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Alternatives to African commodity-backed urbanization: the case of China in Angola

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Abstract: With the collapse of oil prices through 2014 to 2016 the Angolan state budget has been drastically reduced, and the government will be unlikely to be able to provide investment and subsidies to continue building new housing and urban infrastructure at the rate of the previous decade. Since the end of the civil war in 2002, the government of Angola has used Chinese credit facilities backed by petroleum-based guarantees to build prestige urban projects. The private sector, both international and local, has been a major beneficiary of state construction subsidies. The private sector, however, has been reluctant to provide its own financing and invest in real estate due to weak land tenure and the lack of legislative reforms to make a functional land market. Solving the problems around land may be a way to stimulate the engagement of private-sector participation in providing financing for housing. The successes and failures of ‘land-value capture’, a method that provided financing for the growth of Chinese cities, should be studied and could be adapted to finance the large backlog in urban upgrading of basic service infrastructure and housing for the poor for cities like Luanda.

Keywords: urban, Angola, China, land rights, real estate markets, social housing, post-conflict, slums, expropriations

JEL classification: R000, R310, R380, R510

I. Introduction

Since the end of the civil war in 2002, the government of Angola has used Chinese credit facilities backed by petroleum-based guarantees to build prestige urban projects on a scale that in sub-Saharan Africa is second only to post-apartheid South Africa. The most famous is the publicly–privately developed Kilamba ‘Centralidade’ (new town) with 20,000 apartments, China’s largest housing venture in Africa (see Figure 1). The apartments, at first promoted as social housing, were too expensive for most of the population and the state had to draw more funds from its housing budget to subsidize the scheme to make units affordable, even for upper- and middle-level civil servants. With the collapse of oil prices through 2014 and 2016, the Angolan state budget has been drastically reduced, and it is unlikely that the government will be able to provide
investment and subsidies to continue building new housing in the form of centralidades like The private sector, both international and local, has been a major beneficiary of construction contracts from the state. The private sector, however, has been reluctant to provide its own financing and to invest in real estate itself, due to weak land tenure and the lack of legislative reforms to make a functional land market. Solving the problems around land may be a way to stimulate the engagement of private-sector participation in providing direct financing for the housing sector.

Post-socialist countries like Angola, Mozambique, Ethiopia, and China have unique opportunities through the conversion of state-monopoly-owned land for urban uses. The spectacular growth of Chinese cities during the last three decades has been fuelled largely by land-value capture. Land-value capture is a principle employed by cities globally to finance municipal budgets, sometimes by developing partnerships with real-estate investors and local communities or by taxing occupation or charging fees for changes in land-use. Like in China, the origins of the wealth that grows and sustains these cities are home owners’ savings and private-sector investors. These are resources that remain untapped in many African countries (Cain, 2016a).

II. China’s influence on African urbanization

Africa and China have urban growth rates that far exceed the global average. The greater part of China’s and Africa’s urbanization has occurred in an extremely short period,
historically speaking. Both are undergoing rapid urban growth and dealing with its challenges: inadequate infrastructure and basic services; rising housing prices; environmental degradation; and increasing poverty and inequality. But these cities are also generating new ideas and innovations in governance, finance, service delivery, transport solutions, and technologies to manage urban development. While urban growth presents challenges, it also presents opportunities for citizens in African and Chinese cities to enjoy a better quality of life.

Cities in both China and Africa similarly show dynamic expansion, considering their demographic size, density and socio-economic diversity. Their economies of scale produce large markets for labour and goods, and the ease of information flows in urban environments enhance productivity and innovation. Population growth in both sub-Saharan African and Chinese cities show a remarkable similarity as tracked by UN-Habitat from the 1960s. In China, every year there is an increase of more than 10m urban residents (Government of China, 2015). In Africa the increase in the urban population today may be over 14m annually (UN Department of Economic and Social Affairs, 2015).

Traditionally, cities grow hand in hand with economic development and industrialization. Urban industry created jobs and acted to pull people to the city. Historically, this was the case for Europe but also for China and other Asian countries where urbanization, industrialization, and the creation of new jobs has been fuelled by investment in cities. However, there are cases where rural to urban migration is not associated with economic growth—for example, internal displacement of populations associated with conflict, disasters, rural impoverishment, or a search for better services, such as education opportunities. Urban growth does not always correlate automatically with equitable development. For cities to fulfil their developmental potential, they must mitigate increasing environmental strains and social conflict. Equitable development is not the inevitable consequence of rapid urban growth. Political and institutional failure that inhibits effective urban planning, policy-making, investment, and regulation can also impede the growth of some cities (UN-Habitat, 2014).

Africa is urbanizing quickly. Its rate of urbanization soared from 15 per cent in 1960 to 40 per cent in 2010, and is projected to reach 60 per cent in 2050 (UN-Habitat, 2010). Africa’s urbanization is different from China’s. Although Africa and Asia have similar urban rates (around 40 per cent), per capita GDP in Africa was one-third that of Asian countries in 2012. In addition, Africa’s literacy rates and institutional development indices are much lower than Asian counterparts, and Africa’s infrastructure lags behind (Freire et al., 2014). In some Africa countries, urbanization has taken place without industrialization (Lucci, 2014).

In China and other Asian countries, urban population growth over the last three decades (as shown in Figure 2) has resulted in a significant reduction of the poverty levels of their citizens. The same cannot be said for Africa, where the growth of cities is similar, but poverty reduction has been almost stagnant. China has therefore transformed its growth of both cities and its economy into social benefits for its population. Africa, on the other hand, while achieving similar urbanization and economic growth rates, has been less successful in achieving equitable benefits for its poorer citizens.

African cities present many notable differences from those in China. By far the most visible is the presence of slums: indicators of informality and thus a lack of planning control. The presence of slums is the clearest signal that Africa has not learned from the Chinese model of long-term urban management. Africa has more than 570m slum-dwellers, according to UN-Habitat (2008), with over half of the urban population (61.7 per cent) living in slums.

Slums are a characteristic of Africa’s cities and an indication of insufficient investment in infrastructure. African urbanization has happened quickly, but with little change in the industrialization of most of its countries. In fact the share of manufacturing in the GDP of many countries has actually declined in the last 15 years (Freire et al., 2014, p. 5).

Chinese urban expansion was mainly the result of the movement of labour from rural to urban areas that followed the shift from agriculture to industry and services. This type of urbanization did not occur in Angola and many African countries—those whose economic growth has been associated with natural resource exploitation but not with increased manufacturing shares of GDP (Collier, 2006; Gollin et al., 2013). Urbanization in Africa (at least in these countries) was more often triggered by development of natural resource exports than by improvements in manufacturing productivity. In these countries, urbanization is likely to have been driven by the income effect of natural resource endowments (Freire et al., 2014, p. 10).

Countries like Angola are highly urbanized without having industrialized much. Cities in countries deriving substantial income from commodities and natural resource exports will grow in response to the consumption of non-tradables associated with that increase in disposable income. In this case, resource-led development would lead to the creation of ‘consumption cities’ by increasing the income surplus and shifting workers away from the tradable sector (Gollin et al., 2013, p. 10). In sub-Saharan Africa, food yields have remained low. Despite the lack of agricultural development or pull from industry, Africa has still urbanized to almost the same level as Asia over the last half-century, as illustrated above in Figure 2. Activities associated with extracting natural resources are highly capital-intensive, and their production creates very little new
direct employment. But the rents generated provide a different origin for a ‘pull’ into urban areas, as the increased purchasing power made available from resources increases demand for urban goods and amenities (Gollin et al., 2013, p. 11).

Harrison and Yang (2015) note that the presence of Chinese companies and project financing in Africa is having an impact in cities on the continent. Since around 1980, and especially after 1990, Chinese property developers have been making their mark in Africa. There has been an increase in Chinese real estate investment in recent years, as Chinese firms have had to look outside their homeland for opportunities. Trade volumes between China and Africa have grown twenty-fold since 2000. China’s trade with Africa exceeded $200 billion in 2013 from just $9 billion in 2000. Chinese financing is now a key influence on development in African cities. New models of bilateral cooperation and strategic public–private partnerships are being forged with African countries that affect urban growth—from planning, to building transport infrastructure, to financing large residential developments (Harrison and Yang, 2015).

China has been an influence on the urban development of many African cities, and has had an effect on the architectural form of those cities. Chinese contractors and architects are able to build urban projects at lower cost and on schedule, but in doing so, they out-compete local companies and ignore cultural contexts. African companies are unable to compete. This leads to loss of local jobs and businesses in construction and employment of construction workers (Zhuang, 2014). In the early 2000s, Chinese companies in Africa were primarily involved in construction, often importing Chinese labourers to undertake the work. Chinese companies have more recently moved into more value-added phases of the building process: project management and real estate development—all areas where return on capital is highest (Hulshof and Roggeveen, 2015).

China’s own ‘great urban transformation’ has resulted in the development of a large number of what can be called ‘world-class cities’. These are global cities that often have roles in the world economy and even have relative autonomy from the nation state (McGranahan and Han, 2012). The new Chinese global city has not only been a model for the new African urbanism (Cain, 2014), but has also been emulated in other regions of the world in the first decade of the twenty-first century, with surplus wealth fuelled by high commodity prices and access to easy credit. Drawing on its own experience of building mega-urban projects such as the new city of Shenzhen, China has become a promoter of the aspirations to a new urbanism. David Harvey (2008, p. 30) notes that:

China’s influence has become genuinely global, partly through the integration of financial markets that have used their flexibility to debt-finance urban development around the world. Mega-urbanization projects first emerged in the Middle East in places such as Dubai and Abu Dhabi, mopping up the surplus arising from oil wealth in the most conspicuous, socially unjust and environmentally wasteful ways possible. Immense fortunes have been generated for the financial intermediaries who matched easily accessed financing to surplus housing demand.

In the last decade and a half, Chinese trade and financing has increasingly become an important influence on development in African cities. Much of the financing has been in the form of credit lines from Chinese institutions that have been guaranteed as commodity-backed loans. Chinese foreign direct investment (FDI) in Africa has
remained modest compared to these other commercial forms of financing (Brautigam, 2009). It is a misconception that just because China is Africa’s top trading partner that it is also the largest foreign investor. In fact China ranks seventh overall in FDI, far behind the United States, which is Africa’s largest source of foreign investment (Olander et al., 2015).

Chinese impact on urban development differed from country to country and from city to city. Political and economical realities in Africa and China differ too much for a straightforward ‘copy and paste’ approach. In cases where the Chinese urban model is being superimposed, for example in Angola’s Kilamba Kiaxi, we see the affect that local conditions have in practice on the ground (Hulshof and Roggeveen, 2015; and see Figure 3).

III. Angola’s oil-fuelled post-war urbanization

Angola, at independence in 1975, adopted a socialist model of land nationalization. The country’s first attempt at reforming its socialist land policy was made in 1992 as part of a package of liberalizing legislation in the period leading up to the country’s first multi-party elections. A new law reaffirmed the overall control of the state over all land, but introduced a mechanism to transfer the right of use to individuals: in effect, a form of usufruct or ‘surface land rights’. Concessions were for agricultural use and granted for a minimum of 25 and a maximum of 60 years. The law, however, remained grounded in the colonial legislation and accepted the land divisions mapped out in

Figure 3: Kilamba new city in Luanda, China’s largest housing project in Africa


2 Law 21/92 C Lei de Terras & Decree 46/92A
the pre-independence cadastre. It therefore effectively legitimized the injustices of the colonial era land-grab that expropriated the lands of many African peasants, and the incorporation of these lands in large settler holdings (Cain, 2010). One of Angola’s leading agronomists, Fernando Pacheco, estimates that the 1992 law permitted a new land-grab by influential urban and military elites who have appropriated land, through grants, approaching or surpassing the 4.5m hectares abandoned by colonial commercial farmers in 1975 (Pacheco, 2004, p. 11).

In an attempt to address the failure of the 1992 law to deal with urban issues, the Luanda provincial government announced an emergency programme in 1994 to deal with unplanned land use in the peri-urban area. The province subsequently developed By-Law 1 in 1996 to allow its implementation by conceding the usufruct (surface) right, linked to a programme of land and infrastructure development with private-sector partners—the Luanda Sul programme. Under the banner of public–private partnerships (PPPs), quasi-private enterprises were created by para-state and para-military institutions and, correspondingly, by individual personalities close to the State President. The Angolan business model for post-war reconstruction was promoted as a strategy for securing the ‘peace’ by granting concessions to senior military officers of both warring parties. However, the practice contributed to introducing a dominant element of patronage into private-sector land dealings (Cain, 2017). The strategy presented an opportunity for the appropriation as well of informally occupied urban land. Forced removals began in 2001 with Luanda’s inner-city Boavista bairro. Two thousand houses were destroyed, and the families were transported 40 kilometres to share tents and makeshift facilities at Zango, on the city’s periphery, while they waited for the alternative housing that had been promised (Cain, 2013c, p. 189). Subsequently tens of thousands of families suffered similar expropriations (Waldorff, 2014) over the next decade and a half to make way for the post-war real-estate expansion.

Angolan land legislation was based on a civil code tradition, inherited from the colonial era that had tacitly acknowledged de facto rights of occupation of land in good faith (Cain, 2013c, p. 193). A new post-war land reform law was published in 2004, with strong resistance from Angolan civil society that eliminated those remnants of the rights of usucapiao. The law gave existing land occupiers only 3 years to acquire formal title from municipal or provincial government authorities, after which time informal occupation would become illegal. The provincial government’s capacity to deliver licences was very limited. Even long-term urban residents who placed their names on waiting lists waited years. Often they had to pay bribes at each stage of a complicated bureaucratic process. Few, if any, urban residents were able to acquire title papers for the land and housing they occupied before the window closed. The legislation technically criminalized the large majority of urban residents, who considered themselves legitimate owners of their residences, and gave the state a legal tool for accelerating their programme of expropriations.

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3 Resolution 30/94 Emergency Programme for Luanda
4 Decree No. 9/96 on Confiscation of Land
5 According to the World Bank’s 2016 Angola Doing Business Report, Angola is one of the most difficult countries in the world in which to transfer and register property titles, ranking 170th out of 190 countries.
IV. Luanda, Africa’s fastest growing city

A little over a decade ago, Angola emerged from a protracted conflict dating back to the early 1960s. That conflict arrested economic development for 40 years but also caused a massive shift of population to the cities. Millions of Angolans fled the countryside for the relative safety of the urban shanty towns (see Figure 4). With their meagre resources, they built dwellings on land they obtained, usually by purchasing it on the informal market, often with little security of tenure (Development Workshop, 2011). Migration led, by the end of the war, to a huge pent-up demand for housing and basic services in the overcrowded cities. International investments that Angola expected to receive after 2002 to help in post-war reconstruction were slow to materialize.

The post-war years saw a significant rise in the value of Angola’s commodity exports, and newly available low-cost credit from China has created an opportunity to finance its post-war reconstruction. Angola is sub-Saharan Africa’s third-largest economy, with crude oil accounting for almost all of its exports and more than two-thirds of government revenues. Angola’s economy has grown almost 10-fold since its civil war ended in 2002. Thanks chiefly to the demand for oil, the country’s growth rate peaked at more than 23 per cent in 2007 and has averaged a respectable 9.38 per cent from 2000 until 2016. By 2004, Angola had turned to China for oil-backed loans to rebuild its devastated infrastructure and over-crowded cities (Cain, 2014). Angola leads the list of China’s principal African trading partners, followed by South Africa, Sudan, Nigeria.

Figure 4: Luanda, with a population of over 7m, is en route to becoming an African metropolis.


6 Angola GDP growth rate from http://www.tradingeconomics.com/angola/gdp-growth
and Egypt. China’s African engagement is largely state-to-state, involving the purchase of extractive resources and the provision of investment credits for infrastructure and construction.

The desire for decent housing emerged at the end of the war as a key component of national reconciliation and a factor in building a new sense of citizenship. During the conflict years, service delivery and even access to basic goods were often portrayed as gifts from the state rather than a meeting of basic citizenship rights (Gastrow (2017, p. 4), quoting Messiant (2001)). For the millions who had suffered violence in their areas of origin and fled to the cities during the war, the rights to improved living conditions were expected as part of their share of the peace dividend.

The government’s political commitment to deliver social housing became a plank in the ruling party’s 2008 electoral platform. At that time, the shortfall in the housing stock was estimated to be almost 1.5m units and the State President mapped out a plan to deliver 1m of these. Facing the challenge of weakness in the state bureaucracy, the President created several new special para-state agencies outside the regular government ministries (Croese, 2016, p. 82). These included the Office of National Reconstruction (GURN), with a mandate that include the construction of over 200,000 housing units with Chinese financing; the Office of Special Works (GOE), also with a mandate to build social housing; and the Office for Urban Renewal (GETRUCS). The State President personally chose the leaders of these para-statals who were granted greater autonomy and budgets than the line-ministries that normally would be tasked to implement such programmes. The appointment of figures close to the presidency introduced a culture of patrimonialism that gave managers opportunities for commissions and the creation of personal business linkages to housing delivery (Marques de Morais, 2012). By outsourcing to foreign companies these agencies reached a level of implementation that was out of the reach of regular government ministries who missed the opportunity to gain experience and build their own staff capacities. However Angola’s case of developmental patramonialism demonstrates how housing and oil-backed financing has contributed to political stability through the cohesion of centralized power (Soares de Oliveira, 2015, p. 205) that has been used as a tool for post-war political reconciliation and is at least partially meeting the aspirations of an important emerging political class.

The political pressure to deliver housing to meet the State President’s 2008 electoral promise is often given as an excuse for contracting Chinese and other foreign construction firms, rather than investing in developing domestic capacity to produce building materials and employing national companies to hire and train local workers. The state set contractual stipulations requiring 30 per cent of internationally financed housing and urban infrastructure projects to be allocated to Angolan companies. However these requirements were often ignored or in some cases circumvented by foreign operators who set up nationally registered local front companies, nominally led by boards of Angolan proxy officials who benefited from commissions while subcontracting or importing foreign materials or skills.

The pressure to build mass housing, even before the completion of an urban master-plan for Luanda, resulted in the new ‘centralities’, like Kilamba, being located on sites at a 30-kilometre distance from the central business district and completed long before a transit plan was even considered. The physical planning was done off-shore and the design criticized in the independent media as being inappropriate to the Angolan
culture and environment (Aleixo, 2012). Only in 2011, as the Kilamba project neared completion, did the Chinese contractors invite the key Angolan planners and urban authorities from the Luanda City Government to a consultation, first on the project site and then to meetings in Beijing and later Shenzhen. At these meetings, the Angolan professionals raised their concerns about the ‘gated’ nature of the project, the problem of access and congestion on road axes into the city, and the neglect of informal settlements that had grown up around the ‘new city’ of Kilamba.

The strategy, however, resulted in a significant delivery of housing by the state during the period, totalling 172,575 units by the end of 2015 (Angolan National Habitat Committee, 2016, p. 73). Over 100,000 of these units were built in Luanda alone (Croese, 2016, p. 82). The housing delivered has not only satisfied an important segment of the middle-class and better-paid civil servants, but also created high expectations from lower-paid workers and the economically active urban poor who also seek to benefit from subsidized social housing. The shortfall in housing was calculated by the Ministry of Urbanisation to still be 1,224,514 units in 2015 (Angolan National Habitat Committee, 2016, p. 66). The un-met demand for housing at the bottom of the pyramid is emerging as the most important driver of the housing economy.

The government’s initiative to build new Centralitidades on the Kilamba model diverted housing investments from those most in need. Infrastructure investments for Centralitidades were prioritized over the upgrading of slum areas, musseques, where about two-thirds of Luandans lived, with poor or no access to basic services (Cain, 2014). The new Centralitidades also benefited from a variety of state subsidies (see Figure 5). Land was initially acquired at almost no cost, often by appropriating it from slum-dwellers with inadequate compensation (Amnesty International, 2007). The initial prices for housing units were cut by almost 40 per cent and an annual subsidy of almost 10 per cent in interest rates was guaranteed over a 20-year payment period. The ‘Centralitidades strategy’ rested on a substantial subvention to middle-class families at the expense of the poor (Cardoso, 2016).

Figure 5: Housing affordability in Angola for available housing typologies in 2015

The dramatic fall of petroleum prices from 2014 through 2016, has resulted in the Angolan state budget being substantially reduced. It is unlikely that the government will be able to provide investment and subsidies to continue building new housing in the same form and at the same rhythm as before. Between 2014 and 2016 the state budget allocations have fallen from US$74 billion to US$41 billion. The proportion of GDP represented by the construction sector has declined from 8 per cent in 2014 to 3.1 per cent in 2016.

The resources that government expected to be able to draw on in order to deliver on their commitments to deliver social housing, however, are no longer as significant, and new resource mobilization strategies are needed. In this new and challenging economic environment, an untapped resource that could be the key to growing Angola’s housing and urban infrastructure sector is ‘land’.

Post-socialist countries, such as Angola, Mozambique, Ethiopia, and China, have unique opportunities through the conversion of state-monopoly-owned land for urban uses. The Chinese case often mentioned is Shenzhen, and its model of real-estate development. The experience of Shenzhen may offer lessons for African cities on what could be replicated or adapted—and on what to avoid at all costs. China’s decision in the early 1980s to promote municipalization, decentralize governance, and give local authorities true financial autonomy began the process that stimulated rapid urban and economic growth.

Chinese cities’ most valuable asset was the state land that they managed and were able to lease or sell its development rights to private-sector investors. Municipalities like Shenzhen were able to use the earnings from sales of ‘use-rights’ and leases to finance social housing and the provision of urban infrastructure. The conversion of land in this manner increased real-estate values and generated more wealth and stimulated rapid urban growth, but also led to conflict with rural communities at the city’s periphery. These are resources that remain untapped in cities like Luanda in Angola. China’s experience in driving urban growth through land-value-capture also illustrates the pitfalls and dangers that might be avoided with hindsight.

V. Lessons from China in financing cities through land-value-capture

China, like sub-Saharan Africa, was historically an agrarian society that valued self-sufficiency, where cities and towns traditionally functioned largely as market places or administrative centres. Post-revolution policies were still strongly anti-urban and anti-migration (Yeh et al., 2011). Since the beginning of the economic reforms in 1978, China has made a dramatic reversal of its perspective on urbanization. Deng Xiaoping proposed an approach of fast-tracked experiments derived from the lessons from more advanced industrial countries, where he deduced that economic advantages could be gained through growth of urban agglomerations. Urban innovation was encouraged and closely monitored, by the central government. Experimentation and the willingness to evaluate and correct mistakes were critical to China’s eventual economic progress.

China was one of the few developing countries that explicitly adopted a strategy of encouraging migration from rural areas to cities in order to promote rapid urban
industrialization (United Nations, 2010). China’s industry-driven urbanization meant that informal settlement has not played a significant role in the development of Chinese cities. China has avoided the creation of shanty towns on the outskirts of its expanding cities. A legacy of the country’s command economy, Chinese municipal authorities maintain tight control over both migration and land-use decisions within their jurisdictions (Cain, 2016b). Central to China’s economic success has been the attraction of migrant workers to the cities, the decentralization of government to the municipal level, and the supply of serviced land to developers by local authorities (McGranahan and Han, 2012, p. 1). From the 1980s strong incentives were given to cities to grow economically and their spatial boundaries were extended over large land areas. The control of land became a strategy for China’s central government that adjusted national policies, promoting urban land conversions to stimulate the economy. A key part of this state-led land conversion is the transformation of land from poorly serviced rural and peri-urban ‘raw’ land to ‘cooked’ urban land ready for development (McGranahan and Han, 2012, p. 3). Cities gained authority over the surrounding rural regions, and converted land from rural to urban, making sufficient revenues in the process to service the land. The compensation paid to former occupiers is only a very small fraction of the market value of the land. Urban land has become the key to how urban authorities raise revenue (through land-lease sales), promote economic growth, and finance urban infrastructure and large-scale development projects (through tapping the increase in land values).

The Chinese land-financed model has roots in the thinking of Sun Yat-sen, the founding father of modern Chinese Republic, who reiterated that ‘The increase of land value not due to the private owner’s effort should go to the public’ (Cui, 2011, p. 652). The urban-based model of economic growth has made major inroads into poverty, but critics complain that inequality has increased between rural and urban people (McGranahan and Han, 2012, p. 13). The role of city governments in land conversion has come under criticism, sometimes called the ‘grabbing hand’ of the state (Huang, 2008; McGranahan and Han, 2012, p. 7).

China’s inequalities are amplified by the hukou-based7 restrictions that make it difficult for migrants to secure the benefits of urban development. Prior to the reform period, the hukou system made it nearly impossible to move from rural to urban locations in search of work. With the 1978 reforms, the hukou was relaxed so as to allow people from labour-abundant areas to seek work in the growing urban centres where labour is scarcer. The hukou system favoured the economic interests of ‘permanent’ urban dwellers over the ‘migrants’. There are estimates of almost 40 per cent of China’s urban population being ‘floating migrants’, who do not have hukou for the urban areas (McGranahan and Han, 2012, p. 9). The hukou system still prevents many rural migrants from acquiring their full rights to the city.

In the wake of the 2008 global economic crisis, a booming Chinese real estate market and speculative manipulation of housing markets had begun to turn booming housing markets into real estate bubbles (McGranahan and Han, 2012, p. 13). The Chinese central government introduced restrictive quotas on land conversion to prevent the economy from overheating. The government, concerned about the loss of agricultural

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7 Hukou is a record in a government system of household registration required by law in China that determines where citizens are allowed to live.
land to urbanization and the need to better synchronize the development of urban and rural areas, determined that China would maintain 1.8 billion mu (120m hectares) of cultivated land to ensure the country’s food supply but to also speed up the process of industrialization and urbanization. There is an evident tension and conflict between these two fundamental policies. Industrialization and urbanization require an increasing amount of land, while the minimal limit on cultivated land has nearly been reached and must not be transgressed. To maintain this relationship, each year local governments are increasingly restricted, up to a set limit, regarding the amount of cultivated land that they are permitted to convert for urban development (Cui, 2011). The era where rural areas provide cheap land to fuel economic growth may be ending (McGranahan and Han, 2012, p. 16).

The Central Government and, particularly, the Communist Party were sensitive to the rising civic discontent caused by land appropriations for private benefit and the deterioration of the urban environment. Since the 1980s the party had set a goal to ensure that urban residents had access to affordable housing, however very few of the housing units promised by the central government had actually been constructed. The government tried to limit high-end luxury housing to 15 per cent of the market. Many cities that benefited from the boom were unwilling to enforce restrictions on the urban land market and continued to protect the interest of real-estate developers who made much more money constructing luxury housing; so government targets of the number of affordable housing units were not respected.

The marketization of urban development has led to greater intra-urban spatial differentiation and sorting by income. Low-income and many middle-income residents have become priced out of central areas. Walled-off and gated exclusive communities are a relatively new phenomenon in China, but consequently deliberate spatial differentiation, in the form of prestige-place branding, has become an important real-estate marketing strategy.

The ideology of growth that had contributed to the survival as well the personal fortunes of the local leaders-cum-civil servants began to be questioned by some in the central leadership. Land markets were a major source of profit and revenue, but also an underlying source of inequality. Growing inequalities are becoming a serious problem, despite China’s declining poverty levels. The rate of forced evictions has grown significantly since the 1990s, as city- and county-level governments have increasingly come to rely on land sales as an important source of revenue. It is estimated that a half of local government income in 2010 was from land transactions taxes and leasing (Ong, 2014). Civic protest increased against human rights abuses associated with socioeconomic exclusion of the urban poor, who are denied rights to the city, as well as rural communities on the urban margins whose lands have been expropriated. Forced evictions are a major source of unrest and public protest. By 2010, up to 60 per cent of the 180,000 annual civil protests/demonstrations in China were attributed to grievances over forced evictions (Wong, 2014).

While the system of land conversion has been economically transformative in China’s major cities for almost four decades, social and environmental concerns are beginning to put a damper on economic growth. China’s environmental burdens have increased in parallel with urbanization and industrialization: China’s most serious environmental

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8 In October 2005, China only had 1.831 billion mu under cultivation
problems are located in and around its cities, including those related to air pollution and the depletion of water reserves. Urbanization, however, needs not contribute automatically to environmental degradation. Cities, because of their high densities, can in fact have a number of environmental advantages. The cost of piping water to and removing waste from households is less than in dispersed settlements. Dense settlement can be used to save on transportation, reducing vehicle exhaust and air pollution, and to reduce the amount of built-over land. As long as urban development is guided by environmental as well as economic and social goals, urbanization can help to reduce the negative consequences of economic growth, and amplify its environmental benefits (McGranahan and Han, 2012, p. 15). The key to the future viability of Chinese models of land-value capture to sustainably finance urban development will depend on a continued commitment to innovation, more dialogue with civic movements, the utilization of what local governments have learned, and the adaptation of new policies to changing realities (Hong, 2015).

VI. African urban land—an untapped resource

Angolan cities have extensive unplanned high-density settlements, musseques, where land occupation remains undocumented and dwellings unserviced (see Figure 6). For musseques residents, who made up at least two-thirds of Luanda’s population at the end of the war, their families’ accumulated assets had been invested in land they purchased and occupy. A family’s savings usually takes the form of cement blocks or roof sheets that, room by room, eventually become substantial housing. Forced removals alienate the poor from their assets and remove them from sources of employment and other livelihood opportunities. The increase in urban property values could benefit the poor who occupy most of the inner-city and peri-urban land, but, ironically, it increases the risk of expropriation and threatens to weaken the socioeconomic situation of the poor whose land is increasingly coveted by para-statal real-estate operators (Cain, 2013).

In post-socialist countries like Angola, the state has a unique opportunity, through the registration and regularization of tenure of existing occupants, to increase land values and ensure that part of this value is captured from private investment for the public benefit, while at the same time securing and protecting the assets of the poor and contributing to reducing poverty. Municipalities can capture revenues in the form of fees from registration, land-use transfers, and taxes for investing in upgrading infrastructure and the provision of social housing, thus promoting a virtuous cycle of increasing values that accompany urban transformation (Cain, 2016). The urban poor, if granted tenure rights to the property they have originally purchased in good-faith (Cain, 2013, p. 22), can benefit from the increased value of the real estate that they occupy and eventually contribute to the urban economy as rate-payers.

If Angola’s remaining housing needs are to be addressed, new sources of investment will be necessary and untapped economic resources need to be unblocked. Both the local and international private sectors have been reluctant, so far, to provide their own financing and invest in real estate due to weak land tenure and the lack of legislative reforms to make a functional land market. Solving the problems about land tenure is the first step to stimulate the engagement of private-sector participation in
providing financing for housing. Implementing some of the long-pending reforms in housing credit, participatory planning, and fiscal decentralization for municipalities could encourage the home-owners themselves and the private sector to invest in urban development and housing opportunities. The same reforms are also likely to stimulate FDI in the real-estate sector.

Land and housing registration is out of date and municipal cadastres need to be created. Only a few thousand properties out of Luanda’s one million dwellings are fully registered and regularly pay taxes. Real-estate taxes contributed only 1.28 per cent of revenues to the state budget in 2015 and 2016 (Expansão, 2016). In an attempt to improve property registration, the Angolan government set up the Guichê Único, a one-stop shop to circumvent the bureaucracy. However, in 2016, the provincial conservatory in Luanda was only processing about ten new property registrations per day.9 Legislation providing secure tenure has been proposed, but remains to be finalized and gazetted and local administrations trained to implement land readjustment of informal settlements. The draft law on mortgages needs to be finalized, allowing financial institutions to hold liens on real estate, giving them the confidence to invest their own resources in the housing market. Fiscal decentralization from the central state budget to municipalities will provide incentives to capture land value and invest in public infrastructure that can in turn create more value.


Figure 6: Luanda’s unplanned high-density musseques

Source: Development Workshop, 2008.
While the Angolan government continues to seek to borrow funds from China against projected oil production, the conditions of these loans have had to be renegotiated. It is estimated that by early 2017 Angola has already accumulated a debt to China of approximately US$24 billion and that half of the income from each barrel of petroleum probably goes to pay off this debt.\textsuperscript{10} Since 2015 the Chinese economy is also slowing down and the demands for resources from Africa are waning. For the moment, Chinese property investors are still searching for opportunities in Africa, but a weakened home base may ultimately hurt companies operating in Africa. China’s offerings of credit lines to Africa are likely also to be affected. Harrison and Yang (2015) iterate that Chinese presence in Africa, and in its cities, is well established, and the impact from China is likely to persist into the future.

An easing of the terms of repayment of loans to Angola was agreed in June 2015 and new infrastructural loans, tied to contracts with Chinese companies, valued at US$6 billion were promised. Angola has, however, committed itself to finding new ways of diversifying and growing its economy in the new environment of lower commodity prices. China’s urban development experience in land-value capture, if shared, may prove to be more valuable than its loans (Cain, 2016\textsuperscript{a}).

If a new strategy to finance housing and urban growth is to be sustainable, it is critical to engage the private sector and householders themselves; but this depends on strong policy environments and a productive dialogue between the public and private sector. Planned reforms related to urban land, mortgage credit, and municipal financing need to be implemented in order to unblock opportunities to respond to the Angola’s enormous pent-up housing demand.

Angola can learn from the Chinese experience of financing urban growth through land-value capture. Both countries, however, have suffered the negative effects of elite accumulation of the benefits of land conversion through the appropriation by public–private partners of profit to the detriment of the public good. The Chinese political process that appears to involve an evolving process of experimentation and reflection may produce on-going urban reforms. It is this approach to reform that could provide useful lessons to Angolan urban planners and policy-makers.

\textbf{References}


\textsuperscript{10} Alves da Rocha, respected economist and director of CEIC Catholic University Luanda, in an unpublished lecture on the prospects of the Angolan economy for 2017 given on 18 January 2017, estimated Angola’s debt to China to be approximately US$24,000,000,000.


