



REPUBLIC OF MOZAMBIQUE
MINISTRY OF STATE ADMINISTRATION AND PUBLIC SERVICE (MAEFP)
PROJECT IMPLEMENTATION UNIT (PIU)

DECENTRALIZATION AND URBAN DEVELOPMENT PROJECT (PDUL)
Projecto ID N.º P163989
D-649-MZ

REQUEST OF EXPRESSION OF INTEREST
Nº MZ-MAEFP-243034-CS-INDV

SELECTION OF INDIVIDUAL CONSULTANT

**REVIEW THE LEGAL FRAMEWORK IN THE POLICY AND
ADMINISTRATION OF URBAN PROPERTY TAX IN
MOZAMBIQUE**

1. The Government of Mozambique, represented by the Ministry of State Administration and Public Servant (MAEFP) has received financing from the World Bank in total amount of USD117 M toward the cost of the Mozambique Urban Development and Decentralization Project (PDUL) and intends to apply part of the proceeds for consulting services. The Project Development Objective (PDO) is to: "Strengthen institutional performance and deliver improved infrastructure and services in participating local entities".
2. O MAEFP - PDUL requests the application of interested, qualified and eligible individual consultants to assist the Ministry of Economy and Finance (MEF) on the **Review of the Legal Framework in the Policy and Administration of Urban Property Tax in Mozambique**.
3. The main objective of the consultant services is to support the MEF in the design of a proposal for the definition of procedures for determining the price of the square meter for the evaluation of properties for tax purposes in municipalities under the urban property tax at the municipal level, as well as necessary reforms for the same tax, at the legal and administrative level, in the context of the new decentralization reform.

4. Minimum Required Qualification of the Expert:

- Master's degree in one of the areas of Real Estate Taxation, Economics, Management, Tax Law, Taxation, Civil Engineering in the area of Buildings and related areas;
 - At least 15 years of international experience in real estate taxation and property valuation for tax purposes at national and sub-national levels;
 - Proven experience in the elaboration of diagnostics and recommendations for regulatory reforms and management of urban property tax, physical-fiscal cadastre and generic value plan;
 - Technical capacity in facilitating processes for the elaboration of legal instruments on taxation, definition of rules and procedures for real estate at the level of municipalities;
 - Mastery of good practices and new technologies, methodologies and instruments currently used in the process and procedure of data collection and evaluation of existing urban buildings, as well as the management of information from physical and fiscal cadastre;
 - Technical experience in facilitating training for municipal and central government technicians in matters of property taxation, database management strategies used in valuations, models of property valuation;
 - Proficiency in the Portuguese language and a proven intermediate level in the English language.
5. The attention of interested Consultants is drawn to Section III, paragraphs, 3.14, 3.16, and 3.17 of the World Bank's "Procurement Regulations for IPF Borrowers" July 2016, revised November 2017 and August 2018, setting forth the World Bank's policy on conflict of interest.
6. A Consultant will be selected in accordance with the Individual Consultant (IC) method set out in the World Bank Procurement Regulations <http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#framework>,
7. Detailed Terms of Reference can be accessed on the site: <https://www.pdul.gov.mz/Anuncios/Concursos>
8. Expressions of interest in a form of CV in English or Portuguese should be delivered to the address below (in person, or by mail or by e-mail) by **10 September, 2021**.

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REPÚBLICA DE MOÇAMBIQUE

MINISTÉRIO DE ECONOMIA E FINANÇAS

URBAN AND DECENTRALIZATION PROJECT – PDUL

Project Implementation Unity-PIU

TENDER REF. NR. MZ-MAEF-243034-CS-INDV

TERMS OF REFERENCE

Individual Consultant Services

Review the Legal Framework in the Policy and Administration of Urban Property Tax in Mozambique

I. INTRODUCTION

The Government of Mozambique with the support of the World Bank is implementing the Urban and Decentralization Project (PDUL) with a duration of 5 years (2019 - 2024) period preceded by a preparatory phase of 1 year. PDUL is coordinated by the Ministry of State Administration and Public Service (MAEFP). In addition to MAEFP, the Ministry of Economy and Finance (MEF), Ministry of Land and Environment (MITA) and the Ministry of Public Works, Housing and Water Resources (MOPHRH) also participate in the PDUL.

The Project Development Objective (PDO) is: *"Strengthen institutional development and provide better infrastructure and basic services in local entities"*.

The Project has 4 structuring components, namely: (i) Component 1 - Urban infrastructure and service provision (ii) Component 2 - Policy reforms for decentralization and institutional strengthening; (iii) Component 3 - Project Management and; (iv) Component 4 - Emergency Response Contingency.

Component 2: Decentralization Policy Reforms and Institutional Strengthening, with 2 Subcomponents: 2A - Support for Leadership in the Decentralization Reform Process and, 2B - Institutional Strengthening of Local Entities in the Public Sector and Financial Management aims to improve management resources, performance and accountability of municipalities, provinces and districts and improve the main management functions of the public sector at provincial, municipal and district levels. Component 2B in addition to the MEF and MAEFP supports the

Administrative Court (TA) and the National Association of Municipalities of Mozambique (ANAMM).

I. CONTEXT

The Law 1/2008 of 16 January, on municipal finances, in its chapter IV, defines the Municipal Tax System and, in relation to the determination of the equity value of the property, in its article 55, it is the value constant in the building matrices. If there is no information from the building matrices, the value declared by the owner should be considered, as long as this value does not deviate too much from the market value. The STA regulation, through Decree 63/2008 - Local Tax Code, also repeats the provisions of Law 1/2008, where we ended up concluding, that in the evaluation of real estate we have the following options: (i) constant value in building matrices, (ii) value declared by the owner, if there are no property matrices and (iii) market value, if the value declared by the owner is out of the reality of the market.

In these terms, to clarify the procedures for determining the equity value, Decree 61/2010 of 27 December was approved, which defines the mechanisms for determining and correcting the equity value at IPRA headquarters. The same decree states that the tax registration forms the basis for taxing urban buildings. This decree no longer talks about urban properties matrices, although this information is missing in many municipalities, or it exists and is out of date, but it is not revoked in accordance with Law 1/2008. The same decree suggests that the equity value declared by the owner can be accepted or not by the municipality, in comparison with the result of the formula of article 4 of Decree 61/2010. The decree also clarifies that, in the absence of a declaration by the owner, the equity value is calculated using the formula defined in the same decree.

Due to the nuances that the legislation brings, the municipal technician faces challenges when he is doing data collection and evaluations of the existing urban buildings for tax purposes at IPRA headquarters, even in the construction of the physical-fiscal record.

The current formula of the Municipal Property Tax (IPRA), according to Decree 61/2010, is rigid and does not reflect market values. The present legislation prejudices the taxation of buildings (rustic and urban) as the current formula estimates the taxable amount based mainly on an arbitrary construction cost. Furthermore, it also limits variations due to the location and depreciation of buildings, thus significantly reducing potential revenues and creating a form of regressive property taxation. A review of the IPRA regulation should allow municipalities to assess properties based on actual market values. Construction costs should also be updated to reflect market values, disaggregated into low, medium and high-cost construction, and provided regularly by central government. Likewise, the IPRA formula should be adjusted to better reflect the real depreciation of buildings and adjusted to a wider range of land values in different areas of the same municipality¹.

In order to ensure equity in the distribution of the tax burden and taxpayers' confidence in the Municipal Tax System (STA), it is essential to ensure a reasonable degree of accuracy in the estimates of the amount that serve as the basis for the launch of the Municipal Property Tax (IPRA), as well as the other taxes on real estate, such as the SISA Municipal Tax (IASISA), and

¹ Country Management Unit Africa Urban and Resilience Unit Global Social, Urban, Rural and Resilience “Accelerating Urbanization in Support of Structural Transformation in Mozambique”, #33, June 2017, World Bank

the Succession and Donation Tax, instituted by the central level. The outdated of property valuations developed for tax purposes, even tends to impair the fiscal capacity of real estate taxes as a source of revenue.

The reforms necessary to improve the processes and procedures for determining the asset value will influence the need to recommend improvements also in critical aspects of the IPRA as a whole, such as the management of the physical-fiscal and electronic register, the exemptions imposed in the law and regulation, real tax incidence, building census models for tax purposes, the concept of urban property for tax purposes, the legal treatment of land with varied economic value, as with the Land Building Certificate, issued by the property registry at the Ministry of Justice, it is possible transacting the land (these actions occurs in large municipalities such as Maputo, Beira and Matola in the collection of IPRA and IASISA on land), the insufficiency of addressing data that affect the municipality's ability to identify taxpayers and therefore improve the quality of revenue from this tax.

On the other hand, the technical capacity of the municipalities in the evaluation of existing urban buildings for tax purposes is limited, so we have several cases of definition, for example, of the market or construction price, without any reliable basis. Limiting access to information or lack of knowledge of the process for accessing information, mayors and citizens, as well as civil society. It is in this context that we intend to hire consultancy services to support the MEF in the implementation of consistent methodology for determining the price of square meters for tax purposes and to suggest necessary recommendations for the reform of the management of urban property tax in the context of the new decentralization reform.

II. GENERAL OBJECTIVE

The Individual Consultant Services aims to support the MEF in the design of a proposal for the definition of procedures for determining the price of the square meter for the evaluation of properties for tax purposes in municipalities under the urban property tax at the municipal level, as well as necessary reforms for the same tax, at the legal and administrative level, in the context of the new decentralization reform.

III. SPECIFIC TASKS OF THE SERVICES

The consultancy is expected to undertake the following tasks:

- a) Assess the current situation of data collection / collection, evaluation of urban buildings, as well as the current legislation.
- b) Submit the proposals for necessary reviews / changes to ensure consistent evaluation procedures and criteria in the activity of evaluating properties for tax purposes, organization of the physical register tax, appropriate technology.
- c) To analyze in detail the exemptions established by the current municipal finance law for residential properties, taking into account the local political economy;
- d) Develop a proposal for methods, techniques and procedures for determining the equity value, mass revaluation of properties, and estimating the unit value of buildings (metical per square meter), considering internationally recognized standards in property valuation;
- e) Propose improvements in IPRA's legal instruments, as well as in the management processes and procedures for the same tax. For example, how to frame or structure the

management of the Property Tax at the level of decentralized entities (at the provincial, municipal and district levels);

- f) Design a proposal for a strategic plan to implement the necessary reforms to the policy and administration of IPRA;
- g) Designing a training proposal for municipalities to implement the necessary reforms;
- h) Propose to the MEF the treatment that will be granted to decentralized entities, with special emphasis on the districts, within the framework of the new decentralization framework.

IV. ACTIVITIES OF THE CONSULTANCY

The Consulting activities, without prejudice to others not listed, are as follows:

- a) Develop a work plan, with a detailed methodology for designing of procedures for determining the metical per square meter in property evaluation for tax purposes. The consultant, to better understand the work and prepare the detailed work plan, will collect and make an initial assessment of the documentation and legislation, as well as carry out exploratory interviews with key people in the process to understand the process flow and procedures in place. Annex 1 below presents the list of frequent questions that have arisen related to the administration of the IPRA in the municipalities, which the MAEFP consolidated and tried to solve with the support of legal consultant. These questions, and not just these, can serve as a basis for analysis work by the consultant, as they present the profile of gaps in the administration of the IPRA;
- b) Carry out the diagnosis, which will allow documentary review that will include legislation, regulations on the management of IPRA, the management of urban property tax outside the municipal district; understand the role and contribution that the following entities may or may not provide to improve the process flow, through interviews with the main actors, namely the Land Registry Office, in the Ministry of Justice, the sector of urban land management and construction at municipal level, the National Directorate of Urbanism in the Ministry of Public Works and Housing, the National Statistics Institute (INE), the Communications Regulatory Authority, the National Directorate of Spatial Planning in MAEFP, the Mozambican Association of Real Estate Companies (AMESI), the National Association of Municipalities of Mozambique and Civil Society; study visit to at least 6 municipalities (Maputo, Matola, Beira, Nampula, Quelimane and Pemba) to understand the process flow and procedures of the IPRA administration, as well as the Tax Authority in the provinces where the municipal study visits will be carried out for understand how the Tax Authority manages the urban property contribution in urban areas outside the municipal area; SWOT analysis of IPRA's revenue performance in the municipalities targeted for at least a 5-year; Analyze the tax policy and administration of existing urban buildings, based on the coverage rate, assessment of the tax base, collection and payment (payment control); Evaluation of processes, manual procedures for IPRA administration, the technology used and instruments currently used in data collection and evaluation of existing urban buildings;

- c) Evaluate the databases on prices charged and amounts charged on the concession of land use in Mozambique versus market value for the land transaction; critically analyze the legislation that deals with the determination of the equity value of properties for tax purposes, covering the various taxes whose calculation basis is the value of the property,
- d) Present the results of the diagnosis and the legal proposal reform, in a workshop with the participation of stakeholders, namely, selected municipalities Maputo, Matola, Beira, Nampula, Quelimane and Pemba, the Land Registry Office, in the Ministry of Justice, the area of urban land management and construction at the municipal level, the National Directorate of Urbanism at the Ministry of Public Works and Housing, the National Statistics Institute (INE), the Communications Regulatory Authority, the National Directorate of Territorial Planning at MAEFP, the Mozambican Association of Real Estate Companies (AMESI), the National Association of Municipalities of Mozambique and Civil Society;
- e) Proposal with technical support for reforms necessary for data collection (viable and economic data collection models), evaluation of existing urban buildings for tax purposes, practices for determining the market price per square meter, the functionalities and or competencies of the Urban Buildings Assessment Commission (CAAPU) under Decree 61/2010, proposed strategic plan for implementing reforms in determining the price per square meter, as well as tax reform from urban buildings located within and outside the municipal area; Proposed revision of the regulation to determine the equity value for the purposes of calculating the IPRA, detailing the process and procedure on the price per square meter, as well as the management of the physical-fiscal cadastre and its connection with other relevant cadastre; The strategic plan should include a training plan for municipalities as reforms are met;

V. METHODOLOGY OF WORK

Consultancy services are expected to be carried out for 180 intermittent days, with level of efforts of 107 man days.

VI. SCHEDULE AND DELIVERABLES

The deliverables and time allocated are detailed below.

Expected Results	Deliverables	LoE (107 days)
a) Proposed reforms to determine rules and procedures for determining the square meter price	I. Work plan with identification of detailed methodology that includes a inception report	10
	II. Diagnosis of the current situation of the administration of the tax of urban buildings at the municipal level, IPRA, and outside	45

Expected Results	Deliverables	LoE (107 days)
<p>for the evaluation of urban buildings for tax purposes, as well as recommendations for improving the tax based on existing urban buildings, IPRA, at the municipal level and outside the municipal area</p> <p>b) Equity value determination regulation for the purpose of IPRA revised (Dec. 61/2010);</p> <p>c) Proposal for restructuring the tax on urban buildings for decentralized entities (municipal, provincial and district)</p> <p>d) Strategic plan for necessary reforms to the policy and administration of IPRA as a whole, evidenced in detail, process and procedure for determining the price per square meter;</p>	the municipal area, processes and procedures, the role of stakeholders, analysis of the tax policy and administration of urban buildings, as well as of the fiscal performance of IPRA, the model for determining the price per square meter of urban buildings, the technology used in the administration of the tax	
	III. Seminar to present the diagnosis on the current situation	2
	IV. Diagnostic report that incorporates changes with contributions during the seminar	3
	<p>V. Presentation of the following deliverables:</p> <p>a. <i>Proposal of technical subsidies for reforms necessary for the policy and administration of the IPRA in data collection/collection (feasible and economic models of data collection), in aspects related to exemption, monetary correction of the patrimonial value (update), real incidence, evaluation of existing urban buildings for tax purposes, process and procedure for determining the market price per square meter, the functionalities and/or competences of the Commission for the Evaluation of Urban Buildings (CAAPU) pursuant to Decree 61/2010;</i></p> <p>b. <i>proposal for a strategic plan to implement the reforms in determining the price per square meter, as well as the tax reform arising from that of urban buildings located inside (IPRA) and outside the municipal territorial circumscription;</i></p> <p>c. <i>Proposed revision of the regulation to determine the equity value for the purposes of calculating the IPRA, detailing the process and procedure on the price per square meter, as well as the management of the</i></p>	30

Expected Results	Deliverables	LoE (107 days)
e) Municipal training plan to implement reforms	<i>physical-fiscal cadastre and its connection with another relevant cadastre;</i>	
	VI. Seminar for the presentation of technical proposals for tax reform based on urban buildings within and outside the municipal area (according to deliverable V)	2
	VII. Contributions resulting from the seminar incorporated in the deliverable V	5
	VIII. Final report of the consultancy	10

II. DISBURSEMENT SCHEDULE

Deliverables and Payments Schedule	Disbursement %
Diagnosis Report of the current situation of the administration of the tax of urban buildings at the municipal level, IPRA, and outside the municipal area, processes and procedures, the role of stakeholders, analysis of the tax policy and administration of urban buildings, as well as of the fiscal performance of IPRA, the model for determining the price per square meter of urban buildings, the technology used in the administration of the tax	35%
Draft Report with technical proposals for tax reform based on urban buildings within and outside the municipal area, with the inputs of the workshop	35%
Final Report of the Consultant with all documents duly reviewed and acceptable to the Client	30%

VII. WORK CONDITIONS AND REPORT

The Consultancy will technically report to the National Directorate of Planning and Budget of the MEF, which will coordinate its activities in close collaboration with the National Directorate of Economic Policies and Development (DNPED), coordinated with the sub component Manager. The Consultant must have his personal computer and communications (voice and data).

All products must be submitted in electronic format, with a copy in PDF format, and copy (s) in editable format (MS Word for text, MS Excel for spreadsheets, and shap file for maps). The power point presentations that the consultant will also deliver to the MEF.

The consultancy's deliverables are owned by the Ministry of Economy and Finance

The MEF will provide an office room with 1 (one) desk for the Consultant to work during the missions in Mozambique. The Consultant must have his personal computer and communications (voice and data) during the performance of the missions.

VIII. SUPPORTING DOCUMENTS

DNPO / MEF will provide the consultant with the following supporting documents and other documents that are requested:

- a) Constitution of the Republic of Mozambique, Law No. 1/2018, of 16th June;
- b) Law No. 06/2018, of 03 August, which establishes the framework for the implantation of local authorities;
- c) Law 1/2008, of 16th January, Law that defines the financial, budgetary and patrimonial municipal regime and the Municipal Tax System;
- d) Decree n° 63/2008, of 21 December, Local Tax Code;
- e) Decree 61/2010, of 23 December, defines rules for determining and correcting the equity value of properties for IPRA purpose
- f) Law No. 15/2002, of 26 June, the Law on the Basis of the Tax System;
- g) Law No. 02/2006, of March 22, Law on Tax Legal Order;
- h) Decree No. 51/2004, of December 1, Regulation on the Organization and Operation of Technical and Administrative Services of Municipalities;
- i) Law No. 9/2002 - SISTAFE Law of 12 February
- j) Decree No. 23/2014, of 20 August, Regulation of the SISTAFE Law.

IX. REQUIRED QUALIFICATION

- The consultant must have a master's degree in one of the areas of Real Estate Taxation, Economics, Management, Tax Law, Taxation, Civil Engineering in the area of Buildings and related areas;
- At least 15 years of international experience in real estate taxation and property valuation for tax purposes at national and sub-national levels;
- Proven experience in the elaboration of diagnostics and recommendations for regulatory reforms and management of urban property tax, physical-fiscal cadastre and generic value plan;
- Technical capacity in facilitating processes for the elaboration of legal instruments on taxation, definition of rules and procedures for real estate at the level of municipalities;
- Mastery of good practices and new technologies, methodologies and instruments currently used in the process and procedure of data collection and evaluation of existing urban buildings, as well as the management of information from physical and fiscal cadastre;
- Technical experience in facilitating training for municipal and central government technicians in matters of property taxation, database management strategies used in valuations, models of property valuation;
- Proficiency in the Portuguese language and a proven intermediate level in the English language.

