Transformasion of Social Assistance Distribution for Program Keluarga Harapan (PKH) from cash to cashless: Lessons Learnt

Presented at:
Inter-Agency Social Protection Assessment (ISPA) Tools Training
Yogyakarta, 12-16 March 2018

by:
Drs. Nur Pujianto, M.Si
Director of Social Assistance for Family
Ministry of Social Affairs of Republic of Indonesia
Outline

Understanding of PKH

Purpose

Legal Basis

Milestones of PKH Achievement

PKH Transformation: Distribution of Cashless Social Assistance

Impact of PKH’s Cashless Distribution

Challenges
Understanding of PKH

Family Hope Program (Program Keluarga Harapan, PKH) is

a conditional social assistance program
distributed to poor and vulnerable family
and/or individual
who are registered in Unified Database (UDB) of poverty alleviations programs
managed by Center for Data and Information of Social Welfare
determined as Beneficiaries Families (Keluarga Penerima Manfaat, KPM) of PKH

Chapter 1 par (1)
Regulation of Minister of Social Affairs No. 1 Year 2018 dated 8 January 2018 on Family Hope Program or Program Keluarga Harapan
Purposes of Program:
1. Improve the living standards of beneficiary families through access to education, health and social welfare services;
2. Reduce expenditure burdens and increase income for poor and vulnerable families;
3. Create behavioral changes and independency of beneficiary families in accessing health and education as well as social welfare services;
4. Reduce poverty and gaps.
5. Introduce benefits of formal financial products and services to Beneficiary Families.

Chapter 2
Regulation of Minister of Social Affairs No. 1 Year 2018 dated 8 January 2018 on Family Hope Program or Program Keluarga Harapan
1. Law Number 11 Year 2009 on Social Welfare
2. Law Number 13 Year 2011 on the Handlings of the Poor and Needy
3. Regulation of Minister of Finance (PMK) No. 228/PMK.05/2016 on Amendments of PMK No. 254/PMK.05/2015 On Social Assistance Expenditures of States’ Ministry and Institutions
4. Presidential Regulation No.63 Year 2017 on Distribution of Cashless Social Assistance
5. Regulation of Minister of Social Affairs No.1 Year 2018 on Family Hope Program (Program Keluarga Harapan)
Milestones and Achievements of Family Hope Program

- On 2017, Ministry of Social Affairs successfully exceed the initial PKH target of 6,000,000 with realization of **101%**, which is 6,228,810 KPM (Beneficiary Families)

- Significant increases of budget reaching **11Trillion Rupiah** at 2017, almost **3X** since 2014

### Category | Target (KPM) | Realization (KPM) | %  
--- | --- | --- | ---  
PKH Regular | 5,751,000 | 5,989,509 | 104.14  
PKH Elders | 150,000 | 145,721 | 97.14  
PKH Disability | 49,000 | 47,087 | 96.10  
PKH Akses | 50,000 | 51,495 | 102.99  
Total | 6,000,000 | 6,228,810 | 103.80  

### Tahun | Pagu (Rp) | Realisasi (Rp) | % | Target (KPM) | Realisasi (KPM) | %  
--- | --- | --- | --- | --- | --- | ---  
2014 | 4,449,944,358,000 | 4,399,051,425,209 | 98.86 | 3,000,000 | 2,797,773 | 93.26  
2015 | 5,580,195,777,000 | 5,580,165,855,000 | 99.94 | 3,500,000 | 3,510,054 | 100.29  
2016 | 7,795,830,092,000 | 7,791,392,301,186 | 99.94 | 6,000,000 | 5,981,528 | 99.69  
2017 | 11,340,000,000,000 | 11,296,706,940,000 | 99.62 | 6,000,000 | 6,076,582 | 101.28
Milestones and Achievements of Family Hope Program

Increases of PKH’s Beneficiary Family

<table>
<thead>
<tr>
<th>Year</th>
<th>Dalam Ribu Keluarga</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2,798</td>
</tr>
<tr>
<td>2015</td>
<td>3,511</td>
</tr>
<tr>
<td>2016</td>
<td>5,982</td>
</tr>
<tr>
<td>2017</td>
<td>6,000</td>
</tr>
<tr>
<td>2018</td>
<td>10,000</td>
</tr>
</tbody>
</table>

- Target for PKH 2018 is more ambitious: 10 million of KPM (Beneficiary Families) with budget of 17,3 Trillion Rupiah

Increases of PKH’s Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>Milyar Rupiah</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,548</td>
</tr>
<tr>
<td>2015</td>
<td>6,471</td>
</tr>
<tr>
<td>2016</td>
<td>7,795</td>
</tr>
<tr>
<td>2017</td>
<td>11,340</td>
</tr>
<tr>
<td>2018</td>
<td>17,317</td>
</tr>
</tbody>
</table>
PKH Transformation: Cashless Distribution

- Why?
  - Improves **efficiency, transparency** and **accountability** in assistance distribution
  - Improves **financial inclusion** by providing access to formal financial services to millions of poor beneficiaries (National Inclusive Financial Program)
  - Facilitate social assistance **integration** for poverty alleviation program that covers social protection, social security, social empowerment, social rehabilitation, and provision of basic services

- **Legal Basis**: Presidential Regulation No. 63/2017 Year 2017 on Cashless Social Assistance Distribution

2007-2016
- Cash payment
- Using services from PT Pos Indonesia
- Distribution cost could reach Rp120M per annum

2016 s/d now
- Cashless payment
- Using banking services from states owned banks (HIMBĀRA)
- Efficiency: distribution cost 0
- Almost 10 millions of poor people have bank accounts (with ATM)
PKH Transformation: Cashless Distribution

Family Welfare Card (*Kartu Keluarga Sejahtera, KKS*)

- Family Welfare Card (KKS) is a facility to distribute Government’s Social Assistance & Subsidy. KKS has double function as Saving account and Wallet (e-wallet).
- This system is an innovative product that is first time used in many countries with their Conditional Cash Transfer

### Saving Feature
- Saving in the form of Bank Account that can be withdrawn for cash
- Product: *TabunganKU – Lakupandai*
- Support Inclusive Financial Program
- Facilitate the distribution of PKH and other saving social assistances

### e-Wallet Feature
- e-Wallet is e-money saving
- Could be used to purchase goods / can’t be used for cash withdrawal
- Goods Quota
- Facilitate the distribution of Non-Cash Food Assistance, 3Kg LPG assistance, and other goods assistances
PKH Transformation: Cashless Distribution

Distribution Mechanism

Registration and/or creating account → Education and Socialization → Distribution of KKS → Assistance Distribution

Monitoring, Evaluation, Reporting → Reconciliation → Withdrawal of cash assistance
Bank Agent/Outlet & ATM of HMBARA Bank located in all over Indonesia could cover 10 millions of Beneficiary Families (Keluarga Penerima Manfaat, KPM) and connected in an interoperability system.
Interoperability technology is a facility that makes cash withdrawal easier for beneficiaries through HIMBARA Banks that include Bank BNI, BTN, BRI and Mandiri.

Himbara have provided ATM facility with “Himbara” Logo and have been expanded to ATM with “LINK” logo.
To respond to areas with lack access of networks, BNI launched innovative Offline EDC.

- Android-based
- Record Beneficiaries data
- Verify beneficiaries with data from e-KTP and finger print so withdrawal did not require PIN
- Portable machine that can be used anywhere without internet

Launched in 22 October 2017 to support districts with lack access of internet
<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>PT POS</td>
<td>3,511,088</td>
<td>4,725,163</td>
<td>-</td>
</tr>
<tr>
<td>BNI</td>
<td>-</td>
<td>1,027,985</td>
<td>2,764,183</td>
</tr>
<tr>
<td>BRI</td>
<td>-</td>
<td>166,854</td>
<td>2,275,690</td>
</tr>
<tr>
<td>BTN</td>
<td>-</td>
<td>24,705</td>
<td>230,521</td>
</tr>
<tr>
<td>MANDIRI</td>
<td>-</td>
<td>36,820</td>
<td>958,416</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,511,088</strong></td>
<td><strong>5,981,527</strong></td>
<td><strong>6,228,810</strong></td>
</tr>
</tbody>
</table>
Since PKH is distributed with cashless method, there is significant increase towards the number of saving account and bank agent.

Until the end of 2017, number of bank agents has increased for almost 3 times (268%) compared to end of 2016. While numbers of saving account has increased for almost 4 times (368%) during the same period.
Challenges

- **Learning phase**: Cashless payment was started in 2016, so Ministry of Social Affairs and Banks still continuously building and improving existing system

- **Access** of Formal Financial Service in Indonesia
  - There are still some remote areas that are not covered by banking facility, so it requires more effort from banks to reach the beneficiary families

- Low **Financial Literacy** from Beneficiary Families (KPM).
  - PIN changes and security
  - Use of Family Welfare Card (KKS) still limited to cash withdrawal of social assistance and complementary program
  - Socialization for saving towards beneficiary families (KPM)

- **Distribution**:
  - Very high target from government VS banks’ readiness (infrastructures, work force, etc.)
Development Plan

• Development of digital-based verification system to fasten the data verification process in order to support on-time and accurate distribution

• Improvement of reporting mechanism and system from Banking through improvement of Dashboard

• Development of realization reporting system for Digital–based social assistance