

Minister's Speech at the occasion of the inauguration of the Advisory Committee on the future of payment grants in South Africa. (Speech delivered in Soshanguve, Pretoria)

Monday, 02 September 2013

Programme Director,

Deputy Minister of Social Development, Mama Bongi Maria Ntuli

Distinguished leaders and captains of the business sector

Representatives of government and civil society organisations

Esteemed Guests

Ladies and Gentlemen

Good morning and a warm welcome to you all at this launch of the Advisory Committee to investigate and recommend to the an appropriate model for future payment of social assistance benefits. The South African Social Security Agency (SASSA) has been responsible for disbursing social grants since it was established in 2006. This is in accordance with its mandate derived from the Bill of Rights contained in The Constitution of the Republic of South Africa (Act 108 of 1996), which prescribes the right of everyone to have access to social security, including appropriate social assistance if they are unable to support themselves and their dependents.

Prior to the establishment of SASSA the function of administration and payment of social grants was the responsibility of the nine provinces into which the country has been divided since independence in 1994. This state of affairs resulted in fragmentation of services, rampant fraud within the system and obvious lack of norms and standards in the administration and payment of social grants. Payment of social grants was outsourced to various payment contractors in the nine provinces. The management of these contracts was ceded to SASSA when it came into operation in 2006 and the contracts were renewed on various occasions. SASSA continued to run a fragmented payment system (which it inherited) and which involved recipients being paid through multiple payment methods. Although attempts were made to integrate and standardise the services through negotiations with the payment providers, the social grants payment system remained largely fragmented.

Despite all these challenges and limitations, SASSA continued to ensure that all eligible beneficiaries continued to receive their benefits. The social assistance programme, now reaches over sixteen million beneficiaries. The number of beneficiaries of social grants in South

Africa grew from 2 million in 1994 to over 16 million in 2013. Of these an estimated 11 million are Child Support Grant (CSG) beneficiaries.

In order to deal with the challenges in the payment system, SASSA accordingly took a decision to adopt a national approach that would instil uniformity and standardisation in the social grants payment system. In January 2012, I announced the appointment of Cash Paymaster Services (Pty) Ltd as the new contractor for the payment of social grants. The contract will run over a period of five years (April 2012 to end of March 2017). The purpose of this tender was to initiate the reform of the current payment model and to centralise the social assistance payment process which had prior to SASSA's establishment been managed provincially.

Subsequently, in May last year, I outlined plans to roll out the new biometric-based payment solution for social grants. As part of the transition to the system, we embarked on a national campaign to re-register all grant beneficiaries.

Since March 2012, SASSA has been engaged in the process of mass enrolment of all beneficiaries using the latest biometric technology. The technology includes finger and palm verification as well as voice recognition to ensure that the grant money is paid to the relevant beneficiary at all times. In this way SASSA is able to verify that the beneficiary is still alive and that no one can claim the money on behalf of a deceased beneficiary. The process is aimed at eliminating fraud within the system as well as avoiding long and winding queues at pay points, as was the case in the past.

The new SASSA smart card being issued to beneficiaries allows them to withdraw their grant money at local participating stores at no charge. Beneficiaries are also free to draw their money at any ATM (automated teller machine) at anytime and anywhere throughout the country. By introducing these important reforms in the administration and distribution of social grants we are pursuing our vision to provide a convenient but world class service to the people of South Africa. We've managed to change where and how they get money through the new SASSA payment card. Through MasterCard the new SASSA payment card (besides its innovative safety features) also provides data on where the card is being used, even in other countries. (We have observed some withdrawals as far afield as the United Kingdom, Andorra, Pakistan and New Zealand).

Because of increase in the number of collection channels pay points are no longer overcrowded. The new system has seen almost 60% of cash beneficiaries migrating from pay

points to receiving their social grant money at their preferred payment vendors which they find to be very convenient.

In addition to the increased payment gateways, beneficiaries have also used the increased payment channels to access their social grants within the first seven (7) calendar days of the month. The previous antiquated system indicated that beneficiaries were able to receive their grants only on specific dates and at specific pay-points. The average time the beneficiary takes to access their money from the pay machine at a pay point has been reduced to a mere 30 seconds. This further reduces the queues and amount of time a beneficiary spends within a particular pay point.

Over the past year, we have received a number of International visitors who came to learn about the new biometric-based payment card system, the strategic use of the system itself as well as the technology behind it. We have also been invited to international fora to share our new system. The general feedback we are receiving is positive.

We are recounting these milestones we have achieved so far, simply because we want to constantly challenge ourselves to improve on the payment model through which social grants are paid in our country. The vision of the future we have in this regard is that of SASSA being able to pay social grants in-house, as directed by the SASSA Act, (Act no 9 of 2004). The target we have set for ourselves is 2017, following the expiry of our contract with Cash Paymaster services (CPS), which is currently responsible for disbursing social grants.

During my budget vote statement, I announce that I will be appointing a Ministerial Advisory Committee that will investigate and advise me on the best payment options for Social Security. It is for this reason that today; we are announcing this Ministerial Advisory Committee on the future payment of social grants. Amongst other things, the committee is tasked with the responsibility to explore the existing market for a suitable payment model that will make SASSA to pay social grants in-house.

I have sought to involve esteemed members of the public to interrogate the available best models for payment of grants, analyse these against the SA context and advise me on the best option(s). Members are drawn from key expert sectors that are relevant in the provision of this service. These are among others: accounting, banking, Legal, ICT, Payment systems.

The esteemed individuals that I put before you as members of the Advisory Committee are:

- Adv. Themba Langa,
- Prof. Ann Skelton,
- Mr. Mark Davids,
- Mr Siphon Majombosi,
- Mr Barend Petersen,
- Dr. Makhosi Khoza,
- Mr. Mark Davids,
- Mr. Tim Masela,
- Mr. Sizwe Shezi ,
- Ms. Tangkiso Parkies,
- Patrick Monyeki
- Mr. Sanjiv Mital.

The Committee will be required to review a broad number of elements relating to the payment systems for social security benefits distribution or payments, taking into account the accessibility of services; Payment infrastructure requirements - the current level of South Africa's infrastructure development and affordability; legislative and general regulatory environment; cost to state and to beneficiaries; and the macroeconomic environment.

The report for the committee will cover various options for immediate practical implementation, viability and implications of options considered: and Proposal on the implementation process to be followed

With us today I have invited some of the critical stakeholders in the payment process from government, parastatals and NGOs who will interact with the Committee.

I would like to conclude by congratulating the new Advisory Committee Members and would like to commit the resources from the Department of Social Development to assist them in ensuring that this work is completed within the stipulated timeframe.