



# Discussion Paper BRIEFS

Food Consumption and Nutrition Division of the International Food Policy Research Institute

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## How Efficiently Do Public Works Programs Transfer Benefits to the Poor? Evidence from South Africa

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**M**ost best-practice national strategies to reduce poverty include workfare programs. Typical programs are public works schemes that pay below-market wages. Such initiatives attempt to create physical assets labor-intensively so that as much employment is generated as possible. To increase the poverty-reducing impact, an attempt is made to generate assets that benefit the poor in the medium to long run.

This type of antipoverty intervention has met with skepticism, as some wonder whether the programs can be sufficiently well targeted to generate additional employment rather than substitute for market-led employment, whether the programs' administrative requirements consume too many of the resources, and whether high-quality assets can be generated in a sufficiently labor-intensive fashion to generate sufficient income for the poor.

### ***Purpose of This Report***

This paper analyzes project-level data collected by the authors research team in South Africa's Western Cape Province to try to answer some of these questions. The projects represent the universe of projects in 1995–1997 with a set of objectives that mirror those of the country's National Public Works Programme (NPWP). These objectives include short-term job creation; the creation of assets or environmental improvement via labor-intensive means; sustainable job creation through skills training, and local institutional capacity building and community empowerment through participation in infrastructure projects.

### ***Methodology***

Specifically, the authors merge information on 101 public works projects undertaken in the province during the 1995–1997 period with household survey data from the districts where the projects were based. The authors then estimate the rands of public expenditure necessary to transfer

one rand of resources to the poor and compare this ratio to that generated by a hypothetical untargeted transfer under a range of assumptions about parameter values. The model the authors use is based on—but fleshes out as well—Ravallion's framework for appraising workfare programs (Appraising Workfare. 1999. *World Bank Research Observer* 14 [1]: 31-48).

### ***Limitations of the Study***

Of course, all of the authors' suppositions and assumptions are open to challenge. For example, the authors focused on the poverty-reduction aspects of the programs, despite the fact that many had other stated goals as well. In particular, the comparisons with hypothetical untargeted transfers do not consider the sizable nontransfer benefits that are generated for the nonpoor by the assets the projects generate, nor did they capture the skills development and community empowerment effects that do affect the poor. Nevertheless, the database used in this study is much richer than any other such database. By merging quantitative project-level data with extant district-level data, dialogue on the antipoverty effectiveness of public expenditures will be enriched.

### ***Results and Discussion***

Based on the authors' assumptions, the results were that the vast majority—between 83 and 92 percent—of public works programs outperformed hypothetical untargeted transfer schemes by a considerable distance over a wide range of parameter scenarios. Not surprisingly, performance of the projects improves when a higher value is placed on a transfer from taxpayers to workers and when an administrative overhead is applied to the benchmark untargeted transfer.

***Based on the data and the authors' assumptions, public works programs significantly outperformed untargeted transfers in terms of poverty impacts.***

A number of lessons can be drawn from the analysis. First, the performance of public works projects as public-sector antipoverty initiatives vis-à-vis untargeted transfers depends on the interplay of many factors. Projects are more likely to perform well if they (1) offer wages that are lower than comparable market wages, (2) locate in areas that have a high unemployment rate among the poor, (3) have a labor intensity high enough to generate a sizeable transfer income, (4) create assets that generate nontransfer benefits valued by the poor, (5) locate in areas that are poor, but not so poor that an untargeted transfer is inevitable, and (6) leverage additional nongovernmental funding.

However, the trade-offs between these factors are important to note. For example, if labor intensity is too high, not enough of the project budget will go to an asset that can generate nontransfer benefits. Similarly, if a project is located in an area in which nearly everyone is poor, an untargeted transfer might be more appropriate as a transfer program. At the provincial level, the location of programs in relatively poor and unemployed areas is particularly crucial to their performance, as it reduces leakage of the transfer benefits to the nonpoor, increases the capture of nontransfer benefits by the poor, and increases the social value of transfers of income from taxpayer to worker. Unfortunately, there appears to be little relationship between the district-level share of public works activity and the district-level share of poverty, unemployment, and infrastructure need. This disparity exists despite the wide availability of repeated surveys of living standards in South Africa, and reflects the philosophy that the location of these

projects should be led by communities. More developed communities are better connected and thus better able to apply for public works resources—hence, the trade-off with targeting objectives.

Interestingly, the performance of the programs does not appear to depend on the type of asset that is constructed. If program characteristics are found to be important for their antipoverty performance, this has implications for the mechanisms that government uses to choose among proposals. For example, if projects led by community-based organizations were found to be more effective in transferring benefits to the poor, this could lead to an increased share of projects being awarded to community-led proposals.

Another lesson is that there is much value in collecting a key set of indicators for project monitoring and evaluation purposes, including total costs, labor costs, duration, wage rates, number of days of employment, the number of project workers that leave for nonproject employment, and the area wage rate for comparable work. Such data collection protocols need to be developed by workfare programs. Also at the program level, poverty, employment, and infrastructure maps need to be generated and used when alternatives for project location present themselves.

**Keywords: public works, South Africa**

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