

INVITATION TO TENDER



LEVERAGING SACCO DATA AND RESEARCH TO STRENGTHEN THE FINANCING OF THE AFFORDABLE HOUSING VALUE CHAIN BY THE SACCO SECTOR

Project: Affordable Housing

1. BACKGROUND

FSD Kenya, SACCO Societies Regulatory Authority (SASRA) and Kenya Mortgage Refinance Company (KMRC) are partnering to leverage evidence from research and data to inform and guide the development of the SACCO sector housing value chain, aligning with all three organisations' mandates and strategies.

FSD Kenya launched its Affordable Housing Program in 2020 with funding from FCDO. The [background research](#) is available on our website. FSD Kenya has also undertaken and shared a [draft review of the legal, policy and institutional](#) framework for affordable housing in Kenya, available on our website. FSD's 2022 to 2026 Strategic drivers are to promote (i) an inclusive digital economy (ii) gender and women's economic empowerment (iii) micro and small enterprises and (iv) climate change & the environment. An overarching principle of FSD Kenya's programme is the [Open Access](#) initiative which aims to promote transparency to market data and market realities, to enable more coordinated risk taking and investment in the sector. The appropriate outputs from all work FSD undertakes are shared with the wider market, being respectful to any commercially sensitive issues of the partners / participants.

SASRA's mandate is to regulate, supervise and develop the SACCO industry through promotion of prudent practices to protect member's interests, enhance access to financial services and foster financial stability. In SASRA's ongoing strategy (2023-2027), SASRA seeks to expand its regulatory framework to cover all SACCOs including housing and investment co-operatives, among other strategic goals. Embracing global influences and aligning with Kenya's sustainable development goals, SASRA aims to promote financial literacy, gender equality, empowering women and MSEs within the SACCO industry as well as promote environmental, social, and governance (ESG) frameworks for sustainable SACCO operations. In addition, SACCOs are envisaged to play a pivotal role in financial intermediation along prioritised value chains.

The Kenya Mortgage Refinance Company (KMRC) is a non-deposit taking financial institution established in 2018 under the Companies Act 2015. Its mandate is to provide long-term funds to primary mortgage lenders (PMLs) - banks, microfinance banks (MFBs) and savings and credit cooperatives (SACCOs) - for purposes of increasing availability of affordable home loans to Kenyans. In its 2024-29 Strategic Plan, KMRC is embedding Research and Development as a key pillar. Under this pillar, KMRC aims to drive innovation through research and development initiatives, enhancing product development, processes, and technology to meet mortgage refinancing needs amidst dynamic customer tastes and preferences. In addition, as part of its financial growth and sustainability endeavour, KMRC, under the new strategic plan is going to open lending to non-shareholders, comprising of banks, MFBs and SACCOs that are not being serviced by the company.

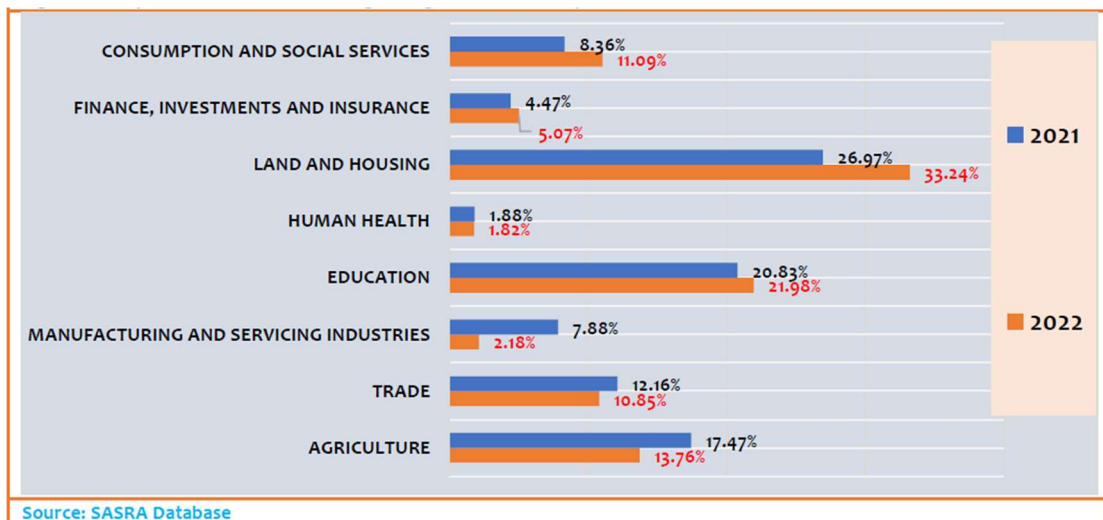
The convergence of the 3 institutions' mission and strategies underpins this partnership which seeks to promote the development of the affordable housing value chain which is financed through SACCOs.

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SACCOs play an important role in financing the acquisition of housing by households by providing capital for the purchase of land and development of housing. Historically, the housing has been delivered incrementally, albeit on a short-term basis, but financing of mortgages is also growing. Indeed, the potential of SACCOs to grow the mortgage market was recognized by Kenya Mortgage Refinance Corporation, which included 11 SACCOs in its founding shareholding membership. Going forward, a better understanding of the SACCO dynamics is critical for adapting the product offering to respond to the dynamic customer tastes and preferences on homeownership.

Since 2021, SASRA has been collecting quarterly data on the sectoral lending by each regulated SACCO. The figure below, from SASRA's 2022 Annual Report shows the dominance of land and housing loans by SACCOs, which accounted for 27% of loans in 2021 and grew to 33% in 2022. The data collected by SASRA is a good starting point and provides the basis upon which additional research analysis can be carried out to generate insights and evidence on how to enhance and strengthen the role and effectiveness of SACCOs in the housing value chain. The research and analysis will be based on data from 30 SACCOs that hold large land and housing portfolios as a proportion of their total portfolio and who have expressed willingness to participate in this study. FSD Kenya in partnership with SASRA and KMRC is seeking the services of qualified technical resource (consultant) to undertake this study.



2. OBJECTIVE

The objective of this assignment is to undertake a detailed and comprehensive review and analysis of the land and housing value chains financed by SACCOs and identify the opportunities for enhancing the role of SACCOs in financing land and housing value chains and the constraints and gaps that need to be addressed.

3. SCOPE OF WORK:

The aim is to understand the current position, underlying dynamics, opportunities and market gaps and prospective constraints to future development of the land and housing value chain financed by SACCOs. The analysis will heavily draw data and insights from **30 SACCOs (including the 11 SACCOs who are shareholders under KMRC)** who have a large housing portfolio and have agreed to participate in this study. In

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contributing to a broader understanding of the drivers of change, the analysis will encompass the structures and drivers that have facilitated the current state of land and housing value chain financed by SACCOs. At this stage, the scope of work is based on preliminary discussions between SASRA, FSD Kenya and KMRC, but may be refined as the project is implemented based on new information and emerging priorities. At minimum, the scope of work is expected to encompass the following aspects.

- a.** Engage with the selected 30 SACCOs to explain the vision of the engagement and why data is being requested. This includes understanding the gaps in reporting and the suitability of the SACCOs to obtain longer term institutional financing.
- b.** Obtain the Land and Housing loan listing for this subset for 2023 to obtain the number of loans in each category as below, the distribution of loan sizes from the smallest to the largest loans and the nonperforming loans. The SACCOs have developed various Land and Housing products as listed below.
 - (1) Purchase of plots
 - (2) Land purchase services such as surveying and valuation
 - (3) Construction of multiple residential buildings
 - (4) Construction of commercial buildings
 - (5) Construction of single residential dwelling units
 - (6) Renovation of buildings
 - (7) Mortgage of single residential dwelling units
 - (8) Mortgage of multiple residential dwelling units
- c.** Engage with the SACCO management to:
 - i. Understand the SACCO balance sheet and profitability trends over the last 3 years.
 - ii. Understand the Portfolio at Risk for the various sectoral products and understand which products are easier or more difficult to collect on and why; understand NPLs and average tenor (in years) by sectoral lending.
 - iii. Whether the SACCO has a related Housing or Investment Cooperative, the governance relationship between the SACCO and related Housing or Investment Cooperative, and the project pipelines at the related Housing or Investment Cooperative.
 - iv. Understand the membership composition between the SACCO on the one hand and the related Housing or Investment Cooperative on the other hand.
 - v. Understand the emphasis or not on dividend payments and trends over the last three years.
- d.** Understand housing loan application and monitoring processes for each SACCO including but not limited to:
 - i. Obtain loan product features for each of the 8 Land and Housing products listed in b above including tenure, interest rate, collateral required, fees, guarantors etc
 - ii. Obtain a copy of the application form and understand the SACCOs target for reviewing applications for each of the products.
 - iii. Determine the requirements for due diligence.
 - iv. Determine how long it takes to register a charge in various geographies the SACCO operates in.

- v. Assess whether the SACCO ask for approved construction plans for construction loans.
 - vi. Evaluate the preferences for (construction over time) incremental build versus outright mortgage purchase.
 - vii. Evaluate the geographical distribution and the gender segmentation of the portfolio.
 - viii. Determine SACCO awareness of the tax-deductible interest for members with mortgages.
 - ix. Understand processes for KMRC shareholders: Have they been able to access KMRC funding? If yes, to what extent (number of loans and total volume in KShs)? How were the SACCOs able to create the capital pool to create the first set of mortgages to be refinanced? Understand if all the fields required by KMRC are captured in the SACCO's core banking system or if there are gaps. How has the process of refinancing to KMRC been and are there opportunities to streamline this process. Understand details of portfolios refinanced to KMRC. How do SACCOs validate borrower incomes for KMRC eligibility.
 - x. From the SACCOs loan officers' perspective, determine the main pain points for SACCOs meeting their members need in each of the 8 Land and Housing categories above.
- e.** Understanding of SACCO operations:
- i. What technologies do the loan officers use if any
 - ii. What core banking system is used and when was it last upgraded.
 - iii. Do the SACCOs send information to the Credit Reference Bureaus and if yes, what is the quality and frequency of this.
 - iv. Do the saccos have risk analysing tools like a predictive default model -is there any use or interest in developing alternative credit scoring tools –
 - v. What procedures are followed in case of a default
- f.** Understanding the regulatory environment:
- i. Has there been implementation of tax deduction on interest for mortgages for SACCO loans.
 - ii. What are the other regulatory issues that are currently pain points for SACCOs Land and Housing loans
- g.** Undertake focus groups with end users (borrowers of mortgages) to understand their constraints. For the bid, it should be assumed that 2 focus groups will be undertaken. This can be amended if required.
- h.** Analysis and reporting of above including recommendations on how to enhance KMRC offer to SACCOs.
- i.** To share this output with KMRC their scaling up and present findings to SACCOs spelling out the opportunities that exist for them.

4. CONDUCT OF THE WORK

The consultant will report to a working group comprising FSD Kenya, SASRA and KMRC representatives. A work plan and schedule for the achievement of the deliverables will be agreed jointly with FSD Kenya and incorporated in the contract signed. However, the overall exercise is expected to take approximately 6-8 months.

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5. OUTCOMES AND DELIVERABLES

SCOPE	DELIVERABLE	ESTIMATED TIMEFRAME FROM DATE OF CONTRACTING (WHICH WILL BE AGREED WITH FIRM DURING CONTRACTING)
1	INCEPTION REPORT	2 weeks from contracting
2	Draft instrument for interviewing management of 30 SACCOs	Inclusive in Inception Report
	Progress Report	End of Month 2
3	Completion of interviews with management of 30 SACCOs and with report on initial insights Workshop to discuss the same with FSD Kenya, SASRA and KMRC representatives.	End of Month 4
4	Focus group discussion questionnaire to understand SACCO demand pain points and preferences	End of Month 4
5	2 focus groups with members of SACCOs	
6	Final report with insights and recommendations for FSD, SASRA and KMRC	
7	Final Report	
8	Dissemination of high-level findings (which are not sensitive to any participating SACCO or other partner) via a webinar and written publication	End of Month 8

6. REQUIREMENTS

Mandatory requirements

Strong knowledge of financial markets in developing/emerging economies

Strong knowledge of housing markets in developing/emerging economies

Relevant experience of working with Kenya's SACCO sector and understanding of regulated SACCOs operations and governance

Relevant skills and experience in incremental housing and mortgage markets to understand the barriers and opportunities to develop the same in Kenya

Experience in conducting research and surveys for FSPs, preferably SACCOs

Understanding of Kenya's Credit Market Policy, Regulatory and Infrastructure landscape

Availability at short notice and ability to work flexibly, and deliver on time

Evaluation criteria

Criteria, sub-criteria, and point system for the evaluation of technical proposals		Points
1	Experience of the consultant	
	Track record and experience in undertaking research with Financial Sector players in Kenya Demonstrated understanding of how SACCOs and Housing Investment Cooperatives operate and the policy framework governing them Track record in working with market actors in the SACCO sector Track record of supporting a regulator in conducting research is a plus	20
2	Approach and methodology	
	Quality of technical approach and the proposed methodology	30
3	Staff schedule, work and deliverable schedule	
	Adequacy of the proposed staff schedule to meet the needs of the ToR	5
	Responsiveness of proposed work plan in relation to the ToR	5
4	Key professional personnel qualification for the assignment	
	Responsiveness of the CVs to the requirements of the TOR (Team leader's and team members' qualifications and experience)	20
	Total points for the four (4) technical criteria's (st)	80
	The minimum technical score (st) required to pass for financial proposal to be scored is	55
	Financial evaluation	20
	The formula for determining the financial scores is the following:	

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$FS = 100 \times FL / FP$, in which FS is the financial score, FL is the lowest price and FP the price of the Proposal under consideration. The weights given to the Technical (T) and Financial (F) Proposals are: T = 80% and F = 20%	
Total Score (technical and financial)	100

FSD Kenya will undertake a due diligence assessment and screening of the preferred Bidder to include reference checks. FSD Kenya will share a Third-party screening questionnaire to aid in processing the assessment and screening. FSD Kenya reserves the right to proceed or reject Bidder(s) depending on the outcome of this assessment and consider the next ranked bidder. The findings of this assessment will be kept confidential and used internally for the purposes of this evaluation.

FSD Kenya reserves the right to accept any tender (s) or to reject all tenders at any time. FSD Kenya also reserves the right to cancel this procurement at any point in time prior to award of the contract.

If you would like to lodge a complaint in regard to this procurement process, please write to tenders@fsdkenya.org with the address **complain: Leveraging Sacco data and research to strengthen the financing of the affordable housing value chain by the Sacco sector**. FSD Kenya procurement team will acknowledge receipt of the complaint in writing within three (3) working days.

During the course of this procurement if you come across any issues of bribery, corruption or wrongdoing on FSD Kenya part, please feel free to contact Lydia Kioko, FSD Kenya Head of Operations at Lydia@fsdkenya.org or transparency@fsdkenya.org

7. SUBMISSION

Tenders may be submitted in any format and should encompass.

- Profile of the organization
- Experience of the consultant/ organization
- Reference of the consultant/ Organization
- Description of approach and methodology for performing the assignment
- Team composition and task assignments work
- Staffing schedule
- Work and deliverables schedule
- Curriculum vitae (CV) for proposed professional personnel
- Breakdown of consultancy fee
- Breakdown of reimbursable expenses by activity

Interested bidders should send ALL the above mandatory documents **on or before August 9th, 2024**. Failure to send any of the requested documentation and meeting the mandatory requirements will lead to automatic disqualification. If you have any clarification questions, please email us at tenders@fsdkenya.org no later than 26th July 2024. Responses to clarification questions shall be sent on or before 31st July 2024.

You are requested to submit your tender comprising of **technical proposal and financial proposal separately**. The proposals shall be submitted separately to the following addresses:

Technical Proposal: tenders@fsdkenya.org

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With the following subject title: **TECHNICAL PROPOSAL- Leveraging Sacco data and research to strengthen the financing of the affordable housing value chain by the Sacco sector**

Financial Proposal: tenders@fsdkenya.org

With the following subject title: **FINANCIAL PROPOSAL- Leveraging Sacco data and research to strengthen the financing of the affordable housing value chain by the Sacco sector.**

Under no circumstance are bidders to submit both technical and financial proposals as a single document, doing so will lead to disqualification.

Tender security is NOT required. Issuance of this invitation to tender in no way obligates FSD Kenya to award a contract. Applicants will not be reimbursed for any costs associated with their application for this tender.

8. TIMETABLE

Refer to Section 5. It is expected that the consultant will be procured by September 2024 and the work will be completed by March 2025.

Payments will be made on a milestone basis as defined in the contract.

Note: The cost of hosting the focus groups should be excluded from the financial bid, only the cost of the consultant time should be included. The consultant should also assume that most of the SACCOs will be in or within the wider Nairobi area, with the minority being in secondary towns and travel costs and time spent travelling, will be separately reimbursed once this is mapped out.