



Labor Intensive Public Works: Global Experience and Applicability to Egypt

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Outline

- PWP Definition and Models
- Objectives and Rational
- Design Issues
- Applicability of PW to Egypt

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Public Work definition

- Public workfare programs (also known as public works programs) provide temporary employment at low-wage rate mostly to unskilled manual workers on labor-intensive projects such as road construction and maintenance, irrigation infrastructure, reforestation, and soil conservation, and more...
- PW is appropriate when unemployment is high after the collapse of a labor market during crisis/disaster; when seasonal unemployment is high; or unemployment insurance is absent.

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Models of Workfare Programs based on Objectives/Expected Outcomes

- Public workfare mainly as a short term safety net.
- Public workfare as a longer term safety net. mainly as a poverty alleviation program, often providing *employment guarantee for certain number of days* (e.g., India's NREGA)
- Public workfare essentially for infrastructure development
- Public Works Plus

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Rational For Public Works

- Quite effective in consumption-smoothing
- Can perform an insurance function
- Can be rendered complementary to growth (via infrastructure building)
- Potential for self-targeting
- Potential for regional targeting
- World-wide experience, including OECD, Africa, Latin America, South and East Asian countries

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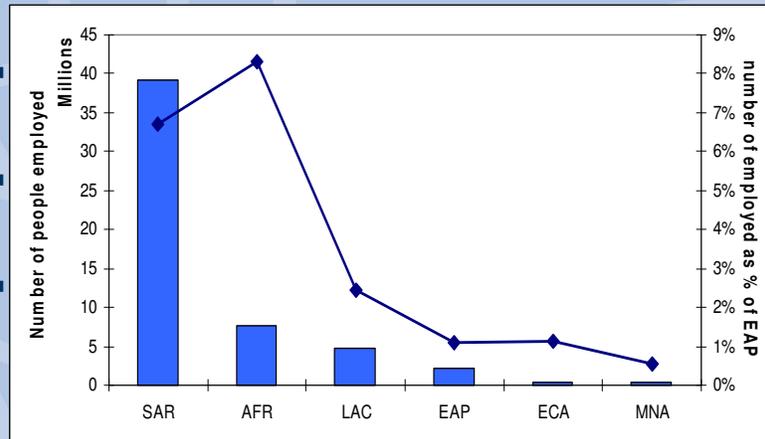
Scale of operations: Person days of Employment (PDE) Generated

- Botswana: 7 million person days
- India: pre-NREGA 1.1 million person days
- India: post-NREGA 2007-08: 1.44 million PDE
- India: employment per person: 42/year
- Bangladesh: FFW+TR.300,000 persons x 60 days
- Korea: 140,000 to 200,000 PDE
- Argentina: Bottom 20% households
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Where do we find them?



Based on various sources of information. Note: data on participation are available for 43 countries and 49 PWPs.

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Design Features: (a) Wage Rate

- The level of the wage rate is critical for determining *distributional* outcomes
- A number of options exist for determining the level of the wage rate:
 - In case of first option, self-selection is possible and inclusion errors could be avoided, but does not guarantee avoidance of exclusion errors especially if the program is over-subscribed
- Country circumstances vary a great deal; not all countries succeeded in the first option; not surprisingly varied experience

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Design Issues:

(b) Selecting Beneficiaries/Targeting

- Depends on program objectives and targeting approach (geographical, PMT, self-selection, etc.)
- Once a location and community has been targeted, individual selection of beneficiary takes place.
- *Self-selection*: Setting the wage rate below the market rate allows self-selection of the poorest into the program.
- Option when the program is over-subscribed
- Other approaches to targeting

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Design Features:

c) Labor Intensity

- Typically in low-income countries, it varied between 0.3 to 0.6.
- Depends on the nature of the asset being created, and the agency executing the program.
- Useful practice: assess labor content of various projects, and pick highest, in line with community preferences.

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Other Design Features

- Choice of assets: community involvement.
- Seasonality – best to run during agricultural slack seasons.
- Gender aspects: program design can be adjusted to make it acceptable to women.
- Social accountability.

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Evaluation Results

- Some examples :
 - India: Nation-wide program: 60 - 70% of participants belonged to poor households.
 - MEGS: The program contributed to a fall in the severity of poverty from 5.0% to 3.2% (Datt/Ravallion, 1992).
 - Argentina: 50% of beneficiaries came from the bottom 10%, and 80% from the bottom 20% of the income distribution.
- The Direct impact on the beneficiaries:
 - Higher income as result of the income transfer - the wage rate (cash and/or food).
 - Smoothing consumption – received the transfer when needed?
 - Getting people out of poverty?

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What explains success, failure?.....

- What do we know about varied experiences ?
- First, be clear about
- Second, success depended a great deal on careful design:
 - Setting the wage level right.
 - Ensure reasonable labor intensity, and work ethics (8/hour day).
 - Set up appropriate oversight mechanisms (social audits in India's NREGA).
 - Predictable funding.
 - Seasonal targeting, geographic targeting, household targeting.
 - Gender sensitivity.
 - Design adjustments (including training component) to make the program attractive to youth.
 - Set up excellent M&E systems and feedback systems.

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Lessons and research issues

- The potential of the PWP is enormous both in countries that have experiences with these programs and especially in countries that never used them.
- However, more research is needed to estimate:
 - Impact of second round effects from the created assets
 - Impacts on the labor market, after factoring in both the immediate and second round benefits from the program
 - Stabilization gains and consumption smoothing
 - PW and governance issues: variation in experience
- Adapting PW programs in varying country situations.

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The Case for PW as part of SSNs in Egypt

- Extreme and absolute poverty increased; as many as 5.1 million Egyptians were severely food deprived in 2008/09 (double the number in 2004/05) and absolute poverty increased from 19 % to 22%.
- During 2008/09, 31 million Egyptians were poor or near poor
- Egypt's safety net system is dominated by subsidies on food and energy.
- Increases in budget allocations during the last few years have focused on expanding the food subsidy program.
- The role of PW has diminished over time as the PWP implemented by the Social Fund for Development (SFD) for the last 20 years, has been starved of funding.
- In contrast, spending on cash transfers, which benefits mostly the poor and vulnerable, amounts to a very small 0.1 percent of GDP, while spending on public works has decreased to insignificant figures.

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The Case for PW as part of SSNs in Egypt

- Advantages
 - Availability of contractors and reasonable capacity.
 - Historically good engineering and management capacity.
 - Not many remote areas.
- But
 - PW not really connected to the overall SP system.
 - Historically, low labor intensity and more focus on infrastructure.
 - Weak institutional coordination.
 - Lack of social accountability mechanisms.

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The Case for PW as part of SSNs in Egypt

- Loss of employment is the most prominent cause of households falling into poverty.
- Over 90 percent of all unemployed are youth (15-29).
- Most of the poor and vulnerable fall through the cracks of the small and categorically targeted cash programs.
- PW should be an integral part of a more comprehensive and integrated SSN.
- Linkages to cash transfer programs.

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Recent PWP in Egypt

- The Emergency Labor Intensive Investment project to be launched shortly in Egypt should create short term employment opportunities to unemployed unskilled and semi-skilled workers and provide access to basic infrastructure services to the target population in poor areas.
- The success of this project will pave the way for expanding and institutionalizing PW in Egypt's SSNs system.
- The gradual introduction for targeted SSNs programs will allow the GoE to institutional PW programs and support the introduction and management of a reform process for the current distorted and highly inefficient SSNs system.
- Enhance Design features to:
 - Increase labor intensity.
 - Use social accountability mechanisms.
 - Agree on a targeting system that is consistent with other SSN elements.
- Institutionalization.

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Thank You