

Maldives National Housing Policy



Ministry of Housing and Urban Development

May 2008



Maldives National Housing Policy

May 2008

Ministry of Housing and Urban Development

MTCC Tower, 7th Floor, Boduthakurufaanu Magu, Male' 20057, Maldives

Tel: +960 3325785, +960 3321960, Fax: +960 332 8999

E-mail: mail@mhud.gov.mv,

Website: www.mhud.gov.mv

Contents

- 1. Introduction 1
- 2. Policy Environment 3
 - 2.1. Maldives Vision 2020 3
 - 2.2. Sixth National Development Plan 2000-2005 4
 - 2.3. Seventh National Development Plan 2006-2010 5
 - 2.4. Population Policy of the Maldives 6
 - 2.5. Regional Development Policy 7
 - 2.6. Key Outcomes of the Existing Policies 8
- 3. Policy Statement 12
- 4. Policy Objectives 13
- 5. Focus Area 1: Housing Delivery in Male’ Urban Region 14
- 6. Focus Area 2: Housing Delivery in Other Urban Regions and Urban Centers 17
- 7. Focus Area 3: Housing Delivery in Other Islands 19
- 8. Focus Area 4: Housing Finance 21
- 9. Focus Area 5: Formation of Housing Facilitation Unit 24
- 10. Focus Area 6: Capacity Building 26

1. Introduction

So far there is no written or formally acknowledged housing policy in the Maldives, and housing is by and large governed by traditional practices of land allocation and individual construction. However, there have been a number of projects and interventions over the years and the government is increasingly required to intervene on grounds of equity and social justice as well as economic efficiency and environmental sustainability. As a result, in 2005, the Ministry of Housing and Urban Development (MHUD) was formed, charged, inter alia, with the formulation and implementation of a National Housing Policy.

Traditionally, housing in the Maldives was a private affair, left to the households to construct on inherited land or land that had been allotted for the purpose. Given the spatial economy of the Maldives, this was usually by subdividing or sharing an existing parcel, or sometimes, through reclamation. The increasing scarcity of land, high costs of construction and reclamation, the need to accommodate many more uses, and to respond to the need and desire of households to locate in areas that are better serviced, secure and have better economic prospects requires a more considered, transparent and planned system of intervention in the form of a comprehensive policy on housing that is supported by all tiers of government, the private sector and the community.

This is particularly critical now, as the Maldives is going through political, economic and demographic changes, which, if left unaddressed could leave the disadvantaged and vulnerable groups, such as the poor, women and single-headed households, marginalized by their socio-economic and historic circumstances, leaving their rights and their needs unrecognized and unmet.

Based on the preliminary work of Ministry of Housing and Urban Development, the first draft of a National Housing Policy was formulated in 2006 with assistance from UNDP/UN-HABITAT through a policy advisor. This paper was put through a series of discussions, initially, with relevant government bodies and later with the Social Housing Committee and Advisory Council to the Ministry of Housing and Urban Development.

The draft paper prepared based on the above discussions, was opened for public consultation mainly through MHUD web site on 26th June 2007. The paper was also sent to all Atoll Offices to get input from the Atoll Development Committees and Island Development Committees. It was also sent to all political parties and some related NGOs for their comments and input. MHUD also received comments from UNDP on the first draft of the policy.

A two-day workshop was held jointly with UNDP/UN-HABITAT on 22nd and 23rd of August 2007 for finalizing the policy draft based on the comments received from the consultation process. This workshop was attended by related government bodies, members of the Social Housing Committee of MHUD, some NGOs, UNDP/UN-HABITAT, UNFPA, ADB and World Bank representatives in Maldives. In addition, all the political parties were invited to the workshop and some parties also participated in the workshop.

This final draft of the National Housing Policy has been prepared based on the discussions and outcomes of the workshop.

Maldives National Housing Policy has been formulated with support and assistance from various institutions and individuals. Ministry of Housing and Urban Development (MHUD) expresses sincere appreciation for all the support received in the process. .

The Ministry would like to highlight the initiation of the policy formulation process by His Excellency President Maumoon Abdul Gayoom and his continued support in the finalisation of the policy. MHUD also acknowledges with appreciation, the contributions of the members of the Advisory Council to the Ministry of Housing and Urban Development, and contributions and dedication of the members of the Social Housing Committee and the special committee established to advice on the preparation of the framework of the policy.

Ministry of Housing and Urban Development also acknowledges the comments and contributions received from private individuals, Atoll Development Committees, and Island Development Committees when the Draft National Housing Policy was opened for public consultation. MHUD also deeply values the support and guidance given by the UNDP and UN – HABITAT in the formulation of the policy.

MHUD would like to note that the policies and programmes of relevant authorities that have direct impact on housing need to be maintained in line with overall values of this policy in order to successfully achieve the objectives and goals of the Maldives National Housing Policy. A housing policy alone would not be effective in addressing the issues of housing. MHUD also emphasizes that this policy has to be revised as per the changes from demographic and development pattern of the Maldives.

Ministry of Housing and Urban Development aspires this policy to be a guiding document that will aid the ministry to work with other related sectors to address the issues of housing. It is the aim of the Ministry of Housing and Urban Development to implement Action Plans as per this policy and to work diligently to find the solutions to the housing issues of the Maldives.

2. Policy Environment

2.1. *Maldives Vision 2020*

Maldives Vision 2020 addresses Housing as part of “Physical Development and environment” sector. The vision for the sector states that “Maldives will be a more urbanized country, providing satisfactory living conditions for all”. The general vision for the sector states that Maldives will have effective policies for enabling access to adequate housing and urban development to promote sustainable settlements. Seven strategies have been formulated under subsection of the sector - “Adequate housing for all”. These strategies include;

1. Develop strategic goals/targets for housing and urban development and give priority to these goals in national development
2. Formulate effective laws and regulations on reclamation, development and ownership of land and under an effective framework, on shelter
3. Provide access to safe drinking water, sewerage and other basic amenities for all
4. Promote low-cost, effective, safe, environmentally friendly, energy saving and healthy means in housing construction
5. Support and promote the role of private sector in the housing delivery mechanism to facilitate affordable housing
6. Establish an appropriate housing finance mechanism with joint effort by the public and private sector
7. Facilitate easy access to services and facilities for all households under an effective mechanism and facilitate upgrading of substandard housing

2.2. Sixth National Development Plan 2000-2005

The Sixth National Development Plan (2001 – 2005) recognises housing in the ‘Social Development’ sector, under the subsection ‘population and Housing.’ Under this subsection there are seven policies developed and several strategies formulated for each policy. Following are the policies and the strategies that directly addresses housing.

1. Provide good housing and a pleasant living environment for all

Strategies:

- . Facilitate adequate housing through provision of land or housing schemes
- . Enforce building regulations that guarantees safe building construction
- . Promote a clean environment in and around the homes through public awareness campaigns
- . Develop and introduce appropriate housing finance schemes
- . Expand basic infrastructure facilities such as water, sewerage and electricity
- . Increase opportunities for improving existing housing conditions
- . Enforce zoning between different forms of land use, especially between housing areas and polluting forms of land use (factories, workshops, dump areas)
- . Increase open space and facilities for recreation

2. Enable effective, efficient and equitable land management for housing and urban development

Strategies:

- . Increase capacity to implement administrative and institutional reform of the legal and regulatory framework, governing land administration and management, including property registration and land information systems

- Develop a housing and urban development strategy for the country
 - Establish market-oriented mechanisms and incentives for private participation
3. Establish a housing finance scheme

Strategies:

- Initiate a pilot project to provide small housing loans to selected target groups
- Train personnel to administer housing loans and manage housing development
- Establish the basis for the development of a national housing finance corporation
- Develop a package of programs whereby all segments of the population can participate and benefit from institutionalised housing finance

2.3. Seventh National Development Plan 2006-2010

The Seventh National Development Plan (2006-2010) has encompassed housing in the Seventh Goal and under the chapter on Social Development. There are four main policies highlighted in the plan along with strategies to achieve the policy objectives.

The four main policies are;

1. Provide housing for those whose houses were damaged or destroyed by tsunami
2. Facilitate meeting the need for housing in Male' Urban Region and other Urban Centres
3. Increase housing affordability
4. Enable effective and efficient delivery of housing services

As a strategy under the fourth policy, formulation and implementation of a National Housing Policy has been identified.

2.4. Population Policy of the Maldives

The National Population Policy has been formulated in 2005 as a result of a series of discussions and deliberations on an initial discussion paper that was submitted by Ministry of Planning and National Development to the Population Programme Coordination Committee. This Committee is an inter-sectoral high level committee chaired by the Minister of Planning and National Development. This statement also includes various population-related policies expressed in the Vision 2020 and other relevant sectoral documents.

This policy statement has produced 26 goals and several strategies to achieve these goals. Housing has been focussed as the tenth goal, which states;

“Provide good housing and pleasant living environment for all by 2015”

The following strategies have been formulated under this goal;

1. Facilitate good housing through provision of land or housing schemes
2. Enforce building regulations that guarantees safe buildings
3. Promote cleanliness in and around the house through public awareness
4. Develop and introduce appropriate housing finance schemes
5. Expand basic infrastructure facilities such as water, sewerage and electricity
6. Increase opportunities for improving housing conditions
7. Enforce zoning between different forms of land use, specially between housing areas and polluting forms of land use
8. Increase open space and facilities for recreation

2.5. Regional Development Policy

The Regional Development Policy of the Government is aimed to achieve a balance of social, economic and physical development between atolls by focusing on promoting key areas in each region and investing in the necessary social and physical infrastructure to cater for the regional growth. It also focuses on strong regional economic linkages combined with a developed transport network for boosting regional growth. This growth of regions would require housing to cater for both the natural growth of the population in the region as well as the growth due to migration, especially to the focussed key areas within the region.

The Population and Development Consolidation Programme (PDCP) is a key strategic component of the Regional Development Policy that aims to support the economic and social development of the atolls and region of Maldives. The programme proposes to achieve economies of scale through the consolidation of populations to economically viable sizes on the larger islands with potential for physical expansion and economic growth. Under the current stipulated policy, each relocating family will receive a new house in exchange for their own (occupied) house plus financial assistance for relocation.

2.6. Key Outcomes of the Existing Policies

2.6.1. Housing Finance Pilot Project

Maldives Housing and Urban development Board developed two-bedroom 48 single storey houses as a pilot project for establishment of a national housing finance scheme in 2003-2004. The 48 units were constructed on Funadhoo in Shaviyani Atoll and Fonadhoo in Laamu Atoll with 24 houses in each of the islands. The main objective of the project was to provide housing through a loan scheme at cost basis.

The houses constructed were in the process of beneficiary identification when the 2004 tsunami hit the nation. Thus, these houses were initially used as temporary shelter, though most have now been awarded to relocating families under population development consolidation program. Hence, the response to the project was not properly assessable. However, anecdotal evidence showed that people prefer buildings individually modelled for their taste. It was also conversed that if the people were given the finance, they could construct a similar house built to their own design at lesser cost than contracting out the work as done in the pilot project.

2.6.2. Formation of Housing Development Finance Corporation (HDFC)

With the experience of the pilot scheme and dire need for establishment of financial institution that provides finance for housing with terms that are more favorable than commercial banks that were operating in the country, Housing Development Finance Corporation (HDFC) was established by the Government in March 2004.

HDFC was initially set-up as a one hundred percent government entity and is now in the process of being privatised with forty percent government and sixty percent private share. At the end of the December 2006, HDFC showed a loan portfolio of 211 million Maldivian Rufiya. With the sixty percent private share HDFC will strengthen its financial capacity and is aiming to continue giving loans in 2008.

2.6.3. Enactment of the First Land Law

The first Land Law of Maldives enacted in 2002 and immediately there was a requirement for revising some components for the law to be revised. Up until now some components of the law has been revised. However, with the need for a law, more appropriate for the current situation the government is now in the process of drafting a new Land Law.

2.6.4. Introduction of Condominium Registration

Condominium registration (strata titling) was introduced along with the enactment of the Land Law in 2002, which had a chapter on condominium registration. This has allowed individual registration of units in a building, which in turn has facilitated ownership housing, where individual units could be mortgaged, sold and/or given with title. This has also facilitated group of individuals who have a joint ownership of a piece of land to construct a building jointly rather than subdividing the plot. Thus, condominium registration has allowed many owners to benefit from a plot of land by creating more housing units.

2.6.5. Development of Hulhumale'

With the issue of severe land shortage for housing and infrastructure services in Male', it was decided by the Government that a new island be reclaimed within Hulhule/Farukolhufushi lagoon. Reclamation of first phase of the development started in 1997 and was completed in 2003. First residents moved to Hulhumale in 2004 with the completion of 280 residential units, 48 commercial units, major road network and main social infrastructure, including a school, a hospital, an administration building and a mosque. All utilities such as electricity, water and sewerage and telecommunication were also established. In addition 222 land plots were allocated for residential purpose and 65 land plots allocated for light industrial activities.

Since then, land has been allocated to private sector as well as Government agencies for private housing, condominium housing, social housing, institutional development and social infrastructure development. At the same time, development and allocation of social housing has continued.

With an overall objective of sustainable development of Hulhumale, Hulhumale Development Corporation (HDC) was formed in March 2005.

Its main objectives include;

- Reclaim, plan, develop, maintain and administer all the developments
- Develop residential units for social housing
- Develop commercial and industrial areas in a commercially viable manner
- Plan, formulate and implement development guidelines
- To provide municipal services in an environmentally friendly and commercially viable way and formulate and implement maintenance policies and strategies
- Diversify into related lines of activity to secure future growth and financial stability

2.6.6. Construction of Flats for Social Housing

Construction of flats for social housing was initiated in 1990 with the assistance from the Government of the People's Republic of China and has continued with Government of Maldives funding. Since then 161 flats has been developed in Male'. The initial 280 flats constructed in Hulhumale are also under social housing. Social housing development by the Government is now being mainly continued in Hulhumale.

2.6.7. Land Use Planning Regulations and Guidelines plus Training

In order to facilitate a sustainable and equitable land management, Ministry of Housing and Urban Development has developed and implemented a set of regulations and guidelines for preparation of Land Use Plans for islands. Regulations for allocation of residential plots and land for other uses has been formulated and implemented by the ministry under the same objective. Due to the geographical distribution of Maldives, the best way to undertake this is by training individuals in the atolls as well, which is also being done.

2.6.8. Formation of Social Housing Committee

A Committee has been established in the Ministry of Housing and Urban Development for guiding the development of criteria for identification of beneficiaries for housing developed by the Government as social housing, and formulation of means testing mechanism for beneficiaries of housing safety nets. The committee includes related government agencies, NGOs and two professionals from private sector.

While the efforts of the past and existing policies are appreciated, it is also noted that there has not been an effective and sustainable housing delivery mechanism established, and shortcomings still exist in many forms. It is also understood that most of the outcomes highlighted above are key elements of a housing delivery system and should be used and strengthened as a part of this policy.

3. Policy Statement

With the changes to the policy environment and the outcome of these changes, the government's policy for affirming the commitment for achieving the goals and targets of the National Housing Policy is outlined in its broader policy statement as;

***“The Government is committed to ensure that all
Maldivians can enjoy a decent standard of housing, now
and in the future.”***

4. Policy Objectives

The Government's objective for housing policy should be both simple and fundamental - to ensure a decent home for every household in the country. This means the availability of **affordable** housing of acceptable **quality**, in sufficient **quantities** in the right **location**, and for those beyond the reach of the market, provision of **social housing**, through the creation of an enabling environment that maximizes the involvement of the private sector and the community, with public intervention targeted at reducing vulnerability, disadvantage and discrimination and protection of the environment. This means having strategies for

- **Affordability** of housing to be extended through availability of land and housing finance to improve access to housing, especially for the disadvantaged and vulnerable groups such as single-headed households
- **Quality** of housing to be improved through community-based neighbourhood design and layouts, provision of social amenities and sustainable settlement environments
- **Quantity** of housing to be increased to reduce overcrowding and ease pressure on prices and pre-empt downward-raiding of social housing
- **Location** of housing to support patterns of economic development and promoting and protecting the environment
- **Social Housing** to be made available for households whose circumstances and socio-economic situation are such that their needs are beyond the market, such as the poor, disadvantaged and vulnerable groups, women and single-headed households and those affected by disasters and displacement

In the proposals outlined here the strategies for achieving these objectives are grouped in three spatial and three operational and managerial support areas of focus.

Policy Focus Areas

5. Focus Area 1: Housing Delivery in Male' Urban Region

5.1. Issues

- 5.1.1. There is an increasing housing need due to natural population growth plus the continuing in-migration from islands / atolls. Currently about one third of the nation's population is living in Male' on less than two square kilometers – making it the densest city in the world.
- 5.1.2. There is a backlog to cover the current need and demand from households living in cramped and overcrowded housing. The efforts of the government (ownership housing) and the private sector (only rental housing) have not been able to meet the need and thereby the backlog has been increasing.
- 5.1.3. Limited supply and the weak housing delivery mechanism is not enough to cover the backlog and to address the need. There is a lack of proper housing developers (and/or realtors), housing associations, etc. with weak housing finance a contributing factor, together with limited land availability. Until recently, when the policy of allocating land in Hulhumale for private developers was initiated, private developers only had access to land (on rental basis) that had been already allocated to individuals.
- 5.1.4. Existence of only a rental market and no significant housing market, means that even those households who are in the high- and medium-income brackets are also not able to own homes because of limited, if not no supply of housing. Hence, there is “downward raiding” by these households to occupy the housing available both in the rental market as well as the ownership schemes under social housing.
- 5.1.5. This movement of high and medium income households in the rental market fuelled by the mismatch between the demand and supply has led to increasing rent values making the rental market less affordable to lower income households.

5.1.6. Worsening standards of housing within the existing units, sometimes reaching slum conditions, due to housing shortages and increases in rental values, which means that households in the low- to medium-income households are unable to afford housing units for single families causing multiple-family housing (more than one family sharing a single housing unit).

5.1.7. Subdivision of housing plots in Male' has also led to wastage of land for narrow access lanes, and staircases. Multistory units (where the living room is on one floor and each bedroom is on a separate floor), accessed through narrow lanes, are also being developed on these subdivisions leading to undesirable urban environment and unsustainable urban development. This could also lead to health risks. This has also created a situation where there is a need for redevelopment of Male'.

5.2. Strategies

5.2.1. Facilitate increasing supply of housing units to cater for the backlog in the region. Estimated current backlog of at least 1500 units to be supplied by 2010. This means developing some 500 new units per year, which will be done through the development of plots on Hulhumale' by private sector and the Government. All units developed directly by the Government will be for social housing. HDC will play a leading role in facilitating social housing in Hulhumale'. Government will ensure that social housing developed is targeted for low to low-middle income households, with provisions for the poor and vulnerable groups.

5.2.2. Facilitate supply of 250 units per year from 2010 onwards to cater for the annual growth in housing demand. This amount will be revised depending on the outcome of development of Male' urban region and other urban regions, and based on housing need assessments/ studies. The majority of these will be on Hulhumale', but a significant number should also be on Male' and Villingili – primarily through urban redevelopment and condominium units. While the tendency may be to develop these primarily for the middle income households, all units developed directly by the Government will be for social housing. Government will ensure that social housing developed is targeted for low to low-middle income households, with provisions for the poor and vulnerable groups.

- 5.2.3. Government supply would only be for social housing and part of the low to lower middle income categories. The rest of the housing would be through allocation of housing plots for individual developments and allocation of land for housing development through developers. Government could also partner with private and/or foreign developers and hence, develop middle to high income housing in order to facilitate cross subsidization for low income housing. Focus of this development would be on Hulhumale'. However, some could also be distributed to Male' and Villingili.
- 5.2.4. Government housing development on Male' would be focused to facilitation of the overall redevelopment of Male' to meet current and anticipated urban needs, keeping in mind the carrying capacity to facilitate a better quality built environment.
- 5.2.5. Condominium development would be encouraged to facilitate ownership housing through private sector and to facilitate a housing market, increasing supply and reducing pressure on land, prices and the environment. Government will have to ensure that there are no enforced evictions, and that no group is discriminated against, and that the rights of poor and vulnerable groups, including women are protected and promoted.
- 5.2.6. Pooling or consolidation of plot subdivisions and different parcels of land would be encouraged through various schemes, involving both private developers and individuals to reduce substandard housing and facilitate a better urban environment. The use of community-based processes and the protection and promotion of vulnerable and disadvantaged groups will be an integral component of the process.
- 5.2.7. The provision and accessibility of housing and Housing finance will be expanded to facilitate housing development, with social housing provision targeted at vulnerable and disadvantaged groups and those whose needs cannot be met by the market.

6. Focus Area 2: Housing Delivery in Other Urban Regions and Urban Centers

6.1. Issues

- 6.1.1. Certain urban centers have land shortage issues together with inappropriate land uses. Most of these islands have been developed without proper land use plans. Land shortage on these islands have led to land subdivisions (sometimes, to unreasonable sizes), housing congestions, substandard housing as well as multiple-family housing. On a few islands, there have been offshore plot allocations for the beneficiaries to reclaim on their own (*Baadi*, which is not being practiced now).
- 6.1.2. Limited availability of housing finance and issues of affordability of alternative finance is another factor contributing to congestions and substandard housing. There is also a lack of planning regulations that would guide the development of these islands.
- 6.1.3. Other urban centers have access to land. However, most of these islands also lack proper land use plans. Inappropriate land allocation and mismatching land uses have been common issues.
- 6.1.4. The limited land for housing plots has also been allocated to cater for the demand rather than the need.
- 6.1.5. Existence of vacant housing plots has been an issue in almost all the islands.
- 6.1.6. Regional growth needs to be enhanced and strengthened together with improvement to the infrastructure such as water and sanitation, harbour and other social infrastructure, which directly influences growth of economy and delivering sustainable housing as well as settlement.

6.2. Strategies

- 6.2.1. Preparation of Land Use Plans for the regional centers and focus islands in the region, and urban centers, keeping in mind the need to protect and promote a sustainable environment.
- 6.2.2. Formulation and implementation of planning regulations that would guide the future sustainable development of these islands.
- 6.2.3. Majority of housing intervention by the Government on these islands will be in the form of housing plot allocations as per approved land use plans and supported with a housing finance mechanism, with special care being taken to ensure the needs of the disadvantaged and vulnerable groups are met, and that the processes are transparent and non-discriminatory.
- 6.2.4. Regulations and criteria for housing plot allocation would be further streamlined so that housing need is addressed before the housing demand and that the issue of vacant plots is addressed.
- 6.2.5. Regional/urban centers with existing or possible land shortage issues would have land identified for other forms of housing in their land use plans. This would be initiated with pilot projects. These forms of housing would include shop houses and condominiums. These types of housing would be initiated with two to three storey individual buildings and would be developed through private developers or housing associations formed within the communities depending on the magnitude of the need for such housing. Government would intervene where the private sector and housing association fail to deliver, in which case, government may also opt to partner with the private sector and community led entities.
- 6.2.6. Government would facilitate these developments by providing technical support and linking and getting commitments from related institutions to the projects.
- 6.2.7. Wherever necessary the government will support the housing delivery system by facilitating development of social housing directly or jointly working with public and private sector.
- 6.2.8. Housing development on urban regions and urban centers would support and facilitate regional growth, and support Population and Development Consolidation Policy.

7. Focus Area 3:

Housing Delivery in Other Islands

7.1. Issues

7.1.1. Some islands have limited land for growth and expansion. Some islands also do not have potential for future reclamation. Most of the islands have adequate land but lack a proper land use plan to guide their growth and development.

7.1.2. There is a lack of planning regulations that would guide the development of these islands. Inappropriate land allocation and mismatching land uses have been common issues in most of the islands. Housing plots have also been allocated to cater for the demand rather than the need.

7.1.3. Existence of vacant housing plots has been an issue in almost all the islands.

7.1.4. Limited availability or non availability of housing finance and issues of affordability of alternative finance is a factor contributing to poor housing. Limited, if not none existing, proper infrastructure also contributes to this.

7.1.5. Some islands lack potential growth due to aspects like small land area, location, small size of population and difficulty of access to other resources.

7.2. Strategies

7.2.1. Preparation of Land Use Plans for the islands, together with formulation and implementation of planning regulations that would guide the future development of these islands in a socially acceptable, economically feasible and environmentally sustainable manner.

7.2.2. Regulations and criteria for housing plot allocation would be further streamlined so that housing need, especially that of disadvantaged and vulnerable groups are addressed before the housing demand and that the issue of vacant plots are addressed.

7.2.3. All the Government intervention in housing on these islands will be in the form of housing plot allocations as per approved land use plans and supported with a housing finance mechanism, with special care being taken to ensure that the needs of the disadvantaged and vulnerable groups are met, and that the processes are transparent and non-discriminatory. .

7.2.4. Housing facilitation in these islands would also support regional growth and, Population and Development Consolidation Policy

8. Focus Area 4: Housing Finance

8.1. Issues

8.1.1. There is a continuing increase in different types of housing finance needs

- To build, extend, buy or improve housing in Malé
- To build or buy housing in Hulhumale or Villingili
- To build housing for rent in Malé, Hulhumale or Villingili
- To build, extend or improve housing for own use or renting in Atolls

8.1.2. Housing Development Finance Corporation is the only housing finance institution in the country. Even with a commendable recovery record, the institution is unable to cater for the growing need due to limited finance available to the institution. With all its initial capital invested in 20-year loans to 500 households, it can only provide an additional 25 households with loans each year in the future unless it can get an injection of additional funds.

8.1.3. Certain households lack the capacity to access to the limited housing loans available mainly due to the inability to provide own equity (or sometimes, down payment) which is required.

8.1.4. Lack of saving mechanisms, specifically for housing. A sustainable system needs to be fuelled by savings. Savings are also the best way to prepare and provide for repayments of any loans that may be made available.

8.1.5. High cost of alternative borrowings for housing. Commercial banks, which are the alternative venues for borrowing, provide loans at commercial rates and for short periods.

8.1.6. The atolls remain relatively removed from market-based financial systems of savings or loans probably due to;

- irregularity of incomes
- reluctance to receive (or pay) interest or other forms of usury
- absence of savings institutions on most islands

8.1.7. Hulhumale Development Cooperation (HDC) is the only agency involved in social housing right now. However, the company's financial status right now does not allow access to loans for development of social housing.

8.2. Strategies

8.2.1. Attracting additional finance for housing through Housing Development Finance Corporation (HDFC) and other finance institutions

8.2.2. Extension of HDFC's capacity for lending of both developer and user finance

8.2.3. Facilitating introduction of saving mechanisms, specifically for housing, through HDFC and/or other financial institutions. Particular efforts should be made in their design and operations to enable poor and disadvantaged groups to be able to access and utilize these schemes.

8.2.4. Facilitating prioritization of lending for housing to regional centers and urban centers in housing finance mechanism for islands.

8.2.5. Facilitate introduction of "escalating repayment" and other types of affordable mortgages, supported with safety nets, such as targeted subsidies, to ensure the needs of the disadvantaged and vulnerable group are met, and that the processes are transparent and non-discriminatory.

8.2.6. Facilitate introduction of loans for housing improvements

8.2.7. Facilitate creation of housing finance safety nets and means-testing mechanisms for accessibility to these safety nets. Annual budgetary allocations will be made by the Government to support the safety net mechanism. Majority of these allocations will be spent on long-term recovery rather than short-term recovery.

Safety nets could be in the forms of;

- Creating guarantee facilities for housing loans for those who could not afford the equity percentage required

- Providing a soft loan for the purpose of paying down payments for owning Social Housing
- Rent/buy options to increase the amount of housing that can be afforded
- Creating a housing fund for the implementation of housing finance safety nets

8.2.8. Wherever necessary, Government will support HDC and similar agencies involved in social housing by providing guarantee facilities for housing development loans or directly supporting social housing development through budget if necessary. HDC should develop other areas of business such as land market so that the company's growth will enable access to housing development loans as well as be able to cross-subsidize social housing by providing longer repayment periods.

9. Focus Area 5:

Formation of Housing Facilitation Unit

9.1. *Issues*

9.1.1. There is an inbuilt tendency for people to be risk-averse and therefore to continue to do what they have been doing in the way they have been doing it, even if the results have not always been successful. This is particularly true where large investments of time and resources are concerned, as is the case with housing, where most people will have to live with the results for the foreseeable future.

9.1.2. Many policies and facilitations of the government are sometimes not clearly understood by the people.

9.1.3. Therefore there is the need for the government to provide both a means of broadcasting its message and explain and if necessary, take on some of the risk of trying new processes.

9.2. *Strategy*

9.2.1. Establishing a Housing Facilitation Unit (HFU). This unit will be formed initially within Ministry of Housing and Urban Development but can be developed as a separate body with the involvement of the private sector

9.3. *Objective*

9.3.1. For the policies and proposals related to housing to be understood and implemented, the participation of the developers and builders are essential, since they, rather than the Government or the Public sector will be producing the bulk of the new housing. The Housing Policy is designed to strengthen and sometimes, change the existing processes and procedures in order to provide a more effective response to the housing needs, but to be effective, the new ideas need to be publicized so that they can be understood and acted upon.

9.4. Operations

Housing Facilitation Unit includes but is not limited to the following operations:

- 9.4.1. Collect information and views on needs and experience, including feedback on its own advice, in order to further improve the procedures and processes it advocates
- 9.4.2. Act as a liaison between housing producers, users and regulators to ensure and assist a better flow of information and resources
- 9.4.3. Support the access to and participation of disadvantaged and vulnerable groups, including women, single-headed families to housing projects, programs and schemes, enabling and ensuring their inclusion in an integrated, non-discriminatory manner.
- 9.4.4. Draw upon other line ministries for more specialised inputs, and if necessary, should be able to hire-in or commission external inputs on specific subjects and assignments
- 9.4.5. These tasks would be done through: A regular Newsletter, series of Briefings or Guidance Notes, a regular series of round-tables, regular series of focused discussion-group sessions, participatory exercises, and providing information gained from the international seminars, workshops and conferences attended by Ministry of Housing and Urban Development
- 9.4.6. Facilitate the establishment of institutional and legal framework for tenancy services.

10. Focus Area 6: Capacity Building

10.1. Issues

10.1.1. Ministry of Housing and Urban Development was formed in July 2005, with a new and wide mandate, covering housing, urban development and land. Being a new Ministry and to fulfill its mandate, the Ministry needs to develop a comprehensive and consistent framework to guide and orient its future work and operations. This requires the Ministry to undertake a number of highly specialised and technical exercises for which it lacks the necessary personnel.

10.1.2. Given the current and expected situation in the country, it is unlikely that there would be the financial or manpower resources to be able to do everything in an ideal manner. Therefore, it is necessary to take a strategic look at the tasks involved in order to develop an appropriate response.

10.2. Strategies

10.2.1. Capacity building of the Ministry of Housing and Urban Development and line institutions;

- Since, it is not possible to have enough qualified staff permanently and in-house to carry out all the tasks, probably the best option is to ensure that there is the capability to carry out the management tasks with permanent staff. With training, organisation and planning, it should be possible to build-in the Maintenance tasks into the work pattern of Ministry staff. Over time, the management staff should also be enabled to acquire the necessary experience and expertise to be able to execute some of the specialised tasks as well. This would be done through;
 - Long term training in the fields of housing delivery, housing finance, housing management, settlement planning, housing policy
 - Allocation of seats in the national training programmes (scholarship programmes) for staff training in the above mentioned areas
 - Short term training programmes would be obtained through Hands-on experience and training with similar organizations abroad

- For short-term and immediate expertise required, consultants can be brought in for the specialised tasks as and when necessary. Ideally, it would be good to have some long-term arrangements in place with a single institution, for the supply of specialists so that they can build upon their knowledge of the country and therefore are more in tune with both what is going on in the country and the policies being pursued.

There are three or four alternatives for this.

- To contract a specialised international agency, such as UN Habitat to enter into a long-term arrangement for the supply of consultants.
- To enter into agreements with a private firm or more likely, individual consultants to provide their services on an as-needed basis
- To enter into an agreement with a neighbouring country or countries for the supply of staff on loan or exchange basis.