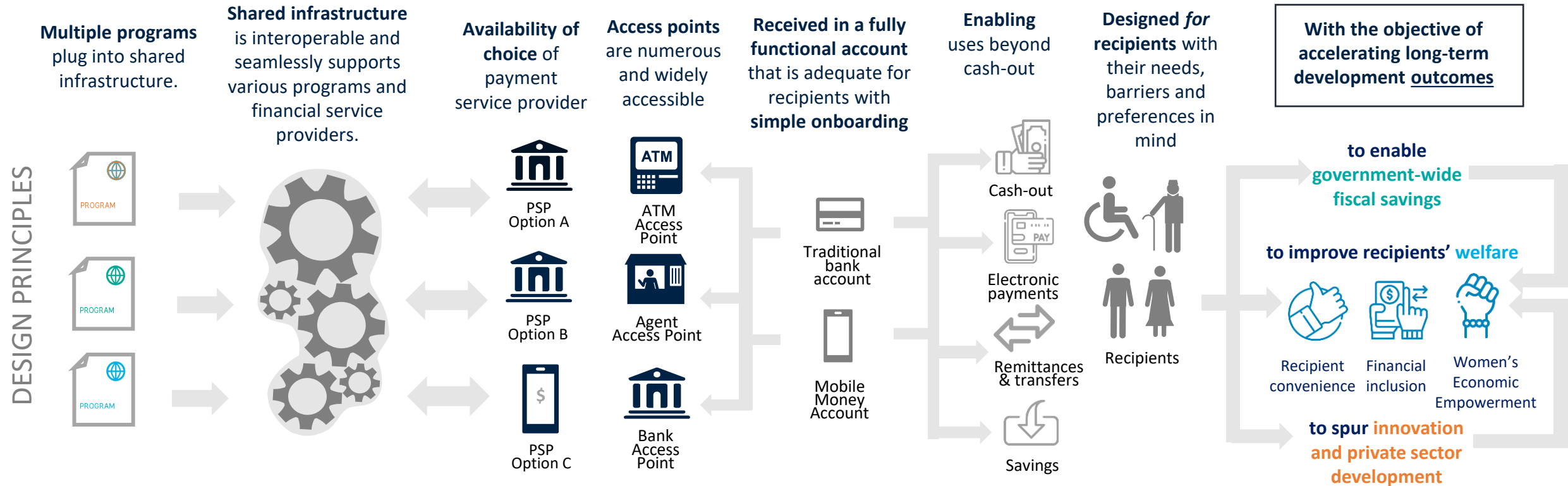


Towards Indonesia's G2P 4.0 – A Recipient Centric Modern Architecture

23 November 2021

Modern G2P Architecture: Design principles



- When G2P programs are digitized one-by-one, it is harder to push for necessary improvements across the payments ecosystem.
- When multiple G2P flows are viewed together, it supports economies of scale and brings more actors and funds to the table to push for change.
- These economies of scale can ensure that G2P modernization has a broader impact, as it drives changes such as build-out of payments infrastructure in rural and underserved areas.

Modern G2P Architecture: Building Blocks

PILLARS

Interoperability & Shared Infrastructure

Regulations & Policies

Systems & Infrastructure

Design choices

Enablers for Accessible and Choice-based G2P Payments

Regulations & Policies

Systems & Infrastructure

Design choices

Inclusion and Empowerment Accelerators

Regulations & Policies

Systems & Infrastructure

Design choices

DESIGN PRINCIPLES

Multiple programs plug into shared infrastructure.

Shared infrastructure is interoperable and seamlessly supports various programs and financial service providers.

Availability of choice of payment service provider

Access points are numerous and widely accessible

Received in a fully functional account that is adequate for recipients with **simple onboarding**

Enabling uses beyond cash-out

Designed for recipients with their needs, barriers and preferences in mind



PSP Option A



PSP Option B



PSP Option C



ATM Access Point



Agent Access Point



Bank Access Point



Traditional bank account



Mobile Money Account



Cash-out



Electronic payments



Remittances & transfers

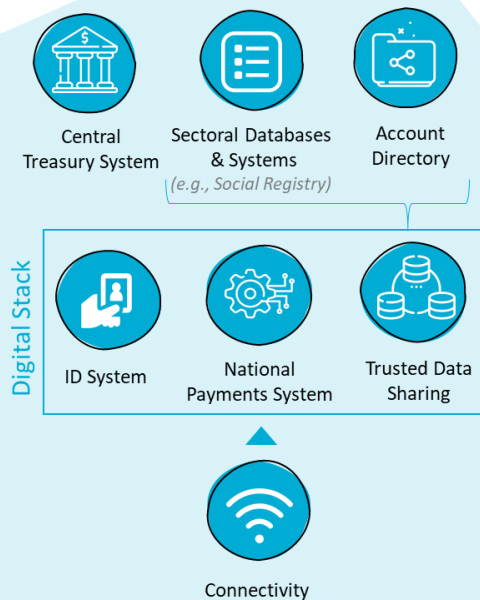


Savings



Recipients

BUILDING BLOCKS



Bank & Non-Bank PSPs



Distribution Networks and Access Points



Accounts & payment instruments



Payment Acceptance Networks



Communication & Literacy



Recipient Protection & Grievance Redressal



Data Protection & Cybersecurity



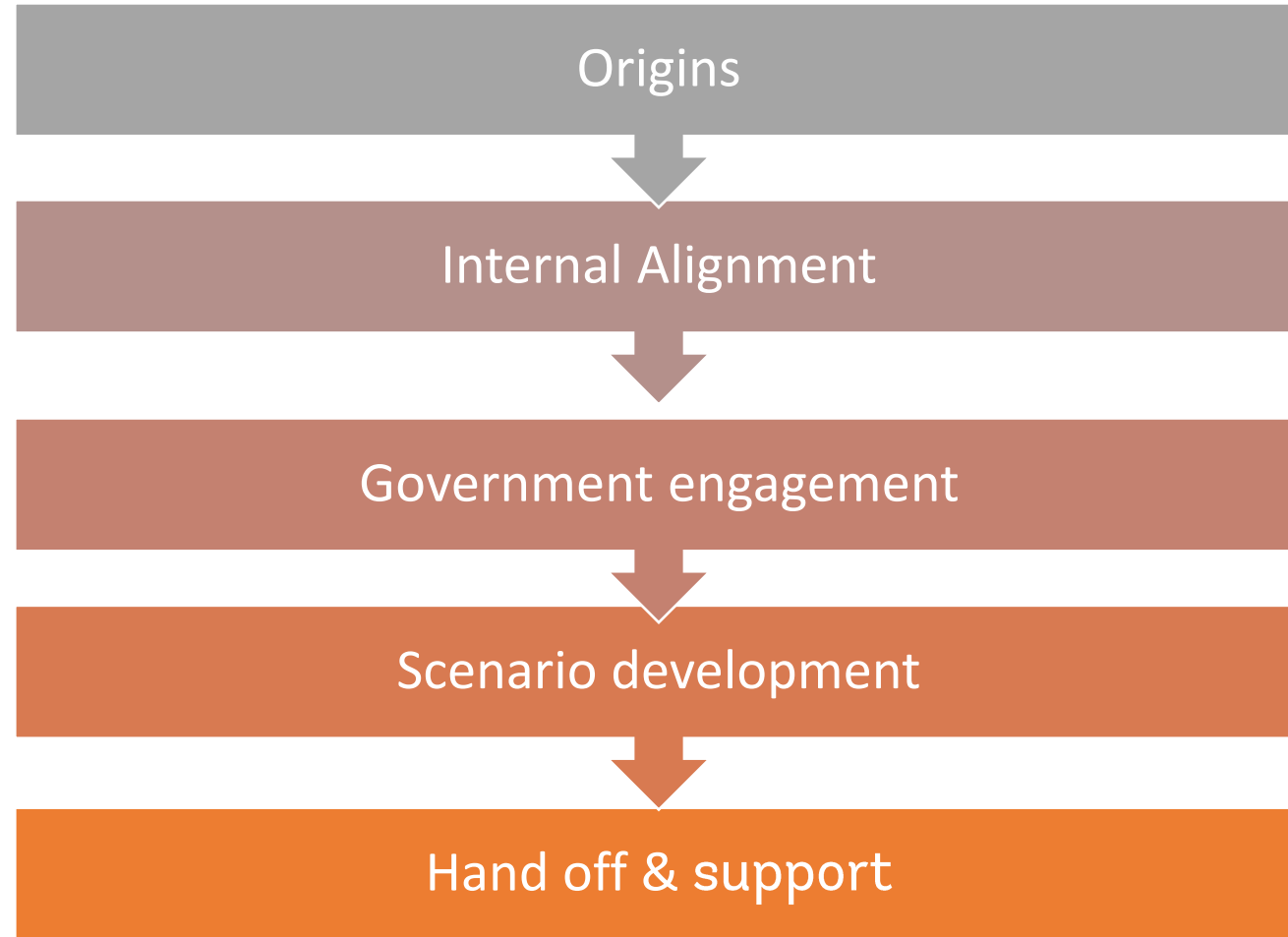
Gender Lens

Cross-cutting building blocks

Towards Indonesia's G2P 4.0 – A Recipient Centric Modern Architecture

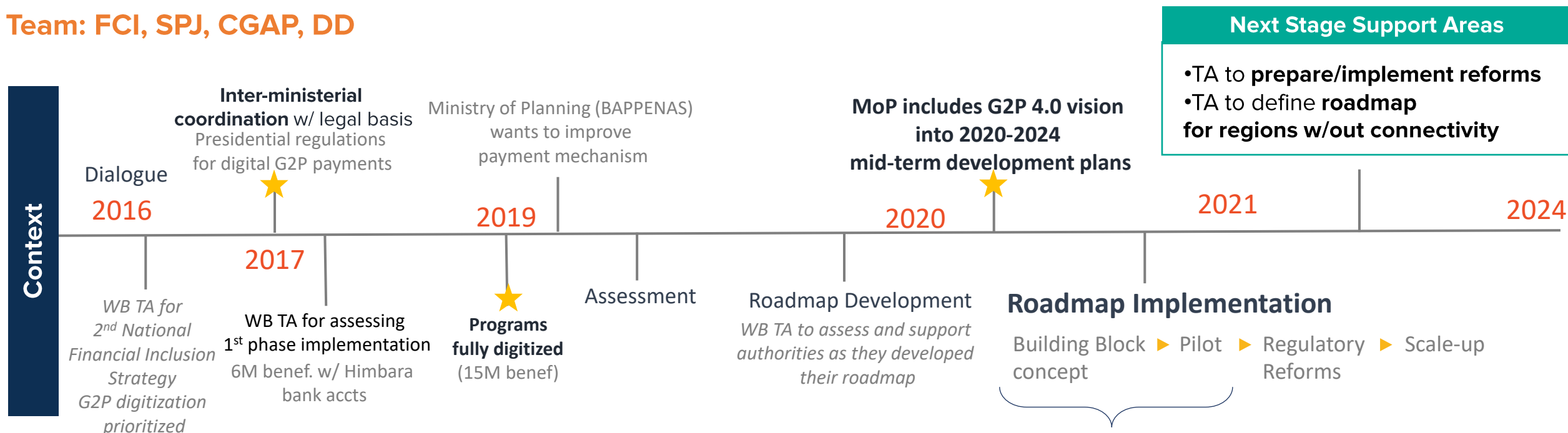
23 November 2021

Engagement in Indonesia



Timeline on digitizing G2P payments

Team: FCI, SPJ, CGAP, DD



G2Px TA complements several lending operations supporting this agenda

- Financial Sector Reform DPL series - US\$ 600m
- Emergency COVID-19 DPL - US\$ 300m
- Social Assistance Reform Program PforR – US \$600m

G2Px TA to support modern G2P architecture

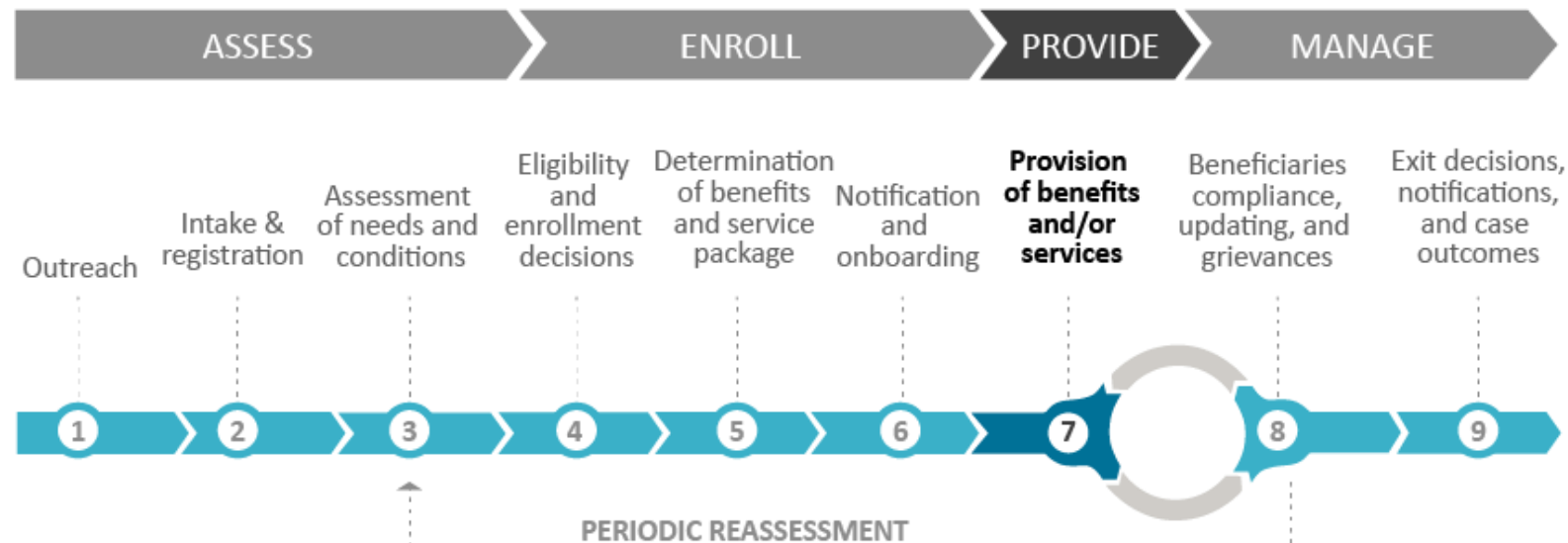
- **Beneficiary choice**- Design, development, and pilot of the central mapper
- **Interoperability** – Concept for interoperability developed; pilot planned for 2021.
- **Surveys** - Beneficiary survey to provide quantitative evidence on recipients' preference and readiness for PSP choice.
- **Communication strategy** - Communication strategy to accompany choice. Introduction; pilot planned in 2021.

Origins

- NFIS developed in 2016 under FISF TA which prioritized G2P digitization
- Presidential regulation in 2017 formalized inter-ministerial coordination
- UNSGSA visit 2018 focuses on G2P payments
 - CGAP appointed
- VP buy in, TNP2K assigned to research
- **WBG significant assets of relevance to G2P payments**
 - SPJ working on social protection with MOSA & BAPPENAS
 - FCI working on payments and DFS with BI & OJK
 - ID4D working on ID with Home Affairs and ID authority
 - CGAP experience of G2P payments reform Bangladesh

Internal alignment - *bringing capabilities of each into play*

- Cross GP team created (FCI, SPJ, CGAP, ID4D)
- Concept note sets WBG terms of engagement
- G2P Payments integrated into the FCI Indonesia PASA
- Contracted PWC for As-is assessment



Government engagement – *engaging the right partner*

- Key elements to engaging planning ministry
 - WBG relationships with Gov't stakeholders
 - Successful pitch to senior BAPPENAS official
 - G2P reform integrated into mid term development plan → political commitment, KPIs set & budget allocated
- *As-is assessment* underpins engagement by creating a snapshot of the G2P ecosystem

PILLARS

Interoperability & Shared Infrastructure		
Regulations & Policies	Systems & Infrastructure	Design choices

Multiple programs plug into shared infrastructure. **Shared infrastructure** is interoperable and seamlessly supports various programs and financial service providers.

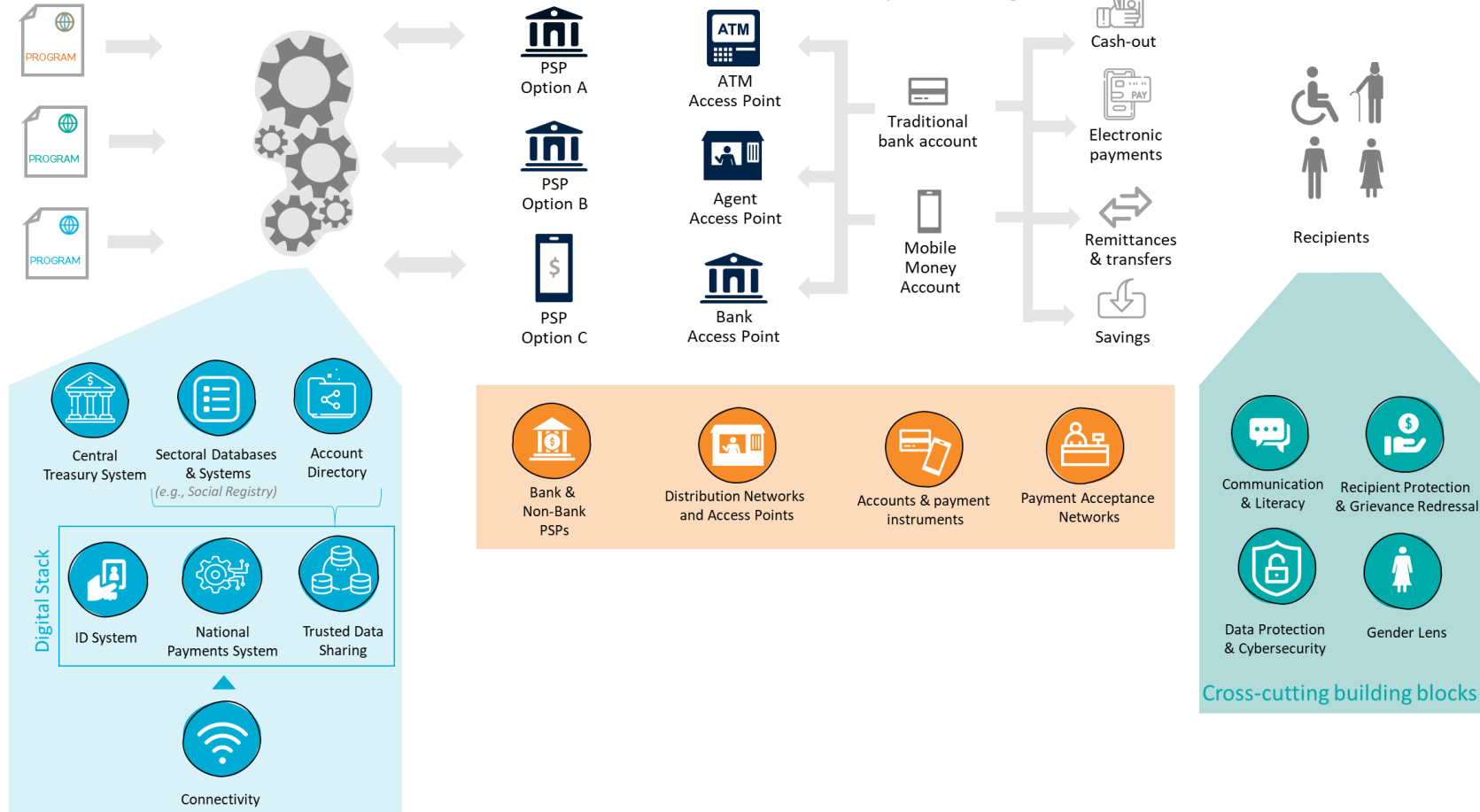
Enablers for Accessible and Choice-based G2P Payments		
Regulations & Policies	Systems & Infrastructure	Design choices

Availability of choice of payment service provider
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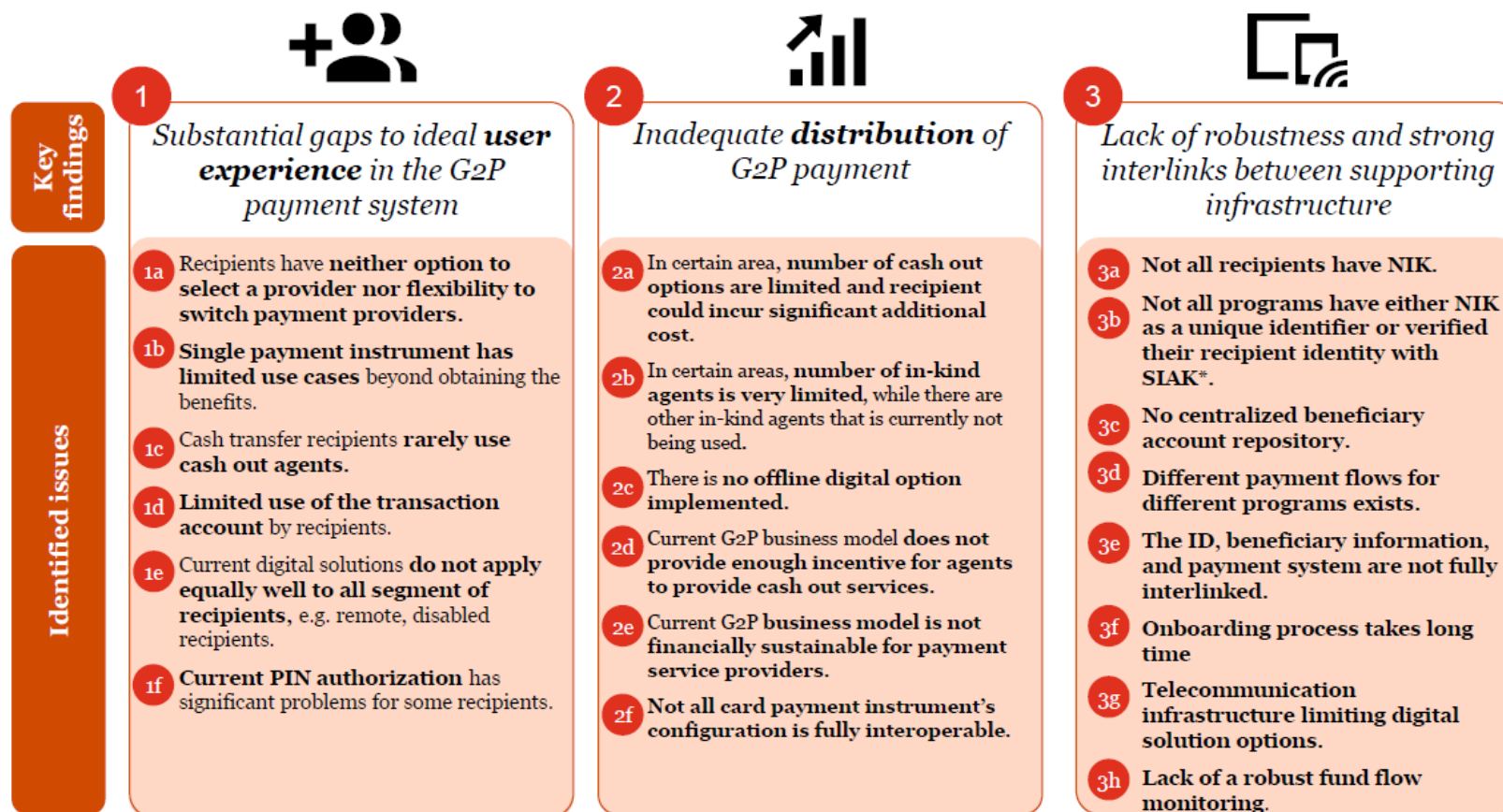
Inclusion and Empowerment Accelerators		
Regulations & Policies	Systems & Infrastructure	Design choices

Designed for recipients with their needs, barriers and preferences in mind

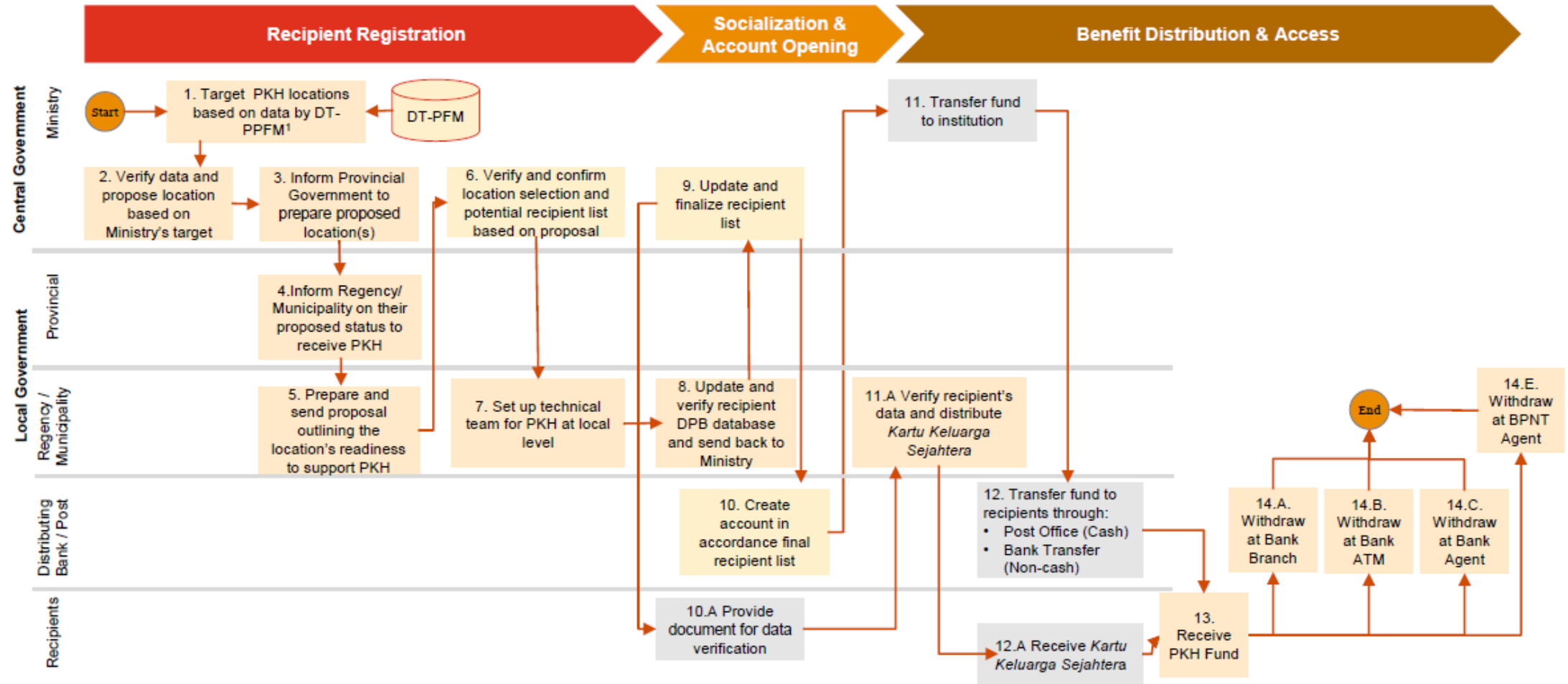
DESIGN PRINCIPLES



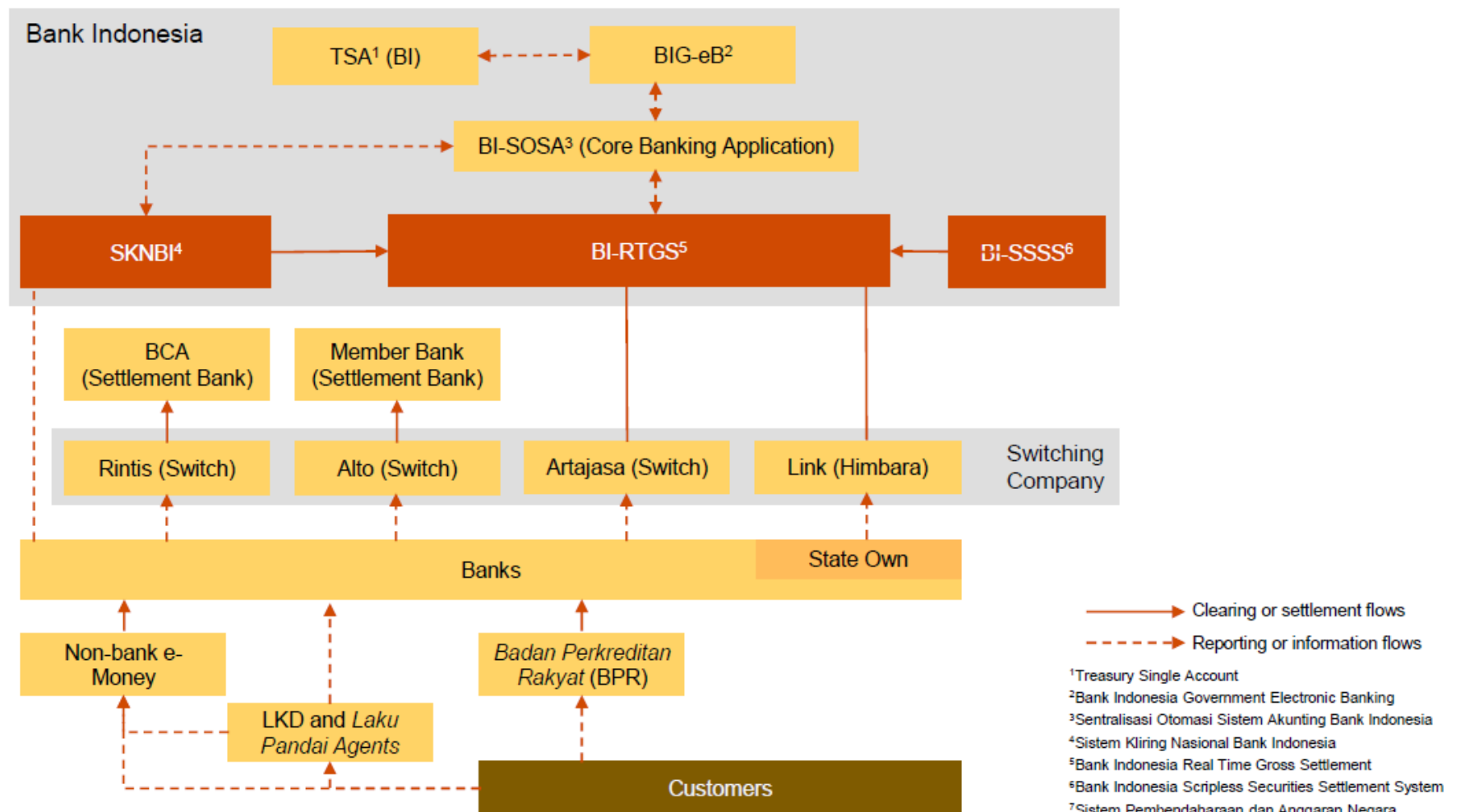
We identified three key findings in user experience, distribution and infrastructure of the selected G2P programs



Detailed Process Map: Program Keluarga Harapan



Nationwide transaction clearing mechanisms are managed and settled under Bank Indonesia





Scenario development – *transforming insights into a vision*

- Scenario developed with Gov't input during series of meetings
- Engaging intensively with working level & technical people
- Interest in other country experiences
- Scenario delivered and adopted
- BAPPENAS presents scenario as its own

A vision for the future of G2P in Indonesia

Recipient-centered G2P delivery

This vision is in line with Gol priorities



PERPRES 63/2017

Envisages a more efficient social distribution system that more effectively improves the livelihoods of the beneficiaries and ultimately better enhances their financial inclusion

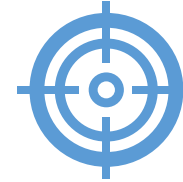


6T

Gol's guiding principles for delivering efficient social assistance services

Based on "the 6Ts" according to Perpres 63/2017 on Non-Cash Social Assistance Distribution:

- T1 "Right target"
- T2 "Right amount"
- T3 "Right timing"
- T4 "Right quality"
- T5 "Right governance"
- T6 "Right cost"



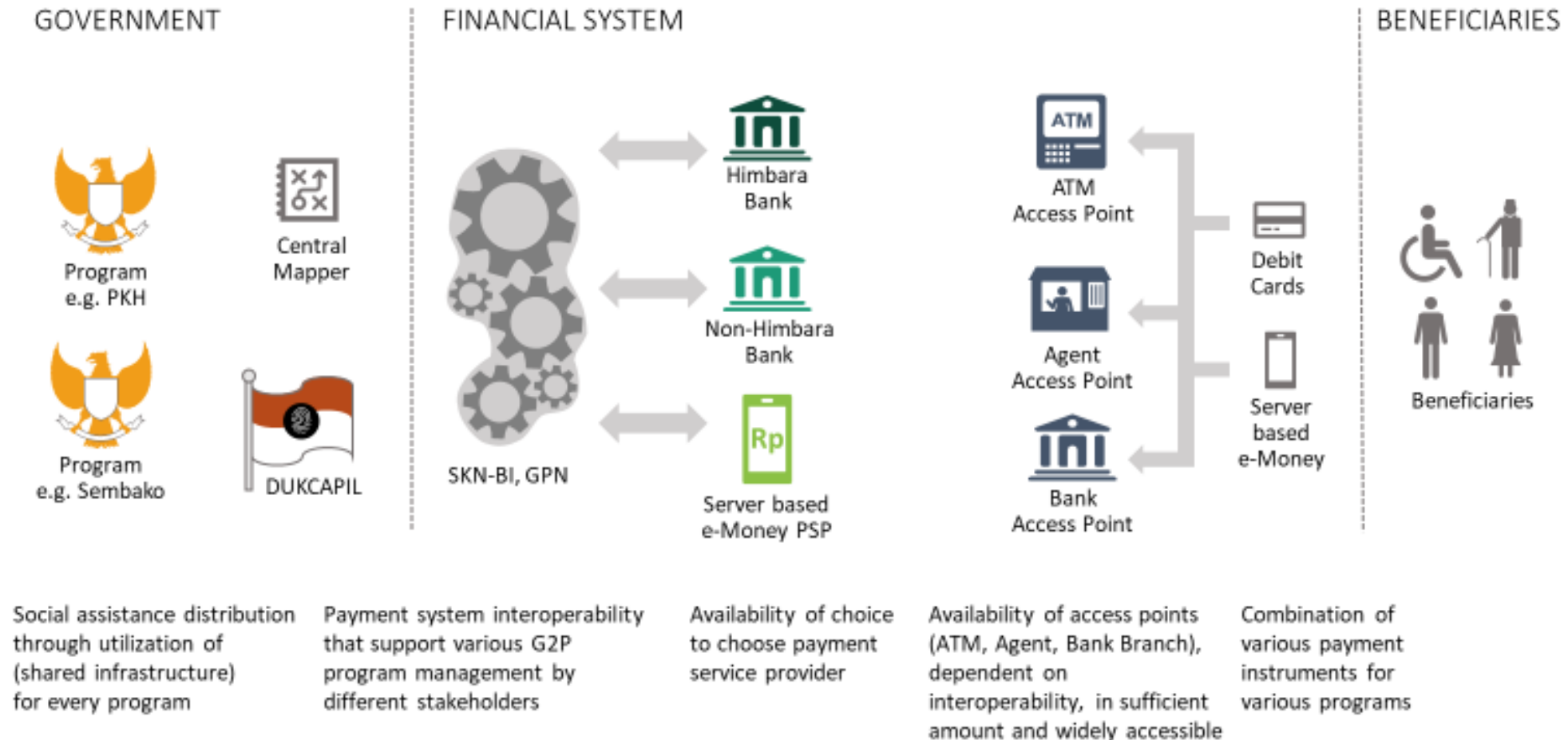
RPJMN 2020–24

Basis for all ministries and agencies in formulating their Strategic Plans

Digitization and integration of social assistance and subsidies to improve accountability and transparency

Promotion of financial inclusion through improving the financial literacy of recipients

New architecture | G2P 4.0



1. Recipients can choose any account into which to receive benefits

WHAT



- Establish the right of the recipient to choose into which account to receive their payments.
- Support the ability of recipients to exercise choice, this includes them knowing the choices available and how to exercise their preference.
- Expand the types of providers that can offer accounts, from HIMBARA banks only to include also other banks and non-banks.

WHY



- Recipients are best placed to choose the provider that suits them.
- Widen competition.
- Encourages PSPs to improve coverage and raise service quality.
- Recipient choice empowers and builds trust.

HOW

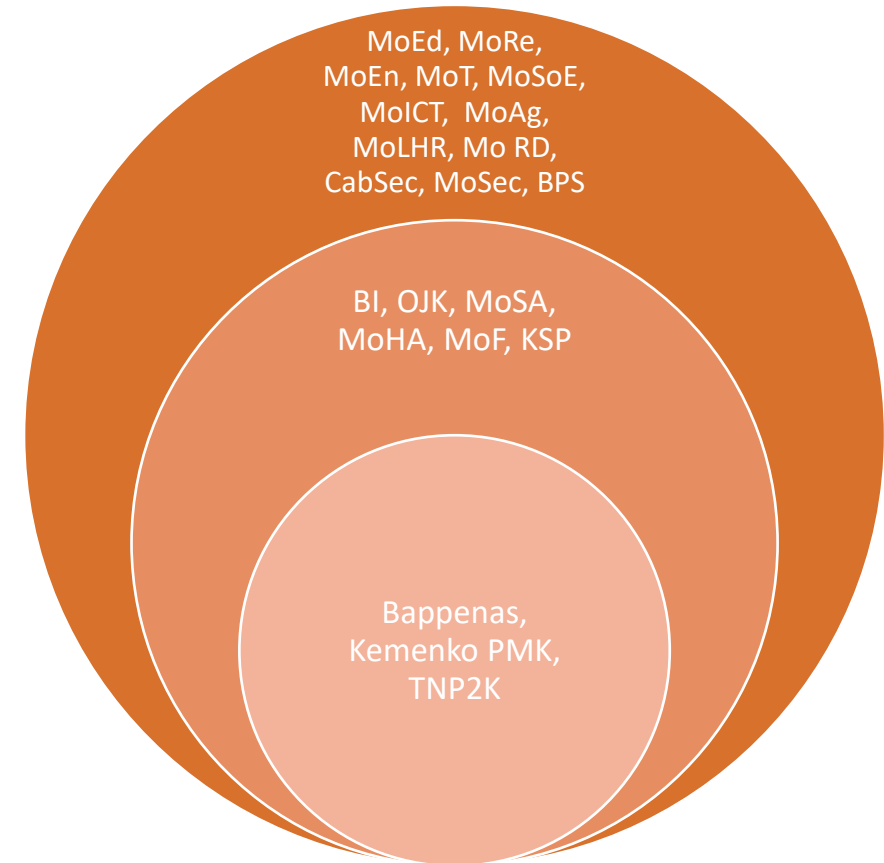


Policy actions: Open up G2P to all (i.e. banks and non-banks).

- Control Team for the Implementation of Non-Cash Social Assistance Distribution: Revise Perpres 63/2017. **Introduce an article on “establishing the right of the recipient to choose” in the regulation and revising on e.g. article 1 point 5 to expand choice of provider beyond HIMBARA bank.**
- MoF: Revise Regulation 254/PMK.05/2015 on Social Assistance Expenditure at Ministries/Agencies. **Expand the choice of providers by revising on e.g. Article 1 point 13 beyond bank/post distribution.**

Hand off & support – *operationalizing the scenario*

- Bappenas breaks series of key decision meetings into 9 sessions
- Begins convening workshops with Government stakeholders
- WBG in supporting role



G2P 4.0 Key Components

Introduce beneficiary choice

Improve Financial Literacy for SA Program



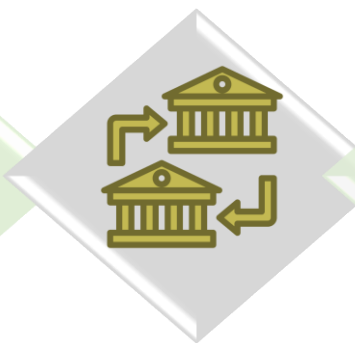
Decentralize Account Onboarding
*incl. E-KYC



Develop *Central Mapper*



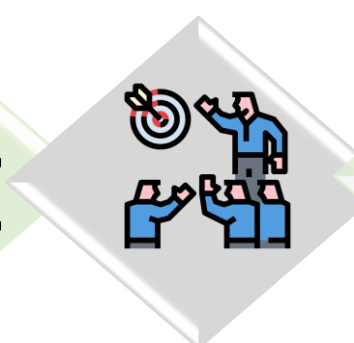
Expand Benefit Distribution Method



Enhance channels' interoperability



Introduce transparent incentive structure



Promote interoperability

Improve Monitoring & Evaluation



Principles and Key Decisions

Principle		Key Decision		
1	Provision of the right to choose	Enable right to choose for beneficiaries	Expand choices of account and PSPs	Expand choices of payment instrument & access points
2	Modification to Account Onboarding Process	Decentralize account opening process	Provide E-KYC option	
3	Development of <i>Central Mapper</i>	Develop design and function	Determine structure & governance	
4	Modification to Benefits Distribution	Determine operational bank account provider(s)	Expand options of fund transfer mechanism	
5	Modification to Benefit Utilization (cash benefit)	Optimize Interoperability Scheme		
6	Modification to Benefit Utilization (in-kind benefit)	Adjust design of benefit	Optimize of interoperability scheme	
7	Optimization of Incentives	Adjust incentive scheme		
8	Improving Financial Literacy in Social Assistance Program	Adjust socialization Modules	Develop socialization and financial literacy programs	
9	Monitoring and Evaluation Scheme	Adjustment of Monitoring & Evaluation Scheme		



Where we are now and what happens next

- Pilot – Nov-Dec 2021
- Regulatory changes – 2022 (process started in 2021)
- Roll out – by 2024



Lesson learned

- Combine and bring all WBG capabilities to the table
- Leverage existing relationships
- Find the right Government partner
- Link to government priorities – help counterparts tell the story
- Project ownership should transfer to Government over time