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SOUTH AFRICAN SOCIAL SECURITY AGENCY

Technical Committee for Payments of Grants and SASSA Governance

2nd Report to Minister of Social Development

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1. Introduction

The Minister of Social Development, Ms Susan Shabangu, established a SASSA Technical Committee to overlook the implementation of social grant payment transition incorporating the roles of South African Social Security Agency (SASSA) and South African Post Office (SAPO).

1.1 Purpose

The purpose of this report is to provide the Minister of Social Development and the Acting CEO of SASSA with:

- ✓ An assessment of the status of the transition of the social grants payment from CPS/Net1 to SAPO;
- ✓ An assessment of the ongoing developments and preparations within SAPO to take over the social grants payment.
- ✓ The state of readiness of SASSA to play its overall management, performance and monitoring role of SAPO.

2. Technical Committee Actual Work

2.1 The rationale for establishing Technical Committee

The reasoning and rationale for establishing the Ministerial TC as captured in the ToR, appointing the committee are as follows:

- ✓ Facilitate the state of readiness of SASSA and SAPO to ensure payments within the Constitutional Court prescribed period beyond the six months extension;
- ✓ Identify but not limited to the administrative, legislative, governance, financial modeling and business case, human resource gaps and risks in the current plan(s) or roadmap and develop a risk mitigation plan;
- ✓ Develop an integrated 6-month road map and align it to the future plan and ensure the roadmap/plan is implementable - through costing and ensuring availability of funds, infrastructure and staff in both SASSA and SAPO. This should include assessing the most efficient and cost-effective method of ensuring the payment of social assistance benefits in terms of the Social Assistance Act, 2004 (Act No. 13 of 2004) and the South African Social Security Agency Act, 2004 (Act No. 9 of 2004);
- ✓ Advise on any required legislative and regulatory frameworks and amendments to existing legislation which may be necessary to ensure effective payments of social grants;

- ✓ Ensure that the payment method determined contains adequate safeguards to guarantee that the personal data of beneficiaries obtained in the payment process remains private and may not be used for any purpose other than payment of the grants or any purpose sanctioned by the Minister in terms of section 20(30) and (4) of the Social Assistance Act, and preclude a contracting party from inviting beneficiaries to “opt in” to the sharing of confidential information for the marketing of goods and services;
- ✓ Determine associated governance and oversight requirements for SASSA and provide recommendations in reviewing current legislative framework; and
- ✓ Provide a framework within which the State will be able to take full control of the social grants payment value chain with SAPO as the preferred government service provider.

The Technical Committee is expected to:

- ✓ Work together with SASSA management to develop and monitor the implementation of a 6-month road map geared towards ensuring a smooth transition of payments of social grants in compliance with the Constitutional Court Order(s); and
- ✓ Develop a long-term payment model and to determine the appropriate governance and institutional oversight required to ensure that SASSA is effectively and appropriately governed.

2.2 Technical Committee work done

During the reporting period of 17 June 2018 to 31 July 2018, the committee members met on a weekly basis to assess progress in respect of the implementation of the cash payment plan and to also review the work done by various SASSA units seized with the responsibility to ensure a smooth transition process. This included a series of meetings and workshops held with relevant SASSA executives and in certain instances also involving the participation of relevant SAPO executives, other State Institutions and stakeholders inclusive of the security cluster. The outline below captures the preliminary findings and activities of the TC in the commencement of the execution of its Terms of Reference as outlined by the Minister of Social Development.

2.2.1. Fact finding

The following interactions were undertaken by the TC with:

- ✓ The Minister of Social Development
- ✓ SAPO and SASSA management
- ✓ Chief Director for Information Systems and the GIS Specialist
- ✓ SASSA Regional structures (Western Cape, KwaZulu-Natal, Limpopo and Gauteng)
- ✓ The major retailers and banking institutions in the country
- ✓ The reviewing of existing documents (ongoing)
- ✓ The Security Cluster
- ✓ In addition to the above, at the invitation of the Panel of Experts, the TC had the benefit of incisive discussion which validated and enriched several issues and observations emanating from our engagements with both SASSA and SAPO structures and executives.

2.2.2. Outcomes of the Fact Finding

- ✓ The TC had meetings SASSA and SAPO management which intended to understand their grasp of the vision of government in terms of moving the social grants payment from Net1/CPS to SAPO.
- ✓ During the period under review, members of the TC had six interactions with the Minister of Social Development, in order to fully understand her strategic objectives and vision regarding the transition of the social grant payment system; challenges and expectations with regard to the resolution thereof.
- ✓ As stated above, the TC had its first meeting with the Panel of Experts on 23 July 2018; during which it became evident that both parties shared common concerns emanating from their respective observations and interactions with SASSA and SAPO.
- ✓ The inadequacy and limitations of SAPO system to undertake the card swap.
- ✓ The inadequate manner in which SAPO handled and managed the July 2018 pay run.
- ✓ The negative impact of the decision to conduct card swap offline
- ✓ Inadequate communication to beneficiaries by both SASSA/SAPO.
- ✓ Lack of properly trained and deployment of human resources by SAPO.
- ✓ Lack of proper orientation of the SAPO staff in the handling of social grant beneficiaries.
- ✓ Lack of understanding by SAPO staff of the SASSA business model.
- ✓ The inability of the SASSA/SAPO card to transact in Post Office for withdrawal of social grant

- ✓ The SASSA/SAPO card does not allow beneficiaries to transact through the National Payment System, for example, beneficiaries cannot receive nor transfer cash
- ✓ The assertion that SAPO does not charge transaction fees to the beneficiaries is questionable and remains to be tested (*see Annexure A*)
- ✓ The motivation and decision to close certain pay points remains questionable and the rationale is not understood.
- ✓ The need to address the concern regarding bank interchange as expressed by retailers/merchants in order to facilitate the direct interface between the merchants and the banking fraternity in terms of NPS.
- ✓ The merchants are advocating that the Reserve Bank needs to review the manner it has entered into the agreement with Mastercard. They allege that the existing mode of contracting prejudices them while incurring costs and proving to be detrimental to the social grant beneficiaries.

2.2.3. Technical Committee Interventions

- ✓ During the first month the TC conducted site visits, held internal and external meetings, interviewed beneficiaries and reviewed documents.
- ✓ Developed a draft inception report together with an implementation plan, which provides detailed outline of the tasks of each of the committee members, their scope of work and the deliverables during the twelfth month period of its existence.
- ✓ The War Room was established and is currently in existence at SASSA House. Though not yet fully and optimally staffed, it provides for real-time reports of incidents emerging at local and regional levels.
- ✓ Engagements were held with a representative from Finmark to secure expertise in global payment systems and there is a preliminary indication that this expertise would be made available to the TC in SASSA as when needed.
- ✓ Following a meeting with the Panel of Experts, the TC commissioned a case study on the feasibility of social grant distribution in Soshanguve (*see Annexure B*). Some of the concerns raised in the meeting of 23 July were confirmed and validated. These have far reaching implications in terms of how to evolve a proper social grant payment system particularly in the urban and peri-urban areas of the country.
- ✓ The TC has successfully worked with the Security Cluster in ensuring that all stakeholders and social grant beneficiaries are provided with protection at all times.

3. Assessment of Progress on Critical Activities

3.1 Card Swap

The total number of beneficiaries to be migrated by the end of September 2018 to the new SASSA/SAPO card was approximately 7.9 million and SAPO has thus far card swapped a total number of 2 725 427 including the issuing of cards to new beneficiaries. This reflects a less than 50% achievement and the main contributory factor to this minimal achievement could be attributed to the tardy preparedness of SAPO as witnessed through the lack of their systems to cope with the size of the SASSA payment file, compounded by the inability of SAPO to acquire the necessary fixed infrastructure (assets) to undertake this task.

The swapping of the old SASSA/Grindrod (CPS) card with the new SASSA/SAPO card is critical for the migration to a new payment regime. This critical milestone is being undermined by what appears to have been a gross underestimation of the task at hand as captured in the Constitutional Court's directives. The SAPO team appears to have over-committed in all aspects of this project. They initiated the process with limited technology infrastructure capability, insufficient staff, infrastructure where beneficiaries can be serviced and an inadequate quantity of technical equipment such card swapping machines.

In order to alleviate the aforementioned problem, the Minister of Social Development and the TC have approached and secured an arrangement with Telkom to overlay its systems infrastructure over SASSA/SAPO systems to address these inadequacies.

Implementation is further compromised by poor communication, or communication that is not aligned to the task at hand. As a result, cash payment beneficiaries are not prioritized, neither are the areas without a footprint of the national payment system being given attention. This is a manifestation of a lack of an effective communication strategy by both SASSA and SAPO. A robust, bottom-up communication plan and strategy which has been asked for by the TC is yet to be presented.

The enhancement of the system performance (IGPS card swap module), as well as the upgrading of the SAPO IT infrastructure needs to be implemented urgently, in order to improve performance and to ensure that the increase in the number of beneficiary migration to the new SASSA/SAPO card is on track.

In addition, the fixed sites that have been identified for purposes of conducting card swap have not been fully functional due to the protracted nature of SAPO procurement process. These fixed sites for card swaps need to be fully functional for improved achievement.

The TC has identified the following key areas of weakness both in terms of project preparation and practical implementation:

- ✓ The lack of the development of a proper geographical and spatial analysis and assessments; and the deployment of resources are the direct cause for misalignment to critical priority areas of intervention at this juncture.
- ✓ The lack of IT infrastructure capability to ensure continuous and uninterrupted online support for card swap.
- ✓ Lack of a consistent and structured operational collaboration within the South African Police Services (SAPS) to stop the intimidation of SASSA/SAPO personnel by CPS/Grindrod,
- ✓ No distinct and quantifiable indication of the extent to which the current roll out of cards has been effectively achieved in rural areas where formidable challenges could be faced come 1st September 2018.
- ✓ No demonstrable evidence of how many beneficiaries that needed to be reregistered at home due to ill health and other forms of disability have been registered and how many are outstanding.
- ✓ The off-line processing of cards may be aimed at expediting the card swap process and it has undeniably done so, however due to the fact that the actual activation of the account is done in the back-office and not instantly on-site where the card swap process is undertaken, there is a risk that the large number of cards that have been swapped do not reflect the number of accounts for beneficiaries that have been activated and therefore in a ready state to transact come the payment date 1st of September 2018.
- ✓ Manual card swap which is not underpinned by systematic validation and monitoring of whether cards are active may result in disappointment for many beneficiaries on the day of payment, they could be unable to transact with their newly issued SASSA/SAPO cards and therefore left in limbo.
- ✓ Given the above, the possibility of fraudulent activity of a substantial scale cannot be overruled.
- ✓ The inability to make meaningful progress with card swap has also been compounded by the fact that the CPS payment schedules created a situation where in some areas

community hall facilities had been already pre-booked for CPS occupation leaving SAPO at a considerable disadvantage.

- ✓ Lack of common understanding on the ground, between SAPO and SASSA managers regarding the cause of their inability to deliver on the targets initially set for the project.
- ✓ The delays in the appointment and training of sufficient SAPO staff to do card swap, the transportation of SAPO staff to card swap sites, late delivery of IT equipment to the regions, as well as the SAPO strike during the first two weeks of July have impacted on the card swap process. SAPO needs to expedite the appointment process, procure vehicles and resolve the labor disputes promptly.
- ✓ Management of risk in the issuing of cards to new beneficiaries previously not in the system which is likely to result in fraud.
- ✓ The 'so-called' system glitches experienced accompanied lack of communication have led to lack of confidence by beneficiaries on the card swap process. SAPO would be required to provide a high quality service, enhancement of the system and have its outlets or fixed sites to be operated by competent, informed and customer-oriented staff to restore beneficiary confidence and in order to alleviate the reputational damage of SASSA.
- ✓ Properly assess and quantify the numbers that were card swapped without biometric verification.
- ✓ The lack of presence on the ground by SAPO managers in the majority of pay points eg in the Western Cape.
- ✓ The lack of cash dispensing machines in the majority of SAPO outlets which has persisted.

3.2 SAPO Capacity and Capability

The government's intention to transfer the social assistance payment system is in line with its strategic objective to build the capacity of a developmental State. Over the years, the investment in the infrastructure of SAPO has been below desirable levels. This may have been compounded by the outsourcing of the functions of the Post Office. This decision provides an opportunity to reverse the consequences of outsourcing which literally stripped SAPO of its delivery capacity and modernization, that will enabling it to play a supportive role to the delivery of basic services to our people.

- ✓ With regards to the establishing of 2,610 service points coupled with the necessary staff and equipment at SASSA pay-points for card swaps programme, SAPO has not been able to deliver on the expectation due to “agencification” and outsourcing. This inability to deliver is exacerbated by the limited timeline set for the transition to a new payment system.
- ✓ SAPO has not provided an indication that it has begun or made any progress on the upgrading of 862 branch office infrastructure. All that the TC has seen presented during the workshop held on 12 July 2018 was a maintenance plan.
- ✓ There is no firm indication that SAPO has meaningfully increased the number of branch tellers from the current 2,600 to 5,000. There is also no indication of where and how SAPO will augment its institutional resources to meet the milestones set for the project short of an urgent cash injection.
- ✓ It has become critical that SAPO needs to provide a detailed report in this regard indicating the deferral to the plan and stipulate the advancement thereof; as the above mentioned are critical activities in completely phasing out of CPS.

Chances of eventual successful implementation as from 1st of September 2018 could be significantly compromised.

3.3 Decommission pay points located within the 5km radius from nearest SAPO infrastructure

The phasing out plan requires that those beneficiaries who are currently collecting their social grant money from cash pay point are to be migrated to an alternative payment method thus reducing those beneficiaries and the current cash pay points. Consequently, there would be beneficiaries who cannot use PIN or forget their PIN. SAPO outlets were not able to provide beneficiaries with PIN reset facilities and this might result in unintended negative consequences. The PIN reset should be rolled out to all SAPO outlets and not be limited to SASSA offices. Further, it is the view of the TC that SASSA/SAPO need to expedite the implementation of biometric recognition of the social grants beneficiaries in order to remove the anxieties that beneficiaries experience due to PIN issues.

It should be noted that there are those pay points which are within 5km radius, however in the deep rural area where it is difficult for beneficiaries to reach the nearest SAPO infrastructure the 5km radius cut-off might not necessarily be the solution. Although SASSA/SAPO have proposed

the provision of transportation on such circumstances, the financial implication of this solution might have to be looked at much more deeply in the long run. In addition without a doubt this also adversely affects rural communities whose economic survival both as hawkers and small medium enterprises is dependent on the close proximity to the pay point that have enjoyed over the years. As a result SAPO has piloted the cash payment utilizing point of sales to pay those beneficiaries. These payments did not come without any challenges as the IGPS system was offline as a result of poor connectivity and SAPO was paying manually (counting money manually) since there was no cash dispensing machines. The lack of cash dispensing machines is the most time consuming/slow, extremely labour intensive, error prone and limited control of cash balances because of less count accuracy. This will enable SASSA/SAPO to identify potential challenges, gaps and exceptions and enable them to address these before 1st September 2018.

The decision on the decommissioning of pay points needs to be reviewed because of the security risk, beneficiary inconvenience and community dissatisfaction. Over the years SASSA invested in infrastructure improvement at various pay points across the country. For instance during 2012/13 a total of 372 pay points were improved at a cost of R15.2 million. The purpose of this investment was to enable beneficiaries to receive the social grant service under humane conditions and ensuring that the pay points were converted into dignified beneficiary contact centres.

3.4 Procure mobile ATMs and POS to be ready by the end of October 2018

In terms of the project plan, SAPO will procure mobile ATM's and POS to be ready by the end of October 2018. It is not clear why this milestone is set so late in the life of the project. The committee is informed that SAPO only procured 9 ATMs for cash payment services. It does defy logic why such an inadequate quantity has been procured when over 1.9 million beneficiaries fall beyond a 10 km radius of the foot print of the national payment system and are distributed across more than 1000 pay points currently in operation. In this regard, it is highly probable that the financial constraints faced by SAPO account for this decision, which in the view of the TC points to lack of adequate planning for this massive undertaking.

The committee is seriously concerned about the inability to deliver to the poor elderly in the most remote rural areas of our country comes 1st September of this year. In our interface with the SAPO and SASSA regional offices, there hasn't emerged a convincing plan indicating that the rural areas have been given the priority they deserve.

3.5 Commissioning of the 30 online Retail Postal Agencies

The Committee has not been informed whether SAPO has commissioned the 30 online retail postal agencies. Given the magnitude of the payment task, every point will count when the service must be rendered in September.

3.6 Oversight and Monitoring

The nature of the SASSA/SAPO contract in some respects allocates responsibilities to the two parties which in the main is problematic in that both parties are deemed responsible for delivery. The implication is that SASSA management cannot exercise oversight as it is a player and a referee which creates a problem of accountability.

Lack of independent monitoring of performance by both SASSA/SAPO is thus a weakness of the project and the Ministers do not get unbiased objective reporting. Overall the TC finds it highly problematic that there seems to be no tight and firm Contract Management Plan in place.

3.7 Project Management and Leadership

A project manager has since been deployed to the project. The challenge that still exists is that SASSA does not have a decisive, cohesive and collective approach to managing the project and accountabilities for each executive. SASSA's management does not act in unison, make individual decisions indicating division within the collective. This scenario does not only apply to the top management structure within SASSA but equally it manifests itself between SASSA Head Office and SASSA Regional Offices.

The regional structure of SAPO does not mirror that of SASSA regional structure. This on its own has a negative impact both in terms of overall project management and leadership, particularly at execution level.

Certain aspects of the project are only ideas that have not been firmed up, and decisions are made that changes the nature of the project without it being recorded. A classic example in this regard relates to the establishment of the War Room. Until the Minister of Social Development appointed the TC there was talk of the war room in existence, which in all practical terms turned out to be a mere steering committee comprising of SASSA Executives and SAPO Executives. Consequently, it is only during the last two months dating from June 2018 that the TC working in collaboration with SASSA executives established the war room properly staffed and resourced with appropriate officials. Nonetheless, the issue of the budget dedicated to the war room

remains to be resolved by the SASSA executives. Equally the nature of interface between the war room at SASSA and appropriate similar structure at SAPO remains a key challenge to be addressed. It must be noted that as far as the TC is concerned, unless proven otherwise, SAPO itself has not established a war room.

It precisely for this reason that there is no detailed narrative project plan that enables the overall team (comprising SASSA and SAPO) to have a common understanding of the project, and how it should systematically unfold thus resulting in differences of interpretation and communication.

3.8 Communication

Communication is a necessary support function in the project of this magnitude and complexity. The TC is of the view that notwithstanding the vast amount of money spent on communication, SASSA has not received value for money.

Having observed the above, the TC remains adamant that proper and effective beneficiary education and communication regarding the social grant payment transition remains the make or break of the government's ability to execute its mandate in this regard.

3.9 Call Centre Integration

There is a need for the integration of SASSA call centre with that of SAPO in order to provide appropriate and prompt resolutions to beneficiary enquiries. SAPO currently is unable to provide beneficiaries with transaction history on their new SASSA/SAPO card.

3.10 Other Matters

The following are other matters requiring attention:

- ✓ IT security and fraud prevention.
- ✓ The provision to the beneficiaries of the Terms and Conditions for the use of the Postbank/SAPO card.
- ✓ Norms and standards
- ✓ Setting up of biometric authentication for cash withdrawal at SAPO branches

4. Recommendations

Aligned leadership between SASSA and SAPO

- ✓ There must be more visible and, on the ground, decisive leadership of the project at the level of engagement by both SASSA, and SAPO;
- ✓ Ensure that people on the ground get the support and delegated authority to deliver value to the clients who are vulnerable groups; and
- ✓ Reporting and decision making between SASSA/SAPO must be aligned and tuned in the interest of the delivery of service to SASSA clients – Customer Centricity and ensuring that our people are treated with dignity.

Technological and People support:

- ✓ Both SASSA and SAPO must have enough personnel with sufficient information tools at first point of contact with beneficiaries to provide guidance and security guards;
- ✓ SAPO's need for financial and human resources need to be addressed, with support from SASSA, DSD and National Treasury; and
- ✓ Securing the funding may require speedy interaction between the Ministers of Social Development, Department of Telecommunications and Postal Services, National Treasury, as well as top management in the three state departments.

Communication: Communication continues to remain a challenge within SASSA starting from the explanation of our presence and role to the greater management team to enable support and understanding of where we fit in. Delegated authority also needs to be clarified so that we can engage stakeholders with confidence and understanding that we represent the organization and the Minister in all our engagements.

Communications strategy:

Much as a Communication Consulting firms have been appointed both at SAPO and SASSA; there is no sense that their strategies are aligned and understood by beneficiaries. Messaging needs to be simple, targeted and effective with SASSA as the custodian of the clients taking the lead to communicate the process and operational challenges continuously to avoid confusion and frustration.

One of the great concerns is that as SAPO takes on this responsibility there is no communication strategy that will underpin their execution of this mandate on behalf of Social Development. It is important that SAPO rebrand itself as part of repurposing this infrastructure to service this vulnerable section of our people.

In the context of the observations outlined above, which are a culmination of our engagement during the last two months and noting the slow pace at implementation level the TC proposes the following:

- A brief on delivery expectations for the CEO on the key five things to focus on over the project period;
- Enhance project management capacity and capability within the project management team;
- Establishment of a coherent set of norms and standards and key indices for implementation as a yardstick through which progress on implementation is constantly monitored and measured;
- Increase both human resources and equipment capacity and capability to quadruple the swapping of CPS cards with those of SASSA-SAPO cards. In this regard, it need be recorded that SAPO has admitted during their engagement with the TC that their human resource plan and strategy as it exists is antiquated and needs to be repurposed to meet SASSA requirements;
- Improve communications in respect of all facets such as media, call centre, face to face, knock and drive etc;
- Significantly improve the conditions and customer care approach under which beneficiaries are required to have the card swap done; and
- Finalization of a coherent Cash payment strategy and execution plan.

5. Conclusion

The Minister of Social Development appointed the Technical Committee to recommend on payment options and appropriate governance arrangements in SASSA. In the Report the TC requests urgent project support and tools of trade. It also proposes an alignment of leadership between SASSA and SAPO and more coherent and decisive leadership that holds the project more firmly together. The establishment of the Nerve Centre/War room at SASSA that has been achieved over the last two months, if properly resourced both financially and in human resources, could prove to be hugely beneficial to a successful implementation of the social grant payment transition process. It is envisaged that this Nerve Centre/War Rom would be able to track to track performance and provide support to those in the code face of service delivery both in the regions and district level. The need for effective communication, as stated earlier in this report, could not be overemphasized for a project as complex and massive as this one.

This Report of the TC represents the first phase beyond the cursory look of the challenges that underpin the government's effort to ensure a smooth transition of the social grant payment system in the country – aimed at strengthening both SASSA and SAPO as the pillars of institutional mechanisms to service the most vulnerable in our society. It is the first attempt by the TC to delve into the deeper issues that will need to be addressed if the State has to fulfill its Constitutional mandate in this regard. Finally, it must be noted that the TC is a structure that has been appointed by the Minister of Social Development and therefore whilst it highlights challenges and put forward recommendations, the implementation thereof remains relative to the willingness of both SASSA and SAPO management to embrace our recommendations and proposals.