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**ACIS**

**YEAR END REPORT**

**2011**

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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 300 active members, both large and small (numbers of company employees range from 2 to 15,000) all of which are Mozambican national companies.

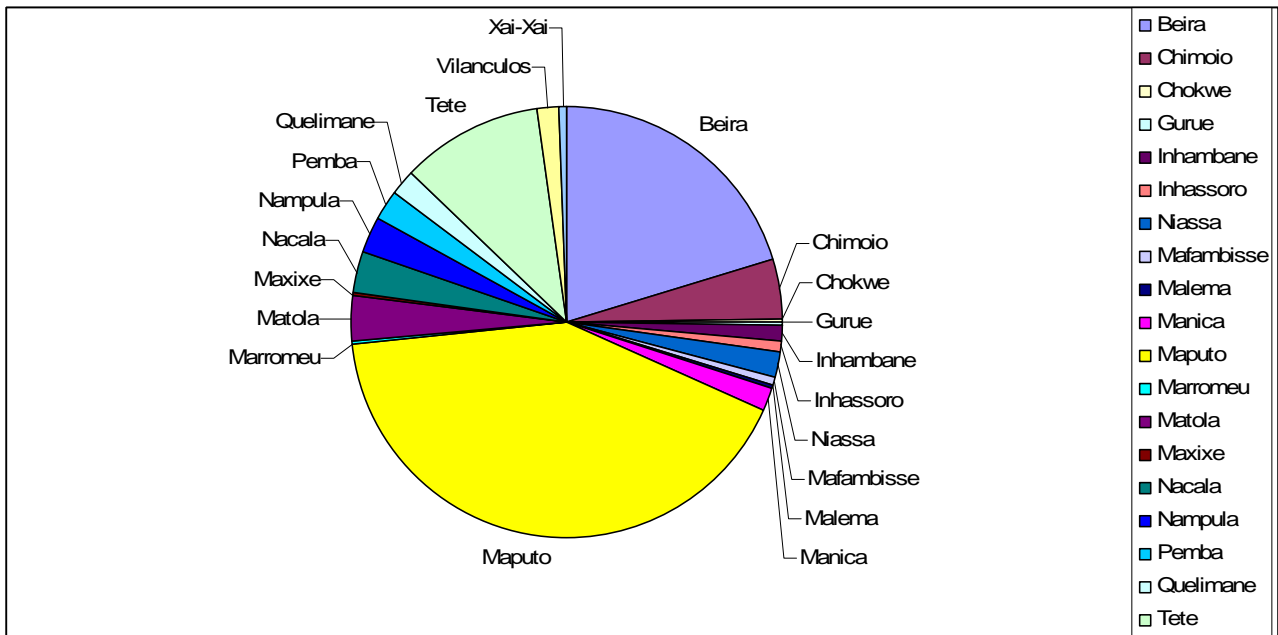
ACIS members represent a combined investment of over 10 billion US dollars and a combined workforce of over 70,000 employees. Member companies work with over 450,000 family sector outgrowers.

For further information on ACIS, and individual member companies, please visit our web site [www.acismoz.com](http://www.acismoz.com)

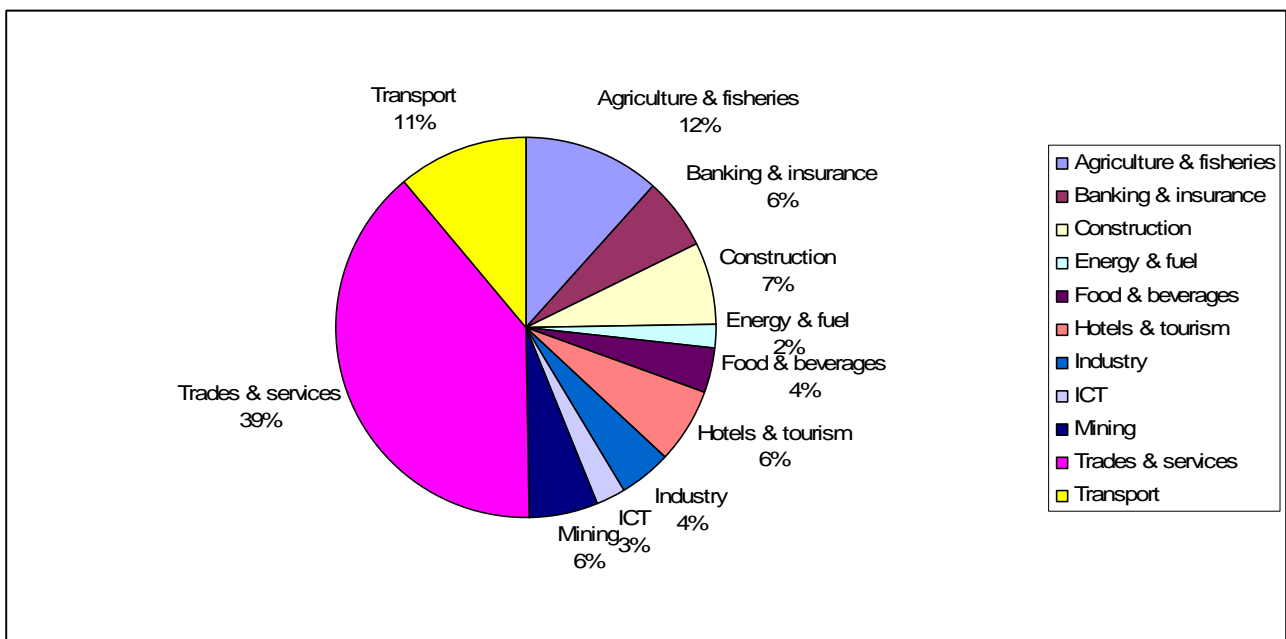
The report below is designed to provide a brief overview of some of the key activities undertaken and issues dealt with by ACIS in 2011. Should you require more detailed information on any of the aspects mentioned below please don't hesitate to contact us.

## 2. MEMBERSHIP

ACIS has grown by 25.5% since January 2011. This has been largely due to a concerted drive by ACIS to attract new companies to the association. Our target of 300 members by the end of 2011 has been met and exceeded. ACIS represents members in all provinces. Our members are represented in the following places around the country:



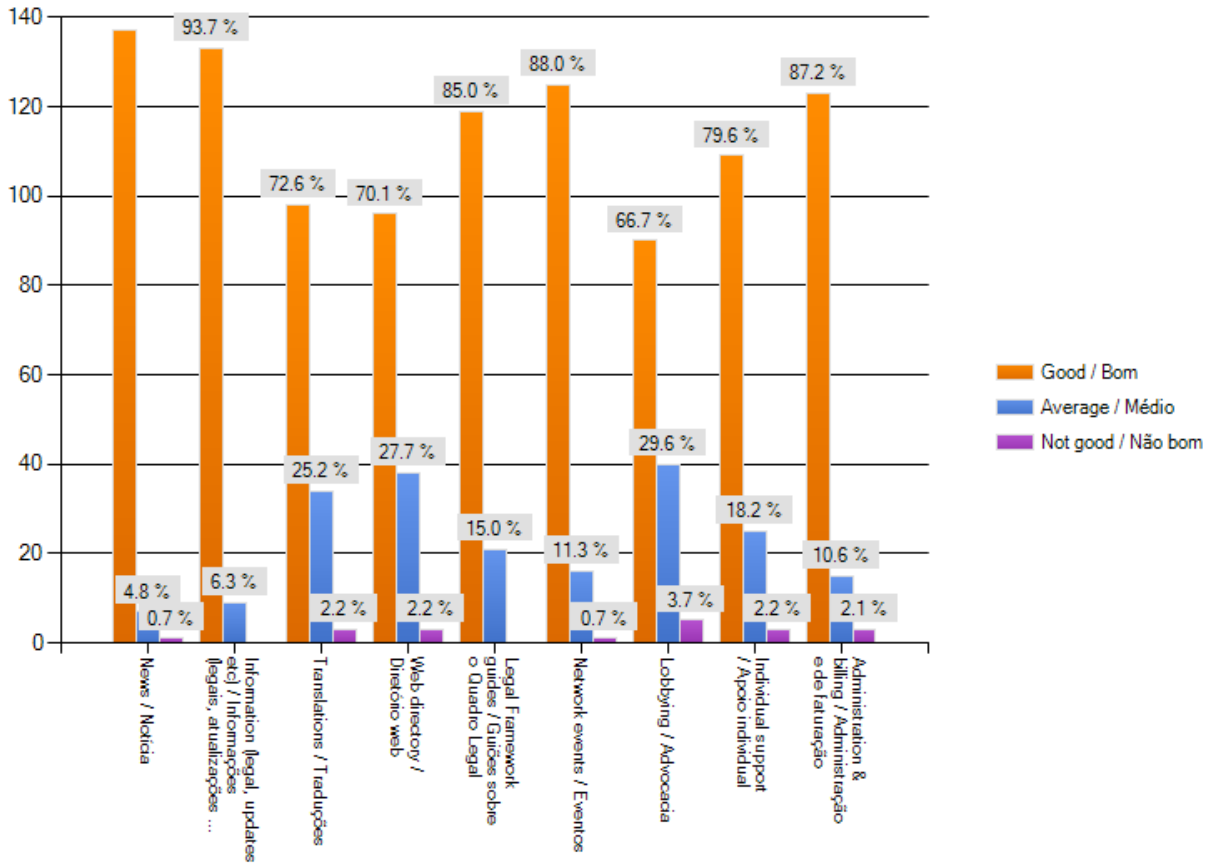
With members from the following sectors:



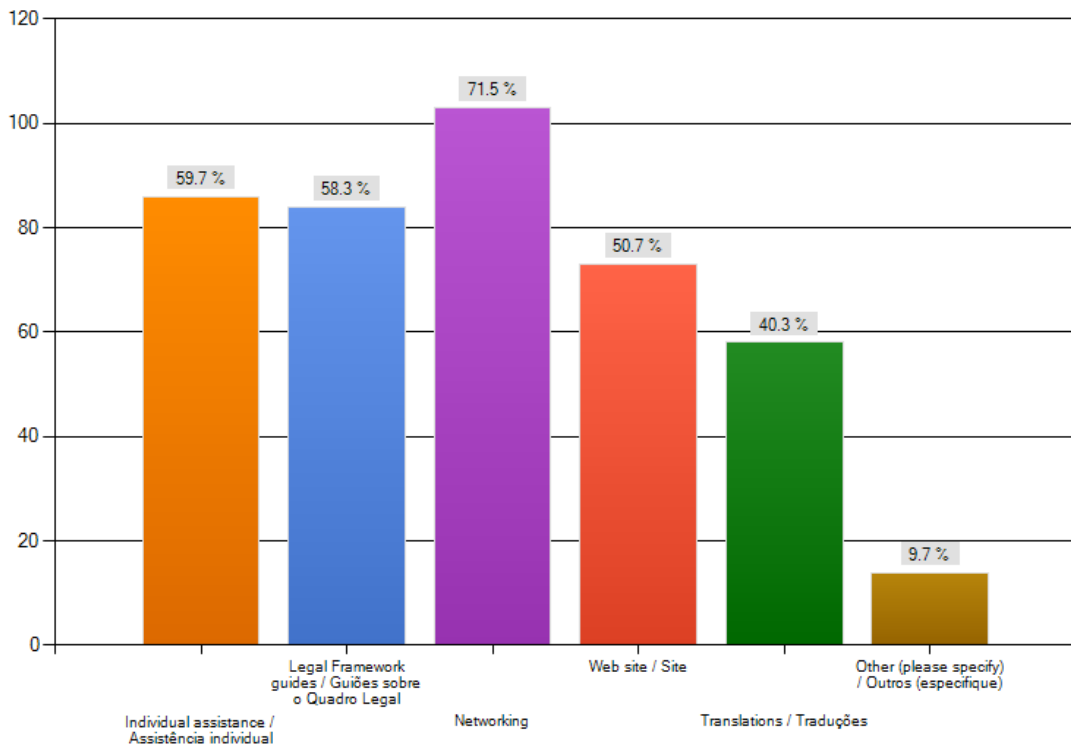
The increase in membership has led to an increased demand for information and support. ACIS has risen to the challenge, continuing to invest in improved systems both in hardware and software.

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 2011.

**How do you rate our services? Como classifica os nossos serviços?**



Which ACIS services have you made use of? Quais dos serviços da ACIS fez uso?



### 3. ACCOUNTS & FINANCES

The 2010 accounts were 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 Primavera legally required accounts, with management accounts and financial reporting available to members 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 1,100Mt per month.

Additional income has come from events and sponsorships. In 2011 ACIS returned to in-house event coordination and planning to enable improved quality control in events.

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. ELECTIONS

In accordance with its articles of association, ACIS held elections in August 2011, with a new team of elected officials unanimously elected by members. The current elected board of ACIS are:

- President – MozFoods, represented by Carlos Henriques
- Vice-President – Ferreira Rocha & Associados, represented by Rodrigo Rocha
- Management Committee President – BancABC, represented by César N'Solo
- Management Committee Vice-President – Cervejas de Moçambique represented by Luis Palege
- Management Committee Member – CPMZ Pipeline, represented by Tomas Oliveira
- Management Committee Member – Companhia de Sena, represented by Pierre Chenet
- Management Committee Member – TCT Dalmann, represented by Graeme White
- Finance Committee President – GAPI, represented by Matias Chissancho
- Finance Committee Vice-President – Inpetro, represented by Ovidio Rodolfo
- Finance Committee Member – Deloitte, represented by Grant Sboros

#### 5. 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 1,200 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 77 emails per day (received and replied to), an increase of 76% on 2010 correspondence volumes. 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. With the introduction of the "cloud" communication platform in 2010 ACIS experienced fewer communication problems in 2011, and has been able to now focus on other methods of making information available such as improvements to the web site and the creation of an on-line electronic library.

In 2011 ACIS embarked on a collaboration with USAID's SPEED Project to update the "Legal Framework" series. The government was also invited to collaborate on the revision of existing guides 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. The contents of some of the booklets were serialized in the national newspaper O País during 2010 and 2011.

In 2011 ACIS continued to work with members to develop English-language translations of key pieces of legislation, as well as gathering other translations and adding to the existing page on our web site where these can be freely accessed.

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 15 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 electronic, searchable, on-line library

## b. ADVOCACY

ACIS continues to be active in lobbying, with particular focus being on employment 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 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 2012 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.

ACIS lobbied actively on the PPPs and Mega-Projects legislation, changes to the foreign exchange regulation, changes to immigration legislation and a variety of proposed changes to labour and insurance regulations among many other issues. However ACIS continues to face difficulties with legislation being provided with very short comment times, incomplete documents or indeed being introduced without the opportunity for discussion.



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 continued to work 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. 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. The fact that compulsory mediation in labour disputes has now been declared unconstitutional represents another major set-back in this area. 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. 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.

SADC regional integration began on 1<sup>st</sup> January 2008. Over four 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. However attempts to use the SADC non-tariff barrier complaints mechanism resulted in a number of repercussions due to the non-confidential nature of the mechanism itself, leaving ACIS and its members with little recourse when such barriers are imposed.

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 11 years ACIS has continued to lobby for action on improvements to transport, telecommunications and electricity infrastructure. Our annual survey shows that infrastructure is an area of consistent concern for our members, and lack of clarity about planned investments in crucial infrastructure continues to be a major problem.

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 continuing with its efforts in 2011 while also focusing on resolving individual issues, such as the biometric DIRE application process, where ACIS managed to assist over 30 individuals and their employers in locating documents which had not been issued for in excess of 6 months. However the time, effort and cost required to do this, necessitating as it did the hiring of lawyers and repeated visits of ACIS executive to the National Directorate of Immigration make such approaches costly for the association. While this resulted in the resolution of individual issues it has not proved possible to secure a systemic improvement to the DIRE issuing system.

ACIS provided inputs on many key issues, and commented on every piece of legislation and policy which it received, 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.

c. OTHER SERVICES

In 2011 ACIS continued to focus on the development of services aimed at allowing members to interact more effectively. To this end we held networking events in Maputo, and Tete as well as visiting members in Niassa. All events were well-attended with members travelling long distances to participate, and reporting back positively in terms of business contacts made.

In 2011 ACIS expanded the type of events offered to members, once again holding a corporate golf day and a gala dinner with guest speaker and introducing the BusinessLink event. All events were over-subscribed and well-attended and provided members an opportunity to interact in different settings. BusinessLink was particularly successful with over 100 companies exhibiting and upwards of 1,000 visitors to the event during the day.

In addition ACIS continued to focus on business linkage tools, based around the searchable database on the web site, promotion of the web-based notice-board for advertising, 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 30,000 hits per month.

By the end of 2011 ACIS completed the commissioning of its online searchable library, which will be launched in 2012 and available to anyone seeking information about private sector related issues.

## 6. 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 eleven 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 successfully 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, and develop an effective 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 web 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 2012 and beyond will include taking tough decisions on how best to use the time available.

b. CHALLENGES FOR 2012 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 – proposed and actual changes to labour legislation have led to increased costs and uncertainty. Implementation of legislation is uneven and direct intervention by the Ministry of Labour in support of workers has a destabilizing effect on employment relationships;
- 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;
- Issues related to customs – improvements noted several years ago have been eroded by the introduction of new legislation which is patchily implemented, particularly in respect of bond guarantees for movement of transit cargo, changes in legislation have not been widely discussed meaning that opportunities to improve the functioning of the customs system have been missed. The roll-out of the non-intrusive inspection system (scanning) has resulted in increased costs, delays and inefficiencies. ACIS is concerned about the proposed roll-out of the single-window customs system in 2012, which has been undertaken without dialogue and consultation and is likely to result in significant cost increases.
- Issues related to infrastructure – Beira Port and Corridor continue to face major challenges, which are exacerbated by the movement of coal from Moatize through Beira. Significant increases in the cost of electricity, reduction in quality of supply constitute a threat to business operations.
- Issues related to immigration – increases in visa fees, and the cost of residence permits constitute a direct costs to business as well as a threat to the development of the tourism industry. Delays in the issuing of documents result in additional bureaucratic procedures being required to enable people waiting for residence permits to leave the country and delays in issuing visas are causing frustration to tourists.
- Natural resource degradation – patchy implementation of legislation is leading to ever-increasing destruction of natural resources throughout the country.

In general many members of the private sector are distinctly disillusioned by the lack of forward movement, by apparent increases in levels of corruption and by a reduction in openness in government meaning that often even answers to simple enquiries are hard to come by while legislation is developed and introduced

without discussion. 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, 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 2012 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 2012

Based on the investments made, and lessons learned in 2011 the new year will continue to focus on consolidation, and firming up systems and services, to allow for ongoing expansion, as well as professionalization and refinement of services to better respond to members' needs.

During 2012 ACIS key aims are:

- Expansion of membership by 10-15% ;
- Launch and monitoring of online library service as a core component of information provision;
- Provision of networking opportunities;
- Improved internal management, 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 customs, labour, tax, land);
- ii. Reduction of the number of cases of lack of consultation on proposed legislation;

## 7. 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.

2011 has seen significant changes at ACIS with an increased focus on development of opportunities for business engagement and interaction, and significant membership growth. The association continues 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 2011 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 2012 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 2011 and to wish everyone a happy and prosperous 2012.

**Please note: For further information on any of the issues discussed above please visit our web site [www.acismoz.com](http://www.acismoz.com) or contact ACIS direct on [acis@acismoz.com](mailto:acis@acismoz.com)**