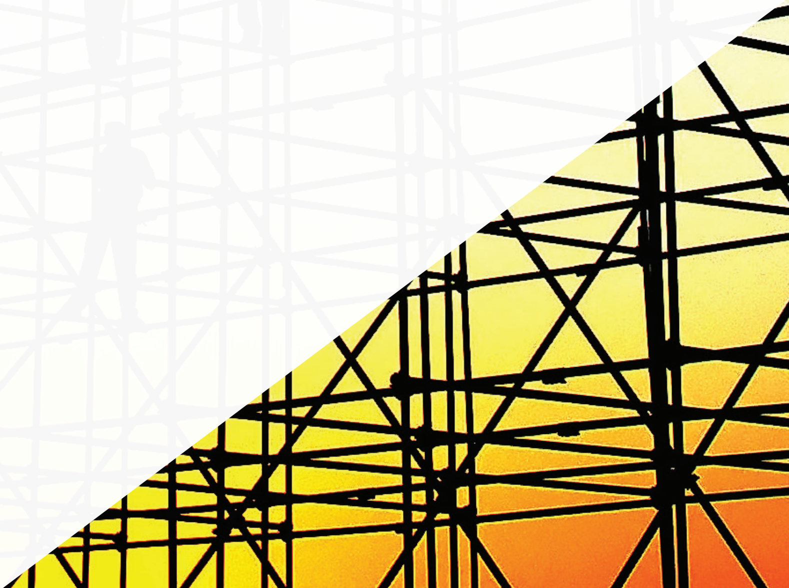
STRATEGIC PLAN 2017–2021



Industrial Development Corporation

INDUSTRIAL DEVELOPMENT CORPORATION STRATEGIC PLAN 2017–2021

Approved: May 2017

Updated: April 2017

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EXECUTIVE SUMMARY

The Industrial Development Corporation (IDC) Limited is a State-Owned Enterprise (SOE). The IDC was established to create and maximise long term shareholder value as an active investor and shareholder of successful state owned enterprises, as well as undertake industrialisation and rural development activities through the creation of new industries.

To effectively undertake its mandate, the IDC has developed a five-year Corporate Strategic Plan. In developing this plan, the key strengths of the IDC were identified as the diversified portfolio covering various sectors of the economy and the fact that the IDC enjoyed operational autonomy from Government bureaucracy which allowed it to be more efficient while being in a position, by virtue of its ownership structure, to extract benefits for the Corporation that ordinarily would not accrue to an institution outside Government. Further, the IDC enjoyed strong political will.

The IDC is a self-financing institution with funding drawn from leveraging its portfolio of companies and its ability to access project finance. It will adopt an aggressive approach to resource mobilisation to support its broad mandate in supporting industrialisation in Zambia. Self-funding will be attained through internal profitability or retained earnings, bond and debt raising on domestic and international markets as well as divestments from mature investments.

The key weaknesses were identified as the poorly performing SOEs on its portfolio, the lack of group governance oversight and a group risk profile frameworks. The IDC was also established without sufficient capitalisation to undertake projects and interventions consistent with its mandate.

The strategy took into account that the IDC was established at a time when there are significant opportunities that favour its strategic vision and goals. These include goodwill and support from International Development Partners and it had been established at a time when international perception of corporations like the IDC was positive. The IDC also operated in a country with an abundance of natural resources which created opportunities for green field investments.

The IDC is expected to face significant threats to its ability to undertake its mandate. As a wholly owned State Enterprise, the risk of political interference by Government leaders at Ministerial, Provincial and Agency level in the operations of the IDC or subsidiaries under the group is very high. Further, the IDC's operations would be significantly influenced by the macro-economic and micro-economic factors. It was also noted that IDC was established with significant negative publicity largely due to the historical context of the nationalisation era and both management and the Board needed to be alive to this challenge in perspectives from Policy makers and other key stakeholders.

The IDC's strategic focus is threefold. Firstly, the IDC will reposition the existing portfolio by recapitalisation, changing the business models, optimising asset utilisation and divestiture. Secondly, it will seek to invest in companies and industries that can leverage Zambia's natural resource and other endowments to develop a strong home base. Thirdly, the IDC will position itself as a partner of choice for joint ventures and facilitator of citizen involvement in industrialisation through support of local high impact, growth enterprises

The vision of the IDC is "to become Africa's best performing sovereign holding corporation and strategic investment partner". The Mission of the IDC is "to maximise long term shareholder value in State Owned Enterprises and invest in key economic sectors to contribute to industrialisation and sustainable economic growth". The goal is "to transform State Owned Enterprises towards commercial viability, contribute to industrialisation and job creation". The IDC will hold as its key values Professionalism, Transparency, Integrity, Accountability and Collaboration.

The Strategic objectives of the IDC are:

1. To reposition all State-Owned Enterprises through improved management, financial viability and sustainability and bring loss-making entities to profitability;

2. To catalyse private sector investment by co-investing in business ventures with the private sector across the forestry, fisheries, agro-processing, renewable energy, mining value addition and tourism sectors;

3. To identify and undertake high risk investments that add value to the country's natural resources;

4. To ensure a balanced and secured return on investment and enhance the capacity of the Corporation to deliver growth to the portfolio;

5. To enhance the legal, institutional and group oversight framework in accordance with the tenets of good corporate governance; and

6. To identify and mitigate risks in the group portfolio and strengthen the credibility and creditworthiness of the corporation.

The IDC will play its role as a good corporate citizen. In undertaking Corporate Social Responsibility (CSR), the IDC will focus on areas that directly or indirectly benefit its mandate. This will be done in a manner consistent with the values of the Company and its responsibility to the public as a state-owned enterprise.

To ensure that the Corporate Strategic objectives are fully attained, the IDC Board and Management will prioritise monitoring and evaluation systems as well as developing and implementing systems in SOEs and other IDC interests that will provide regular and consistent feedback on agreed performance targets and benchmarks. The corporation will develop action plans for each strategic objective to be actualised through annual work plans and budgets. Further, key performance indicators will be developed and linked to the performance management system.

The 2017-2021 IDC Strategic Plan will be reviewed in 2019 to assess progress in the plan's implementation and the impact of change in the business environment.

1.0. INTRODUCTION

The Industrial Development Corporation (IDC) Limited is a State-Owned Enterprise (SOE) charged with the mandate to spearhead the Zambian Governments commercial investments agenda aimed at strengthening Zambia's industrial base and job creation. The IDC was incorporated in January 2014 and is wholly owned by the Government through the Minister of Finance pursuant to the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia.

The IDC was established to create and maximise long term shareholder value as an active investor and shareholder of successful state owned enterprises, as well as undertake industrialisation and rural development activities through the creation of new industries.

To effectively undertake its mandate, the IDC has developed a five -year Corporate Strategic Plan. The Plan defines among other things, the IDC's Clients and their needs, the Vision, Mission, Goal, Objectives, Strategies and expected outcomes for the Corporation.

The Corporate Strategy outlines the IDC's strategic focus during the next five years. It also outlines the role the IDC will play in the industrialisation agenda for the country. Using this plan, the IDC will position itself to be Governments principle special purpose vehicle for industrialisation and investment acceleration.

1.1. BACKGROUND

Since the closure of the Zambia Industrial and Mining Corporation (ZIMCO) Limited and other key corporations such as Industrial Development Corporation (INDECO) and Financial Development Corporation (FINDECO) in the 1990s, State Owned Enterprises in various sectors have been operating under the direct supervision of line Ministries. It was observed that whereas line Ministries were proficient in providing policy guidance but they do not necessarily possess the requisite commercial and investment expertise and resources needed to ensure the positive performance of the State-Owned Enterprises under their supervision. As a result, most SOEs were unable to provide Government a return on its investment and contribute to the Treasury by way of dividends.

In addition, the State was unable to maximize the revenue potential of these assets as most of them had not added value to the overall economy and in most cases, had continued to survive on Government direct and indirect subventions. In addition, due to competing demands placed on Government as shareholder, the SOEs did not benefit from the shareholder in terms of new capital investments. This situation impacted negatively on the State-Owned Enterprises in terms of modernisation, growth, governance and accountability.

Over the past fifteen (15) years, until mid-2015, Zambia recorded consecutive positive and increasing GDP growth rates, high foreign direct investment inflows anchored around the resurgence of the mining industry, lower interest rates, reduced volatility in the exchange rates and single digit inflation. In summary, the macro-economic picture of Zambia has showed tremendous buoyancy and won Zambia acclaim as one of the top ten fastest growing economies in the world between 2011 and 2015.

However, over the same period of high GDP growth rates, formal employment in Zambia has recorded minimal increase resulting in the phenomena referred to as "jobless growth". Unemployment levels have remained high and the disconnect between low domestic wealth accumulation through job formation and creation and the recorded high economic growth posed a serious challenge that calls for action and practical strategies and solutions to redress this state of affairs.

The Government therefore decided to establish an entity that would serve as a holding company for commercially oriented state owned enterprises, while contributing to accelerating industrialization, economic diversification and rural development,

This move was expected to free the Government to focus on the economy and provide an opportunity for a commercially disciplined and independent company to achieve sustainable returns. In addition to managing its inherited portfolio, such a holding company was expected to actively invest in other local business ventures in Zambia to attain growth and diversification of the economy.

As its initial portfolio, on 24th August 2015, the Government transferred its interests in 29 enterprises (see Appendix I) to the IDC, which will initially be tailored to act as an asset manager on behalf of Government over these enterprises. While a few of these firms are profitable, the majority of them are loss making, generally poorly managed and coordinated. Accordingly, these enterprises will need to be repositioned in line with the IDC's design to ensure that shareholder value is maximised while, balancing risks and opportunities across industries and sectors.

IDC as an active investor will be expected to achieve sustainable returns by engaging boards and management of its portfolio companies to foster a culture of integrity, excellence and meritocracy, maintain a clear focus on core competence, customer satisfaction, consistent value creation, and cultivate high calibre boards and management. By engaging the boards and management, IDC will aim to institutionalise superior business leadership and sound corporate governance and create strategic options to build notable domestic and international brands in its portfolio.

Companies under the IDC Group will be managed by appointed boards and management to deliver sustainable shareholder value. IDC's decisions will be guided by commercial discipline and business tenets.

1.2 KEY ASSUMPTIONS

The 2017-2021 Corporate Strategy for the IDC is developed with the following key assumptions:

i. The IDC will operate on an optimal staffing structure with most auxiliary functions outsourced to project teams, local firms and experts;

ii. The net worth of the IDC as a Group will support bond or debt based financing for its investment activities;

iii. Companies representing fifty (50) percent of the value of the IDC's portfolio will remain profitable and declare dividends during the plan period;

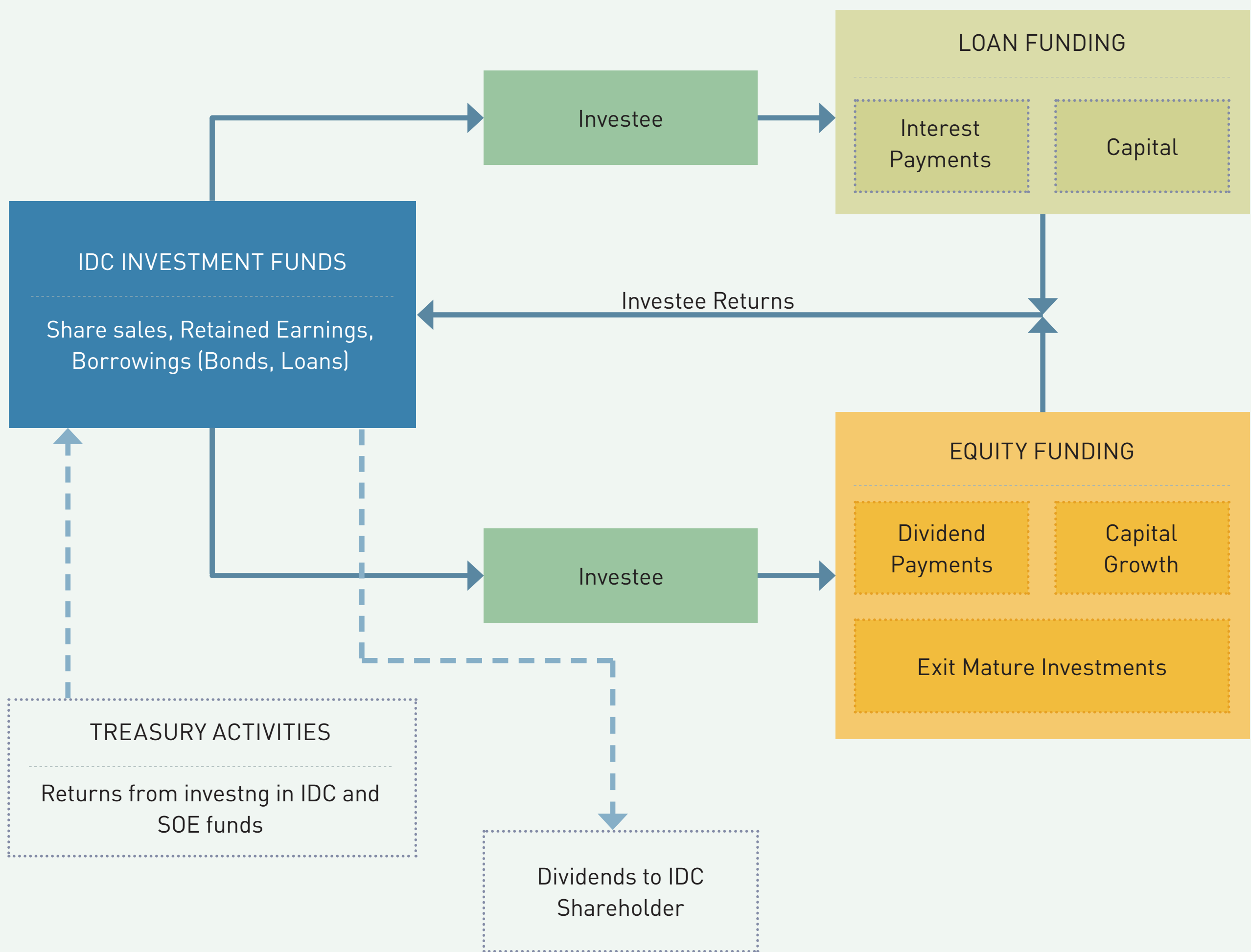
iv. The IDC will operate free from undue political interference and all strategic matters will be handled through the Board of Directors and shareholders;

v. The economic fundamentals will remain relatively stable and any adverse impact on business operations and the investment climate will be minimal.

1.3 FUNDING MODEL

The IDC will be a self-funding institution. Its funding will be drawn from leveraging its founding portfolio of companies and ability to access project finance. The IDC will adopt an aggressive approach to resource mobilisation to support its broad mandate in supporting industrialisation in Zambia.

The funding model that the IDC seeks to follow in pursuance of its mandate is shown in the diagram below:



IDC aims to attain financial independence and to pay all taxes as due and declare dividends annually to the Government.

2.0. VISION, MISSION, GOAL STATEMENTS AND VALUES

2.1. VISION STATEMENT

To become Africa's best performing sovereign holding corporation and strategic investment partner.

2.2. MISSION STATEMENT

To maximise long term shareholder value in State Owned Enterprises and invest in key economic sectors to contribute to industrialisation and sustainable economic growth.

2.3 GOAL STATEMENT

To transform State Owned Enterprises towards commercial viability, contribute to industrialisation and job creation.

2.4 VALUE STATEMENT

The IDC will hold the following key values:

PROFESSIONALISM

We will uphold the highest standards of professionalism in the conduct of our business and expect the same of those we do business with.

TRANSPARENCY

All our investments and business undertakings will be consistent with the tenets of accountability in the use of public funds.

INTEGRITY

In everything we do we shall be honest to ourselves, our shareholders and our stakeholders.

DISTINCTION

We are committed to continuous learning, improvement and delivering excellent results.

PARTNERSHIPS

The foundation of our approach to business and investment is to mutually benefit from our complimentary strengths with our partners and team work.

3.0. CLIENTS

The IDC will be a broad-based corporation with clients in various sectors, both local and international. The key clients of the IDC and their needs are summarised below:

CLIENTS	NEEDS
Shareholder	The Shareholder expects returns on its investments and increased shareholder value. The IDC will be expected to prudently manage the assets and make sound investment decisions.

CLIENTS	NEEDS
State Owned Enterprises (SOEs)	SOEs will expect the IDC to provide strategic leadership and oversight as well as financing for growth and to leverage these investments to undertake new ventures.
Government	The Zambian Government expects the IDC to be its implementing arm for the rural development and job creation through industrialisation agenda. Further, the IDC will be expected to lead in strategic investments as determined by Government policy and pronouncements and structure these to ensure commercial viability.
International Investors	International Investors will be looking to the IDC as a Strategic Equity partner giving them comfort that their investment interests are consistent with those of the Zambian Government thereby reducing political risks associated with an investment, as well as IDC providing local knowledge and skills necessary for project success.
Domestic Investors	Domestic Investors will be looking to the IDC in providing a reliable partner for greenfield projects, expansion, reinvestment and venture financing.
International Development Institutions	International Development Institutions will expect the IDC to facilitate investment opportunities in Zambia and act as a strategic partner.
General Public	The general public will expect the IDC to ensure there is value for money for every tax payer funds invested in State Owned Enterprises as well as for IDC projects to provide positive development impact with results such as jobs.

4.0. STRATEGIC FOCUS

The IDC's strategic focus will be as follows::

i. **Transformation of State Owned Enterprises:** The IDC will reposition the existing portfolio by recapitalisation, changing the business models, mergers or optimising asset utilisation and divestiture. The focus will be to position SOEs for listing on the stock exchange.

ii. **Emerging Industries:** IDC will seek to invest in companies and industries that can leverage Zambia's natural resource and other endowments to develop a strong home base and with potential to become regional champions. This will include making investments across the value chains in growth sectors and ensuring equitable regional industrialisation and job creation.

iii. **Partnerships:** Under this pillar, the IDC will position itself as a partner of choice for joint ventures and facilitator of citizen involvement in industrialisation through support of local high impact, growth enterprises.

EMERGING INDUSTRIES

- New Sectors
- Regional Markets
- Renewable Energy
- Rural Industrialisation

SOE TRANSFORMATION

- Restructure
- Grow Shareholder value
- Grow Startegic Value
- Long-term investments

STRATEGIC PARTNERSHIPS

- Joint Ventures
- Citizen Participation
- Small and Medium Enterprises
- Private Sector Support
- Long Term investments

These strategic pillars will ensure that the IDC remains focused on its core mandate to the satisfaction of its shareholders, partners and the public.

5.0. ENVIRONMENTAL ANALYSIS

This is an analysis of both the external and internal environments in which the IDC will be operating in the next five years. The IDC's Strengths and Weaknesses as well as Opportunities and Threats (SWOT) are identified. Further, the analysis takes account of major Political, Economic, Social, Technological, Environmental and Legal/Policy (PESTEL) Developments that have taken place which are likely to impact, positively or negatively, on the operations of the IDC.

5.1. INTERNAL ENVIRONMENT

5.1.1. STRENGTHS

The IDC will focus on enhancing its strengths to ensure that the Corporation is effective in delivering on its mandate and attaining its strategic objectives.

The key strengths of the IDC are identified as follows:

a. **Diversified portfolio covering various sectors of the economy:** The IDC is one of the largest holding Corporations in the country giving it significant influence both economically and politically. It has a varied number of businesses under its initial portfolio which creates for a well-diversified holding company. The IDC's portfolio includes interests in Banking, Insurance, Manufacturing, Telecommunication, Mining, Forestry, Petroleum Refining, Engineering Services and Tourism among others. This creates sufficient basis for balanced growth.

b. **Operational autonomy from Government bureaucracy:** The IDC as a fully state owned enterprise has the leverage to operate with the privileges of support from Government Agencies while being free from Government bureaucracy and red tape processes as a private company operating under the Companies Act. IDC will leverage this strength to speed up any Government processes that would otherwise take long and extract benefits for the Corporation that ordinarily would not accrue to an institution outside Government. The benefits of its ownership include obtaining first-hand information on policy actions that may impact the IDC's operations, positioning IDC as a Government policy implementing agency to maintain influence, speeding up licensing processes and obtain waivers for other regulatory procedures where they are legally available. Further the involvement of the President gives the IDC direct access to state institutions. The IDC should however be cautious not to adopt bureaucratic systems by ensuring it aligns its systems to private sector best practices.

c. **Strong political will and support for IDC mandate:** The Board of the IDC is chaired by His Excellency the President. Considering most SOEs have hitherto fallen under the portfolio and supervision of Ministers, the involvement of the Presidency in the decision making of the IDC gives it the necessary influence to fulfil its mandate. This position is espoused in Policy

Statements by His Excellency the President of the Republic of Zambia and Government policy as outlined by the Minister of Finance in National Budget Speeches. This gives the IDC significant clout and leverage within the Government, amongst potential partners and with other interest groups.

d. **Competence, Expertise and Experience of Board of Directors:** The IDC Board of Directors comprises a diversified mix of key economic ministers, civil society representatives, private sector representatives and experienced entrepreneurs. They bring a wealth of experience and expertise from the government and private sectors necessary to guide the affairs of the IDC.

e. **Under-staffing at IDC impacting capacity to deliver:** In the advent of its formation, the IDC was required to maintain a lean structure primarily composed of an interim operationalisation management team and support staff. This adversely affected IDC's capacity to fully implement its mandate. The IDC hence needs to ensure that it attains an optimal staff compliment that delivers on the set objectives.

f. **Inadequate office space:** The IDC lacks office accommodation. The lack of office accommodation results in frequent moving and dents the reputation of the institution. It is important that the IDC secures permanent offices.

5.1.2. WEAKNESSES

The key weaknesses were identified as follows:

a. **Poorly performing SOEs:** Most of the SOE's which the IDC has taken over are poorly managed and have been loss making for many years; these companies significantly erode the value of the IDC and represent long-term strategic challenges. It is necessary that the IDC cleans up its books by ensuring loss making subsidiaries are restructured and taken out of loss making positions.

b. **Lack of Group Governance oversight:** The IDC began operationalisation without a defined code of governance. This has led to operational challenges which include misalignment of the SOEs to IDC and unclear reporting structures. The development of the IDC code of governance is expected to strengthen the Group governance structures. IDC is also unable to keep track of major strategic decisions of the SOEs. IDC needs to develop the Group framework which includes among other things policies to be cascaded to all SOEs.

c. **Lack of Group Risk Profile:** The IDC has been operating without a Group risk framework. This resulted in the lack of precise information on the risks of that the Group is exposed to. Further, no mitigation measures were undertaken. There is need for the IDC to assess its Group risk profile and put in place risk management policies.

d. **Inadequate capitalisation:** The IDC was established without sufficient capitalisation to undertake projects and interventions consistent with its mandate. The IDC therefore needs to develop and implement capital raising strategies to finance its activities.

5.1.3. OPPORTUNITIES

The IDC has been established at a time when there are significant opportunities that favour its strategic vision and goals. These include the following:

a. **Goodwill and support from International Development Partners:** The IDC shareholding structure has been attractive to the international Development Finance Institutions (DFIs) and other Cooperating Partners (CPs). This has resulted into increased funding opportunities, technical advisory services and skills transfer thereby enhancing the credibility locally and internationally.

b. **Existence of successful models of Corporations like the IDC:** The IDC has been established at a time when international perception of corporations similar to the IDC is positive. These corporations exist in emerging and developing economies such as South Africa, Botswana, Malaysia, Korea, Singapore, Tanzania and Kuwait making the model internationally acceptable. This creates opportunities that IDC can leverage in establishing itself as a key player in international markets. Further, the IDC can reduce its learning curve by creating strategic networks and adopt best practices with similar institutions.

c. **Abundant natural resources to be exploited for greenfield projects:** Availability of natural resources create opportunities for green field investments that have a huge potential for investments. The IDC has comparative advantages in exploiting untapped opportunities from the unexplored resources and undertaking long term labour intensive projects relative to the private sector. Further, long term green field investments in sectors such as agriculture and forestry with less competition have potential for high returns. The IDC therefore has an exclusive opportunity to create jobs in a space avoided by private sector players.

5.1.4. THREATS

The IDC is expected to face significant threats to its ability to undertake its mandate. The key identified threats are as follows:

a. **Undue Political interference:** As a wholly owned State Enterprise, the risk of political interference in the operations of the IDC is very high. The potential for Government leaders at Ministerial, Provincial and Agency level to influence the IDC for political objectives at the expense of commercial viability and financial prudence is a significant challenge. It would threaten the long-term sustainability of the IDC model and potentially bringing the local and international reputation of the IDC into disrepute. It is necessary therefore that the IDC seeks measures to insulate itself from negative political interference.

b. **Macro and micro economic factors with adverse impact on the IDC group:** The IDC's operations will be significantly influenced by the macro-economic and micro-economic factors. Factors such as Exchange rate fluctuations, interest rates and market liquidity will weigh significantly on the IDC's ability to fulfil on its mandate. The IDC will need to have systems in place that anticipate and mitigate against unfavourable monetary and fiscal policy actions.

c. **Conflicting perspectives on IDC mandate:** The IDC has been established with significant negative publicity largely due to the historical context of a similarly named institution associated with the nationalisation era, INDECO. Management and the Board of the IDC must be alive to this challenge in perspectives from Policy makers and other key stakeholders. The private sector needs to see the IDC as a partner whereas political leadership should be influenced not to see that IDC as the 'new' INDECO.

5.2. EXTERNAL ENVIRONMENT

5.2.1. POLITICAL ENVIRONMENT

a. **Political Stability:** Zambia is a Multi-party democracy which enjoys relative peace and has a stable Government system. As a part of the Executive, the political standing of the Zambian Government will impact heavily on how the IDC is perceived locally and internationally. Zambia's good standing as a democracy is therefore a critical success factor for the IDC both in the short-term and the long-term.

   The political stability that Zambia has enjoyed since independence has created a conducive and stable business environment. This has further led to increased investment and international good will. In this regard, the IDC can exploit the good will and position itself as a premier business partner to international and local business community.

b. **Policy Inconsistency:** As a Government owned institution, the IDC will be impacted by Government Policy both directly and indirectly. Government policy may relate directly to the IDC itself and be contrary to the set objectives of the IDC or may impact the operating and business environment of the IDC. The IDC must put in place systems that ensure that Government policy is favourable to its operating and business environment. These may include creating networks and developing strong lobbying capacities backed by financial resources.

5.2.2. ECONOMIC ENVIRONMENT

a. **Economy**: The Zambian economy has grown consistently in terms of its Gross Domestic Product (GDP) since 2000 which average growth rates of 5%. This GDP growth was accompanied by improving macroeconomic fundamentals such as inflation which has stabilised in the last five years to single digits, a relatively stable exchange rate and a general long-term decline in interest rates.

   In 2015, however, the economy was faced with a crisis arising from both internal and external factors. GDP growth declined to 3.2 percent from 5.0 percent in 2014 and is projected to close at 3% in 2016. The slowdown in output was mainly on account of a negative growth of 8.3 percent in the agriculture sector largely attributed to erratic rainfall which negatively affected the yield rates, coupled with the drop in copper revenue and electricity supply constraints. However, positive growth was registered in the construction, transport and communications; and the manufacturing sectors the economy is expected to record improved growth of 3.4% in 2017 owing to improved agriculture production for the 2016/2017 farming season, rebounding copper prices and stabilisation of the power situation.

   End year inflation in 2015 was in double digits at

21.1 percent. The higher inflation was attributed to the pass-through effects of the sharp depreciation of the Kwacha in the third quarter of 2015 and the high production costs induced by electricity rationing. The October 2016 inflation stood at 12.5 percent and is expected to fall to under 9 percent in 2017 In line with inflationary pressures, interest rates remained relatively high with the commercial banks' lending rates increasing to 28.6 percent at the end of June 2016.

The country's external debt position as at 2015 was US$6.6bn and stood at US$6.7bn in September 2016. The country had an overall Balance of Payments (BoP) deficit of US$432.3mn in 2015with the deterioration in the BoP position driven largely by the narrowing of the current account surplus and widening capital and financial account deficit. The reserves accumulation stood at US$3bn in 2015 and US$2.3bn in September 2016. In the mining sector, copper production increased marginally by 0.3 percent to 710,860 Mt in 2015 from 708,254 Mt in 2014. However, due to unfavourable metal prices, copper export earnings, decreased by 31.3 percent from the 2014 level. Further, Copper production was up by 8.2 percent to 575, 780 Mt as at September 2016, from 531, 163 Mt produced in the corresponding period in 2015.

Despite a challenging economic picture for 2015, Zambia's economic prospects remain positive with GDP growth expected to continue to be above average global GDP growth rates. The Governments fiscal policy is expected to focus on strengthening domestic revenues to support public infrastructure and human capital development whereas the monetary policy is expected to focus on price and financial system, stability.

However, serious external risks remain particularly those linked to the country's dependence on Copper mining. Whereas the economy can absorb moderate declines in copper prices, steeper declines would hurt the country's economy significantly. The economic environment is therefore conducive for the IDC's strategic goals.

b. **National Focus on Diversification of the Zambian Economy:** The national focus on diversifying the economy to reduce its dependence on the Copper Mining Sector has created an opportunity for the IDC to be a key player in the diversification programme of Government. IDC should focus its investment activity on areas away from the extractive industries and towards value addition. This will enhance the strategic importance of the IDC in national development.

c. **Infrastructure:** Zambia has rail, air and road infrastructure which have been the focus of Governments infrastructure development programme. In the rail sector, cargo transported by rail reduced by 10.9 percent to 973,427 Mt in 2015 from 1,092,341 Mt in 2014. This was attributed to lack of reliable and adequate rolling stock, poor state of rail tracks and competition from road haulage companies.

   There was however, overall growth in the transport, storage and communications. Growth was largely driven by positive performance in the air and road transport sub-sectors. Passenger movements at the four major airports marginally increased by 0.8 percent to 1,586,367 in 2015 from 1,574,242 in 2014. New airports are being constructed in Livingstone, Lusaka and Ndola, whereas provincial airports are being upgraded.

   In terms of bed space, there was a marginal increase of 0.5 percent to 75,253 in 2015 compared to 74,853 in 2014. This was on account of expansion of guest rooms. Lusaka accounted for the largest share of total bed space at 38.6 percent followed by Southern province at 26.2 percent.

   The government is also promoting the establishment of Multi Facility Economic Zones (MFEZ) across the country to spur industrial development. MFEZs have been established at Chambishi, Lusaka South, and Lusaka East. The government has also committed to develop new MFEZs at Kafue and Kalumbila.

d. **Favourable Investment Climate:** The investment climate in Zambia has improved significantly over the last ten (10) years. The country has attracted an average of US$1.5bn in Foreign Direct Investment (FDI) annually over the last 10 years, an indicator that the IDC can be assured of the adequacy of the existing investment climate for its strategic goals. The Government has also invested significantly in infrastructure development which is opening up many remote parts of the country. This will make a rural investment strategy for the IDC easier to pursue in line with its mandate.

e. **Improving Business Environment:** The Government has been implementing the Private Sector Development Reform Programme (PSDRP) since 2004. This has resulted in significant improvements in the business regulatory environment in a manner that is pro-business.

Zambia's international ranking in doing business is amongst the top ten in Africa, (7th in 2015) according to the Global Competitiveness Index the IDC will be operating in one of the best countries to do business in Africa.

f. **Regional Integration:** The focus on deepening regional integration within the Southern Africa Development Community (SADC), Common Market for East and Southern Africa (COMESA) and the East African Community (EAC) regional trading blocs is expanding the market for Zambian companies and local products. This creates opportunities for large scale investments that look beyond the domestic market. The IDC should position its investments and SOEs to have a regional outlook and thereby realise ambitious growth plans by focusing on markets of 500 million people in 26 countries rather than 14 million within one country.

g. **Energy Sector challenges:** The development of industry in Zambia is negatively affected by the unreliable supply of energy such as electricity and petroleum products. Total electricity generation as at 2015 was estimated at 13, 440, 000 Mwh from 14, 453, 000 Mwh. This out-turn was attributed to a decline in power generation at major hydro power stations due to low water levels. Consistent with the fall in generation, total electricity consumption declined by 6.4 percent to 10, 720, 000 Mwh from 11, 449, 900 Mwh in 2014. Consumption of electricity in the major economic sectors of agriculture, construction and transport declined by 9.4 percent, 23.8 percent and 8.5 percent, respectively.

   This negatively affects the growth of all the sectors of the economy and will undoubtedly impact the IDC's ability to promote, undertake and facilitate industrial development nationwide. At the Southern African regional level, there is also supply constraints especially in big economies of South Africa. Through its positioning, and energy generation endowments, Zambia could become a major energy power broker.

   The economic growth of the country particularly in the Agricultural, Mining and Manufacturing sector places significant pressure on the current generation capacity. This provides an opportunity for the IDC to invest into the energy sector directly or through partnerships so as to contribute to reliable electricity and petroleum products supply to support Zambia's industrial development agenda. Currently government is directly involved in the procurement of finishes petroleum products. This has resulted in inefficiencies in the procurement of finished products and constant disruption s to fuel supplies. In order to ensure efficiency and disengage government from the sector the government plans to allow private sector involvement in the procurement process.

5.2.3. SOCIAL ENVIRONMENT

a. **Low Skill Levels:** Low levels of skill have been identified as one of the major factors contributing to low labour productivity in the country. This creates a challenge for the IDC to find the right skills for the new projects in the priority sectors. There is need, therefore, for investment strategies to factor this challenge and for the IDC to structure investment programmes to facilitate skills development and transfer necessary for enhancing labour productivity in the IDC's priority sectors. Furthermore, IDC will need to work with other partners to undertake investment into education and skills development sectors as well as promote industrial apprenticeship aimed at improving labour productivity.

b. **Low Employment Levels in the Formal Sector:** According to the Central Statistics Office (CSO) 2014 labour force survey unemployment rate in Zambia is 7.4 percent. However it is estimated that more than 89 per cent of employment in Zambia in the informal sector. Unemployment is mainly an urban youth issue with urban unemployment estimated at 15.3 percent. As the Governments principle industrialisation vehicle, the job creation agenda must be firmly factored into overall strategy. The IDC will be expected to prioritise investment with long value chains and high job creation prospects targeted at the youths. This strategic objective must be balanced with ensuing that the IDC investments are competitive. This entails a bias for labour intensive industries.

c. **Potential for Social Unrest:** Zambia's high youth unemployment and high poverty levels create a potential environment within which social unrest can fester. An increase in inequality and incidence of poverty may result in a greater occurrence of protests, not only by organised labour but also by communities. These factors can impact negatively on IDC-financed enterprises and the corporate reputation. The IDC should speed up project implementation to ensure creation of new employment opportunities countrywide.

5.2.4. TECHNOLOGICAL AND ENVIRONMENT FACTORS

a. **Advancement in ICT:** Zambia has witnessed advancement in ICT Communications infrastructure (cellular technology, Fibre Optic networks) and services such eGovernment, financial inclusion (mobile money, eVoucher services) and eCommerce workflow automation. This has contributed to faster service delivery, increased market access, and reduced cost of doing business. The IDC will have to play a role in expanding ICT growth as well as tailor its programmes to be ICT relevant.

b. **Green Technology:** Globally, there has been a paradigm shift towards the use of environmentally friendly or Green Technologies. Most markets in developed countries now prefer buying products produced using green technology. This shift will impact the investment options available to the IDC particularly with regard to the types of investments it can make. Furthermore, the IDC will need to strike a balance between environmental concerns and economic gains in its programmes.

c. **Climate Change:** Zambia is currently ranked 132nd out of 180 countries for its climate vulnerability by the Notre Dame University Global Adaptation Index (GAIN), a commonly used climate risk indicator. It belongs to the countries most exposed to climate change risk. Climate change poses one of the largest risks to the environment and the economy as it brings major uncertainties. The frequency and the intensity of extreme events like droughts and floods in the past decade have affected agricultural seasons, impacting on farmers' planting cycles. For instance, the 2015/2016 farming season was affected by adverse weather conditions linked to the El Niño weather system.

Climate Change will have an impact on IDCs investment decisions as well as returns from ventures in sectors as such as agriculture, forestry and agro-processing. The IDC will need to put in place risk mitigation measures for climate change.

5.2.5. LEGAL ENVIRONMENT

a. The IDC is administered primarily within the framework of the Companies Act. The Governments focus on legal reforms that are pro-business means that the IDC should be able to operate in a more business friendly legislative environment both in terms of legal compliance costs and number of regulations which it should comply with. The IDC however needs an aggressive strategy to ensure that the legal framework and regulations, particularly those that impact its operations are conducive at central and local Government level.

b. As a Holding Company with a diversified portfolio, the IDC will be required to comply with sector specific regulations particularly in sectors it may seek to investment. It will also have to ensure that its subsidiaries comply with relevant regulations, both national and sector specific so that the investments are not placed at risk.

6.0. STRATEGIC OBJECTIVES

The IDC is a self-funding, strategic investment vehicle of the Government whose primary objective is to create and maximise long term shareholder value in enterprises that contribute to industrialisation and job creation.

The Strategic objectives of the IDC are as follows:

1. To reposition all State-Owned Enterprises through improved management, financial viability and sustainability and bring loss-making entities to profitability;

2. To catalyse private sector investment by co-investing in business ventures with the private sector across the forestry, fisheries, agro-processing, renewable energy, mining value addition and tourism sectors;

3. To identify and undertake high risk investments that add value to the country's natural resources;

4. To ensure a balanced and secured return on investment and enhance the capacity of the Corporation to deliver growth to the portfolio;

5. To enhance the legal, institutional and group oversight framework in accordance with the tenets of good corporate governance; and

6. To identify and mitigate risks in the group portfolio and strengthen the credibility and creditworthiness of the corporation.

7.0. STRATEGIES

The key strategies to be undertaken by the IDC will be as follows:

1. **To reposition all State-Owned Enterprises** through improved management, financial viability and sustainability and bring loss-making entities to profitability:

   a. Undertake situation analysis and due diligence of all SOEs focusing on business operations, financial performance, human resource, legal and tax compliance, customer contracts, intellectual property and assets;

   b. Review IDC portfolio and align SOE strategic plans, objectives and budgets to the policy objectives of the Industrial Development Corporation;

   c. Devise financing and recapitalisation plans for SOEs;

   d. Institute effective monitoring and evaluation mechanisms targeting Governance, group risk management and performance.

2. **To catalyse private sector investment** by co-investing in business ventures with the private sector across the forestry, fisheries, agro-processing, renewable energy, mining value addition and tourism sectors:

   a. Establish ventures in renewable energy, Agriculture, Tourism Manufacturing, Forestry and Fisheries;

   b. Establish partnerships worth at least US$ 10 million with SME financing institutions to identify viable projects;

   c. Identify and establish investment partnership networks worth at least US$ 250 million regionally and internationally;

   d. Undertake investment promotion mission for IDC projects annually;

   e. Develop database of potential projects needing strategic partners.

3. **To identify and undertake high risk investments** that add value to the country's natural resources:

   a. Undertake scoping exercise to identify potentially viable projects in all ten (10) provinces;

   b. Undertake feasibility studies for all identified projects;

   c. Establish Tourism ventures in the Lusaka and Northern Province;

   d. Establish Fisheries ventures in Luapula and Northern Provinces;

   e. Establish Manufacturing ventures in Central and Eastern Provinces;

   f. Establish a Mining value addition venture in Central Province;

   g. Establish an Agriculture ventures in North Western, Muchinga, Western, Southern, Copperbelt and Lusaka Provinces.

4. **To ensure a balanced and secured return on investment** and enhance the capacity of the Corporation to deliver growth to the portfolio:

   a. Develop an Investment Policy and Appraisal Guidelines;

   b. Develop investment analytical expertise;

   c. Establish internal policy for engagement with Small and Medium Enterprises;

   d. Establish mechanisms for collaborating with institutional investors;

   e. Develop and implement optimum structure aligned to the strategic plan;

   f. Develop and implement a performance management system that rewards performance;

   g. Develop and implement the Group management policies and guidelines for effective financial, human resource, treasury, procurement, legal and asset management;

   h. Develop consolidate Group balance sheet;

   i. Develop strategies to raise funds through the capital and financial markets;

   j. Engage and establish mechanism for regular dialogue with subsidiaries and associates.

5. **To enhance the legal, institutional and group oversight** in accordance with the tenets of good corporate governance; and

   a. Develop and implement political and economic research analysis and forecasting capacity;

   b. Establish and strengthen Corporate Governance system in line with international best practice;

   c. Ensure competent boards and management in each Subsidiary;

   d. Develop and implement Group policies and guidelines by December 2017.

6. **To identify and mitigate risks in the group portfolio** and strengthen the credibility and creditworthiness of the corporation:

   a. Develop and implement Group risk policy;

   b. Develop monitoring and evaluation mechanism;

   c. Enhance enterprise risk awareness and the management of financial, credit, legal, operational, reputational and other risk;

   d. Ensure the corporation has appropriate financial system and other IT systems that will improve the flexibility and efficiency of financial accounting and exposure monitoring processes.

8.0. CORPORATE SOCIAL RESPONSIBILITY

The IDC will play its role as a good corporate citizen. In undertaking Corporate Social Responsibility (CSR), the IDC will focus on areas that directly or indirectly benefit its mandate. This will be done in a manner consistent with the values of the Company and its responsibility to the public as a state-owned enterprise.

The IDC's Corporate Social Responsibility will endeavour to support the following areas:

i. Research and Development programmes in Universities and public research centres;

ii. Policy research activity;

iii. Innovation awards and programmes;

iv. Entrepreneurial development programmes; and

v. Skills developments.

9.0. MONITORING AND EVALUATION OF THE PLAN

9.1. MONITORING AND EVALUATION SYSTEMS

To ensure that the Corporate Strategic objectives are fully attained, the IDC Board and Management will institute the following:

a. Prioritise Monitoring and evaluation systems in terms of allocation of resources and human capital;

b. Institute systems for quarterly and annual reporting that is focused on the strategic objectives and identifies or highlights deviations from approved strategic objectives;

c. Develop and implement systems in SOEs and other IDC interests that will provide regular and consistent feedback on agreed performance targets and benchmarks.

9.2. KEY PERFORMANCE INDICATORS

The corporation will develop action plans for the implementation of the strategic plan. These action plans will be actualised through annual work plans and budgets. Further, key performance indicators will be developed and linked to the performance management system.

9.3. REVIEW OF THE STRATEGIC PLAN

The 2017-2021 IDC Strategic Plan will be reviewed in 2019 to assess progress in the plan's implementation and the impact of change in the business environment.

APPENDIX 1 - The IDC Portfolio

1.	AFROX ZAMBIA LIMITED	30%
2.	ENGINEERING SERVICES CORPORATION	100%
3.	INDENI PETROLEUM REFINERY LIMITED	100%
4.	INDO-ZAMBIA BANK LIMITED	40%
5.	KAGEM MINERALS LIMITED	20%
6.	LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE LIMITED	100%
7.	LUSAKA TRUST HOSPITAL	50%
8.	MEDICAL STORES LIMITED	100%
9.	MOFED-LONDON * SHARES YET TO MOVE TO IDC	100%
10.	MOFED-TANZANIA * SHARES YET TO MOVE TO IDC	100%
11.	MPULUNGU HARBOUR CORPORATION LIMITED	100%
12.	MUKUBA HOTEL LIMITED	100%
13.	MULUNGUSHI INTERNATIONAL CONFERENCE CENTRE	100%
14.	MULUNGUSHI VILLAGE COMPLEX LIMITED	100%
15.	MUPEPETWE DEVELOPMENT COMPANY	100%
16.	NANGA FARMS LIMITED	14.27%
17.	NIEC SCHOOL OF BUSINESS TRUST	100%
18.	NITROGEN CHEMICALS OF ZAMBIA LIMITED	100%
19.	TIMES PRINTPAK ZAMBIA LIMITED	100%
20.	ZAMBIA DAILY MAIL LIMITED	100%
21.	ZAMBIA ELECTRICITY SUPPLY CORPORATION	100%
22.	ZAMBIA FORESTRY AND FOREST INDUSTRIES COMPANY	100%
23.	ZAMBIA INTERNATIONAL TRADE FAIR LIMITED	100%
24.	ZAMBIA PRINTING COMPANY	100%
25.	ZAMBIA RAILWAYS LIMITED	100%
26.	ZAMBIA STATE INSURANCE CORPORATION	100%
27.	ZAMBIA-CHINA MULUNGUSHI TEXTILES LIMITED	36%
28.	ZAMCAPITAL ENTERPRISES LIMITED	100%
29.	ZAMTEL LIMITED	100%
30.	ZANACO PLC	25%
31.	ZCCM INVESTMENT HOLDINGS PLC	87%

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