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REPUBLIC OF MOZAMBIQUE

MINISTRY OF STATE ADMINISTRATION AND CIVIL SERVICE

URBAN AND LOCAL DEVELOPMENT PROJECT

PROJECT COORDINATION UNIT (UCP)

Project ID No. P163989

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TENDER REF. NR. MZ-MAEF-450058-CS-QCBS

TERMS OF REFERENCE FOR CONSULTANCY SERVICES

**URBANISATION FINANCING PLAN**

Maputo, 14 January, 2025

1. **Introduction**

The Mozambican government, with the support of the World Bank, is implementing the Urban and Local Development Project (PDUL), the aim of which is to “Strengthen institutional performance and provide infrastructure and services to participating local entities”. The project covers 22 municipalities in the provinces of Niassa, Zambézia, Sofala and Gaza and lasts for five years, i.e. from 2020 to 2025, a period that was preceded by a preparatory phase from April 2018 to October 2020.

The project is coordinated by the Ministry of State Administration and Civil Service (MAEFP), which has a mandate to support municipalities and decentralisation policy reforms. The implementation of the Project is done in close collaboration with the key Ministries that have specific mandates relevant to the Project’s objectives, namely the Ministry of Economy and Finance (MEF), the Ministry of Land and Environment (MTA) and the Ministry of Public Works, Housing and Water Resources (MOPHRH).

**The project has four structural components:**

**Component 1:** Urban Infrastructure and Municipal Services, with 3 Subcomponents: 1A - Municipal Performance Grant; 1B - Maximising Financing for Urban Development (MFDU) and, 1C - Technical Assistance in Urban Infrastructure and Basic Services. This component aims to improve access and the sustainability of urban infrastructure and service provision in the 22 participating municipalities;

**Component 2:** Decentralisation Policy Reforms and Institutional Strengthening, with 2 Subcomponents: 2A - Support for Global Leadership of Decentralisation Reform and 2B - Institutional Strengthening of Local Entities in Public Finance Management and Local Governance. This component aims to improve the resources, performance and accountability of participating local entities;

**Component 3:** Project Management. This component aims to finance the costs of preparing and managing cross-cutting projects, including technical studies carried out during project preparation, Project Implementation Unit staff and operational costs, project audits, project communication, planning, monitoring and evaluation of the project at mid-term (Midi Term Review) and final; and

Component 4: Contingency emergency response. This component will facilitate access to rapid financing by reallocating uncommitted project funds in the event of a natural disaster.

1. **Scope of the assignment**

The scope of this work falls within the implementation phase of Mozambique’s Urbanisation Policy, approved by the Council of Ministers by Resolution no. 31/2024 of 10 July, which will entail an institutional arrangement, modes of action and funding modalities in Mozambique’s urban sector.

The diagnosis of urbanisation in Mozambique made it possible to detect critical problems in various dimensions of urbanisation and to identify strategic and priority areas for urban development. The operationalisation of the Urbanisation Policy should focus its efforts and implementation mechanisms on minimising, mitigating and guiding solutions to these problems and challenges, namely: (1) urbanisation corridors and strategic development; (2) integrated planning and urban land management for territorial planning; (3) public and private investment in urban infrastructure; (4) governance, municipal management and local capacity; and (5) sources of funding for urbanisation.

The urbanisation policy highlights 7 pillars, on different thematic areas: 1. Governance and Decentralisation, 2. Land Management and Spatial Planning, 3. Economic and Financial Development, 4. Access to Housing and Adequate Settlements, 5. Inclusive Access to Resilient Infrastructure and Basic Services, 6. Mobility and Accessibility and 7. Urban Resilience and Environment.

1. **Justification**

With the approval of the Urbanisation Policy, one of the main actions was to draw up a financing plan, geared towards designing investment solutions for the implementation of the Urbanisation Policy, with a focus on sustainability in support of programmes, projects and activities in the field of inclusive, sustainable, resilient and participatory urbanisation.

Municipalities and districts receive funds and transfers from the central Government to carry out the functions and duties that fall to them (including urbanisation, provision of services, basic infrastructure and land-use planning). Municipalities, in particular, raise a large part of their financial resources from their own sources of income. However, in general, municipalities find it difficult to invest in infrastructure and services because they have high levels of expenditure on staff, administration and small running costs.

Resources are scarce in relation to demand and needs, revealing a dependence on intergovernmental transfers or partnership programmes.

There is an urgent need to move forward with drawing up a financing plan for urbanisation, aimed at raising and managing financial resources in the general interest, to be used in urban development as an area of public interest.

The financing modality must fit into the Mozambican context and best direct efforts towards implementing the Urbanisation Policy.

The consultant shall work closely with the Central Ministries to understand the current revision of the legislation regarding the fiscal intergovernmental transfer and other Governmental initiative to allocate more financial resources to the municipalities.

Among the main functions of this financing are the following: i) encouraging and directing public and private investment towards priority projects and actions in the field of inclusive, sustainable and resilient urban development; ii) attracting and making available financial resources, both internal and external, for development programmes and projects submitted by public, private and community entities; iii) providing sectoral economic and financial advice on matters related to urban development; iv) supporting training, capacity building, communication, dissemination and public participation initiatives in the field of urban development; v) support for research, monitoring and evaluation initiatives in relation to urban growth, development and management processes; vi) support for investment projects, financial investments that promote urban development, financing programmes and/or technology transfer projects that contribute to integrated, sustainable and resilient urban development; vii) programming, collecting and managing its own revenue and revenue earmarked for urban development, participating, under the terms of the law, in negotiating agreements with national, foreign and international agencies within the scope of mobilising internal and external resources for integrated, sustainable and resilient urban development.

1. **Consultancy Objectives**

The general objective of this consultancy is to plan financing for urbanisation, with the aim of raising and managing, in the general interest, financial resources aimed at urban development as an area of public interest.

**To this end, the Specific Objectives are:**

1. Designing the most appropriate funding model to finance the urbanization process in Mozambique;
2. Identify the internal and external institutions that will be interested in finance the urban area
3. Raising and providing internal and external financial resources for development programmes and projects submitted by public, private and community entities;
4. Study the interaction of urbanisation funding with the central entity that will be created to oversee the urbanisation area;
5. Encouraging and guiding public and private investment, exploiting public-private partnerships and/or municipal companies, for priority projects and actions in the field of inclusive, sustainable and resilient urban development;
6. Work with Technical Assistance already hired – AT Comp 2 – to understand and address the assignment to local governments in the collection and generation of their revenue (taxes, fees and other sources), in administrative processes and digitisation, including electronic payment methods, aimed the sustainability of the Urban Finance
7. **Main activities**
   1. Study the best form of urban financing, assessing the financial implications and effects on the sector in which it will be operating;
   2. Analyse the existing funding framework in Mozambique, especially the effort being made by the Ministry of Economy and Finance to better frame support for urban development;
   3. Analyse existing funding for urbanisation at international level, which could serve as a good reference for Mozambique;
   4. Develop an operational manual, that will guide the future entity looking for investment in urbanisation, describing procedures, but not limited to:

* Management model: How financing will be structured and how decisions can be made;
* Sources of funding: What will be the main sources of funding?
* Project selection criteria: What criteria will be used to select the projects to be funded;
* Monitoring and evaluation mechanisms: How project performance will be monitored and evaluated;
* Sustainability: How to create sustainability in urbanisation financing;

vi. Drawing up a Monitoring and Evaluation strategy: It is essential to establish efficient mechanisms for monitoring and evaluating the projects funded, in order to guarantee the effectiveness of the investments and the achievement of the proposed objectives. Funding needs to be transparent and accountable, providing society with an account of the use of resources. This will help strengthen public trust and ensure that the resources are used for their intended purpose;

vii. Design the strategy for its implementation, describing the main players and actions involved.

1. **Activity phasing**

**Phase 1 (3 months)**

● Analysing the need to finance urbanisation;

● Analysing the financing activities in Mozambique;

● To analyse existing funding for urbanisation at international level, which could serve as a good reference for Mozambique;

● Evaluation of the impact of this funding for urbanisation on current legislation;

● Stakeholder consultations: Involvement of all relevant parties, including ministries, provincial and district governments, municipalities, civil society, academia, the private sector and funders, to gather information on the organisation’s prospects for action.

* Meetings with the main ministries and key sectors should be reinforced, namely the Ministry of State Administration and Civil Service (MAEFP), the Ministry of Economy and Finance (MEF), the Ministry of Land and Environment (MTA) and the Ministry of Public Works, Housing and Water Resources (MOPHRH);
* It is also important to step up meetings with the main financial backers in Mozambique.

**Phase 2 (2 months)**

● Preparation of the first version of the functional structure for financing urbanisation;

● Stakeholder consultations

**Phase 3 (1 month)**

● Final drafting of the Urbanisation financing structure;

● Elaboration of the Monitoring and Evaluation strategy;

● Outline the strategy for implementing the funding, describing the main actions and responsibilities.

*The final consultant assignment shall be presented in a seminar with the participation of at least 100 persons. The cost of organization and rending the venue will be responsibility of the Project Implementation Unit.*

1. **Expected results**
2. Functional design of urbanisation financing in Mozambique.
3. Implementation strategy for the document referred to in point 1
4. **Deliverables and payment phases**

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| --- | --- |
| Deliverable | Payment |
| Phase 1 | |
| Signing the contract |  |
| Analysis of the need to finance urbanisation; | 40% |
| Analysing the role of financing in Mozambique; |
| Analysis of existing funding for urbanisation at international level, which could serve as a good reference for Mozambique. |
| Evaluation of the impact of this funding for urbanisation on current legislation; |
| Submission of Final Report of the 1st phase of consultations |
| Phase 2 | |
| First version of the functional structure for financing urbanisation; | 20% |
| Report of the 2nd phase of consultations |
| Phase 3 | |
| Final version of the Urbanisation financing structure; | 40% |
| Elaboration of the Monitoring and Evaluation strategy; |
| Outline the strategy for implementing the funding, describing the main actions and responsibilities. |
| Final version of the Urbanisation financing Operation Manual / Structure; |

1. **Supervision**

The consultancy will be overseen by the Governing Board and the Technical-Scientific Commission with representatives from central government, relevant ministries, and urbanisation experts.

1. **Duration of Consultancy**

The consultancy is expected to last a total of 6 months, divided according to the phasing of the activities.

1. **Profile of the Entity to be Hired**

* Experience in similar assignments.
* Experience in urban and regional planning is essential to ensure that funding aligns with the needs of sustainable, inclusive and resilient urban development.
* Experience in managing public funding, budgets and finances, especially in relation to collection and allocation of resources.
* Experience in raising internal and external funds and negotiating agreements with national and international agencies.
* Knowledge of public and administrative law.
* Experience in monitoring and evaluation.
* Experience in sustainability that can guarantee that the projects financed contribute to sustainable urban development.

1. **Profile of the Consulting Team**

The consultant shall make available personnel with the qualifications and experience necessary to perform project tasks to a high standard necessary for the completion of contract and the entire assignment. The experts shall be fluent in English, and a working knowledge of Portuguese will be considered as an asset.

The consultant shall make available the team that possess the qualifications and experience necessary to perform project tasks to a high standard necessary for the completion of each project component and the entire assignment. The Transaction Advisor will appoint a Team Leader (senior legal expert) with experience in raising funds /PPP. The individual qualifications of each team member are presented in the following.

**K-1:Team Leader – Transition Advisor**

Qualifications: The Transaction Advisor shall be a professional in business development / raising funds / PPP assignments with proven track record in attracting investment partners and financing. S/he shall have a post-graduate university degree qualifications and a minimum of twenty (20) years overall experience and fifteen years (15) years relevant experience on similar assignments including working for public and private companies and successful business development achievement involving public and private partners. The advisor shall have proven experience in leading multidisciplinary teams and/or as leader for externally financed projects preferably in developing countries. Fluent in written and spoken English and an ability to draft concise reports; good communication skills; excellent computer skills, working experience with project management systems are essential. The TL should preferably be conversant with Portuguese at working level.

**K-2. Financial Analyst**

Qualifications: The Financial Analyst shall have a minimum MA degree qualification in economy – as well as relevant post graduate qualifications with a minimum of fifteen (15) years overall experience and seven years (7) years relevant experience. S/he shall have proven experience in the economic analysis related to financing of large infrastructure projects and associated financial viability analysis attributed to urban area.

**K-3. National Legal Expert**

Qualifications: The National Legal Expert shall have a university degree in law from Mozambique with a minimum of fifteen (15) years overall experience and seven years (7) years relevant experience. S/he shall have proven experience related to the institutional, legal and regulatory environment in Mozambique, related to financing of infrastructure and investment code and enabling environment, and related to attracting direct or PPP oriented private sector investments concerning and establishment of business activities in the country.

**K-4. Institutional Expert**

Qualifications: The Institutional Expert shall have a university degree in relevant field with a minimum of ten (10) years overall experience and five years (5) years relevant experience. S/he shall have proven experience related to the institutional, assessment and framework development environment in Mozambique, related to urban financing (infrastructure, land planning) and investment code and enabling environment, and related to attracting direct or PPP oriented private sector investments concerning and establishment of business activities in the country