

The Outsourcing of Social Security Grants in the Eastern Cape

Service delivery challenges and the problem of accountability

Neil Overy & Rock Zuma

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PSAM
P.O. Box 94
Rhodes University
Grahamstown
6139

www.psam.org.za

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About the Authors

Rock Zuma is a researcher within the PSAM's Civic Empowerment Project.
Neil Overy is the PSAM's research editor.



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Preface

Between 1994 and 2003 the Eastern Cape provincial government earned itself a reputation for sustained service delivery failure and the weak management of public resources. The national and provincial media reported widely on instances of maladministration and corruption involving the provincial administration during this period. This begged the question of how much of what was being reported was accurate and what action was being taken by the newly elected democratic government to ensure the transformation of the apartheid era public service.

In this context, the Public Service Accountability Monitor (PSAM) was established as an independent research project at Rhodes University in 1999 with a relatively narrow focus on tracking corrective action taken in response to reported corruption in the provincial administration. It developed a database and public access website to keep the public informed of the steps being taken to resolve these cases. Its emerging monitoring methodology consisted of undertaking a comparison between corrective steps taken and the regulatory provisions governing the discipline, ethics and accountability of public servants in post-apartheid South Africa.

This methodology was informed by a simple principle enshrined in South Africa's new democratic Constitution – viz. that those in public office are accountable to the citizens whose interests they were appointed to serve. A literal interpretation of this principle was adopted as the basis for PSAM's engagement with government officials, which asserts that accountability is an impersonal obligation by those in positions of public power, not a personal favour.

It was not long, however, before the PSAM's engagement with the provincial government led to its realisation that there was a much broader structural context in which reports of maladministration, corruption and failed service delivery needed to be situated. In 2001 the focus of the PSAM's monitoring work shifted to the budget planning, expenditure, oversight and accountability cycle within which government departments are constrained to operate.

While the basic principle underpinning the PSAM's monitoring methodology remained the same, its focus expanded to include the implementation of financial and human resource management, as well as public service disciplinary regulations. By 2003 the PSAM had emerged into a fully-fledged monitoring and research institute. It developed mechanisms for monitoring compliance by Eastern Cape government departments with the entire gamut of public finance regulations and financial reporting requirements, including strategic planning, annual reporting and audit reporting. In addition, it has sought to establish the efficacy of Legislature oversight and whether oversight committee recommendations to departments were being implemented.

Given the broad scope of this monitoring work, and ongoing reports of severe service delivery failures associated with the payment of social grants in the province, the



Elderly beneficiaries are forced to sit on cold concrete floors in the absence of chairs at the CPS pay-point in Nosisa.

PSAM decided in early 2003 to investigate the reported problems in social grant payments within the province. In August 2002 the Eastern Cape Department of Social Development outsourced the distribution of social grant payments in the province. In January 2003 the PSAM requested copies of the Service Level Agreements entered into between the provincial government and the two private companies contracted to carry out social grant payments. By doing so, the PSAM was able to ascertain what level of service beneficiaries were entitled to at social grant pay-points.

Upon receipt of the two Service Level Agreements the PSAM decided to monitor individual pay-points throughout the province with the aim of determining whether or not the two service providers were adhering to the Service Level Agreements they had entered into with the provincial Department of Social Development. This research took place between August 2003 and May 2004 and was endorsed by the Eastern Cape Human Rights Working Group.

This report details the types of problems that beset the payment of social grants within the province and, crucially, identifies who should be held accountable for them. In addition, the report suggests how the problems that have plagued the outsourcing of social grants in the Eastern Cape can be resolved. Lastly, the report contains a series of detailed recommendations which illustrate how the provincial government can best avoid similar problems emerging in any future outsourcing arrangements it may enter into.

Dedication

This report is dedicated to all the old age pensioners, the war veterans, the disabled and all the other social grant beneficiaries who deserve to receive their grants in an environment which maintains their dignity as valued citizens of the province.

Acknowledgements

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The PSAM also wishes to thank the provincial Department of Social Development for its cooperation during the course of this research. The PSAM would like to acknowledge the assistance offered by AllPay area managers who provided the PSAM with pay-point itineraries and letters authorising PSAM researchers to access AllPay pay-points.

The authors of this report would like to thank in particular Mbsa Voyi, who undertook a significant proportion of the interviews that took place at pay-points, for vital assistance.

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Key Findings and Recommendations

Consultation and oversight

Finding

In August 2002 the Eastern Cape Department of Social Development entered into a Public–Private Partnership with two companies to distribute social grants in the province. It appears that the Department concluded the Service Level Agreements (SLAs) with AllPay Eastern Cape and Cash Paymaster Services Eastern Cape (CPS) after minimal consultation with the relevant Legislature oversight committees. These agreements were drawn up in the absence of any input from civil society interest groups. In addition, neither SLA was made public, with the result that recipients of social grants remain unaware of the service standards they are entitled to.

Recommendation

Government departments must take steps to ensure a more accountable and transparent process takes place when Public–Private Partnerships (PPPs) are being considered. Prior to the outsourcing of public services, departments should present a detailed report on the nature of their financial management and service delivery problems and the steps that have been taken to address these. This report should then be presented to the relevant Legislature oversight committees and a justification provided for why it is that a department cannot meet its responsibilities internally. An opportunity should be afforded to civil society organisations and trade unions to provide inputs to these special hearings. Where public services are then subsequently privatised, the PSAM recommends that SLAs are widely published to ensure that the public know exactly what service levels they are entitled to.

The Service Level Agreements

Finding

The SLAs drawn up between the Department of Social Development and AllPay and CPS are effectively unenforceable and cannot be said to have been drawn up in the best interests of the public. Both SLAs lacked adequate mandatory service standards and suitable penalty regimes for enforcing them.

Recommendation

Competent and able departmental negotiators should ensure that SLAs are drawn up which serve the public interest to the full. Given the essentially discretionary nature of many of the clauses contained within the SLAs entered into with AllPay and CPS, it is difficult to conclude that they were drawn up with the intention of maximising the public interest. Government negotiators should be aware that SLAs need to include mandatory service standards that are linked to strict and enforceable penalty clauses. Only then will it be possible for the Department, the Social Development Standing Committee and civil society to hold service providers properly accountable for service delivery failures.

The National Treasury

Finding

The National Treasury failed to properly interrogate the SLAs to ensure they were in the best interests of the public and did not ensure that the Department had the necessary monitoring mechanisms in place to provide effective oversight of the service providers. This, despite the fact that the National Treasury is mandated to carry out both of these essential tasks.

Recommendation

National Treasury's oversight role in respect of the sourcing and implementation of PPPs must be properly exercised in terms of National Treasury Regulations. The National Treasury should be adequately staffed and resourced to enable it to carry out these obligations effectively and efficiently.

The Standing Committee for Social Development

Finding

The Standing Committee for Social Development generally failed to meet its obligations to promote accountability and transparency and ensure the effective delivery of public services. The Standing Committee should, during the negotiations around the SLAs and the payment crisis that followed, have adopted a far more proactive role. This is especially so given the extensive powers it has to force senior figures to appear before it and to hold them accountable.

Recommendation

Standing Committees need to exercise their oversight role more effectively. This report calls on the Eastern Cape Legislature Standing Committees to be better resourced, in terms of both their internal research capacities and their support staff. It also calls on Standing Committees to act without fear or favour and hold all officials accountable, no matter what their position, when service delivery failures take place.

The Department of Social Development

Finding

The Department of Social Development's ability to ensure that AllPay and CPS met their commitments within the SLA was in part compromised by its inability to meet its commitments in terms of providing accurate SocPen data, an effective communication strategy and help-desks at pay-points. (SocPen is the system on which the Department stores beneficiaries' details.)

Recommendation

Government departments need to ensure that they themselves meet their obligations in terms of any SLAs that get written up. It is thus essential that government departments be fully prepared to meet the commitments they agree to in SLAs. There can be no hope of enforcing a strict accountability relationship with private service providers if departments themselves lack the capacity or resources to uphold their obligations.

Monitoring

Finding

To date the Department has still not demonstrated that it has an effective monitoring capacity to ensure that commitments made within SLAs entered into with private companies are enforced. This is despite repeated assurances from senior figures from within the Department that such a monitoring capacity had been, or was about to be, established.

Recommendation

Effective, well-resourced monitoring structures need to be in place to ensure compliance with SLAs. In line with recommendations made by the Interim Management Team (IMT), the Department has created a Contract Management Centre, which is set to

prioritise the monitoring of the SLAs entered into with AllPay and the CPS, and has indicated that it had appointed a 12 person team to monitor service delivery at pay-points throughout the province.¹ However, for such a unit to be effective it must be adequately funded and resourced, in terms of both its budget and competent staff.² Equally, there must be the political will within the Department to actually enforce penalty clauses despite the negative publicity this may well create for all parties concerned.

Value for money

Finding

According to figures contained in the Department's Strategic Plan for 2004–2007 the outsourcing and monitoring of social grant payouts is to cost in the region of R300 million a year over the next three years. Given that both service providers receive payments based on the total number of beneficiaries enrolled, this figure will increase as more and more beneficiaries are registered for grants (this is especially so given the increase in Child Support Grants enrolments currently taking place). This will place an increasing financial burden on the provincial Department of Social Development which is already finding it difficult to contain its spending within the boundary set by its budgeted allocation.

It is acknowledged that the service rendered by the Department before the outsourcing agreements were signed was poor and inadequate but, given the increased costs now being incurred by the Department for the provision of social grants, it can reasonably be expected that the service should improve. Research in this report demonstrates that some 92% of all beneficiaries interviewed by the PSAM stated that service had improved since the outsourcing of payments. However, given the manifest problems, detailed in this report, that persist in the payment of social grants, questions remain as to whether the outsourcing arrangements themselves do, in reality, actually represent value for money. In other words, do the slight improvements that have taken place in service delivery justify the significant extra expenditure the Department has committed itself to?

Recommendation

The PSAM believes that further detailed research and monitoring must be undertaken to establish authoritatively whether the outsourcing arrangements entered into between the Department and AllPay and CPS represent the effective and efficient utilisation of scarce public resources. As is consistent with the principles of transparent and account-

1 Final IMT Report, August 2004, p. 127.

2 The August 2004 report of the IMT notes that funding will be required from the Department to ensure the functioning of the Centre beyond the end of the 2004/2005 financial year, see p. 128.

able government, the tax-paying public are entitled to know whether money spent on its behalf is done so appropriately.

Development and Social Support Funds

Finding

To date some R3.8 million has been raised from the SLA's Development and Support Funds to be set aside specifically for the improvement of pay-point facilities. This money is administered by two steering committees (one for AllPay and one for CPS) and its control and use is the joint responsibility of the service providers and the Department. However, the Department has yet to indicate how it intends to use this money to ensure improvements in pay-point facilities.

Recommendation

The PSAM calls on the Department to publicise its plans for when and how it intends using this money and, equally importantly, how it intends to monitor the spending of these funds.

Spending

Finding

Currently, the Department's strategic plan for 2004–2007 simply states that the Department intends spending some R16 million over the next three years on ensuring that pay-points are constructed in 'prioritised areas.'³ However, the plan lacks any details concerning when and where this money is to be spent and whether this money is spent in conjunction with the funds currently available from the Development and Support Fund. In addition, the plan fails to indicate whether any monitoring mechanism has been put in place to ensure that this money is spent effectively and efficiently.

Recommendation

The Department needs to draw up a detailed strategic plan on how it intends making the best possible use of the money it has budgeted over the next three years for the development of pay-points. For strategic plans to be effective they need to be based on a thorough needs analysis of the current state of pay-points. Encouragingly, the August

3 Department of Social Development, Strategic Plan, 2004 – 2007, p. 40.

2004 IMT report notes that an assessment of pay-point infrastructure was being carried out by the Department. Once such a needs analysis has taken place strategic reports must be drawn up which present specific, measurable, achievable, realistic, time-bound and costed objectives. In addition, the plans should include a detailed account of the maintenance and upgrading needs of existing pay-points. Such plans should also then include details of how the Department intends to monitor their implementation and which department structures or officials will be responsible for ensuring that the plan's objectives are met. The PSAM calls on the Department to publish its strategic plans for the development of pay-points.

Staff vacancies

Finding

For the 2000/01 financial year the Department confirmed a vacancy rate of 51 per cent, a figure that was replicated exactly in 2001/02 and 2002/03. In 2001/02 the Department also reported a middle-management and above vacancy rate of 29 per cent, rising to 51 per cent for 2002/03.⁴ As of August 2004 the staff to beneficiary ratio in respect of social security administration in the province is 1:2900, this contrasts with an average ratio in other provinces of 1:1700.⁵ The recent report of the IMT identified general staff shortages and capacity limitations among managers as urgent challenges that the Department continues to face.⁶ The Department itself noted that staff shortages meant that 'critical units/functions like ... monitoring of outsourced payments ... remain inadequately provided for'.⁷ It is inconceivable that a Department can function to its maximum potential and meet its Constitutional mandate in terms of service delivery (including the monitoring of SLAs) if it is chronically understaffed.

Recommendation

Staff shortages must be addressed by the Department of Social Development. The Provincial government needs to address the vacancy rate within the Department and put in place mechanisms to ensure that positions are filled and suitable staff retained. For this reason the Department needs to prioritise recruitment within its strategic plans and programme business plans.

4 See Department of Social Development Annual Reports 2000/01, p. 7, 2001/02, p. 7 and 2002/03, p. 94.

5 Final Report of the IMT, August 2004, p. 123.

6 Final Report of the IMT, August 2004, pp. 12 and 132.

7 Department of Social Development, Annual Report, 2002/03, p. 55.

The Interim Management Team

Finding

The turn-around strategy for the Department proposed by the first IMT report is not being fully implemented, owing to a lack of resources. The MEC noted in her policy speech for 2003/04 that 'regrettably ... the budget falls short of enabling us to make a full turnaround of the social grant administration as envisaged in the IMT plans'.⁸ The final IMT report published in August 2004 noted that 'lack of funding has been a crippling problem for the turnaround projects'. It noted that this lack of funding remained a key challenge for the Department. Worryingly, however, the report noted that the turn-around strategy could possibly be funded from departmental underspending in the current financial year (2004/05).⁹

Recommendation

Funding for the IMT's turnaround strategy for the Department of Social Development needs to be increased. The national and provincial Treasuries should take steps to ensure that the Department obtains the necessary funds to implement this turnaround strategy.

However, it should be noted that the ability of government departments to provide quality service delivery is not only dependent on the amount of money they receive; it is equally important that they spend their funds wisely and appropriately. The Eastern Cape Department of Social Development has a history of overspending and underspending its allocated budgets. For the financial year 2001/02 the Department underspent its budget by a huge R680 million, for 2002/03 it overspent by some R72 million and for the current financial year it is predicted to overspend by R 456 million (thus making it highly unlikely that the IMT turnaround strategy will be funded from any underspend).¹⁰ The capacity problems and lack of compliance with regulations that lead to such erratic and inconsistent spending need to be addressed before service delivery challenges will be resolved.

9 Final Report of the IMT, August 2004, pp. 12 and 134. The report noted that it was expected that those turnaround projects that could not be completed in 2003/04 due to lack of funds, would be completed in 2004/05. But, it noted, budgets for 2004/05 were 'significantly lower than expected,' p. 6. It is deeply disturbing to note that Department is looking to its inability to spend money budgeted to it as a means by which to ensure the implementation of the IMT's turnaround strategy, given that one of the key objectives of the turnaround strategy is to improve the Department's ability to spend its budgeted funds.

10 See Department of Social Development, Annual Reports, 2001/02, pp. 52-53, 2002/03, p. 65 and Provincial 4th Quarter Expenditure and Revenue Report, 2003/04, p. 4.

The South African Social Security Agency

The PSAM welcomes the creation of the South African Social Security Agency. In particular the PSAM is encouraged to see that the Agency is mandated to play a monitoring role to ensure that grant applications and the delivery of grants are managed in an effective and efficient manner. However, the Agency needs to be adequately resourced and capacitated to enable it to effectively carry out its mandate. If the agency is to improve service delivery it must be able to draw on suitable resources, both nationally and at the provincial level. Given the pivotal role that it is set to play, the agency must, in particular, adopt an effective monitoring role. There will be little use in streamlining the actual processing of grant applications if the delivery of those very grants remains chaotic and not in line with the national minimum norms and standards that have been agreed upon. Therefore, the agency must be proactive and vigorous in monitoring the delivery of social grants and holding those responsible for their delivery accountable if agreed service standards are not met.



A CPS generator ensures that electricity is available at the Nandi pay-point

Introduction

On 22 August 2002, the Eastern Cape's Department of Social Development (hereafter the Department) entered into a Public–Private Partnership (hereafter PPP) with two companies: AllPay Eastern Cape (Proprietary) Limited (hereafter AllPay), and Cash Paymaster Services Eastern Cape (Pty) Ltd (hereafter CPS). This PPP was entered into with the aim of providing increased efficiency and security in the delivery of social security grants within the area of the Eastern Cape.¹¹ In order to ensure that these aims were met, the Department entered into separate Service Level Agreements (hereafter SLAs), with each company, such that AllPay and CPS are required to undertake the delivery of social security grants under specific terms of reference.¹² In both cases, the agreement is to last for three years, and in the case of CPS's SLA the government has the option of continuing this agreement for an additional two years.¹³

AllPay and CPS made their first payouts on 1 November 2002. However, it soon became apparent that the transfer of responsibility for the distribution of social security grants, from public to private administration, was not a smooth one. Media reports of problems such as, though not exclusively, inefficiency, poor treatment of pensioners and poor communication between beneficiaries and the Department, and between beneficiaries and the two service providers (CPS and AllPay), began to surface.

In the light of these media reports, the Public Service Accountability Monitor (hereafter the PSAM), requested that the Department furnish the PSAM with the SLAs entered into with the two service providers. On 24 February 2003 the Department provided the PSAM with the SLA between itself and AllPay, and on 7 April 2003 the Department furnished the PSAM with the SLA between CPS and itself.

Following the receipt of these documents the PSAM embarked on a project, starting in August 2003 and ending in May 2004, to monitor individual pay-points. This research initiative was endorsed by the Eastern Cape Human Rights Working Group, which comprises the PSAM, the South African Human Rights Commission, the Black Sash Advice Office, the Treatment Action Campaign and the Eastern Cape Paralegal Network. The aim of the group, as a whole, is to coordinate and strategise information-sharing on

11 Social Development MEC Ncumisa Kondlo announced in April 2002 that 'great improvements in the management and delivery of social grants are in store for this year', 2002/03 Policy Speech, p. 6.

12 Service Level Agreement entered into between Department of Social Development Province of the Eastern Cape and CPS Eastern Cape (Pty) Ltd, signed on 22 August 2002. Service Level Agreement entered into between The Eastern Cape Provincial Government and AllPay Eastern Cape (Proprietary) Limited, signed on 22 August 2002.

13 That the duration of both contracts will be three years, subject to the clauses imbedded within the respective SLAs is covered by clause 1.1 in AllPay's SLA and section 4 of CPS's SLA. The Department option to extend its contract with CPS is detailed in section 4 of CPS's SLA.

monitoring and to engage government's delivery of socio-economic rights in the Province, while the aim of this specific project was to determine whether or not the two service providers were adhering to the SLAs they entered into with the Department.



No shelter or seating for beneficiaries at the CPS pay-point in Bomingumzamo



Beneficiaries queue outside in the rain at AllPay's Mgwamqa pay-point

1. The Social Grant Payment Crisis

The following section details the crisis that followed the outsourcing of social grant payments as it was recorded in the Eastern Cape media. It provides a clear insight into the nature and scope of the crisis and demonstrates why the PSAM became involved in monitoring the payment of social grants within the province.

On 22 August 2002 the Department of Social Development entered into a PPP with two companies to distribute social grants within the province. The two companies were CPS, part of the Aplitech group which was already providing payment services to pensioners in Kwa-Zulu Natal and the Northern Province and AllPay, part of the ABSA group which was already distributing social grants in Gauteng, the Free State and the Western Cape.

The Department had been trying to outsource the payment of social grants in the province since 1996 but irregularities in the various tendering processes that had taken place had seen the process continually delayed. However, in May 2001 the department indicated that it was offering yet another tender for the payment of social grants. Department spokesperson, Gcobani Maswana, noted that the province was the only province in South Africa not to have outsourced the service and that by doing so the department hoped to cut fraud and improve service delivery.¹⁴ The then MEC for Social Development, Ncumisa Kondlo, was quoted as saying that outsourcing would 'eliminate a potential and real source of fraud', and would 'have the positive effect of freeing up staff to devote more time to their principal functions of receiving and processing applications'.¹⁵ Ms N. Dekeda, the Head of the Department of Social Development, noted that the 'privatisation of payment became necessary due to the capacity problem facing the department and the high level of fraud associated with the payments'.¹⁶

In January 2002 the Department announced that AllPay and CPS had jointly won the tender at a cost of R183 million.¹⁷ The Department announced that all pensioners would be required to register with one of the new private operators after it had been established how the province would be split between the two. MEC Kondlo indicated that the contracts with the two service providers would be reviewed every three years and that SLAs would adhere at the very least to the national 'norms and standards' that

14 'Bisho to outsource pensions again', *Daily Dispatch*, 1 May 2001.

15 'New grant payment plan will "cut fraud"', *Daily Dispatch*, 8 May 2001.

16 Quoted in Department of Social Development Annual Report, p. 55.

17 The Department's strategic plan for 2004–2007 states that the outsourcing and monitoring of social grants is predicted to cost the Department R277 million for 2004/05, R294 million for 2005/06 and R308 million for 2006/07. Department of Social Development, Strategic Plan, 2004–2007, p. 48.

were expected when outsourcing social grant payments. The MEC stated that these standards insisted that: there be no more than 100 beneficiaries to every staff member; time taken to complete application forms should be no more than 45 minutes; nobody should be more than 45km from a pay-point; and that payment officers, toilets, drinking water taps, seating, first aid kits, shelter and help desks should be available at every pay-point. The MEC stated that a contract monitoring unit had been established within the Department to ensure that pensioners got a quality service and the department value for money from the contracts. Kondlo indicated that if at any point the government became dissatisfied with the level of service provided by either company, the contracts would be legally terminated.¹⁸

Only weeks after signing the contracts with the two service providers the Department told its Standing Committee that it was short of the R207 million¹⁹ it required for outsourcing the service. Reports suggested that the Department was negotiating with the Provincial Treasury for the required funds. The MEC was quoted as saying that 'there is no need to panic yet'.²⁰ This whole episode demonstrates a lack of effective planning within the Department. It was announced in May 2001 that a tender would be offered for the outsourcing of social grants and yet no plans were made to ensure that funding would be in place for the next financial year when the winning service provider would have to be paid.

After the signing of the PPPs in August both AllPay and CPS began the task of registering pensioners for the roll-out of the new system. This would involve so-called smart cards, which would be used to identify recipients. Problems quickly emerged with AllPay's registration process, with media reports indicating that pensioners were having to queue for over two hours simply to register for their grants.²¹ Despite the fact that AllPay was due to take over the payment of pensions in November, by late September they admitted that they had only registered some 80 per cent of beneficiaries. AllPay's Eastern Cape manager, Charmaine Webb, was quoted as saying that they had been overwhelmed by the number of pensioners in certain areas.²²

Over the next few months media reports began to appear which indicated that AllPay and CPS were failing to meet their mandates to provide effective and efficient payment services. Criticisms of AllPay reached a peak in January 2003 when reports indicated

18 'EC pension payouts outsourced', *Daily Dispatch*, 15 Jan. 2002 and Department of Welfare (Social Development) Policy Speech 2002/03, p. 7.

19 Made up of R188m for the contracts, R7m for bank and legal fees and R17m for the registration of beneficiaries, see, 'Grant outsourcing short of R207m,' *Daily Dispatch*, 9 May 2002.

20 'Kondlo: no crisis in outsourcing grants', *Daily Dispatch*, 10 May 2002.

21 See 'Long queues exhaust pensioners', *Daily Dispatch*, 24 Sept. 2002.

22 '80% registered for smart cards', *Daily Dispatch*, 24 Sept, 2002. This seems a somewhat spurious argument given that AllPay would surely have known how many pensioners they were expected to register.

that pensioners were dying in long queues waiting to be paid at AllPay pay-points.²³ Numerous other problems with the service were reported;

- 1) Not enough payment machines were said to be taken to pay-points, meaning that if one broke down long queues formed.
- 2) AllPay was accused by many pensioners of not giving accurate information about when and where the next payment would take place.
- 3) Payment machines were said to be regularly running out of money.
- 4) AllPay staff were said to be rude and inaccessible.
- 5) AllPay was not paying grantees by grant type but rather by ID number.

These concerns were noted by the chair of the Standing Committee for Social Development, Mike Basopu, who said that these problems had been identified and brought to AllPay's attention back in December 2002 but they had done little to rectify them. Basopu was quoted in January saying that sections of the SLA that AllPay had signed with the government were not being adhered to. He said, 'it is clear that they either do not care or don't have the capacity'. Basopu indicated that he would call AllPay before the Standing Committee if it failed to address these concerns.²⁴

In addition to the warnings from Basopu it was reported in January 2003 that the Department itself had given AllPay a final warning to improve service delivery or face the penalty clauses within the SLAs being invoked.²⁵ These problems were, however, not unique to AllPay, as CPS pay-points exhibited almost exactly the same problems relating to cash shortages, incorrect venues and dates, overcrowding and mechanical breakdowns.²⁶

In mid-January the then Premier of the province, Makhenkesi Stofile, called on both AllPay and CPS to be 'fired', stating that he was 'not interested in penalty clauses' but wanted to 'know to what extent the social development department has gone with regard to punishing these companies'.²⁷ The spokesperson for the Department responded by saying that 'we cannot simply tell them to immediately ship out'.²⁸

Reacting to the unfolding crisis within the province, the national Department of Social Development confirmed that it was sending two senior officials to the province to try and resolve the continuing problems at pay-points. Zola Skweyiya, the national Minister for Social Development, stated that he wanted 'the companies and all those responsible for the disbursement of grants to account and take full responsibility for the unacceptable poor service delivery that compromises the dignity of the people'.²⁹

23 See, 'Govt to probe pay point deaths', *Daily Dispatch*, 8 Jan. 2003 and 'AllPay warned to shape up or ship out', *Daily Dispatch*, 7 Jan. 2003.

24 'AllPay may be called to order by Bisho MPLs', *Daily Dispatch*, 6 Jan. 2003.

25 The Department's spokesperson, Gcobani Maswana was quoted as saying, 'it looks as though our system was better than this one', 'AllPay warned to shape up or ship out', *Daily Dispatch*, 7 Jan. 2003.

26 See for example, 'CPS warned to improve service', *Daily Dispatch*, 17 Jan. 2003.

27 'Sack AllPay, says Stofile', *The Herald*, 13 Jan. 2003.

28 'Stofile slammed for pensions call', *The Herald*.

29 'Minister sending top team to probe E Cape pension payouts', *The Herald*, 16 Jan. 2003.

For its part the provincial Department of Social Development had been holding meetings with both AllPay and CPS to try and resolve the growing crisis. After one of these meetings an AllPay manager, Dirk Kotze, argued that the Department had to accept its share of the blame for the ongoing problems. He stated that the SocPen system was to blame (SocPen is the system on which the Department stores beneficiaries' details). Kotze argued that the information regarding beneficiaries that they received from the Department was often incomplete and out of date, meaning that AllPay could not collate beneficiaries to pay-points. He said that this was the cause of many of the problems of overcrowding and beneficiary migration that were plaguing the payment of grants.³⁰

Responding to this criticism the Department admitted that it did not have a unit within the Department to actually monitor the performance of the service providers.³¹ This despite the previous MEC's claim in May 2002 that a monitoring unit had been established within the Department to ensure the effective and accountable operation of the service providers. In addition, a senior Department representative stated that the Department was having difficulties capturing data onto the SocPen system owing to a shortage of staff. This again, despite the fact that one of the main reasons put forward for the outsourcing agreements was that it would free up staff to accelerate the data-capturing process within the Department.

Despite this admission from the Department, the new MEC for Social Development, Neo Moerane-Mamase, stated during a management meeting with CPS, in January 2003, that she would in future refuse to tolerate the company's inability to improve its service. She stated that she had asked CPS to provide a plan of how they intended to improve the situation at their pay-points. She warned them that failure to do so would result in court action against CPS. The MEC also announced that she was establishing a joint committee to try and establish why the two companies were not meeting their obligations in terms of their respective SLAs.³²

A few days later the Department was told at a meeting by its Standing Committee that it had to take full responsibility for the payment of social grants. The Legislature's chief whip Sicelo Gqobana told the Department, and AllPay, who also attended the meeting, that they both had to accept responsibility for the crisis and that they both had to commit themselves to the SLA that was signed between the two parties. A representative from AllPay was quoted as saying that the teething problems that they were still having were unacceptable but argued that the main reason for the problems being experienced was persistent backlogs in the SocPen system. The Director of Social Security told the Standing Committee that the biggest challenge that they and AllPay faced was in capturing beneficiary data on the system. He blamed a continuing shortage of

30 Kotze also noted that AllPay had discovered a number of unregistered pay-points which they were now having to factor into their calculations, *ibid.*

31 'AllPay blames govt dept for pension crisis', *Daily Dispatch*, 16 Jan. 2003.

32 'CPS warned to improve service', *Daily Dispatch*, 17 Jan. 2003.

staff for their Department's inability to ensure that the system was updated timeously.³³

Over the next two months the situation changed very little at both CPS and AllPay pay-points³⁴ with many of the problems in service delivery highlighted above continuing. Over the same period criticism of the two companies from the Department also continued unabated. For example, in early March the MEC lambasted both companies for 'tarnishing' the image of her Department and she said that she had to 'apologise for all the pain and suffering our people have been going through'.³⁵

For its part the Standing Committee for Social Development tried to keep up the pressure on both the Department and the companies concerned. In late March the Chair of the Committee, Mike Basopu, called on the Department to immediately activate the penalty clauses within the SLAs that the two companies had signed. He was quoted as saying, 'when it (the Department) sees flaws in the services rendered by their service providers they should not be afraid to act'. The MEC responded to this call by stating that she had already 'instituted some penalty clauses', details of which, she claimed, were available to all MPLs.³⁶

Also in March the Standing Committee stated that the Department of Home Affairs had to accept a portion of the blame for the ongoing crisis. The Committee reported that inefficiencies in the distribution of new bar-coded ID books were causing delays at pay-points. It was noted that if a pensioner did not have a bar-coded ID they would have to be paid manually, which took far more time and lengthened the queues at pay-points.³⁷

In April 2003 the Interim Management Team (IMT)³⁸ released its report on the four service delivery departments it had been tasked to help manage. This report was highly critical of the situation regarding the payment of social grants within the province. It identified a number of general problems that were contributing to the crisis. It said that, overall, the system that was in place was characterised by a general lack of logistical planning, poor communication and management failure. It noted that the service providers were failing to meet their obligations in terms of the SLAs that they had signed. It said that these service providers

- 1) 'do not always arrive at pay-points as scheduled'.
- 2) 'continuously [sic] re-schedule payments to weekends and public holidays – days not set out in the SLA'.
- 3) 'make payments outside specific hours'.

33 'Social Department to take responsibility of grant payouts', *Grocotts Mail*, 21 Jan. 2003.

34 See for example, 'Bisho seeks court order against CPS', *Daily Dispatch*, 21 Jan. 2003, 'Welfare service dogged by inefficiency', *Business Day*, 28 Jan. 2001, 'Money lenders scare away pensioners', *Daily Dispatch*, 7 Feb. 2003, and 'AllPay, CPS slammed', *Daily Dispatch*, 13 March 2003.

35 'AllPay, CPS slammed', *Daily Dispatch*, 13 March 2003.

36 "'Penalise service providers'", *The Herald*, 20 March 2003.

37 'Home Affairs to blame for social security woes', *Daily Dispatch*, 13 March 2003.

38 Late in 2002, in the wake of consistent reports of failed service delivery and corruption within the Eastern Cape, President Thabo Mbeki deployed the IMT to deal with the chronic administrative and managerial problems being experienced in the province. The overall goal of the IMT was to ensure that service delivery backlogs were addressed and to establish sound management and leadership in the four targeted departments of Health, Education, Roads and Public Works and Social Development.

- 4) 'do not provide statistics in the required format'.
- 5) 'make little [sic] contingency plans'.
- 6) 'make no provision for maintenance of the system and have incomplete enrolment data'.

It is not entirely clear what the source of the IMT's findings were, given that the Department had not yet established a monitoring unit. However, the report also identified the Department's contribution to the crisis, stating that the Department did not always comply with the following:

- 1) 'Provision of lists of bed-ridden beneficiaries to service providers'.
- 2) 'Updating of SocPen procurement information'.
- 3) 'Ensuring the availability of SocPen pay codes to itinerates [sic]'.
- 4) 'Making help desks available at pay-points as per SLA'.
- 5) 'Availability of formal area management committees'.
- 6) 'Training of officials from the service providers in social security, Batho Pele and other policies and legislation'.

It also noted that the Department did not monitor the performance of the service providers to ensure compliance with SLAs.³⁹

The IMT report made a number of recommendations on how these problems could be overcome (its turnaround strategy). Firstly, it suggested that the Department should establish a Grant Processing Centre to ensure the effective and efficient management of social grant applications which, it suggested, would lead to more efficient delivery of social grants. Secondly, it recommended the creation of a Contract Management Centre which would

- 1) 'assist with the definition of the specifications of services to be bought'.
- 2) 'define norms and standards and draw up service level agreements. These agreements will become the base against which the performance of service providers will be measured'.
- 3) 'develop tools for the management of contracts. With the help of these tools, managers will be able to report on exceptions from the expected standards and take corrective action'.
- 4) 'enforce contractor compliance through the use of incentives and penalties'.
- 5) 'ensure that remedial action is taken in cases of dispute, complaints and exemptions'.
- 6) 'help with the resolution of conflict and the facilitation of collaborative relationships between the contracting parties'.
- 7) 'develop a body of best practice, knowledge skills and tools in contract management'.⁴⁰

³⁹ IMT Report, pp. 41-42.

⁴⁰ *Ibid.*, pp. 86-87.

The report also made recommendations of a more general nature concerned with improving management capacity and financial management which it claimed would contribute to the Department's ability to deliver on its Constitutional mandate.

A couple of months later, in June 2003, following the reported death of another pensioner at a CPS pay-point, MEC Moerane-Mamase claimed that the situation with CPS had 'reached a cul-de-sac' as she again threatened to resort to the courts.⁴¹ This was followed by a very strongly worded statement from national Minister Skweyiya, responsible for monitoring the implementation of national policy in the province, who said

the provincial government in general and the Department of Social Development in particular must take serious and drastic punitive action that will send a clear message to CPS that enough is enough. Both the national and provincial governments will no longer tolerate such flagrant violations of contractual agreements ... the time for empty promises is over ... the time has come for the provincial departments ... to make sure that these companies live up to their contractual obligations.⁴²

This statement was followed by a recommendation from the Provincial Department's Standing Committee that the contract with CPS be cancelled immediately.⁴³ A meeting was then held between the MEC and CPS managers where the MEC called for CPS to produce a plan within seven days detailing how it proposed to employ more staff, purchase more machines, deal with the late arrival of officials and improve communication with beneficiaries. The MEC stated that when the contract was signed CPS had agreed to improve shelter and toilet facilities at pay-points within three months but this had not taken place. She argued, 'we are not going to tolerate this conduct from the company. If they don't improve we will be forced to wield a big stick'.⁴⁴

A couple of days after this meeting the Chief Executive Officer of Aplitech, the company which owns CPS, stated that there was currently a 'stand-off' between the government and his company. He denied that it was the responsibility of CPS to develop pay-points and provide items such as chairs and water, claiming that that was the responsibility of the Department. He argued, 'we warned the Department that should the parameters of the contract change, resources would have to change, which would mean extra costs for our company .. we cannot willy-nilly throw money around at the problem'. He added that SocPen was still providing unreliable data which meant that CPS

41 'CPS in breach of service agreement, MEC alleges', *Daily Dispatch*, 12 June 2003.

42 'Death prompts call for drastic action against pension firm', *Daily Dispatch*, 12 June 2003. Spokesperson for the provincial department, Maswana, was quoted as saying 'it is evident that this company (CPS) is not sensitive about the lives of our people. All they are interested in is making profit out of people's lives', 'Bisho set to end pensions contract', *Daily Dispatch*, 12 June 2003.

43 'Pension payout firm should be fired', *The Herald*, 13 June 2003.

44 'CPS given 7 days to get its house in order', *Daily Dispatch*, 18 June 2003. This meeting was then followed by a somewhat bizarre outburst from Premier Stofile who claimed that CPS had managed to 'trick' the government because it had previous experience in negotiating SLAs around the payment of social grants. 'CPS deal a mistake – Stofile', *Daily Dispatch*, 19 June 2003.

remained unable to say with any accuracy how many people would turn up at any given pay point.⁴⁵

Amidst continuing reports of problems at CPS pay-points⁴⁶ the Department then announced that it was relieving CPS of responsibility for six pay-point areas and transferring responsibility back to the Department. Department spokesperson, Maswana, stated that the Department was 'tired of CPS' claiming that all it was interested in was making money, which had 'dented the image of the Department.' He claimed that the Department was busy consulting its lawyers on how to terminate the contract.⁴⁷

This statement was contradicted 10 days later by the MEC who, while confirming that CPS was to lose control of six payment areas, denied that the contract with CPS was to be terminated. She stated that CPS had been given another three months to try and sort out its payments, failing which she said her Department would 'see what to do'.⁴⁸

At the end of July 2003 the Standing Committee for Social Development indicated that it had visited pay-points in mid-June and found that the problems remained much the same. The Chair of the Standing Committee, Basopu, claimed that there were serious problems with the interpretation of the SLAs. He said in particular that he was seeking clarity from the Department about the penalty clauses within the SLA with CPS. In addition, Basopu criticised the Department for appointing an independent auditor to examine the services offered by CPS. He stated that was 'just a waste of money. It is clear that CPS is not delivering'.⁴⁹

In early August 2003 the Department publicly stated that it felt that AllPay had dramatically improved its service over recent months. Spokesperson for the Department, Maswana, was quoted as saying that the service was not yet perfect, but congratulated AllPay for working in partnership with the Department. He said, 'we still have to do some work with AllPay on the issue of adhering to national norms and standards at pay-points. But on the issue of the actual pension payouts the situation seems to have normalised'. He did remark, however, that the Department was concerned about the lack of toilets, seating, shelter and water at some AllPay sites.⁵⁰

In early September 2003 the report of the Standing Committee derived from its pay-point visits in June was tabled before the provincial Legislature. It noted that pay-points still had too few staff, were not secure enough, were still provided with inaccurate infor-

45 'CPS "may be forced to withdraw"', *The Herald*, 21 June 2003.

46 See 'Pensioners leave empty-handed', *The Herald*, 21 June 2003 and, 'Deadline looms for CPS as woes continue', *The Herald*, 21 June 2003.

47 'Department is to pull plug on "sloppy" CPS', *The Herald*, 24 June 2003.

48 'Govt to pay out grants in six districts', *Daily Dispatch*, 4 July 2003. A few days after this statement the national Minister for Social Development alleged that the companies were only paying pensions for profit and that the government was worried about the situation, 'Skweyiya says AllPay, CPS not up to scratch', *Daily Dispatch*, 7 July 2003.

49 'Talks on AllPay and CPS', *The Herald*.

50 'AllPay jacks up pension payments', *Daily Dispatch*, 1 Aug. 2003.

mation by the Department and were still running out of money. The report noted that the main problems were mostly associated with CPS pay-points as they had still not replaced old equipment, did not adhere to their own payment dates, still failed to ensure that staff arrived on time and had also failed to enrol all beneficiaries. In particular the report noted that 'there are still no facilities such as water, shelter and toilets at pay-points as per the service level agreements signed with the Department'. Department spokesperson, Maswana, noted that the Department was to appoint 'people' in November 'to monitor all pay-points' in addition to conducting an audit of both companies to see whether they had 'enough resources and equipment'.⁵¹

A week after the report was tabled the MEC for Social Development met again with senior CPS managers. The MEC was reported as saying that she would no-longer tolerate the problems that were still being reported from CPS pay-points. She indicated that a technical team from the Department would be meeting with the CPS to discuss issues relating to the SLA signed between CPS and the government.⁵²

Little more than a month after this further condemnation of CPS the Department announced that it was handing back to CPS in December 2003 one of the payment areas it had withdrawn from their control only months before in July. Maswana commented that 'we trust them since they are our service delivery partners'. He did indicate, however, that CPS would only be given back one district at a time.⁵³

Over the next ten months problems continued to plague both AllPay and CPS pay-points.⁵⁴ During this period the Department announced its intention to create a system whereby it could pay pensions directly into pensioners' bank accounts. It claimed that such a system would lessen its reliance on CPS and AllPay and would reduce costs for the Department.⁵⁵ In May 2004 the Department finally announced that it had established a team to actually monitor outsourced service delivery, a commitment it had first made in January 2002. The Department indicated that it intended to appoint unemployed graduates and a qualified lawyer to staff the 'Contract Management Unit'.⁵⁶

51 'Pension paypoints in chaos – report', *Daily Dispatch*, 11 Sept. 2003.

52 'CPS warned to buck up', *Saturday Dispatch*, 20 Sept. 2003.

53 'Lady Frere grants to be run by CPS', *Daily Dispatch*, 28 Oct. 2003.

54 See for example, '300 locked out of AllPay paypoint', *Daily Dispatch*, 28 Nov. 2003, 'Anger as pension payout starts 6 hours late', *Daily Dispatch*, 8 Jan. 2004, 'AllPay's security guards rude – police', *Daily Dispatch*, 9 Jan. 2004, 'Grant beneficiaries bribe guards to skip long queues', *Grocotts Mail*, 6 Feb. 2004, 'Pensioners hit in bloody heist', *The Herald*, 10 March 2003, 'Three days of chaos at CPS Elliot paypoint', *Daily Dispatch*, 12 March 2004, 'Pensioners stuck in long payment queues again', *The Herald*, 6 April 2004, 'Sick pensioner dies in queue', *Daily Dispatch*, 6 Aug. 2004.

55 'Payment options for grant holders', *The Herald*, 31 July 2003.

56 'Public-private contracts to be monitored', *Daily Dispatch*, 11 May 2004.

2. The Service Level Agreements

2.1 PSAM requests the Service Level Agreements

It was in the light of the ongoing crisis in the provision of social grants that the PSAM made, on 16 January 2003, a written request to the Department of Social Development for it to furnish the PSAM with copies of the SLAs that it had signed with both AllPay and CPS.

Following the Department's initial refusal to comply with this request, the PSAM, on 29 January 2003, formally requested the SLAs in terms of the Promotion of Access to Information Act (2000). On 24 February 2003 the Department provided the PSAM with a copy of the SLA that it had entered into with AllPay. On 7 April 2003, after some reluctance from CPS or the Department itself, the PSAM was provided with a copy of the SLA entered into between the government and CPS.

The request for the SLAs was made by the PSAM because citizens have a vested interest in establishing the standards of service delivery that they are entitled to in terms of contracts signed with private companies. This is especially so given that these private companies are being paid out of public resources. Without access to such information it is not possible to hold the private companies *and* the government accountable for their performance. Moreover, citizens have a Constitutional right to just administrative action and to social security.⁵⁷

It is an established fact that thousands of extremely vulnerable citizens rely upon the distribution of social grants as a means of supporting not only themselves but also many of their dependents. Recent research carried out by Rhodes University and the University of Cape Town has demonstrated that state pensions are the most important source of income in many rural areas of South Africa. The research found that pension payouts contribute some 75 per cent of the total income of rural black households. It was also found that in 81 per cent of rural households the entire pension was used for the benefit of the household in general. Thus, pensions are used to buy food and clothing, pay school fees and meet the basic survival needs of families more generally.⁵⁸ The critical role that pensions play in poor rural communities explains why pensioners are prepared to queue for hours to ensure that they get their pension, for the reality is that for many rural citizens it can mean the difference between having money to buy food or going hungry. The vital role that pensions play in rural communities makes it all the more im-

57 Section 27(1) of the Constitution states that everyone has the right to have access to 'social security, including, if they are unable to support themselves and their dependents, appropriate social assistance'.

58 'Pension payments critical to rural families' survival, study finds', *This Day*, 23 Feb. 2004. See also <http://rdpm.man.ac.uk/nccpps>

portant that the service standards contained in SLAs are made public so citizens can empower themselves and play a meaningful role in the accountability relationship that exists between themselves as citizens and the government as service provider.⁵⁹

Although the PSAM requested copies of the SLAs signed between the government and AllPay / CPS this does not mean that these private companies, and not the government, should be held accountable for any service delivery failures. Paying out social grants in the province remains the Constitutional and statutory obligation of the Department of Social Development regardless of how it chooses to effect those payments. The fact that the Department chose to outsource the payments does not in any way change this responsibility.⁶⁰ A democratic accountability relationship exists between the citizens of the province and the Department, not between the citizens and the private companies. This point is ably made by the National Treasury Regulations passed in May 2002 which note that:

A PPP agreement does not divest the accounting officer or accounting authority of the responsibility for ensuring that the relevant institutional function is effectively and efficiently performed in the public interest.⁶¹

This means that when SLAs are reviewed by civil society organisations such as the PSAM this is done in order to hold the government accountable for their contents and the commitments made within them, not in order to hold the private companies accountable. Ensuring compliance with the terms of the agreement is the job of the Department that signed the SLAs. By gaining access to SLAs, civil society is able to see whether governments are indeed fulfilling this essential role and ensuring that private companies are meeting the undertakings that they made within the SLAs. If, after reviewing their contents, it is clear that the government is failing in its duty to enforce the service delivery commitments made within them, it then becomes incumbent upon civil society to call the government to account.

2.2 The Service Level Agreements

According to the SLAs signed between AllPay, CPS and the government, the service providers are essentially responsible for three primary tasks in the distribution of social grants; the enrolment of beneficiaries; the payment of beneficiaries and the dissemination of information to beneficiaries. For its part the Department commits itself to two key tasks: to assist the service providers with a communication plan for the enrolment of

59 The Eastern Cape has a population of 6.3 million people, of whom 63.4 per cent live in rural areas. Some 49 per cent of the population of the Eastern Cape are unemployed. See Department of Social Development, *Strategic Plan 2004–2007*, p. 91.

60 This is especially so given that the private companies themselves will become the recipients of public funds.

61 Treasury Regulations for Departments, Trading Entities, Constitutional Institutions and Public Entities, National Treasury, May 2002, p. 47. In the case of a Provincial Department the accounting officer is normally the Head of Department.

beneficiaries and to update the SocPen system.⁶² Within this basic framework both AllPay and CPS also committed themselves to a number of undertakings in regard to pay-points themselves and the payment of social grants at those pay-points. These undertakings can be generalised as follows:

- No one should wait more than two hours during a pay-out time.⁶³
- No pay-point should serve more than a thousand beneficiaries.⁶⁴
- No one should have to travel more than 20 kilometres to get to a pay-point.⁶⁵
- There should be no hawkers and/or moneylenders allowed on the pay-point premises.⁶⁶
- There should be toilets, chairs, first aid kits, water, wheelchairs, portable beds and electricity at every pay-point. Should no electricity be available both SLAs have a specific clause that states that all pay-out units must be able to operate in areas where no electricity is available.⁶⁷
- Each pay-out team must have at least two members who are trained in first aid.⁶⁸
- Venues at which grants are paid should be accessible, and suitable for pensioners and disabled people.⁶⁹
- There should be security at every pay-point venue.⁷⁰
- If someone misses a pay-out there should be a follow-up pay-out held by the officials or company responsible for making payments.⁷¹
- The officials or company responsible for making payments must inform people of their next month's pay date.⁷²
- If, for some reason, the pay-out does not happen on the scheduled day, another day should be scheduled within five days. Everyone should get a receipt indicating the date and venue of the next pay-out.⁷³

62 SLA entered into between the provincial government of the Eastern Cape and AllPay Eastern Cape, pp. 10-14, and SLA entered into between the provincial government of the Eastern Cape and CPS, pp. 6-9.

63 Covered by clause 7.3.9 in CPS's SLA and clause 8.1.10 in AllPay's SLA.

64 Covered by clause 7.3.7 in CPS's SLA and clause 8.1.7 in AllPay's SLA.

65 Covered by clause 7.3.10 in CPS's SLA and clause 8.1.11 in AllPay's SLA.

66 Covered by clause 7.3.12 in CPS's SLA and clause 8.1.13 in AllPay's SLA.

67 With regard to the facilities that each pay-point is required to have, this is covered by clause 7.3.14 in CPS's SLA and clause 8.2.2 in AllPay's SLA. With regard to the provision of electricity, this is covered by 7.3.72 in CPS's SLA and clause 8.9.7 in AllPay's SLA.

68 Covered by clause 8.5 in CPS's SLA and clause 9.5 in AllPay's SLA.

69 With regard to accessibility, this condition is covered by clauses 7.3.6 and 7.3.66 in CPS's SLA and clauses 8.1.6 and 8.6 in AllPay's SLA. Regarding the suitability of pay-points for pensioners and disabled beneficiaries, this condition is covered by clause 7.3.14 of CPS's SLA and 8.2.2.7 of AllPay's SLA.

70 Clauses 7.3.15 in CPS's SLA and 8.2.4.3 in AllPay's SLA deal with the physical barriers that should be present at every pay-point, while clauses 7.3.91-7.3.96 in CPS's SLA and 8.11.2-8.11.6 in AllPay's SLA deal with the training, type and method of security personnel.

71 Covered by clause 7.3.22 in CPS's SLA and clause 8.3.6 in AllPay's SLA.

72 Covered by clause 7.3.28.4 in CPS's SLA and clause 8.3.7 in AllPay's SLA.

73 With regard to re-scheduling of payment, this condition is covered by clause 7.3.24 in CPS's SLA and clause 8.3.8 in AllPay's SLA. With regard to the issuing of a receipt which indicates the next date and venue of pay-out, this can be said to be covered by clauses 7.3.28.4 and 7.3.49 of CPS's SLA and clauses 8.4.2.4 and 8.6.2.21 of AllPay's SLA.

- War veterans and old age and disabled beneficiaries should have a special queue where possible.⁷⁴
- Everyone should be issued with a receipt as proof of payment.⁷⁵

In terms of the facilities actually available at pay-points themselves the SLAs include the following provisions (quoted in full):

AllPay

‘Section 8.2

8.2.1 The Clauses listed under this heading emphasise the requirements listed in the National Norms and Standards document.⁷⁶ These standards will become mandatory and need to be clearly noted. The following clauses indicates [sic] the expectations with respect to the Eastern Cape and includes a strategy by which adherence to the National Norms and Standards can be achieved over a period of time.

8.2.2 Service Providers are expected as part of their social development obligations to develop the infrastructures at Pay-points and enrolment points. A pay point and enrolment point should, as far as possible, meet the following criteria as prescribe [sic] in the National Norms and Standards:

8.2.2.1 Accommodation (permanent building or a marquee)

8.2.2.2 Toilets (permanent and / or mobile)

8.2.2.3 Chairs (in case of temporary pay-points portable chairs are preferred)

8.2.2.4 First aid kit, wheel chairs and portable beds, electricity or a generator

8.2.2.5 Water

8.2.2.6 Where possible the number of beneficiaries should be in-line with the size of the venue

8.2.2.7 Suitability for disabled and old age pensioners

8.2.3 Final costs associated with the development of pay-points needs to be assessed and listed within the first six (6) months after signing the Service Level Agreement. Financing and mutual contribution of pay point upgrading and development will be negotiated between the Department and the Service Provider.

8.2.4 The following nationally approved norms and standards are not included above for practical reasons. However, the objective of Service Provider and Department will be to implement these remaining norms and standards over a period of time. These facilities are;

8.2.4.1 Telephone lines

8.2.4.2 Computer lines

8.2.4.3 Security fence. A fence shall be constructed, where possible, at least 10 metres around the pay point as a security measure.

⁷⁴ Covered by clause 7.3.30 in CPS's SLA and clause 8.4.2.7 in AllPay's SLA.

⁷⁵ Covered by clause 7.3.48 in CPS's SLA and clause 8.6.1 in AllPay's SLA.

⁷⁶ See appendix 1.

8.2.5 The Department will evaluate the infrastructure at pay-points on a regular basis throughout the contract period.'

In addition to these clauses, section 17.1.6.2 of the AllPay contract, which deals with 'Community Support and Development', noted that for the duration of the contract AllPay would maintain a development fund to which it would donate 15 cents for each beneficiary paid by AllPay per month. This development fund was to be used to upgrade pay-points in consultation with the Department.

CPS

'Section 7.3 Payment related operational requirements

7.3.14 Service providers are expected as part of their social responsibility obligations to contribute towards developing the infrastructures at pay-points and enrolment points.

A pay-point and enrolment point should, as far as possible, meet the following criteria as prescribed in the national norms and standards:

- Accommodation (permanent building or marquee)
- Toilets (permanent and / or mobile)
- Chairs (in case of temporary pay-point collapsible chairs are preferred)
- First aid kit, wheel chairs and collapsible beds
- Electricity or a generator
- Water
- Where possible the number of beneficiaries should be in-line with the size of the venue
- Suitability for disabled and old age beneficiaries

7.3.15 The following nationally approved norms and standards are not included above for practical reasons. However, the objective of the Service Provider and the Department shall be to implement these remaining norms and standards over a period of time. These facilities are:

- Telephone lines
- Computer lines
- Security fence. A fence shall be constructed, where possible, 10 metres round the pay-point as a security measure.

7.3.16 Six months after the signing of the Service Level Agreement it shall be expected from the Service Provider to provide the Department with a report on the conditions at each pay-point measured against the above criteria.

7.3.17 The Department shall evaluate the infrastructures at pay-points on a regular basis throughout the contract period.'

In terms of 'Community Support and Development' the CPS SLA that the PSAM received is not complete, as section 14.1.7.1 titled 'Community Support and Development' is followed by section 15.2 with no detail concerning community support. However, the principal researcher for the project has met with representatives of CPS who

have confirmed that CPS do indeed contribute a small percentage of their revenue each month into a fund created to improve pay-point facilities.⁷⁷

Penalty clauses

In both SLAs there are punitive clauses that can be activated should it be felt that the service providers are failing to live up to the standards detailed in their respective SLAs.

The penalty clauses in CPS's SLA, in full, state that:

- 21.10.1 In the event of the Service Provider being in breach of any of the terms and conditions agreed upon by both parties in this SLA, written notification shall be issued by the Department to the Service Provider to remedy such breach.
- 21.10.2 A fourteen (14) working day response time will be allowed by the Department to the Service Provider for rectification after which a penalty of 2% of the service fee for paying out pensions at the effected [sic] pay point or paying out pension in total (depending on the nature of the problem) will be retained until improvement to the satisfaction of the Department has been effected after which retention of fees will be returned. Any loss in interest on the money retained by the Department will be for the account of the Service Provider.
- 21.10.3 However, the following specific penalties shall apply for the non-performance due to the negligence of the Service Provider as listed hereunder.

21.10.3.1 Enrolments

Performance Area	Non-performance	Penalty
Bulk enrolments	Failing to enrol all beneficiaries who present themselves for enrolment within the period specified in paragraph 7.2.7.1	A reduction of 10% of the contractors enrolment service fee at the specific enrolment point(s) until the problem had been rectified to the satisfaction of the Department
On-going (New Applications)	Failing to enrol all beneficiaries who present themselves for enrolment within the period specified in paragraph 7.2.7.2	A reduction of 10% of the contractors enrolment service fee at the specific enrolment point(s) until the problem had been rectified to the satisfaction of the Department

⁷⁷ Meeting, PSAM and CPS, East London, 4 Aug. 2004.

21.10.3.2 Pension data card

Performance Area	Non-performance	Penalty
Availability of a valid pension data card	Failing to comply with the criteria as indicated in paragraph's 7.3.32 up to 7.3.47	A reduction of 10% of the pension data card service fee at the specific pay point(s) until the problem had been rectified to the satisfaction of the Department.

21.10.3.3 Pension payments

Performance Area	Non-performance	Penalty
Payment days	Failing to pay all beneficiaries who present themselves for payment at a specific pay point on or after their allocated payment day within the period specified in paragraph 7.3.19 and 7.3.20	A reduction of 25% on the service fee on the total amount paid out at the specific pay point(s) for the specific period.
Scheduled payment days	Failing to visit a scheduled pay point(s) on a predetermined day(s) without prior notification to the effected [sic] beneficiaries only after obtaining written approval from the Department first.	A reduction of 20% on the service fee on the total amount paid out at the specific pay point(s) as well as reimbursing the Department for any cost occurred [sic] to make alternative arrangement.

21.10.3.4 Reconciliation of payment data

Performance Area	Non-performance	Penalty
Reconciliation of payment data	Failing to reconcile payment data with the SOCPEN system as indicated in paragraph 12	The Department shall be able to withhold the total service fee for pension payments in the Province to the Service Provider for a particular month for as long as the Service Provider fails to submit the reconciliation data for that month. The Service Provider shall not charge the Department interest on this amount.

21.10.3.5 Manipulation of payment data

Performance Area	Non-performance	Penalty
Manipulation of payment data	Payment data of a Beneficiary(s) has been changed without the approval of the Department and / or deductions have been made from a Beneficiary(s) grant without the approval of the Department.	The total service fees for pension payments made at the specific pay point(s) shall be withheld.

While AIPay's penalty clauses amount to much the same as CPS's penalty clauses, detailed above, the slightly different wording justifies spelling out these penalty clauses in full, as follows:

AIPay's penalty clauses state that:

In the event of the Department being dissatisfied with services rendered by the Service Provider and / or the Service Provider failing to meet any criteria set out in this Service

Level Agreement, written notification will be issued by the Department to the Service Provider.

26.2 A seven (7) Business Day response time will be allowed by the Department to the Service Provider for rectification after which a penalty of 2% of the service fee for paying out pensions at the effected [sic] Pay-point or paying out pension in total (depending on the nature of the problem) will be retained until improvement to the satisfaction of the Department has been effected after which retention of fees will be returned. Any loss in interest on the money retained by the Department will be for the account of the Service Provider.

26.3 However, the following specific penalties shall apply for the non-performance as listed hereunder and no money will be returned by the Department to the Service Provider when the problem had been rectified:

26.4 Enrolments

Performance Area	Non-Performance	Penalty
Bulk Enrolments	Failing to enrol all beneficiaries who present themselves for Enrolment within the period specified in Clause 6.3	A reduction of 10% of the Service Providers Enrolment service fee at the specific Enrolment point(s) until the problem had been rectified to the satisfaction of the Department.
On-going (New Applications)	Failing to enrol all beneficiaries who present themselves for enrolment within the period specified in paragraph 6.4	A reduction of 10% of the Service Providers Enrolment service fee at the specific Enrolment point(s) until the problem had been rectified to the satisfaction of the Department.

26.5 Pension data card

Performance Area	Non-performance	Penalty
Availability of a valid Pension Card	Failing to comply with the criteria as indicated in Clause 8.5	A reduction of 10% of the Pension Card service fee at the specific Pay-point(s) until the problem had been rectified to the satisfaction of the Department

26.6 Pension payments

Performance Area	Non-performance	Penalty
Pay-out days	Failing to pay all beneficiaries who present themselves for Pay-out at a specific Pay-point on or after their allocated Pay-out day within the period specified in Clause 8.3	A reduction of 25% on the service fee on the total amount paid out at the specific Pay-point(s) for the specific period.
Scheduled Pay-out days	Failing to visit a scheduled Pay-point(s) on a predetermined day(s) without prior notification to the effected [sic] Beneficiaries only after obtaining written approval from the Department first.	A reduction of 20% on the service fee on the total amount paid out at the specific Pay-point(s) as well as reimbursing the Department for any cost occurred [sic] to make alternative arrangements.

26.7 Reconciliation of payment data

Performance Area	Non-performance	Penalty
Reconciliation Pay-out data	Failing to reconcile Pay-out of data with the SocPen system as indicated in Clause 12.	The Department will be able to withhold the total service fee for pension Pay-outs in the Province to the Service Provider for a particular month for as long as the Service Provider fails to submit the reconciliation data for that month. The Service Provider will not charge the Department interest on this amount.

26.8.1.1 Manipulation of payment data

Performance Area	Non-performance	Penalty
Manipulation of Pay-out data	Pay-out data of a Beneficiary(s) has been changed without the approval of the Department and / or deductions have been made from a Beneficiary(s) grant without the approval of the Department.	The total service fees for pension Pay-outs made at the specific Pay-point(s) shall be withheld.

3. The PSAM Research

The principal aim of the PSAM research was to monitor individual pay-points and determine to what extent the respective SLAs were being adhered to in terms of the commitments made in them. The aim was also to establish whether the contracts represented value for money and whether services themselves were being delivered effectively. Before examining the findings of this research, there follows a brief commentary on the methodology that was applied by the PSAM during the course of the project.

3.1 Methodology

The following methodology was used by the PSAM to carefully track the monitoring process and analyse the data collected:

- A comprehensive questionnaire (with 14 questions) was designed in consultation with the Department of Statistics at Rhodes University.⁷⁸
- The questions themselves were coded to enable the data to be examined in a systematic fashion.
- AllPay and CPS pay-points were selected from rural and urban areas using stratified random sampling techniques. The stratification itself was by type of pay-point.
- Two field workers interviewed beneficiaries at pay-points.
- At least 10% of the beneficiaries present at each pay-point were interviewed.
- Each pay-point visited was surveyed and photographs were taken to demonstrate the level of adherence to SLA commitments.
- A checklist of pay-point facilities was reviewed at each pay-point with the relevant pay-point team leader.
- All data captured was then analysed by the principal researcher for the project and the Department of Statistics at Rhodes University using a statistical software programme called Statistica.

To date, 52 pay-points have been monitored by the PSAM. Of these 52, 28 were under the care of CPS and 24 under the care of AllPay. All pay-points were randomly selected from both urban and rural areas. In total 754 people were interviewed at the 52 pay-points visited by the PSAM research team.

The following section presents the statistical findings of the research⁷⁹:

⁷⁸ See Appendix 2.

⁷⁹ Please note that **sample size: n = 754**.

3.2 Statistical analysis

Table 1

Pay-points visited / number of interviews / percentage of total interviews

Frequency table: Pay-point

	Count	Per cent
Aliwal North	20	2.652520
Bathurst	55	7.294430
B B Zondani	56	7.427056
Bolotwa	14	1.856764
Bomingumzamo	7	0.928382
Cathcart	4	0.530504
Centralhill	10	1.326260
Centuli	9	1.193634
Cibeni	9	1.193634
Cisira	20	2.652520
Dlela	9	1.193634
Ekuphumleni	20	2.652520
Gono	6	0.795756
Goshill	9	1.193634
Kwamagxaki	15	1.989390
Kwanobuhle	39	5.172414
Kwanomzamo	30	3.978780
Kwanonqubela	20	2.652520
Kwazakhele	41	5.437666
Kuvinindwa	7	0.928382
Lingelihle	11	1.458886
Mamfengwini	7	0.928382
Matanga	10	1.326260
McBright	17	2.254642

	Count	Per cent
Mevana	9	1.193634
Mgwanqa	23	3.050398
Misty Mount	4	0.530504
Motherwell	17	2.254642
Mqonci	6	0.795756
Msintsini	20	2.652520
Nandi	8	1.061008
Nolukhanyo	5	0.663130
Nosisa	11	1.458886
Nozibele	3	0.397878
Ntonga	10	1.326260
Nywarha	5	0.663130
Pearston	8	1.061008
Queenstown Indoor Sports Centre	6	0.795756
Qokolweni	5	0.663130
Rainy	14	1.856764
Rosedale	28	3.713528
Sada	22	2.917772
Salem	15	1.989390
Sikulindile	7	0.928382
Southwell	11	1.458886
Summerville	29	3.846154
Tandabantu	8	1.061008
Tetyana	4	0.530504
Thambo village	12	1.591512
Umasizakhe	5	0.663130
Upper Ncise	10	1.326260
Zodwa	4	0.530504

Of the 52 pay-points above, 28 are serviced by CPS and 24 by AllPay.

Table 2
Age distribution

Frequency table: Age:

	Count	Cumulative	Per cent
10.00000<x<=20.00000	8	8	1.06101
20.00000<x<=30.00000	127	135	16.84350
30.00000<x<=40.00000	146	281	19.36340
40.00000<x<=50.00000	92	373	12.20159
50.00000<x<=60.00000	86	459	11.40584
60.00000<x<=70.00000	184	643	24.40318
70.00000<x<=80.00000	93	736	12.33422
80.00000<x<=90.00000	12	748	1.59151
90.00000<x<=100.00000	2	750	0.26525
Missing⁸⁰	4	754	0.53050

Table 2 indicates that some 39 per cent of beneficiaries surveyed at pay-points were over 60 years of age while some 37 per cent were under 40.

Table 3
Type of grant

2-way summary table: Observed frequencies

	Old age	Child support	Disability	Foster care	Row
CPS	95	109	44	0	248
Row %	38.31%	43.95%	17.74%	0.00%	
ALLPAY	187	227	88	4	506
Row %	36.96%	44.86%	17.39%	0.79%	
Totals	282	336	132	4	754

There is no significant difference between AllPay and CPS.

⁸⁰ Missing refers to beneficiaries who, for whatever reason, did not answer particular questions on the questionnaire.

Table 3 indicates that, of the 754 beneficiaries interviewed, 37 per cent were collecting old age grants, 45 percent were collecting their child support, 17.5 per cent were collecting their disability grants, while some half a percent were collecting foster care grants.

Table 4

Question 1: Is this your normal pay-point?

2-way summary table: Observed frequencies

	Q1 no	Q1 yes	Row
CPS	15	233	248
Row %	6.05%	93.95%	
ALLPAY	22	482	504
Row %	4.37%	95.63%	
Totals	37	715	752

There is no significant difference between AllPay and CPS.

Table 4 indicates that only 5 per cent of beneficiaries stated that they were not at their allocated pay-point.

Table 5

Question 2: How long on average do you have to wait for your grant at this pay-point?

2-way summary table: Observed frequencies

	Q2 ≤ 1 hr	Q2 2 hrs	Q2 3 hrs	Q2 4 hrs	Q2 5 hrs	Q2 6 hrs	Q2 7 hrs	Q2 8 hrs +	Row
CPS	140	53	35	15	2	2	1	0	248
Row %	56.45%	21.37%	14.11%	6.05%	0.81%	0.81%	0.40%	0.00%	
ALLPAY	378	72	31	10	1	2	1	2	497
Row %	76.06%	14.49%	6.24%	2.01%	0.20%	0.40%	0.20%	0.40%	
Totals	518	125	66	25	3	4	2	2	745

Statistics: Type x Q2

Chi-square	df	p	
Pearson Chi-square	36.69098	df=7	p=.00001

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 5 indicates that some 86 per cent of beneficiaries interviewed by the PSAM noted that they were waiting less than two hours to receive their grants. This means that 14 per cent of beneficiaries are waiting in excess of two hours to receive their grants. Nearly 5 per cent of those interviewed claimed that they were waiting more than four hours for their grants.

Table 6

Question 3: When did you first apply for a grant?

2-way summary table: Observed frequencies

	<3-5 mths	6-11 mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	Row
CPS	9	33	51	45	23	16	17	53	247
Row %	3.64%	13.36%	20.65%	18.22%	9.31%	6.48%	6.88%	21.46%	
ALLPAY	29	88	78	78	42	20	14	155	504
Row %	5.75%	17.46%	15.48%	15.48%	8.33%	3.97%	2.78%	30.75%	
Totals	38	121	129	123	65	36	31	208	751

Statistics: Type x Q3

	Chi-square	df	p
Pearson Chi-square	20.83031	df=7	p=.00403

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 6 indicates that 21 per cent of beneficiaries applied for their grants in the last year. Some 42 per cent applied between one and three years ago, and 37 % per cent applied between four and six years ago.

Table 7**Question 4: How long did it take you to get your grant after you applied?**

2-way summary table: Observed frequencies

	<3-5 mths	6-11 mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	Row
CPS	146	62	25	8	3	0	1	2	247
Row %	59.11%	25.10%	10.12%	3.24%	1.21%	0.00%	0.40%	0.81%	
ALLPAY	376	77	27	13	2	2	0	3	500
Row %	75.20%	15.40%	5.40%	2.60%	0.40%	0.40%	0.00%	0.60%	
Totals	522	139	52	21	5	2	1	5	747

Statistics: Type x Q4

	Chi-square	df	p
Pearson Chi-square	24.78172	df=7	p=.00083

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 7 indicates that a large proportion of beneficiaries (70 percent) said they had received their grant within five months of applying. Some 28 per cent said they had received their grants between six months and three years after applying, while the remaining 2 per cent said they had waited up to six years for their grants to be processed.

Table 8**Question 5: What is the biggest problem you have had with getting your grant?**

2-way summary table: Observed frequencies

	Q5 1	Q5 2	Q5 3	Q5 4	Q5 5	Q5 6 ⁸¹	Row
CPS	17	3	1	1	1	2	25
Row %	68.00%	12.00%	4.00%	4.00%	4.00%	8.00%	

81 Where 1 = waited more than three months to access grant after application, 2 = did not get any back-pay, 3 = Long wait for approval of disability grants, 4 = grant not approved but no reason given, 5 = Home Affairs delay in issuing ID books and/or birth certificates and 6 = district office lost application forms.

	Q5 1	Q5 2	Q5 3	Q5 4	Q5 5	Q5 6	Row
ALLPAY	56	8	3	3	0	1	71
Row %	78.87%	11.27%	4.23%	4.23%	0.00%	1.41%	
Totals	73	11	4	4	1	3	96

Statistics: Type x Q5

	Chi-square	df	p
Pearson Chi-square	5.711338	df=5	p=.33534

There is no significant difference between types of pay-points.

Table 8 indicates that nearly eight in ten (76 per cent) of beneficiaries noted that the biggest problem in getting access to their grants was waiting more than three months for the grant application to be processed.

Table 9

Question 6: Who did you report this problem to? (Applicable to those who responded to Question 5.)

2-way summary table: Observed frequencies

	Q6 1	Q6 2	Q6 3	Q6 6	Q6 7 ⁸²	Row
CPS	2	15	1	2	0	20
Row %	10.00%	75.00%	5.00%	10.00%	0.00%	
ALLPAY	37	16	0	0	3	56
Row %	66.07%	28.57%	0.00%	0.00%	5.36%	
Totals	39	31	1	2	3	76

82 Where 1 = Social Development Department, 2 = Social Development Department District Office, 3 = Non-Governmental Organisation, 6 = political party constituency office, 7 = other.

Statistics: Type x Q6

	Chi-square	df	p
Pearson Chi-square	26.28839	df=4	p=.00003

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 9 indicates that of those beneficiaries who experienced problems with their grant applications just over half (51 per cent) said that they had reported the problem to the Department of Social Development. A further 41 per cent said that they had reported their problem to the Department's district office.

Table 10

Question 7(a): Was your problem solved? (Applicable to those who responded to Question 5.)

2-way summary table: Observed frequencies

	Q7A No	Q7A Yes	Row
CPS	11	8	19
Row %	57.89%	42.11%	
ALLPAY	12	51	63
Row %	19.05%	80.95%	
Totals	23	59	82

Statistics: Type x Q7A

	Chi-square	df	p
Pearson Chi-square	10.91555	df=1	p=.00095

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 10 indicates that an alarming 28 per cent of all beneficiaries surveyed claimed that their grant application problems had not been resolved. Interestingly, 58 per cent of CPS beneficiaries stated that their problem had not been resolved, as opposed to only 19 per cent of AllPay beneficiaries who claimed that their problem remained unresolved.

Table 11**Question 7(b): Were you happy with the way your problem was solved? (Applicable to those who responded to Question 5.)**

2-way summary table: Observed frequencies

	Q7B No	Q7B Yes	Row
CPS	13	6	19
Row %	68.42%	31.58%	
ALLPAY	18	34	52
Row %	34.62%	65.38%	
Totals	31	40	71

Statistics: Type x Q7B

	Chi-square	df	p
Pearson Chi-square	6.465061	df=1	p=.01100

There is a significant difference between AllPay and CPS ($p < 0.05$).

Table 11 indicates that of those beneficiaries who said that their application problem had been solved, nearly half (44 per cent) said that they were not happy with the way in which their problem had been solved.

Table 12**Question 8: Do you think there has been an improvement in the delivery of social grants?**

2-way summary table: Observed frequencies

	Q8 no	Q8 yes	Row
CPS	54	194	248
Row %	21.77%	78.23%	
ALLPAY	91	367	458
Row %	19.87%	80.13%	
Totals	145	561	706

There is no significant difference between AllPay and CPS.

Table 12 indicates that some 78 per cent of CPS and 80 per cent of AllPay beneficiaries felt that there had been an improvement in the delivery of social grants.

Table 13

Question 9: If yes, when did these changes start taking place?

2-way summary table: Observed frequencies

	<3-5 mths	6-11 mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	Since ALLPAY/ CPS took over	Row
CPS	0	1	2	2	5	1	2	0	181	194
Row %	0.00%	0.52%	1.03%	1.03%	2.58%	0.52%	1.03%	0.00%	93.30%	
ALLPAY	1	9	10	6	6	0	1	6	317	356
Row %	0.28%	2.53%	2.81%	1.69%	1.69%	0.00%	0.28%	1.69%	89.04%	
Totals	1	10	12	8	11	1	3	6	498	550

There is no significant difference between AllPay and CPS.

Table 13 indicates that 93 per cent of CPS beneficiaries felt that service at pay-points had improved since CPS took over the payment of social grants. When it comes to AllPay beneficiaries, 89 per cent felt that the service rendered at pay-points had improved since AllPay assumed responsibility.

Table 14

Question 10: How far did you have to travel to get to this pay-point?

2-way summary table: Observed frequencies

	< 10 km	10-19 km	20-29 km	30-39 km	40-49 km	50+ km	Row
CPS	198	30	12	7	1	0	248
Row %	79.84%	12.10%	4.84%	2.82%	0.40%	0.00%	
ALLPAY	427	44	11	4	6	6	498
Row %	85.74%	8.84%	2.21%	0.80%	1.20%	1.20%	
Totals	625	74	23	11	7	6	746

Statistics: Type x Q10

	Chi-square	df	p
Pearson Chi-square	14.87807	df=5	p=.01090

There is a significant difference between AllPay and CPS.

Table 14 indicates that some 80 per cent of CPS and 86 percent of AllPay beneficiaries travelled less than 10km to the pay-point where they were being paid. However, some 8 per cent of CPS beneficiaries and 5 per cent of AllPay beneficiaries travelled more than 20km to reach their respective pay-points.

Table 15

Question 11: Have you ever witnessed moneylenders within the pay-point premises?

2-way summary table: Observed frequencies

	No, never	Once or twice	Often	Row
CPS	203	27	18	248
Row %	81.85%	10.89%	7.26%	
ALLPAY	448	23	31	502
Row %	89.24%	4.58%	6.18%	
Totals	651	50	49	750

Statistics: Type x Q11

	Chi-square	df	p
Pearson Chi-square	11.24127	df=2	p=.00362

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 15 indicates that 82 per cent of CPS beneficiaries stated that they had never seen a moneylender within a pay-point facility. Some 89 per cent of AllPay beneficiaries stated they had never seen a moneylender within an AllPay pay-point. This means that some 18 per cent of CPS and 11 per cent of AllPay beneficiaries had seen a moneylender within a pay-point at least once.

Table 16

Question 12: In the last year have you been given a receipt with each payment indicating the date and venue of your next pay-out?

	No	Yes	Row
CPS	0	248	248
Row %	0.00%	100.00%	
ALLPAY	1	500	501
Row %	0.20%	99.80%	
Totals	1	748	749

There is no significant difference between AllPay and CPS.

Table 16 indicates that all beneficiaries are being given a receipt with each payment showing the date and venue for the next pay-out.

Table 17

Question 13: Does this pay-point have the following facilities as far as you are aware?

i) Toilets

2-way summary table: Observed frequencies

	No	Yes	Row
CPS	237	11	248
Row %	95.56%	4.44%	
ALLPAY	50	452	502
Row %	9.96%	90.04%	
Totals	287	463	750

Statistics: Type x Q13A

	Chi-square	df	p
Pearson Chi-square	514.9268	df=1	p=0.0000

There is a significant difference between AllPay and CPS ($p < 0.01$).



Toilet facilities at AllPay's Kwazakhele pay-point



Shelter and seating for beneficiaries at this AllPay pay-point in Sada

Table 17 i) indicates that only 4 per cent of CPS beneficiaries surveyed stated that toilets were available for their use. This compares to 90 per cent of AllPay beneficiaries who reported that toilets were available at their pay-points.

ii) Chairs for the aged and disabled to sit down

2-way summary table: Observed frequencies

	No	Yes	Row
CPS	247	1	248
Row %	99.60%	0.40%	
ALLPAY	51	454	505
Row %	10.10%	89.90%	
Totals	298	455	753

Statistics: Type x Q13B

	Chi-square	df	p
Pearson Chi-square	557.1021	df=1	p=0.0000

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 ii) indicates that less than half of one per cent of CPS beneficiaries stated that chairs for the aged and disabled were available at CPS pay-points. In contrast, some 90 per cent of AllPay beneficiaries stated that chairs were available at their pay-points.



A beneficiary is forced to bring her own water to the CPS pay-point at Nosisa



Drinking water available at AllPay's BB Zondani pay-point

iii) Drinking water

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	226	21	1	248
Row %	91.13%	8.47%	0.40%	
ALLPAY	30	473	1	504
Row %	5.95%	93.85%	0.20%	
Totals	256	494	2	752

Statistics: Type x Q13C

	Chi-square	df	p
Pearson Chi-square	538.9422	df=2	p=0.0000

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 iii) indicates that 94 per cent of AllPay beneficiaries interviewed noted that drinking water was available at their pay-points whereas only 8 per cent of CPS beneficiaries said that drinking water was available at CPS pay-points.



In the absence of a portable bed an aged beneficiary is forced to lie on the ground at CPS's Mqonci pay-point



An AllPay wheelchair available to beneficiaries at BB Zondani pay-point

iv) Portable beds

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	248	0	0	248
Row %	100.00%	0.00%	0.00%	
ALLPAY	478	3	23	504
Row %	94.84%	0.60%	4.56%	
Totals	726	3	23	752

Statistics: Type x Q13D

	Chi-square	df	p
Pearson Chi-square	13.25183	df=2	p=.00133

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 iv) indicates that out of 752 people surveyed only three (less than half of one per cent) stated that portable beds were available at pay-points. All three who reported beds at pay-points were serviced by AllPay.

v) Wheelchairs

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	248	0	0	248
Row %	100.00%	0.00%	0.00%	
ALLPAY	338	151	16	505
Row %	66.93%	29.90%	3.17%	
Totals	586	151	16	753

Statistics: Type x Q13E

	Chi-square	df	p
Pearson Chi-square	105.3839	df=2	p=0.0000

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 v) indicates that in total 78 per cent of beneficiaries reported that wheelchairs were not available at pay-points. However, 30 per cent of AllPay beneficiaries reported seeing wheelchairs at AllPay pay-points, whereas no CPS beneficiaries reported seeing any wheelchairs at their pay-points.

vi) First aid kit

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	248	0	0	248
Row %	100.00%	0.00%	0.00%	
ALLPAY	473	15	14	502
Row %	94.22%	2.99%	2.79%	
Totals	721	15	14	750

Statistics: Type x Q13F

	Chi-square	df	p
Pearson Chi-square	14.90294	df=2	p=.00058

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 vi) indicates that only 4 per cent of beneficiaries stated that first aid kits were available at pay-points. This 4 per cent is drawn exclusively from AllPay beneficiaries, as no CPS beneficiaries reported seeing first aid kits at CPS pay-points.

vii) Electricity

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	191	57	0	248
Row %	77.02%	22.98%	0.00%	
ALLPAY	10	487	1	498
Row %	2.01%	97.79%	0.20%	
Totals	201	544	1	746

Statistics: Type x Q13G

	Chi-square	df	p
Pearson Chi-square	473.2481	df=2	p=0.0000

There is a significant difference between AllPay and CPS ($p < 0.01$).



A first aid kit for the use of beneficiaries at the AllPay pay-point at Kwamagxaki



An AllPay electricity generator at Mgwanaqa pay-point

Table 17 vii) indicates that 77 per cent of CPS beneficiaries noted that there was no electricity available at pay-points, which contrasts significantly with AllPay beneficiaries, of whom only 2 per cent claimed that there was no electricity at pay-points.

viii) Easy access for the aged and disabled

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	73	175	0	248
Row %	29.44%	70.56%	0.00%	
ALLPAY	59	444	1	504
Row %	11.71%	88.10%	0.20%	
Totals	132	619	1	752

Statistics: Type x Q13H

	Chi-square	df	p
Pearson Chi-square	36.46123	df=2	p=.00000

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 viii) indicates that 29 per cent of CPS beneficiaries stated that their pay-points failed to provide easy access for the aged and disabled. This contrasts with AllPay beneficiaries, only 12 per cent of whom said that access for the aged and disabled was inadequate.



An aged beneficiary is carried out of an AllPay pay-point at Motherwell because no wheelchairs are available



A beneficiary awaits payment in a wheelbarrow at the CPS pay-point in Nywarha despite CPS's SLA stating that they should provide wheelchairs

ix) Special queues for disabled, the aged and war veterans

2-way summary table: Observed frequencies

	no	yes	not aware	Row
CPS	91	157	0	248
Row %	36.69%	63.31%	0.00%	
ALLPAY	259	240	1	500
Row %	51.80%	48.00%	0.20%	
Totals	350	397	1	748

Statistics: Type x Q13I

	Chi-square	df	p
Pearson Chi-square	15.89877	df=2	p=.00035

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 17 ix) indicates that some 52 per cent of AllPay beneficiaries claimed that there were no special queues for the aged, the disabled or war veterans at AllPay pay-points. This contrasts with only 37 per cent of CPS beneficiaries who claimed that there were no special queues.



An aged beneficiary queues for payment in a wheelbarrow at the CPS pay-point in Nywarha

Table 18

Question 14: How would you describe the behaviour and treatment of people by pay-point staff?

2-way summary table: Observed frequencies

	Always kind & understanding	Sometimes kind & understanding	Rude & unkind	Row
CPS	240	8	0	248
Row %	96.77%	3.23%	0.00%	
ALLPAY	453	44	8	505
Row %	89.70%	8.71%	1.58%	
Totals	693	52	8	753

Statistics: Type x Q14

	Chi-square	df	p
Pearson Chi-square	12.08373	df=2	p=.00238

There is a significant difference between AllPay and CPS ($p < 0.01$).

Table 18 indicates that only 3 per cent of beneficiaries criticised the behaviour of CPS officials at their respective pay-points. This contrasts significantly with AllPay beneficiaries, 10 per cent of whom reported that officials were not always kind and understanding.

The negligence of the Department and the service providers highlighted above has led to a number of recurring problems at pay-points throughout the province. The following section will examine each problem in turn and offer a detailed account of why the problem occurred. It is hoped that this will enable blame to be appropriately apportioned and thus allow civil society to hold those responsible to account.



A beneficiary being assisted by AllPay staff at Centralhill

3.3 Pay-point problems

Long queues / overcrowding at pay-points

The outline of the crisis at the beginning of this report makes reference to numerous instances where beneficiaries were forced to queue well beyond the required limit of two hours. The research that the PSAM has carried out confirms this problem, indicating that over 22 per cent of CPS and 9.5 per cent of AllPay beneficiaries are queuing more than two hours at pay-points.

The SLA with AllPay states that 'all practical measures shall be employed to ensure that beneficiaries shall not queue for more than two (2) hours during a pay-out'. Whereas, the CPS's SLA simply states that 'a beneficiary should not be in a queue for more than two (2) hours during the specified payment hours'.⁸³

When it comes to addressing the issue of why many beneficiaries are waiting more than two hours it becomes clear that there are a number of often interrelated factors contributing to the time it takes for beneficiaries to be paid out. Long queues and overcrowding have occurred at pay-points for the following reasons:

- **The technical failure of payment machines**⁸⁴

While it is understandable that from time to time machines will break down, both SLAs make it clear that long delays at pay-points caused by technical failures are unacceptable. Both SLAs note that all equipment must be 'robust and able to withstand adverse conditions'.⁸⁵ They both also note that each pay-point team should have the 'technical competency' to attend to technical issues on-site. Failing this, both SLAs note that machines should be replaced from the respective service provider's nearest office with minimal disruption to beneficiaries.⁸⁶

- **A lack of electricity at pay-points and the erratic supply of electricity at pay-points**⁸⁷

Both SLAs make it clear that all payout units employed at pay-points must be able to operate where no electricity is available. Furthermore, both SLAs also make it clear that if the electricity supply should fail in an area which normally has a regular supply, the service providers must have a contingency plan 'to enable normal payout functions to be resumed as soon as possible'.⁸⁸

83 Clause 8.1.10 in the AllPay SLA and clause 7.3.9 in the CPS SLA.

84 See for example, 'Skweyiya and EC pension providers smoke peace pipe', statement released by Department of Social Development, 28 Jan. 2003, www.welfare.gov.za/new/January/pipe.htm

85 Clause 8.9.3 in the AllPay SLA and clause 7.3.67 in the CPS SLA.

86 Clauses 8.9.6, 8.9.9 and 8.9.10 in the AllPay SLA and clauses 7.3.71, 7.3.74 and 7.3.75 in the CPS SLA.

87 See for example, 'Welfare payment dogged by inefficiency', *Business Day*, 28 Jan. 2003.

88 Clauses 8.9.7 and 8.9.8 in the AllPay SLA and clauses 7.3.72, and 7.3.73 in the CPS SLA.



Elderly beneficiaries stand out in the open at the CPS pay-point in Misty Mount

- **The SocPen database provided by the Department to the service providers was incomplete and inaccurate**⁸⁹

Both CPS and AllPay have claimed that the data supplied to them, via the SocPen system, regarding beneficiaries is often inaccurate and incomplete. In addition, as we have already seen, AllPay has also indicated that the number of pay-points registered on the SocPen system is inaccurate. AllPay has stated that these limitations with the system have greatly contributed to the queues that have formed at pay-points. They argue that inaccurate information has meant that beneficiaries go to the wrong pay-points, causing delays to the payment process because such beneficiaries have to be manually registered. In addition, legitimate beneficiaries are said to turn-up at pay-points but not appear on the SocPen system.

The SLAs themselves make it clear that it is the sole responsibility of the Department to ensure that the service providers receive information from SocPen to enable them to register beneficiaries effectively.⁹⁰

⁸⁹ See for example, 'AllPay blames govt dept for pension crisis', *Daily Dispatch*, 16 Jan. 2003.

⁹⁰ Clause 7.1 in the AllPay SLA and clauses 7.2.8 to 7.2.12 in the CPS SLA.

- **Migration between pay-points**

The migration of beneficiaries between pay-points has been identified as a major factor which has contributed to the long queues and overcrowding witnessed at pay-points. The service providers themselves have indicated that the weaknesses identified above in the SocPen system have contributed significantly to beneficiary migration. However, it has also been argued that pay-point migration has taken place because the Department has failed to communicate the exact nature of the transition and re-registration process to beneficiaries.⁹¹

Under the new dispensation all existing beneficiaries were to be enrolled and paid out at a particular pay-point. The intention was to try and ensure that beneficiaries attended the same pay-point every month to collect their grants. However, the fact that beneficiaries often seek payment at the 'wrong' pay-points seems to suggest that the beneficiaries themselves were not fully conversant with how the new system was supposed to work.⁹² According to the relevant clauses found in both SLAs it was the responsibility of the Department to communicate with beneficiaries on the 'broad process' of the new system. Both SLAs indicate that the 'initial communication and awareness plan for all users and beneficiaries affected by the tender process will be prepared and executed by the Department'.⁹³ The failure of this initial communication plan was confirmed in January 2003 by the National Minister for Social Development, Zola Skweyiya, who stated that people in the province had not properly adjusted to the new system. He noted that public education would need to be undertaken to ensure that payments went smoothly in the future.⁹⁴

- **No specific queues for the aged, the disabled or war veterans**

As we can see in table 17 (ix) above, some 44 per cent of beneficiaries noted that there were no special queues for the aged, the disabled or war veterans at pay-points.⁹⁵ This problem was widely reported in the media⁹⁶ and in January 2003 AllPay announced that it would introduce a system whereby these groups would be paid out separately by grant type, not by ID number as they had been previously.⁹⁷ However, this announcement merely met with the requirements of their SLA. The AllPay SLA states that 'pay-outs must follow the following preferential sequence where practical: disability grant, old age grant, war veterans' grant, all other types of pay-

91 See, 'Welfare Dept blamed for EC pension chaos', *Daily Dispatch*, 9 Sept. 2003.

92 See, 'AllPay blames govt dept for pension crisis', *Daily Dispatch*, 16 Jan. 2003. Interestingly, anecdotal evidence from beneficiaries informally interviewed by PSAM researchers suggests that representatives at pay-points from both AllPay and CPS were initially telling beneficiaries that they could in fact receive their payments at any pay-point as long as they were enrolled and had appropriate identification on them.

93 Clause 10.2 in the AllPay SLA and clause 9.1 of the CPS SLA.

94 'Skweyiya and EC pension providers smoke peace pipe', statement released by Department of Social Development, 28 Jan. 2003.

95 36.69 per cent of those interviewed at CPS pay-points and 51.80 per cent at AllPay pay-points claimed that there were no special queues for the aged, disabled or war veterans.

96 See for example, 'AllPay to get its house in order by February', *AllAfrica.com*, 15 Jan. 2003.

97 'AllPay promises to improve service', *Daily Dispatch*, 17 Jan. 2003.

outs.⁹⁸ Thus, by paying out beneficiaries according to ID number, AllPay was clearly not adhering to the commitment it had made within the SLA.

Both SLAs also make it clear that there should be separate queues. The AllPay SLA states that, 'where practical and without impacting the service levels at pay-points, disabled, war veterans and old age beneficiaries will have a special queue'. Similarly, the CPS SLA states that, 'war veterans and old age beneficiaries shall have a special queue where practically possible'.⁹⁹

PSAM research has shown, however, that both service providers have begun to address this issue. AllPay is now having separate payment days for the aged, the disabled and war veterans and CPS and, while it is still falling short of its commitment, is prioritising these groups at its pay-points.

- **Poor customer service**

Concerns have been raised via both the media and the Standing Committee for Social Development about the lack of professionalism shown by staff employed by the service providers, and AllPay in particular. Staff have been accused of being rude and of turning up late at pay-points. The SLAs make it clear that all officials of the service providers were to receive training in social security matters relating to the Social Assistance Act, regulations, department care and the Batho Pele principles of customer care. The SLAs note that such training was to be the sole responsibility of the Department.¹⁰⁰ The fact that complaints were made concerning the poor attitude of staff at pay-points speaks to the failure of the Department to ensure that adequate training of CPS and AllPay staff has taken place. In fact, in written correspondence from the Department to the PSAM at the end of February 2003, the Department admitted, some four months after the service providers had assumed responsibility for pay-points, that it was still busy training CPS staff members.¹⁰¹

- **Payment failures / incorrect payments**

The failure to pay beneficiaries and the incorrect payments that have been reported at pay-points can be attributed to the problems mentioned above with the SocPen system and the Department's failure to provide the public with the necessary information concerning the introduction and process of the new payout system.

- **Poor pay-point facilities**

We have seen that both SLAs articulated a minimum level of facilities, in line with the national norms and standards, that should be in place at pay-points.¹⁰² The PSAM's research clearly demonstrates that these standards are being met at very few pay-points.

98 Clause 8.4.2.6 of the AllPay SLA. An identical clause appears in the CPS SLA, see clause 7.3.29.

99 Clause 8.4.2.7 of the AllPay SLA and clause 7.3.30 of the CPS SLA. It is not clear why the CPS SLA fails to state that disabled beneficiaries are entitled to queue separately.

100 Clause 9.2 in the AllPay SLA and clause 8.2 of the CPS SLA.

101 Letter, Department of Social Development to PSAM, 25 Feb. 2003.

102 See chapter 4: Service Level Agreements.



There are no functional toilet facilities at AllPay's Southwell pay-point

- i) **Toilets** – Only 4 per cent of CPS beneficiaries stated that toilets were available at CPS pay-points, whereas at AllPay pay-points some 90 per cent of beneficiaries claimed that toilets were available. It is clearly totally unacceptable that some 10 per cent of beneficiaries at AllPay pay-points are expected to queue for up to two hours, and often longer, without access to toilets. However, it seems inconceivable that some 96 per cent of CPS beneficiaries reported having no access to toilets at pay-points. It is true that CPS pay-points are predominantly located in the old apartheid era 'bantustan' of the Transkei, an area which suffers from an historical apartheid legacy of underdevelopment, but this does not mean that CPS cannot ensure that there are at the very least temporary toilet facilities at each pay-point. This must be a minimum requirement if beneficiaries are to be treated with even the minimum of dignity at pay-points.
- ii) **Chairs** – According to PSAM research 99 per cent of CPS beneficiaries stated that no chairs were available at CPS pay-points. The situation at AllPay pay-points is markedly better, but still unacceptable, with 10 per cent of beneficiaries reporting that chairs were not available. Again, this can also be partly explained by the lack of infrastructural facilities within the CPS region, but the SLAs also clearly state that where pay-points are of a temporary nature collapsible chairs must be provided.



Beneficiaries are forced to sit in the open on the grass as they await payment at the CPS pay-point in Ntonga



A beneficiary at the CPS pay-point in Vinidwa brings his own makeshift chair to the pay-point



An elderly woman is carried at AllPay's Motherwell pay-point despite AllPay's SLA stating that wheelchairs should be provided for beneficiaries

- iii) **First aid kits** – 100 per cent of beneficiaries interviewed at CPS and 94 per cent of beneficiaries at AllPay pay-points said that they did not know if their respective pay-points had a first aid kit.¹⁰³ This, of course, does not mean that these pay-points do not have first aid kits but it does demonstrate that both service providers have failed to communicate to beneficiaries that they are available if they are required.
- iv) **Wheelchairs** – PSAM research demonstrates that some 100 per cent of CPS beneficiaries and 67 per cent of AllPay beneficiaries stated that wheelchairs were not available at pay-points.¹⁰⁴
- v) **Water** – Both SLAs state that water should be available for beneficiaries at pay-points. 94 per cent of respondents at AllPay pay-points stated that water was available at pay-points, whereas for CPS only 8.5 per cent of beneficiaries said that water was available.¹⁰⁵ Again, this can partly be explained by the paucity of infrastructure within areas serviced by CPS. However, in the absence of any running water, it is reasonable to expect that CPS will provide mobile water supplies to beneficiaries.
- vi) **Portable beds** – Of those beneficiaries interviewed at CPS pay-points 100 per cent stated that no portable beds were available. At AllPay pay-points 95 per cent of respondents observed that there were no portable beds, with the remaining

103 See table 17 (vi).

104 See table 17 (v).

105 See table 17 (iii).



An absence of fencing allows hawkers to 'enter' the CPS pay-point at Centuli

beneficiaries stating that they did not know if beds were available.¹⁰⁶ Given that these beds are portable by nature there can be no reason why the service providers cannot ensure that they are available at pay-points.

vii) **Suitability for disabled and old age beneficiaries** – In the opinion of 29 per cent of beneficiaries at CPS pay-points and 12 per cent at AllPay pay-points the pay-points themselves were not suitable for the disabled or the aged.¹⁰⁷ This is despite the stipulation in both SLAs that facilities should be suitable for these beneficiaries.

viii) **Special queues for the disabled, aged and war veterans** – As we have already seen, 37 per cent of CPS beneficiaries and 52 per cent of AllPay beneficiaries stated that there were no separate queues for these specific groups.¹⁰⁸

- **Distance travelled to pay-point**

We have seen how both the SLAs note that no beneficiary should have to travel more than 20 kilometres to a pay-point. The research carried out by the PSAM notes that 8 per cent of CPS beneficiaries and 5.5 per cent of AllPay beneficiaries are travelling more than 20 kilometres to pay-points.¹⁰⁹ This, once again, represents a failure to adhere to standards stipulated in the SLAs as it is unacceptable that some 6.3 per cent of *all* beneficiaries surveyed are travelling more than 20 kilometres to collect their social grants.

106 See table 17 (iv).

107 See table 17 (viii).

108 See table 17 (ix).

109 See table 14 .



Security regulating entry into the AllPay pay-point at Queenstown Indoor Sports Centre

- **Security concerns**

Both SLAs state that it is the responsibility of the service providers themselves to provide armed security at all pay-points. This is to ensure a safe environment within which beneficiaries will be paid. Beneficiaries were not asked to address the question of pay-point security during the PSAM research but newspaper reports do indicate that serious lapses in security have taken place at some pay-points. In July 2003 armed robbers fled with R1.2 million from a CPS pay-point in Ngqeleni, near Umtata.¹¹⁰ Two beneficiaries were shot and injured at a pay-point outside Mooiplaas and Nwara villages in March 2004 in a bungled robbery attempt.¹¹¹ Three months later another beneficiary was shot in a R300,000 robbery at a CPS pay-point in Butterworth.¹¹²

In addition, both SLAs make it clear that it is the responsibility of both service providers to ensure that moneylenders and hawkers should not gain entry to pay-points.¹¹³ However, the PSAM research shows that 13 per cent of all beneficiaries questioned at both AllPay and CPS pay-points claimed that they had seen money lenders within pay-points.¹¹⁴

These problems are only likely to be properly addressed when fencing is erected around all pay-points in accordance with the agreed National Norms and Standards.

110 'Women hold up paypoint', *City Press*, 13 July 2003.

111 'Pensioners hit in bloody heist', *The Herald*, 10 March 2004.

112 'R300 000 pension heist in B' worth', *Daily Dispatch*, 16 June 2004.

113 Clause 8.1.13 of the AllPay SLA and clause 7.3.12 of the CPS SLA.

114 See table 15.

4. PSAM Analysis

This report argues that the problems associated with the payment of social grants are the result of the combined negligence of the Department and the appointed private service providers.

The Department was found to have been negligent in three key areas:

- 1) It failed to timeously establish a monitoring unit to ensure that both service providers adhere to their respective SLAs.
- 2) It failed to implement the penalty clauses included within the SLAs that it had agreed to once it became clear that both service providers were failing to meet their commitments in terms of the SLAs.
- 3) It failed to meet its own commitments to the service providers in terms of the SLAs.

Similarly, both service providers were found to have been negligent in that they failed to meet the commitments that they had made in the SLAs that they signed.

Moreover, it is the finding of this report that the Department's failure to implement effective oversight over the service providers contributed to many of the problems that were experienced at pay-points. However, this report also argues that, even if the provincial government had created an effective monitoring tool to hold the service providers accountable, the SLAs themselves were so weak that it might well have proved impossible for the Department to effect the improvement in service delivery that it sought to achieve through the outsourcing of the delivery of social grants.

4.1 Monitoring of service providers

It stands to reason that a government department's ability to judge whether an SLA is being adhered to is entirely dependent upon its capacity to monitor in a rigorous and efficient manner the standards of service delivery actually being provided by service providers. Only through a comprehensive and ongoing assessment of service provision will it be possible for a department to judge whether commitments made by service providers within SLAs are actually being met and, accordingly, whether effective and efficient use is being made of public funds. Only by monitoring and exposing instances where commitments are not being met is it possible for the Department to invoke appropriate penalty clauses and ensure that remedial action takes place.

The need for an effective monitoring system was recognised by the provincial MEC for Social Development in her policy speech for 2002/03 when she stated that monitoring the performance of AllPay and CPS would be necessary to ensure that the department got value for money from the two service providers. She noted that the Department had upgraded and expanded the social security structure into a chief directorate

and had built into the structure a monitoring and evaluation component. She stated that her Department was 'mindful of the fact that outsourcing on its own will not improve service delivery hence the importance of monitoring the providers to improve efficiency'.¹¹⁵

In addition to this promise, both SLAs included sections which called for the creation of a contract monitoring structure. Both SLAs note that from the day the contracts were awarded a project team had to be established 'to set up, coordinate, monitor and evaluate the project'. This team was to be chaired by the Department and was to be made up of four members appointed by the Department, and three members from the respective service provider.¹¹⁶

Additionally, both contracts make it clear that a senior Steering Committee was to be established which would 'oversee compliance' with the SLA and 'deal with policy issues'.¹¹⁷

Both SLAs also note that 'the service provider will be monitored continuously to ensure that all customers of the service provider are satisfied with the services rendered'. This monitoring was to be carried out by means of three questionnaires. The first would measure the Department's satisfaction with the service providers, the second would measure beneficiaries' satisfaction with the service providers and the third would measure the performance and quality of security at pay-points.¹¹⁸

In addition the CPS SLA notes that six months after the signing of the contract (February 2003) CPS would be expected to provide the Department with a report detailing the conditions at each pay-point measured against the standards agreed to in the SLA.¹¹⁹ Interestingly, there is no such requirement in the AllPay SLA, which merely states that final costs associated with developing pay-points will be assessed within the first six months of the contract.¹²⁰

Despite this apparent intention to monitor the outsourcing of social grant payouts it can be stated with authority that the Department has singularly failed to meet this objective. In the chronology of the crisis presented in Chapter 1 we have seen how MEC Kondlo stated that a contract monitoring unit had been established within the Department to ensure that pensioners got a quality service and the department value for money from the contracts.¹²¹ We have also seen how 11 months later the Department admitted publicly to its Standing Committee that there was no such monitoring unit.¹²² In fact, the

115 Department of Welfare (Social Development) policy speech 2002/03, p. 7.

116 Section 24.1 of AllPay SLA, p. 49 and section 21.1 of the CPS SLA, p. 30.

117 Section 24.2.3 of AllPay SLA, p. 51 and section 21.5 of CPS SLA, p. 31. These Steering Committees are to be made up of four representatives from the Department (Chief Director, Director for Social Security, Chief Financial Officer, Project Manager) and two from the service provider (Managing Director and Provincial Manager).

118 Clause 21 Customer Satisfaction, AllPay SLA, p. 48, Clause 18 Customer Satisfaction, CPS SLA, p. 29.

119 Clause 7.3.16 of the CPS SLA.

120 Clause 8.2.3 of the AllPay SLA.

121 'EC pension payouts outsourced', *Daily Dispatch*, 15 Jan. 2002 and Department of Welfare (Social Development) Policy Speech 2002/03, delivered 16 April 2002, p. 7.

122 'AllPay blames govt dept for pension crisis', *Daily Dispatch*, 16 Jan. 2003.

Department had indicated to the PSAM in writing in February 2003, in response to a written PSAM request for information regarding the monitoring unit, that it had actually 'created' a 'monitoring and evaluation sub directorate' but had been unable to staff the directorate owing to budgetary constraints. This means that either the MEC deliberately misled the Committee or officials within the Department must have misled the MEC.

The Department did note in February 2003, however, that it had been given funding to hire two contractors to monitor service delivery until the end of March 2003.¹²³ In April 2003 MEC Moerane noted that a 'team of inspectors' and a 'monitoring unit' would be established to monitor AllPay and CPS's compliance with their respective SLAs. She said that this would 'put an end to the immense suffering experienced by beneficiaries due to the poor performance of these companies'. She did, however, note that funds might not be available to 'populate and operationalise the structure'.¹²⁴ In August 2003 the then Department Head, Ms Dekeda, admitted that one of the key challenges that her department still faced was to 'monitor closely the CPS and AllPay'.¹²⁵ The Department then stated in September 2003 that it was appointing staff to monitor 'all pay-points' from November 2003. It also indicated that it was to carry out an audit of the two service providers. It is not known what came of this audit, or whether it even took place, but what is known is that the Department created what it called a 'Contract Management Centre' only in May 2004, nearly two years after the contracts were signed with the service providers.

The establishment of such a centre was one of the key recommendations made by the IMT some 13 months earlier to try and ensure that service providers offered value for money.¹²⁶ According to the Department the centre was to be staffed by unemployed graduates and a lawyer based in East London and would 'monitor business transactions between the Social Development Department and its service providers'.¹²⁷ Questions remain, however, concerning the suitability and competency of this unit to carry out the monitoring role that it has been assigned to complete. For example, will the unit be able to actually visit pay-point sites on a regular basis, or will it be office-bound? Will it have a role to play in monitoring the actual drawing-up of SLAs? And will it be provided with the necessary resources and political will to actually enable it to enforce penalty clauses

123 Letter, Ms N Dekeda to Mr C Allan, 2 Feb. 2003.

124 Quoted in Department of Social Development, Policy Speech, April 2003, p. 4. She continued by noting that 'a task team has been established to look at an innovative approach to upgrade out pay-points the purpose of which is to ensure compliance with nationally established norms and standards and to transform pay-points into sites where services are delivered in a respectful manner where the facilities do not erode the dignity of our beneficiaries. The short-term need is for tents to provide shelter, plastic chairs, portable toilets, and water'.

125 Quoted in Department of Social Development, Annual Report 2002/03, p. v.

126 The August 2004 report of the IMT noted that the delay in creating the Contract Management Centre was caused by a shortage of funds to actually staff the centre. Final IMT Report, August 2004, p. 127.

127 Public-private contracts monitored', *Daily Dispatch*, 11 May 2004. The Department also noted in August 2004 that it had contracted 12 people to monitor pay-points throughout the province. See Department of Social Development response to final IMT Report, p. 4.

within SLAs? For SLAs to be monitored effectively, and public confidence to be restored, both in the Department and in the service providers themselves, these issues need to be addressed by the Department.

4.2 The Service Level Agreements

This report argues that even if the Department had instituted an effective and efficient service delivery monitoring system it would almost certainly have found it impossible to force AllPay and CPS to adhere to many of the commitments made within their respective SLAs. This is the case for two reasons:

- 1) Both SLAs are replete with vague and poorly defined terminology when they articulate many of the commitments that the service providers are to meet. This renders them effectively unenforceable.
- 2) The Department itself was found to be complicit in many of the problems experienced at pay-points, which means that it also failed to meet its commitments in terms of the SLAs.

The penalty clauses contained in both SLAs fall into two categories. Firstly, both SLAs contain a broad non-specific clause concerning overall compliance with the SLA and, secondly, they both contain a set of specific penalty clauses.

The AllPay SLA notes that

In the event of the Department being dissatisfied with services rendered by the Service Provider and / or the Service Provider failing to meet any criteria set out in this Service Level Agreement, written notification will be issued by the Department to the Service Provider.

A seven (7) Business Day response time will be allowed by the Department to the Service Provider for rectification after which a penalty of 2% of the service fee for paying out pensions at the effected [sic] Pay-point or paying out pension in total (depending on the nature of the problem) will be retained until improvement to the satisfaction of the Department has been effected after which retention of fees will be returned. Any loss in interest on the money retained by the Department will be for the account of the Service Provider.¹²⁸

In addition to this the SLA notes that the contract will be considered breached¹²⁹ if 'any party breaches any of its obligations in terms of this Agreement and fails to remedy such breach within seven (7) days ... if such breach is capable of being remedied'. In

¹²⁸ Clauses 26.1 and 26.2 of the AllPay SLA.

¹²⁹ Which enables the party not in breach to terminate the contract.

addition it notes that a breach occurs if

Any party ceases or is unable for any reason whatsoever to conduct its business in an ordinary or regular manner, and fails to take reasonable steps to remedy such situation within twenty-one (21) days after having been called upon in writing to do so by the other party.¹³⁰

The CPS SLA also includes similar overarching clauses, which differ only in that CPS has 14 days to remedy any problems as opposed to the seven days available for AllPay:

In the event of the Service Provider being in breach of any of the terms and conditions agreed upon by both parties in this SLA, written notification shall be issued by the Department to the Service Provider to remedy such breach.

A fourteen (14) working day response time will be allowed by the Department to the Service Provider for rectification after which a penalty of 2% of the service fee for paying out pensions at the effected [sic] pay point or paying out pension in total (depending on the nature of the problem) will be retained until improvement to the satisfaction of the Department has been effected after which retention of fees will be returned. Any loss in interest on the money retained by the Department will be for the account of the Service Provider.¹³¹

The CPS SLA also includes a reference to contract breach which reads exactly the same as the AllPay breach notice but notes that any party has 60 days, as opposed to the 21 days in the AllPay SLA, to remedy any problems.¹³² This differential application of performance standards is inexplicable.

We have already seen that both SLAs also included a set of specific penalties which would apply to service providers for non-performance due to their negligence. However, these were narrowly targeted to cover the enrolment of beneficiaries, the availability of pension cards, adherence to payment days, reconciliation of payment data and the unauthorised manipulation of payment data.¹³³

We can see that both SLAs state in general terms that the service providers themselves must adhere to the commitments made in terms of the SLAs. To reconfirm, the AllPay SLA notes that if the Department is 'dissatisfied with services rendered by the

130 Clauses 25.1 and 25.1.2 of the AllPay SLA.

131 Clauses 21.10.1 and 21.10.2 of the CPS SLA.

132 Clauses 21.9.1 and 21.9.2 of the CPS SLA. The fact that CPS has been given more time in its SLA to remedy any failure to adhere to the commitments contained in it may suggest that both parties were aware of the lack of infrastructural facilities within those parts of the province that CPS was tasked to service.

133 See specific penalty clauses listed above.

Service Provider' it could expect them to be rectified within seven working days of the Department notifying AllPay in writing of its dissatisfaction. Failing this it could impose a fee. In addition, if a problem it had identified was not rectified within 21 days it could claim that the agreement had been breached. The CPS SLA notes that if the Department considered CPS 'in breach of any of the terms and conditions agreed upon by both parties in this SLA' it could institute penalty fees within 14 working days. If the problem was then not corrected by CPS for another 60 days the Department could then claim the contract breached.

The effectiveness of both these accountability regimes is premised on the SLAs themselves including a rigorous and enforceable set of standards. This report argues that both SLAs contain too few specific penalty clauses and both contain so many ill-defined phrases which are open to interpretation as to render their provisions legally unenforceable.

The paucity of penalty clauses and the vague language that is used in both SLAs can be seen by examining their handling of the issue of pay-point facilities and overcrowding. As we have seen, the issue of pay-point facilities has been the focus of the majority of the media commentary that has been generated concerning the outsourcing of the payment of social grants. However, when it comes to apportioning blame, in terms of the SLAs, for the poor facilities at many pay-points this becomes exceptionally difficult, as the following illustrations show.

ALLPAY

The AllPay SLA contains numerous weak statements that do not adequately serve to enforce standards. In terms of pay-points the SLA notes that

- 1) they should not deal with more than 1000 beneficiaries, but only where this is '*practically possible*'.
- 2) overcrowding and long queues should be avoided '*where possible*'.
- 3) '*all practical measures*' should be employed to ensure that no beneficiary queues for more than two hours.
- 4) the average distance a beneficiary travels '*should preferably*' not exceed 20 kilometres.
- 5) mobile pay-points '*should*' be within 5 kilometres of residential areas.
- 6) AllPay shall '*as far as possible*' ensure that no hawkers or moneylenders are allowed into pay-points.
- 7) war veterans, disabled and aged beneficiaries would have a separate queue '*where practical*'.
- 8) pay-points should '*as far as possible*' be located in community halls or similar facilities.

Regarding the National Norms and Standards, the SLA notes that they '*will*' become mandatory. The SLA then lists the minimum facilities that should be available at pay-

points (first aid kit etc. ...) but states that pay-points *'should, as far as possible'* meet these minimum standards. It goes on to mention that the remaining National Norms and Standards (relating to telephone lines, computer lines and security fences) will be implemented *'over a period of time'*.¹³⁴

CPS

The CPS SLA also contains numerous weak statements that do not adequately act to enforce minimum service delivery standards. In terms of pay-points the SLA notes that

- 1) pay-points should *'as far as possible'* be located in community halls or similar facilities.
- 2) they should not deal with more than 1000 beneficiaries, but only where this is *'practically possible'*.
- 3) a beneficiary *'should'* not be in a queue for more than two hours.
- 4) the distance that a beneficiary needs to travel to get to a pay-point *'should not'* exceed 20 kilometres.
- 5) mobile pay-points *'should'* be within 5 kilometres of residential areas.
- 6) overcrowding and long queues should be avoided *'as far as possible'*.
- 7) War veterans, disabled and aged beneficiaries would have a separate queue *'where practically possible'*.

Regarding the minimum standards expected at pay-points, the SLA notes that they *'should, as far as possible'* be met. It also goes on to mention that the remaining National Norms and Standards would also be implemented *'over a period of time'*.¹³⁵

Given the constant use of such conditional words and phrases as *'should'*, *'where possible'*, *'as far as possible'* in both SLAs it hardly seems surprising that there are no specific penalty clauses relating to overcrowding and facilities available at pay-points. If for example, the SLAs had stated that war veterans, disabled and aged beneficiaries **must** have a separate queue it would then become easy to implement a penalty clause stating that a penalty fee will be imposed every time it is observed that a separate queue is not available. This intervention would of course be based on the premiss that the Department has established capacity to monitor service provision. The failure to use unconditional and meaningful terms, such as *'must'* and *'will'*, has prevented the Department from having penalty clauses which actually hold the service providers accountable

134 This clause specifically notes that security fences are not expected at pay-points for the foreseeable future, which means that AllPay would inevitably find it difficult to ensure that hawkers and moneylenders did not intrude into pay-points.

135 As far as the national 'norms and standards' are concerned the National Department of Social Development indicated in its strategic plan for 2004–2007 that they would only be phased in over time. It stated that the National Department was looking to ensure compliance with them by March 2005 at the earliest. National Department of Social Development, Strategic Plan 2004–2007, p. 40.

136 If the Department did decide to challenge the service provision offered by either company, either via arbitration or formal legal means, the vague nature of the terminology used in the SLAs would almost certainly be open to interpretation. This could possibly lead to a situation where a judge decides what the service providers are and are not actually responsible for; whereas it is, of course, the primary objective of the SLAs to indicate who is responsible for what.

for their failures. At present both SLAs read, at times, like little more than wish lists detailing how the Department would ideally like to see social grants being paid out.¹³⁶

Even when there are specific provisions which do use unconditional language appropriate penalty clauses are not included in the SLAs. For example, both SLAs note that for locations that normally have electricity an alternative pay out mechanism **must** exist in the event of power failure to allow normal payments to function within one hour. But, as we have seen, the service providers have cited power failures as one reason for their inability to make payments at pay-points. In this instance the Department should have insisted on the implementation of the specific penalty clause if beneficiaries waited for more than one hour for their payment in the event of a power failure.

Despite the fact that both SLAs do have broad clauses relating to service delivery provision those clauses themselves are ineffective if commitments to be met are not articulated in a rigorous and clear manner. It is a indictment of the Department itself, and those who negotiated on its behalf, that most of the commitments made in both SLAs, aside from the few specific penalty clauses, are essentially unenforceable. Therefore, it can be argued that the Department was negligent in its negotiation with both AllPay and CPS and did not act in the best interests of the Eastern Cape public at large.

4.3 The Provincial Department of Social Development

The failure of the Department to meet its own obligations in terms of the SLAs also greatly compromised its ability to hold either service provider accountable for the service delivery failures which bedevilled the payment of social grants. The Department's admission that it has failed to supply AllPay and CPS with up-to-date, accurate information via the SocPen system, which has contributed to many of the problems experienced at pay-points, has made it impossible for the Department to disentangle who is actually to blame for the immediate crisis at pay-points.¹³⁷ The IMT noted with concern in its recent final report that the unreliability of SocPen data remains a key challenge that the Department must address. It indicated that the Department still lacked an integrated technology system for the management of the social security grants system, a situation which it claimed 'has resulted in the near collapse of this important departmental function.'¹³⁸

Another key commitment that the Department made to the CPS was that it would provide help desks at all pay-points to assist beneficiaries with any queries they had concerning their grants.¹³⁹ However, some eight months after signing the contracts the

137 It is interesting to note that for the last three years the Auditor-General has pointed to the limitations the SocPen system in terms of the reliability of the date and the quality of record-keeping involving grant beneficiaries. See 2000/01 Department of Social Development Annual Report, p. 50, 2001/02 Annual Report, p. 58 and 2002/03 Annual Report, p. 60.

138 Report: Work of the Interim Management Team: Eastern Cape November 2002 March 2004, p. 122.

139 Clause 7.2.12 of the CPS SLA. Quite why this commitment is not included within the AllPay SLA is not known.

140 Quoted in, Department of Social Development, Policy Speech 2003/04, p. 4.

MEC noted that help-desks would be established at all pay-points only by the end of April 2003.¹⁴⁰ She then noted in August 2003 that help-desks had not been 'fully established' at all pay-points'.¹⁴¹ Then in April 2004 she identified the lack of help-desks at pay-points as a 'recurrent service delivery problem' which had to be turned around.¹⁴² In fact, out of the 52 pay-points visited by the PSAM only 22 actually had help desks, of which 21 were at CPS pay-points.

As we have already seen, the Department also failed to adequately communicate the new payment regime to beneficiaries. This is evidenced by the fact that PSAM research shows that between August 2003 and May 2004 some five per cent of beneficiaries were still not attending their allocated pay-point.¹⁴³ It is perhaps significant to note that within the Department's strategic plan for 2004–2007 MEC Moerane-Mamase notes that the Department is to improve the administration of social grants, the main focus of which will be an effective communication strategy.¹⁴⁴

Given its failure to meet its own commitments as spelt out in the SLA it is inconceivable that the Department could successfully challenge the service delivery being offered by AllPay and CPS. This seems to be evidenced by the fact that throughout the crisis the Department made numerous references to invoking penalty clauses but, as far as can be ascertained, failed to activate any of them.¹⁴⁵

4.4 The Provincial Standing Committee for Social Development

It is clear from the media reports of the crisis that the Standing Committee for Social Development did partially fulfil its oversight role when problems began to emerge after the signing of the contracts with AllPay and CPS. However, questions remain as to the Standing Committee's effectiveness in holding the Department accountable to the Legislature.

According to the Constitution, a provincial Legislature must provide for mechanisms 'to maintain oversight of the exercise of provincial executive authority in the province [and] any provincial organ of state'.¹⁴⁶ Much of the work of Legislatures is done by standing committees, which are comprised of elected members of the Legislature. Such standing committees are assigned to specific government departments and are tasked with ensuring accountability, transparency and the implementation of policy within depart-

141 Quoted in Department of Social Development Annual Report, 2002/03, p. ii.

142 Quoted in Department of Social Development Policy Speech 2004/05, p. 2. The Department's Strategic Plan for 2004–2007 notes that one of its targets is to ensure that helpdesks would be operational at pay-points. See, p. 19.

143 See Table 4 above.

144 Quoted in Department of Social Development Strategic Plan 2004–2007, p. 2. The plan notes that one of the key weaknesses of the Department has been its 'poor dissemination of information', p. 9.

145 For example, the Department's annual report for 2002/03 noted that 'problems of underperformance on the part of service providers resulting in the subjecting of beneficiaries to humiliating conditions were highlighted. Investigations on which penalty clauses to be invoked, if any, is [sic] being pursued through the services of legal experts'. Department of Social Development, Annual Report 2002/03, p. 53.

146 Constitution section 114 (1) and (2).

ments. According to section 115 (a, b and c) of the Constitution, a committee of a Legislature can

- i) summon any person to appear before it to give evidence, or produce documents.
- ii) require any person or provincial institution to report to it.

These powers apply equally to members of the Executive Council.¹⁴⁷ In other words, the Standing Committee has the power to call the MEC for Social Development to appear before it to provide an account of the Department's performance at any given point in time.

In terms of the Standing Rules of the Eastern Cape Legislature the responsibilities of standing committees are extensive and exacting. Section 63 of the rules provides that standing committees must:

- i) ensure that all provincial executive organs of state in the province are accountable to it
- ii) monitor, investigate, enquire into and make recommendations relating to the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, personnel, policy formulation or any other matter it may consider relevant, of the Provincial Department, organs of state or Departments falling within the category of work assigned to the committee.¹⁴⁸

What section 63(ii) above states is that the Standing Committee for Social Development had an obligation to monitor the outsourcing of social grant payments from the moment the idea was first mooted. This is because, in terms of section 63(ii), Standing Committees are expected to monitor the level of service delivery provided by their respective Departments. This means that if aspects of service delivery are to be outsourced then respective Standing Committees must play a role in the assessment of any proposed Public–Private Partnership (PPP) to consider its necessity and whether it represents value for money for the citizens of the province. Given the crisis that has ensued since the outsourcing of social grant payments and the limitations in the SLAs themselves pointed out above, it would appear that the Standing Committee for Social Development failed to provide the kind of oversight that it is mandated by the Constitution to provide.

The apparent failure of the Standing Committee for Social Development to offer effective oversight over the Department is due, in part, to a lack of research capacity within Eastern Cape Legislature Standing Committees more generally. The PSAM has become increasingly aware that Standing Committees within the Legislature lack the research capacity to effectively monitor service delivery. They are under-capacitated

147 Section 133 (2 and 3b) of the Constitution notes that members of the Executive Council 'are accountable collectively and individually to the Legislature for the exercise of their powers and the performance of their functions'.

148 Standing Rules of Procedure of the Eastern Cape Provincial Legislature, p. 36.

because their members are often not chosen on the basis of specialised skills relating to their portfolios, and because the Committees themselves lack resources, such as researchers, to enable them to function effectively. In addition, oversight Committees are often made up of more junior members of the ruling party. This makes it difficult for them to provide oversight over senior party members who make up the Executive and in some instances have been appointed as Heads of Departments (HoDs).

The Provincial Legislature itself has recently acknowledged some of its shortcomings in this regard. It noted that one of its key objectives was to improve the oversight process and ensure that sittings of committees were given priority. However, it also noted that committee infrastructure 'needed to be improved' if the Legislature was to work efficiently.¹⁴⁹

4.5 The National Treasury

This report has already criticised the national Department of Home Affairs for its apparent inability to provide bar-coded ID books necessary for the payment of social grants. However, this should not be the only national department under scrutiny for its role in the social grant payment crisis experienced in the Eastern Cape.

In May 2000 new national Treasury regulations came into force, in line with the 1999 Public Finance Management Act, which regulate the outsourcing of service provision throughout the country.¹⁵⁰ These regulations state that before a PPP can be implemented, written approval has to be granted by the National Treasury. They also state that such approval will only be given if a proposed PPP provides value for money, is affordable and transfers appropriate technical, operational and financial risk to the private party.

To satisfy these requirements it is incumbent upon the accounting officer of a state institution, in this instance the Head of the Department of Social Development, to prepare a feasibility analysis that

- 'a) explains the strategic and operational benefits of the PPP agreement for the institution in terms of the institution's strategic objectives and government policy
- b) describes in specific terms –
 - i) the nature of the institutional function concerned
 - ii) the extent to which this function, both legally and by nature, can be performed by the private company in terms of a PPP agreement and
 - iii) what other forms of PPP were considered, and how the proposed form was selected.
- c) assess [sic] whether the agreement will –
 - i) provide value for money

149 Eastern Cape Provincial Legislature, Annual Report, 2002/03, pp. 11-23. This report was presented to the Legislature in August 2003.

150 National Treasury Regulations, 31 May 2000, section 16 Public-private partnerships. This regulation was in place for the AllPay and CPS agreements. It has since been amended slightly twice but remains essentially the same.

- ii) be affordable for the institution, and
 - iii) transfer appropriate technical, operational and financial risk to the private party
- d) includes any relevant information, figures and economic criteria used to justify those assessments
- e) explains the capacity of the institution to effectively enforce the agreement, including to monitor and regulate implementation of and performance in terms of the agreement.¹⁵¹

In addition the regulations note that the feasibility analysis 'should contain the main terms of the agreement to be signed with the private party and the institutional arrangements for monitoring and enforcing these terms'.¹⁵²

The regulations also note that it is the responsibility of the accounting officer of the department concerned to establish mechanisms for

- 'a) monitoring and regulating the implementation of, and performance in terms of, the agreement
- b) liaising with the private party
- c) resolving disputes and differences with the private party, and
- d) generally overseeing the day-to-day management of the agreement.¹⁵³

What these regulations mean is that the National Treasury should have made a full and detailed assessment of the outsourcing arrangements with AllPay and CPS which should have included a review of the 'main terms of the agreement' and how the Department of Social Welfare proposed to ensure their enforcement. Only after such an assessment should the National Treasury have approved the arrangements with AllPay and CPS. The current acting head of the Public-Private Partnership Unit within the National Treasury recently stated that his unit plays 'a very big role in assisting departments' when drawing up SLAs.¹⁵⁴ Given the vague nature of many of the undertakings within the SLAs, which seem to suggest more of a discretionary than a mandatory regime, and the wholesale failure of the Department to implement any kind of monitoring until well into both contracts, it seems that either the Department misled the National Treasury or the Treasury was negligent in agreeing to the outsourcing.

Either way, there has been a wholesale failure to adhere to the accountability relationship that is implied in these regulations; a failure for which officials must be held accountable.

151 National Treasury Regulations, section 16.5.

152 *ibid*, section 16.6.

153 *ibid*, section 16.9.

154 E-mail, Uven Bunsee to PSAM, 18 Aug. 2004.

5. The Current Situation

The PSAM research demonstrates that despite the manifest problems regarding the facilities actually available at pay-points most beneficiaries interviewed by the PSAM feel that the actual delivery itself of grants has improved since AllPay and CPS took over.¹⁵⁵ While this illustrates just how poor levels of service delivery for social grants in the Eastern Cape were previously, it does show that the payment of social grants has improved since the beginning of the payment crisis in November 2002. This point is acknowledged by the final report of the IMT, which argues that the Department has managed to 'stabilise' service delivery 'crisis issues' although pay-point facilities remain inadequate.¹⁵⁶

As far as facilities at pay-points are concerned, the Department announced in May 2004 that it would, in partnership with AllPay, CPS and two banks (First National and Standard), build ten new pay-points in the province within the first 100 days of the new Premier, Nosimo Balindlela's, tenure in office.¹⁵⁷ It is also encouraging to read in the Department's strategic plan for 2004/07 that it intends to address the issue of poor facilities by making resources available for the construction of pay-points. It notes that for the 2004/05 financial year the Department is to spend some R5 million on pay-point facilities. This figure is to rise to R5.3 million for 2005/06 and to R5.6 million for 2006/07.¹⁵⁸ Concerns remain, however, as there is no indication in the strategic plan of when or where these pay-points are to be constructed. However, the August 2004 final report of the IMT has recently noted that the Department has conducted 'extensive liaison' with AllPay and the CPS in order to improve facilities. The report noted that an assessment of pay-point infrastructure was being conducted and 'proposals to phase in improvements are being developed'.¹⁵⁹

Despite this, in a recent meeting between a PSAM researcher and two senior officials from the Department of Social Development the Department indicated that it had started to build only two new pay-points. The officials noted that in conjunction with CPS it has started to build pay-points in Mount Fletcher and Mqanduli at a cost of R460,000.¹⁶⁰

155 The PSAM research demonstrates that 79 per cent of those surveyed felt that there had been an improvement in the delivery of social grants. See Table 12.

156 Final Report of the IMT, pp. 12 and 126.

157 '10 new centres to boost E Cape grant pay-outs,' *Herald*, 18 May 2004. Interestingly, the programme had initially stated that it would build 20 new pay-points, but this figure was then revised down to 10.

158 Department of Social Development, Strategic Plan, 2004 – 2007, p. 40. It is alarming to note that these figures are contradicted in the Provincial Budget Statement for 2004/05 which states that between April 2004 and March 2007 the Department intends to spend R45 million on the construction of pay-points, Provincial Budget Statement, 2004/05, p. 97.

159 Final Report of the IMT, p. 120.

160 First 100 Days Report, Province of the Eastern Cape, Office of the Premier, p. 18. Meeting PSAM and Department, Social Development, East London, 12 August 2004.

Encouragingly, the officials noted the funds for the construction of these two sites were drawn from the CPS's Development and Support Fund which, as we have seen, was set up specifically to improve pay-points. The officials informed the PSAM that there was currently R2 million in the CPS fund and R1.8 million in the AllPay fund to be spent on the improvement of pay-points. They were however, unable to say when and how these funds would be used, other than indicating that the Lady Frere and Ntabankulu pay-points were likely to be the future recipients of funding.

The Department's strategic plan also notes that one of its objectives will be the monitoring and evaluation of outsourced grant payments.¹⁶¹ In particular it states that it will invest approximately R2 million each year from 2004–2007 on ensuring that help-desks are available at pay-points.¹⁶² This is especially critical given that, according to the IMT, as of August 2004 only 142 help-desk assistants had been trained to staff help-desks at some 72 pay-points,¹⁶³ despite the fact that CPS has no less than 1909 pay-points in the province alone, with AllPay having a further 746. Also in August, the Department did, however, indicate that it had appointed 12 staff members to monitor service delivery at pay-points throughout the province.¹⁶⁴ Presumably, this refers to the same staff members that the Department announced in May that it had recruited to staff its newly created Contract Management Centre.

Despite the public protestations to the contrary by the Social Development MEC,¹⁶⁵ serious concerns still remain regarding the ability of the Department to meet its commitments to improve service delivery at pay-points. To date there is little evidence that an effective monitoring system is functioning and the Department's ability to meet its commitments in terms of improving pay-point facilities remains dubious.

5.1 South African Social Security Agency

In 2000 the concept of a national social security agency was mooted by the government to try and address nation-wide problems in the delivery of social assistance. The principle problems identified included inefficiencies in the actual registering of beneficiaries, resulting in long delays in grant approvals, ineffective payment processes and high levels of benefit fraud.

161 The Final Report of the IMT confirmed that a Contract Management Centre was indeed functioning within the Department and that, as of March 2004, monitoring and evaluation tools were being finalised, p. 5.

162 Department of Social Development, Strategic Plan, 2004–2007, p. 48. Interestingly, the plan also notes that the Department will invest some R2 million each year on 'investigating' new contract methods. It is not clear exactly what this means, but it may suggest that the Department has recognised that it needs to improve its ability to negotiate contracts with private service providers.

163 Department of Social Development response to final IMT Report, August 2004, p. 4.

164 Department of Social Development response to final IMT Report, August 2004, p. 4. This information is contradicted by the Report of the IMT, which states that two auditors and three field monitors had been appointed to monitor service delivery at pay-points, Final Report of the IMT, p. 129.

165 'MEC tells of Social Dept's successes', *Daily Dispatch*, 3 June 2004.

This agency was envisaged as a public entity in terms of the Public Finance Management Act and in October 2002 the cabinet gave approval for the agency. In July 2003 the South African Social Security Agency Bill was drafted which outlined the objectives, functions and responsibilities of the agency. The memorandum on the objectives of the Bill noted that the establishment of an agency was necessary because there were 'certain weaknesses' in the administration and payment processes which resulted in some beneficiaries 'not timeously receiving assistance'. The memorandum then noted that the government had decided to prioritise the improvement of service delivery in this area via an agency.¹⁶⁶ In June 2004 the South African Social Security Agency Act was passed by Parliament.

The Act notes that eventually the Agency will become 'the sole agent that will ensure the efficient and effective management, administration and payment of social assistance', in addition to which it will 'render services relating to such payments'.¹⁶⁷ The significance of this development is that it means that the Agency itself will presumably take over responsibility for the SLAs signed with AllPay and CPS, including their possible extension. The Act seems to indicate that in the future the Agency can enter into any subsequent agreements with service providers, as it states that 'the agency may ... enter into an agreement with any person to ensure effective payments to beneficiaries'. Encouragingly, the Act notes that the Agency is also mandated to provide an oversight role when entering into any agreements. It states that any agreements entered into must ensure, among other things

- a) the effective, efficient and economical use of funds designated for payment to beneficiaries of social security.
- b) the promotion and protection of the human dignity of applicants for and beneficiaries of social security.
- c) financial penalties for non-compliance with the provisions of the agreement.¹⁶⁸

The Act itself does not specify when the transfer of responsibility from the provinces to the agency is expected to take place. However, a presentation made by the National Department of Social Development to its relevant Standing Committee noted that it anticipated transfer would begin in June 2004 and would take approximately two years.¹⁶⁹

166 South African Social Security Agency Bill, Memorandum of the Objects of the South African Social Security Agency Bill, July 2003, p. 10. The final report of the IMT noted that processing times for social grant applications in the province were far too slow, leading to litigation against the Department from potential beneficiaries, Final IMT Report, August 2004, p. 124.

167 South African Social Security Agency Act, 3 (a, b and c). The National Department of Social Development Strategic Plan for 2004–2007 notes that the Agency 'will pave the way for an [sic] improved and effective management and control of the delivery of social benefits, administration and payments', p. 20.

168 South African Social Security Agency Act, 4 (2) a, b and f. It is interesting to note that a national Department of Social Development report to the Portfolio Committee for Social Development in August 2001 noted that the National Department must be involved in all negotiations with service providers to ensure 'uniformity' and 'compliance through performance targets and in-built penalty clauses', see <http://www.pmg.org.za/docs/2001/appendices/010829Improve.htm>

169 Presentation by National Department of Social Development to the National Portfolio Committee for Social Development, 23 February 2003.

The PSAM will observe the transfer of responsibility to and success, or otherwise, of the Agency with interest.

The final section of this report includes a number of recommendations that have emerged from the PSAM research. It is hoped that publishing these recommendations will encourage the Department and the Social Security Agency to engage with the PSAM and other stakeholders in a debate over how best to continue to improve the delivery of social grants in the province. The PSAM also hopes that this booklet will serve to enable citizens of the province to more effectively hold their elected representatives accountable for the delivery of vital public services in the Eastern Cape.

Conclusion

The last few years have seen an acceleration in the global trend towards the privatisation of services which have traditionally been the preserve of government. Given Africa's recent commitment to accelerate this trend, via the NEPAD agreement, and the seeming willingness of government departments within the Eastern Cape to try and absolve themselves from some of the responsibility for service delivery, it seems that the outsourcing of traditional government services is set to gather pace in the coming years.

The August 2004 report of the work of the IMT on the Eastern Cape Department of Social Development emphasises the Department's increasing reliance on partnering with third party providers to deliver the bulk of its services. In this regard the report notes with concern that 'the management of these partnerships has been poor' and points to the management of the SLAs with AllPay and CPS as the prime example of this poor management.¹⁷⁰

While the Department's management of the outsourcing arrangement has undoubtedly been poor, it is of equal concern that the Department has failed to acknowledge its responsibility for the service delivery problems encountered. Of particular concern is the fact that, throughout the course of the crisis, the provincial government used the media to try and shift the blame for the crisis onto AllPay and CPS. For example, in August 2003 the MEC argued that 'the service providers are still not yet fully complying with the set government norms and standards, consequently thousands of grant beneficiaries are being paid in conditions which undermine their dignity'.¹⁷¹ In another typical statement, this time in January 2003, the then Premier Stofile declared that both companies 'should have been fired'.¹⁷² These reports served to confuse the issue of accountability and responsibility for the social grants service delivery crisis in the minds of the wider public. While AllPay and CPS undoubtedly failed to meet some of their commitments in terms of the SLAs, the responsibility for the crisis remains exclusively with the Department and the provincial government.

Such statements by senior government figures can only be interpreted as attempts to divert attention away from the failings of the provincial government and, in doing so, they undermine the accountability relationship that exists between the government and the tax-paying citizens of the province.

170 The Norms and Standards document produced by the national Department of Social Development noted that 'poor management of service level agreements is not uncommon'. Norms and Standards Document, p. 7.

171 Quoted in Department of Social Development Annual Report, 2002/03, p. iii.

172 'Sack AllPay, says Stofile,' *The Herald*, 13 Jan. 2003.

In the national Social Development Department's norms and standards document there is a recognition that problems exist in the payment of social grants. It notes that, 'some contractors are not treating the beneficiaries well and this results in negative press coverage'.¹⁷³ However, this comment itself illustrates the tendency to shift the focus of the accountability relationship that exists between the government and citizens elsewhere. Firstly, much like the remarks made by senior officials within the provincial administration in the Eastern Cape, it fails to contextualise the relationship that exists between the contractors and the government in terms of the government's responsibility for the ill-treatment of beneficiaries and for resolving problems at pay-points. Secondly, it seems to suggest that the national Department of Social Development is more concerned with negative press coverage than it is with the abuse of beneficiaries' Constitutional rights. What is unique about the South African Constitution is the obligation that it places on the state to, within available resources, progressively realise basic socio-economic rights for all citizens.¹⁷⁴ Section 10 of the Bill of Rights contained in the South African Constitution notes that 'everyone has inherent dignity and the right to have their dignity respected and protected'. Given the appalling and humiliating conditions that beneficiaries are subjected to at many pay-points, section 10 is not being realised.

The provincial department's attempts to shift the blame for the pay-point crisis onto AllPay and CPS and the national department's preoccupation with poor press coverage hamper the accurate identification of the service delivery problems that have arisen. It also serves to preclude the possibility of open and honest debate around how to address these problems. This state of affairs is inconsistent with the government's Constitutional obligations, as service delivery problems will only be overcome, and citizens' rights progressively realised, if the government engages in a transparent debate with all concerned stake holders – something which it has failed to do in respect of the social grants payment crisis in the Eastern Cape.

If South Africa hopes to achieve the progressive realisation of basic socio-economic rights for all, then the political will must exist, both nationally and provincially, to uphold the principles of accountable and transparent government that are enshrined in the Constitution.

173 Norms and Standards Document, p. 7.

174 See section 27 of the Bill of Rights, South African Constitution.

Appendix 1:

Department of Social Development National Norms and Standards Policy for Social Assistance Service Delivery

Principle 6: Pay points and Facilities

Policy Objective: **Pay points will be turned into dignified beneficiary contact centres that are accessible.** Firstly, pay points will be rationalised in line with demographic trends and service requirements. In addition, a pay point will cease to be just a place to disburse grants, but will also become a point through which the Department will communicate with the beneficiaries.

7.6.1 Norm: All pay points shall ensure that basic facilities such as toilets, water, medical first aid kits, and shelter will be 100% available at all times

Standards: Develop a strategic plan for roll out and upgrading of pay points to maximise on investment, plan and budget in conjunction with stakeholder government departments, Commitment to ensure the dignity of beneficiaries is upheld, long term planning to ensure return on investment, asset management policy.

KPI: Availability of basic facilities such as toilets, water, medical first aid kits, shelter, chairs will be 100%.

7.6.2 Norm: No more than 1000 beneficiaries at a pay point on one payment session

Standards: Manage the distribution of pay points and stagger the beneficiaries accordingly, Pay point and facilities management strategy in place, monitoring and Review system.

KPI: number of beneficiaries at pay points.

7.6.3 Norm: Mobile pay point within reach in residential areas, and 20 km distance to a fixed pay point, Multi-purpose centres within reach, 40 KM Radius

Standards: Implement infrastructure strategy, ensure “sufficient” use of banking infrastructure is optimised, knowledge of demographics to ascertain demand, Co-operate with stakeholder departments. Facilities and management system, monitoring system, co-operation between government departments, community and private sector.

KPI: Average distance to be travelled by a beneficiary to get to a mobile pay point, a fixed pay point and a multi-purpose centre, extent of co-operation between various stakeholders, return on investment on physical infrastructure.

7.6.4 Norm: Timely payment of beneficiaries shall be in the following order: Permanent Disability first, Old Age Second, War Veteran third and the rest of beneficiaries

Standards: Establish helpdesks, train payment officials and security, pay point committees, Involvement of community committees, helpdesk availability, knowledge of Batho Pele

KPI: Timely payment of key beneficiaries

7.6.5 Norm: 100% payments within monthly time schedules and reconciliation

Standards: all data transfers are automated, SLA's are standardised and strictly managed, interface between systems of contractor and the department established, Strict adherence to SLA's, give effect to penalty clauses, monitoring system

KPI: Percentage of Payments and reconciliation done within cut off date

7.6.6 Norms: Payment done within acceptable hours which is between 8:00 AM and 15:00 PM

Beneficiary served on time, 30 seconds to pay a beneficiary

Time a beneficiary wait in a queue, 2 Hours

Standards: Number of times a payment schedule should be changed, Zero. If extremely necessary, notice to be given to beneficiaries 3 months prior to change of payment schedule date. Payment schedule to be changed only Once. Setting up of payment schedules and communication thereof. Standardised SLA, Strict management of SLA. Monitoring and reporting system, knowledgeable beneficiaries, Penalty clauses are given effect to, Queue management at pay points. Reporting mechanisms. Strict SLA management.

KPI: Number of times a payment schedule should be changed,

7.6.7 Norms: Maximum number of beneficiaries to be served by an ATM, 240 beneficiaries within 2 hours waiting window. Number of reviews to check adequacy of ATMs, 2 reviews per year. Check total number of beneficiaries Vs ATM, Technical support per payment team, 1 person per team.

Standards: Review number of beneficiaries at ATMs, deploy modern technology, Explore mechanism for review and auditing of ATM

KPI: Number of beneficiaries at an ATM, number of times of audit of ATM

7.6.8 Norm: Improve in customer service and efficiency of payment method,

Standards: Twice a year (Social Assistance Act, Regulations, Customer Care. A training schedule shall be kept) Knowledge to apply elementary first aid, Two members per team to be trained, Training plan for third party personnel covered in SLA's

KPI: Availability of training of r third party personnel

7.6.9 Norm: A help desk per pay point supported by a telephone and IT system

Standards: Use audit of infrastructure with implementation strategy as basis, budget to invest. Planned roll out of equipment

KPI: Fully serviced and Satisfied beneficiaries

7.6.10 Norm: One social security card across provinces. Department must take responsibility for the card.

Standards: Standardisation with HANIS implementation, Communication plan to all stakeholders,

KPI: Ease and secure management of social security across provinces

7.6.11 Norm: Service level Agreement, Variance in Scope, Zero tolerance

Standards: Ensure a review and standardise, breach of contract, penalty measures immediately applied, Issue resolution (Escalation procedure), District, Regional then provincial, communication plan. Monitoring and evaluation at regular intervals to ensure adherence

KPI: Performance target at the pay points 100%.

Appendix 2: PSAM Questionnaire



Tel: (046) 603 8358 • Fax: (046) 622 7215 • e-mail: psam-admin@ru.ac.za
 Website: www.psam.ru.ac.za

Pay-point Interview Questionnaire

Pay-point	
Region	
Date	
Age	
Type of Grant	

1) Is this your normal pay-point?

Yes	1	No	0

If No, Where do you normally get paid?

2) How long on average do you have to wait for your grant at this pay-point?

1 hour or less 1	2 hours 2	3 hours 3	4 hours 4	5 hours 5	6 hours 6	7 hours 7	8 hours+ 8

3) When did you first apply for a grant?

< 3-5 months 1	6–11 months 2	1 year 3	2 years 4	3 years 5	4 years 6	5 years 7	6 years+ 8

4) How long did it take you to get your grant after you applied?

< 3-5 months 1	6–11 months 2	1 year 3	2 years 4	3 years 5	4 years 6	5 years 7	6 years+ 8

5) What is the biggest problem you have had with getting your grant?

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6) Who did you report this problem to?

Social Development Department	1	
Social Development Department's District Office	2	
NGO	3	
The Public Protector	4	
South African Human Rights Commission	5	
Political Party Constituency Office	6	
Other	7	

7) Was your problem solved and were you happy with the way your problem was solved?

		Problem solved
Yes	1	
No	0	
		Happy with the way the problem was solved
Yes	1	
No	0	

8) Do you think there has been an improvement in the delivery of social grants?

Yes	1	
No	0	

9) If yes, when did these changes start taking place?

< 3-5 months	6-11 months	1 year	2 years	3 years	4 years	5 years	6 years+	Since AllPay /CPS took over payments
1	2	3	4	5	6	7	8	9

State details of what improvements have been observed

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10) How far did you have to travel to get to this pay-point?

< 10 km	1	10-19 km	2	20-29 km	3	30-39 km	4	40-49 km	5	50 km +	6

11) Have you ever witnessed moneylenders (sometimes called 'skoppers') within the pay-point premises?

No, never	0	
Once or twice	1	
Often	2	

12) In the last year have you been given a receipt with each payment indicating the date and venue of your next pay-out?

Yes	1	
No	0	

13) Does this pay-point have the following facilities as far as you are aware:

	Yes 1	No 0	I was not aware that they should have these facilities
Toilets			
Chairs for the aged and disabled to sit down			
Drinking water			
Portable beds			
Wheelchairs			
A first aid kit			
Electricity			
Easy access for the aged and disabled			
Special queues for disabled, the aged and war veterans			

14) How would you describe the behaviour and treatment of people by pay-point staff?

Always kind and understanding	Sometimes kind and understanding	Rude and unkind
1	2	3
