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SOUTH AFRICAN SOCIAL SECURITY AGENCY

CONSTITUTIONAL COURT REPORT

MAY 2018

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1. INTRODUCTION

- 1.1. In April 2018 SASSA paid over 17.5 million social assistance to **10 842 658** beneficiaries across its payment channels. The payments were made utilising various channels including cash payments at pay-points through CPS, payments at participating vendors (merchants with biometrically enabled Point of Sale - POS devices), payment vendors utilising PIN, and payments at banks.
- 1.2. This report focuses on the following:
- 1.2.1. Progress on the steps taken to ensure continuity of payment of social assistance for the remaining 5 months of the extended period;
- 1.2.2. The 5 months plan to migrate the bulk of the beneficiaries who are currently collecting their social assistance from cash pay points to alternate methods of payment and thus reducing the number of current cash pay points and beneficiaries collecting cash; and
- 1.2.3. Measures to be taken to support the beneficiaries who live in areas that are more than 20 kilometres away from any payment infrastructure, who may require cash payments beyond September 2018.

2. CONFIRMATION OF PAYMENTS IN MAY 2018

2.1. Summary of Payments from April to June 2018

Payment channel	April 2018		May 2018		June 2018 ¹ Payment Extraction File	
	No. of beneficiaries	Total Grant values (R'000)	No. of beneficiaries	Total Grant values (R'000)	No. of beneficiaries	Total Grant values (R'000)
Biometric CVM payments	3 160 832	R4,393,527	3 110 184	R4,259,208	1 995 986	R2,899,804
ACB Direct transfers	2 348 107	R3,035,972	3 898 733	R4,549,247	8 885 423	R10,427,879
SAs SASSA/ Grindrod Bank (Bilateral Clearing agreement)	5 342 376	R5,852,635	4 221 999	R4,464,241	0 ²	0
Total	10 851 315	R13,282,134	11 230 637	R13,272,696	10 881 409	R13,327,683

TABLE 1: PAYMENTS FROM APRIL – JUNE 2018

¹ June payment extraction file refers to a payment file that has been issued to both CPS and Bankserv in preparation for actual payments which will take place from 1 June 2018.

² The Bilateral clearing agreement between SASSA and Grindrod expires in June 2018. SASSA has since migrated all these beneficiaries to ACB transfers.

2.2. Payments to Beneficiaries using Biometric CVM

- 2.2.1. In May 2018, there were **3 110 184**³ beneficiaries that received their social assistance using Biometric CVM. These include beneficiaries who received payments at cash pay-points, as well as at merchants and ATMs using Biometric CVM.
- 2.2.2. The number of recipients receiving their grants using biometric CVM decreased by approximately 50 000 from the April 2018 figure of **3 160 832**. There is a further marked decrease of **1 114 198** (i.e., from **3 110 184** to **1 995 986** as indicated in table 1 above) which will be implemented during the June 2018 payment cycle. The decrease shows SASSA's commitment to phase-out the services of CPS over the next 4 months.

2.3. Payments to SASSA/Grindrod Cardholders

- 2.3.1. In the April 2018 Report, SASSA reported that it received approval from the South African Reserve Bank ("**SARB**") for bilateral clearing with Grindrod Bank for a period of 3 months commencing on 1 April 2018. The payment file and funds were transferred to Grindrod Bank for payments to **5 342 376** beneficiaries. In the May Payment File the number was reduced by **1 001 615**, leaving Grindrod Bank to facilitate payment to **4 221 990**⁴ beneficiaries.
- 2.3.2. The aforementioned **1 001 615** beneficiaries were paid through direct transfer via SASSA Pay Master General account.
- 2.3.3. In line with the three months authorisation by SARB, SASSA has taken steps to take over the direct transfers of these accounts in June 2018. To this extent, SASSA has captured the account numbers for all the remaining beneficiaries into the SASSA direct transfers payment file.
- 2.3.4. SASSA has sent the file to Grindrod Bank and CPS for final verification of account numbers as precautionary measure prior to sending the payment file to Bankserv in preparation for the payment cycle commencing 1 June 2018.
- 2.3.5. SASSA will continued to use the old SASSA card issued by Grindrod Bank to facilitate direct transfers to these beneficiaries until card swap process has been completed.

³ Reconciliation for these payments has not yet been concluded; however, preliminary figures indicate that approximately 2 million beneficiaries received payments at cash pay-points and the remainder at merchants and ATMs using biometric verification method.

⁴ The Grindrod figures variation is due to other beneficiaries migrating to other banks, lapsing of grants and natural attrition due to death



- 2.3.6. It is important to also indicate the progress on engagements with Grindrod Bank regarding the revised monthly fee structure which increased the monthly fixed fee from **R6.91** (*six rand and ninety one cents*) to **R10.00** (*ten rand*) per card holder or beneficiaries' account. In the April 2018 Report, SASSA reported that the Agency had written to Grindrod Bank to demand that it reverts to the fee structure that it provided to SASSA on the 15 March 2018 (*the initial monthly fixed fee structure*).
- 2.3.7. Grindrod Bank has not given effect to SASSA's demand to revert to the initial monthly fixed fee of **R 6.91** and reimburse all beneficiaries the difference between the levied monthly fee of **R 10.00** and the initial fee of **R 6.91**. In response to SASSA's demand Grindrod Bank advised as follows:
- a) *"Grindrod Bank is a price taker as it relies wholly on Net 1 to provide services"*.
 - b) *"Post 1st April 2018 Grindrod Bank continues to earn R 0.50 per account per month to provide the banking services to the programme. The balance of the charged monthly fee is paid to Net1 for the services rendered in support of the programme"*.
- 2.3.8 SASSA has handed over this matter to its legal representatives for further handling.

2.4. Progress on Direct Transfers to Commercial Bank Accounts

- 2.4.1. SASSA successfully paid a total of **3 898 733** beneficiaries directly into their commercial bank accounts, using the SASSA PMG Account, during the April 2018 payment cycle.
- 2.4.1. The number of beneficiaries receiving payments at commercial banks increased by **1 550 626** in May 2018. The increase is largely due to the **1 001 615** taken from the bilateral agreement discussed in paragraph 2.3 above.

3. CANCELLATION OF THE CASH PAYMENT PROCUREMENT

- 3.1. In the April 2018 Report, SASSA reported that it had taken a decision to suspend the cash payment tender. Following the review of the facts and issues raised by one prospective Bidder, and the fact that there were possible litigation that could follow and further delay SASSA to achieve the end of September Court deadline to terminate CPS contract for cash payment services, SASSA was decided to cancel the tender. The bidders were notified accordingly.
- 3.2. This material change was reported to the Court in the supplementary report of 15 May 2018.



- 3.3. Government took a decision to request the SAPO to extend the original agreement to include more than 2 500 000 beneficiaries that were previously earmarked for payments by the cash payment service provider.
- 3.4. The current Service Agreement will be substantially amended to incorporate the additional services that SAPO will be rendering, subsequent to cancellation of the cash payment tender. A draft addendum to the Services Agreement has been drafted and has been circulated to both SASSA and SAPO Business Units for inputs. The costing structure is also being reviewed in consultation with DSD, SAPO and National Treasury.

4. BENEFICIARY MIGRATION AND CASH PAYMENTS REDUCTION PLAN

- 4.1. SASSA in collaboration with SAPO, has taken a decision to reduce the number of beneficiaries paid at the cash pay points due to the fact that South Africa has fairly extensive and developed National Payment System Infrastructure across the country, particularly in urban areas. Furthermore, cash transportation and management has become increasingly risky and expensive.
- 4.2. The primary objective of the cash reduction plan is to migrate the bulk of the beneficiaries who are currently collecting their social assistance from the 8 086 active cash pay points to alternative methods of payment and thereby reduce the number of beneficiaries collecting their social assistance in cash and the number of cash pay points.
- 4.3. The end goal for SASSA is to completely do away with the cash payment component of social assistance services. As mentioned above, the transportation and management of cash have become increasingly risky, especially with the recent upswing in cash-in-transit heists.
- 4.4. Critical to the cash migration plan is the expedited card production and card swap programme from the old SASSA/Grindrod payment card to the new SASSA/SAPO payment card which commenced during the month of May 2018 across all the provinces. The card swap process is undertaken mainly at identified cash pay points, and will be extended to SAPO branches and SASSA offices. Approximately 2 million SASSA/SAPO payment cards were produced and 63 000 were swapped as at 29 May 2018. The card production will be doubled in June and July 2018 to 4 million per month.

Table 2 below summarises the **Card Production and Card Swap Plan** as well as the progress as at 25 May 2018.



Period	Card Body Production Capacity	Actual No. Of Cards Produced	Card Swap Target	Card Swap (Actual 25 May)
March '18	0		0	0
April '18	250 000	250 000	0	0
May '18	2 300 000	1 400 000	214 520	63 248
June '18	4 000 000		2 539 380	
July '18	4 050 000		3 702 850	
August '18			1 463 880	
Total	10 600 000	1 650 000	7 920 632	

TABLE 2: CARD PRODUCTION AND CARD SWAP TARGETS AND TIMELINES

- 4.5. The card swap programme has been prioritised and various strategies will be implemented to fast track this process. The strategies will include the following activities and interventions:
- 4.5.1. Targeted communication and marketing campaigns through various media platforms. Pamphlets and radio adverts have already commenced in most of the indigenous languages
 - 4.5.2. Weekend bulk card swap blitzes in community halls, traditional authority offices and other identified beneficiary catchment areas.
 - 4.5.3. Consultation with the various House of Traditional leaders is also underway.
 - 4.5.4. Other media platform activities will commence in the month of June 2018. The procurement of specialist services to assist SASSA with the integrated communications and marketing interventions and strategies is also being prioritised.
 - 4.5.5. Contracting of fieldworkers including unemployed qualified Auxiliary Social Workers and Community Development Workers has also commenced.
- 4.6. On receiving the new SASSA/SAPO cards, beneficiaries can access their grants through any of the following methods:
- 4.6.1. SAPO outlets closest to them;
 - 4.6.2. through the use of the available banking infrastructure;
 - 4.6.3. existing retail merchants; and
 - 4.6.4. Numerous point of sale devices in close proximity of their residential areas.

- 4.7. Furthermore, traditional pay-points in areas where there is national payment infrastructure and active SAPO outlets will be decommissioned. This intervention will reduce the number of cash pay-points from 8 086 to a projected 3 121 by the end of August 2018.
- 4.8. The number of residual beneficiaries to be served at remaining cash pay-points is approximately 789 954. The table below summarises SASSA's Plan to decommission identified pay-points:

Region	Total No. of pay points	May	June	July	Aug	No. to be closed	Remaining	No. of beneficiaries
EC	2 590	-	512	513	134	1159	1431	260 694
FS	212	-	98	97	-	195	17	14 643
GP	144	-	87	44	-	131	13	2 411
KZN	1 700	-	449	469	271	1189	511	124 386
LP	1 839	-		433	991	1424	415	80 504
MP	386	-		38	113	151	235	92 361
NC	344	-	43	88	89	220	124	44 396
NW	609	-	13	81	174	268	341	144 574
WC	262	-	80	115	33	228	34	25 985
Total	8 086		1 282	1 878	1805	4 965	3 121	789 954

TABLE 3: PAY-POINT REDUCTION TARGETS AND TIMELINES

5. ALTERNATIVE STRATEGY TO ADDRESS THE RESIDUAL NUMBER OF CASH BENEFICIARIES

- 5.1. Preliminary analysis by SASSA indicates that there are **789 954** beneficiaries who are currently being served at approximately **3 121** pay-points that reside over 20km outside the National Payment System Infrastructure and SAPO Infrastructure coverage.
- 5.2. The alternative strategy still positions SAPO as a dominant player while commercial banks, merchants and retailers are secondary players in the value chain. These beneficiaries will be issued with the new SASSA/SAPO card during the card swap scheduled for completion on 30 July 2018.
- 5.3. Although social assistance will be deposited into the accounts of all these beneficiaries, the challenge of the lack of payment infrastructure to allow these categories of beneficiaries to withdraw or access their monies remains.
- 5.4. The primary intervention in this regard is that SAPO will procure mobile cash dispensing machines to service outlying locations by July 2018. To this extent, SAPO has commenced with the procurement process for the portable cash dispensing machines and it is envisaged that they will be available before the end of September 2018. In addition, SAPO is in the process of extending the scope of its current Cash in Transit contract to accommodate the additional numbers and sites.
- 5.5. Beneficiaries who can migrate to banks of their choice, in particular the recipients of the Child Support Grants (CSG), are being encouraged to do so.
- 5.6. For pay-points with smaller numbers, SASSA and SAPO, as a temporary measure will contract local transport industry to transport beneficiaries to nearest SAPO outlets or merchants or any available NPS Infrastructure on specific days of the month whilst SAPO is working on developing its payment infrastructure. The process of consulting with the local transport industries have commenced.
- 5.7. Under extreme circumstances, SASSA and SAPO will enlist the support of the SANDF to go and pay grants in those areas that are still not fully covered by the various payment channels infrastructure.
- 5.8. Furthermore, SASSA continues to encourage beneficiaries who are unable to access their grants regularly due their old age, disability or frail conditions to use provisions of Regulation 24 and 25 of the Social Assistance Act, to appoint by way of a power of attorney, procurators or individuals or institutions to receive social assistance on their behalf. To this extent, there are **308 789** registered procurators who receive the social grants on behalf of beneficiaries, particularly older persons and people with disabilities.

6. OTHER PAYMENT MATTERS : BIOMETRIC ENROLMENT

- 6.1. All **389** SASSA Local Offices have been designated as biometric enrolment centres, and they are all already transacting live on the biometric enrolment system.
- 6.2. As at 25 May 2018, **203 425** new beneficiaries have been biometrically enrolled.
- 6.3. As at 18 May 2018, a total of **4 866** users have been trained on the enrolment function and have commenced with the performance of the function at SASSA local offices. CPS is no longer performing this function.

7. COMMUNICATION WITH BENEFICIARIES

- 7.1. SASSA continued with stakeholder engagement drive to inform various houses of Traditional Leaders on the processes towards the new payment system for social grants. This is also augmented by the use of Community Development Workers and Ward Councillors who targeted various districts with information on the impending closure of certain pay points. Messages focusing on the launch of the new SASSA Card were also communicated through, amongst others, Soweto TV and various radio stations (including community radio stations).
- 7.2. The new SASSA Card messages, which included payment options available to beneficiaries and the benefits of the SAPO-sponsored SASSA Card were also featured prominently in news bulletins. Posters and banners capturing key information have also been developed. Using SASSA-generated publicity, information was provided to staff members across SASSA through regular staff meetings across all regions and also using the internal platforms such as notice boards; internal emails; and staff newsletters.
- 7.3. On the social media front, SASSA's Twitter handle and Facebook presence provides access to information to over **100 000** people, monthly. Information on roll out of the new card, steps to follow to get a new card, were also provided to various beneficiaries.
- 7.4. The Integrated Communication and Marketing plan will be finalised in June 2018 and immediately rolled out nationally.



8. ISSUES/ RISK AND MITIGATION

No.	RISKS/ ISSUES	MITIGATION
a)	Migration of beneficiaries from a pay point to either a SAPO outlet or alternative electronic payment infrastructure could result in overcrowding at these facilities.	SASSA is considering the possibility of staggering payments to ensure that beneficiaries do not all receive their grants on the same day. The staggering will be supported by robust communication with affected beneficiaries.
b)	Migration of beneficiaries to banks and merchants may increase the risk of robberies.	SASSA to engage with the law enforcement agencies to solicit support on police visibility around merchants and banks during the payment period.
c)	Possible resistance by beneficiaries due to fear of the unknown or community leaders/ members for other interests.	SASSA to intensify its stakeholder engagement with all relevant structures i.e. interest groups, traditional leaders and most importantly, the beneficiaries.
d)	The card swop process might not be finalized before the 30 September 2018.	Cash beneficiaries to be prioritized for card swop. Beneficiaries will continue to use the current SASSA card, which expires on 31 December 2018. Clear and robust communication of this to beneficiaries to alley their fears.
e)	Inability to secure alternative payment channel for beneficiaries in deep rural areas.	Consideration is being given to appointing procurators for those beneficiaries who are unable to travel to the payment infrastructure. SASSA to consider the use of institutions in terms of section 24 and 25 of the Social Assistance Regulations.
f)	Panic amongst beneficiaries due to confusing messages about card swop.	Intensify communication to explain the transition process. Engage local structures e.g., traditional leaders, to facilitate communication with beneficiaries. SASSA to consider legal action against CPS/ Grindrod Bank.
g)	The migration of beneficiaries to electronic payment may inconvenience some beneficiaries, especially the	Beneficiaries to be encouraged to identify procurators or use institutions to receive their grants.

No.	RISKS/ ISSUES	MITIGATION
	older persons and persons with disabilities.	
h)	The use of the electronic payment channel will be at a cost to beneficiaries.	SASSA is, in consultation with DSD and the National Treasury, regarding the policy guidelines for subsidization of beneficiaries to minimize the impact of transaction costs.
i)	Possible litigation due to continued depositing of grant monies into the bank accounts without legal mandates from beneficiaries.	SASSA to issue letters and other communication to beneficiaries who use personal commercial bank account to receive their grants to submit mandates to SASSA. SASSA will use the EPWPs appointed for door-to-door for this purpose.
j)	Inability by SAPO to secure the funding necessary to upgrade its infrastructure to provide quality service to beneficiaries.	Effective communication to beneficiaries to remind them of their choice to receive their grants using the bank of their choice.

TABLE 4: RISKS AND MITIGATION STRATEGIES

ANNEXURE A: 5 MONTH PLAN AND PROGRESS ON KEY DELIVERABLES

Key Milestone	April '18	May '18	June '18	July '18	August '18	September '2018
1. Card production: Production of 10 600 000 SASSA/SAPO payment cards by end of August 2018	Target	2 300 000	4 000 000	4 000 000	4 050 000	0
	Actual	250 000	1 650 000	-	-	0
2. Card Swap: To swap 7 920 632 old SASSA payment cards with the new SASSA/SPO payment card by end of August 2018	Target	0	2 539 380	3 702 850	1 463 880	
	Actual	Solution developed	63 100	-	-	
3. Number of beneficiaries paid through SAPO	Target	31,448	300 000	3 400 818	5 540 198	
	Actual	31,448	83,448	233,215		
4. Reduction of beneficiaries receiving cash to approximately 800 000 by August 2018	Target	2 500 000	1 500 000	1 200 000	800 000	
	Achieved	2 252 175	2 000 000	1 995 986 ⁵		
5. Decommission pay points located within the 5 km radius from nearest SAPO or NPS infrastructure	Target	0	259	1 228	1 751	1 700
			51			

⁵ The June payments is based on biometric CVM payment file released that has been released to CPS and is inclusive of beneficiaries who are paid at cash pay points, as well as merchants and ATMs with biometric CVM. The actual payments at various channels can only be confirmed after the payment cycle.

ANNEXURE B: SUMMARY OF BENEFICIARIES PER BANK FROM JAN – JUNE 2018

Banks	Number of Beneficiaries					
	Months 2018					
	Jan	Feb	March	April	May	June
ABSA BANK		31,034	60,945	88,180	119,007	165,646
AFRICAN BANK		123	511	1,047	2,583	5,800
ALBARAKA BANK		23	36	43	58	70
BANK OF ATHENS		117	729	1,419	2,637	3,534
BANK WINDHOEK		154	152	152	154	153
BIDVEST BANK		110	518	1,755	3,403	5,138
CAPITEC BANK		26,684	74,786	124,280	189,616	301,158
FINBOND MUTUAL		18	4,945	10,067	14,776	20,600
FIRSTRAND BANK		23,213	52,274	93,149	137,309	200,812
GRINDROD BANK	100	2,044,140	2,109,152	1,877,392	2,802,095	7,714,443
HIBZ BANK					1	4
HSBC BANK				4	4	2
INVESTEC BANK LTD		3	5	1	5	5
ITHALA		140	401	1,447	3,521	7,550
KWAZULU FIN&INV (ITH)		25			1	2
MERCANTILE BANK			50	73	94	119
NBS		56	58	57	56	56
NEDBANK					2	4
NEDBANK EX PERM		14		1	1	1
NEDBANK INCORP BOE			13	12	12	12

NEDBANK LIMITED		13,328	33,549	54,310	83,164	136,303
NEDBANK NAMIBIA		41	40	39	39	38
POSTBANK		1510	8,309	31,448	83,448	233,215
STANDARD CHARTERED				1	2	1
STANDARD NAMIBIA				208	1	1
STANDARD SA		19,360	41,772	63,018	89,519	133,186
STATE BANK OF INDIA			1	1	1	1
People's Bank			2	1,047		
VBS MUTUAL		64	155		225	250
Habib Overseas Bank						1
Null						3
Grand Total	100	2,160,093	2,388,403	2,348,107	3,531,734	8,928,107

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