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ACIS

YEAR END REPORT

2009

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1. INTRODUCTION

ACIS is a national business association based in the central Mozambican port city of Beira and representing business throughout Mozambique. The association represents over 200 active members, both large and small (numbers of company employees range from 7 to 7,000) all of which are Mozambican national companies.

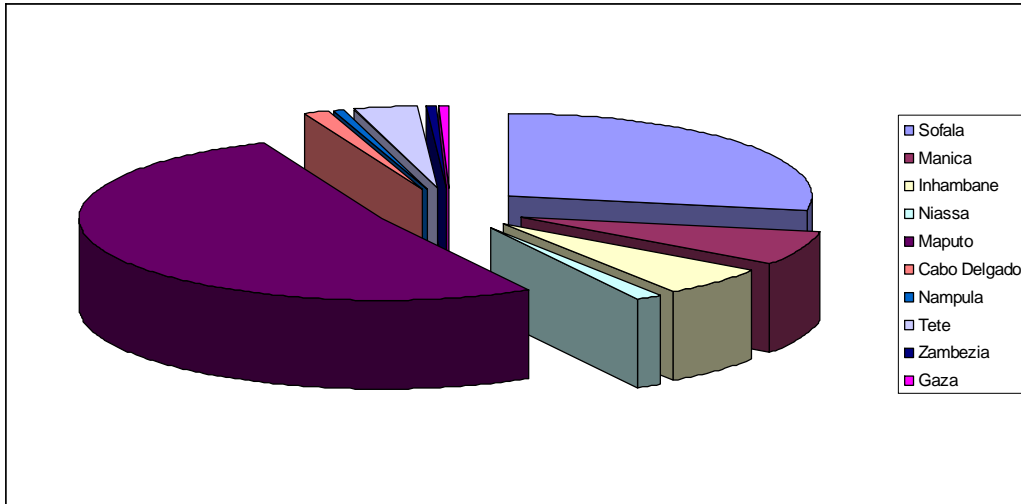
ACIS members represent a combined investment of over 10 billion US dollars and a combined workforce of over 50,000 employees. Member companies work with over 450,000 family sector outgrowers.

For further information on ACIS, and individual member companies, please visit our web site www.acismoz.com

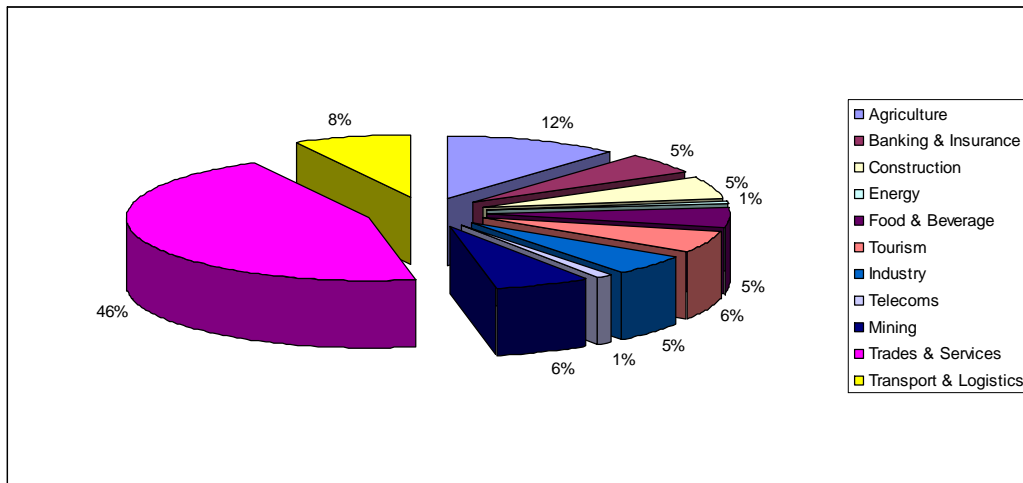
The report below is designed to provide a brief overview of some of the key activities undertaken and issues dealt with by ACIS in 2009. Should you require more detailed information on any of the aspects mentioned below please don't hesitate to contact us.

2. MEMBERSHIP

ACIS has grown by 73% since January 2009. This has been largely due to a concerted drive by ACIS to attract new companies to the association. Our target of 200 members by the end of 2009 has been met and exceeded. ACIS represents members in all provinces:



With members coming from a wide range of sectors:



The increase in membership has led to an increased demand for information and support. ACIS has risen to the challenge, investing extensively in improved IT systems, including leased line internet, and upgrades to the association's web site and mail systems. In addition from January 2009 ACIS employed a part-time Executive Director thus moving closer to full-time professional management of the organisation.

In May 2009 ACIS held elections, using an electronic, web-based voting system, to ensure that all members could participate. At a ceremony attended by members,

fellow association representatives, government and donors, the new team of elected officials took office in June.



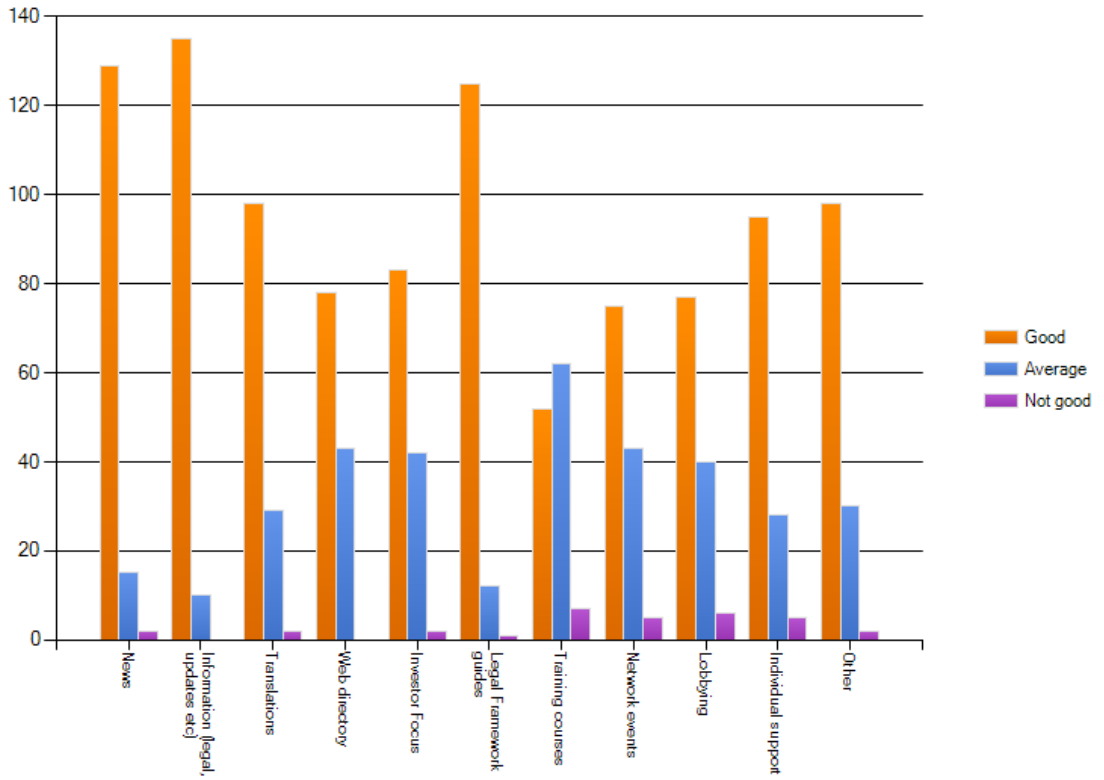
From left to right:

- Rodrigo Rocha of Ferreira Rocha & Associados - Vice President
- Graeme White of TCT Dalmann - Management Committee President
- Afzal Rawjee of Delta Trading - Outgoing President
- Carlos Henriques of CPMZ Pipeline - Management Committee Vice-President
- Cesar Nsolo of African Banking Corporation - Incoming President
- Ken Chakanetsa of Inpetro - Finance Committee Vice-President
- Matias Chissancho of GAPI - Finance Committee President
- Yussuf Neves of J&J Transportes - Finance Committee Member
- Paula Lopes of Companhia de Sena - Management Committee Member
- Carrie Davies - Executive Director

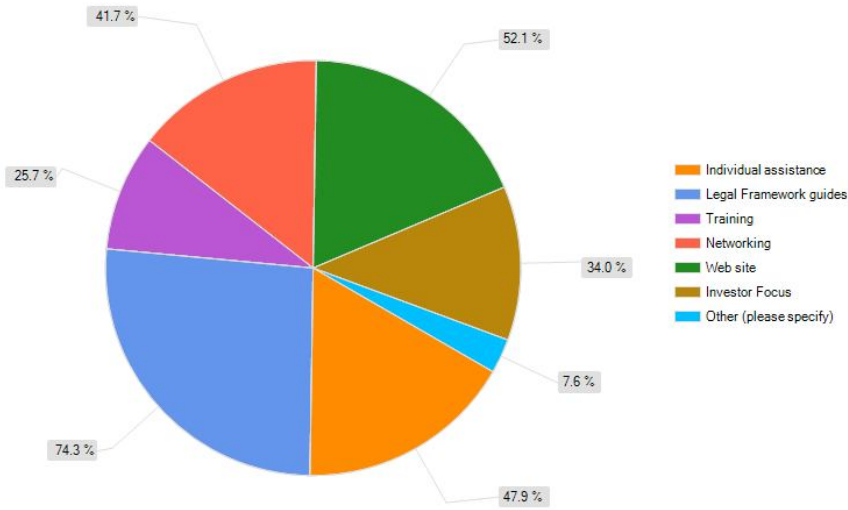
In July 2009 ACIS completed its merger with AFIM, absorbing those of AFIM's members that were not already members of ACIS, and ensuring that the formal private sector would have a more effective, unified voice. To mark this event and to further underline our development into a national association ACIS was rebranded, with a new logo and a new web site www.acismoz.com

To improve service delivery ACIS surveyed its members, with over 150 companies responding. In general the outcomes were positive as the diagrams below show, and members' comments have been taken into consideration in the association's planning for 2010.

How do you rate our services?



Which ACIS services have you made use of?



3. ACCOUNTS & FINANCES

The 2008 accounts were independently audited as well as being submitted to the General Assembly for approval and presented to the Ministry of Finance as required by law.

ACIS continues to present both Primavera legally required accounts and management accounts to the members on a quarterly basis, with management accounts and financial reporting available to members monthly on request.

ACIS continues to depend on its members' fees as its principal source of income, which enables the association to maintain its independent status. The membership fee is currently 900Mt per month.

Additional income has come from events and sponsorships. However the time required to run events has to date been largely provided voluntarily, therefore ACIS plans in 2010 to focus on professionalizing the planning and organization of events, thus freeing up staff for other association-related activities.

While overheads have increased over the past twelve months, improved management systems ensure that these are carefully monitored on a regular basis, ensuring that the association operates with a positive balance.

4. MEMBER SERVICES

a. INFORMATION & SUPPORT

ACIS' member services continue to focus principally on the dissemination of information and response to member queries. Members receive on average 10-15 emails per week from the association. Emails sent to all members reach over 600 email addresses. Individual queries are responded to wherever possible within 48 hours. Typically, in addition to the general emails sent to all members, ACIS deals with an average of 38 emails per day (received and replied to). Where two or more queries arise on the same topic these are grouped and brought to the attention of the management committee so that decisions can be taken on how best to respond, for example through advocacy or research into the given issue, or publication of a guide.

We believe that ACIS' core information services are the key to attracting and retaining members and therefore we continue to invest in our information management systems. All of our systems can be remote accessed, meaning that even when staff are not in the office they can access and provide seamless service. The year has been one of major challenges in respect of IT and email communication. The rapid growth of ACIS, and of the number of emails sent by the organization compounded by rapid deterioration in service provision by TDM has led to the association needing to make a number of unforeseen additional

investments. However we are now confident that we enter 2010 with sufficient capacity to continue providing high levels of service to a growing membership.

In 2009 ACIS continued its successful collaboration with GTZ's APSP (Ambiente Propício para o Sector Privado) Project to expand the "Legal Framework" series. A number of other organizations including the government collaborated on the production of new booklets and revision of existing ones to take into account changes in law. The booklets have been well-received both by government and private sector and provide a useful tool for both existing and new investors.

In 2009 ACIS worked with members to develop a series of English-language translations of key pieces of legislation, as well as gathering other translations and creating a page on our web site where these can be freely accessed. This project will continue in 2010.

Typically the following constitute information and support services provided:

- a) Regular mailouts of news, data, statistics, reminders and other relevant information including details of recently published legislation
- b) Free access to 16 books in the Legal Framework series, produced by ACIS, available on our site to download in Portuguese and English
- c) Free access to HIV/AIDS Workplace Toolkit and supporting documents, available to download from our web site
- d) The right to present questions and concerns to us and to ask for individual help and support
- e) Translation of key legislation into English, and made available free of charge on our web site
- f) Access to our extensive electronic library – a list of items contained in the library is available on request

b. ADVOCACY

ACIS continues to be active in lobbying, with particular focus being on labour and tax related issues. ACIS has continued to focus on issues of general and specific concern and we hope that as ACIS membership numbers and profile grow we aim to strengthen our ability to lobby at national level and continue to look for ways to ensure our members' voices are heard. However as our case study below on one sector shows, willingness to engage with ACIS and our members remains limited and the ability to lobby on behalf of the independent private sector continues to be extremely challenging.

Throughout 2009 ACIS continued to actively campaign for improvements to the business environment particularly focusing on red tape and non-compliance with legislation (whether by the public or private sectors). ACIS continued to liaise with CTA, other private sector organizations and donors.

Following several years of concerted and unsuccessful efforts to resolve the issue of outstanding VAT rebates due to companies ACIS, in partnership with GTZ-APSP

and Deloitte, has worked on ensuring companies are well-prepared when requesting their rebates. However non-payment of VAT and other rebates (including IRPS to individuals, and sector-specific manufacturing rebates) continue to hamper the development of the private sector.

Implementation of the Labour Law, and development of subordinate legislation continues to be of concern. Subordinate legislation is developed with little consultation and little regard for the need to create a constructive dialogue between the private sector, unions and government to lead to job creation. Despite having a seat on the CCT, ACIS continues to have to fight rearguard actions against poorly drafted or poorly implemented legislation in this sector. The imposition of a government-controlled mediation and arbitration system for example, goes against the type of independent alternative which ACIS has been advocating for the past five years. Implementation of the legislation governing the employment of foreigners continues to be weak and interpretation differs from place to place, with summary extra-judicial expulsion of foreigners from their jobs and from the country marking a significant deterioration in approach by the Ministry of Labour, towards the end of the year. ACIS continues to call for a transparent and educative approach to inspections and for the law to be followed and judicial processes used by all ministries.

ACIS has secured funding from GTZ-APSP to appoint two teams of lawyers to represent the organization during the 2010 minimum wage negotiations. The teams are focusing on ensuring a structured negotiation from the private sector side, with clear mandates and well-researched negotiating positions.

SADC regional integration began on 1st January 2008. Over two years have now passed and the results have been largely disappointing with companies still having to struggle through bureaucracy in Mozambique and neighbouring countries to secure benefits. ACIS continues to try to obtain information on requirements in neighbouring countries and to work with local customs authorities to streamline, simplify and ensure that people are aware of their rights.

According to reports IFRS (International Financial Reporting Standards) were introduced in Mozambique as of 01 January 2010, for large companies and will be introduced in January 2011 for most other formal companies. Unfortunately despite having struggled to obtain information on the development of the legislation for over two years, ACIS does not yet have the final published version of the legislation. In other countries companies have been given a minimum of 6 months to prepare for IFRS, which requires extensive retraining of accounts staff, modification of accounting packages, changes to regular financial reporting and so on. In Mozambique it appears that IFRS will be implemented retroactively, as companies can only begin to make changes when they receive the published legislation. Requests for assistance in 2008 and 2009 to government, the World Bank and other donors involved in rolling out this new system have gone largely unheeded. The damage in terms of costs and time to the private sector as a result of the way the implementation of this legislation has been handled remain to be seen.

As has been the case in each of our previous year end reports, we note that infrastructure remains a major constraint to development of the private sector. For the past 10 years ACIS has continued to lobby for action on the silting of Beira Port Channel, and improvements to road, telecommunications and electricity infrastructure. The Beira port channel continues to have major draft restrictions and is operating well below capacity, hampering development in the centre of the country. The virtual collapse of TDM's broad band system and TDM's refusal to compensate companies for the damage caused to many businesses during the various extended periods during which the system was not functioning indicate clearly the fragility of this system. Reliable electricity and water supplies are vital to both domestic and industrial consumers. There continues to be little reliable information available on when and how these issues will be addressed.

Air linkages within Mozambique and to neighbouring countries remain restricted and ACIS continues to advocate for the introduction of a true open skies policy which would allow the growth of trade and tourism enabling Mozambique to reach its potential, particularly in the tourism sector.

The lack of impact of previous advocacy issues has led to ACIS restricting its efforts during 2009. Inputs were provided on many key issues but despite the time and effort invested in advocacy issues, in many cases the opinions and proposals put forward have not been taken on board. Advances made during previous years have in a number of cases been reversed. ACIS has experienced increased reluctance to engage with the association as a partner in dialogue, which is exacerbated by the lack of a legally defined system permitting commentary on legislation before it is enacted. The following case study provides a graphic example of the type of problems faced. This is not the only example, indeed ACIS regularly does not receive legislation to comment on, only seeing it after publication, or in other cases is sent legislation with a few days to provide technical legal comments on specialist subject matter. We have sadly not noted any improvement in the way that dialogue with the private sector is managed.

ADVOCACY CASE STUDY – THE DEVELOPMENT OF TOURISM LEGISLATION

- 11th January 2008 – ACIS sends CTA copies it has obtained of drafts of regulations on eco-tourism and cinegetic (wildlife) tourism and requests the appropriate route to send comments
- 15th January 2008 – CTA responds saying it has no knowledge of this legislation as yet and will let members know when MITUR has sent formal communication of the drafts
- 15th January 2008 – An ACIS member in the tourism sector confirms that they have received confirmation in writing from the government that MITUR is working on the legislation and plans to send it to CTA shortly
- June, August and October 2008 – ACIS again requests from CTA copies of the latest drafts of the eco-tourism and cinegetic tourism legislation, no response is forthcoming and ACIS receives no invitation to comment and

- no confirmation that the drafts it sent to CTA in January have been discussed between CTA and MITUR
- January 2009 – ACIS arranges meeting with CTA, one of the issues on the agenda is outstanding information including the draft tourism regulations
 - 6th March 2009 – ACIS meets with CTA and the tourism drafts are one of the items on the agenda, it is agreed that CTA will look at all outstanding issues and revert to ACIS
 - March – November 2009 – ACIS continues to request information on the eco-tourism and cinegetic tourism draft regulations plus other tourism legislation (tourism staff qualifications and tourism investment legislation) which it has heard about. No information on any of these items is available from CTA.
 - 4th December 2009 – email from CTA regarding comments to be sent about tourism draft legislation. This email does not reach ACIS
 - 8th December 2009 – PSWG forwards CTA email regarding comments to be made on draft legislation. Legislation sent is: eco-tourism regulation, cinegetic tourism regulation, tourism investment regulation. Drafts received from CTA via PSWG are scans of the legislation and are incomplete – they contain only the odd numbered pages. The time period given for comments is 15th December
 - The dates on which the regulations were completed, according to their front covers is: 9th April 2009 (tourism investment legislation); 15th June **2007** (cinegetic tourism regulation); 5th June 2009 (eco-tourism regulation)
 - 8th December 2009 – ACIS responds immediately to CTA requesting more time (due to the number of documents, their length and complexity and the fact that it is peak season for tourism operators meaning they will have little time to respond) and complete copies of the legislation to enable members to comment
 - 9th December 2009 – CTA responds saying there is little chance of an extension of the time period.
 - 9th December 2009 – ACIS immediately contacts members connected to tourism, the national tourism association and the Inhambane tourism association to advise about the situation
 - 10th December 2009 – ACIS receives from CTA Central Region Word versions of the cinegetic tourism and tourism investment regulations, but no complete copy of the eco-tourism regulation. ACIS immediately distributes the documents to members, who have 2 working days to comment
 - 14th December 2009 – ACIS submits brief comments on the two complete documents it has seen, based on comments received from members. It is clear that both items of legislation will have significant negative impacts on tourism operators and particularly SMEs
 - 18th December 2009 – CTA notifies members that the Eco-tourism regulation was in fact approved at the Council of Ministers session on 15th December (the date given by MITUR as a deadline for comments. ACIS again requests a complete copy of this regulation. CTA also notes that the private sector now has until the 29th January 2010 to comment on the other two drafts

- 22nd December 2009 – ACIS finally receives a second (still incomplete, but with more pages this time) copy of the eco-tourism regulation, which is in theory the one which has now been passed by the Council of Ministers

ACIS continues striving to strengthen its position as a key interlocutor on issues of concern to the Private Sector.

c. OTHER SERVICES

In 2009 ACIS focused on the development of services aimed at allowing members to interact more effectively. To this end we held networking events in Maputo, Chimoio, Vilanculos and Tete. All were well-attended with members travelling long distances to participate, and reporting back positively in terms of business contacts made.

In addition ACIS has expanded its business linkage tools, based around the searchable database on the web site and incorporating a web-based notice-board for advertising, supporting members in the development of investor profiles, and promotion of the use of sponsorship to provide companies with platforms to showcase their goods and services.

The ACIS web-based member directory is a free service for members and has the advantage of being managed in-house by ACIS, meaning that members can regularly update their entries. The directory is promoted widely and the web site is optimized by the web hosting service to ensure that anyone looking for companies in Mozambique can find it easily. The site averages 20,000 hits per month.

Unfortunately due to lack of resources ACIS was obliged to close its highly successful HIV/AIDS programme in 2009. However the association continues to offer free services based on its HIV/AIDS Workplace Programme toolkit with supporting materials, and to offer advice and support to companies as and when requested.

In addition to organizing events and opportunities for business exchange, ACIS and its members launched a photographic competition in 2009. The competition received over 450 entries from 50 photographers and led to a successful exhibition and the production of a calendar.

5. MOVING FORWARD

ACIS has always followed a philosophy of continuous improvement and of striving to differentiate based on quality of service. In order to continue to do this it is necessary to look backwards as well as forwards with the lessons learned over the past months and years guiding us in decisions for the future. This section therefore represents the reflections of those involved in developing and providing services at ACIS, based on the experiences of the past few years.

a. LESSONS LEARNED

Key lessons have been in respect of the type of services required by members and the time required to provide them. Despite its intention to professionalise, based on its potential for income generation ACIS will continue for a number of years to depend on subsidized assistance from volunteers. It is therefore essential that the time contributed is used to maximum effect. This year the association has again experimented with a number of activities but it has become increasingly clear that it is not possible to maintain a standard level of service to all members, provide individual services to members who request them, grow the association, develop a lobby without making some clear decisions in respect of what services can and cannot be offered.

The growth of ACIS has led to a growth in the number of emails received from individual companies asking complex questions, requesting advice and legal opinions. This is a service which ACIS has always offered and is one of the key differentiating aspects of the association. Therefore this is a service which will continue. However, ACIS is also clear that it should not take work from its members. Therefore with the growing number of members providing a variety of services ACIS can usefully refer a number of the questions it receives to service providers by encouraging the questioner to visit the directory. This however has its own risks. The questions received from members are important in guiding the association as to the problems and issues faced by members. Therefore care must be taken to ensure that members also feel able to always bring their concerns to ACIS.

ACIS has always tried to strike a balance between information services and lobbying, and increasingly also networking. With the growth of the association there is increasing pressure on the organization to lobby, particularly at national level. This remains difficult since meetings continue to be called at the last minute, and information is not widely disseminated outside of Maputo, or indeed outside government. Dialogue structures and willingness of the public sector to engage remain weak and a significant constraint to developing any meaningful kind of lobby.

Clearly time is at a premium for ACIS staff and volunteers and the challenges for 2010 and beyond will include taking tough decisions on how best to use the time available.

b. CHALLENGES FOR 2010 AND BEYOND

Despite the many interventions made by ACIS a number of issues of major concern continue to affect member companies. Many of these remain largely unchanged from those presented as early as 2003. Others are new, or are problems which had apparently been resolved and are now re-surfacing. This apparent lack of progress contributes to an increasing sense of frustration felt by the private sector. Issues of concern are as follows:

- Labour issues – reforms to the labour and INSS laws have led to increased bureaucracy and costs;
- Issues related to the tax system – despite significant improvements with the introduction of the combined tax authority – AT – implementation of legislation in this area remains a challenge;
- Natural resource degradation – patchy implementation of legislation is leading to ever-increasing destruction of natural resources throughout the country.

INSS remains a problem affecting both employers and labour, and the situation appears to be worsening as increased pressure is placed on the system as a result of the HIV/AIDS pandemic. Increasingly the INSS system is refusing to take responsibility for workers who have been contributing to the system, preferring for example to refund them the value of their contributions to date than to provide them the support supposedly guaranteed to contributors. The possible extension of the system to cover seasonal workers increases costs to companies particularly in low-margin agro-industries, while providing little benefit to the workers themselves. While the new labour law encourages the use of retirement to enable young workers to enter the system, in reality unless INSS will accept its responsibility to pension retired workers, companies remain with the moral dilemma in respect of this issue.

While there have been a number of improvements in the area of tax with the introduction of the AT (Autoridade Tributária) companies continue to face challenges in this area particularly in respect of VAT and IRPS rebates, and the introduction of IFRS. Therefore ACIS will continue to campaign for professionalisation of services by the AT, and increased relevance of the tax system to the local situation.

In general many members of the private sector are distinctly disillusioned by the lack of forward movement. Despite guarantees of improvement little has changed. Requests directed to the government to be permitted to participate in the development of legislation are brushed aside. New legislation is often presented as a done deal. Where negotiation does take place, drafts are subsequently changed with no further consultation (particularly the case with labour-related matters), and the legislation as implemented bears little relation to that which was agreed during negotiations.

To this end one of ACIS continues to advocate for the design and implementation of a structured system for public consultation in the drafting and promulgation of legislation, involving all interested parties – the legislation of a structured dialogue mechanism, at the very least including regulatory impact assessment, and at best including formal dialogue with any interested party is now becoming imperative.

Key challenges facing ACIS in 2010 are:

- Income generation;

- Management of overheads / cost management;
- Professionalisation of services;
- Expansion of membership;
- Improvement of information services and lobby;
- Development of new services.

Income generation will be addressed mainly by membership growth. In addition events will be organized with a view to raising funds. ACIS will continue to implement stringent cost management policies and to control overheads.

Information services and lobby as well as development of new services will depend on the association's ability to professionalise services. As noted above the association is at a critical point where it must seek to ensure that its current and future growth does not lead to a reduction in service quality. At the same time ACIS must continue to differentiate through innovation and quality.

c. OUTLINE PLAN FOR 2010

Based on the investments made in 2009 the new year will be one for consolidation, firming up systems and services for ongoing expansion.

During 2010 ACIS key aims are:

- Expansion to 240 members;
- Development of improved library service;
- Develop training offering accessible to all members regardless of location and size;
- Provision of networking opportunities in at least 3 provinces;
- Improved internal management, including improved accounts reporting, and cost management;
- Improved lobby and access to decision-makers;
- Overall professionalisation of services.

Advocacy efforts will be focused towards:

- i. Improvements in implementation of existing legislation (particularly labour, tax, land);
- ii. Reduction of the number of cases of lack of consultation on proposed legislation;
- iii. Specific focus on plans to increase land, and land concession taxes, changes to environment and tourism legislation, introduction of IFRS, regulation of remaining aspects of labour law;

6. CONCLUSIONS

ACIS has achieved a great deal since its founding in 2000. However there is still a long way to go. Many key issues which negatively affect members on a day-to-day basis remain unresolved. Members are concerned by the apparent lack of will to change in a number of key areas. Sadly this has extended into the investment arena, with many investors now having a negative perception of Mozambique.

2009 has seen significant changes at ACIS. The association has responded to its growing number of members by appointing a part-time Executive Director, and continuing to invest in internal improvements. These steps have ensured that members have continued to enjoy a high level of service, and have created a sound basis for ongoing service quality and consistency.

In addition ACIS has expanded existing and undertaken new projects in 2009 to ensure that members can access linkages and that new association products are developed to respond to member needs. However the association recognizes the need, based on our internal quality standard, to continuously improve our services. Therefore in 2010 ACIS will continue to strive to make the voices of its members heard, and to promote positive, healthy economic development for both large and small companies in Mozambique, regardless of the nationality of their shareholders.

We would like to take this opportunity to thank all those who have supported us during 2009, and to wish everyone a happy and prosperous 2010.

Please note: For further information on any of the issues discussed above please visit our web site www.acismoz.com or contact ACIS direct on acis@acismoz.com