

## **GUIDELINES FOR PREPARING PROJECT PROPOSALS**

### **INTRODUCTION**

SHELTER-AFRIQUE's major objective is to promote housing in Africa. In order to achieve this objective, the Company cooperates with private sector, national and international organisations in financing viable housing and related projects.

It is therefore important that sponsoring organisations provide well-documented project proposals when sending their request for SHELTER-AFRIQUE financing. While detailed lending policies are highlighted in a separate document, which is available on request, the pages, which follow, provide a number of sub-headings on each of which project information is required.

To receive favourable consideration a project must be technically sound and financially viable. One requirement is that the financial internal rate of return be sufficiently high to justify the proposed investment. We recommend therefore that particular care be exercised in structuring a project in terms of its costs, target market and implementation arrangements.

Other important conditions are:

- Shelter-Afrique will finance between 50% - 70% of the total project cost;
- The developer should have unencumbered title to the project site ready for development;
- The developer in addition, possess requisite competence, financial capacity and solid track record.

Information on housing policy and urbanization trends may be useful. If a housing policy has been prepared for your country then it will probably contain much of the background and sector information we require.

# SHELTER AFRIQUE

REDAN CAPITAL LTD

13 Ikeja Close, Off oyo St, Area 2, Garki-, Abuja, Nigeria

## **GUIDELINES**

The proposal should contain information on the following:

### 1. **The Project**

#### **Policy Context**

- Political and economic setting;
- Main elements of housing policy with particular reference to middle and low income groups;
- Role of the public and private sectors in housing delivery;
- Major constraints for housing policy implementation;
- Overview of the housing finance sector - institutions, financing instruments, policy and legal framework, availability of bridge and mortgage financing;
- Market situation for housing with emphasis on production, stock, deficits and effective demand for different income groups.

#### **Project Objectives**

- description of project objectives with particular reference to: physical output, number of person to be housed and the investment objectives.

#### **Detailed Project Description**

- details of project site in terms of: size (ha); location; land tenure system; zoning regulation; physical features with particular reference to gradient, vegetation and geology; existing land use; bearing strength of soils;
- proximity of site(s) to off-site infrastructure; distance (m) from site boundary to water mains, trunk sewer mains, electricity and all weather road; distance to nearest urban agglomeration;
- proposed number of residential plots; plot and house (plinth) areas (m<sup>2</sup>); other land use such as community facilities, shops, markets, schools etc;
- construction materials and standards to be used; indicate how availability and choice will facilitate affordability, promote development of local skills and employment.

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## **Project Components Costs and Financing Plan\***

- design principles vis a vis zoning regulations;
- breakdown of project components by cost e.g. land acquisition; off-site infrastructure; unit and total costs of serviced sites and house types, and cost of other proposed on-site facilities;
- basis of costing for the various components;
- provisions for physical and price contingencies;
- local and foreign cost components;
- for both bridge and mortgage financing give committed and proposed sources of funds and amounts, financing terms for each source and the project components to be financed from each source.

## **Project Implementation**

- detailed description of the borrowing and implementing agencies focusing on relevant experience and financial performance;
- description of management and experience of respective members, including information on individual workloads;
- present project status i.e. inception, preliminary design or tender stages; land acquisition; topographical and cadastral surveys; approval of subdivision and building plans;
- detailed description of the project procurement system; responsibility for design, tender action and supervision;
- procurement procedures for other services e.g consultancies;
- proposed implementation timetable for off-site and on-site works: commencement date, contract period, project phasing, planned completion date.

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\* See Table 1 on recommended format

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**Bar Chart showing main project activities and time frame should be provided.**

- Marketing of completed units and proposed sales prices;
- Environmental impact assessment.

## **Financial Analysis**

- Market demand for type of units proposed, prices for recently completed projects, proposed selling prices of the new units;
- Affordability analysis: demonstrate that dwellings in the project can sell and are affordable by the target market;
- Proposed repayment and cost recovery principles and procedures i.e. describe repayment terms and the recovery of costs of land, off-site and on-site infrastructure, dwellings and public facilities. In the case of rental housing, cost-in-use should be taken into consideration;
- Project cashflow<sup>2</sup>: set out cashflow in current prices showing sources and application of funds during the tenor of the proposed Shelter-Afrique loan;
- Calculation of financial internal rate of return and payback period;
- Enumerate main project benefits, risks and their possible mitigants. Where part financing will be in convertible currency indicate foreign exchange hedging mechanisms to be employed.

## **Background Reports and Publications**

Copies of the following documentation to be submitted with the project proposal;

- Audited accounts of the project sponsor for the past three years, including balance sheets and profit and loss accounts;
- Project documentation: physical development and plans; engineering designs and architectural drawings. Reports on completed projects where available;
- Housing and urban development policies of the country;
- Economic and market surveys;

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<sup>2</sup> See Table 2 on recommended format for cashflow

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## **LINE OF CREDIT**

A housing finance company requesting for a line of credit is required to provide satisfactory evidence of:

- The existence of sound administrative and financial management;
- Satisfactory technical capabilities;
- An operational programme for which the financing is being sought.

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**TABLE 1:**  
**Project Components and Costs**

Project Component	US\$				
	Measurement	Quantity	Unit Cost	Total Cost	%
<b>1. Land Acquisition</b>					
<b>2. Off-site works</b>					
2.1 Roads					
2.2 Water Supply					
2.3 Sewerage					
2.4 Electricity					
2.5 Other (Specify)					
<b>3. On-site works</b>					
3.1 Roads					
3.2 Water Supply					
3.3 Sewerage					
3.4 Electricity					
3.5 Street Lighting					
3.6 House Construction					
3.7 Community Facilities					
3.8 Landscaping					
3.9 Other (Specify)					
<b>Base Cost</b>					
Design and Supervision Fees					
Project Management costs					
Legal Fees					
Marketing					
Physical Contingencies					
Price Contingencies					

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<b>Total</b>					
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**TABLE 2:**

**Project Cashflow**<sup>3</sup>

	US\$ (Current Price)				
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Source of Funds</b>					
Developer					
Shelter-Afrique					
Other Financiers (Specify)					
Deposits					
Sales Revenue					
<b>Total</b>					
<b>Application of Funds</b>					
Land Purchase					
Construction					
Interest during construction					
Project Management					
Marketing Costs					
Repayment of Loans					
Other Costs (Specify)					
<b>Surplus / (Deficit)</b>					
<b>Cumulative Surplus / (Deficit)</b>					

<sup>3</sup> This is the cashflow from the developer's point of view. It therefore covers only the construction and marketing phases over the tenor of the Shelter-Afrique loan