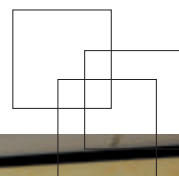




International  
Labour  
Office

# Towards the right to work

**A GUIDEBOOK FOR DESIGNING INNOVATIVE  
PUBLIC EMPLOYMENT PROGRAMMES**



**Guidance note 11**  
**Design of institutional  
frameworks for PEPs**

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# Towards the right to work

A GUIDEBOOK FOR DESIGNING INNOVATIVE PUBLIC EMPLOYMENT PROGRAMMES



## Guidance note 11

### Design of institutional frameworks for PEPs

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## Guidance note 11

# Design of institutional frameworks for PEPs



### Objective

*The objective of this note is to outline the different functions associated with a public employment programme<sup>1</sup> (PEP) so that participants are able to assess how these functions can best be fulfilled in their own context and institutional structures. The trade-offs between using existing and establishing new institutions are explained and some examples of institutional arrangements are provided.*

### Introduction

The institutional arrangements for PEPs can be complex because they typically involve a large number of actors and have centralized and decentralized functions. Furthermore multiple actors are typically involved horizontally, i.e. multiple departments are involved at the national level. At the same time, they can also be complex vertically as all the different tiers of subnational government are involved, i.e. states, provinces, local governments and community-level government structures. The multiple horizontal actors reflect the multi-sectoral nature of PEPs and the multiple vertical actors reflect the large geographical coverage of PEPs in most countries.

Furthermore, the institutional structure of PEPs generally mirrors that of the government, as the programme typically needs to use existing frameworks, institutions and structures to manage these intergovernmental relations. In many countries, there is an ongoing process of decentralization in which certain functions that were previously the responsibility of central government are being decentralized (Box 1). The institutional design of PEPs has to take this process into account and, in many cases, can support the decentralization process. In addition, in many countries, the use of existing specialized agencies or other existing structures that are not directly part of the civil service is common, especially in project implementation. The institutional structure of a PEP will, therefore, be unique in each country and there is no model that can easily be adapted to another country's context.

<sup>1</sup> M. Lieuw-Kie-Song; K. Philip; M. Tsukamoto; M. Van Imschoot: *Towards the right to work: Innovations in public employment programmes (IPEP)*, ILO Employment Working Paper No. 69 (Geneva, International Labour Organization, 2011).

## Box 1. Forms of decentralization

**Deconcentration**, often referred to as administrative decentralization, describes the transfer of specific functions to peripheral agencies of the same central government institutions (i.e. district offices), without the transfer of the authority away from the central government with the effect that local representation and involvement remains limited.

**Delegation** is the assignment of certain specific functions to other semi-autonomous or parastatal institutions, which execute them independently, without direct responsibility to local, sectoral or central government institutions.

**Devolution** refers to the transfer of specific functions to local authorities together with the legal basis and required means and capacity. In this context, decentralized agencies would normally have little reliance on the central government, except in the form of technical and managerial guidelines and procedures, leaving selection and prioritization of works to be decided at local level.

**Privatization** refers to a complete and final transfer of a package of government services to private organizations. Privatization is often combined with one of the other forms of decentralization, by limiting its scope to certain tasks or functions, i.e. technical design or works implementation.

As PEPs expand and take on a national scale, the most important institutional challenge becomes the sheer size of these schemes, which makes them totally different from designing a project. 'Going national' requires a completely different management setup in order to deal with the volume of works, sub-projects and people. This is not achieved overnight. It is often a matter of scaling up the programme by increasing geographical coverage over a period of two to four years in order to ensure that the institutions involved have sufficient time to develop and increase their management capacity.

The initial phase will also involve some trial and error before arriving at optimal organization. This is also the period when details of the systems, procedures, technical standards, planning procedures, selection criteria, recruitment of workers, etc., are further refined.

## Programme management in a decentralized environment

One of the key challenges of PEPs is to manage a programme that is implemented locally, often by local governments that have limited accountability to a central government or authority. It is essential that the institutional setup be designed in such a way that effective overall

programme management is possible. This requires the use of instruments that can assist with this challenge and the most important ones are discussed below. Generally, programmes use a combination of these instruments, as some may not be feasible in certain countries and others not appropriate to the context.

**Box. 1 Guiding principles of PSNP as agreed in initial Memorandum of Understanding (MoU) between the Government of Ethiopia and the donors**

- (i) Productive Safety Nets will be used as a means to transfer **timely, adequate and guaranteed** (multi-annual) resources to vulnerable households to protect against destitution and increased levels of suffering.
- (ii) Ensuring protection of beneficiaries and their assets requires the **primacy of transfers**, i.e. if for any reason the Woreda is not able to organize labour-intensive public works projects, identified beneficiaries should still be entitled to receive assistance.
- (iii) The **productive** nature of the programme refers to labour-intensive public works projects and the multiplier effects of cash transfers on the local economy.
- (iv) Transfers initially aim to bring benefits to approximately 5 million chronically food insecure Ethiopians.
- (v) Transfers are intended for the most chronically food insecure people regardless of their current land, labor and other assets in the targeted Woredas. The ability to graduate will not be a beneficiary selection criterion. Graduation is the ultimate goal, to be attained through the combination of the PSNP and other food security programmes.
- (vi) While the programme is committed to the “cash first principle”, transfers under the Productive Safety Nets will initially include **both cash and food**. Criteria to determine the type of transfers will include local market conditions, the existence of institutional capacity, and the availability of resources as stipulated in the Programme Implementation Manual (PIM).
- (vii) The GOE has agreed that the flow of funds will be made consistent with the long-term direction of the GOE’s Expenditure Management & Control Program within the Civil Service Reform Program. MOFED will develop a strategy to move financial management arrangements towards the mainstream GOE system through the Bureau of Finance and Economic Development (“BOFED”). The GOE are targeting January 2006 as the start date for Channel 1 for the PSNP.
- (viii) NGOs with relevant capacity and experience have played a part in the first year implementation of the Programme and involvement of such agencies will continue subject to their acceptance of the provisions of the PIM.

## Defining principles and non-negotiables

One important strategy for maintaining control of the programme is to define key principles and ‘non-negotiables’ at the central level. These principles apply to the programme at all levels of implementation. They define the procedures by which the decentralized implementing bodies operate and clarify for them (Box 1).

Defining these principles is also important to the centralized monitoring and management of the programme, as it defines the key issues that need to be monitored. There are considerable benefits to having fewer and more comprehensible principles as it makes the programme easier to manage and monitor. Given the multiple objectives that often need to be balanced, however, this is not always feasible (Table 1).

Table 1. Examples of programme management instruments

Instrument	Case study examples
Defining principles and non-negotiables	Timely, adequate and guaranteed transfers were defined as one of the principles of productive safety net programmes (PSNPs) that informs key indicators used for monitoring programmes and for assessing the performance of local governments.
Financing	The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in India specifies the conditions that must be met before a second instalment of funding can be released by the Central Government to the state.
Legislation	The scheme is mandated by a dedicated Act bestowing legal rights to employment and obligating the Government to give effect to this right. Expanded Public Works Programmes (EPWPs) use conditions in the Division of Revenue Act that govern how revenue is divided between national, provincial and local governments to ensure that provinces and municipalities dedicate funding to EPWPs.
Implementation manuals, guidelines and codes of good practice	<p>For example, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) requires that all those who apply are given a Job Card and describes the requirements of the card, although states design and issue their own job cards.</p> <p>The PSNP gives guidelines for the programme to invest in private land, but the decision to do so is ultimately made by the local Food Security Task Forces.</p>



<b>Incentives</b>	The EPWP has introduced incentives for municipalities that exceed employment creation targets. Municipalities receive incentive amounts proportional to the amount of employment created above minimum targets.
<b>Monitoring and auditing</b>	The MGNREGA Management Information System (MIS) is a key management tool that enables the central government to rapidly identify key areas of non-compliance with the provisions of the Act.



## Funding

Control of funding is the most common way in which central governments maintain control and influence over the programmes. It is essential that funding be allocated in a fair and transparent way and that it be predictable to enable implementing bodies to plan their work. Yet, at the same time, mechanisms can be included to withhold funds if principles or guidelines are not adhered to or to allocate additional funds if implementing bodies are performing well. Fiscal and other incentives can also be used and are discussed below.

## Legislation

Legislation is another potential tool to support programme management. There may be legislation dedicated to the PEP, or amendments to existing legislation may be promulgated as part of the programme.

## Implementation manuals, guidelines and codes of good practice

Programme implementation manuals are key tools for PEPs. They enable central governments to define the decisions that can and should be made locally, and those that should be made at more central levels of government. It is important, however, for the manuals to clearly distinguish between mandatory requirements and recommended guidelines. It is also helpful for the manual to specify the actions that central government can take in case of non-compliance with these mandatory requirements.

## Incentives for implementing bodies

Central governments can also introduce incentives to encourage improved implementation by local governments. These incentives can be institutional, for instance, when local governments are given additional performance-related funds. They can also be given to personnel working on the programme, for instance, in the form of bonuses for those who meet or exceed performance targets. Incentives can also be combined with

disincentives such as penalties, reduction in funding or the imposition of co-funding requirements.

## Monitoring and auditing

Monitoring and auditing are also key programme management tools as they are the main sources of information on which to base key programme management decisions. The use of information technology provides rapid access to detailed information, which greatly enhances the ability to effectively centralize programme management.

## Key aspects of the institutional framework

There are a few key issues to consider in the institutional design process. Once these are understood and mapped out, a more effective institutional structure can be designed.

## Accountability and authority

The institutional structure must clearly specify who is accountable to whom for programme implementation. There are a few cases where this can be complicated. For example, when a lead ministry needs to work with other ministries to ensure that a programme is effective, difficulties or delays can occur because the lead ministry is generally not accountable to any one but the head of the government.



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Also, in countries with a federal structure, subnational governments are not directly accountable to the national/federal governments, and the institutional framework and programme need to reflect a cooperative approach.

Closely linked to accountability is the question of authority. If those who are responsible for the programme, for example, the lead departments, have no authority over those responsible for implementing projects, such as local governments, special mechanisms need to be created to ensure that there is authority and accountability for the PEP. This can be done through special legislation, as is the case with the MGNREGA, through existing legislation that deals with intergovernmental relations, such as the Division of Revenue Act and conditional grants in South Africa, or through funding arrangements by which the lead departments control financial resources and can withhold or reduce them if local governments do not act in accordance with the programme's objectives.



## Financial and fiduciary responsibilities

Another important element in institutional design is the financial management and fiduciary arrangements, which should be consistent with lines of accountability and authority, although this may not always be possible. Especially, in cases where communities are involved in the implementation of the PEP, it is often difficult to devolve some of the financial management and fiduciary responsibilities to community members, as they generally cannot meet typical government proficiency requirements. In most cases, these duties remain with the government, typically, the local government best placed to work with the community. In other cases, nongovernmental organizations (NGOs) may be appointed as intermediaries to reinforce the capacity of community members and to ensure that these obligations are met.

## Technical capacity and expertise

The implementation of PEPs requires significant capacity and expertise, which is not always available in government departments. Therefore, from the outset the existence of expertise to fulfil these functions should be assessed and put in place, where necessary. Conversely, governmental or departmental experience with the implementation of PEPs should be recognized, and inputs and advice should be sought, especially on local and regional design issues. The PSNP, for instance, relies heavily on knowledge built up over the years of emergency relief programmes to facilitate the allocation of budgets across regions and districts. In many countries, specific efforts need to be made to strengthen implementation capacity at the local level. This is discussed separately and in more detail below.

## Mandate

Another important issue to consider is the mandate of different departments to take responsibility for certain activities or design decisions, as this can lead to tensions if not addressed within the programme's framework. Departments of labour are generally responsible for the regulation of wage levels and working conditions, but other than that their involvement in the PEP may be limited. In most cases, however, there would be a requirement that this department be consulted and involved in the setting of the appropriate wage rate and other employment conditions, as they may also be in the best position to assess the impact of the PEP on the rest of the labour market.

Issues around mandate also frequently arise when PEP activities are identified and implemented. For example, departments of education are generally in charge of planning schools or, at least, deciding where schools are to be located. If the programme's management decides to build a school, these activities may not only be outside the programme's mandate, but may also result in schools being duplicated or built in ineffective locations, or not being built in accordance with departmental standards, etc. Furthermore, regardless of who builds the school, the department of education will be responsible for staffing and running it and needs to be able to plan for this. If the department of education is not sufficiently involved, the school may end up being unused for a long time, as has been the case of the PSNP in Ethiopia and the Community Based Public Works Programme (CBPWP) in South Africa.

The role of the overall lead department can be made difficult when the implementing partner questions their participation in a programme. This was the case in the EPWP in South Africa. The involvement of the Department of Public Works in social sector activities was frequently undermined, as many of the other parties involved questioned their participation in programmes such as the Early Childhood Development programme. This weakened their mandate as, while they were ultimately held accountable for the delivery of the programme, other departments and stakeholders often resisted pressure from them to make more rapid progress.

## Existing versus new structures and institutions

A major dilemma in institutional design is the degree to which to use existing institutions and structures as opposed to establishing new ones. Depending on the situation in a country, several existing institutions may qualify to manage a PEP such as:



- line ministries (for example departments of public works or rural development) that have the technical knowledge to implement such projects;
- lead ministries (offices of presidents or prime ministers) that have sufficient leverage to coordinate the projects implemented through different technical line ministries;
- existing social funds or public works agencies that benefit from simpler and faster procedures, well established MIS, etc.

The same applies for certain project implementation activities. Those with existing capacities may be able to relatively easily assimilate PEP functions: while there may be insufficient personnel, the systems and procedures are already in place. The existing procurement section of a local government institution may also be able to manage the PEP-related procurement. Even if this entails hiring additional staff, this is often easier and quicker to manage than setting up a new section, procurement systems and procedures.

In contrast, existing bureaucracies may find it difficult to change their work practices if a programme is going to use new processes or ways of operating. Youth desks or offices may, for instance, be used to dealing with the recruitment of all unemployed youth. If a programme's objective is to target the poorest, these desks may have difficulties in finding the participants and revert to previous recruitment processes.

Finding the right balance between mobilizing existing institutions and establishing new and dedicated capacity is always challenging. The design of the institutional framework of a PEP requires a good understanding of the

nature and scope of the various functions involved and the next section discusses these in more detail.

## Typical functions of institutions in a PEP

There is a set of functions typical to all PEPs and an important question in institutional design is where those functions can best be located. Issues to take into consideration in this regard are experience, capacity, mandate and the political importance of the programme.

The typical programme functions are discussed below. There are two sets, one generally found at the central level and another at the most decentralized level. Some functions cut across the two sets and some depend on programme design.

### Centralized functions

At the central level, all programmes have an institution or steering committee to lead the programme politically and administratively. The political head of this institution generally acts as the political champion of the programme as well. Apart from accountability within government for the programme, this function also usually includes coordinating the programme within government. This involves working with ministries of finance on budgeting and financial issues, and with other ministries responsible for implementation, such as ministries involved in training, and those responsible for social protection and welfare. As this function may be extremely challenging, it is generally advisable to limit the number of ministries involved to facilitate the coordination process.

In general, the lead institution/national steering committee delegates the day-to-day management of the PEP to an institution, department or special unit. The institution or department that has the overall leadership/management of the programme typically requires a number of different capacities to be in place:

- **programme design:** design the overall programme including setting programme objectives and funding arrangements;
- **economic/fiscal:** make the case for programme budgets and demonstrate the economic effectiveness of the programme;
- **political/popular:** build political support for the programme and communicate programme impacts and benefits;
- **planning and coordination:** coordinate programme activities between different ministries, and state and local governments;
- **programme management;**





- **monitoring and evaluation:** collect and analyse reports to improve programme performance and decision-making, and evaluate programme impacts and enhance programme design;
- secretariat of steering committee/coordinating structure.

In addition to these, the lead ministry normally has to play a guiding and oversight role on the following activities:

- **technical (sector specific):** issue design standards and guidelines and ensure the quality of the interventions;
- **community engagement and mobilization:** provide operational procedures to ensure local participation, fair recruitment, inputs to the identification of projects and prioritization of activities;
- **reporting:** ensure there is capacity to report on activities, specify reporting formats and procedures.
- **verification and auditing:** specify auditing standards and records to be kept available for the auditing process.

## Decentralized functions

The functions and associated capacities below are required at the decentralized level:

- **identification of projects:** suitable projects that contribute to the programme's objectives and meet its requirements;

- identification of location: locations that enable participants' easy access;
- recruitment of workers: workers need to be identified locally and, if specific requirements are to be met, they may need to be screened to ensure they meet these requirements;
- management of works: ultimately projects and works need to be managed locally to ensure that quality and outputs are achieved;
- progress reporting (project level): progress needs to be reported on regularly;
- project administration: projects need to be administered locally, so as to keep track of attendance, productivity, materials used, etc.

## Centralized or decentralized (depending on programme design) functions

Depending on programme design and local circumstances, some functions can be centralized or decentralized.

- Participant administration: programme participants can be registered and administered at various levels and this has important implications at various levels of programme design.
- Payment of workers: workers may be paid in cash by local authorities or contractors, or may be paid through a bank or electronic-based payment system. Advances in IT and communication technologies have enabled significant improvements and innovations in this area with options,



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such as cell phone payment, banking, mobile cash withdrawal machines, etc.

- Approval of projects and activities: different levels of approval can be decentralized to a significant extent. In extreme cases, authority to approve can be devolved to the community level or may be vested with the programmes' ultimate executive authority, such as the minister in charge. This will depend on many factors, not least the overall degree of decentralization, in particular, the degree of devolution of functions from central government to local governments.
- Procurement of tools and materials: these functions may also be carried out at several levels and driven by many factors. Programme management may want to procure tools centrally to benefit from the potential savings of buying tools in large quantities or to ensure adequate quality, or they may want to benefit local enterprises by procuring locally. The size of the country or province and the potential logistical challenges will all factor into such decisions.


Given the importance of some of these elements, they are discussed in more detail below.

## Participant administration

The manner in which participation in a PEP is managed is critical to achieving the programme's objectives and shaping its overall nature. There are many variations and processes for participant selection and recruitment. Some are driven by what work the programme can effectively supply and workers are recruited on a 'as they are needed' basis. Others are driven by how many people need work, and workers apply to work in the programme and are deployed on particular projects and activities. The various approaches to selection and recruitment will be discussed in more detail as they are a critical element of programme design and have important institutional implications.

## Project-based selection approaches

In PEPs that have a project-based selection process, workers are recruited for a particular project and when the project comes to an end, or their work is no longer required, they are discharged. The duration of employment is based on the labour needs of the project, not the needs of the worker. There is generally the recognition that the project, or the collection of projects in the area, will not create sufficient work to employ all those who want to work on the programme. In some instances, this leads to a process of worker rotation, whereby all applicants are given a roughly equal number of days of work so that the work and income are distributed equally within the community.



With project-based selection approaches, workers are recruited by the agency or entity responsible for project implementation, although typically through existing or special community structures such as project steering committees. The project's implementing agency usually recruits in accordance with the programme's implementation manual. An estimate of the number of labourers or a labour histogram is prepared for the project and members from the local community are selected. Usually, there is no centralized record of workers or applications for work as each project maintains its own records. While the project-based approach is simple and cost effective to manage, there are a few important drawbacks, especially from a programme evaluation perspective. As records remain at the project level, it is not possible to trace whether or not workers work on multiple projects. Also, there is often no record of the total demand for work or the degree to which the programme is meeting that demand. This is because, generally, no records are kept of those who were not employed and workers are also not asked how many days they would be available to work. As discussed in more detail in the Monitoring and Evaluation Guidance Note, centralizing project employment records is often very difficult and seldomly done. The selection of workers is essentially completely decentralized with this approach. In general, the EPWP uses this recruitment and selection approach.

## Programme-based selection approaches

Programme-based recruitment approaches essentially take the selection of workers one level up from the project level. The selection is carried out at the community level or at the lowest level of local government. All potential workers are asked to apply or register for work and a local register of those who have applied is maintained. Depending on the programme, eligibility criteria may be applied, as is the case, for instance, with the PSNP in Ethiopia. Only households that are deemed food insecure are eligible to work for the PSNP and those who apply but are not deemed eligible are not selected. The Community Food Security Task Team, who performs all the assessments and reads out their recommendations at a public community meeting, manages this process. Their recommendations are then submitted to the Kebele Council (local government structures under which the community falls) for approval.

Once participants are selected, however, the council decides when labour is required and when people need to be available for work, and deploys workers on projects, as required. Participants are eligible for a specific number of days, depending on the size of their household and the council, which also generally manages the projects, plans the activities so that all the workers have available work.

In India, the MGNREGA participants are required to register with the local government structure, the Gram Sabha, before receiving a job card. Once

they have the job card they can request work for specific periods. The Gram Sabha manages the process of deploying those who requested work to local projects, and, if need be, starts additional projects in order to offer employment to all.

Programme-based selection processes, therefore, require a separate selection function that not only selects participants, but also maintains records of those who have been selected for work and those who have not. This function, which has a considerable administrative component to it, is generally the responsibility of the existing local government. Apart from the administrative functions, it also requires capacity to:

- manage selection in accordance with the programme rules, which may involve means testing or some other form of assessment;
- communicate the results of the process to the members of the community in a manner that can be understood by all;
- manage the logistics of the deployment of workers to particular projects.

These selection approaches are generally used on programmes that aim to reach all members of the target group, as a central register is usually required to assess whether or not all the intended beneficiaries have been reached. They are, therefore, more common on large-scale long-term programmes and on MGNREGAs.

In some countries, employment offices may be sufficiently accessible to potential programme participants. In such cases, they may be able to assist or entirely manage the recruitment of PEP participants. Kosovo is an example of this. It was decided to use the employment offices because:

- the PEP and the employment offices are both managed by the Ministry of Labour and Social Welfare;
- Kosovo is a small country and all rural areas are relatively close to a town with an employment office;
- the employment offices already keep records of the unemployed and those receiving social welfare benefits, which can be used to improve the targeting.

In general, established employment offices are more likely to be effective in urban areas and middle-income countries. However, where these are present in the programme context, they can significantly reduce the cost of targeting and recruitment, and enhance the ability to consolidate and manage beneficiary data, and link participants to other complementary interventions, such as placement, training, bursaries for further studies, etc.



## Payment of participants

Participants may also be paid at project or programme levels. At project level, implementing agents pay workers directly. The wage rate is generally in accordance with work done. In some programmes and circumstances, especially in emergency situations, this may be different when the main focus is to transfer income to the beneficiaries. Project implementing agents typically manage the entire payment system themselves and may pay in cash, in kind or, increasingly, through bank accounts or other electronic means.

The local government department in charge of maintaining records on all participants usually administers programme payments. Project implementing agents generally report to the department on the number of days worked and how much the beneficiaries are due for the particular pay period. Payment is then effected centrally. There are a number of advantages to this approach, particularly when there can be efficiency gains made in processing large numbers or relatively small payments.

However, there is a cost factor to consider when local government departments undertake the selection and payment of participants, and record keeping, because of the capacity building required to ensure the smooth operation of these processes. As many local governments may not be in a financial position to hire additional administrative and management staff to fulfil these functions, care needs to be taken to include such costs in the programme's design. When these functions are carried out at project level, these costs are typically built into the project's management costs.

The advantages of programme-level selection and payment processes are greater when relatively larger numbers of participants are involved and, from an overall programme perspective, the investment generally pays off through efficiencies in recruitment and payments costs, as well as possible savings in programme monitoring and evaluation (M&E) or, at least, through improved M&E.

In many countries, systems work better when all activities are kept at one level of administration and as close to the works as possible. Central agencies in charge of processing payments may not prioritize the processing of payment sufficiently, especially if these payments are not part of their core mandate. However, it is critical that the payment of workers is done on a regular and timely basis, as delays have enormously detrimental effects on the workers' morale and on their households. Delays are generally more common when the agencies involved are not directly accountable to the workers and the communities. As might be expected, agencies in direct contact with the beneficiaries often have the greatest incentive to ensure that payments are distributed on time and as promised.

## Project identification, design and implementation

Project identification, design and implementation are often carried out at the local level. This may be through local governments, or regional or local offices of national departments. The role of the lead department does not generally extend beyond providing the projects with guidelines, specifications and standards.

Generally, a strong community-centred approach is advocated during the project identification process to increase the project's relevance and usefulness to the communities. Apart from having a set of guidelines, which include a list of permitted activities, care should also be taken to ensure that activities considered positive for one community do not have a negative impact on other communities. For example, in water-related infrastructure projects, the construction of dams or irrigation canals may negatively impact on downstream communities.

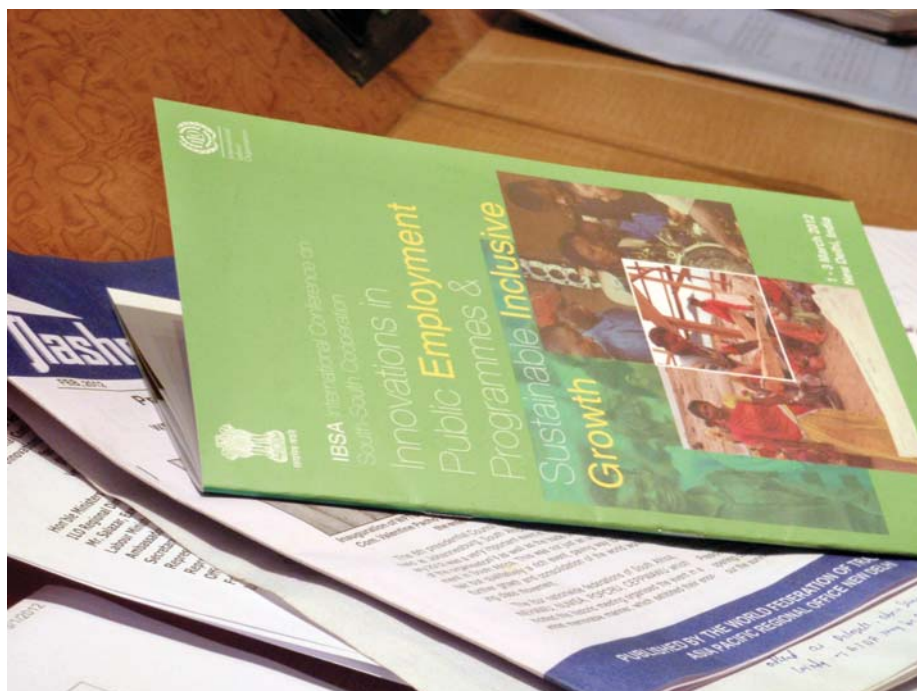
Project design is important for the long-term success of the programme. Sector- related professional expertise is often required to ensure that designs are cost- effective. This applies to infrastructure and environment-related activities, and to social services. For instance, when trees are planted, it is important that local species are planted in suitable locations and that a regular watering system is put in place to increase the survival rate of the seedlings. Therefore, local institutions responsible for the design of projects require expertise and resources to ensure good design.

Many local governments have inadequate in-house expertise or budgets for project design, while many programmes are reluctant to allocate sufficient resources for project design because of the pressure to transfer a large share of resources directly to the poor. This is despite the fact that it is generally accepted that investing in good design pays off in the long run through increased secondary benefits, such as better functioning, longer lasting assets and lower maintenance costs.

Project implementation is generally carried out as locally as possible. Emphasis is placed not only on hiring local workers, but also on using local materials, contracting local suppliers and using local NGOs, community-based organizations (CBOs) or community structures in project management. It is often to the advantage of local governments to do so as they may not have the capacity to manage an often hugely increased number of projects. In the PSNP for instance, the budget on average accounts for more than 50 per cent of the entire budget managed by local districts (Woredas).

The involvement of third parties in this can raise two notable challenges. The first relates to procurement and the nature of the agreements between the local government and third parties involved in implementation. The





second relates to the involvement of private entities, most commonly contractors.

Depending on the local procurement legislation, local governments may find it difficult to maximize the involvement of communities in these projects, as they are not in a position to comply with procurement requirements. At the same time, legislation may prevent local governments from transferring resources to local structures without having gone through the specified procurement process. While there is seldom a problem with the hiring of local workers, challenges often occur with the procurement of local materials or contracting of local structures for a project. The most common problem is delays in projects and activities because time-consuming procurement procedures need to be followed. This can result in workers being idle and not receiving income, or workers receiving income without working, as there are no tools or materials available. Simple and fast procurement procedures are, therefore, often developed for such programmes to overcome this problem.

When private contractors are used for project implementation, the ability of local government to manage them is critical. Insufficient government management capacity may result in poor quality work, lower levels of employment creation, and unfairness in the treatment of workers.

## Use of intermediaries: agencies, consultants, contractors and communities

In many countries, governments are not in the position to implement a PEP on their own and intermediaries are used to assist them. In this context, the term ‘intermediary’ is used because they are located between government and programme participants.

The role of intermediaries can vary, but generally they fulfil the functions that governments themselves are not able to fulfil. Typical intermediaries may be banks or post offices that handle the payment of beneficiaries, contractors that implement projects and employ workers, and community structures that assist in the recruitment of workers.

Consultants can be useful both in the design process and the supervision of works. Nongovernmental organizations are commonly used to support communities in planning and organizing the works and, in some cases, can also be used to implement technically simple works, if they have the required capacity.

Contractors and intermediaries are frequently used to help reduce government capacity requirements. Furthermore, when the government lacks technical expertise, specific capacities can be harnessed by involving contractors and intermediaries, which generally improves the implementation of the programme.

The use of intermediaries presupposes that the government has the ability to manage the contracts required to ensure intermediaries meet their contractual obligations. The capacity required for this should not be underestimated.


The use of intermediaries may also be a deliberate government capacity building strategy designed to train local contractors. This is common practice when the focus is on developing local contractors or using communities to identify and/or manage projects or works.

Where government capacity is constrained, the use of ‘labour only’ contractors may also be an option as this poses limited contractual risks. Labour contractors essentially compete for the management and administration of labourers. Those that can hire labourers, administer their contracts and pay wages most efficiently are awarded tenders. This relieves the government of all these duties. Technical in-house staff can then concentrate on the supervision and procurement of materials. Other approaches to be considered are community contracts where the communities organize and manage much of the works themselves.





## Community contracting



‘Community contracting’ is a term used to describe the direct involvement of the community in implementing their own projects. The extent of the community’s responsibilities varies depending on the situation and the contracting model. The aim is not only to assist the community in accessing improved services and infrastructure, but also to promote capacity building in the community and to provide experience in negotiating with governmental and non-governmental partners, and in organizing and contracting responsibilities.

Unlike conventional contracting, in a community contract, the contractor is either the whole community or a group within the community, or a small enterprise from within the community. Therefore, the contractor is, at the same time, a beneficiary of the assets created or services provided. Representatives of the community may act as representatives of the beneficiaries and also as the contractor. As this overlapping of roles and responsibilities may lead to conflicts of interests, a community contract is a very important instrument to define the relationship between the different actors involved in the project, and to clarify their respective roles, rights and obligations. There are several ways of setting up community contracts, which usually depend on the capacity of the community, the levels of support available to the community, the alternative sources of service provision, the technical complexity of the infrastructure to be provided, and the responsibility of the municipal authority.

In utilizing community contracting, funds can be channelled through a support agency, or given directly to the community. The funding mechanism influences the roles and responsibilities of each contract partner. Community contracts can also be used where a project has been selected and designed by an agency, which chooses to award the execution contract to the community rather than a private contractor. This is particularly applicable to small-scale infrastructure and maintenance works.

In order to keep contracts to a manageable size and to ensure the satisfactory completion of works, it is often decided to split the works into small-sized packages and to issue contracts for these packages. In such cases, the initial agreement with the community can take the form of a memorandum of understanding, establishing the partnerships and roles for the whole programme of improvements.

The box below provides an example of the Organization Workshop in South Africa, where communities are trained to organize themselves and contracted to identify and implement projects and activities.




## Box 2. Capacity building and community contracting

The Community Works Programme in South Africa uses the Organization Workshop (OW) to build capacity within communities to implement projects. Typically in an OW, 200 residents from a community participate in a month-long process, which helps participants to gain planning and organizational skills.

Participants form an enterprise and contract for work at market rates. Each day the participants work for six hours followed by a two-hour 'learning session'. This learning session provides the theoretical insights needed for the enterprise to succeed, while also providing a common language and method to describe and address the organizational issues facing communities. These lessons as well as documentation of other workshop experiences are captured in a book produced by the participants themselves. This serves as a manual to be used after the workshop. Given the variety of work available, participants have to learn to manage a complex enterprise, while the process of quoting for work and dividing labour to complete jobs has meant that they learnt about work analysis and management. Instructors are available to the work teams to ensure that they could learn vocational skills in the course of performing their work.

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Works completed during the month and presented at a recent OW in Diepsloot, a township close to Johannesburg, are described below. All of these activities were identified, prioritized, organized and carried out by communities through their newly established enterprise.

River crossings, used by school children, were notorious for rape and robbery due to overgrown reeds and vegetation. The pathways were cleared of overhanging vegetation and reeds, and stepping-stones laid to ensure safe crossing.

- The participants undertook landscaping work, planted trees and created vegetable gardens at many sites around the township.
- They revived a failing farming project to form an agricultural enterprise with a contract to supply vegetables to a chain store (creating 30 new long-term jobs in the process). During the month, two hectares of spinach, cabbage and beetroot seedlings were planted in fields laid with drip irrigation and mulched.
- At a local school, all classrooms were painted and electrified, and all broken windows fixed; a block of toilets was renovated and a new block was built to accommodate an increase in the number of students attending school; grass was trimmed, shrubs and trees planted, and a large vegetable garden created. Finally, the school was fenced and its sports fields upgraded.
- A team of participants visited a total of 2,000 households in an HIV awareness campaign, and created a register of households with vulnerable children, so as to facilitate care and support for them.
- There was a campaign to reduce the abuse of alcohol in the township, culminating in a community event at one of the primary schools.
- Staff from 65 *crèches* participated in a programme to improve levels of care for children, and learn how to create equipment and toys from locally available material.
- Sixteen teachers from 10 schools went through a two-week programme on sports coaching, which culminated in a sports day for children from all schools.
- Participants also organized a jamboree involving the Department of Social Development, Department of Health, and the Department of Home Affairs as well as the South African Police Services (SAPS), where residents signed up for voluntary counselling and testing for HIV, registered for identity (ID) books and birth certificates as well as old age and child-support grants.

## Programmes in countries with limited local capacity

In many countries, local government is still the newest and weakest tier of government. The decentralization of government functions to the local level is often still a recent development and municipalities and districts are often still coming to grips with these newly acquired responsibilities. As most PEPs rely heavily on local government for the planning and implementation of projects, they should include a capacity building component that aims to strengthen local government, where necessary. Furthermore, where local contractors or communities are to be used for implementation, capacity building efforts also tend to include components that focus on them.

The importance of investing in local capacity cannot be overemphasised as it has been, and continues to be one of the main weaknesses of many PEP programmes. Insufficient capacity at the local level, where project implementation takes place, manifests itself in many ways, which can be detrimental to the programme. Corruption, poor quality of infrastructure, mismanagement of funds and unnecessary project cost overruns are common manifestations of the lack of local capacity. These often damage the image of the programme and reinforce arguments that are often used against its continuation or expansion.


There is extensive international experience of capacity building programmes that strengthen local government capacity to implement PEPs. MGNREGA, EPWP and PSNP all have important components to build implementation capacity at the local level.

These capacity building efforts may have different areas of focus but typically programmes included the following:

- local-level infrastructure planning
- development of a contracting and contract management capacity
- appropriate design and work specifications
- technical training in works implementation
- vocational skills training
- maintenance arrangements
- financial management.

In situations where it is recognized that the local capacity required for implementation is weak, planning to address this is an essential component of programme design. Some of the key implications in this regard are discussed below.

## Planning and funding of capacity building efforts



If local capacity building is required, it is important that this be carefully planned and that the programme allocate sufficient resources. Careful planning implies that the various types of management and technical capacity required are mapped out and compared with what is currently available. Based on this, a capacity building strategy, which may involve hiring additional staff and training existing and local staff, needs to be developed and budgeted. The budget required should be included in the overall programme budget, and politicians and funders should make a commitment to cover these costs. Taking a long-term perspective is particularly important, as the investments in capacity building are typically most cost effective when considered over the medium- to long-term, but may seem high when considered over a one- or two-year period only.





## Gradual expansion

The roll out and expansion of the programme should be aligned with the capacity building efforts to ensure that sufficient capacity for implementation has been built before the programme expands to additional areas. The most common approach is to start by covering only one part of the programme and expanding into additional areas within a period of two to four years. For example, MGNREGA started with only 200 of the 600 districts in India, and the remaining 400 districts were only included in the third year of implementation. After five years, the PSNP programme is only now expanding into the areas with predominantly nomadic populations because of the difficulties with reaching this segment of the population. While the EPWP in South Africa officially started with all provinces and municipalities, in reality, many municipalities did not manage to contribute to the programme in the first phase.

## Selection of projects and activities

The nature of projects and activities has important implications for technical capacity at the local level. Construction of certain infrastructure, such as roads and dams, requires proper design if the considerable resources invested in them are not to be wasted. Some activities, such as routine maintenance of roads or cleaning of rivers and carriageways, is a lot simpler and places less of a burden on the limited technical capacity available. Depending on the nature of the programme, therefore, it may initially focus on projects that are simpler to implement and increase the share of more technically advanced projects once sufficient technical capacity has been built.

## Further reading

-  Edmonds G.; Johannessen, B. 2003. *Building Local Government Capacity for Rural Infrastructure Works* (Bangkok, International Labour Organization).
-  International Labour Organization. 2008. *Community Infrastructure in urban areas: Creating jobs while improving low-income settlements* (Geneva, ILO ASIST).
-  Available at:  
  
[http://www.ilo.org/asia/whatwedo/projects/lang—en/docName—WCMS\\_099553/index.htm](http://www.ilo.org/asia/whatwedo/projects/lang—en/docName—WCMS_099553/index.htm) [7 Apr. 2011].
-  Lieuw Kie Song, M; Philip, K; Tsukamoto, M; Van Imschoot, M. *Towards the right to work: Innovations in public employment programmes (IPEP)*, ILO Employment Working Paper No. 69 (Geneva, International Labour Organization).

# Checklist

DESIGN OF INSTITUTIONAL FRAMEWORKS FOR PEPs	
Respond to the following questions	<input checked="" type="checkbox"/>
Assess who are the strategic partners and stakeholders	
<b>National, provincial, district, local</b>	
Government agencies (e.g. labour, public works and transport, environment, health, education and social services, local governance, national treasury, finance and planning, trade and industry, youth and sports)	
Donor agencies (e.g. IFIs, multilaterals and international, including United Nations)	
NGOs and civil society groups	
Private sector	
Programme managing units (finance and planning, MIS, technical dept, M&E, procurement and administration)	
<b>Determine who is responsible for</b>	
Project management, logistics, technical support, financial management, setting up cashless payment of wages and building local capacity to assume these functions over time	
Providing programme support and operationalizing the programme (e.g. developing concept, piloting different approaches)	
Setting up institutional arrangements at local level and designing MOUs with local government and partners (e.g. deciding works to be performed, developing workplans)	
<b>Consider and design if lacking</b>	
Internal control structures and processes	
Management capacity and integrity	
Mechanisms to ensure compliance with agreed terms and applicable laws (including tax laws) and regulations	
Mechanisms to ensure accuracy of accounting records	
Mechanisms to control and manage assets	

## DESIGN OF INSTITUTIONAL FRAMEWORKS FOR PEPs

### Respond to the following questions



Mechanisms to ensure transparency and accountability of procurement processes

An Operational Implementation Manual to ensure consistency and common norms and standards across all implementing agencies

Efficient and transparent payment system of wages

Mechanisms to handle bank charges for participants, ensuring ease of withdrawal of cash and accessibility to bank / postal funds

Institutional arrangements ensuring coordination between technical line ministries and an oversight mechanism

Social audit processes involving community beneficiaries

Community contracting mechanisms for small-scale infrastructure and maintenance







## Notes







