

# **PORFOLIO COMMITTEE ON SOCIAL DEVELOPMENT**

## **[Briefing by DSD and SASSA on COVID-19 SRD Regulations and Implementation]**

**FRIDAY 03 JUNE 2022**

# PURPOSE

- In response to the request from the PC on Social Development, the DSD Portfolio has been invited to:
  - Brief the committee on the new regulations on the payment of the social relief of distress grant (SRD) and other social grants; which includes:
    - COVID-19 SRD application process and qualification requirements,
    - Duration for the applications to be finalized and what measures have been put in place to expedite the process,
    - Impact on poverty and hunger to those who earn R624 or less and do not meet the requirements,
    - Impact of budget constraints on grant delivery,
    - Update on the appeals process from the previous cycle,
    - Measures put in place to strengthen the verification process to prevent payments to ineligible beneficiaries.
    - Recent announcement that SAPO will no longer be paying social grants including the SRD grant and the implications of this.

# CONTEXTUAL ANALYSIS

- DSD is mandated to provide care and support services to vulnerable groups through the implementation of welfare services and social security programmes. This is largely done by forging partnerships through which vulnerable individuals, groups and communities become capable and self-reliant participants in their own development.
- Since the advent of COVID-19, the Department and its entities, SASSA and the NDA, had to adapt and innovate their programmes for enhanced visibility, relevance and responsiveness to peoples lived realities and felt needs during these extraordinary times.
- The increase in social ills, poverty levels and slow economic growth as a consequence of unemployment, is exacerbated by a loss of livelihoods for millions of people. Whilst we have certainly faced hard conditions, a lot of wins and insights were equally recorded through the new normal which forced us to think innovatively, more imaginatively and pushed us to be more agile in the execution of our mandate.
- The extension of the Special COVID-19 Social Relief of Distressed Grant of R350, has provided us with an opportunity to look at fundamental social security reforms including the Basic Income Support, for those without income between the ages of 18-59. The Department will continue to contribute to processes that stimulate discussions around the resource modelling and implementation of the basic income grant (BIG).
- Furthermore, the DSD Sector recommits itself to increase its investments and interventions in response to the challenges of poverty, inequality and job creation, including recent threats and challenges of climate change, rising social ills including such as GBVF, substance abuse, gangsterism, that are drastically affecting ordinary people's lives, particularly the most vulnerable in society. In pursuit of the creating a better life for all and improving the wellbeing of all peoples – particularly the most vulnerably, the Department will continue to strengthen its interventions in terms of systems, capacity, response and preventative measures, especially with rising social ills. In addition, the department is working on improving its disaster management responsiveness systems and enhancing coordination working with relevant stakeholders across the government, privates sector and civil society spectrum.

# COVID-19 SRD APPLICATION PROCESS AND QUALIFICATION REQUIREMENTS – (1)

- The extension of the grant for a further period from April 2022 to March 2023 was announced in the State of Nation address in February. However, with the lifting of the national state of disaster, the legal framework for the provision of this grant had to change, as it could no longer be provided under the Disaster Management Act. The grant was brought in under the Regulations to the Social Assistance Act, 2004. The amended Regulations were published on 22 April 2022 and the application channels for the SRD grant were opened on 23 April.
- The grant is derived from the COVID-19 SRD grant, which was a modification of the SRD provided by the department through SASSA within the Disaster Management legislative framework. The third iteration will involve shifting this modified form of SRD back to the Social Assistance legislative framework.
- By implication, all existing applicants will be required to reapply for the grant. In line with previous trends, we expect the number of approved benefits in the first month or two to be less than the 10.9 million (over 11 million once appeals are finalised) where it currently stands, however, this is likely to increase quickly.

# COVID-19 SRD APPLICATION PROCESS AND QUALIFICATION REQUIREMENTS– (2)

- For the third iteration that grant will be administered in a similar fashion to the manner in which it was administered under the Disaster Management Act; however, some additional areas have been added in an attempt to reduce inclusion and exclusion errors.
- The grant can only be applied for through digital application channels, which are zero rated for data. These include
  - WhatsApp Channel
  - Website
  - SASSA Mobile App (still in development and will be introduced gradually during the course of the year)
- A new screening questionnaire has been introduced to improve the screening of applicants, which includes:
  - Personal Information to be provided
    - ID Number, Names and Surname, Address etc.
    - Contact details
    - Educational details
    - Expanded declaration and consent form to be signed
  - Banking details
  - New questions included on:
    - When the client last worked,
    - How client usually sustain himself/ herself
    - Whether client is employed or receiving other forms of income etc.

# COVID-19 SRD APPLICATION PROCESS AND QUALIFICATION REQUIREMENTS– (3)

- The applications will be validated monthly through digital channels, these include:
  - National Population register (personal info / deceased status);
  - Socpen (grants other than child grants)
  - SARS IRP5 data (18 months – income indicator)
  - UIF (contributor or benefitting)
  - NSFAS (in receipt of stipend)
  - Persal, Persol (Government employees)
  - GEPF (Government pensioners)
  - Correctional Services (inmates)
  - Banks (means testing) – new

# COVID-19 SRD APPLICATION PROCESS AND QUALIFICATION REQUIREMENTS– (4)

- In the previous iteration, SASSA only verified income through bank accounts for appellants. In the new iteration, SASSA will means test all applicants.
  - To implement this, a new definition for income (insufficient means) has been crafted in the regulations to include all forms of income, even support from family members.
  - There is a significant implementation risk in that it has not been done at a large scale before. The agreement with Banks have not yet been signed.
  - The threshold for the previous iteration was set at unemployed, which was tested against databases listed above, and the food poverty line if people appealed. The new iteration will test everybody against a predetermined threshold. Given the limited budget, for the new iteration this will be set at R350 (equivalent to the value of the grant); however, it will be reviewed if the 10.5 million target is not achieved.
  - This may have a negative impact on the budget as we are well aware that exclusion errors are much larger than inclusion errors; hence implementing a more direct income means test will cause a reduction in both, which may result in a net increase in beneficiaries.
  - If this is successfully implemented at scale, it will enable future improvements in the administration of all social grant benefits. It may also render the other database check irrelevant.

# COVID-19 SRD APPLICATION PROCESS AND QUALIFICATION REQUIREMENTS – (5)

- A new requirement has been inserted into the regulations requiring clients to confirm every 3 months whether or not they still require the grant.
  - This is to enable SASSA to pick up changes to the client's status, which may be missed through only data checks.
  - It will encourage more active engagement between the client and SASSA
  - It defaults the client to “not requiring the grant” if they do not re-engage every three months.
  - This regulations was not very popular, and some have requested us to remove it.
- A new condition has been added to the regulations requiring clients not to unreasonably refuse to accept employment or educational opportunities.
  - SASSA is in the process of entering into a Memorandum of Understanding with the Department of Public Works and Infrastructure as well as the Employment and Labour to facilitate data sharing and exchanges between the parties.

# MEASURES PUT IN PLACE TO STRENGTHEN THE VERIFICATION PROCESS TO PREVENT PAYMENTS TO INELIGIBLE BENEFICIARIES

- The amended Regulations were published on 22 April 2022 and the application channels for the COVID-19 SRD were opened on 23 April.
- The allocation also carried a condition that SASSA and DSD need to tighten the regulatory and administrative processes to ensure that they remain within the allocation.
  - As a result, a proxy income means test based on banking administrative data was introduced into the eligibility criteria.
  - In addition, the screening questions were strengthened, with additional questions asked to assist in improving the profiling of the applicants for this grant.
  - This information may assist in making better decisions about the future of the grant
- For this cycle of the grant, all applications, once validated against the various databases to which SASSA has access, have to be means tested (a new requirement to meet the conditions of the allocation letter).
- This can only be done by banks, who confirm whether the ID number is linked to any bank account which has received an inflow of more than R350 in the preceding month (excluding social grants and the R350 SRD grant).

# DURATION FOR THE APPLICATIONS TO BE FINALIZED AND WHAT MEASURES HAVE BEEN PUT IN PLACE TO EXPEDITE THE PROCESS

- To enable the means testing, SASSA needed to procure the services of banks. This process was completed in the previous year, but required the concurrence of the Minister of Finance, before concluding the contracts.
- The concurrence from the Minister of Finance was received on 30 April 2022. The concurrence, however, contained additional conditions, which the bank's legal services had to work through, resulting in delays in concluding the contracts.
- Following engagements with the banks, facilitated by BASA, the interim agreements to enable the means testing for the historic payments (Appeals applications for period August – November 2021) were finalized, followed by means testing activities from 16 May 2022.
- The consultation with the Banks through BASA on the main agreement to enable the means testing for the new applications from April 2022 – March 2023 is planned to be finalized by 3<sup>rd</sup> June 2022.
- The means testing will begin, starting first with the Appeals backlog from the previous year; and then with payments for April and May.
- Targeted date for payments is estimated for the mid-June (as soon as the other social grant payments for June have taken place).

# UPDATE ON THE APPEALS PROCESS FROM THE PREVIOUS CYCLE

- The previous appeals cycle enabled SASSA to verify income against bank accounts as an alternative to the database verification.
- This however required SASSA to contract Banks to conduct this process, and because it's a temporary provision, also required the concurrence from NT.
- Once the concurrence was obtained from the Minister of Finance and it was imminent that an agreement would be reached at the contracting level, SASSA entered into an interim agreement with a few banks to begin the appeals means testing.
- The interim agreements with ABSA, Standard Bank, Tyme bank and Nedbank are finalized, with Grindrod and FNB still pending
- Means testing process for the historic period August to November 2021 (Reconsideration applications) started 16 May 2022 , with all response files from banks received except for Grindrod bank.
- The plan is to start the payments for approved reconsideration applications from 7 June 2022.
- The assessments and payments for the historic period December 2021 March 2022 (Reconsideration applications) will resume after the April and May payments are completed.

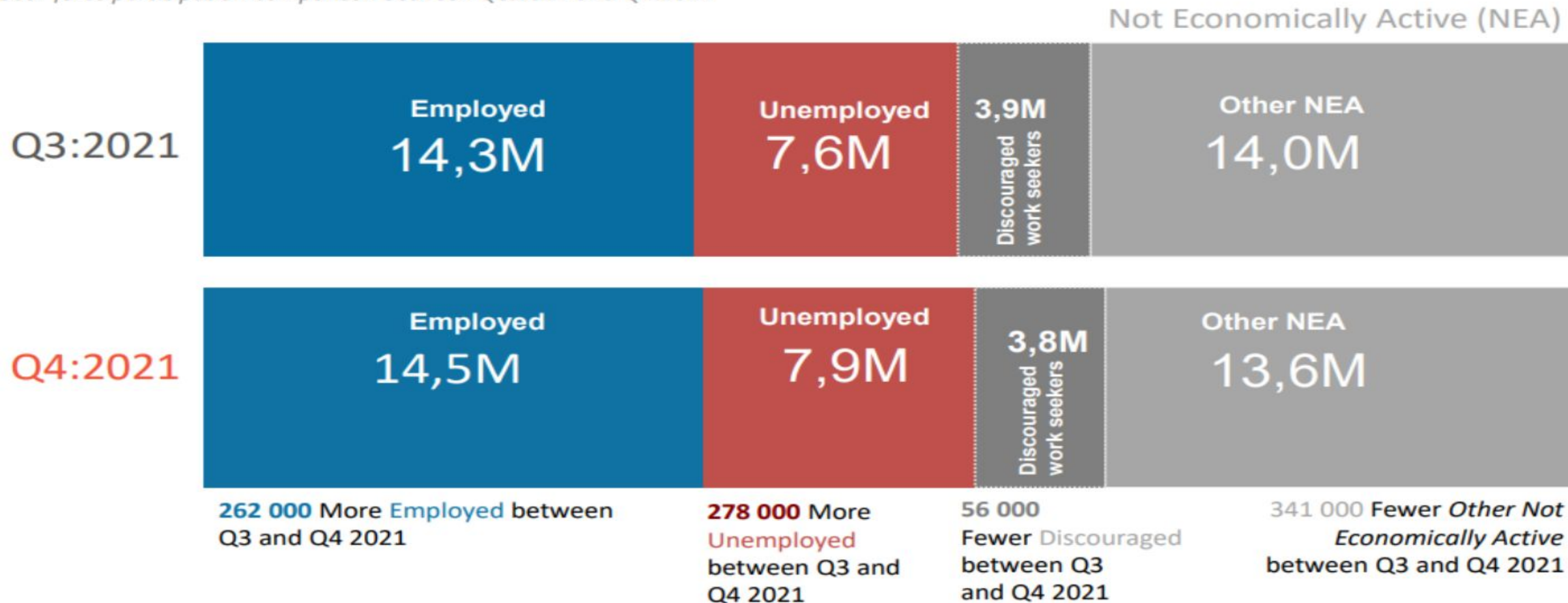
## IMPACT OF BUDGET CONSTRAINTS ON GRANT DELIVERY AND THE IMPACT ON POVERTY – (1)

- The Department received a budget of R44bn which is sufficient to cover 10.5 million people.
- The previous iteration of the grant ended in March 2022 with 10.9 million approved applicants and approximately 1 million appeals that still need to be assessed. The department will thus be providing the grant to less people in the third iteration than what it did in the second iteration.
- According to survey data, there are 13.4 million people with no income and 18.3 million people below the food poverty line.
- Unemployment is 35.3% (7.9 million people) for the narrow definition and 46.2% (11.7 million people) for the expanded definition. There are 13.6 million people not economically active.
- **THE DEPARTMENT ONLY HAS A BUDGET FOR 10.5 MILLION PEOPLE, HENCE NEEDED TO ADD ADDITIONAL RESTRICTIONS TO REMAIN WITHIN BUDGET.**

# IMPACT OF BUDGET CONSTRAINTS ON GRANT DELIVERY AND THE IMPACT ON POVERTY – (2)

There were increases in both employed and unemployed in **Q4:2021**.

Labour force participation comparison between Q3:2021 and Q4:2021



# UPTAKE, DISTRIBUTION OF THE COVID-19 SOCIAL RELIEF OF DISTRESS GRANT - (1)

Total applications by gender as at 17 May 2022

Province	Female	Male	Total
Eastern Cape	787,259	547,502	1,334,761
Free State	340,651	243,116	583,767
Gauteng	1,109,625	886,664	1,996,289
KwaZulu Natal	1,365,138	971,229	2,336,367
Limpopo	884,049	626,492	1,510,541
Mpumalanga	559,115	388,933	948,048
North West	420,909	303,936	724,845
Northern Cape	102,283	77,371	179,654
Western Cape	369,827	249,332	619,159
<b>Total</b>	<b>5,938,856</b>	<b>4,294,575</b>	<b>10,233,431</b>
<b>%</b>	<b>58%</b>	<b>42%</b>	<b>100%</b>

Covid SRD grant applications by age group as at 17 May 2022

Age group	Female	Male	Total	%
Under 20yrs	426490	401457	827947	8.1%
20-24	1042823	931562	1974385	19.3%
25-29	961055	715303	1676358	16.4%
30-35	1020092	705963	1726055	16.9%
36-39	587527	395882	983409	9.6%
40-44	568466	375007	943473	9.2%
45-49	497989	308405	806394	7.9%
50-54	437836	247779	685615	6.7%
55-59	392998	211322	604320	5.9%
60 and above	3373	1882	5255	0.1%
Unknown	207	13	220	0.0%
<b>Grand Total</b>	<b>5938856</b>	<b>4294575</b>	<b>10233431</b>	<b>100%</b>

# UPTAKE, DISTRIBUTION OF THE COVID-19 SOCIAL RELIEF OF DISTRESS GRANT – (2)

## Education level of Covid SRD applicants as at 17 May 2022

Province	No schooling	Primary school	Grade 10	Grade 12	Tertiary	Total
Eastern Cape	115336	202864	577538	387275	51748	1334761
Free State	32321	53315	240757	229795	27579	583767
Gauteng	90126	95573	766966	907686	135938	1996289
KwaZulu Natal	173096	169717	827413	1059733	106408	2336367
Limpopo	129962	79733	624171	588876	87799	1510541
Mpumalanga	75470	58087	340254	431455	42782	948048
North West	63703	75766	281090	275858	28428	724845
Northern Cape	12396	22529	73126	64782	6821	179654
Western Cape	22624	68195	308004	198356	21980	619159
<b>Total</b>	<b>715034</b>	<b>825779</b>	<b>4039319</b>	<b>4143816</b>	<b>509483</b>	<b>10233431</b>
<b>%</b>	<b>7.0%</b>	<b>8.1%</b>	<b>39.5%</b>	<b>40.5%</b>	<b>5.0%</b>	<b>100%</b>

Province	currently work	less than 3 m	months 3 to	months 6 to	months 9 to	more than 5	never employe	years 1 to 3	years 3 to 5	Grand Total
Eastern Cape	46,547.00	119,276.00	40,811.00	23,890.00	140,998.00	96,597.00	761,710.00	54,370.00	50,562.00	1,334,761.00
Free State	10,238.00	46,024.00	16,370.00	11,134.00	76,110.00	50,587.00	318,329.00	27,427.00	27,548.00	583,767.00
Gauteng	26,109.00	127,340.00	56,670.00	44,512.00	334,244.00	267,466.00	868,732.00	131,974.00	139,242.00	1,996,289.00
KwaZulu Natal	96,797.00	209,302.00	66,173.00	40,976.00	250,291.00	159,158.00	1,340,083.00	89,869.00	83,718.00	2,336,367.00
Limpopo	42,303.00	124,788.00	40,691.00	25,503.00	159,096.00	84,772.00	934,670.00	51,039.00	47,679.00	1,510,541.00
Mpumalanga	20,485.00	78,469.00	27,519.00	18,579.00	116,375.00	70,385.00	534,576.00	41,603.00	40,057.00	948,048.00
North West	13,376.00	59,904.00	20,576.00	13,528.00	84,659.00	66,670.00	402,160.00	31,110.00	32,862.00	724,845.00
Northern Cape	3,594.00	16,491.00	7,664.00	5,231.00	28,743.00	16,526.00	80,538.00	10,499.00	10,368.00	179,654.00
Western Cape	9,819.00	47,827.00	27,473.00	21,212.00	129,841.00	85,392.00	191,346.00	54,941.00	51,308.00	619,159.00
<b>Total</b>	<b>269,268.00</b>	<b>829,421.00</b>	<b>303,947.00</b>	<b>204,565.00</b>	<b>1,320,357.00</b>	<b>897,553.00</b>	<b>5,432,144.00</b>	<b>492,832.00</b>	<b>483,344.00</b>	<b>10,233,431.00</b>
<b>%</b>	<b>3%</b>	<b>8%</b>	<b>3%</b>	<b>2%</b>	<b>13%</b>	<b>9%</b>	<b>53%</b>	<b>5%</b>	<b>5%</b>	<b>100%</b>

## RECENT ANNOUNCEMENT THAT SAPO WILL NO LONGER BE PAYING SOCIAL GRANTS INCLUDING THE SRD GRANT AND THE IMPLICATIONS OF THIS.

- It's important to note that SAPO has only been struggling to render services at their branches and at cash pay points
  - All of SASSA client, who have a SASSA branded card are able to access their money through the National Payment System (NPS) – ATM's, Merchants, etc.
    - 95% of clients use the NPS
    - 4% use SAPO branches
    - 1% use Cash Pay points.
    - It's this latter 5% that may be compromised by SAPO, should they not honor the SLA.
  - In the first iteration of the COVID SRD grant many beneficiaries did not provide their bank details (4,055,437 million) and were routed to SAPO to collect their money.
    - In the second iteration SAPO implemented a digital card system that will relieve much of the challenges faced by SASSA branches, enabling beneficiaries more option – through merchants – to access their grants.
    - This will continue for **all** COVID SRD payments routed for payment by Postbank in the third

# RECENT ANNOUNCEMENT THAT SAPO WILL NO LONGER BE PAYING SOCIAL GRANTS INCLUDING THE SRD GRANT AND THE IMPLICATIONS OF THIS.

- The contract with SAPO, and the current challenges they are experiencing, remains a significant risk to SASSA, even if it affects < 5% of clients
  - It's important to emphasize that the vast majority of our clients are not at risk (95% +)
  - SASSA is actively looking at risk mitigation strategies to limit this risk
    - Ensuring all client cards are active – and pins are reset where needed (active drive in the month of May)
    - Continuous education of alternative access channels.
    - In extreme situations – partnering DSD and COGTA to transport beneficiaries
- While these are short term mitigation strategies, long term risks remain as our service delivery is intrinsically linked to the capability of SAPO. These risks include:
  - Liquidity challenges – regular running out of cash to service clients
  - Non payment of staff and service providers
  - Strikes
  - Closing of branches thereby reducing their footprint
  - Withdrawal of services without adequate warning to the client (ourselves and our clients)
  - Service delivery shortcomings: Late arrival at payment sites, none availability of cash, security issues, transportation issues, not sticking to agreed schedule, none availability of laptops to pay compromising payment, none availability of the payment devices and not providing dignity services.
  - Fraud
  - Poor invoicing and reconciliations
  - SASSA implementing penalties may be worsening SAPO liquidity situation.

# RECOMMENDATIONS

- It is recommended that the Portfolio Committee notes:
  - The revised regulatory framework for the COVID-19 SRD and the challenges experienced by DSD and SASSA in setting up the systems for the third iteration of the grant, as well as the measures implored to address these;
  - The impact that this grant has had and the need for more certainty for its provision, to limit the stop–go interruptions that we currently experiencing; and
  - The potential budget challenges that we may experience and the need to tighten our qualify criteria.

# THANK YOU