

EPWP Phase II

Gauteng Province

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 5 billion was allocated over the MTEF to scale up the EPWP
- Agreement at the PCC for DPW to set targets for provinces and municipalities and for them to report DPW
- EPWP 2 implementation to start on 1 April 2009

Goal of EPWP Phase 2

To create 2 million Full Time Equivalent (FTE) 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.

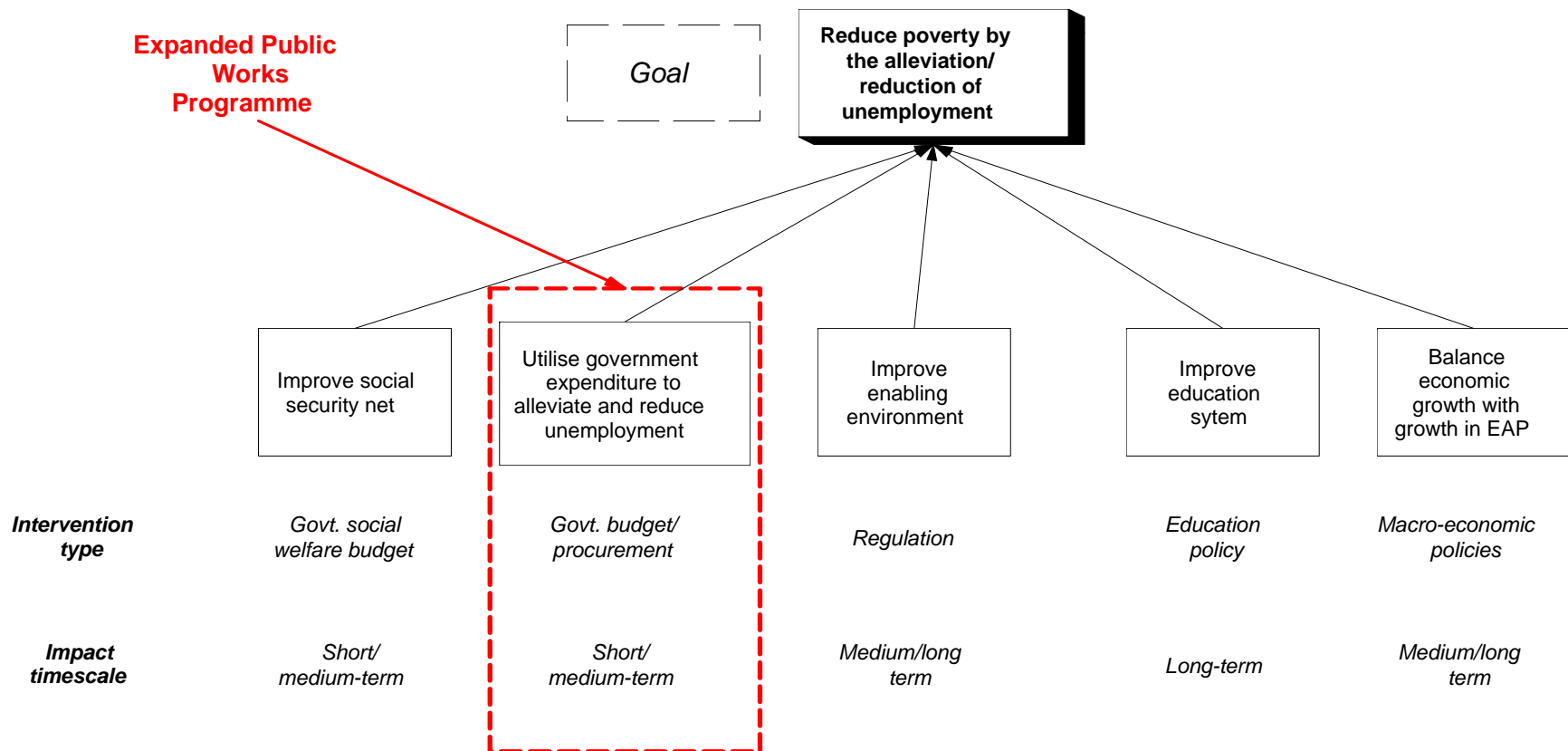
(Scale up from 210 000 FTE in Y1 to 610 000 FTE in Y5;
Equivalent 4, 5 million work 100-day work opportunities in 5 years)

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

EPWP 2 like EPWP 1 is one of a range of activities and programmes to address unemployment in South Africa

Government Strategies

(not mutually exclusive)



EPWP 2 seeks to assist in halving unemployment by 2014

| Sectors | Employment - 2004 | Estimated Employment in 2014 | | | |
|--|-------------------|------------------------------|------------|------------|------------|
| | | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 |
| Formal Sector employment – high paid sectors | 5,261,000 | 6,207,291 | 6,758,049 | 6,758,049 | 7,484,521 |
| Formal sector employment – low paid sectors | 2,565,000 | 3,859,533 | 3,836,314 | 4,207,762 | 3,707,770 |
| Construction & utilities | 620,000 | 1,163,825 | 1,163,825 | 1,163,825 | 1,163,825 |
| Informal sector, dom work, subsist agric, less EPWP | 2,815,000 | 3,592,905 | 3,592,905 | 3,692,298 | 3,638,748 |
| Anticipated shortfall [unemployment narrow definition] | 340,000 | 1,764,597 | 1,237,058 | 766,218 | 593,287 |
| Anticipated shortfall [unemployment broad definition] | - | 2,764,597 | 2,237,058 | 1,766,218 | 1,593,287 |
| Total pop – working age | 11,601,000 | 16,588,152 | | | |

EPWP 2 – aims to halve anticipated unemployment in 2014

- High paid sectors include mining, manufacturing, financial and business services, public and health services
- Low paid sectors include agriculture, retail or tourism
- Scenario 1: Economy grows at 4,5% per annum [pa] and employment grows at about the same rate. Government is involved in employment creation through massive infrastructure spending
- Scenario 2: Same as Scenario 1, except that the public sector grows more rapidly. Public sector growing at about 1% pa and accounts for approximately 14.5% of all employment. In this scenario public sector grows at 3.5% pa

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

Key Components of EPWP 2

1. Targets and accountability across Government
 - Each public body to have annual employment creation targets
 - Political and Administrative heads to commit and held accountable for achieving these targets
2. EPWP Fiscal incentive
 - a) Incentive for public bodies to create EPWP employment through providing R50 for every person-day of work created
 - b) Phased in over the next two years to all sectors, provinces and municipalities

Key Components of EPWP 2

3. Non-State sector

- Mobilise the capacity outside the state (NGOs, CBOs, Non-profits) to create work for EPWP targets group
- Work will focus on a wide range of activities as indentified by local communities or the NGO's and CBO's
- Funding provided on the basis of the wage incentive

4. Technical Support to spheres, sectors and implementing bodies

- Implementing bodies requiring capacity can access through support through the EPWP Unit and other support programmes like the Technical Assistance Unit from National Treasury

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 | 60 548 | 117 554 | 22 698 | 8 696 | 209 496 |
| 2010-2011 | 72 658 | 136 630 | 28 999 | 20 870 | 259 156 |
| 2011-2012 | 94 939 | 181 667 | 40 991 | 41 739 | 359 337 |
| 2012-2013 | 122 549 | 243 527 | 56 272 | 76 522 | 498 870 |
| 2013-2014 | 152 581 | 320 692 | 76 570 | 130 435 | 680 278 |
| <i>Totals</i> | 503 275 | 1 000 070 | 225 531 | 278 261 | 2 007 137 |

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

| | Local | Provincial | National | Non-State | <i>Totals</i> |
|---------------|------------------|------------------|----------------|----------------|------------------|
| 2009-2010 | 150 000 | 247 325 | 100 068 | 20 000 | <i>517 393</i> |
| 2010-2011 | 156 000 | 281 720 | 104 248 | 48 000 | <i>589 968</i> |
| 2011-2012 | 200 000 | 370 420 | 133 660 | 96 000 | <i>800 080</i> |
| 2012-2013 | 275 000 | 501 283 | 183 588 | 176 000 | <i>1 135 871</i> |
| 2013-2014 | 375 000 | 659 286 | 249 994 | 300 000 | <i>1 584 279</i> |
| <i>Totals</i> | <i>1 156 000</i> | <i>2 060 034</i> | <i>771 557</i> | <i>640 000</i> | <i>4 627 591</i> |

Overall Phase 2 targets for Gauteng Provincial Govt

| | Infrastructure Sector | | Environmental Sector | | Social Sector | | Total | |
|---------------|-----------------------|---------------|----------------------|---------------|----------------|----------------|----------------|----------------|
| | WO | FTE | WO | FTE | WO | FTE | WO | FTE |
| 2009-10 | 7,188 | 2,594 | 2,488 | 1,539 | 15,782 | 12,379 | 25,458 | 16,513 |
| 2010-11 | 20,917 | 8,607 | 3,542 | 1,823 | 18,939 | 13,794 | 43,398 | 24,224 |
| 2011-12 | 26,910 | 11,246 | 3,072 | 2,833 | 26,041 | 18,392 | 56,023 | 32,472 |
| 2012-13 | 34,984 | 14,517 | 18,223 | 5,171 | 36,891 | 25,289 | 90,097 | 44,978 |
| 2013-14 | 44,035 | 18,074 | 24,240 | 6,242 | 50,306 | 34,486 | 118,581 | 58,802 |
| Totals | 134,034 | 55,038 | 51,565 | 17,609 | 147,958 | 104,341 | 333,557 | 176,988 |

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
- R4.2 billion has been allocated to DPW over the MTEF to pay out the incentive to public bodies and this is expected to grow to at least R 5 billion per annum by 2014
- 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
 - The incentive is not paid out for work created below the eligibility threshold, but is paid for all work created above this threshold

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
 - Meet equity targets for number of youth, women and disabled EPWP workers
- **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 process but take into account that payment by DPW will occur quarterly, after employment has been created

2009-10, Infrastructure Targets & Incentive, Provinces

| EPWP Phase 2: Targets and wage incentive provinces | 2007/08 EPWP PERFORMANCE | ELIGIBILITY THRESHOLD | FTE PERFORMANCE TARGETS | DORA AMOUNT |
|--|--------------------------|-----------------------|-------------------------|----------------|
| | | | 2009/10 | |
| FISCAL INCENTIVE TO PROVINCES | 29 076 | 31 434 | 48 794 | 151 419 |
| KwaZulu-Natal | 11 716 | 6 791 | 16 551 | 84 180 |
| Western Cape | 919 | 2 003 | 2 003 | 500 |
| Gauteng | 348 | 2 594 | 2 594 | 500 |
| Eastern Cape | 7 660 | 5 836 | 9 314 | 29 992 |
| Mpumalanga | 1 407 | 2 760 | 3 345 | 5 047 |
| Free State | 3 967 | 2 407 | 5 075 | 23 008 |
| Limpopo | 1 335 | 5 208 | 5 245 | 500 |
| North West | 1 388 | 2 731 | 3 565 | 7 192 |
| Northern Cape | 336 | 1 103 | 1 103 | 500 |

Gauteng: 348 2 594 2 594 500

2- Fiscal Incentive: Allocations to Municipalities

- 45 Municipalities have been indicative allocations based on their 2007-08 performance
- At least an additional 15 municipalities are expected to become eligible in 2009-10
- Total projected incentive allocations to the municipalities is to R201 million
- FTE target for municipalities for 2009-10 is 66 000 FTE's
- Most eligible municipalities are already reporting on the EPWP Management Information System

2009-10 Infrastructure targets & incentive for Municipalities, GP

| | | 2007-08 EPWP Performance | Eligibility | MIG Allocation 2009-10 (Municipal Financial Year) | Eligibility Threshold based on MIG (FTE) | Final Target | Final Allocation for 2009-10 (National Financial Year) | Final Allocation for 2009-10 (Municipal Financial Year) |
|---|--------|----------------------------------|-------------|--|---|--------------|--|--|
| GAUTENG | | | | | | | | |
| A | | Ekurhuleni | 354 | 0 | 424 301 | 1273 | 1 273 | - |
| A | | City of Johannesburg | 11769 | 1 | 470 850 | 1413 | 12 946 | 66 317 |
| A | | City of Tshwane | 661 | 0 | 325 102 | 975 | 975 | - |
| | | | | | | | - | - |
| B | GT02b1 | Nokeng tsa Taemane | | 0 | 14 675 | 44 | 44 | - |
| B | GT02b2 | Kungwini | | 0 | 25 943 | 78 | 78 | - |
| C | DC46 | Metsweding District Municipality | | 0 | | 0 | 0 | - |
| Total: Metsweding Municipalities | | | - | - | 40 618 | 122 | 122 | - |
| | | | | | | | - | - |
| B | GT421 | Emfuleni | 124 | 0 | 89 643 | 269 | 269 | - |
| B | GT422 | Midvaal | | 0 | 16 433 | 49 | 49 | - |
| B | GT423 | Lesedi | | 0 | 16 640 | 50 | 50 | - |
| C | DC42 | Sedibeng District Municipality | | 0 | | 0 | 0 | - |
| Total: Sedibeng Municipalities | | 124 | - | - | 122 716 | 368 | 368 | - |
| | | | | | | | - | - |
| B | GT481 | Mogale City | | 0 | 52 140 | 156 | 156 | - |
| B | GT482 | Randfontein | | 0 | 21 663 | 65 | 65 | - |
| B | GT483 | Westonaria | 72 | 1 | 38 464 | 70 | 86 | 500 |
| C | DC48 | West Rand District Municipality | | 0 | 5 519 | 17 | 17 | - |
| Total: West Rand Municipalities | | 72 | 1 | - | 117 786 | 308 | 324 | 500 |
| Total: Gauteng Municipalities | | 12 980 | 2 | - | 1 501 373 | 4 458 | 16 008 | 66 817 |
| | | | | | | | | 99 620 |

Growth of the EPWP Wage incentive

While the incentive is starting on a fairly small scale in 2009-10 with an allocation of R465 million it grows very quickly to

- R1.3 billion in 2010-11 and**
- R2.3 billion by 2011-2012**

While the R465 million has only been allocated to those already eligible for 2009-10, there should be sufficient funds to accommodate additional municipalities and increase the amounts for already eligible public bodies in the future

All public bodies would do well therefore to try and exceed their targets so that they can claim a larger share of the incentive allocations in future years

Accessing the EPWP Wage incentive (Prov)

The province has been provisionally allocated R 500 000 through the EPWP wage incentive for 2009-10

In order to access these funds the province needs to:

- Enter into an agreement with DPW which will stipulate the targets the province should meet
- Report on progress using the EPWP Infrastructure MIS and should engage with DPW in this regard
- Once the province's performance as reported through the MIS exceeds its threshold of 2594 FTE DPW will pay R11 500 for every FTE above the threshold to the provincial Treasury
- The province must maintain its source documents (wage lists etc) for audit purposes as will be specified in forthcoming Audit Notes
- The province is guaranteed to be able to claim at least the R 500 000 but if it exceeds its target it could receive more if funds are available

The province internally needs to ensure that these funds are directed to the departments which are performing (reporting) on the EPWP so that it can continue to meet its (growing targets)

Accessing the EPWP Wage incentive (Mun)

The four eligible municipalities have been provisionally allocated R 99 620 000 through the EPWP wage incentive for 2009-10

In order to access these funds the municipalities must:

- Enter into an agreement with DPW which will stipulate the targets the respective municipality must meet
- Report on progress using the EPWP Infrastructure MIS and should engage with DPW in this regard
- Once the municipality's performance as reported through the MIS exceeds its respective threshold DPW will pay R11 500 for every FTE above the threshold to the municipality
- The municipality must maintain its source documents (wage lists etc) for audit purposes as will be specified in forthcoming Audit Notes
- Each eligible municipality is guaranteed to be able to claim at least the amount stipulated in the DORA but if it exceeds its target it could receive more if funds are available

The municipality internally needs to ensure that these funds are directed to the departments which are performing (reporting) on the EPWP so that it can continue to meet its (growing targets)

Non-eligible municipalities

Municipalities who are not yet eligible can become so by:

- Enter into an agreement with DPW which will stipulate the targets the respective municipality must meet
- Report on progress using the EPWP Infrastructure MIS and should engage with DPW in this regard
- Meet at least their eligibility threshold

Once these conditions are met, municipalities become eligible for the wage incentive

They will in turn receive a provisional incentive allocation, either in the Medium Term Adjustment Framework or in the subsequent financial year. From there on they will be able to access the incentive like all other eligible municipalities.

The more one exceeds their target by (i.e. the better the EPWP Performance), the larger the guaranteed allocation in the next 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 organizations whose activities also create work for the EPWP target group
- R80 million of the wage incentive has been 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

5- Way forward

- Targets have been set for all public bodies and the EPWP Unit will together with the provincial coordinating departments be briefing all public bodies about their targets and
- The EPWP unit is currently finalizing the operational and audit procedures for the EPWP fiscal incentive
- EPWP Phase 2 will start on 1 April for National Departments and Provinces and 1 July for Municipalities
- EPWP Unit will embark on a country-wide briefing programme in the next months to brief:
 - Provincial Executive Committees
 - Mayoral Committees
 - Officials involved in implementing EPWP projects
 - Officials involved in coordinating and managing the EPWP in provinces and municipalities