**TERM OF REFERENCE**

Maldives Affordable Housing Program Development Market Survey

[Reference No: MV-MONPI-487418-CS-CQS]

# I. Background

**The Maldives faces significant challenges in providing affordable housing.** Housing in the Greater Malé region is highly unaffordable, with only the top 20 percent of the population able to access home ownership as the cheapest home price available in the commercial market is at approximately MRV 1.8 million (~USD 120,000). The high housing cost is primarily due to the scarcity of land, the reliance on construction material and labor imports, and the access to construction financing by private developers. Due to the high cost of housing, 74 percent of the residents of the capital city in Male are forced to rent and to share rental units.

**Housing-for-all Maldivians has long been a key government priority of the Government.** To address the lack of affordable housing, the Government of Maldives has become the largest funder, developer and operator of housing in Maldives. It has contracted close to a billion dollars in external loans and guarantees to finance large-scale social housing projects of over 13,000 housing units in Hulhumale.

**The government social housing program started with the formulation of the National Housing Strategy in 2009.** The 2019-2023 Strategic Action Plan outlines ambitious policy actions to increase the accessibility and affordability of housing, including (i) the provision of 20,000 new social housing units, (ii) the allocation of MVR 1 billion (US$65 million) for the social housing loan scheme (Gedhoruveriya), and (iii) the plan to enact a tenancy and condominium law. To meet the government’s housing provision goal, public spending on housing is concentrated on supply-side strategies, namely: (i) the Buy-Sell program in Hulhumalé (Phase 1 and Phase 2 – the latter is also called “Hiyaa”); (ii) the Buy-Sell program in the atolls; and (iii) Gedhoruveriya, which provides a subsidized 6 percent fixed-rate loans to eligible households in the atolls for housing construction and upgrades. In addition, the current administration has introduced the Hiyaavehi financing programme offering affordable home construction loans at a 5 per cent interest rate through HDFC, BML, and MIB, with loan caps ranging from MVR 1 million for atolls to MVR 6 million for Greater Malé.

**The housing program is being implemented by two implementing agencies - Housing Development company (HDC) and by Fahi Dhiriulhun Corporation (FDC), that are owned by the government**. These agencies borrow foreign debt guaranteed by the government to build the social housing projects, issue a buy-sell contract for a period of 20 years with the beneficiaries who have been selected by the government based on “housing poor” prevalent conditions, collect the payments and manage the maintenance and repair of these social housing projects. The Ministry of Construction, Housing, and Infrastructure also oversees several social housing projects in the atolls directly.

**Social housing program has been costly and exposes the GoM to severe fiscal strain to repay its housing debt obligations.** GoM housing programs are costly, due to Government financing both the supply and demand side. An estimated $1 billion USD has already been spent on the program, with debt outstanding on publicly guaranteed housing sector loans of $612.69 million USD in Jan 2024. Debt service is projected to peak in 2025 at $129.38 million USD.[[1]](#footnote-1) Persistent negative cash flows- specifically 600 million MVR ($39 million USD) annually at Hiya and 24 million MVR ($1.6 million USD) at Hulhumale Phase 1- impede GoM’s ability to service the associated debt.

The housing program suffers from systemic issues:

1. **High Delinquency and Unsustainable Subsidies**: Over 50% of buy-sell contracts are non-performing for Hulhumale Phase 1 and Hiyaa projects. Poor repayment enforcement and frequent government leniencies further disincentivize payment compliance. Although the contracts state that implementing agencies have the right to evict households who are delinquent, eviction is not enforced.
2. **Ineffective Targeting**: Beneficiary selection prioritizes “housing poor” with broad demographics that include civil servants and professionals without means-testing. The one-size-fits-all subsidy structure leads to inequitable outcomes, enabling higher-income households to benefit and reducing fiscal capacity support for the most vulnerable population.
3. **Design and Maintenance Challenges**: There is a lack of standardization the social housing program. The design and construction quality of the different projects vary widely over the years. Further, inadequate maintenance and infrastructure issues lead to widespread dissatisfaction.
4. **Private Sector Crowding Out**: Government-led housing dominates the market, delivering 74% of housing stock in 2020, discouraging private developers and financial institutions. Regulatory barriers, including slow title transfers and foreclosure processes which heighten risk for mortgage lenders.
5. **Moral Hazard and Subleasing**: Beneficiaries often treat units as entitlements, with illegal subleasing at market rates widespread. Weak enforcement mechanisms exacerbate this issue.

**The GoM commits to reform the buy-sell social housing program and to shift its subsidy program toward a more sustainable system which stimulates private capital and leverages capacity of developers and banks.** Under the Maldives Urban Development and Resilience Project (MUDRP – P163957), the Sustainable Housing Policy Reform study has laid out recommendations for a phased reform approach. The Maldives’ current fiscal crisis driven by the high level of external debt and persistent fiscal deficits further necessitates the social housing reform. Shifting toward a private-sector led and government-enabled with performance-based incentives can become effective instruments to stimulate the beneficiaries to pay and help extract the government from being the key housing operator and funder and as such, reducing government risk.

# II. Objectives

The objective of this activity is to support the Government of Maldives, specifically the Ministry of Construction, Housing and Infrastructure (MoCHI) and the Ministry of Finance and Planning (MoFP) in conducting a housing market survey with the different stakeholders to understand: (i) private sector perception of the government social housing program impact on the commercial housing and real estate market; (ii) general public perception of the government social housing program design and perception for alternative housing program reform designs; and (iii) existing housing beneficiaries and private sector (developers and banks) input into alternative program reform designs on both the demand and supply sides of the housing sector, respectively to address housing affordability needs.

The proposed activity aligns with the Maldives Urban Development and Resilient Program (MUDRP – P163957) development objective of enhancing resilient infrastructure and urban planning in selected cities in Maldives and strengthening the Government’s capacity to provide effective response to disasters.

# III. Counterparts and Collaborators

**Counterparts:** The key counterparts of this TOR are the Ministry of Construction, Housing and Infrastructure (MoCHI) the Ministry of Finance and Planning (MoFP), and the consultant firm is expected to provide regular updates to a designated focal point at MoCHI at a frequency agreed in a detailed workplan. Other stakeholders include Government housing implementing agencies – HDC and FDC; Maldives Bureau of Statistics; and relevant public and private stakeholders and NGOs as deemed necessary, to ensure buy-in and support.

The consultant firm may collaborate with local universities including the Maldives National University (MNU) to conduct field surveys for this assignment. This partnership could enhance the quality of public responses by fostering greater candor and objectivity.

**Collaborators**: Alongside with this TOR, MUDRP project will concurrently procure consultancy services for two additional TOR’s:

1. TOR #2: Demand-side Affordable Housing Reform Roadmap Recommendations
2. TOR #3: Supply-side Affordable Housing Reform Roadmap Recommendations

The consulting firm will work closely with the firms handling TOR #2 and TOR #3 to ensure that the questionnaires, as well as the content and processes for the focus group discussions (FGDs), are accurate and valid. This collaboration will include integrating the alternative reform scenarios developed by the TOR #2 and TOR #3 consultants for market testing under Activity 3.

**Technical Guidance**: The World Bank MUDRP task team will provide technical guidance throughout this study.

# IV. Scope of Work

This research initiative aims to evaluate and strengthen the Maldives' housing programs through a series of targeted activities.

* **Activity 1** assesses the impact of government social housing programs on the private sector in Greater Malé, including developers, banks and rental landlords, and on the housing market for both purchase and rental. It also explores potential incentives to encourage greater private sector participation in affordable housing.
* **Activity 2** gathers public perceptions of the effectiveness of social housing programs in meeting housing needs. It examines attitudes toward key issues such as non-payment, subleasing, and whether housing is perceived as a right or a privilege.
* **Activity 3** collects feedback from current housing beneficiaries on alternative housing reform models and designs—such as transitioning to mortgages or introducing rent-to-own schemes—to determine the most effective improvements for government housing programs.

The consultant is expected to develop a suitable research methodology, which may include quantitative, qualitative, or mixed-methods approaches. Possible methods include purposive and stratified random surveys, in-depth interviews, focus group discussions, scenario-based testing, and workshops.

**Activity 1: Private Sector Perception of Government Housing Programs**

This activity aims to explore the effects of government social housing policies on the private sector in Greater Male Area, focusing on both the supply side (private developers) and the demand side (banks and other financial institutions). There are at least three private sector areas that need to be investigated: private developers including local and international construction firms active in the market, contractors, suppliers, rental housing landlords, and commercial banks.

First, this activity gathers private developers’ views on the impact of the government’s social housing programs on private residential market growth and development. Assess alternative mechanisms that would incentivize private developers to engage in affordable housing development, such as inter alia: PPP mechanism, land swaps for units, revenue sharing, , and others.

Second, this activity gathers rental landlords’ views to investigate the impact of subleasing activity conducted by social housing beneficiaries. Lastly, this activity will gather financial institutions’ views on the impact of the government’s buy-sell contract on the mortgage market and assess the spill-over effects on mortgage lender’s capacity to expand the mortgage market.

Finally, this activity gathers impact of the social housing program on the housing market, both for commercial home purchase and rental market.

**Activity 2: Perception of General Public**

This activity focuses on understanding public opinion regarding government social housing programs, which include:

1. Hulhumalé-based, such as Hiyaa and others that use buy-sell contracts,
2. Atolls-based, that use mortgages that are serviced HDFC.

The objective is to gather insights on whether the social housing program delivers tangible benefits to consumers, evaluate the effectiveness of the targeting of the so-called “housing poor” (e.g., households living in poor housing conditions regardless of capacity-to-pay), and determine the public perception of such programs should be a right-for-all or a social support for those in need. The research will also explore public opinions on issues such as non-payment by beneficiaries, the pros and cons of allowing sub-leasing of social housing units, and others. It will explore the public sentiment toward reforming of the existing social housing program. Findings should be able to be stratified based on income levels, locations, current living arrangements, and other potential socio-economic characteristics.

**Activity 3: Testing Perception of Alternative Housing Program Reform Designs**

This activity is designed to gather feedback from current beneficiaries of government housing projects such as Hulhumalé Phase 1, Hiyaa, social housing projects in the atolls[[2]](#footnote-2), and others. The objectives are to assess beneficiaries’ view and satisfaction of the current buy-sell contract structure, and to explore the sentiment toward potential reforms of the government’s current buy-sell housing program. The activity will test several scenarios[[3]](#footnote-3) that could improve the effectiveness of the government social housing program on both the supply and demand-sides.

The demand-side interventions may include inter-alia the following options, to be provided under TOR#3.

1. Transitioning the servicing of buy-sell contract from the current implementing agencies (HDC, FDC and Ministry of Housing) to banks.
2. Rent-to-own schemes
3. Performance-based incentives for repayment
4. Mortgage incentive/subsidies based on household capacity-to-pay
5. Rental vouchers (to be used for public rental or council housing)
6. Others

The supply-side interventions will be tested with developers and banks, and may include inter-alia the following:

1. Revenues sharing
2. Performance-based contracts
3. Land Swap, Development Rights
4. Inclusionary Housing Requirements
5. Reviewing home ownership rights
6. Others

This study will help identify the reform options that best align with the preferences of the general public, housing beneficiaries, and private sector stakeholders (developers and banks). It will also provide insights into potential policy directions based on different income segments and current living arrangements. The consultant will map key insights from the study and collaborate with TOR#2 and TOR#3 consultants to evaluate how the government's planned social housing reforms and development strategies should be refined and optimized based on the study findings.

# V. Deliverables

The estimated duration of this assignment is to be performed over a 10-month period. Deliverables will include reports and presentation materials that contain:

1. Inception report (MS Word) and workplan detailing the proposed methodology, survey design, stakeholder engagement strategy, timeline, and key milestones for data collection and analysis, to be delivered within 1 month of contract signing.
2. Activity 1-3: survey methodology, survey instruments, raw data, cleaned data, FGD recording, and analysis report.
3. Consultation, knowledge exchange, and study dissemination workshops (in-person or hybrid, as needed).
4. One publishable report and PPT’s to communicate the study findings and key opportunities.

# VI. Consultant Qualifications and Estimated Workdays

*The assignment is expected to be carried out either by a seasoned* ***international or local*** *consultant team, including key local and international team members and experts, with robust knowledge of the market context and relevant project experience.* The precise organization of the team is at the discretion of the consulting firm, although a tentative suggestion for team composition are as follows:

| **No** | **Consultant** | **Qualifications** |
| --- | --- | --- |
| 1 | Team Leader  (local or international) | Advanced degree in relevant fields (public policy, economics, urban planning, housing studies, or related). Minimum 15 years of international experience in housing policy with demonstrated expertise in both supply-side and demand-side analysis and program development. Experience with social housing programs and mortgage market dynamics in developing countries. Strong knowledge of survey design, data collection methods, policy-impact evaluation and socio-economic analysis. |
| 2 | Research Specialist(s) | Advanced degree in relevant fields (social science, economics, statistics, urban planning, public policy, or related). Minimum of 5 years of experience in designing mixed-method research and data analysis. Experience with housing market research and policy evaluation and familiarity with households survey, perception studies, and various statistical methods. Able to design and administer large-scale surveys with beneficiaries and private sectors. |
| 3 | Housing and Policy Expert  (International, preferred if team leader is local) | Advanced degree in relevant fields (housing policy, urban planning, civil engineering, housing finance, public policy, economics, or related fields). Minimum 10 years of international experience in housing policy. Strong understanding of local housing policy, government initiatives, housing market dynamics, and private sector in Maldives. |
| 4 | Analyst(s)  (local) | Bachelor/Master degree in relevant fields (development studies, statistics, data science, planning, economics, or related) or at least 5 years of experience in survey and research industry. Experience of quantitative & qualitative research work, especially in housing-related works. |
| 5 | Facilitator/Surveyor(s) as defined by methodology proposed  *Field Surveyors: Please note requirement to work with Maldives National University or other related academic institutions* | Bachelor’s degree in a related field (business administration, finance, architecture, real estate, urban planning). Minimum of 5 years of experience. Experience in conducting survey, FGD, or interviews in Maldives. |

**VII. Reporting, Study Duration, and Payment Terms**

It is estimated that this study will take 10 months to complete. The key outputs consist of reports and presentation materials supported by robust technical analytics and will be paid per the following schedule.

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| --- | --- | --- |
| **Output** | **Schedule** | **Suggested payment** |
| Inception report, including the detailed work plan and methodology | Within a month after the effective date of contract | 10% |
| Progress Report for Activities 1 and 2 | Month 4th after contract signing | 30% |
| Progress Report for Activity 3 | Month 7th after contract signing | 30% |
| Final report for all activities | Month 10th after contract signing | 30% |

The outputs for this assignment must be of a quality acceptable to MoCHI and MoFP before the payments are processed.

**VIII. Timeframe**

| No. | Action Item | Month | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Launch meeting & Inception Report |  |  |  |  |  |  |  |  |  |  |
| 2 | Activity 1: Private Sector Perception of Government Social Housing Programs |  |  |  |  |  |  |  |  |  |  |
| 3 | Activity 2: Perception of General Public. |  |  |  |  |  |  |  |  |  |  |
| 4 | Activity 3: Testing of Demand-side and Supply-side alternative intervention scenarios |  |  |  |  |  |  |  |  |  |  |
| 5 | Knowledge Dissemination |  |  |  |  |  |  |  |  |  |  |
| 6 | Final Report |  |  |  |  |  |  |  |  |  |  |

1. Source: Government of Maldives Ministry of Finance, 2024. [↑](#footnote-ref-1)
2. For this study, the prospective consultant firm is required to include government housing programs in three (3) atolls in the survey. [↑](#footnote-ref-2)
3. Alternative housing reform scenarios on demand-side and supply-side will be responsible by consultant firms hired under TOR #2 and TOR #3. Demand-side and supply-side scenarios will feed into this survey study. [↑](#footnote-ref-3)