

EPWP presentation to 2010 National and Global Strategic Business

28th July 2010

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Background to EPWP 2

- The first phase of the Expanded Public Works Programme achieved its 1 million work opportunities targets a year ahead of schedule
- The second phase of the EPWP to scale up further to contribute significantly to halving unemployment by 2014
- Cabinet approved the high level proposals for EPWP 2 in June 08 and the Business Plan at the Lekgotla in January 2009
- R 4.1 billion was allocated over the 2009 MTEF to scale up the EPWP as incentive. In the 2010 MTEF, the incentive has been increased to 5.4 Billion.
- Agreement at the PCC for DPW to set targets for provinces and municipalities and for them to report DPW
- EPWP 2 implementation to started on 1 April 2009

Goal of EPWP Phase 2

To create 4.5 million work opportunities for poor and unemployed people in South Africa so as to contribute to halving unemployment by 2014, through the delivery of public and community services.

(Scale up from 210 000 FTE in Y1 to 610 000 FTE in Y5;
Equivalent to 2 million Full Time Equivalents in 5 years)

EPWP to enable government to act as an employer of last resort as part of the Anti-Poverty Strategy

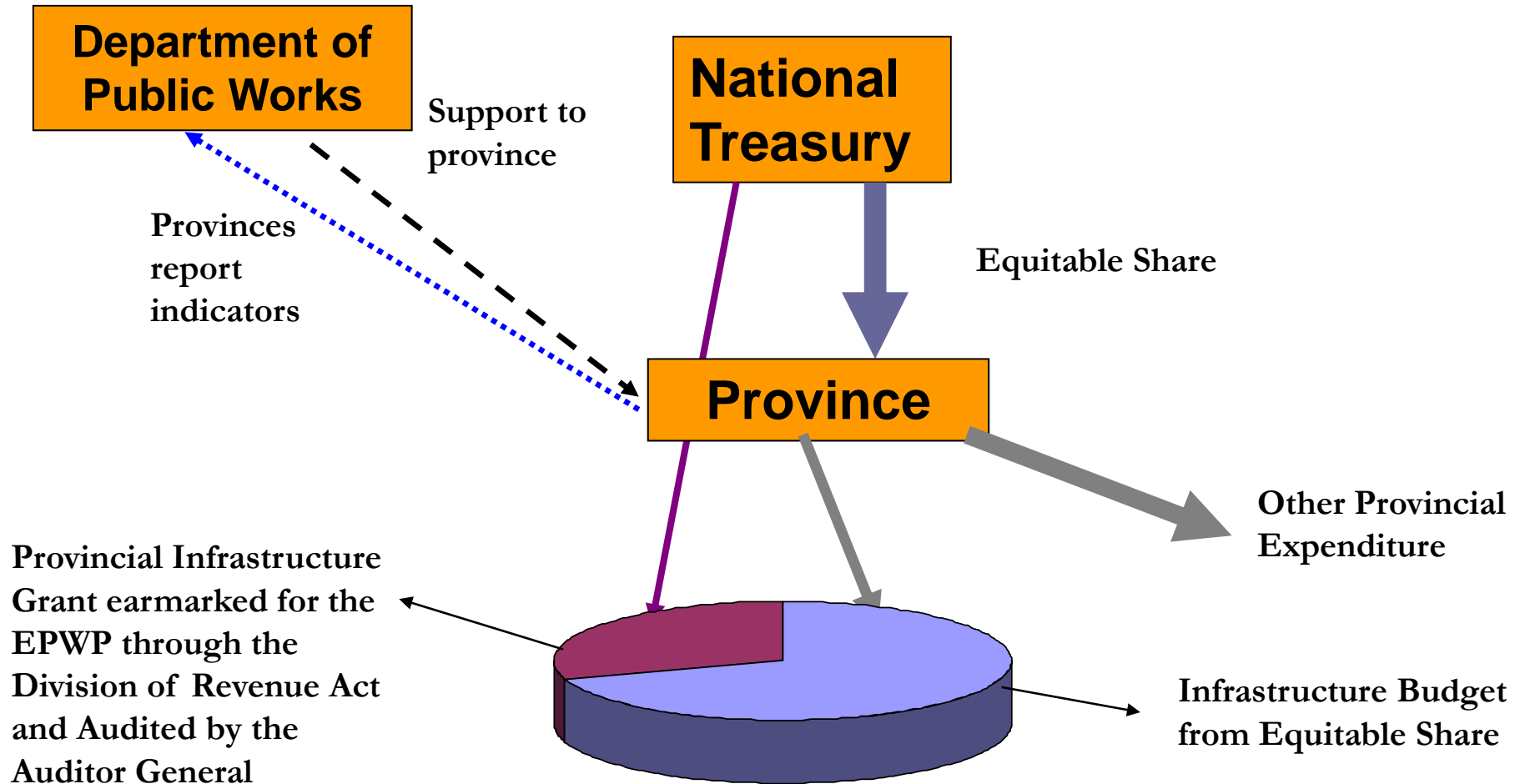
Critical Success Factors for EPWP 2

- Make creation of paid work the primary objective of the programme (**Employer of last resort**)
- Locate clear political and administrative accountability for EPWP work creation targets across all spheres of government
- Align EPWP outputs with the core mandates and programmes of implementing public bodies
- Provide fiscal incentives to accelerate scaling up of EPWP outputs across all spheres of government
- Mobilise non-state capacity to deliver additional EPWP work opportunities

Funding for EPWP Projects

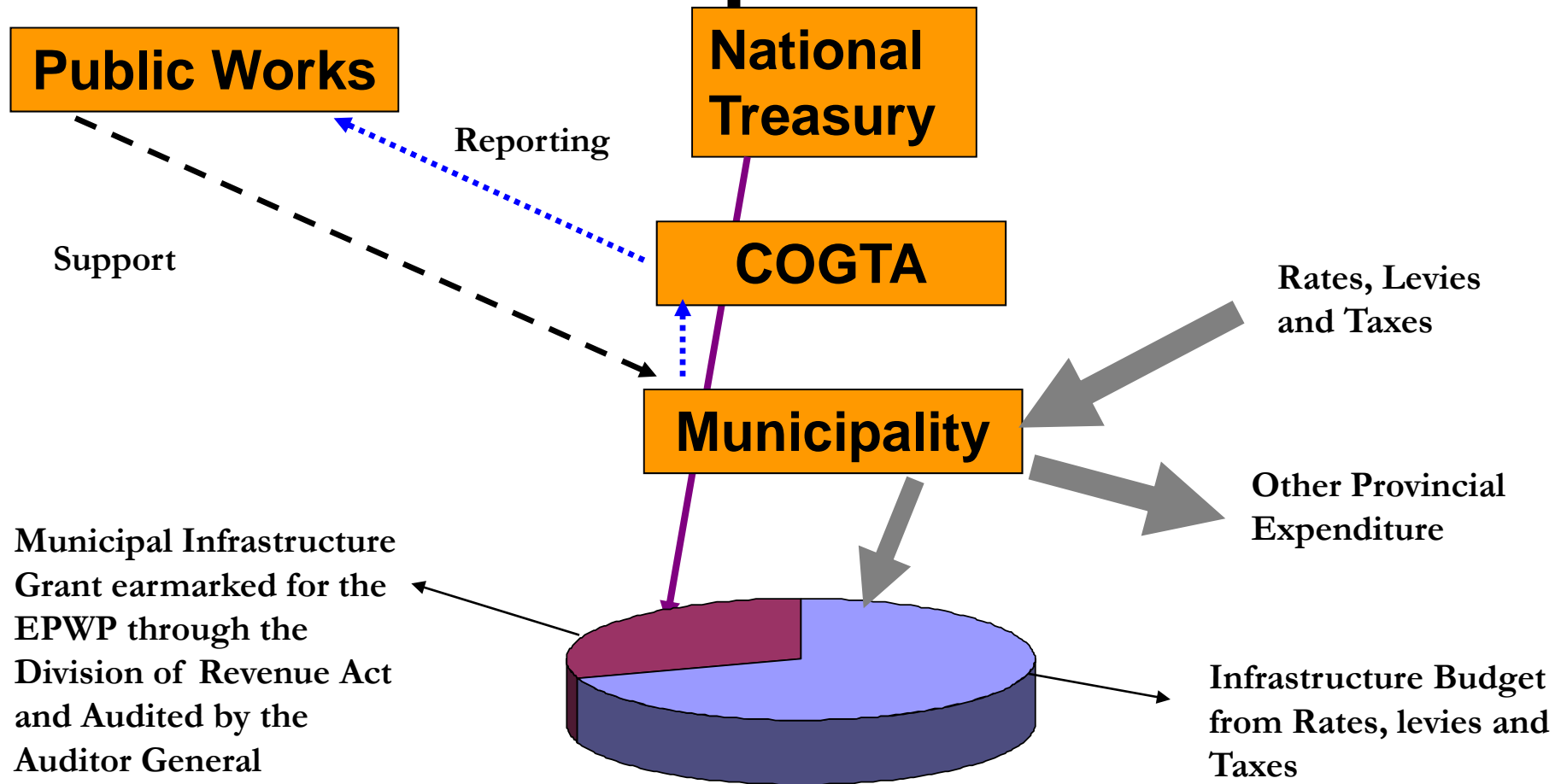
- Funding for EPWP projects is through the line budgets of Public bodies across all the sectors.
- Funding for projects in the infrastructure sector is mainly through the conditional infrastructure grants namely; Infrastructure Grant to Provinces (IGP) and Municipal Infrastructure Grant (MIG).
- Conditions attached to these conditional infrastructure grants require Provincial departments and Municipalities to implement certain projects labour-intensively in line with the EPWP guidelines.
- It is estimated that at least R 28 Billion of the IGP and MIG will be used to fund EPWP infrastructure projects in EPWP phase 2.

Infrastructure Sector: Provinces



Provincial Infrastructure Grant earmarked for the EPWP through the Division of Revenue Act and Audited by the Auditor General

Infrastructure Sector: Municipalities



Municipal Infrastructure Grant earmarked for the EPWP through the Division of Revenue Act and Audited by the Auditor General

Key Components of EPWP 2

1. Targets and Accountability across all spheres of Government

- Overall Phase 2 targets will be distributed across all spheres of government and the five year period so that:
 - Each public body has a clear target for each financial year
 - It is clear which programmes/ activities of the public body are expected to contribute to the target
 - The targets are adjusted annually over the MTEF in line with budgets available to and performance of each public body
 - Targets are calculated by applying an employment factor in FTE/ R million to grants received by public bodies
- Respective political and administrative heads to be held accountable for achieving respective targets
- EPWP Unit to manage the setting, monitoring and feedback process for performance in relation to all targets

Phase 2 targets in Full Time Equivalents broken down per sphere of government

	Local	Provincial	National	Non-State	<i>Totals</i>
2009-2010	61 922	117 554	22 698	8 696	<i>210 870</i>
2010-2011	74 371	136 630	28 999	20 870	<i>260 670</i>
2011-2012	97 342	181 667	40 991	41 739	<i>361 739</i>
2012-2013	125 853	243 527	56 272	76 522	<i>502 174</i>
2013-2014	157 086	320 692	76 570	130 435	<i>684 783</i>
<i>Totals</i>	<i>516 573</i>	<i>1 000 070</i>	<i>225 531</i>	<i>278 261</i>	<i>2 020 435</i>

Phase 2 targets in 100-day work opportunities broken down per sphere of government

	Local	Provincial	National	Non-State	<i>Totals</i>
2009-2010	182 607	247 325	100 068	20 000	550 000
2010-2011	208 032	281 720	104 248	48 000	642 000
2011-2012	267 920	370 420	133 660	96 000	868 000
2012-2013	349 129	501 283	183 588	176 000	1 210,000
2013-2014	440 721	659 286	249 994	300 000	1 650 000
<i>Totals</i>	1 448 409	2 060 034	771 557	640 000	4 920 000

Break down of Targets for EPWP phase 2 for different sectors (work opportunities)

Year	Infrastructure	Environmental	Social	Non-state	Total
09/10	300,000	150,000	80,000	20,000	550,000
10/11	342,000	156,000	96,000	48,000	642,000
11/12	440,000	200,000	132,000	96,000	868,000
12/13	572,000	275,000	187,000	176,000	1,210,000
13/14	720,000	375,000	255,000	300,000	1,650,000
Total	2,374,000	1,156,000	750,000	640,000	4,920,000

Break down of Targets for EPWP phase 2 for different sectors (Full Time Equivalents)

Year	Infrastructure	Environmental	Social	Non-state	Total
09/10	108,696	32,609	60,870	8,696	210,870
10/11	130,435	41,739	67,826	20,870	268,870
11/12	170,435	59,130	90,435	41,739	361,739
12/13	220,000	81,304	124,348	76,522	502,174
13/14	273,913	110,870	169,565	130,435	684,783
Total	903,478	325,652	513,043	278,261	2,020,435

2- EPWP Fiscal Incentive

- The EPWP incentive is based on paying all public bodies that create work above a minimum threshold for the EPWP target group an incentive of R50 per day for every day of work created.(Rural Municipalities do not have a minimum threshold). R60 per day to be paid in 10/11 for rural municipalities.
- R4.1 billion has been allocated to DPW over the 09/10 MTEF to pay out the incentive to public bodies and this is expected to grow to at least R 5 billion by 2014. R 5.4 billion has been allocated for the 10/11 MTEF.
- Eligible public bodies that want to participate in the incentive will enter into an agreement with DPW
- While indicative performance targets and incentive amounts are set for each eligible public body, they will only be able to claim the incentive upon proving that work has been created
- Basis for measuring EPWP performance
 - Number of FTE's per million Rand of infrastructure budget, taking into account the different portfolios of infrastructure and the rate at which each can contribute to employment creation
 - Each public body must meet a minimum eligibility threshold before they can start accessing the incentive (Does not apply to rural municipalities).



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The incentive is not paid out for work created below the eligibility threshold, but is paid for all work created above this threshold



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2- EPWP Fiscal Incentive

- **Eligibility:** In order for provinces and municipalities to become eligible for the incentive they must:
 - Report to DPW on the EPWP
 - Meet minimum employment creation targets based on their available budgets
- **Agreements:** Eligible public bodies will enter into agreements with DPW which will specify:
 - Targets to be met by the public body
 - Amounts that can be claimed by the public body for reported EPWP work created
 - Reporting and verification and audit requirements through the EPWP Management Information System
 - EPWP workers may not be paid less than R50 per day
- **Appropriation of funds**
 - Eligible public bodies should incorporate the incentive allocation into their budgeting and planning proces but take into account that payment by DPW will occur quarterly, after employment has been created

2010 MTEF Allocations - Infrastructure

Provinces

- Overall performance improved, btw 2007/08 and 2008/09; but 3 provinces had noticeable declines in performance
- Provincial roads depts are the largest contributors in all the provinces and all receive the largest share of the IGP, although this varies between 80.7% in EC to 42.5% in KZN. Based on 2008/09 performance, FS; LP & NW Transport are all well below average performance levels, but NC Transport just misses being eligible.

Province	2007/08 performance (FTEs)	2008/09 performance (FTEs)	% change in performance y-o-y	2009/10 Allocation (3 installments)	2010/11 Allocation (3 installments)	Total year's 2010/11 Allocation	% increase y-o-y (3 installments)	% increase y-o-y
EC	7 660	10 359	35.20%	29 992	50 356	60 354	67.90%	101.23%
FS	3 967	1 786	-55.98%	23 008	6 098	13 767	-73.50%	-40.16%
GP	348	4 374	1156.90%	500	38 988	39 154	7697.51%	7730.86%
KZN	11 716	21 000	79.20%	84 180	141 410	169 470	67.98%	101.32%
LP	1 335	759	-43.10%	500	2 736	2 903	447.16%	480.51%
MP	1 407	2 189	55.60%	5 047	16 392	18 074	224.79%	258.12%
NC	336	1 228	265.50%	500	1 000	1 167	100.00%	133.35%
NW	1 388	699	-49.60%	7 192	500	2 897	-93.05%	-59.72%
WC	2 686	3 210	19.50%	500	23 052	23 218	4510.34%	4543.69%
Total	29 076	45 604	56.80%	151 419	280 531	331 004	85.3%	118.6%

*It should be noted that this is not the full allocation for 2010/11; this is merely a comparison of the estimate of 3 installments based on 2008/09 performance versus the same based on 2007/08 performance.

2.2 Fiscal incentive to Municipalities

- In order to cater for rural Municipalities in line with comments from the Select Committee on Finance, the following considerations have been considered:
 - The FTE target for Metros per million rand of expenditure is 6, different from 3 considered for other Municipalities.
 - The FTE minimum threshold for Rural Municipalities = 0.
 - Full incentive = (FTE Target – FTE minimum threshold) X 230 X 50.
- DORA amount = 50% x Full incentive amount.
- The incentive amount to be paid for rural municipalities in the 10/11 financial year is R 60 per person day. R50 will still be paid for Metros in the 10/11 financial year.

2010 MTEF Allocations - Infrastructure

Municipalities

- 2009/10 Allocation of R202m is only 2 disbursements in the national financial year **VS**
- 2010/11 Allocation of R421m for the same period in the national financial year
- 120 municipalities will be eligible to receive the incentive grant in 2010/11 and another 6 will be receiving just the Q3&4 payment carried over from 2009/10 **VS** the 68 municipalities eligible in 2009/10, great improvement in the no. of munis reporting
- Of the 120 municipalities eligible in 2010/11, 66 municipalities receive a nominal allocation for 2010/11 (just over half).

Munis aggregate by province	EPWP Performance (in FTEs) 2007/08	Number of munis reporting 2007/08	Incentive Allocation in 2009/10 (30 Oct, 30 Jan)	EPWP Performance (in FTEs) 2008/09	% change in performance y-o-y	Number of munis reporting by Q2 2009/10	Incentive Allocation in 2010/11 (30 Oct, 30 Jan)	% increase y-o-y (2 installments)	Total 2010/11 Incentive Allocation	% increase y-o-y
EC	8 766	12	53 559	5350	-38.97%	25	44 247	-17.39%	97 806	82.61%
FS	2 002	4	9 073	3010	50.35%	10	22 327	146.08%	31 400	246.08%
GP	12 980	5	34 881	34388	164.93%	10	130 167	273.17%	165 048	373.17%
KZN	9 199	9	39 974	13323	44.83%	13	83 639	109.23%	123 613	209.23%
LP	2 496	10	18 328	3344	33.97%	18	37 026	102.02%	55 355	202.02%
MP	1 943	9	13 454	2107	8.44%	17	23 835	77.16%	37 288	177.15%
NC	2 450	5	15 496	3845	56.94%	8	34 903	125.24%	50 399	225.24%
NW	1 307	7	9 694	1982	51.64%	18	26 356	171.88%	36 049	271.87%
WC	2 649	7	7 289	3905	47.41%	7	18 750	157.23%	26 038	257.22%
Total	43 792	68	201 748	71 254	62.7%	126	421 250	108.8%	622 996	208.8%

2.2 Fiscal incentive to Municipalities cont'd

- 68 Municipalities were eligible for the incentive in the 09/10 financial year. These include 10 ISRDP nodes.
- Total incentive allocation to Municipalities is R 201.7 Million, of which R 147.2 Million will go to rural Municipalities and R 54.5 Million for Metros in the 09/10 financial year.
- 126 Municipalities are eligible for the incentive in the 10/11 financial year. The total allocations for municipalities is R 623 million for the 10/11 financial year.

2.3 Performance on the EPWP infrastructure Incentive after the 3rd quarter of the 09/10 financial year

- 5 out of the 16 Provincial Departments have been paid incentive payments totaling R 53,633 million considering 3rd quarter payment reports. Total payment to Provincial departments considering payments in previous quarters is R116.6 million out of an allocation of R 151.4 million (77% of Provincial allocation).
- 47 of the 68 eligible municipalities have been paid their incentive payment of R 78.6 million considering the 3rd quarter report of the 09/10 financial year. Total incentive payment to municipalities after the 3rd quarter is R 114.17 million out an allocation of R 201.7 million (57% of Municipal allocation).
- Total incentive payment to Provincial Departments and Municipalities made for the 09/10 financial year totals R 230.8 million, out of the total allocation of R 352.1 million, representing expenditure of 66% of the allocation for the 09/10 financial year.



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Performance on the EPWP incentive grant by Provinces after 3rd Quarter 09/10 financial year

Province	Incentive allocation for the 09-10 financial year (R'000)	Incentive payment after 3 rd quarter 09-10 (R'000)	Incentive payment for 3 rd quarter 09-10 (R'000)
Eastern Cape	29,992	17,457	15,381
Free State	23,008	0	0
Gauteng	500	0	0
KwaZulu-Natal	84,180	84,854	35,100
Limpopo	500	0	0
Mpumalanga	5,047	0	0
Northern Cape	500	0	0
North West	7,192	0	0
Western Cape	500	14,269	3,152
Total	151,419	116,581	53,633

Performance on the EPWP incentive grant by municipalities after 3rd Quarter 09/10 financial year

Province	Incentive allocation for the 09-10 financial year (R'000)	Incentive payment after 3 rd quarter 09-10 (R'000)	Incentive payment for 3 rd quarter 09-10 (R'000)
Eastern Cape	53,559	7,818	3,905
Free State	9,073	1,956	1,047
Gauteng	34,881	59,875	51,038
KwaZulu-Natal	39,974	26,102	15,038
Limpopo	18,328	6,140	2,626
Mpumalanga	13,454	2,453	1,468
Northern Cape	15,496	5,769	960
North West	9,694	2,787	1,493
Western Cape	7,289	1,271	708
Total	201,748	114,170	78,644

2.4 Performance on the EPWP infrastructure Incentive after the 4th quarter of the 09/10 financial year

- 8 out of the 16 Provincial Departments will be paid incentive payments totaling R 54.551 million considering EPWP 4th quarter report for the 09/10 financial year . Total payment to Provincial departments considering payments in previous quarters is R171.132 million out of the full incentive allocation of R 201.892 million for 09/10 reporting (85% of the full allocation). This payment includes 4th quarter payment paid in the 10/11 financial year.
- 36 out of the 68 of the eligible municipalities will receive a total incentive payment of R93.463 million considering the 4th quarter report for the 09/10 financial year.
- Considering the 4th quarter report (3rd quarter for municipalities) 56 of the eligible 68 municipalities will have accessed R 207.61 million out of the available R 302.383 million available in the 09/10 municipal financial year (69% of the allocation for the municipal financial year). This is comparable to the 75% of allocation expected to be paid after 3 of the 4 quarters in the municipal financial year.

Performance on the EPWP incentive grant by Provinces after 4th quarter 09/10 reporting

Province	Full Incentive allocation for the 09-10 reporting including 4 th quarter payment in 10/11 (R'000)	Incentive payment after 4 th quarter 09-10 (R'000)	Incentive payment for 4 th quarter 09-10 (R'000)	Percentage of 09/10 full incentive paid (%)
Eastern Cape	39,989	34,789	17,332	87
Free State	30,678	0	0	0
Gauteng	667	2,498	2,498	375
KwaZulu-Natal	112,240	115,259	30,269	103
Limpopo	667	2,617	2,617	393
Mpumalanga	6,730	0	0	0
Northern Cape	667	0	0	0
North West	9,589	0	0	0
Western Cape	667	15,969	1,700	2395
Total	201,892	171,132	54,551	85

Performance on the EPWP incentive grant by Municipalities after 4th quarter 09/10 reporting (3rd quarter 09/10 for municipalities)

Province	Incentive allocation considering 09/10 municipal financial year (R'000)	Incentive payment after 4 th quarter 09-10 (R'000)	Incentive payment for 4 th quarter 09-10 (R'000)	Percentage of 09/10 full incentive paid (%)
Eastern Cape	80,339	16,778	8,961	21
Free State	13,609	2,093	137	15
Gauteng	52,077	99,081	39,208	190
KwaZulu-Natal	59,962	50,572	24,469	84
Limpopo	27,495	17,358	11,240	63
Mpumalanga	20,181	247	34	12
Northern Cape	23,244	5,801	32	25
North West	14,541	11,581	8,797	80
Western Cape	10,934	1,855	584	17
Total	302,383	207,610	93,463	69

- The EPWP incentive grant is beginning to have the intended performance of encouraging Public bodies to exceed their Full Time Equivalent (FTE) work opportunity targets. Provincial Departments in KZN, GP, WC and EC have exceeded their targets and have paid extra incentive amounts.
- 11 of the 68 eligible municipalities in GP, KZN, LP, NW and WC have already exceeded their FTE targets by the 4th quarter of reporting (3rd quarter of municipalities) for 09/10.
- The number of Municipalities that will access the incentive will increase to 126 municipalities in the 10/11 financial year from the 68 municipalities in the 09/10 financial year.

3- Non-State Sector

- Phase 2 of the EPWP will also see the introduction of the “Non-State” sector of the EPWP
- In this sector, the wage incentive will also be provided to Non-State bodies like NGO’s, CBO’s and other non-profit organisations whose activities also create work for the EPWP target group
- R80 million of the wage incentive was allocated to the non state sector for 2009-10
- The sector is projected to grow rapidly as many existing non-state programmes have the potential to grow rapidly through the injection of the wage incentive
- The Non-State Sector will be managed by DPW with oversight from other key departments, but will be implemented with the assistance of an intermediary
- Two sets of programmes will be implemented:
 - Area based: These will include programmes within a specific area that will generally involve a large range of activities as identified in consultation with the community and local government
 - Activity based: These will include programmes by non-state actors that have specific focus areas such as health care, child care, community safety etc

4- Technical Support

- The EPWP unit, in cooperation with the Sector lead departments and the provincial coordinating departments will increase capacity to provide technical support to those public bodies that require it
- Public bodies who are not able to meet targets or meet all specified requirements should request technical support
- Areas in which technical support will be provided are:
 - Developing plans to meet targets
 - Identifying suitable projects and programmes
 - Design of projects and programmes
 - Implementation support
 - Reporting
- In addition to the EPWP Unit, the Technical Assistance Unit in National Treasury will also be able to support public bodies
- Support programmes for the Environmental and Social Sector are being reviewed and strengthened

Q4: Work opportunities per sector and province (Overall) (1 April - 31 March 10)

Province	Environment & Culture	Infrastructure	Non-state	Social	TOTAL
EC	13,742	47,812	21,410	16,969	99,933
FS	5,194	10,912	7,709	14,652	38,467
GP	18,337	66,782	2,909	20,373	108,401
KZN	26,547	75,288	6,674	63,771	172,280
LP	6,854	14,288	4,487	27,952	53,581
MP	3,551	7,967	10,765	21,266	43,549
NC	4,483	10,252	995	6,937	22,667
NW	3,815	12,562	2,272	18,962	37,611
WC	13,419	17,594	2,818	15,539	49,370
TOTAL	95,942	263,457	60,039	206,421	625,859

Comparison between phase one and phase two of EPWP

EPWP 1	EPWP 2
Over the first five years to create temporary work opportunities and income for at least 1 million unemployed South Africans.	To create 2 million Full Time Equivalent jobs which equates to approximately 4.5 million work opportunities of a 100 day average duration over the five years of the programme for poor and unemployed people in South Africa so as to contribute to halving unemployment by 2014, through the delivery of public and community services .
To provide needed public goods and services, labour-intensively, at acceptable standards, through the use of mainly public sector budgets and public and private sector implementation capacity	Public bodies from all spheres of government (in terms of their normal mandates and budgets) and the Non State sector (supported by government incentives), deliberately optimizes the creation of work opportunities for unemployed and poor people in South Africa through the delivery of public and community services .
14% of public works participants earn future income by receiving work experience, training and information related to local work opportunities, further education and training and SMME development	Training and enterprise development will be implemented in sub-programmes to enhance service delivery. Each programme will set its own targets.
Exit strategies will be developed for each sector and will identify possible exit routes for workers once they leave the EPWP programmes.	None - it is acknowledged that in an economy where there are insufficient work opportunities the creation of exit strategies is not possible

Conclusions

- Investment in infrastructure provision coupled with the use of labour-intensive methods of constructions promotes the creation of work opportunities contributing towards poverty alleviation as evidenced by EPWP.
- Partnerships between Government and Non-state actors like NGOs can lead to job creation and should be promoted.