Department of Public Works

Budget Debate 16 July 2014

Deputy Minister, Jeremy Cronin

Perhaps one of the best known commitments made in the ANC's election manifesto is to create 6 million work opportunities through Public Employment Programmes over the next five years. In some of the media comment the impression given is that this is the only thing that the ANC manifesto and ANC-led government have to say about job creation – which is simply wrong. There is a wide range of major programmes – many of them already under-way – directed at the critical objective of addressing our unemployment crisis. These include re-industrialisation, the trillion rand infrastructure programme, local beneficiation of our natural resources, using state procurement to ensure much greater localisation, and much more.

However, the Public Employment Programmes are, indeed, an important part of our programmatic approach to addressing the interlinked challenges of unemployment, poverty and inequality.

The second largest component of this Budget (R1,95bn) is allocated to the Expanded Public Works programme – most of it to be transferred to provinces and municipalities as integrated or incentive grants for the implementation of Public Employment Programmes.

Chapter 3 of the National Development Plan envisages a major upscaling of the Expanded Public Works and Community Work Programmes in the light of the deep-seated crisis of unemployment in our country. There are some cyclical features to unemployment in SA (not least in the context of persisting low global growth following the 2008 crisis). However, as the National Development Plan clearly recognises, even in periods of relatively sustained domestic growth, achieved through the second half of the 1990s and well into the 2000s, we never succeeded in bringing unemployment below crisis levels of over 20% (even in the narrow definition of unemployment).

Our unemployment crisis is clearly structural. It is systemic. It cannot just be a question of waiting for a favourable upswing in the markets. There are systemic problems hard-wired into our historical growth path. Our responses themselves need to be transformational, anti-systemic, radical (in the proper sense of that word – i.e. of getting to the root of things).

An important part of a radical response is precisely the significant upscaling of our Public Employment Programmes – notably the Expanded Public Works and Community Work programmes. But if the problem of unemployment is not just cyclical, then our approach even to these programmes also cannot just be a question of temporary, make-work arrangements while we complacently imagine that market-driven growth will somehow serve up full employment in the relatively near (or, for that matter, any) future.

The beginning of April this year marked the start of the Third 5-year phase of the Expanded Public Works Programme. In 2003, in the midst of a decade of unprecedented sustained growth, but with hardly a dent in our unemployment, the NEDLAC-convened Growth and Development Summit, involving government, unions, business and the community sector together resolved on significantly up-scaling the public works programmes. This was the birth of the Expanded Public Works Programme.

In 2004 Phase 1 of the EPWP was launched, with a 5-year target of 1 million work opportunities. That target was achieved one year ahead of time. In 2009 the second 5-year phase was launched, and we completed that phase at the end of March this year – with over 4 million work opportunities having been achieved.

In some quarters these public employment programmes are viewed sceptically – we are told that it is not "real work", just "work opportunities", temporary make-work. The leader of one particular political party earlier this year even mobilised a march on the ANC's Luthuli House head-quarters against the ANC's electoral commitment to 6-million work opportunities. The march counter-posed EPWP work with so-called "real jobs".

But what is a "real job"? Ironically, it was the very same party that in 2013 opposed any increase in the minimum wage for farm-workers, arguing that an increase was unaffordable. But the farm-workers minimum wage was actually marginally lower than the EPWP minimum wage at the time – and the majority of those farm-workers were (and are) temporary (seasonal contract workers). So what's a real job?

But let's move away from party polemics and as South Africans take note of (and pride in) the pioneering role that SA has been playing as a global innovator in public employment programmes. With chronic unemployment, even in many developed economies, the scale and innovative achievements of SA's public employment programmes have attracted international interest, including from the United Nations body, the ILO. However, we have not sufficiently communicated these achievements at home!

- Uniquely our PEPs cut across several sectors. They are championed through different national line departments, all provinces and municipalities, and they have both a rural and urban focus – in most other countries where there are public employment programmes, they tend to be driven by a single department, out of a single budget. We have been doing something innovative here in SA.

- SA has been a global pioneer in applying PEPs on scale to environmental services – Working for Water, Working on Fire, Working for Wetlands, etc.
  - The Working for Water programme has possibly saved as much as R400bn (according to a CSIR study), it has cleared over 2 million hectares of alien invasive plants, and prevented the loss of 71% of grazing in SA – none of this, of course, gets recorded when GDP is calculated;
  - Working on Fire in one budget year (2007/8) saved the forestry industry R3,7bn – on a budget of R123 m.
- SA is still the only country in the world with a wide range of PEPs in the social sector – including adult education, early childhood care, school-feeding schemes, school safety and homework supervision programmes. Home-based care programmes have been a major response to the HIV/AIDS epidemic.
- Through the EPWP Non-State sector programmes, namely the Community Work Programme (CWP) and Non-Profit Organisations (NPO) programme, we are working closely with NGOs, faith- and community-based organisations. We see this as an important counter-weight against the dangers of excessive bureaucratisation of PEPs.

PEPs, in general, provide the possibility of developing a different relationship between the state and communities – to break away from the problematic notion of a "delivery state" providing top-down services and assets to citizens and communities who are seen as little more than passive "clients" of the state. Instead, building on the National Development Plan's idea of an active citizenry we need to involve communities, not least poor communities, as collective co-producers and co-owners of community services, assets and the maintenance of those public assets. Don't burn the library, help to build it, own it, take care of it – with the assistance of the state and its resources. We need to transform communities and we need to transform the state (overcoming tendencies to bureaucratisation, venality, lack of transparency, and aloofness). PEPs present an important potential means for realising these thoroughly transformative, radical objectives.

But having said all of this, it is also important to acknowledge that there are many lessons and challenges in our Public Employment Programmes.

In the first place it is important to realise that there is a dilemma (or a "trilemma") when approaching PEPs. There are at least three somewhat different but critically important objectives in any PEP:

- One objective is to provide basic income support to poor households in distress – as part of achieving a comprehensive social security net;
- Another key objective is likely to be "exit" or "graduation" objectives for the participants. What happens to participants afterwards? Do they find employment in the public or private sectors, or self-employment in an SMME or co-op?
- Yet another objective is the provision of socially useful public assets and services, particularly, but not only, for poor communities.

Clearly these objectives can be mutually reinforcing but emphasis on one has implications for the others. Maximising the spread of income support through maximising participant numbers typically means trimming down budget spend on training of participants, or on construction materials and equipment and therefore on the quality or scope of assets and services produced. Too often we overload specific programmes expecting them to maximise all objectives equally, with the danger of sub-optimum outcomes on all fronts.

Related to this challenge, we acknowledge that learning from the past ten years of EPWP phases one and two, we need to achieve a better balance between work opportunity head-count targets and other outcomes. Work opportunity targets are very important – but we need to balance these with other critical indicators, including:

- Better evaluation of post-participation outcomes for participants;
- Evaluation of assets and services produced; and
- An evidence-based understanding of the developmental impact on communities.

This will require significantly refining our Monitoring and Evaluation capacities.

A third important lesson and challenge relates to the tendency particularly of infrastructure PEPs to be short in duration. In Phase 2, the work opportunity duration in infrastructure was 65 days. The infrastructure sector of our EPWPs has been the major employer, and for Phase 3 this remains the case with infrastructure targeting nearly 2,5m work opportunities out of the overall 6m work opportunity target. In order to ensure longer average duration in this sector we believe that we need to shift emphasis much more substantially towards the labour-intensive maintenance of infrastructure. Unlike infrastructure **construction**, where projects and work opportunities end with the completion of a project – **maintenance** is on-going, local, and much of it can be done labour intensively.

Above all, the big lesson that we are drawing from our innovative South African PEP experience over the past 10 years is that we need to:

- Better promote our achievements on this front;
- Better ensure coordination and shared learning across the very wide range of sectors, and spheres of government leading different PEPs; and
- Better coordinate with other government programmes – for instance small business and cooperative development; or Sector Education and Training Authorities and the Department of Higher Education's new approach to developing community colleges.

It was in this context that in November last year Cabinet approved the creation of a Presidential Public Employment Coordinating Commission. The same Cabinet decision resolved that the Department of Public Works should provide the core technical secretariat to support the coordinating and promotional activity of the Presidential Council. The presidency is now in the process of institutionalising the council.

The budget which we are discussing today will therefore contribute to this absolutely critical intervention.

Briefly in the time still available, I would like to touch on one other important tasks of DPW over this budget year – developing a sustainable business case for the Independent Development Trust.

The Independent Development Trust (IDT)

The IDT was established in 1990, in the final years of the apartheid regime – it was supposedly an "independent", "civil society", temporary grant-making agency. It was set up with a R2bn government endowment grant to be invested, with the returns used for development purposes in poor communities.

In 1997 the IDT's mandate was changed – at least formally – to be a "government agency that will implement projects which are commissioned by government departments". However, the assumption was that this would be done at no cost to the fiscus. This enhanced mandate, and in the context of massive social infrastructure backlogs in poor communities, resulted in the capital base of IDT being quickly eroded.

In short it was no longer a supposedly "independent", "civil society" agency – but part of the broader public sector. But nor was it any longer a funded Trust – the R2bn endowment was blown. So the "I" and the "T" in IDT no longer made sense. Responding to the challenges of massively increased developmental challenges, but with an eroded capital base the IDT introduced in 2006 a "cost recovery" principle to much of its work, while it sought to develop longer term sustainability. But the "cost recovery" approach has failed to ensure IDT viability.

We are, however, absolutely convinced of the importance of the IDT. In particular it has significant capacity as a programme manager of public sector social infrastructure construction. Specifically, we see its niche contribution being the facilitation of community consultation and participation in decision-making, planning, construction and maintenance of social infrastructure.

In the Presidential Infrastructure Coordinating Commission, the DPW is a key role-player in Strategic Integrated Project (SIP) 13 – addressing the backlog in educational infrastructure. Through the DPW, the IDT is playing a critical role as an implementing agency in the eradication of unsuitable school structures and in the beautification of schools.

In order to consolidate these kinds of synergies between the IDT and DPW we are now working on a new business plan, which will see the IDT become a Schedule 3A Public Entity reporting to the Minister in Public Works. We believe that this will enable the IDT to really give effect to the 1997 Cabinet mandate to be "a government development agency that will implement projects which are commissioned by government departments".