NOTES FOR TREASURY ON ENVIRONMENT & CULTURE INCENTIVE APPROPRIATION ISSUES

ISSUE 1: THE INCENTIVE APPROPRIATION

Question: What incentive appropriation is preferred by DPW & the sector?

Summary Notes (for George)

1.1. The preferred appropriation is:

a- *For the entire E&Cs incentive to be appropriated on the national E&C sector departments' votes (namely, Water and Environmental Affairs; Tourism; Arts and Culture) as the "EPWP Incentive" included in the relevant programme wherein the registered EPWP programme is housed.* The reason for this preference is that it enables the programmes to immediately activate their expansion strategies, contract with appropriated funding and secure the materials necessary to expand existing projects; for DPW, it reduces the administrative obligation to simple performance monitoring and authorisation of access and use of funds in line with performance.

b- *It is envisaged that this appropriation be a specific and exclusive appropriation in the Appropriation Bill, appropriation 'with conditions' (as allowed by section 3(1)(a) of the Bill).* There could be a general encompassing condition, such as: *'The EPWP Incentive allocation can only be accessed and utilised for the purpose intended and in the manner contemplated in the Incentive Agreement signed between National Public Works and the relevant receiving department; and is subject to all of the stipulated conditions in such Agreement.'*

1.2. Actual Appropriation and Allocations:

Relevant Sector Dept	Relevant Departmental Programme	Relevant subprogramme	Registered EPWP Programe	MTEF Budget Allocation 2010/11			MTEF Budget Allocation 2011/12			MTEF Budget Allocation 2012/13		
				R'000			R'000			R'000		
				Upfront %	Performance %	TOTAL EPWP INCENTIVE	Upfront %	Performance %	TOTAL EPWP INCENTIVE	Upfront %	Performance %	TOTAL EPWP INCENTIVE
DEAT	Prog 6: Sector Services and International Relations	Subprog: 6.2: Social Responsibility, Policy and Projects	Social Responsibility Programme - Tourism	R 14 614	R 14 614	R 29 228	R 19 490	R 19 490	R 38 981	R 26 184	R 26 184	R 52 368
			Social Responsibility Programme - All other	R 34 099	R 34 099	R 68 199	R 45 478	R 45 478	R 90 955	R 61 096	R 61 096	R 122 193
		DEAT Subtotal	**SRP**	**R 48 713**	**R 48 713**	**R 97 427**	**R 64 968**	**R 64 968**	**R 129 936**	**R 87 280**	**R 87 280**	**R 174 561**
DWAF	Prog 2: Water Resources Management	Subprog 2.2: Sustainable Supply	Working on Fire	R 10 306	R 10 306	R 20 613	R 17 050	R 17 050	R 34 100	R 22 905	R 22 905	R 45 811
			Working for Water	R 34 705	R 34 705	R 69 410	R 59 615	R 59 615	R 119 231	R 80 189	R 80 189	R 160 378
		DWAF Subtotal	**Working for Prog's**	**R 45 011**	**R 45 011**	**R 90 023**	**R 76 665**	**R 76 665**	**R 153 330**	**R 103 094**	**R 103 094**	**R 206 188**
Arts and Culture	Prog 4: Cultural Development and International Cooperation	Subprog: 4.2: Investing in Culture	Investing in Culture	R 6 275	R 6 275	R 12 551	R 8 367	R 8 367	R 16 733	R 9 625	R 9 625	R 19 251
		TOTAL	**E&C SECTOR**	**R 100 000**	**R 100 000**	**R 200 000**	**R 150 000**	**R 150 000**	**R 300 000**	**R 200 000**	**R 200 000**	**R 400 000**

Comment [I1]: Appropriation Bill Clause 3. (1) The Minister may—
(a) impose conditions in respect of an appropriation listed as specifically and
exclusively appropriated in the Schedule, in order to promote and enforce
transparency and effective management in respect of revenue, expenditure,
assets and liabilities of departments, public entities and constitutional
institutions contemplated in section 6(1)*(g)* of the Public Finance Management
Act.

ISSUE 1: THE INCENTIVE APPROPRIATION

Question: What incentive appropriation is preferred by DPW & the sector?

<u>Detailed Discussion</u>

1.3. Below is a discussion of the appropriation options considered for the incentive transfer mechanism and the key issues (pros and cons) DPW and the sector has tabled in terms of the modality being discussed.

1.4. There have only been found 2 legal precedents we found for a transfer of monies between 2 national departments:

a- **Fund Transfer Mechanism 1**

- Where department A has within its mandate the ability to deliver agency services on behalf of another (department B) and claim payment from department B for such services. In this instance, department A would technically have little right or accountability to dictate the form and terms of these services and how they should be performed; this is dictated by the depart buying the agency service (department B).
- An example of this is DPW building on behalf of say, Education/ Health/ Correctional Services. Usually, Education would advance an amount to DPW, DPW would keep it in a suspense account and spend from there, at year end, it would return the unspent amount back to Education and only then spending gets reflected onto Education's vote. Nothing is recorded on DPW's books.
- If you try to apply this to the E&Cs programmes, DEAT or any other sector department actually is not performing an agency service on behalf of Public Works for which it can claim, i.e. It is not the case that DEAT would be implementing DPW's mandate and have no say in the implementation form. It is almost the other way around - DEAT is performing its own function (environmental projects), but creating jobs while doing it and getting a reward for doing so. *While, you may be able to construe the incentive as a direct payment for jobs (and thus an agency function for DPW), the problem of spending on the transfer being "off budget", comes into play.*

Fund Transfer Mechanism	Description	Pro's	Con's
1. Establish an agency arrangement (claim basis) between the sector departments and DPW	**<u>If the incentive is planning and performance based</u>** (which is what was proposed): the mechanism will be: - a transfer out from DPW's suspense account to the national sector dept's suspense account - spending by the national sector dept out of their suspense account - reconciliation back with DPW (quarterly?) on the actual amount spent - spending will be reflected on DPW's vote. **<u>If the incentive is entirely performance based</u>** (which is what George has indicated Treasury wants): - a transfer from DPW's vote to the national sector dept's suspense account - spending by the national sector dept out of their suspense account - no spending reflected anywhere except the transfer on DPW's vote. The sector department will implement EPWP programmes and report performance to DPW on a quarterly basis. This will constitute a	- DPW retains accountability for managing the incentive and **disburses based on compliance and actual verifiable performance** - Principles of performance are maintained and re-enforced - **Ensure that job creation performance is actually reported and can be verified by an independent department** (not the one claiming the performance) – better separation of roles - **Unused funds can be shifted by DPW** (with the approval of Treasury) from underperforming programmes and even sectors to over performing programmes and sectors	- Actual spending on the prog by the sector dept cannot be easily tracked in a suspense account - Eventually spending will be reflected on DPW's vote consolidated into the EPWP budget - Result in expenditure for the same programme appearing on both the sector dept's vote (baseline spending) and DPW's vote (incentive spending) - Under spending could result on the sector dept's baseline, on their incentive, and on DPW's vote? - Creates a greater monitoring burden on DPW to trace use **<u>If the incentive is entirely performance based:</u>** - Because the sector dept will have to spend their own budget, there will be very little DPW say on reducing the costs per FTE of baseline spending to be rewarded with the incentive - Would introduce the complexity of measuring 'threshold and above

Fund Transfer Mechanism	Description	Pro's	Con's
	'claim' against their incentive base allocation to be paid out by DPW. DPW would specifically be accountable for: - Determining the basis of and what constitutes a claim - Verifying performance - Timely disbursement of funds (reasonable frequency) **Legal precedent for whether this constitutes a claim has not been determined.**		threshold' which exists in infrastructure - DPW cannot hold sector dept accountable for outcomes created with the incentive disbursement

b- **Fund Transfer Mechanism 2**

- Where 2 national departments are joint partners in a programme with contributions from both. It is usually decided at the beginning of the programme, which of these departments have the mandate closest to the programme purpose, and that department becomes the programme's accounting officer with the contractual obligations and accountability for delivery. What would transpire is that the 'accounting officer dept' would perform the activities and functions and invoice the amount owed to the 'contributing department'. In this instance the portion of spending is technically reflected on both votes, but usually very differently.
- An example of this, is where Foreign Affairs buys the system services in foreign missions on behalf of all national departments and invoices the portion of the cost relevant to each department. This approach failed so badly (because of funds not being released by other national departments even though they all signed the contract), that they tried getting the other national departments to pay their portions directly to the service provider, when that did not work, that they kicked the other national departments off the project and started paying for the whole system.

Fund Transfer Mechanism	Description	Pro's	Con's
2. Reflect EPWP as a 'Joint Programme' being implemented across government, with sector departments acting as National Implementing Partners and DPW as the Managing Agent (MA)	The Managing Agent is specifically accountable for: - supporting the national partner in line with the agreed business plan - timely disbursement of funds (reasonable frequency) - coordinating technical inputs - following up with the national partner on implementation - reporting on outcomes - resource mobilisation for the joint programme. Actual disbursement will thus occur on the basis of the 'Joint Programme Agreement'; the national partner will implement their EPWP programmes and report performance on a quarterly basis, with technical assistance from DPW. **Verified performance will authorise either a transfer of funds from DPW** to the sector department **or a direct payment for project costs or wages as their contribution to job creation** on the	- DPW retains accountability for managing the incentive and disburses based on compliance and actual verifiable performance - Principles of performance are determined and re-enforced **by the sector and DPW jointly** - Ensure that job creation performance is actually reported - Unused funds can be shifted (with the approval of Treasury) from underperforming programmes and even sectors to over performing programmes and sectors - The sector depts. will be able to retain 'funds earned' against performance in the year but not yet spent by the close of the financial year	- Spending/ use of the incentive by the national partner will not be reflected against an appropriation, but rather reflected the way spending on donor funds are - 'off budget' - rules are harder to monitor; spending is harder to track - Complex accounting and accountability arrangements - Creates a greater monitoring burden on DPW to trace use

Fund Transfer Mechanism	Description	Pro's	Con's
	basis of the joint programme agreement.		

c- **Fund Transfer Mechanism 3**

Fund Transfer Mechanism	Description	Pro's	Con's
3. Appropriate the incentive on the vote of individual sector departments	This would take a similar form to a specific purpose grant allocated to the sector department. Funds would be accessed, managed and used in accordance with a funding / incentive agreement. Fund usually released on the basis of the report verified by the Grant Making Department – this would be operationalised as an authorisation of a drawdown on the 'specific purpose grant'.	- Legally an easy option – easy withhold of funds where compliance to conditions is not met - Spending would be reflected against the programme where the money is spent –better reflection of spending all in 1 place - Conditions of the funding is captured, agreed to and monitored ito an agreement - Lower administrative burden on DPW	- Even though DPW could specifically authorise the drawdown of this 'earmarked funding', DPW could lose overall control and management of the incentive **unless there are very tight rules and an effective governing body** - DPW would only be able to move incentive funding between over and underperforming depts or sectors in the Adjusted Estimates - Is a risk in enforcing reporting requirements for money already appropriated - Unspent funds earned and funds not authorised for disbursement would all have to go through the same rollover process and be motivated for.
	3(a) A permutation of the above is to appropriate only the planning portion of the allocation on the vote of sector departments and only appropriate the performance portion during the Adjusted Estimates.	In addition to the above pro's, at least: - DPW would be able to assess performance and in the Adjusted Estimates, only move incentive funding that is likely to be earned - It allows for shared accountability - Can enforce reporting requirements - Unspent funds earned and appropriated still belong to the sector department; and funds not earned and retained by DPW can be re-allocated to over performing departments.	

d- **Fund Transfer Mechanism 4 (proposed by George)**

- Where the funds are allocated on DPW's vote as per the current allocation letter; DPW monitors performance and these funds only get appropriated on the national E&C sector departments' votes in the Adjusted Estimates.
- The only way these programmes would then be able to produce more jobs with the existing budget (which is already 30% labour intensive on average) is to spend more money bringing in more people, and at the same time spend the consequential amounts required for materials and training in particular. This means spending their own baseline budget much more quickly. **The problem would be the need to make the necessary guarantees for programmes to spend their programme budget in its entirety and be reimbursed in the Adjusted Estimates** - this will need to be addressed by Treasury & DPW and agreed by these programme DGs. In this instance, **to give such a guarantee, would mean, a pure performance incentive would not be appropriate** - you cannot guarantee what you cannot predict. So, you have to decide on programme indicative allocations upfront, and appropriate midyear based on performance against the targets for a part of the allocation. Again, DPW has no say over the use of the baseline allocation and what efficiencies should be created.

- It should be noted that because of the lateness of the AENE in the year, programmes would be constrained to growth of 33% - the additional allocation will only be accessible in December, meaning actually programmes have to allow their baseline to stretch until the end of November – this only allows for 33% growth for EVERY PROGRAMME (even those that can expand substantially more).
- The Agreement with Public Works would have to be tight so as to ensure programmes are appropriated amounts due to them.
- The data management process would have to be tight so that there are no performance discrepancies/ disputes, given that money depends on it.

ISSUE 2: FURTHER CONSIDERATIONS IN TERMS OF THE ADMINISTRATIVE PROCESS & THE APPROPRIATION

Summary Notes (for George)

2.1. In general, the key burden placed by the incentive is performance monitoring – whether it is to determine eligibility of programmes, whether it is to determine the potential to expand or to determine the actual incentive payment. For the infrastructure sector, the capacity for detailed project oversight was built into DPW; but this is not the case for all of the other sectors. It is key that as the incentive is introduced, the sector programmes have the ability to manage project contracting, delivery, progress and payment as well as keep track of beneficiary data; and that DPW has the ability to manage performance reliably.

2.2. This will require that the capacity for such performance management exists for this sector and that reliable systems are in place (as it is for infrastructure). **This has implications for where the performance management process and system is developed and managed.**

Detailed Discussion

2.3. Capacity to manage performance information

a- One of the key challenges in introducing the incentive has been the ability to obtain credible verifiable beneficiary (worker) information so as to ensure that the incentive is being paid for people on the ground working for the amount of days specified. DPW has an MIS for the infrastructure sector ONLY. So, infrastructure is able to collect detailed project data for oversight, *management* decisions, interventions, etc and this system also builds in authorisations and sign off of data at various points to ensure that the incentive payments are made on the most credible data. The type of data collected is based on MIG reporting and then some. The MIS exports summary data to EPWP's web based system for quarterly reporting on job outputs. The MIS is not used for any other sector; all other sectors report on DPW's web based reporting system which in essence means that for all other sectors, only summary data is known and only at the reporting period.

b- There is no way for DPW to manage project performance and intervene during the year based on summary data that only starts coming in 30 days after the end of every quarter.

2.4. This implies the current status quo would have to change in the following ways:

a- Need a proper (accessible) MIS for the national sector departments so that project performance during the year is properly managed. This cannot be done on the web based system currently. As such, either:

- **DPW builds up the web based system to be a project management information system for all sectors** (except infrastructure) **as well as a reporting system. Currently, the web based system has 2 flaws: it does not accept cumulative reporting** (so data for Q1 reported late in Q2 is discarded and those jobs never counted – this would be problematic where these jobs have a monetary reward attached to it that can be lost); **it is not able to accept "exports" from other systems** and thus data has to be manually captured into it. This causes other sectors to have to duplicate efforts – use their own MIS (where they have one) to capture detailed project info for management purposes as well as capture certain KPIs on the web based system for EPWP purposes. This was not the case in EPWP Phase I where quarterly data was merely summarised and reported to EPWP on an excel template. This option would suggest the sector departments should scrap their systems to prevent a duplication of effort and spending. DPW would essentially own the system that produces the information on projects under the accountability of another department – which doesn't help to locate info where management decisions about the programme need to be made. The sector will feel as though it doesn't own its own system, but is having to provide info to DPW on their core function not just jobs. DPW would have to request information whenever progress updates are needed because project progress data lies with the programmes; and extensive data capturing and verification capacity would be required. Infrastructure utilises a large portion of funds on this for 1 sector. DPW would have to fund this. ***This may not be a sustainable option.***

- DPW extends the infrastructure MIS to E&Cs programmes & projects. In addition to the problems highlighted above regarding *ownership and the mis-allocation of management decision making,* a key problem is that DPW would have to be begging sector departments for the info required; the validations, authorisations, currently performed by DPW's data bureau would have to be extended to the sector; and we have not tested whether the system's capacity can manage the additional data. ***This is an untested and not a preferred option.***

- The sector lead department updates its current MIS to accommodate incentive beneficiary data requirements; develops the ability to export summary data into the EPWP web based system; avails the platform to other sector departments; and provides DPW access to this "sector system" for oversight. This occurs at the cost of the sector. Prefer the sector to dictate the KPIs, how the system functions, etc in line with its own business processes so that they own and manage their projects using the system. The current DEAT MIS can be further developed in this way as this system is in any case based on the same platform as the infrastructure sector's MIS. Alternatively, the infrastructure MIS could be 'adapted' for the E&Cs programmes and availed to them. ***These are the preferred options.***

- The sector departments develop their own system/ revise their current systems to accommodate incentive beneficiary data requirements and be able to export summary data into EPWP; and EPWP gets access to all these systems to manage performance. ***This is not preferred due to a proliferation of system development that will occur, particularly when the E&Cs provincial programmes come in.***

b- Need to have the capacity to review performance and disburse regularly and in short periods (say, monthly)

- Ability of DPW in terms of business process management would have to be improved – in terms of leadership to manage these processes, proper on hand performance monitoring and management, re-design of junior staff functions to facilitate new functions brought in by the incentive, commitment and dedicated capacity in Finance and Audit to process payments and audit performance data during the year. These are all areas of considerable need and risk at present. The example of the Community Work Programme disbursements during the 2009/10 year; and even after the AE, the fact that funds have still not been transferred, does not inspire much confidence in the ability to review performance and disburse funds frequently. The infrastructure sector – not having the DG DPW sign agreements in time for the disbursement date, the web based system not able to calculate incentive payments, Audit not able to mobilise capacity to audit performance data, etc are all current problems.
- Capacity in EPWP for E&C – this unit is very slim and has been managing the sector with limited staff. Doing what is required would require a shifting of posts and functions to programme managers, DDs, etc to do some of these functions.
- Data tends to only come in at the end of every quarter. While monthly reporting is advocated, data tends to come in 2 weeks after the quarter ends. This is as a result of having to capture manual data.

ISSUE 3: BASIS OF THE UPFRONT PORTION OF THE INCENTIVE

Summary Notes (for George)

2.5. The key strategies for expansion in the sector are articulated in the table below; of these the most likely to be focussed on at the beginning of 2010 are:

a- Immediate expansion of existing projects (Strategy 1 in the table below): This will result in much lower costs per FTE than what is created through the baseline budget. The ability to obtain lower costs per FTE is premised on the fact that in most cases the foundation infrastructure exists; and thus to expand the number of workers on a project requires wage funding as well as the key costs inputs required for that worker to effectively perform their job resulting in the desired outcomes.

b- For the most part, in terms of project spending, this consists of:

- technical training (in programmes such as Working on Fire)
- equipment to do the work (such as instruments for culture programmes, machinery for sewing and beading, fire safety equipment, etc)
- materials (such as waste bins, fencing equipment, plants for greening, etc)
- transport (this is true of the culture and music programmes and Working on Fire and for Water).

c- These are the typical inputs required as the projects bring in more beneficiaries. These are at a minimum about 30% out of total project cost. What was also taken into consideration was the fact that the needs to be a fair amount of preparatory work for expansion – from project preparation, to contracting, to changing existing implementing agency arrangements, to system and beneficiary data reporting readiness (the most important of these). If in fact the second amount – the performance portion only becomes available through the Adjusted Estimates, meaning it is sitting on DPW's vote, then typically the upfront portion would have to be sufficient enough to carry the programme through to the end of November – hence the 50%. However, if the entire incentive is appropriated on the sector department's vote, it could be limited somewhat (say, 30%) and the remaining portion accessed based on actual performance even before the AE.

d- This was the basis for an upfront portion.

Detailed Discussion

2.6. In researching the sector programmes and understanding how they work, a key observation was the following: That unlike the infrastructure sector, where there is a huge need to change behaviour and design projects more labour intensively, the Environment and Culture programmes implement their various departmental priorities strictly applying EPWP principles to the whole programme and budget. The stipulation of labour intensity (average of 30%) and other key EPWP criteria are built into project funding criteria, ensuring compliance with EPWP. This however begged the question – how would programmes increase job creation beyond this? Is there room to re-design programmes for increased labour intensity? The basis of the incentive in the infrastructure sector is the desire to incentivise public bodies to use existing infrastructure monies more labour intensively. For Environment and Culture, these principles are already being applied.

2.7. In terms of the expansion of job creation at the programme level, the observations suggested that: There are 3 ways to increase job creation and labour intensity in the E&C sector programmes

a- (i) Allocating additional funding to programmes to increase the number of beneficiaries and take on more projects; and/or

b- (ii) Shifting existing project funding strategies; and/or

c- (iii) Redesigning other departmental programmes to contribute to EPWP.

2.8. In translating the above 3 observations and ways to facilitate expansion, the following strategies were developed to assist programmes to kick start expansion:

Agreed basis of programme expansion in the sector:

a- **Strategy 1: Creating additional work through the immediate expansion of existing projects:**
- ***Existing workers will be provided with the opportunity of additional work days***: This will eliminate the need for some of the related work costs, particularly in terms of training, or uniforms, safety equipment in a programme such as WoF. However, in these cases, the transport and materials costs will still be necessary, but the management, equipment and such costs have already been absorbed. This allows the programmes to reduce the FTE cost significantly. This is not possible across all programmes – for example, Working on Fire beneficiaries already work as full time equivalents.
- Some of the additional person days of work will be created by ***bringing in new beneficiaries/recruits into existing projects***, where it is possible to increase the project/team size without affecting overall costs such as transport and management costs. However, there will be beneficiary related costs, particularly where skill development is necessary.
- ***This strategy will be applied to projects performing well with capable implementing agents that are ready to pick up excess demand and expand projects.***
- ***This strategy will also be applied to projects that have the potential to yield higher labour intensities – such as coastal clean-ups and rehabilitation, street cleaning and beautification, youth and the environment, etc.***

b- **Strategy 2: Shifting existing project funding strategies:**
- A further approach to expansion to reach additional targets with the incentive funding is to shift project funding strategies from mainly funding projects and beneficiaries to allowing beneficiaries to graduate and replicate the lessons and successes learnt in the project and open up their own with seed and beneficiary funding from the mother programme. This type of expansion strategy will be applied differently by each programme.
- Some examples are provided below.
- For IIC, this will involve graduating beneficiaries in focus areas such as crafts to replicate the department's projects in other geographic areas with beneficiaries paid wages via the departmental wage incentive allocation; and eventually move onto the department's joint ventures and SMME support initiatives in the cultural sector. This will not only allow for additional work, but also for project replication and opportunities for beneficiaries to move into entrepreneurial ventures thereafter.
- WFW is to rollout its new policy for work on private land, through which certain of the costs will be the responsibility of the landowners. The wage incentive could be provided to landowners who have sought assistance from the programme, and where it has not possible to initiate a new project. The wage costs will be borne by the programme. All the non-wage costs will then be absorbed by the landowner, although there will be a small monitoring and evaluation cost for management, to ensure that the money is spent against the approved plan and that the work is done according to plan and agreed upon norms and standards. This will take time to become established, as there are existing landowner contracts binding the programme in terms of follow-up work. To the extent to which it will be introduced, this will assist in the greater general returns on investment being sought by the programme.

c- **Strategy 3: Initiate new projects**
- New projects will be initiated, owing to the extreme demand on programmes to address various priorities and needs. In these instances however, all costs, including all of the costs additional to wages (transport, management, materials and equipment) will apply to such work. Part of these costs will be offset by general efficiencies that will be sought across programmes.
- ***Greater general efficiency will be sought in the sector programmes.*** This includes using the wage incentive to incentivise implementers or regional projects to secure lower costs per person day, increase the wage component of projects and source additional funding. ***Parallel to this is identifying long-term projects that will allow for high numbers of beneficiaries with limited capital and related administrative costs.***

d- **Strategy 4: Partner with provincial implementers**
- Due to the fact that national generally operates without provinces and vice versa, one of the imperatives in the sector is to ensure that environmental protection and positive outcomes are for the benefit of the whole of the country. Part of this is ensuring that consistent norms and standards are applied in initiatives across provinces. Due to the fact that the wage incentive is not yet available to be accessed by provinces in the environment sector, this is an ideal opportunity for national to partner with provinces to deliver environmental programmes in line with national norms and standards through implementing agreements and for expansion via joint initiatives. This will allow national to fund such provincial programmes via these agreements.
- In addition, currently only 3 provinces implement any of the national environmental programmes; so this will allow for national to provide an incentive to enter into joint programmes in those provinces where little or nothing is being done at all.
- For the control of invasive alien species through WfW for example, it is envisaged that all future budgets to the provinces and the municipalities for IASPs, will be channelled through the national Working for Water programme to ensure norms, standards, systems and procedures are followed that secure the greatest return on investment.

e- **Strategy 5: Redesign other departmental programmes to contribute to EPWP.**

- The focus of all of the above will be incorporated into the annual planning of each programme and sector reflection on expansion going forward.

2.9. In the main, strategy 1 and strategy 3 above will most likely be the first to be implemented. This will result in much lower costs per FTE than what is created through the baseline budget. The ability to obtain lower costs per FTE is premised on the fact that in most cases the foundation infrastructure exists; and thus to expand the number of workers on a project requires wage funding as well as the key costs inputs required for that worker to effectively perform their job resulting in the desired outcomes. For the most part, this consists of technical training (in programmes such as Working on Fire), equipment to do the work (such as instruments for culture programmes, machinery for sewing and beading, fire safety equipment, etc), materials (such as waste bins, fencing equipment, plants for greening, etc). These are the typical inputs required as the projects bring in more beneficiaries. As such, the approach taken was that an upfront portion of the incentive was necessary, because funds for this at the required/ targeted expansion do not exist in the baseline.

2.10. Looking at FTE costs

a- The insert below has 2 tables: Table 1 is what was proposed in the MTEF – the FTE targets funded by the baseline (column 2), the Incentive amount proposed, and the additional FTEs to be created through the allocation of the incentive per programme. Table 3 is what is likely going to be the case within the allocated amounts – the targets funded by the baseline (column 2) stay the same, the Incentive amount allocated distributed per programme based on the share of FTEs to be created each year, and the additional FTEs to be created through the allocation of the incentive per programme based on a much lower cost per FTE.

	DPW National Sector targets shared using budget	Funded from Baseline	FTE subsidy for additional jobs	Additional FTEs bought with incentive	DPW National Sector targets shared using budget shares	Funded from Baseline	FTE subsidy for additional jobs	Additional FTEs bought with incentive	DPW National Sector targets shared using budget	Funded from Baseline	FTE subsidy for additional jobs	Additional FTEs bought with incentive
	2010/11				2011/12				2012/13			
Prog	*FTEs*		*R'000*	*FTEs*	*FTEs*		*R'000*	*FTEs*	*FTEs*		*R'000*	*FTEs*
SRP	13725	16349	R 157 837	6862	17288	17439	R 198 807	8644	23951	17984	R 275 432	11975
WoF	2904	2546	R 33 394	917	4537	2927	R 52 174	1350	6285	2963	R 72 283	1718
WfW	9778	8755	R 112 448	3176	15863	10974	R 182 427	4684	22005	10593	R 253 053	6188
IIC	1768	2128	R 20 333	718	2226	2604	R 25 603	904	2641	2616	R 30 375	1073
Totals	**28175**	**29777**	**R 324 013**	**11673**	**39914**	**33944**	**R 459 011**	**15582**	**54882**	**34155**	**R 631 143**	**20954**

In terms of the allocation letter

	DPW National Sector targets shared using budget shares	Funded from Baseline	MTEF Allocation	Additional FTEs bought with incentive	DPW National Sector targets shared using budget shares	Funded from Baseline	FTE subsidy for additional jobs	Additional FTEs bought with incentive	DPW National Sector targets shared using budget shares	Funded from Baseline	FTE subsidy for additional jobs	Additional FTEs bought with incentive
	2010/11				2011/12				2012/13			
Prog	*FTEs*		*R'000*	*FTEs*	*FTEs*		*R'000*	*FTEs*	*FTEs*		*R'000*	*FTEs*
SRP	13725	16349	R 97 427	4236	17288	17439	R 129 936	5649	23951	17984	R 174 561	7590
WoF	2904	2546	R 20 613	533	4537	2927	R 34 100	882	6285	2963	R 45 811	1089
WfW	9778	8755	R 69 410	1782	15863	10974	R 119 231	3061	22005	10593	R 160 378	3922
IIC	1768	2128	R 12 551	443	2226	2604	R 16 733	591	2641	2616	R 19 251	680
Totals	**28175**	**29777**	**R 200 000**	**6995**	**39914**	**33944**	**R 300 000**	**10184**	**54882**	**34155**	**R 400 000**	**13280**
Cost per FTE		R 60 098		R 28 593		R 62 853		R 29 458		R 65 094		R 30 121

b- In addition to this, what is interesting to note, is that:

- The E&Cs budget for the MTEF grows at 18%, 19% and 4% (last budge figures provided by the programmes) and yet their number of jobs DPW would want the sector to create grows by 28%, 42%, 38%. It is likely the sector can reach the 2009/10 and 2010/11 target from the baseline and the incentive will truly just produce additional jobs.
- The E&Cs sector last year produced 53,219 work opportunities (or 13,142 FTEs) with a R1.45 billion budget compared to 377,356 work opportunities (or 104,625 FTEs) with a R15.8 billion budget.