**TERM OF REFERENCE**

**Maldives’ Supply-Side Housing Reform Roadmap Recommendation Based on International Best Practices**

[Reference No: MV-MONPI-487405-CS-CQS]

## **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.

**The 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. For the 2025 budget, MVR 1.5 billion has been reserved for housing investment[[2]](#footnote-2).

The housing program suffers from systemic issues:

1. **High Delinquency and Unsustainable Subsidies**: Over 50% of buy-sell contracts are non-performing in Hulhumale. 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 being enforced.
2. **Ineffective Targeting**: Beneficiary selection prioritizes “housing poor” that include broad demographics such as 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 given 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.

## **Objectives**

The objective of this activity is to support the Ministry of Construction, Housing and Infrastructure (MoCHI), and the Ministry of Finance and Planning (MoFP), in developing recommendations for alternative reform scenarios to transition the government social housing development towards supply-side solutions that crowd-in private developers while reducing the GoM fiscal and operating risks. The recommendations will be bounded with international best practices, robust financial modeling and analytics, comparative cost-benefit analysis and market demand-side surveys[[3]](#footnote-3) feedback.

The expected outcomes of this activity are:

1. The collaboration of a technical working group to support the transition and implementation of the GoM housing reform on the supply-side.
2. Improvement of the Government’s capacity (including MoCHI and MoFP) capacity in developing supply-side housing policies, programs, and funding for better fiscal sustainability.
3. Technical guidance on streamlining the Strata-Titling certification process for greater efficiency and effectiveness.

## **Counterparts and Collaborators**

The key counterparts of this assignment are MoCHI and 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. The consultant firm will be required to actively engage with HDC, FDC, developers, banks, and other relevant housing and planning stakeholders and agencies to gather data, provide feedback, and ensure buy-in and support.

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

1. TOR #1: Affordable Housing Program Development Survey
2. TOR #2: Demand-side Affordable Housing Reform Development Roadmap

The consultant firm will work collaboratively with TOR#2 consultant firm on the following activities and deliverables: (i) Activity 1.4: The housing sector development roadmap, implementation plan, technical report and others; (ii) Activity 2: Housing Sector Capacity Building. The consultant firm will also collaborate with TOR#1 consultant firm to provide (i) supply-side scenarios for market testing; (ii) support the development of questionnaires and/or participate in FGD’s to explain demand-side concepts, on an as-needed basis.

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

## **Scope of Work**

**Activity 1: Recommendation of Supply-Side Interventions for Affordable Housing**

This activity aims to evaluate and recommend alternative scenarios for transitioning the current government social housing development scheme into more progressive supply-side interventions, based on international affordable housing delivery system best practices, robust analytics and market feedback.

Supply-side intervention options will look to engage private developers using PPP principles[[4]](#footnote-4) for affordable housing development such as:

1. Revenues sharing
2. Performance-based contracts
3. Land Swap, Development Rights
4. Inclusionary Housing Requirements
5. Cooperatives and others
6. Voucher based systems (for rental)
7. Home ownership rights
8. Others

For the low-income segment where households may not have access to bank loans, rental vouchers or other forms of government support are to be calculated. A study on public rental or council housing is being developed by another consultant firm and the study will be shared in due course.

Key aspects of this activity include:

1. ***Alternative Housing Supply-side Housing Models and Interventions***

This sub-activity aims to design and evaluate alternative supply-side housing schemes which are private sector led and tailored to the Maldives' small-scale context. The consultant will:

1. **Analyze the Current Housing Construction Sector** – Work closely with private developers and housing stakeholders to map the existing housing development landscape, collect and assess all construction cost components, identify constraints, and explore opportunities for reform.
2. **Develop Alternative Housing Provision Scenarios** – Consider all aspects of housing construction, including land availability, permitting, construction materials, labor, and financing, to ensure affordability. Assess the capacity of local developers and the potential for joint ventures with international partners.
3. **Design Financial Models** – Develop financial structures that account for risk and return differentials for public and private sector stakeholders while ensuring consumer affordability.
4. **Conduct Cost-Benefit Analysis** – Compare the effectiveness of different housing schemes and interventions against the business-as-usual scenario to determine the most viable approaches.
5. **Define Development Potential** – Clearly outline the potential housing volume achievable under each proposed scenario, along with a list of essential government requirements.

All supply-side recommendations will be developed for different income housing segments and for alternative housing typologies, for both Greater Male and the atolls. The recommendations will be based on rigorous analytical work to ensure feasibility and effectiveness in driving private sector engagement and housing market improvements.

*The Consultant will collaborate with the TOR #1 Consultant to test the feasibility of the supply-side housing intervention scenarios.*

1. ***Legal and Regulatory Review for Affordable Housing Reform recommendations***

This sub-activity involves a comprehensive assessment of the legal, contractual, and regulatory framework governing the affordable housing sector to identify key constraints. A critical issue, the inefficiency of the strata titling registration system, has been identified as a major barrier to real estate market development and will be specifically addressed under **Activity 3**.

To support the implementation of alternative housing solutions, the Consultant will:

1. **Identify Binding Constraints** – Review existing laws, policies, and contractual frameworks to pinpoint legal and regulatory barriers hindering affordable housing development.
2. **Recommend Legal Adjustments** – Propose necessary legislative, regulatory, or policy changes to enable effective implementation of proposed solutions.
3. **Ensure Sustainable Implementation** – Develop recommendations for a robust and sustainable housing provisioning framework that aligns with best practices and fosters private sector participation.

This legal and regulatory review will serve as the foundation for actionable reforms to improve housing accessibility and market efficiency.

1. ***Institutional Arrangement Review and Implementation Recommendations.***

This sub-activity aims to evaluate the existing institutional framework governing housing development in the Maldives and recommend necessary adjustments to support alternative supply-side affordable housing scenarios.

The Consultant will map and clarify the roles, responsibilities, and coordination mechanisms among key institutions, including: (i) MoCHI – Oversees housing regulations, policies, and programs on both the supply and demand sides; (ii) MoFP – Manages fiscal planning for housing through its Fiscal Affairs Department and Planning Department (recently integrated into MoFP); (iii) State-Owned Enterprises (HDC and FDC) – Serve as implementing agencies for housing development.

To support alternative supply-side housing schemes, the Consultant will propose an optimized institutional framework that:

* Addresses financial risks and complexities associated with large-scale affordable housing development.
* Defines a governance structure that ensures accountability, transparency, and efficiency.
* Clarifies operational mandates, including responsibilities for project development, maintenance, operation and long-term repair.
* Aligns financial responsibilities with GoM policies and strategic objectives.
* Establishes a clear role for private sector participation, ensuring their effective integration into housing development and implementation.

The recommended institutional arrangements will aim to enhance coordination, improve efficiency, and create a more dynamic and scalable approach for affordable housing provision in the Maldives.

1. ***Roadmap and Implementation Plan Recommendation***

With results and insights from the market surveys (conducted by the Consultant firm for TOR#1) and inputs from key government housing decision makers, a supply-side roadmap will be developed. This roadmap will integrate findings from sub-activities 1-3. Short, medium and long-term actions to be undertaken as part of the roadmap will be clearly laid out with sequenced timelines, expected outputs and outcomes.

The housing development roadmap should include the outputs for both the demand- and supply-side, with the inputs from the demand-side being provided by the Consultant firm responsible for TOR#2 – Demand-side roadmap recommendations.

***This activity will be done on a consultative and collaborative process*** starting with the formation of a technical working group (TWG) composed of members from MoCHI, MoFP, the implementing agencies (HDC and FDC), and other relevant stakeholders. *It is recommended that the technical working group will (i) make key decisions for Activity 1 collaboratively and (ii) raise key recommendations throughout this study to the Minister of Housing and the Minister of Finance for guidance and support. The final recommendations will be consolidated into a White Paper for cabinet approval, ensuring high level endorsement and commitment to housing sector reforms.*

**Activity 2: Housing Sector Capacity Building**

This activity aims to strengthen the capacity of MoCHI, MoFP, and housing implementing agencies to effectively develop, implement, and manage housing reforms by equipping staff with essential knowledge and skills. The initiative includes three key components: knowledge transfer and academic training. Training participants who complete the curriculum will receive a Housing Training Certificate of Completion.

The key training components are:

1. **Knowledge Transfer** – Introduce staff to international best practices in housing and urban development, with a focus on: (i) Affordable housing provisioning models and best practices; (ii) regulatory and policy framework; and (iii) alternative institutional arrangements to address housing challenges in the Maldivian context.
2. **Academic Training** – A hands-on training program covering: (i) Housing policy and program development; (ii) Housing program assessment and monitoring; (iii)Targeting and affordability analysis; (iv) Incentive structures for supply-side interventions; (iv) Financial modeling for both supply-side interventions.

Trainers for this Activity may include technical team members from Activity 1. The Consultant Firm may collaborate with Maldivian academic institutions (e.g., Maldives National University, MNU Business School, and Maldives Polytechnic) to explore the establishment of a structured academic training program drawing from contents from this Activity to ensure the sustainable capacity building for the housing sector in Maldives. This structured approach ensures that key stakeholders gain the necessary expertise to drive and sustain meaningful housing sector reforms in the Maldives.

While the Consultant Firm for TOR#2 (Demand-Side Reform Roadmap Recommendations) will lead the overall capacity-building initiative and will bear all cost related to coordination, logistics and venue, the Consultant Firm for TOR#3 (Supply-Side Roadmap Recommendations) will be responsible for developing the supply-side training content and conducting the training sessions on housing supply-related topics.

**Activity 3: Strata-Title Certification System Assessment and Reform Recommendation**

The strata titling registration system in the Maldives is slow and inefficient, often taking up to five years. These delays hinder housing supply, limit access to housing finance, and slow economic growth. This system has negative impact on:

1. Developers: Without registered strata titles, developers struggle to secure financing and provide buyers with legal proof of ownership, affecting property sales and investment.
2. Banks and Borrowers: Financial institutions face high risks when lending for units without legal titles. Without proper registration, banks cannot foreclose on defaulted loans, leading to higher borrowing costs for buyers.

The Consultant will undertake the following tasks:

1. **Mapping** – Document the end-to-end strata titling process, including steps, timeframes, responsible agencies, and costs
2. **Analysis** – Identify key bottlenecks, whether due to system inefficiencies, capacity gaps, funding issues, institutional arrangement complexity, or other constraints.
3. **Recommendations** –Develop reform proposals grounded in international best practices, detailing necessary regulatory, policy, system, and institutional changes to streamline the process. Clearly outline the resources and funding required for implementation, along with a phased action plan specifying short- and medium-term measures. Identify key responsible institutions and their roles in executing the proposed reforms.
4. **Report** – Compile findings and recommendations into a final report for reform implementation.

This approach aims to shorten the strata-titling registration and certification process to a reasonable timeframe (ideally to 6-month period), improving housing market efficiency and financial accessibility.

## **Deliverables**

The estimated duration of this assignment is to be performed over a 12-month period. Deliverables will include reports and presentation materials that contain:

1. Inception report.
2. Deliverable 1a: Comprehensive Supply-Side Analysis and Alternative Intervention Recommendations Report, to include assessment on regulatory, financial, and institutional arrangement aspects.
3. Deliverable 1b: Affordable Housing Roadmap Recommendations (in English and Divehi)
4. Deliverable 2: Capacity Building & Academic Training
5. Deliverable 3: A report on Strata-title assessment and recommendation
6. Deliverable 4:
   1. Consultation, knowledge exchange, and training dissemination workshops (in-person or hybrid, as needed). A minimum of 3 workshops needs to be conducted.
   2. One publishable final report, a white paper for Cabinet approval, and PPT presentations will be the final deliverables. All final reports and presentations will be presented in both English and Divehi.

All deliverables, except for Deliverables 1.1 and 3 will be conducted in close collaboration with Consultant Firm for TOR#2: Demand-Side Reform Recommendations

## **Consultant Qualifications and Estimated Workdays**

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

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| --- | --- | --- |
| No. | Consultant | Qualifications |
| 1 | Team leader (International) | An expert with at least 15 years of demonstrated international experiences in housing public policy and program development for social/affordable housing provisioning. Experienced in conceptualizing, designing, coordinating, and implementing affordable housing programs will be critical. Experience in affordable / social housing segment on both supply and demand sides is a must. |
| 2 | Housing Construction / Development Specialists (One International and/or One Local) | Supply-side expert with at least 7 years of experience in housing construction and affordable housing policy and program development. Master’s degree in a related field (architecture, urban planning, real estate, real-estate economics, business administration). Have experience in Maldives construction is required for the local consultant. |
| 3 | Housing Policy & Regulatory Specialist (One International and/or One Local) | Master’s degree in relevant fields (architecture, urban planning, civil engineering, real estate, business administration, finance). Minimum 7 years of relevant housing, construction, housing policy or equivalent experience. Experience in developing government incentive programs on the supply-side is preferred. |
| 4 | Land Registry Specialist  (International) | Master’s degree in relevant fields (architecture, urban planning, civil engineering, real estate, business administration, finance). Minimum 10 years of relevant work in land management, land cadaster and property registration, land/property system development or management, or relevant work experience. |
| 5 | Trainers (International) | Master degree in relevant fields (housing development policy, real estate, PPP for housing, statistics, data science, planning, economics, or related) or at least 10 years of experience in teaching and/or training in academic environment on social housing provisioning methodologies, PPP principles, and housing policy/program development. |
| 6 | 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 research, analytical work, policy, and project management |

## **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.

|  |  |  |
| --- | --- | --- |
| **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 Activity 1 | Month 6th after contract signing | 30% |
| Progress Report for Activity 3 | Month 8th 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.

## **Timeline**

| NO | Action Item | Month | | | | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | Launch meeting & Inception report |  |  |  |  |  |  |  |  |  |  |
| 2 | **Activity 1: Recommendation of Supply-side Interventions for Affordable Housing** |  |  |  |  |  |  |  |  |  |  |
| 3 | 1.1.a: Supply-side program design, targeting, financial modeling, and cost-benefit analysis. |  |  |  |  |  |  |  |  |  |  |
| 4 | 1.1.b: Supply-side intervention market testing *(testing done under TOR #1)* |  |  |  |  |  |  |  |  |  |  |
| 5 | 1.2 and 1.3: Legal/Regulatory and Institutional Arrangement Reviews and Recommendations |  |  |  |  |  |  |  |  |  |  |
| 6 | 1.4: Development Roadmap and Implementation Plan Recommendations *(to be coordinated with TOR#2)* |  |  |  |  |  |  |  |  |  |  |
| 7 | **Activity 2: Capacity Building** *(to be coordinated with TOR#2)* |  |  |  |  |  |  |  |  |  |  |
| 8 | **Activity 3: Strata Titling Assessment & Reform Recommendation** |  |  |  |  |  |  |  |  |  |  |
| 9 | Final Report Dissemination |  |  |  |  |  |  |  |  |  |  |

1. Source: Government of Maldives Ministry of Finance, 2024. [↑](#footnote-ref-1)
2. Source: MoFP [↑](#footnote-ref-2)
3. Surveys to test the key public and private stakeholders feedback on potential supply-side reforms will be done under another TOR “Maldives Affordable Housing Program Development Survey”. This TOR will be procured concurrently with this TOR. [↑](#footnote-ref-3)
4. PPP for affordable housing is time consuming and complex to develop and implement for developing economies. It is recommended that the Consultant tailors PPP principle in a practical way for the Maldives, taking into consideration the country small-scale context and the small albeit growing local developers’ technical and financial capacity. [↑](#footnote-ref-4)