COVID-19 G2P
Cash-Transfer Payments
Country Brief: SOUTH AFRICA

The Social Protection Response

Prior to the Coronavirus South Africa's economy was already in recession, with very high levels of inequality, structural unemployment at about 39 percent (including discouraged workers), the economy contracting in the last two quarters of 2019, the fiscal position under pressure and a collapse in the Rand. Shortly thereafter it saw its sovereign credit rating downgraded to junk. The deficit was expected to widen to 7-8 percent of GDP. The pandemic therefore struck a failing economy with little space to maneuver. Nearly a third of all children, around 6 million, lived in households where no adult was working, either in the formal or the informal sector.

Modest measures initiated in the first phase of the crisis[2] included an increase in social grants in April (however, this was the regular annual increase not a special response to the crisis), a range of support to smaller firms, including SMMEs, and support for the healthcare system. The Unemployment Insurance Fund (UIF) would compensate affected workers through a new "National Disaster Benefit". A Solidarity Fund was created to encourage companies and wealthy individuals to support those less fortunate. A food parcel program would help those who were very poor but not eligible for a grant for various reasons. Parcels would be provided to families where everyone was unemployed, child-headed households and people who could not work for six months for medical reasons. There has been huge demand for food assistance, as evidenced by multi-mile lines and occasional disorder.

[1] This note was prepared by Alan Gelb (Center for Global Development). The author would like to thank Michel Hanouch for helpful comments. This note includes information as of July 21, 2020.

[2] For a useful summary see https://www.whitecase.com/publications/alert/relief-packages-and-support-south-africans-amid-covid-19-pandemic

Faced with the devastating impact of the rigorous shutdown from late March, a massive package of R500 billion (10 percent of GDP) was announced on April 21. The main elements included: R200 billion in loan guarantees to companies; R50 billion additional for social grants, including a new program to support people who had lost their jobs but were not covered by other programs; a further R100 billion to support smaller enterprises through loans and guarantees; R70 billion tax relief, including credits for payments to the Solidarity Fund; support for the health sector and for municipalities, and an additional 250,000 food parcels. Of the total, it appears that about half would be in the form of loans and guarantees with the rest consisting of transfers and in-kind assistance.[3] Some R130 billion was to be funded through repurposing the existing budget. The rest would be financed by borrowing, including from the IFIs.

This package built on existing programs and also included important new initiatives to support people not already covered but impoverished by the crisis. Social grants amounted to 3.2 percent of GDP in 2019 and included pensions, disability and child support provided through the Social Security Agency (SASSA) to some 17 million recipients, 30 percent of the population.[4] Measures were taken to ease access to payments. The UIF covered formal sector workers but about 3 million people, or 20 percent of total employed, worked in the self-employed or informal sector.

Registration, Application and Eligibility for Transfers

South Africa has a well-developed national ID system, with 92 percent coverage of the adult population and the ID number linked to benefits and tax administration.[5] The country also hosts a considerable number of migrants, some legally registered and others not.

Considering the UIF, the new "National Disaster Benefit" would only be available to registered employers making monthly contributions. It was de-linked from the normal benefit structure , with support paid on a sliding income replacement scale. If an employee were ill, temporarily laid-off or unemployed for longer than three months, the normal benefits would apply. An employer or employee could not apply for disaster support and any other UIF benefit simultaneously.[6] Faced with a huge spike in layoffs, the UIF needed to prioritize its response. Access to the special benefit was therefore only through companies, on behalf of their workers. In late May, following a legal challenge by the Casual Workers Advice Office (CWAO), the Department of Employment and Labor made two concessions in the direction of increasing access. Workers could apply directly if their employers had failed to do so. And the definition of an eligible worker was broadened to include all workers affected by the shutdown whether or not their employer had complied with the filing requirements of the UIF. As of early June, it was, however, not clear how such individual workers would apply.

The eligibility criteria for existing social transfer beneficiaries were unchanged. The child support grant was boosted, initially by R300 per child, with this replaced by a R500 per month increase per caregiver,

[3] This proportion differs from that of the IMF Fiscal Tracker which estimates a somewhat higher share of fiscal measures than that of loans and guarantees https://blogs.imf.org/2020/05/20/tracking-the-9-trillion-global-fiscal-support-to-fight-covid-19/

[4] The number of people actually receiving grants is less because some may receive grants on behalf of child beneficiaries or a grant in aid, in addition to a pension or other grant.

[5] Data from Findex survey, 2017.

[6] See also. https://www.lexology.com/library/detail.aspx?g=a4aab1a1-8b09-465c-beaf-3f82cd4e444f

for the period June-October.[7] All other grant recipients would get an extra R250 per month for six months. SASSA offices, once re-opened, have been constrained by distancing requirements, slowing the registration of new beneficiaries.

The new Covid-19 Social Relief of Distress (SRD) grant offered monthly payments of R350 per month for 6 months. Applications opened on May 11; by May 14 more than 3.5 million had been received and by end May this had increased to 13 million applications and enquiries. Of these, 6.3 million were valid applications; the rest were duplicates, incomplete or inaccurate, or simply enquiries. This rapid take-up was made possible by a fully digital process, with submissions through USSD , WhatsApp, emails and the website. Although the website sets out both electronic and in-person application processes[8], applicants were advised not to try to apply in person at SASSA offices. Reportedly, volunteers were to be recruited to assist people having difficulties with applications, and a call center would be made available for those not able to apply electronically. Applicants needed to satisfy a number of criteria: be over 18, unemployed, not receiving any other social grant or stipend or UIF unemployment benefit, and not resident in a government-subsidized institution. They needed to provide an ID number and a mobile contact number. They would be vetted to ensure against multiple registrations and also against the rolls of other benefit programs and the records of the UIF.[9]

Payment Arrangements

Payments through the UIF facility are made into employees' bank accounts, as provided in the application made by their employer. For this to work smoothly, it is essential that employers actually file on behalf of their employees and that the information be timely and accurate; in many cases it was not, which slowed payouts. By April 16 its COVID facility was reported to have paid out some R1.1 billion. By end May, this had increased to R15 billion, paid out to some 3 million workers. In late July it was announced that this has increased to R34 billion, helping over seven-and-a-half million workers

Payments to existing SASSA grant recipients continued through existing channels. In the past, most beneficiaries had been paid through bank accounts but many others had previously been paid by Cash Paymaster Services (CPS), including through some 10,000 dedicated payment points. Prior to the Covid pandemic this system had been changed; over 8,000 dedicated payment points were closed and the South African Post Office (SAPO) became the payments service provider. Using the new SASSA card, beneficiaries could cash out their payments at post offices, banks, ATMs and authorized shops. A number of measures were introduced to ease the cash-out process in response to the virus. Banks reduced their charges for cash-out transactions, including for the use of ATMs; the number of payment points was increased; and

[7] One reason for the increase in child support grants was to compensate for the loss of school feeding programs due to the closure of schools. These programs had served some 9 million children. Studies had also suggested that the combination of increased child support grants and a new Covid grant targeted at those with no other support would provide the best coverage of all available alternatives. http://www.caps.uct.ac.za/handle/11090/977?show=full

[8] https://www.gov.za/services/social-benefits/social-relief-distress

[9] The sequence for the grant application is: (i) applying for self or someone else; (ii) agree to T&C's ('declaration") with a link; (iii) confirm that receive no income and want to apply; (iv) agree that SASSA can verify application and income with other organizations and financial institutions including the tax authority; (v) confirm whether citizen, permanent resident or refugee; (vi) enter ID number; (vii) enter surname and then (viii) first names; (ix) disabilities (yes/no); (x) province (pick from a list; (xi) name of nearest town (probably for purposes of cash management); (xii) confirm if this is the number we can contact you on with the outcome of the application (if not ask you for number); (xiii) thank you for successfully submitting your application.

hours were extended to limit crowding. Payment dates were staggered to separate pensioners and others to reduce jostling and crowding (which had been noted as problems at some pay points) and the probability of transmitting the virus to older beneficiaries.

To obtain the new SRD grant, applicants were asked to confirm their bank accounts through a secure site. Reportedly, beneficiaries without a bank account would be able to receive their payments through electronic vouchers. Processing time for SRD applications was planned to be 3-4 days and disbursements were due to start on May 15. However, disbursement lagged far behind expectations; by May 25 only 10 applicants had been paid out of a total of 2.6 million approved applicants. By the beginning of June, some 116,000 people had been paid By July 9 it was reported that some 4 million claims had been paid, after the agency was forced to back-track on previous decisions excluding claimants who had erroneously been flagged as recipients of unemployment insurance. Over 85 percent of such cases that had initially been rejected ineligible were found to qualify. By July 23 the number had increased to over 4.4 million.

Lessons

It is still too early to have a full picture of the effectiveness of South Africa's social measures in responding to the Coronavirus pandemic. As in many other countries, the safety net operates through more than just social transfers and in-kind assistance; it includes enhanced unemployment compensation , tax concessions, and a range of guarantees and other financial support offered to both large and small firms to help preserve their solvency and operations. Since outright transfers constitute only part of the R500 billion package, its cost will only become clear as loans and guarantees are taken up[10] and as losses on the portfolio are realized.

One general point that emerges is the importance of existing social programs and of digital mechanisms in facilitating the response. Putting together a likely estimate of 5 million beneficiaries under the SRD grant and the additional 7 million UIF beneficiaries suggests that an additional 12 million people will have received support under the Covid-19 response. Adding this to the existing 17 million social transfer beneficiaries suggests support to some 29 million people, about half of the population. At the same time, in-person services have been constrained by the lock-down and distancing requirements. Lines for support have been long, as have been waiting lines for food parcels. There have also been allegations of corruption in the distribution of food parcels leading some to advocate for vouchers instead.[11]

While UIF payments have increased in response to surging applications, reports suggest significant delays due to incomplete or erroneous information on submissions by firms on behalf of their workers. The priority accorded to firm-level submissions also means that many laid off from jobs in smaller firms or

[10] There appear to be a number of obstacles to the rapid take-up of these facilities https://businesstech.co.za/news/finance/408343/south-africas-r200-billion-coronavirus-loan-scheme-isnt-working-heres-what-happened/. In terms of support for SMMEs, a survey of 233 entrepreneurs concluded that many small firms would not qualify for assistance because of failure to meet registration and tax filing requirements. Some programs came with restrictions on access to black-owned enterprises; the considerable numbers of small businesses owned by migrants would also not be eligible.
[11] See https://www.corruptionwatch.org.za/government-to-tackle-food-parcel-corruption/

domestic service would not have found it easy to access benefits. It is not clear how the potentially huge number of individual applications to the UIF will be handled.

Regarding SASSA transfers, the payments transition from Cash Paymaster Services to the South African Post office had previously confronted criticism from the Black Sash, in particular of increased inconvenience and costs faced by many beneficiaries, especially those in rural areas, due to the closure of over 8,000 dedicated payment points.[12] Be this as it may,[13] the (increased) transfers to established beneficiaries through the ongoing system have been able to benefit from ongoing payment arrangements, as well as some measures to increase access to cash and reduce fees. One downside has been the slowdown in processing new grant applications, which is not allowed to be done virtually because of registration and biometric requirements.

Even well-intentioned efforts to facilitate payments and reduce crowding can have unintended effects when implemented in a hurry. SASSA pays pensions to around 3.6 million people monthly – approximately 70% of the population of older persons. To protect vulnerable groups, a decision was made to allow older persons and people with disabilities to collect their social grants earlier than other categories of social grant recipients. However, money was still transferred into the accounts of Child Support Grant beneficiaries on the same day, making it very difficult to keep these beneficiaries away from collection points. This resulted in older persons being pushed and shoved out of the way by younger people desperate to receive their grants in a context where many households were starting to feel the effects of the lockdown. Errors in separating out beneficiary files and enabling advance payments in some areas but not in others resulted in confusion. Media reports showed older people sleeping in lines overnight, with several deaths reported due to long waits without food or water. Crowd control became difficult with people congregating in large numbers over long periods of time.

South Africa's new grant program, the SRD, is one of a number of all-digital programs targeted towards the "missing middle" – the newly unemployed who are neither registered beneficiaries of established social grants nor able to claim formal unemployment benefits. Despite the modest benefits on offer (only R350 per month compared with the pre-Covid social pension of R1,860), there has been great demand for these payments. Indeed, the SRD grant is now the predecessor of a new, permanent Universal Income Grant, a social protection legacy that would outlast the Covid crisis. The all-electronic onboarding, screening and payment processes suggest that such programs – implemented in Togo, Namibia and other countries -- should be capable of a very rapid response. But payment performance up to July was dismal -- far less impressive than the similarly conceived Namibian Emergency Income Grant which disbursed in a far shorter period. A major reason appears to have been the difficulty of cross-checking against records of formal employment and eligibility for unemployment compensation. This points to the need for up-to-date and linkable registers, and the trade-off between speed and targeting when these conditions are not fulfilled.

[12] Report to SASSA and SAPO: New SASSA/ SAPO card swap Transition Monitoring and Decommissioning of SASSA Pay Points. Black Sash, 2019.

[13] This assessment has been contested by SASSA (*SASSA Media Release:* 9 October 2019) which argued that the situation was more favorable than presented, that many beneficiaries benefited from increased choice of payment point and that the closure of pay points had also resulted in substantial fiscal savings.