

A large, diagonal, triangular image of a solar farm is positioned on the left side of the cover. It shows rows of dark blue solar panels with thin white lines, separated by narrow paths of dry, yellowish-brown ground with some green weeds.

STRATEGIC PLAN

2021-2025

SPEARHEADING ZAMBIA'S INDUSTRIALISATION

Registered Office

61 Independence Avenue, Prospect Hill
P.O. Box 37232
Lusaka, Zambia 10101

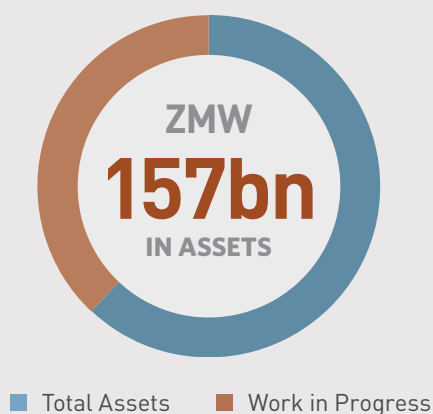
Telephone: +260 211 427 000
Email: info@idc.co.zm

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2017-2020 Strategic Period Accomplishments



US\$ 600mn

worth of strategic partnerships
against a target of US\$ 250mn

1

successful listing of ZAFFICO PLC
with over 1,200 local subscribers

ZMW 100mn

raised from divestitures

14

new boards appointed



ZMW 3.7bn

capital raised for subsidiary investment
activities, support, and shareholder loans



ZMW 1.1bn

capital raised and invested
in greenfield projects



ZMW 632.8mn

received as dividends

5

Group policies introduced
Dividend, Group Enterprise Risk Management,
Treasury Management, Corporate Social
Responsibility, and Secondment Policy

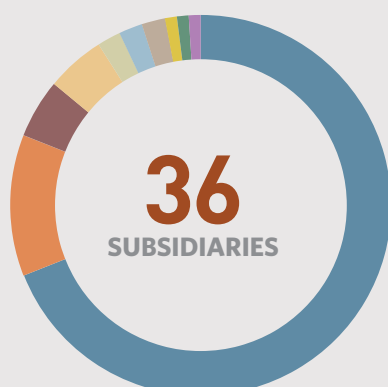
8

total companies
paying dividends

9

companies added
to the portfolio

PORTFOLIO COMPOSITION BY ASSETS AT THE END OF 2020



- ENERGY
- MINING
- INFORMATION & COMMUNICATION
- INFRASTRUCTURE
- FINANCIAL SERVICES
- TRANSPORTATION & LOGISTICS
- MANUFACTURING
- TOURISM & REAL ESTATE
- AGRICULTURE
- HEALTH & EDUCATION

- 69%
- 12%
- 5%
- 5%
- 2%
- 2%
- 2%
- 1%
- 1%
- 1%

28

projects in pipeline

13,824

jobs created

50%

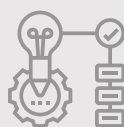
growth in dividend
revenue

2021-2025 Strategic Period Targets



ZMW 58bn

to be invested in projects



14

projects to be commissioned



35,000

jobs to be created



US\$ 1bn

worth of co-investments
to be established



ZMW 4.6bn

capital to be raised for projects



15%

percentage growth in
Group revenue yoy

75%

minimum adherence
to project timelines

0

reoccurrence of internal
control audit citations

80%

subsidiary corrective
interventions to be
implemented

PORTFOLIO COMPOSITION BY ASSETS AT THE END OF 2025



- ENERGY
- TRANSPORTATION & LOGISTICS
- MANUFACTURING
- MINING
- AGRICULTURE
- INFORMATION & COMMUNICATION
- INFRASTRUCTURE
- TOURISM & REAL ESTATE
- FINANCIAL SERVICES
- MEDIA & PRINT

50%
14%
12%
8%
5%
3%
3%
2%
1%
1%



90%

minimum
staff retention

For more, visit our website:
www.idc.co.zm

IDC Portfolio at the end of 2020



ENERGY & INFRASTRUCTURE

Bangweulu Power Company	20%
INDENI	100%
INFRATEL	100%
Lusaka South MFEZ	100%
Ngonye Power Company	20%
ZESCO	100%



MINING, AGRICULTURE, & FORESTRY

KAGEM Mining	25%
Kawambwa Tea Industries	100%
ZAFFICO, Plc.	62.88%
ZCCM-IH, Plc.	60.3%



TRANSPORT & COMMUNICATION

ESCO	100%
Mpulungu Harbour Corporation	100%
Times Printpak	100%
Zambia Airways	55%
Zambia Cargo & Logistics	100%
Zambia Daily Mail	100%
Zambia Railways	100%
ZAMTEL	100%



MANUFACTURING

Marcopolo Tiles Company	22.6%
Mulungushi Textiles	100%
Mununshi Fruit Company	100%
Nitrogen Chemicals Zambia	100%
Superior Milling Company	76%
ZAMPALM	90%



BANKING & FINANCIAL SERVICES

Indo Zambia Bank	40%
Zambia Industrial Commercial Bank	71.18%
Zambia Re-insurance	28.17%
ZANACO Bank, Plc.	24.8%
ZSIC-GI	100%
ZSIC-LIFE	100%



HEALTH, TOURISM, & REAL ESTATE

Lusaka Trust Hospital	45%
Medical Stores	100%
Mukuba Hotel	100%
Mulungushi International Conference Centre	100%
Mulungushi Village Complex	100%
Zambia International Trade Fair	100%

Foreword

Executive Summary

Critical to the successful implementation of the corporate plan is the actualisation of innovative recapitalisation plans, effective and efficient project implementation, a sound governance and performance framework, actualisation of management services provision framework, realignment of the organisation structure as well as continued support from stakeholders and the shareholder.

The Industrial Development Corporation (IDC) developed its first Corporate Strategic Plan for the period 2017-2021 which aimed to institutionalise the mandate of the Corporation as shareholder of previously state-owned enterprises and an investor creating new industries in strategic sectors of the economy to support job creation. In so doing, the five-year plan was anchored on three strategic pillars: SOE Transformation; Emerging Industries; and Partnerships.

In transforming subsidiaries, the Corporation realigned its portfolio by removing non-commercial companies and divesting from some. To strengthen corporate governance within the subsidiaries, board compositions were revised and 14 new boards were appointed while Performance Management Contracts were introduced between IDC and the boards of subsidiaries for accountability and enhanced oversight. In terms of subsidiary financial performance, dividend income to IDC increased by 50%, from ZMW95.2 million in 2016 to ZMW143.2 million as at September 2020. The number of companies paying dividends increased from 1 in 2015 to 8 over the strategic period. IDC raised over ZMW3.7 billion for investment activities and support to its subsidiaries.

In advancing the industrialisation mandate, IDC invested ZMW1.1 billion in greenfield projects, and as a result, over 13,824 jobs were created. During the strategic period, IDC acquired, invested in, and operationalised an additional 9 entities. These included Infratel, Bangweulu Power Company, Ngonye Power Company, Marcopolo Tile Company, Superior Milling Company, and the Zambia Industrial Commercial Bank. In addition, the IDC successfully listed ZAFFICO Plc on the Lusaka Securities Exchange (LSE).

IDC successfully positioned itself as a partner of choice for joint ventures, engaging in over US\$600 million worth of strategic partnerships against a strategic target of US\$250 million. The Plan was primarily financed by dividend revenues from subsidiaries, debt and other alternative sources of financing.

During the strategic period, entity total assets increased from ZMW15.8 billion in 2016 to ZMW22.4 billion by mid-2020, while Group total assets increased from ZMW42 billion to

ZMW107 billion in 2019. Total entity liabilities increased to ZMW1 billion during the strategic period. Group revenue grew from ZMW11 billion in 2016 to ZMW13.4 billion in 2019 while Group net profit averaged ZMW1.1 billion throughout the strategic period with only 2019 recording a loss.

Findings of a review of the 2017-2021 Plan necessitated the development of the second IDC Strategic Plan for the period 2021-2025. Key in the findings were changes in the business environment and the evolution of the IDC portfolio leading to an increasing demand for the Corporation to enhance its strategy.

A diversified portfolio spanning various sectors of the economy, strong Government support and the expertise and competence of the IDC team were identified as strengths the IDC should leverage in the 2021-2025 strategic period. Increased adoption of technological and digital transformation present opportunities for the Corporation to improve efficiencies in its operations. IDC operates in a dynamic environment requiring innovation and continuous improvement.

The Corporation can shorten its learning curve by creating strategic networks and adopting best practices from like companies. Notwithstanding, IDC needs to continue to invest in staff development and training. Key to note in strategic challenges for the next five years are the capital requirements for project implementation and subsidiary transformation placing a huge demand on IDC's financing strategy.

IDC's strategic direction for the period 2021-2025 is focused on incremental advancement of the mission and goals. Strategic focus has been enhanced to purposefully deliver greater value to the Group and the Shareholder by having a larger, more effective footprint in providing subsidiary support and oversight as well as in project design and operationalisation.

To this end, the 2021-2025 Plan aims to build on successes scored during the first strategic period by enhancing the IDC's capacity to address subsidiaries' specific sectoral and systemic challenges and ensuring premium management services; improve the efficiency and effectiveness of IDC's project development; strengthen partnership; enhance IDC's

An aerial view of the Bangweulu Solar Photovoltaic power plant in partnership with NEOEN/First Solar in the Lusaka South Multi-Facility Economic Zone. 📷 IDC



brand image; and improve the efficiency of the Corporation's operating models, systems and processes.

IDC strategic thrust and business model for the next 5 years will be driven by the following focus areas:

- i. Subsidiary Transformation;
- ii. Industrialisation;
- iii. Partnerships; and
- iv. Operational Excellence.

In transforming subsidiaries, IDC will prioritise strengthening of the Group oversight framework to ensure subsidiary viability as it relates to financial performance, corporate governance, internal controls, operational efficiency and human capacity within the Group.

Additionally, IDC will focus on devising financing, refinancing and recapitalisation plans for transformation. IDC plans to grow Group revenue by 15% year-on-year. Success in industrialisation strategic focus will be underpinned by commissioning fourteen (14) projects some of which will be co-investments with private sector partners. These projects are expected to create a total of 35,000 direct and indirect jobs.

The Corporation will remain a self-financing institution with plans to continue leveraging its portfolio of companies and strategic partnerships for project implementation in addition to exploring targeted project financing opportunities. IDC will continue to innovate and explore alternative avenues of capital raise.

Critical to the successful implementation of the corporate plan is the actualisation of innovative recapitalisation plans, effective and efficient project implementation, a sound governance and performance framework, actualisation of management services provision framework, realignment of the organisation structure as well as continued support from stakeholders and the Shareholder.

An implementation plan has been developed detailing activities and output targets to provide for effective monitoring and evaluation of the 2021-2025 Strategic Plan. The Strategic Plan will be reviewed in 2023 to assess implementation progress, mitigate risks and capitalise on emerging opportunities that fit the IDC's mandate.

Introduction

By making continuous enhancements, IDC has built an investment strategy that is not simply based on asset class or geographic allocations, but one that is both robust and increasingly focused on return drivers.





Introduction

IDC was established to create and maximise long-term shareholder value as an active investor and shareholder of successful enterprises, and actively invest in key sectors of the economy to drive industrialisation and job creation.

The Industrial Development Corporation (IDC) developed its first Corporate Strategic Plan for the period 2017-2021 which aimed to institutionalise the mandate of the Corporation.

BACKGROUND

Incorporated in January 2014, the Industrial Development Corporation Limited (IDC) is a State-Owned Enterprise (SOE) owned by the Minister of Finance in accordance with the Minister of Finance (Incorporation) Act Cap 349 of the Laws of Zambia. IDC was established to create and maximise long-term shareholder value as an active investor and shareholder of successful enterprises, and actively invest in key sectors of the economy to drive industrialisation and job creation.

At inception, the Minister of Finance transferred shareholdings in 29 state-owned enterprises to the IDC as part of the Corporation's seed capital. At transfer, most of the portfolio was in the red. The only companies performing satisfactorily, apart from Indeni and ZAFFICO Plc (which are monopolies), were those in which IDC was a minority shareholder.

The challenges in the SOEs included negative working capital, bloated workforce, high gearing, outdated technologies owing to little or no capital investment, among others. This made them reliant on Government subventions to sustain their operations.

The IDC developed its first strategic plan in 2016 covering the period 2017-2021. The 2017-2021 strategic plan focused on the IDC institutionalising its mandate as shareholder of previously state-owned enterprises and as an investor creating

new industries in strategic sectors of the economy to support job creation. The strategic plan was anchored on three pillars: SOE Transformation, Emerging Industries, and Partnerships.

CORPORATE GOVERNANCE OF THE IDC

The IDC Board of Directors provides overall governance, guidance, and direction in the management of the company's assets and investments. The Board, chaired by the President of the Republic of Zambia, is comprised of three (3) Cabinet Ministers, two (2) Public Servants, seven (7) Private Sector members and the Group Chief Executive Officer.

To assist the Board in its responsibilities, specific authority is delegated to three (3) Board Committees chaired by non-executive Directors who are independent of management. These are the Finance and Administration Committee, Audit and Risk Committee, and the Investment and Portfolio Committee.

The day to day management of the Corporation is spearheaded by the Management Executive Committee (MEC). The MEC is responsible for the Corporation's strategy implementation, talent development, and financial performance, thereby leading the delivery of IDC's vision and mission. Management is headed by the Group Chief Executive Officer and supported by five (5) executive officers in charge of Portfolio, Investments, Finance, Legal and Corporate Services.

METHODOLOGY FOR DEVELOPING THE 2021 - 2025 STRATEGIC PLAN

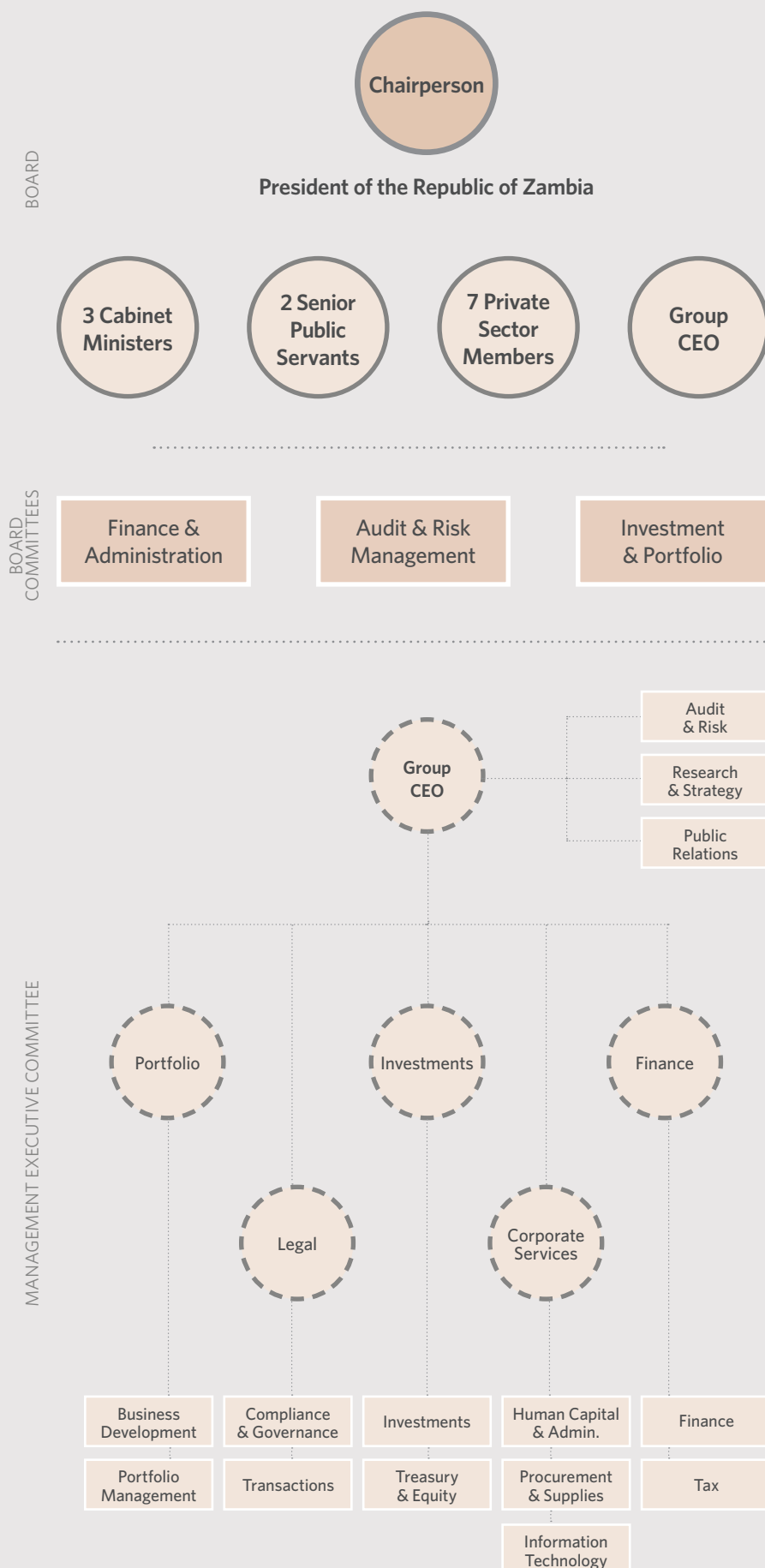
The development of the 2021-2025 Strategic Plan was informed by periodic reviews of operational plans, mid-term evaluation of the outcomes of the 2017-2021 Strategic Plan, and stakeholder consultations. The planning process for the 2021-2025 strategic period adopted a combination of the *Strategic Alignment* and *Goal Based Strategic* planning models, as follows:

- i. The *Alignment model* aimed to ensure strong congruence between the Corporation's mandate, strategy, and internal operations to position it for more successful, externally focused and long-term orientation. This involved modifying the corporate ethos (vision, mission, goals and values) to ensure consistency with the Corporation's mandate. Secondly, enhancing strategic objectives and ensuring they effectively matched with strategic focus areas.
- ii. The *Goal Based Strategic model* entailed the application of a systematic and analytical methodology which involved the identification of outcomes, articulation of strategies to achieve outcomes, target setting and construction of specific key performance indicators to produce a strategic metric framework.

A consultative process that included IDC staff and management, subsidiaries, line Ministries and the Board of Directors was undertaken for the development of the 2021-2025 Strategic Plan. Analysis of internal capability and the macro-environment was conducted to effectively identify pathways for industrialization, enterprise value creation and operational sustainability for the IDC Group.

A risk management framework was developed and integrated to improve strategic outcomes. For effective monitoring and evaluation of the Strategic Plan, an internal Implementation Plan was formulated articulating the strategic initiatives, output targets, key performance indicators, timelines, and key drivers.

CORPORATE GOVERNANCE STRUCTURE



Performance of the 2017-2020 Strategic Plan

*The 2017-2020 strategic plan was anchored on three pillars:
SOE Transformation,
Emerging Industries,
& Partnerships.*





2017-2020 Performance

The Plan was primarily financed by dividend revenues from subsidiaries, debt and other alternative sources of financing. Dividend paying subsidiaries increased from one (1) in 2015 to five (5) in 2019 with the highest of 8 recorded in 2017.

RE-ALIGNMENT OF PORTFOLIO

As of 30th September 2020, IDC portfolio comprised a total of thirty-six (36) companies. Of these companies, twenty-four (24) were subsidiaries, eight (8) were investees and four were under the supervision of line Ministries while IDC remained the official shareholder.

IDC realigned its portfolio by removing non-commercial companies and divesting from some companies. Zamcapitol Limited and Mupepetwe Engineering and Contracting Company (MECCO) were removed from IDC portfolio while the process of removing Medical Stores Limited (MSL) and Engineering Services Corporation (ESCO) has advanced.

Oversight for the Lusaka South Multi-Facility Economic Zone (LSMFEZ) and Mulungushi Textiles was transferred to line ministries while IDC maintained shareholding. Further, IDC divested from Nanga Farms, and Afrox Limited.

IDC also commenced implementing a “one publisher, two newspaper model” which saw the operations of Times Printpak Zambia Limited merged with those of the Zambia Daily Mail.

Further, the restructuring of the Zamtel and ZSIC Life balance sheets was successfully undertaken while the listing of ZAFFICO Plc on the Lusaka Securities Exchange (LuSE) was a success with over 1,200 local subscribers.

New companies added to the Portfolio were Marcopolo Tiles Company, Prima Reinsurance Plc (Zambia Re-insurance), Kawambwa Tea Industries, Zampalm, Superior Milling Company, Zambia Airways, Zambia Industrial Commercial Bank, and Infratel.

PROFITABILITY, DIVIDENDS, AND LIABILITIES IN THE PORTFOLIO

Of the 29 companies transferred to the IDC by the Minister of Finance, ten (10) remained loss-making with the losses significantly

reducing in all subsidiaries except for ZESCO while five previously loss-making companies turned into profitable companies.

Dividend paying subsidiaries increased from one (1) in 2015 to five (5) in 2019 with the highest of 8 recorded in 2017. Over the past 5 years, dividend income has ranged from US\$4 million to US\$15 million per annum, with the significant contributions (in absolute terms) coming from ZCCM Investment Holdings Plc, ZAFFICO Plc, Indeni, Zanaco Bank Plc, and Indo-Zambia Bank.

Dividend income to IDC increased by **50.4%** from **ZMW95.2 million** in 2016 to **ZMW143.2 million** as at September 2020 as shown in *Figure 1*.

During the strategic period, entity total assets increased by 41% from ZMW15.8 billion in 2016 to ZMW22.4 billion by mid-2020, while Shareholder equity increased by 35% largely due to increased investments and asset revaluation. Total liabilities increased by ZMW1 billion during the strategic period due to increased debt financing towards investment in pipeline projects and for advance of loans to subsidiaries.

Group revenue grew by 23% from ZMW11 billion in 2016 to ZMW13.4 billion in 2019 and was recorded at ZMW 9 billion by mid-2020. The Group net profit increased by 187% from ZMW1.6 billion in 2016 to ZMW4.7 billion in 2018 due to increased revenue and change in fair value of investment property. However, the Group made a ZMW2.1 billion loss in 2019 owing to net foreign exchange losses on borrowings by ZESCO and ZAMTEL.

As at 30th June 2020, Group total assets stood at ZMW95.5 billion with ZESCO, ZCCM-IH Plc, Zamtel, INDO Zambia Bank and Nitrogen Chemicals of Zambia accounting for 91% of the total assets while liabilities stood at ZMW62 billion with ZESCO, ZAMTEL, ZCCM-IH Plc, and NCZ holding most of the liabilities.

ENHANCED OVERSIGHT AND SHAREHOLDER SUPPORT

IDC developed and implemented an oversight framework which instituted a performance-driven culture in the subsidiaries through the implementation of target-based contracts. To strengthen

PORTFOLIO PERFORMANCE

Figure 1: Dividends 2016–2020

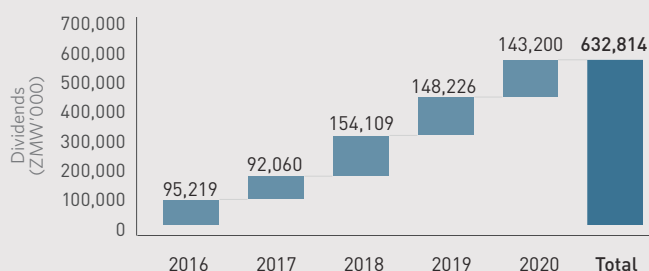


Figure 2: IDC (Entity) Financial Position 2016–Mid 2020

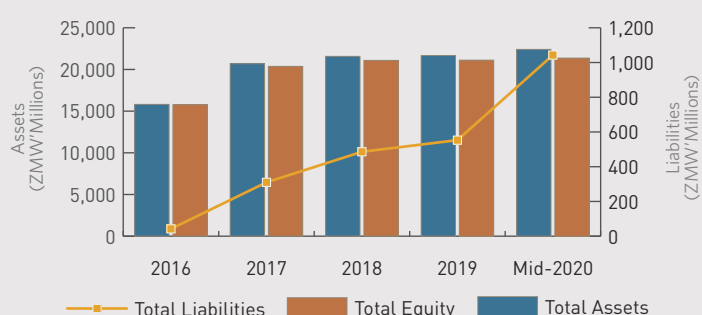


Figure 3: Group Financial Position 2016–Mid 2020

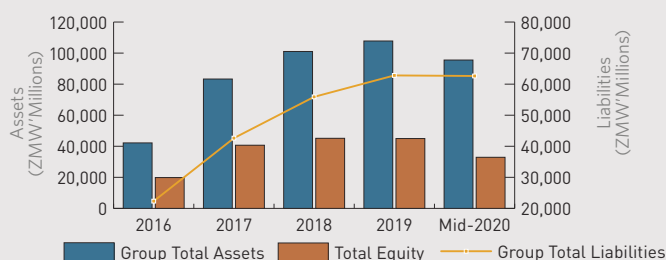
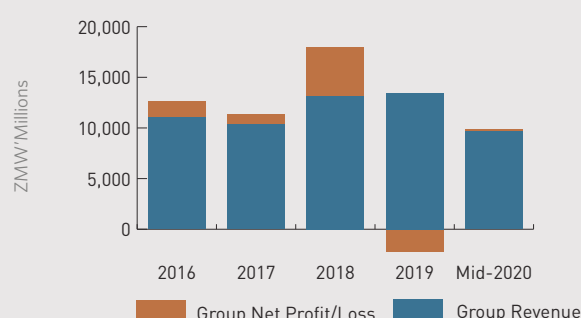


Figure 4: Group Financial Performance 2016–Mid 2020



corporate governance, the board compositions were amended to reduce the number of public servants to one per board.

Subsidiary oversight was strengthened by ensuring all subsidiaries had boards in place, of which fourteen (14) were appointed during the strategic period. New boards were appointed for ZESCO, ZAMTEL, Mulungushi International Conference Centre, Mpulungu Harbour Corporation, Zambia International Trade Fair, Mukuba Hotel, and ZAFFICO Plc.

Other Boards that were appointed following expiration of tenure were ZSIC Life and MVCL while new Boards were appointed for the new subsidiaries, Zambia Airways and Infratel. In addition, the Corporation introduced Group policies covering Corporate Governance, Dividends, Group Risk Management, Treasury Management, Secondment and Corporate Social Responsibility.

Performance Management Contracts (PMC) were signed with respective boards for accountability and enhanced oversight. Further, IDC commenced annual award presentations to subsidiaries to recognise positive performance.

EMERGING INDUSTRIES

In advancing its industrialisation and job creation mandate, IDC raised over **ZMW1.1 billion** to facilitate project preparation and implementation for projects across various value chains. Among these projects were:

1. Fruit processing projects in Mwinilunga and Katete districts;
2. Bangweulu and Ngonye power projects which commenced operations in 2019;
3. Re-establishment of the national airline, Zambia Airways;
4. Re-establishment of Kawambwa Tea Industries where construction of a new tea processing plant has been completed;
5. Establishment of Zambezi Cashews in Western Province where over 503 hectares of cashew trees have been planted;
6. Mununshi Fruit Company in Mwense District where the banana plantation is under development; and
7. AgroLuswishi Project in Lufwanyama where the pilot project was completed.

From the implementation of the above projects, a total of **13,824** jobs were created out of which **3,456** were direct jobs.

PARTNERSHIPS

In positioning itself as a partner of choice for joint ventures, IDC engaged in over US\$600 million worth of strategic partnerships. These included partnerships with Ethiopian Airlines in establishing Zambia Airways Limited, Enel Green Power in Ngonye Power Company, and Neoen and First Solar in Bangweulu Power company, as well as Access Infra Africa Limited for the establishment of Access Zambia Wind One Limited, a 130MW alternating current wind energy farm.

Challenges in Implementing the 2017-2020 Strategic Plan

The primary limitations in implementing the corporate plan included high debt levels and legacy statutory liabilities, limited access to project finance, the high costs of borrowing and organisational rightsizing in subsidiaries.





2017-2020 Strategic Challenges

The key challenges in implementing the plan included limited cashflows to finance projects, limited access to debt finance, currency volatility, the performance of subsidiaries, and macro economic factors such as public debt.

LIMITED CASHFLOWS TO FINANCE PROJECT PIPELINE

During the plan period, there was a significant mismatch between IDC's cashflow driven by dividends with IDC's project pipeline. This made it challenging for IDC to meet the recurring costs that would typically arise from debt financing in a sustainable way, until the profitability and dividend yields reach a higher level as the repositioning of the portfolio and interventions take effect. This challenge also impacted capital raise initiatives to support portfolio restructuring and greenfield projects.

ACCESS TO FINANCING AND RISK AVERSION BY LENDERS

The IDC faced challenges in sourcing financing for its projects mainly attributed to the state of Sovereign Fiscal Space characterised by tightened liquidity, unusually higher interest rates and a fall in financiers'/investors' risk appetite. This greatly reduced the probability and ability of the IDC to source affordable funding for its projects—especially with the greenfield projects which carry a higher risk.

Further, Development Finance Institutions who are a source of cheaper capital had apprehensions to lend to the IDC due to the sovereign debt levels as the IDC risk was considered sovereign risk and this coupled with the reputation risk based on historically poor performance and high default rate of some of the IDCs subsidiary companies made the situation more challenging.

A related issue was the limited landed assets the IDC had that could be deployed as security/collateral for financing as priority is given to landed property in commercial bank lending transactions.

PERFORMANCE OF KEY SUBSIDIARIES

Compounding the challenges for the IDC was the prevailing situation at ZESCO which, on average, makes up over 70% of the IDC's balance sheet. ZESCO's overall performance was in the negative driven by load management, high indebtedness to Independent Power Producers (IPPs) and low tariffs. Similarly, the performance of ZAMTEL, Zambia Railways and Nitrogen

Chemicals of Zambia eroded the performance of the IDC as despite their size, they did not contribute to the bottom line of the Corporation.

Another key challenge was the issue of huge legacy debts that some subsidiaries owed mainly to the Zambia Revenue Authority and National Pension Scheme Authority. These companies remained loss making due to legacy debts despite recording operational profits due to statutory obligations. This was compounded by the large penalties imposed particularly by the National Pension Scheme Authority with interest rates as high as 240% per annum.

GOVERNMENT DEBTS

Another key challenge faced by the Group has been Government's failure to service its debt to companies in the Group. Over fifteen (15) companies were owed ZMW5.3 billion by the Government, an amount that would fundamentally change the fortunes of most of them if paid.

CURRENCY VOLATILITY

The depreciation of the Kwacha resulted in significantly large exchange losses for subsidiaries with dollar denominated liabilities such as ZESCO and ZAMTEL. Additionally, IDC experienced the impact of depreciation on projects where the kwacha value of machinery being procured in foreign currency increased, consequently altering project costs significantly.

STRATEGIC METRIC FRAMEWORK

Considering the accomplishments of the 2017-2020 strategic period, the Strategic Plan was indeed relevant to the realisation of the IDC's mandate and informative for the next strategic planning period. However, the absence of a metric framework to ensure measurability of the strategies resulted in a plan that could not respond to unforeseen conditions faced by the IDC Group within the strategic period. This necessitated the development of the 2021-2025 Strategic Plan.



Aerial view of the Agro Luswishi Core Venture farm base camp and logistics centre in Lufwanyama District, Copperbelt Province. 📷 MML/IDC

Environmental Analysis

Analysis of the macro-environment and IDC's internal capability was conducted to effectively identify pathways for industrialization, enterprise value creation and operational sustainability for the IDC Group.



External Analysis

The analysis of the Corporation's external environment focused on Political, Economic, Social, Technological, Environmental and Legal (PESTEL) developments that may have an impact on the operations

POLITICAL ENVIRONMENT

Zambia has a stable and peaceful political environment with a multi-party democratic system. Stability was substantiated by the Fitch Short-Term Political Risk Index ranking of the country at 52.5, 1.5% above the average regional score of 51.7. Zambia's political stability plays a vital role as a success factor for IDC particularly in positioning itself as a global strategic partner.

Further, changes in policies and interference by political actors in the operations of subsidiaries have potential to negatively impact operations and ultimately, the profitability of the IDC Group. The Corporation will thus enhance policy lobbying for business-friendly policies. In addition, to ensure that any changes at shareholder level do not cause uncertainty in projects, the IDC will engage its principal shareholder on a regular basis to ensure appreciation of the Corporation's programmes.

ECONOMIC ENVIRONMENT

Zambia has experienced an unpredictable macroenvironment, contracting by -4.1% in 2020 as compared to the growth of 2.3% in 2019, exchange rate depreciating by 53% against the US dollar between 2018 to mid-2020, 4% more than the expected 49%. Further, increased external debt repayments further weakened the local currency thereby pushing up inflation.

To mitigate these economic effects, IDC will consider hedging instruments such as forward contracts, currency swaps, establishing cash buffers, and currency matching. In addition, the Corporation will need to focus on market-based solutions in restructuring its subsidiaries and capital raise for projects.

Similarly, average lending rates remained relatively volatile, fluctuating from 23% to 28%, and then down to 26% in 2018, 2019, and mid-2020, respectively due to inflationary pressures. These challenges increased both the cost of accessing finance and goods and services for the IDC.

To mitigate this challenge, the Corporation will ensure financing sources are diversified to cheaper and patient capital.

Further, with the Africa Continental Free Trade Area (AfCFTA) Agreement projected to operationalize in 2021, there is potential for intense competition to subsidiaries. IDC will need to position its investments to have a regional outlook and thereby realize growth plans by focusing on regional markets of 500 million people in 26 countries rather than 17 million within one country.

SOCIAL/CULTURAL

According to the 2019 Labour Force Survey, Zambia's estimated population was about 17.4 million with 52.7% of the people living in rural areas and high levels of unskilled labour. The IDC will continue to enhance investments in value addition where resources are located and ensure skills development and skills transfer are core aspects of its investments.

The national unemployment rate was at 12.5% with the employed population mostly distributed along the "line of rail". Specifically, youth unemployment remained high at 17.9%. In response, IDC's strategic investments will focus on providing employment opportunities to Zambian youths as well as create opportunities in the rural areas.

TECHNOLOGICAL ENVIRONMENT

In recent years, there has been an increasing need to digitalize due to advancements in Information and Communication Technology (ICT). Specifically, there is a need to enhance ICT infrastructure and processes in areas targeted for IDC investments.

IDC will implement policies to promote digitalization in the Group and continue investing in the ICT sector by promoting and investing in infrastructure for the Group that promotes business efficiency.



ENVIRONMENTAL

Zambia lies in the tropical region, with a subtropical weather pattern and abundant natural resources. These resources are potentially key success factors for the growth of the sectors earmarked by IDC during this strategic period. The need to develop “climate-smart” agricultural strategies can be noted as a strategic prospect in response to unforeseeable disasters.

Climate change continues to alter social structures, business processes globally, and specifically subsidiaries and investment projects. In addition, recent years have been characterized

by environmental degradation due to polluting industrial activities. The IDC will ensure comprehensive environmental impact assessments for investment projects and develop “climate-smart” agricultural strategies in response to unforeseeable environmental impacts.

LEGAL ENVIRONMENT

Government’s primary role in the marketplace is to protect the consumer and environment by instituting product quality and safety, and environmental protection laws and regulations. However, these laws risk having unintended results on industry structure

which may restrict competition by increasing the cost of entry into industry, disrupting competitive practices, or affecting profitability. In other words, changes in regulatory regime have the potential to impede or create new business opportunities. IDC will therefore need to actively participate in policy formulation and advocate for pro-business legal reforms.

Further, changes to laws may increase the cost of doing business in sectors identified by IDC for investments. IDC as a holding company will be required to comply with sector specific regulations particularly in sectors it may seek to invest in.

Internal Analysis

The internal analysis of the Corporation included an investigation of the strengths, weaknesses, opportunities and threats which may affect its operations

STRENGTHS

The Corporation's key strengths are as follows:

Diversified portfolio covering various sectors

IDC's presence in multiple sectors through its diversified portfolio gives the Corporation significant influence in these sectors. Additionally, the diversified portfolio cushions sector-specific shocks.

Strong Shareholder support

IDC operates as a private limited company owned by the Minister of Finance. This has put the Corporation in a primal position to attract potential partners by leveraging government support as the Shareholder.

Competence, expertise, and experience of workforce

The Corporation prides itself with suitably qualified, robust and professional employees who are driven by a performance work culture and a strong value system. IDC has a pool of diverse skills and talent with technical capacity to deliver on its broad mandate.

Employer of choice

IDC prides itself as an institution that attracts and retains Top Talent to effectively deliver on its mandate. The Corporation has a desirable work culture, leadership style and values employee engagement.

Investment partner of choice

The structure and nature of the IDC positions it as a preferred partner to both international and local investors. A key factor being its mandate as the investment arm of government with a diversified portfolio covering various sectors.

National Mandate

IDC was established to be the investment arm of government and as such has a national mandate to drive industrialisation. This strengthens its influence in spearheading economic growth through strategic investments in key sectors and geographic locations.

Growing Brand

There has been an increasing awareness of the IDC and its mandate with stakeholders both internationally and locally. This remains key in positioning IDC as an investor partner of choice.

Large Asset Base

The Corporation's group assets have increased by 154% from ZMW42 billion in 2016 to ZMW107 billion as of December 2019. The IDC has continued leveraging on its balance sheet strength to access affordable financing both for its subsidiaries and project implementation, thereby fostering industrialisation.

WEAKNESSES

The Corporation's major weaknesses are as follows:

Low Capitalisation

At establishment, the IDC was capitalised with only US\$1 million. These

funds were insufficient to undertake projects and interventions consistent with its mandate. The unavailability of adequate financing and limited capacity to generate revenues has negatively impacted business operations, progress of project implementation and subsidiary transformation.

Imbalanced Portfolio

Despite the diversity of the IDC portfolio, about 70% of the value of the entire Group is concentrated in the energy sector. This presents a threat of Group underperformance in the event of disruption in this sector.

Inadequate staffing

The IDC operates with a lean organisational structure, however this results in inadequate staffing. Further, limited system and process automation has put a strain on the organisation's performance.

Limited integration of systems

The utilization of disparate systems in the respective operations and across subsidiaries results in inefficiencies. Integration of automated processes is required to ensure operational efficiency.

Overdependence on dividends

IDC has since inception heavily relied on dividend income for its operations. The overdependence on this stream of income for operations has over the years reduced dividend allocation to investment projects.

High number of underperforming companies in the Group

Though having achieved significant milestones, a high number of subsidiaries are still underperforming and most of them are highly geared. These companies continue to erode the value of the IDC and represent long-term strategic challenges.

OPPORTUNITIES

The Corporation's key opportunities are as follows:

Collaboration with strategic institutions

Strategic institutions such as sector ministries, regulators and other government agencies present an opportunity for effective implementation of the IDC mandate through information and knowledge sharing. Holding companies similar to the IDC in other jurisdictions present opportunities for the Corporation to reduce its learning curve by creating strategic networks and adopting best practices from these companies. Further, strategic networking creates opportunities that IDC can leverage in establishing itself as a key player in the international markets.

Access to regional markets

The Africa Continental Free Trade Area (AfCFTA) Agreement is projected to operationalize in 2021. In addition to the already existing COMESA and SADC regional markets, this agreement presents an opportunity for the IDC Group to focus on regional markets of 500 million people in 26 countries rather than 17 million within one country.

Abundant natural resource wealth

The country has an abundance of natural resources for exploitation and value addition.

Looking within (local) for solutions to kick-start project operations and ensuring that they thrive in the current economic environment is an opportunity IDC can harness.

Infrastructure development

Development of road infrastructure has increased access to raw materials critical to value addition thereby presenting opportunities for the IDC to further accelerate rural industrialisation. In addition, this development has increased access to markets for companies within the Group.

Technological and digital transformation

A positive outcome of the Covid-19 pandemic has been the acceleration of adoption of digitalization, which in the long run enhances efficiency. IDC needs to leverage this opportunity which will improve its operational efficiency and overall result delivery.

Conducive policy environment

Government in its 2021 National Budget increased import duty to 40% from 25% on selected agro-products imported from outside the SADC and COMESA regions. This will stimulate the growth of a viable livestock and aquaculture subsector in the country and thereby promoting import substitution

Optimal utilisation of human capital within IDC Group

The diversity of the portfolio with respect to industries provides IDC with a diverse skill set and expertise in the Group. IDC must leverage this vast pool of competent and experienced human capital in addressing existing and emerging capacity gaps within identified subsidiaries.

THREATS

Potential threats to achievement of the strategic objectives are as follows:

Policy changes

Changes in Government policy have the potential to affect IDC directly or indirectly. These could have an adverse impact on set objectives of the Corporation or business environment in which it operates.

Macro economic factors

The unprecedented adverse economic factors impacting IDC operations such as the fluctuation of exchange rates, interest rates and market liquidity challenges necessitate the implementation of effective economic forecasting and mitigation systems.

Potential for dumping of goods due to trade agreements

While the operationalisation of trade agreements such as the Africa Continental Free Trade Area (AfCFTA) Agreement will provide market opportunities for the local industries, the agreement poses a potential threat for under-industrialised member states creating an influx of goods that may suffocate the development of local industries

Climate change, pandemics, and other natural disasters

These continue to pose a threat on both the environment and business activities. The IDC must enhance its risk management frameworks across the Group and enhance its preparedness for negative environmental factors.

Aerial view of the Kawambwa Tea estate in Luapula Province. 📷 MML/IDC



Stakeholders

The map presents a summary of the key stakeholders and their needs in view of the IDC's mandate.





Stakeholders



SHAREHOLDER

The Shareholder expects returns on their investments and increased shareholder value.



GOVERNMENT

Government expects the IDC to leverage the country's resource endowment to contribute to the creation of industries and jobs for Zambians. The IDC is further expected to provide sound advice on the creation of an enabling environment for business success.



SUBSIDIARIES

Subsidiary companies expect the IDC to provide oversight and support to enable them maximize enterprise value. This is predicted by ensuring the subsidiaries achieve operational efficiency, good corporate governance, and financial viability.



INVESTEES COMPANIES

Investee companies expect the IDC as a corporate shareholder to conduct itself with the utmost good faith and loyalty to the investee companies and other shareholders, as well as to avoid conflicts of interest.



STRATEGIC PARTNERS

Institutions such as financiers, institutional investors and development finance institutions expect the IDC to facilitate investment opportunities in Zambia as their strategic equity partner. Would-be investees will look to partner with the IDC for greenfield projects, reinvestment, and venture financing.



PUBLIC

The IDC's implied fiscal contract with citizens necessitates maximization of value from public resources invested which benefit them. They expect the IDC to prevent wastage of funds whilst maximising returns from investments; to provide them a rounded awareness of the IDC's activities; to create sustainable jobs; and to give back to the communities the IDC operates in.



EMPLOYEES

Employees expect the IDC to provide a professional and conducive working environment that supports individual growth and regular communication of management or board decisions.

An engineer mounts solar panels at the Ngonye Solar Photovoltaic Power Plant in the Lusaka South Multi-Facility Economic Zone. 📷 NM/IDC



Strategic Direction

IDC's strategic direction for the period 2021-2025 is focused on incremental advancement of the mission and goals. Strong congruence between the Corporation's ethos and mandate will position the IDC for more success, external focus and long-term orientation.



Aerial view of the dock at Mpulungu Harbour as shipping vessels load cargo bound for the Great Lakes Region. 📷 MML/IDC



Vision, Mission, Goal Statement, & Values



VISION STATEMENT

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



MISSION STATEMENT

To spearhead industrialisation and value-addition for the creation of wealth, jobs and sustainable social economic growth.



GOAL STATEMENT

To enhance performance of enterprises, foster value-addition and support economic growth through transformation of subsidiaries and investments in key economic sectors.



CORE VALUES

In all our dealings and undertakings, IDC will uphold the following core values:

Professionalism

We shall uphold the highest standards of professionalism and expect the same of those we do business with.

Transparency

We shall be open and accountable for our investments and business undertakings.

Integrity

We shall strive to adhere to the highest moral and ethical principles.

Distinction

We shall be committed to high standards and excellence.

Innovation

We shall foster an environment that nurtures creativity and continuous improvement.

Teamwork

We shall value and respect each other's contributions in the combined effort to achieve success.

Strategic Focus

Strategic focus has been enhanced to purposefully deliver greater value to the Group and the Shareholder by having a larger, more effective footprint in providing subsidiary support and oversight as well as in project design and operationalisation.



Focus Areas

IDC's strategic thrust and business model for the next 5 years will be driven by the following focus areas



SUBSIDIARY TRANSFORMATION

IDC will provide leadership, technical support, and financing to effectively transform the operations of subsidiaries and drive economies, efficiencies, sustainable improvements, and competitiveness. IDC expects Group revenue to grow by 15% year-on-year through proactive improvement of the quality and broadening of subsidiary revenue base. The cost of subsidiary transformation for the next five years is estimated at ZMW30 billion.



INDUSTRIALISATION

To deliver on its industrialisation agenda, IDC will focus on enhancing its project appraisal and implementation processes, leverage on natural resources for value-addition, and catalyse private sector investments. IDC plans to invest over ZMW58 billion in implementing green and brownfield projects. The Corporation's success will be underpinned by the commissioning of fourteen (14) projects by 2025, part of which will be co-investments. These projects are expected to create a total of 35,000 jobs through backward and forward linkages.



OPERATIONAL EXCELLENCE

IDC will efficiently utilise and invest its financial resources, human capital and ICT business solutions to increase its operational efficiency and inform effective decision-making. Key to this will be to ensure it delivers value to the IDC Group of companies as the holding company.



PARTNERSHIPS

IDC will implement a deliberate policy of divesting from its 100% shareholding in most enterprises and encourage co-ownership through listing and strategic equity partners. IDC will promote project inclusivity and ready the information base needed by prospective partners with a target of **US\$1 billion** in co-investments. In addition, IDC will be deliberate about catalysing private sector investment with the aim of increasing private sector participation. Further, the Corporation plans to enter strategic partnerships with industry players all with the aim of implementing quality projects that create sustainable jobs. IDC will collaborate with credible organisations in order to deepen its investment capabilities. These collaborations with industry and academic experts will enhance the Corporation's technical capacity and promote skills transfer.

*Aerial view of the ZAMPALM oil palm plantation in
Muchinga Province. 📷 MML/IDC*



Strategic Objectives

The initiatives adopted to attain the set strategic objectives will focus on enhancing the IDC's subsidiary oversight and support; ensuring effective implementation of sustainable projects; establishing viable strategic partnerships; and ensuring operational efficiency through retention of right talent and automation of critical business processes.





Strategic Objectives

STRATEGIC OBJECTIVE 1

To achieve 15% growth in Group revenue year-on-year through enhanced Group oversight and support

The initiatives adopted to contribute towards this objective will focus on enhancing IDC’s oversight and support frameworks, improving Group congruence, improving subsidiaries’ financial performance, and enhancing capacity as well as internal controls in subsidiaries.

To enhance subsidiary financial performance, IDC will proactively improve revenue quality and broaden subsidiary revenue base, effectively leverage cost cutting and containment measures.

To enhance subsidiary corporate governance, IDC will enhance corporate governance monitoring and evaluation mechanisms and ensure

appropriate talent at the Board and top management levels.

To enhance subsidiary capacity and control environment, IDC will implement the Group management services framework and ensure its subsidiaries align their policies to Group policies.

To strengthen its subsidiary support functions, IDC will invest in enhancing its Technical capacity in Finance, Human Resource Management, Audit, Tax and Legal services to ensure subsidiary statutory compliance, risk management and tax optimisation.

To enhance intra-group business, the Corporation will promote the development and strengthening of synergies among entities in its portfolio to ensure growth in the Group’s overall contribution to the economy.

To strengthen human capacity within the Group, the Corporation will strengthen its Human Capital function and develop a mechanism for optimal intra-group talent utilisation.

To enhance subsidiary operational efficiency, IDC will undertake organisational redesigning and rightsizing to establish optimal structures. To increase productivity of subsidiary human capital, IDC will ensure adherence to the productivity ratio of 35% by end-2025.

To enhance subsidiary innovation and product quality, the Corporation will ensure subsidiaries with economies of scale adopt approaches with strong research orientation and proactively employ proven innovations. Further, IDC will enforce the development and implementation of quality assurance policy guidelines.

STRATEGIC OBJECTIVES AT A GLANCE



To achieve 15% growth in group revenue year-on-year through enhanced group oversight and support



To create 35,000 direct and indirect jobs through investments in agriculture, manufacturing, energy and tourism ventures



To attain 50% contribution of non-dividend revenues to total revenues and raise adequate capital to support the Corporation’s transformation program and investments



To ensure operational efficiency through retention of right talent and automation of business processes



To derive value from strategic partnerships through co-investments and enhanced partner relationships

PORTFOLIO TRANSFORMATION MATRIX



PORTFOLIO TRANSFORMATION MATRIX

The IDC devised a Portfolio Transformation Matrix as a tool for strategic positioning of subsidiaries and strategy formulation. Using a High-Low scoring system, performance was measured by key financial KPIs such as Net Profit, Free Cashflow and overall earnings quality.

Growth potential was measured from two perspectives; the potential of the company to grow its market share based on its business fundamentals, and the overall growth potential of the Sector.

IDC shall focus on optimising subsidiary earnings quality to establish a true picture of the company's performance without

the effect of accounting treatments, or anomalies.

High Performance, High Growth

These companies listed under High Performance High Growth were listed on the basis of their growth potential and demonstrated ability to sustain positive revenue growth, positive margins and positive free cashflow. During the strategic period, the IDC will focus on retaining its shareholding in these companies while positioning itself as an aggressive shareholder with meaningful strategic presence on subsidiaries where the Corporation holds minority shares.

High Performance, Low Growth

The High Performance Low Growth companies were classified based on their demonstrated profitability and excellent

earnings quality. These subsidiaries portray Low Growth potential partly due to the following reasons: high sector concentration, low growth prospects in the sector and limited market share.

The Corporation's strategic focus is to reposition these companies to High Performance High Growth entities. The measures will include changing business models with a focus on growing market share while optimising economies of scope.

Low Performance, High Growth

This category includes start-ups and mature companies categorised on the basis of sustained losses from previous periods. However, the companies have potential for growth in view of their sector orientation.

STRATEGIC DIRECTION

IDC will take a deliberate approach in scaling down shareholding in identified subsidiaries by divesting from its 100% shareholding and encouraging co-ownerships through public listing and strategic equity partnerships. To enhance market penetration and growth in market share, IDC will also recapitalise some subsidiaries. This is expected to enhance the performance of the entities and ensure long-term profitability.

Low Performance, Low Growth

This category was classified based on sustained losses and their limited prospects for growth within the sectors. These companies also experienced low growth owing to steep sector specific competition, limited options for diversification and deep structural challenges impacting both the company and the sector.

The IDC will implement recapitalisation, business remodelling and reorganisation which will include both vertical and horizontal integration to ensure subsidiary viability. The IDC will also exit companies with no long-term business case.

STRATEGIC OBJECTIVE 2

To create 35,000 direct and indirect jobs through investments in agriculture, manufacturing, energy and tourism ventures

This objective provides a bedrock for the IDC to actualise its mandate to actively invest in key sectors of the economy to drive industrialisation and job creation. Critical to this strategic objective will be continued investments in renewable energies and other technologies, exploiting the country's natural resources and promoting value addition, supporting the nation's import substitution agenda, and advocating for a supportive business friendly environment and investment climate.

To create sustainable jobs, IDC will invest in high growth sectors that are labour intensive such as agriculture.

To strengthen project appraisal, implementation and evaluation processes, the Corporation shall ensure adherence to its investments policy guidelines and enhance capacity in investment analytics and project implementation.

To ensure effective implementation of sustainable projects that support the Corporation's mission, the IDC will ensure cost effective and efficient project scoping, adherence to project milestones and cost-efficient implementation of projects.

To effectively implement its national mandate on industrialisation, the IDC will position itself to be a Special Purpose Vehicle for strategic investments by strengthening collaborations with sector ministries, regulators and other government agencies and ensuring its processes and systems are agile to respond to stakeholders expectations.

STRATEGIC OBJECTIVE 3

To attain 50% contribution of non-dividend revenues to total revenues and raise adequate capital to support the Corporation's transformation program and investments

This objective is aimed at ensuring the IDC is financially sustainable and has the resources to finance its transformation and investments agenda. This will focus on diversifying its revenue base away from dividend dependence by strengthening subsidiary capacity to pay management fees and increasing rental income.

To maintain adequate liquidity and capital levels, IDC plans to implement sustainable approaches to raising finance, growing internal revenue, undertaking investments, and improving financial management.

To ensure financial sustainability of the Corporation, IDC will pursue growth of 5% in non-dividend revenue

year-on-year, an increase in the a total contribution of non-dividend revenue to total revenues from 36% in 2019 to 50% by 2025, and ensure sufficient capital is raised for projects and subsidiary transformation.

To improve access to financing, IDC will broaden the scope of financiers to include hedge funds, venture capital funds, private placement bonds and listed corporate bonds.

STRATEGIC OBJECTIVE 4

To enhance operational efficiency through retention of right talent and automation of business processes

This objective will address factors aimed at ensuring the IDC as an investment and holding company has the capacities to deliver on its mandate and on the expectations of its stakeholders.

To enhance human capital management and retention of talent, IDC will realign the organisation structure, optimise staff skills, and revise the performance management system. Planned initiatives are aimed at attaining 90% staff retention.

To increase efficiency of business processes, IDC will deploy a robust enterprise resource planning software to automate business processes and implement quality management systems.

To mitigate risks associated with its investments, the Corporation will enhance entity risk management by implementing the enterprise risk management framework. Increased brand visibility and awareness will be attained through the implementation of a communications strategy. The IDC will undertake relevant business research for decision making project implementation and portfolio monitoring.

To ensure a conducive work environment, the IDC will provide

STRATEGIC DIRECTION

adequate work tools and adhere to occupational health and safety standards

STRATEGIC OBJECTIVE 5

To derive value from strategic partnerships through co-investments and enhanced partner relationships

Effective partnering with organisations with complementary capabilities are essential to delivering results in an increasingly complex macro-economic environment. Under the strategic partnerships objective, the IDC seeks to enhance investment capacity by engaging with credible institutional investors to deepen the IDC's investment capabilities.

To strengthen co-investing with the private sector, IDC will review and enhance its investment policy which will include a deliberate policy of divesting from most of its 100% shareholding and encourage co-ownership through listing and strategic equity partners

To enhance private sector participation, IDC will promote project inclusivity and ready the information base needed by prospective partners with a target of US\$1 billion in co-investments. This will expand financial resources and facilitate injection of technical expertise.

To raise awareness on the impact of IDC's investments, the IDC will

strengthen its corporate communication interventions and enhance group-wide corporate social responsibility programmes that address challenges of communities in which the IDC Group operate.

To enhance collaboration with industry players, IDC will establish long term framework agreements and enhancing partner relationship management to deliver, balance sheet depth, complementary interests, and relevant experience to achieve the desired outcome. Collaborations with industry and academic experts will enhance the Corporation's technical capacity and promote skills transfer.



Oil palm suckers in the ZAMPALM nursery in Muchinga Province. © MML/IDC

Strategic Risk Assessment

Management will develop and implement appropriate measures through the strategic period in view of anticipated changes in the identified and emerging risks.





Risk Assessment

A strategic risk assessment was conducted in line with the IDC risk management framework. The assessment identified various risks associated with specific proposed strategies, such as market risk with financial assets and liabilities being exposed to changes in interest rates and foreign exchange rates; and funding risk emanating from

inadequate funding for turnaround strategies required for subsidiary transformation as well as project financing.

Management will develop and implement appropriate measures throughout the strategic period in view of anticipated changes in the identified and emerging risks.

Risk Category	Impact	Mitigation
Sovereign Risk	Affects the IDC's ability to raise capital for projects and transformation of subsidiaries.	- Raising IDC credit profile and rating; - Arranging multilateral insurance guarantees, credit default swaps, sovereign partial risk guarantees.
Credit Risk	Affects the IDC's ability to recover its principal and interest from loans advanced to subsidiaries and other related parties hence affecting the Corporation's cashflow position.	- Ensuring all credit is backed by collateral or guarantees; - Arranging insurance-backed loan arrangements; - Agreeing instalment payment plans; - Setting credit limits.
Market Risk	Exposes the IDC to unsustainable business environment characterised with low value of assets, increased cash flow volatility, high cost of borrowing and limited market liquidity.	- Leveraging various hedging instruments; - Diversifying by investing into different sectors and different asset classes.
Liquidity Risk	Inability to honour short term debt obligations may affect the IDC's or subsidiaries' credit rating with principal lenders, increases cost of borrowing while exposing the Corporation to tighter collateral requirements from lenders.	- Maintaining diversified investment portfolio of current and non-current assets; - Maintaining optimal exposure in money market instruments; - Use of short-term credit facility arrangements.
Portfolio Risk	Constrained ability to meet financial targets Exposure to Group-wide liquidity constraints and growth potential	- Maintaining diversified portfolio; - Reviewing and rebalancing portfolio concentration risk
Operational Risk	Operational losses arising from frauds, damages, fines, etc.	- Formulation and implementation of adequate standard operating procedures, system and policies; - Realignment of subsidiary policies to existing Group policies; - Automation of critical processes; - Periodic review and updating of policies.

Risk Category	Impact	Mitigation
Compliance Risk	Imposition of penalties and damage to reputation of organisation.	▪ Ensure that requirements imposed by all applicable laws and regulations are well understood; ▪ Staying up to date with the latest guidance and policies released by regulatory and enforcement agencies; ▪ Building a culture of ethics and compliance; ▪ Strict monitoring of subsidiaries through functional departments e.g.. Legal, Tax; ▪ Continuously update compliance monitoring mechanisms.
Strategic Risk	Affects the ability of the IDC and its subsidiaries to fully achieve their strategic objectives	▪ Effective implementation of monitoring and evaluation systems; ▪ Proactively anticipating and responding to relevant changes in the internal and external environments; ▪ Undertaking rolling reviews of the strategic plan.
Reputational Risk	Negatively affects the Corporation's image which will have a bearing on IDC's ability to attract the right project partners and skilled labour.	Implementing good Corporate Governance and effective corporate communication initiatives.

Enabling Factors

The successful implementation of this Strategic Plan is dependent on the following preconditions and assumptions.



Enabling Factors

The successful implementation of this Strategic Plan is dependent on the following preconditions and assumptions

CRITICAL SUCCESS FACTORS

The following pre-conditions are critical factors that IDC will need to put in place to ensure successful implementation of the 2021-2025 Strategic Plan. These include:

- Actualisation of innovative financing and recapitalisation plans;
- Effective and efficient project implementation;
- Sound governance and performance framework;
- Actualisation of management services provision framework; and
- Realignment of the organisation structure to the 2021-2025 Strategic Plan.

ASSUMPTIONS

The critical factors outside the control of the IDC Group that should prevail for the successful implementation of the Plan include:

- a. Stable political, economic, and social environment;
- b. Continued support from the Shareholder;
- c. Continued support from stakeholders;
- d. One direct job will result in four indirect jobs;
- e. Stable exchange and inflation rates based on the 2020 average;
- f. Retention of corporate governance structures of the IDC; and
- g. Positive GDP growth throughout the strategic period.



A captive eco-friendly coal-fired power plant at
the Marcopolo Tiles Company. 📷 MML/IDC

Funding Model

The IDC is a self-funding institution, leveraging its portfolio of companies and its ability to access project finance.

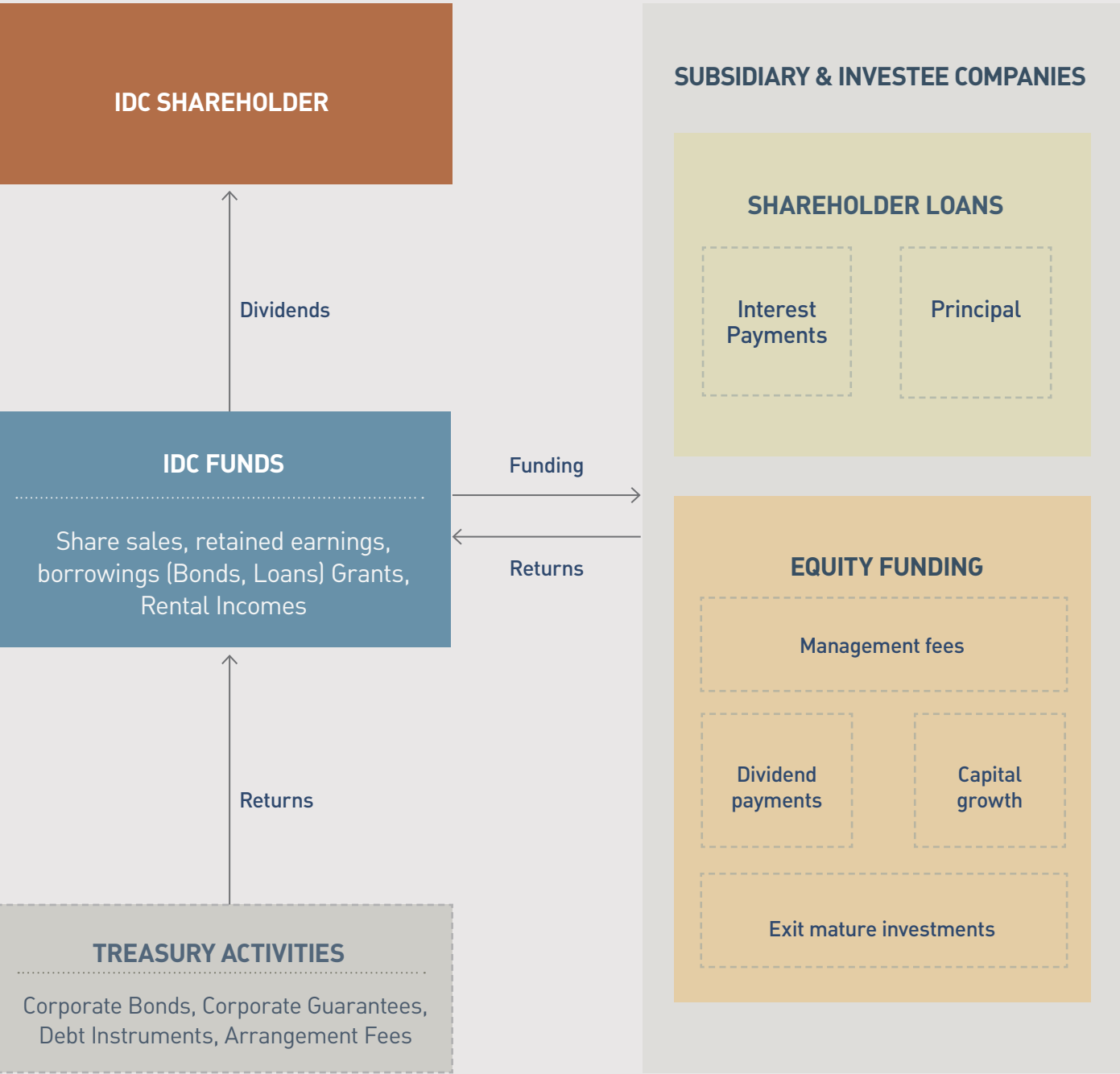


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Funding Model

The IDC is a self-funding institution, leveraging its portfolio of companies and its ability to access project finance. The IDC adopts an aggressive approach to resource mobilisation to support its broad mandate of supporting industrialisation in Zambia.

The funding model adopted by the IDC in pursuance of its mandate is shown in the diagram below:



A ZICB employee selling bank products to a potential client. © ZICB/IDC



Monitoring and Evaluation Systems

For effective monitoring and evaluation of the 2021-2025 Strategic Plan, periodic reviews of progress against strategic objectives and set targets will be undertaken.



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Monitoring and Evaluation

Monitoring achievements against plans will be undertaken at all levels of the IDC

PLAN IMPLEMENTATION

To operationalise the Strategic Plan, an Implementation Plan outlining activities and output targets with estimated costs has been developed. This will feed into internal departments' annual workplans which will contain detailed tasks and performance targets for the strategic period.

Monitoring achievements against plans will be undertaken at all levels of the IDC:

- The IDC's Board will monitor management's progress towards meeting strategic objectives annually through the Corporate Balanced Scorecard and annual performance appraisals.
- The IDC's office of the Group Chief Executive Officer will carry out quarterly reviews of progress against annual workplans and strategic objectives.
- Individual employees' objectives and performance assessments will be directly linked to operational plans and the Corporation's overall strategic objectives.

Subsidiaries' achievements will be monitored by the IDC. Each subsidiary company's board of directors will agree to a Performance Management Contract which will set out annual organisational performance targets to be monitored by the IDC annually.

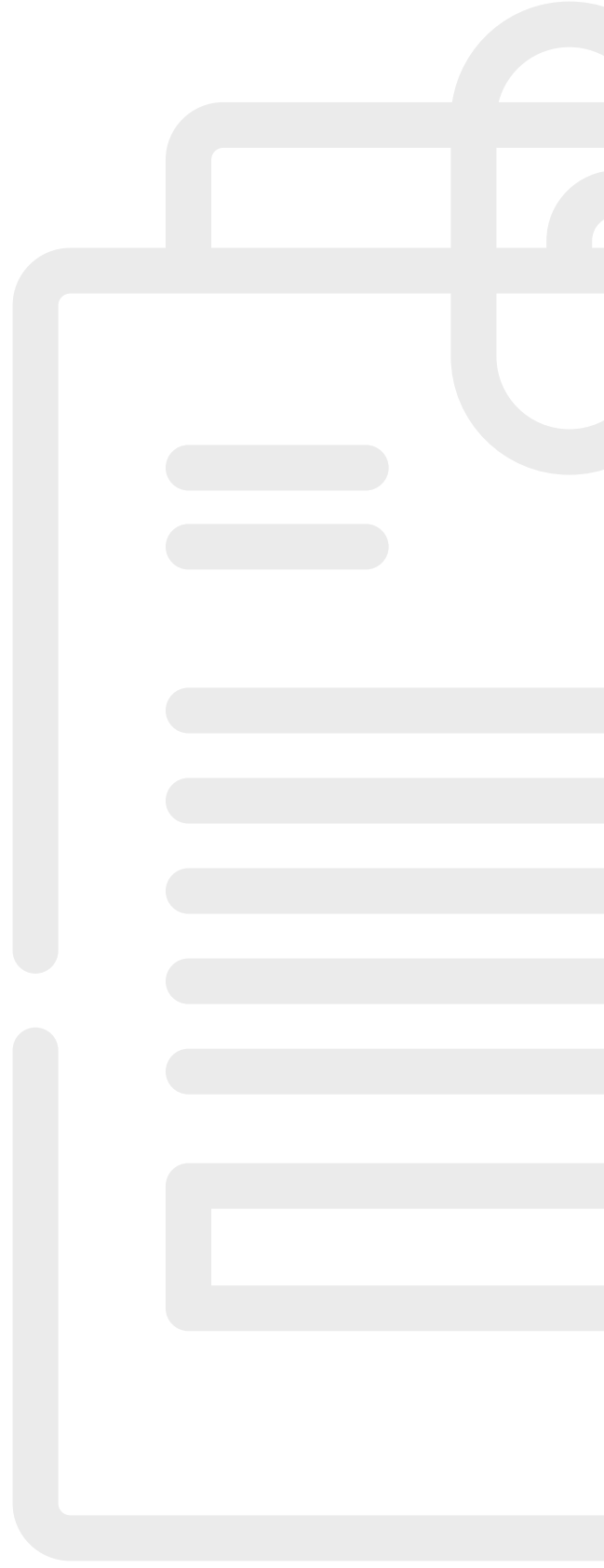
REVIEW OF THE STRATEGIC PLAN

The Strategic Plan will be subjected to a mid-term review in 2023 to assess implementation progress against the Plan.



Server infrastructure at the Infratel National Data Centre.  [Infratel/IDC](#)

Appendix



Corporate Balanced Scorecard

Perspective	Objectives	Strategic Measures	
Financial Perspective	Improved financial sustainability	% growth of non-dividend revenue	
		% contribution of non-dividend revenue to total revenue	
		% dividend growth	
	Increased financial resources for IDC investments and capitalisation of subsidiaries	Capital Raise for IDC project pipeline	
		Capital Raise for subsidiary transformation	
Increased shareholder value	% of distributable profits as dividends pay out annually		
Stakeholder Perspective	Subsidiary transformation	% reduction in losses	
		% increase in profits	
		Quality of earnings	
		Growth in EBITDA margins Growth in Gross Profit Margin Free Cashflows*(distributable income)	
		# of subsidiaries declaring dividends	
	Industrialisation	# of greenfield projects commercially operationalised	
		# of brownfield projects commercially operationalised	
		US\$ value of co-investments	
	Job creation	# of direct jobs created	
		# of indirect jobs created	
	Internal Perspective	Increased efficiency	% adherence to project timelines
			% compliance to the respective Standard Operating Procedure
Organisational Capacity	Enhanced employee engagement & performance	% staff satisfaction levels attained annually	
		% staff turnover annually	
		% implementation of staff development plan	
		% staff performance	

Subsidiary Transformation Metric Framework

Strategic Focus: Subsidiary Transformation			
Strategic Result: Subsidiary viability			
Strategic Objective 1: To achieve 15% growth in Group revenue year-on-year through enhanced Group oversight and support			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Improved Subsidiary monitoring	Framework reviewed	Group oversight framework revised by end of 2021	Enhance M&E mechanism for subsidiary performance Automation of Group oversight framework
Strengthened subsidiary support	Framework enhanced	Management services Framework enhanced by mid-2021	Streamline provision of management services for managing tasks Develop a service time tracking system to ensure accountability and improved decision making Enhance technical capacity in internal functions to ensure premium management service provision
Harmonized Group Standards for Congruence	% performance	100% Subsidiary policies realigned to existing Group policies by end of Q2 2021 100% Subsidiary policies realigned to new Group policies within 6 months from effective date of circulation.	Ensure realignment of subsidiary policies to existing Group policies Establish additional areas requiring the development of Group policies to enhance Group congruence
Enhanced subsidiary capacity	% performance	80% of Group management services implemented annually	Implement Group management services framework

STRATEGIC METRIC FRAMEWORK

Strategic Focus: Subsidiary Transformation			
Strategic Result: Subsidiary viability			
Strategic Objective 1: To achieve 15% growth in Group revenue year-on-year through enhanced Group oversight and support			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Improved subsidiary financial performance	% growth in Group revenue yoy	15% growth in Group revenue yoy	Proactive improvement of the quality and broadening of subsidiary revenue base. Effectively leverage cost cutting and containment measures. Ensure good performance is rewarded and bad performance is managed
Enhanced intra-group business	% performance	75% of good and services procured from within the Group divided by total expenditure of goods and services procurable from within the Group by subsidiaries annually	Develop and implement policies and monitoring mechanisms to ensure growing business between companies and assure product and service quality
Improved statutory compliance	% performance	100% subsidiaries supported by 2025	Ensure provision of technical capacity and support to ensure compliance and tax optimisation
Reduced occurrence of subsidiary citations in the annual Auditor General's Report	# of occurrences	Zero reoccurrence of internal control audit citations annually	Ensure that subsidiaries maintain a good control environment
	% reduction	20% YoY reduction in audit queries	
Improved subsidiary corporate governance	% performance	100% performance of subsidiaries by end of 2025	Ensure group-wide implementation of 'the Code of Corporate Governance' Enhance corporate governance monitoring and evaluation systems

STRATEGIC METRIC FRAMEWORK

Strategic Focus: Subsidiary Transformation			
Strategic Result: Subsidiary viability			
Strategic Objective 1: To achieve 15% growth in Group revenue year-on-year through enhanced Group oversight and support			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Increased productivity of subsidiary human capital	% performance	100% Subsidiaries have optimal staff establishment by 2025	Undertake organisational redesigning and rightsizing to establish optimal structure
	% performance	All subsidiaries within 35% productivity ratio of staff costs vs. revenue by end of 2024	Ensure adherence to the productivity ratio
Enhanced subsidiary innovation	% of sales from new products	5% share of revenue from New Products/Services by 2025	Ensure subsidiaries with economies of scale adopt proactive approaches with strong research orientation (R&D)
	% Increase in production capacity	100% process optimisation or upgrade of existing processes	Ensure subsidiaries focused on operations adopt a reactive approach of adapting proven innovations
	# of patents, copyrights or trademarks	10 new intellectual properties registered by subsidiaries by end of 2025	
Enhanced subsidiary product/service excellence	% performance	100% of subsidiaries to have quality assurance policy guidelines document	Enforce the development and implementation of the quality assurance policy guidelines
Enhanced Group human capital utilisation	Database developed	Develop Group Human Capital database by end of 2021	Develop mechanism for optimal intra-group talent utilisation of human capital
	Group skills audit conducted	Group skills audit conducted by end Q2 2022	

Industrialisation Metric Framework

Strategic Focus: Industrialisation			
Strategic Result: Industrialisation and job creation			
Strategic Objective 2: To create 35,000 direct and indirect jobs through investments in agriculture, manufacturing, energy and tourism ventures			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Enhanced project appraisal processes	Standardised framework in place.	Framework established by June 2021	Revise Investment policy and guidelines.
	Updated investment policy guidelines	Investment Policy Guidelines approved by June 2021	Invest in training of officers in investment and project appraisal
Efficient Project operationalisation	# of projects commercially operationalised	14 approved projects reach commercial operationalisation by 2025	Adherence to project milestones Enhanced capacity in project management
Job creation	# of employment opportunities	35,000 jobs created by end of 2025	Ensure successful implementation of projects
Financial Sustainability	Net Present Value (NPV) over project life	100% positive NPV at project appraisal for all projects	Ensure that scoping and implementation of projects is cost effective and efficient
Increased Private Sector Participation	% of co-investments	70% of greenfield co-investments	Undertake investment promotions and missions.
		30% of brownfield co-investments	Develop database of potential projects needing strategic partners Ensure information relevant to potential partners is readily available

Operational Excellence

Metric Framework

Strategic Focus: Operational Excellence			
Strategic Result: Effective and efficient service delivery			
Strategic Objective 3: To attain 50% contribution of non-dividend revenues to total revenues and raise adequate capital to support the Corporation's transformation program and investments			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Adequate financial resources for IDC investments and capitalisation of subsidiaries	% Capital Raised	80% Capital raised/ capital requirement for IDC bankable project pipeline	Leverage Shareholder support for financing of project implementation
		80% Capital Raise for demonstrable Subsidiary transformation	Restructure and refinance existing financing arrangements Prioritise projects with a short lead time and high, sustainable investment return Undertake divestitures to realign performance and manage risk Broaden scope of financiers to include hedge funds, venture capital funds, private placement bonds and listed corporate bonds
Improved financial sustainability	% growth	5% growth in non-dividend revenue yoy	Short-term investments that allow maximum financial flexibility
	% contribution	56% contribution of non-dividend revenue to total revenues	Increase revenues yoy

Strategic Focus: Operational Excellence			
Strategic Result: Effective and efficient service delivery			
Strategic Objective 4: To ensure operational efficiency through retention of right talent and automation of critical business processes			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Enhance performance of Human Capital	Approved Organisational structure	Realigned organisational structure approved by end of 2022	Align organisational structure to the Strategic Plan
	% performance	75% implementation of staff development and training plan annually (optimised staff skills, competences, and abilities)	Develop and implement staff development and retention strategies
	Revised PMS launched	Robust performance management system launched by Q4, 2021	Implement enhanced Performance Management System and Reward Systems
	% staff satisfaction	80% staff satisfaction levels attained annually Salary and benefits survey undertaken every two years	
	% staff turnover	≤ 10% staff turnover annually	
Improved working environment	% adherence	100% implementation of occupational health and safety standards	Implementation of health and safety standards of the Employment Code Act and best practice
	% availability		
	% adherence	95% Service availability to both internal and external client	Ensure the provision of working tools (equipment, systems. etc)
		100% adherence to the ICT policy annually	Adherence to the ICT policy

STRATEGIC METRIC FRAMEWORK

Expected Outcomes	Measures	Targets	Strategies/Initiatives
Improved decision-making framework	Analysis Published	1 analytical publication per quarter	Undertake relevant business research for decision making project implementation and portfolio monitoring
		Performance review reports submitted to MEC in form of quarterly and annual reports	Ensure effective Corporate planning Enhance enterprise wide monitoring & evaluation system
Increased efficiency	SOPs implemented	Standard Operating Procedure Manuals, policies and guidelines implemented by end of Q4 2021	Develop quality management systems for quality assurance
	Compliance rate	All departments to attain 100% compliance to the respective Standard Operating Procedure manuals, policies, and guidelines annually	
	Certification	Attain ISO 9001 certification for atleast one internal process by end of 2025	
	% performance	75% business processes automated by end of 2025	Ensure deployment of robust Enterprise Resource Planning to automate business processes
Enhanced Entity Risk Management	ERM fully functional	Implement enterprise risk management across the organisation by end of Q4, 2021	Enhance enterprise entity risk management

Partnerships

Metric Framework

Strategic Focus: Partnerships			
Strategic Result: Viable Strategic Partnerships			
Strategic Objective 5: To derive value from strategic partnerships through co-investments and enhanced partner relationships			
Expected Outcomes	Measures	Targets	Strategies/Initiatives
Increased Private Sector Participation	% of co-investments	US\$1 billion in co-investments	Promote co-ownership through listing and strategic equity partners Develop and implement a policy of divesting from its 100% shareholding
Attainment of intended value from strategic partnerships	Value of strategic partnerships leveraged	# of strategic partnerships leveraged (TBA)	Establish long term framework agreements Enhance partner relationship management
Enhanced technical capacity and skills transfer	# of collaborations	X collaborations undertaken by end 2022 (TBA)	Establish and strengthen collaboration with: - Identified institutions to adopt best practices and skills transfer - Industry and subject matter experts - Research based and academic institutions for research collaboration
Increased visibility and Brand Awareness	Baseline established	Conduct baseline survey by Q2, 2021	Engage consulting firm to conduct baseline survey
	% increase	10% increase in brand awareness annually	Implement communication strategy

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Overhead view of a pine tree nursery located at the 20,000 hectare ZAFFICO Kawambwa District forestry plantation.  MML/IDC

