



Unintended Consequences: The Decommissioning of SASSA Pay-points

1. Introduction

Every month the South African Social Security Agency (SASSA) administers over 17.5 million social grant payments to 10.9 million South Africans. Between 2012 and 2018 the company Cash Paymaster Services (CPS) was contracted by SASSA to distribute these grants. After protracted litigation the Constitutional Court found that the contract between SASSA and CPS was irregular because the proper tender process had not been followed. The contract was subsequently ended and in 2018 the SA Post Office (SAPO) was contracted as the new vehicle for the distribution of social grants through a state-led hybrid system.

While the ending of the improper agreement between CPS and SASSA was hailed as a win, the switching over to the new state-led hybrid system has not been without its own issues, as a study published by advocacy group the Black Sash, together with the Department of Political Studies at the University of the Western Cape (UWC) has found.

This paper will draw on a presentation delivered by UWC's Professor Laurence Piper at a recent CPLO seminar,¹ as well the larger study, to illustrate that the roll-out of state services is often bedevilled by unintended consequences due to poor planning.

2. In the Beginning

In 2012 CPS was granted a five-year contract to distribute social grants on behalf of SASSA. CPS

distributed the grants through a network of more than 8 000 pay-points via cash payments, direct deposits and electronic payments. The CPS service was 'bespoke'² – it catered for specific needs such as seating for the elderly, toilet facilities and security.

After the Constitutional Court invalidated the contract between SASSA and CPS, SASSA and the SAPO signed an agreement for the provision of a state-led hybrid social payment system. This system included the "creation of a ring-fenced SASSA/SAPO Special Disbursement Account (SDA) or Gold Gard that grant beneficiaries could use to access free services at SAPO branches, as well as SASSA cash pay points and merchants."³ However, this also led to a reduction in the number of pay-points from 8 000 to 1 780. According to the Black Sash, the beneficiaries were never consulted or made aware of the associated risk of the closure of the majority of the pay-points.⁴

In a 2018 press statement,⁵ SASSA claimed that the partnership with the SAPO would deliver an integrated payment system that is "convenient, easy to use and accessible to all social grant beneficiaries." Mark Barnes, who resigned as the SAPO CEO in August 2019, was very enthusiastic about the SAPO's ability to manage the social grants payment system. In a Radio 702 interview⁶ in 2017 he said: "To me the logic is compelling. The payment of social grants is not a business. It is a service, and so we have got this underutilised infrastructure owned by the state and currently

occupied by the Post Office. Surely, it makes economic, commercial and strategic sense to build that asset rather than to continue with that dependency?”

The solution offered by Mr Barnes did seem to offer a logical way out for SASSA from the mess that had been created under its contract with CPS. However, it appears from the Black Sash’s research that the unintended consequences created by the new payment system were not entirely anticipated by SASSA. After the release of the study, and the CPLO seminar, SASSA defended the new system, saying that while there are challenges with it they are busy “strengthening their infrastructure.” They also note that the new system has saved SASSA an estimated R1 billion.

3. The UWC Study⁷

As part of its ongoing work on social welfare and grants, the Black Sash undertook to research the impact of the process of decommissioning former pay-points on grant beneficiaries. This comes after the Black Sash began a ‘Hands Off Our Grants’ campaign which investigated and shed light on illegal deductions from SASSA grants by third parties linked to Cash Paymaster Services (CPS). In addition, the Black Sash carried out advocacy around the irregularities in the awarding of the tender to CPS, and these events culminated in the Constitutional Court ruling which declared the CPS contract invalid. As mentioned, this in turn precipitated the move from SASSA pay-points to the SAPO hybrid system. Under this system beneficiaries can access their grants via the SAPO, retailers such as Pick n Pay, Spar and Shoprite, and at the ATM via their own personal banking accounts.

The study, commissioned by the Black Sash and conducted by the University of the Western Cape, set out to investigate whether the new hybrid system was better suited for grant beneficiaries, or whether it created more problems than before. The research took place in four case sites across the Western Cape, two urban (Khayelitsha and Delft) and two rural (Genadendal and Robertson). The research in the Western Cape was a pilot study which was replicated throughout the country by partners of the Black Sash. In the

Western Cape the study comprised of 45 respondents across the four sites, with the average age of the respondents being 66. Respondents not only participated in interviews and focus groups but also participated in research methods that helped the researchers to understand and explain how the new system impacted emotionally on the beneficiaries.

Some of the findings in the report were:

3.1. Increased costs

The costs of accessing a grant have increased for all recipients, mostly due to the charges levied by banks and retailers. Despite this, beneficiaries preferred accessing their grants at the bank or at retailers, which cost them a service fee, as opposed to using the Post Office which offers free grant withdrawals. The Post Office was avoided due to long queues, unreliable systems, or a lack of funds to pay grants. The table below illustrates the service costs associated with some of the various banks:

Cost Item	Capitec	Nedbank	Standard Bank
Service Charge	R5	R14	R5.60
Withdrawal	R6	R5.50	R5
SMS Notification	R0	R0	R0.40
TOTAL	R11	R19.50	R11

3.2. Rural areas negatively impacted

The decommissioning has impacted rural areas far more than urban areas. Before the decommissioning rural beneficiaries covered by the study only had to travel a short distance – less than three kilometres – to the nearest pay-point (less than their urban counterparts). The new pay-point system means that some rural beneficiaries now have to travel at least 10 km because access to a functioning Post Office, ATM or retailer is often not available in close proximity to them. The elderly in these rural areas bear the brunt of the decommissioning as they have to travel further, for longer, and at greater cost. Often the small town Post Office branches were either off-line or did not have the cash to make pay-outs, which meant that beneficiaries had to make more than one trip to access their grants. In order to

ameliorate the impact of the decommissioning, SASSA promised a 'basket of services' such as low-cost bank accounts, and to assist with transport to pay-points. However, the study has found that the beneficiaries were unaware of the 'basket of services' or the promise of transportation.⁸

3.3. Loss of dignity

Whereas the previous system was to a large extent tailored to the needs of the beneficiaries, the decommissioning brought with it pay-point sites with long queues, no shelter, no access to clean toilet facilities, and no seating for the elderly. These indignities suffered by the beneficiaries are further exacerbated by the fact that they have greater difficulty in pursuing recourse. If there are any issues related to the payments, beneficiaries have to make a trip to the local SASSA office, and often to the local police station to make an affidavit. This incurs additional costs.

3.4. Increased insecurity

Security issues already existed in the previous system, but the new system brought with it an increase. There is no longer any guaranteed security at the Post Office, ATMs or retailers. Beneficiaries run the risk of being robbed or physically attacked, as one of the participants in

the study explained: "*Elkeen is sy eie sekuriteit. Indien jy die toilet wil gebruik, moet jy wag tot by die huis. Jy kannie innie bos sit nie, mens kan verkrag word deur die stoute kinders.*" (You need to be your own security. If you want to use the toilet you need to wait until you get home. You can't relieve yourself in the bush because the naughty children could rape you.)

4. Conclusion

Making the SAPO the vehicle to disburse social grants seemed a logical step – the infrastructure is there, it is state-owned, and it could deliver a service to beneficiaries free of charge. However, one has to wonder if due diligence was done by SASSA, and if so, did it consider only the costs to the state, while neglecting to consider the costs to the beneficiaries? It may be that switching to a new hybrid system saved SASSA about R1 billion, but the "greatest cost of decommissioning is experienced on the bodies of rural, elderly grant recipients."⁹

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¹ See also Madison Yauger's GroundUp article: *New social grant system hurts the elderly, study finds*. Available online at <https://tinyurl.com/y34pf4ke>

² Laurence Piper (2019): *Presentation at Seminar*

³ Black Sash (2019) Media statement: *SASSA's Decommissioning Process Has Devastating Consequences on Social Grant Beneficiaries*. Available online at <https://tinyurl.com/y4xkl28u>

⁴ SASSA Media Statement (2018): *South African Social Security Agency: State of readiness on payment of social grants*. Available online at <https://tinyurl.com/yygwpxdu>

⁵ *Ibid*

⁶ Radio 702 (2017): *SAPO-SASSA deal moves one step forward*. Available online at <https://tinyurl.com/yyuz9ox3>

⁷ <https://participedia.net/case/5600> and interview with one of the lead researchers, Robyn Pasensie

⁸ Black Sash (2019) Media Statement

⁹ Laurence Piper (2019): *Presentation at CPLO Seminar*.

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