

INDUSTRIAL DEVELOPMENT CORPORATION (IDC)

Learning from our past towards strategic industrial development

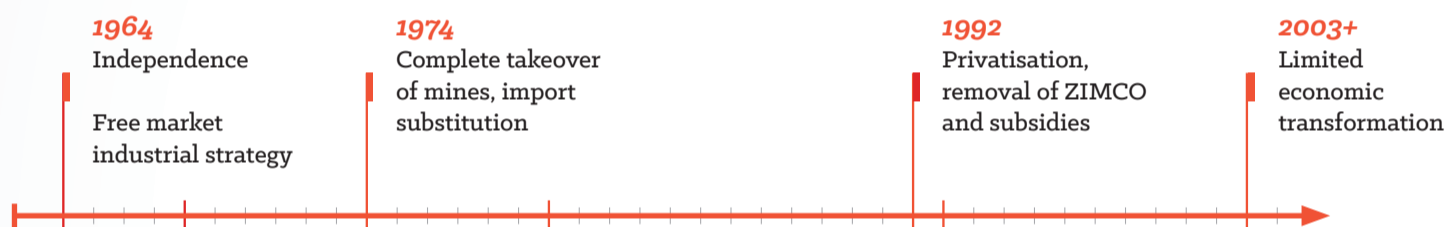
The Zambian Government is planning to establish the Industrial Development Corporation (IDC) to support sustained economic growth, promote economic diversification and encourage trade and export-led development.

The concept of an IDC was first introduced in Zambia following its independence. It was established to steer economic development through management of Zambia's resources. However in the last 20 years, the holding body was disbanded due to privatisation and mismanagement of subsidiary companies.

Although economic growth has been positive in the last decade, with real GDP averaging

6%, little economic transformation has occurred. State Owned Enterprises (SOEs) exist, but many are under performing and on the brink of collapse, asserting that Zambian resources are not being effectively utilised. There is need to undertake restructuring and develop a strategic industrial development plan to guide Zambia's development goal of being a "prosperous middle-income industrial nation by 2030."

HISTORICAL TIME-LINE; EVOLUTION OF IDC CONCEPT



Why was IDC first introduced?

- Take control of the economy
- Restore economic power to Zambian government
- Encourage foreign re-investment
- Redress income inequalities
- Develop local human resources

What led to the demise of IDC

- Political objectives took priority over social goals
- Market failures in copper prices
- Government control of exchange rates
- Dependence on imports
- Poor management and monitoring

WHAT ARE THE CURRENT ISSUES WITH SOEs WITHOUT AN IDC?

- Ministerial interference and patronage
- No strategic direction
- Poor management
- Lack of monitoring and evaluation
- Weak, ineffective, disorganised boards
- Financial and physical asset losses



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WHAT WOULD IMPLEMENTATION OF A MANAGEMENT/INVESTMENT OVERSIGHT BODY MEAN FOR ZAMBIAN AND ZAMBIANS?



Steer economic development for growth of the industrial sector



Improve efficiency of SOEs



Encourage economic diversification



Aggregate funds and use effectively with transparency



Increase business opportunities, job creation and economic empowerment



Improve training, innovation and technological advances

If Not



Loss of public funds and increased debt



Lack of transparency and misuse of funds



Limited long-term development gains



Restricted economic and industry revitalisation

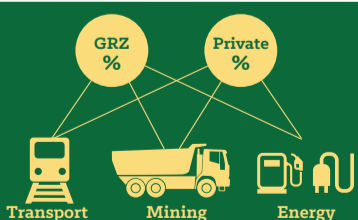


Move away from market-led investment



Stifled to private sector growth

RECOMMENDATIONS



- Mapping of parastatal asset base
- Comprehensive asset and human resource audit
- Undertake stakeholder consultation to inform and collect public input

- Update of legislation to enable industrial development
- Classify and strategically manage SOEs

- Finalise the organisational and operational structure of IDC
- Appoint a non-political board of qualified and entrepreneurial personnel
- Establish an autonomous monitoring and evaluation body