Terms of Reference
The landscape of investment in affordable housing and housing finance across West and North Africa

Proposals due by 12 noon (SAST), 17 May 2018, by email to Raisa Cole

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1.   INTRODUCTION

Growing financial sector experience and increasingly sophisticated financial instruments are driving Investor interest in African real estate. This includes new market opportunities related to a rising urban middle class, an increasingly localized construction material industry and innovations in housing finance such the emergence of Real Estate Investment Trusts (REITs) and mortgage liquidity facilities (MLFs) across Africa[1]. However, a key barrier to this growth remains the chronic lack of rigorous data on the breadth and character of financial infrastructure investment. This is particularly true for the housing sector as stimulating targeted investments requires highly differentiated data that illustrates market segmentation. In providing market intelligence that makes the case for investment in underserved markets (segmenting and quantifying the demand side; and scoping, understanding and tracking the supply side), we can support a better policy environment & increased private sector activity in affordable housing markets. In this way, we catalyse scale interventions. Without this data, targeted interventions to stimulate housing sector investment becomes challenging and results in unresponsive housing finance packages, the high occurrence of Non-performing loans (NPLs) and poor uptake of new residential developments. Within this context, the need for more rigorous and nuanced data collection, analysis and interpretation is central to facilitating evidence-based decision making in the sector. In the current environment, there is little information on investment activities and trends. Specific information gaps that require urgent address include,

Market overview data: This includes data on who is investing in which parts of the housing delivery and financing value chains. It is important to understand the geographic distribution of this investment, the type of capital they use to invest and what the investment vehicles are. It is also crucial to relate this to reliable data on the investment environment and the ways in which it enables or stifles investor interest.

Market performance data: This needs to be segmented by target market, housing type or investment intervention, and geography. Understanding the top performing investment instruments provides a roadmap for future investors to follow as they navigate the investment environment in Africa.

Competitive market horizon: the size, financial capacity, geographic reach and market share of participants in the housing sector and in the housing finance (mortgage, home equity, personal loan, consumer loan, microfinance and housing microfinance) sectors. What are their investment objectives?

2.   PROJECT BACKGROUND AND OBJECTIVES

The Centre for Affordable Housing Finance in Africa (CAHF) has recently launched its Investor Programme which investigates and clarifies key investment and investor issues in the housing sector in Africa. With the intention of identifying and championing increased investment in affordable housing across the continent, CAHF has commissioned a study on the investment landscapes across the African continent. The study constitutes key insights into local and foreign institutional investors including their institutional type, sources of capital, and other parameters that define their investment model.

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[1] See the Tanzanian Mortgage Refinancing Company (TMRC) and the Nigerian Mortgage Refinancing Company (NMRC) established under financial sector development projects of the World Bank

The research project has collected data, highlights gaps and identifies opportunities in the investment landscape in Africa. So far, the study has profiled investors and investment instruments with the greatest impact on the housing finance market in Central Africa and the East African Community (EAC). The research has also resulted in the development of an investment tracking tool to follow trends in the housing and housing finance investments over time.

Key findings from this research include, trends in the mortgage lending environment, the need for more robust capital and secondary markets and the central role of pensions funds in providing long-term funding for commercial banks. Another important observation is the predominance of Development Finance Institutions (DFIs) as the major source of international investment. The lack of strategic priority placed on housing and housing finance within these institutions is another important observation. This creates a unique impact investment environment that is driven by profit making as well as developmental objectives. However, it is important to understand how the impact investment environment interacts with traditional sources of finance and the impact of DFIs on the affordability as well as the sustainability of housing markets in Africa.

Since investment begets investment, the study will aim to establish how the landscape of investment assists market stakeholders in both the private, public and development finance sectors, to refocus their strategies further.

CAHF seeks to contract a consultant to undertake the **West and North African** segment of this study. The prospective consultant will be responsible for providing CAHF with *market overview* and *market performance* data on the investment environment in West and North Africa. In addition, the prospective consultant will be expected to provide analysis on the *competitive market horizon* of investments in the housing and housing finance sectors of these regions*.* This data and analysis should focus on investments in the housing and housing finance sector while connecting this to the overall investment landscape of each countries in the region.

RESEARCH GOAL

The overall goal of the project is to stimulate increased investment in affordable housing across the continent from a diversity of funding sources and to establish housing and housing finance as a viable way of diversifying the investment portfolios of institutional investors.

With this goal in mind, the report should be targeted at potential investors in the public, private and DFI sectors.

RESEARCH OBJECTIVE

The overall objective of this project is to identify the breadth of investment activity with respect to housing and housing finance across Africa, and to feed this data into an investment tracking instrument that follows investment in the sector over time. This should include the range of financing instruments along the housing value chain and should not only focus on end user finance (see figure 1 below)

Figure 1 Financing along the housing value chain
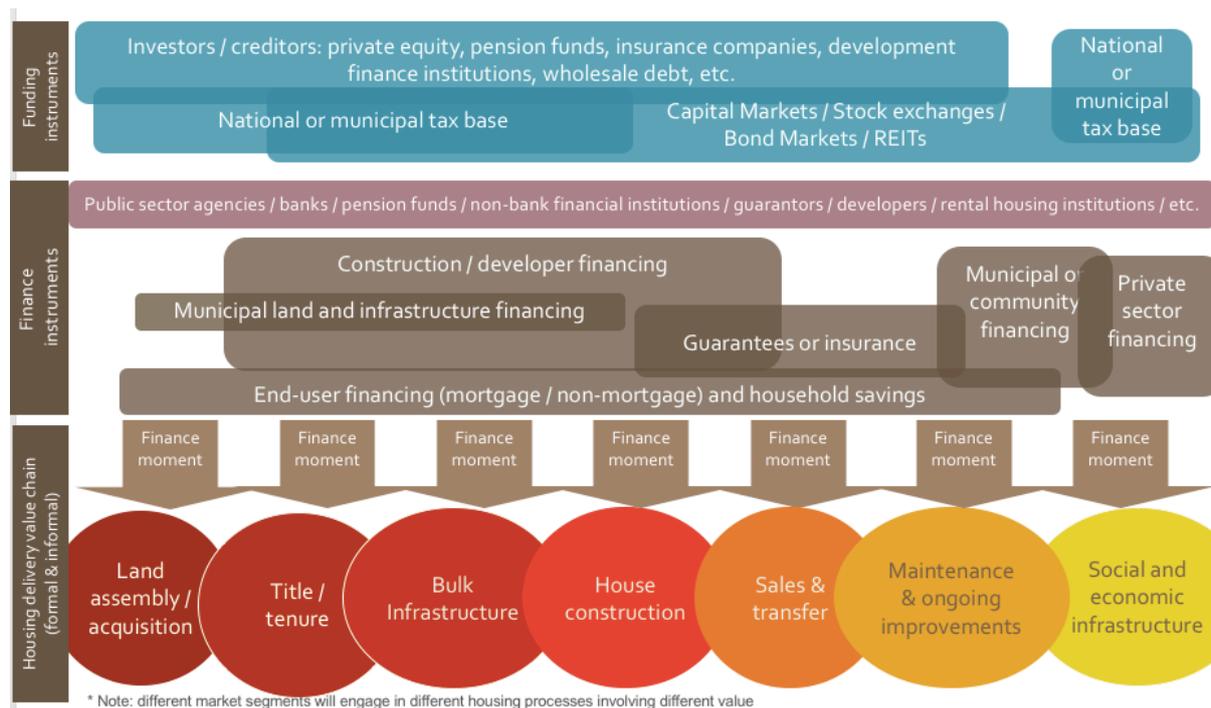
. The research project aims to,

- Profile investors in the housing and housing finance sector in terms of funding source, size, geographic location, their primary and secondary customers as well as strategic focus of these institutions.
- Profile the investment instruments (vehicles) used to invest in West and North Africa with a particular focus on the housing and housing finance sector
- Profile the operational environment in West and North Africa including regulatory and legislative environments and their impact on investor interest, confidence, ROIs etc.
- Gather data on the housing finance markets performance in an appropriate format to feed this into a tracking instrument
- Investigate the impact of DFI investment on the affordability and sustainability of the housing and housing finance markets
- Identify key barriers to investors including market information asymmetries

3.   PROJECT SCOPE AND DELIVERABLES

The first leg of the Landscape of Investment study collected investment data on Burundi, Rwanda, South Sudan, Tanzania and Uganda in East Africa and Ethiopia, Sudan and DRC in Central Africa. The second stage of the research project will focus on the ECOWAS countries (Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo) in West Africa and Algeria, Egypt, Libya, Morocco and Tunisia in North Africa. **A final list of countries will be agreed on between the consultant and CAHF.**

The project essentially involves three components

1. **A scoping exercise, determining the breadth and depth of investors, investments and investment opportunity in housing and housing finance across the West and North African regions. In this, we are interested in:**
   - Who is investing in which parts of the housing delivery and financing value chains;

- The nature and quantum of investments;
- The structure of investments and who participates;
- The performance of investments; and
- The focus of investments, investor priorities, etc.

2. **Defining and establishing data sources for the measurement and tracking of housing investment across West and North Africa on an ongoing basis. This will include,**
   - Identifying datasets and data sources for scoping and tracking investment across West and North Africa on an ongoing basis and on the basis of the framework set out above;
   - Proposing a methodology to collect these data;
   - Identifying data gaps in terms of the framework set out in above; and
   - Proposing methods for resolving these gaps in the long term.

3. **Analysing the data and exploring key issues. This will include,**
   - Identifying key issues constraining and/or supporting market growth;
   - Considering any gaps in the investment landscape given the nature of housing need and demand in the region; and
   - Highlighting any policy issues.

Importantly, the scope includes suggestions for further research projects and possible interventions to support increased investment in affordable housing and housing finance across the West and North Africa regions.

DELIVERABLES

I. A detailed report on the landscape of investment for each region: These reports should be aligned to the formatting guidelines of the EAC and Central Africa Landscapes of investment Reports. Where possible, reports should include graphic illustrations of relevant data.

II. Detailed reports on each country in the respective regions. These reports should follow the same format and be fully integrated in the regional reports

III. A database of all the institutional investors operating in the respective regions: This should be in a format suitable for use in our investment tracking instrument. Where possible numerical data should be used and free text should be avoided. A set of indicators have been identified during the first stage of the research and data should be collected according to these indicators.

IV. The source data for all graphics featured in the report: Data will be used to inform a range of CAHF activities. Source data should therefore be handed over to CAHF to upon completion of the report.

4. METHODOLOGY

It is expected that the research methodology will be outlined in the proposals submitted in response to this term 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 and document review, revealing what research and information exists, what the research lacks, and to understand current investment trends (we expect that the service provider will review a wide array of literature, including the media, company annual reports, analyst reports, research papers, conference presentations, and so on – whatever will demonstrate an affordable housing investment angle);

- Interviews with key stakeholders, specifically chosen for their insight into the market and their knowledge of the sector.
- Collection, aggregation and creation of a useable database. Data collated should include, but not be limited to the following indicators,

  - Country of investor headquarters
  - Country of investment
  - Name of investor
  - Primary market location
  - Investor type
  - Typical investment size
  - Business strategy
  - Primary and secondary customer
  - Risk tenure
  - Product description
  - Output (no. of mortgages generated)

- Analysis of the data; and
- Presentation of a report (no longer than 50 pages).

Other research methods may also be considered.

5.   PROJECT MILESTONES

Proposals for the project should be submitted electronically by 12 noon on the 17 May 2018. Electronic proposals are required and should cover the consultant's interpretation of and approach to the brief. Proposals should not be longer than five pages, plus CVs and company documents if these are not already held by CAHF.

It is anticipated that the project will be finalised by 27 August 2018. The following deadlines will apply

Milestone	Anticipated Deadline
Appointment of consultant	May, 17 2018
Initial briefing meeting in Johannesburg, or via Skype	May 21 2018
Submission of inception report	June 1st, 2018
Submission of research design and methodology	June 10, 2018
Submission of investment database	July 16, 2018
Submission of draft reports (both regional and country reports)	July 23, 2018
Presentation of research findings to CAHF staff	August 13, 2018

| Final comments from CAHF | August 16, 2018 |
| Submission of final report and brief project review | August 27, 2018 |

6. CONTENTS OF THE PROPOSAL

Proposals to undertake this project must include:

1. A response to the ToR, demonstrating familiarity with the subject matter, expansion on the proposed methodology and key issues for consideration in the work. To this end, the consultant should consider the diversity of local investment contexts across the West and North African region, giving attention to all countries and languages.
2. A detailed work plan, demonstrating the feasibility of the proposal.
3. Statement of qualifications of all relevant firm(s). Note that capacity to engage also in the data and information on investors operating in Francophone African countries in the region is important.
4. 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.
5. Fee proposal and costs estimates, indicating the basis of calculation of fees, including cost of travel if necessary.
6. With respect to South African bidders, capacity building and black economic empowerment are key objectives of CAHF. In rendering the service the consultant must endeavour to achieve these goals.
7. Capacity development efforts such as the use of students to support the research process, or workshop methods to engage with a wider stakeholder sector in each country will also be considered in the evaluation of proposals. The proposal must comment on the manner in which the consultant intends to give effect to local capacity development.
8. Supporting documents for registered firms include tax clearance certificate (for South African applicants), banking details and verification of banking details, company registration and verification documents and equity employment compliance certificates.
9. Familiarity with the Centre for Affordable Housing Finance in Africa's work is important. See www.housingfinanceafrica.org.

7. PROJECT EVALUATION

Proposals will be assessed according to:

1. Relevant, demonstrated competence of firm in undertaking multi-country research projects: 20 percent.
2. Demonstrated expertise of key individuals to be involved in this project including ability to access data in relevant languages: 20 percent.
3. Content, quality and originality of proposal, including innovation in and feasibility of approach: 35 percent.

4. Affirmative action OR use of local professional capacity and capacity empowerment: 15 percent.
5. Financial proposal: 10 percent

The Centre for Affordable Housing Finance in Africa reserves the right to not make an appointment should it not find a suitable service provider.

8.   GUIDELINE NOTES TO BIDDERS

The Centre for Affordable Housing Finance in Africa reserves the absolute right to use its discretion in the interpretation of the 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.

1. **"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.
2. **"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.
3. **"Use of local professional capacity (consulting, analysis, coordination etc.)"** – 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.
4. **"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.
5. **"Affirmative action scorecard**" (South African applicants ONLY)- This includes ownership, management, staff development.
6. **"Capacity development"** This includes the development of local capacity through partnership with local institutions and the inclusion of students, local researchers etc
7. **"Fee basis"** – value for money, as well as absolute cost, will be taken into account.

9.   SUBMISSION OF PROPOSALS

Proposals and any queries should be submitted to Ms Raisa Cole-Lunevich, raisa@housingfinanceafrica.org. The deadline for submission is the 17 May 2018.