The Use of Official Development Assistance (ODA) in the Development of Public-Private Partnership Investments in Africa

A Case Study of Zambia

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This publication has been produced with the support of the CSOs Partnership for Development Effectiveness (CPDE).

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1. INTRODUCTION AND BACKGROUND

1.1 Introduction

The development of Public Private Partnerships (PPPs) is increasingly being seen as a way of ensuring that the private sector can contribute both directly and indirectly to poverty reduction, job creation and national development (OECD, 2013). This finds resonance with the recent drive for a potential monumental change for development finance, in which Overseas Development Assistance (ODA)[1] is being shifted from the public to the private sector through blending mechanisms. Arguably, the changing ODA architecture has opened up room for new market-based development finance approaches. One such approach is the blending of funds, combining grant aid with non-grant resources. The basis of this shift has been the argument that the blending of funds can create hundreds of thousands of jobs, which in a continent like Africa, is extremely needed. But not all stakeholders are enthusiastic about the blending of funds. Eurodad (2014), argues that the blending of funds may be a waste of scarce ODA resources, that blending mechanisms lack transparency and are unaccountable, and that there is no evidence that they meet development objectives.

This paper offers emerging evidence from a developing country context of experiences with ODA financed PPPs. Using literature review, key informant interviews and a case study approach, it analyses the case of African Banking Corporation Zambia (also known as BancABC) which is a banking firm in the financial services sector in Zambia that received a US$5.3 million equity investment loan from Norway's Norfund in 2011.

Incidentally, Public Private Partnerships (PPPs) may be considered a rather new concept in Zambia, but the country has proceeded to quite quickly launching a PPP Policy in 2008 and enacting an Act of Parliament in 2009, thus opting to support its PPP programme with a clear legal framework. A management unit was also established under the Ministry of Finance and National Planning. Arguably, PPPs have come to be recognised by the Zambian government as

1 Official Development Assistance, ODA, is defined as 'those flows to countries or territories provided by official agencies including the state and local governments, or by their executive agencies and includes transactions which are: administered with the promotion of the economic development and welfare of developing countries as its main objective and is concessional in character and conveys a grant element of at least 25 percent calculated at the rate of discount of 10 percent' (OECD Annual Report, 2014).

one of the fundamental tools of economic modernisation. According to the Zambia Development Agency (ZDA), several PPP projects have already been implemented in various sectors ranging from agriculture, health and energy. In total, 16 PPP projects have been implemented between public and private sectors (the Zambian Development Agency, ZDA, 2015). There are more projects being proposed in agriculture, transport and communication. Further designated are, for example, PPPs in transport such as railway and road network, water transportation or international airports. Efforts in the energy sector include projects on the petroleum, biofuels, hydroelectricity power generation, transmission and distribution, renewable energy, coal and uranium (ZDA, 2015).

Of particular interest to this paper, however, are the PPPs that benefit from ODA. Onthisbasis, thepaperaddressesthreeinterrelatedquestions:

(i) To what extent has Norfund's equity investment in the African Banking Corporation Zambia contributed to employment creation and respect of labour rights and compliance with national labour laws and international labour standards by the beneficiary firm?

(ii) What have been the overall development results and impacts on communities of this ODA funded PPP project?

(iii) To what extent have trade unions participated in decision-making on PPP development in Zambia, and how can that role be enhanced?

The paper is organised into four main sections. The first section introduces the paper and provides a background on the country's development context. In the second section, the institutional and legal framework for PPPs in Zambia is analysed to provide the legal and administrative underpinning for PPPs in Zambia. The section also discusses the role of ODA in Zambia to understand the extent to which ODA plays a role in the country's development. Section three focusses on the case study of African Banking Corporation Zambia, providing an analysis of impacts on employment creation, labour rights and SME development. Section four concludes the paper and draws out some recommendations. The discussion in the paper provides a justification for the conclusion reached that the development results of this ODA financed PPP project remain minimal. At best, there have been improvements in the beneficiary bank's employment levels and state of employment relations in the beneficiary bank. This is in sharp contrast to the past situation in which there was no formal recognition agreement between management and the union organising workers in the bank. However, concerns remain that workers' right to collective bargaining in the bank is, hitherto, denied. Furthermore, trade union capacities to participate in decision-making processes on PPPs is limited, suggesting a need for capacity building.

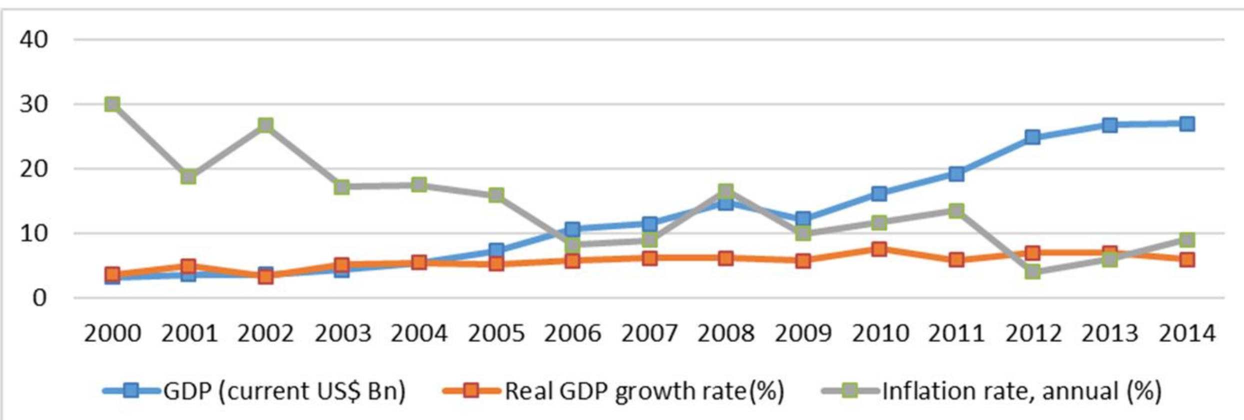
1.2 Background: Country Development Context

Zambia is a landlocked country in Southern Africa covering an area of 752 612 km² and a fast-growing population of over 14 million (CSO, 2010). The country is governed as a representative democratic presidential republic. It neighbours the Democratic Republic of Congo to the north, Mozambique, Zimbabwe, Botswana and Namibia to the south, Angola to the west and Tanzania to the north-east. Since January 2015, Edgar Lungu has been the president of Zambia, following the death of president Michael Sata in October 2014. According to the African Development Bank, Zambia has improved its key indicators of governance in terms of control of corruption, rule of law, regulatory quality and government effectiveness (AfDB, 2013). Nonetheless, Zambia remains a nascent democracy still prone to governance deficits, with cases of political patronage and perceptions of electoral malpractices still in evidence.

The country belongs to the world's fastest economically reformed nations showing a strong economic performance with a Gross Domestic Product (GDP) growth rate of 6 percent in 2014 (GRZ, Ministry of Finance, 2015). The country started off on a sound economic footing in 1964, but wrong policy choices conspired with adverse international factors to generate an economic crisis that peaked during the 1980s and 1990s (Chiwele, 1998). Far reaching economic policy changes inspired by the International Monetary Fund (IMF) and World Bank were implemented throughout the 1990s to try and redress the economic challenges. The impact of these measures has been mixed. Macroeconomic stability was achieved by the turn of the century but poverty and unemployment remain pervasive. The country's per capita gross domestic product (GDP) is around USD1700, leading to the World Bank's recent classification of the country as a lower middle-income country.

The economy has been and still remains heavily dependent on revenue from the mining sector, which accounts for about 75 percent of export receipts, but employs less than 2 percent of the population. The majority of people in Zambia (60 percent) live in rural areas where they depend on subsistence agriculture for their livelihood (CSO, 2010:6). GDP growth averaged 6 percent for the period 2006-2014 while inflation declined from 26 percent towards the end of 1996 to less than 8 percent at the end of 2014 (CSO, 2015:8). GDP contribution by sector reflects the country's low middle income status with wholesale and retail trade contributing 18.4 percent, followed by mining and quarrying 12.9 percent, construction 10.9 percent, agriculture, forestry and fisheries 9.9 percent, and manufacturing 7.9 percent (CSO, 2014:19). Economic growth has been concentrated in capital-intensive industries such as construction, mining, and transport. It has, therefore, largely by-passed the majority of Zambians who subsist on agricultural activities. Figure 1 shows Zambia's recent trends in economic growth and inflation, pointing to a favourable macroeconomic performance scenario.

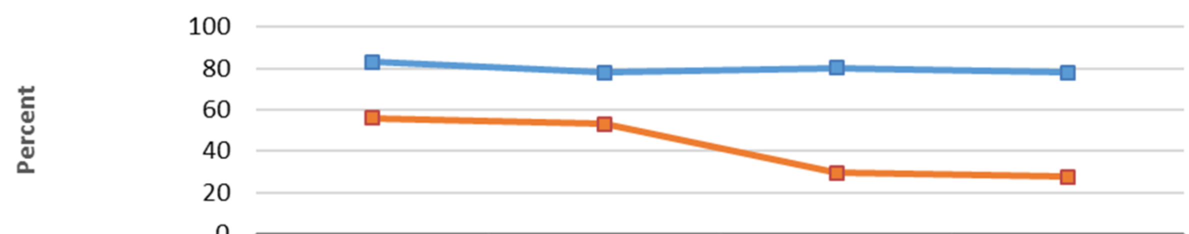
Figure 1: Trends in GDP Growth and Inflation, 2000-2014



Source: World Bank Development Indicators (2015)

However, the observed growth has partially been negated by a population growth rate of about 2.9 percent per annum, resulting in only a marginal growth in per capita income during the last decade and half of relative favourable economic performance. The majority of Zambians have not appropriated the benefits of the economic growth. Rural poverty, as demonstrated in Figure 2 below, is in fact at the heart of the macroeconomic challenge. This is because whilst the poverty head count in urban areas dropped from 56 per cent in 1998 to 53 percent in 2004 and further to 29.7 percent in 2006 and 27.5 percent in 2010, rural poverty remains high despite the marginal drop from 83 percent in 1998 to 77.9 percent in 2010.

Figure 2: Poverty Trends in Zambia, 1998-2010, (as a percent of total population)



	1998	2004	2006	2010
Rural Poverty	83	78	80,3	77,9
Urban Poverty	56	53	29,7	27,5

Source: LCMS (2010).

The impact of the recent macroeconomic performance on employment has been ambiguous. The 2014 Annual Progress Report on the Revised Sixth National Development Plan notes that there has been a rise in the proportion of formal sector employment as a percentage of the employed population in the last few years in the national economy (Ministry of Finance, 2015). It notes that formal sector employment rose from 11.0 percent in 2008 rose to 15.8 percent in 2012. It further rose to 16.10 percent in 2014. However, beneath the surface of this rise and 16 percent turnout in 2014 manifests, is the glaring evidence of informal employment at 84 percent. Incidentally, employment remains highly 'informalised' in the Zambian economy, to the tune of about 84 percent.

Of particular note, however, is that there has been a declining trend in the unemployment rate since 2005. The unemployment rate declined from 15.0 percent in 2005 to 7.9 percent in 2008 (LFS, 2008). This further declined to 7.8 percent in 2012 and to 7.3 percent in 2014 (LFS, 2014). In this sense, there is a somewhat positive scenario in the unemployment rate since it has assumed a downward trend over the last few years. However, the downward trend must be contextualised within the multi-dimensional nature of the Zambian unemployment problem. The 2014 Labour Force Survey indicates that the unemployment rate was more pronounced in urban areas than in rural areas, and that it mostly affected youths. Further, young females in urban areas bore a slightly heavier unemployment burden than their male counterparts. As such, the employment problem in Zambia remains largely a manifestation of limited employment opportunities for youths coming out of the schooling system.

1.3 Methodology

The study used a mixed methods approach of analysis, involving a detailed document review, key informant interviews and a focused case study on an ODA funded PPP project in the Zambian financial services sector. Document review and stakeholder interviews mainly focused on assessing the institutional and legal framework for PPPs in Zambia, the extent of trade union participation in PPP development and the status of ODA flows into Zambia. The case study focussed on BancABC, a recipient of Norfund's US$5.3 million equity investment loan. The case study examined in detail the influence of Norfund's development finance intervention on the following specific variable measures: employment creation, employment relations, SME support, respect for workers' rights, respect for international labour standards and national labour laws. The study was undertaken between October and December 2015 in Lusaka, Zambia.

2. INSTITUTIONAL AND LEGAL FRAMEWORK FOR PPPS IN ZAMBIA

2.1 Institutional framework

The 2009 PPP Act determines and establishes a number of institutions to be involved in various processes of PPPs. In addition to the PPP Unit at the Ministry of Finance and National Planning which is in charge of the implementation of PPPs, a PPP Council was established to formulate policies relating to PPPs and to act as an approval body for PPP projects. The council also attends to the preliminary award of agreements and ensures that imperatives of competition, transparency, fairness and equity in the selection process are upheld. It is also a body that makes recommendations to the Contracting Authority (CA) on generic risk sharing principles and grounds for entering into negotiations with a preferred bidder on a project. There also exists a Technical Committee that plays an advisory role to the Council on technical matters.

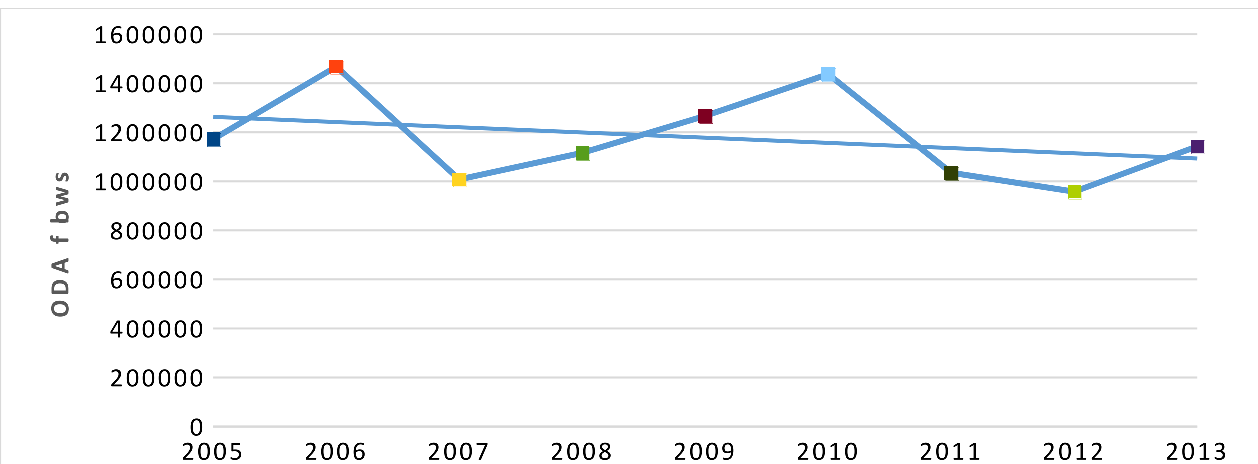
The composition of the PPP Technical Committee includes the Secretary to the Treasury as chair, the Attorney General and Permanent Secretaries responsible for Works and Supply, Commerce, Trade and Industry and Local Government and Housing. Other members of the Technical Committee include representatives drawn from the Engineering Institute of Zambia, Economics Association of Zambia, National Construction Council, and the Environmental Council of Zambia. The PPP Unit at the Ministry of Finance works directly under the supervision of the Technical Committee. Of particular note in terms of participation in decision-making on PPPs is the absence of trade unions and the broader civil society on the PPP technical committee. This constitutes an omission but the burden remains with trade unions to claim their space and assert their presence.

Generally, the Zambian legal framework as far as PPP procurement and management is concerned comes across as being solid. Zambia has not only established clear and complete processes concerning the award of PPP contracts, but also established further guidelines within the PPP Act concerning the content of tender evaluation and criteria to be used. However, the scope of the legal framework is limited and it appears non-responsive to ODA financed PPPs that are increasingly becoming the preferred mode of development finance among development finance institutions. This remains a loophole in the Zambian PPP law, which in addition to institutional capacity constraints makes it difficult to ensure compliance with provisions of the law.

2.2 ODA flows to Zambia

Data on the value of public money in private investment in Zambia is not readily available. However, recent Official Development Assistance (ODA) into Zambia peaked at US$ 1,437,000,000 in 2010 before failing to US$957,720 in 2012 (See Figure 3). The reduction can be partly attributed to a temporary freeze of some aid to the health and road sectors that set in during 2009 as a result of corruption practices confirmed by the Auditor General (Zambia MDG Progress Report, 2013:52). Zambia's recent graduation to a lower middle-income country also means that its access to concessionary loans and ODA could diminish. However, the decline in traditional bilateral ODA has been somewhat off-set by the ODA flows from the Millennium Challenge Account, the Global Fund to fight AIDS, Tuberculosis and Malaria, the President's Emergency Plan for AIDS Relief (PEPFAR) and others. This explains the observed rise in ODA flows after 2012. Yet the overall declining trend suggests the need for the country to develop and implement innovative and sustainable domestic financing mechanisms. In this context, Zambia turned to national and global financial markets to finance key developments, and in 2012, the country successfully launched its first sovereign bond for US$ 750 million. This was followed by another Eurobond of US$ 1.25 billion in July 2015.

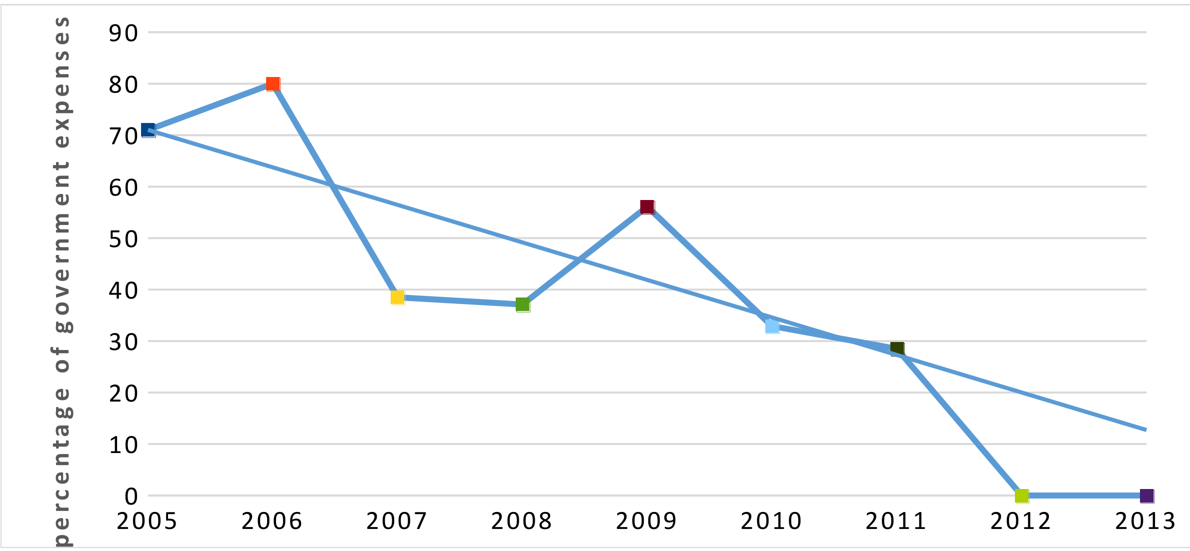
Figure 3: ODA Flows to Zambia (US$ 000), 2005-2013



Source: World Bank Development Indicators, 2014

Notwithstanding, the role of ODA in Zambia's Development remains substantial. While the percentage of ODA received as a percentage of government expenses has dipped from a peak of 80 percent in 2006 to 28.5 in 2011 (see Figure 4), the contribution of ODA to Zambia's development, especially in the health and education sectors, remains significant.*ODA* overall has decreased to less than 5 percent of the *government's budget in 2014*, however.

Figure 4: ODA Received in Zambia as a Percentage of Government Expenses, 2005-2011



Source: World Bank Development Indicators, 2014

2.3 Use of ODA in Development of PPPs: Contrasting Views

The development community, and the European Union (EU) in particular has recently put emphasis on the opportunities offered by blended finance, the practice of combining ODA grants (usually channelled through a Development Finance Institution, DFI) with non-grant resources. It is argued that blending funds can create hundreds of thousands of jobs, which is extremely needed in Africa, in view of the demographic trends and the risks of mass immigration. As the European Commission argues, 'blending could be seen as part of a potential sea change for developing finance, which effectively shifts Official Development Assistance (ODA) from the public to the private sector, while at the same time helping to replace ODA with private finance' (European Commission Communication, October, 2015[2].While acknowledging that private sector is a notable player in national development, trade unions in Africa have raised concerns regarding the intricate relationship between ODA and private sector development, including the non-inclusive growth that has recently been anchored in private sector development on the continent, the weakening of public institutions, the culture of favouritism of northern governments towards their own international private sectors, and the associated trade-off of social needs for business imperatives (ITUC-Africa, 2015:6).

Indeed, while public development finance can play a crucial role in providing funds to credit constrained companies, unleashing the potential of a thriving private sector that in turn creates decent jobs, pays a fair share of taxation to the government, and provides goods and services to citizens, it is fundamental that such engagement is coherent with the overall goals of development effectiveness and the creation of an inclusive development agenda.

2. Notallstakeholders are enthusiasticabouttheblendingoffunds. The European Network onDebtand Development (Eurodad), a network of 46 non-governmentalorganisations (NGOs) from 20 European countries workingonissuesrelatedtodebt, developmentfinanceandpovertyreduction, recentlypublished a reportentitled "A dangerousblend?"Whichraisesmanyquestionsrelatedtotheinnovativefinancingscheme. Amongotherthings, Eurodadfearsthatblendingmaybewastingscarce ODA resources, thatblendingmechanismslacktransparencyand are unaccountable, andthatthereis no evidencethattheymeetdevelopmentobjectives. Eurodadarguesfurtherthat: 'in many cases ofblendedprojects, it isnotclearwhetherthegrantwasneededatall, meaningthatthereis high riskofsubsidisingprojectsthatwouldhavetakenplaceanyway, thuswastingscarceresources' (Eurodad, 2012).

The case study discussed in the next section offers evidence from a developing country context in terms of experiences with an ODA financed PPP project. It focusses on African Banking Corporation Zambia (BancABC) and assess to what extent Norfund's loan facility to the bank has contributed to the creation of employment, respect for international labour standards, respect for labour rights and the overall development results and impacts on local communities in the country.

3. THE CASE OF AFRICAN BANKING CORPORATION ZAMBIA

3.1 Case Description

African Banking Corporation Zambia is a retail bank operating in the financial services sector with over 50,000 clients and about 220 employees. The bank is a beneficiary of an investment loan from Norway's Norfund.[3] The five-year loan agreement to the tune of NOK 29.9 million (USD 5.3 million) was signed on 1 December, 2011.The loan facility was approved after a full on-site credit review performed by Norfund in May 2011. The review included a detailed assessment of Africa Banking Corporation Zambia's corporate governance, compliance, and Know Your Customer (KYC) procedures,[4] as well as an evaluation of its social responsibility measures. A review of BancABC Zambia's strategy, financial results, loan portfolio structure and credit approval processes was also undertaken as well as a detailed examination of the bad debt and provisioning methods employed by the bank.

3Norfundis a Development Finance Institution (DFI). DFIsoccupythespacebetweenpublicaidandprivateinvestment. They are financial institutionsprovidingfinancetotheprivate sector for investmentsthatpromotedevelopment. Theyfocusondeveloping countries andregionswhereaccesstoprivate sector fundingislimited. They are usuallyownedorbackedbythegovernmentsofoneor more developed countries. DFIsprovidefinance: to financial institutionsthatprovidelong-term capital and know-how to local smallandmediumsize businesses; toprivate sector intermediaries (such as fundsoffunds) whichinvest in underlyingprivateenterprisesinvolved in developmentprojects; directlytounderlyingprivateenterprises. The financeisgenerallyoffered in theformoflong-termloans (between 10 and 25 years), equityinvestmentandcreditriskguarantees. As well as providingfinance, DFIsoftenact in co-operationwithgovernmentsandotherorganisations in providing, (orfinanciallycontributingto/supporting), management consultancyandtechnicalassistance. Thisassistancecanbeprojectspecific, or general. DFIsaimtopromotebestpractices in business, governanceandenvironmental standards in thefundsorcompanies in whichtheyinvest (Evans and Smith, 2012:1).

4Know Your Customer (KYC) Standards are internationally accepted guidelines meant to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. Typically a KYC policy of the bank incorporates the following four elements: Customer Acceptance Policy (CAP), Customer Identification Procedures (CIP), Monitoring of Transactions; and Risk Management.

Box 1: About Africa Banking Corporation (BancABC) Zambia

BancABC Zambia is a retail bank with over 50,000 clients. BancABC Zambia is a registered clearing bank and a member of the Bankers Association of Zambia (BAZ). For the past fifteen years, its focus has been on providing Zambians with affordable, accessible and simplified banking – delivered with fast turn-around and personal service. The bank's underlying philosophy is to use innovative modern technology to drive down costs, to increase accessibility and to simplify client processes. There are currently about **22 outlets** nationwide, conveniently placed where people work, shop and commute. The bank's core activities include simplified transacting, savings and short- to medium-term lending facilities and also a wide range of SME and corporate lending products to cater for the needs of Zambia's emerging businesses.

Source: http://www.bancabc.co.zm/(accessed on 13 November 2015)

Upon favourable evaluation, Norfund extended the loan facility to the bank. The primary use of the funds was 'to grow the bank's long-term loan portfolio to corporate, small businesses and individual borrowers'. The willingness of the bank to scale up funding for both corporate and small businesses provided the requisite impetus.Available data suggests that the selection of the project was an agreement between Norfund and BancABC. In essence, the undertaking was more supply than demand-driven. For that same reason, the extent to which the project was designed to achieve set national development results other than to grow the bank's long term loan portfolio is unclear, making it almost impossible to actually track national development outcomes. However, it was clear that labour dimensions formed part of the initial evaluation. Labour rights clauses were also included in the contract agreement.

3.2 Case study selection justification

The selection of this project for the study is justified for a number of reasons. As observed by Eurodad (2012), there is frequently reluctance in development literature to consider the challenges associated with shifting Official Development Assistance from the public to the private sector, while at the same time helping replace ODA with private finance. This is because the blending of ODA funds with private investment facilities is often seen as being 'too good' (European Commission, 2015). The current global debate around the merits and demerits of blending finance for development necessitate the choice of a case study which can well demonstrate the practical realities. The project has been running for over four years. This provides ample time to assess potential impacts to be able to interact with various dimensions of the current debate. Furthermore, the project qualifies as a PPP using ODA funds. It is a recipient of a Norfund loan. The bank also has a national reach which helps to evaluate its development impacts nation-wide.

Box 2: About Norfund

Norfund is an investment company intended to develop and establish profitable and sustainable enterprises in poor countries. Its objective is to promote business development and contribute to economic growth and poverty alleviation. Norfund operates in some of the world's poorest countries and invests in markets where ordinary commercial enterprises are often reluctant to venture alone because of the high risk. Norfund is a hybrid company with limited liability established and operated under special legislation (the Norfund Act) and owned by the Norwegian Government through the Ministry of Foreign Affairs. Norfund acts as a key instrument of Norwegian development policy, and the Storting (Norwegian parliament) allocates annual capital grants to Norfund in its development assistance budget. Norfund invests equity, directly in enterprises and indirectly through funds, as well as providing loans to individual companies. Norfund's investments are divided into four investment areas: Financial Institutions, SME Funds, Renewable Energy and Industrial Partnerships. The main office is in Oslo and regional offices are in Bangkok, Johannesburg, Nairobi and San José (Costa Rica). The aim is to become a leading investment fund for emerging markets by combining a strong financial position with high-quality investment management skills and extensive international experience. The description of Norfund's mandate contains an implicit requirement that its operations will contribute to poverty alleviation and development.

Source: http://www.norfund.no/*(accessed on 13 November 2015)*

3.3 Employment Creation and Relations

In terms of employment creation, BancABC reported a workforce of about 220 nation-wide in December 2015. This represents a substantial growth in employment levels, rising from 70 employees in 2011 – a 214 percent growth in employment. A total of 180 employees belongs to unionised work categories while 40 are in management.

On employment relations, notable improvements have been recorded. Until September 2015, the basis of employment relations was the Human Capital Manual. However, with the recent change in the shareholding structure, the new owners have assumed an open door policy towards collectivised employee relations. According to a key informant, the previous management was dominated by a Zimbabwean-based management team that was hostile to collective representation. However, following the change in the shareholding structure and consequent changes in the management team, the new management which has a mix of nationalities, has been keen to work with the worker' representatives. In this regard, the management of BancABC Zambia has since September 2015 signed a recognition agreement with the Zambia Union of Financial and Allied Workers Union (ZUFIAW) and has since established a union branch at the bank's national office in Lusaka. Eight members of the National Executive Council of the union will represent the union in the bargaining unit.

The immediate task of the union has been to open collective bargaining negotiations with the intention of having a collective agreement in place, effective January 2016. "The challenge of relying on the Human Capital Manual is its enforceability…the document is comprehensive and looks good on paper but its enforceability is at the discretion of management", observed a key informant. A quick scan of the BancABC Africa Human Capital Manual confirms the observation. The Human Capital Manual provides, for instance, for a 40-hour working week, a contributory pension scheme for all employees, a 100 percent employer financed medical aid scheme, an elaborate disciplinary code and a clear loan policy. However, the Human Capital Manual is silent on wage structure, wage determination and such principles as equal pay for work of equal value. Besides, and with the absence of a collective bargaining mechanism, salaries remain an individual secret for workers.What was apparent was that terms and conditions of service were individualised to the point where employees performing similar functions and with similar qualifications did not necessarily earn similar wages nor served on similar conditions of service. This leaves workers vulnerable to exploitation.

The union which was granted a recognition agreement (in September 2015) to organise workers in the bank confirmed initiating a process to commence collective bargaining negotiations for improved terms and conditions of service, effective January 2016. The nature of employment relations can therefore be characterised as being at a nascent stage.

3.4 Respect of International Labour Standards

Until September 2015, workers in the bank did not enjoy some fundamental principles and rights at work as enshrined in International Labour Standards, particularly ILO Convention No. 87

(freedom of association and protection of the right to organise Convention, 1948) and Convention No. 98 (right to organise and collective bargaining convention, 1949). Table 2 illustrates the extent to which the company has been in compliance with the eight fundamental ILO Conventions that Zambia has since ratified and are in force. A discussion with the Ministry of Labour and Social Security officials confirmed no evidence of exemption for the bank from complying with this ILO Convention.

Table 2: Respect of Fundamental ILO Conventions, African Banking Corporation

	Conventions	Date Ratified	Status	Bank Compliance
1		02 Dec 1964	In force	Yes
2		02 Sep 1996	In force	Yes, Recognition agreement granted to the union in September 2015
3		02 Sep 1996	In force	No, currently no collective bargaining taking place. Preparation to commerce first ever negotiation under way.
4		20 Jun 1972	In force	Yes, though issues of transparency around salaries and in decision making processes remain
5		22 Feb 1965	In force	Yes
6		23 Oct 1979	In force	Yes
7	*Minimumagespecified: 15 years*	09 Feb 1976	In force	Yes
8		10 Dec 2001	In force	Yes

The company has, at least in declared intent, set to comply with seven out of the eight fundamental ILO Conventions as summarised in the table above. There was also declared intent to commence collective bargaining negotiations in line with the ILO Convention number 98 but since this was yet to happen, this was evaluated as a case of non-compliance. A discussion with key informants further suggests issues of latent frustration on the question of overtime, disbursement of loan facilities and remuneration policy. Preparation to commerce first ever negotiations were under way and it was noted that some of the issues related to the terms and conditions of service which cause frustration to workers would be dealt with in the discussion.

A quick look at compliance with technical conventions suggest that the policy on hours of work in the company was consistent with a 40-hour week (ILO Recommendation No.116) and the Weekly Rest Convention No.14 of 1921. Applicable conditions of work on Social Security and Occupational Health and Safety were also consisted with international labour standards. To a greater extent, therefore, the bank's declared intent respected international labour standards but fell short on the collective bargaining convention.

3.5 Respect of National Labour laws

The company has, at least in declared intent, also set to comply fully with four out of the five fundamental national labour laws as summarised in the table below. There was also declared intent to commence collective bargaining negotiations with the newly recognised union that will organise and represent workers in future employment relations matters. This is consistent with the Industrial and Labour Relations Act. However, since collective bargaining is yet to take place, compliance with the act can be said to be partial. Furhermore, as alluded to earlier, a discussion with key informants suggests issues of latent frustration on the question of overtime, disbursement of loan facilities and remuneration policy mentioned in the Human Capital Manual which comply with the employment law on paper but come short on actual practice. Overall, it seemed the bank was generally compliant with provisions of the employment act, minimum wages and conditions of employment act, factories act and workers' compensation act.

Table 3: Respect of Fundamental Labour Laws, Africa Banking Corporation Zambia

	Fundamental Labour Laws in Zambia	Purpose	Bank Compliance
1	EmploymentAct	Regulates individual employment relations such as hiring, firing, payment of wages and working hours.	Yes, though issues of transparency around salaries and in decision making processes remain.
2	Industrial and Labour Relations Act	Regulates trade unions, employers' organizations, collective bargaining, strikes, lockouts, industrial disputes and establishes the Industrial Relations Court	Partially, recently granted recognition agreement to sector union (September 2015) but collective bargaining not yet in place. Preparation to commencefirstevernegotiationunderway.
3	Minimum Wages and Conditions of Employment Act	Regulates provisions for the protection of minimum wage levels and minimum conditions of employment	Yes
4	FactoriesAct	Regulates working conditions and labour inspection in factories. It sets specific standards for various elements of Occupational Safety and Health in factories.	Yes,
5	WorkersCompensationAct	Regulates compensation to workers for disabilities suffered or diseases contracted during the course of employment.	Yes

3.6 Overall Development Impacts

The study found that the BancABC, like other commercial banks, private equity funds and other financial intermediaries, does not provide disaggregated data on which clients, projects and companies they support and what development impacts were being achieved. This made it difficult to establish clear conclusions. For instance, an assessment of how employment dynamics had changed among SMEs that were to be primary beneficiaries of the financing intervention could not be determined due to limitations with access to SMEs employment data. The position of bank management was that they only monitored the credit side of SMEs under its portfolio creation. Data limitation could therefore not enable concrete analysis of the development impacts of the Norfund loan beyond the impacts on BancABC's itself.

Furthermore, the terms of lending specified by Norfund (for instance that the loan needed to be repaid within five years) meant that BancABC was compelled to undertake due diligence on loan applicants. The consequence was that the bank extended funds largely on a short term basis (less than three-year repayment periods) and only to medium sized enterprises with the capacity to repay on commercial interest criteria. The strict conditionality associated with the Norfund fund imposed a constraint on the bank to restrict its lending to medium sized enterprises that could be strictly monitored on loan performance.

4. CONCLUSIONS AND RECOMMENDATIONS

This paper started with an observation and a set of questions. The observation was that the changing Overseas Development Assistance (ODA) architecture has opened up room for new market-based development finance approaches, leading to ODA financed PPPs. The set of questionswere:

1) to what extent has Norfund's equity investment in African Banking Corporation Zambia contributed to employment creation and respect of labour rights and compliance with national labour laws and international labour standards by the beneficiary firm?
2) what have been the overall development results and impacts on communities of this ODA funded PPP project?
3) to what extent have trade unions participated in decision-making on PPPs development in Zambia, and how can that role be enhanced?

After an analysis, limited evidence of improved employment outcomes were found. Employment levels have risen within the bank establishment. However, evidence on employment relations pointed to recent improvements but failure to respect the international labour standard and national labour law on collective bargaining was also observed. The paper further established that trade unions have not been involved in decision-making on PPPs in development.Against these findings, the paper reaches the conclusion that the development impacts of this project are minimal, and at best unclear in the short-term. At the same time, the trade union capacity to understand and participate in decision-making processes on PPPs needs to be enhanced.

The main challenges associated with ODA use in PPPs that this case brings to the fore relate to the following:

- **Difficulty in determining whether lending and investment** reached the intended beneficiaries. The firm, like other commercial banks, private equity funds and other financial intermediaries does not provide disaggregated data on which projects and companies they support and what development impacts are achieved.
- **Lack of a harmonised approach to measure impact of ODA funded PPPs.** There is currently no harmonised approach in the country in terms of measuring development

impacts of ODA supported PPPs and the existing legal framework appears inadequate with respect to this dimension of private sector development.

The main opportunity, however, is for the public development finance to play a crucial role in providing funds to credit constrained companies, unleashing the potential of a thriving private sector that in turn creates decent jobs, pays a fair share of taxation to the government, and provides goods and services to citizens. However, it is fundamental, as ITUC-Africa posits, 'that such engagement of the private sector by ODA actors be made more coherent with the overall goals of development effectiveness and the creation of an inclusive development agenda'.

Recommendations

It is crucial to ensure that investing in the private sector does not become an excuse for diminishing aid budgets, but a true development tool. In this context, the paper makes the following recommendations:

For the Government

Strengthen the legal and regulatory framework for PPPs in Zambia

The paper observes that the current legal framework is not responsive to the emerging phenomenon of ODA funded PPPs. This constitutes a loophole in the law. In order to strengthen the PPP law and make it more responsive to ODA funded PPPs, it is recommended that the government, with appropriate participation from broader civil society and other non-state actors, undertake to amend the existing legal framework with the view to broadening its scope and ensuring its effectiveness in monitoring ODA funded PPP projects.

For Development Partners/ Development Finance Institutions

Align development finance to developing countries' investment priorities

In order to respect developing country national development priorities, development finance investments should be aligned to Zambia's national development strategies, including national industrial and agricultural policies and strategic priorities for private sector development. In this regard, the development a coherent framework that sets clear guidelines for how DFIs will align to country owned development strategies, such as Zambia's Revised National Development Plan

(R-SNDP, 2013-2016) and the upcoming Seventh National Development Plan (2017-2023), is of the essence.

Make development outcomes the overriding criteria for project selection and evaluation

This paper concludes that the development impacts of the African Banking Corporation investment project are unclear. At best, there was no clear framework for their monitoring. Therefore, development impact should be the overriding priority at all levels of project selection. To ensure this, DFIs should mainstream development objectives into all investments, with clear outcome indicators and effective monitoring of projects from the project selection phase to its completion.

Relax lending conditions

DFI should have targeted strategies for the development of SMEs that should include relaxing the repayment time-horizons imposed on recipient financial institutions that are lending to SMEs. This will enable the recipient financial institutions to lend long term and thus ensure that their loan is structured in a way that can also benefit small enterprises.

For Trade Unions

Undertake a pro-active agenda towards the use of ODAs in PPPs

It was established that trade unions organising the financial services sector were not aware of the use of ODA in the development of PPP projects, let alone that of investment in African Banking Corporation Zambia. It would, therefore, be of the essence that trade unions devise pro-active strategies for ensuring that the use of ODA in PPPs is coherent with the overall goals of development effectiveness and the creation of an inclusive development agenda. A pro-active agenda must also entail acting on present trade union possibilities to raise awareness around rights of workers in ODA funded PPP projects.

Demand for space and participation in the PPP institutional framework in Zambia

A useful starting point for the trade unions to engage more effectively with the PPP agenda in Zambia is to demand for space and participate in the institutional framework governing the operation of PPPs in Zambia. The absence of the trade unions on the technical committee that provides oversight on the development and management of PPPs in Zambia needs to be rectified.

Establish union structures across all African Banking Corporation Zambia Branches and ensure cross border solidarity with workers in the neighbouring countries where the bank also operates

Given that the union organising workers in the financial services sector in Zambia has just been granted a recognition agreement by the management of the African Banking Corporation Zambia, it is of the essence that the union act swiftly to establish organising structures within the bank in Zambia and complement this effort with cross border solidarity networks with workers in neighbouring countries, for instance in Bostwana where the bank has its headquarters.

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