

# ISPA Social Protection Payments Tool

A field test of the tool in Indonesia

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# Indonesia field test

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## Objectives

- to prepare for a landscape study that will support the Government of Indonesia's ongoing government payments reforms as part of the World Bank's Government Payments component of the Digital Payments Program under the Financial Inclusion Support Framework in Indonesia
- to field test the ISPA Social Protection Payments tool

# Activities

1. Meetings with government counterparts

2. Meetings with development partners (ISPA partners)

3. Work sessions on questionnaire and Assessment Matrix

4. Site visits to understand operation payments delivery

# **Country background (by Sept. 2015)**

# Indonesia: Country context



- Lower middle income country in the East Asia and Pacific region.
- 4<sup>th</sup> most populous country with 255 million
- Challenging geography 18,000 islands but over half of the population is on the island of Java.
- poverty level steady decline

	Indonesia	Philippines	Vietnam	Lower Middle income avg.	East Asia & Pacific avg.
Primary completion (%)	105	91	97	91	105
Youth literacy (%)	99	98	97	88	99
Child Mortality	29	30	24	50	20
Child Malnutrition (%)	19.9	20.2	12	17	5.2
Life Expectancy at birth	69	68	76	60	68

Source: World Development Indicators (2015)

# Main SP Programmes (2015)

Program	Target population	Universal / Targeted	Implementing agency	Payment mech.	PSP	No. Beneficiaries (2015)	Total expenditure LCU Trillion IDR, 2015)
<b>BSM/PIP (Scholarship)</b>	Poorest 25% hh with school age children	Targeted	MoEC & MORA	Cash	Banks	21.9 m students	13.8
<b>PKH (CCT)</b>	Poorest 8% hh with school age children or pregnant/lactating women	Targeted	MOSA	Cash	PT POS	3.5 m hh	6.1
<b>BLSM (UCT)</b>	Poorest 25% hh*	Targeted	MOSA, Ministry of Statistics & MOF	Cash	PT POS	15.4 m hh**	14.6**
<b>Raskin (Subsidized rice)</b>	Poorest 25% hh	Targeted	Kemenkoskera & Bulog	In-kind (rice)	Bulog/Local gov.	15,5 m hh	18.9
<b>Jamkesmas (currently known as JKN)</b>	Poorest 35% hh	Targeted	MOH, BPJS	Fee waiver	Hospitals /Health centers	88.2 m people	20.3

# SP System Players

Implementation of social protection six central agencies responsible for policy design, delivery and monitoring.

- **TNP2K** (National Team for the Acceleration of Poverty Reduction) at the Office of the Vice-President, created in 2010. Mandate to increase the effectiveness of poverty reduction programs, including improving (1) targeting, (2) program design and delivery processes, (3) coordination among agencies to increase program effectiveness, and (4) supervision and control of poverty reduction program implementation. TNP2K is responsible for developing social assistance policies
- **Bappenas** (National Development Planning Agency) together with TNP2K oversees the implementation of social protection programs.
- **Kemensos** (Ministry of Social Affairs) is responsible for most of social assistance the initiatives, including the implementation of PKH.
- BSM/PIP are implemented both by the **Ministry of Education** and the **Ministry of Religious Affairs**.
- The other three largest permanent programs (Raskin, Jamkesmas and BSM) are responsibility of sectoral agencies (Bulog, **Ministry of Health and Ministry of Finance**) but service delivery happens mainly at the schools, hospital, health centers, and local/village government levels

# About the assessment

Main findings



# ISPA Supporting Environment

Areas	Sub components
Policy, regulation and legislation	Agency rules for banks/non-banks
	Proportionate KYC requirements
	e-money guidelines
	Basic bank accounts
	Financial inclusion
	Government payments
	Procurement
ID	National ID
ICT	Mobile Network Coverage
Financial landscape	Financial institutions
	Financial access points
	Interoperability

# Application of the tool

- Legal and regulatory hurdles
  - Historically restrictions of the type of eligible PSPs limited the choice of providers.
  - Lack of level playing field for payment instruments (certain banks vs other types of banks & non-banks) added a restriction.
  - Short-term contracts of one year may lead to a lack of innovation and/or higher prices from PSPs

# Objectives for payment delivery mechanisms

## Assessment matrix

Criteria	Description
1. Accessibility	Cost of access
	Appropriateness
	Rights and Dignity
2. Robustness	Reliability
	Governance
	Security
3. Integration	Financial inclusion
	Coordination

# Main findings

Five areas are undermining the quality of payment delivery

1. Accessibility: Appropriateness - lack of choice of payment delivery mechanism for beneficiaries
2. Robustness:
  - Reliability - concerns about long term business case for potential/existing PSPs
  - Security – Indonesia’s Post delivery mechanism relies on manual authentication
3. Integration:
  - Financial inclusion - rules and program modalities limit payment mechanism to just facilitating disbursement
  - Coordination - All ministries making their best efforts to improve their individual program but there was not an overarching agenda on SP payment delivery

# Outputs/outcomes

# Outputs and outcomes of ISPA diagnostics in Indonesia



- ISPA diagnostic and findings were used as inputs for designing a government payments landscape study (supply) and survey (demand) done by the World Bank and GOI.
- ISPA Payment tool was finalized based on the pilot projects including Indonesia.[final version was approved in 2016]
- Knowledge exchange and learning on ISPA tool contributed to a better understanding of high level (and larger) policy agendas – CCT, Financial Inclusion.

