

Community Led Infrastructure Finance Facility (CLIFF) Milestone Evaluation of CLIFF2b



Milestone Evaluation Report

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ACRONYMS AND ABBREVIATIONS

3Cs	Competencies, Capabilities, Capacities
3Es	Economy, Efficiency, Effectiveness
ACHR	Asian Coalition on Housing Rights
AMC	Ansaar Management Company
AOA	Angolan currency, Kwanza
ASUD	Achieving Sustainable Urban Development
CAHF	Centre for Affordable Housing Finance
CAN	Community Architects Network
CIBI	Credit Investigation and Background Investigation
CLIFF	Community Led Infrastructure Finance Facility
CoRe-ACS	Community Resources for the Advancement of Capable Societies
CSG	CLIFF Stakeholder Group
CMB	Conselho Municipal da Beira (Municipal Council of Beira)
DFI	Development finance institution
DFID	Department for International Development
DPU	Development Planning Unit
DWA	Development Workshop Angola
EDH	Enterprise Development Holdings
EIG	Enterprise & Investment Group
FGD	Focus Group Discussion
FP	Funding Partner
GAN	Global Advice Network
GBP	British Pound
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit, the German Federal Enterprise for International Cooperation
GoA	Government of Angola
GPS	Global Positioning Systems
HABITAT III	United Nations Conference on Housing and Sustainable Urban Development
HDE	Housing development Enterprise
HDI	Human Development Index
HDMF	Home Development Mutual Fund
HMF	Housing Microfinance
HPFPI	Homeless Peoples Federation of the Philippines Incorporated
I3	Integrity for Investment Initiative
ICEB	interlocking compressed earth block
IFC	International Finance Corporation
IP	intermediary partner
JMP	Joint Monitoring Program
KII	Key Informant Interviews
KSh	Kenyan Shilling
LEAF	Land Enterprise Acquisition Fund
Logframe	Logical Framework

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M&E	Monitoring and evaluation
ME	Milestone Evaluation
MEL	Monitoring, Evaluation and Learning
MET	Milestone Evaluation Team
MFI	Microfinance institution
MiMo	Micro-mortgages
MFF	Millard Fuller Foundation
mn	Million
NACHU	National Cooperative Housing Union
NGO	Non-Government Organisation
NUHP	National Urbanism and Housing Programme
NYSC	National Youth Service Corp
OD	Organisational development
P&L	Profit and loss
PACSI	Philippine Action for Community-led Shelter Initiatives Inc.
Pag-IBIG	Pagtutulungan para sa Kinabukasan; Ikaw, Bangko, Industriya at Gobyerno (Helping each other for the future: You, Banks, Industries and Government)
PAR	Portfolio at Risk
PCE	Planned city extension
PCF	Project Capital Funds
PHP	Philippine Peso
PRUA	Participatory rapid urban appraisal
Q&A	Question and answer
Reall	Reall Equity for All
SACCO	Savings and credit cooperative organisation
Sida	Swedish International Development Cooperation Agency
SLP	Sustainable Livelihoods Project
SSNS	SPARC Samudaya Nirman Sahayak
STDM	Social Tenure Domain Model
T1	HabiTerra's Type 1 Housing Typology
T2	HabiTerra's Type 2 Housing Typology
TAMPEI	Technical Assistance Movement for People and Environment Inc.
ToR	Terms of Reference
UCA	Uganda Cooperative Alliance
UCL	University College London
UN-Habitat	United Nations Human Settlements Programme
UNOPS	United Nations Office for Projects Services
USD	United States Dollar
VfM	Value for Money
WAT-HST	Women's Advancement Trust–Human Settlement Trust
WATSAN	Water and Sanitation
WSA	Water and Sanitation for Africa
ZINAHCO	Zimbabwe National Association of Housing Cooperatives

EXECUTIVE SUMMARY

CONTEXT: The Community Led Infrastructure Finance Facility (CLIFF) was established in 2002 to support accredited local non-governmental organisation (NGO) partners to plan, deliver and manage settlement, housing and basic services provision to serve poor urban households. The first phase of CLIFF, which was funded by the UK Department of International Development (DFID) and the Swedish International Development Cooperation Agency (Sida), ended in March 2010. It was followed by a second phase of DFID funding (CLIFF2) which began in January 2010 and was scheduled to run until March 2015. However, in March 2014 CLIFF2 was extended as CLIFF2b to include additional funding and outputs under a new agreement. DFID’s support of CLIFF2b ended in June 2016.

The CLIFF strategy has evolved over its phases: The first phase, which began in India, provided organisations of the urban poor access to finance for small scale housing and water and sanitation infrastructure projects, the costs of which were mostly recovered from the State. The second phase (CLIFF2) expanded the model into countries without State support for urban housing, using market-based solution and end-user cost recovery; and recognised that the role of the partner needed to be more sophisticated and institutionalised to deliver at scale. The primary focus of intervention thus shifted from the community to Housing Development Enterprises (HDEs)—‘hybrid’ institutions with the capacity to deliver housing and infrastructure solutions at scale. CLIFF2b ushered in a further shift in strategy towards supporting HDEs to become “investment ready” entities, so they would likely be able to attract non-CLIFF resources to the sector, thus increasing the catalytic power of CLIFF.

EVALUATION OBJECTIVES: The overarching objective of the ‘Milestone’ evaluation (ME) is to assess the progress to date of CLIFF2b against the milestones and targets set out in the logical framework (logframe). The ME will provide a general update on progress for CLIFF funding partners to use in programme evaluation and help inform the business case for future funding. It will also assist Reall to reflect and plan effectively for any next strategic phase of CLIFF (CLIFF3).

RESULTS – Summary of the Milestone Evaluation Team’s (MET) Assessment of Achievements

INDICATOR 1.1: INCREASING THE HDE PORTFOLIO - Expanding the network of HDEs became a lower priority in CLIFF2b. Rather the focus turned to organisational restructuring and development of existing HDEs within the new investment readiness strategy. However, since CLIFF2b started, three new partners have been added to the CLIFF portfolio in 2014, and the current CLIFF2b portfolio stands at 14 HDEs working in 15 countries across Africa and Asia.

INDICATOR 2.1 TO 6.1: The table below summarises the logframe indicator targets, and a comparison between Reall’s and the MET’s assessment of results. Clearly, CLIFF2b and HDE partners have shown considerable success in very challenging circumstances. There are only 3 indicators where the MET’s assessment was at variance with Reall’s, and these are all finance related: 2.1; 2.2; and 3.4. In relation to 2.1: HDEs ability to cover own operating costs, the MET identified a number of operational challenges in the Philippine partners (LinkBuild and CoRe-ACS) from primary and secondary data and the MET was not fully convinced that the Philippines would be able to “maintain operational functions” without additional CLIFF funds. Turning to 2.2: HDE’s ability to cover 25% of capital and capacity costs, Reall’s assessment indicates 5 HDEs meeting this criterion in India, Kenya, Nepal, Pakistan and Angola. Based on analysis of financial statements, the MET’s view is that the 5 HDEs do fulfil the indicator and, further, that Uganda (UCA) should also be included - bringing the total to 6 HDEs. Indicator 3.4: Increase wealth/Asset base of HDEs showed the largest variance between Reall and the MET, due wholly to Kuyasa Fund’s (South Africa) financial statements. At the time of their assessment, Reall used 2013/14 statements as 2014/15 had yet to be prepared. The difference between the two is, however, substantial—a net difference of GBP 9 million.

Indicator	Description	Target March 2016	Reall/DFID Assessment June 2016	MET Assessment Oct 2016
2.1: Operational Finance	HDEs ability to cover own operating costs	8	4	3
2.2: Capital and Capacity Finance	HDE’s ability to cover 25% of capital and capacity costs	6	5	6
2.3: Capacity	HDEs technical capacity sufficient to maintain and expand services without external assistance	6	6	6
2.4: Reputation	Formal recognition of HDE’s ability to innovate and deliver adequate and sustainable housing and basic services projects by relevant public, private and civil society bodies.	11	13	13
2.5: Integration	CDE’s have effective partnerships with relevant organisations and departments in the public and private sectors.	11	13	13

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Indicator	Description	Target March 2016	Reall/DFID Assessment June 2016	MET Assessment Oct 2016
2.5: Integration	CDE's have effective partnerships with relevant organisations and departments in the public and private sectors.	11	13	13
3.1: Leverage	Value of (non-CLIFF) investments in Partners and Projects	£37,926,396	£45,484,652	£45,484,652
3.2: Fund Redeployability	Value of Recycled Funds/Funds Redeployable	£37,984,899	£25,956,587	£25,956,587
3.3: Land	Area of land mobilised by approved CLIFF-supported projects from public and private sectors (Ha).	787	662	662
3.4: Institutional Equity	Increased wealth/Asset base of HDEs	£46,458,335	£23,175,783	£14,200,000
4.1: Housing Units	Number of adequate and affordable housing units approved for the slum dwellers as a result of CLIFF.	20,193	17,590	17,590
4.2: Service Units	Number of basic services constructed for slum dwellers as a result of CLIFF	47,582	38,484	38,484
4.3a: Non-unique Beneficiaries	Total Number of Non-Unique Beneficiaries of Approved CLIFF Interventions	440,184	407,946	407,946
4.3b: Unique Beneficiaries	Total Number of Unique Beneficiaries of Approved CLIFF Interventions	242,334	229,675	229,675
4.4a: Direct Employment	Number of jobs created directly as a result of CLIFF.	19,635	30,290	30,290
4.4b: Indirect Employment	Number of jobs created indirectly as a result of CLIFF	157,082	242,316	242,316
4.5: Loans	Number of loans (beneficiaries accessing loans)	41,157	33,348	33,348
4.6: Household Equity	Value of household equity resulting from CLIFF	£242,000,000	£136,132,768	£136,132,768
5.1: Innovations	Number of innovative models and practices developed by HDEs	16	16+	16+
5.2: Replication	Number of innovative models and practices shared and adopted by other HDEs, and public and private institutions	7	10	10
6.1: Knowledge, Learning and Good Practice	Knowledge, learning and good practice emerging from CLIFF (pertaining to Outputs 1 - 5 above) documented, disseminated and used to advocate.	5 case studies, 1 video and 1 exhibition prepared and shared. CLIFF shortlisted for 2014/15 World Habitat Award. Reall Communication Strategy Under Review following re-launch		To be defined in revised Communications Strategy ---

APPROPRIATENESS OF INDICATORS: Generally, most of the logframe indicators do not adequately reflect the new CLIFF2b strategy. While Reall has done a commendable job in capturing and evaluating data as per logframe, the reduced relevance of some indicators diverts attention away from key areas that have assumed greater prominence under the new strategy, such as creating sustainable organisations. Many of the indicators in the current logframe will require some rethinking and adjustment for any next strategic phase of CLIFF (CLIFF3). The ME report suggests how this might be achieved.

OUTPUTS AND OUTCOMES AGAINST LOGFRAME SCORED: The MET used DFID's approach¹ to score CLIFF2b outputs and outcomes and these scores are presented in the table below. It is the MET's considered view that CLIFF2b has met (A) or moderately exceeded (A+) outputs and outcomes expectations. The outputs that scored highest were: 2.2—effective partnership building by HDEs; 3.1—development of skills and abilities to leverage financial and non-financial resources; and 5.3—presentation and discussion of CLIFF2b at international conferences and workshops. In terms of outcomes, 2 (capacity and reputation strengthened to access greater public, private and civil society sector resources) and 3 (mobilisation and leverage of financial and non-financial resources) were viewed to have moderately exceeded expectations. Targets moderately below expectations were identified in areas of adequate and affordable housing and micro-mortgages (MiMo, output 4.1 and 4.2); and innovative practices generated and disseminated (output 5.1 and 5.2). In the former case, this was due to the change in strategy where institutional strengthening took more prominence, which served to reduce the number of projects approved and, consequently the number of houses constructed and MiMos. In the latter case it was because many of the innovative models and practices generated have not been effectively documented and disseminated; and consequent limited adoption by other HDEs, public and private institutions.

¹ A++: substantially exceeded expectation; A+: moderately exceeded expectation; A: met expectation; B: moderately did not meet expectation; C: substantially did not meet expectation.

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Output	Score	Outcome	Score
1.1: Increasing the HDE portfolio	N/A	1: CLIFF implementation expanded through establishment of new HDE's or CLIFF Implementing Partners (IPs) in current and additional participating countries.	A
2.1: Enhanced financial and technical capacity, and reputation of HDEs	A	2: Financial and technical capacity and reputation of existing and new HDEs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy.	A ⁺
2.2: HDEs have effective partnerships with relevant organisations and departments in the public and private sectors	A ⁺		
3.1: HDEs demonstrate the skills and abilities to leverage financial and non-financial resources	A ⁺	3: Mobilisation and leverage of financial (e.g. cost recovery, loan finance, construction contractor investment) and non-financial (e.g. land, basic services, technical skills) resources from the public and private sectors, as well as from community contributions, for the delivery of adequate and sustainable housing and basic services for slum dwellers.	A ⁺
3.2: HDEs demonstrate enhanced micro-mortgage loan management practices	A		
4.1: Adequate and affordable housing and basic services solutions developed as a result of CLIFF	B	4: Adequate and affordable housing and basic services solutions developed as a result of CLIFF.	B
4.2: Number of affordable micro-mortgages (MiMo) issued	B		
5.1: Innovative models and practices generated	B	5: Development of innovative models and practices developed to enable/provide the sustainable delivery of basic services, land and housing to the urban poor	A
5.2: innovative models and practices shared and adopted by other IP's, public and private institutions	B		
5.3: International conference and workshops	A ⁺		
5.4: Promotion of new models and practices to public, private and civil society sectors	A		
6.1: Documentation and dissemination of knowledge, learning and good practice	A	6: Knowledge, learning and good practice emerging from CLIFF (pertaining to Outputs 1 - 5 above) documented, disseminated and used to advocate.	A

IMPACT – Summary of Impact on CLIFF2b's Overarching Goal of Poverty Reduction

The overall goal of CLIFF is to “Reduce poverty by increasing the access of the urban poor to public, private and civil society sector resources for housing and basic services”. The operational strategy to achieve the goal has evolved since the start of CLIFF, and is now “to create and support independent, embedded urban institutions capable of delivering sustainable housing and basic service infrastructure in perpetuity”. The focus on institutions enhances the chances of sustainable change in low-income housing markets. There is good international evidence that shows the provision of adequate housing contributes to poverty reduction in two general ways: (i) housing construction contributes to economic output, creates jobs, and generates demand for housing construction supply chain products and services; and (ii) improved housing raises the standard of living of and quality of life of occupants. Through the direct provision of almost 17,600 approved houses to low income groups, the programme has so far undoubtedly made a significant contribution to poverty reduction.

RISK: Reall faces a complex risk context in which the majority of risks are attached to the institutional strength and operations of HDEs. However, were Reall to wait until a given HDE scored well on all organisational indicators, very few funds would have been distributed to date. Taking risk, therefore, has been part of the CLIFF business idea from the outset. Nonetheless, the balance between risk and reward may need reconsideration because financial risks are not inconsequential as is exemplified by the fact that Reall in March 2016 increased the loan provisioning by 32% of the loan book. Reall have taken several concrete steps to mitigate financial risks, including: new project investment; and a more systematic operational risk mapping. The new system is undoubtedly a sound one for structured thinking about risks and for mapping the consequences of different events.

VALUE FOR MONEY (VFM): In the business case for CLIFF2b, DFID emphasises that this is an unusual intervention for DFID. Nevertheless, they conclude that CLIFF offers outstanding long term VFM, and the key reasoning behind this is that CLIFF uses DFID's money indirectly to start up a cycle of finance rather than paying directly for the construction of subsidised housing. CLIFF has undoubtedly faced challenges in its pursuit to build sustainable institutions, and the initial targets in the CLIFF2b business case have not been reached. However, there are encouraging signs of market developments. Kenya is perhaps where this is most visible. Not only is NACHU moving close to a situation where it is managing financially without grants; able to build a substantial amount of low cost houses per year; and is becoming attractive as a partner for external institutions like commercial banks. Other CLIFF partners are also developing ties with the financial sector. The emphasis on investment readiness has in many of the partners sharpened efficiency awareness. Furthermore, the introduction of more stringent investment criteria and a host of other financial management practices have improved Reall's ability to use available financial resources more economically – and implicitly increased the effectiveness of CLIFF. As a direct result, the overall cost

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effectiveness of CLIFF2b has improved by 42% over its predecessor, CLIFF2. In conclusion, although CLIFF is a unique programme and difficult to benchmark, the MET's qualitative judgement is in alignment with DFID's opinion in that CLIFF offers outstanding long-term VfM.

SIDA FUNDED INTEGRITY FOR INVESTMENT INITIATIVE (I3): The overall objective of the Integrity for Investment Initiative (I3) is to attract more private finance and investment to housing development for those at the bottom of the income pyramid. A key barrier to private investment is real and perceived risk of doing business in these countries, in this sector, and with this group of clients. The I3 initiative sets out to build the credibility of the processes, the institutions and the results in order to diminish risks. The MET considers this a welcome and positive initiative, not only for reducing mismanagement, but also for structuring work processes for the partners. Progress has been slow, however, as the I3 has proven challenging to implement across a portfolio of 14 partners at very different stages of development. Lately, progress has improved, and most of the initial process mapping is now close to completion (indicator 1.1 in the I3 logframe). However, the other logframe activities are all still "in process", as measured by the indicators listed.

CONCLUSIONS: CHALLENGES, OPPORTUNITIES & AREAS FOR REFLECTION: CLIFF has come a long way since it was first established in 2002. However, the overall goal has remained much the same, which is to reduce poverty by improving the lives of poor communities by expanding access to affordable housing. Both the general strategy and operational tactics have been adjusted under the course of CLIFF to achieve this goal. Key among these is that the focus has shifted from community development to the creation of sustainable institutions. The following is a summary of challenges, opportunities and areas for reflection as the MET sees them as of October 2016, which are presented as input to this continuous process of modification and adaptation.

CHALLENGES:

- Developing HDEs using an overall strategy fitting one model, noting that HDEs are diverse in legal and organisational structure; are at different points on their development pathway; and are distinct organisations with their own agendas.
- As HDEs grow and move towards self-sustainability, there is potential for them to become less compliant and responsive to the CLIFF programme – a few examples of such behaviours were observed during this ME. Is it a case of finding the right balance between demands (whether real or perceived) and incentives to retain long-term loyalty?
- None of the partners are today financial sustainable, and not able to cover operating costs by their own generated income. Several have only limited income on their own, and that will present them with difficulties in attracting investors. The profits from building and selling houses need to be realised and shown in the financial statements.
- CLIFF capital funding is the only source of affordable development finance accessible to the majority of the HDEs.
- Land is especially high risk—in terms of both legal and bureaucratic transaction processes and times.

OPPORTUNITIES:

- To develop further Reall's capabilities and competencies assessment model to enable tracking of all key organisational assets. This would improve tracking of organisational development and enable tailored support packages to be developed, which could be integrated within the HDE's organisational development plan.
- While the shift towards "investment readiness" is key for the ability of Reall and its partners to attract more commercial capital, Reall ought to reflect how that can be done while taking into account the great diversity of partners, markets and contexts. One model may not fit all. Ability to assess contexts correctly, and adjust the model appropriately, is likely to boost Reall opportunities to engage in a diverse set of markets.
- As HDE reputations grow, there are increasing prospects for the development of strategic partnerships to increase the access of the urban poor to public, private and civil society sector resources for housing and basic services delivery.
- The HDE network presents significant opportunities for sharing of lessons learned and knowledge transfer but this will require the establishment of an efficient and effective platform for this to happen, such as an intranet.

AREAS FOR REFLECTION:

- With organisational development (OD) and sustainable institutions assuming prominence in the current strategy – and the likelihood of this remaining the case in CLIFF3 – formal OD plans linked to business plans and staff performance management procedures are likely to become increasingly important to ensure HDEs chart a structured development pathway to meet business plan targets.
- The partner consists in some countries of a number of companies and organisations. Not only does the ability to cover operational costs vary between the companies, they can also through internal invoicing impact each other. The financial situation in Reall's leading partner may not reflect the overall financial situation in the full "supply chain". It is the health of the supply chain that matters in terms of ability to produce and sell houses.

Milestone Evaluation of CLIFF2b

- A number of the HDEs are concerned about the fact that they are being compelled to develop housing that is unaffordable for their primary target group—urban poor households living in inadequate housing in slums.

CLOSING REMARKS: Adequate housing and safe water and sanitation are basic human rights. However, too many people are currently denied this right. An estimated 62% of African and 30% of Asian urban dwellers live in slums, without access to adequate housing, and with little or no access to safe water and sanitation. With over half of the world’s population now living in cities, and with 90% of the world’s urban population growth over the next 20 years expected to occur in Africa and Asia, this presents a challenge that needs to be urgently addressed.

The exponential increase in demand for adequate and affordable urban housing has so far overwhelmed governments, private sector and civil society organizations alike. While there have been some successful initiatives, a key challenge has been to scale these up. Dysfunctional markets, inadequate business frameworks and a lack of sufficiently capacitated pro-poor housing developers have been a major constraint in this respect.

This is where CLIFF stands out as a unique model. By focusing on building sustainable and investable institutions, CLIFF aims to attract more public, private and civil society sector resources for housing and basic services delivery. This will then indirectly build the market itself, by demonstrating the viability and profitability of investing in low income housing. Functioning housing markets are key to serving the urban poor at scale.

CLIFF is a hugely challenging programme—and while there have been setbacks, there have also been notable successes. This report has highlighted not only the successes and the programme’s contribution to poverty reduction through construction of adequate and affordable housing for urban poor households; but also a number of the challenges that the programme has faced in its implementation. Indeed, there is no such thing as a risk free programme in pro-poor urban development. The key is to correctly identify, learn from, and be able to adapt to the challenges encountered. This is where one of the key strengths of CLIFF lie—namely its proven willingness to change not only operational processes, but also the overall strategy when issues call for reflection and adaptation. This ability to squarely face challenges and address them and adapt appropriately is one that will serve CLIFF well in a continued programme.

1. Context

The Community Led Infrastructure Finance Facility (CLIFF) was established in 2002 to support accredited local non-governmental organisation (NGO) partners to plan, deliver and manage settlement, housing and basic services provision to serve poor urban households. The first phase of CLIFF, which began in India, provided low income households living in informal settlements access to finance for small scale housing and water and sanitation (WATSAN) infrastructure projects, the costs of which were mostly recovered from the State.

The second phase of CLIFF (CLIFF2) expanded the CLIFF model into countries without State support for urban housing, using delivery models based on market-based cross-subsidies and end-user cost recovery. This methodological adjustment recognised that the role of the partner institution as a broker between key actors needed to be more sophisticated and institutionalised to deliver at scale in different contexts. The primary focus of intervention thus shifted from the community to the intermediary partner (IP). These organisations were subsequently redefined as Housing Development Enterprises (HDEs)—‘hybrid’ institutions with the capacity to deliver housing and infrastructure solutions at scale.

The first phase of CLIFF—funded by UK’s Department for International Development (DFID) and Swedish International Development Cooperation Agency (Sida)—ended in March 2010. A second phase of DFID funding (CLIFF2) began in January 2010 and was to have ended in March 2015, but was extended as CLIFF2b in March 2014 to include additional funding and outputs under a new agreement. DFID’s support of CLIFF2b ended in June 2016.

Sida, which has supported CLIFF since 2003, currently has two active agreements running concurrently until March 2018. Reall also co-funds CLIFF.

1.1 EVOLUTION OF CLIFF

CLIFF’s initial approach, under Homeless International, was to work with NGOs to organise and help slum dwellers lobby and advocate for housing, infrastructure services and land tenure rights from their governments. CLIFF thus financed community-led housing and water and sanitation demonstration projects to show how this could be simply done.

In time, it was realised that:

- (a) Governments, in general, do not have the political will/ capacity/ or capital, to respond.
- (b) That CLIFF demonstration projects were growing in scale to the point that the NGOs it supported were becoming de-facto service providers.

In India the Maharashtra State government offered to repay costs for developing water, sanitation and housing. CLIFF 1 (2003–2008) was consequently set up to provide bridging finance for the then Indian partner to begin delivering these services. Organisational sustainability was achieved by recovering costs from the State.

When implementation of CLIFF started in countries outside of India in the mid-2000s (Kenya and Philippines), where the state did not provide cost recovery, it was necessary to develop a new model which could be scaled. The model based on end user recovery was thus developed. The constraints encountered in implementing this model included limited project finance and stop-start, short-term financing based on donor grants. The resultant projects were also too small in scale to be sustainable.

From 2011, Reall began to embrace a more enterprise orientation. Through its partners, Reall began to explore real estate techniques of enhancing land value through acquiring development rights, selling surplus land and housing (cross-subsidy projects). The stage was set for full cost recovery and, in time, project profitability. Reall recognised the need to reduce cost per unit through scale; the need to access market finance to be able to scale; and the need for its partners to upskill and professionalise. Reall also started to provide its local partners with loan finance rather than grant finance, and increasingly projects were modelled to also cover operating costs.

Milestone Evaluation of CLIFF2b

In the absence of appropriate developers, end-user financiers or those who understand the needs and affordability of the target clients—the urban poor—Reall started to work more intentionally with its partners to further develop these capacities all under one roof (Housing Development Enterprise). These three key competencies which Reall refers to as ‘people, projects and payments’ must be integrated to ensure that an affordable and financially viable solution can be achieved. Three subsequent processes are undertaken – (i) physical design process; (ii) loan design process; and (iii) finance structuring process (how the project is repaid/how end users are financed). In a conventional world, these three competency areas would be undertaken by independent bodies—in the simplest form, an estate agent, a building contractor and a bank. In the countries in which Reall is working, these are not well developed, particularly for the poor. Reall therefore needs to create the housing production ecosystem – it needs them all to be around the table, and under one roof; and to work together to create an affordable, yet viable product.

The enterprise approach began to be mainstreamed throughout Reall’s network leading it to change its name in 2014 from Homeless International to the more affirmative Reall—Reall Equity for All. The role of Reall UK has evolved from financing ad hoc projects and providing project-related technical assistance to one of organisational level technical assistance (growing sustainable affordable housing businesses) and a platforming role.

In 2016, Reall started a process to draw together its HDE partners into a more formal global network thus securing the advantages of standardisation, aggregation of demand for finance, distribution of risk, brand reputation and the sharing of learning and tools. Reall is currently establishing an investment platform to leverage international finance, scale delivery, build track record and support HDE ability to leverage own local financing.

2. MILESTONE EVALUATION OBJECTIVES AND SCOPE

2.1 A NOTE ON TERMINOLOGY

Before going in to the objectives and approaches that have been used in this milestone evaluation, a short note on terminology used in relation to the CLIFF logical framework (logframe), which is included in Annex 1, and what the milestone evaluation team (MET) will adopt throughout this ME report, is necessary first.

The logframe refers to Outputs (and output indicators), Purpose and Goal. Throughout this report and during the course of this assignment, CLIFF’s **Outputs** are considered to be, and referred to, as **Outcomes** since they represent the changes that CLIFF aims to make. The whole programme progression thus takes the form shown in Figure 1.1.

Figure 1.1: CLIFF PROGRESSION TOWARDS MEETING THE PROGRAMME GOAL



2.2 OBJECTIVES

The overall objective of the ‘Milestone’ evaluation (ME) was to assess progress to date of CLIFF2b against the milestones and targets set out in the logframe. The ME is aimed to not only provide programmatic insight and external validation for Reall and CLIFF at a key strategic milestone, but also to serve as an endline evaluation for DFID and a mid-term evaluation for Sida. Both DFID and Sida agreements use the same logframe for measuring results.

The ME assessed the impact of activities against the objectives set out in the programme logframe; and has provided a milestone update on progress for CLIFF funding partners to use in programme evaluation and help inform the business case for future funding. It will also assist Reall to reflect and plan effectively for any next strategic phase of CLIFF (CLIFF3).

The terms of reference (ToR) lists the following specific objectives of the ME:

1. Assess the delivery of **outcomes** against the targets/milestones set;
2. Assess the specific results against individual indicators;
3. Assess the overall contribution of the **outcomes**, when taken together, in achieving CLIFF's stated goal (taking into account the transition from community focussed to institution focussed interventions);
4. Assess the appropriateness of the indicators for measuring outcomes (written as outcomes in the ToR);
5. Assess the appropriateness of the targets and milestones set;
6. Assess the effectiveness of the programme's overall strategy and the appropriateness of the specific methodologies and activities;
7. Assess the effectiveness of delivery of the Sida funded Integrity for Investment Initiative (I3);
8. Assess whether the programme identified and managed risk effectively in relation to the Operational Risk Assessment Framework;
9. Assess the implementation of the project according to DFID's "3 E's" Value for Money principles outlined in the business case documentation;
10. Determine if the programmes produced any unexpected consequences or additional outcomes that were not intentional or planned within the logframe.
11. Assess and summarise the main challenges faced by the programme in implementation, as well as factors that have help achieve the targets along the way.

2.3 SCOPE

Whilst this ME has focused attention on the HDEs in the three countries selected for the field mission – Angola, Kenya and the Philippines – HDEs across the whole portfolio have received some examination, using secondary data, to enable a broader CLIFF-wide perspective on progress.

3 METHODOLOGY & ME LIMITATIONS

3.1 OVERARCHING APPROACH

The whole evaluation process was conducted in a truly inclusive and participatory fashion, working with Reall, its HDE partners and end users, and other stakeholders. The ME used a mixed method approach, based on the capture and analysis of qualitative and quantitative data, and was conducted via an evaluation process that strived towards institutional learning (Reall and HDEs) to improve the planning; delivery; monitoring, evaluation and learning (MEL); and reporting of activities, outcomes and long-term impacts of the CLIFF programme.

3.2 DETAILED METHODOLOGY

The complete methodology used in this ME is detailed in Annex 2.

3.3 LIMITATIONS TO THE ME

Since the focus of this ME was on Angola, Kenya and the Philippines only a limited amount of primary data was captured from other HDEs in the CLIFF portfolio. Throughout this report, therefore, secondary data is drawn on substantially in reference to HDEs outside the countries visited; but this has nevertheless limited the scope of analysis possible in some sections and, therefore, on the conclusions drawn.

Furthermore, NACHU (Kenya) did not complete fully the staff capabilities or competencies surveys. This is regrettable since NACHU are among the highest achieving HDEs, and this data would have formed an excellent comparator to those captured from Angola and the Philippines, allowing more substantial analysis and conclusions.

4 RESULTS

4.1 INDICATOR 1.1: INCREASING THE HDE PORTFOLIO

Number of CDE's partnerships established

Expanding the network of HDEs is currently not a top priority in CLIFF2b. Rather the focus has turned to organisational restructuring and development of the existing HDEs within the new investment readiness strategy. Nonetheless, since CLIFF2b started in March 2014, three new partners have been added to the CLIFF network in 2014: Ansaar Management Company (AMC) in Pakistan; Uganda Cooperative Alliance (UCA) in Uganda; and Kuyasa Fund in South Africa. Reall plans to grow the network in future, but at a more measured pace and ensuring the priority focus remains on institutional restructuring and strengthening.

The current CLIFF2b portfolio stands at 14 HDEs working in 15 countries across Africa and Asia: Development Workshop Angola (DWA)/HabiTerra (Angola); Women's Advancement Trust–Human Settlement Trust (WAT-HST, Tanzania); ShelterSol (Zimbabwe); UCA (Uganda); Enterprise Development Holdings (EDH, Malawi); National Cooperative Housing Union (NACHU, Kenya); Kuyasa Fund (South Africa); Millard Fuller Foundation (MFF, Nigeria); Water and Sanitation for Africa (WSA)/Enterprise & Investment Group (EIG), West Africa (Burkina Faso and Ghana); Conselho Municipal da Beira² (CMB, Mozambique); AMC (Pakistan); LinkBuild/CoRe-ACS (Philippines); SPARC Samudaya Nirman Sahayak (SSNS, India); and Sewa/Sewa Nirman (Nepal).

During 2014/15 Reall made some progress in developing a CLIFF programme in Egypt and had identified New Horizons as a potential HDE. Although Reall and New Horizons decided not to pursue a partnership, Egypt remains a country of interest—most particularly due to the chronic shortage of affordable housing, and immature and inefficient mortgage market (CAHF, 2016).

4.2 INDICATOR 2.1: OPERATIONAL FINANCE

HDEs ability to cover own operating costs.

In theory, this should be a straightforward indicator to assess numerically through audited financial statements, comparing operating costs with actual non-grant income. The latest audited financial statements of each partner were therefore analysed³. The diversity of business models among the 14 partners however makes comparison difficult. Some, e.g. AMC, act only as management companies, channelling funds to implementing—normally subsidiary—organisations, while others undertake everything from buying land to giving mortgages under their own roof.⁴ The main results of the analysis are summarized in tabular form in Annex 3.

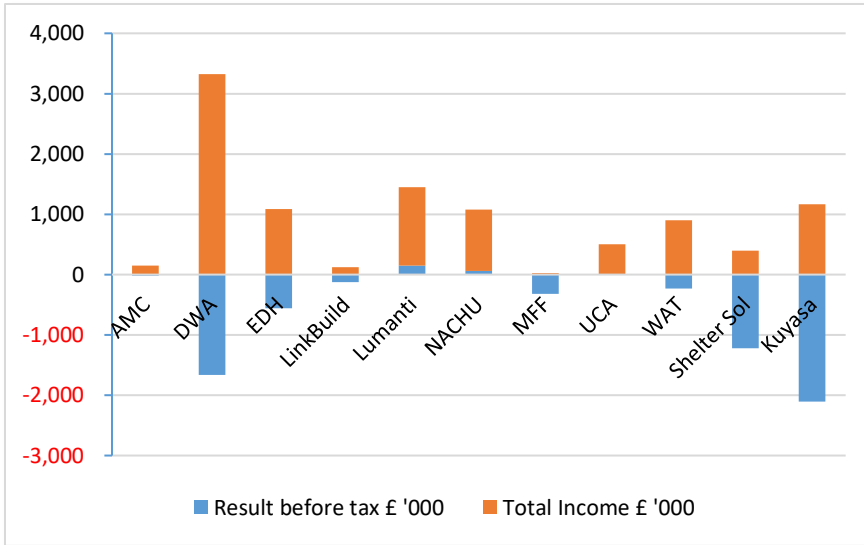
As Figure 4.1 illustrates, few of the current Reall partners are operating with a profit. The orange columns show total income for each, while the blue indicates the result before tax. Only NACHU, Lumanti and UCA had a positive financial result.

² The partnership in Egypt is with the City of Beira (Conselho Municipal da Beira - CMB) through a Memorandum of Understanding (MoU). This is quite unlike partnerships in other countries and is due to the lack of an obvious HDE candidate because of the underdeveloped civil society sector.

³ This is a combination of 2014, of 2014/2015 and 2015 data due to the way the different organisations financial years fall, and the time it takes to do the audit.

⁴ A second caveat is that the organizations are registered as different types of legal entities. The requirements for financial statements vary between countries, in particular for NGOs and cooperatives. While adjustments were made to try to ensure broad consistency across major items like short and long term assets and liabilities, we cannot fully vouch for the correctness of all figures. Some financial statements had to be excluded, as they could not be fit into the common template.

Figure 4.1: Reall Network Partner's Operational Performance



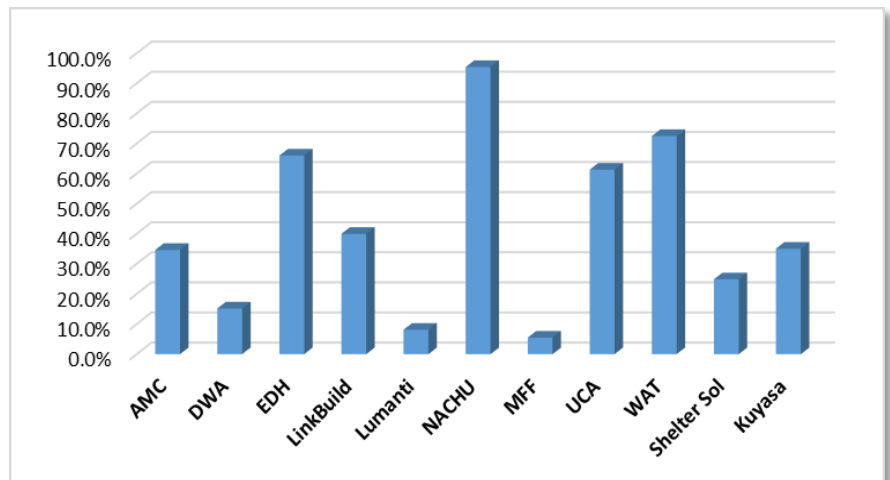
Note: The organisations have different financial years, and the figure is a mix of 2014, of 2014-2015 and of 2015 – but all are for a full financial year, and all are from audited accounts.

Figure 4.2, below, shows “financial self-sufficiency”. This is the percentage of operating expenditure that is covered by own income – thus taking grants out. It ought to be a useful indicator of the organisation’s ability to cover operating costs.

None of the partners are currently able to cover their annual expenditure by own generated income. NACHU and WAT are closest, but they also have clear income products, primarily end-user lending. Most of the others in different ways organise building of houses, but recognize limited incomes from that

operation. Thus, to reiterate, the financials cannot really be compared as the business models vary.

Figure 4.2: Financial Self-Sufficiency - Non-grant Income/Expenditure



It is difficult to establish if indicator 2.1 in the CLIFF Logframe has been met:

- Some partners comprise more than one organisation. NACHU’s financial status may not reflect the overall financial situation in the full “ecosystem”.
- Housebuilding is a project driven operation, with huge building costs in one year followed by huge income the next year when houses are sold. A professional developer will have a pipeline that evens this out, but most of Reall’s partners observe large swings from year to year, thus making annual estimations of “operational cost coverage” a tenuous exercise. This issue may wane as partners grow and expand operations, though.
- The organisations doing lending have the best cost coverage, but it is uncertain if they have all done a sufficient provision for bad debts. . As they are not financial institutions – they are cooperatives or NGOs - they are not subject to regular financial banking regulations that normally prescribe how to calculate bad debt provisioning.
- The financial statements from some partners follow practices like recording some of the annual operating costs on different balance sheet related accounts (SSNS and Lumanti). This is standard donor reporting, to account for the use of earmarked grants. It is then difficult to say whether an organization has “ability to cover operational costs” as a going concern, as opposed to run a project for a limited time.

In sum, our starting hypothesis that the indicator 2.1 can be checked through an analysis of the financial statements **does not hold in practice.**

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Reall defines the indicator as: *“a partner’s ability to maintain operational function (meet key overheads, pay core staff) over the course of the current financial period without additional CLIFF funds (capital or capacity). Generally, partners passing the criteria either a) operate a wider programme than just CLIFF, and have other sources of income*

Given that the aim is longer-term operational sustainability, we would include all types of grants, not only from CLIFF, as there is little use of substituting one donor dependency with another. The main exception regarding grants is thus government grants as part of government housing incentives/projects. This is currently a realistic option in only a few of the current CLIFF countries.

In the *CLIFF Logframe Update LogFrame Update April 2015 – March 2016* (Reall, 2016), four countries are assessed to have passed the indicator, namely Kenya, Uganda, India and the Philippines. In our opinion, the first three all have the financial ability to maintain operations without CLIFF. NACHU is one of the best performers in CLIFF’s network, UCA is an established cooperative in Uganda; and SSNS is a large operation currently managing itself. SSNS gets substantial resources through government subsidies for low-cost housing, and a reduction in the government pipeline would hurt sustainability, however. Considering the long history of government housing programs in India, this is unlikely to happen suddenly. The ME assessment is shown in Table 4.1.

TABLE 4.1: INDICATOR 2.1 - SUMMARY OF TARGETS AGAINST ASSESSMENTS

Indicator	Description	Target March, 2016	Reall/DFID Assessment, June 2016	MTE Assessment of Achievement, October 2016
2.1	Operational Finance: IPs ability to cover own operating costs	8	4	3
<i>Comment:</i>	<i>Kenya, Uganda and India are assessed to meet the criteria, in its current interpretation.</i>			

In the Philippines, however, LinkBuild (doing the housing development) and CoRE-ACS (microfinance) appear to face operational challenges that currently makes it more problematic to say that they can manage without further CLIFF support. They experienced a loss of PHP 8.9 million in 2015, but that was primarily due to the cost of building houses of PHP 13.1 million. That will likely be reclaimed when they get paid for the houses they build. However, this was one of the countries visited by the Team, and we are not fully convinced that the Philippines would be able to “maintain operational functions” without additional CLIFF funds. The MET understands why the Philippines were given a green light on this indicator, but the MET’s assessment is that it is currently more in the “orange” category.

BOX 4.1: APPROPRIATENESS OF INDICATOR 2.1

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

When the objective is to develop sustainable institutions, an indicator measuring financial performance is a necessity. Ability to cover operating costs with own income is decent example of such an indicator, as would any indicator expressing own generated income compared to costs, as for instance the ratio “financial self-sufficiency”, presented in figure 4.2.

It ought to be an indicator that can be checked quantitatively from audited financial statements, and not one subject to qualitative interpretations. That may also in the future be a challenging task, due to the diversity of partners. One issue is the differences in accounting regulations and standards across countries; another is the different business models in use, in particular where the lead partner may not represent the full financial status of the “supply chain”.

4.3 Indicator 2.2: Capital and Capacity Finance

IP ability to cover 25% of capital and capacity costs

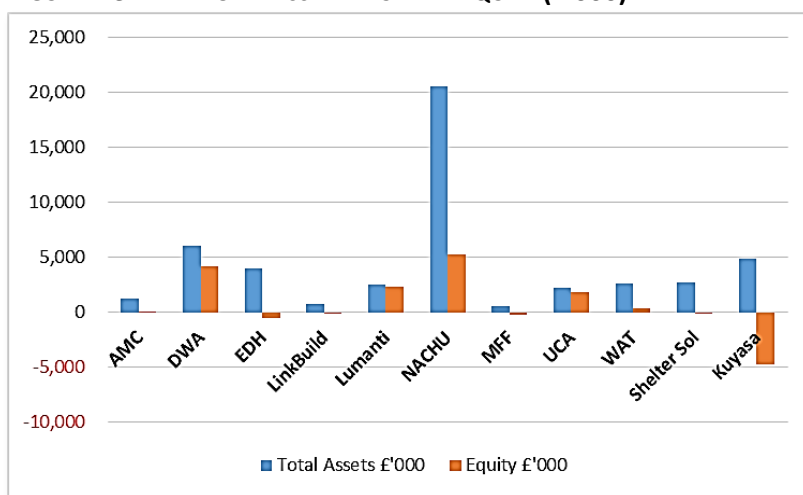
By including a fixed percentage of 25%, the indicator implies that it measures a quantitative result. However, that has not quite been the case. Reall defines this indicator as: “a partner’s ability to self-fund (i.e. not with fresh CLIFF funds) 25% of their overall CLIFF based operation, both capital and capacity funding. Partners who are able to leverage funds from external banks / other institutions into their CLIFF programme are judged to be passing this criteria ex. Where a partner is leveraging lending from an external institution, this is deemed as a ‘pass’ indicator.”⁵

Capital expenditure (typically investments) and capacity costs (usually operating costs) are in most cases two different items.

From the institutional side, and for the capital costs, the overall funding balance is of interest.⁶ The MET looked at the financial statements to calculate some broad figures and indicators from the audited balance sheets. Figure 4.3 shows total assets, and equity, for each organisation. Four organisations had negative equity in the last audited financial statement, namely EDH, LinkBuild, MFF and Kuyasa.⁷

NACHU has a considerable asset base, of more than the equivalent to £20 million. Equity represents 25% of total asset value. Other organizations with more than 20% equity include DWA, Lumanti⁸, UCA, and ZINACHO. For almost all of Reall’s partners, as they are not shareholding companies, the equity has been built over the years based on profits from operations. For some, this equity mostly originates from a series of donor grants.

FIGURE 4.3: TOTAL ASSET VALUE AND EQUITY (£'000)



The financial statements reveal that a few of the partners have been able to raise long-term finance from sources other than CLIFF loans, and have other long-term debt, as shown in Figure 4.4

NACHU and UCA are reputable national cooperatives with established credit records with financial institutions other than Reall. In addition, EDH, AMC and MFF have other sources of loan capital apart from CLIFF. Assessing ability to cover capacity costs is more complex than assessing coverage of capital costs, and the existing financial statements cannot be used for analysis in this regard.

The key issue is to define “capacity costs”, and to locate these in the accounts. The organisations may in fact fund training of their own staff that is not included in any CLIFF project. Sensibly, given the challenges of measuring this quantitatively, Reall uses the above-cited definition where the key sentence is: “Where a partner is leveraging lending from an external institution, this is deemed as a ‘pass’ indicator.”

In the latest logframe report from June 2016, five partners are “able to cover 25% of their capital and capacity costs: SSNS, NACHU, Sewa, AMC and HabiTerra. Of these, Nepal, Pakistan and Angola are meeting the criteria for the first time. (DFID / Reall, June 2016). The ME team’s assessment of the attainment of indicator 2.2 is shown in Table 4.2.

⁵ Email from Reall dated 4th October 2016.

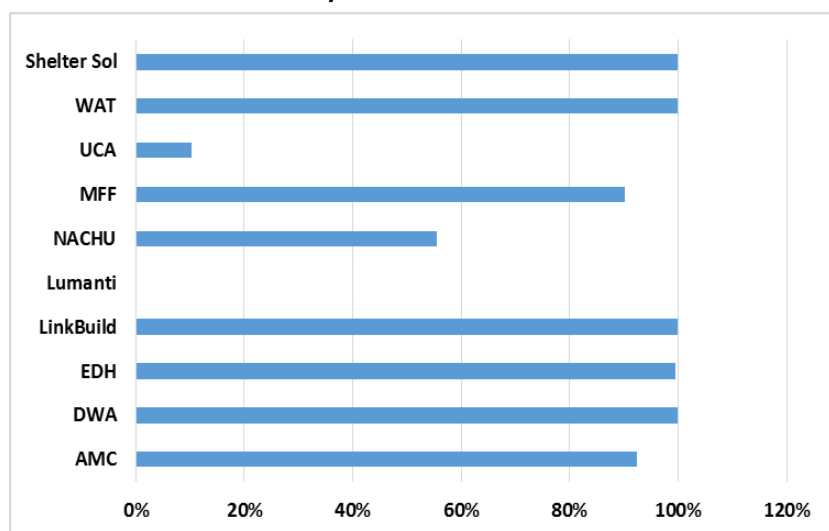
⁶ Points to consider include: if the assets all funded by CLIFF loans; if there any long-term capital in the institution other than CLIFF capital; and if the institution has been able to raise any type of external capital – or risk its own – in addition to the CLIFF funds.

⁷ Kuyasa has recently gone through a successful business rescue operation, returning the operation to positive equity.

⁸ Lumanti is no longer the main partner for Reall. It is now SEWA.

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FIGURE 4.4: CLIFF LOAN/LONG-TERM LIABILITIES



All five do have non-CLIFF loans, and as such “leverage lending from an external institution”. Based on the financial statements, Uganda could safely be added, but CLIFF’s engagement with Uganda has perhaps been too limited to warrant inclusion. Given the interpretation of the indicator, we agree that all the five mentioned should be included, but we would also add Uganda, making it 6. However, the “25%” is perhaps a little misleading, as there is limited factual data supporting the contention that the six can cover such a percentage.

TABLE 4.2: INDICATOR 2.2 - SUMMARY OF TARGETS AGAINST ASSESSMENTS

Indicator	Description	Target March, 2016	Reall/DFID Assessment, June 2016	MTE Assessment of Achievement, October 2016
2.2	Capital and Capacity Finance: HDE’s ability to cover 25% of capital and capacity costs	6	5	6
Comment:	<i>Includes India, Pakistan, Angola, Kenya, Nepal and Uganda – given current interpretation of the indicator.</i>			

BOX 4.1: APPROPRIATENESS OF INDICATOR 2.2

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The indicator measures a partner’s ability to raise capital for non-essential operating costs (capacity finance) and for asset investments (capital finance), in addition to CLIFF funds. It thus complements the measurement of operational performance through indicator 2.1. A possible reason to merge them into one indicator is that these are the two main “support products” that CLIFF offers, and the intention behind the indicator is to ensure that the partners cover at least some of the costs related to the support themselves. While an indicator for ability to raise external capital is appropriate for measuring achievement of outcome 2, there are a few issues: (i) Capacity finance and capital finance are two very different items, and if kept, should be split into two indicators; (ii) A better definition of what the 25% is to be measured in relation to is probably needed. For instance, is it on a project basis, or on an institution basis? What accounts for “CLIFF programme”? Ring-fencing certain types of CLIFF investments and expenditure does not seem to support the development of “whole” institutions; (iii) Capacity finance is a difficult term to define, not only because “capacity” itself can be a debatable term, but also because money is fungible in most organisations. It is not a “special” operating cost item – it is a normal part of a sustainable and dynamic company; (iv) Capacity finance as defined by Reall is a direct function of what Reall spends on a given organization. It does thus not measure the performance of the organization, but perhaps rather Reall’s own spending priorities. This is well illustrated in the last logframe update from 2016, where Reall writes “Focus on investment readiness has meant an increase in capacity funding from Reall to Partners more generally, which has had an impact on their ability to meet this criteria.” (DFID / Reall, June 2016). An increase in Reall’s capacity spending leaves fewer partners meeting the criteria. That is perhaps not the intention of the indicator. Partner ability to support capacity financing is challenging to measure correctly. As the term itself is vague – it includes everything from new data systems, training of local staff, external consultancy, etc – Reall would need the partners to do specific accounting for such costs, to measure more precisely, what the local contribution is. Possible, but perhaps not very practical. Ability to raise capital finance, on the other hand, is a very appropriate indicator. A clearer definition would ease measurement, however, like “xx percentage of total assets in the audited financial statement is financed by capital from other sources than CLIFF.”

4.4 Indicator 2.3: Capacity

HDE's technical capacity sufficient to maintain and expand services without external assistance.

Ostensibly, this indicator appears to be simple, well-defined and straightforward to assess. However, it implies that sufficient technical capacity is all that is required for an organisation to maintain and expand services, and to become self-sufficient and sustainable – which the MET believe is not the case.

Reall uses a qualitative “technical capacity” HDE assessment model, which covers 5 broad areas:

- A.** Leadership, management & governance
- B.** People: Intermediation & marketing
- C.** Projects: property & real estate development
- D.** Design
- E.** Payments: End user finance

Each area is further subdivided in to a number of specific technical areas as shown in Annex 4.

Reall uses a mix of secondary data (business plans, and financial and progress reports), monitoring visits and other working knowledge to score each subsection between 0 and 1, expressed as a percentage.

In the latest Logframe Update from 1st June 2016⁹, six countries were assessed to have met this indicator, namely Kenya (NACHU), Pakistan (AMC¹⁰), India (SSNS), Philippines (LinkBuild/CoRe-ACS), Nepal (Lumanti), and South Africa (Kuyasa Fund). Reall present the technical capacity assessment data in the form of “spider diagrams”, but for brevity, the data is shown in tabular form in Table 4.3, noting that Reall did not have 2015/16 data for South Africa (Kuyasa Fund) and Angola (DWA/HabiTerra/KixiCrédito) is included to facilitate the discussions that follows. The spider diagrams for each of these HDEs are shown in Annex 5 for completeness.

As can be seen from Table 4.3, none of the HDEs score very highly overall, with the highest average score shown by SSNS at 43%. There are some individual areas that are scored highly, for example, under B2: Physical Planning, Lumanti, SSNS, and LinkBuild scored 75%; 69%; and 67%, respectively. The Angola HDE scored the highest under D3: Financial & Organisational Structuring, at 70%. Some very low scores are also shown, for example, Lumanti only received a score of 13% under A3: Audit & Banking, and both the Philippines and the Angola partners scored 0% under C2: Post Construction Services.

If the available data¹¹ for 2014/15 is compared with Table 4.3, overall SSNS was assessed by Reall to have improved by 10 percentage points, up from 33% in the previous year and LinkBuild up by 7 points, from 24% to 31%; NACHU was assessed at the same level as it was in 2015/16; and DWA, HabiTerra and KixiCrédito were marked down 1 point from the previous year to 32%. Reall reported that 4 HDEs were assessed to have met this indicator in the Logframe report for 2014/15 and these were NACHU, AMC, SSNS, and Lumanti.

At face value, it is difficult to reconcile Reall's assessment with the scoring since most HDEs assessed to have met this indicator receive a score significantly below 40% which, to the MET, seems to indicate a substantial lack in technical capacity. In this model a score of around 60% would signify “CLIFF Standard”, which is the minimum that Reall is working towards. However, it does seem clear that Reall does not use this benchmark for passing or failing HDEs to meet this indicator. Moreover, in 2015/16 the Angola HDE scored higher than LinkBuild/CoRe-ACS but was not judged to have met this indicator. Further discussions with Reall revealed that this assessment is supported by

⁹ “Community-Led Infrastructure Finance Facility (CLIFF2b) and Integrity for Investment Initiative (I3) Log Frame Update April 2015 – March 2016”; Issued 01/06/2016; Reall.

¹⁰ AMC are essentially a management company that outsources both house construction and end user financing, so 0% appears under related technical capacity areas. The overall rating is 16%, but as a management company AMC is rated at 36%.

¹¹ Data was not available for Lumanti and AMC was not comparable.

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other information¹² not included in the framework to arrive at a final evaluation of a given HDE's technical capacity and whether this was sufficient to maintain and expand services without external (technical) assistance.

Using the example of LinkBuild/CoRe-ACS and DWA/HabiTerra/KixiCrédito, Reall indicates that LinkBuild/CoRe-ACS edges the Angola partners because of their membership of the Philippine Alliance, which also includes Homeless Peoples Federation Philippines Inc. (HPFPI), Philippine Action for Community-led Shelter Initiatives Inc. (PACSII) and Technical Assistance Movement for People and Environment Inc. (TAMPEI). The MET agrees that this is a real strength, particularly with the client pipeline channelled through HPFPI and technical support from TAMPEI. Nonetheless, CoRe-ACS is a fledgling MFI and is having to develop suitable financial products that can compete with the various government-supported housing finance schemes.

What comes out of this short analysis is that Reall's model to assess HDE's technical capacity has not been developed in to a rigorous objective tool that can be used to independently verify the technical status of HDEs but, rather, requires additional working knowledge and judgement that seems not to be documented. As it stands, this model does not appear to be a very effective tool for what has become a critical component of CLIFF2b. Reall is aware of the limitations of their model and describe it as "a work in progress".

Before making a final conclusion on Reall's reported successes under this indicator, a short discussion follows on two organisational self-assessment surveys of the HDEs in the 3 countries included in the ME's field mission: Angola, Kenya and Philippines; and an assessment of the current staff complement in each. Collectively, these help to build a more comprehensive picture of the current status of the HDEs, which feeds in to the evaluation of this indicator.

4.4.1 Organisational Capabilities

Working definition: An organisation's ability to accomplish its work processes through the competencies of its staff. More formally, it is "...a feature, faculty or process that can be developed or improved; it is a collaborative process that can be deployed and through which individual competences can be applied and exploited".

Each of the 3 HDEs was requested to fill in a capabilities questionnaire with 9 main sections:

- Strategic Governance
- Operational Management
- Organisational Technology
- Financial Viability & Sustainability
- Workforce Development
- Innovation
- Adaptive Leadership
- Outcomes Focus
- Collaboration

The working definitions of these categories are shown in Annex 6. Under each category there were a number of statements that staff were requested to reflect on and rate as either: **Aspirational** - We want to be able to do this well (scored 1); **Emerging** - We're developing, but we need more capability (scored 2); **Consolidating** - We do this well, but we are looking to improve (scored 3); and **Transformative** - We do this really well and are open to sharing with others (scored 4). A fifth option - "Not sure¹³" - was included, which could be selected if a given member of staff did not have enough information to make an informed decision. After rating each statement, staff were requested to explain the rating selected.

Unfortunately, Kenya (NACHU) did not complete fully this survey. The complete data captured from Angola and Philippines on organisational capabilities is detailed in a separate volume to this ME report: Volume II. The overarching results for Angola (DWA did not participate in this assessment) are shown in Figure 4.5 and for Philippines in Figure 4.6.

¹² This was referred to by Reall as "working knowledge", so that if the score shown by the model was inconsistent other project data and knowledge of the partner was factored in to the final assessment.

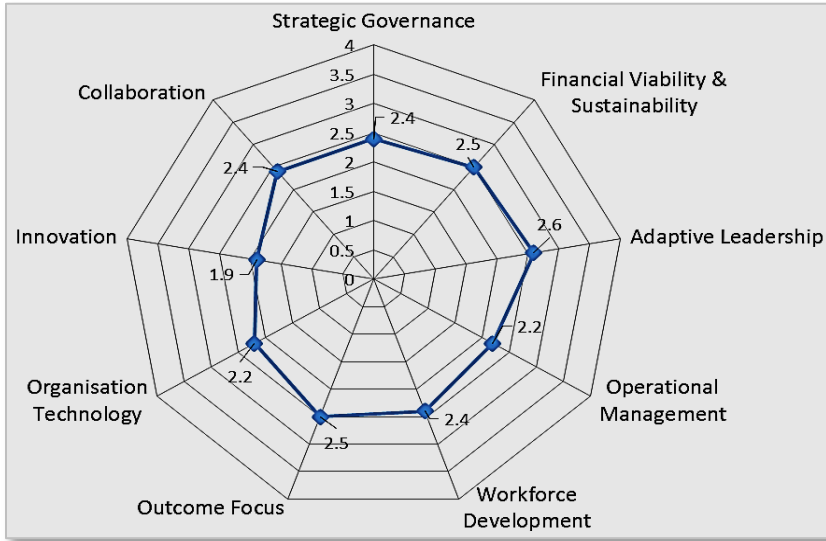
¹³ A **Not Sure** is not scored and it is not included in the calculations of mean section scores.

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TABLE 4.3: SCORING OF HDE'S TECHNICAL CAPACITY USING REALL'S QUALITATIVE ASSESSMENT MODEL

A1: Core & Strategy	A2: Project Management	A3: Audit & Banking	A4: Treasury & Fund Management	B1: Intermediation	B2: Physical Planning	B3: Market Development	C1: Construction Management	C2: Post Construction Services	C3: Construction & Resource Management	D1: Physical Development (Design & Modelling)	D2: Financial Product (Design & Modelling)	D3: Financial & Organisational Structuring	E1: Loan Origination & Approval	E2: Loan Service Management	E3: Financial Product Market	HDE Average
NACHU - Kenya																
27%	35%	40%	35%	37%	25%	60%	32%	10%	13%	25%	33%	40%	60%	60%	50%	<u>36%</u>
AMC - Pakistan																
35%	42%	0%	19%	22%	39%	0%	0%	0%	0%	53%	0%	40%	0%	0%	0%	<u>16%</u> (36%)
SSNS - India																
57%	32%	66%	42%	41%	69%	50%	30%	25%	44%	50%	33%	50%	40%	25%	38%	<u>43%</u>
Lumanti - Nepal																
47%	31%	13%	23%	45%	75%	75%	41%	14%	44%	53%	34%	25%	50%	50%	50%	<u>42%</u>
LinkBuild/CoRe-ACS - Philippines																
38%	29%	25%	23%	36%	67%	25%	30%	0%	34%	50%	20%	50%	25%	25%	25%	<u>31%</u>
DWA/HabiTerra/KixiCrédito - Angola																
32%	19%	33%	45%	27%	35%	20%	20%	0%	27%	45%	33%	70%	40%	40%	30%	<u>32%</u>

FIGURE 4.5: CAPABILITY SELF-ASSESSMENT RESULTS - ANGOLA



The HDE in Angola (HabiTerra & KixiCrédito) rates itself overall as 2.1, which falls in to Emerging – the organisation is developing but there needs to be more focus on building organisational capability. Interestingly, Innovation receives the lowest score of 1.9, despite on-site block production, typologies that cater for local requirements (no indoor kitchen, which offers more living space); and rent-to-loan schemes. This does show that the Angola partners regard this as an area they could make more headway on, and this is very apt given the Angolan context.

Strategic governance, Collaboration, Operational management, and Workforce development, in the MET’s survey, have strong similarities to Leadership, management & governance in Reall’s own model, and more specifically to the subsection Core & Strategy (see Table 4.3 and Annex 4). Reall scores low for Angola at 32%, and while direct comparisons between the 2 models is made with caution, this would place Angola midway between Aspirational and Emerging on the MET’s survey scale – well below the self-assessment score of 2.4 (between Emerging and Consolidating).

This highlights a challenge that Reall is already confronting as it works towards institutional strengthening and investor readiness: persuading HDEs to develop in certain areas, when HDEs do not perceive weaknesses in those areas themselves; and this could create tensions between Reall and partners. A case in point is the governance structure of HabiTerra and the reluctance shown to change/develop this (see the Angola Country Report for more details). A more objective and independently verifiable assessment model may help to ease these type of challenges.

The Philippines’ (LinkBuild and CoRe-ACS) capability self-assessment results are slightly higher than Angola – as shown in Figure 4.6 – with an overall average score of 2.6 and just on the lower margins of a Consolidating organisation. The narrative sections of the survey offers a unique window in to the staff’s perceptions of their organisation and its strengths and weaknesses, and the challenges that lie ahead in transforming to a social enterprise. Overall, LinkBuild appears more structurally sound than HabiTerra; it has strategic plans in place and has just finalised a complete revision of its operations manual, including updates and additions to all policies and procedures, including staff performance management. The comments generally convey more confidence in organisational capabilities than the equivalent narrative sections for the Angola partners. In these, there are

FIGURE 4.6: CAPABILITY SELF-ASSESSMENT RESULTS - PHILIPPINES



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numerous references to the Philippines Alliance and, clearly, the HDE views that its membership of the alliance adds significant strength to its own organisational capabilities, as does Reall in its own qualitative technical capacity assessment.

4.4.2 Staff Competencies

Working definition: Knowledge, skills, abilities, attitudes, aptitudes, experiences that are brought to bear for the purpose of producing outcomes. Core competencies summarise the competencies that are important across all jobs and that, collectively, contribute to overall success.

Each of the three country HDE partners were requested to complete a core competencies (not technical since this has been covered by Reall's own model) questionnaire containing 10 sections; each with subsections describing behaviours in the workplace. These 10 sections were Analytical Thinking; Achievement Focus; Flexible Thinking; Team Work and Team Leadership; Client Focus; Influencing; Negotiating; Developing Talent; Strategic Networking; and Strategic Thinking. HDEs were subdivided into 4 staff levels after discussions with Angola, Kenya and the Philippine partners from **Level 1** – typically Field Officers and Finance Assistants, through **Level 4** – CEOs. A complete breakdown of these levels is given in Annex 6, and the full set of competencies data is presented in a separate volume to this ME report: Volume II. It is important to note that this was an anonymous questionnaire, so it has limitations in the respect that its results cannot be compared to a given staff member's job description and person specification, but this might be considered as a way forward, in part, as a means for staff performance management, and most particularly annual appraisals.

The most noticeable trend in the data is the very large number of priority learning areas indicated by all staff that completed the questionnaire, with some indicating that every behaviour was a priority learning area¹⁴. This trend illustrates a considerable degree of self-doubt amongst staff and the MET attributes this to the restructuring under the new CLIFF2b strategy. However, if not managed well, change can go far beyond self-doubt and can cause internal tensions, underperformance and loss of key staff. LinkBuild, CoRe-ACS and HabiTerra are fledgling social enterprises, as are other partners, that are feeling the pressures of restructuring more acutely than, for example, NACHU that has sufficient resources and business acumen to thrive in the more exacting environment. Pursuing investor readiness too rapidly – particularly in the newer, more fragile HDEs – could exacerbate the potential for negative organisational impacts and reduce the pace of change or stall the process completely.

Another interesting trend observed is the strong correlation between the importance and frequency of use of behaviours between Angola and Philippines at all staff levels, despite HDEs working in hugely different country contexts. This would suggest that country context may play a less significant role in the way staff conduct their work, than the development status of a given HDE – noting that HabiTerra and LinkBuild are of a similar age and their output, in terms of housing units (see Table 4.4), are of a similar magnitude.

4.4.3 Staff Capacity

Working definition: An organisation's ability to ensure sufficient staffing levels, with the right level of competencies, to accomplish its work processes and successfully deliver outputs and outcomes.

Capacity, as defined in this ME, is purely about the staff being in the right place at the right time (with the right level of competencies). Table 4.4 shows CLIFF-related staffing compliments for each HDE that responded to requests for this information, along with the number of houses approved and built in the two last financial years.

A few points are worthy of note. First, HabiTerra are currently working with a skeletal staff compliment with 3 office-based personnel - Director; Architect; and Finance/Administrator - and 1 roaming Community Mobiliser. The remaining 8 are based at Quissala and work either on site logistics or block production. The organisation is understaffed and existing staff are overstretched and working in a highly pressured environment; HabiTerra also

¹⁴ In developed and sustainable organisations/companies it is usual to see a number of – if not many - behaviours marked as used **Frequently** or **Almost always**; marked as **Very important** or **Critical**, but then marked **No** as a priority learning. This illustrates, generally, that staff feel they are in the right post and have confidence in their own abilities. Clearly, there is always a need to learn, but these would be usually confined to a few specific areas and not across the board as illustrated by HDEs in Angola and Philippines.

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expressed this view and have an added challenge with recruitment and retention, and high staff salary expectations (see Country Report: Angola for more details). NACHU appear to be in a good place with 15 highly qualified and experienced staff working, on average, 50% of their time on the CLIFF programme; NACHU has some issues around staff management and monitoring, evaluating and learning from their work, but has delivered successfully at scale. LinkBuild currently has only nine staff members, who are being stretched to the limit. The organisation feels that it needs to expand, with increased staff and expertise urgently required in social enterprise, business development and communications. AMC in Pakistan did not indicate the number of CLIFF-related staff working in their organisation.

TABLE 4.4: STAFF COMPLEMENT AS A FUNCTION OF HOUSES APPROVED & CONSTRUCTED

COUNTRY	HDE	CURRENT STAFF FTE	HOUSING UNITS 2014/15		HOUSING UNITS 2015/16	
			APPROVED	CONSTRUCTED	APPROVED	CONSTRUCTED
Angola	HabiTerra	4 (12 in total, 8 in block production and Quissala site)	0	30	0	120
Kenya	NACHU	7.5	396	631	586	161
Pakistan	AMC	39 in total, 24 for new remote projects 2016/17	0	0	1,553	56
Philippines	LinkBuild	9	108	18	834	98

In the latest Logframe Update from 1st June 2016¹⁵, six countries were assessed to have met this indicator, namely Kenya, Pakistan, India, Philippines, Nepal, and South Africa.

In conclusion, the MET agrees with Reall's assessment, as summarised in Table 4.5, but this comes with caveats:

1. Reall's assessment model relies heavily on staff members' working knowledge, which appears not to be documented, and less so on replicable processes and independently verifiable data;
2. Although the model does have a benchmark for success – 60% or "CLIFF Standard" – this is not used, and the input of working knowledge appears to carry as much weight as the scoring itself in the decision-making process.

Reall are aware of the weaknesses in their current model and are working on developing a new organisational development framework, which will promote a more consistent approach.

TABLE 4.5: INDICATOR 2.3 - SUMMARY OF TARGETS AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.3	Capacity: IPs technical capacity sufficient to maintain and expand services without external assistance	6	6	6
<i>Comment:</i>	<i>Kenya, Pakistan, India, Philippines, Nepal and South Africa are assessed to meet the criteria in its current interpretation.</i>			

¹⁵ "Community-Led Infrastructure Finance Facility (CLIFF2b) and Integrity for Investment Initiative (I3) Log Frame Update April 2015 – March 2016"; Issued 01/06/2016; Reall.

BOX 4.2: APPROPRIATENESS OF INDICATOR 2.3

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

Since CLIFF2b has a new focus on organisational development (OD), there needs to be an indicator that can measure all organisational assets and track whether these are used effectively to deliver products and services (housing and end-user finance). Assessing some of the key technical competencies and capabilities of HDEs is one way to try to achieve this, as is used by Reall for this indicator 2.3. Of course, in OD it is not possible to remove qualitative analysis, but a systematic approach to capturing appropriate qualitative data, and quantitative data where appropriate, is necessary to maximise what can be learned from this information, and OD plans should be put in place to steer the HDE development process. Furthermore, it is arguable whether an assessment of technical capabilities and competencies alone is sufficient as a measure of an organisation's ability to maintain and expand services without external assistance. The ME team believes that, in addition to technical capabilities and competencies, an HDE also needs to develop and demonstrate a further set of core capabilities and a range of "soft" competencies, and have the right complement of staff doing the right things at the right time. Therefore, indicators 2.3 might better serve the purpose of assessing growth and sustainability if capabilities, competencies and capacity were either incorporated in to a single indicator or by separating in to three distinct OD sub-indicators. Reall's model could then be extended to include all three – capabilities, competencies and capacity – enabling Reall to track all the organisational assets required for success.

Regarding the appropriateness of the targets and milestones, these appear to be realistic and may well have been exceeded with a more robust means to track and identify weakness in core capabilities and soft competencies and, therefore being in a better position to offer a more holistic support package to HDEs, where necessary.

4.5 Indicator 2.4: Reputation

Formal recognition of HDE's ability to innovate and deliver adequate and sustainable housing and basic services projects by relevant public, private and civil society bodies.

Formal recognition of HDEs as it relates to this indicator does not require substantial evidence but it will be challenging for HDEs to meet this indicator without continuous organisational development (OD) and growth. Indicator 2.4 is also a useful proxy indicator for HDE OD and market sector growth. Reall defines formal recognition as formal contracts, awards, public agreements, operating licenses, financial or non-financial leverage, etc. It is not possible to write authoritatively on reputational issues for all HDEs, due to lack of primary data, so this section focuses attention on the partners in the 3 countries visited as part of the ME's field mission.

Angola (DWA, HabiTerra and KixiCrédito)

DWA, the current contractual CLIFF partner with Reall in Angola¹⁶, has an excellent national reputation as an NGO working in urban development in Angola. It has built a large network of partners, nationally and internationally, and is the only NGO in Angola represented on various government committees. DWA has also worked extensively on strengthening land tenure and property rights in Angola and acts as the de facto national land registry. Through DWA's work and leverage, HabiTerra received land in-kind for its first two housing projects in Calima and Quissala., DWA will likely continue to play a large role in the future successes of HabiTerra and KixiCrédito.

HabiTerra has also gained an excellent reputation as a provider of affordable housing in Huambo City, and is a unique Angolan company in the affordable housing market. As a result of DWA's and HabiTerra's work through the CLIFF programme, HabiTerra has had some interest from and initial discussions with the government over the construction of 300 housing units under the National Urbanism and Housing Programme (NUHP).

The MET's end user survey also illustrates a splendid reputation among housing clients, including rent-to-loan and outright purchasers. Table 4.6 shows the results of the HDE section of the survey of 42 heads of households, and clearly demonstrates that HabiTerra is held in great regard by their clients. For example, 100% of clients agreed, to

¹⁶ The main partnership with Reall will be transferred to HabiTerra in early 2017.

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varying degrees, that they would recommend HabiTerra to family and friends; 100% agreed that HabiTerra had a good relationship in the local community; and 98% agreed that HabiTerra had a good reputation locally.

KixiCrédito is the largest MFI in Angola with currently almost 22,000 active clients; the majority of which are small businesses. CLIFF (along with DWA and HabiTerra) supported KixiCrédito to develop KixiCasa – their first end user housing finance product, which has raised their profile in the housing sector. Recently, KixiCrédito secured a USD 5 million loan from the International Finance Corporation (IFC)¹⁷. This has been earmarked for end-user financing of at least 500 HabiTerra housing units over a 3 to 4 year period. Certainly, CLIFF has played a role in this success.

Kenya (NACHU)

NACHU has an outstanding domestic reputation, attracting increasing numbers of Kenyans in need of affordable housing. This is exemplified by the current pipeline of about 12,000 prospective house owners that have started saving towards a deposit. NACHU is also recognised as a major player in affordable housing in Kenya, and was recently invited to a government-led consultative forum on pro-poor urban policies and practices. It is also part of discussions with the World Bank on urban housing, and is represented on the Kenya Slum Upgrading Programme (KENSUP) consultative group. KIIs during the ME field mission with county government officials exemplify NACHU as a high profile housing developer. On 10th November, 2016, NACHU were formally recognised by the Town and County Planners Association of Kenya for their “great contribution towards Sustainable Development, Planning, Investments and Entrepreneurship”.

The ME end user survey data relating to NACHU’s reputation within their client group is shown in Table 4.7. The table shows that over 90% of the 127 end users surveyed agreed with all the survey statements, including those related to good reputational standing.

Philippines (LinkBuild and CoRe-ACS)

LinkBuild, which is relatively new having been established in 2014, is steadily gaining recognition as an important player in the social housing sector. The Philippine Alliance, and especially Homeless Peoples Federation of the Philippines Incorporated (HPFPI) – which has an excellent reputation at national government, local government and community levels – introduces LinkBuild as their housing delivery arm to long-time partners of the Federation such as the local government units (LGUs), key shelter agencies and other local and international partners and networks.

The KII with Iloilo City Planning and Development Office and the FGDs with CLIFF2b beneficiary community members in Davao and Mandaue, respectively, revealed that local governments and communities recognise and appreciate LinkBuild’s innovative housing designs and building materials and construction technologies.

CoRe-ACS has developed innovative lending models and client pipeline-creation strategies to try and increase its client-base for housing finance for CLIFF houses constructed by LinkBuild. However, it is also having to overcome an unfavourable reputation among many local communities which it has gained because of its very rigorous Credit Investigation and Background Investigation (CIBI). The CIBI was introduced because of poor loan repayments during CLIFF1¹⁸, and disqualifies many prospective clients that would have been eligible under the earlier financing arrangements. FGDs with HPFPI, which mobilises clients for CoRe-ACS, revealed that HPFPI was finding it challenging to explain the changes to prospective clients and to those that had failed the credit check.

The ME end user survey data relating to LinkBuild’s (and CoRe-ACS’) recognition and reputation is shown in Table 4.8. As with Angola and Kenya the approval and reputational ratings are high for the Philippine partners. Clearly, the disapproval with the CIBI is not reflected in the data presented in Table 4.8, since all survey respondents had passed the CIBI.

¹⁷ Email communications with Joaquim Catinda of KixiCrédito, 19th December 2016.

¹⁸ For more details see Majale, Sigvaldsen and Murray, “Philippines Country Report”, a companion document to this ME report.

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TABLE 4.6: END-USER SURVEY RESULTS RELATED TO ANGOLA'S REPUTATIONAL STANDING WITH CLIENTS

STATEMENT IN END USER SURVEY	STRONGLY AGREE	AGREE	SLIGHTLY AGREE	TOTAL IN AGREEMENT	NEITHER AGREE NOR DISAGREE	STRONGLY DISAGREE	DISAGREE	SLIGHTLY DISAGREE	TOTAL IN DISAGREEMENT
4.1a The rent/interest rates offered were good	41%	22%	20%	<u>84%</u>	<u>5%</u>	2%	2%	7%	<u>11%</u>
4.1b The process of getting the house was simple	34%	24%	15%	<u>73%</u>	<u>5%</u>	2%	10%	10%	<u>22%</u>
4.1c The house rent or loan repayment is affordable	39%	24%	15%	<u>78%</u>	<u>5%</u>	2%	5%	10%	<u>17%</u>
4.1d The houses are built to good quality (materials, finishes, etc.)	22%	17%	24%	<u>63%</u>	<u>7%</u>	12%	13%	5%	<u>30%</u>
4.2 I rent/got a loan from my local provider because there were no other organisations I could apply to	59%	29%	5%	<u>93%</u>	<u>0%</u>	2%	5%	0%	<u>7%</u>
4.3 I would definitely recommend my local provider to a family member or friend	70%	20%	10%	<u>100%</u>	<u>0%</u>	0%	0%	0%	<u>0%</u>
4.4 How long did it take you to move in to your house from first applying to your local provider	Average 2.9 months (not including the 18 month rent-to-loan period)								
4.5a have you ever made a complaint to your local provider?	No: 90%				Yes: 10%				
4.5b My local provider deals with my complaints very well	25%	50%	25%	<u>100%</u>	<u>0%</u>	0%	0%	0%	<u>0%</u>
4.6 My provider has a good relationship with the people in my community	76%	22%	2%	<u>100%</u>	<u>0%</u>	0%	0%	0%	<u>0%</u>
4.7 My provider has consulted with our community and fully understands our needs	71%	20%	5%	<u>96%</u>	<u>4%</u>	0%	0%	0%	<u>0%</u>
4.8 My provider has a good reputation in my community	73%	20%	2%	<u>95%</u>	<u>5%</u>	0%	0%	0%	<u>0%</u>

TABLE 4.7: END-USER SURVEY RESULTS RELATED TO KENYA'S REPUTATIONAL STANDING WITH CLIENTS

STATEMENT IN END USER SURVEY	STRONGLY AGREE	AGREE	SLIGHTLY AGREE	TOTAL IN AGREEMENT	NEITHER AGREE NOR DISAGREE	STRONGLY DISAGREE	DISAGREE	SLIGHTLY DISAGREE	TOTAL IN DISAGREEMENT
4.1a The rent/interest rates offered were good	5%	63%	16%	<u>84%</u>	<u>2%</u>	0%	2%	12%	<u>14%</u>
4.1b The process of getting the house was simple	75%	15%	9%	<u>99%</u>	<u>1%</u>	0%	0%	0%	<u>0%</u>
4.1c The house rent or loan repayment is affordable	2%	53%	27%	<u>82%</u>	<u>0%</u>	0%	6%	12%	<u>18%</u>
4.1d The houses are built to good quality (materials, finishes, etc.)	4%	84%	10%	<u>98%</u>	<u>1%</u>	0%	0%	1%	<u>1%</u>
4.2 I rent/got a loan from my local provider because there were no other organisations I could apply to	5%	80%	10%	<u>98%</u>	<u>1%</u>	0%	0%	1%	<u>1%</u>
4.3 I would definitely recommend my local provider to a family member or friend	8%	80%	9%	<u>97%</u>	<u>2%</u>	0%	0%	1%	<u>1%</u>
4.4 How long did it take you to move in to your house from first applying to your local provider	Average 12.4 months (saving for deposit plus loan processing)								
4.5a have you ever made a complaint to your local provider?	No: 90%				Yes: 10%				
4.5b My local provider deals with my complaints very well	10%	47%	29%	<u>86%</u>	<u>4%</u>	0%	3%	7%	<u>10%</u>
4.6 My provider has a good relationship with the people in my community	6%	76%	13%	<u>95%</u>	<u>1%</u>	0%	2%	2%	<u>4%</u>
4.7 My provider has consulted with our community and fully understands our needs	12%	81%	6%	<u>99%</u>	<u>1%</u>	0%	0%	0%	<u>0%</u>
4.8 My provider has a good reputation in my community	20%	64%	10%	<u>94%</u>	<u>3%</u>	0%	1%	2%	<u>3%</u>

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TABLE 4.8: END-USER SURVEY RESULTS RELATED TO THE PHILIPPINES' REPUTATIONAL STANDING WITH CLIENTS

STATEMENT IN END USER SURVEY	STRONGLY AGREE	AGREE	SLIGHTLY AGREE	TOTAL IN AGREEMENT	NEITHER AGREE NOR DISAGREE	STRONGLY DISAGREE	DISAGREE	SLIGHTLY DISAGREE	TOTAL IN DISAGREEMENT
4.1a The rent/interest rates offered were good	17%	51%	25%	93%	1%	0%	2%	4%	6%
4.1b The process of getting the house was simple	6%	46%	23%	75%	6%	4%	9%	6%	19%
4.1c The house rent or loan repayment is affordable	17%	55%	20%	92%	1%	0%	3%	4%	7%
4.1d The houses are built to good quality (materials, finishes, etc.)	6%	55%	25%	86%	1%	0%	10%	3%	13%
4.2 I rent/got a loan from my local provider because there were no other organisations I could apply to	22%	59%	16%	97%	1%	1%	1%	0%	2%
4.3 I would definitely recommend my local provider to a family member or friend	29%	61%	7%	97%	0%	0%	3%	0%	3%
4.4 How long did it take you to move in to your house from first applying to your local provider	Average 10.2 months								
4.5a have you ever made a complaint to your local provider?	No: 64%				Yes: 36%				
4.5b My local provider deals with my complaints very well	8%	48%	24%	80%	4%	4%	8%	4%	16%
4.6 My provider has a good relationship with the people in my community	29%	65%	3%	97%	0%	0%	3%	0%	3%
4.7 My provider has consulted with our community and fully understands our needs	28%	64%	6%	98%	1%	0%	1%	0%	1%
4.8 My provider has a good reputation in my community	29%	67%	1%	97%	3%	0%	0%	0%	0%

TABLE 4.9: INDICATOR 2.4 - SUMMARY OF TARGETS AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.4	Reputation: Formal recognition of HDE's ability to innovate and deliver adequate and sustainable housing and basic services projects by relevant public, private and civil society bodies.	11	13	13
Comment:	<i>South Africa, Angola, Zimbabwe, Malawi, Kenya, India, Nepal, Pakistan, Philippines, Tanzania, Mozambique, Nigeria, and Uganda meet this indicators in its current interpretation.</i>			

In the Logframe Update Report of 2016¹⁹, Reall reported that the programme had exceeded the milestone target of 11 HDEs by 2, so 13 HDEs in South Africa, Angola, Zimbabwe, Malawi, Kenya, India, Nepal, Pakistan, Philippines, Tanzania, Mozambique, Nigeria, and Uganda were reported to have improved reputation and received formal recognition of their abilities in the housing and microfinance sectors.

Clearly, headway is being made in this area, and this is exemplified by the data captured during the field studies in Angola, Kenya and Philippines. Furthermore, primary and secondary data illustrates good progress in partnership working (Indicator 2.5: Integration – see below), and since both indicators 2.4 and 2.5 have the same indicators of success, the MET are able to confidently agree with Reall’s self-reported results as summarised in Table 4.9, above.

BOX 4.3: APPROPRIATENESS OF INDICATOR 2.4

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

Developing reputational capital and being formally recognised for their work is critical to HDE’s growth and long-term sustainability, so an indicator measuring this is essential. Indicator 2.4 assesses achievement through success factors relating to formal contracts, awards, public agreements, operating licenses, financial or non-financial leverage, etc. These are basically proxy indicators of reputation, which the MET views as appropriate. The MET investigated this further by assessing the reputational standing of HDEs in relation to housing clients through the end user survey, which has proved extremely illuminating. Reall might consider incorporating similar surveys into its monitoring and evaluation (M&E) activities. However, indicator 2.5, which considers effective partnerships, is measured through identical success factors as this indicator and, so, one is redundant. This discussion is continued under the same heading in the following section.

4.5 Indicator 2.5: Integration

HDE’s have effective partnerships with relevant organisations and departments in public and private sectors.

This indicator reflects the natural progression of meeting Indicator 2.4; as reputation and recognition grows, the natural consequence is to either reach out or be approached to develop partnerships. Furthermore, Reall uses the same benchmarks to assess indicator 2.4 and 2.5, that is, some form of recognition such as formal contracts, awards, public agreements, operating licenses, financial or non-financial leverage, etc.

Some HDE partnerships and their outcomes are summarised below:

AMC – Pakistan

- Formed a partnership with Lahore-based Amal Academy, which provides access to talented graduates from low income backgrounds in Lahore. This partnership has led to the recruitment of highly capable staff.
- Developed an association with the House Building Finance Corporation (a mortgage provider) with a view to improving its financial resources.
- A partnership was formed with the Care Foundation to access funding from them to build schools for the CLIFF project’s communities.

DWA (and HabiTerra and KixiCrédito) – Angola

- Accessed funding from the Swiss Foundation towards the construction of a new school at the Quissala housing project as part of HabiTerra’s commitment to transforming the project into an integrated community space.
- HabiTerra supported a group of local artisans to register their own company - called Twananako - that have been commissioned to construct recreational areas for the community in Quissala.
- KixiCrédito has successfully accessed USD 5 million loan from the World Bank’s International Finance Corporation earmarked for end-user financing of housing units to be built by HabiTerra.

¹⁹ Community-Led Infrastructure Finance Facility (CLIFF2b) and Integrity for Investment Initiative (I3) Log Frame Update April 2015 – March 2016”; Issued 01/06/2016; Reall.

LinkBuild - Philippines

- LinkBuild has begun talks with the government-owned Home Development Mutual Fund (HDMF), popularly known as Pag-IBIG Fund—the country’s largest source of housing finance and short term loans —to explore ways in which it can take advantage of Pag-IBIG’s End-User Financing programme and development finance.
- In September 2015, LinkBuild, having the financial and project management capacity and experience required by United Nations Office for Projects Services (UNOPS) for its grant support, began its involvement in the implementation of UN-Habitat’s Social Tenure Domain Model (STDM) in the Philippines.
- LinkBuild is engaging with UN-Habitat’s Achieving Sustainable Urban Development (ASUD) programme in Iloilo, which supports cities to implement planned city extensions (PCEs). The PCE for Iloilo pursues and promotes, among other things, the expansion of mixed housing—which is what LinkBuild is planning in its LEAF project.
- LinkBuild, through the Philippine Alliance, takes on interns under the Junior Professional Internship Programme run by the Development Planning Unit (DPU), University College London (UCL) in association with the Asian Coalition on Housing Rights (ACHR) and Community Architects Network (CAN).²⁰ One of the key outputs of this collaboration is a book: *Grounded Planning: people-centred urban development practices in the Philippines*.

NACHU – Kenya

- Following the capping of interest rates on loans,²¹ banks and MFIs are looking for other market opportunities, including low-income markets. NACHU is capitalising on this, and is in discussion with banks and MFIs, e.g., Cooperative Bank of Kenya, with the aim of accessing additional affordable capital for end-user financing.
- NACHU has developed very good relations with some county governments and is working with them to simplify the land approval process and exploring the potential to tap in to relevant county government budget lines to support CLIFF-related project work.

MFF – Nigeria

- Through relationship building, the organisation managed to organise a one-day seminar hosted by the award winning Nigerian architect on Green Building and Sustainable Neighbourhoods for all staff.
- The organisation developed a relationship with the National Youth Service Corp (NYSC), which opened up access to skilled interns to bolster their project and finance teams.
- With the aim of improving the organisation’s range of MiMo products, MFF is in the throes of signing a tripartite agreement with the Federal Mortgage Bank and a specialist mortgage provider, TrustBond. Products the organisation is working towards providing include an innovative rent-to-buy scheme.
- The result of organising a 2 day housing sector workshop for specialist across Nigeria with financial support from the German Cooperation Agency (GIZ), is that GIZ have become interested in joining forces with MFF to develop an Academy to deliver affordable housing sector programmes.

ShelterSol – Zimbabwe

- Through the development of good relations with the municipal government, the organisation was able to leverage land for 2 CLIFF projects.
- The organisation is building relationships with local municipalities to gain access to civil servants through union structures to develop a pipeline of potential clients.

In the Logframe Update Report of 2016 (Reall, 2016), this indicator has a milestone target, as at March 2016, of 11 HDEs and, further, that the CLIFF programme had exceed this target by 2. These were the 13 HDEs in South Africa, Angola, Zimbabwe, Malawi, Kenya, India, Nepal, Pakistan, Philippines, Tanzania, Mozambique, Nigeria, and Uganda. The MET has verified Angola, Kenya and the Philippines through primary data, and illustrates the strong likelihood of a systematic approach to assessment by Reall over the whole portfolio. The secondary data is compelling and, despite the lack of primary data relating to the other 10 HDEs, the MET concludes that there is sufficient evidence

²⁰ At the time of the ME there were two interns, one (male) based in Quezon City and the other (female) in Mandaue City.

²¹ The Government of Kenya recently passed legislation capping the interest rates on bank loans at 4% above the Central Bank of Kenya rate.

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to substantiate Reall’s reported successes (similarly to indicator 2.4). Reall’s target and reported achievement are summarised in Table 4.10, along with this ME’s assessment.

TABLE 4.10: INDICATOR 2.5 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.5	Integration: CDE’s have effective partnerships with relevant organisations and departments in the public and private sectors.	11	13	13
Comment:	<i>South Africa, Angola, Zimbabwe, Malawi, Kenya, India, Nepal, Pakistan, Philippines, Tanzania, Mozambique, Nigeria, and Uganda meet this indicators in its current interpretation.</i>			

BOX 4.4: APPROPRIATENESS OF INDICATOR 2.5

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

Effective partnership building is critical for HDEs to grow and sustain their business. That said, this indicator has the same success criteria as indicator 2.4 (reputation), which means that they are not mutually exclusive. Clearly, reputation and recognition (usually) must be developed before effective partnerships, that result in positive and tangible outcomes, can be formed. Hence, new start-ups must demonstrate reputational capital development – via successful CLIFF projects - before effective partnership building could commence, but the two indicators cannot track this progression as currently formulated, and unless time and resource heavy stakeholder surveys are conducted – noting the added complication that each stakeholder evaluates a business’s reputation through the lens of what matters to them – there appears to be no simple solution other than to merge the two or remove the Reputation indicator, since it’s difficult to measure and **Integration** will almost certainly be found to have **Reputation** at its foundation.

4.6 Indicator 3.1: Leverage

Value of (non-CLIFF) investments in Partners and Projects

This indicator measures the ability of CLIFF partners to attract and leverage financial and non-financial resources. The indicator is calculated by totalling the actual and projected value of financial and non-financial leverage (from partner source documentation) and a multiplier for projected household deposits, representing the leveraging from the end user. This is rolled up to a portfolio level figure for the purposes of reporting (Reall, 2016).

Measurement of the indicator relies on self-reporting by the HDEs, whereby they report the amount of financial and non-financial resources they have been able to leverage through CLIFF.²² Loan repayments used to be included; but this was discontinued in 2015 and targets for 2015, 2016, 2017 and 2018 reduced by 40% (Reall, March 2015).

The figures reported are cumulative. Thus, by June 2016, an estimated total of over GBP 45million was leveraged, against a target of almost GBP 38million. The figures cannot be independently verified from other sources than the self-reporting by the HDEs. Some of the financial numbers – like grants from other donors - can be found in the financial statements, but non-financial subsidies are more difficult to identify²³. Partners like SSNS, LinkBuild and Kuyasa report amounts that include both financial and non-financial contributions. The projects listed as additions in 2016 are all plausible examples of leverage, in accordance with the logframe definition of the indicator. A summary of the target and assessments figures is given in Table 4.11.

²² Financial resources include government subsidies for infrastructure to a CLIFF site, loans for a CLIFF project from private banks or local funding institutions, grants from international NGOs for training for staff working on CLIFF projects. Non-financial resources include items like land received from government, or other free supplies to the CLIFF projects of any necessary equipment or infrastructure.

²³ In some cases, e.g. Shelter Sol, land provided to the HDE is recognisable as a “leveraged investment” as it enters the accounts as an asset.

TABLE 4.11: INDICATOR 3.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
3.1	Leverage: Value of (non-CLIFF) investments in Partners and Projects	£37,926,396	£45,484,652	£45,484,652
Comment:	<i>None</i>			

BOX 4.5: APPROPRIATENESS OF INDICATOR 3.1

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

“Leverage” is a fundamental justification for the provision of international aid. Donors look for funding that can catalyse additional resources for the intervention and target beneficiaries.

For a programme like CLIFF that aims to demonstrate the feasibility of low income housing programmes, it is clearly an important objective. Including an indicator is thus highly appropriate. The issue is perhaps whether this particular indicator, and its interpretation, is a good indicator for CLIFF leverage. There are two issues for consideration:

- If building sustainable institutions is a key objective, the indicator should measure effects at the institutional and perhaps even sector level. Furthermore, a “leverage” objective should not exclusively be about sustainability of a particular HDE, but also about building the market for low cost housing. Market growth—where others may have learned from an HDE—could be considered included.
- As for some of the other indicators, the indicator should preferably be more open to independent verification. This could be done by using figures from standard audited financial statements, or other types of verifiable financial information. An argument can be made that non-financial items are important particularly for “federation-type” HDEs. How to include these in the same indicator as financial items can be challenging though, and it might perhaps make sense to split it off as a sub-indicator. The main “non-financial” contribution is often government land, and this could possibly be a separate indicator as it will be key to expand pro-poor housing in many countries. Finally, the less an indicator relies on general multipliers, the better. It can be discussed whether deposits/savings of potential house buyers represent “leverage” in the context of building institutions.

4.7 Indicator 3.2: Fund Redeployability

Value of Recycled Funds/Funds Redeployable

This is the value of Reall-to-partner loan book. As all CLIFF loans are designed to be inherently returnable to Reall, up until the last financial year reporting, the figure used was the total gross value of the loan book. As part of the shift to investment readiness and better loan management practice, CLIFF completed its first portfolio revaluation process in June 2016. As a result, Reall has begun formally provisioning for loan loss risk.

The figure initially reported in June 2016 has thus now been revised, as shown in Table 4.12. Reall has after an in-depth partner review, revalued the portfolio with a 33% provisioning for bad debt. From a figure of £38,741,175, the portfolio is by autumn 2016 revalued at £25,956,587. The logframe has been updated correspondingly, to take the new loan loss provisioning policies into account.

TABLE 4.12: INDICATOR 3.2 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
3.2	Fund Redeployability: Value of Recycled Funds/Funds Redeployable	£37,984,899	£38,741,175 (£25,956,587)	£25,956,587
Comment:	<i>Targets and actuals were updated in June 2016, to included new loan loss provisioning policies</i>			

The revaluation of the portfolio is a welcome and highly appropriate action by Reall. It illustrates the risk to the programme better than most other indicators, and constitute a healthy reality check on the performance among partners. The impairment reserves in the logframe is now equal to what is reported in Reall's audited accounts.

It is heavily influenced by the problems encountered with the partner in Burkina Faso/Ghana, where the outstanding loan has been provisioned in full. Malawi, South Africa, Tanzania and Zimbabwe (old loans) have seen a 50% provision, due to ongoing restructuring of the operations. Loans to Nigeria, India and Zimbabwe (new loans) are impaired by 25%, while the rest are adjusted by a flat 10% loan loss provisioning. We find these percentages realistic and thus also the currently reported "redeployability" of £25,956,587.

BOX 4.6: APPROPRIATENESS OF INDICATOR 3.2

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

There are few better numbers by which to assess the performance of the partners than their ability to repay the funds lent them by Reall. The recent portfolio review is systematic, based on a set of open criteria, and verifiable with regard to external oversight. There are still qualitative assessments in the analysis of portfolio quality, and it is imperative that sound judgment is used when scoring the partners against the chosen criteria. It is further assumed that the impairment reserve and the log frame targets are adjusted when Reall makes actual write offs.

In a future log frame, it can be discussed whether an indicator like this should be placed under an outcome related to "partner performance", rather than under one about "leverage". Alternatively, it can serve as an indicator for Reall's own administration of the funds.

4.8 Indicator 3.3: Land

Area of land mobilised by approved CLIFF-supported projects from public and private sectors (to nearest hectare).

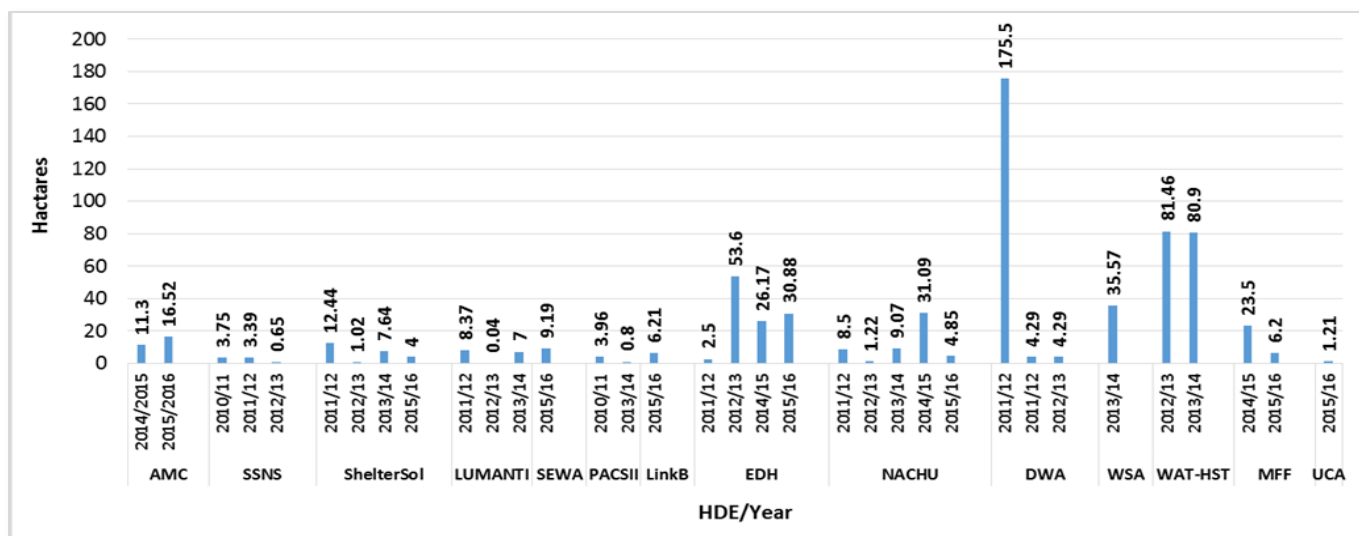
Access to affordable urban land—and in particular serviced land is a major constraints to the delivery of affordable housing. The Land Enterprise Acquisition Fund (LEAF)—one of the three components of the Capital Funding provided to HDEs by CLIFF—is thus an important innovation by Reall. LEAF provides affordable capital to HDEs to buy land either independently or in partnership with local government, and to process all the development rights to legally develop the land into plots with secured title.

CLIFF did not meet the March 2016 target of mobilising a total of 787 hectares (ha) of land. All the HDEs together mobilised a total of 668 ha—85% of the target. Of this, 184 ha (28%) was mobilised by DWA in Angola and 162 ha (24%) by WAT-HST in Tanzania, as shown in Figure 4.7. However, in the case of the latter, as of December 2016, only 83 of the target of 622 plots had been sold.

The target was not achieved for a number of reasons, as explained by the HDEs and Reall in various reports and presentations. They include the following:

- Reall is not approving land purchase and HDEs are not applying to purchase land owing to uncertainty around future funding for CLIFF. HDEs are instead focusing on building projects on land already secured.
- Reall's new investment criteria require that significant capital be committed from current or future cash flow to complete the remaining project phases for applications to purchase land to be approved. Some partners have therefore deferred buying land until 2016/17 when the funding status of CLIFF will be clearer.
- Some of the well-established larger HDEs such as NACHU, Kenya have focused on completion and occupation of existing projects because of their project cycles, with approvals for new land purchases and projects planned for 2016/17.
- The shift in focus of CLIFF to organisational capacity building and investment readiness has led to an overall reduction in project activity as resources are retargeted.

FIGURE 4.7: LAND SIZE ACQUIRED (HECTARES)



In the interim, LinkBuild is exploring ways to maximize purchased land while it is not being developed, e.g., setting up ICEB enterprise, leasing out part of the land or using part of it for agriculture. This is a model that could be considered for adoption by HDEs in other CLIFF countries. In Malawi, market research by EDH has revealed “a big market for land sales for the middle income instead of housing as it is easier to dispose of”.²⁴ While middle income households are not the primary target group for CLIFF, there are opportunities for cross-subsidization of affordable housing for the primary target group—the urban poor. Once the funding status of CLIFF is clearer, the HDEs whose capacities will have been strengthened and which will be better prepared for investment will be better able to develop the land more efficiently.

TABLE 4. 13: INDICATOR 3.3 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
3.3	Area of land mobilised by approved CLIFF-supported projects from public and private sectors (Ha).	787	662	662
Comment:	Uncertainties around future funding have led to Reall withholding capital funding for purchase of land, and HDEs focusing on building out on existing land and completing existing pipelines.			

BOX 4.7: APPROPRIATENESS OF INDICATOR 3.3

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The indicator measures the area of land mobilised, but it is important to distinguish between serviced land and unserviced land as this has significant implications for the cost of the land when purchasing it, and also for the cost of the housing that is developed on that land. Another important consideration is affordability versus location, a point which was highlighted by SEWA. It is also important to consider the kind of development that is permissible on the land, including the number of plots into which it can be subdivided and the number of housing units that can be developed on it. For example, in Angola the minimum plot size is 250m², while in the Philippines, the minimum plot size for socialised row housing is 28m². In setting targets, it is critical that the time it takes to complete transactions on land and get the necessary development approvals is taken into account. Indeed, this has led to delays in both Angola and Kenya. There is also a high degree of risk involved in land transactions as, for example, the experiences of LinkBuild in the Philippines and UCA in Uganda show. In the Philippines case, land that LinkBuild has purchased may be affected by a proposed government moratorium on conversion of land from agricultural to residential use; and in the case of Uganda, UCA had agreed a sale on a project site, but their offer was beaten by a rival bidder for the land and they lost the site. This suggests that the risk analysis and mitigation measures need to be more comprehensive in scope.

²⁴ EDH Presentation to the CSG, April 2016.

4.9 Indicator 3.4: Institutional Equity

Increased wealth / Asset base of IP

The intention behind the indicator is to measure the growth of partners in terms of assets and equity. It has been calculated as total organisational assets minus total liabilities, and is thus an indicator that could be independently verified through the financial statements of partners. It is summarised in pound sterling across partners, every year.

However, the indicator has drawbacks when applied as an aggregate across a portfolio. One issue is exchange rates, that may vary from year to year, changing the actual £-value without there necessarily being much change in the underlying assets. It will also be heavily influenced by particular performances, like Kuyasa, that has a massive negative equity in their latest audited accounts. Four partners had negative equity in those accounts, not including WSA in Burkina Faso. Some of that may be due to the “project” nature of the business, as a large construction loan may dominate one year, while the successful sale of houses will impress the balance sheet the next.

As long as many of the HDEs remain NGOs and cooperatives with diverging requirements as to financial reporting and standards, one ought perhaps to be careful with using balance sheet data for measurements. The resulting equity may not always be “true” equity. Another issue is the valuation of assets. For instance, while Reall has started to do proper loan loss provisioning, it is uncertain if partners like WAT, NACHU and Shelter Sol do likewise.

Finally, as Reall themselves have pointed out, when partners split into several independent entities, the remaining CLIFF partner(s) may not have many assets left. If construction and lending is done in different organisations, the mother organisation may be left with little much more than administration. If it is a holding company, equity may be visible through the valuation of its shareholding, but in undeveloped markets, this is unlikely. Restructuring of HDEs may thus directly influence this indicator, which is probably not what it was set up to measure.

In the June 2016 logframe report, Reall estimates the total net worth of the partners at a little more than GBP 23 million. This is roughly half of the target of GBP 46.5 million.

Reall is very aware of the challenging nature of the indicator and rightly provides a number of caveats to its calculation. A summary of the target and assessment figures for this indicator are shown in Table 4.14.

Table 4.14: INDICATOR 3.4 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
3.4	Institutional Equity: Increased wealth / Asset base of IP	£46,458,335	£23,175,783	£14,200,000
<i>Comment:</i>	<i>None.</i>			

With two exceptions, the number reported for equity by Reall corresponds well to equity figures we found when analysing the partner accounts (using the same exchange rate as Reall). The first exception is Kuyasa, where Reall used the 2013-14 accounts, as the 2014-15 accounts were yet not ready. The difference between the two is huge, however, as the oldest accounts show a positive equity of GBP 4.2 million, while the newest have a negative equity of GBP 4.8 million, a net difference of GBP 9 million. This represents a reduction in the indicator of almost 40% from the reported June 2016 figure. While the situation in Kuyasa is difficult²⁵, a reduction of 40% does perhaps not quite tell the truth about wealth generation in the general portfolio – thus the indicator is too sensitive to individual changes. The second exception is the equity valuation of SSNS in India, where we find the financial statements insufficient to for us to say much about the worth of the balance sheet. In the Reall assessment, equity is included at a significant GBP 9.3 million. In the assessment above, we have adjusted the June figures for the Kuyasa difference, but we have kept the SSNS as we do not have sufficient information to fairly analyse the figure.

²⁵ Kuyasa has recently gone through a “business rescue” process, clearing its existing debt and infusing new equity into the organisation.

Box 4.8: APPROPRIATENESS OF INDICATOR 3.4

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

Measuring financial health through for instance the net worth of partners makes good sense, given the objective of establishing sustainable institutions. Measurements based on absolute numbers from the balance sheets are risky however, as these are subject to variations in accounting routines, to organizational restructurings, and to the actual valuation of assets. Summarising and aggregating them across countries, in a common currency, introduces additional complications (see text for details).

Perhaps Reall ought to consider using ratios or other relative numbers, like equity ratios or similar to measure financial health. Quantifying the absolute worth of CLIFF partners is considerably more challenging, but would be possible, if a clear definition of the indicator coupled with a standard set of procedures for asset valuation are introduced. It is likely to be a time-consuming indicator to track, however.

4.10 Indicator 4.1: Housing Units

Number of adequate and affordable housing units approved for the slum dwellers as a result of CLIFF.

CLIFF has a rigorous approval process for its Project Capital Funds (PCF)²⁶, which is comprehensively explained in the *CLIFF Operations Manual*.²⁷ HDEs present projects and associated funding requests to Reall, which are then individually assessed in accordance with specific guidelines and criteria, and in line with defined investment procedures. Once, the HDE enters into a financing agreement with Reall and financing is disbursed according to the terms of the agreement. The three HDEs visited during the ME are all happy with the process.

The programme achieved 87% of the indicator target of 20,193 housing units approved, with a total of 17,590 housing units delivered by the all HDEs together. The count for the number of housing units includes: (i) Core Houses; (ii) Rental; (iii) Site & Service; (iv) Commercial Cross Subsidy; and (v) Home Improvement Loan. This reflects the diverse range of housing products that the HDEs are delivering; which is indeed in order as the different contexts and populations in the different countries require different housing solutions. There are also a number of innovations in the design and construction of the housing units in the various countries. The MET have no evidence to question Reall’s assessment in June 2016; the target and assessment figures are shown in Table 4.15.

Table 4.15: INDICATOR 4.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
4.1	Number of adequate and affordable housing units approved for the slum dwellers as a result of CLIFF.	20,193	17,590	17,590
<i>Comment:</i>	<i>The count for the number of housing units includes: (i) Core Houses; (ii) Rental; (iii) Site & Service; (iv) Commercial Cross Subsidy; and (v) Home Improvement Loan</i>			

An analysis of the CLIFF Output Calculations reveals that five HDEs received approval for CLIFF funding for projects totalling 2,345 housing units in 2014/15 and eight HDEs for a total of 4,669 housing units in 2015/16, as shown in Annex 7. The average number of housing units approved per HDE in 2014/15 was 469 and 584 in 2015/16. With

²⁶ Funds disbursed to Implementing Partners for capital projects (land, housing, infrastructure and basic services construction) approved by Reall and in accordance with a signed Project Funding Agreement.

²⁷ Version 4: 13th April 2016.

regards to completions, 10 HDEs completed a total of 2,141 housing units ready for occupation in 2014/15, and nine HDEs a total of 1,550 housing units in 2015/16. The average number of completions per HDE in 2014/15 was 214, while in 2015/16 it was 172. NACHU and SSNS recorded the highest number of completions in a year—NACHU 631 in 2014/15 and SSNS 808 in 2015/2016. According to the CLIFF2b business case: “A broad guideline is that a minimum of 1,000 housing units per year is needed to reach a sustainable basis.”

NACHU claim that they can now “easily” construct 1,000 houses and more in a year;²⁸ and LinkBuild similarly claim to be able to construct more than 1,000 housing units a year, including using interlocking compressed earth block (ICEB) technology if the block production process is mechanised.²⁹ However, these are unsubstantiated claims that are currently not verifiable.

The analysis of the Output Calculations also reveals the most prevalent housing unit to be the core house, of which there are many variations. Of the 3,083 housing units (core houses, rental and site & service) completed in 2014/15 and 2015/16, 92% were core houses. The *CLIFF2b Business Case* states that the programme is expected to deliver 28,000 core housing units, which are simple, robust houses designed to be incremental so that homeowners can add additional living space as their financial capacity allows. This is similar to the incremental self-construction model that accounts for the bulk of new additions to the housing stock in sub-Saharan African countries.³⁰

With regards to affordability of the housing units, the HDEs in the three countries visited by the ME team are all producing housing units at a lower cost than the average market price. According to HabiTerra, it produces the lowest priced quality houses on the market at between USD 274 and 250 per square metre (m²). A comparable government-financed low-cost house located far from an urban centre costs about USD 925 per m².³¹ According to NACHU, they build cheaper than others. NACHU is constructing housing units at below Ksh 50,000 (USD 492) per m², while the average cost per m² on the market is Ksh 60,000 (USD 591) and above.³² And according to LinkBuild, using ICEB technology they are able to build housing units at a cost of PhP 4,000 (USD 82) per m² compared to the average market price of PhP 10,000 (USD 205) per m².

The ME conducted a user survey of clients living in houses constructed under CLIFF2b in each of the three countries that were visited by one of the three members of the evaluation team. The findings of the survey regarding incomes and loan repayments for the houses built by the respective HDEs in the three countries are presented in Table 4.16. As the table shows, the monthly loan repayment represented 15%, 35% and 21% of the average monthly income in Angola, Kenya and the Philippines respectively. As a common rule of thumb, housing is deemed to be affordable if it costs no more than 30% of gross household income.³³

TABLE 4.16: INCOMES AGAINST LOAN REPAYMENTS

Country	First Income	Second Income	Total household income	Average loan repayment	Loan repayment/ Total household income
Angola	AOA 171,664	AOA 16,475	AOA 188,139	AOA 28,711	15%
Kenya	KSh 19,617	KSh 12,025	KSh 31,643	KSh 11,023	35%
Philippines	PhP 13,299	PhP 8,059	PhP 21,358	PhP 4,435	21%

²⁸ *Milestone Evaluation: Kenya Country Report.*

²⁹ Interview with Ms. Villa Mae Libutaque—Project Officer, LinkBuild and Eng. Joe fry Camarista – Engineer/Project Manager, LinkBuild, 16/10/2016

³⁰ See, for example, (World Bank, 2015)

³¹ According to the CAHF Yearbook 2016, the price of the cheapest, newly built house by a formal developer or contractor is US\$ 525 per m².

³² According to the CAHF Yearbook 2016, the price of the cheapest, newly built house by a formal developer or contractor is US\$ 525 per m².

³³ (UN-Habitat, 2015) (UN-Habitat, 2015)

Box 4.9: APPROPRIATENESS OF INDICATOR 4.1

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The indicator in its current form raises three main definitional questions: (1) What is “adequate” housing; (2) what is “affordable” housing”; and (3) who are “slum dwellers”?

As mentioned above, a common rule of thumb is that housing is affordable if it costs no more than 30% of gross household income. However, as defined by Reall and understood by all its partners, housing is affordable if it “takes up no more than 40% of the assessed household income”. CLIFF does not therefore generally approve projects in which monthly loan repayments exceed 40% of assessed household monthly incomes. As shown above, the loan repayments for the houses built by all three HDEs in the three countries are lower than the CLIFF affordability threshold of 40%. The indicator is therefore appropriate.

According to UN-Habitat, 62% of African and 30% of Asian urban dwellers live in slums, presenting a huge target market for the CLIFF programme. However, slum dwellers are not a homogenous population, nor are all poor. HDEs are increasingly building housing targeted at upper low income and lower-middle income households—in many cases to help them pay off their capital loans within the repayment period and for cross-subsidy purposes. Thus, even though the housing is not affordable for the poorest bottom of the pyramid (BOP) households, a large number of those purchasing CLIFF housing units are currently living in slums because they cannot afford the housing offered by the formal housing market. Hence many new CLIFF clients are not “poor slum dwellers” as typically understood. Given the aforementioned trends, it may be helpful to remove the term “slum dwellers” from this indicator.

This indicator measures “housing units approved” which is open to misinterpretation and may be somewhat misleading—as it is not clear whether the housing units have been completed and occupied. This has been recognised by Reall and discussed with donors in the past. Indeed, analysis of the Reall Output Calculations reveals that there are significant differences between the annual approval figures and completion figures. From the various reports, it is also apparent that many HDEs have also have a stock of completed housing units that have yet to be sold and occupied. A more appropriate indicators may therefore be “number of housing units constructed and occupied”.

The Reall Output Calculations for this indicator are based on the logic that Home Improvement Loans are converted into housing units at a rate of 7 to 1. This ratio is used to generate total approvals and completions for each year. Given the diverse contextual factors—in particular construction costs and interest rates—that influence housing construction in the different countries in which CLIFF is working, it would be useful to conduct follow-up research to assess if this logic is correct.

CLIFF has acquired new project management tools that have enabled the introduction of due diligence procedures for project planning based on recognised professional standards, improving timelines and densities to maximise value from land acquisition, and the development of a five-year planning model to improve alignment of projects with anticipated funding streams. This can also be instrumental in setting appropriate targets and milestones for the individual HDEs and the programme as a whole. Indeed, the three HDEs in the countries visited by the MET all affirmed that that the capacity building they received in project management has significantly helped improve project planning, management and delivery. HDEs should therefore be directly involved in the setting of targets.

4.11 Indicator 4.2: Service Units

Number of basic services constructed for slum dwellers as a result of CLIFF

CLIFF fell short of the March 2016 logframe indicator target of 47,582 basic services by 19%, achieving 38,484 as shown in Table 4.17. As this indicator is tied to the number of CLIFF housing units approved and completed, the underperformance on this target is directly linked the underperformance on Indicator 4.1, which is explained above.

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Each of the housing units includes two basic services, water supply and sanitation. The count for this indicator includes basic services: (i) Associated to Housing Units; (ii) Individual Toilet Loan; (iii) Site & Service; and (iv) Communal toilet seats.

TABLE 4.17: INDICATOR 4.2 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET	REALL/DFID	ME ASSESSMENT OF
		MARCH, 2016	ASSESSMENT, JUNE 2016	ACHIEVEMENT, OCTOBER 2016
4.2	Number of basic services constructed for slum dwellers as a result of CLIFF	47,582	38,484	38,484
Comment:	<i>These figures assume that all CLIFF shelter solutions provide improved water access and private sanitation; and that 3.46% of Home Improvement Loans are spent on either improved water access or improved sanitation (based on Kuyasa Fund data).</i>			

The shift away from standalone WATSAN projects will mean a substantial reduction in the number of slum dwellers directly benefitting from improved access to water and sanitation. Each toilet seat in a communal sanitation facility was assumed to benefit some 50 individuals, while each toilet seat in a core house is assumed to benefit five (5) individuals. Thus, for example, the Reall *Annual Review 2015* reported that in India, the 237 individual and community toilets built benefitted approximately 11,100 people. However, Reall has found communal WATSAN facilities not to be appropriate in many contexts outside of India, where 90% of the CLIFF-supported communal facilities have been built.

Box 4.10: APPROPRIATENESS OF INDICATOR 4.2

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

There has been a lot of discussion around the appropriateness of this indicator and some actions taken:

- The 2013 Mid-Term Evaluation of CLIFF observed that the target of 28,979 sanitation units was unlikely to be met owing to the change of focus to Africa and delivery of housing units, and the move away from the sanitation block model developed in India under CLIFF 1; and therefore advised that the target be revised.
- The 2014/15 Annual Monitoring Review appropriately revised the targets to avoid overlap and double counting, and to reflect that current CLIFF housing projects include water and sanitation facilities.
- The CLIFF Logframe Report 2014/15 recommended that should communal infrastructure solutions become contextually viable in the coming years, this indicator should be considered for re-targeting.
- The DFID Annual Review - Summary Sheet notes that the previous review recommended that indicator 4.2 be removed from the logframe as CLIFF now focuses on delivery of housing units which include WATSAN services.

The indicator in the current logframe assumes that all CLIFF housing products contribute to improved access to water and sanitation; and that 25% provide electrical installations. It does not allow for communal sanitation solutions because of the decision to stop funding their construction. The indicator is therefore appropriate given the current focus of CLIFF on housing projects.

However, the Output Calculations are based on the logic that all housing options include a sanitation unit except in the case of home improvement loans of which, based on Kuyasa data, only 1.73% are dedicated to sanitation (the underlying logic is that 3.46% of spend is on plumbing etc. and that a 50/50 ratio should be applied to calculate water units and sanitation units). Home improvement loans are thus multiplied by 0.0173 to generate sanitation units. Again, it would be useful to conduct a follow-up study to see if this logic is sound.

4.12 Indicator 4.3: Beneficiaries

Number of people directly benefiting from CLIFF

The *CLIFF2b Business Case* affirms that CLIFF houses will have the necessary services installed to meet the basic needs of the poor; and that a total of 445,000 people are expected to benefit from improvements in access to water and sanitation services. This indicator is linked to the overall number of Housing Units approved and completed, and the performance against target therefore directly matches the narrative for Indicator 4.1.

The March 2016 milestone in the current logframe for total Number of Non-Unique and Unique Beneficiaries of Approved CLIFF Interventions is 440,184 and 242,334, as shown in Table 4.18; and the programme has achieved respectively 93% and 95% of the target.

TABLE 4.18: INDICATOR 4.3 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
4.3a	Total Number of Non-Unique Beneficiaries of Approved CLIFF Interventions	440,184	407,946	407,946
4.3b	Total Number of Unique Beneficiaries of Approved CLIFF Interventions	242,334	229,675	229,675
Comment:	<i>These indicators are based on the assumption that the average CLIFF housing solution serves a household of five.</i>			

BOX 4.11: APPROPRIATENESS OF INDICATOR 3 4.3A AND 4.3B

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

These indicators assume that the average CLIFF housing unit serves a household of five (5). According to the CLIFF2b Logframe Update April 2015 – March 2016, this is collated from regional survey data and qualitative partner experience. However, the End User Survey carried out during the ME found the average household size in Angola to be 4.4 persons (median = 4), in Kenya 3.5 (median = XX); and in the Philippines 4.0 (median = 4). This would suggest that average household size needs to be reviewed.—especially because based on the ME findings regarding household size, there could be an over count of up to 20% of the number of beneficiaries.

For purposes of gender-disaggregated calculations, it is assumed: Women + Children = 80%, and Men = 20%. However, it would be useful to disaggregate this further to women–children–men. This is because in many countries in both Africa and Asia, women are denied their rights to land and housing ownership; and it is important to know if CLIFF is expanding women's access to land and housing. This is another potential area for research.

Another area for potential research would be on the health impact of the CLIFF programme. While there is a large body of research work that demonstrates the close links between housing and health, it would nevertheless be of interest to see what impact improved housing conditions have had on the health of occupants of CLIFF housing in different countries. The same applies to water and sanitation facilities, which are essential to improving health and economic prospects. Indeed, for self-employed informal sector workers in particular, good health is the most important asset they can have. According to notes in the Output Calculations, when considering, double counting of the number of total beneficiaries has been eliminated, with the figure only taking into account unique beneficiaries and not compounding those who benefit from multiple interventions.

4.13 Indicator 4.4: Employment

Number of jobs created directly/ indirectly as a result of CLIFF.

Job creation is especially important as it is critical in increasing incomes and reducing poverty, which is one of the fundamental reasons for the large numbers of slum dwellers in the countries where CLIFF is working. CLIFF thus aims to support housing solutions that are economically, socially and environmentally sustainable.

The jobs and livelihoods associated with CLIFF projects take many forms in the different countries in which the programme is working—from direct employment in construction which is typically labour-intensive, to indirect employment and livelihood improvements through construction supply-chain businesses, particularly those that can manufacture and supply ‘on-site’, including small-scale producers of materials and building components (e.g., windows and doors), trade skills, transport and provision of services to construction and associated workers. Indirect benefits also include the provision of secure accommodation for home-based enterprises (HBEs), ongoing post-construction property maintenance, and other forms of indirect employment in both the manufacturing and service sectors which occur in new housing developments (Smith and Brown, 2016) .

According to the *CLIFF2b Business Case*, the CLIFF programme is expected to create 445,000 direct jobs in construction and financial services and as many as 1,113,000 indirect jobs related to the materials supply chain and improved commercial opportunities in the settlements.

Table 4.19: INDICATOR 4.4 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
4.4a	Number of jobs created directly as a result of CLIFF.	19,635	30,290	30,290
4.4b	Number of jobs created indirectly as a result of CLIFF	157,082	242,316	242,316
Comment:	<i>The DFID CLIFF2b Annual Review (has slightly different figures showing that the programme has created 26,115 jobs directly and 211,082 indirectly in the construction sector.</i>			

The programme exceeded the target for direct job creation by 54% and for indirect job creation by 57%. This indicator is linked to Indicator 4.1, and may have exceeded the target for a number of reasons including: poor project management resulting in over-employment on project sites; project overruns; or use of a wrong multiplier.

In Angola, HabiTerra affirms that the Quissala site can have as many as 45 people working at peak times—up to ten of whom may be from a HabiTerra-supported company of skilled artisans, Twananako. In Kenya, NACHU estimates that there are about 100 men and women directly employed in construction daily in a current 220 house project with an estimated build time of six months. Many others, especially women, are employed indirectly in jobs such as food supply. In the Philippines, the 45-unit core housing project in Iloilo City, which started in February 2015 and was completed in June 2016, at various stages employed as many as eight (8) masons and 16 labourers, and eight (8) carpenters and eight (8) labourers in a day. In Malawi, The Housing Company (THC)—a subsidiary of EDH—has employed 21 female contractors to construct CLIFF houses (Wickson and Hunga, 2014). In Zimbabwe, the CLIFF housing construction site in Mutare has generated demand for bricks and thereby created jobs for the ten women members of Mutare Miracle Group,³⁴ while the construction of CLIFF housing in Masvingo has directly employed 50 full time workers, and, in addition, encouraged more formal entrepreneurial investment and catalysed business development (Wickson, 2015).

³⁴ <http://www.reall.net/individual/mutare-miracle-group>.

Box 4.12: APPROPRIATENESS OF INDICATORS 4.4A AND 4.4B

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

This indicator was realigned with multipliers provided by McKinsey & Company, after discussion with both SIDA and DFID, and targets and achievements recalculated accordingly as follows:

- Direct Employment = Units multiplied by 1.5;
- Indirect Employment = Units multiplied by 12.

However, in 2015/16, Reall engaged the University of Cardiff to conduct a study of employment generation from CLIFF activity in Kenya, with the objective of developing and piloting a new and robust measurement for the creation of both direct and indirect employment and livelihood opportunities generated by CLIFF. The study will define a more appropriate job creation multiplier to be used in a future broader cross-portfolio study. If the research process is well-managed, the researchers will be able to draw on data and information from the HDEs.

Once a more reliable indicator is established, it will be important to review the targets and milestones.

4.14 Indicator 4.5: Loans

Number of loans (beneficiaries accessing loans)

As loans initially were assumed to be an integral part of the housing products that CLIFF partners would supply, the number of loans was an understandable indicator to include in a CLIFF logframe. However, there are issues with this measure, in particular after CLIFF refocused its attention on creating sustainable organisations. For a financial institution, the quality of lending is almost more important than the quantity.

The large number of financing options offered by HDEs and collaborating partners, combined with an increasingly diverse range of housing products, meant that counting loans was more difficult than envisaged. According to Reall (Reall, 2016), by introducing the cloud based Temenos T24 loan administration system in all partners, Reall would automatically get all necessary loan information, split on products, terms, performance etc. As of October 2016, only NACHU was using T24, and other partners will install alternative cloud based loan administration systems, Reall now has no direct information source for CLIFF related loans other than partner reports.

Hence, to calculate the number of loans, proxies are used. This indicator is thus linked to the overall number of Housing Units approved, According to Reall “..... *the March 2016, 2017, 2018 targets have been based on the assumption that 75% of future approvals will be compartmentalised into 4 loan components, with 25% excluded to take into account rental and or cross-subsidy outputs.*” This generalisation leads to a calculation of: Units Approved x 0.75 x 4 (for each individual ‘component’ of a loan). The results are then accumulated on an annual basis. In 2016, a total number of 4,078 new loans were reported, leading to a new aggregate of 22,348 loans for the whole programme. This is 7,808 fewer loans than targeted in March 2016. Reall is aware that this is at best a considered estimate, and that the definition of the indicator is out of date. However, in lieu of an expected CLIFF 3 and a new logframe, it was not efficient to change it for the duration of the CLIFF 2b.

While number of houses approved perhaps gives an indication of the approximate number of clients that will take a loan, there is limited supporting evidence for the multipliers used. An aggregate indicator like this, summarising annual numbers over the years, is extremely difficult to verify or assess.

The main reason to include end-user financing in CLIFF projects was that houses would not be sold unless customers were able to access housing finance. Many local financial markets were undeveloped and skewed, and financial institutions not interested in offering products for this customer group. MFIs and savings and credit cooperative organizations (SACCOs) might provide short-term finance at high interest rates, but few offered loans for longer

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than 2 years. This made it impossible to fund the purchase of a new unit, whatever the size. Thus the need to internalise lending for an organisation that intends to sell housing units.

TABLE 4.20: INDICATOR 4.5 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
4.5	Loans: Number of loans (beneficiaries accessing loans)	41,157	33,348	33,348
<i>Comment:</i>	<i>It is a challenging indicator to assess. We have chosen to keep Reall's assessment, but with the caveat that we cannot verify the 'multiplier' methodology used.</i>			

Finance and lending is a complex business, and must as a principle be done professionally. The other word for loan is debt, and bad lending can leave poor people as perennial defaulters, which in some countries will leave them unable to ever get credit again. An organisation that does both lending and sales of houses may also face issues around “conflicts of interest” – it may be tempted to provide a loan to an un-creditworthy client just to sell the house. There is no evidence of any of Reall’s partners having fallen into this trap, but it is an issue to be aware of.

The credit context is in many countries a challenge. A complication for many NGOs doing lending is that financial regulations do not allow them to take deposits and savings. It is only in the most regulated MF tier – where an organisation has to apply to the Central Bank and fulfil a number of criteria – that the organisation is allowed to take savings from the public. There is often a medium “tier” which allows taking savings from own members, but a number of criteria must still be fulfilled. There are also all the small NGOs that are not allowed to do any savings, but allowed to do credit. A fourth in most countries is credit unions – SACCOs – that have their own regulations to abide by. This can mean that unlicensed NGOs cannot collect savings as deposits for buying for instance a house.

Cooperatives tend to have own legal framework, and are normally allowed to raise savings among their membership. This is partly the reason why the cooperatives in Reall’s portfolio run their own credit operation. The other partners, however, seem to increasingly outsource the lending. Table 4.21 summarises current end-user finance strategies for CLIFF’s partners.

Table 4.21: End-User Finance Strategies for CLIFF’s Partners

REALL PARTNER	END-USER FINANCE	FINANCE ADMINISTRATOR
AMC	Outsourced	Housing Building Finance Corporation
DWA	Outsourced	KixiCrédito
EDH	N/A	
LinkBuild	Outsourced	CoRe-ACS
Lumanti /SEWA	Outsourced	MoU with bank
NACHU	In-house	
MFF	Outsourced	Federal Mortgage Bank of Nigeria
UCA	Plan to outsource	
WAT	In-house	
Zinahco/shelter sol	Semi-outsourced	Shelter Sol subsidiary
Kuyasa	In-house	
SSNS	In-house / federation	
WSA	Was outsourced	

Kuyasa is a special case, as it is a financial institution that only does home improvement loans, while SNNS is organised as a federation of smaller saving groups. NACHU, WAT, and ShelterSol have their own internal lending

programmes. This leaves the majority of partners with an outsourced lending programme, to either close collaborates specialised in finance or to third party banks.

There are strong incentives to outsource, including potential efficiency gains in terms of specialization and freeing up of capital that would otherwise remain locked for the duration of the loan repayment period. Outsourcing may not however be an available option for HDEs in countries with insufficiently developed financial markets. In such cases, it may be necessary to “prove” the creditworthiness of the target group before trying to outsource lending.

Box 4.13: APPROPRIATENESS OF INDICATOR 4.5

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

Is an indicator for the number of loans necessary? Would not an indicator measuring sales of houses be sufficient to assess the number of beneficiaries? This is indeed the proxy used to calculate the current indicator. There is likely going to develop a number of different financing options in each country, in or outside the main CLIFF partners. Classic rent-to-buy schemes are not quite lending, and others may even focus on doing subletting of houses. Trying to aggregate and force these different financing mechanisms into one indicator may cloud more than it enlightens.

If a credit indicator is to be included, it should only be for those key partners that do lending in-house, and it ought to have a qualitative performance aim, linked to the sustainability of the organization – like the actual yield from lending, or the pre-tax profitability of lending operations. Once a more reliable indicator is established, it will be important to review the targets and milestones and revise them accordingly.

4.15 Indicator 4.6: Household Equity

Value of household equity resulting from CLIFF

Reall believes that one of the unique propositions of CLIFF is the transfer of equity (basically land) from municipality/private hands to NGO to individual household and that this is itself potentially transformative for communities. Measuring the direct wealth effects for beneficiaries of the CLIFF programme becomes important. This is indeed a measurement that goes to the heart of not only CLIFF, but in many donor programmes – the wish to leave poor people better off as a result of an intervention.

Technically, it is a complicated measurement, trying to express the ‘value’ of a home to a household, and then aggregating this across the portfolio. The March 2016 figure was calculated based on partner estimates of average CLIFF property values in each of their respective countries. This calculation resulted in an estimated total value of household equity of about GBP 136 million in 2016, far below the target of GBP 242 million. The issues with this indicator was reported to donors in the 2014/15 logframe report, when a re-valuation reduced the amount. Retargeting was approved by both parties and Reall.

We have no better information than the partner estimation of these values, and find that given the challenges, it probably represents a reasonable estimate, and the target and assessment figures are shown in Table 4.22.

TABLE 4.22: INDICATOR 4.6 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
4.6	Household Equity: Value of household equity resulting from CLIFF	£242,000,000	£136,132,768	£136,132,768
<i>Comment:</i>	<i>None</i>			

Box 4.14: APPROPRIATENESS OF INDICATOR 4.6

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The indicator is appropriate, as wealth generation (through owning an asset and its potential for poverty alleviation) is at the core of what CLIFF tries to do. However, the measurement of the indicator is in need of substantial refinement. Reall suggests that the current format is no longer helpful for understanding the progress towards achieving the Output, for the following reasons: (i) Many housing markets in the CLIFF programme are relatively immature, and as such lack recognised valuation practices. Therefore, partner estimations of value tend to be more anecdotal than is desirable for a quantitative indicator; (ii) Macroeconomic fluctuations will affect housing values and market supply/demand balances, plus of course variables as exchange rates. Not only will values change from year to year, but a partner might have to ‘devalue’ the estimated market value of a unit in order to meet the client demand, and (iii) Aggregating a portfolio level figure by converting at a flat rate into GBP masks and potentially misrepresents changes in unit value country by country.

We agree to these reasons, and support Reall’s suggestion to identify a different method for measurement. Market fluctuations might result in some partners seeing reduced total property values, even if they actually added a substantial number of new houses that year. The indicator as it stands is more an indicator of market fluctuations, than of whatever work CLIFF is doing

While it is difficult to avoid market based property valuations in a measurement of wealth, the measurement of the indicator needs to be refined. To avoid large swings from year to year, statistical techniques, like using floating averages for several years, can be used. Aggregation in a common currency will remain a problem, but can perhaps be mitigated by for instance using PPP adjusted exchange rates – or simply express the change in values in local currencies, where the percentage increase is weighted and averaged over the portfolio. If many of Reall’s partners introduce rent-to-buy and renting schemes, one would have to find additional expressions of “value” for these clients.

4.16 Indicator 5.1: Innovations

Number of innovative models and practices developed by IP’s

In the Annual Monitoring Report 2016, the summaries of each CLIFF Implementing Partner’s progress show that Reall worked closely with MFF in contracting research consultancy services to better understand clients and better targeting; and LinkBuild has engaged legal consultancy services to assist with market research and feasibility as well as land acquisition. As market research is critical, building in-house capacity will be more cost-effective than continuously using the services of consultants.

Reall has commissioned Cardiff University in the UK to undertake a research study on measurement of jobs created by CLIFF. This is indeed a very relevant study, especially because it will lead to development of more accurate indicators for M&E purposes.

The CLIFF2b and I3 Logframe Update April 2015 – March 2016 reports that Reall is sure that there are over 16 examples of innovative models and practices developed by HDEs, as shown in Table 4.23. What is not clear is if this means that each HDE has developed at least one innovative model or practice.

TABLE 4.23: INDICATOR 5.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
5.1	Number of innovative models and practices developed by IP’s	16	16+	16+
<i>Comment:</i>	<i>Reall has reported hitting this target of 16 +, which is intended “to communicate that the number of individual examples of innovation are unknown and potentially exponentially larger than documented in the logframe.”</i>			

There appears to be no systematic account of the number, quality and cost of research reports published. But the Reall website (<http://www.reall.net>) has several case studies—including enterprise, community and individual case studies—written by staff that document the impact of CLIFF. The website also has the Reall Annual Report and Financial Statements 2014/15.

4.17 Indicator 5.2: Replication

Number of innovative models and practices shared and adopted by other IP’s, public and private institutions

According to Reall, the organisation is seeing evidence of a ‘creation–refinement–replication’ process emerging at different levels across the programme, and across different thematic areas of work. But this is not yet systematically captured, documented and disseminated.

TABLE 4.24: INDICATOR 5.2 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
5.2	Number of innovative models and practices shared and adopted by other IP’s, public and private institutions	7	10	10
Comment:	<i>Reall acknowledges the need to develop a better system of sharing learning across the Network, and that that this is vital for the creation and dissemination of “best practice”.</i>			

According to the Logframe Update, 10+ models of innovative models and practices have been shared and adopted by other IP’s, public and private institutions including: Network level organisational restructuring models and processes; Network Level Peer to Peer exchanges and inter-Network consultancies; Kuyasa management dashboard and score card; CLIFF model housing adopted in principle in Beira, Mozambique; Technical / Infrastructure Network Forum for operations and project staff; and CLIFF / Grant projects subsidiary model; and Neighbourhood Planning models in Kenya, Malawi and Pakistan. But these five have not been effectively disseminated and shared—which Reall recognises. In the Philippines, the housing solutions developed and constructed by LinkBuild, which have been able to achieve cost savings of up to 50% through the use of alternative building materials and construction techniques (ICEB and bamboo) have yet to be adopted and replicated by other low cost housing developers.

BOX 4.15: APPROPRIATENESS OF INDICATOR 5.1

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The main issue surrounding measurement of this indicator is determining what is “innovative”. For example, “rent-to-buy” is not a new concept. There are many existing variations, including of tenant purchase schemes. So is the model in Angola innovative? Similarly, core house designs and ICEB and bamboo construction are already in use in many countries. So are the housing models developed by LinkBuild in partnership with TAMPEI innovative? In Reall’s view, an existing model applied in a new context can be seen as innovative—which is a view shared by many.

The targets as formulated are however sound—if the question of what is “innovative” is resolved.

4.18 Indicator 6.1: Knowledge, Learning and Good Practice

Knowledge, learning and good practice emerging from CLIFF documented, disseminated and used to advocate

Reall capitalised on a major opportunity for dissemination and advocacy at the United Nations Conference on Housing and Sustainable Urban Development (HABITAT III) which was held in Quito, Ecuador from 17 – 20 October 2016, which brought together a reported 50,000 people representing all manner of urban interests from around

the world. They included Member States and relevant stakeholders, including parliamentarians, civil society organisations, regional and local government and municipality representatives, professionals and researchers, academia, foundations, women and youth groups, trade unions, and the private sector, as well as organisations of the United Nations system and intergovernmental organisations.

Reall used it as an opportunity to showcase and position the CLIFF programme and Reall Network Partners as a viable alternative approach to affordable low income housing delivery. Representatives from three HDES— LinkBuild, Sewa/Sewa Nirman and ShelterSol—attended and gave presentations and sat on question and answer (Q&A) panels. In addition, Reall representatives also spoke on other panels; and the Reall CEO sat on a panel on Affordable Housing in Africa hosted by Shelter Afrique— the only pan-African finance institution that exclusively supports the development of the housing and real estate sector in Africa.

Reall dedicated substantially more resources into Habitat III than it has done in the past for conferences, and consequently achieved better results. The relatively large team enabled more networking and setting up of follow up meetings. The presence of the HDEs was also an effective means of south-to-south networking and sharing.

Reall recognises that there is room for improvement in organisation of speakers and presentations, and articulation of some of the messages; and that it would have been beneficial for Reall staff, and especially HDEs, to have more time to network and engage in learning activities at the conference.

The Reall website (<http://www.reall.net>), which has recently been redesigned, is an effective knowledge dissemination and advocacy platform. However the dynamic homepage screen may deter potential visitors in some of the countries where internet charges are high. An intranet could also vastly improve communication and knowledge and experience sharing among HDEs in the different CLIFF countries; and also enable more effective M&E by Reall.

Reall recognises that the innovative models and practices that it and its partners are developing and implementing can be lost if not properly captured and collated; and that its approach to case study creation for innovative models has, to date been too reactive. A key focus in 2016/17—as recommended by DFID and Sida—will be to improve the collation and documentation of these innovations.

TABLE 4.25: INDICATOR 6.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
6.1	Knowledge, learning and good practice emerging from CLIFF (pertaining to Outputs 1 - 5 above) documented, disseminated and used to advocate.	5 case studies, 1 video and 1 exhibition prepared and shared. CLIFF shortlisted for 2014/15 World Habitat Award. Reall Communication Strategy Under Review following re-launch	To be defined in revised Communications Strategy	

Comment: None

BOX 4.16: APPROPRIATENESS OF INDICATOR 6.1

The appropriateness of the indicators for measuring outcomes, and of the targets and milestones set

The indicator is generally appropriate; but an effective additional indicator—especially given the investment in the website—would be website hits, especially if relevant information on the website visitors is captured. Reall could also consider a model based on Practical Action’s Practical Answers website, which not only enable more knowledge dissemination, but also be another efficient indicator.

5 OUTPUTS AND OUTCOMES AGAINST LOGFRAME SCORED

This section uses DFID’s approach to scoring project outputs and outcomes, and the scoring scheme is summarised in Table 5.1. The following analysis has limitations since the ME team did not collect primary data on HDEs outside of the three countries visited in the field mission, aside from financial data (audited accounts) and staffing details. Much of the foregoing discussion relates to secondary data sourced from a range of reports, including Reall’s CLIFF Annual Monitoring Reports and Logframe Reports, and various reports compiled by HDEs.

TABLE 5.1: DFID’S APPROACH TO SCORING PROJECT OUTPUTS AND OUTCOMES

SCORE	OUTPUT DESCRIPTION	OUTCOME DESCRIPTION
A++	Outputs substantially exceeded expectation	Outcome substantially exceeded expectation
A+	Outputs moderately exceeded expectation	Outcome moderately exceeded expectation
A	Outputs met expectation	Outcome met expectation
B	Outputs moderately did not meet expectation	Outcome moderately did not meet expectation
C	Outputs substantially did not meet expectation	Outcome substantially did not meet expectation

Furthermore, the CLIFF Central Logframe Update does not contain activities or outputs (as defined in this ME). However, during the preparation of the ME Inception Report, the ME team extracted representative outputs from the activities appearing in the previous version of the logframe, and these can be found in Appendix 4 of that report³⁵. These outputs were reviewed by Reall and have been agreed upon after incorporating comments received. Outcomes are defined in this report as the outputs appearing in the Central Logframe Update (see Section 2.1 for further clarification). Primary and secondary data is considered to score the achievements of CLIFF2b in meeting outputs and outcomes. The MET’s scores are summarised in Table 5.2, and the analysis leading to these scores follows the table.

TABLE 5.2: SUMMARY OF OUTPUTS AND OUTCOMES SCORED

Output	Score	Outcome	Score
1.1	Not scored	1	A
2.1	A	2	A+
2.2	A+		
3.1	A+	3	A+
3.2	A		
4.1	B	4	B
4.2	B		
5.1	B	5	A
5.2	B		
5.3	A+		
5.4	A		
6.1	A	6	A

5.1 Outcome 1

CLIFF implementation expanded through establishment of new HDE’s or CLIFF Implementing Partners (IPs) in current and additional participating countries.

5.1.1 Output 1.1: Functional HDEs in additional participating countries

CLIFF 2b’s change of strategy to developing the organisational strength of existing HDEs rather than identifying and recruiting additional HDEs to the network, renders this output redundant at this time.

Nonetheless, and in terms of Outcome 1, significant progress has been made in restructuring a number of HDEs from NGOs to social enterprises to align with the investment readiness strategy and prepare them to operate as

³⁵ Majale, Sigvaldsen, and Murray, “Inception Report: Milestone Evaluation of CLIFF2b”, 16th September, 2016

businesses accessing loans, rather than NGOs dependent on grants. This has been a very challenging time for Reall and many of the HDEs as they grapple with their new business environment, but the general consensus is that HDEs feel stronger, more focused, and have considerably more robust financial protocols, thinking and awareness.

This transitional period, however, has come at a cost in that it has had negative consequences on other programme outputs and outcomes. Reall described the knock on effect of HDE restructuring in their Annual Review to DFID, dated 29th April 2016, in which it is stated (paraphrasing) that structural challenges - caused by a shift to an investment ready model – has impacted negatively on the overall partner delivery of housing and basic services projects and loans, resulting in a reduction in their respective targets by between 30 and 35% across the portfolio. This has also impacted negatively on beneficiary and job creation targets.

The MET are convinced that the investment readiness strategy is the right way forward; the only criticism is linked to the pace of restructuring and the requirement for HDEs to show break-even point within a relatively short period of time – typically 3 to 5 years – in order to access capacity development loans, and at a time when some of the HDEs are grappling with huge structural changes. That notwithstanding, and coupled with the fact that during the field mission the MET identified a significant increase in HDE momentum over the course of 2016 – particularly with HabiTerra and LinkBuild, the MET has agreed upon an outcome rating of **A**.

OUTPUT 1.1	OUTCOME 1
Not scored due to change in strategy	A

5.2 Outcome 2

Financial and technical capacity and reputation of existing and new HDEs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy.

5.3.1 Output 2.1

Enhanced financial and technical capacity, and reputation of HDEs

The financial year 2015/16 has seen an emphasis by Reall on enhancing the organisational capabilities, and staff competencies and capacity across all technical areas. Examples include:

AMC – Pakistan

- Staff benefitted from strategic on-the-job training and team building, which led to a two day retreat for the entire staff to focus on organisational strategy, targets and performance monitoring.
- The role of Business Development Manager was created, and several staff positions in Engineering, Site management and Sales/Marketing were filled.

DWA/HabiTerra - Angola

- Appointed a new community development officer and two administrative and finance staff. Unfortunately, HabiTerra has had retention issues with the Administrative post and currently the finance officer is working in dual capacity to plug the gap.

WAT-HST – Tanzania

- The Reall Network has supported WAT-HST in recruiting qualified professionals to two key roles - Quantity Surveyor and Housing Delivery and Construction Manager.
- Staff from Sheltersol, NACHU and The Kuyasa Fund have been working on a consultancy basis with WAT-HST on areas such as housing and project delivery, recruitment and organisational management.

ShelterSol – Zimbabwe

- Strategy documents, manuals, procedures and tools have been developed to help train and support new staff.
- Loan management and accounting packages have been installed.
- Training has been enhanced by peer exchange with other Reall Network partners.

UCA – Uganda

- Actively engaged network partners and external consultants - including Rooftops Canada - to provide training and support to help build crucial housing programme capacity.
- Staff received training on risk assessment and management, client selection and affordability assessment.
- Hosted staff from NACHU to provide an assessment of their savings group and client identification methodology and training in these areas.
- Refined the organisation's 5 year strategic plan for their housing unit, including the CLIFF programme.

NACHU - Kenya

- Continued to refine their organisational structures, separating community mobilisation work from loan repayments and monitoring to provide dedicated focus to each of these key areas.
- Went live with the cloud-banking Temenos T24 financial management system and received further training from Reall to get the most from the new system.

Kuyasa – South Africa

- Introduced new management information tools, credit scorecards, and a risk assessment protocols.
- Dedicated training role created to liaise with communities and clients and provide education sessions around indebtedness and the importance of making repayments on time and in full.

MFF – Nigeria

- Delivered a workshop and training programmes for 17 new masons in preparation for scaling up housing delivery.
- Reall UK supported MFF in a mapping session of the organisation's clients' journeys and helped in the delivery of a workshop to develop new in-house marketing strategies.

Reputation has been discussed at length in Section 2.2.4.

Clearly, a considerable amount has been achieved in terms of technical capabilities, competencies and capacity of HDE during this transitional restructuring stage for many HDEs. The team feel, however, that the HDEs could also have benefited from more support/guidance around the core organisational capabilities and competencies that are equally as important as the technical ones, such as Innovation; Workforce Development; Collaboration; Strategic Networking; and Influencing and Negotiating. Reall point out that organisational capabilities and competencies (capacity in their terminology) was not a focus of CLIFF2b at the outset but gained increasing emphasis during the later stage of the programme. The MET view this as a missed opportunity to have addressed the strengthening of all organisational assets from the commencement of CLIFF2b, since financial and technical capacity alone is unlikely to enable an organisation to thrive (see Section 4.3 for more details). Nonetheless, and since the output refers to "financial and technical capacity", the MET gives this output area a score of **A**.

5.3.2 Output 2.2

HDEs have effective partnerships with relevant organisations and departments in the public and private sectors

The restructuring to social enterprise, the transformation to a more business-like culture, and the effective leverage of reputational capital has shown HDEs to be very capable of developing relevant partnerships that add considerable value to their operations and projects. This is exemplified by the complexion of partnerships formed by HDEs, as discussed above in Section 2.2.5, and the abilities of HDEs to leverage financial and non-financial support, as discussed above in Section 2.6.3. Some partners are developing more rapidly in this area than others, but this is to be expected since CLIFF 2b found them at different stages in their own development, and does not reflect a fundamental flaw in CLIFF's model but, rather, the natural consequences of it.

Since some HDEs have exceeded expectations in this output and, more generally, successes have been demonstrated in some ways across the whole portfolio, the MET score this output **A⁺**.

Milestone Evaluation of CLIFF2b

Now, with reference to the Outcome 2, the outputs defined key directly in to achieving the outcome and so the MET score this outcome as A+, with some caveats. While there is no doubt that most HDEs are stronger organisationally with regards financial and technical capabilities and competencies, this has yet to result in delivery at scale and, furthermore, HDEs have yet to access the magnitude of non-CLIFF resources to do so. However, this is a work in progress and HDEs are developing strong organisational assets as exemplified by achievements under output 2.1 and 2.2, and the MET view this as a strategic strength of CLIFF. Clearly, many HDEs are in an uncomfortable place currently, but they have generally risen to the restructuring challenges and there is no evidence to suggest that progress in this area will not continue to gain momentum going-forward. A summary of the scoring for outputs and outcome 2 is shown below.

OUTPUT 2.1	OUTPUT 2.2	OUTCOME 2
A	A ⁺	A ⁺

5.3 Outcome 3

Mobilisation and leverage of financial (e.g. cost recovery, loan finance, construction contractor investment) and non-financial (e.g. land, basic services, technical skills) resources from the public and private sectors, as well as from community contributions, for the delivery of adequate and sustainable housing and basic services for slum dwellers.

5.3.1 Output 3.1

HDEs demonstrate the skills and abilities to leverage financial and non-financial resources

There are numerous examples of HDEs leveraging financial and non-financial resources, and some have already been discussed in Section 2.2.5, above. A few other examples are shown in Annex 8.

Reall report that between April 2015 and March 2016, a total of £16,093,157 equivalent was leveraged by 8 HDEs, namely DWA/HabiTerra, SSNS, Sewa, LinkBuild NACHU, Kuyasa, UCA and ShelterSol, which is almost 2/3rd of all 13 fully active HDEs.

Although no target was reported for 2015/16 and some HDEs only leveraged quite modest resources, the abilities of HDEs to leverage financial and non-financial resources are obviously developing with HDEs demonstrating the ability to use the reputational capital gained from delivering CLIFF projects to access external assistance in very resourceful ways. This demonstrates a shift change in the way HDEs think, strategise and act as they transition from NGO to social enterprise as a result of restructuring for investment readiness; and it illustrates the beginning of a cultural change in the way HDEs do their business. This is, arguably, one of the most pivotal demonstrations of HDE transformation in the CLIFF programme.

In recognition of the fundamental importance of this output, coupled with the successes reported by Reall across most of the portfolio, the ME team score this output as A⁺.

5.3.2 Output 3.2

HDEs demonstrate enhanced micro-mortgage loan management practices

At the outset it is recognised that offering mortgages to the lower income earners is not a practice that many financial institutions have dared try in a developing country context, and this is most particularly the case with extended repayment periods, like NACHU with 5 years and KixiCrédito with up to 6 years.

Only some partners do their own lending, with many outsourcing this function. Outsourcing of lending is considered an enhanced practice, and the MET is of the opinion that MiMos are best dealt with by an external lending partner, if a suitable one can be identified, and not in-house in a development organisation with many agenda. It can lead to situations in which to sell a house, the organisation issues a loan even though the recipient is known not to be creditworthy. A prime example of outsourcing is in Angola, where HabiTerra outsourced lending operations to KixiCrédito, the country's leading non-bank MFI and which is financially independent of the CLIFF programme.

Milestone Evaluation of CLIFF2b

Considering those HDEs that deal with loans and housing, Kuyasa is now doing much better and has a professional loan administration and an automated credit scorecard system in place, which has led to better credit control and huge improvements in loan repayment rates. NACHU has fully implemented the Temenos T24 cloud-based financial management system, and now NACHU can monitor, track and intervene in loan repayments with greater efficiency, accuracy and insight across their portfolio. Additionally, T24 has been integrated with the very popular Mpesa mobile payment network, which makes it very simple and convenient for clients to make repayments. WAT-HST is recovering from a period of poor credit control and loan repayment issues, but investments have been made to enhance the competencies of loan officers in mortgaging, loan management, customer care, and risk management. SSNS use a traditional Grameen Bank model with a federation of savings/repayment groups, but is highly effective in the Indian context. These organisations have all improved their organisational capabilities, and staff competencies and capacity around financial management.

Nonetheless, Reall has experienced unanticipated challenges. For example, most HDEs with in-house loan operations have shown an unwillingness to adopt the T24 financial management system after a substantial investment and piloting by NACHU. The reasoning behind the unwillingness is a combination of the complexity of the system, cost of maintenance, and the relatively small loan portfolios that these HDEs currently manage. In Angola, there is an additional challenge with language that would make the T24 system extremely difficult to implement. Reall responded to concerns over T24 by introducing a simpler cloud-based system called Musoni, which has already been installed at CoRe-ACS and ShelterSol, and has gained an improved perspective on the language challenges at HabiTerra in Angola, where only one member of staff is proficient in English.

In view of the substantial successes in this output area, including demonstrations of enhanced practices, and despite the challenges, the MET has scored this output as **A**.

Turning to Outcome 3, this is an area where both the primary and secondary evidence suggests that partners are achieving a great deal of success (see Section 4.5 and Annex 8 for more details). Although most HDEs are still in their infancy as social enterprises, they have managed to use their networks, and communication and influencing skills accumulated as NGOs to great effect. What might be challenging going forward, however, is the new thinking, strategies and skills set required to manage loan funds – since this is the bulk of leveraged finance - rather than grant funds, which requires a more fundamental change than required for successful leveraging of resources. Those HDEs that also perform the end-user microfinance function, clearly demonstrate improved practices – CoRe-ACS, Kuyasa Fund and NACHU are good examples. It is for these reasons that the MET score outcome 3 as **A⁺**. A summary of the scoring for outputs and outcome 3 is shown in below.

OUTPUT 3.1	OUTPUT 3.2	OUTCOME 3
A ⁺	A	A ⁺

5.4 Outcome 4

Adequate and affordable housing and basic services solutions developed as a result of CLIFF.

5.4.1 Output 4.1

Number of affordable housing units constructed

Primary data concerning houses constructed is only available for the three countries covered by the field mission. Reall stated in their Annual Review to DFID, dated 29th April 2016, that housing and basic services projects, and loans were below targets by between 30 and 35% for the financial year 2015/16 owing to the restructuring necessary under investor readiness. However, whilst this reduced the number of houses approved by Reall and, therefore, the number of houses constructed below the logframe targets, the field missions revealed that the three HDEs in Angola, Kenya and the Philippines were well on track to complete their business plan targets for houses constructed, albeit a little behind schedule. Furthermore, the number of houses constructed in the three countries, as reported by Reall were verified during the field missions, so the team is in agreement with Reall's score of **B**.

5.4.2 Output 4.2

Number of affordable micro-mortgages (MiMo) issued

Since there is a direct correlation between houses constructed and MiMos issued, and noting the arguments immediately above in Section 5.4.1, the MET score this output as **B**.

Since both outputs are scored B, Outcome 4 also receives a score of **B**.

OUTPUT 4.1	OUTPUT 4.2	OUTCOME 4
B	B	B

5.5 Outcome 5

Development of innovative models and practices developed to enable/provide the sustainable delivery of basic services, land and housing to the urban poor

5.5.1 Output 5.1, 5.2, 5.3 & 5.4

- 5.1: Innovative models and practices generated
- 5.2: Innovative models and practices research and case studies produced and disseminated
- 5.3: International conference and workshops
- 5.4: Promotion of new models and practices to public, private and civil society sectors

Reall reports a number of innovative practices adopted by HDEs and some of these are discussed at length in Section 4.17. However, many of these have not been effectively disseminated and shared—which Reall recognises. There is also a question of what constitutes “innovative” and the reasoning behind this is also discussed in Section 2.17.

The CLIFF Stakeholder Group (CSG) meeting, attended by senior staff from all HDEs was an unmitigated success this year, incorporating some format changes in view of the initial feedback from the MET soon after returning from their respective field missions. Reall received excellent feedback from HDEs. Reall was also a major contributor at Habitat III in Quito in November 2016.

In view of this and following the discussions in Section 2.17, the MET score Output 5.1 as B; Output 2 as B; Output 5.3 as A+, and 5.4 as A; and Outcome 5 scored as **A** (aggregated), as summarised below.

OUTPUT 5.1	OUTPUT 5.2	OUTPUT 5.3	OUTPUT 5.4	OUTCOME 5
B	B	A+	A	A

5.6 Outcome 6

Knowledge, learning and good practice emerging from CLIFF (pertaining to Outputs 1 - 5 above) documented, disseminated and used to advocate.

5.6.1 Output 6.1

Documentation and dissemination of knowledge, learning and good practice

Reall reports seeing evidence of a ‘creation–refinement–replication’ process emerging at different levels across the programme, and across different thematic areas of work; but also acknowledges the need to develop a better system of sharing learning across the Network.

In view of the discussion presented in Section 4.18, both Output 6.1 and Outcome 6 are scored as **A**.

OUTPUT 6.1	OUTCOME 6
A	A

6 IMPACT

6.1 CONTRIBUTION OF OUTCOMES TO THE OVERALL CLIFF GOAL

The overall goal of CLIFF as stated in the logframe is to “Reduce poverty by increasing the access of the urban poor to public, private and civil society sector resources for housing and basic services.

In assessing the overall contribution of the combined outcomes towards achievement of CLIFF’s stated goal, it is necessary consider the transition from community-focussed to institution-focussed interventions. As stated in Annex 1 to DFIDs 2016 monitoring report the objective now is “to create and support independent, embedded urban institutions capable of delivering sustainable housing and basic service infrastructure in perpetuity”.

The overall goal remains poverty reduction, implying that by increasing urban poor households’ access to public, private and civil society sector resources for housing and basic services—essentially increasing access to adequate housing—poverty levels in the countries in which CLIFF is working will reduce. There are, however, no outcome indicators that can be said to objectively measure poverty reduction, including at the community and household levels—except perhaps indicator 4.6 that measures household equity. There is a close link between the provision of adequate housing and poverty reduction in two general ways: (i) housing construction contributes to economic output, creates jobs, and generates demand for housing construction supply chain products and services; and (ii) improved housing raises the standard of living of and quality of life of occupants (Doling et al., 2013).³⁶ CLIFF therefore clearly makes a contribution in this respect. But how this will be measured is not explicitly articulated in the CLIFF2b Business Case. In a future logframe, it might be beneficial to include a specific outcome related to expected poverty effects, to emphasise the overall objective of CLIFF.

Regarding the focus on creating sustainable organisations, the existing logframe with its five outcomes was designed on the basis of the older model, focussed on community delivery of housing and services. Not all of the outcomes are therefore perhaps fully in line with the new institution-focussed objective.

6.1.1 Outcome 1

CLIFF implementation expanded through establishment of new Community Development Enterprises (HDE’s) or CLIFF Implementing Partners (IPs) in current and additional participating countries.

Expansion in terms of number of partners is currently not a programme priority. CLIFF now prioritises organisational restructuring and capacity building to achieve investment readiness across the Network. While a pipeline of partners is necessary to ensure a healthy portfolio risk profile, the strategic focus is now on strengthening existing partners rather than the number of partners. This outcome is thus no longer key to achieving CLIFF’s stated goal.

6.1.2 Outcome 2

Financial and technical capacity and reputation of existing and new IPs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy.

Financial and technical capacity are evidently important for creating sustainable institutions, and progress under this outcome contributes towards that objective. Improvements have been slower than expected, but the focus on capacity is important for organisational development. As discussed in chapter 4 above, capacity needs to translate into organisational capability to effectively improve institutional performance. This could be included as a future part of a capacity-directed outcome.

The outcome formulation perhaps includes too many desired results to be fully functional. While reputation, access to resources, delivery of adequate housing, and innovative practices can all characterise sustainable institutions,

³⁶ See also (UN-Habitat, 2010).

they somewhat dilute the focus on the key aspect of “organisational capacity and capability”. It is normally advised to formulate simpler, more direct outcomes that is not contingent on several secondary objectives.

To ensure that this capacity is working in accordance with the overall goal of poverty reduction, the target group should be included in the formulation of the outcome. In the existing logframe, “slum dwellers” is the target group, but this might be rephrased more generally as lower income groups in a new logframe. In general, all CLIFF partners ultimately target poorer groups within their societies. Thus, the outcome contributes to the overall goal.

6.1.3 Outcome 3

Mobilisation and leverage of financial (e.g. cost recovery, loan finance, construction contractor investment) and non-financial (e.g. land, basic services, technical skills) resources from the public and private sectors, as well as from community contributions, for the delivery of adequate and sustainable housing and basic services for slum dwellers.

Ability to attract capital and resources from sources other than CLIFF is an important characteristic of a sustainable institution. Achievement of this outcome thus indicates institutional strength. CLIFF has been able to leverage substantial financial resources towards housing development, with India being the prime example. Other partners have also been able to leverage additional private and public resources, including Kenya, Nepal and Tanzania. As these resources have largely been used in projects aimed to deliver improved housing and services to the poor, the outcome contributes to the overall goal.

The outcome indicators however need revision, partly because they appear to mix Reall’s operation with the partners’. Fund redeployability—or net loan portfolio—is an indirect indicator of partner strength as repayments from a partner signals technical and financial ability. More directly, however, it measures Reall’s ability to make good lending decisions, which is not part of the “sustainable partner” equation to the same degree. Institutional equity is an important indicator, but belongs perhaps more under Outcome 2, than under Outcome 3, as equity among other reasons is built by delivering positive operational results.

6.1.4 Outcome 4

Adequate and affordable housing and basic services solutions developed as a result of CLIFF

The outcome is tied to the overall goal of delivering pro-poor housing, but may need to be redefined to be directly linked to the building of sustainable institutions. However, it is the key “product” that the sustainable institutions aim to deliver, and clearly belongs in a CLIFF logframe.

Regarding the outcome objective, the programme has delivered a substantial number of housing units and basic services in the various countries. Some of these are however unaffordable for urban poor households, particularly those at the lower end of the BOP. As explained in Section 4.10, the need to reach financial sustainability compels many of the HDES to build housing that is only affordable to households higher up the income pyramid. The evidence however suggests that it is not possible to reach the poorest BOP households without subsidies.³⁷ In this regard, some of the HDEs are planning to build housing units to sell to higher income households to enable them to cross-subsidise housing units for poorer households. Finding the right balance between the different client groups will be a challenge for many HDEs in the quest to become operationally and financially sustainable.

Of the indicators, “number of loans” and “household equity” appear as less relevant for the outcome. While lending may be part of a total housing delivery package, it is not necessarily something that a sustainable institution should do. The household equity is perhaps better suited under a socio-economic outcome or outcomes, related to impact on poverty reduction. The same goes for number of beneficiaries, and for employment created.

6.1.5 Outcome 5

Development of new models and practices developed to enable/provide the sustainable delivery of basic services, land and housing to the urban poor

³⁷ See, for example, the case of Ethiopia’s *Integrated Urban Housing Programme* (UN-Habitat, 2011).

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As this is a necessary part of building a sustainable institution, the outcome contributes to the overall CLIFF goal. However, innovation can take many forms. For many of the HDEs, it is more a question of adapting a proven product—housing or lending—to come out with an innovation, than developing a new solution. While innovation is important for longer term sustainability, it should not necessarily be the focus of institutional strengthening. However, in a network, innovation can play a major role in instigating change and stimulating creative thinking among partners. It is a strong point of the network that should be better exploited.

Some of the key results from the drive for innovation relate to the building of cheaper core houses in several countries. This has made home ownership a true possibility for poorer groups. The core house model, while not perhaps a new innovation, has been refined and operationalised to a degree that it can be replicated in several countries. The challenge has been related to scale, whereby an organisation may have had a good prototype, but not the capacity and resources to scale up production and delivery. This is where the goal of building sustainable institutions becomes key, as they are necessary to provide adequate housing to a larger number of people.

6.1.6 Outcome 6

Key emerging lessons from CLIFF implementation being captured and documented by all Stakeholders.

Successful achievement of the outcome within the network will likely improve institutional strength for all involved. It is one of the key comparative advantages that a network organisation has, namely the ability to disseminate experiences and learn from each. It is also an important part of the external added value of CLIFF, which can potentially contribute to the building of local pro-poor housing markets. Not least, it can play a key advocacy role in relation to governments and other stakeholders, illuminating important issues, and proposing changes to reduce constraints to pro-poor housing. Such impacts are already evident in Kenya, where NACHU was invited by the President to present a paper for how the Government can encourage low income housing. And in Angola where the government has shown interest in contracting HabiTerra to build 300 affordable houses under the National Urbanism and Housing Programme (NUHP)—having failed in its attempt to do the same, resulting in housing that is afforded only by middle to higher income earners.

6.2 EFFECTIVENESS OF OVERALL STRATEGY, METHODOLOGIES AND ACTIVITIES

The overall strategy has evolved during the life of the CLIFF programme. The key change has been the change in focus from community development to sustainable institutions. This was part of a more elaborate strategy of moving Reall, the network and the partners towards “investment readiness”. The reasoning behind this is explained in the DFID Annual Review 2016. The key objective is to attract additional resources into pro-poor housebuilding and service delivery, as that is required to have impact at scale. Reall is still developing the tools, methodologies and models for enable this to happen across the network, so it is too early to fully assess the effectiveness of this new strategy. At its core, however, Reall expects partners to follow a common line of progression from being small and grant dependent, to being strong and investor ready. In the Strategic Framework paper of October 2015, the basic model is illustrated in the diagram to the right.



Reall foresees five basic stages from start-up to self-reliance for the HDEs, which have not changed. Organisational capacity and scale of delivery are mutually reinforcing, i.e. delivery builds capacity and vice versa. Reall will provide a continuum of technical, financial and organisational development support specifically designed for each stage. To do this, Reall has developed a range of different models and standards, for instance within:

- HDE Organisational Structures
- HDE Governance, Strategy and Competence
 - Model Board Structure and Responsibilities
 - Model shareholding structures
 - Model Standardised Planning (Business, Strategic, Activity)
 - Organisational competency framework in key areas, like Project Planning and Delivery; Credit and loan management; Finance and Internal Controls; and Reporting and Monitoring
- Reall Network
 - Reall Network Structuring Principles and Basic Standards Documentation
 - Model HDE selection framework
 - Model Agreements between Reall UK (hub), Funding Partners (FP's) and HDE's.
 - Competency Framework and basic standards for Reall UK (pending at Reall UK level on Gap Analysis)

While it is early implementation yet, the results so far are mixed. It has proven slower to move partners up the “ladder” than perhaps envisaged, and some partners have taken a step down – like in West Africa, Malawi and Zimbabwe. For Reall and CLIFF, there are a few issues for reflection:

- Partners currently follow many different business models that may not necessarily fit into the above graduation model. Partners have—and will likely continue to—respond to incentives and market opportunities in their own countries and, for instance, outsource mortgage lending if a reputable financial institution is willing to take it on. The diversity of business environments and market opportunities will present the partners with very different market parameters, and one particular model may not be efficient and effective in all places.
- Generally, the significant diversity is an issue also at the operational level, as not all tools and standards may be appropriate for all contexts. The purchase of land, while having some key common features, is a very different business in Angola compared to the Philippines. It is therefore challenging to develop one blueprint for how it is to be done. Perhaps Reall should focus on setting standards and key process parameters, and then the achievement of these standards will depend on context. The key for CLIFF is having a firm grasp of what standards could, and should be universal, and what can be allowed to evolve more context specifically. Reall has shown great willingness to adapt and adjust their support and strategies, and this ability will be further tested during the coming efforts of standardisation of operations across the network.
- While Reall may desire that all partners align with its objectives, strategies and operational models, it does not fully own them. They are all sovereign institutions legally organised with their own independent governance structures. Some of these like the cooperatives have their primary responsibility not to Reall, but to their membership. Reall is for these more a lending donor, than an equity investor. Of course, for many, Reall is the key donor and supporter and the only reason the organisation is still alive. They will likely try to follow Reall's instructions to the best of their abilities. But there is reason to give the future nature of these relationships more thought, to ensure that the overall objectives of CLIFF and Reall are adhered to.
- If the institution building is successful, HDEs will become not only operationally sustainable, but also attract investment funding from other sources, such as development finance institutions (DFIs), private investors or even the government. As pointed out, most HDEs are independent organisations that can ultimately choose their own path. Some may therefore prefer to forge partnerships with other organisations, some of which may coexist with the Reall engagement while others may be conflicting. Reall should thus review its partnership policy to see how it can remain an attractive partner should an HDE become independent and sustainable with alternative partnership options.

7. RISK AND VALUE FOR MONEY

7.1 Risk

The DFID CLIFF Phase 2b Business case (January 2014) lists a number of risks to the Programme in Table 5 “Risk assessment and mitigation measures”. These vary from the risk of housing models not being adequate and

sustainable, to the potential impact of the global financial crisis. Each of the risks is given a probability and an impact rating, plus a corresponding mitigating action. This risk framework is updated annually, in the DFID Annual Review, of which the latest is dated 29th of April 2016.

Most of these risks are phrased at a fairly general level. Annex 9 shows a brief assessment of whether any of the risks listed have occurred and if so, what impact it has had.

Reall faces a complex risk context, where the most obvious issue is that the majority of risks are attached to the operations of the individual HDEs, over which Reall has limited direct influence. The current repayment issues with the HDEs in Burkina Faso, Malawi, South Africa and Zimbabwe illustrate the very multifaceted risk picture that an organisation like Reall faces. In at least three of the cases, the reasons are probably linked to internal deficiencies in governance, management and planning ability, and thus institutional strength. However, if Reall had to wait until the organisations scored well on all organisational indicators, Reall would have been unable to distribute much funds. Taking risk has been part of the CLIFF business idea from the beginning. However, it might be that the balance between risk/reward needs reconsideration. That financial risks are not irrelevant is proven by the fact that Reall in March 2016 increased the loan provisioning from GBP 1.4 million to GBP 10.7 million, or 32% of the loan book.

This is recognised by Reall and its donors, and Reall have taken several concrete steps to get a better handle of the financial risks. New project investment criteria has been introduced, which have led to a reduction in recent project lending as projects have had to be better prepared. Further, a more systematic operational risk mapping is introduced, where Reall does a detailed annual portfolio review of all its engagements. Each HDE is rated with regard to a) country risk, b) partner capacity risk, c) partner financial risk, and d) project risk. The system – if we understand it correctly – includes adjusting ratings with mitigating actions, and probability and impact assessments. It will help Reall identify problems at an early stage, and assist in preparing organisational development plans to mitigate the risk for each partner. It was this review that resulted in a recommended loan loss provision of GBP 10.7 million. This provisioning was also triangulated by Reall's auditors, who made recommendations and adjustments which were taken on board, therefore it is externally verified both in methodology and results.

The new system is undoubtedly a sound system for structuring thinking about risks and for mapping consequences of different events. It is yet a little early to gauge its effectiveness, but it is important to combine the system with sound judgment. While setting ratings and giving different colours to different aspects of an organisation will help Reall handle risk, it will not take risk away. Good risk systems are less concerned about predicting the future, and more about preparing for it – and such awareness normally takes time to mature.

7.2 VALUE FOR MONEY

In the business case for CLIFF2b, DFID emphasises that this is an unusual intervention for DFID. This is reflected in the calculations for Value for Money, which depends on a number of assumptions that have been benchmarked to a limited degree. Indeed, as DFID says (p.27) *"We have tried to benchmark against comparators but because of the unique nature of this project this has been difficult"*. Nevertheless, the Business Case concludes that CLIFF offers outstanding long term value for money (p. 27). A main reason is that, in terms of outputs, CLIFF uses DFID's money indirectly to start up a cycle of finance rather than paying directly for the construction of subsidised housing.

CLIFF 2b to a greater degree than the previous CLIFF phases targets the building of sustainable institutions. If successful, this could have significant financial and economic benefits compared to a counterfactual situation where no such institutions exist. The lack of institutions serving the low-income population with decent housing is a typical example of what economic theory calls market failure. Indeed, while there are different reasons in different contexts, it is often due as much to government failure as it is to classic market failure. Lack of pro-poor housing is in many countries a result of financial market flaws, which exclude low income groups from access, or price financial access too high for it to be affordable. Real and perceived risk is a key issue in this market, resulting in not only limitations on capital for buyers of houses, but also for construction itself. Without going too deep into a theoretical analysis of financial market failure, a key benefit of CLIFF is that it tries to address this market failure by demonstrating the feasibility of doing sustainable – and profitable - low cost housing. This will reduce the perceived

risk. The almost total absence of such institutions in many of the CLIFF countries illustrates just how difficult it is. This is also where the potential for delivering true value added is the greatest, as a profitable institution based on commercial principles has a good chance to unlock additional capital for low income housing that would not otherwise be forthcoming. Indeed, it is as much market building as it is institution building. Putting value on that benefit is almost impossible, however.

CLIFF has undoubtedly faced challenges in its pursuit to build sustainable institutions, and the initial targets in the CLIFF2b business case have not been reached. Establishing dynamic institutions has probably been harder than Reall envisaged, and there are likely themes for improvement among all stakeholders involved. Further, not all business environments have proven conducive to what Reall tries to do. There are, however, encouraging signs of market developments. Kenya is perhaps where this is most evident. Not only is NACHU moving close to a situation where it is financially independent of grants external partners are also interested in collaborating with NACHU – e.g., commercial banks are willing grant mortgages to NACHU members. Other CLIFF partners are also developing ties with the financial sector, by outsourcing the lending. Increased specialisation, where external companies get involved in the CLIFF value chain is an indicator for development and sophistication of the low-income housing market. Indeed, an organisation that has to internalise the whole house delivery operation from land purchase to client mortgage is not necessarily a sign of market additionality.

We thus agree with DFID that CLIFF is a unique programme, and that it does have elements that are difficult to value and to benchmark against.

7.2.1 Economy

As there is no similar organisation to compare Reall to, the cost of administering CLIFF cannot be benchmarked. In 2015/16, Reall spent GBP 838,529 on administration, compared to a budget of GBP 2.2 million. A budget line GBP 1.2 million for network development was not used at all.³⁸ Generally, a lower volume of lending has resulted in operational savings. At the same time, spending on consultants almost doubled year-on-year to about GBP 824,000 in 2015/16. This was due to increase in investment readiness activity, and to management, legal and organisational restructuring challenges in various countries like Pakistan and Nepal, and credit challenges with the operations in West Africa, Zimbabwe and Malawi. These are events that any international funder will have to deal with if the funder intends to be taken seriously as a long term investor.

Treasury management and financial administration has seen notable recent strengthening in Reall, evident from among others the loan portfolio risk assessment exercise done early 2016. Recent financial management reviews by KPMG commissioned by Sida³⁹, also confirms the capability of financial management. The report concludes that the financial administration of Reall is adequately managed, and that the internal controls are adequate considering the size of the organisation and operations.

On the partner side, the main cost drivers, as noted by DFID, are supplies, consultancy and personnel. A good indication for economy in CLIFF operations is the ability of most partners to build cheaper houses than their competitors, adapted to the pro-poor market segment—which the field missions to Angola, Kenya and Philippines confirmed. In support of this CLIFF has developed strong procurement guidelines that the partners are expected to follow, and the recent firming of investment criteria has led to additional cost consciousness among partners.

A key aspect of the term “economy” is the ability of an organisation to use resources carefully, and always be vigilant to save expense, time and effort. The recent reduction in lending to partners, due mainly to the introduction of more rigorous criteria, exemplifies Reall’s goal to ensure the most economical use of resources.

7.2.2 Efficiency

Efficiency is generally defined as considering the value of outputs in relation to the total cost of inputs. The absence of benchmarks implies that any assessment is qualitative, as it is challenging to compare the CLIFF “unit cost” to

³⁸ CLIFF Finance Report 2015/16, June 2016, Reall,

³⁹ Assessment Report of Reall for Sida; July 2015, KPMG

any comparable unit cost. The fact that the “unit” (objective) of CLIFF is to develop sustainable institutions in markets where few – if any – such institution already exist, exacerbates the challenge. The contexts and institutions vary from country to country, and as CLIFF is not the sole stakeholder in these institutions, the “unit” is subject to a wide array of external influences.

For a majority of the partners, there are indications of improving institutional performance. The recipient institutions in all three countries visited by the Team emphasise Reall’s importance in this process. The combination of capacity and capital support appears in all three cases to be an efficient support methodology.

One recent change seems to have played a major efficiency enhancing role – at least for some of Reall partners – namely the increased use of loans instead of grants. The emphasis on commercialisation and on investment readiness has in some of the partners sharpened efficiency awareness. NACHU said as follows regarding the impact of loans and the drive for commercialisation:

- Transformed internal thinking, to becoming more business-like. More focus on results, and more sensitive to delivering on time – must meet deadlines.
- Had to scale up operations to become more efficient. Needed to build a pipeline to utilise resources from CLIFF. Big difference from when those resources were grants.
- Prioritization of resource use: fewer pilots – now ensure that efforts contribute to growth and sustainability. This also applies to human resource policies – now employ staff in specific fields, related to growth.
- Definitely increased financial awareness, in management as well as among staff. Can no longer spend money unless there are good reasons for it.

The result is that NACHU is close to managing financially without grants; able to build a substantial amount of low cost houses per year; and is becoming attractive as a partner for external institutions like commercial banks. However, for some of the recently started and fledgling institutions, the commercial requirements may not be as efficient as it is for more developed ones. NACHU had the sufficient resources and business backbone to thrive on more stringent conditions, while the catalytic effects may be less in cases like LinkBuild, which comes out of a very different context, with a different set of resources. In such cases, pursuing commercialisation too rapidly may risk breaking the institution, since it is likely to be neither ready nor sufficiently financially astute to effectively implement a strict commercial agenda. Reall needs to carefully consider the balance between grants and loans, and the mixture of support, to each of its partners. Contexts and partners are different, and optimum efficiency will be difficult to achieve without sensitivity to the diversity of the CLIFF portfolio.

7.2.3 Effectiveness

Has CLIFF been effective in delivering the stated outputs (outcomes)? Compared to the 2014 business case for CLIFF2b, it has not. As shown in the above in Section 4: Results, most of these score below the target as of June 2016. There are a number of reasons, but the common theme seems to be that it is taking a longer time to support the partners into becoming sustainable organisations, than was initially assumed. Serious setbacks have occurred with partners in West Africa, South Africa, Malawi and Zimbabwe. Even though the country contexts bear a substantial responsibility for these problems, there are also likely CLIFF effectiveness challenges.

One of these challenges is properly understanding and handling internal developments in partners, and having systems that detect issues before they become serious. Some of the partners may face issues that capacity support has a limited chance of addressing, and others may have divergent agendas, which compete with CLIFF. In a partner relationship where all resources go from one partner to the other, there will always be an asymmetrical power relation, and an incentive for the recipient to conceal challenges. This may not even be intentional, and is no different to any other donor project.

One possible result is that assessments of partner capability and capacity may be overestimated, and that Reall does not have full information about potential partner challenges. This may to some degree explain the somewhat ambitious nature of the initial CLIFF targets, compared to the outcomes. However, the introduction of more stringent investment criteria and a host of other financial management practices have likely improved Reall’s ability

to identify challenges – and implicitly increased effectiveness. The recent portfolio review, resulting in a Reall loan loss reserve of 32% of outstanding loans, is a good example of a realistic and professional assessment of partner capacities.

It is crucial to effectiveness of CLIFF that Reall remains open and accessible to partners regarding discussions about challenges and risks. A key part of such a communication is to focus on quality, more than perhaps on quantity. In many cases, the two go hand in hand, but for others, the drive to deliver scale and quantities may hinder the effectiveness in terms of developing sustainable institutions. Some of the difficulties in for instance Malawi and Tanzania can perhaps be traced to an overemphasis on scale.

7.2.4 Cost-Effectiveness

In the monitoring report for 2016⁴⁰, DFID considers CLIFF very good value for money, and the MET agree.

The current challenges with some of the partners and the slower than anticipated development of sustainable institutions is more of a reality check, than a flaw in the development model. Even if the indicator for household equity has calculation errors, the current figure of GBP 136 million provides a good indicator of the value that CLIFF generates. It compares favourably to the DFID planned outlay of GBP 18 million. The overall cost effectiveness of CLIFF is illustrated by estimates of the cost per house constructed and per unique beneficiary of CLIFF houses. Reall report that over CLIFF2 (January 2010 – March 2014), GBP 11,337,304 was spent (not including redeployable loans) and HDEs constructed 3,582 houses benefiting directly 17,910 people⁴¹. Under CLIFF2b (April 2014 – March 2016), GBP 6,627,732 was spent (not including loans) and HDEs constructed 3,580 houses for 17,900 direct beneficiaries. The cost to CLIFF2 per house and per beneficiary was GBP 3,165 and GBP 633, respectively. Under CLIFF2b, the cost per house and beneficiary fell to GBP 1,851 and GBP 370, due to the transition from capital grants to loans. This illustrates a decrease in absolute cost to the CLIFF programme per house constructed and direct beneficiary of 42%, exemplifying the increased cost effectiveness of CLIFF2b over its predecessor.

Additional benefits include direct and indirect employment, supply chain strengthening, socioeconomic impact on families with houses, and general market development. Getting just one HDE to a level where it can build and sell 1,000 housing units per year sustainably without grants, would alone create an annual household equity of GBP 8.4 million (using the average equity per household of GBP 8,391.⁴²

8. SIDA FUNDED INTEGRITY FOR INVESTMENT INITIATIVE

8.1 ASSESSMENT OF THE EFFECTIVENESS OF DELIVERY OF THE I3

The overall objective for the Integrity for Investment Initiative (I3) is to attract more private finance and investment to housing development for those at the bottom of the income pyramid (Reall, December 2013). The dearth of private capital are among others connected to risks that relate to the construction sector, the country context, the project, the implementing institution or the end user. By reducing real and perceived risk, more private capital would become available at cheaper prices, thus increasing investments in land, housing, water and sanitation for poorer income groups.

A particular facet of risk is the perception of increased likelihood for fraud, corruption and mismanagement in the countries where CLIFF operates. Land and housing are economic sectors of significant value, and thus attractive to both public and private stakeholder manipulation. Land, housing and infrastructure development are dependent on external processes (planning approvals, entitlements and servicing agreements), and there are substantial risks that need to be identified and managed. Developing a structured and sound management system in the partners for handling these processes is a key objective of the I3 programme.

The programme aims at giving everyone along the value chain right information and accurate data, which combined with guidelines and standards, will enable good decision-making. The initiative sets out to build the credibility of

⁴⁰ DFID's Annual Review of CLIFF2b – Summary Sheet, 29th April, 2016.

⁴¹ This assumes an average household of 5 people. This ME's end-user survey found that the average household size was 4. See Section 4.12 for more details.

⁴² Using the average equity per household of GBP 8,391 as per the DFID logframe Update Report.

the processes, the institutions and the results in order to diminish risks or perceptions of risks. To do this, the I3 introduces a set-by-step methodology. It starts with mapping the entire CLIFF ecosystem, and its constituent processes. This provides a basis for identifying the risks related to each process, and locating the points where fraudulent decisions tend to be made, or where poor decisions will have the most impact. This is done through what is called “Stage-Gate technique” in which a process is divided into stages, separated by gates. At each gate, the continuation of the process is decided by pre-agreed decision-makers, whose decision is determined by pre-agreed criteria. This is to ensure that there are clear objective criteria for decision makers at each decision “gate” and clear accountability for decision-makers.

Generally, this is a welcome initiative, not only for reducing mismanagement, but also for simply structuring the different work processes for the partners. In NACHU, this part of the exercise was highly appreciated, and one that NACHU management emphasised has saved them significant time.

While the idea and the intentions are very good, implementation is less easy across a portfolio of 14 partners at very different stages of development. Logistical difficulties in administering and organising working groups and workshops, including remote working and finding suitable meeting dates, was one of the reasons for a slow start up of the initiative (Reall, 2016). Reall may have underestimated the volume of work needed to mobilize and establish interest among partners for the initiative. However, the I3 made progress in 2015/16. There is now greater clarity around the methodology among partners, and the initial mapping around the “stage gates” and the processes both within Reall UK, and the wider Network, has progressed. The first I3 focus group conference took place in Nairobi in September 2015, involving 6 focus group partners and Reall staff.

The logframe for the I3 is based on the basic methodology, and the step-wise process that the I3 employs. As work generally has progressed slower than anticipated, the “lower” levels of the logframe has seen only limited activity.

8.1.1 Output 1

“Internal Integrity: Build integrity and transparency and within the internal processes (the spine) of CLIFF, from the Funder/Investor through Coordinating Partner, Implementing Partner (IP/CDE), Community, to the End user/beneficiary, i.e. end-to-end risk management capability”

There is some progress towards achieving the output, for now focused mostly on the mapping and structuring of operational process in the partners. This has taken more time than envisaged, but several partners like NACHU show good progress in building of “integrity and transparency”. However, other partners seem to need more time.

TABLE 8.1: I3 INDICATOR 1.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
1.1	Mapping all internal processes along the value chain, and identifying key decision points.	15 Internal IP Processes Mapped	8 Internal IP Processes Mapped	8 Internal IP Processes Mapped
Comment:	<i>Ongoing, but slow progress in some partners</i>			

Reall reports that 8 partners have had their key processes mapped (SSNS India, Kuyasa South Africa, ShelterSol Zimbabwe, NACHU Kenya, AMC Pakistan, EDH Malawi, MFF Nigeria and Sewa Nepal). Of the other partners, the Burkina Faso WSA is an eminent illustration of why the I3 is needed, as it is currently under investigation for fraud. There are different reasons why the remaining have not finalised the mapping. Some are due to organisational changes, while others have perhaps not given the exercise top priority. Reall is themselves also part of the I3, and has mapped 6 core processes.

The diversity of business models among the partners may pose a challenge to the standardisation of processes and gates. External organisations may not accept the same processing standards as the Reall partner’s desire, and outsourced operations will require extra vigilance to avoid unwanted incidences.

TABLE 8.2: I3 INDICATOR 1.2 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
1.2	Decision making criteria/ standards for Community Driven infrastructure investments review, evaluated and documented	Criteria and standards developed based on 9 IP country assessments	Standards and criteria not finished	Standards and criteria not finished

Decision-making criteria developed as part of the mapping process is still being collected, and Reall intends to collate and consolidate them. That may take time, for the same reasons as already discussed above. Not all partners have managed to finish the mapping, and the diversity in terms of organisations, business frameworks and countries complicates the development of a common set of standards to be used everywhere and in all conditions. Indeed, the question is if it is at all possible. Much will depend on how the different criteria are expressed and how they are applied. Criteria that expedite a process in one country, may be a constraint in another; and a safe procedure in one place may be unacceptable in another. For instance, doing land transactions with local government may be perfectly valid in one country, while it may be riskier in another with weak local governance structures. Making an overall standardisation framework for all partners will require finesse, and a challenging balance between flexibility and rigidity.

TABLE 8.3: I3 INDICATOR 1.3 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
1.3	Systems and technologies to facilitate decision-making and monitoring developed and tested	Systems and technologies and standards developed based on assessments	In process	In process

The mapping has been accompanied by an assessment of tools and systems that can support the different processes, particularly in the partners that have been through the mapping. To support loan management, the Temenos T24 has for instance been introduced in NACHU. This is a cloud based system that also gives Reall immediate access to all loan information in NACHU. The T24 is unlikely to be installed in any other partner, as it is an expensive system that assumes a substantial number of clients to be truly effective and efficient. However, there are other cloud based loan management systems better adapted to the size of the typical Reall partner, and Reall assists for instance LinkBuild with such a system now. Other systems for other processes are continuously under assessment. The idea is to introduce systems and technologies that capture data to support decision-making and transactions, and provide checks and balances.

8.1.2 Output 2

“External Integrity: Identifying and mitigating risks related to external dependencies & Building integrity and transparency within the decision-making processes that exist between CDEs/ Implementing Partners and external actors, primarily Government.”

The main progress on this output has been the mapping of the processes and decisions related to land acquisition for the 8 partners that have finished the I3 mapping. Land is assessed as a key external risk area for all of Reall’s partners, at the same time as it is vital to the overall mission for Reall. Building houses without land is difficult.

The identification of the external stakeholders relating to land approvals in each partner country is taking place as part of partner's mapping of internal land acquisition processes. The risk areas are identified and documented within the whole land acquisition and approval process for the first 6 partners that finalised the mapping. On the portfolio level, it is still ongoing, and appears as a complex area for some of the partners.

Milestone Evaluation of CLIFF2b

This is also an ongoing process, and Reall has initiated a compilation of procurement processes among the partners. There is no official documentation on the progress. As affirmed in the latest DFID logframe update, there has been no activity under this indicator in 2015/16. This is a highly interesting indicator though, as trustworthy benchmarks on these costs are rare in many countries that CLIFF is working. That is unfortunately also a hint that developing such benchmarks is a complex and challenging exercise.

TABLE 8.4: I3 INDICATOR 2.1 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.1	Mapping application and approval processes for acquiring land, development rights, and land title	Compile guidelines for addressing and managing this risks	In process	In process

TABLE 8.5: I3 INDICATOR 2.2 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.2	Developing procurement standards to target marginalised groups and socio-economic imperatives	Developing procurement standards	In process	In process

TABLE 8.6: I3 INDICATOR 2.3 - SUMMARY OF TARGET AGAINST ASSESSMENTS

INDICATOR	DESCRIPTION	TARGET MARCH, 2016	REALL/DFID ASSESSMENT, JUNE 2016	ME ASSESSMENT OF ACHIEVEMENT, OCTOBER 2016
2.3	Developing benchmarks around the costs for land, water, sanitation and housing and publishing these so that the public are aware of the real costs in-country	Compiling, Reviewing and Developing Benchmarks based on assessments	No activity	No activity

9. CONCLUSIONS: CHALLENGES, OPPORTUNITIES & AREAS FOR REFLECTION

CLIFF has come a long way since it was first established in 2002. The 15 years between the first CLIFF grant, and the current massive lending portfolio, have seen major changes in not only CLIFF, but also in Homeless International/Reall, as well as the various countries and institutions in Africa and Asia where CLIFF has been active.

The overall goal has however essentially remained much the same: to reduce poverty by improving access to affordable housing and WATSAN services for the urban poor. CLIFF aims to address the failure of the housing and financial services markets in serving poor communities, which reflects Reall's vision of: *"A world in which everyone has access to land, shelter and basic services"*. Both the objectives and operational strategies have been adjusted as CLIFF has evolved to achieve that vision. The focus is now on the creation of sustainable institutions, which is articulated in Reall's mission: *"to develop a network of self-reliant, scalable Housing Development Enterprises [HDEs] in Africa and Asia capable of creating financially, environmentally and socially sustainable settlement, shelter and services solutions for people living at the bottom of the income pyramid"*.

The following is a summary of challenges, opportunities and areas for reflection as the MET sees them as of October 2016, which are presented as input into this process of change and adaptation. Indeed, sustainability is a dynamic process that implies continuous adaptation and improvement.

9.1 CHALLENGES

- Developing HDEs using an overall strategy fitting in to one model, noting that HDEs are diverse in legal and organisational structure; are at different points on their development pathway; and are distinct organisations with their own agendas, too.
- As HDEs grow and move towards self-sustainability, there is potential for them to become less compliant and responsive to the CLIFF programme - there have been a few instances where such behaviours have

been observed during this ME. Is it a case of finding the right balance between demands (whether real or perceived) and incentives to retain long-term loyalty?

- None of the partners are today financial sustainable, without grants. Several have only limited income on their own, and that will present them with difficulties in attracting investors. The profits from building and selling houses needs to be realised and shown in the financial statements.
- CLIFF capital funding is the only source of affordable development finance accessible to the majority of the HDEs; but at the same time it is putting many into debt that they are struggling to get out of. Indeed, some have been forced out of the programme because of debt.
- Land is especially high risk—in terms of both legal and bureaucratic transaction processes and times.

9.2 OPPORTUNITIES

- Further development of Reall’s capabilities and competencies assessment model to enable tracking of all key organisational assets. This would improve tracking of OD and enable tailored support packages to be developed, which could be integrated within the HDE’s OD plan (see Section 9.3).
- While the shift towards “investment readiness” is key for the ability of Reall and its partners to attract more commercial capital, Reall ought to reflect how that can be done while taking into account the great diversity of partners, markets and contexts. One model may not fit all. Ability to assess contexts correctly, and adjust the model appropriately, is likely to boost Reall opportunities to engage in a diverse set of markets.
- As HDE reputations grow, there are increasing prospects for the development of strategic partnerships to increase the access of the urban poor to public, private and civil society sector resources for housing and basic services delivery.
- The HDE network presents significant opportunities for sharing of lessons learned and knowledge transfer but this will require establishing an efficient and effective platform for this to happen, such as an intranet.

9.3 AREAS FOR REFLECTION

- With organisational development (OD) and sustainable institutions assuming prominence in the current strategy – and the likelihood of this remaining the case in CLIFF3 – formal OD plans linked to business plans and staff performance management procedures are likely to become increasingly important to ensure HDEs chart a structured development pathway to meet business plan targets.
- In some countries, HDEs comprise more than one company or organisation. Not only does the ability to cover operational costs vary between the HDEs, they can also through internal invoicing impact each other. The financial situation in Reall’s leading partner may not reflect the overall financial situation in the full “supply chain”. It is the health of the supply chain that matters in terms of ability to produce and sell houses.
- CLIFF is arguably deviating from its stated mission of developing housing and services solutions for people living at the bottom of the income pyramid.
- Some of the HDEs are concerned about the fact that they are being compelled to develop housing that is unaffordable for their primary target group—urban poor households living in inadequate housing in slums.

10. CLOSING REMARKS

Adequate housing and safe water and sanitation are basic human rights. However, too many people are currently denied this right. An estimated 62% of African and 30% of Asian urban dwellers live in slums, without access to adequate housing, and with little or no access to safe water and sanitation. With over half of the world’s population now living in cities, and with 90% of the world’s urban population growth over the next 20 years expected to occur in Africa and Asia, this presents a challenge that needs to be urgently addressed.

The exponential increase in demand for adequate and affordable urban housing has so far overwhelmed governments, private sector and civil society organisations alike. While there have been some successful initiatives, a key challenge has been to scale these up. Dysfunctional markets, inadequate business frameworks and a lack of sufficiently capacitated pro-poor housing developers have been a major constraint in this respect.

This is where CLIFF stands out as a unique model. By focusing on building sustainable and investable institutions, CLIFF aims to attract more public, private and civil society sector resources for housing and basic services delivery. This will then indirectly build the market itself, by demonstrating the viability and profitability of investing in low income housing. Functioning housing markets are key to serving the urban poor at scale.

CLIFF is a hugely challenging programme—and while there have been setbacks, there have also been notable successes. This report has highlighted not only the successes and the programme’s contribution to poverty reduction through construction of adequate and affordable housing for urban poor households; but also a number of the challenges that the programme has faced in its implementation. Indeed, there is no such thing as a risk free programme in pro-poor urban development. The key is to correctly identify, learn from, and be able to adapt to the challenges encountered. This is where one of the key strengths of CLIFF lie—namely its proven willingness to change not only operational processes, but also the overall strategy when issues call for reflection and adaptation. This ability to squarely face challenges and address them and adapt appropriately is one that will serve CLIFF well in a continued programme.

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ANNEX 1: CLIFF2B CENTRAL LOGFRAME

PROJECT TITLE: CLIFF (Community-Led Infrastructure Finance Facility)			PHASE: November 2013 – March 2018				
GOAL: Reduce poverty by increasing the access of the urban poor to public, private and civil society sector resources for housing and basic services delivery.							
Output 1	Indicator	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
CLIFF implementation expanded through establishment of new CDE's or CLIFF Implementing Partners (IPs) in current and additional participating countries.	Number of CDE's partnerships established	3 IPs	17 IPs	14 IPs	15 IPs	Targets (revised June '16)	RISK RATING: Low (01/06/16)
		3	14 IPs			Actual	
		Targets revised June 16 to take into account priorities arising from investment readiness strategy.		As recommended by DFID in the Annual Review 2015, Reall are focussing on improving the capacity of existing partners and support investment readiness activity. Therefore no new HDE partners are targeting to allow focus on this strategic area.	See note on Target March-17. By March 18, Reall aim to have identified and partnered with 1 additional HDE partner.		
IMPACT WEIGHTING: 16%		<ul style="list-style-type: none"> Separate Agreements between new IPs and Coordinating Partner (CP): Master Agreements – Defining the purpose, terms and conditions of the CLIFF partnership Capacity Funding Agreements: supporting organisational development and capacity (strategy, skills, systems and structures) Capital Funding Agreements: project funding for land development, basic services and housing End User Funding Agreements: for providing loans to end users for housing and services 					
OUTPUT 2 (Organisational Sustainability)	Indicator 1 (Operational Finance)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
Financial and technical capacity and reputation of existing and new IPs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy.	IP's ability to cover own operating costs	0 Partners	8 Partners	4 Partners	5 Partners	Targets (revised June 2016)	That IP remain intent upon building their capacity after becoming a CLIFF partner
		0	4			Actual	
		Targets revised June 16 to take into account priorities arising from investment readiness strategy					
	Indicator 2 (Capital and Capacity Finance)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
IP's ability to cover 25% of capital and capacity costs	0 Partners	6 Partners	6 Partners	6 Partners	Targets (revised June 2016)	That IP's remain intent on ensuring their own sustainability after	

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IMPACT WEIGHTING: 16%							becoming a CLIFF partner	
		0	5				Actual	RISK RATING: MEDIUM (1/6/16)
		Targets revised June 16 to take into account priorities arising from investment readiness strategy						
	Indicator 3 (Capacity)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
	IPs technical capacity sufficient to maintain and expand services without external assistance.	0 Partners	6 Partners	7 Partners	7 Partners	Targets (revised June 2016)		
		0	6			Actual		
<ul style="list-style-type: none"> Annual Capacity Framework Assessment Fiduciary Assessment and Monitoring Visit reports, including Fiduciary Action Plans. Annual audit reports (including management letter). Project reports and documentation, including plans and cashflows. Monitoring Reports. Annual CLIFF Business Plans and Budgets. 								
	Indicator 4 (Reputation)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
	Formal recognition of CDE's ability to innovate and deliver adequate and sustainable housing and basic services projects by relevant public, private and civil society bodies.	1 Partner	11 Partners	13 Partners	14 Partners	Targets (revised June 2016)		
		1	13			Actual		
	<ul style="list-style-type: none"> Monitoring Reports. Formal agreements and intentions from the public, private or civil society sectors to work with IPs (e.g. contracts, serving on government advisory groups, loan agreements with financial institutions, land allocation agreements with private land owners, joint ventures with commercial developers). Reports of progress under formal agreements, commitments and intentions from public and private institutions. Credit rating from appropriate institutions. Records of awards, media coverage, interviews etc. 							
	Indicator 5 (Capacity)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
	CDE's have effective partnerships with relevant organisations and departments in the public and private sectors.	0 Partners	6 Partners	7 Partners	7 Partners	Targets (revised June 2016)		
0		6			Actual			
<ul style="list-style-type: none"> Project documentation, including plans and cash flow forecasts. Formal agreements, commitments and intentions from the public or private sectors to provide resources. Monitoring Reports. 								
OUTPUT 3 (Financial Leverage)	Indicator 1 (Leverage)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
Mobilisation and leverage of financial (e.g. cost recovery, loan finance, construction contractor investment) and non-financial (e.g. land, basic services, technical skills)	Value of (non-CLIFF) investments in Partners and Projects:	£43.2 million	£37,926,396	£52,130,711	£75,385,836	Targets (revised June 2016)	That new policies/policy changes do not inhibit local mobilisation of resources, and methodologies for generating surpluses	
		Value Excluding Baseline:	45,484,652			Actual		

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resources from the public and private sectors, as well as from community contributions, for the delivery of adequate and sustainable housing and basic services for slum dwellers.		<p>"This indicator measures the ability of CLIFF IP's to attract and leverage financial and non-financial resources. The indicator is calculated by totalling the actual and projected value of financial and non-financial leverage (from partner source documentation) and a multiplier for projected household deposits, representing the leveraging from the end user. This is rolled up to a portfolio level figure for the purposes of reporting.</p> <ul style="list-style-type: none"> Formal agreements, commitments and intentions from the public or private sectors to provide resources. Project documentation, including plans and cash flow forecasts Financial Leverage Report collated at year end. 						
	Indicator 2 (Fund Redeployability)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	RISK RATING: HIGH	
	IMPACT WEIGHTING: 16%		n/a	£37,984,899	£37,068,154	£45,335,166	Targets (revised June 2016)	
			n/a	£25,956,587 Including Loan Loss provision	Including Loan Loss provision	Including Loan Loss provision	Actual	
	Value of Recycled Funds/Funds Redeployable:	<p>"CLIFF completed the first portfolio revaluation process in June 16, as a part of the shift to investment readiness and better loan management practice. As a result, Reall has begun formally provisioning for loan loss risk. This process concluded that at YE16 CLIFF required provision against loss of 33% of the active portfolio. To more accurately express this, targets have been reformatted to include loan loss provision going forward, using best available figures.</p> <p>This figure is a weighted average across the portfolio and represents a conservative 'worst case'."</p>	<p>"This provision of 33% has been applied to the previously reported figure of £38,741,175. This is to bring this figure in line with the projected targets for FY17 and FY18."</p>	<p>"A provision of 33% has been applied to the projected total portfolio value of £55,325,603.</p> <p>Note: Reall will undertake an ongoing loan provisioning process, and therefore it should be noted that 33% is used as a 'holding' figure for the purposes of targetting.</p> <p>It is anticipated that this percentage will be lower, as Reall improves the value of its partner and projects as a part of the shift to investment readiness."</p>	<p>"A provision of 33% has been applied to the projected total portfolio value of £67,664,427</p> <p>Note: Reall will undertake an ongoing loan provisioning process, and therefore it should be noted that 33% is used as a 'holding' figure for the purposes of targetting.</p> <p>It is anticipated that this percentage will be lower, as Reall improves the value of its partner and projects as a part of the shift to investment readiness."</p>			

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Indicator 3 (Land)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
Area of land mobilised by approved CLIFF-supported projects from public and private sectors (Ha).	20.6 Ha	787 Ha	745 Ha	789 Ha	Targets (revised 2016)	
	Value Excluding Baseline:	662 Ha			Actual	
	Source · Formal agreements and commitments and intentions from the public or private sector to contribute land. · Project documentation, including plans and cash flow forecasts · Monitoring Reports.					
Indicator 4 (Institutional Equity)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
Increased Wealth/Asset base of the IP	n/a	£46,458,335	n/a	n/a	Targets	
	n/a	£23,175,783			Actual	
	Source: Total Organisational Assets subtract Total Organisational Liabilities. This figure does not capture CLIFF additionality. Additional metrics will be developed going forward." · Audited Balance Sheets	"Reall suggests that this indicator is no longer fit for purpose, for the following reasons: - As partners restructure (creating new entities, or separating from previous NGO structures) the equity value of the organisation (assets vs liabilities) decreases. This is because newly restructured partners required more lending from Reall to rebuild their capacity, and in some cases have to rebuild their assets base from scratch. However, partner restructuring is a key strategic process, and a decrease in partner equity is no longer seen as an indicator of partner or programme failure, when connected to restructuring activity. Therefore the exponential growth curve predicted in	Due to the reasoning given, Reall has not selected new targets for this indicator	Due to the reasoning given, Reall has not selected new targets for this indicator		

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			earlier targets is unlikely. - Aggregating a portfolio level figure by converting at a flat rate into GBP (without weighting for delivery) masks and potentially misrepresents changes in organisational equity.				
OUTPUT 4 (Delivery)	Indicator 1 (Housing Units)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
Financial and technical capacity and reputation of existing and new IPs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy. IMPACT WEIGHTING: 16%	Number of adequate and affordable housing units approved for the slum dwellers as a result of CLIFF (+Baseline)	5,630	20,193	20,244	21,645	Target (revised June 2016)	
		Value Excluded Baseline	17,590			Actual	
		Assumed Gender Disaggregation: Women + Children (80%) , Men (20%) "New home improvement home improvement loans are converted into indicative housing units at a ratio of 7:1. Source" · Monitoring Reports · Project documentation · Annual reports					
	Indicator 2 (Service Units)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
	Number of basic services approved for slum dwellers as a result of CLIFF. "The assumption underpinning this indicator is that all CLIFF financed housing products should contribute to improved access to water and sanitation; and that 25% of all CLIFF products should provide electrical connections as standard. No allowance has been made for communal sanitation solutions due to the joint decision to withdraw	14,648	47,582	44,526	47,699	Target (revised June 2016)	That IP's remain intent on ensuring their own sustainability after becoming a CLIFF partner
		26,491 Value excluding baseline					RISK RATING: MEDIUM (1/6/16)

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		fresh funding from the Indian context. Source" · Monitoring Reports. · Project documentation. · Annual reports.					
	Indicator 3 (beneficiaries)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
	"3a: Total Number of Non-Unique Beneficiaries of Approved CLIFF Interventions	846,753	440,184	457,708	484,138	Target (revised June 2016)	
		Value Excluding Baseline	407,946			Actual	
		"Baseline Figure amended to factor in the beneficiaries of communal sanitation units provided as part of CLIFF 1. The DFID suggested reduction of the March 2015 target by 50,460 has been accepted and applied to all subsequent targets.					
		Assumed Gender Disaggregation: Women + Children (80%), Men (20%)					
	3b Total Number of Unique Beneficiaries of Approved CLIFF Interventions	Not Previously Measured	242,334	242,954	251,525	Target (revised June 2016)	
		Value Excluding Baseline	229,675			Actual	
		Gender Disaggregation: Women + Children (80%), Men (20%)					
		Source · Monitoring Reports · Project documentation · Annual reports					
	Indicator 4 (employment)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
	Number of jobs created directly as a result of CLIFF.	Not Previously Measured	30,290	30,366	32,468	Target (revised June 2016)	
		Not Previously Measured	26,115			Actual	
	Number of jobs created indirectly as a result of CLIFF.	Not Previously Measured	242,316	242,928	259,740	Target (revised June 2016)	
		Not Previously Measured	211,082			Actual	
		Assumed Gender Disaggregation: Leadership Positions: Gender disaggregation of Targets: Women (55%), Men (45%) Assumed Gender Disaggregation: Construction Jobs: Gender disaggregation of Targets: Women (50%), Men (50%)					

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		<p>"Following conversations with both SIDA and DFID concerning CLIFF employment creation in the construction sector a decision has been taken to realign this indicator with multipliers provided by McKinsey & Company: Direct Employment = Units multiplied by 1.5; Indirect Employment = Units multiplied by 12. Targets and achievements have been recalculated accordingly. Research being undertaken in 2016/17 to define a more appropriate job creation multiplier for the Reall programme</p> <p>Source"</p> <ul style="list-style-type: none"> · Project documentation · In-Country Project and Supply Chain Data 						
	Indicator 5 (loans)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
	Number of loans (beneficiaries accessing loans)	Not Previously Measured	41,157	30,210	34,440	Target (Revised June 2016)		
Not Previously Measured		22,248			Actual			
Assumed Gender disaggregation of Targets: Women (60%), Men (40%)								
<p>"This indicator was originally targeted on the basis of two assumptions. First, that once all CLIFF IPs were using Temenos Systems then all Micro-Mortgages would be broken down into multiple loan components e.g. land, sanitation, infrastructure connections, structure etc.; and second, that the vast majority of CLIFF housing products would be complete houses for sale directly to CLIFF beneficiary groups.</p> <p>Whilst the basic premise of both holds true, the phased nature of the Temenos roll out, combined with an increasingly diverse range of housing/infrastructure products (rental units, site and service plots, and cross-subsidy units) means that a more sophisticated targeting approach is required. The March 2015 target proposed in this document relates directly to the number of units projected for approval (with a small allowance for individual sanitation loans already approved), whilst the March 2016, 2017, 2018 targets have been based on the assumption that 75% of future approvals will be compartmentalised into 4 loan components, with 25% excluded to take into account rental and or cross-subsidy outputs.</p> <p>Source": Contract documentation</p>								
	Indicator 6 (household wealth)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions	
	Value of household equity resulting from CLIFF	Not Previously Measured	£242,000,000	n/a	n/a	Target		
Not Previously Measured		£136,132,768			Actual			
<p>"The March 2016 figure was calculated based on CDE estimates of average CLIFF property values in each of their respective countries. This figure is not weighted by quantity of delivery, as in previous years it has not been possible to achieve an estimate from all partners.</p> <p>"Reall suggests that this indicator is no longer helpful for understanding the progress towards achieving the Output, for the following reasons:</p> <ul style="list-style-type: none"> - Many housing markets in the CLIFF programme are relatively immature, and as such lack recognised valuation 								

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		<p>This indicator has been identified for additional consideration by Reall given its significance to the overall CLIFF business case. No further targets have been plotted for FY17 or FY18.</p> <p>Source"</p> <ul style="list-style-type: none"> · Contract documentation · Market valuation 	<p>practices. Therefore partner estimations of value, although accurate within the target communities and contexts, are more anecdotal than is desirable for a quantitative indicator.</p> <ul style="list-style-type: none"> - When a country suffers from economic fluctuations (in cost of living, currency value etc.) the inherent 'value' of CLIFF housing can change for the target market. This might mean a partner has to 'devalue' the estimated market value of a unit in order to meet the client specifications. Therefore the exponential growth expected in previous targets has failed to link causally to increased housing production - as the value can change due to external economic factors that do not reflect on the quality or capability of the programme or partners. - - Aggregating a portfolio level figure by converting at a flat rate into GBP (without weighting for delivery) masks and potentially misrepresents changes in unit value country by country" 				
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OUTPUT 5 (Innovation/replication)	Indicator 1 (Innovations)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
Development of new models and practices developed to enable/provide the sustainable delivery of basic services, land and housing to the urban poor IMPACT WEIGHTING: 16%	Number of innovative models and practices developed by IP's	Land access models Basic services models (Water/ Sanitation) Housing models Institutional models	16	20	25	Target (revised June 2016)	Changes in policy and practice will facilitate broader based participation of CDE's in housing and basic services delivery for the urban poor. CLIFF will be coordinated with programmes supported by DFID and SIDA country offices
		Financial Service models Financial systems	16+			Actual	
	Source <ul style="list-style-type: none"> Project documentation Research and Case studies Monitoring Reports Stakeholder communications Reflection, Learning and Planning (RLP) event including documentation Website access to CLIFF knowledge base International conference presentations/papers Sources identified in Communications Strategy National and local government policy documents 						DFID and SIDA country offices- (Similar opportunities will be sought for coordinating with other agencies which support relevant programmes in participating countries.) RISK RATING: LOW (1/6/16)
	Indicator 2 (replication)	Baseline March '09	Target March '16	Target March '17	Target March '18	Notes	Assumptions
	Number of innovative models and practices shared and adopted by other IP's, public and private institutions	N/a	7 10	15	25	Target (revised June 2016)	
		Source" <ul style="list-style-type: none"> Business Plans and Monitoring Reports. Case Studies Design Workshop Reports Project Reports 					
			Shared as per Communications strategy	Shared as per Communications strategy	Shared as per Communications strategy		
		Source <ul style="list-style-type: none"> Project documentation Monitoring Reports Annual reports Stakeholder communications RLP event including documentation References to CLIFF material in sector journals Website access to CLIFF knowledge base International fora Presentations Sources identified in Communications Strategy 					

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OUTPUT 6 (Body of Knowledge)	Baseline Mar-09	Milestone Position Mar-12	Progress at Mar-14	Milestone Position Mar-15	Current Milestone Mar-16	Target Mar-17	Target Mar-18	Target Mar-18	Notes	ASSUMPTIONS
Knowledge, learning and good practice emerging from CLIFF (pertaining to Outputs 1 - 5 above) documented, disseminated and used to advocate.	Key emerging lessons from CLIFF implementation being captured and documented by all Stakeholders.		Communications Strategy for CLIFF in place and being implemented		To be defined in revised Communications Strategy	Create and maintain monthly Reall Network newsletter	Create and maintain monthly Reall Network newsletter		Target (including DFID revision Feb 2015)	
					"4+ New video case studies collected Stage Gates and decision making models captured and shared as a part of the I3 process Operations Manual revised to reflect shift to investment model	Capture and share bi-monthly HDE case studies focussed on organisational development, with focus on the transformation from NGO to social housing provider	Capture and share bi-monthly HDE case studies focussed on organisational development, with focus on the transformation from NGO to social housing provider			No Risk to CLIFF
IMPACT WEIGHTING 16%				5 case studies, 1 video and 1 exhibition prepared and shared. CLIFF shortlisted for 2014/15 World Habitat Award. Reall Communication Strategy Under Review following re-launch	I3 workshop in Nairobi to capture, document and share similarities between decision making processes between Network partners. Research project commissioned on job creation"					RISK RATING: LOW

ANNEX 2: DETAILED MILESTONE EVALUATION METHODOLOGY

The following sections are subdivided by the MET's specialisms, as required in the ToR: Housing; Housing Finance; and Housing Development Enterprises (Institutional Development and Real's Grant-Making).

A1.1 HOUSING

As articulated in the CLIFF2b Business Case prepared in 2014, CLIFF addresses the failure of housing and financial services markets in developing countries to serve urban poor communities by strengthening the capacity of local HDEs to improve slum housing. Specifically, CLIFF assists HDEs to develop housing solutions that are responsive to the needs of the urban poor; help secure their land and housing rights; and ensures housing is environmentally sustainable and can be scaled up. This involves providing HDEs with policy advice, linking organisations across countries to transfer best practice and creating affordable and appropriate models for improving housing for the poor.

A1.1.1 Housing and Related Infrastructure Development and Construction

The purpose of CLIFF as stated in the central logframe for the Phase: November 2013 – March 2018 is “To enable [HDEs] to deliver adequate and affordable housing, water and sanitation to the urban poor through innovative practice, and influence on policy.” The logframe has two outputs/outcomes that relate to housing, each of which has related indicators:

- i) Output 4: Adequate and affordable housing and basic services solutions developed as a result of CLIFF.
- ii) Output 5: Number of innovative models and practices developed by HDEs.

In line with the ToR, the ME will (i) assess the delivery of outputs/outcomes against the targets/milestones set; and (ii) assess the specific results against individual indicators for the respective outputs. The assessment and analysis process will include:

1. Mapping
 - a. Number of adequate and affordable housing units approved for the slum dwellers.
 - b. Number of basic services approved for slum dwellers.
 - c. Total number of non-unique beneficiaries.
 - d. Total number of unique beneficiaries.
 - e. Number of jobs created directly.
 - f. Number of jobs created indirectly.
 - g. Number of innovative models and practices developed by HDEs.
2. Assessment
 - a. Range of housing typologies.
 - b. Size and cost of housing units.
 - c. Type, quality and cost of WATSAN services.
 - d. Range of non-unique/unique beneficiaries.
 - e. Type/quality of jobs created directly/indirectly
3. Analysis
 - a. Adequacy and affordability.
 - b. unit cost of housing to the project as a function of house size, services (water, sanitation, electricity), HDE/country and city,
 - c. Innovation.
 - d. User satisfaction.
 - e. Impact of innovative models and practices developed by HDEs.

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An important consideration will be that Reall, in the past year, has focussed on partner capacity building for investment readiness rather than new project delivery. Reall's limited staff resources to work on modelling projects to bring them for approval has meant that, where necessary, these recourses have been diverted to work on entity structure / legal / governance / capacity building issues

Another important consideration will be that whereas CLIFF previously targeted standalone water and sanitation solutions, particularly in India and Nepal, these are however no longer considered to be a strategic funding priority for CLIFF. No standalone water or sanitation projects were therefore approved in 2015/2016; and nor were any additional standalone electrification projects.

Data and information will be drawn from multiple sources including: document analysis; key informant interviews (KIIs); focus group discussions (FGDs) and end-user surveys.

A1.1.2 Urban Land Market Dynamics

CLIFF provides HDEs with recoverable capital funds to buy land as well as to construct houses and to provide affordable housing finance to slum dwellers. Land loans constitute a large proportion of overall project expenditure. However, uncertainty around future funding for CLIFF and new criteria around not buying land unless the requisite funds are held to complete project phases has meant partners have focussed on completing existing projects rather than proposing new projects and buying land.

1. Mapping:
 - a. Area of land mobilised by approved CLIFF-supported projects from public and private sectors.
 - b. Plot sizes
 - c. Existing land delivery and land tenure systems.
2. Analysis:
 - a. Cost of land in relation to market prices.
 - b. Land market segment dynamics (Space segment/Capital segment/Development segment/Land segment).
 - c. Challenges faced by the HDE in acquiring the land; and how it overcome these?
 - d. Innovation.

A1.2 HOUSING FINANCE

The current CLIFF central logframe includes several outputs and indicators related to finance and to the funding of HDE operations. While these will be addressed in their respective logframe milestones sections of the report, it is useful to also discuss financial issues more generally. Addressing the challenge of affordable and accessible housing finance in developing countries is a key justification for the whole programme.

The issues will be discussed under two main headings. Firstly, an assessment of the status of financing of HDE operations, whether it is for land purchase/administration, infrastructure, housing construction or end-user finance—or for all combined. Secondly, an assessment of the different end-user loan systems in use, and the management of the loan portfolio.

The two are clearly connected. The more expensive and less accessible HDE funding is, the more expensive housing is to build, and the less affordable the end-user finance tend to be. Among other objectives, CLIFF aims to reduce that initial financing cost, and make housing capital available to poor urban communities where no such source existed beforehand. To achieve that, innovation and clever adaptations to local contexts are necessary. A key question is thus how well CLIFF has managed to develop and support structures and systems that convert international financial capital into affordable housing solutions for the poor.

A1.2.1 HDE Project Finance of Housing and Basic Infrastructure

While there are a number of commonalities between the 14 HDEs currently supported by CLIFF, each has its own organisational structure, operational practice and indeed objectives. The institutional perspectives are the subject of the next section, and will not be covered in any detail here. However, because for instance the legal status of organisations influences what type of finance they have access to, the first task will be a mapping exercise. Other contextual factors that can explain differences between the HDEs will also be briefly assessed.

In general, and provided sufficient information is available, the analysis will include as follows:

1. Mapping
 - a. Current HDEs organisational structures
 - b. HDEs main services and products
 - c. Country contextual differences – according to international rankings and indices, for easy reference.
2. Assessment of HDEs balance sheets
 - a. Assess debt/equity relations, and the different types of debt on the current balance sheet
 - b. Assess the relation between the different types of finance, and the respective assets on the balance sheet. Is long term assets funded by long term finance? How much is earmarked?
 - c. Assess relation between profit and loss (P&L) and the balance sheet – ability to service debt by generating funds from operations.
 - d. Consolidate findings with Reall records and documentation
 - e. Address the different logframe indicators (2.2, 3.1, and 3.4) related to leverage and funding.
3. Analysis
 - a. Assess scope for improving current CLIFF capital support arrangements. How can CLIFF ensure even higher degrees of capital leverage?
 - b. Assess unintended effects of the CLIFF support

There are a few caveats to the above at this stage of the evaluation:

- Any aggregation and comparison across countries run into the issue of exchange rates. The challenge is often not so much conversion at a specific time, but the development of time series. To the degree possible, the above assessment will thus try to use ratios for comparison over years. However, exchange rates will remain a potential source of error, which will need to be reflected in any conclusions at aggregate level. (Indeed, Reall has apparently suggested to drop a couple of the log frame indicators for equity and leverage due to the exchange issue.)
- Annual accounts – and balance sheets - may not be comparable across countries, and across different types of legal registration. Some HDEs may thus not be included in the overall comparison. Some of the HDEs may also have issues with auditing that make them less relevant.
- It is assumed that all relevant funding of the HDEs is on the current HDE balance sheet. Ex-balance sheet items will not be taken into account unless good reasons are given.

A1.2.2 End User Housing Finance

Most, if not all, of the HDEs offer loans, mortgages or similar financial products to their clients for funding of their land or housing purchase. Apparently, a number of such end-user financial systems are in use, with some having outsourced the lending operation completely while others have kept it as an integrated activity.

For the purpose of this analysis, the different systems will be split according to two main categories:

- Micro mortgage (MM): housing loans of long duration that have all the characteristics of traditional mortgage loans (long repayment period, house as collateral for the loan, ability to foreclose and sell the

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house in case of default). The “micro” in the term implies that these loans are small enough to be affordable for poor households.

- Housing Microfinance (HMF): all other types of housing micro loans. HMF loans differ from MM loans primarily by being smaller and for shorter terms, and most importantly, they are usually not collateralized by the property. HMF loans are often similar to microenterprise loans: Loan approval is generally based on assessment of the applicant’s ability to pay (cash flow), and the assumed willingness to pay (character assessment). There is a further sub-categorization within HMF, namely between those loans that are for home improvement and those that are for incremental house construction.

The distinction between MM and HMF can at times be blurred, for instance with regard to longer term HMF loans that take security, not in the property, but in other assets. Internationally, traditional mortgages are being redesigned to create greater affordability, and an interesting array of products with different adaptations are emerging. Mapping these for the CLIFF funded HDEs will be one of the tasks.

Some of the HDEs may also offer other financial services in addition to those related to housing. While these will be included in the mapping, they will not be assessed in any further detail.

In general, and provided sufficient information is available, the analysis will include as follows:

1. Mapping
 - a. Current HDE end-user finance options and products; terms and conditions;
 - b. Organisational delivery - and management – structure;
 - c. Country contextual differences
2. Assessment of HDE lending/financing performance
 - a. Size and extent of the portfolio, per main products, and per client group.
 - b. Standard portfolio analysis; focus on collection and repayment performance
 - c. Administration of the loans; costs and efficiency
 - d. Consolidate findings with Reall records and documentation
 - e. Address the different logframe output indicators related to end-user financing (Output indicators no.: 4.5, and partly 5.1)
3. Analysis
 - a. Summarise main factors influencing HDE a) ability to offer affordable loans, and b) ability to run a sound end-user financing operation.
 - b. Brief analysis of HDE loan products and systems, in comparison with other micro-mortgage and HMF providers. (There is unfortunately less agreement about “best practice” in micro housing finance, than in traditional microfinance, partly because of a much greater diversity of markets, environments and indeed “housing” as an activity.)
 - c. Potential for improving HDE lending performance, including making finance more affordable. How can Reall/ CLIFF best support such a process?

Many of the same caveats as were mentioned under A1.2.1 above are also relevant for this section. Exchange rates and differences in accounting/ loan recording may make overall comparisons difficult. However, there is an additional issue, namely the degree of meaningful and credible information available. It is assumed that lending data are in formats that can be easily analysed, and that the data does not require substantial adjustments. There is unfortunately not sufficient time to do portfolio cleaning exercises, for instance. It is further assumed that for example standard Portfolio at risk (PAR) ratios are readily available. This is also the case in those instances where the lending operation is outsourced.

A1.2.3 HDE Financial Performance

The logframe indicator 2.1 measures the number of HDEs that can cover their own operational costs. A brief assessment of the current financial performance of the HDEs is thus needed. This is to some degree a reflection of

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HDE performance with regard to their in-lending and out-lending activities, but also involves several other factors. Purchasing of land for housing development and selling of houses are probably as important for many HDEs as the lending operations.

The assessment will mainly concentrate on mapping out the current financial performance of the HDEs, as a more detailed analysis of each will require a different format than this mid-term review. In general, and provided sufficient information is available, the analysis will include as follows:

1. Mapping and assessment of financial status
 - a. Overview of performance based on latest HDE P&L sheets
 - b. Trend analysis for the last three years - for those organisation where that is possible.
 - c. Consolidate findings with Reall records and documentation
 - d. Address the logframe output indicator (2.1) related to financial performance.
2. Analysis
 - a. Summarise main factors apparently influencing HDE financial performances, and their ability to cover operational costs.
 - b. Brief assessment of prospects for future HDE operational and financial sustainability. What is the chance of HDEs becoming profitable enough to maintain and expand their services without continued injections of subsidized funds?
 - c. Potential for improving HDE financial performance. How can Reall/ CLIFF best support such a process? Does the design of the CLIFF interventions effectively promote their eventual financial self-sufficiency?

The key assumption for the analysis is that the HDEs provide meaningful and credible financial information. Further, as almost all of them offer non-financial services, a perceptive analysis will require that the different products are organized and accounted for separately from, for instance, any financial services that the HDE may offer. The mixing of land dealing, house construction, community development and financing in one single financial account makes efficiency analysis almost impossible. Each has a distinct cost structure that will be indistinguishable in a financial report that combines all of the costs and incomes into a single account.

A1.3 HOUSING DEVELOPMENT ENTERPRISES

A1.3.1 Institutional Processes and Development

HDEs have a challenging remit of mobilising communities; designing and developing scalable housing and infrastructure projects; securing affordable finance; and managing end-user repayments and/or a social rental portfolio. Through CLIFF, Reall has been supporting HDEs to move from a situation of financial dependency to one of self-reliance and financial sustainability in order that the work of the organisation may continue without external support. This support has been through a combination of technical and financial assistance packages which have, as the CLIFF2b programme has developed, moved away from traditional grants based funding towards a repayable loans based model.

In terms of the logframe, the focus of attention is on Outcome 2: *Financial and technical capacity and reputation of existing and new HDEs strengthened to access greater public, private and civil society sector resources to deliver adequate and sustainable housing and basic services for slum dwellers through innovative practice and influence on policy.* All five indicators of Outcome 2 are associated with HDE performance and Indicators 1, 2 and 4 are cross-cutting with housing and housing finance. These will be analysed in relation to the specific objectives 1 to 6 as outlined in Section 2.2, above.

Reall has developed a HDE competency model that tracks governance, strategy and technical (“hard”) competencies; this model will not be used to reproduce results in the ME, since Reall has collected such data on most HDEs during 2015-16. Rather, a holistic model combining both “hard” and “soft” core organisational competencies, capabilities and capacities (referred to as the 3Cs model) will be used to investigate deeper in to the

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assets, features, aptitudes and processes that drive HDEs to success and aid in identifying the barriers to achievement. This will augment Reall’s own competency model results. The working definitions of the 3Cs for this ME are shown in Table 1.

TABLE 1: WORKING DEFINITIONS OF THE 3Cs

C	WORKING DEFINITION
Competencies	Knowledge, skills, abilities, attitudes, aptitudes, experiences that are brought to bear for the purpose of producing outcomes. Core competencies summarise the competencies that are important across all jobs and that, collectively, contribute to overall success.
Capabilities	An organisation’s ability to accomplish its work processes through the competencies of its staff. More formally, it is “...a feature, faculty or process that can be developed or improved; it is a collaborative process that can be deployed and through which individual competences can be applied and exploited”.
Capacity	An organisation's ability to ensure sufficient staffing levels, with the right level of competencies, to accomplish its work processes and successfully deliver outputs and outcomes.

In organisational development, the term capacity is often used very broadly; it generally encompasses competencies and capabilities (as defined in Table 1), and staff training is the inevitable “solution” to plug identified gaps. Using capacity in this way hides the complexities of organisations and often promotes missed opportunities to improve overall performance. Capacity in this assignment will focus on the number of staff and whether, collectively, they have the right “amount” of competencies and are facilitated by the requisite organisational capabilities to deliver.

The analysis of HDEs, their process and development will include:

1. Mapping the portfolio of HDEs
 - a. Organisational structure;
 - b. Staffing levels (FTEs), including job descriptions and person specifications;
 - c. Type and extent of organisational development support from CLIFF, and internal (HDEs) and external (Reall) view of the benefits accrued.
2. Assessment of core competencies⁴³
 - a. Delivery-related (achieving results) - Analytical thinking, Achievement focus, Flexible thinking, Managing resources, and Teamwork and team leadership;
 - b. Interpersonal (building relationships) – Influencing, Negotiating, Empowering others, End-User focus, and Organisational knowledge;
 - c. Strategic (planning for the future) - Developing talent, Organisational alignment, Strategic networking, and Strategic thinking.
3. Assessment of capabilities
 - a. Strategic governance – a Board’s ability to focus on the future while operating in the present;
 - b. Adaptive leadership – ability to adapt, innovate and thrive in complex, challenging and uncertain environments;

⁴³ Adapted from “Competency Framework”, OECD, 2014: http://www.oecd.org/careers/competency_framework_en.pdf

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- c. Operational management – ability to ensure that an organisation’s resources, structures, systems, policies, business/service planning and service delivery responsibly managed and well-aligned to the organisation’s strategic direction;
 - d. Workforce development- ability to attract, retain and facilitate strong teamwork. It covers an individual’s competencies, motivation and attitudes, a team’s cohesiveness, and an organisation’s strategies and plans around professional development, coaching and practice;
 - e. Outcomes focus – ability to ensure the competencies of staff, as well as the organisation’s systems and processes, achieve effective results for people and communities;
 - f. Innovation – ability to develop, sponsor, or support the introduction of new and improved method, products, procedures, or technologies;
 - g. Partnerships – ability to form collaborations and partnerships with shared goals that have a greater collective impact.
4. Assessment of capacity
 - a. Capacity requirements - the relevant question is “Do HDEs have enough?”, and before that question can be answered there needs to be a clear understanding of how much is needed, which is likely to be country context sensitive (see bullet point 5, below).
 5. Analysis
 - a. Compile competencies, capabilities and capacities from each HDE and establish correlations in performance; thereby, identifying key organisational assets that are most likely to lead to intended results;
 - b. Analyse the type and magnitude of OD support offered by CLIFF to HDEs and correlate this with the 3Cs assessment and performance (outputs and outcomes);

A1.4 SIDA FUNDED INTEGRITY FOR INVESTMENT INITIATIVE (I3)

At the time of writing the ET has not had access to the full details of this initiative to be able to set out a strategy for assessing its effectiveness. Three indicators for I3 appear in the “Community-Led Infrastructure Finance Facility (CLIFF2b) and Integrity for Investment Initiative (I3): LogFrame Update”, dated 01/06/2016, and in the absence of additional information the ET will develop and I3 Effectiveness framework around these three indicators to capture relevant data when in the field.

A1.5 RISK

The DFID Business case of CLIFF Phase 2b (January 2014) lists a number of risks to the Programme in Table 5 “Risk assessment and mitigation measures”. These vary from the risk of housing models not being adequate and sustainable, to the potential impact of the global financial crisis. Each of the risks is given a probability and an impact rating, plus a corresponding mitigating action. This risk framework is updated annually, in the DFID Annual Review, of which the latest is dated 29th of April 2016.

Most of these risks are phrased at a fairly general level, which will be reflected in our assessment of whether the programme identified and managed risk effectively in relation to the Operational Risk Assessment Framework.

The risk analysis will briefly:

- Assess whether any of the risks listed have in fact “happened” and if so, if the risk mitigation measures were applied and their effectiveness. This will only be done at a general level, and not in relation to each individual HDE.
- Suggest changes to the DFID risk framework, if warranted

Reall faces a complex risk context, where the most obvious issue is that most risks are attached to the operations of the individual HDEs, over which Reall has limited direct influence. Thus, Reall has always been aware of the many dangers that could frustrate its ambitions. However, it is our understanding that a more systematic operational

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risk mapping has recently been introduced. The reason seems partly to be the shift towards “investment readiness” where Reall and its partners aim at attracting more commercial capital. To do that, a better assessment of the risk related to the recoverability of the loans given by Reall to the HDE partners is necessary, as expressed by Reall’s provisioning for loan losses. That financial risks are not irrelevant is proven by the fact that Reall in March 2016 increased the loan provisioning from £1.4m to £10.7m, or 32% of the loan book.

This substantial increase was the result of a full portfolio review, based on the new risk mapping system/structure. Basically, each HDE is rated with regard to a) country risk, b) partner capacity risk, c) partner financial risk, and d) project risk. The system – if we understand it correctly – also includes adjusting ratings with mitigating actions, and probability and impact assessments. It has clear similarities with typical portfolio risk assessments systems in traditional financial institutions.

While undoubtedly a sound system for structuring thinking about risks and for mapping consequences of different events, our initial understanding is that it is a complex system that takes time to fully implement. There is not sufficient experience and evidence from using it for us to be able to assess and evaluate it fairly. Good risk systems are less concerned about predicting the future, but rather about preparing for it – and such awareness normally takes time to mature.

However, we propose to do a brief assessment of the actual risk ratings for each of the three organisations the ET will visit in the field. This will involve looking at the criteria used for the HDE ratings, and assessing their relevance and importance for each of the three HDEs. THE ME will assess if the Reall risk rating system is a good reflection of the risks that CLIFF and Reall are exposed to, through its engagement with the HDE; and if the risk rating adequately addresses the balance between risk and reward.

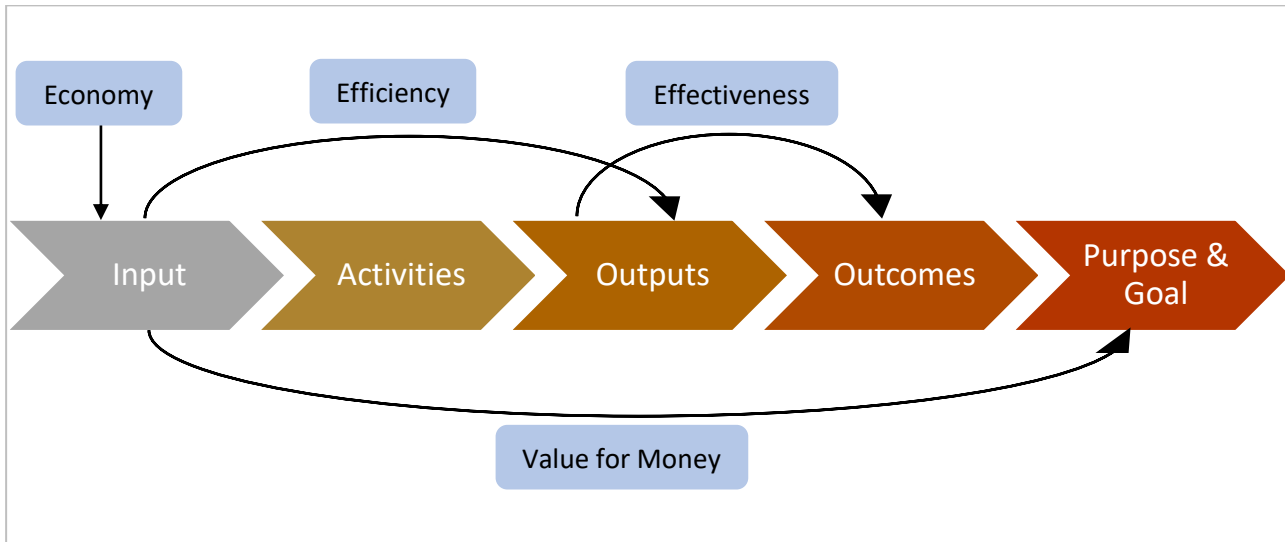
A1.6 VALUE FOR MONEY

The ME will assess the implementation of the project according to DFID’s 3 E’s Value for Money (VfM) principles outlined in the business case documentation, focussing on a) Economy; b) Efficiency; c) Effectiveness; and d) Cost-Effectiveness. These are defined in Table 2 and the relationship between the 3Es and inputs, outputs, outcomes, and purpose and goal is shown in Figure 7.1. The terms Efficiency and Effectives used here are defined identically to the Development Assistance Committee (DAC) programmatic criteria, and the evaluation framework for both these can be found in the Inception Report.

TABLE 2: THE 3 ES - ECONOMY, EFFICIENCY AND EFFECTIVENESS (AND COST-EFFECTIVENESS)

E	DESCRIPTION	INDICATOR EXAMPLES
Economy	Has CLIFF2b bought inputs of the appropriate quality at the right price? (e.g., staff, consultants, raw materials and capital that are used to produce outputs)	<ul style="list-style-type: none"> Unit costs for key supplies (staff, consultants, raw materials, capital, etc) for Reall and HDE’s.
Efficiency	How well has CLIFF2b converted inputs into outputs?	<ul style="list-style-type: none"> % original targeted outputs achieved for budgeted amount.
Effectiveness	How well are the outputs from CLIFF2b achieving the intended outcomes?	<ul style="list-style-type: none"> % of intended outcomes translated into actual outcomes.
Cost-Effectiveness	How much impact on poverty reduction has CLIFF2b achieved relative to the inputs that have been invested in it?	<ul style="list-style-type: none"> Cost per HDE as a function of the number of people/ households benefiting; Cost per community member/ household benefiting from CLIFF2b overall.

FIGURE 1: THE 3 E'S AND HOW THEY RELATE TO CLIFF2b



A qualitative analysis on Economy, Efficiency, and Effectiveness will be conducted.

A1.7 Data Collection Tools

A1.7.1 PRIMARY DATA

Participatory rapid urban appraisal (PRUA) methods and tools will be used to collect and analyse some of the information and evidence required to address Evaluation Objectives 1 and 2. A key principle of PRUA is “triangulation”, whereby information is collected through three related means—observation in the field; discussions with key informants; and checking with existing reports, maps, photographs and other data—as a way of cross-checking. This is the basis for observation in the field and discussion with relevant stakeholders. The methods and tools that will be used include:

A1.7.2 Focus Group Discussions

FDGs will be held with Real’s CLIFF staff; HDE staff; SACCO members; and end-users. Templates have been developed for each stakeholder group with questions relating to the Efficiency and Effectiveness framework and, therefore, the logframe indicators. Each question has a number of sub-questions to probe deeply in to each the areas being addressed. There will be three sets of such templates—one each for Housing, Housing Finance and HDE Organisational Development/Grant-Making—that, collectively, address all outcome indicators in the logframe, and follows the progression of questions developed in the framework.

A1.7.3 Key Informant Interviews

KIIs will be held with CEOs/Directors of each HDE; Chief Finance Officers; HDE-CLIFF Project Managers; relevant Government officials and senior staff of financial institutions. In some cases, key informants will have information relating to more than one ET’s specialisms, and the templates will reflect the overlap.

A1.7.4 Surveys

End Users

For this ME, End Users are defined as those people that have completed their house purchase and moved in to their new home (the person responsible for taking on the micro-mortgage/HMF loan will be surveyed). A sample of end users will be surveyed to assess their opinions on a range of issues, including:

Housing and Services:

- Adequacy of the housing unit and WATSAN services;
- Affordability of the housing unit and WATSAN services;
- Location of the housing in relation to employment opportunities/workplaces and social amenities (schools, health facilities, etc.).

COUNTRY	COMPLETIONS	SAMPLE
Angola	150	75 +
Kenya	1,045	131 +
Nepal	670	123 +
Total	1,865	346

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Housing Finance:

- Affordability: monthly income spent on housing; type of employment; financial literacy training;
- Financial situation: Bank account; savings group/SACCO; other household loans; late repayment;
- Funding further improvements of the house: Preference? Own savings, family loans, HDE loans, other?

HDEs:

- Why the HDE route was chosen: Options, interest rates, service, etc;
- Approval rating of services offered by HDE – loan administration, house construction/quality, services (water, sanitation, access roads, and electricity);
- Complaints handling/resolution and response times.

Further to this, some basic demographic data will also be collected:

- Gender, age, marital status, number in household, household income, and household expenditure, and loanee employment and spouses/partners employment.

The questionnaire will be administered by HDE staff using the cloud-based Kobo Toolbox and tablets or smart 'phones. The survey will be simple to administer and data collection can be performed on or off-line. Each HDE will be given a guide to administering the survey, a dummy survey to familiarise themselves with the process, and a short Skype training and troubleshooting session.

To ensure that the survey collects data from a sufficient set of end users, and to reduce bias, we propose that each HDE generate a random list of end users to survey. Using confidence level of 95% and confidence interval of $\pm 8\%$, Table 3 shows the sample survey size for each country in relation to the completions reported by Reall over the three previous financial years: 2012/13, 2013/14 and 2014/15.

TABLE 11: SAMPLE SURVEY SIZE BY COUNTRY AND COMPLETIONS

COUNTRY	COMPLETIONS	SAMPLE SURVEY SIZE
Angola	150	$75 + 5\% = 79$
Kenya	1,045	$131 + 5\% = 138$
Nepal	670	$123 + 5\% = 129$
Total	1,865	346

These figures may vary somewhat with current completions data and in the case where some end users have yet to move in to their houses.

Furthermore, time may not permit a fully randomised approach and, in this case, an opportunistic sample will be used.

For example, an HDE could call a meeting of a particular SACCO or Primary Housing Cooperative

and survey all members that make it to that meeting. To avoid bias in data collection using this opportunistic method, smaller samples must be drawn from a range of housing schemes to reach the total sample size requirements in respective countries, that is, a number of such meetings should be arranged and then a random sample of attendees is selected from each to complete the questionnaire and fulfil the sample survey size.

Walking and Windshield Surveys

Walking surveys are systematic observations made on foot. Windshield surveys are systematic observations made from a moving vehicle.

A1.7.5 SECONDARY DATA

This comprises the gathering of relevant secondary data from Reall's CLIFF-related published and internal documents; HDE's published and internal documents, including annual reports and annual audited accounts; and internet-based research, for example, in relation to VfM. Desk review will supply contextual information (programme organisation and evolution, HDE partners, grant and risk management, etc.) and performance-related information (internal and external views and reviews, including financial performance).

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ANNEX 3: SUMMARY OF ANALYSIS OF FINANCIAL STATEMENTS

	AMC	DWA	EDH	LinkBuild	Lumanti	NACHU	MFF	UCA	WAT	ShelterSol	Kuyasa
<i>Type of Organisation</i>	<i>PLC</i>	<i>NPC</i>	<i>PLC</i>	<i>NPC</i>	<i>NGO</i>	<i>COOP</i>	<i>COOP</i>	<i>COOP</i>	<i>NGO</i>	<i>PLC</i>	<i>NPC</i>
Latest audited financial year	2014-15	2014	2014	2015	2014-2015	2015	2014-2015	2014-2015	2015	2015-2016	2014-2015
Exchange rate (Local Curr/£)	159.64	1.5532	719.25	69.4429	156.42	149.004	312.55	5114.5	3136.56	1.44	17.92
Profit and Loss											
Total Income £ '000	152	3,325	1,086	120	1,295	1,020	28	503	901	397	1,164
Result before tax £ '000	-23	-1,665	-559	-128	153	60	-315	3	-227	-1219	-2,102
Balance Sheet											
Total Assets £'000	1,208	6,056	3,999	746	2,500	20,616	589	2,248	2,584	2742	4,913
Equity £'000	103	4,159	-571	-121	2,334	5,290	-191	1,812	375	-39	-4,776
Profitability Ratios											
Net income margin	-14.9%	-50.1%	-51.5%	-106.6%	11.8%	5.9%	-1132.9%	0.5%	-25.2%	-307%	-180.6%
Financial self sufficiency	34.7%	15.2%	66.0%	40.0%	8.1%	95.4%	5.5%	61.3%	72.5%	24.9%	35.1%
Return on assets	-3.1%	-24.7%	-28.7%	-34.0%	6.5%	0.3%	-93.4%	0.1%	-7.8%	-84.2%	-42.4%
Return on equity	-18.9%	-33.4%	NA	NA	6.8%	0.9%	NA	0.1%	-46.5%	NA	NA
Asset/Liability & Liquidity											
Debt to Equity	10.74	0.46	NA	NA	0.07	2.90	NA	0.24	5.89	NA	NA
Cash coverage (months)	7.5	0.2	0.8	31.6	8.7	25.4	4.0	0.4	2.1	7.4	5.7
CLIFF											
CLIFF loan/Long term liabilities	92%	100%	100%	100%	0%	55%	90%	10%	100%	100%	0%
CLIFF loan/LT liabilities + equity	84%	19%	NA	NA	0%	36%	NA	1%	84%	NA	NA

Organisations: PLC = Public Limited Company; NPC=Non-profit public company; NGO=Non-Governmental organization; COOP=Cooperative.

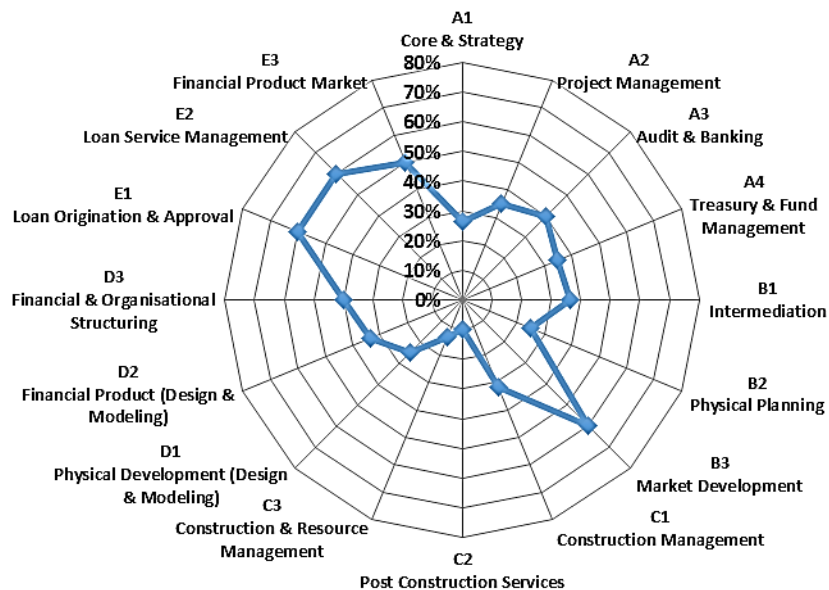
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ANNEX 4: TECHNICAL AREAS CONSIDERED IN REALL’S HDE TECHNICAL ASSESSMENT MODEL

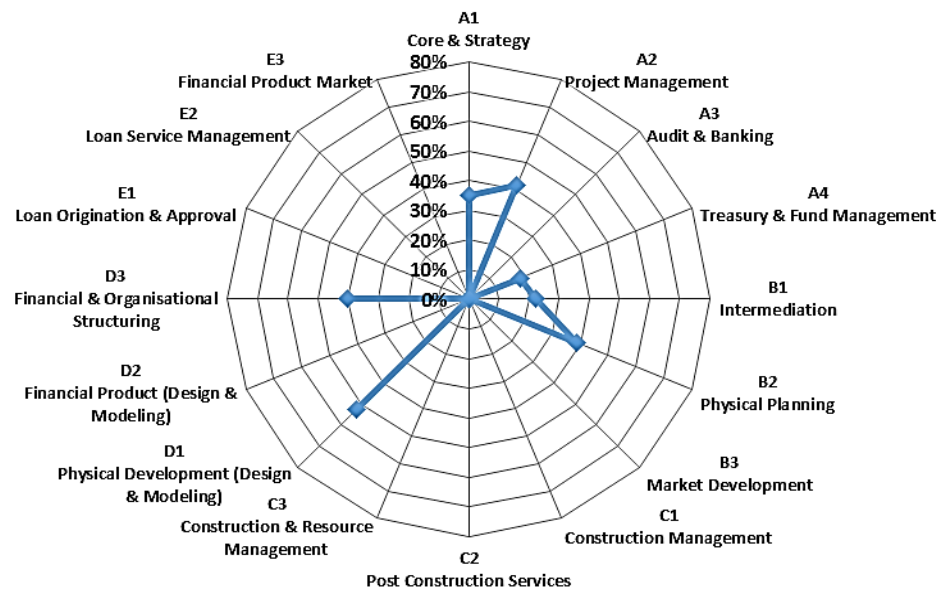
A. LEADERSHIP/MANAGEMENT/GOVERNANCE	B. PEOPLE: INTERMEDIATION/MARKETING	D. DESIGN	E. PAYMENTS: END USER FINANCE
A1 Core & Strategy	B1 Project Pipeline Development	D1 Physical Development (Design & Modelling)	E1 Loan Origination & Approval
A1.1 Governance	B1.1 Land Pipeline Development	D1.1 Built Environment Skills	E1.1 Client Vetting
A1.2 Institutional Structure(s)	B1.2 Community/Client Pipeline	D1.2 Design Software/Systems	E1.2 Loan Application/Approval Systems
A1.3 Strategy	B2 Physical Planning	D2 Financial Design	E2. Loan Service Management
A1.4 Operational Planning	B2.1 Urban Planning	D2.1 Payments Modelling (Loans/ Rents)	E2.1 Model Banking
A1.5 HR Management	B2.2 Development Rights Acquisition	D2.2 Loan/Rents Design Software/Systems Tools	E2.2 Loan Management
A1.6 Networks & Influence	B2.3 Participatory Planning	D2.3 Financial Modelling	E2.3 Loan Management Systems & CRM
A2 Project Management	B2.4 Advocacy and negotiation	D2.4 Project Financing Modelling Software/Systems	E3. Financial Product Market Development
A2.1 Pipeline Planning	B3 People Planning	D3 Financial/Institutional Structuring Design	E3.1 Client Research
A2.2 Project Planning	B3.1 Group/Entity Formation	D3.1 Institutional Models	E3.2 CRM
A2.3 Programme Management	B3.2 Group/ Individual Vetting	D3.2 Legal/Constitutional Design	
A2.4 Project Management (Soft)	C. PROJECTS: PROPERTY /REAL ESTATE DEVELOPMENT	D3.3 Legal/ Regulatory Frameworks	
A2.5 Project Management (Hard)	C1 Construction Management	D3.4 Institutional Financing/ Structuring	
A2.6 Risk Management	C1.1 Tendering/(Sub)Contracting		
A3 Audit & Banking	C1.2 Contractor Management		
A3.1 Audit	C1.3 Labour Management		
A3.2 Banking Services	C1.4 Construction Management/Cost Control		
A4 Fund (Treasury) Management	C1.5 Construction Management Systems		
A4.1 Fund Resourcing (Partner)	C2 Procurement + Supply Chain Management		
A4.2 Asset Development	C2.1 Procurement		
A4.3 Credit Worthiness/Rating	C2.2 Supply Chain Management		
A4.4 Sustainability	C2.3 Construction Management Systems		
A4.5 Asset/Fund Management Capacity	C3 Post Construction Services Management		
	C3.1 Facilities Management Entity		
	C3.2 Legal Set up		
	C3.3 Urban Management		

ANNEX 5: REALL'S TECHNICAL ASSESSMENT OF HDEs IN KENYA, PAKISTAN, INDIA, PHILIPPINES, NEPAL, AND ANGOLA

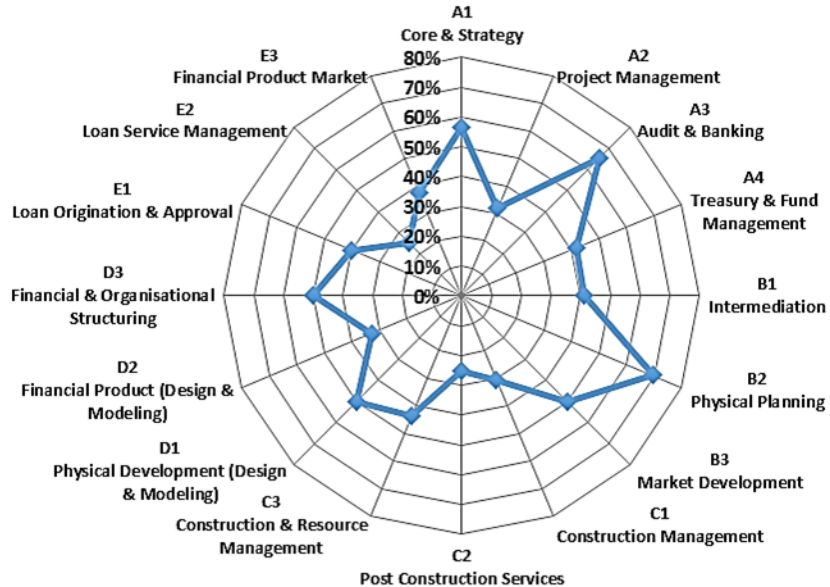
KENYA – NACHU



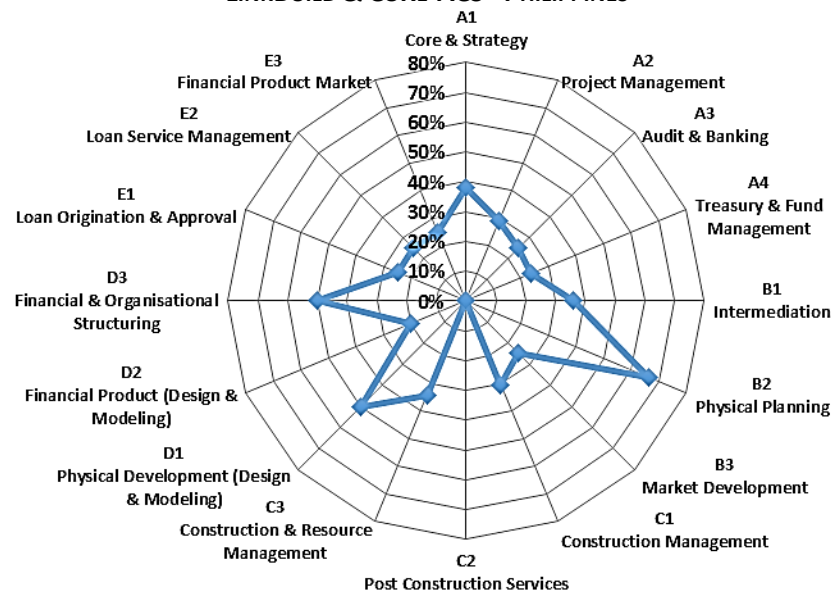
AMC - PAKISTAN



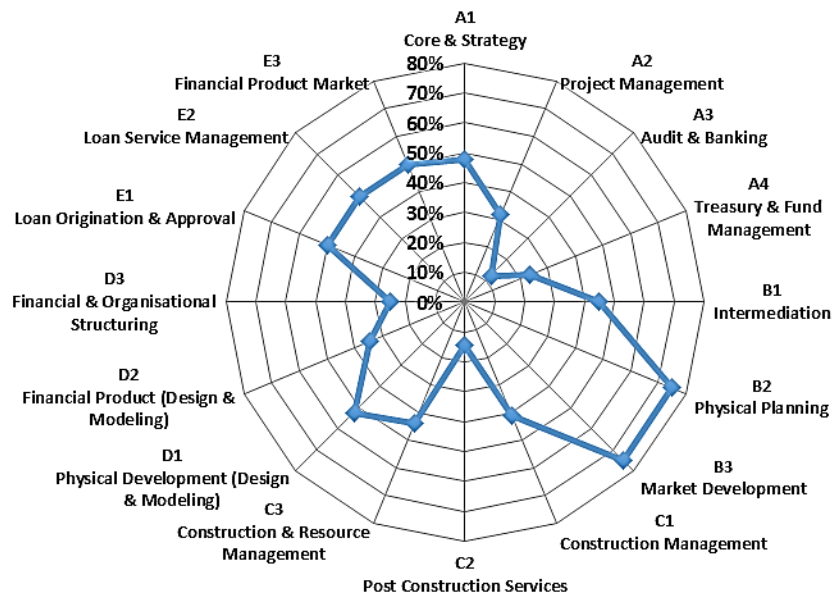
SSNS - INDIA



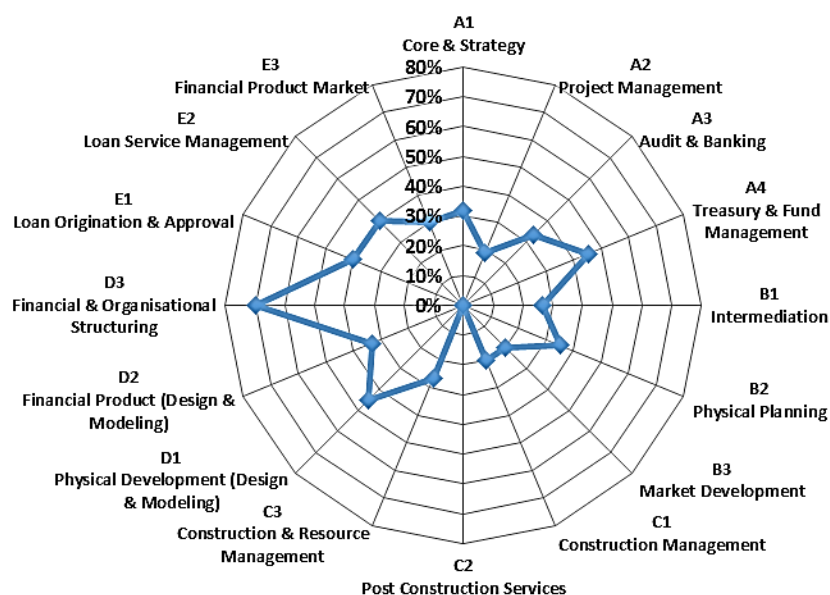
LINKBUILD & CORE-ACS - PHILIPPINES



LUMANTI – NEPAL



DWA, HABITERRA & KIXICRÉDITO - ANGOLA



ANNEX 6: CAPABILITIES, COMPETENCIES AND CAPACITY – THE 3Cs MODEL

Definition of the 9 Capability areas covered in the Staff Survey:

CAPABILITY	BRIEF DESCRIPTION
Strategic Governance	A Board’s ability to focus on the future while operating in the present.
Financial Viability & Sustainability	Financially robust organisations have the ability to ensure that effective financial systems and processes are in place to maintain the financial viability and sustainability required to deliver high quality results for people and communities.
Adaptive Leadership	Ability of leaders to adapt, innovate and thrive in complex, challenging and uncertain environments.
Operational Management	Ability to ensure that an organisation’s resources, structures, systems, policies, business/service planning and service delivery responsibly managed and well-aligned to the organisation’s strategic direction.
Workforce Development	Ability to attract, retain and facilitate strong teamwork. It covers an individual’s competencies, motivation and attitudes, a team’s cohesiveness, and an organisation’s strategies and plans around professional development, coaching and practice.
Outcomes Focus	Ability to ensure the competencies of staff, as well as the organisation’s systems and processes, achieve effective results for people and communities.
Organisational Technology	Reliable organisational technology refers to the technical structures and foundations needed for an organisation to work in the most effective and efficient way. Strong and reliable technology supports the effectiveness of an organisation’s day-to-day work, giving frontline staff more time and resource to commit to the organisation’s core focus.
Innovation	Ability to develop, sponsor, or support the introduction of new and improved method, products, procedures, or technologies.
Collaboration	Ability to form collaborations and partnerships with shared goals that have a greater collective impact.

Description of Staff levels Used in the Staff Competencies Survey:

STAFF LEVEL	DESCRIPTION
Level 1	Typically associated with jobs such as Field Officers and Finance Assistants
Level 2	Typically associated with jobs such as Project Managers/Coordinators and Finance Officers
Level 3	Typically associated with jobs such as Programme Directors and Finance Directors
Level 4	Typically associated with jobs such as Board Members and CEOs/Executive Directors

ANNEX 7: HOUSING UNITS APPROVED AND COMPLETED IN 2014/15 AND 2015/16

HDE	Approved		Completed	
	2014/15	2015/16	2014/15	2015/16
DWA	0	0	30	120
EDH	500	220	100	127
The Kuyasa Fund	1071	0	540	68
MFF	270	34	4	92
NACHU	396	586	631	161
Egypt	0	0	0	0
UCA	0	72	0	0
WAT-HST	0	0	3	0
WSA	0	0	0	0
ShelterSol	0	200	166	0
AMC	0	1553	0	56
SEWA	0	1170	290	20
LinkBuild	108	834	18	98
SSNS	0	0	359	808
Total	2345	4669	2141	1550
Average-all	168	334	162	110
Average-approved/completed	469	584	214	172

ANNEX 8: EXAMPLES OF HDE'S FINANCIAL AND NON-FINANCIAL LEVERAGE

HDE	PROJECT NAME OR ACTIVITY	FINANCIAL, NON-FINANCIAL OR BOTH	DESCRIPTION	VALUE GBP EQUIVALENT
DWA & HabiTerra	Model homes	Financial	Construction of 3 model phases of the house evolution	£34,740
SSNS	Incremental loans	Both	Incremental home upgrade loans given to families to either upgrade their houses, or to build toilets attached to their homes. Families contribute towards the upgrade, and utilize these loans to top their savings, and subsidies from the government. Some families also carry out the upgrade themselves by substituting the labour costs and accessing subsidy and loans for materials alone.	£411,251
Sewa	Biratnagar Housing project	Financial	The project aims to build 120 houses by the end of 2017. SEWA has partnered with Laxmi Bank to provide home loan (NPR 400,000 per family) to low-income families to build houses. 80% of the total loan amount is going to be contributed by Laxmi bank while 20% is from SEWA (as guarantee fund).	£254,525
Sewa	Kohalpur Housing project	Financial	The project aims to build 150 houses by the end of 2017. SEWA has partnered with Laxmi Bank to provide home loan (NPR 400,000 per family) to low-income families to build houses. 80% of the total loan amount is going to be contributed by Laxmi bank while 20% is from SEWA (as guarantee fund).	£318,157
LinkBuild	SMASH Core Housing and Drainage	Both	The 6.5 hectare property was initially purchased by the City Government for 1,200 families affected by a river-rehabilitation project. Portions of the property will be allocated to and purchased by each of 12 community associations collectively through a government end-user financing scheme called the Community Mortgaged Program (CMP). The people have started paying back their loan for land through the CMP.	£2,455,358
		Non-financial	Landfilling was provided mainly by the local government, with partial donation by the Cebu Contractors Association. Primary drainage lines are being provided by the City Government. Water mains are being provided by an NGO called Tubig-Pag-asa.	£1,208,792
NACHU	All Projects	Financial	Extension Loans Fund by Rooftops Canada to finance existing core houses for further incremental development.	£62,772
NACHU	MutidwaMbega/Royal & Gitongu Starehe Housing Project	Financial	Improving environmental health and Youth empowerment in low income communities through sustainable solid waste management	£56,613
Kuyasa	Capacity building	Both	Reall's funding enabled Kuyasa to setup fully functioning internal audit, call centre and business intelligence divisions which are key in ensuring the success and stability of a financial service institute. Kuyasa was able to build its own credit scorecard and risk pack (previously outsourced) as well as build in-house capacity for collections (call centre) which improved collection rates to an average of 95% per month, previously 70% on average.	£646,932
UCA	Workshop	Non-Financial	A workshop run between 31st August, 2015 and 4th September, 2015, and covered the areas of risk assessment, risk management, client and affordability assessment.	£6,260
ShelterSol	Buluwayo Masvingo City Council Housing	non-Financial	Land leveraged from government at below market rate. Market rate ShelterSol would have paid is given as leverage	£677,427

ANNEX 9: CLIFF2B – RISKS, PROBABILITIES AND IMPACTS

Risk	Reall Prob'ty	Reall Impact	Risk event occurred?	Impact and Management of event
A. Models to provide housing and basic services that are both adequate and sustainable for slum dwellers may not be developed in each country where CLIFF is active	Medium	High	<u>To some extent</u> , as designing affordable and sustainable housing models has proven challenging in most countries.	<u>Impact</u> : Most partners still deliver houses at a modest scale. <u>Management</u> : Continue work with organisational development
B. The models developed and demonstrated through CLIFF may not be replicated at scale by others	Medium	Medium	<u>Undecided</u> , as few models have been tried directly replicated	
C. There may not be sufficient mobilisation, leverage and blending of resources from the public or private sectors	High	High	<u>Undecided</u> , as can be expected in an early phase of institution building. Few partners have raised substantial additional resources.	
D. IPs may not have capacity to significantly increase activity in response to increased demand arising from their enhanced reputation and credit rating	Medium	High	<u>To some extent</u> , as demand for affordable housing is huge in all countries. Most partners struggle with developing sufficient capacity to address that demand.	<u>Impact</u> : This implies less houses constructed and sold than planned. <u>Management</u> : Continued organisational development – a diverse partnership will need differentiated support.
E. Necessary pro-poor changes in policy and practice may not be stimulated by CLIFF demonstrations	Medium	Medium	<u>Undecided</u> , as governments generally appear more receptive to pro-poor housing issues, but no major shift detected.	<u>Impact</u> : The business framework for low-income housebuilding is challenging in most countries. Difficult to get scale. <u>Management</u> : Continue and increase advocacy
F. Insufficient locations and organisations may be identified which meet the agreed Context Criteria and IP Criteria	Medium	High	<u>Occurred</u> : Current difficulties in three of CLIFF partner countries indicate general challenges in identifying solid partners that meet Reall criteria.	<u>Impact</u> : Lower rate of expansion than initially envisaged. <u>Management</u> : Assess other models for partnerships and establishment of operations than “classic” Reall partnership.
G. IPs may not submit sufficient requests which meet the agreed investment criteria	Medium	High	<u>Occurred</u> : It takes longer time than envisaged for some partners to develop projects in line with the new Investment Criteria.	<u>Impact</u> : Limited number of new projects started. <u>Management</u> : Provide increased project planning and pipelining support to partners.
H. IPs may not strengthen their capacity for effective implementation and accountability to the extent required by public and private sector organisations, especially financial institutions	Medium	Medium	<u>To some extent</u> : Some partners have successfully engaged other stakeholders, like local banks. Others have not managed, and/or are still in an institutional strengthening phase.	<u>Impact</u> : Less leverage of the CLIFF resources, and less capital available. <u>Management</u> : Continued institutional strengthening – a diverse partnership will need differentiated support.
I. Enhanced capacity may not lead to an increase in reputation and credit rating when viewed by public and private sector organisations, especially financial institutions	Medium	Medium	<u>Undecided</u> : Only a few partners are at a capacity where this has become a question. NACHU has for instance seen improved recognition.	<u>Impact</u> : This is in many countries more related to a flawed financial market, than to CLIFF partners, and is clearly an external risk.

Milestone Evaluation of CLIFF2b

Risk	Reall Prob'ty	Reall Impact	Risk event occurred?	Impact and Management of event
			However, lending to poor, un-banked individuals is a challenge across the portfolio.	
J. Global, regional and local financial crises may limit CLIFF projects by constraining the availability of community, public and private resources	High	High	<u>Undecided:</u> External financial events may perhaps have played a role in some countries, like Kenya. Outcome is yet uncertain, however.	<u>Impact:</u> Change in for instance exchange rates is a risk, but that should not be unexpected for an international lender. <u>Management:</u> Where possible, use available currency hedging mechanisms.
K. Beneficiaries may be unable to service repayments in the medium to long term to the IP on CLIFF housing and loan products causing cash flow and project financing problems	Medium	High	<u>Occurred:</u> Repayments from several partners are questionable, leading to a Reall loan loss provision of 32%.	<u>Impact:</u> Significantly less CLIFF resources for redeployment, and potentially resource demanding processes to reclaim funds. Reduction in the number of performing partners, with consequences for all logframe targets. <u>Management:</u> Continued vigilance in project assessment and in loan provision. Introduction of early warning system to address partner problems at an early stage.