



Centre for Affordable
Housing Finance
in Africa

Terms of Reference

CASE STUDY: GHANA HOME LOANS

Proposals due by 12 noon, 24 March 2017, by email to sireena@housingfinanceafrica.org

For more information, contact Sireena Ramparsad

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1. About the Centre for Affordable Housing Finance in Africa

The Centre for Affordable Housing Finance in Africa (CAHF) has been operating as an independent think tank in South Africa since May 2014, pursuing its mission of making Africa's housing finance markets work. It grew out of the housing finance theme of the FinMark Trust, where its research and advocacy programme began in 2003. CAHF's work extends across the continent, and it is supported by and collaborates with a range of funders and partners.

CAHF brings information to the market place to enable stakeholders in the public and private sector to make policy and investment decisions in favour of improved access to affordable housing. Our emphasis is on the role that finance plays in realising this, and we champion market intelligence—data, market analytics and research—to stimulate investor interest and to support better policy. We are highly networked and engage with stakeholders at the local, national, regional, continental and global levels to support the realisation of investment towards affordable housing in Africa.

Vision: An enabled affordable housing finance system in countries throughout Africa, where governments, business and practitioners work together to provide a wide range of housing options accessible to all.

Mission: To make Africa's housing finance markets work, with special attention to access to housing finance for the poor, through the dissemination of research and market intelligence, the provision of strategic support, and ongoing engagement in both the public and the private sector; supporting increased investment, cross-sector collaborations and a market-based approach.

Goal: To see an increase of investment in affordable housing and housing finance throughout Africa—more players and better products, with a specific focus on the poor.

All of CAHF's work is directed at shifting investor interest towards the much larger market of the emerging middle class in urban areas across Africa, and using this to champion both improved housing conditions and economic growth, while also addressing inequality with the asset potential that housing offers.

As part of its series of case studies, CAHF is commissioning a case study on Ghana Home Loans (GHL), a mortgage lender in Ghana. As a non-deposit taking financial institution, GHL raises funding from development finance institutions (DFIs), impact investors and on capital markets. Raising long-term funding is a prevalent issue for lenders, as investment in treasury notes seen to be a risk-free alternative to lending for housing finance. To better understand how mortgage lenders can access sufficient long-term capital and deal with issues of risk and liquidity, this case study will describe the progression of GHL, from founding to present, with a specific focus on its efforts to raise funding for its mortgage portfolio.

2. Project Background

Mortgage markets in Africa tend to be small, often constrained by—among other factors—limited titling, high interest rates and a meagre supply of housing, much of which is unaffordable for the majority of households. Only five countries on the continent have mortgage to GDP ratios over 10 percent; the majority have mortgage to GDP ratios in the low, or below, single digits (see fig.1.). A serious challenge to market growth is the struggle mortgage lenders face in accessing long-term wholesale financing. Investment capital in Africa tends to be geared towards short-term financing, non-residential property and, more often, treasury bills; investors seem to be particularly wary of residential real estate. While deposit-taking institutions have an alternative but

limited source of funding, non-deposit taking institutions have to find funding through capital markets, investors and development finance institutions (DFIs). Though raising capital can be challenging, there are examples of innovative lenders utilising other means to access the required funding.

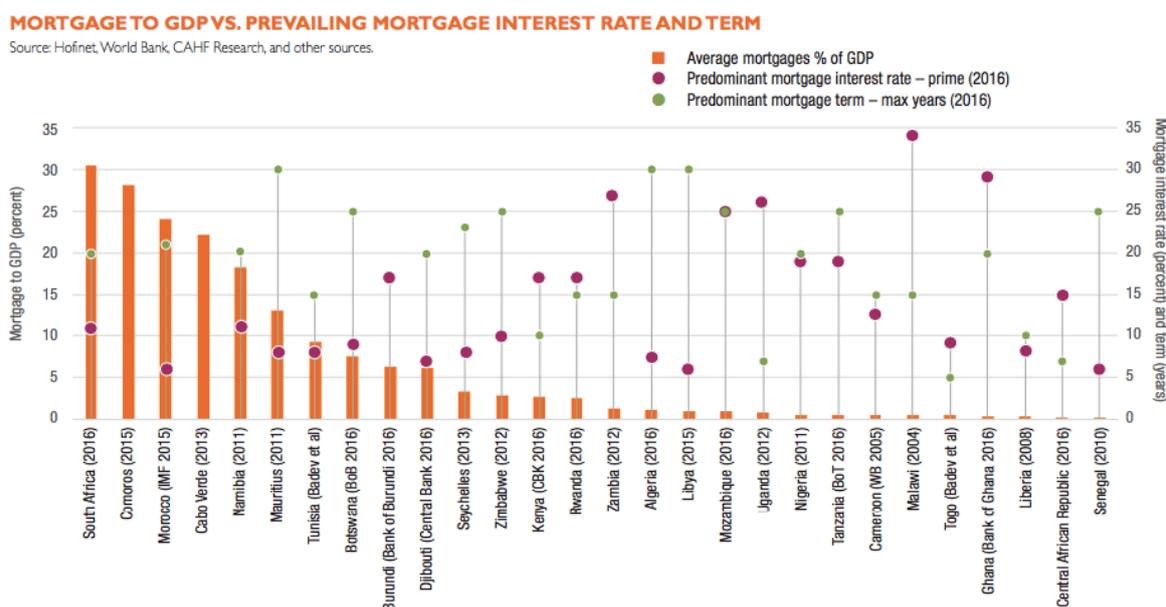


Figure 1: Mortgage to GDP vs prevailing mortgage interest rate and term¹

Ghana’s mortgage market, at about 0.4 percent of GDP², is particularly small. Challenges to its growth include a current Monetary Policy Rate (MPR) rate of 26 percent, an economic slowdown and a reported average mortgage of US\$ 68 000³. Like elsewhere in Africa, ‘most financial institutions [in Ghana] focus on short-term investments in the form of governments bonds and trade finance that offer higher returns, smaller risks and are less capital intensive’⁴. Yet ten lenders continue to offer mortgage loans⁵: nine banks, which originated 80 percent of mortgages in 2013, and one non-bank financial institution (NBFI), which originated 20 percent of mortgages, also in 2013⁶.

The two biggest players in the market, HFC (Bank) Ghana and Ghana Home Loans (GHL), the NBFI, have very different funding strategies. In 2014, 52 percent of the funding of HFC (Bank) Ghana came from deposits⁷, providing for a 48 percent increase in its mortgage portfolio from 2013 to 2014⁸. GHL, on the other hand, has raised funds primarily from DFIs and impact investors. The *Deutsche Investitions- und Entwicklungsgesellschaft* (DEG), International Finance Corporation (IFC), *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.* (FMO), Overseas Private Investment Corporation (OPIC), Proparco and Shelter Afrique and Ecowas Bank for Investment and Development (EBID) are among the institutions that have provided long-term financing to GHL. Yet, despite a GBP 5 million loan from Ghana International Bank, a financial institution based in London, GHL has had limited success in raising long-term funding through capital markets.

In 2016, GHL launched a medium-term note programme worth a total of US\$ 100 million, or GHc 380 million. Listed on the Ghana Fixed Income Market (GFIM), it allows GHL to issue mortgage-backed notes

¹ CAHF, 2016, 13.

² Bank of Ghana.

³ Ankrah.

⁴ Laufer, 132.

⁵ Ibid. 131.

⁶ HOFINET.

⁷ HFC Bank (Ghana) Limited.

⁸ Laufer, 132.

denoted in either in United States Dollars or Ghanaian Cedis⁹. The first tranche, offering a five-year tenor, an interest rate of eight percent and worth US\$ 5 million, had a lower than forecasted uptake¹⁰. Surprisingly, even though private pension funds had expressed an interest in the offering, their ultimate participation was less than expected.

We are interested in exploring how mortgage lenders can effectively raise wholesale financing for mortgage lending through the experience of GHL. By sharing the experience of GHL's efforts to raise long-term capital, particularly its medium-term note programme, the case study will contribute to the literature on the funding of mortgage portfolios, and will be used as input into CAHF's working group on pensions and housing. At the same time, the case study will explore the issue of whether specific regulations hinder or encourage players in the capital market to invest in the construction, mortgaging and/or leasing of affordable housing, with the aim of suggesting possible regulatory or policy reforms that incentivise such lending.

3. Project Scope

The case study is intended to be an exploration of a particular issue, similar to other cases that CAHF has published, which are available on the CAHF website. We are not looking for a long report—something in the order of 20-30 pages that will give the reader an overview of the case and highlight key issues for moving forward.

The case should address:

- The story of GHL and its experiences in raising funding;
- GHL's perspective on the key regulatory and other issues (including factors such as perception, and the availability of data) facing lenders in raising capital to support their mortgage books; and
- Learning from the experiences of GHL, the availability and accessibility of long-term funding for mortgage lending in Africa, including challenges and key findings.

4. Methodology

This is expected to be a desktop study, including a review of published and trade documents, as well as interviews with key stakeholders. It is expected that the research methodology will be outlined in the proposals submitted in response to this terms of reference, and that the final methodology will be determined in consultation with the appointed consultant. It is foreseen that the research will involve:

- A comprehensive literature review, addressing the Ghanaian housing finance market, wholesale financing for mortgages in Africa, and all publications on GHL;
- An analysis of available data, particularly that concerning portfolio performance and capital funding; and
- Interviews with key stakeholders, specifically chosen for their insight into the market and their knowledge of the sector.

⁹ Laufer, 132.

¹⁰ Addo-Kufuor, 13-14.

Other research methods may also be considered.

5. Deliverables

Outputs from the project include¹¹:

- An inception report, that covers:
 - Comprehensive but succinct literature review;
 - An overview of key issues that the case study should tackle;
 - Detailed work plan and proposed methodology, including identification of stakeholders for interviewing, to respond to the objectives of the research; and
- A draft and then final report, in accordance with the CAHF Style Sheet, which includes, among others:
 - An executive summary of the report;
 - An account of GHL, with a specific focus on its efforts to raise long-term financing for mortgage lending; and
 - Several recommendations to improve access to capital markets for mortgage lenders in Ghana and, more broadly, Africa.
- A presentation, in accordance with the CAHF Style Sheet, which includes:
 - A succinct and accessible overview of the findings of the final report; and
 - Representation of key data in an accessible form.
- List of stakeholders contacted during the process of the research, with contact details.
- Any additional data collected during the research process, beyond that included in the database.

6. Project Milestones

The project should be completed within six weeks of contracting.

Key dates:

SCHEDULE OF MILESTONES	TIMEFRAME	ESTIMATED DATE
Kick-off meeting	One week after signing of contract	31 March 2017
Inception report	One week after kick-off meeting	14 April 2017
Draft final report and presentation	Three weeks after delivery of inception report	28 April 2017
Final deliverables	One week after draft feedback	12 May 2017

7. Project Budget

¹¹ All work, written or otherwise, submitted by the successful service provider is expected to be the result of his/her own work. The Centre for Affordable Housing Finance in Africa views acts of copyright infringement and plagiarism as a serious offence.

Proposals of up to ZAR 160 000, including any possible V.A.T. and disbursements, will be considered. For consultants operating from outside of South Africa, CAHF will assume the exchange rate risk from the date of contracting, as long as the assignment is carried out within the contract period.

8. Contents of Proposal

Proposals to undertake this project must include:

- i. Response to the ToR, demonstrating familiarity with the subject matter, expansion on the proposed methodology and key issues for consideration in the work. The proposal should show an understanding of the work GHF and of the intricacies of raising long-term funding for mortgage lending.
- ii. A detailed work plan, demonstrating the feasibility of the proposal.
- iii. Statement of qualifications of firm(s) as relevant to the project.
- iv. Name and CV of staff members responsible (i) for overseeing the work; (ii) for undertaking the work. Some level of local representation in the countries targeted for the study would be preferred. A consortium of consultants is welcomed.
- v. Fee proposal and costs estimate, indicating the basis of calculation of fees, including cost of travel if necessary.
- vi. Capacity building and black economic empowerment are key objectives of CAHF. In rendering the service the consultant must endeavour to achieve these goals. South African consultants must report on their BEE accreditation. Other capacity building efforts can also be proposed, such as the use of students to support the research process, or workshop methods to engage with a wider stakeholder sector in each country. The focus of such capacity building would be on the use of data to consider and understand the role of housing in national economies. The proposal must comment on the manner in which the consultant intends to give effect to the capacity empowerment objective.
- vii. Familiarity with the Centre for Affordable Housing Finance in Africa's work is important. See www.housingfinanceafrica.org.

9. Proposal Evaluation

Proposals will be assessed according to:

- i. Relevant, demonstrated competence of firm in this area: 20 percent.
- ii. Demonstrated expertise of key individuals to be involved in this project: 20 percent.
- iii. Content and quality of proposal, including innovation in and feasibility of approach: 35 percent.
- iv. Affirmative action scorecard (if South African firm) or use of local service providers: 15 percent.
- v. Financial proposal: 10 percent.

10. Proposal Submission

Proposals should be submitted on our easy-to-use, online proposal submission form. The link to the form can be found here: <http://housingfinanceafrica.org/documents/call-proposals-case-study-ghana-home-loans/>

The deadline for submission is at 12h00 on 24 March 2017. Once the selection process has been completed, CAHF will issue a contract confirming the appointment of the service provider.

Any queries should be directed to Sireena Ramparsad, who can be contacted at sireena@housingfinanceafrica.org.

11. Guidance Note to Bidders

- Centre for Affordable Housing Finance in Africa reserves the absolute right to use its discretion in the interpretation of these award criteria. The following notes are intended to provide broad guidance only on how proposals will be evaluated. Bidders may be required to clarify their proposals by way of a telephone call or presentation.
- “Relevant, demonstrated competence of firm(s) in this area” - You should aim to demonstrate how the firm’s collective past experience can be applied (or adapted) to address the specific brief set out in the terms of reference. You are welcome to describe the firm’s general experience of financial sector development issues (e.g. in other geographies or topical areas) but the evaluation will focus particularly on the application of that experience for the specific task at hand.
- “Demonstrated expertise of key individuals to be involved in this project” – The evaluation places considerable emphasis on the role and demonstrated expertise (i.e. track record) of the key individuals to be involved on the project rather than on the expertise of the firm itself.
- “Use of local professional capacity (consulting, analysis, coordination etc.)” – The Centre for Affordable Housing Finance in Africa wishes to ensure that local capacity is used and developed. International firms are therefore encouraged to partner with local organisations.
- “Content, quality and originality of proposal” – Proposals should address the brief set out in the terms of reference in a comprehensive manner. Bidders should aim for innovation as well as professional presentation. Whilst similar, relevant experience in other markets will be an advantage for a bidder, each market is different and so proposals need to reflect the particular characteristics of that market, as well as the challenge set by the terms of reference.
- “Affirmative action scorecard”- Ownership, management, staff development.
- “Fee basis” – Value for money, as well as absolute cost, will be taken into account.

12. Bibliography

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