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SOUTH AFRICAN SOCIAL SECURITY AGENCY

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**3rd QUARTER PROGRESS  
REPORT TO THE  
CONSTITUTIONAL COURT**

**Payment of Social Grants**

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## 1 INTRODUCTION

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- 1.1. SASSA submitted its first report to the Constitutional Court in June 2017. In its first quarter report to the Court, SASSA reported that it will embark on a five year change programme to insource the grant payment function. The report further confirmed the continuity of payments as per the order to extend the contract with Cash Paymaster Services for the period from 1 April 2017 to 31 March 2018. The matters focused on
- a) Progress on measures taken to comply with the order of the Constitutional Court dated 17 March 2017
  - b) Steps taken to ensure payments beyond 31 March 2018
  - c) SASSA recommended 5 year change programme
- 1.2. The second report was submitted on 15 September 2017 and focused on the following:
- a) Monitoring of the extended CPS payment contract.
  - b) Process towards procuring the services of SAPO.
  - c) Preparatory work towards facilitating direct transfers to beneficiaries with commercial bank accounts.
  - d) Other payment related Services: Management of regulation 26A of the Social Assistance Regulations (Regulation 26A) and Biometrics.
  - e) Risks and Mitigation strategies.
- 1.3. The third progress report will be submitted on 18 December 2017 and the focus will be on the following:
- a) Progress on the SASSA and SAPO engagements.
  - b) Progress towards facilitating direct transfers to beneficiaries with bank accounts.

- c) Other payment related services – Management of Regulation 26A and Biometrics.
- d) SASSA response to Constitutional Court Directions of 07 November 2017.
- e) SASSA response to Constitutional Court Directions of 29 November 2017.
- f) Report on material changes and reasons therefore, as well as
- g) Risks and Mitigation strategies.

## **2 SASSA CURRENT PAYMENT ARRANGEMENTS**

- 2.1. SASSA has a mandate to ensure provision of comprehensive social security against vulnerability and poverty to the South African population. This is done through paying the right social grant, to the right person at the right time and place. NJALO! The ultimate goal is that SASSA should provide an integrated grant administration and payment process through an integrated payment platform.
- 2.2. In terms of the Social Assistance Regulation 21 (1) SASSA shall pay a social grant:
  - (a) into a bank account of the beneficiary or an institution where the beneficiary resides (subject to written authorization by the beneficiary); or
  - (b) by the payment method determined by the Agency
- 2.3. The overall objective is to pay all the existing and new social grants beneficiaries through all available methods and payment channels.
- 2.4. The total number of social grants paid as at end of November 2017 is over 17.3 million and the total number of recipients as at November 2017 is approximately 10 689 816
- 2.5. The current payment transaction logs using various payment channels as at November 2017 are as follows:

Payment per channel Summary						
Channel	No of Beneficiaries	Total Amount (R)	Grant	No. of Transactions	No. of Balance Enquiries	Total Transaction Value (R)
ATM (Biometric CVM)	779 316	999 459 579		1 074 780	0	R 1 007 287 380
ATM (PIN CVM)	5 393 586	5 806 911 862		7 368 265	4 049 881	R 5 167 894 372
Cash pay points (Biometric CVM)	1 936 485	2 849 755 172		1 995 641	0	R 2 783 161 292
Merchant Acquiring (Biometric CVM)	215 640	340 275 964		161 578	0	R 259 325 214
Retail POS devices (PIN CVM)	2 364 789	2 505 619 878		5 441 714	1 696 330	R 2 923 117 523
<b>Grand Total</b>	<b>10 689 816</b>	<b>R 12 502 022 457</b>		<b>16 041 978</b>	<b>5 746 211</b>	<b>R12 140 785 781</b>

Table 1: Payment Channels

### **3 PROGRESS TOWARDS INSOURCING THE PAYMENT FUNCTIONS**

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#### **3.1. REGULATION 26A**

3.1.1 The process to insource this function commenced in March 2017 and the following activities have been concluded:

- a) SOCPEN has been enhanced to enable a dual payment file, with the first file indicating the net amount due to beneficiaries which will be provided to the payment service provider and the second file indicating the amounts due to various insurance companies. Reconciliation will be done between SOCPEN and both files;
- b) The finance process flow has been documented to enable the payment to various insurance companies;
- c) The insurance companies have been registered on the Central Supplier Database to enable processing of payments;
- d) SASSA has analysed the data of all beneficiaries with Regulation 26A deductions to identify exceptions. This resulted in SASSA being able to identify beneficiaries with multiple policies or whose policies exceed 10% of the value of the grant, which contradicts the provisions of Regulation 26A. Letters were sent to these beneficiaries, indicating the actions they need to take to correct the situation.
- e) The business processes have been mapped and signed off to allow for these deductions on the SOCPEN system, which has been enhanced and tested for user sign off.
- f) Training for the employees who will be processing these deductions on the system started in September 2017.
- g) SASSA received National Treasury approval for SASSA to participate in the existing contract to use the system used by Government to effect salary / payroll

deductions for Government employees on 14 December 2017. SASSA will therefore continue with this project to take full responsibility for the management of direct deductions in terms of Regulation 26A as from February 2018 – testing will be done in January 2018.

### **3.2. PAY MASTER GENERAL (PMG) ACCOUNT REACTIVATION**

- 3.2.1 On 11 September 2017, SASSA wrote to National Treasury requesting the reactivation of the previously dormant PMG accounts, to enable SASSA to transact directly from these accounts in effecting direct transfers to beneficiary accounts.
- 3.2.2 National Treasury responded on 17 October confirming that the accounts had been re-opened.
- 3.2.3 The PMG accounts will be used to ensure that funds made available for the payment of social grants will remain under government's control until such time as the money is transferred into the individual beneficiary accounts.

### **3.3. DIRECT TRANSFERS**

- 3.3.1 Prior to the engagement with Inter-Ministerial Committee (IMC), SASSA had started working on taking responsibility for the direct transfers to beneficiary bank accounts. This was discussed with CPS in a meeting between the CEO of SASSA and CEO CPS held on 31 August 2017, it was agreed that this would be one of the first functions to be taken by SASSA. It was agreed in this meeting that the information of all beneficiaries who currently have money transferred by CPS into their personal bank accounts would be provided to SASSA by end September 2017. Thereafter, monthly updates would be provided. The target date for SASSA to take this responsibility is January 2018.

3.3.2 The data was provided to SASSA on 17 October 2017 and confirmed records of 2 001 233 beneficiaries. Of these approximately 1,7 million were Easy Pay Everywhere (EPE) accounts. Actions taken to implement the direct transfers by SASSA include the following:

- a) The 2 million who have verified bank accounts will be paid through direct transfers by SASSA utilising the PMG account as the control account
- b) Links between Socpen and Bankserv have been reactivated and tested (test file successfully run Monday 20 November)
- c) As from 1 December, SASSA started collecting mandates from existing and new beneficiaries as per Regulation 21(1)(a) to transfer social grant payments into their bank account directly. There will be **NO** beneficiary request that will be facilitated through CPS, and to this extent, a letter has been written to CPS.
- d) Test payment file to Bankserv will be sent on 17 December for January payment. The test will include only 100 beneficiary details; the balance will still be paid by CPS for January 2018 only.
- e) Money will be available in beneficiary accounts on 01 January 2018
- f) Provided the end-to-end test is successful, SASSA will take responsibility for the direct transfers into all 2 million beneficiary accounts, together with any new beneficiary accounts, as from February 2018.

3.3.3 In addition to the above, SASSA also identified approximately 1, 2 million beneficiaries who previously had their social grants paid into their bank accounts. Letters have been sent to all these beneficiaries to ascertain whether they would want to revert to the banking method of payment. Depending on the response received, SASSA will change the method of payment to direct deposits, on request of the beneficiary.



3.3.4 On 20 November 2017, SASSA issued a circular to all local offices, advising the staff to ensure that all new applicants for social grants had to be informed of all the payment options, and the benefits of the banking option. The SOCPEN functionality was enhanced to enable the capturing of the bank details, which will ensure that these payments are included in the file for direct transfers.

## **4 SOUTH AFRICAN POST OFFICE (SAPO)**

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### **4.1 SAPO PROCUREMENT PROCESS – PROGRESS REPORT**

- 4.1.1 In the second report, SASSA reported progress on its decision to collaborate with SAPO to pay social grants as reported in the first quarter report. A workshop was subsequently held with SAPO to obtain an understanding of its service offering.
- 4.1.2 In the second report, SASSA elaborated on the decision taken to collaborate with SAPO for services which SAPO is able to provide. The report outlined the procurement/engagement process that unfolded until the Bid Evaluation process.
- 4.1.3 At the time of reporting on 15 August 2017, the Bid Evaluation Committee (BEC) was awaiting the completion of the due diligence process. The report further clarified that the BEC was delayed due to delays in the appointment of a service provider to conduct due diligence.
- 4.1.4 In terms of the SASSA Request for Proposals (RFP), services required were:
- a) Provision of an integrated payment system (which included Beneficiary Biometric enrolment and Biometric proof of life);
  - b) Banking Services (Holding Bank Account and Special Disbursement Accounts);
  - c) Card Body production and distribution; and
  - d) Provision of cash payment services.

- 4.1.5 The BEC commenced with evaluation on 22 August 2017 and finalised it on 17 September 2017. The technical due diligence to confirm SAPO capability which formed part of the evaluation commenced on 31 August 2017 and was concluded on 15 September 2017.
- 4.1.6 The Bid Adjudication Committee (BAC) process commenced on 19 September 2017 and was finalised on 21 September 2017.
- 4.1.7 Concurrence as required in terms of section 4(2) of the South African Social Security Agency Act, 2004 (Act No. 9 of 2004) (SASSA Act), was given on 06 October 2017.
- 4.1.8 After following the above process, SAPO was awarded the provision of an Integrated Payment System that entails:
- a) SASSA payment platform development;
  - b) Beneficiary Biometric enrolment; and
  - c) Biometric life status confirmation
- 4.1.9 The award was subject to SAPO responding on or before 26 October 2017 on the following conditions, among others:
- a) Acceding to perform only one of the four services required
  - b) Deliverables to be met within the prescribed stipulated timeframes
  - c) SAPO to provide a written confirmation of its financial reserves equal to at least three months as stated in the RFP
  - d) The SAPO quoted price be subjected to negotiations
  - e) SASSA to have direct and real-time access to all payment data

- 4.1.10 SASSA received correspondence from SAPO, dated 31 October 2017. In terms of the correspondence, SAPO challenged the decision of not being awarded: a) banking services; b) cash distribution; and c) card production services.
- 4.1.11 SASSA referred the matter to the National Treasury (on 1 November 2017) for advice and/or intervention in line with prevailing prescripts on matters of this nature.
- 4.1.12 National Treasury issued the review outcome on 07 November 2017. The review reflected that there were weaknesses in the process followed by SASSA, as well as ambiguities and lack of clarity in the RFP.
- 4.1.13 National Treasury recommended reconsideration of the decision reached by SASSA and negotiations between the parties.
- 4.1.14 The National Treasury review outcome was discussed at the IMC meeting of 07 November 2017 wherein a decision was taken to foster the negotiation process between SASSA and SAPO under the leadership of the IMC.
- 4.1.15 Subsequent to the review outcome and the IMC intervention, SASSA cancelled the Supply Chain Management (SCM) process that was initially embarked upon.

## **4.2. REVISED SASSA/SAPO NEGOTIATIONS – IMC INTERVENTION**

- 4.2.1 The IMC has, since November 2017, committed to align its work to the Constitutional Court reporting requirements, given the similar timeframes and expectations of the dedicated period up to April 2018. The IMC reported back to the Parliamentary Joint Committees of the Standing Committee on Public Accounts (SCOPA) and Portfolio Committee for Social Development on the progress to achieving the requirements of the Constitutional Court Order and Direction on 21 November 2017.

- 4.2.2 In its response, the IMC confirmed the adoption by government of a state led hybrid model, which included a partnership between SASSA and SAPO, increasing the role of the banks and merchants and reducing the role of cash payments for social grants. The IMC signed an Implementation Protocol (*attached as Annexure A*) on 17 November 2017 together with SASSA and SAPO, in terms of the Intergovernmental Relations Framework Act, 2005 (Act No 13 of 2005) (IGR), which was submitted to the Joint Parliamentary Committees on 21 November 2017. The IMC made a further commitment to ensure full compliance with the 7 November 2017 Directions.
- 4.2.3 A Services Agreement was signed by both SAPO and SASSA on 08 December 2017. The agreement is supported by a detailed Project Plan and risk register (*The Services Agreement and the detailed plan together with the Risk Register are attached as Annexure B*). The Services Agreement excludes cash payments, based on feedback received from SAPO. As a result, SASSA will take responsibility for this.
- 4.2.4 The Plan also takes into consideration the available payment infrastructure in the country and the extent to which it can be used to facilitate payment of social grants.
- 4.2.5 Key focus areas of the Agreement and the plan are:
- a) Provision of Electronic Banking Services, including:
    - i. Corporate Control Account (Holding Account)
    - ii. Special Disbursement Accounts
  - b) On boarding of beneficiaries (Instant Account Opening & Card Issuance at SASSA Branches)
  - c) Biometric authentication of beneficiaries

## 5. ELECTRONIC PAYMENT SERVICES

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- 5.1 In terms of regulation 21(1)(a) of the Social Assistance Regulation (Social Assistance Regulation 21(1)(a)), SASSA shall pay a social grant into a bank account of the beneficiary or an institution where the beneficiary resides (subject to written authorization by the beneficiary).
- 5.2 The electronic payment beneficiaries include those beneficiaries who prefer to access their money through Point of Sale (POS) devices using PIN CVM at the merchants as well as those who access their money through bank ATM's.
- 5.3 There are over 7,7 million social grant recipients who receive their grants using electronic channels.
- 5.3.1 Approximately 5,776,924 use SASSA card for electronic payment;
- 5.3.2 Approximately 2,001,233 (Easy Pay Everywhere (EPE) Clients= 1, 770,779 and other banks = 241,154) beneficiaries opted to use their private bank accounts to withdraw their grants instead of a SASSA card.
- 5.4 The approach adopted by SASSA will involve the following:
- 5.4.1 Opening SASSA control account through PMG (Concluded)
- 5.4.2 Direct transfers to active commercial accounts (2 001 233).
- a) This category of beneficiaries receives their social grants through direct deposits into their personal accounts. However, the deposits are currently effected by the current service provider (CPS);
- b) The 2 million who have verified bank accounts will be paid through direct transfers by SASSA utilising the PMG account; Links between Socpen and Bankserv have been reactivated and tested (test file successfully run Monday 20 November);

- c) As from 1 December, SASSA will be collecting mandates from beneficiaries as per Regulation 21(1)(a) to transfer social grant payments into their bank account directly. There will be **NO** beneficiary request that will be facilitated through CPS, and to this extent, a letter has been written to CPS;
- d) Test payment file to Bankserv will be sent on 17 December 2017 for January 2018 payments. The test will include only 100 beneficiary details; the balance will still be paid by CPS for January 2018 only;
- e) Money will be available in beneficiary accounts on 01 January 2018;
- f) Provided the end-to-end test is successful, SASSA will take responsibility for the direct transfers into all 2 million beneficiary accounts, together with any new beneficiary accounts, as from February 2018.

#### 5.4.3 The verification of previously used BANK accounts (1 400 000)

- a) There were 1.4 million beneficiaries who previously registered bank accounts on SOCPEN and used to receive their grants through these accounts. However, these accounts have not been used for some time during the course of the current payment contract. The first step of the verification process was to extract the records and confirm which of them still have active grants. This has been completed and the revised, confirmed number is 1,217,075.
- b) Verification of the 1.2 million remaining bank accounts is currently underway. The process of verifying with beneficiaries has commenced and letters will be posted to beneficiaries by 15 December 2017 (file has been sent to SAPO on 04 December 2017 and posting will be done in batches, given the large numbers). The banks, through National Treasury have also been requested to confirm which of these accounts are still valid and active. This will assist in further targeting specific beneficiaries to consider if they would like to change their current method of payment in order to receive their grants through their bank accounts.

#### 5.4.4 Direct Deposits into the SASSA / Grindrod accounts

- a) This category includes all other banked beneficiaries who are currently transacting using SASSA Branded Cards/Grindrod accounts. A total of 5,776,924 beneficiaries who transact through electronic payment channels do so using SASSA Branded Cards.
- b) The accounts were instigated at the behest of SASSA and are currently managed by CPS and Grindrod Bank through a proprietary system. The court judgment in the matter between Net1 and others vs. Department of Social Development (DSD) and SASSA, concluded that the Grindrod accounts are normal bank accounts, rather than just a method through which grants are paid. Our recent engagements with CPS indicated that SASSA would, however, require a CPS electronic signature prior to depositing into these accounts.
- c) The rationale for retaining the status quo (Grindrod accounts) is to ensure continuity of payments beyond 31 March 2018 by utilizing existing payment channels. SASSA will therefore facilitate the direct transfers of grants into the SASSA Grindrod accounts subject to agreement being reached with CPS/Grindrod Bank. Beneficiaries will progressively be migrated during the transition period from the Grindrod accounts to alternative pay-points, inclusive of SAPO, Banks and other channels. However, in the interim, they will still be able to access their grants, using the current SASSA branded Grindrod card, the validity of which has been extended to 31 December 2018.

#### 5.4.5 Migrating the banked beneficiaries who are currently using Grindrod accounts.

- a) In terms of the November 2017 payment statistics, 5,393,586 withdraw at ATM's and 2,364,789 point of sale in retails using PIN.

- b) The objective is to encourage the migration of this category of beneficiaries to South African Post Bank and other Banks.
- c) SASSA will facilitate the direct transfers of grants to these accounts or any new account that the beneficiaries select effectively from 01 March 2018. For those beneficiaries who are not migrated by 01 April 2018, SASSA will continue to facilitate direct deposits for a short term into the Grindrod accounts whilst migration is completed over the transition period. This will ensure the uninterrupted payment of social grants.

#### 5.4.6 *New applicants*

- a) As part of implementing direction 1(d) of the Constitutional Court directions dated 7 November 2017, current and potential beneficiaries are to be specifically informed of the benefits of receiving their social grants through bank accounts provided by a commercial bank or financial institution of their choice, if they wish to.
- b) In order to ensure that this is done, the following actions have been implemented:
  - i. *SOCPEN enhancements done in order to reinstate the functionality for bank payments (code 3)*
  - ii. *Circular issued to regions to explain process which will be effective as from 20 November 2017*
  - iii. *Beneficiaries who opt for direct deposits into their bank accounts as the payment option will be tracked, to facilitate reporting to court*
- c) The option for beneficiaries to elect to receive their grants through the SASSA Branded Cards – either at cash pay points, or utilising the National Payment System remains.



## 6. CASH PAYMENT SERVICES

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- 6.1 In terms of regulation 21(1)(b) of the Social Assistance Regulation, SASSA shall pay a social grant through a method determined by SASSA. Cash payments at cash pay points is part of the method determined by SASSA, in order to ensure that those beneficiaries who do not have access to, or who do not wish to utilize, electronic payment channels, are still able to access their social grants at places convenient to them.
- 6.2 There are currently approximately 2,894,040 beneficiaries who use the SASSA card to access their money at SASSA cash pay-points and merchants contracted to CPS using Biometric CVM. The breakdown of these beneficiaries is depicted in the table below:

<b>Region</b>	<b>No. of Beneficiaries</b>
Eastern Cape	402,005
Free State	195,129
Gauteng	295,410
KwaZulu-Natal	781,343
Limpopo	549,056
Mpumalanga	255,065
North West	230,906
Northern Cape	69,022
Western Cape	116,104
<b>Total</b>	<b>2,894,040</b>

*Table 2: Cash beneficiaries per Province*

- 6.3 The objective is to ensure that these beneficiaries continue to access their social grants at places that are convenient to them.

6.4 A three phased approach will be pursued and will include:

6.4.1 Appointment of a cash payment service provider:

- a) The primary approach is to ensure the appointment of a new cash payment service provider to facilitate payments at cash pay-points through a competitive tender process. Cash payment services means provision of payment cards, security, mobile ATM or payment machines, loading of money, as well as ensuring an online & off-line solution.

6.4.2 Utilisation of SAPO outlets:

- a) SAPO branches currently have approximately 5 000 counters that are classified as 'ATMs' and provide banking services to its customers. A summary of the SAPO footprint as compared to current cash pay points is as follows:
  - i. 53.5% of the branches are within the 5 kilometre radius
  - ii. 17.6% are between 5 & 10 kilometres
  - iii. 20.9% between 10 & 20 kilometres
  - iv. 8% are outside a 20 kilometre radius
- b) SASSA will explore the options of utilising some of these branches for cash distribution, particularly those that are online, within the 5 kilometre radius and have the requisite infrastructure to facilitate payments.
- c) In order to be used as an alternative to a cash pay point, the facility should meet minimum norms and standards, such as the provision of adequate space.

6.4.3 Promotion of banking option

- a) In accordance with direction 1(d) of the Constitutional Court directions dated 7 November 2017, communication on the banking options available may result in some of the beneficiaries volunteering to migrate to banks.

6.5 Activities that SASSA will embark on to ensure that the above phased approach is implemented are detailed below:

6.5.1 A separate payment file for the cash payment service provider will be created as part of the month-to-month payment process.

6.5.2 Procurement process to appoint new service provider will be as follows:

- a) Specifications of the Terms of Reference has been completed
- b) Evaluation process and award to be concluded by 31 March 2018
- c) New company to set up April and May 2018
- d) Progressive takeover of payments as from June 2018

6.5.3 SASSA will require CPS to be present for at least 6 months during the transition process to ensure the uninterrupted payment of social grants. The transition process will cover the phasing out of CPS and the phasing in of SAPO for electronic payments and a new service provider for the cash payments.

6.5.4 To this extent, a formal application for the suspension of declaration of invalidity and subsequent extension of the contract with CPS will be lodged with the Constitutional Court, followed by, where applicable, a deviation request to National Treasury.

## **7 OTHER PAYMENT RELATED SERVICES**

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### **7.1. INSOURCING OF MANAGEMENT OF REGULATION 26A DEDUCTIONS**

7.1.1 SASSA, in its first and second reports, indicated that it intends to take over the management of Regulation 26A deductions (direct deductions for premiums of funeral policies taken out by beneficiaries, subject to legislated restrictions).

7.1.2 The process to insource this function has commenced and as reported in paragraph 3.1 above, significant progress has been made in this regard.

7.1.3 Testing will be finalized in January 2018 and the Implementation will commence in February 2018.

## **7.2. BIOMETRIC IDENTITY & ACCESS MANAGEMENT PROJECT STATUS REPORT**

- 7.2.1 The Biometric Identity Access Management Project which commenced in July 2017 is aimed at biometrically registering all SASSA system users in order to reduce systems fraud and non-repudiation of systems access. The biometric access system will also serve to protect staff who process applications for social grants.
- 7.2.2 The configuration and installation infrastructure preparation including software installation has been completed. This includes SOCPEN access request and provisioning.
- 7.2.3 The current biometric access project will also serve as the platform for beneficiaries' enrolment. The second phase of implementation for beneficiary enrolment, includes the following:
- a) The biometric identity and access management (IAM) solution development licenses have been procured and installed in the SASSA development environment.
  - b) The testing and piloting infrastructure will be installed and ready for piloting of the solution by March 2018.
  - c) The front- and back-end infrastructure for beneficiary enrolment will be ready by 1 April 2018 to enable the beneficiary enrolment function to be executed by SASSA.
  - d) The real-time verification with Department of Home Affairs HANIS system will be operational by 1 April 2018.

## **8. REPORT ON CHANGES (ORDER 9)**

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### **8.1. SAPO PROCESS**

- 8.1.1 The first report indicated that SASSA will embark on a competitive bidding process (*Section 3.1.3*). The report (*Section 3.3.1*) also indicated the engagement with SAPO and possible collaboration.
- 8.1.2 In the second report, SASSA reported that it embarked on a single source bidding process targeting SAPO through a deviation approved by National Treasury.
- 8.1.3 Following the National Treasury, Parliamentary Committees and IMC review of the process, SASSA embarked on a negotiated process in terms of the Intergovernmental Framework Act facilitated through the IMC. The procurement process previously embarked upon was annulled by SASSA. The change of strategy affected the initially envisaged time lines for appointment of service providers.
- 8.1.4 As a result of the negotiated process, an Implementation Protocol was signed on 17 November 2017 and a Services Agreement concluded on 8 December 2017.

### **8.2. INCREASED ROLE OF BANKS IN DISTRIBUTION OF SOCIAL GRANTS**

- 8.2.1 Having taking cognisance of the recommendations of the panel and the Constitutional Court directions dated 29 November 2017, SASSA revised its strategy for payment options which are made known to beneficiaries. Although the option to receive a grant through a bank account has always been available, it was not previously actively promoted. SASSA advised all local office staff to ensure all clients are provided with this information, and that those opting to receive payment through banks are assisted to do so. In addition, a comprehensive communication strategy has been developed, to promote this method of payment for existing and potential beneficiaries.



8.2.2 In addition to the above, negotiations have taken place with National Treasury and the banks to develop a low cost bank product. SASSA provided the specifications for this product to National Treasury to facilitate the development of this product.

## **9. SASSA RESPONSE TO CONSTITUTIONAL COURT DIRECTIONS OF THE 07 NOVEMBER 2017**

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9.1 On 07 November 2017, the Court directed that:

### *9.1.1 Communication to beneficiaries:*

- a) SASSA should request the Government Communication and Information System to develop and implement a focused communication plan to inform beneficiaries/recipients of social grants of the implications of the transition and of the benefits of receiving their social grants via bank accounts provided by a commercial bank or financial institution of their choice.
- b) To this extent, a communication strategy has been developed and was filed on 08 December 2017. In addition, communication has been sent to SASSA local offices to advise staff to inform beneficiaries of all available payment options.

### *9.1.2 Plan to effect uninterrupted payment of grants:*

- a) SASSA was further directed to report to the Court on affidavit as to the plan to effect the uninterrupted payment of grants, specifying matters such as definite roles and responsibilities, precise timelines, dependencies, desired outcomes and risk mitigation measures.
- b) The detailed plan with SAPO as SASSA's partner and the risk matrix was filed on 08 December 2017. The plan also included preliminary costing options as well as the migration plan over the five year period. Both the costing option and the migration plan are subject to review, as more information becomes available.

9.2 On 08 December the 3 plans (SASSA/SAPO plan, Risk Matrix, and communication plan,) were submitted to the court. These indicate that a seamless transition is realisable, however, this will not be fully achieved by 01 April 2018. There will still be a dependency on CPS for as long as the current SASSA / Grindrod payment cards are in circulation, as well as for the cash payments while a new service provider progressively takes over. The transition is expected to be completed within six months into the new financial year.

9.3 Monthly progress reports will commence in January 2018.

#### **10. SASSA RESPONSE TO CONSTITUTIONAL COURT DIRECTIONS OF THE 29 NOVEMBER 2017**

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10.1 The Court directed the Minister and SASSA to:

10.1.1 Furnish the court with reasons, if any, why alternatives described in Chapter 4 of the second quarterly report by the Auditor General and the Panel of Experts dated 16 November 2017 are not feasible.

10.1.2 If the alternatives are feasible, the January Report (15 January 2018) must indicate:

- a) How SASSA intends to set up a system of direct transfers into beneficiary bank accounts from SASSA's own corporate bank account, enabling beneficiaries to access grants through the NPS, which can be tested and made ready to effect payments by 01 April 2018.
  
- b) With respect to the payment of social grant beneficiaries who do not live within five kilometres from any ATM or point of sale device or facility, SASSA and other relevant role players will evaluate and implement other methods, making use of new technologies or facilities, to facilitate the payments.



- 10.2 In terms of the *Social Assistance Regulation 21 (1)* SASSA shall pay a social grant:
- a) into a bank account of the beneficiary or an institution where the beneficiary resides (*subject to written authorization by the beneficiary*); or
  - b) by the payment method determined by the Agency
- 10.3 The SASSA plan is premised on optimizing the strength of the two available methods, namely electronic and cash, to pay all the existing and new social grant beneficiaries with the least inconvenience to the beneficiaries.
- 10.4 Chapter 4 of the independent panel second report par. 4.1 recognises the two types of payment, namely, payment by way of financial systems using electronic payment devices and payment of cash.
- 10.5 SASSA has always promoted both payment options and will continue to do so within the guiding principles of:
- a) Flexibility – beneficiaries should be provided with the ability to choose the most convenient payment channel
  - b) Convenience - this refers to the ability of beneficiaries to access their grants in the most convenient way, that takes into account their socio-economic, educational and other related aspects of the beneficiary profiles
  - c) Accessibility – provides for access in the most remote parts of the country
- 10.6 The panel's report emphasises the benefits of electronic payments and further seeks to introduce additional technologies and facilities that could be leveraged for the payment of social grants.
- 10.6.1 SASSA supports the recommendation and wishes to confirm that electronic payment to beneficiaries has always been part of the standard operating procedure for SASSA. However, with the implementation of the current payment contract with Cash Paymaster Services (CPS), the option for beneficiaries to

receive money through direct payment into their bank accounts was not actively promoted. SASSA has since reaffirmed the need to ensure that existing and potential beneficiaries are provided with information on the payment options as well as the benefits of receiving their money through banks.

10.6.2 SASSA also acknowledges that there has been a significant rise in the alternatives, such as mobile banking. Therefore it is considering the use of new technologies to effect payment in addition to the banking channel.

10.7 There are however, limitations to full implementation of the electronic payment options as recommended by the panel due to a number of factors which will be outlined in detail in the January 15 Report. The list below highlights only a few obvious ones:

- a) literacy levels in our country;
- b) age profile of the beneficiaries (particularly beneficiaries above the age of 75);
- c) limited availability of electronic payment infrastructure in rural areas.

10.8 Moving forward SASSA will progressively implement some of the recommendations of the independent panel whilst research is being conducted by SASSA on payment methods previously not offered to social grant beneficiaries.

## **11. RISKS AND MITIGATION**

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- 11.1 In its second report to Court, SASSA identified the possibility of failure to pay social grants on the 1 April 2018 as a key risk. The strategy was to fast track the procurement of SAPO as a service provider to pay social grants. The transitional phase required for implementation of SAPO and a new cash payment service provider will go beyond 1 April 2018, to ensure the uninterrupted payment of social grants.
- 11.2 SAPO's ability to deliver on the critical services including the opening of the corporate account and opening special disbursement accounts for approximately 5,7 million beneficiaries. SAPO may not have the ability to absorb this number and issue new accounts by 1 April 2018. In order to mitigate this risk, SASSA will continue to deposit money into the existing SASSA / Grindrod accounts using the re-opened PMG account, and SAPO will progressively take responsibility for these beneficiaries over the transition period, which will not exceed 6 months into the new financial year.
- 11.3 SASSA has confirmed that the existing SASSA / Grindrod beneficiary payment cards will continue to work beyond the expiry date printed on the card, to ensure uninterrupted payment of social grants after 1 April 2018. The challenge is that the current card is underwritten by Grindrod Bank, which uses the Net1 Technology acquired through CPS. This implies that, for as long as the current SASSA/ Grindrod cards are in circulation, there will be a dependency on CPS. The mitigation for this risk is that the continued use of the current SASSA / Grindrod cards must be limited to the transitional period only – that is all cards should be replaced within the six month extension for the envisaged phase-in / phase-out period.
- 11.4 The promotion of social grant payments being effected through banks places a responsibility on beneficiaries to open accounts and confirm the details to SASSA.

Should beneficiaries delay in this process, the period allowed for transition may be inadequate. This risk will be mitigated through a focused, consistent communication drive targeting existing and potential beneficiaries.

- 11.5 Successful implementation of a project of this magnitude requires strong project and resource management. In order to achieve, both SASSA and SAPO have accepted responsibility to meet deadlines and deliverables. To this end a joint operations centre, which will coordinate the efforts of functional area groups, has been set up. Daily and weekly progress reports will be interrogated, and mitigating actions implemented immediately challenges are identified.

## **12. CONCLUSION**

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In conclusion, SASSA wishes to confirm its continued commitment to meeting the requirements of the Constitutional Court. Achievements which attest to this have been highlighted in this report, chief of which is the conclusion of the Service Agreement with SAPO. SASSA has also increased the number of beneficiaries who opt for bank payments, in line with the recommendations made by the panel of experts. However, the Court to note that a transition period, which will not exceed six months, from 1 April 2018 to 30 September 2018, will be required to ensure that there is indeed no interruption in the payment of social grants.