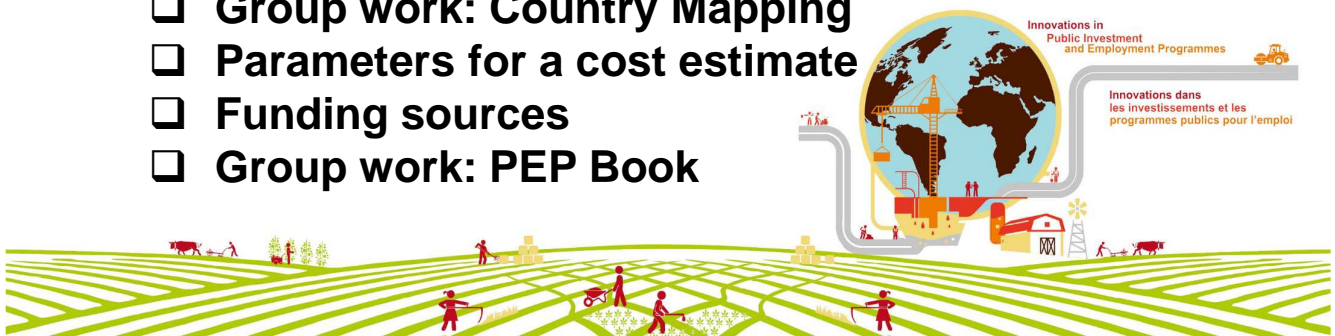


SESSION 4

BUILDING THE CASE FOR PEP FUNDING

This session:

- Group work: Country Mapping
- Parameters for a cost estimate
- Funding sources
- Group work: PEP Book



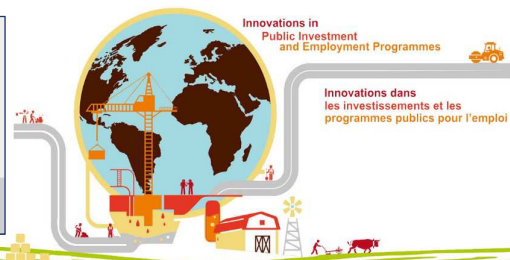
Group Work – Country Mapping

- What is the development direction of your country?
- What issues/challenges are being addressed?
- Priority (flagship) government program to address poverty reduction, unemployment and environment conservation
- Successes
- Challenges
- Areas that need improvement

Time duration: 15 mins



What do you need to create a job for a bus driver?

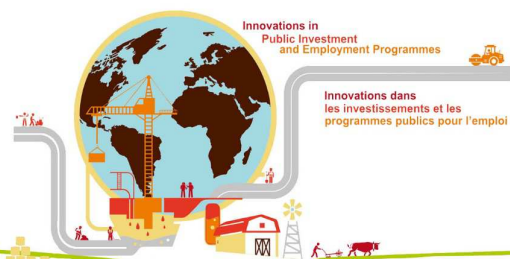


How much does it cost to create a PEP job?

Labour Intensity=

Wages

Total costs= (Wages + Tools + equipment+ materials + fuel+ operational)



How much does it cost to create a PEP job?

- Full Time Equivalent (FTE) = Typically 230/250 days of work

Or

- 1800 to 2000 hours of work

What is the cost of a FTE?



What is the cost of a FTE?

- 230 days x daily wage (US10)= USD 2300
- Labour Intensity (LI) = 25%
- Total = Wages / LI
USD 2300 / 25% = USD 9200



- **How much does it cost to create a FTE?**

Or

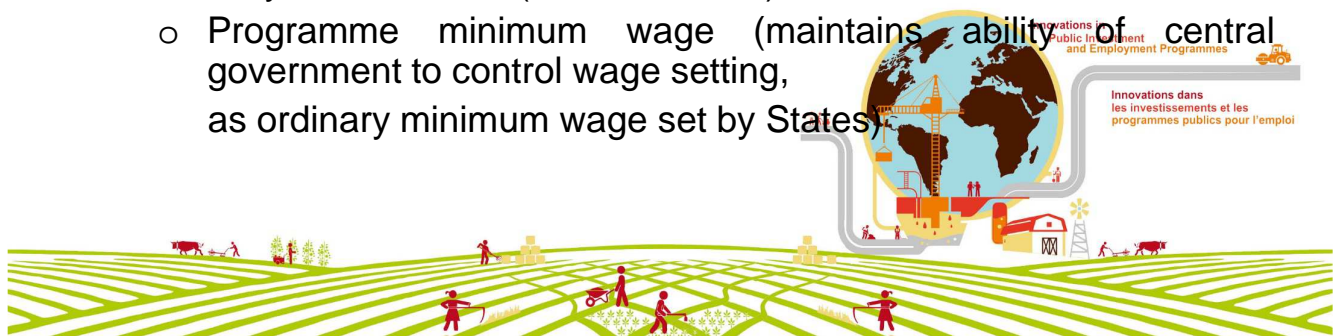
- **How many FTE can we create with USD 1 million?**



| Global region | Country | Sector/ Infrastructure type | FTE years per million USD (Direct Employment from construction / Cost USD millions) | Cost per job - FTE year (USD) |
|---------------------|---------------------|---|---|-------------------------------|
| MENA | Morocco | Transportation | 24.3 | 411,91 |
| MENA | Morocco | Energy | 3.0 | 333,333 |
| MENA | Morocco | Sanitation | 19.1 | 52,461 |
| MENA | Morocco | Sanitation | 20.5 | 48,757 |
| MENA | Tunisia | Transportation | 24.0 | 41,671 |
| MENA | Tunisia | Energy | 19.2 | 52,195 |
| MENA | Jordan | Transportation | 21.1 | 47,301 |
| MENA | Jordan | Energy | N/A | |
| MENA | Egypt | Energy | 7.5 | 133,429 |
| MENA | Egypt | Energy | 5.0 | 200,000 |
| South Africa | South Africa | Buildings | 15.4 | 64,829 |
| South Africa | South Africa | Energy - Electricity | 89.3 | 11,200 |
| South Africa | South Africa | Transportation - Roads (construction and maintenance) | 71.0 | 14,091 |
| South Africa | South Africa | Sanitation | 43.5 | 22,983 |
| South Africa | South Africa | Stormwater | 16.5 | 60,635 |
| South Africa | South Africa | Waste management | 230.6 | 4,336 |
| South Africa | South Africa | Water supply | 54.6 | 18,331 |
| South Africa | South Africa | Total | 34.9 | 28,647 |
| Sub-Saharan Africa | Madagascar | Transportation - Roads maintenance | 110.7 | 9,032 |
| Sub-Saharan Africa | Madagascar | Transportation - Roads maintenance | 64.3 | 15,542 |

Budgeting for MGNREGA

- ❑ Act legislated in 2005 guarantees *100 days of employment in a year to every rural household* whose adult members *volunteer to do unskilled manual work at the programme (minimum) wage rate*
- ❑ Key rationing features to contain fiscal implications:
 - 100 days per year in instead of full-time (57% reduction)
 - Households instead of working age adults (more than 50% reduction)
 - Only in rural areas (30% reduction)
 - Programme minimum wage (maintains ability of central government to control wage setting, as ordinary minimum wage set by States)



COST STRUCTURES AND FUNDING FLOWS IN PEPS

Respond to the following questions

| | |
|--|--|
| What is the nature and scale of the problem to be addressed? | |
| How much policy space do you have? Are you looking at a short-term crisis response with donor money, or a universal employment guarantee funded from fiscal revenues as part of a long-term counter-cyclical policy? Where on this spectrum does the social need (and political appetite) lie? | |
| How much fiscal space do you have? How is such a programme likely to be funded and at what scale? | |
| What mix of purposes is likely to win the day in policy terms? What does this mean for the type of work to be undertaken and hence for labour intensity? The cost structure of an infrastructure programme is quite different from a programme delivering social services. | |
| Will the programme be a form of universal entitlement – or will it target particular subgroups? How will it do so? | |
| What criteria will be used to set the wage rate – and what does this mean for the actual wage likely to be paid? | |
| How will the programme be institutionalized? Who will be held accountable for it? Who will run it? What capacities exist and what will have to be built? | |
| What monitoring and evaluation (M&E) systems will be put in place? | |
| Have you considered the co-ordination costs (overhead costs, costs of additional level of intermediaries, project preparation, training and capacity development, M&E)? | |
| Have you considered the implementation costs (number of targeted participants, work days per person, wage rate, labour intensity, supervision requirements)? | |
| Have you considered the possible bottlenecks that can be created in the budget process, procurement process, and establishment of systems for effective financial flows (especially payment for workers)? | |

Four major issues that affect cost drivers of PEPs

1. If the labour-intensity ratio is high, then the cost of labour will be the key cost driver.
2. If it is an infrastructure or crisis response programme requiring substantial material and equipment inputs, then materials and equipment costs, such as for cement and compaction equipment, may be critical variables. In this case, it will also be necessary to establish if there are constraints on the supply of materials – and / or balance of payments on procurement.



Four major issues that affect cost drivers of PEPs

3. If the programme depends on a significant training input per person, this will affect the cost structure.
4. If the programme relies heavily on international consultants this will affect technical support and programme management costs.



Cost of PEPs can be split into broad two categories:

1. Coordination costs – programme management, monitoring and evaluation Implementation costs -

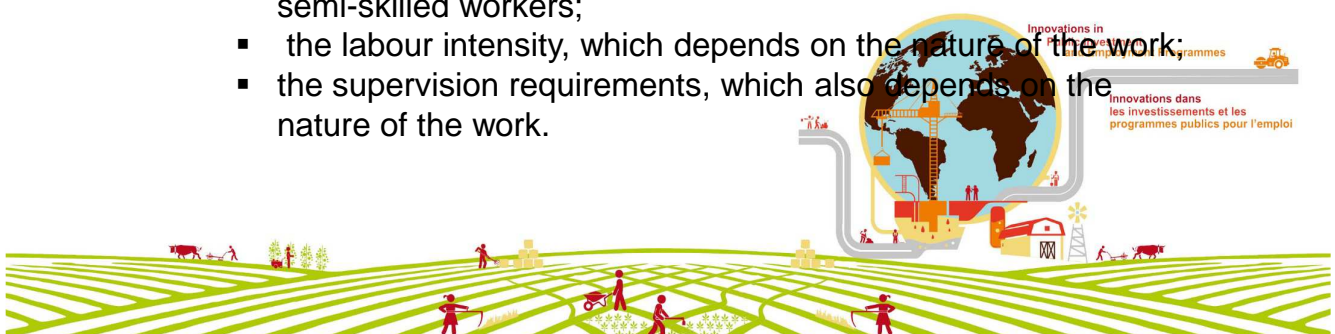
- the overhead costs of the ministry, department or programme
- coordination unit in charge of management and coordination;
- costs of an additional level of intermediaries, if applicable;
- the costs of project preparation;
- the costs of training and capacity building;
- monitoring and evaluation.



Cost of PEPs can be split into broad two categories:

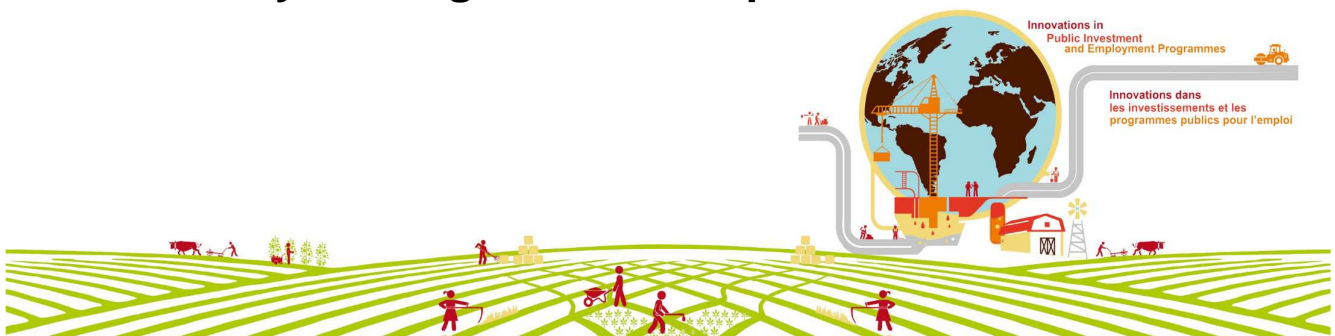
2. Implementation costs - costs of compensation, goods and services at a more direct implementation level – including the supervision of work on site-

- the number of targeted participants;
- the average duration of a work opportunity: expressed in the number of workdays per person;
- the wage rate – and whether you budget to include a layer of semi-skilled workers;
- the labour intensity, which depends on the nature of the work;
- the supervision requirements, which also depends on the nature of the work.



Finding the resources to fund PEP

- PEPs financed in a variety of ways
- Many financed from national budgets- donor contribution limited
- Also depends a lot on how national budgets work
- Because PEPs can contribute to many outcomes- many funding sources are possible



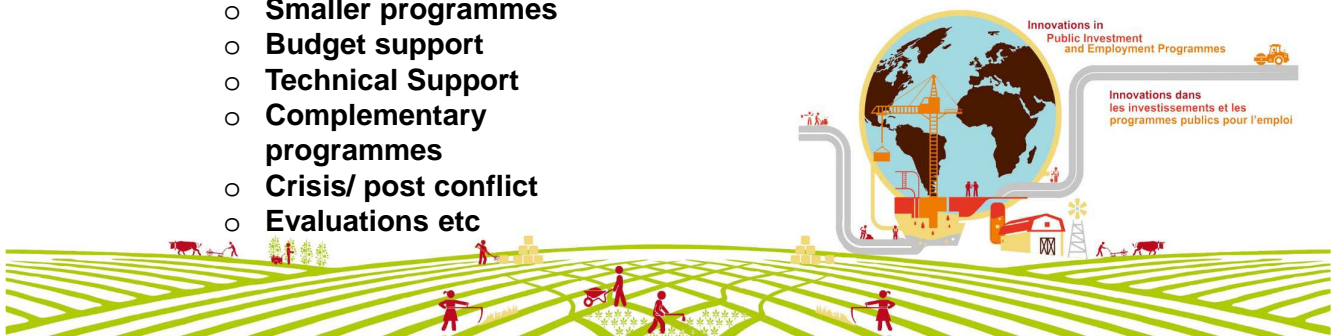
Finding the resources

- How are PEPs in your country financed?
- How does your organization contribute to the cost of a PEP?



Financing sources

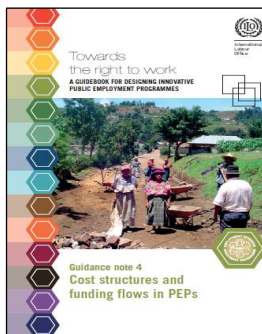
- National budgets
 - Social protection
 - Urban development/ Infrastructure
 - Rural development
 - Special funds
 - Environment
 - ALMP funding
 - Crisis/ emergency
- Decentralized government (complementary)
 - States/ Provinces
 - Municipalities / Local government
- Donors
 - Smaller programmes
 - Budget support
 - Technical Support
 - Complementary programmes
 - Crisis/ post conflict
 - Evaluations etc



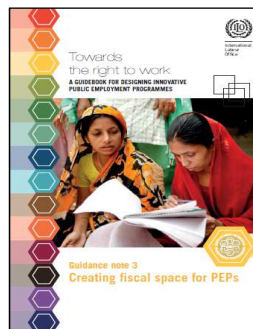
PEP BUDGETS

| Programme | Expenditure (millions USD) for given year | Expenditure as % of GDP | Institution/ Source | Nr of work opportunities | Work opportunities as % of Labour force |
|----------------------------|---|---------------------------------|------------------------------|--------------------------|---|
| NREGA (India 16/17) | 7 400 | 0.3% | Rural Development (National) | 52.6 million | 9.7% |
| PSNP (Ethiopia 08/09) | 360 | 1.2% | Food security (Donors) | 1.5 million | 4.8% |
| EPWP (South Africa 09/010) | 3 952 | 1.1% | Various (National) | 643 000 | 2.8% |
| KKV (Kenya 09) | 43 | 0.12% | Prime Minister (Donor) | 300 000 | |
| CfWTEP (Liberia 09) | 1.5 | 0.17% | Social Fund (Donor) | 8 500 | 0.8%* |
| Jefes (Argentina 2003) | 3 056 | 0.9% | Labour (National/ Donor) | 2 210 000 | 13.0% |
| Kosovo 2010 (projected) | 3 | 0.1% | Labour (Donor) | 5 000 | 0.6% |
| FAIMO (Cape Verde) | 10.8 (1998), 19.7 (1992) | Between 2% (1998) and 5% (1992) | Social Security (National) | 15 000 to 20 000 | 11.5% (2000) |

More information:



https://www.ilo.org/global/topics/employment-intensive-investment/publications/WCMS_559281/lang--en/index.htm



https://www.ilo.org/global/topics/employment-intensive-investment/publications/WCMS_559280/lang--en/index.htm



Innovations dans les investissements et les programmes publics pour l'emploi



More information:



https://www.ilo.org/global/topics/employment-intensive-investment/publications/WCMS_559282/lang--en/index.htm



https://www.ilo.org/global/topics/employment-intensive-investment/publications/WCMS_559297/lang--en/index.htm



Innovations dans les investissements et les programmes publics pour l'emploi



Group Work – PEP Book

- Apply the inputs (Sessions 2-4) to design your country PEP project
- Assess your country PEP against :
 - *Country development agenda*
 - *PEP objectives*
 - *Sustainable Development Goals*
- Identify priority issue/need and link to possible PEP intervention
- Identify source of funds and determine budget cost items (coordination and implementation)

Time duration: 30 mins

Presentation: 5 mins for each group

