



# 'Oil for Housing': Chinese-built New Towns in Angola

## RECOMMENDATIONS

- Angola could leverage more effectively its position as a major oil provider to China, thereby raising the quality of the services provided by Chinese urban planners and contractors.
- Angola's housing and urbanisation policies would benefit from undertaking more in-depth feasibility studies locally and drawing from international expertise (eg, Brazil's experience with satellite cities), including global strategies to avoid the dormitory town phenomenon and analyses of pricing policy to make housing more affordable.
- Chinese planners and construction firms could improve their reputation by adapting projects to local contexts rather than simply transplanting their domestic urban model.
- Donors could investigate the possibility of exploring synergies with Chinese urban development projects for adaptation in other African cities.

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## EXECUTIVE SUMMARY

China has gained a foothold in the African construction sector through the provision of 'resources for infrastructure' loans. The dominance of Chinese companies is particularly evident in mega projects such as railways, major transportation arteries, public buildings, etc. In Angola, China is also involved in the construction of new urban centres on a scale unequalled by any other foreign partners in Africa. These new urban centres, located on the outskirts of major cities, are meant to address the massive housing shortfall in the country.

This policy briefing analyses the Sino–Angolan partnership in the construction of satellite towns in Angola. Based on extensive fieldwork in Angola and China in 2013, it uses the Kilamba Kiaxi flagship project as a case study, highlighting the issues raised by this new urbanisation model in Africa. It argues that despite their invaluable immediate contribution to solving the housing problem, Chinese-built satellite towns face a number of challenges that may affect their sustainability in the medium to long term.

## INTRODUCTION

The construction of government buildings and sport venues has been part of China's 'edifice diplomacy' in Africa since the 1960s, reaching an unprecedented scale after 2000. Much like China, Africa faces high urban growth rates of over 3% per year. By 2040 China and Africa will each have about 1 billion urban dwellers. Based on its unmatched experience in this area, China has contributed to urban development in Africa with countless projects, such as roads, housing, water and electricity supply, telecommunications, and networks. In Africa, Chinese construction firms (CCFs) operate either in the framework of bilateral co-operation projects or through international bids. Africa accounts for 35% of the Chinese overseas market in the construction sector. CCF contracts in Africa came to \$40 billion in 2012, an increase of 45% since 2009.<sup>2</sup>

Angola is a key recipient of Chinese infrastructure, mostly through oil-backed

loans. One of the distinct features of China's engagement in Angola's construction sector is the new cities and housing districts it is building close to Angola's main cities. Around Luanda alone, five new cities are under construction: Kilamba Kiaxi, Cacuaco, Zango, Km 44 and Capari.

### COPING WITH THE HOUSING CRISIS: ANGOLA'S URBANISATION STRATEGY

Angola grapples with two main problems: the governance issues of a rentier state, and its post-conflict situation. The 27-year civil war that ended in 2002 had destroyed most of the country's infrastructure and caused a major housing crisis, especially in the capital Luanda, which currently houses 21% of the country's population. Around 75% of Luanda's 4.28 million inhabitants live in slums (*mussekes*).<sup>3</sup> With the exception of a few buildings built with Cuban aid, housing production came to a virtual standstill during the war. Housing a fast-growing population became a key challenge in the post-civil war context. Prior to his re-election in 2008, President Eduardo dos Santos vowed to have '1 million houses' built: 685 000 through self-construction, 185 000 by the government, 120 000 by the private sector, and 80 000 by co-operatives.<sup>4</sup>

As with some other key infrastructure projects in Angola (eg, the new international airport and three railway lines), the '1 million houses' programme is supervised by a technical co-ordination committee under the Gabinete de Reconstrução Nacional, which falls under the Presidency. A total of 100 000 hectares of land around Luanda, Benguela, Namibe, Lubango and Malange have been reserved for the programme in order to build satellite towns, called 'new centralities' (*novas centralidades*) or 'new cities' (*novas cidades*). The five satellite towns outside Luanda's ring road and the majority of those being built in the provinces are constructed entirely by Chinese state-owned companies and their Chinese subcontractors.

### PARTNERING UP WITH CHINA: 'OIL FOR HOUSING'

Economic relations between China and Angola were negligible before the 2000s. However, soon after the signing of the ceasefire between the People's Movement

for the Liberation of Angola – Labour Party and the National Union for the Total Independence of Angola on 4 April 2002, the Chinese Ministry of Foreign Affairs issued a communiqué offering to help to reconstruct Angola.<sup>5</sup> While international donors hesitated to assist Angola's reconstruction due to its poor governance record, Chinese authorities seized the opportunity to strengthen China's presence in the country, and signed several credit lines backed by oil sales to China to fund infrastructure construction.

When Xi Jinping, China's then vice-president, visited Angola in November 2010, he viewed the construction site of the \$3.5 billion Kilamba Kiaxi project, the main satellite town being built by Chinese companies 20 km from Luanda's centre. Significantly, the strategic partnership established during Xi's visit included 'infrastructure and urban construction' among the key co-operation sectors mentioned in the joint declaration.<sup>6</sup> In 2011 around 50 Chinese state-owned enterprises and 400 small-to-medium enterprises were involved in these construction contracts.<sup>7</sup>

Chinese-built satellite towns and other infrastructure projects are financed by Chinese oil-backed loans, either under China–Angola bilateral co-operation agreements or through private contracts. Kilamba was initially supposed to be financed by China International Fund (CIF), a private investment fund based in Hong Kong. The project was taken over in 2008 by Citic Construction, a subsidiary of the state-owned CITIC group, and financed by the Industrial and Commercial Bank of China when CIF ran into financial difficulties.<sup>8</sup> The pay-out of the Chinese loans is structured to bypass the Angolan government, with the Chinese banks paying the CCFs in China directly. The reimbursement of the loans is guaranteed by oil sales to Unipeç, the trading subsidiary of the Chinese oil firm Sinopec. Angolan oil is not used directly for the payback, but as the collateral servicing the loans. Although this funding formula is not unique to China, the Chinese model is distinct in that it encapsulates a 100% state financial circuit (from the lending institution and contractors to the off-taker).<sup>9</sup>

### KILAMBA KIAXI: A FLAGSHIP PROJECT FOR CHINA AND ANGOLA

Through the mechanism described above, CCFs had completed about 1 500 residential buildings in

Luanda's environs by 2013. Kilamba Kiaxi, the largest project under way, is a flagship project for both China and Angola. The project has been showcased as social housing model to most African leaders visiting Angola. According to the chief engineer of Citic Construction, the town is the biggest overseas project built thus far by Chinese firms, with 3.3 million m<sup>2</sup> in the first phase alone<sup>10</sup> (710 buildings or 20 000 apartments were completed in September 2012). The second phase currently underway should consist of 5 000 housing units.

Kilamba Kiaxi Phase 1 is spread over 5 km<sup>2</sup>. It is divided into 28 blocks of about 16 hectares each in a checked urban grid. There are three types of apartments (from two to four bedrooms) in three types of buildings ranging from five to 11 storeys. The project includes 24 kindergartens, nine elementary schools and eight middle schools. Citic Construction has also erected the supporting infrastructure consisting of two high voltage transformers, 77 power sub-stations, 400 km of water pipes, a water sewage plant, traffic lights, and bus stops.

The project is officially the result of a shared process between Chinese and Angolan planners and engineers between 2004 and 2007, with several visits to Angola by Chinese planners and visits to China by the Angolan technical co-ordination team. According to the president of Kilamba's administration, Joaquim Israel Marques, 'All planners want to stamp their signature on the project. We say: Chinese face and Angolan body.'<sup>11</sup>

## PRESENT CHALLENGES

Although massive urban projects such as Kilamba may hold the key to solving the housing problem in fast-growing African cities, a number of challenges have been identified.

The first challenge relates to the lack of adaptation to the local context. Even though the Angolan team prepared the terms of reference for the Chinese, the urban planning of Kilamba Kiaxi (and the other Chinese-built towns around Luanda) reflects the same principles as that of new cities in China.<sup>12</sup> The plans are drawn up by urban planning and design institutes based in China.<sup>13</sup> They implement functionalist concepts such as zoning,<sup>14</sup> and the large-scale blocks have bigger proportions than European or African

urban grids. According to Marques, Angolan planners have faced difficulties in getting the Chinese planners to accommodate the local context. In rural settings such as Malange and Huila it is particularly important that the suitability of the projects be determined with care, since the impact of a 'vertical' life style on the social structure of rural communities is yet to be assessed.

Secondly, there are issues regarding the convoluted selling process and the accessibility of the housing units. In July 2012, two months before the official completion of the project, Kilamba Kiaxi was labelled a 'ghost city' by local and international media,<sup>15</sup> as the private company (Delta Imobiliaria) hired by Sonip<sup>16</sup> to manage the sales set the unit prices very high. The prices only dropped following a visit by President dos Santos to Kilamba in November 2012. This episode highlights the risk of social housing projects being derailed by profit-driven private interests if not closely supervised.

Potential buyers had to apply to participate in the attribution process. Some people reported having queued for two days before submitting an application.<sup>17</sup> Property could be acquired through different mechanisms: upfront payment or a mortgage system over 15 or 20 years. In Kilamba, the prices of apartments range from \$70 000 for a two-bedroom apartment (\$350 per month to rent) to \$180 000 for a four-bedroom apartment (\$900 per month to rent). Although prices are much lower than in Luanda, only about 20% of Luanda's population can afford to live in Kilamba (households earning more than \$2 000 per month with employment in the formal sector). This means that this type of housing is only accessible to a small, if growing, middle class, excluding the vast majority of the population.

Thirdly, there is very limited provision of public services in these towns and poor integration with the surrounding urban area. Kilamba still lacks basic services such as healthcare, integrated transportation networks and, most importantly, a reliable power supply, which is key to ensuring basic amenities such as water and elevators. An effective urban management system is also needed for waste collection, public area cleaning and elevator maintenance. This is still being handled by Citic Construction as an after-sales service, but should progressively be handed over to the local authorities. Moreover, even though plots are reserved for office and commercial buildings (to be built by the

private sector) and plans for public transport are said to be in the pipeline, Kilamba's inhabitants still have to commute to their jobs in the city centre using private taxis.

## CONCLUSION

Satellite towns such as Kilamba Kiaxi are designed to solve the problems of overcrowded city centres. For this purpose, the Angolan government seems to rely largely on state housing, financed by Chinese oil-backed loans and to a large extent planned and built by Chinese companies. However, towns such as Kilamba remain *ex nihilo* dormitory districts rather than integrated, self-sufficient urban areas, and their sustainability is uncertain in the long run. Both China and Angola have to shoulder some of the blame for this: China for not making a bigger effort to adapt projects to the local context, and Angola for its weak capacity to deliver much-needed public services and to effectively integrate the projects with the surrounding areas.

Still, these large-scale projects do represent a potential solution to the housing needs of the emerging middle class in fast-developing countries. The Kilamba Kiaxi project is a valuable learning opportunity not only for African urbanisation strategies but also for Chinese projects overseas, as well as for international donors more accustomed to upgrading slums and implementing urban renewal than developing urban extension projects in Africa. Many useful synergies could derive from these projects to the benefit of African urbanisation needs, provided all parties become more willing to co-operate.

## ENDNOTES

1 David Benazeraf is completing a PhD at the Paris Sorbonne University. He has been awarded a scholarship

by the French Institute of Higher National Defence Studies. Ana Alves (PhD) is a senior researcher at SAIIA in the Global Powers in Africa Programme.

- 2 Information Office of the State Council, 'China-Africa Economic and Trade Co-operation White Paper', 2013.
- 3 Personal interview, NGO Development Workshop, Luanda, 31 July 2013.
- 4 S Croese, 'One million houses? Chinese engagement in Angola's national reconstruction', in Alves AC & M Power (eds), *China and Angola: A Partnership for Development? Cape Town: Pambazuka*, 2012, p. 133.
- 5 Spokesperson statement following the signature of a ceasefire in Angola, [www.fmprc.gov.cn/mfa\\_chn](http://www.fmprc.gov.cn/mfa_chn), accessed 10 December 2013.
- 6 Joint declaration on establishing a strategic partnership between China and Angola, [www.fmprc.gov.cn/mfa\\_chn](http://www.fmprc.gov.cn/mfa_chn), accessed 10 December 2013.
- 7 Alves AC & M Power, *op. cit.*, p. 7.
- 8 S Croese, *op. cit.*, p. 133.
- 9 Alves A, 'China's Economic Statecraft and African Mineral Resources: Changing Modes of Engagement', SAIIA Occasional Paper, 131, January 2013, p. 9.
- 10 'Outside chaotic Luanda, Chinese workers build new city', *AFP*, 14 June 2011, <http://www.sinodaily.com/afp/110614031557.wh43q90u.html>, accessed 10 December 2013.
- 11 Personal interview, 30 July 2013.
- 12 For instance, the scale is similar to that of new cities built in Inner Mongolia.
- 13 Wang J, Zhang Z & X Wen, 'The Chinese Urban Planning Practice in Africa', *Urban Planning Forum*, 189, 2010, pp. 91–98.
- 14 That is, the distribution of functions (housing, offices, industries, etc.).
- 15 'Angola's Chinese-built ghost town', *BBC*, 2 July 2012.
- 16 The apartments are state property under Sonip, the real estate subsidiary of Sonangol, the national oil company.
- 17 Sonip sales document; interview with the president of Kilamba's administration, 30 July 2013.

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