



SASSA PAYMENT SYSTEM

Update Report



Toll free: 0800 80 10 11 | Customer Care: 012 450 3332 | www.sassa.gov.za | SASSA News | @SASSA

Putting the right social grants, to the right person, at the right time and place. N.A.M.E.E.



Purpose

- The purpose of this progress report is to update the Portfolio Committee on:
 - Progress towards implementation of Constitutional Court commitments
 - Progress made towards deciding on a recommended route for ensuring payments of social grants on the 01 April 2017; and
 - Summary of the medium to long term plan for insourcing of social grant payments.



Background

- A Ministerial Advisory Committee recommended that the payment system be developed in-house. It was further recommended that the work-streams be established to facilitate the insourcing process.
- The work-streams were appointed towards the end of 2016. The work-streams have since then fleshed out the advisory committee's proposal and developed a project plan and preliminary costing for the project.
- On the 30 November 2016, SASSA briefed the Portfolio Committee on the long term plan for SASSA ; whereby a number of recommendations were made.
- An interim task team was appointed by the CEO of SASSA together with the DG-DSD; DG – NT; DG SARB to assist in finding appropriate solutions to the transition over the short and medium term.
- The team evaluated the risks associated with the transition options which exist for SASSA to ensure that grants are paid on 1 April 2017.



social development
Department
of Social Development
REPUBLIC OF SOUTH AFRICA

@SASSA



3

Progress towards meeting Con.Court commitments

- Re-advertisement of the tender:
 - The re-advertisement of the tender was done within the stipulated timeframes
 - Decision for non award was made by 15 October 2015 (*after all Bids received were non-responsive*)
- Constitutional court report on non awarding – 7 deliverables
 - A report was compiled advising the constitutional court upon not awarding and suggesting as to when SASSA will take over the payment function.
 - SASSA went further to make commitments to the Court



social development
Department
of Social Development
REPUBLIC OF SOUTH AFRICA

@SASSA



Progress towards meeting Con.Court commitments (cont...)

- **Biometrics**
 - SASSA set-up the stepping stones for the development and adoption of the biometric standards as biometrics are the backbone for the payment system in South Africa. To date, because of SASSA, the biometric standards have been adopted for the banking industry
 - CSIR (biometrics standard engagement, development of specifications for biometrics)
 - Advertisement of the biometrics tender which was not awarded due to non-responsive Bids:
 - Re-advertisement : RFP advertised on the 9th December 2016 closing the 7 February 2017



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

2016/02/01



Other processes

- Merchants suitability assessments – project was concluded recently (August 2016 – January 2017)
- Exploring options for the payment of grants (GPW for the production and distribution of the card, SAPO capability for payment of grants and the utilization of open architecture – different banks)-
- RFI for all payment services has been issued (09 December 2016) with the closing date of 10 February 2017

govt printing works



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

2016/02/01



Short-term Options Considered

- **Option 1:** Procuring the service from the current service provider
- **Option 2:** Procuring the service from the Bank that services the majority of the beneficiaries (i.e. Grindrod)
- **Option 3:** Procuring the services of all banks wishing to comply with SASSA requirements
- **Option 4:** Procuring the services of all banks wishing to comply with SASSA requirements for those (~60%) beneficiaries who have access to banking infrastructure, and procuring the services of the current service provider for grant recipients who are currently using cash pay points.
- **Option 5:** Procuring the services of the South African Post Office
- **Option 6:**
 - **Cash beneficiaries:** Appoint a service provider for cash distribution to grant recipients who are currently using cash pay points; and
 - Banked beneficiaries - utilise existing their bank accounts to disburse grants through the banking sector.



SHORT TERM: ACTIONS TO BE TAKEN

Short Term: Recommendation

- Each of the six options has advantages and disadvantages, varying probabilities of successful payment on 1 April and risks.
- However Options 3, 4 and 5 were not feasible to ensure payment by SASSA on 01 April 2017
- National Treasury was of the view that option 6 is feasible
 - SASSA is of the view that the option may cause panic and huge influx of beneficiaries which requires huge capacity and infrastructure.
 - This option too will not enable SASSA to pay on 1 April 2017.



SHORT TERM: ACTIONS TO BE TAKEN (cont...)

- SASSA is of the view that option 1 carries the least risk in terms of service delivery failure.
- In order to pursue this option, SASSA will
 - Approach constitutional court as a matter of urgency, since this is likely to be virtually the only mechanism to regularise such an approach, which would otherwise be irregular.
 - In addition, procurement in relation to NT practice Note 3 of 2016/17 will need to be followed.



social development
Department
of Social Development
REPUBLIC OF SOUTH AFRICA

02045645



SHORT TERM: TIMELINES

Action	Responsibility	Timeframe
Negotiating the Terms and Conditions of new contract with CPS (This option is not supported by National Treasury).		
Key issues to be negotiated: Period of contract (Timelines); Costs; Unfavourable conditions (e.g. deductions); and Phasing-in of services over the period of the new/revised contract	Four Principals:	15 February 2017
Request for Deviation		
Apply for deviation to enter into new contract with CPS	SASSA & OCPO	07 February 2017
Constitutional Court Report		
SASSA to request the Constitutional Court to extend the suspension of declaration of invalidity for a period of one year . Need to check with lawyers exactly what SASSA is requesting from the court.	SASSA (Legal Team)	08 February 2017




social development
Department
of Social Development
REPUBLIC OF SOUTH AFRICA

02045645





SHORT TERM: TIMELINES

Action	Responsibility	Timeframe
A. Major changes to be effected to continue with the option		
Technical ✓ Extension of the validity of the current cards ✓ Encryption of the UEPS and MasterCard	CPS in partnership with Grindrod and Mastercard under SASSA's supervision	End February 2017
Communication <ul style="list-style-type: none"> • Communication to beneficiaries: (SASSA using all available channels of communication including capturing of the messages on the February payment receipts) • Communication to SA public at large 	SASSA, DSD	February 2017




social development

Department of Social Development
REPUBLIC OF SOUTH AFRICA



MEDIUM TERM OPTION

- The medium term will involve the following:
 - Procuring the services of all banks for those (~60%) beneficiaries who seek to be paid through the banking infrastructure; and
 - Procuring the services of a Service Provider (SP) for those currently using cash pay points.
 - The TOR will make provision for this category of beneficiary to migrate to banked environment should they wish to



social development

Department of Social Development
REPUBLIC OF SOUTH AFRICA

MEDIUM TERM OPTION

- In order to mitigate the risk of banks cherry picking their clients and to reduce the current ills (deductions, transaction costs, etc.) within the banking environment, SASSA will either:
 - Issue Closed Bid (*in terms of 16A6.6*) for Banks and/or Expression of interest for banks to provide a special account phased in over a period of time.
 - A specialised account will be based on the terms and conditions which will be defined by SASSA with the assistance of the technical team.
 - A control, or corporate account will be opened in the PMG environment from which these grants will be paid.



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

@SASSA



MEDIUM TERM OPTION

- *The limitation/Risk(s)*
 - Fragmented payment system in the short to medium term
 - Limited SASSA involvement
 - Choices of beneficiaries limited to the payment choice they opted for
 - Many dependencies for both the banking and the Cash distribution route






social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

@SASSA





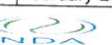
Medium Term options - Timeframes

Action	Responsibility	Timeframe
Establishing Special Accounts as a mechanism for paying banked beneficiaries		
Terms of Reference for special accounts conditions	SASSA, SARB,	15 February 2017
Approach to engage the industry through PASA	NT (Financial Sector Policy)	28 February 2017
List of Banks (SARB): Including summary analysis of those Banks with issuing and acquiring capabilities	SARB	27 January 2017
Request for Approval to issue a closed Bid	SASSA to NT (OCPO)	10 March 2017
Approval for Deviation (CPO)		20 March 2017
Closed Bid for all Banks (clearing and settlement banks) in South Africa (limited to all NPS participants) in terms of 16A6.6	SASSA	31 March 2017
<ul style="list-style-type: none"> ✓ Issue of the Bid (End March 2017) ✓ Banks to express their interest in May 2017 ✓ Contracting June 2017 ✓ Finalisation of the process October 2017 (agreements; prototypes; testing) ✓ Industry readiness and roll-out (3-6 months) ✓ First co-branded cards issued –October 17 		06 February 2017

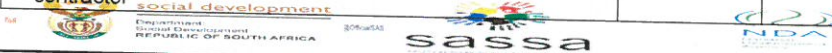
Medium Term options – Timeframes (cont...)

Action	Responsibility	Timeframe
Phase out of CPS services will commence in November 2017 until March 2018, depending on the readiness of the industry		
A. Corporate Accounts		
To explore further with key stakeholders	SASSA/SARB	February 2016
<ul style="list-style-type: none"> • Set-up of this account • Either with SARB or Commercial Bank • Finalise the features of this account • Timing of issuing this account 		
A. SASSA In-house capacity		
SASSA build capacity to debit accounts	SASSA	March 2017
Development module to effect EFT debits (negotiate with NT to support)		
Redesign payment file to align to new participating banks (SOCPEN amendments) and new payment provider		
Redesign the Flow of funds (National Treasury, DSD and SASSA – Corporate Accounts – Beneficiary Special Accounts – Cash Payment Provider account)	SASSA; (Assets and Liabilities); DSD	NT and April 2017
Communication with beneficiaries, stakeholders and SASSA staff	SASSA/DSD	February 2017

Medium Term options – Timeframes (cont...)

Action	Responsibility	Timeframe
Cash Payment Management		
Terms of reference	SASSA	March 2017
<ul style="list-style-type: none"> ✓ Some of the activities to be undertaken prior to finalisation of TORs include ✓ (analysis of using bank account as a mechanism to allow beneficiary flexibility to access monies at pay-points or any NPS infrastructure) ✓ Biometrics is compulsory (aligned to standard biometrics) ✓ South African Post office to be included 		
RFI analysis	SASSA	28 February 2017 -03 March 2017
<ul style="list-style-type: none"> ✓ Consolidation of the Terms of Reference 		
<ul style="list-style-type: none"> ✓ Procurement process will commence in April 2017 	SASSA	April 2017
<ul style="list-style-type: none"> ✓ Phase-out of the services of CPS will commence in October 2017 depending on the state of readiness of the new contractor 		



Long Term Plan

- The ultimate goal is that SASSA should provide an integrated grant administration and payment process. This entails the following:
 - SASSA being participant in the National Payment System;
 - Special exemptions (in line with the banking laws) with limited rights;
 - ensuring that all payments take place within the regulated payment environment
 - SASSA issuing its SASSA payment card
 - New card Bureau (card body production and distribution)
 - Dedicated Bin numbers for SASSA



Long Term Plan (cont...)

- Biometric solution covering all beneficiaries and recipients
 - Linked to approved standards in the banking industry
 - Also back—end link with Department of Home Affairs (*triangulation*)
- The process towards the long term will commence in November 2017 and the actual phase-in will commence in 2019 in line with SASSA future plan and will include
 - application for the necessary exemptions
 - Introduction of the SASSA future card
 - Establishment of SASSA card bureau (the process will commence earlier to allow for piloting and testing)



social development
DEPARTMENT OF
SOCIAL DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

80940425



OTHER RISKS THAT NEED TO BE MANAGED

- The payments contract ends on the 31 March 2017, however the actual cards expire in December 2017. MASTERCARD has given their assurance that on the 1 April 2017 all cards will still be operable.
- For the biometric system, predominantly used at cash pay points, these cards will expire on 31 March 2017. Approximately 3 to 4 million people make use of this system, and may not have the alternative PIN activated on their card (thus they will not be able to use the NPS infrastructure). These encryption keys too can be extended automatically over the next few months when beneficiaries draw their cash, however an agreement needs to be reached with CPS as their proprietary system is used for these payments.
- Given the limited time left, it may not be possible for SASSA to successfully issue an expression of interest or for the banks to respond in a meaningful way. Any further delays need to be avoided.



social development
DEPARTMENT OF
SOCIAL DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

80940425



OTHER RISKS THAT NEED TO BE MANAGED

- **PROCUREMENT ISSUES**

- **Deviation**

- Instruction note 3 of 2016/17 on prevention and combating abuse of SCM system par. 8.4 further states that any other deviation (excluding emergency and sole supplier) may be allowed under exceptional cases subject to prior written approval from relevant treasury.
 - Taking into consideration that the contract between CPS and SASSA was declared unlawful and invalid by the constitutional court, any expenditure incurred may be deemed to be irregular.

- **Procurement of banking services**

- In terms of section 217 of the constitution, public procurement should be fair, transparent, cost effective, competitive and equitable. In order to give effect to these principles it is imperative that all banks be engaged in a procurement process.



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

@OfficialSAS



RECOMMENDATIONS

- It is recommended that the Portfolio Committee notes and support SASSA to:
 - Implement the short –term plan to extend the suspension of the invalidity of the contract of the current service provider (for phase-out purposes)
 - Phase-in the medium term plan for using banking infrastructure through limited banking accounts for the payment of social grant payments;
 - Support the long term plan being a participant in the National Payment System.
 - Support the use of SAPO infrastructure to extend the social grants payment network.



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

@OfficialSAS





THANK YOU

Toll Free: 0202 06 10 11 | Customer Care: 011 400 2322 | www.sassa.gov.za | SASSA News | @SASSA

Putting the right social grants to the right person, at the right time and place. Nkomo!



social development
Department
Social Development
REPUBLIC OF SOUTH AFRICA

