

**Shisaka**

acting for

**The Business Trust**

and

**Department of Public Works**

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**Expanded Public Works Programme**

**Strategic and operational review of conditional  
grants**

Case Study Report – v1.1

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**P·D·G**

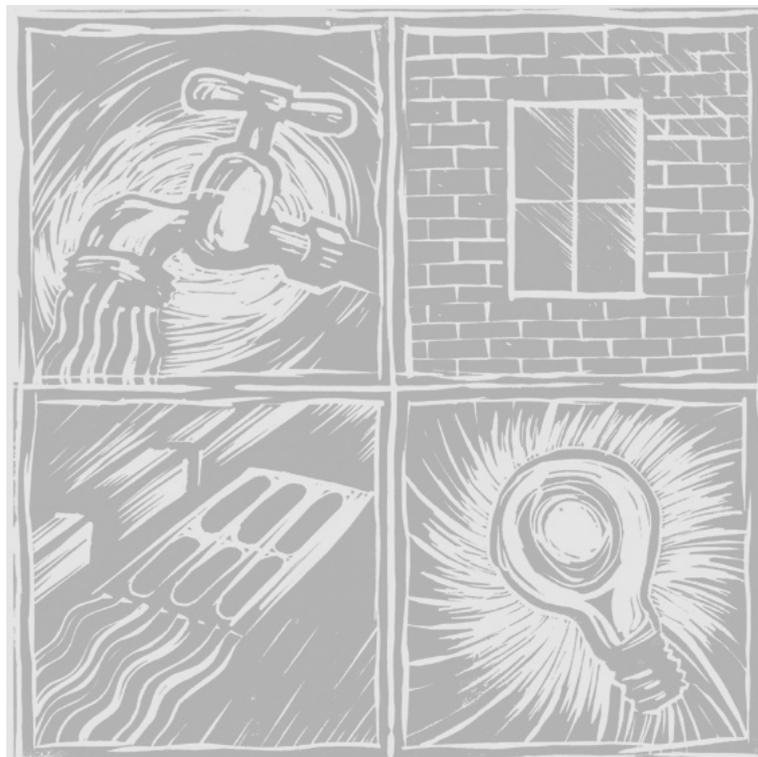
PALMER DEVELOPMENT GROUP

## Contact Details

### Palmer Development Group

*Contact* Ian Palmer  
*Postal address* PO Box 53123, Kenilworth, 7745  
*Physical address* 254 Main Road, Kenilworth, Cape Town  
*Telephone* (021) 797 3660  
*Facsimile* (021) 797 3671  
*E-mail* [ian@pdg.co.za](mailto:ian@pdg.co.za)

*Contact* Lindiwe Ndlela  
*Postal address* Postnet Suite #259, Private Bag X30500, Houghton, 2041  
*Physical address* 7 St Davids Place, Parktown, Johannesburg  
*Telephone* (011) 484 9992  
*Facsimile* (011) 643 1423  
*E-mail* [Lindiwe@pdg.co.za](mailto:Lindiwe@pdg.co.za)



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# Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>2</b>	<b>Methodology</b>	<b>1</b>
2.1	Case study selection	1
2.2	Interviews	3
<b>3</b>	<b>Overview of EPWP in provinces</b>	<b>3</b>
3.1	PIG	3
3.2	MIG	5
<b>4</b>	<b>Case study findings</b>	<b>5</b>
4.1	Overall cooperation with study	5
4.2	Institutional arrangements for PIG	6
4.3	Institutional arrangements for MIG	6
4.4	Financial aspects	9
4.5	General experience with EPWP Guidelines	9
4.6	Project experience of EPWP	11
<b>5</b>	<b>Lessons for the EPWP strategy</b>	<b>13</b>
<b>6</b>	<b>Closure</b>	<b>14</b>

# 1 Introduction

Fieldwork for the Strategic Review of the Infrastructure Component of the Expanded Public Works Programme (EPWP) has been substantially completed. The fieldwork was undertaken in provinces and municipalities to assess current practice in implementing the EPWP. Twenty (20) case studies comprised of 4 provincial<sup>1</sup> and 16 municipal infrastructure projects that were funded with the Provincial Infrastructure Grant (PIG) and Municipal Infrastructure Grant (MIG) respectively and how the EPWP is implemented in these projects.

The 18 case studies which have been completed are written up in draft form and are available if required. This summary report presents a summary from all the work done to date, focusing on key issues identified from the case studies.

The report is intended to inform discussions with DPW and Shisaka after which it will be edited and form an input into the overall strategy review of the infrastructure component of the EPWP.

## 2 Methodology

### 2.1 Case study selection

As mentioned above, 20 case studies were selected in consultation with the Department of Public Works (DPW) and Shisaka and the following table shows the case studies that were selected for assessment:

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<sup>1</sup>Two of the provincial case studies could not be completed in time for this report due to lack of information from Gauteng Province and lack of approval to visit the identified project in the case of KwaZulu/Natal Province.

	<b>Province</b>	<b>Metro &amp; city</b>	<b>District</b>	<b>Local</b>
EC	<b>E Cape</b> Rural road.	<b>Buffalo City (B1)</b> Urban housing and bulk infrastructure (mainly water)	<b>Amatole (C2)</b> Rural sanitation <b>Chris Hani</b> Rural sanitation	
WC		<b>Cape Town (A)</b> Urban roads rehabilitation	<b>Winelands (C1)</b> Urban roads rehabilitation	
NC			<b>Pixley Ka Seme (C1)</b> Urban roads	
NW			<b>Bophirima (C2)</b> Urban water supply	
FS		<b>Mangaung (B1)</b> Urban stormwater (not started yet).	<b>Thabo Mafutsanyane (C1)</b> Rural road	<b>Maluti a Phofong (B2/3)</b> Rural sanitation
KZN	<b>KwaZulu-Natal</b> No case study (could not get approval)		<b>uThungulu (C2)</b> Water pipelines (rural) <b>Ugu (C2)</b> Water pipelines (rural)	
GT	<b>Gauteng</b> Not case study available.	<b>Jo'burg (A)</b> Urban roads		
LP		<b>Polokwane</b> Urban roads	<b>Sekhukhune (C2)</b> Rural roads	
MP	<b>Mpumalanga</b> Rural road		<b>Nkangala (C1)</b> Urban roads and stormwater.	

There were 4 provincial case studies that were used to assess the roads activities of provinces but only two could be completed in time for this report.

Projects investigated as part of the municipal case studies were used to assess a range of infrastructure provision activity as identified in the Infrastructure Sector Plan. The municipal case studies comprised of 5 metros and cities; 10 district municipalities; and 1 local municipality. The local municipality was included because it was the only local municipality that had Project Management Unit (PMU) at the time of case study selection. Only district municipalities, metros and large cities had PMU status. The PMUs in district municipalities are administering projects identified by local municipalities. However, increasingly local municipalities are applying for PMU status.

## 2.2 Interviews

Interviews were conducted at the provincial and local levels. In the provinces where the municipalities are located the officials responsible for MIG were interviewed to get the provincial overview of MIG expenditure; the application of EPWP Guidelines and the progress in establishing PMUs in the province. The second interview at the provincial level was with the official responsible for roads to understand the institutional arrangements governing roads in the province. For the provincial case studies, these interviews included project-level discussions about PIG-funded roads projects in which EPWP principles were applied. Of the 4 case studies, KwaZulu-Natal did not have a roads project and the roads department in Gauteng was difficult to get hold of until the preparation of this report. As a result, only Mpumalanga and the Eastern Cape are discussed in this report. If necessary, the outstanding case studies can be included in the final report.

Interviews for the municipal case studies were conducted with PMU officials, politicians responsible for infrastructure and chief financial officials. At the project level, consultants and contractors were also interviewed. These at the municipal and project level were mainly about the extent to which MIG-funded infrastructure projects were applying the EPWP principles.

These interviews were largely face-to-face interviews and where interviewees were not available at the time of the field visits, telephone interviews were conducted. In a few cases contractors and consultants were not available for interviews even telephonically.

To complement the interviews, site visits to the selected projects were then undertaken to assess the extent to which intensive labour construction methods were being implemented.

## 3 Overview of EPWP in provinces

EPWP is a condition for both PIG and MIG and it is important that the extent to which provinces and municipalities adhere to the EPWP Guidelines is important. The role of provincial departments with respect to EPWP is three-fold:

- They implement their own projects using PIG funds, with roads being the main type of infrastructure.
- Their departments of local government are responsible for support and monitoring if MIG project in municipalities, which it is the municipal PMUs that must ensure that the EPWP Guidelines are adhered to in the MIG projects.
- The works departments in the provinces are supposed to have EPWP support units within them to assist municipalities in implementing EPWP principles. As far as this could be ascertained, these departments are also responsible for approving projects as being EPWP compliant.

### 3.1 PIG

The Division of Revenue Act (DORA) imposes a condition for PIG grants that reports should cover the full infrastructure budget in the province as well as the grant allocation. Reports should also progress on expenditure and jobs created with EPWP-designated projects. The flow of the 2<sup>nd</sup> and 3<sup>rd</sup> installments will be conditional upon submission of quarterly reports.

The PIG is a National Treasury grant allocation to Provinces to supplement the funding of infrastructure programmes funded from provincial budgets to address backlogs in

provincial infrastructure. The infrastructure includes new and existing infrastructure in education, roads, health and agriculture. The grant is also meant to increase labour intensive methods on projects over the next 5 years as well as enhance the capacity to deliver infrastructure.

Among the infrastructure that is funded with PIG in provinces is the construction, rehabilitation and maintenance of roads. As mentioned above, interviews with the official responsible for roads in provinces were conducted with the aim of understanding how the responsibility for roads in the provinces is divided between province, district and local municipalities. This varies from province to province. The responsibility for provincial roads lies with the responsible departments, usually the departments responsible for transport and public works and in some instances an agency has been established to oversee the construction and maintenance of roads in the province.

There is considerable uncertainty regarding the sharing of responsibility for particular roads between provinces and municipalities. This will be addressed in some detail in the analysis report to be prepared as part of this EPWP infrastructure strategy review. At the is stage the situation can be summarised as follows;

- In Limpopo, through its roads agency, province is responsible for only the proclaimed roads and maintains only those. The responsibility for the other roads lies with municipalities and they do not have the capacity to maintain them. On an ad hoc basis, Province maintains them. The district municipalities are responsible for the un-proclaimed roads.
- In the Free State, province is responsible for the primary (connecting towns) roads, secondary roads (within towns and mostly unpaved) and tertiary (local access roads connecting secondary roads to farms) roads. However, province is not maintaining its tertiary roads and is subtly shifting this responsibility to the district municipalities.
- In the Eastern Cape, province is responsible for the all the roads in the province. However, this is an interim arrangement until a formal proclamation report that will enable the determination of road responsibilities is complete. The date by which this report is expected is December 2005.
- In Mpumalanga, province is responsible for provincial all roads and provides technical assistance to municipalities with regard to implementing the roads programmes.
- Roads in KwaZulu-Natal are classified into 3 categories, namely main, district and local the responsibility for them falls with in the 3 levels of government accordingly.
- According to the Director of the Province, the Northern Cape distinguishes between surfaced roads (provincial) and gravel roads (district) in rural areas. "Streets" are urban and fall under the local municipality responsibility and roads that are un-proclaimed are considered private. For the latter, the province shares the responsibility with the farming community.
- The Gauteng roads are differentiated into streets, for which local municipalities are responsible; and provincial roads. There are however grey areas about the overall arrangements with agreements between local and provincial departments covering the road patrols, maintenance, construction and even installing and maintaining traffic signals. All major through routes (even through urban areas) are proclaimed and fall under the Provincial Department. They are designated "P", "D" or "Z" (with "Z" being sub-standard roads in rural areas).

The implementation of the EPWP Guidelines is part of the process in carrying out the provincial roads projects. This is being done with some success although it has not been possible to put together a comprehensive national picture on the basis of the short visits undertaken to the provinces for this study. For example, Limpopo has the Gundu Lashe project that is referred to as the flagship EPWP project by the Department of Public Works. In the Eastern Cape, emphasis is put on 30% of all contracts to be used on labour and the procurement of local materials. Mpumalanga has only recently started with the implementation of the Guidelines with 3 learnerships in the process of being engaged in the projects. Free State is also implementing the Guidelines in its projects and in some instances achieving a labour component of 50% in its roads projects.

### **3.2 MIG**

The Division of Revenue Act (DORA) condition for MIG is that municipalities must adhere to the labour-intensive construction methods in terms of the EPWP guidelines.

The MIG supplements the funding of infrastructure programmes funded from municipal budgets to address backlogs in municipal infrastructure for the provision of basic services to the poor. It is a new municipal infrastructure funding arrangement administered by DPLG that replaces and consolidates 7 infrastructure grants of national government. The diagram below describes the funding arrangements for MIG from national to local government.

MIG funds are transferred directly to municipalities from the National treasury, in quarterly tranches. There is a national monitoring system which is being set up involving the National Department of Provincial and Local Government and provincial departments responsible for local government. The latter are supposed to track expenditure through monthly reports from municipalities. In addition, they liaise between DPLG and municipalities with regard to the registration of projects. These lines of communication are similar in all the provinces where the provincial MIG units were interviewed.

As mentioned above, MIG-funded projects are identified and implemented at municipal level by municipalities with the assistance of the PMUs. While PMUs carry primary responsibility to ensure that MIG projects are EPWP compliant, they have to liaise with the provincial chapters of DPW in doing this. While there is some uncertainty in this regard this implies that the local government departments in the provinces are not responsible for EPWP content of MIG projects. The support to PMUs for MIG and EPWP is thus not coordinated.

## **4 Case study findings**

This section of the report provides an overview of the case studies, attempting to draw out conclusions relating to best practice on how the EPWP is applied to PIG and MIG. These conclusions lead to the key themes that emerge from them, from the point of view of strategy for the EPWP in the future.

The overall institutional arrangements are dealt with first and then project level arrangements.

### **4.1 Overall cooperation with study**

The level of cooperation by provinces and municipalities in assisting the researchers with the case studies has, in general, been satisfactory. However, there have been

some exceptions, mainly in the provinces where it has sometimes been very difficult to get meetings and information on MIG and EPWP.

There has also been some frustration expressed by municipalities in that there have been two teams of consultants visiting municipalities asking for the same information without both teams knowing what was happening.

## **4.2 Institutional arrangements for PIG**

There is no separate special-purpose structure that is established to administer PIG funds in provinces. The administering structure is the department responsible for roads or the roads agency established to oversee roads. It is also the department that registers and reports on projects as EPWP compliant.

As mentioned above one of the key strategic issues is seen to be clarity associated with responsibility for roads between provinces and municipalities. Questions were asked on this topic but this will be dealt with in later reports on this strategy review.

## **4.3 Institutional arrangements for MIG**

Unlike provinces, PMUs have been established in certain municipalities to administer MIG funds. In administering the funds, the PMU liaise between the provincial MIG Units and municipalities in registering projects and receiving their funds; and they also administer payment claims against projects. The PMU are therefore vital to the implementation of the EPWP Guidelines on projects from conception to completion. Issues affecting the performance of PMUs are discussed below.

### ***PMU establishment***

There is considerable variation in the extent to which PMUs have been established successfully. All municipalities designated to have PMUs recognise this but this is being handled in different ways in different provinces. For example:

- In the Western Cape the province is not promoting the establishment of new PMUs and emphasis is placed on continuation with historic project administration arrangements in the municipalities.
- PMU establishment is relatively well established in type C2 districts which deal mainly with water supply and sanitation. Ugu DM is an example of a particularly well functioning PMU.
- In the Northern Cape and North West case studies, PMUs seem to have low capacity.
- In Mpumalanga only Nkangala DM has a well established PMU.
- In the only smaller local municipality studied, Maluti-A-Phofung in the Free State, a PMU has not yet been established.

However, although PMUs may be established in organograms, they are typically short of technically qualified staff (See below). There is also considerable uncertainty as to what the future (2006/07) change with respect to transferring MIG allocations direct to local municipalities will mean for district PMUs. (Pixley Ka Seme DM has particular concerns in this regard and is loath to build capacity in such a situation).

### ***Organisational fit***

How the PMU relates to the organisational structure differs from municipality to municipality. But generally the PMU is placed in the part of the municipality that best makes organisational sense to the structure of each municipality. Typically the unit is

located within a 'technical services' department, with the PMU manager answering to the technical services director who, in turn answers to the municipal manager. But there are instances where the PMU is located in the municipal manager's office.

In the case of the City of Johannesburg, the PMU is located within a unit of a Department, thus locating it 4 levels down in the hierarchy. The PMU Manager is a deputy director reporting to a director who then reports to an executive director and then to the municipal manager. The PMU in this case is marginalised in terms of ensuring that the MIG conditions are met as it is so removed from the decision-making. For example, due to its marginalisation in the organisational structure, this PMU is not even involved in the drafting of tender documents; awarding of contracts or even monitoring of the projects.

On the upside, some municipalities have established EPWP Units within the PMUs to give special attention to the implementation of the EPWP Guidelines in projects. This is meant to increase the performance of the municipality with regard to EPWP compliance. The City of Cape Town is a good example of this in that it has established a specialist EPWP unit which works to support all units in the city to apply EPWP principles.

### ***Human resource capacity in PMUs***

Given that MIG is a new grant that came into effect in the 2004/05 municipal financial year, most of the PMUs are new. Most of the municipalities were still implementing projects under the old Consolidated Municipal Infrastructure Programme (CMIP) and in many cases the staff that were implementing the old CMIP are now staffing the PMU Office. Some of the PMUs are still in the process of appointing staff and this is also impacting on the capacity of the PMUs and also of the projects.

In most cases, existing staff perform the functions of the PMU in addition to their other functions in the municipality, this adding pressure on the staff of the PMU. In some instances, this has led to under-spending on MIG projects and not implementing the EPWP as a condition for MIG.

In KwaZulu/Natal some of the PMU work has been outsourced to consultants, with some success. However, there is political resistance to doing this and it is evident that this arrangement will be changed in the near future.

While there are clearly capacity constraints it is notable that almost all PMUs are spending their MIG budgets. This indicates that, in the country as a whole, there is inherent capacity to appoint consultants and contractors and disburse funds in accordance with strict treasury procedures.

### ***Support for EPWP from national and provincial government***

The cities are generally satisfied with the support they receive on the implementation of EPWP Guidelines. This support takes place mainly through the South African Cities Network. However the district municipalities have only received the support through provincial workshops. They are generally dissatisfied with the support they have received and this is evidently hampering their ability to implement MIG programmes which are EPWP compliant. They feel they need support at a much more localised level.

The evident shortcomings in the communication arrangement have resulted in feelings of uncertainty relating to EPWP. For example, Ugu DM, with one of the best established PMUs in the country, believes that roads projects will be taken away from their jurisdiction with the National DPW withdrawing all projects other than water and sanitation from them.

The option of using monthly meetings with provincial EPWP units in the provincial works departments has been mentioned as a possible channel for improving communication in the future.

### ***Delays in approval***

For a project to be registered as EPWP compliant it must be approved as such by the Provincial Departments of Public Works. Experience with the case studies indicates that this process has been overly bureaucratic and has been part of the reason there are so few EPWP compliant projects. The approval of project learnerships has been a major stumbling block and the Mpumalanga EPWP support unit has, for example, had to waive this requirement in order to get 79 projects in its database as EPWP projects. In other provinces the registration levels of EPWP projects is very low. For example:

- In the Eastern Cape there are only 3 of 800 projects approved.
- There are no municipal EPWP projects in the Western Cape, a province which otherwise has relatively high capacity.

In KZN the MIG project approval process itself is very difficult with several bodies in the chain of approvals at provincial sphere: Dept of Local Government and Traditional Affairs, a Specialist Advisory Committee and the Provincial PMU.

While it has not been possible to assess delays in approval comprehensively, it is evident that the main reason is the need to have people with accredited training credentials in place when the project starts. This is seldom achieved, as discussed below.

### ***Accredited training***

There has been some success with the training of the PMU staff members, with most PMUs having sent one or two people either having undertaken or having registered for the CETA-accredited training for NQF levels 5 and 7. Those that have not yet received this training are planning to undertake it soon. There is a realisation that this training is important to enable officials to implement the EPWP.

However, the situation with consultants and contractors is a lot more problematic. Often no service providers comply with the training requirements and therefore projects cannot comply. Consultants perhaps fare relatively well in getting senior staff accredited as they are often nationally based and have access to the training programmes located in national centres. Contractors, on the other hand, rely quite strongly on local training programmes and face a situation where there are far too few accredited training service providers. There are no such service providers in the Northern Cape, for example, and none in easy range of Ugu DM. In the latter case the local CETA also does not have funds.

The situation with the training of workers on projects, to meet the 2 days a month training requirement, is particularly bad and few projects apply this training, mainly due to the lack of time to do it, as discussed later in this report.

### ***Monitoring systems***

The national MIG monitoring system is not fully functional at present. As compliance with EPWP criteria is to be assessed as part of the MIG programme, this makes monitoring of EPWP difficult at present. At the moment the monitoring of labour based components therefore makes reliance on relatively unstructured local or provincial arrangements. With so few EPWP registered projects this is probably not such a problem, at present, but it will become more serious in the new financial year which is just commencing. No systems exist at present to monitor training of workers.

## **Conclusion**

The past year, ending June 2005, is the first year that MIG type funding has been applied, with its specific requirement for applying labour based methods under the EPWP. There are, therefore, considerable capacity constraints in municipalities and in the provinces which support them. However, municipalities are universally willing to meet their EPWP conditions and are doing what they can to comply. They are spending their MIG allocations and are undertaking the necessary training as required by the EPWP. It will take some time for consultants and contractors to gain EPWP compliance and the guidelines in this regard may need to be reviewed (see below).

## **4.4 Financial aspects**

### ***MIG spending profiles***

Where MIG spending profiles have been made available it is evident that MIG spending is heavily biased towards water and sanitation and away from roads. For example, in KZN, only 11% of spending is on roads. In the Northern Cape there is particular emphasis on sanitation.

This bias away from roads has major consequences for EPWP as low volume rural roads, particularly have major employment benefits. To some extent these roads are being built and upgraded by provinces but the trend is likely to that these roads will be a municipal responsibility.

### ***Cost efficiency***

All those who chose to comment on cost efficiency said they believed labour based construction methods were more expensive. Aside from the direct construction cost there are also concerns, expressed particularly in the Western Cape about the time delays and Western Cape officials were concerned about the relative priorities of employment in comparison with rapid delivery.

Given the fact that labour rates in the cities are of the order of twice those in rural areas (R75 to R80 a day when compared to R35 to R40 in rural areas) it is clear that viability is a more serious concern in metros.

One factor that has been mentioned with regard to cost efficiency is the fact that contractor learnerships have to take longer as they are learning on the job and the same applies to workers who are entitled to a 2 days of training for every month of work.

## **4.5 General experience with EPWP Guidelines**

PIG has been around for longer than MIG and it was thus easier to include EPWP as a condition and to start implementing projects using the EPWP Guidelines. One of the success stories is the Gundu Lashe project in Limpopo which is the provincial roads projects and its name is Venda for "Our Victory". Gundu Lashe is about the delivery of roads in the project using labour intensive methods to alleviate poverty.

Provinces are submitting projects for registration as EPWP projects and are reporting as required on them.

On the other hand, MIG is a newer grant and the EPWP Guidelines were introduced after the financial year of the municipalities had begun. As a result, there are not many "pure" EPWP projects that could be found as case studies. Pixley Ka Seme DM reports one small project in Colesburg as EPWP compliant. Also Nkangala and Mangaung have both initiated projects in which contractor learnerships have been registered. These are the 2 municipal case studies that are reporting progress with regard to

EPWP implementation However, in their keenness to create jobs, municipalities have been implementing labour intensive projects under CMIP and have started engaging with the Guidelines. This sub-section details some of the key issues with regard to the implementation of and engagement with the EPWP guideline requirements.

### ***Exclusion of maintenance***

One point which was made often is that maintenance of roads is an ideal labour intensive activity and there were questions as to why it was excluded from EPWP. There were views that construction and maintenance could be handled as a package which would allow contractors to improve the labour content of roads projects.

### ***Lack of knowledge of the Guidelines***

When engaging with the Guidelines, some officials feel they require practical support to implement them. This support could take place through regular meetings with the EPWP support teams in the provinces. As mentioned earlier, the cities have this opportunity through the Cities Network whereas district municipalities do not have the same platform to share ideas and learn from each other. Thus the vacuum for support is felt and this often leads to a misunderstanding of the Guidelines.

### ***Training of contractors and consultants***

Generally consultants were either trained or undergoing training for NQF level 7 as required by the Guidelines in preparation for implementing the projects accordingly, and they were also aware of the Guidelines and its requirements. However, some of them felt that the training was too costly. On the other hand the training of contractors has been slow due to a general lack of information about the EPWP requirements and lack of accredited service providers, as mentioned earlier.

For example, in Greater Sekhukhune projects that were planned to be implemented as EPWP had to be withdrawn and implemented conventionally due to a shortage of contractors that have not received the training. In the whole of the Sekhukhune area, training of contractors has not taken place because there are only 3 emerging contractors that qualify for the CETA learnership training. In the City of Cape Town, several tenders have received no bids, evidently due to the training requirements.

The situation with training, of contractors particularly, is likely to take some time to improve. It has been estimates on one case study that it takes 18 months to get projects to point of registration (including design phase, tenders and contractor training).

### ***Learnerships and mentoring***

The learnership programme in municipalities is either in its early stages or has not even begun. Mangaung has started its EPWP learnership programme with 20 contractor learnerships that will implement 3 of its projects. To mentor the learners, the municipality is using the services of a consultant. The Nkangala District Municipality has also registered learnerships for supervisors, contractors and project managers for its roads and storm-water projects.

But the slow pace at which the training of contractors is happening impacts on the learnerships and mentoring programme of the EPWP.

Training of workers to provide the required 2 days a month of training not seen to be useful and is seldom applied. The main reason given is that the duration of labour contracts is too short and this makes it unviable to provide for training. Contractors believe they can provide the necessary training themselves on site.

### ***Perceived rigidity of guidelines***

The perception held by the officials is that the guidelines are policy and are rigid in their application. Apart from the fact that some of the municipalities were still implementing their CMIP projects, the requirements for training, learnerships and activities that have to be carried out using labour intensive are perceived to be responsible for the delays. In spite of these perceptions, job-creation is one of the issues on the top of the agendas of municipalities and the EPWP is seen as the vehicle to do this.

One particular example of perceptions is the definition of low volume roads: it is believed that if traffic volumes are above 500 vehicles per day then the road cannot be registered as an EPWP project. PMU officials are uncertain as to what the traffic volume will actually be and, therefore, do not know how to deal with the classification.

### ***Conclusion***

In conclusion of this sub-section consultants and PMU/municipal staff that have gone for the CETA accredited training on labour intensive methodologies are aware of the EPWP Guidelines. For the rest of the key players in implementing EPWP, the Guidelines are confusing if they have ever seen them. The training of contractors is not taking place thus impacting on the compliance of the projects.

## **4.6 Project experience of EPWP**

The sub-section above has detailed the general experience with the implementation or engagement with the EPWP Guidelines. This subsection explores the issues surrounding EPWP at the project level.

### ***Overall assessment***

One of the most striking things from the case studies is the overall level of commitment to the use of labour-based methods in South Africa. All municipalities are committed to this in principle, and there is a large body of consultants and contractors who have a track record in applying such methods. However, this does not mean that the projects being implemented as labour-based can be registered as EPWP projects, mainly due to the training registration requirements.

### ***Project size***

In a number of cases the issue of project size has been raised as a key issue affecting the viability of EPWP projects. For example, Cape Town has focused on larger projects under EPWP in order to maximise the benefits. They have found that the registration and training requirements on smaller projects makes this non-viable.

### ***Labour content of projects***

There is a commonly held view that the labour content of EPWP projects should be of the order of 30% of the capital cost. However, there is not much evidence to ascertain what is actually being achieved. In Cape Town the urban roads rehabilitation project which was being applied with quite strict labour based methods, achieved a 20% level before it was closed down.

This aspect will be given particular attention in the analysis report which will follow this case study report.

### ***Tender documents specifying labour intensive methods***

Even though very few projects have been registered as EPWP compliant, the research team was told by various municipalities that the labour component of a project and the use of local labour are specified in the tender documents. As noted above, the general figure they strive for is 30% of the project to be carried out using labour methods.

However, the capacity of the PMU to monitor this aspect of the projects is generally not there which is concerning.

The other problem is that not all projects can deliver a 30% labour compliance. The labour component is usually disaggregated in terms of gender, youth and the disabled. It must be noted that there no disabled people employed on project and the reason for this was that many disabled people were afraid of losing their disability grant if they got employed in these projects.

### ***Short-term employment created***

In all the projects visited employment of local labour has been created in the projects. Labour is used on the activities of the project that can be carried out using labour intensive methods. The duration of the employment varies according to the length of the project. Some municipalities have had to define "local labour" on projects that are implemented over a number of wards. The City of Johannesburg has defined this as labour within a 5km radius. There are currently no exit strategies in place for these short-term contracts and while the labourers get some relief, however short, there is a concern that it would be better if contracts were longer.

In the Western Cape, maintenance projects are seen as an ideal long-term sustainable labour-intensive activities with labour accounting for up to 85% of the project cost.

### ***Labour issues***

Many of the projects have been crippled by labour issues ranging from the rates used to workers returning to work after payday. There have been instances when labourers have refused the lower than gazetted rate for construction. In such instances, municipalities have had to increase the task rate to the gazetted rate and this has increased the budget of the projects. Also, in some instances labourers have preferred a daily rate over task rate where the latter is lower or for difficult tasks. Another issue regarding labour issues is that of returning to work after receiving payment. Some projects have experienced some workers not returning to work after they have received payment and on Mondays. This has an impact on the timeframes of the project.

Labour rate disputes are very common and occupy considerable effort on the part of contractors and municipalities. The lowest rates found were those for the Daggaskraal to Amersfort road, a Mpumalanga provincial project, at R35 per 'piece' of work which is scaled to be about a day's work (R4.38/hr).

There is considerable doubt in the construction sector about whether the two tier labour rate will work, as short term labour who are getting lower rates are generally aware of what others are getting paid and get resentful. Many municipalities, Cape Town for example, argue for greater flexibility and for contractors to be given some leeway to negotiate rates which create positive community dynamics around a project.

There is general acceptance that piece work is a better way of structuring labour payments but this is not universally applied.

### ***Security***

Security has been a major problem on labour based projects, largely due to the fact that regular cash payment have to be made. However, uThungulu has also experiences vandalisation of machines due to lack of payment by the contractor of 'protection money'. In the Western Cape there is resistance by contractors to taking on EPWP type work due to security aspects.

## **Conclusion**

While short-term employment has been created in the MIG and PIG projects, it has been seen to be too short to make a difference in people's lives as there are no strategies in place for people to move onto other activities after the project is finished. There is an opportunity to engage them in the maintenance activities of the project beyond its implementation.

## **5 Lessons for the EPWP strategy**

It is clear that the timing of this investigation does not yield the results of how EPWP is being implemented due to the newness of the programme itself. What it does however is yield some valuable and timeous lessons for reviewing the strategy to implement the infrastructure component of the EPWP to avoid mistakes. In a sense, the little time that municipalities have had to implement the EPWP guidelines has proved valuable for this review. That being the case, there are some lessons that can be drawn and these are discussed below:

### ***Institutional arrangements***

The issue of institutional arrangements governing the PMUs is clearly of primary importance as they are at the forefront in implementing MIG projects. A well functioning PMU can allow for the full potential of EPWP to be realised in their areas. This required appropriate location within the municipality, with reporting lines to the municipal manager as direct as possible. It also requires the recruitment of well qualified technical staff or acceptance of the role of consultants in supporting PMUs.

In the financial year just past PMUs have had too little capacity to deal with new project requirements although they have continued to spend MIG budgets successfully. The situation will improve in the coming year but PMUs are likely to remain under-capacity for at least another year or two.

### ***Coordination at national and provincial level***

EPWP is a condition for MIG and PIG yet the support is from national and provincial government is rendered in a parallel manner. Municipalities have to talk to DPW for support with EPWP and to DPLG for support with MIG. There need to a point where the support points collide. If municipalities are to succeed in implementing EPWP, support to municipalities has to be rendered as often as possible and tapped into the support received for MIG.

The current best practice for MIG support to municipalities is the monthly meetings that take place between province and municipalities. DPW could tap into these meetings to render support to municipalities.

The monthly meetings for MIG described above are one way to capacitate PMUs on the EPWP Guidelines. Another way will be for DPW to conduct visits to municipalities to render this support during the start-up phase. However, this is dependent on PMUs having the required capacity to carry out their MIG functions.

### ***Monitoring***

Project monitoring will also be important for municipalities to perform on EPWP. PMUs are already playing a monitoring role on the other conditions of MIG and are reporting on them. EPWP was introduced later and it will be important that PMUs build their capacity in monitoring the EPWP component. The best practice is in the metros where there are designated EPWP officials within the PMUs. These officials are tasked with

ensuring that the projects of the municipality are EPWP compliant from the design phase to completion.

### ***EPWP Guidelines***

There needs to be a major drive relating to the communication associates with the EPWP guidelines, while at the same time creating an environment conducive for municipalities to perform on their EPWP mandate. The misunderstanding of the Guidelines is a cause for concern and it has resulted in delays in implementing EPWP. With municipalities not understanding the Guidelines, they are not in a position to provide the required guidance and information to contractors, and emerging contractors in particular.

While the Guidelines are a tool to ensure job creation, they must not make it unnecessarily difficult to achieve this end

### ***Training of consultants and contractors***

The training of contractors and consultants has not taken place at the rate at which is required. All the key role-players need to gear up to make this training happen. DPW needs to give municipalities the necessary support to get to the signing of the memoranda of understanding for this training to take place and for projects to be implemented and registered as EPWP compliant.

## **6 Closure**

Labour based construction is happening widely in South Africa and has the potential to boost economic growth in poor areas if the country. However, the case studies completed to date have shown that there are difficulties in implementing projects strictly in accordance with EPWP guidelines, particularly in municipalities. Specific solutions to these problems will be explored in the next phase of this EPWP infrastructure strategy review.

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