



## Deepening the Social Development of SASSA Grant Recipients

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## INTRODUCTION

The South African social grant system is one of the largest social welfare transfer systems in the developing world, transferring over R139bn in social assistance paid through over 17 million grant payments . A number of studies have demonstrated that social grants enhance women's power and control over household decision-making in financial matters, general household spending and child wellbeing (see Patel, Hochfeld, & Moodley, 2013; Patel & Hochfeld, 2011; and Patel & Hochfeld, 2012). The grant also contributes to a reduction in poverty and inequality and enhanced human capacity with direct human development benefits for beneficiaries and their households (Patel (2008). Social grants therefore directly feed into both the reduction of poverty, as well as the alleviation of the consequences of poverty in South Africa.

The vast majority of recipients of South Africa's social safety net (80%) are female. This is appropriate given that women are less able to find economic opportunity while simultaneously bearing a greater share of the responsibility of being primary care givers. 66% of the 9.9million unemployed South Africans are female. Conversely, 68% of women report being financially responsible for others (vs only 58% for men).

The grant distribution system has a tremendous impact on how the poorest South Africans interact with the financial services system. In 2012, the South African Social Security Agency (SASSA) introduced an electronic payment system to effect payment of social grants to the beneficiaries using SASSA MasterCard. The aim of the new payment system was to reduce fraud in social grants and also to minimise the cost of disbursement (Mastercard,2012). The Financial inclusion of the poor, measured by the extent to which they have access to the wider financial services system, was thus boosted greatly in South Africa by the decision to distribute grant payments digitally (FinMark Trust, 2017). Despite this progress, beneficial usage of financial services by the poor, the majority of whom are women, remains a challenge.

As the South Africa Social Security Agency ( SASSA) considers long term solutions for the payment of grants, it is important that any such solution begins to move beyond providing access through bank accounts but focus also on furthering the achievement of developmental goals and the fostering of beneficial outcomes through use of financial services. The proposed solution should also address the continued reliance on cash disbursements for recipients outside the current accessible radius of the payment infrastructure. In particular, many recipients reside in outlying and difficult to access areas of the country where there is little or no traditional financial services infrastructure. For these recipients, access to services such as ATMs requires travel over long distances at significant expense. The proposed solution will attempt to reduce system wide costs by beginning to eliminate the need to encash benefits for use at local service providers. In addition, since it has been established that women are the majority beneficiaries of social grants, the proposed solution will take into account the needs and concerns of women beneficiaries.

In addition, solutions should consider the impact of social grants on social mobility and the long term transitioning of social grant dependents to other sources of income. The use of social grants to unlock health, education and investment opportunities should therefore be considered, and mechanisms to increase the returns of social grants in terms of these measures should be reviewed.

FinMark Trust, in partnership with the UNDP and UNCDF, thus proposes a project in partnership with SASSA aimed at increasing the returns from and the efficiency of the social protection framework in South Africa. The project seeks to focus on furthering the achievement of developmental goals underlying the social protection framework and the fostering of beneficial outcomes through use of financial services

## PROPOSED PROGRAM

- Research

We need to source comprehensive information about the grant beneficiary population and how they access and utilize their grant benefits. This information will enable evidence-based policy formulation without which our proposed long-term solution will likely not succeed in achieving its goals. There exists significant information in this regard already. The annual FinScope Consumer Survey provides a nationally representative set of data for the access and use of financial services by all low-income individuals, including grant beneficiaries. Other relevant data are also available, particularly from SASSA itself as well as other governmental sources such as the national payment system. It will be necessary to collate all available relevant data and assess the extent to which it meets the requirements for holistic policy formulation. Based on this assessment, it may be necessary to conduct further primary research.

- **Developing digital ecosystems for under served communities**

A significant portion of grant recipients reside in outlying and difficult to access areas of the country where there is little or no traditional financial services infrastructure. For these recipients, access to services such as ATMs requires travel over long distances at significant expense. This travel is necessitated because the service providers they rely on invariably operate on a cash only basis. To alleviate some of this cost, SASSA provides mobile ATM services to recipients in some of these outlying areas. This of-course is a cost that must be borne by the system as a whole.

We thus propose to investigate the development of digital financial ecosystems that eliminate the need to cash out grant benefits and thereby reducing the associated costs. Such an ecosystem would allow recipients to receive their benefits digitally and utilize the same digital mechanism to make payments to their local service

providers. As such, local service providers such as grocery store retailers would be encouraged to adopt digital payment mechanisms. Their suppliers and wholesales would similarly be encouraged to adopt such digital payment methods.

- **Making educational finance work for students and the poor**

Research shows that the number of young South Africans graduating with a university degree has declined from 7% in 2005 to 4% in 2017. These statistics are almost certainly worse for poorer South Africans as educational spend constitutes a higher portion of their income and therefore will place them at higher risk of dropping out. This will be further compounded by the lack of savings available to deal with unexpected shocks and unforeseen educational expenses. The project will thus seek to investigate mechanisms and interventions that align the social safety net to the problem of providing educational finance to poorer students.

- **Addressing youth and female unemployment**

The unemployment burden is disproportionately borne by women and young South Africans. Female unemployment runs 21% points ahead of male unemployment, furthermore, female labour participation rate is almost 10% points below that of males. Similar disparities can be observed using an age lens. South Africans under 25 are 25% points less likely to be employed when compared to those over 25.

The project will thus investigate the development of policy, financing and institutional options for employment creation in high priority rural areas that benefit target groups such as youth and women. Such policy options should seek to tap partnerships across the public and private sectors (such as Business Unity South Africa/BUSA), academia and the Global South. Options might relate to land reform, growth clusters, infrastructure-driven job creation, and use of new technologies and practices to boost the creation of 'green' jobs, improve access to information, develop skills and better integrate rural and urban markets. The second prong will focus on youth service or temporary employment schemes that better match skills

with jobs, promote entrepreneurship, and foster unity and respect for gender equality.

- **Community Liaison and Stakeholder Management**

The success of any long term solution is dependent on incorporating input from all relevant of stakeholders and on obtaining acceptance from these stakeholders for the proposed solution. As such the program will engage widely and seek guidance and feedback from stakeholders. This will include engagements with civil society and beneficiary advocacy groups, social development policy makers and the private sector at large.

- **Project Management and Administration**

Given the wide scope of the project objectives, the number of stakeholders and the tight deadlines envisioned, the program will need to be led by strong project management and administrative skills.

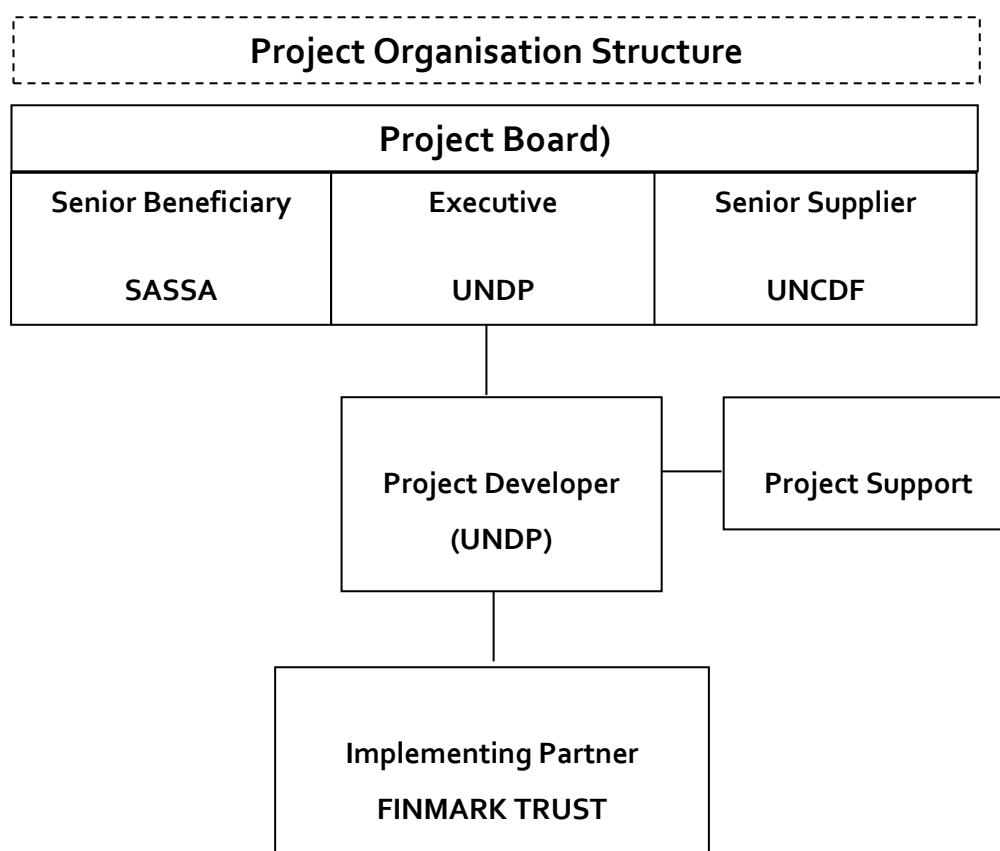
## PROGRAM DELIVERABLES

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		DATA COLLECTION METHODS & RISKS		
			Value	Year	Year 1	Year 2	
<i>Raising returns and efficiency from social protection</i>	<i>Social transfer payment ecosystems to reduce reliance on physical cash disbursements</i>	<i>FinScope</i>	<i>51%</i>	<i>2018</i>	<i>45%</i>	<i>40%</i>	<i>FinScope tracks % of SASSA grant recipients who cash out all money immediately</i>
<i>Better livelihoods for women and youth</i>	<i>Leverage grant system to enable recipients to acquire skills</i>	<i>FinScope</i>	<i>2.9%</i>	<i>2018</i>	<i>3.2%</i>	<i>3.5%</i>	<i>% of grant recipients who have vocational training/diploma/tertiary education</i>
	<i>Enabling opportunities for employment for female grant recipients</i>	<i>FinScope</i>	<i>2.1%</i>	<i>2018</i>	<i>2.3%</i>	<i>2.5%</i>	<i>% of female grant recipients who have vocational training/diploma/tertiary education</i>

	<i>Enabling opportunities for employment for youth grant recipients</i>	<i>FinScope</i>	0.9%	2018	1.0%	1.1%	<i>% of youth grant recipients who have vocational training/diploma/tertiary education</i>
<i>Financial Education for grant recipients</i>	<i>SASSA financial education strategy</i>	<i>FinScope</i>	36.7%	2018	40.3%	44.5%	<i>% grant recipients with a written personal financial plan/budget</i>



## PROJECT GOVERNANCE AND ADMINISTRATION



Project governance will be provided by a project board comprising of SASSA representatives as well as representatives from funding partners UNDP and UNCDF.

As the Senior Beneficiary, SASSA will represent the interests of those who will ultimately benefit from the project. The Senior Beneficiary's primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries

### Specific Responsibilities

- Provide guidance and strategic oversight
- Monitor and control the progress of the project at a strategic level
- Participate in solutions development sessions

- Review and provide feedback on key project documents and proposals
- Identify any new areas for further research

**SASSA** will be government partners responsible for the government's participation in the project. SASSA/DSD will designate representative/s who would typically perform the role of Senior Beneficiary in the Project Board.

**FinMark Trust will be the Implementing Partner:** The Implementing Partner is the entity responsible and accountable for managing a project, including the monitoring and evaluation of project interventions, achieving project outputs, and for the effective use of resources. The Implementing Partner may enter into agreements with other organizations or entities to assist in successfully delivering project outputs

