Centre for Affordable Housing Finance in Africa

Housing Investment Landscapes
Mozambique

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Centre for Affordable Housing Finance in Africa

1 Background

This country report forms part of The Centre for Affordable Housing Finance's Investor Programme which aims at reducing key information asymmetries on who, why and how investments are made in the African housing sector. With the intention of identifying and championing increased investment in affordable housing, the report includes insights and analysis into the depth and breadth of investment in Mozambique's housing and housing finance sector. The overall goal of this project is to quantify the breadth of investment activity in housing and housing finance across Africa and to establish a mechanism to track this on an ongoing basis. This project has collected data and highlights gaps and opportunities in the investment landscape. To stimulate greater investment in affordable housing and connect investors with potential investments, the report profiles investors and investment instruments with the greatest impact on the housing finance market within the Southern Africa Development Community (SADC).

Growing financial sector experience and increasingly sophisticated financial instruments are driving Investor interest in African real estate. This includes new market opportunities related to a rising urban middle class, an increasingly localised construction material industry and innovations in housing finance such as the emergence of Real Estate Investment Trusts (REITs) and mortgage liquidity facilities across Africa. However, the chronic lack of rigorous data on housing sector financing infrastructure presents a key barrier to this growth. This is particularly true for the housing sector as stimulating targeted investments relies on highly differentiated data that illustrates market segmentation. In providing market intelligence that makes the case for investment in under-served markets (segmenting and quantifying the demand side; and scoping, understanding, and tracking the supply side), we can support a better policy environment and increased private sector activity in affordable housing markets. In this way, we catalyse scale interventions.

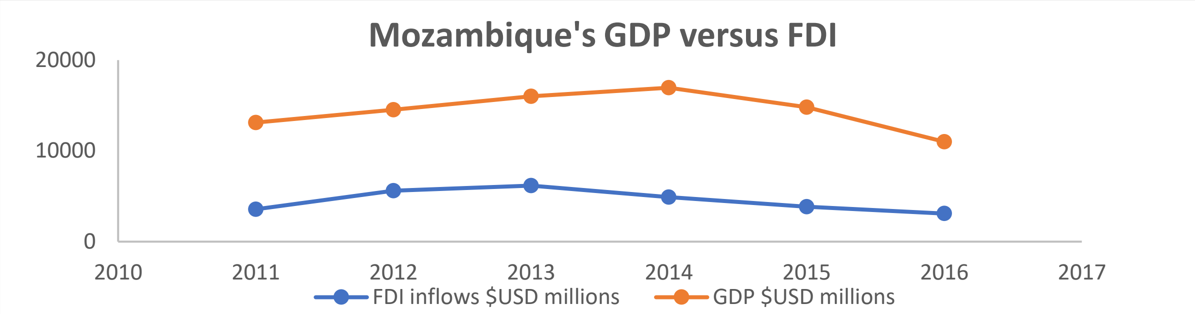
Without this data, targeted interventions become challenging and result in unresponsive housing finance packages, the high occurrence of Non-performing loans (NPLs) and poor uptake of new residential developments.

2 Executive Summary

Mozambique has yet to recover from the economic downturn that started in 2015, and ongoing governance issues have only deepened the crisis. Foreign Direct Investment inflows remain depressed, in line with GDP. Figure 1 shows how Foreign Direct Investment in Mozambique has tracked GDP. [1]

[1] Sources include UNCTAD and tradingeconomics.com

Figure 1: Economic growth and foreign direct investment



Source: UNCTAD, tradingeconomics.com

Investment in affordable housing and housing finance was not high pre-crisis and is still low. The country's Fund for Housing Promotion (FFH) estimates a housing deficit of two million units and that more than 13.5 million people need housing.[2]

Lack of affordable housing supply combined with lack of affordable finance means most housing is self-built and self-financed. Approximately 90 percent of urban housing and 96 percent of rural housing in Mozambique is self-built, and only 5 percent and 3 percent of the respective populations use credit to fund construction.[3] UN-Habitat estimates that Mozambican families have invested US$3 billion of their savings in informal housing in Maputo.[4]

Investment in the residential real estate market has mainly taken the form of investing in high-end apartments and houses for the wealthy or for foreign investors.

3 Profiles of investors

The investment landscape in Mozambique constitutes both local and foreign institutional investors. Below is a description of the two categories of investors, including their institutional type, sources of capital, and other parameters that define their investment model.

3.1 Local institutional investors

Capital markets

Mozambique's reputation in international capital markets is strained due to its default status. The country is negotiating a restructuring of its bonds, aiming for much longer maturities with the hope that the impending development of natural-gas will help to shore up its finances.

International investors are likely to stay away until Mozambique's relations with the IMF improve. The IMF pulled its budget support for Mozambique in 2017, when it emerged that the country had misinformed the fund about the size of its debts and hid more than US$1.4 billion of loans for its

[2] CAHF (2017) CAHF Yearbook
[3] Finmark Trust (2014). FinScope Consumer Survey Mozambique 2014
[4] CAHF (2017) CAHF Yearbook

interior ministry and two state-controlled firms.[5] This followed a misappropriation of US$850 million of notes issued by a state-owned company. The country's gross public debt has now reached distressed levels: government debt to GDP was 88.20 percent in 2017.[6]

The Mozambique Stock Exchange (BVM) is small with only six listed companies, none of which pertain to the banking, real estate, or construction industries. Zero Investimentos, highlighted in the table below, has indicated it is seeking investors for a housing project.

Trading on the BVM is limited and market capitalisation is just 4 percent of Gross Domestic Product, one of the lowest in the world. Minimal capital has been raised through new issues in the past few years. Rather, banks tend to raise money through subordinated bond issuances: there were 13 corporate bond issues of MZN3.7 billion (US$62 million)[7] and a turnover ratio of 7 percent in December 2016.[8] Foreign investors can invest in local stock exchange markets, but a 20 percent withholding tax on government and corporate bonds owned by foreigners is a disincentive.

Government Investment: Fundo de Fomento de Habitação (FFH)

Case Study: Zero Investimentos

In August 2017, Zero Investimentos made its debut on the Mozambican stock exchange. It was the first small to medium-sized company to be listed, and just the sixth company overall. Zero Investimentos was incorporated in 2012 and provides capital management services as well as working on its own investment opportunities. It has marketing opportunities in the banking, aquaculture, energy and natural gas sectors.

The previous year, the company's chairman announced that Zero Investimentos was looking to raise money for a residential real estate project on 7ha off of Maputo's Ring Road. The site is 12km from Costa del Sol and benefits from existing infrastructure and services. Planning approval had already been received for the construction of 34 buildings at four stories each. The units were targeting Mozambique's middle class.

The project was projected to generate a return of between 14 and 15 percent. It is unclear whether funds were successfully raised or if the countries' subsequent economic woes thwarted it.

The largest local institutional investor in affordable housing in Mozambique is the government. The Government's main form of support for the housing market is the Fund for Housing Promotion (Fundo de Fomento de Habitação or FFH), which is supervised by the Ministério das Obras Públicas e Habitação (MOPH). The FFH was created in 1995 and has a broad mandate, offering housing and construction finance, as well as developing housing through public-private partnerships. About 10 years ago it phased out an agreement it had with several banks to make mortgages more accessible to public employees.

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[5] England, Andrew (2016). IMF halts Mozambique aid after finding undisclosed debts of $1bn - Hidden loans follow state-backed $850m bond issued to set up tuna company. Financial Times. Accessed at: https://www.ft.com/content/6c755214-057f-11e6-9b51-0fb5e65703ce

[6] Tradingeconomics.com

[7] At an exchange rate of $1 = MZN59,68.

[8] USAID (2017). Increasing Private Sector Participation in the Stock Exchange in Mozambique, pg 9.

The FFH was initially funded by earned income (interest on loans and sale of houses) and revenue generated by the privatisation of public housing. Houses abandoned by the Portuguese were nationalised when Mozambique became independent but time-poor rent collection procedures and deferred maintenance left the stock dilapidated. Approximately 80 percent of these houses were sold to the private sector in the 90s and these were partially funded by the FFH.

Now that the sale of public housing stock has ended, the FFH is funded by the Ministry of Finance and earned income from sales. The status of FFH was changed in 2010 into a more independent housing agency that can seek funds (domestic and foreign) independently, but it does not appear to be sourcing funding outside of the state. It is unclear how large the FFH's current budget is, but what is known is that Mozambique's recent fiscal crisis resulted in budget cuts across the board and the MOPH was not spared. Its annual budget was reduced by an estimated 60 to 70 percent, meaning that most of the budget now goes towards overhead and there is probably little left for housing projects coordinated by the FFH.

Contracts for housing projects through FFH are administered by the local municipality, who subcontract private sector developers. FFH requests land from provincial governments or municipalities, which issue the land rights to FFH without a time limit for development. The FFH or the local authority prepare terms of reference for consultancy services for the design of the project. The construction works are carried out by companies selected through a public tender. Once loans have been paid for, the plot is detached from the land-rights certificate of the FFH and granted to the plot concessionary. This process is normally facilitated by the municipalities.[9]

FFH funds a mix of newly constructed homes and serviced plots. Evidence suggests that low-income households cannot afford the houses and that they are mainly bought by civil servants. Homes built by the agency in 2008 cost more than US$20 000 a unit to complete, which would put them financially out of reach of most Mozambicans, even if the final sale price were subsidised.

Reports of signed MOUs with developers, contractors, and foreign governments (e.g. India, South Africa, Turkey, and China) abound, but little ground has been broken in the past 10 years[10]. Whether the FFH's inefficacy is due to governance issues or a lack of funding is unclear. The government's current five-year plan (2015- 2020) includes the delivery of 35 000 houses by 2019. Although progress reports and reliable data are unavailable, most information indicates that the goal will not be achieved. The FFH's inability to supply updated information makes an accurate assessment difficult.

FFH is not offering independent mortgage products. Its current business model is to build housing and sell it to targeted population groups through a 20-year payment program and fixed interest rates (old data from 2008 suggests these rates range between 5 percent and 10 percent).[11]

FFH has considered (and possibly rejected or never initiated) or is considering projects in various places, including Marracuene, Cabo Delgado, Nampula, and Tete. Houses have also been built in Pemba, but the prices were too high for lower-income families and thus were bought by foreign

[9] Finmark Trust, Access to Housing Finance in Africa: Exploring the Issues, Mozambique. 2008
[10] CAHF Yearbook, 2017 and https://www.hindustantimes.com/india-news/india-s-21st-century-african-partner-why-mozambique-was-modi-s-first-stop/story-jPw0z4yQQbnWdddIOkvRAM.html
[11] GHI Survey, 2012

investors or the upper-middle class. Examples of completed projects are illustrated in Table 1.

Table 1 Examples of FFH Affordable Housing Projects

Name	Location	Number of Units	Progress	Developer	Financier	Notes
Chonguene	Xai-Xai	62 houses	Complete, unclear if more to be built	FFH	FFH	Constructed in two phases, starting in 2013
Bairro Heróis Moçambicanos	Chimoio	100 houses	Complete, unclear if more to be built	FFH	FFH	Constructed in three phases, starting in 2012
Matunga	Nampula	340 houses	100 houses in first phase	FFH	FFH	Started in 2013

Source: Fundo de Fomento de Habitação website, 2018

3.2 Foreign institutional investors

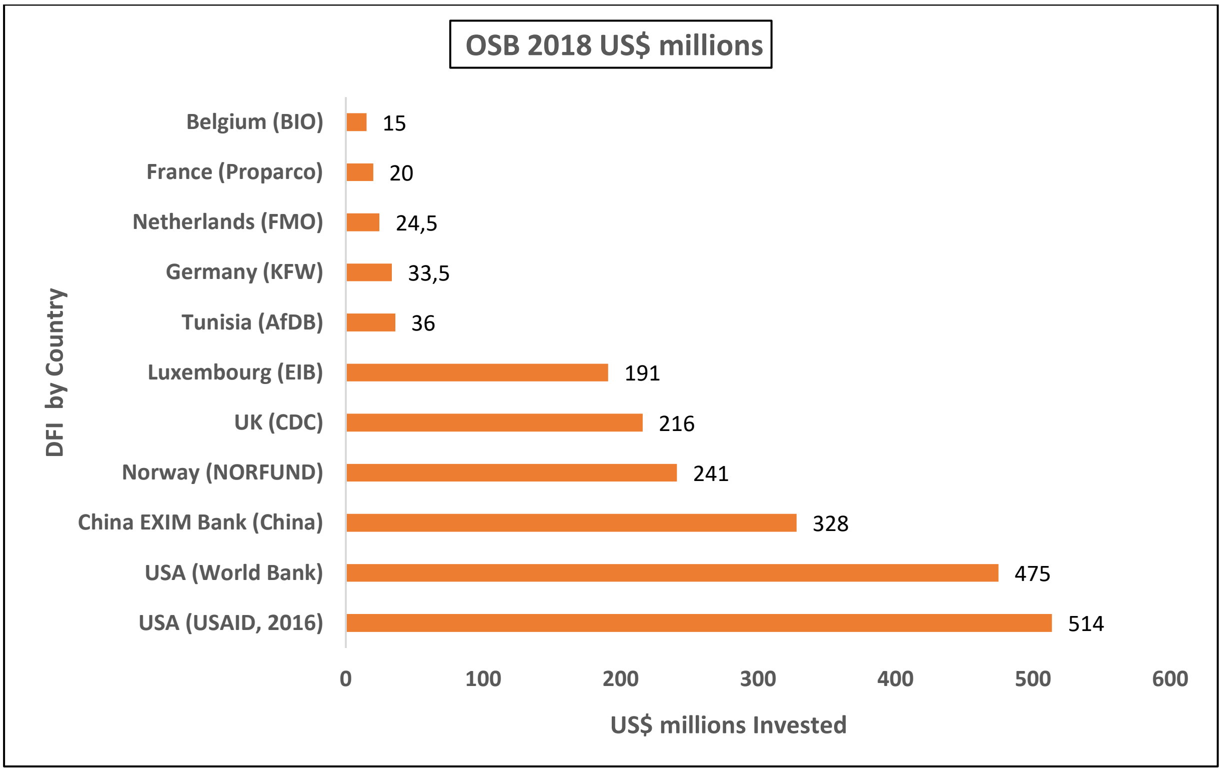
Due to the undeveloped nature of its capital markets, foreign institutional investment in Mozambique has mainly been done by DFIs.

DFI Investment

DFIs have invested large sums of money in Mozambique's infrastructure and energy over the years. In addition, a great deal of foreign capital has been received in the form of aid for natural disaster recovery or resiliency efforts. Maputo is vulnerable to climate impacts. According to the World Bank's Development Indicators Database, Mozambique received US$1 531 million in development assistance in 2016.

DFIs collectively mobilised more than US$2 billion, for multi-sectoral programs, as shown in Figure 2.

Figure 2 Foreign Institutional Investment Current Outstanding Balance



Source: DFI annual reports, CAHF data.

DFI investment in finance and housing

At least $838 million in DFI funding for financial sector support has been extended since 2008. Only two World Bank debt-funded projects with a combined budget of $80 million had line items specifically earmarked for services and housing for the poor. The two allocations totalled US$11.1 million and were part of a broader Municipal Development Program in Maputo.

CDC and Norfund have both financed African Century, a Mozambican-focused real estate development company that expressed plans to build housing in the northern part of the country: $23 million of equity and $15.5 million of debt was invested in the company.

Relevant investments in the banking sector have been made by DFIs, mainly to support SME lending. BCI has received US$65 million of long-term funding from the International Finance Corporation (IFC) and Belgian Investment Company for Developing countries (BIO) since 2010 to increase its lending activity to under-served segments of the population.

Millennium Bank has also been the recipient of DFI investment. In 2013, the Dutch development bank known as FMO and the IFC made combined investments in the form of market-rate and subsidised debt of US$43 million to Millennium Bank to stimulate financing to SMEs. [12]

Private equity

Private equity investment in Mozambique, especially in housing, has been sparse. Two DFIs, namely Swedfund from Sweden and SIFEM from Switzerland, invested in the AfricInvest Fund II in 2014. AfricInvest is a Private Equity fund based in Tunisia. It subsequently invested in Banco Mais, a Bank in Mozambique. Geocapital, another private equity fund, also participated in the transaction. Geocapital is an investment company with a significant shareholder from Portugal and two from Macau. Banco Mais had previously been called Banco Tchuma. AfricInvest and Geocapital acquired 38 and 45 percent of Banco Tchuma, respectively, and renamed it Banco Mais (Banco Moçambicano de Apoio aos Investmentos) with a view to positioning it as leading SME lender. Banco Mais markets home loans on its website but it does not report its mortgage book balances in its annual reports.

Chinese Investment

Data from the Chinese Embassy in Mozambique shows that nearly 100 Chinese companies have cumulatively invested nearly US$7 billion in Mozambique as of May 2017, in areas including energy and resources development, agriculture, fishery, construction, telecommunications, and process manufacturing. China has become Mozambique's largest foreign investor and one of its biggest infrastructure builders since the Forum on China-Africa Cooperation summit was held in Johannesburg in December 2015.[13]

Two of Mozambique's largest housing projects were completed by Chinese contractors in recent years, both FFH-financed. Charlestrong Engineering was the lead on Vila Olimpica, a project in Maputo with 1 100 apartment units. In 2015, Charlestrong Engineering reportedly sought credit from a bank in Macau in an effort to finance the future construction of 35 000 housing units in various developments.[14]

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[12] FMO Project Details on website, 2018. https://www.fmo.nl/project-detail/43054

[13] Club of Mozambique website (2018). China-Mozambique ties showing fruitful results (via Xinhua). Accessed at: http://clubofmozambique.com/news/china-mozambique-ties-showing-fruitful-results/

[14] Macauhub (2015). Charlestrong negotiates loan with Macau bank for projects in Mozambique 15 December 2015. Accessed at: https://macauhub.com.mo/2015/12/15/charlestrong-negotiates-loan-with-macau-bank-for-projects-in-mozambique/

Table 2 Chinese Investment in Housing

Name	Location	Number of Units	Progress	Developer	Financier	Notes
Intaka	Matola	5 000 houses	Complete	Public private partnership with Henan Guoji	FFH	Began in 2013. Priced between US$63 000 - US$158 000 (unaffordable to most)
Vila Olímpica	Maputo	1 100 apartments	Two phases completed	Charlestrong Engineering and Consulting	FFH	Completed in 2016. Company from Macau

Sources: CAHF Yearbook, 2017. P. 198.
"Unique Approach that is Paying Dividends in Africa," China Daily News, 2017.
http://www.chinadaily.com.cn/a/201706/23/WS5a29264aa310fcb6fafd4075.html

"Projeto de habitação social prevê construção de 50.000 casas em Moçambique," Sapo, 2014.

https://www.sapo.pt/noticias/projeto-de-habitacao-social-preve-construcao-_53fcd121396823346700008c

It is also likely that Henan Guoji, a privately-owned Chinese company, obtains financing from Chinese banks. The Ideal City Intaka project was Henan Guoji's first project in Mozambique. It is a comprehensive, master-plan project integrating residential homes, a commercial centre and public facilities. The project covers an area of 319ha and includes 5 000 houses, 20 000m^2 of commercial facilities and another 10 000m^2 of facilities, for a total investment of more than US$200 million. It was developed in a public-private partnership with the government in the southern city of Matola.

China State Construction Engineering, China's largest construction company, also works in Mozambique and has been contracted by the government on several large infrastructure projects including several key roads. It has reportedly invested over US$320 million in the country.[15] It has not participated in any residential projects, however.

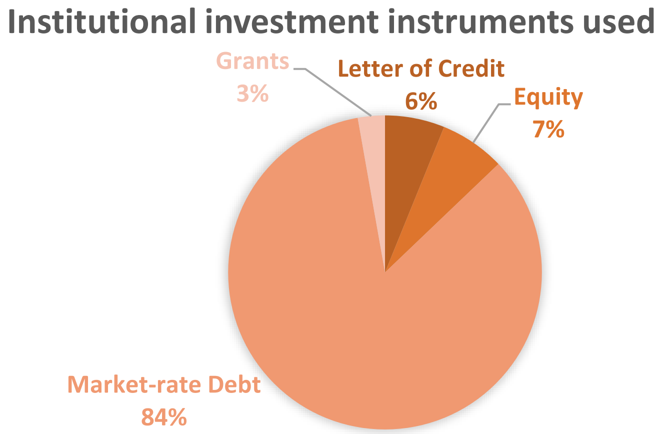
4 Housing Investment Activity

4.1 Top performing investment tools

Figure 3 shows that most investments made were in the form of market-rate debt, typical of large multinational development institutions operating in high country-risk markets.

[15] China Global Investment Tracker, The American Enterprise Institute and The Heritage Foundation.

Figure 3 Instruments Used by DFIs investing in Mozambique



Source: CAHF research data.

4.2 Investment portfolio

Table 3 summarises investment portfolio, activity/tool, horizon and timelines committed by institutional investors in Mozambique's housing and broader housing finance sectors.

Table 3 Institutional Investor Investment Portfolio

Investor Name	Allocation to Housing or Finance (US$ millions)	Investment Activity	Year investment made or timeframe
World Bank/ IDA	$80	Loans provided to the government for a Maputo Development Programme, including funding for services and housing for the poor.	2007-2017
CDC	$48.5	Equity provided to property development company and a microfinance company	2011, 2015
FMO	$13	Market-rate debt provided to bank to support SME lending	2013
IFC	$99	Debt (line of credit) and equity provided to four different banks to increase SME lending	2010, 2011, 2015
Norfund	$16.5	Debt and equity provided to property development company and to bank	2015, 2016, 2017
AfDB	$6	Debt to bank to support increased SME lending	2015
OPIC	$484	Debt to banks and funds to support increased SME lending	2012, 2015, 2016
BIO	$15	Debt to bank to support increased SME lending	2013-2020
KFW	$25	Grants that served as the government's equity contribution to SOCREMO, an MFI	2007-2017
Shelter Afrique	$8.5	Co-financing (debt) of 150 units in Matola	2012
EIB	$25	Line of Credit to support the financial sector	2014
China EXIM Bank	$328	Funding infrastructure projects that support housing, funding for the financial sector.	2013, 2015-2025

Source: CAHF research data

5 The Breadth and Depth of Housing and Housing Finance Products

5.1 Access to Mortgage Finance

Access to finance in Mozambique is limited; more than 90 percent of the population does not have a bank account and only 3 percent of the population has access to credit. The five biggest banks control 87 percent of the market.[16] Rates are high but trending downwards. The Central Bank lowered its benchmark rate by 150 bps or 1.5 percentage points to 16.5 percent in April 2018 and the country's prime lending rate in May 2018 was 23.50 percent, down from 27.25 percent in January 2018.[17]

The State owns all land in Mozambique and extends 99-year land leases. The country's Land Law does, however, allow for construction and real assets on land to be mortgaged. Commercial banks in Mozambique offer mortgage products, but lending activity is minimal. Only about .7 percent of households claim to have a housing loan product at a bank[18] and the country's mortgage-loan-to-GDP ratio was measured at 0.91 percent at year-end 2014.[19]

Mortgage interest rates are high and may range from 28 to 30 percent. CasaMozambique.com has a home loan calculator that potential homeowners may use (the resultant rates and terms are for a Barclays Bank loan). Potential private sector investors are also strangled by high-interest rates on commercial loans (on average 35 percent for a one-year commercial loan) and continued depressed private consumption.[20]

Mortgages are not only unaffordable to most Mozambicans, but lack of clear title renders most dwellings un-mortgageable. Only 12 percent of the urban and 2 percent of the rural population have title deed for the dwelling they own[21]. The 2014 FinScope survey concludes that only 0.4 percent of households live in a mortgageable dwelling that they own.[22]

An estimated 10 percent of urban households and 2 percent of rural households in Mozambique rent their dwellings.[23] Although a fair amount of informal rental arrangements exists, a formal, regulated rental market has yet to be developed. Existing legislation surrounding rental agreements is from the colonial period. One of UN Habitat's recommendations to the government included creating new legislation to support the market.

5.2 Key players and market size

Banks

[16] African Economic Outlook (2015) and CAHF (2016). Understanding Mozambique's Housing Finance Market.
[17] Tradingeconomics.com
[18] Finmark Trust (2014). FinScope Consumer Survey, 2014. Page 41.
[19] HOFINET, Banco de Mocambique, WEO, 2014. http://www.hofinet.org/countries/country.aspx?regionID=8&id=115
[20] African Economic Outlook, 2018, African Financial Markets Initiative. https://www.africanbondmarkets.org/en/country-profiles/southern-africa/mozambique/
[21] Finmark Trust (2014).
[22] Mortgageable is defined as a formal dwelling in an urban area that is owned with a title deed.
[23] Finmark Trust (2014).

The debt portfolio of the Mozambican banking sector increased 66 percent between 2015 and 2016, from MZN10.6 billion to MZN17.6 billion (US$173 million to US$287 million), according to a study prepared by consultancy KPMG for the Mozambican Bank Association and based on 2016 data provided by 16 banks.[24] The sector's average NPL (Non-Performing Loans) was high at 6.1 percent in 2016, up from 3.9 percent the previous year, reflecting broader trends in the economy. Inflation spiked from 2.39 percent in 2015 to 19.24 percent in 2016.[25]

Most of the commercial banks offer mortgage products, but banks' mortgage portfolios comprise just 2.42 percent of total loans outstanding, according to the World Bank's Development Indicators.[26] Commercial bank fixed mortgage interest rates are between 13 and 24 percent, with terms between 5 to 25 years. Lending criteria include deposits of up to 30 percent and restrictive loan-to-value ratio (LTV) maxima (capped at 70 percent generally, but in practice the cap can be lower). The properties must be registered in the Real Property Register. Banks cross-check credit commitments through the Central Credit Bureau within the Banco de Moçambique.

For a time, BCI also marketed a product specifically for a development in Maputo, called Casa Jovem. Terms on the credit product included LTV of up to 100 percent, up to 30-year term (before the age of 65), up to 50 percent discount on associated loan fees, and subsidised interest rates. Four unit types were advertised, ranging in size from 35m^2 to 120m^2. But prices between US$47 000 and US$130 000 exclude most Mozambicans.

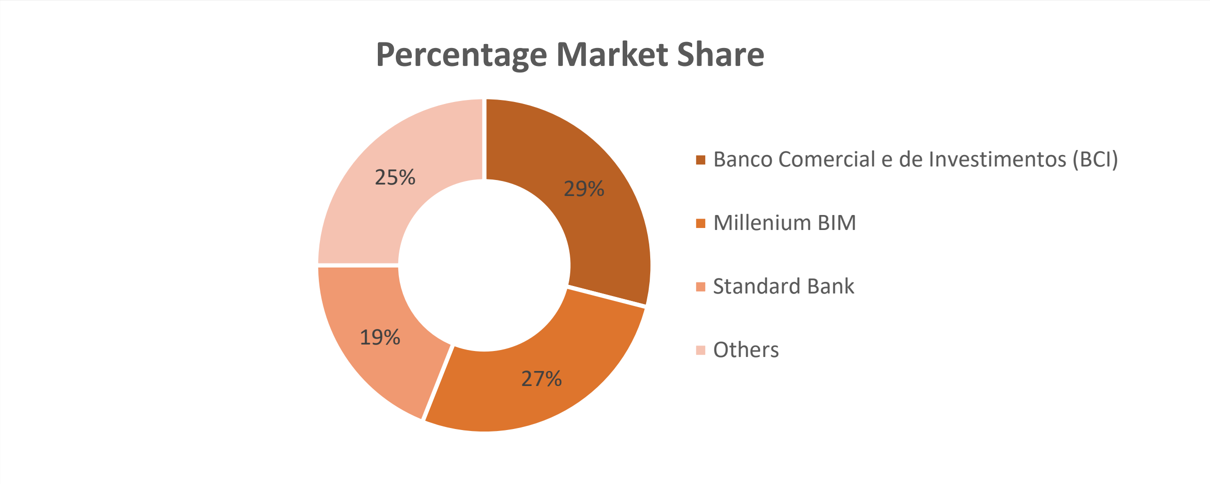
Most mortgages are provided for properties in Maputo, neighbouring Matola, and surrounding suburbs, with hardly any in other towns or rural areas.[27] For construction loans, banks request another property or fixed assets as collateral, at least until the construction is 80 percent completed.

Mozambique's two largest banks by assets are Banco Comercial e de Investimentos (BCI) (29 percent market share) and Millennium BIM (27 percent market share). They reported NPLs of 4.5 percent and 4 percent, respectively, in 2016. BCI and Millennium BIM are both majority-owned by Portuguese investors. Standard Bank is the third largest bank, with 19 percent share. Together, the country's top three commercial banks hold 73 percent of the industry's assets.

Although relatively small, Unico Bank is noteworthy. It is majority owned by Nedbank, the South African Bank, and its NPL at year-end 2016 was 2.3 percent, making it one of the industry's best performers. It received combined financing of US$19 million from the IFC in 2011 to support its lending activity.

[24] Macauhub (2017). Non-performing loans increase within Mozambican banking system. Accessed at: https://macauhub.com.mo/2017/12/06/pt-credito-malparado-cresce-no-sistema-bancario-de-mocambique/
[25] Statista.com https://www.statista.com/statistics/507333/inflation-rate-in-mozambique/
[26] "Understanding Mozambique's Housing Finance Market," CAHF, 2016. Page 2.
[27] Finmark Trust (2008). Access to Housing Finance in Africa, Mozambique. Page 5.

Figure 4 Percentage Market Share in the Banking Sector



Source: "Pesquisa sobre o sector bancario," KPMG. 2017. Page 14.

Mortgage Exposure

Most of the commercial banks offer mortgage products, but banks' mortgage portfolios comprise just 2.42 percent of total loans outstanding, according to the World Bank's WDI.[28]

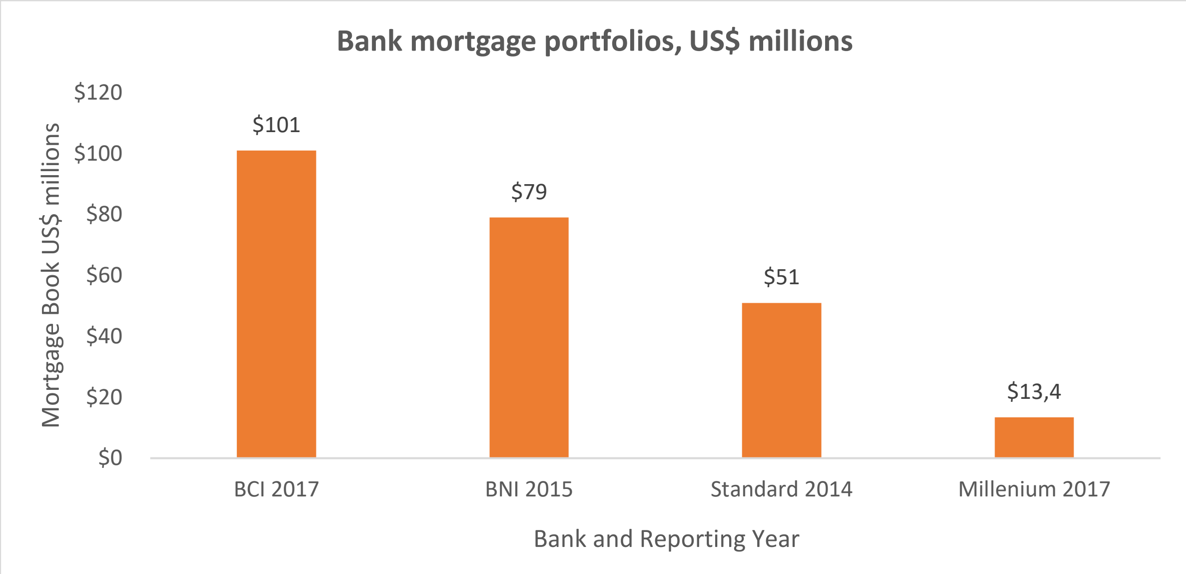
BCI, the largest bank in the country, also has the largest exposure to mortgages. It reported total secured loans of MZN43 500 842 000 (US$725 million) with exposure of MZN6 056 906 000 ($101 million) to secured mortgages at 30 June 2017.[29] Millennium reported exposure of MZN804 358 000 ($13.4 million) to home loans on its 2017 annual report, just 1.2 percent of the Bank's total credit exposure.[30]

Standard Bank reported that in 2014 it had 600 clients with home loans, with an average total outstanding balance of US$51 million.

Banco Nacional de Investimento (BNI) is a state-owned bank that primarily supports infrastructure projects and reports US$79 million in secured home mortgages on its 2015 financial statement.

[28] Understanding Mozambique's Housing Finance Market," CAHF, 2016. Page 2.
[29] BCI Annual Report, 2017.
[30] Millennium BIM (2017). Annual Report for the year to end-December 2017, pg 74

Figure 5 Percentage Market Share in the Banking Sector



Source: Bank Annual Reports, year indicated.

Microfinance Institutions

According to FSD Mozambique, the country had 340 MFIs and 9 credit cooperatives in 2016. The FinScope 2014 survey in Mozambique, however, revealed that 81 percent of the households surveyed had never heard of microcredit.

Five microfinance institutions now offer home loan products, although not necessarily for purchase but rather for improvements or rehabilitation. The five MFIs are Associação de Desenvolvimento Socio Economico de Matutuine (HLUVUKU), Associação Phambeni Makweru (APHAMA), Banco ProCredit SA, Socremo - Banco Microfinancas SA, and Hluvuku Adsema Fundo, which reported to the MixMarket in 2014 as having a gross loan portfolio of US$4 million, 6 852 active borrowers, and an average loan balance of about US$581 per borrower.

Evidence suggests that many MFI loans taken out as personal or business loans are actually used to finance construction and housing improvements, but it is impossible to quantify the size of this market as MFIs do not track the end use of funds.

6 Housing Output

6.1 Public Sector Provision

The government's current five-year plan (2015- 2020) includes the delivery of 35 000 houses by 2019. Although progress reports and reliable data are unavailable, most information indicates that the goal will not be achieved.

6.2 Private Sector Provision

Most housing developed by the private sector is provided through public-private partnerships between large foreign firms and the government. Several innovative, small-scale projects are currently under way in the country, however. These include Casa Minha, a project initiated in 2016 in Maputo. The Casa Minha model involves the owner of the land-use rights (the government owns all land in Mozambique) giving the right to build to Casa Minha, which in turn builds two houses on the plot, one for the owner, and one to be sold at market price. Casa Minha helps the owner obtain title, and the proceeds of the sold house are used to construct both. The houses can be constructed in six to eight months, which is fast for Mozambique. These come in different plan types, with plot sizes from around 70.3m² to 106m², covering a floor area of between 51.3m² and 80m² and usually with two bedrooms. The first house sold for US$45 000, which would be accessible to an upper-middle income household. Presales (one-third of the total cost is a required down payment) will fund the next round of approximately 10 houses.

An important feature of the model is that Casa Minha has buy-in from the local municipality, which is pleased with the project as it is effectively formalising the neighbourhood and creating future tax revenue. Casa Minha also works on basic service projects for the local government, which in turn has agreed to help with paperwork and planning approvals. The project is still in its early days, but it is likely that it will eventually require external finance to be scalable.

Table 4 Examples of Private Sector Affordable Housing Projects

Name	Location	Number of Units	Progress	Developer	Financier	Notes
Casa Minha		15 houses	5 completed	Private company in conjunction with the plot owner. Agreement signed with the municipality for help with paperwork and approvals.	Pre-sales and equity from owners	First home was sold for US$45 000.
Casa Jovem	Costa de Sol, near Maputo	1 680 apartments and 300 houses	100 apartments completed	Charas Lda	Purchase financing offered by BCI.	Started in 2010. Not affordable to most. Prices between US$47 000 and US$130 000.
Marraza	Beira	NA	NA	REALL in partnership with the local authorities and the Dutch government	PPP involving the creation of an LDC	Started in 2015, covers 500ha. Expected to be delivered.

Source: CAHF Research and stakeholder interviews.

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7 Challenges and Opportunities Ahead

Natural resource development, specifically off-shore gas, could jumpstart industrialisation and improve the country's balance of payments. Although the mortgage market is small, the country does have a developed banking system and a credit bureau, making increased lending a possibility. Private sector developers will likely return to the country, but the question remains whether they will build units affordable for lower-income households, a feat that has yet to be accomplished.

UN-Habitat is currently overseeing a prototype project in conjunction with the government, USAID, and the World Bank, to build resilient, sustainable homes cheaply. The project uses local inputs and teaches local people how to build homes themselves. It has successfully delivered houses that cost somewhere between US$7 000 and US$8 000. In addition, UN-Habitat prepared a Housing Sector Profile to diagnose various aspects of housing in the country. This, along with a strategy paper, were presented to the government earlier this year and are currently in review. Areas of improvement that the paper will most likely recommend are regularising plots and title work (with a better land cadastre) to make land-based financing easier, as well as promoting the MFI sector.

Mozambique has also recently engaged with other Lusophone countries in the region (Angola and Cape Verde) to share lessons learned and best practices. This is a logical collaboration as these formerly Portuguese countries share common traditions and do not have the legacy of Anglo-Saxon institutions such as building societies.