



SAOPF

South African Older Persons Forum

SAOPF SUBMISSION TO THE COMMISSION OF ENQUIRY TO THE SOCIAL ASSISTANCE BENEFIT PAYMENT SYSTEM



SAOPF

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1. INTRODUCTION

An effective and user friendly Social Security Payment System for South Africans will require an objective review of the flaws and successes of the current payment system using the Millennium Development Goals as a primary point of reference to measure the current level of success in relation to the protection of vulnerable individuals, maintaining a high standard of universally accepted measures for safeguarding the human rights. Social Security should not be perceived by the state or service providers as a handout, charity, or relief. Social Security is a right guaranteed in the Constitution in the Bill of Rights [(27) C] and in keeping with the Bill of Rights, the inherent right of any and all social grant recipients should be respected and protected. State and non-state agents that are contracted for payment services must be held accountable for poor and ineffective service as well as socio-economic and human rights violations in relation to the payment of social grants..

Although our submission focuses primarily on the payment system as it relates to the old age and war veteran grants, as this is the sector that we represent, the content in many respects is also applicable to child support grants. Using a comparative study between the SASSA Statistical Report (2007) and information obtained during the Community Survey conducted by Statistics SA for the same period it is clear that as much as 58.53% of older persons were, at the time, still dependent on the old age grant. Arguably the numbers have subsequently increased given rising unemployment and age equalisation for men.

	Population Persons 60+ (1)	Old Age Social Grant Recipients (2)	Percentage of OPS dependant on OAG
Eastern Cape	626 610	427 726	68.26%
Free State	222 244	133183	59.92%
Gauteng	718 234	271378	37.78%
KwaZulu Natal	723 003	450371	62.29%
Limpopo	443 700	352885	79.53%
Mpumalanga	238 099	156715	65.81%
Northern Cape	95 226	56 392	59.21%
North West	250 097	186134	74.42
Western Cape	452 881	171910	37.95
South Africa	3 770 094	2 206 694	58.53%

1. Population information contained in the Population column has been extracted from information obtained during the Community Survey conducted by Statistics SA in 2007.
2. Old Age Grant information obtained from the SASSA Statistical Report No. 1 for the period 31 July 2007 to 31 December 2007

2. PAYMENT OPTIONS

In finding suitable payment options it should be noted that payment of grants to vulnerable older persons especially in rural areas will most likely not be achieved by a singular payment method as, for instance, the infrastructure for bank payments is not available in many rural areas. The Regulations to the Social Assistance Act are clear that beneficiaries have a choice regarding the method in which they are paid. Legislation allows payment to be made through one of 2 channels: Cash / manual payments at a designated place (pay point), Electronic transfers into the bank account of the beneficiary. Despite the poor service rendered by some service providers at some paypoints it is advisable that payment options currently available be intensively reviewed, standardized and streamlined in order to provide beneficiaries with a universal level of service at a

minimum cost. Equal to this it is of utmost importance that grant beneficiaries be safeguarded against corruption, fraud and financial abuse. SASSA has a responsibility to ensure that social grant beneficiaries are protected and their dignity not compromised.

2.1 PAYPOINTS

Non compliance with the National Norms and Standards remains a problem at many paypoints and has reached critical proportions at some paypoints in provinces such as the Eastern Cape, KZN North West, Mpumalanga and Limpopo. SASSA claims that this is due to non availability of facilities and budgetary constraints. Proportionally the largest number of Social Grant recipients still receive their grants by means of direct cash payments at paypoints throughout the country; 35.98% old age grant recipients are paid electronically and 63.90% of OA grant recipients still receive their grants through paypoints (SASSA Statistical Report, 2010). SASSA contracts 3 major service providers to provide this service to beneficiaries namely: Cash Paymaster Services (CPS), All Pay and Empilweni. Compliance with the ideals for which the social security system was developed thus mostly rests on non-state agents contracted to provide this service to beneficiaries and their alleged failure reflects directly on the overall performance of SASSA.

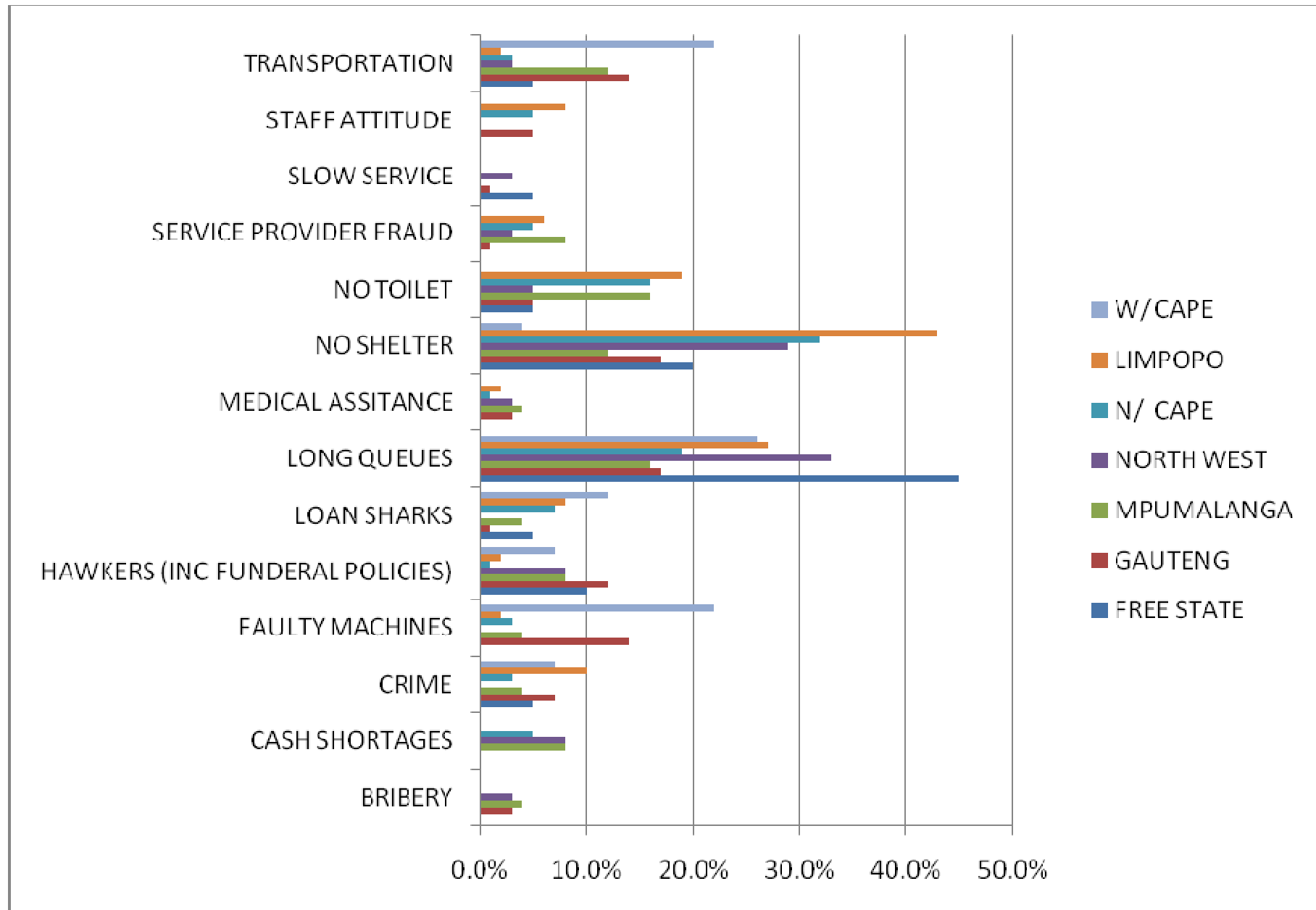
The SAOPF and Age-in-Action conducted a survey amongst old age grant recipients in 2008 and found problems reported by SAOPF members, NGOs and other role-players as follows:

- Some pay points lack water, toilets, seating, shelter or fences;
- In Limpopo, Mpumalanga, Eastern Cape, North West and KZN long queues prevail, with some pensioners spending up to 8 hours in a queue;
- Many pensioners travel long distances to pay points which is costly;
- Help desks are not always available at some paypoints;
- At some paypoints no medical assistance is available for those who take ill while queuing;
- Faulty machines and incorrect payments are common complaints in some provinces;
- In some areas pensions are paid through local shops and grant recipients forced to buy their goods;
- Abusive behaviour by staff at paypoints is common;
- In many areas hawkers and loan sharks continue to harass and exploit beneficiaries.

The SAOPF & Age-in-Action study was conducted at 336 paypoints in the Free State, Gauteng, Mpumalanga, North West, Northern Cape, Limpopo and the Western Cape in 2008. Grant recipients interviewed at these paypoints were generally unhappy about the service they received. The following is a schematic breakdown of the percentage of complaints by recipients in relation to the number of paypoints visited during the survey:

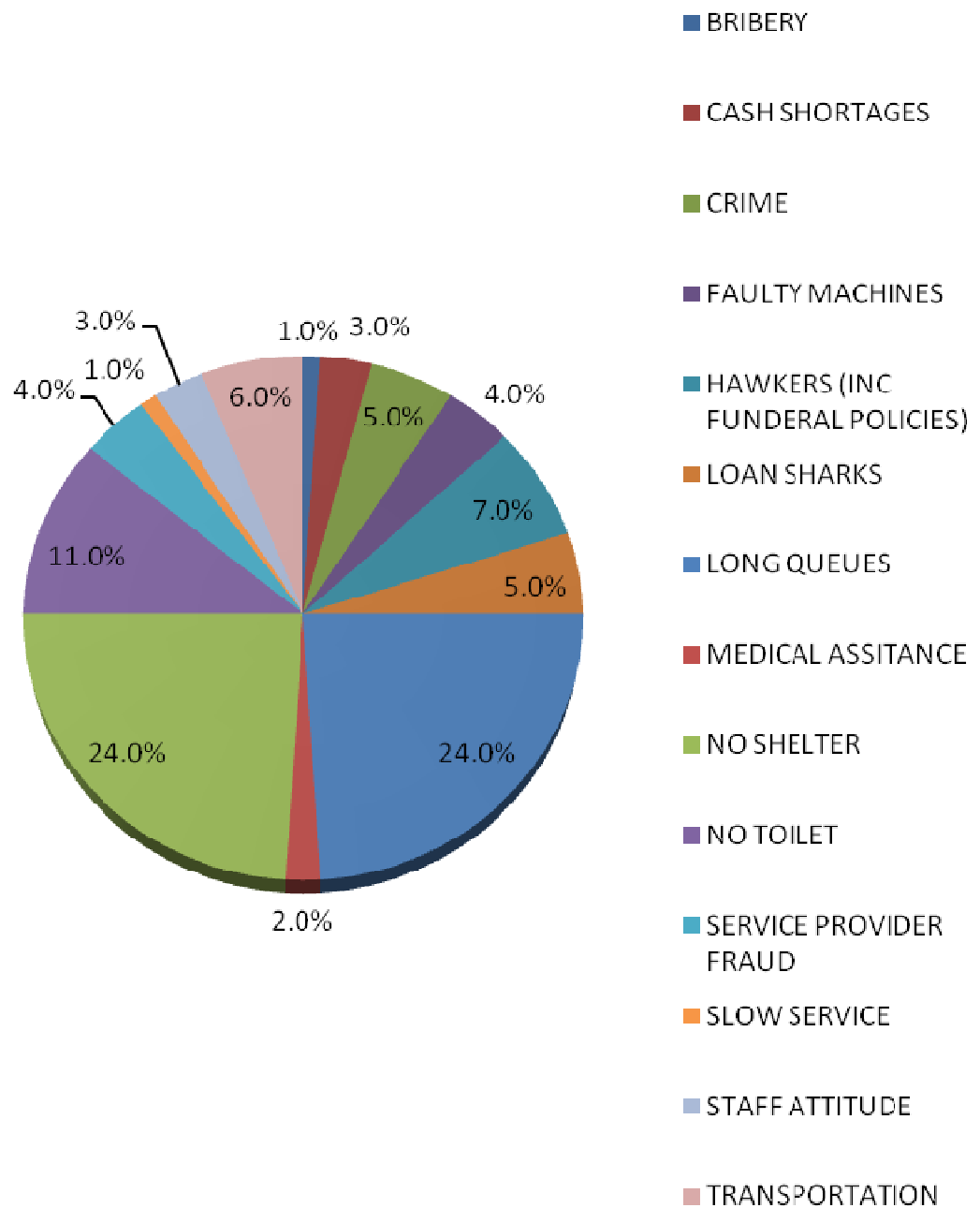
	FREE STATE	GAUTENG	MPUMALANGA	NORTH WEST	N/ CAPE	LIMPOPO	W/ CAPE	TOTAL
BRIBERY	na	3.0%	4.0%	3.0%	na	na	na	1.0%
CASH SHORTAGES	na	na	8.0%	8.0%	5.0%	na	na	3.0%
CRIME	5.0%	7.0%	4.0%	na	3.0%	10.0%	7.0%	5.0%
FAULTY MACHINES	na	14.0%	4.0%	na	3.0%	2.0%	22.0%	4.0%
HAWKERS (INC FUNERAL POLICIES)	10.0%	12.0%	8.0%	8.0%	1.0%	2.0%	7.0%	7.0%
LOAN SHARKS	5.0%	1.0%	4.0%	na	7.0%	8.0%	12.0%	5.0%
LONG QUEUES	45.0%	17.0%	16.0%	33.0%	19.0%	27.0%	26.0%	24.0%
MEDICAL ASSISTANCE	na	3.0%	4.0%	3.0%	1.0%	2.0%	na	2.0%
NO SHELTER	20.0%	17.0%	12.0%	29.0%	32.0%	43.0%	4.0%	24.0%
NO TOILET	5.0%	5.0%	16.0%	5.0%	16.0%	19.0%	na	11.0%
SERVICE PROVIDER FRAUD	na	1.0%	8.0%	3.0%	5.0%	6.0%	na	4.0%
SLOW SERVICE	5.0%	1.0%	na	3.0%	na	na	na	1.0%
STAFF ATTITUDE	na	5.0%	na	na	5.0%	8.0%	na	3.0%
TRANSPORTATION	5.0%	14.0%	12.0%	3.0%	3.0%	2.0%	22.0%	6.0%

COMPARATIVE BREAKDOWN PER PROVINCE



In all paypoints visited in the selected provinces, the major problem seems to be long queues, no shelter, transportation, no toilets and hawkers & loan sharks.

MAJOR PROBLEMS AT PAYPOINTS IN THIS SURVEY



In a similar study conducted by the Community Agency for Social Enquiry (C A S E) & DSD in 2009 on the status of older persons' in South Africa the three major reasons for recipients being unhappy about the service provided at paypoints are:

Reason	N	%
Pay points far	15	25
Staff is rude	11	18
Bad facilities	31	52
N=60		

Participants in the study suggested that recipients felt that service at pay points should be improved primarily in the following areas:

Reason	N	%
Increase grant money	51	5
Improve security	26	3
Improve shelter, sanitation and food	143	14
More machines and more bank payments	131	13
Transport	42	4
Time conscious and respectful staff	73	7
Reduce and separate queues	45	4
Denominator=1 006		

2.2 BANKS

The perception that the migration of old age grant beneficiaries to banks is the only viable alternative for Old Age Grant Beneficiaries is flawed.

- In many rural areas access to ATM machines is limited. Should, for example, a large number of old age grant beneficiaries in an area that has limited infrastructure in terms of ATMs, decide to migrate to banks, long queues will still prevail.
- Using the extremely poor performance of the Postbank in relation to the payment of social grants as a measure for a scenario of universal transfer of recipients it becomes clear that an electronic payment method as an only option for SA would not be viable.
- At banks there is no possible way of enforcing norms and standards for instance enforcing a radius in which only grant recipients and staff are allowed, seating, water, etc...
- In general older persons distrust banks and in addition to educating the elderly, banks also need to convince the elderly that moving towards electronic payments would be good and workable.
- Electronic payments through "Spaza Shop" type vendors are plagued by corruption. Since inception of this method the SAOPF have heard countless complaints in dialogue sessions with older persons in various provinces that vendors force grantees to buy from them before they will pay their grants.
- The level of literacy should be considered especially in targeting rural areas for migration to banks.

% BREAKDOWN OF OA GRANTS PAID ELECTRONICALLY PER PROVINCE

	Old Age Social Grant Recipients (1)	Number of OA Grants paid at paypoints (1)	% of OA Grant paid Electronically
Eastern Cape	477 127	229669	48.14
Free State	157401	49503	31.45
Gauteng	336846	114873	34.10
KwaZulu Natal	547254	158008	28.87
Limpopo	393395	77726	19.76
Mpumalanga	178864	83438	46.65
Northern Cape	67 718	25432	37.56
North West	223358	85163	38.13
Western Cape	217824	111489	51.18
South Africa	2 599 787	935301	35.98

1. Old Age Grant information obtained from the SASSA Statistical Report No. 31, June 2010

3. MEANS TESTING

The old age grant is a life-line for many elderly South Africans. However, the means test, which is used to ensure that only the poorest receive it, is impractical and expensive and excludes many needy people who do not meet its requirements. There have been many calls from politicians, NGOs and older persons for the abolition of the “means test” but changing the national policy will require the buy-in of government and politicians and should go hand-in-hand with the reform of the pension system for employed South Africans.

Millions of South Africans are not eligible for a state pension, have not saved adequately for their retirement during their working years and face a perilous future. The government has proposed a National Social Security Fund (NSSF) entailing mandatory participation by all formal sector employees, with a wage subsidy to counteract the effect on low-income earners.

In short, the “means test” for the OA grant disadvantages many poor older persons while administering the test is expensive and impractical.

4. SERVICE PROVIDERS

SASSA contracts 3 major service providers namely: Cash Paymaster Services (CPS), All Pay and Empilweni. Trade Union NEHAWU accused SASSA of being “enemies of the People” following a report that SASSA was paying R1bn to outside contactors for “poor and inexcusable service” and accused the organisation of “gross misappropriation of public money”. The service provider CPS is responsible for paying out 65 % of the country’s social grants and pays grants in KwaZulu-Natal, Limpopo, North West, the Eastern Cape and the Northern Cape, paying 4.5 million people a month; Allegations of blatant violations of service level agreements and human rights in regard to the payment of pensions abound. Despite evidence of the poor level of service by providers SASSA seems to be incapable of turning the situation around. Many in the older persons sector perceive the service providers as being arrogant despite inexcusable levels of service.

In a statement to the media, following the cancellation of the CPS tender in 2009, Net1 chief executive, Serge Belamant said : “We know categorically we won all nine provinces on technical, financial and black empowerment criteria: we deserve it, and I want all nine.” Statements such as these only echo the perceived arrogance of service providers despite many allegations of poor and ineffective service.

The SAOPF and Black Sash is considering approaching the SAHRC to call for an investigation into allegations of gross human rights violations that seem to be a direct result of the poor delivery of services by CPS at several paypoints throughout the country.

In a memo to the Deputy Minister of Social Development handed to her at a meeting between the SAOPF and the DoSD on the 26th of June 2010, the SAOPF recommended that an investigation be commissioned into the situation at CPS pay points and also recommended to SASSA that the new CPS tender be disqualified.

% BREAKDOWN OF OA GRANTS PAID AT PENSION PAYPOINTS PER PROVINCE

	Old Age Social Grant Recipients (1)	Number of OA Grants paid at paypoints (1)	% of OA Grant paid Paypoints
Eastern Cape	477 127	247458	51.86
Free State	157401	107898	68.55
Gauteng	336846	221973	65.90
KwaZulu Natal	547254	389246	71.13
Limpopo	393395	314489	79.94
Mpumalanga	178864	93577	52.32
Northern Cape	67 718	42286	62.44
North West	223358	138195	61.87
Western Cape	217824	106172	48.74
South Africa	2 599 787	1661294	63.90

1. Old Age Grant information obtained from the SASSA Statistical Report No. 31, June 2010

4.1 MONITORING AND INPECTION

SASSA recently developed a monitoring and inspection tool, monitors were appointed to physically visit pay points with checklists to monitor and provide feedback. This tool is as yet not rolled out nationally but could be an effective way of monitoring service provider compliance. The monitoring tool, however, will be of little consequence if the contracts with service providers are not fair, standardized, in line with the Regulations and also provide clear protection for vulnerable grant recipients especially those in rural areas. The monitoring of service providers should be in line with good and accountable service for the distribution of public money to beneficiaries and be in line with the Bill of Rights.

5. RECOMMENDATIONS

5.1 The assessment of service provider contracts

Seeing that contracts with the service provider CPS were not standardized and hence the SLAs differ from province to province, the contracts, SLAs and forthcoming tender process relating to social grant service providers, and in particular, CPS, should intensively be investigated by the commission. The SAOPF recommends this as CPS is responsible for paying out 65 % of the country's social grants, paying 4.5million people a month.

- Information re the obligations of service providers in respect of service delivery should be revealed to the commission.
- It is our recommendation that the new CPS tender should be disqualified based on well published and rampant allegations of human rights violations, poor service and non-compliance with current norms and standards.

5.2 The viability of a universal old age grant

At the 3rd Annual General Meeting of the SAOPF it was resolved that the forum should negotiate with the Department of Social Development in working towards the abolition of the "means test" for a social pension. The SAOPF formally requested that a committee be appointed by the Minister of Social Development to investigate the cost of implementing the "means test" as opposed to abolishing it and using the money saved to extend the grant to all older persons.

In 2007 the Minister of Social Development at the time, Dr Zola Skeweyiya, announced the following in his Budget Vote in the NCOP:

"We will recommend that the means test for old age pension be removed as soon as possible and that all people meeting the qualifying age receive the old age pension. To ensure sustainability of our pension system, all employed South Africans must save for retirement. The new pension system must reflect the system of solidarity, which is the South African cultural thrust of the spirit of Ubuntu. Our proposals will ensure that the cost of saving for retirement be reduced significantly."

The recommendation of the feasibility study, "Reform of Retirement Provisions" published in 2007 was as follows:

"It is recommended that the government eliminate the means test on state old age pension. This will facilitate integration of the social pension into a multi-pillar social security system and eliminate the social and economic costs of means-testing".

It is recommended that the size of the benefit be increased by an amount higher than that of the annual inflation-indexed adjustments. This will effectively increase the poverty-reducing impact- in terms of both absolute and relative poverty- of the pension. This can also serve as a compensation for low-income workers who have historically been excluded from contributory or other work related schemes."

- In line with a paper by the World Bank (Jean-Jacques Dethier) " Universal minimum old age pensions : impact on poverty and fiscal cost in 18 Latin American countries"(May 2010) that explains that "An unconditional [universal] pension has a number of advantages: it is administratively simpler; it implies less disincentives to work and save; and it carries less stigma, the SAOPF submits that a formal inter-ministerial committee be appointed to look into the feasibility of a universal old age grant for South Africa using recommendations of the feasibility study, "Reform of Retirement Provisions" published in 2007 as a basis for the investigation.

5.3 ASSESSMENTS OF CURRENT PAYMENT INSTRUMENTS

- **Commercial banks**

Currently SASSA encourages grant recipients to use the option of electronic payments in areas where there are facilities; hence they entered into discussion with the South African Post Office (SAPO) in 2008. The move proved to present many challenges as SAPO do not have the capacity for the payment of social grants and the evidence for this was clear: long queues and inadequate resources. Other commercial banks held the perception that SASSA was financing the Post Bank which made discussion with commercial banks difficult.

- In order to facilitate migration to banks older persons need to be educated; this would be best done by SASSA and/or government partnering with NGOs.
- Financial literacy and literacy in general needs to be a focus in the education of older persons. Commercial banks, NGOs and government all have a role to play in this.
- Banks needs to act responsibly in convincing the grant recipients that moving towards electronic payments would be good and workable.
- Prior to the establishment of SASSA a contract was signed with FNB and Standard Bank, subsidizing beneficiaries through banks in the Eastern Cape. The first 3 withdrawals were exempt from bank charges, no minimum deposit was required and there was no requirement of a specific amount to be left in account. It is recommended that SASSA should aim to replicate this arrangement throughout the country.

5.4 The payment of Social Grants through Mobile technology

Cellphones also offer a useful mechanism for delivering social grants. In other countries a number of highly publicised schemes have recently begun which use cell phones to transfer cash from user to user. The M-PESA scheme in Kenya, for example, registered 111,000 users within the first three months, and transferred nearly \$6million, with an average transaction value of \$45 run by Vodafone (in conjunction with local operator Safaricom). Another African operator, Zain, has recently launched a similar cash transfer service across the fourteen countries it covers in Africa. Although cellphones have not really yet been tested as a delivery mechanism for the payment of social grants in South Africa, judging by the success ratio in other African countries, they clearly offer lots of potential and have been labelled by some as a more innovative mechanism than smartcards (Pearson and Kilfoil, 2007).

Vodacom - South Africa's larger mobile network provider has joined forces with Nedbank in order to launch a cell phone based cash transfer service; similar to the above mentioned service in Kenya.

The new service has been named M-Pesa. This product will allow customers that do not have access to bank accounts to transfer money using their cell phones.

In Nairobi MTN too will launch a mobile money transfer product in Rwanda before the end of this year. This follows an extensive technological and legislative process supervised by the regulator, National Bank of Rwanda. MTN Mobile Money will be the first of its kind in Rwanda and aims to spread the mobile money product throughout the region. Other money transfers by Cell phones have been successful in other operations in East Africa. Safaricom pioneered money transfer via the mobile phone through M-Pesa in East Africa and statistics show that

about 52 per cent of all money transfers in the region are through M-Pesa, and that 93 per cent of the people surveyed are happy with the system.

The system can, in the African countries where it operates, allow for a person to receive money even in the most distant village with cell phone reception. Statistics also show that in most villages there is usually a shop that sells cellphone airtime. These shops are the backbone of M-Pesa, where people can receive money using an access code. Currently these access codes can be used to pick up money at almost every shop in the country.

Although South Africa's economy is much more developed than most other African countries, this service will largely be of great use to social grant recipients in deep rural areas, recipients that are ill or frail and also reduce transport costs for grant recipients to get to paypoints. Given the fact that two of South Africa's major cell phone operators are already involved in this type of system elsewhere in Africa, the SAOPF recommends that Government investigate using this system as an alternative payment method for social grants.

6. CONCLUSION

One of the main objectives of the social security system in South Africa is to address poverty. The current payment methods used, in our view, cripples this system and calls for in-depth social security payment and legislative reform. A workable and effective reform of the payment system will bring relief to thousands of poor and vulnerable older persons and other social grant recipients. In order to provide an enabling and supportive environment for older persons, the Madrid Plan of Action on Ageing calls for "Social security provisions in terms of social assistance grants provided by the government to be made accessible to all older persons including those in the rural areas"

It is the responsibility of state and non-state agents alike to ensure social grant recipients, arguably among the most vulnerable in our society, are treated with respect and dignity in the spirit of Ubuntu which sees human needs, interest and dignity as inherent to human existence.

"Our democracy must bring its material fruits to all, particularly the poor, marginalised and vulnerable." -

Nelson Mandela



"Human Rights don't stop at sixty"