

Terms of Reference

Housing Investment Chronicles in Mozambique

Type of assignment: Research
Individual / Organisation: Consultant
Language required for proposal: English

Proposal due: 19 September 2016

Appointment: 28 September 2016

Project due: 30 November 2016

Please submit proposals by email to fsdmoc@fsdmoc.com and samuel@housingfinanceafrica.org

For more information,

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1. Background

Financial Sector Deepening-Mozambique (FSDMoç) and the Centre for Affordable Housing Finance in Africa (CAHF) are partnering to undertake a research project titled, Housing Investment Chronicles in Mozambique.

The Financial Sector Deepening-Mozambique (FSDMoç)

The Financial Sector Deepening-Mozambique (FSDMoç) is a five year (2014 - 2019) program funded by the UK Government's Department for International Development (DFID). FSDMoç' three core objectives are (i) to improve access to financial services for Small and Medium Enterprises (SMEs), (ii) to improve access to finance for smallholder farmers and households, and (iii) create the enabling environment for financial inclusion by supporting knowledge sharing and capacity building.

The vision of FSDMoç is a dynamic financial sector offering quality services that enable resilience and economic empowerment for all Mozambicans. Our mission is to identify and partner with key market stakeholders, offering them targeted investments and insights to leverage the potential of the financial sector to improve financial inclusion.

The program has five main Strategic Objectives:

- (i) Improve the understanding of the business case for better product design and delivery for MSMEs, individuals and smallholder farmers.
- (ii) Catalyze financial services innovation and expansion through supply side investments.
- (iii) Ensure success of business models by improved financial education and literacy of MSMEs, individuals and smallholder users and suppliers.
- (iv) Alignment of the Regulatory Environment to ensure success of business models and market take up.
- (v) Build knowledge and implementation capacity of key financial inclusion stakeholders.

FSDMoç uses an M4P, 'making markets work for the poor' (M4P) approach assessing comprehensively all key constraints to market system development from policy through to institutional and demand side issues, identifying the most appropriate levels of intervention. The intervention(s) should follow the basic principles of the M4P approach in that they should promote:

- Systemic action - understanding where market systems are failing the poor in particular, but SMEs and households in general, and acting to correct those failings;
- Sustainable change - by better aligning key market functions and players with the incentives and capacity to work more effectively;
- Large scale impact - through prioritizing interventions that benefit larger numbers of poor people, and;
- A facilitative approach - seeking to provide a catalytic role in the market, but without displacing current market functions or players.

As part of this facilitative approach, FSDMoç seeks out appropriate partnerships that can drive a change in the market system rather than a grant based approach. As part of this approach, technical assistance and grants via FSDMoç can be offered to private sector partners in order that the interventions deliver their objectives.

The Centre for Affordable Housing Finance in Africa (CAHF)

The Centre for Affordable Housing Finance in Africa is a non-profit think tank based in South Africa with a mission of making Africa's housing finance markets work, with special attention on access to housing

finance for the poor. The vision of CAHF is an enabled affordable housing finance system in countries throughout Africa, where governments, business, and advocates work together to provide a wide range of housing options accessible to all. CAHF pursues its mission through the dissemination of research and market intelligence, supporting cross-sector collaborations and a market-based approach. The overall goal of the work of CAHF is 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.

CAHF's work covers four main areas: (1) understanding housing markets, (2) monitoring housing sector performance, (3) exploring innovation in housing finance, and (4) supporting housing finance market development. Valuing innovation, evidence-based decision-making, collaborative networks, and local expertise, CAHF focuses on promoting the opportunities to be found in under-served housing markets across Africa, with a specific focus on the SADC region. As part of this approach, CAHF regularly undertakes and commissions research; develops market intelligence on country and regional housing markets; hosts forums, strategy discussions, and workshops; and participates in local and international conferences and debates on housing finance. The Centre also provides strategic and secretarial support to the African Union for Housing Finance, and is a founding member and driver of the African Housing Microfinance Initiative.

Since its formation, CAHF has come to be known as the most comprehensive and up to date source of information on housing finance in Africa. Its research and other material is regularly used by investors, lenders, pension funds, and other financiers; legal practitioners, researchers and academics; policy makers and other housing finance practitioners to scope and pursue the opportunities for extending access to housing finance across Africa. As a thought leader in the sector, CAHF is an advocate for financial inclusion in housing finance in Africa. Our work is available on our website: www.housingfinanceafrica.org .

Housing Investment Chronicles in Mozambique

FSDMoç and CAHF would like to develop a better understanding of housing investment activities in Mozambique by exploring how Mozambican households invest in their housing. To realise this, the project will undertake a qualitative survey of a number of households, retrospectively chronicling the housing investments made by each household.

These terms of reference set the guidelines for the work.

2. Objectives and Scope

2.1. Objectives

The Centre for Affordable Housing Finance in Africa has recorded the cheapest newly-built house by a developer in Mozambique as selling for USD 16 169. If, theoretically, a bank were to offer a mortgage at an interest rate of 19 percent, with a 25 percent deposit and a term of 25 years, only 1.7 percent of Mozambican households could afford to purchase and finance this house. In reality, most developers build houses that cost significantly more than USD 16,169, and few banks would offer a mortgage on such terms. This has resulted in few mortgages in the country, with only 2.99 percent of outstanding loans in April 2016 being for housing¹, and 1.62 percent in 2014 being for mortgages².

Considering these statistics, access to housing finance is clearly a challenge in Mozambique. Further, it seems that Mozambicans are financing and constructing their housing through alternative means: some formal, some informal, but all poorly understood. And, the high housing backlog and the poor housing conditions of a significant majority of households in Mozambique suggest that the current housing finance arrangements are less efficient and effective than they could be.

Specific objectives of the project are:

- To provide an understanding of how, why, when and by what means households in Mozambique invest in housing (with a particular emphasis on low income households), towards the realisation of their housing needs;

¹ Banco de Mocambique. (2016). General Statistics by Use.

² Housing Information Network. (2016). Mozambique.

- To create accessible case studies of households that demonstrate these understandings, drawing attention to the issue of housing and housing finance by stakeholders in Mozambique;
- To contribute to the literature on how households invest in, and finance, their housing in Africa; and
- To identify particular areas for intervention, or further research, by FSDMoç, or others, to promote access to housing finance that is appropriate especially to low income households and how they invest in their housing in Mozambique.

2.2. Scope

The research will be qualitative, collecting detailed “housing investment chronicles” from a sample of households who have invested in their housing over time. It will retrospectively chronicle how they have invested, and still plan to invest, the financial tools they’ve used, and the reasons for their particular housing investment decisions. We expect the research to present a series of stories of households’ housing investment journeys which offer insights into how the market is currently working for or against them, and how their experiences might be improved.

Investments, in terms of this research, include both financial and non-financial. Financial investments include both formal credit (from registered financial institutions), informal credit (from friends, family or informal moneylenders), savings, equity, windfalls (for example from an insurance payout), or cash. Non-financial investments include labour (also known, in some cases, as sweat equity), found materials, and so on.

The research will look at different segments of the market, with a focus on households earning below US\$ 16 200 a year, who cannot afford to buy a new, developer-built house with a mortgage. The research will especially look for households who cannot access mortgage finance, and who have therefore used alternative sources of financing to develop and invest in their residences incrementally.

This leaves 98.3 percent of the Mozambican population, which would need to be segmented according to income, providing insights into how low and middle-income households invest in their properties.

The methodology—in terms of the number of households visited, the number of visits, and so on—will be refined during the research process and subject to overview by both CAHF and FSDMoç. The intention is to have households surveyed in two cities, in different neighbourhoods, providing an indicative, if not necessarily representative, understanding of common practice, challenges, and approaches taken.

The research should address a number of questions, including, but not limited to:

- Time: How long it takes to build a house that the homeowner would define as ‘adequate’, and how would this be improved upon? What are the consequences of the time taken—for example, slow enough to enable affordability, too long to ensure quality?
- Financing: What are the various instruments—both formal and informal, credit and other—that households use, and when, to finance their housing process?
- Housing: What building materials are used? Where are they purchased? Are building materials saved up before building? Is construction undertaken by the household or a contractor? Do households construct and manage rental accommodation on their properties?
- Land and title: Do households have formal or informal title? How did they access the land? Are they able to sell the property?
- Priorities: Is there a typical housing delivery process that households follow or is each construction pathway unique? Why were certain investments made? Did households focus on expansion in terms of size or improvements in terms of quality, or both, and in what order? What trade-offs do households make and why: Are they juggling choices because of their affordability, cash flows, the time it takes, or other factors?
- Challenges: Is the household’s investment process encumbered by anything—regulatory restrictions, political or settlement dynamics, and so on?

Further questions should be developed during the research process.

2.3. Deliverables

The deliverables for this assignment are:

- Kick-off meeting notes on agreed research approach and methodology, timeframe, etc.;
- Inception report, setting out background research, conceptual framework, and methodological approach. The detailed methodology proposed by the consultant would receive comment from CAHF and FSDMoç before the research is undertaken;
- Preliminary report (research paper), to be published and widely distributed, with banks, microfinance lenders and the government housing fund, Fundo de Fomento de Habitação (FFH), summarising the findings and highlighting key cases;
- Final report, which includes suggestions for future research on housing finance;
- PowerPoint presentation, which can be used as a teaching aid;
- Visual presentation, whether infographics, photos and videos; and
- **Database** of any and all relevant data collected during the research.

2.4. Indicative Schedule of Events

The anticipated timing of the project is 45 days from the time of signing the contract, following the schedule of events below:

Schedule of events	Timeline	
Kick-off meeting notes	Up to 1 week after signing the contract	October 05, 2016
Inception report	Up to 2 weeks after the kick-off meeting	October 19, 2016
Preliminary paper;	Up to 4 weeks after the Inception report	November 15, 2016
Final report	Up to 1 week after reception of the comments to the preliminary report	November 30, 2016

The service provider must submit a technical and financial proposal for executing the activities including perceived risks and contingency plans.

2.5. Inputs/background material

At a minimum, the consultant should have access to the following documentation:

- Concept Note on Housing Investment Chronicles;
- FSDMoç relevant docs;
- Relevant CAHF documents, including Theory of Change document;
- A qualitative study on housing on Zambia, which can inform the approach; and
- HOFINET data.

2.6. Level of Effort

It is expected that this assignment takes no more than 45 days. Key partners will be engaged for effectiveness.

3. Required skills and qualifications

The service provider will be expected to have:

- Knowledge and practical experience working with housing finance, in particular Mozambique;
- Knowledge and practical experience conducting surveys;
- Knowledge and practical experience working with community groups;

- Knowledge and practical experience undertaking research and analysis;
- Excellent report writing skills;
- Strong analytic skills; and
- Fluency in Portuguese and English.

4. Selection criteria

The proposals will be evaluated against the selection criteria listed in the table below.

Selection Criteria	Weighting
Technical capabilities	40%
Proposed Methodology and approach	20%
Work Plan	20%
Budget	20%
TOTAL	100%

5. Submission of Proposals

The proposals must include the following:

- Technical capabilities relevant to undertake the assignment;
- Detailed CV of the key team members;
- Response to the ToR demonstrating familiarity with the subject matter and key issues for consideration in the work;
- Proposed methodology and approach and indicative work plan with timeline, including estimated sample size and number of case studies that would be feasible;
- Financial proposal. The costs should be broken down into professional fees and expenses, which will incorporate travel and accommodation if necessary.

6. Bibliography

Carey, S. (2009). 'Understanding Housing Finance in Informal Settlements in Zambia: Socio-Economic Household Survey, Lusaka, Zambia'. Tradeways Investments Co. Ltd. for Finmark Trust. Retrieved from <http://www.housingfinanceafrica.org/document/understanding-housing-finance-in-informal-settlements-in-zambia-socio-economic-household-survey/>

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