Terms of Reference

RESEARCH ON THE RESIDENTIAL RENTAL MARKET IN MOZAMBIQUE

Proposals due by 7 June 2019, by email to manitha@housingfinanceafrica.org

For more information, contact Manitha Nadasan

manitha@housingfinanceafrica.org

1. BACKGROUND

In order to promote rental housing as a central component of housing markets across the continent, and to support investment into the sector, the Centre for Affordable Housing Finance in Africa (CAHF), in partnership with FSD Mozambique (FSDMoz), is commissioning a study that explores and quantifies the residential rental sector, broadly defined, in Mozambique, with a particular focus on the affordable market.

Housing affordability is severely constrained in Mozambique with a large percentage of the Mozambican population being unable to access a formal mortgage or loan to purchase a finished house or to build a house. While households often opt to build their homes incrementally, it would appear that a significant number rent, whether formally or informally. The Mozambique Housing Investment Chronicles study[1] highlights some issues relevant to rental. For example, the study highlights that some households started their housing journey in a rental unit but struggled with rent increases and landlords who appeared unconcerned with the upkeep or maintenance of the property, showing that the rental market is not properly regulated. The study also shows that households frequently build on additional space for businesses or additional smaller rooms to rent out, as a means to diversify uses of their property to generate an income. Although it is evident that Mozambique has an active rental housing market, information and data available on rental market, especially the lower end of the rental market, is limited or poor. It is through this study that we aim to quantify and better understand the rental housing market in Mozambique.

This research will contribute to CAHF's broader rental research programme[2] which is aimed at understanding rental housing markets across Africa. This study follows on from a rental study undertaken by CAHF in four countries in Africa in 2017, which lays the foundation for improved data and analytics on rental markets going forward. As part of this prior work, a Rental Housing Market Framework with key indicators was developed to understand the different data sources relevant to the various categories of indictors for the rental sector and appropriate methodologies for accessing and collecting these indicators. **The intention of this project is to apply this rental framework to Mozambique, to gather data to develop an understanding of Mozambique's rental market**.[3] The project will also contribute to an improved understanding of the rental housing challenges in Mozambique in order to inform housing finance policy.

2. FUNDERS

The Financial Sector Deepening Mozambique (FSDMoz)

The FSDMoz is a five-year (2014 - 2019) programme funded by the UK Government's Department for International Development (DFID).[4] The three core objectives of FSDMoz are: (i) to improve access to financial services for Small and Medium Enterprises (SMEs), (ii) to improve access to finance for

---

[1] CAHF (2017). Mozambique Housing Investment Chronicles. Available online:
http://housingfinanceafrica.org/app/uploads/HIC-Mozambique-Final-.pdf
[2] CAHF (2013). Rental Housing in Africa Project. See: http://housingfinanceafrica.org/projects/rental-housing-in-africa/
[3] CAHF (2018). Quantifying Residential Rental Markets in Africa - Methodology report. Available online:
http://housingfinanceafrica.org/app/uploads/Rental-matters_quantifying-African-rental-markets_FINAL.pdf.
[4] See http://fsdmoc.com/

smallholder farmers and households, and (iii) to create the enabling environment for financial inclusion by supporting knowledge sharing and capacity building.

The vision of FSDMoz is a dynamic financial sector offering quality services that enable resilience and economic empowerment for all Mozambicans. The mission of FSDMoz 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 programme 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) Catalyse 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.

FSDMoz uses a 'making markets work for the poor' (M4P) approach which comprehensively assesses 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, FSDMoz seeks out appropriate partnerships that can drive a change in the market system rather than a grant-based approach. As part of this approach, FSDMoz offers technical assistance and grants to private sector partners in order that the interventions deliver their objectives.

The Centre for Affordable Housing Finance in Africa (CAHF)

CAHF 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.[5] The vision of CAHF is an enabled affordable housing finance system in countries throughout Africa, where governments,

---

[5] See http://housingfinanceafrica.org/

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. 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.

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.

Mozambique is one of CAHF's priority countries in the African continent. FSD Mozambique is CAHF's key partner in Mozambique and has been instrumental in driving the affordable housing and housing finance agenda in country. CAHF has previously partnered with FSD Mozambique in undertaking the Mozambique Housing Investment Chronicles[6] which was aimed to achieve a better, more nuanced understanding of household level investment in housing.

3. PROJECT BACKGROUND, AIM AND OBJECTIVES

CAHF and FSD Moz believe that, for investment in housing to increase, better data and information is required so that investors can better quantify the risk and the opportunity. However housing-related data in Africa is often poor, inconsistent or absent which is especially evident in rental housing markets across the continent. Without data and information on the structure and performance of markets, and the site of opportunity, investment in rental is undermined and inhibited.

To better understand the rental housing market in Africa, CAHF commissioned a rental study in 2017 focussing on four countries in Africa, namely Côte d'Ivoire, Tanzania, Uganda and Senegal.[7] The objective of the research was to develop replicable methodologies to quantify and characterise key aspects of the rental market in its diversity, breadth and depth. In undertaking this research , a rental framework with a set of methodologies was designed to collect in-country data related to rental housing—see Section 4 below. This particular approach provides an initial set of indicators that characterise the different components of the rental market and in doing so, identify particular areas

---

[6] CAHF (2017). Mozambique Housing Investment Chronicles. Available online:
http://housingfinanceafrica.org/app/uploads/HIC-Mozambique-Final-.pdf
[7] CAHF (2017). Rental Housing in Africa. Available online: http://housingfinanceafrica.org/projects/rental-housing-in-africa/

where data is readily available and where particular gaps exist. In doing so, better approaches and possible interventions can be identified in addressing and resolving these gaps.

Therefore the primary purpose of the Mozambique study is to apply the rental framework and appropriate methodologies identified in CAHF's 2017 rental methodology report to the Mozambican context in order to quantify and better understand the rental market through the collection and aggregation of available data.

Specifically, this research aims to:

1. Apply the CAHF rental housing market framework and its indicators to Mozambique;
2. Using this framework, collect data to describe and quantify the rental market, in its diversity, breadth and depth, telling the story of what rental housing actually looks like in Mozambique;
3. Identify key data gaps and identify how these gaps might be overcome with specific research methodologies (see the Rental markets methodology report for recommended methodologies which might be appropriate)[8];
4. Undertake appropriate methodologies to collect data to fill these gaps;
5. Create a database which encompasses sub-markets and forms a baseline for future research and market tracking;
6. Provide an analysis of the data to:
   a. Outline and explore the specific challenges faced by the rental housing sector;
   b. Set an agenda for further research into the sector, with the aim of contributing to residential rental market development;
   c. Set an agenda for future interventions in the sector, particularly concerning rental housing data, monitoring, policy, and access to finance.

4. RENTAL HOUSING MARKET FRAMEWORK

As per CAHF's rental housing market framework,[9] the rental sector **in any country** can be considered in terms of the **macro environment, the meso environment and the micro environment**:

- The **macro environment** is the overall macroeconomic framework in which the rental sector exists, as well as the policy and regulatory framework. Broad demographic data (households and individuals) also forms part of the macro environment in terms of demand for rental.

- The **meso environment** includes the support organisations – the developers, finance providers, estate agents, credit bureaus and property managers – that together support landlords (micro environment) in delivering rental accommodation.

- The **micro environment** comprises the landlords (whether institutional, small-scale or even household), the institutions and people who provide rental accommodation. This, together with the meso environment, broadly captures the supply side of the rental sector.

Surrounding these three levels is the **demand side** – the people and institutions that express a demand for rental accommodation.
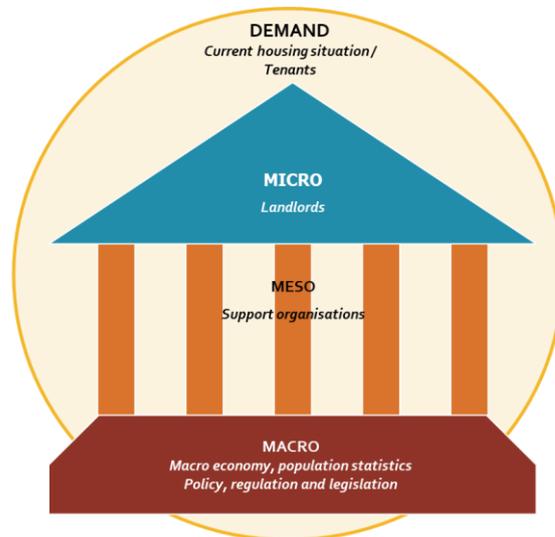
---

[8] CAHF (2018). Quantifying Residential Rental Markets in Africa - Methodology report. Available online: http://housingfinanceafrica.org/app/uploads/Rental-matters_quantifying-African-rental-markets_FINAL.pdf.
[9] Ibid.

Each of these levels, **macro, meso, micro, and demand**, highlight different aspects of the rental sector. Data on each of these dimensions can provide an indication of the size, scope, nature and performance of the rental sector. This rental housing market framework, together with various indicators associated with each of the four components of the framework, is outlined in **Figure 1** below.

Figure 1: Rental housing market framework and key indicators

MACRO	MESO	MICRO	DEMAND
Macro economy and population statistics	**Developers, Finance providers, Estate Agents, Credit Bureaus and Property Managers**	Landlords:	**Current housing situation**
▪ Size and growth of the economy (GDP)	▪ Number and size of participants (e.g. number and size of active developers / finance providers / estate agents / credit bureaus / property management companies etc.)	▪ Number of landlords	▪ Characteristics of housing stock, housing cost and backlog
▪ Political risk and stability		▪ Type of landlords (small scale, institutional, employers, public, etc.)	▪ Land ownership and tenure status
▪ Median household incomes		▪ Typical portfolio size and profile	▪ Household characteristics
▪ Unemployment rates (urban / rural)		▪ Target markets	**Tenants**
▪ Population (people and households, urban and rural)	▪ Target market profile and entry level price points	▪ Sources of financing	▪ Number of tenants
▪ Urban population and rate of urbanization	▪ Services / products offered and pricing basis	▪ Management practices (e.g. contracting arrangement, maintenance, eviction process, etc.)	▪ Household characteristics
▪ Labour market dynamics	▪ Profitability measures (e.g. gross and net yields)	▪ Performance measures (e.g. arrears levels, vacancy rates)	▪ Dwelling conditions (type of dwelling, access to services)
Policy, regulation and legislation	▪ Delinquency measures (e.g. arrears on loans)	▪ Profitability measures (e.g. gross and net yields)	▪ Affordability – employment levels, incomes and % of income spent on rent
▪ Housing policy exists	▪ Subsidies for rental development		▪ Motivations for renting and housing aspirations
▪ Housing policy includes specific policy related to rental			▪ Perceptions of tenure security
▪ Legislation related to rental.(e.g. legislation related to deposits, rent setting and increases, duration and termination of contract, maintenance and repairs, eviction etc.)			▪ Relationship to landlord (related / not related)
▪ Existence of conflict resolution processes			
▪ Subsidy and tax regime			

In order to test the framework, it is important to identify the potential data sources (such as statistical datasets) for the rental market in Mozambique and investigate how much of the data is accessible, can be collected and aggregated. It is through this exercise that the gaps in rental market data can be determined and appropriate methodologies applied to close these key data gaps. Some examples of the types of data sources that can be used in such a study include, inter alia:

- Time series indicators: Time series data should be available to characterise the macro environment including economic, political and social indicators. Examples include GDP and derived indicators, inflation rates, currency stability, political risk, World Bank Doing Business Indicators and a host of others. This data is easily accessible from a range of resources such as the World Bank's data catalogue and various in-country data sources including central banks and statistical agencies.

- Nationally representative household survey data: Survey data, specifically nationally representative data, is useful for quantifying and characterising demand-side rental market indicators at a high level. Survey data, specifically nationally representative data, is useful for quantifying and characterising demand-side rental market indicators at a high level. These data sources may include open data portals (where available in Mozambique) of the country's national statistical agencies as well as those of other data owners, principally the World Bank. Surveys include national household and household budget surveys, labour force surveys as well as living standards / poverty surveys.

- Rentals collected as part of CPI: Typically, housing and housing related expenses are a significant component of the consumer price index (CPI); it is often the most significant expense category after food.

- Online rental property classifieds: There are several instances where data that is generated for sales, operational or administrative purposes can be analysed to generate useful insights. Examples of this type of secondary data include online rental property classified data, credit bureau data, as well as management data collected by landlords.

5. PROJECT SCOPE

In addition to the overall scoping of Mozambique's rental market by apply the rental framework, above, the methodology for the project must take into consideration the following:

i. The informal rental market
ii. Sample size and strategy for filling specific data gaps through identifying how the gaps might be overcome with specific research methodologies;
iii. Mix methods (quantitative and qualitative);
iv. Locations to be included in the study: Nampula (Northern Mozambique), Tete (Central Mozambique) and Maputo (Southern Mozambique) as related to point ii above; and
v. Language issues, local team of enumerators (if applicable) and support staff.

The project essentially involves the following steps:

i. Populate the data indicators as set out in the rental housing market framework within the macro, meso, micro and demand aspects of the rental environment in Mozambique as shown in Figure 1 above. The first step of this, identification of data sources, requires engagement with the existing statistical datasets (including FSDMoz's Finscope) to identify what data will fill in the framework.

ii. Based on experience of populating the rental housing market framework in the Mozambican context and analysis therefore, identify what sorts of data gaps exist in each of the four areas of the framework.

iii. Identify, develop and implement appropriate methodologies to collect data to fill in the identified gaps in the framework and complete the picture of the Mozambique rental market. The selected data collection methodologies may draw upon those identified in CAHF's rental market framework, or may include innovative, new approaches or adaptations more appropriate for the local context.

iv. Finalise the data framework with all of the data (secondary and primary) collected as per methodologies applied, to build out a picture of what Mozambique's rental sector looks like.

v. Prepare a report for dissemination, which would include analysis and recommendations with respect to:
   a. Ensuring better collection, analysis and dissemination of data on the rental housing market in Mozambique;
   b. Proposed interventions to support investment, sector development and market growth, and to inform housing policy and strategy for Mozambique; and
   c. Prospective markets and segments with potential to attract investment in the rental market, with particular attention to low-income households.

6. DELIVERABLES

Outputs from the project include:[10]
1. An **inception report** that covers:
   - An overview of key issues that the study should tackle;
   - Detailed work plan and proposed methodology in line with the rental housing market framework, including identification of stakeholders for interviewing, to respond to the objectives of the research
2. A **report** on Mozambique's rental market, based on the CAHF Rental Market Framework:
   - Draft report
   - Final report
3. Database of all data collected
4. Record of stakeholder and data collection engagements
5. PowerPoint presentation summarizing the findings
6. Translation of the final report, presentation and database into Portuguese[11]

NB: The report and presentation must adhere to CAHF's Style Sheet, containing full citations and references as and where necessary. The database will need to adhere to CAHF's data protocol on tidy data.

---

[10] 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.

[11] Please note that only the final approved versions of these documents must be translated into Portuguese. Previous drafts and the inception report should be in English.

7. PROJECT MILESTONES

The project should be completed within four months of contracting.

Key dates:

SCHEDULE OF MILESTONES	TIMEFRAME	ESTIMATED DATE
Inception meeting[12] held	One week after signing of contract	June 2019
Inception report submitted	Four weeks after inception meeting	July 2019
Draft report submitted	1.5 months after comments on inception report returned	September 2019
Final report and presentation submitted	Two weeks after comments on draft report returned	September 2019
Final deliverables submitted, including database and list of engagements	Two weeks after comments on final report returned	October 2019
Final report, presentation and database translated into Portuguese	Two weeks after final deliverables submitted and approved	October 2019

8. PROJECT BUDGET

Proposals of up to ZAR 230 000, including any possible V.A.T. and disbursements, will be considered.

---

[12] This meeting may be held via Skype if necessary.

9. 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 CAHF's rental market framework and ideas on how it can be applied in Mozambique.[13]

ii.   A detailed workplan, 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. Local representation in Mozambique 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 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.

10. PROPOSAL EVALULATION

Proposals will be assessed according to:

i.   Relevant, demonstrated competence of firm in this area: 10 percent.
ii.   Demonstrated expertise of key individuals to be involved in this project: 30 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.

---

[13] CAHF (2018). Quantifying Residential Rental Markets in Africa - Methodology report. Available online: http://housingfinanceafrica.org/app/uploads/Rental-matters_quantifying-African-rental-markets_FINAL.pdf

11. PROPOSAL SUBMISSION

The deadline for submission is 7 June 2019. 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 Manitha Nadasan, who can be contacted by email: manitha@housingfinanceafrica.org.

12. GUIDING 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, or any evidence of capacity building.
- "Fee basis" – Value for money, as well as absolute cost, will be taken into account.