



**DIRECTORATE GENERAL OF BUDGET  
MINISTRY OF FINANCE  
REPUBLIC OF INDONESIA**



# **IMPLEMENTATION OF ELECTRONIC TRANSFERS IN INDONESIA**

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Colombo Sri Lanka**

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**Outline**

- 1** Introduction
- 2** Implementing electronic transfers in Poverty Reduction Programs
- 3** Challenges
- 4** Improvement Plans

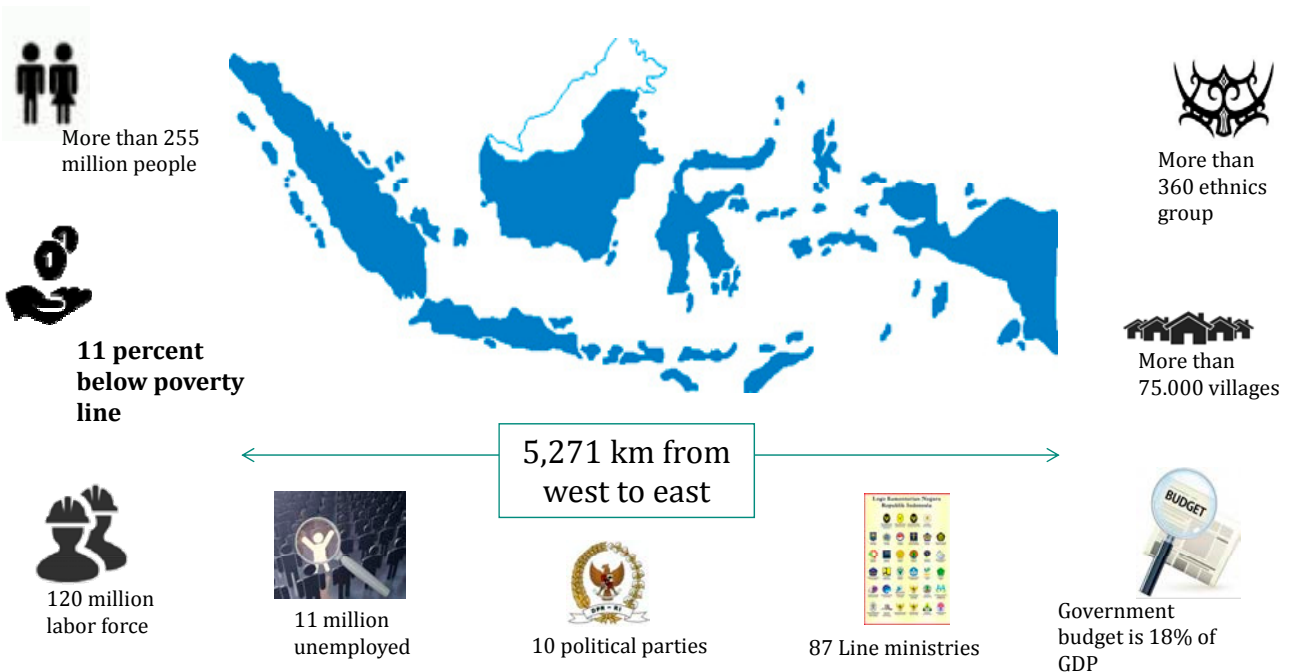


# INTRODUCTION

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Unitary government of 34 provinces, 508 municipals/cities

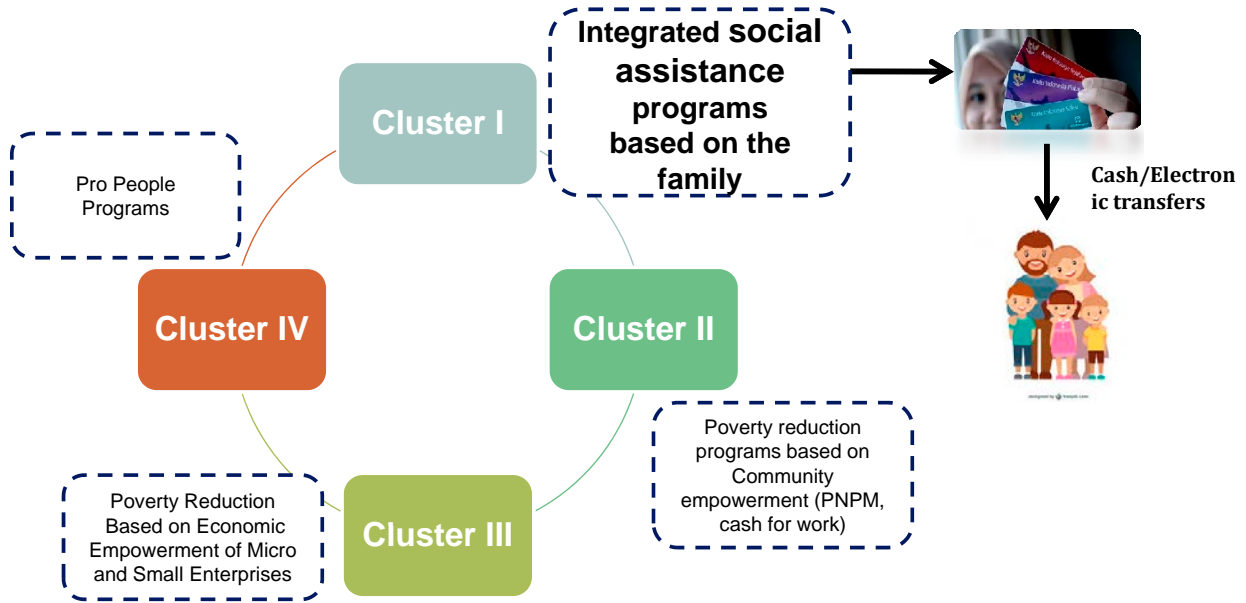




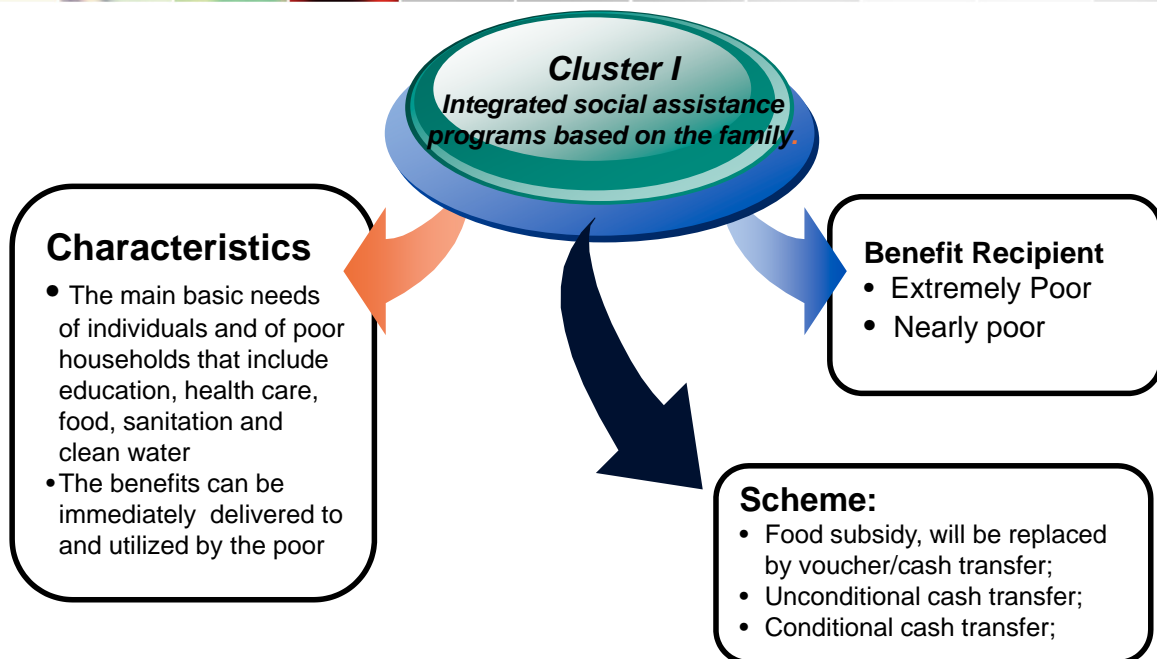
# Acceleration of poverty reduction



❖ In order to accelerate poverty reduction, the Government of Indonesia has set 4 clusters of poverty alleviation programs.

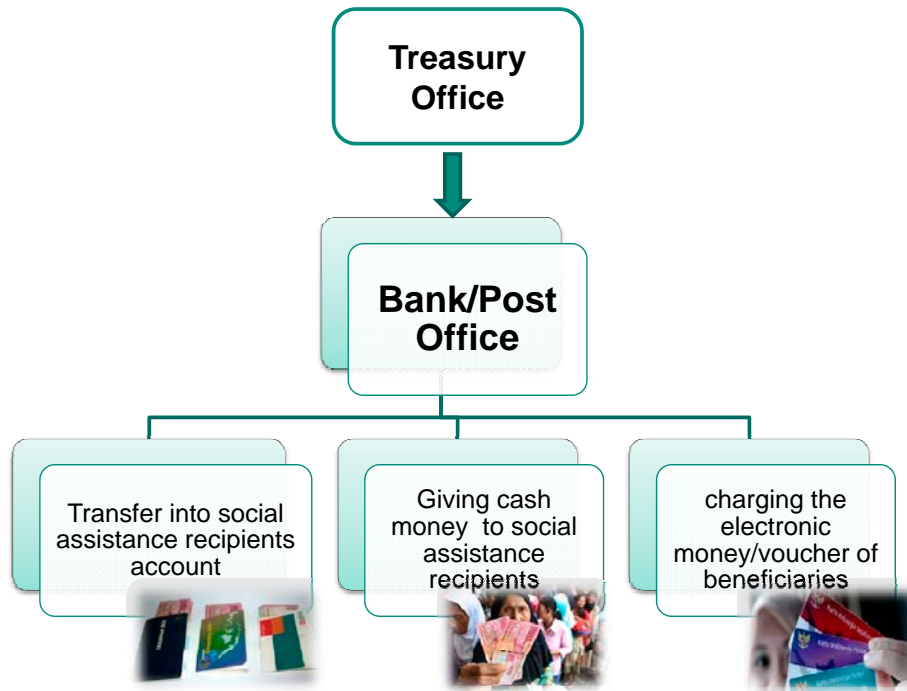


# Poverty Reduction Programs and Social Protection





# Distribution of Social Assistance



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## Why Electronic transfers?



- 1. Effective**
  - Well targeted, more precise delivery
  - Easier to be controlled and monitored
- 2. Efficient**
  - Shortening the distribution time
  - Decreasing long queue to disburse
- 3. Financial Inclusion**
  - Educating people to save in a bank
  - Deposits/savings is a form of productive activity
  - Deposits /savings are part of a national strategy of inclusive finance

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# IMPLEMENTING ELECTRONICS TRANSFER

## *In Poverty Reduction Programs*

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### Conditional Cash Transfer (CCT)

- \* providing financial aid to very poor households (RTSM) ;
- \* the members of targeted households meet a set of terms and conditions.  
i.e. visiting clinics for pregnant mother, sending to school for school age children

2007→now



### National health Insurance (KIS)

- \* providing certainty of health insurance for all Indonesian people;
- \* the government is responsible for paying the poor premium as contribution assistance recipients(PBI).
- \* integrated into the Social Security Agency of Health (Health BPJS)

2014→now



### Indonesia Smart program (KIP)

- \* Through Indonesia Smart Card (Kartu Indonesia Pintar/KIP)
- \* KIP is a cash transfers of education to all school-age children who come from poor and vulnerable families or children who meet the criteria previously set

2008→now



### The subsidised rice for low-income households programme (Raskin)

- \* is part of government efforts to improve food security and social protection among targeted households
- \* Pilot of voucher use

1998→now



### Family Welfare Card (KKS)

- \* providing assistance in the form of savings of Rp. 200,000 / Family / Month;
- \* given to underprivileged families throughout Indonesia.

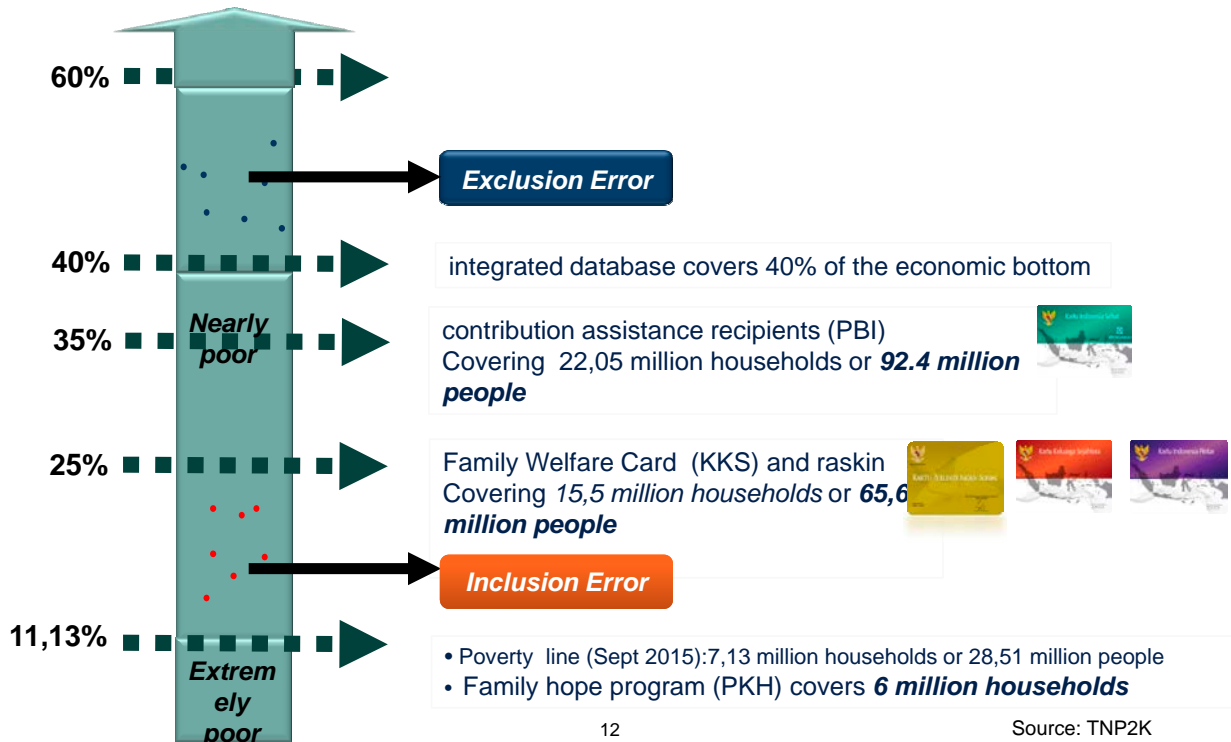
2013→2015

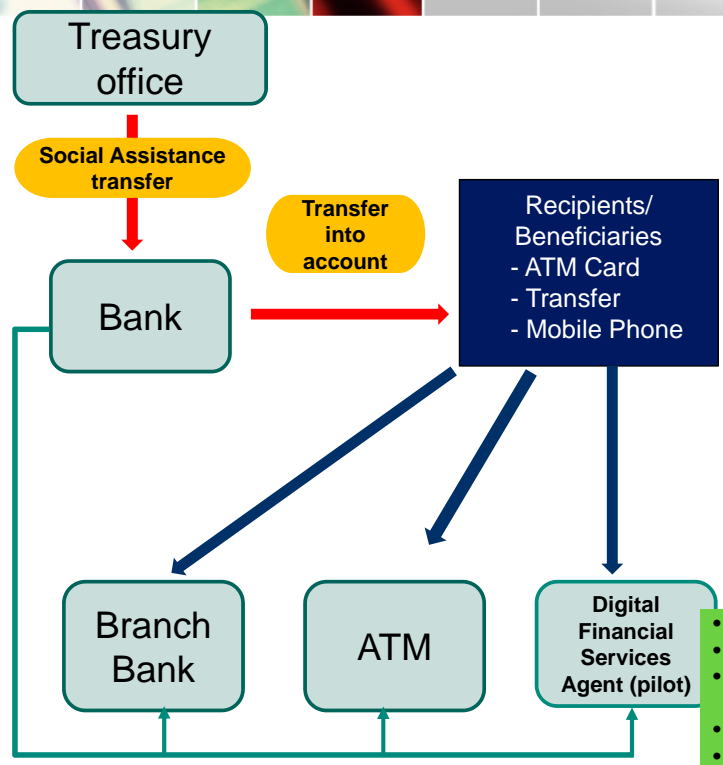
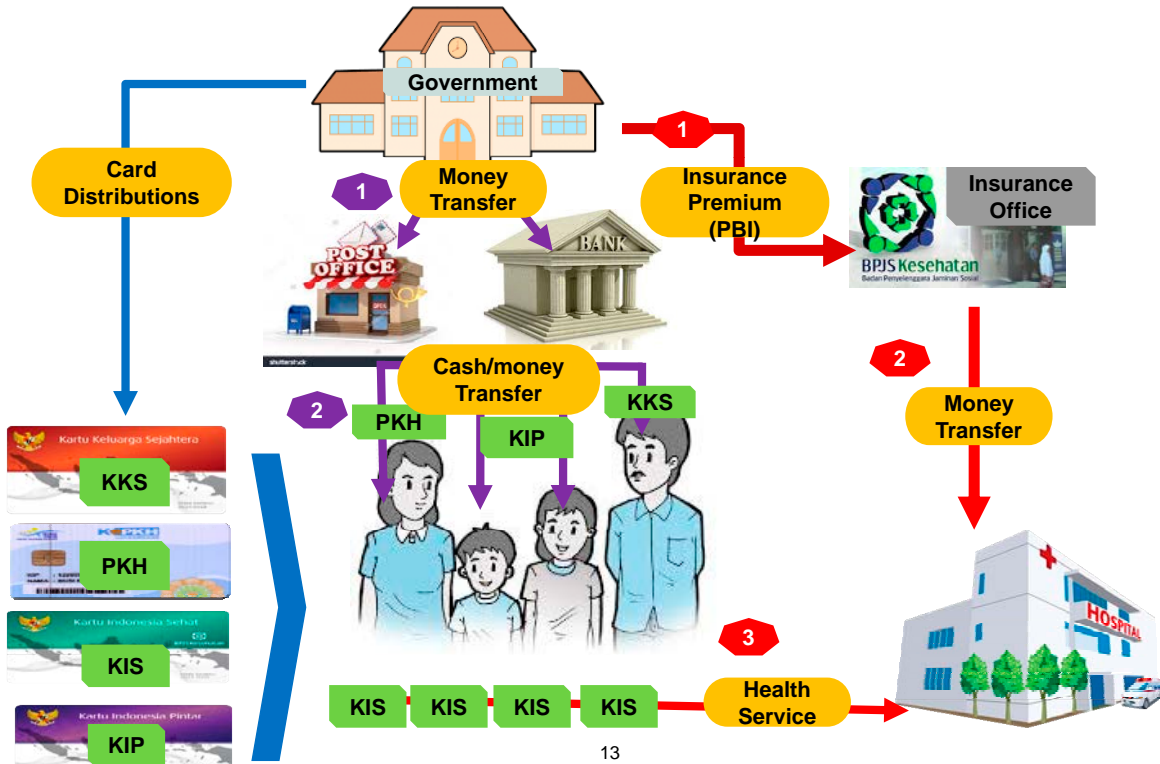
# Poverty Reduction Programs

Name	KKS	KIP	PKH	Raskin	KIS/PBI
Type of Transfer	Electronic Transfer/Cash	Electronic transfer/cash	Electronic transfer/cash	Subsidized rice	Free health care costs
Object	poor and nearly poor	Students and poor households	Extremely poor	poor and nearly poor	poor and nearly poor
The number of recipients	16,3 million households	19.547.510	6 million households	15,5 million households	92,4 million people
The amount of aid	Rp200.000 per month for 3 months	SD Rp450.000; SMP Rp750.000; SMA Rp1.000.000 per year	Fixed assistance Rp500.000/year; health assistance Rp1.200.000/yea; education: SD Rp450.000/year, SMP Rp750.000/year; SMA Rp1.000.000	15 kg rice per month	Rp23.000 per member per month
Implementing Agencies	Social Ministry	Ministry of Education/Ministry of Religion	Social Ministry	,BULOG/Social Ministry	Health Ministry

Planned to be replaced by electronic transfer/voucher

# Percentage of Indonesian population





- Treasury office transfers the social assistance to Bank;
- Bank transfers it into the account of beneficiaries;
- Beneficiaries received a text message that the money had been transferred to his account;
- Beneficiaries can take the money to the branch bank, ATM or LKD Agent (Digital Financial Services).

- Grocery
- BMT
- Cooperative store
- Post Office
- etc



# The principles of non-cash distribution



1



All beneficiaries should have a bank account

2



All the social assistance (cash or electronic transfer/voucher) will be transferred into that account

4



Disbursements made through outlets

3



Disbursement/withdrawal of assistance by the beneficiaries is done by using available transaction modes: ATM, outlet, mobile phone/banking



# Conditional Cash Transfer



(billion Rupiah)

Program	2014		2015		2016
	Budget	Real	Budget	Real	Budget
PKH	5.115,5	4.399,1	6.335,6	6.266,8	10.064,3

## 2014

- Distribution of PKH via electronic transfer in 2014 was still a piloting, conducted in 1800-1900 poor households, in 41 villages, 6 districts, 4 regencies, 4 provinces;

## 2015

- The entire distribution of PKH in 2015 using cash via PT Pos Indonesia;
- There was no non cash/digital financial service implementation, because of financial institution readiness reason

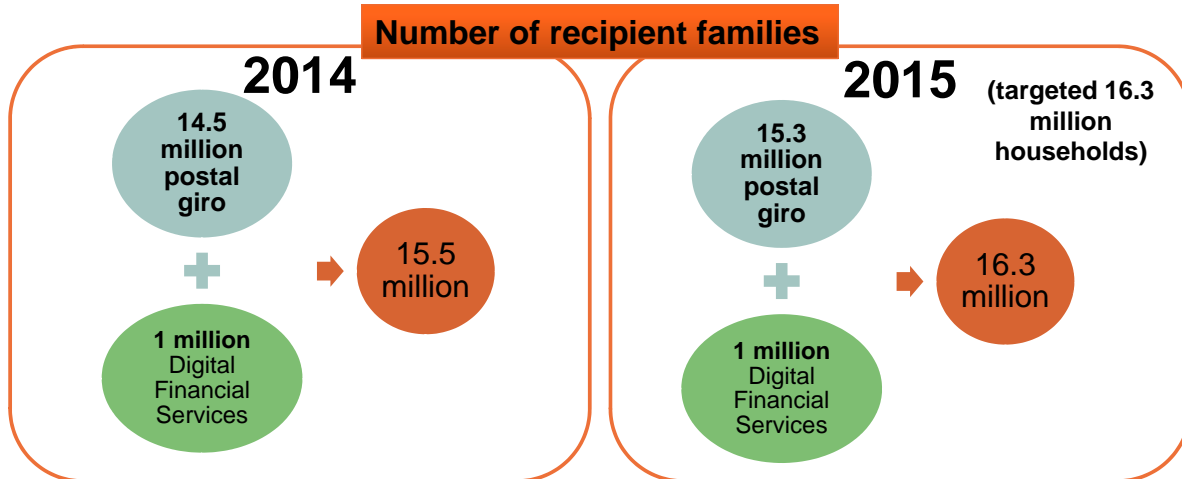




# Family Welfare Card (KKS)

billion rupiah

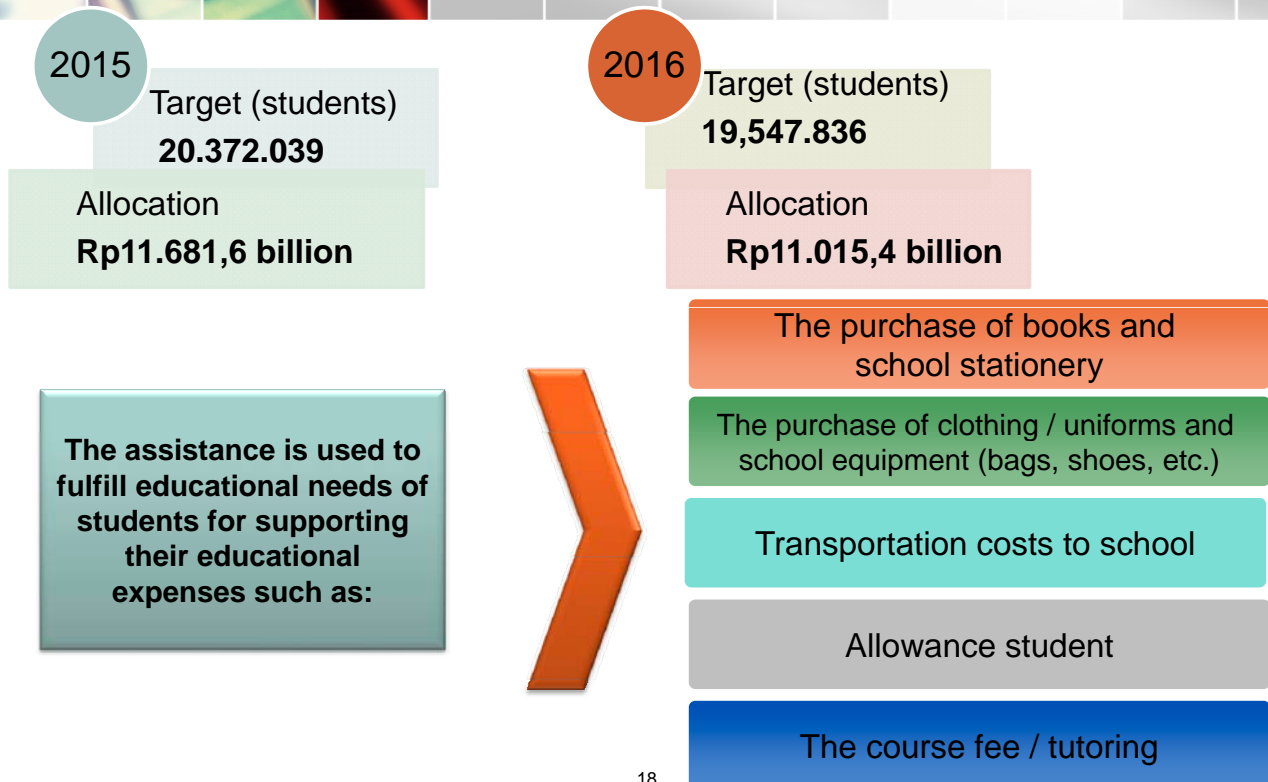
Program	2014		2015		2016
	Budget	Real	Budget	Real	Budget
KKS	6,426.5	6,389.0	10,152.8	9.469,8	-



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# Indonesia Smart Program



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# The subsidised rice for low-income households programme (Rastra)

*(billion rupiah)*

2014		2015		2016
Revised Budget	Real	Revised Budget	Real	Budget
18.164,7	18.164,7	18.939,9	21.845,5	20.993,4

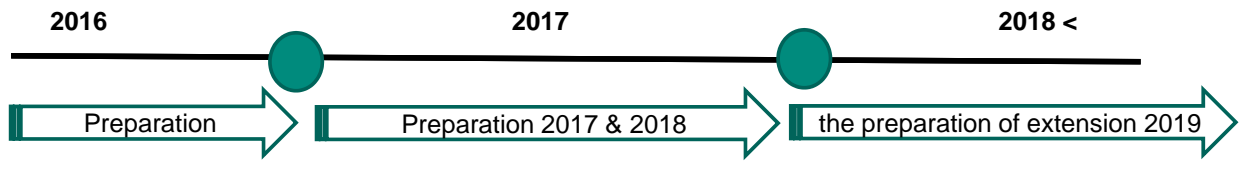
### Presidential Instruction

- Rastra distribution in 2017 will be conducted through a voucher/electronic transfer



people who get voucher can purchase rice in accordance with their desired quality and can be combined to purchase other foodstuff

- Preparation and piloting in 10 cities;
- Evaluation
- Implementation the new system in 44 Cities;
- Preparation and Trials in the District
- Implementation the new system in (all) Cities and (in part) Districts
- "Special policy" in the remote Region



# CHALLENGES







# The Challenges of distribution of Social Assistance

1.
  - There are more than 20 social assistance programs and subsidies, but not all programs based on the same data base in targeted setting;
  - Involving multiple stakeholders which is each government institution has a respective program that is not necessarily in synergy with each other.
2.
  - Unit cost of each assistance is not significantly sufficient
3.
  - It's hard to measure the effectiveness of the program, because the targeted recipient has not been well targeted, example raskin/rastra
4.
  - Involvement and responsibility of local governments is suboptimal.

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# The Challenges *Electronic transfers*

- 
  - Couldn't Cover all the social assistance recipients especially in remote areas
- 
  - Signal or communication networks in certain areas is challenging because of slow internet connection and Electronic Data Capture (EDC)
- 
  - The recipients are still low understanding regarding the use, confidentiality, and security of PIN
  - The recipients are still low understanding on SIM registration and using mobile phones
  - The recipients entered the wrong PIN, thereby causing a blocked PIN
- 
  - Sometimes there were idle money in recipient accounts, due to the recipients are not familiar with the bank

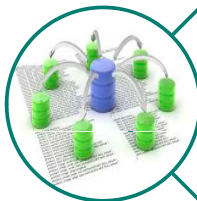
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Every social assistance and subsidies will be distributed through electronic transfers/ non-cash and using the banking system for easiness to control, monitor, and reduce irregularities



Integrating all types of social assistance in one card which is coordinated by the Coordinating Minister for Human Development and Culture



Using the same data base (updating the unified data which is released at the end of 2015) for all types of social assistance program

