national real estate players in the Angolan housing sector are:

- Cooperativa O Lar do Patriota is the leader in the housing project 'Urbanisation Harmony' ("Urbanização Harmonia"). Begun in 1995, this project envisaged the building of 2,050 homes, and had built 550 to date. It was founded to address the need for housing for ex-combatants of the FAPLAS (the former armed forces), but after a period of time, the project developed wider interests. The Cooperative did not provide any information regarding the reach of the project to provide housing for the ex-combatants mentioned above.
- Ridge Solution, Ltd. is the leader of the housing project 'Garden of Eden Urbanisation' ("Urbanização Jardins do Edén"), that sought to build 2,000 homes in the municipality of Kilamba Kiaxi, in the Camama sector. Construction began in 2005 and after the first two years, 370 houses valued at \$75,000 each were ready for occupancy. According to company sources, the largest number of clients are private institutions (Oil & Diamond Companies, Banks, etc), which reserve the homes for future workers.
- Casa Forte Imobiliário Lda is managing a project that builds timber houses, which are built on client-owned plots at the following cost: T2 (two room) - \$58,000; T3 (three room) - \$81,000; T4 (four room) - \$104,000.
- Several other groups of national contractors focus on luxury condominium-style accommodation that is of high rental value.

#### Foreign Real Estate Companies.

These are mainly Brazilian and Portuguese companies, operating in the civil construction sector. These companies carry out projects which render high rent -- generally small, closed, condominium-type construction (e.g., those constructed by Soáres da Costa, Teixeira Duarte, Odebrecht, Edifer, Mota Engil, etc.). A number of Chinese civil construction companies have also begun to emerge.

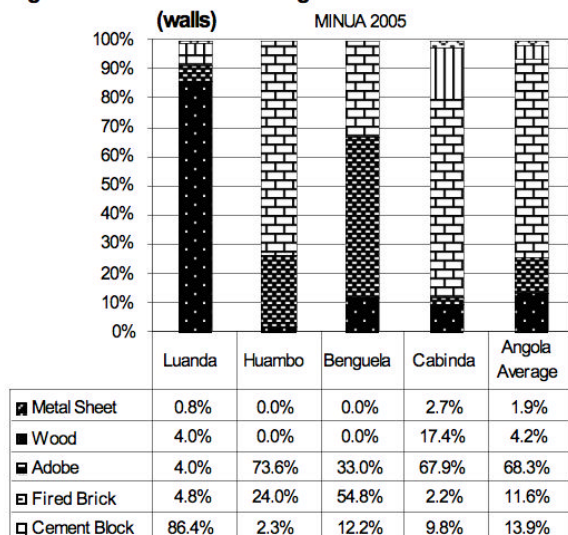
#### Self-Help (Auto-Construção)

The concept of "owner-builder" is fundamental to the traditional "process" of building houses in Angola. This is a tradition where the owner acts as the prime contractor, determining the layout of space, arranging the financing, normally choosing local materials to build with, mobilising family labour whenever possible and hiring tradespersons to do the specialist construction work. It is a self-help process and a time-consuming one, but it is a process adapted closely to the financial capacity of the household and one that results in the provision of housing at economic prices that can rarely be achieved by contractor-built housing. The formal-sector construction industry is geared to produce housing as a "product" which can be delivered relatively quickly in standardised packages, built of industrialised, often imported materials. The relatively high price is usually made payable through a bank mortgage which allow for the payment of the completed house over many years. Banks are rarely interested in funding a phased housing process that may involve a combination of paid and unpaid

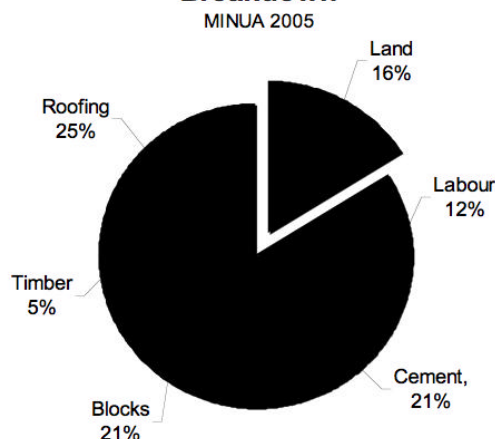
<sup>33</sup> Data provided by Real Estate Agents, in accordance with BFA Bank systems; a large part of financing is made available by BFA.

labour, multi-contracts and suppliers, and correspondingly high transaction costs for themselves. Incremental micro-loans are what the owner-builder needs to facilitate the traditional housing process that employs largely informal sector daily-paid builders and materials suppliers willing to sell in small batches.

**Regional Differences - Housing Construction Materials**



**Housing Construction Cost Breakdown**



## Housing Demand

As a result of the armed conflict, Angolans left their homes in the rural areas and sought refuge in the relative safety of the urban centers (with Luanda as a primary destination) which were generally spared from the fighting. As the war went on, more and more of the rural population migrated to the cities, putting further strain on the already overburdened infrastructures. After the war ended, the displaced persons were expected to return to their original communities. While there was a large scale return of war displaced from provincial towns and cities to their areas of origin in the months after the end of the war this did not happen for those who had fled to Luanda. The great majority of these displaced persons decided to stay put, hence the current housing demand is primarily located in the large urban centres of the capital region. Many of the 4 million internally displaced people<sup>34</sup> resettled or returned to find their homes destroyed at the end of the war. This return resulted in a massive “demand” as families tried to rebuild. It is estimated that Angola’s shortfall of housing is over 875,000 units<sup>35</sup> and that 65% of existing housing lacks basic services such as water and sanitation<sup>36</sup> and are in need of major upgrading. When the Angolan Government took into account the number of housing units that they consider will need to be replaced after their ‘urban renewal’ (requalificacao) programmes, their estimate of the need is for one million new houses.

In the face of the great shortage of housing, the majority of the population have opted to build their own houses, often in areas not suitable for dwellings (e.g., steep hillsides, causeways, flood drainage, etc.). The majority of owner-builders rely on informal mechanisms of acquiring housing sites since the State reluctantly grants construction permission in areas that are not covered by a master plan. This has resulted in a constant state of conflict between the State and the citizens who are threatened by the possible demolition of their houses built in unauthorised areas.

## Housing Finance

The Angolan banking sector began in 1975 with the replacement of the colonial Portuguese banks and the installation of a centralised socialist system, led by the Central Bank and Angola Popular Bank (Banco Popular

<sup>34</sup> Development Workshop, “What to do When the Fighting Stops – post conflict risk mapping”, Luanda 2006

<sup>35</sup> Ministry of Urbanism & Environment, “Défice habitacional sobe para 60%”, Jornal de Angola, 18.05, Luanda 2007

<sup>36</sup> Ministry of Urbanism & Environment, Perfil Urbano em Angola, Luanda 2005.

de Angola). These two banks together monopolised commercial activity until 1991, when the first private banks (foreign-owned) emerged. Currently 21 banks operate in Angola, but two-thirds of the assets of banking sector are held by six banks.

Economic reform started in the late eighties when the government started introducing free market principles and liberalization of the economy, including the financial sector. New banking legislation was introduced in 1991 allowing for the entry of private ownership in the banking sector. In 1997, legislation was introduced providing authority to BNA to act as Central Bank, tasked with executing monetary and exchange policy and assuming the role of regulator and supervisor of the financial sector. The Ministry of Finance remains the registrar of financial institutions, with decisions made based on recommendations by the BNA. In 1999, the Law of Financial Institutions (Law Nr 1/00) was introduced which further allowed for the liberalization of the financial sector. In 2000, a national Payment System was introduced and in September 2005, Angola saw the introduction of its first Stock Market Law (Law 12/05).

Also in September 2005, the Law of Financial Institutions of 1999 was amended to make provision for both bank and non-bank financial institutions (Law 13/05 of 23 September 2005). This represents a major shift in that non-banks are for the first time legally recognized in the Angolan economy – a major move towards broadening and deepening the financial sector in Angola. Law 13/05 classifies financial service providers into two main groupings: banks and non-banks.

Banks	Non-banks
Banks have a minimum capital requirement of US\$ 8 million, (raised from US\$ 4 million in 2007) and are regulated and supervised by the BNA. Article 5 defines various types of non-banks according to three main categories. The first category includes provision for providers of credit and currency transactions, including credit cooperatives and microcredit institutions. Other institutions include leasing companies, exchange bureaus, and so forth. The other two categories make provision for providers of insurance services and for asset management companies and brokers.	<p><b>Credit Cooperatives</b> : These are defined as non-banking financial institutions which are allowed to collect savings and extend credit, but both services are restricted to the members of the cooperatives only.</p> <p><b>Microcredit</b> : These institutions are described as the providers of low value credit amounts to small entrepreneurs, although it is not clear what constitute low value transactions. The law does not explicitly indicate details on typical microcredit activities, stating that they will be defined by specific regulations or byelaws, which are yet to be prepared by BNA.</p> <p>Chapter VIII of Law 13/05 is dedicated to non-banking financial institutions, but there are no specific provisions for the different types of non-banking financial institutions. Article 71 does state that the supervision of non-banking financial institutions will be done by the BNA, which will provide the required notices, indicating the terms and conditions for such supervision. The minimum capital requirements for non-banking financial institutions are not defined, and Article 92 states that minimal capital requirements for non-banking financial institutions that are exclusively dedicated to microcredit activities will be defined in the specific regulations to be prepared by BNA. However, the Law does stipulate that microcredit institutions are not allowed to take deposits.</p>

Still, market penetration is limited.

#### Estimated current level of market penetration<sup>37</sup> (population 18 million)

Population profile (employment)	Estimated Population	Financial sector (formal/informal)	Est. number of clients/ accounts in system	Penetration
Economically active	9.75 million	Entire financial sector	<2 million	20%
Formally employed	2.6 million	Entire financial system	<2 million	75%
Informal	7.15 million	Microfinance	< 40,000	0.6%
Informal low-income salaried <sup>38</sup>	8.5 million	Microfinance	< 25,000	0.3%

<sup>37</sup> Banco Nacional de Angola (2006), Angolan Microfinance Sector Review: Baseline Study, Luanda, December 2006, pg 8 . Estimates updated to 2009 population projection.

<sup>38</sup> Low-income salaried estimated at 50% of 2 million formally employed

## The Growth of the Banking Sector

In 1975 Angola possessed a rather developed banking system made up of eight (8) commercial banks. With the introduction of the Marxist system in 1976, the Angolan state nationalised the banking sector, and reduced the number of banks to two: a) the BNA ("Banco Nacional de Angola" or the Angolan National Bank) replaced the Banco de Angola" and the Banco Popular de Angola" (BPA), and b) the BPC (Banco de Poupança e Crédito" or the Savings and Credit Bank) replaced the Angola Commercial Bank ("Banco Comercial de Angola SARL").<sup>39</sup>

In 1991, the government approved new legislation for financial institutions, and institutionalised a banking system with two levels state and private, ending the State monopoly in this sector. The BNA was institutionalised as the financial authority, with wider credit activity for national and foreign individual agents. The first Portuguese bank branches were established in 1992, namely a) Bancos Totta and Açores (BTA), known today as Banco Totta Caixa Geral Angola (BTCGA), b) Banco de Fomento Exterior (BFE), known today as Banco de Fomento Angola SA, and c) Banco Português do Atlântico, known today as the Banco Millenium Angola.

As a result of banking sector dynamics between 1991-2005, the Law on Financial Institutions (Law 1/99, April 23) created two new and important innovations in April 1999, the Law which regulates the fundamental principles of the Angolan banking sector; and in September 2005, new financial legislation was published (Law nº 13/2005, September 29). Until 2005, 12 banks were engaged in commercial activity, but only one, Banco de Poupança e Crédito – BPC, was completely public.

Today about 21 banks are in business, and one financial institution dealing largely with microcredit (KixiCrédito S.A)<sup>40</sup>. The largest banking institutions are the following: Banco de Fomento Angola S.A (BFA S.A); Banco de Poupança e Crédito (BPC); Banco Africano de Investimento (BAI); Banco Espírito Santo Angola (BESA) and the Banco Internacional de Crédito S.A (BIC). These banks capture 85% of the savings market.<sup>41</sup>

The banks which now operate officially in the Angolan market are the following: (2009)

NAME	CODE	NATURE OF TRANSACTIONS	YEAR STARTED ACTIVITY	HOUSING LOANS?
Banco de Poupança e Crédito (Savings & Credit Bank) SARL	BPC	Angolan State	1976	no
Banco de Comércio e Indústria (Bank of Commerce & Industry) SARL	BCI	Angolan State & Diverse Angolan Individuals	1991	no
Banco Totta Caixa Geral Angola	BTCGA	General Savings (Portugal); Sonangol (Angola) & Private entities	1992	yes
Banco de Fomento Angola S.A	BFA	BPI Group (Portugal) & UNITEL (Angola)	1993	yes
Banco Africano de Investimento (African Investment Bank) SA	BAI	Sonangol & Diverse National & International Private Entities	1997	yes
Banco Comercial de Angola (Commercial Bank Of Angola) SARL	BCA	Private National Private Entities	1999	no
Banco Sol SARL	BSOL	National Private Entities Microfinance	2001	no
Banco Espírito Santo Angola SARL	BESA	Banco Espírito Santo (Portugal) & National Private Entities	2002	no
Banco Regional Keve (Keve Regional Bank) SARL	BRK	National Private Entities	2003	no
Novo Banco SARL	NB	Sonangol & Chevron Angola, BCI, microfinance	2004	no
Banco Internacional de Crédito SA	BIC	National and Foreign Private Entities	2005	yes
Banco Privado Atlântico (Atlantic Private	BPA	Sonangol & Nacional	2006	no

<sup>39</sup> Source, Banca em Análise Angola, Deloitte 2006, pag.04

<sup>40</sup> Institution created in 2006 and administered by the NGO Development Workshop.

<sup>41</sup> Source. Pesquisa sobre o Sector Bancário em Angola, KPMG Angola, 2007, pag.14.

Bank) SARL		Individuals		
Banco Millenium (Millenium Bank) Angola	BMA	BCP (Portugal) Sonangol e BPA SARL	2006	no
Banco de Negócios Internacional (international Business Bank) SA	BNI	Nacional Individuals	2006	no
Banco de Desenvolvimento de Angola (Development Bank of Angola)	BDA	Angolan State	2007	no
Banco VTB	BVTB	Russian & Nacional Entities	2007	no
Banco Angolano de Negócios e Comércio (Angolan Business & Commercial Bank) SARL	BANC	Nacional Entities	2007	no
Finibanco SA	Finbanco	Finibanco (Portugal) & Private entities	2008	no
Banco Quantum SA	Quantum	National Private Entities	2009	no

After the civil war ended in 2002, the Angolan banking sector boomed and the number of banks operating in the country tripled. It is important to note that 20% of the banks have Portuguese private capital and one of the major players in the Angolan banking sector is the national oil company SONANGOL, which has investments in approximately 20% of the banks. By 2008, the six principal banks operating in the national market were BPC; BFA; BAI; BESA; BIC and BTCGA. Each had significant exposure in the construction sector.

Of these principal operators, only four (BFA; BIC; BAI and BTCGA) clearly offer housing loans in the form of mortgages as a product for their customers. The other banks however, finance 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 American dollars, and 24% for finance in the national currency, with short repayment periods of 36 months.

### Demand for Credit

A 2006 country wide study by the National Bank of Angola<sup>42</sup> indicated that about 20% of those interviewed had currently an outstanding loan. The results were generally uniform across the country, with no statistically significant differences among regions, gender or rural/peri-urban districts.

Over a quarter of those who currently had a loan outstanding had taken it for purchasing housing (11%) or assets related to housing (15%).

The main reasons given for not taking a loan can be grouped as follows:

- Lack of knowledge and own perception of not qualifying for a loan : 59%
- Never needed/do not like: 9%
- Physical access: 1.3%
- Loan application turned down: 11.9%

This high percentage of 'lack of knowledge' and 'perception of not qualifying' is an indication of possible demand, but also of the real need for more and better information to specific target groups on what is available in the market and what are the eligibility criteria for loans. Lack of information is particularly an issue in the Northern provinces of Zaire/Uíge, where we also observed low awareness and usage of financial institutions.

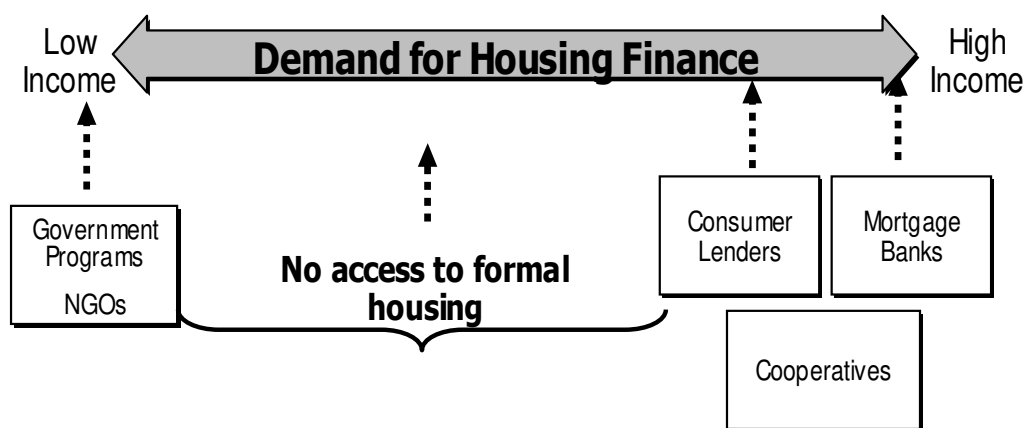
<sup>42</sup> Ibid, 40.

**Number of loans per purpose and source<sup>43</sup>**

	INFORMAL				FORMAL			TOTAL		
	Family	Non - Family	ROSCA	Total informal	Banks	NGO	Gov. Prog.	Total formal	Total all	Percent of total
Household emergencies	17	16	0	33	2	1	1	4	37	28%
Start or expand business	13	16	1	30	5	2	0	7	37	28%
Household assets	6	11	0	17	3	0	0	3	20	15%
Purchase house	4	6	0	10	4	0	0	4	14	11%
Education	3	4	2	9	0	0	0	0	9	7%
Agriculture-related	5	2	0	7	0	0	1	1	8	6%
Purchase car	1	2	0	3	2	0	0	2	5	4%
Total loans	49	57	3	109	16	3	2	21	130	100%
Percentage	38%	43%	2%	84%	12%	2%	1.5%	16%	100%	

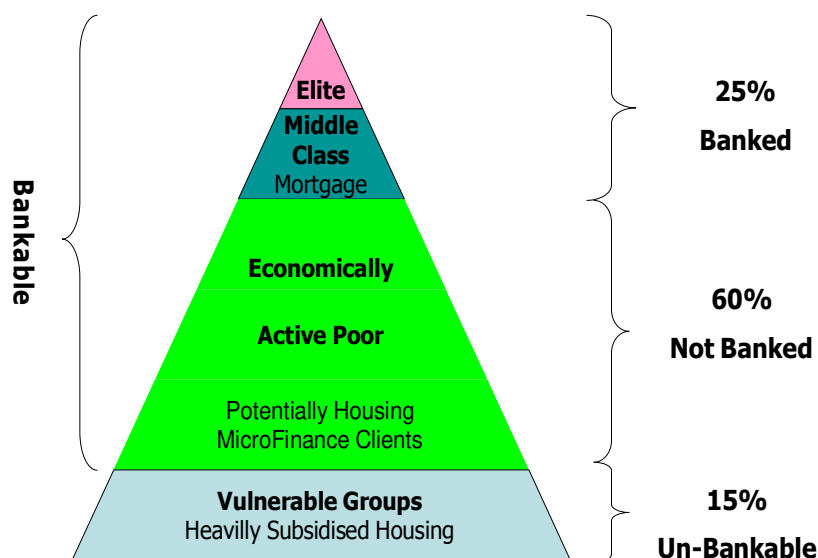
**The Demand for Housing Finance**

The 'poor' remain the largest sector of the Angolan population. While the proportion of those living below the 'poverty line' have somewhat decreased since the end of the conflict in 2002, Angola's dramatic economic growth has had marginal impact on the reduction of poverty indicators. While the demand for housing spans all social classes, the supply has rarely reached those at the bottom of the poverty pyramid. Even housing originally designated as "social" and built for the poor, has invariably been allocated to social groups with greater political leverage or influence, such as civil servants.



<sup>43</sup> Banco Nacional de Angola (2006), Angolan Microfinance Sector Review: Baseline Study, Luanda, December 2006, pg 64.

## Potential Market Segment Pyramid

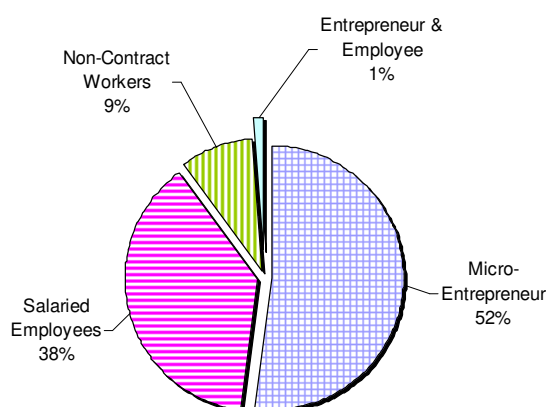


### Housing Finance Client Profile

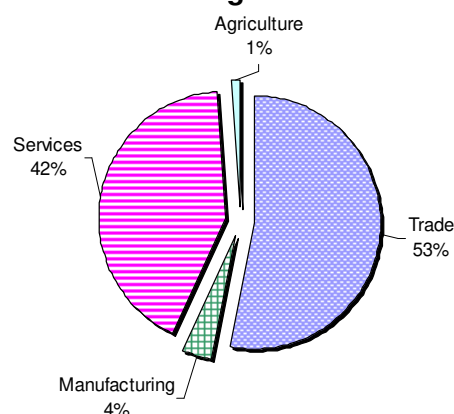
A recent (2008) research study<sup>44</sup> done in the three (3) Angolan cities of Luanda, Huambo and Cabinda point to the fact that the majority of potential housing finance client families (52%) are headed by business people who run micro enterprises. Almost four out of ten (38%) were permanently employed, while almost one out of ten (9%) were employed without a contract.

The study also showed that the principal activity was business and services (53% and 42%, respectively), and very few indicated agriculture (1%). Of those who engaged in business and provide services, more than one-third (36%) worked in the public markets, one out of ten operated their businesses from home (10%), and about five out of ten (5%) were mobile/ambulant sellers, hence did not have a fixed work address.

### Potential Housing Finance Clients



### Economic Sector of Potential Housing Finance Clients



### Family income

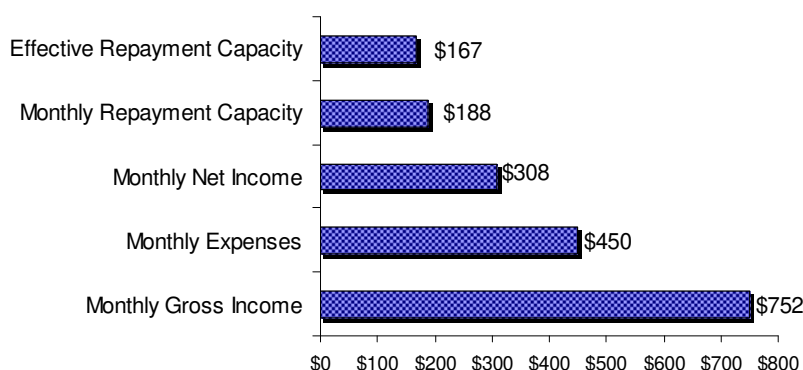
On average families stated that they had a household income (i.e., salary or income from the extended family, additional sources of income such as rent, pension, etc) of KZ56,367 (\$752) with a mean of KZ46,000 (\$613).

<sup>44</sup> DIG (Development Innovations Group) and KixiCrédito (an independent microfinance institution) in collaboration with Development Workshop, Angola 2008.

Average household expenditure was KZ33,732 (\$450) and a mean of KZ12,837 (\$171). Based on this, it has been calculated that the monthly repayment capacity of these families is approximately KZ14,091 (\$188) and a mean of KZ11,500 (\$153).

The household effective monthly repayment capacity<sup>45</sup> indicates the minimum cash on hand that is available within the household after netting out all expenses. This excess liquidity could be drawn upon to cover the costs of any emergencies or to service a potential debt. The monthly instalment on any future loan should not exceed the value of this available cash.

### Monthly Average Household Income & Repayment Capacity



### Home Ownership

More than half (53%) of the respondents stated that they owned their houses, and 37% were tenants. The majority of those who stated that they owned their houses said that they had built their own houses with personal savings, while only 2% said they did so using formal credit.

### Quality of Housing

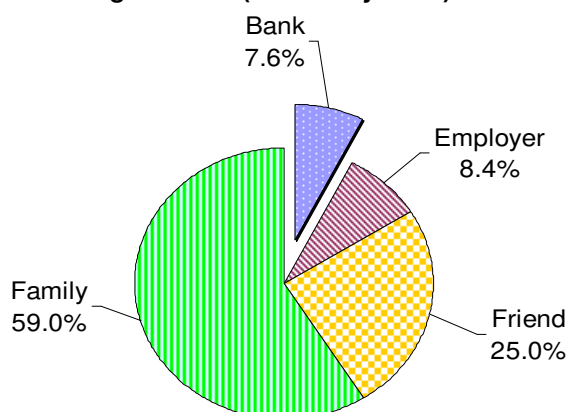
The average family household had five (5) members, and residences had four rooms. Kitchens were generally within the house, and bathrooms were outside the main structure. Mud (“barro”) is the material generally used for the wall construction, and only 30% had cement walls. Rare indeed were the houses connected to a public water supply, but approximately one-third had a connection to an electricity supply.

### The mortgage market

A-IP (“Angola Instituto de Pesquisa Económica e Social”) reports that during the privatisation of State housing stock in the 1990s, there was almost no participation of the banking sector. The findings from their study show that the overwhelming majority of those who acquired houses, did so with their own funds, without recourse to credit institutions. According to the study, the reason for this was the fact that ‘sale prices for state accommodation were rather low’ and capital was usually raised from family borrowing. Some provinces reported that apartments were sold by the State for a little as \$300. During the house privatisation boom in the 1990s, the banking sector did not have the mechanisms in-place to offer real-estate loans that they have today.

<sup>45</sup> *Effective repayment rate* is calculated by comparing the estimated monthly repayment capacity with the net household income after expenses and taking the lower amount of the two.

## Sources of Housing Finance (DW Study 2009)



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<sup>46</sup> showed that less than 2% of the investment that families put into housing comes from banks. As with investment in business start-ups the majority of 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%). On the other hand, another of the Ministry's studies indicated that the rejection rate by banks for applications for housing loans was 82%.<sup>47</sup> Some of the reasons that banks offered to justify their reluctance to offer housing loans were the following:

- The lack of clear land legislation that would allow property to be used as guarantee
- The long loan periods the bank needs to wait to recoup their investments
- The lack of a Government policy on subsidising housing credit
- Lack of title documents by most clients
- Lack of a client culture of repayment of debts

The commercial banks mode of lending for housing is through the "mortgage" model where the real-estate itself, be it in the form of a land title or the house itself provides the bank with collateral against the repayment of the loan. Real-estate-guaranteed mortgages are normally one of the safest investments a bank can make since land and property markets are quite stable and tend to appreciate rather than lose value. Mortgage loans traditionally have a high principal amount corresponding to most of the value of the complete house and are paid back over long periods, often 20 years or more. Since land occupied, or even purchased, by the poor is almost always untitled, this makes it ineligible to be used as a guarantee against a mortgage loan. The principal reason that housing credit is unavailable through banks is the problem of weak land tenure rights. In conclusion, it can be stated that during the house privatisation boom, there was an absence of a strong demand for bank credit for the purchase of State property, and that the prices on offer by the State meant that there could not be any penetration of the banking sector.<sup>48</sup>

Housing loans from banks is a recent practice in Angola, and information provided by the BNA show that the Banco de Fomento Exterior (now the BFA) was the first institution to offer this product in 1994. The A-IP<sup>49</sup> research report shows that until 2002, the majority of commercial banks did not offer housing loans -- Banco de Fomento de Angola was the exception because it had a more structured loan programme for housing which granted credit to individuals.

Development Workshop repeated the study with Angolan banks in 2009 and 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. The non-approval rate for loan requests was a high 86%, and according to banks that were interviewed, there were three categories of obstacles for housing loans;

<sup>46</sup> MINUA, Ministério de Urbanismo e Ambiente, *Perfil Urbano em Angola*, Luanda 2005.

<sup>47</sup> Ministério das Obras Publicas e Urbanismo, *A Privatização do Stock Habitacional Público*, Luanda, 2003

<sup>48</sup> Ibid, pages 65-66.

<sup>49</sup> Ministry of Public Works and Housing (Ad-hoc technical group for UN-Habitat). The privatisation of public accommodation stock: the legal transfer process for houses which pertain to the state for current occupiers, elaborated by A-IP Angola, Economic and Social Research Institute, Luanda, May 2003.

- Firstly, banks had specific requirements, from the eligibility of the potential debtor and client, to the eligibility of the accommodation to be acquired.
- Secondly, those considered eligible to obtain housing credit, were limited to the following:
  - a) Clients whose salaries were paid to the bank where one sought credit.
  - b) Citizens or resident foreigners with authorisation to reside permanently in the country
  - c) The domicile had a 180 day maturity period.
  - d) Aged between 18-45 years. The loan should be repaid within 15-35 years, and before the client completes his/her 60th year.
  - e) A maximum of 35% of the salary was servicing the debt, though in some cases the percentage can reach 50%.
  - f) Life insurance supplied by one of the seven Angolan insurance companies, to the value of the loan, should be in place for the period of the loan.
  - g) To present an individual, potentially a second guarantor with financial means equal to or greater than that of the person seeking the loan, and whose salary was paid to the same bank.
- Thirdly, in relation to the eligible real estate, the following had to be presented:
  - a) That the prospective vendor was the deed holder, and proved this via a Land Registration Certificate document in his/her name. If the building was not registered in the name of the vendor, he/she needed some documentation to prove legal ownership, and that the legalisation process was under way. In the case of securing a mortgage, the banks required an irrevocable promise regarding the building to be funded, entirely in their favour.
  - b) The real estate must be registered at the provincial cadastre office.
  - c) Whenever one dealt with building to be acquired from the Angolan State under law nº19/91 of May 25 'Commission for the Sale of State Housing Patrimony', part of the post-independence confiscation, banks required proof of the said confiscation from the official state gazette (Diário da República). Unfortunately the majority of abandoned and reoccupied properties were not officially confiscated, which was seen as judicial eviction actions of former owners who had gone to Portugal.
  - d) That the real estate had been evaluated by the bank to determine economic value.
  - e) That a multi-risk housing insurance be arranged in favour of the creditor.
  - f) When a property was legally approved for a mortgage, that the above would be done immediately.

When dealing with building loans, it was fundamental that the debtor had legal ownership of the site, with deeds only issued by the Provincial Government, never by the Municipal Administration, and duly land registered. Land rights are generally for a period of 90 years, under the Land Law.

### Microfinance Institutions (MFIs)

UNDP estimates that there are 530,000 potential microfinance clients in Angola without access to financial services.<sup>50</sup> Microfinance is a part of a small number of NGO initiatives in Angola, a few conducted in partnership with commercial banks. ADRA (Acção para Desenvolvimento Rural e Ambiente) and CLUSA (Cooperative League of the USA) are partners of Banco Sol; and the international NGO World Vision is a partner of BPC (Banco de Poupança e Crédito). They have microfinance projects in rural areas, largely to support agriculture-based enterprises. Development Workshop's KixiCrédito is the exception – as it has transformed itself from a 'project' into an autonomous Microfinance Institution (MFI) with a mission to support the economically-active poor in peri-urban areas.

#### KixiCrédito – Angola's first non-bank MFI

Development Workshop became the first to enter the market when it launched its microfinance activities in 1999. DW transformed its microfinance programme into KixiCrédito, Angola's first non-bank microfinance institution in 2006. It targets primarily small vendors through group loans, with compulsory savings of 10% of the loan amount. Loan amounts for "beginners", called Kixi-Solidário, range from \$150–\$400 per individual. The loan term is 16 weeks, with bi-weekly repayments. Collateral is provided by a group guarantee and the up front compulsory savings.

<sup>50</sup> UNDP (2002) *Micro-Enterprise Sector Study*, Luanda

Another group loan product for graduate clients, with different terms and conditions, has been developed. The loan amounts are higher, ranging from \$500 to \$1,000. The loan term is six months. Collateral is the same as for the beginners' loan (ie group guarantee and compulsory savings), and payment terms are bi-monthly.

KixiCrédito has developed a client base of almost 13,000 members in six provinces, and focused on urban areas (with no operations in rural areas). Nearly 60% of its microfinance clients (credit and savings) are women. Small market vendors represent around 95% of its total clients. No credit is currently provided for agriculture or fishing.

The average loan size is around US\$450 across all clients, and is the lowest in the market. The loan portfolio totals over US\$8 million and in 2009 loaned almost \$25 million to clients. The Portfolio at Risk > 30 days was less than 2% (September 2009). KixiCrédito has introduced individual and housing loans KixiCasa for graduate clients and plans as well to introduce money transfer and remittance services. The main source of funds for housing loans comes from a concessional loan from Habitat for Humanity.

KixiCrédito does not provide facilities for voluntary savings, but has what they call "Fundo do Grupo". This is a provision for the pooling of funds by the group members, and kept/banked by KixiCrédito for safe-keeping. It does not presently hold voluntary savings because existing legislation does not allow MFIs to take deposits. All funds of KixiCrédito are kept and transacted only at the bank.

#### KixiCasa Housing Microfinance

It was previously mentioned that the rapid urbanisation of the Angolan population was due to the influx of thousands of internally displaced persons (IDPs) who left their rural communities to seek refuge from the war since the urban areas were largely spared from the war. KixiCredito primarily targets this sector. It became apparent that a very large market for housing finance exists in the urban centers.

KixiCrédito found that 30% of its clients diverted part of their loans to finance a construction, rehabilitation or house expansion. Because of this, a specific housing product called KixiCasa was developed for the best clients in the province of Huambo in 2007. It was launched as a pilot project intended primarily for the low-income earners. Because of limited capital from Habitat for Humanity, the scale of expansion of this product is still low, with about 500 KixiCasa loans having been disbursed at the end of 2008.

Micro-enterprise loans being relatively small and short-term by nature are not well adapted for housing expenditures. Housing for the poor is a process of building over time rather than a one-off investment. However, housing requires significantly larger amounts of money to build, for example a room, install electricity or add an indoor bathroom. Because the investment does not produce immediate returns, payback needs to be over a longer period of time to allow the client to raise income from their business to pay back the loan.

The concept of "owner-builder" is fundamental to the traditional "process" of building houses in Angola. This is a tradition where the owner acts as the prime contractor, determining the layout of space, arranging the financing, normally choosing local materials to build with, mobilising family labour whenever possible and hiring tradespersons to do the specialist construction work. It is a self-help process and a time-consuming one, but it is a process adapted closely to the financial capacity of the household and one that results in the provision of housing at economic prices that can rarely be achieved by contractor-built housing. The formal-sector construction industry is geared to produce housing as a "product" which can be delivered relatively quickly in standardised packages, built of industrialised, often imported materials. The relatively high price is usually made payable through a bank mortgage which allow for the payment of the completed house over many years. Banks are rarely interested in funding a phased housing process that may involve a combination of paid and unpaid labour, multi-contracts and suppliers, and correspondingly high transaction costs for themselves. Incremental micro-loans are what the owner-builder needs to facilitate the traditional housing process.

#### Non-governmental organizations (NGOs)<sup>51</sup>

In post-conflict Angola, NGOs have mounted broad humanitarian assistance programs which often included microfinance components, many of which close down or were absorbed into other programs over time. Many of these NGOs have abandoned their microfinance programs due to a lack of funds and poor loan portfolio

<sup>51</sup> Banco Nacional de Angola (2006), Angolan Microfinance Sector Review: Baseline Study, Luanda, December 2006

performance. Some have moved from the provision of credit to providing support services to microfinance clients. One such example is CARE Angola, which decided to change its strategy from the direct provision of funds to the provision of Business Development Services for SMMEs. World Vision, CLUSA and ADRA are also no longer providing credit directly, but provide support to Banco Sol in their microcredit activities.

A few other small programs do still exist, with credit targeted at very narrowly defined markets – primarily the very poor in rural areas – where no other providers of financial services are operating. In total, all the NGOs, serve fewer clients than the total for KixiCredito. The main financial service offered is group-based lending, with a few exceptions such as the Cooperative of Savings and Credit of Social Solidarity (Cooperativa de Poupança e Crédito Solidariedade Social), which also offers members saving facilities and aims at promoting a culture of savings within the community and contributing to local development.

#### ROSCAS and Traditional Savings Groups (Kixikilas)

The concept of the rotating savings and credit association ROSCA is part of Angola's cultural tradition in the form of Kixikilas. A 2006 study by the National Bank of Angola (BNA)<sup>52</sup> found that about 20% of the micro-entrepreneurs questioned were members of ROSCAS/Kixikilas across all the regions of the country. Of those who belong to Kixikilas, 80% indicated that they used Kixikilas for saving. There appears to be the slightly higher membership among salaried employees. A parallel Development Workshop study in 2005 highlighted major regional differences, with only 2% of respondents in Huambo indicating Kixikila membership, as opposed to 16% in Luanda.

Many informal sector vendors have organized themselves into rotating savings and credit associations known as kixikilas in Luanda (kituku by the Bakongo and kussulekissa among the Ovimbundu).<sup>53</sup> These are solidarity groups composed of residents of the same area, vendors from the same market, members of the same church or from the same ethnic group. Members frequently pursue different economic activities and it is common to encounter both wealthy and poor within the same group. When poor members have problems, they can generally count on assistance from the richer members.

Membership usually varies from about 15 to 40, but a few groups of 80 have been found. Female members call themselves mamãs and their leader is referred to as mãe (mother). Each kixikila has a committee with a president, vice president, treasurer and councillors. Usually the members will deposit with the mãe a stipulated amount (or multiples of it, referred to as cabeças (heads), for those who are better off and want to have more turns at the pot). The mãe will receive a gasosa for her work. The amount collected is generally used for purchasing merchandise in bulk<sup>54</sup>. While there is no evidence available that kixikila members save directly for housing construction, many kixikilas are set up informally within microcredit solidarity groups including housing microfinance clients to assist individual members to save to meet their loan repayment collection dates.

#### Family Loans and Remittances

Families provide the main source of capital for housing investment in all of the studies undertaken on the housing sector to date. Almost 60% of housing investment is in the form of accumulated savings of the family, or unregistered loans from family members, including those living outside the country in the form of remittances. Remittances are also made from family members living in Luanda or other major cities for house construction in the provinces.

Development Workshop has in July 2009 completed a study of remittances in Angola<sup>55</sup> for the IOM, International Migration Organisation. The study demonstrated that remittances are often used to improve housing conditions. Most of the study respondents who receive remittances (80%) claim to own their houses which are usually built of concrete block with concrete floors, with adequate sanitation facilities and equipped with basic appliances (i.e. electric fan, TV, radio). 17 per cent of respondents claimed to use remittances for house repairs while only 4 per cent of claim that a portion of remittances received were used in whole or in part for the acquisition of their house. However, 23 per cent of respondents claimed that remittances have been used partly or in full for the acquisition of a piece of land.

<sup>52</sup> Banco Nacional de Angola (2006), Angolan Microfinance Sector Review: Baseline Study, Luanda, December 2006

<sup>53</sup> This type of association is internationally known by the acronym ROSCAS (Rotating Savings and Credit Associations).

<sup>54</sup> UNDP (2002) Micro-Enterprise Sector Study, Luanda

<sup>55</sup> IOM (2009)

There is a strong linkage between remittances utilization for the acquisition of property, and the fact that some migrants are planning to eventually return to their country of birth, and may send remittances for that purpose. The following table based on interviews of those sending remittances from Portugal to Angola illustrates the high priority given by the senders in seeing the remittance as an investment and the importance of investing in the acquisition of land and the construction of housing.

#### Priority Investment Plans of those sending Remittances from Portugal to Angola

Investment Type	Number of Positive Replies from 200 respondents	Percentage of Respondents %
Buy Land	99	49.5
Build / buy / improve house / apartment	118	59.0
Buy / grow / start / invest in a business	86	43.0
Build up savings in a bank	55	27.5
Pay for higher education / job training	20	10.0
Pay off a business / home loan	1	.5
Buy animals / livestock	3	1.5
Expand agricultural production	9	4.5
Other	6	3.0
None	27	13.5

*Note that some respondents indicated several priority investments*

#### Use of Remittance Transfers by Receivers

Asset Acquisition or Expenditure	Number of Respondents	Funded by Remittance	Percentage
House	325	14	4%
Business	12	1	8%
Land	140	32	23%
Animals	39	1	3%
Car	146	11	8%
Savings	263	51	19%

## Conclusions

In the span of two decades of banking experience, 21 banks operated in the Angolan market, but only five (5) clearly offer housing loans, i.e., loans directed to those with a minimum income equivalent to \$1,000. In spite of the large cash flows that characterise the banking sector, the banks are not yet seriously engaged in offering housing credit, due to a lack of guarantee and the weak security of land tenure.

The public sector responsible for the legal regulation of citizen's property rights is very bureaucratic. In particular, the process for the concession of land title to real estate developers is slow and expensive. There are also many overlaps between the various State actors in relation to the administration and attribution of property rights (Ministry of Urbanisation and Housing; National Housing Institute; Ministry of Public Works; Office of Special Works, etc.). Since peace was achieved in 2002, housing was not in the past on the State's list of priorities, and only in late 2008 did housing receive serious political attention with the launching of the Million House Programme. The Angolan Government has articulated the need for the banks and private sector developers to invest in social housing and is aware that they must take a role in stimulating housing finance if they are to interest these potential private-sector partners. In November 2009, two hundred million US dollars was announced for implementing their Reserves Fundiarias programme, to be implemented through public-private partnerships.

The real estate developers largely shy away from providing low-income housing, in spite of having a large market and huge demand for this type of product. The general housing shortage across-the-board from all economic sectors has resulted in real estate developers being drawn to the lucrative, high-end of the market.

The inevitable saturation of the luxury end offerings, when the current construction boom subsides, will likely encourage some developers to look at down-market opportunities, lower down the pyramid.

Banks consider mortgage lending a highly risky venture in a market where they have more lucrative investment opportunities. The National Bank's high-interest Treasury Bill offerings attract the commercial banks' liquid assets and the relatively lower returns from traditional mortgages attract little investment.

There is an urgent need for developing alternative housing finance mechanisms. The land-tenure problem will continue to be a constraint on traditional mortgage financing. Housing micro-finance which reduces risks for lenders in an insecure tenure environment and is well adapted to the rhythm of owner-builder incremental house construction and poor families' capacity to pay provides an opportunity for significant up-scaling and investment.

## Recommendations

The principal findings from the research show that the inhibiting factors for housing finance, from the various financial institutions, are:

	Challenge	Recommendation
Real Estate Finance	There is uncertainty regarding property rights and therefore the lack of long-term financial guarantees that housing loans require. This is the major constraint on the real-estate market.	The public and private commercial banks, as well as real estate developers, should evaluate the real estate market with the aim of developing an appropriate strategy of engaging Government in providing the legal tenure guarantees and introducing simplified and rapid procedures to managing land rights. This may involve amending the current legislation.
Access to microfinance	The majority of low-income people have no access to financial services. This group could be served by microfinance institutions.	Banco Nacional de Angola (BNA) should legislate to normalise microfinance activity, so that it adheres to international standards.
Promotion of low-cost housing	Low-income workers, with a minimum monthly income in Kwanzas of between \$250-500, are a good business opportunity, and do not make themselves available for housing loans as the market does not offer housing for this sector of the population. On the other hand, real estate developers don't engage with this segment as investment does not guarantee immediate returns.	The government needs to offer fiscal incentives for the importation of construction materials intended for building low-cost housing. These fiscal stimuli should include granting plots where these houses can be built. The government must also stimulate the production of locally-made building materials, creating ceramics, zinc and cement factories, etc.
Poor national identity system	A large number of Angolans have no birth registration, and this prevents them from legitimately accessing financial services. These difficulties are due to the following factors: destruction of archives; high mobility between low-income groups, insecure employment, etc.	To the Angolan government, (especially the Departments of Justice, Finance, Territorial Administration, and Ministry of Urbanisation and Housing), we recommend that lessons can be learned from other countries in similar post-conflict situations.
Confusing and Unclear Procedures	Much of the private property was nationalised after independence and the transfer of these property assets remains extremely bureaucratic. Much of this property consequently remains without clear documentation. Lack to transparent and up-to-date public records can lead to abuse.	To the Angolan government, (especially the Departments of Justice, Finance, Territorial Administration, and Ministry for Urbanisation and Housing), that notary services, property registry, land cadastre and conservatory registers adhere to best transparent international practices, and proceed with a review and comparative evaluation of the current process of property registration.

Absence of a credit rating system	A risk centre with positive and negative information from the public and private sectors will enable the client to establish a registration system of obligations to be honoured, which could be used in negotiating better financial terms and conditions with the banks. The Banco Nacional de Angola sought support from "FIRST Initiative" for the installation of a credit rating system, as part of its supervisory strategy.	That public and private financial institutions (commercial banks and microcredit institutions) should adopt measures for internal information needs assessments and implement these. There is a need to simultaneously explore harmonisation with the regional credit rating system, through the FIRST Initiative.
Long-term Financial Growth	The banks are exceedingly conservative in offering credit products to clients, which explains why the majority of banks had excessive cash reserves until the end of 2008. Banks preferred to keep their reserves in high interest Treasury Bills rather than lending to clients.	Encourage public and private banks to develop medium and long-term financial products which meet the economic needs of families and businesses. The State should create a Housing Growth Fund, which would act as guarantor for bank and non-bank financial institutions, to reduce credit risk -- one of the major threats for private sector investment in the sector. Lowering Treasury Bill interest rates may make mortgage lending more interesting for institutional investors and banks.
Limited Private Investment Capital for Low-Cost Housing	The Government has assumed the role of principal investor in low-cost housing. Most investment to-date has gone to the politically important sector of housing for civil servants such as teachers and government administration. Private sector funds rarely reach the middle and lower end of the housing market. Emerging microfinance institutions are constrained in going-to-scale due to lack of access to loan capital to fund their growth.	New sources of investment capital for housing may be mobilised from non-state sources such as pension funds and private investment funds. Social investors can provide guarantees to commercial banks that can be used to mitigate their risks and encourage them to unblock commercial loans to housing finance and Microfinance Institutions.

## Future Challenges

The Angolan Government's launch of the Million Housing Programme in October 2008 put housing on the national agenda for the first time. Social housing is seen by the Government as a key component in their Poverty Reduction Strategy and their post-war reconstruction.

There is a massive backlog in the need for adequate housing left over from years of neglect and urban migration caused by the war. Post-conflict urban growth continues apace as does the demand by citizens for the improvement of their living environments. While this study focuses on housing in the physical sense, adequate housing also includes access to adequate service infrastructure like water, sanitation, energy and social services.

In 2008 the Government promised to commit substantial investments to meet the million house goal within four years, mentioning the mobilisation of up to US\$ 50 billion from different sources. However Angola's optimistic projection of economic growth, which peaked at over 20% in 2007, has been scaled back due to the fall of Angola's GDP in 2009 and consequently the reduction in the State Budget.

Implementation of the ambitious housing plan will no doubt be further constrained by structural factors such as the lack of a banking tradition in offering mortgages and other forms of housing loans.

Land tenure remains largely unregulated and the national cadastre in some provinces has not been updated since 1973. Newly implanted land administrations and the decentralisation of some land management responsibilities to municipal levels are very positive developments. However, the newly appointed administrators will be extremely challenged by the pressures of the million house programme and the demands of existing residents who are under pressure of a three year moratorium to regularise their land occupations.

The Minister of Urbanism moved quickly in the months following the launch of the Million House Programme to extend the Reservas Fundiarias project to every province of the country with the aim of providing sufficient land for new house building. The implementation of this project however has pushed urban boundaries out into the peri-rural green belts around cities, inevitably creating conflicts with peasant farmers and small-scale agriculturalists. Procedures of consultation, negotiation and just-forms of acquisition still need to be developed in order to deal with issues of land tenure claims and adequate compensation.

The present study has attempted to make a contribution to advancing the Angolan Government's commitment to social housing that reaches the poor. It is hoped that the scoping of the housing finance environment that has been carried out here will help Government planners and even private investors adopt appropriate strategies for the sector. It is also hoped that good international practices and both positive and negative experiences from the region will also contribute to the Government's housing finance strategies.

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