

# Indonesia's Non-Cash Social Assistance Reform: An Analysis of TNP2K's Contribution



Australian Government

**MAHKOTA**  
Towards a Strong and Prosperous  
Indonesian Society

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## Acronyms and Abbreviations

	English	Indonesian
ACF	Advocacy Coalition Framework	
Bappenas	Ministry of Planning and Development	Kementerian Perencanaan Pembangunan Nasional
BI	Bank of Indonesia	Bank Indonesia
BPK	State Audit Agency	Badan Pemeriksa Keuangan
BPNT	Non-Cash Food Assistance	Bantuan Pangan Non Tunai
BPS	Bureau of Statistics	Badan Pusat Statistik
BRI	Indonesian Republic Bank	Bank Republik Indonesia
BULOG	State Owned Company BULOG	Perum BULOG
BUMN	State Owned Enterprise Authority	Badan Usaha Milik Negara
CHS	Complaint Handling System	
EDC	Electronic Data Capture	
G2P	Government to Person	
GoA	Government of Australia	Pemerintah Australia
Gol	Government of Indonesia	Pemerintah Indonesia
Himbara	State Owned Banks	Himpunan Bank Milik Negara
Kemendagri	Ministry of Home Affairs	Kementerian Dalam Negeri
Kemenkeu	Ministry of Finance	Kementerian Keuangan
Kemensos	Ministry of Social Affairs	Kementerian Sosial
KKS	Prosperous Family Card	Kartu Keluarga Sejahtera
KSP	President's Staff Office	Kantor Staf Presiden
M&E	Monitoring and Evaluation	
MAHKOTA	Towards a Strong and Prosperous Indonesian Society	Menuju Masyarakat Indonesia Yang Kokoh Sejahtera
NFC	Near Field Communication	
OPK	Special Market Operation	Operasi Pasar Khusus
Pedum	General Guidelines	Pedoman Umum
Kemenko PMK	Coordinating Ministry of Human Development and Culture	Kementerian Koordinator Bidang Pembangunan Manusia dan Kebudayaan
Rastra / Raskin	Rice for the Poor / Prosperous Rice	Beras Sejahtera
RPJMN	Gol's Medium-Term Development Plan	Rencana Pembangunan Jangka Menengah Nasional
SIKS-NG	Next Generation - Social Welfare Information System at the Ministry of Social Affairs	Sistem Informasi Kesejahteraan Sosial – Next Generation
SNKI	National Financial Inclusion Strategy	Strategi Nasional Keuangan Inklusif
TNP2K-S	Secretariat of the National Team for the Acceleration of Poverty Reduction	Sekretariat Tim Nasional Percepatan Penanggulangan Kemiskinan
UDB / BDT	Unified Database	Basis Data Terpadu (BDT)



# Executive Summary

MAHKOTA (Towards a Strong and Prosperous Indonesian Society) is an Australian Government-funded program supporting the Government of Indonesia (GoI) to improve its social protection system and to reduce poverty and inequality. MAHKOTA operates as a flexible facility, working primarily with the Secretariat of the National Team for the Acceleration of Poverty Reduction (TNP2K-S), a think tank under the purview of the Vice President, to attempt innovative policy reforms and initiatives.

In 2016, President Widodo instructed his government to reform the way in which social assistance, especially food/rice assistance, is delivered to poor families. The reform was intended to improve the targeting, delivery and quality of benefits to poor families. In July 2017, President Widodo signed the Presidential Regulation on the Disbursement of Non-Cash Social Assistance. This policy, widely acknowledged as a highly significant policy reform, states that Government delivery of social assistance will go through beneficiary bank accounts. For the reformed food assistance program (called BPNT), families receive IDR110,000 every month<sup>1</sup> in their bank accounts to purchase food staples in participating shops<sup>2</sup>.

This study, undertaken by the MAHKOTA M&E team, aims to assess TNP2K-S's contributions towards the non-cash social assistance reform. A contribution analysis methodology was used to make this assessment given its previous use to assess donor/program contributions to policy changes. The program theory developed for the analysis was informed by the Advocacy Coalition Framework which provides a basis for analysing how multiple actors work together in a coalition to influence and create policy.

The study employed qualitative approaches to data collection, including interviews, workshops and document review. Thirty-one respondents participated in the study from nine institutions, including ministries and banks. Local governments and Indonesia's logistics agency, Bulog, were not interviewed due to time constraints and sensitivities.

This study found that the non-cash social assistance reform was so significant that contributions from a large government coalition of ministries and agencies was required to develop and implement the policy. Each of these ministries and agencies contributed to the reform in line with their government function and role, including TNP2K-S, which had the flexibility and capacity to provide a wide range of technical support beyond a typical think tank.

TNP2K-S was found to have played a role in each step of the program theory. The organisation was instrumental in developing a compelling evidence base that triggered and informed the reform; it developed a close-knit coalition with Presidential advisors to raise the President's awareness on the need for the reform; it undertook pilot studies to inform the Government's preparation for the reform; it provided technical contributions to the development of the policy; and prepared operational documents, supported complaint handling and undertook monitoring of program implementation.

Given TNP2K-S's roles throughout the reform, including that it filled capacity and resource gaps within government, this study concludes that TNP2K-S's contributions to the non-cash social assistance reform were highly significant. Without TNP2K-S's contributions, it is likely that the reform would have taken longer to have been initiated and implementation quality would have been poorer.

<sup>1</sup> According to BPNT General Guidelines

<sup>2</sup> as bank agents







# 01

## BACKGROUND

### 1.1 What is MAHKOTA and TNP2K-S?

MAHKOTA (Towards a Strong and Prosperous Indonesian Society) is an Australian Government-funded program supporting the Government of Indonesia (GoI) to improve its social protection system to reduce poverty and inequality. MAHKOTA operates as a flexible facility that responds to GoI priorities, provides top Indonesian and international expertise as well as allows GoI to attempt innovative policy reforms and initiatives. MAHKOTA's goals are for a comprehensive and equitable social protection system for the whole of Indonesia by 2025 and to reduce poverty and inequality. Under current contractual arrangements, MAHKOTA is a four-year, AUD 62 million program slated to conclude on 15 November 2019.

A key feature of MAHKOTA is that support to GoI is primarily provided through the Secretariat of the National Team for the Acceleration of Poverty Reduction (TNP2K). TNP2K was established in 2010 under the Yudhoyono administration through Presidential Regulation 15/2010 on the Acceleration of Poverty Reduction (and since updated by the President Joko Widodo administration through Presidential Regulation 96/2015). It is a coordinating body under the purview of the Vice President that coordinates poverty reduction efforts across 16-member ministries and agencies. With support from MAHKOTA, the TNP2K Secretariat (TNP2K-S) functions as a think tank that designs and implements initiatives such as research, evaluations, and pilot projects as well as technical support with the intention of informing and influencing social protection and poverty reduction policies. TNP2K-S has been supported by the Australian Government since 2010 (previously through the Poverty Reduction Support Facility – PRSF) and is internationally recognized for its work on poverty targeting data, reforming the electricity subsidy and informing improved delivery of Indonesia's social assistance programs.

### 1.2 The Non-Cash Social Assistance Reform

Indonesia's rice assistance program, Raskin, was introduced after the 1997-98 Asian financial crisis as a special market operation (OPK) / form of social assistance to reduce the expenditure burden on poor households.<sup>3</sup> The program distributed rice directly to the poor at heavily subsidised prices. It has become Indonesia's largest social assistance program (in terms of coverage), benefiting 15.5 million poor households. In 2016, the Government renamed the program to Rastra (Prosperous Rice); and then in 2018, started distributing rice directly to poor households, rather than selling it at subsidised prices. Despite this change, and many other program tweaks and improvements over the last decade, program effectiveness has been hampered by serious implementation issues.<sup>4</sup>

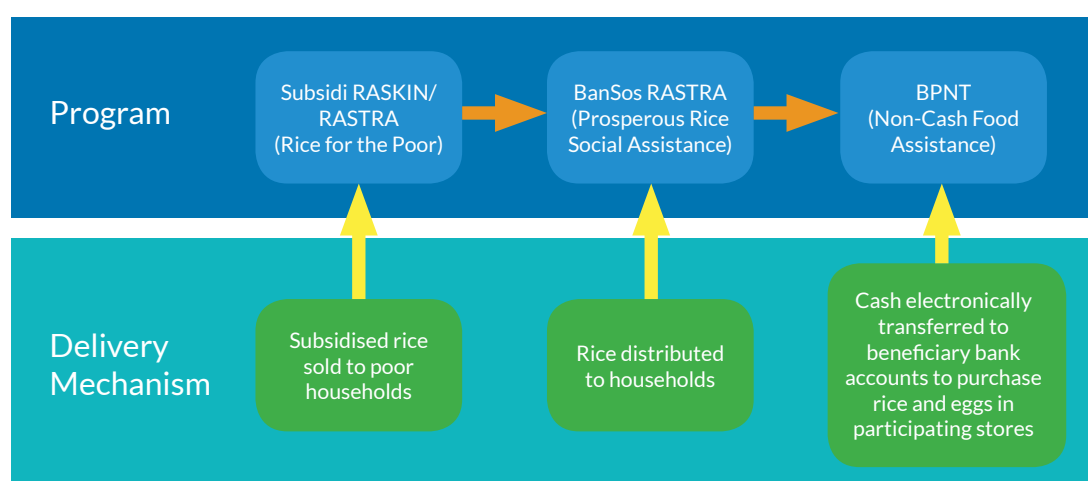
<sup>3</sup> Rice accounts for nearly one quarter of the total average monthly expenditure for poor households. Timmer, R., Hastuti., & Sumarto, S. (2018). Evolution and Implementation of the Rastra Program in Indonesia. In Alderman, H., Gentilini, U., & Yemstov, R. (eds). The 1.5 Billion People Question: Food, Vouchers or Cash Transfers? World Bank Group, Washington DC.

<sup>4</sup> World Bank (2017). Towards a Comprehensive, Integrated, and Effective Social Assistance System in Indonesia. Accessible from: <http://documents.worldbank.org/curated/en/535721509957076661/pdf/120905-REVISED-PUBLIC-Screen-English-1211-update.pdf>

In 2016, President Widodo instructed his cabinet to reform the way Government delivers social assistance to the poor. Specifically, the President requested that by 2017, beneficiaries of Rastra, would be able to exchange ‘electronic voucher’<sup>5</sup> benefits for staple foods in participating shops (e-warong) rather than receive rice directly. (See Figure 1 for an overview of the evolution of Indonesia’s Rice/Food Assistance Program).

In late 2016, the Ministry of Social Affairs (Kemensos) started implementation of this non-cash mechanism in its conditional cash program for mothers and children (PKH), and then in early 2017, in Rastra’s successor program, the Non-Cash Food Assistance Program (BPNT).<sup>6</sup> By the end of 2017, 6 million PKH families and 1.2 million BPNT families were receiving their social assistance through bank accounts.

Figure 1: Evolution of Indonesia’s Rice/Food Assistance Program



Presidential Regulation (63/2017) on the Disbursement of Non-Cash Social Assistance<sup>7</sup> was signed by President Widodo in July 2017. The Regulation details the non-cash disbursement mechanism to be used by Government to deliver its social assistance programs, including BPNT, PKH and PIP, as well as institutional arrangements for overseeing its implementation through a supervisory team (tim pengendali).

Although the policy has been applied to all of Indonesia’s social assistance programs, the benefits of the policy are most observable in the implementation of BPNT, where the non-cash approach allows the program to be more:

- **Targeted:** Under Rastra, local elites were responsible for rice distribution and as such, often selected which families, regardless of their eligibility<sup>8</sup>, would receive rice and at what quantity to prevent community conflict. BPNT benefits are directly transferred to the accounts of poor families, ensuring that they receive their full benefit and to minimise leakage to non-eligible households.

<sup>5</sup> ‘Non-Cash’ refers to the disbursement of social assistance benefits through bank accounts. Early in the reform, it also referred to mechanisms such as vouchers, tokens and mobile phone transactions.

<sup>6</sup> Kemensos implemented BPNT in parallel with Rastra.

<sup>7</sup> Accessible from: <http://jdih.bumn.go.id/baca/PERPRES%20Nomor%2063%20Tahun%202017.pdf>

<sup>8</sup> Rastra targets households that are listed/ranked in the bottom 25% of Indonesia’s poverty targeting database, the unified database (BDT).

- **On time and efficient:** The non-cash approach means that disbursements are now an administrative task (money transfers to beneficiary bank accounts) rather than a logistical and coordination burden resulting in delays and poor rice quality. Benefits are (meant to be) disbursed on the same date (25th) every month and beneficiaries are able to purchase their rice and eggs from e-warong at a time that is convenient for them.
- **Right amount and quality:** Beneficiaries can now buy rice and eggs in any e-warong using the IDR110,000 per month that has been credited to their accounts. Additionally, beneficiaries can choose the quality and quantity of rice/eggs, improving their access to nutritious food.







## 02

# STUDY METHODOLOGY

### 2.1 Study Purpose

MAHKOTA commissioned this study to assess TNP2K-S's contribution to the non-cash social assistance reform. This study will inform MAHKOTA's performance reporting to the Australian Government, particularly on significant policy changes achieved within the program.

### 2.2 Methodology

This study used the contribution analysis methodology developed by John Mayne in 2001<sup>9</sup>. Contribution analysis is an evaluation methodology that collects and assesses evidence against a program theory<sup>10</sup> to explore various influencing factors and alternative explanations for change. Box 1 outlines the six key steps in undertaking a contribution analysis.

#### BOX 1: The Six Key Steps of Contribution Analysis:

- Step 1: Set out the cause-effect issue to be addressed: identify the causal problem and the nature and extent of the contribution expected. (develop an evaluation/study question).
- Step 2: Develop the postulated program theory and risks to it, including rival explanations: develop the program theory and the roles of other influencing factors (stakeholders and programs).
- Step 3: Gather evidence on the program theory: collecting both existing information (reporting, media monitoring) and new information (interviews, workshops, field work).
- Step 4: Assemble and assess the contribution claim, including challenges to it.
- Step 5: Seek out additional evidence: identifying where there are gaps in the contribution claims and gathering this evidence.
- Step 6: Revise and strengthen the contribution story: describe the contribution story based on evidence.

Contribution analysis was selected as the methodology for this study because has been used in several studies and evaluations<sup>11</sup> to assess policy reforms. MAHKOTA's application of contribution analysis is further defined in Section 3.

<sup>9</sup> As referenced in Mayne, J. (2012). Contribution analysis: Coming of age? *Evaluation*, 18 (3), 270-280

<sup>10</sup> Also referred to as theory of change or program logic.

<sup>11</sup> For example: Biggs, J; Farrell, L; Lawrence, G & Johnson, J. (2014). A practical example of Contribution Analysis to a public health intervention. *Evaluation*, 20 (2), 214-229

Kane, R; Levine, C; Orians, C & Reineit, C. (2017). Contribution Analysis in Policy Work Assessing Advocacy's Influence, [http://www.evaluationinnovation.org/sites/default/files/Contribution%20Analysis\\_0.pdf](http://www.evaluationinnovation.org/sites/default/files/Contribution%20Analysis_0.pdf)

Riley, B; Kernaghan, A; Stockton, L; Montague, S; Yessis, J & Willis, C. (2018). Using contribution analysis to evaluate the impacts of research on policy: Getting to 'good enough'. *Research Evaluation*, 27 (1), 16-27.

This study was undertaken by the MAHKOTA M&E team (M&E Advisor and Deputy Team Leader) throughout April and May 2018. The M&E team employed a combination of data collection approaches, including:

- Semi-structured interviews with representatives from relevant government ministries and banks (see Annex 1) to determine the various ministerial/agency contributions made to the reform;
- A workshop with relevant TNP2K-S teams to detail TNP2K-S's inputs to the reform and key challenges in the reform process;
- Follow-up one-on-one meetings with various stakeholders to fill information gaps;
- Document review of previous research, evaluations and government reports/statistics;
- Media monitoring to contextualise the reform and to triangulate information collected through interviews and workshops; and
- A field visit to Cisauk (Tangerang) to observe how expansion of the reform is being carried out and how TNP2K-S fulfils its monitoring role.

Despite this comprehensive approach and good access to key government stakeholders, certain actors involved in the reform (for example, the State Logistics Agency – Bulog; some banks and participating local governments) were not interviewed due to sensitivity issues or time restrictions.

## APPLICATION OF CONTRIBUTION ANALYSIS

The MAHKOTA M&E team applied the six steps outlined in Box 1 for its approach to this study. The remainder of the report has been structured according to these steps, followed by a conclusions section.

### 3.1 Step 1: What is the issue being addressed? (Study Question and Scope)

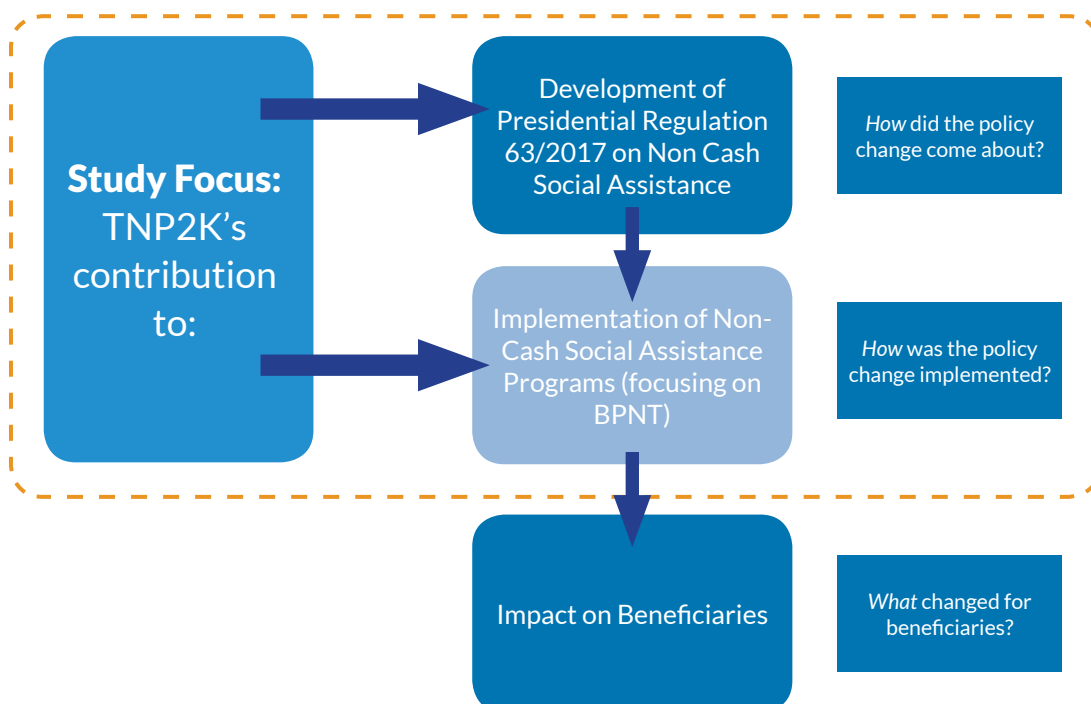
The key study question is:

*To what extent did TNP2K-S contribute to the non-cash social assistance reform, especially for food assistance?*

To assess the extent of TNP2K-S's contribution and to get an accurate picture of how the reform happened, the MAHKOTA M&E team also captured other stakeholder contributions. This approach recognises that complex policy and programmatic reforms often take place in dynamic environments comprised of interacting variables, including the contributions of many stakeholders.<sup>12</sup>

As demonstrated (by the dotted line) in Figure 2, this study's scope is focused on how the policy change came about and how it was implemented. It does not measure what has changed and how much for program beneficiaries (impact).

Figure 2: Focus of Study is on TNP2K-S's Contribution towards the Non-Cash Policy and Program Implementation



<sup>12</sup> Patton, M Q. (2012). A utilization-focused approach to contribution analysis. *Evaluation*, 18 (3), 364-377

This study assesses TNP2K-S's contribution towards two key aspects of the reform: the policy (Presidential Regulation 63/2017) and its application through BPNT.

### 3.2 Step 2: What is the Program Theory?

In 2016, TNP2K-S developed a theory of change for its pilot on different Rastra payment mechanisms (see Annex 2). This theory of change was focused on TNP2K-S's inputs, activities and expected outputs for the pilot, and not on how the pilot would influence broader policy and programming. As such, for the purposes of this study, the MAHKOTA M&E team developed a new program theory focused on how the policy and program reform came about.

This new program theory was informed by the Advocacy Coalition Framework (ACF) for policy change developed by Sabatier and Jenkins-Smith<sup>13</sup>. ACF is based on the assumption that coalitions, comprised of individuals and organisations, are bound together through a set of core beliefs and values about policies. ACF provides a framework to assess how:

- decision makers are influenced to make policy changes;
- mass media is used to influence public opinion; and
- perceptions of policies are changed through research and information exchange<sup>14</sup>.

ACF was used to inform this study's program theory because it provided a basis to 'unpack' and analyse the contributions of and dynamics between various stakeholders in the reform 'coalition'<sup>15</sup>.

Based on MAHKOTA's monitoring of the non-cash social assistance reform since 2016, the following program theory was developed (see Figure 3):

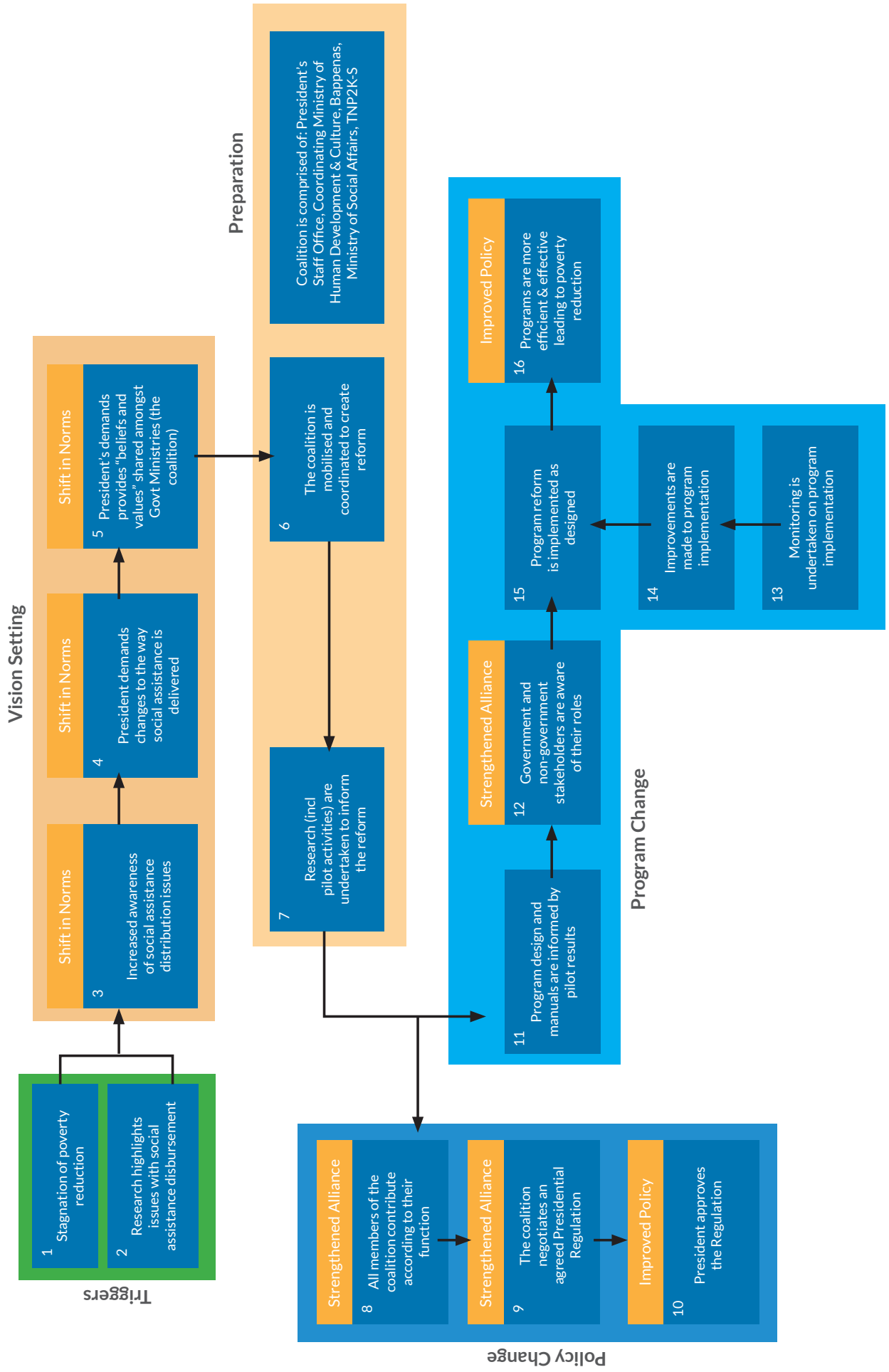
<sup>13</sup> As referenced in Sabatier, P. & Weible, C. (2007). The Advocacy Coalition Framework – Innovations and Clarification. Pp189-220. Theories of the Policy Process. Sabatier, P (ed). Westview Press, Boulder.

<sup>14</sup> Stachowiak, S. (2013). Pathways for Change: 10 Theories to Inform Advocacy and Policy Change Efforts. Center for Evaluation Innovation.

<sup>15</sup> This report will refer to the group of ministries and agencies involved in the reform as the 'coalition'.



Figure 3: Program Theory for the Non-Cash Social Assistance Reform



As seen in Figure 3, the program theory is comprised of five ‘segments’ (triggers, vision setting, preparation, policy change, and program change) which are clusters of outcomes with a common theme or purpose. The program theory outlines a top-down policy change with the President providing what Sabatier and Jenkins Smith describe as the “core beliefs and values” that unite the coalition.

Underlying this theory are a set of assumptions and risks (which informed MAHKOTA’s interview questions), including<sup>16</sup>:

- Political and cultural differences between the ministries in the coalition can be overcome by shared beliefs and values;
- Evidence created through research and pilot activities can cut-through politics to inform policy and programming;
- Strong coordination and communication within the coalition ensures all coalition members have the same vision and work together; and
- All coalition members have sufficient human and financial resources to support policy and program reform.

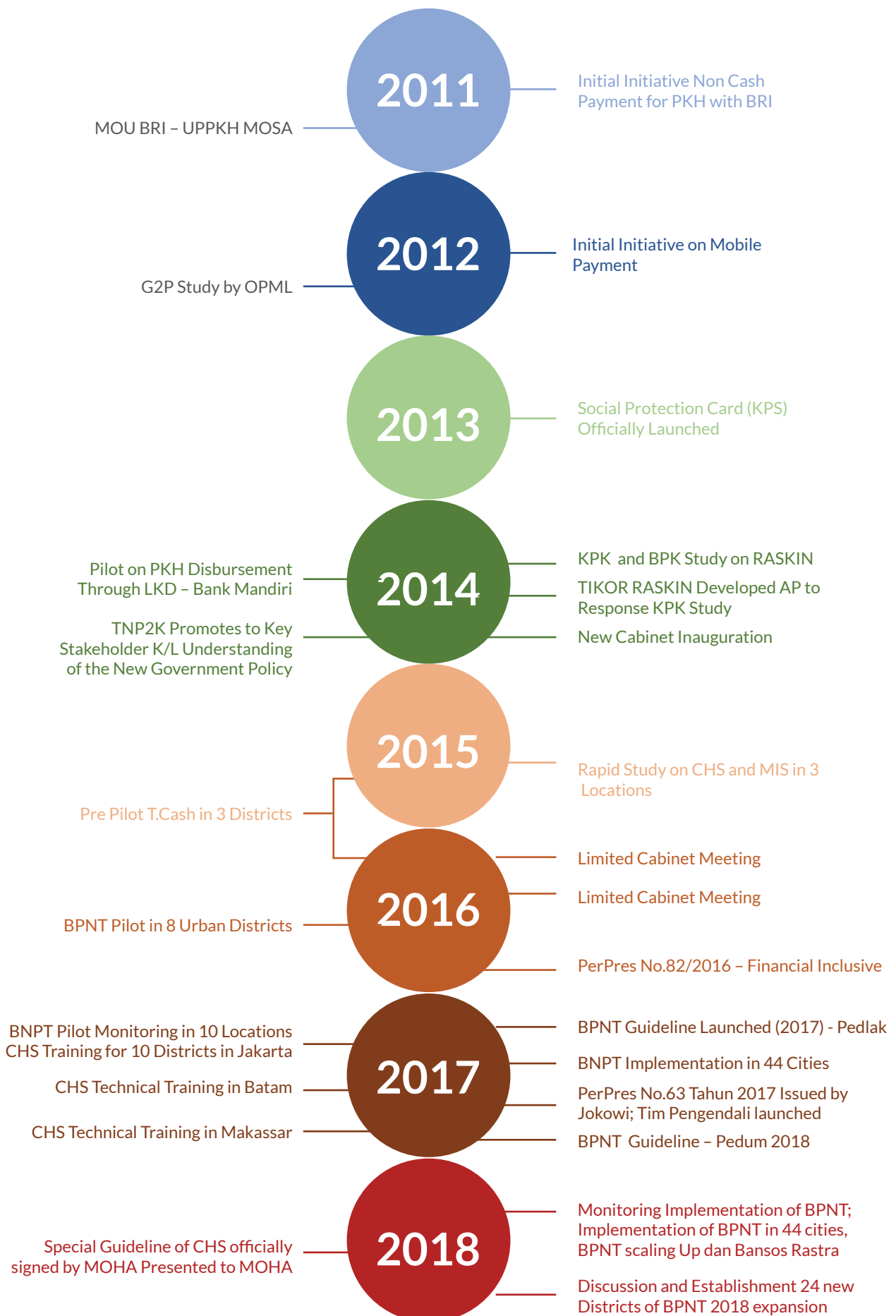
### **3.3 Steps 3, 4 and 5: Gather evidence and test the program theory (Results)**

The following sections have been structured based on the program theory outlined in Figure 3. These sections, which represent a ‘segment’ in the program theory, outline the study’s findings including TNP2K-S’s contribution to the policy reform and its implementation, the roles of other stakeholders, and broader contextual factors.

To contextualise the results provided against the program theory, Figure 4 provides a timeline of key inputs, activities and outputs of the reform.

<sup>16</sup> Stachowiak, S. (2013). Pathways for Change: 10 Theories to Inform Advocacy and Policy Change Efforts. Center for Evaluation Innovation.

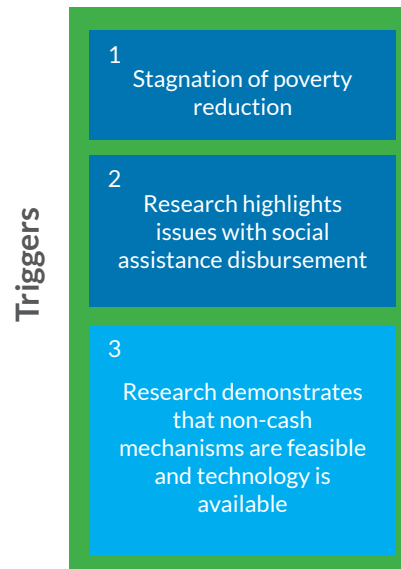
Figure 4: Timelines of inputs, activities and outputs relating to the non-cash social assistance reform



### 3.3.1 Triggers

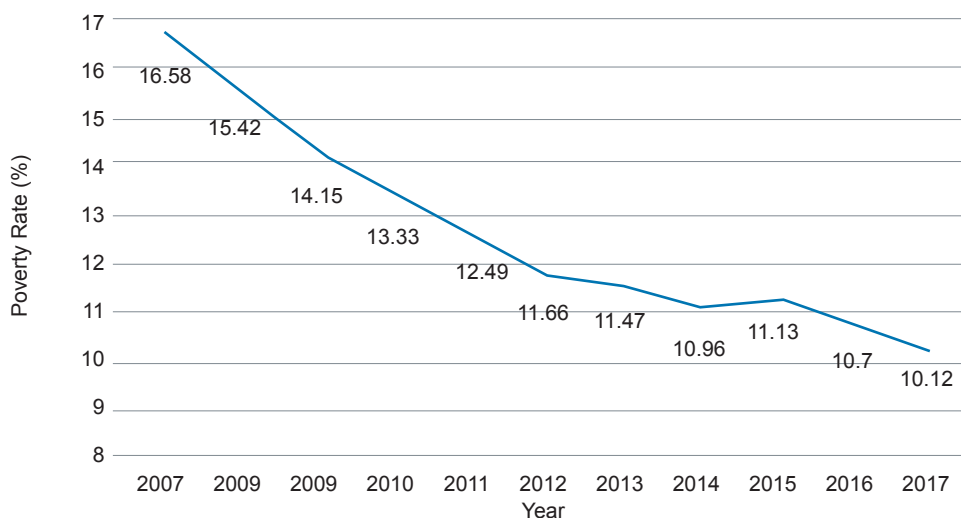
Triggers refer to the events, activities and policies that contributed to an increased awareness within Government on the need for social assistance reform. The program theory identifies two key triggers: stagnation of poverty reduction; and research highlighting issues with social assistance disbursement.

Figure 5: Program Theory for Reform Triggers



Having run for President on a pro-poor policy platform, poverty reduction and social prosperity have been central to President Joko Widodo government policies and programming. The government has set an ambitious 2019 poverty target of 8 percent and since 2015, has invested heavily in pro-poor initiatives ranging from economic infrastructure to the expansion of social assistance programs. However, whilst poverty has steadily declined in the last decade, the rate at which poverty has been decreasing has slowed in recent years (see Figure 6).

Figure 6: Indonesia's Poverty Rates from 2007-2017<sup>17</sup>



<sup>17</sup> Data source is from the Indonesian Bureau of Statistics (BPS)

The slowing rate of poverty reduction has coincided with a growing evidence base highlighting inefficiency in social assistance disbursement, especially for Raskin. For example, TNP2K-S, World Bank and SMERU studies<sup>18</sup> have found that Raskin's complicated disbursement process, requiring local elites to deliver the subsidised rice, has resulted in:

- ineligible households becoming program beneficiaries (high inclusion error);
- significant delays to disbursement;
- poor quality/rotten rice being distributed;
- incorrect quantities of rice being disseminated; and
- disbursement/transaction costs being higher than the actual benefit value.

Additionally, the Indonesian Corruption Commission's (KPK) 2014 audit on Raskin found weaknesses in surveillance and in control of the 6T warranty<sup>19</sup>, and ineffective complaint handling and follow-up.<sup>20</sup>

Whilst delivery of Indonesia's other social assistance programs has been less problematic, inefficiencies have lingered. For example, PKH's benefit disbursement through post offices has resulted in significant financial and time costs for beneficiaries (who have to travel to access the post offices) as well as high over-head costs for Kemensos.<sup>21</sup>

As social assistance implementation problems became more well-known and documented, an evidence base, primarily developed by TNP2K-S, on alternative social assistance disbursement mechanisms started to grow. This evidence base included<sup>22</sup>:

1. In 2011, Bank Rakyat Indonesia (BRI) with the Ministry of Social Affairs (Kemensos) implemented a non-cash PKH payment pilot through BRI accounts in 204,000 beneficiary households in five provinces. TNP2K-S provided technical support for the design and monitoring of the disbursement mechanism.
2. In 2011-12, TNP2K-S studied mobile payment options in Papua and West Papua to inform how disbursements in regions with limited accessibility/connectivity could be improved. The study found that bank accounts were more effective than post office accounts; and that PKH disbursement would be more effective with bank cards. TNP2K-S recommended the use of bank accounts, digital financing services, or e-money created by Bank Indonesia (BI) in locations like Papua and West Papua.

<sup>18</sup> Jellema, Jon Robbert; Noura, Hassan. (2012). Protecting poor and vulnerable households in Indonesia : Main report (English). Public expenditure review (PER). Washington, DC: World Bank.

Timmer, R., Hastuti., & Sumarto, S. (2018). Evolution and Implementation of the Raskin Program in Indonesia. In Alderman, H., Gentilini, U., & Yemstov, R. (eds). The 1.5 Billion People Question: Food, Vouchers or Cash Transfers? World Bank Group, Washington DC.

World Bank. (2012). Raskin subsidized rice delivery (English). Social assistance program and public expenditure review ; no. 3; Public expenditure review (PER). Washington, DC: World Bank.

World Bank. (2014). "Raskin Business Process Review" Project Report, Deloitte Southeast Asia Ltd., Jakarta.

World Bank. (2017). Towards a comprehensive, integrated, and effective social assistance system in Indonesia (English). Washington, D.C.: World Bank Group.

TNP2K, Tantangan Meningkatkan Efektivitas Program Raskin, 2015

<sup>19</sup> 6T refers to the program being on target (the right households), beneficiaries receiving the right amount of support, benefits being the right quality, benefits being delivered on time, benefits being at the right prices and efficient and effective administration.

<sup>20</sup> The KPK's findings cover four major aspects: (1) Planning and budgeting, including that program design was not comprehensive, there were weaknesses in data collection; transparency and accountability were unaddressed in budget preparation; and that there were weaknesses in the Government Purchase Price (HPP) policy concerning Rice Procurement Policies and Rice Distribution by the Government; (2) Implementation, including Raskin distribution was not properly targeted, the inaccurate understanding of field actors regarding the amount, quality, timing of receipt and price of rice, and the quality of the rice which provided an incentive for rent seeking; (3) Institutional, weaknesses in the program's institutional arrangements; and (4) Monitoring, including weak supervision guaranteeing 6T; and the ineffectiveness of complaint handling.

<sup>21</sup> Bappenas (2008) Bappenas Working Paper No 5. Program Keluarga Harapan

TNP2K (2014) TNP2K Working Paper No. 22. Program Keluarga Harapan Payments through Alternative Channels: Strategy and Key Requirements.

<sup>22</sup> As seen in these studies, Indonesia's road to social assistance reform has been inextricably linked to advancing Indonesia's financial inclusion agenda, of which TNP2K-S has also played a key role. In addition to undertaking the studies above, TNP2K-S also worked with BI to develop the first National Strategy on Financial Inclusion, released by then Vice President Boediono in 2012.

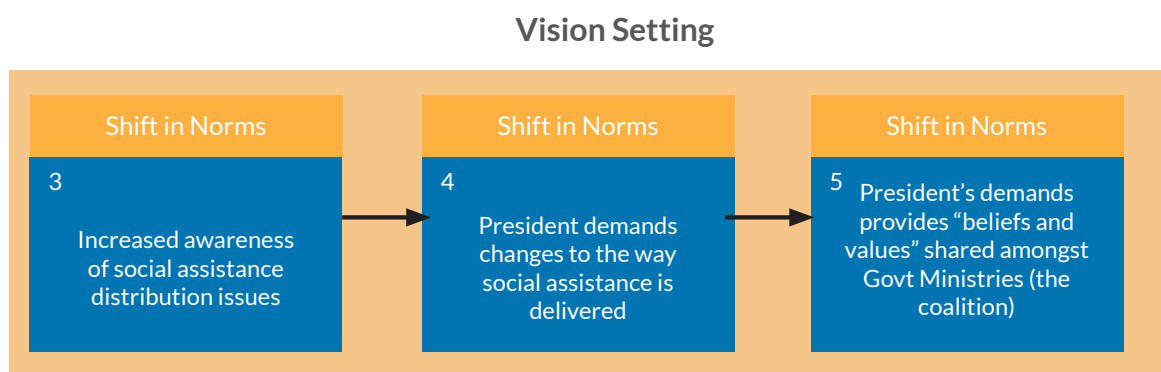


3. In 2012, TNP2K-S undertook a study on Government to Person (G2P) payments. The study recommended the substitution of PKH benefit disbursement through post offices and money orders with bank accounts.
4. In 2014, GoI piloted digital PKH disbursements under Bank Mandiri and BRI<sup>23</sup>. The pilot involved 1,800 PKH participants in four districts. TNP2K-S managed the baseline and end-line which provided early guidance to draft the Presidential Regulation on Financial Inclusion.
5. In 2015-16, TNP2K-S undertook a pre-pilot on the distribution of digital social assistance in collaboration with Telkomsel. Known as the “T-Cash Pilot”, the pilot, which used near field communication (NFC) technology, involved 2,029 households in 3 districts/cities. Participants either received cash or non-cash benefits through electronic coupons, or a combination of the two. The study highlighted that NFC and SIM cards have great potential in social assistance programs if improvements can be made to enhance simplicity, comfort and security during disbursement

### 3.3.2 Vision Setting

This section outlines the expected outcomes that led to the government creating a platform for social assistance reform. This includes increased awareness within government of the need for reform; the President demanding the reform; and the President sharing his vision (beliefs and values) to unite and guide those ministries and agencies involved in the reform.

Figure 7: Program Theory for Vision Setting



Respondents noted how the KSP Deputy of Economy, with critical support from TNP2K-S senior management and the Vice President’s Office, brought the need for social assistance reform to the President’s attention. This early coalition, formed through several years of working in partnership on similar issues, used the evidence base outlined earlier to increase the President’s awareness on the need for reform. These briefings to the President coincided with noteworthy media reporting on Rastra’s implementation problems<sup>24</sup>.

<sup>23</sup>Institutions that took part included Bappenas, BI, Kemensos, Ministry of Finance (Kemenkeu), Finance and Development Surveillance Board (BPKP), Policy Body of Goods and Services Procurement (LKPP), TNP2K-S, DFAT, and GIZ.

<sup>24</sup>According to MAHKOTA’s media monitoring analysis, Rastra is the second most reported social assistance program in the media (after PKH). Whilst the majority (57%) of Rastra reporting is categorised as “neutral”, approximately 12% is reported as “negative”. By contrast, only 3% of PKH reporting is categorised as “negative”. The most frequently reported negative issues relate to poor targeting and distribution issues.

As one interviewee from KSP notes:

*“Finally, these four people (from TNP2K-S, KSP and the Vice President’s Office), which already had accumulated knowledge and experience because of their work together in the previous administration, brought the issue (non-cash social assistance) back up. It began with those four talking together, and then KSP triggering this to the President through briefings. Meanwhile, TNP2K-S advocated to the Vice President”.*

In a limited cabinet meeting on 26 April 2016, President Widodo outlined his vision for the reform and instructed his cabinet to transform national-level social assistance delivery through non-cash mechanisms. These non-cash mechanisms should allow social assistance disbursements to be integrated with cards for monitoring and to reduce possible fraud.<sup>25</sup>

In a follow-up limited cabinet meeting in 19 July 2016, President Widodo specifically instructed for the reformed food assistance program to be implemented through vouchers.<sup>26</sup> Households were expected to utilise vouchers to obtain rice, eggs and other staple foods to fulfil their nutritional needs. Vendors/e-warong could buy their rice stocks from existing suppliers and not necessarily from Indonesia’s Logistics Agency, Bulog, which is responsible for rice distribution under Rastra.

Respondents consistently commented on how ambitious and challenging the reform was and how important it was to have the President launch the reform. One respondent from KSP noted:

*“After the cabinet meeting instructions, everyone started working on it. Policy change cannot happen from the bottom up, from bureaucrats. Because bureaucrats run the government machines... but if you want significant policy change, it must come from above, from politicians. This was the key for this reform. The President had to say something.”*

The President’s instructions in these two cabinet meetings led to President Regulation No. 82/2016 on the National Financial Inclusion Strategy which was signed on 1 September 2016 and launched on 18 November 2016 at the State Palace. The Strategy, which was developed with technical support from TNP2K-S through a government coordination team, provides an important policy platform for the government to increase people’s access to bank accounts and services, including using government social assistance programs to promote this access.<sup>27</sup> President Widodo explained:

*“...there are many Indonesians who benefit from financial products and services, banking services. For that purpose, I have instructed all Ministers, from now, to not pay any social assistance in cash. These benefits have to be incorporated into our financial and banking system.”<sup>28</sup>*

<sup>25</sup> In the meeting, President Widodo also requested that a National Strategy on Financial Inclusion be drawn up by the Coordinating Ministry of Economic Affairs and involving relevant ministries.

<sup>26</sup> A Kemenko PMK respondent highlighted that the President initially requested vouchers to be used as the non-cash mechanism, however, this will later change to cards linked to bank accounts. Vouchers were deemed to present too many implementation risks to the program.

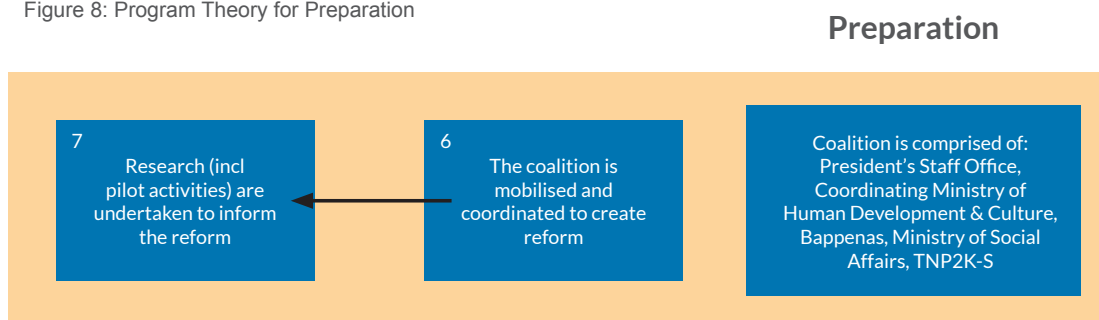
<sup>27</sup> The Strategy identifies five “pillars” to guide Government’s implementation of the Strategy. These pillars include 1. increasing financial literacy; 2. increasing access to credit; 3. expanding financial services to meet the needs of various groups; 4. improving the way in which Government delivers financial support; and 5. increasing consumer protection.

<sup>28</sup> Launch of the National Financial Inclusion Strategy. (2016) Available at: <http://www.jurnalisisindonesia.com/2016/11/21/luncurkan-strategi-nasional-keuangan-inklusif-presiden-jokowi-perintahkan-bantuan-sosial-tidak-diberikan-tunai/>

### 3.3.3 Preparation

The preparation phase incorporates activities that took place between the President's vision setting and the activities that led to the actual policy and program reform. This includes coordination between all relevant ministries and agencies in the coalition, as well as activities to inform the policy and program reform.

Figure 8: Program Theory for Preparation



A reoccurring theme in interviews with respondents was the number of ministries and agencies involved in the reform. Respondents specifically referred to the 'politics' of having so many different stakeholders involved, and the importance of KSP's early coordination to cement the President's vision.

The coalition of ministries and agencies initially included KSP, Kemenko PMK, Bappenas, Kemensos, and TNP2K-S, but this later grew to include Kemendagri, the Financial Services Authority (OJK), and state-owned (Himbara) banks. Respondents consistently noted that each ministry/agency was involved so they could perform their government 'function' within the reform. For example, as a coordinating ministry, Kemenko PMK played an important convening role for significant/high-level meetings. Kemensos was responsible for implementation of the reform through PKH and BPNT. Meanwhile, Kemendagri enabled the coalition to communicate directly with sub-national governments, as well as manage the complaint handling system.

With TNP2K-S having either piloted or commissioned much of evidence base that triggered the reform, respondents highlighted the significant technical expertise provided by TNP2K-S at the start of the reform. (TNP2K-S was described by one respondent as being the "technical anchor" for the reform). For example, one respondent from KSP noted that TNP2K-S was the only government body that had maintained its staff since 2011-12, and as such, had preserved institutional knowledge on the results of early pilots and research. In contrast, the churn and rotation of staff in other government ministries/agencies in the coalition meant that 'new' staff involved in the reform had different understandings on why the reform was needed and how it could be implemented.

Shortly after the July 2016 limited cabinet meeting, TNP2K-S was assigned by members of the coalition to pilot non-cash approaches to inform the design and implementation of BPNT in 2017. The "Raskin Reform Pilot" (also referred to as the Non-Cash Food Assistance Initiative) was successfully completed by TNP2K-S in December 2016. The initiative, which trialed different ways of electronically distributing food benefits, was implemented in eight cities/districts in partnership with five banks, one telecom, and 62 agents. The program targeted a total of 4,295 households with food assistance (rice, eggs and milk) valued at IDR110,000 and IDR110,000 cash over a two-month trial period.

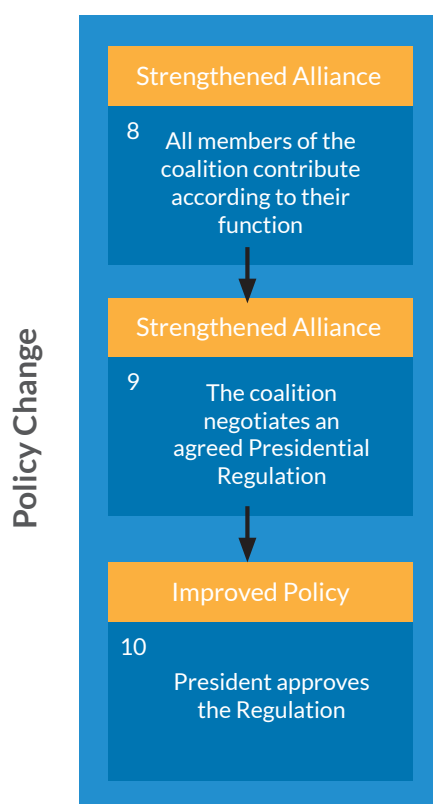
The design and implementation of this pilot was done in close coordination with the ministries involved in the Raskin Coordination Team (Tikor Raskin) and coalition. Kemenko PMK acted as the advisory board and provided inputs for the pilot. Kemensos, as the future budget holder for BPNT, provided input on the benefit frequency, pilot regions and the types of benefits/food. Bappenas participated in monitoring activities to inform its planning for the following year. OJK and BI as the banking regulators and key financial inclusion stakeholders, provided advice on financial principles relating to opening accounts and disbursement. The participating banks<sup>29</sup>, with TNP2K-S, scoped local governments/regions and socialised the pilot to households through various communications materials.

In addition to implementing the pilot, TNP2K-S also conducted spot check-monitoring in five of the eight regions (451 respondents) to document lessons learned to inform the policy and program reform. These lessons learned fed into the development of program manuals and guidelines (see 3.3.5 Program Change).

### 3.3.4 Policy Change

This section outlines the expected outcomes leading to the approval of the Presidential Regulation on Non-Cash Social Assistance. This includes all coalition members contributing to and negotiating the Presidential Regulation; and approval from the President for the regulation.

Figure 9: Program Theory for Policy Change



In May 2016, shortly after the first cabinet meeting, Kemenko PMK, in its coordination role, convened a meeting with coalition members to start preparing the Presidential Regulation. Kemenko PMK, KSP and Bappenas alternated on leading technical coordination meetings for drafting of the Presidential Regulation, with KSP regularly updating the President on progress. Within the coalition, almost 20 meetings were held at the Echelon 1 and 2 levels to develop the Presidential Regulation. KSP, with TNP2K-S, BI and Kemensos participated as key drafters for the Echelon 2 team, which regularly updated the Echelon 1 team.

<sup>29</sup> Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), Bank Mandiri, Bank Pembangunan Daerah (BPD) Jawa Tengah, and Bank Pembangunan Tabungan Negara (BTPN) + Telkomsel.

Key meetings, as identified in consultations with TNP2K-S, to prepare the Presidential Regulation included:

- 22 August 2016: Coalition members agree on four stages for non-cash social assistance disbursement:
  1. Registration and opening of beneficiaries' bank accounts;
  2. Education and socialisation;
  3. Disbursement; and
  4. Withdrawal/Food purchases.
- 19 September 2016: Coalition members discuss complaint handling and the integration of combo cards<sup>30</sup>
- 25 October 2016: Coalition members meet to confirm the draft Presidential Regulation.
- November 2016: State-owned (Himbara) banks are assigned to be the distributor banks for BPNT for the sake of coordination and control under the Ministry for State Owned Enterprises (BUMN).
- 8 November 2016: Each ministry<sup>31</sup> presents on social assistance issues relevant to their ministry. TNP2K-S presents the results of the Raskin Reform pilot, and the concept of using savings accounts and other optional transaction modes for BPNT, not limited to debit cards. Coalition members agree, based on TNP2K-S's strong recommendation, to use UDB 2015 data for beneficiary targeting.

In drafting the Presidential Regulation, the majority of respondents commented on the length of time required (more than one year from the first coalition meeting to Presidential sign-off) to complete the policy. One respondent from Bappenas noted that the advantage of developing a Presidential Regulation is that is usually easier and quicker than developing a new law (*undang-undang*). However, due to drafting inefficiencies, as well as different understandings, interests and politics within the coalition, drafting of this Presidential Regulation was uncharacteristically long and complex.

In terms of drafting inefficiencies, ministries often had inconsistent representation in meetings, resulting in concepts and progress needing to be re-explained to representatives that did not attend earlier meetings; and in some cases, ministries/agencies (including, the banks, Kemendagri and the Ministry of Communications and Information) were only included part-way through the drafting process. WhatsApp was used as a tool for communicating with various echelon levels in the coalition, enabling ministries to stay up-to-date, even if certain representatives were unable to attend meetings or field visits.

With regards to interests and politics, respondents noted that issues that caused the most contention within the coalition related to the selection of banks (whether Himbara and/or private banks); the inclusion of e-warong KUBE<sup>32</sup> as agents/merchants; the role of Bulog; and the types of goods that could be purchased under BPNT. These points of contention led to the creation of a "coalition within a coalition" (or as described by one respondent: "my gang"), where a core group of four ministries and agencies that had similar perspectives on the principles of the

<sup>30</sup> The combo card is a payment instrument that has electronic funds and savings which can be used as the media for different social assistance disbursements.

<sup>31</sup> Ministry of Religious Affairs; Ministry of Education, Bappenas; Kominfo; Bank Indonesia Governor (BI); OJK; the Statistics Bureau; TNP2K-S; Kemensos; Ministry of Agriculture; Ministry of State-Owned Enterprises; Ministry of Finance; Ministry of Law and Human Rights; Ministry of State Secretariat; Cabinet Secretariat; KSP; Kemenko PMK.

<sup>32</sup> E-warong is the bank agent, trader and /or any party who has built a partnership with distributor banks and has been selected as the station for beneficiaries to purchase their food assistance. E-warong KUBE is a collective merchant group which is operated by beneficiary mothers under the supervision of PKH facilitators.



reform advocated and negotiated with ministries that had different perspectives and interests. Throughout the drafting of the Presidential Regulation, TNP2K-S provided both strategic and technical support. Through its Executive Secretary, TNP2K-S was involved in high-level meetings and negotiations with certain Ministries, often relaying the results of TNP2K-S-led monitoring. At a technical level, TNP2K-S was able to use its institutional knowledge and evidence base to provide practical and evidence-based inputs into the Presidential Regulation. An evaluation respondent described these inputs as the “soul” of TNP2K-S. Respondents also noted that the coalition relied very heavily on TNP2K’s technical capacity and presence in these coalition meetings. For example, a respondent from Kemenko PMK noted:

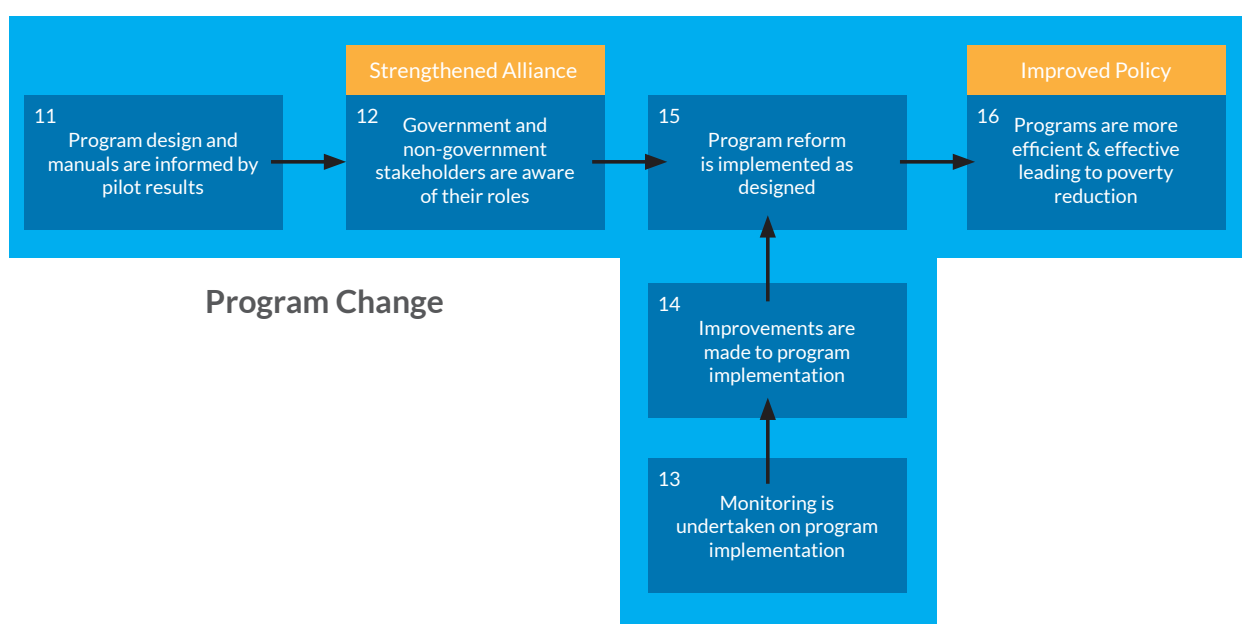
*“So, if we were confused on what we should do, we asked TNP2K-S for help. Both in terms of resources and thinking. We have to admit that TNP2K-S had such a role and that we continued to ask directions from it”.*

On 14 November 2016, the draft Presidential Regulation was submitted to the Ministry of Law and Human Rights for further review. On 23 January 2017, the Cabinet Secretary sent the Presidential Regulation<sup>33</sup> to Kemenko PMK, Kemensos, Bappenas, and Ministry of Finance for signature. With contributions from all in the coalition, including TNP2K-S, President Regulation No.63 of 2017 on the Disbursement of Non-Cash Social Assistance was signed by President Widodo on 12 July 2017.

### 3.3.5 Program Change

This segment on program change refers to implementation of the new non-cash policy through Gol’s social assistance programs. The outcomes in this segment include completing and socialising implementation designs and manuals, implementation of the program as designed, and improvements to implementation through rigorous monitoring.

Figure 10: Program Theory for Program Change



<sup>33</sup> Registered as B.53/Seskab/Kemenko PMK/1/2017

Respondents noted that the Government's program reform efforts were focused on Rastra given its history of serious implementation issues and the scale of change required for it to implement a non-cash modality. As such, even though PKH also underwent a non-cash transformation, the following sections focus on the Rastra-BPNT reform.

### Preparation

From mid-2016 until the first quarter of 2017, TNP2K-S used the results, lessons learned and recommendations of the Raskin Reform pilot to support the technical preparation of BPNT 2017. This included TNP2K-S's drafting of the implementation manual (pedlak) in consultation with the coalition, endorsed by the National Tikor Rastra, and signed by the Minister of Social Affairs. TNP2K-S, with BI as the agency responsible for program education, also led the development of socialisation materials, including power point presentation used for all, audio-visual materials, manuals, posters and guideline notes. TNP2K-S also supported socialisation directly to local governments, bank branches, village and sub-district apparatus through workshops.

Respondents indicated that the preparation for BPNT's implementation in 2017 took an extended period of time because:

- There was ongoing contention within the coalition on which database would determine BPNT beneficiaries;
- The 44 locations for 2017 implementation were repeatedly changed; and
- Budget approval for 2017 required a decision about which cities and districts would implement BPNT.

To accelerate the preparation of BPNT, TNP2K-S with a technical team comprised of Bappenas, KSP, Kemenko PMK and Kemensos held over a dozen technical meetings, supported with 15 formal exchanges between the ministries. These technical meetings, informed by the results of the TNP2K-S Raskin Reform pilot, resulted in clear selection criteria for the 2017 BPNT locations. These criteria included:

- Preparedness of disbursement services;
- The existence of telecommunications infrastructure; and
- Regional inflation rate.

TNP2K-S ranked and selected the 44 cities/districts based on KSP decision that considered also these criteria. City/district selection was also informed by local budget allocations and the social assistance ceilings outlined in Bappenas' National Medium-Term Development Plan (RPJMN). For BPNT's expansion in 2018, Kemensos requires that regions must already have access to and use its Next Generation - Social Welfare Information System (SIKS-NG) to ensure beneficiary data can be verified.

Whilst TNP2K-S and the rest of the technical team focused on the technical preparation of BPNT, Kemensos focused on its resourcing to implement the program, as well as connecting the program with its e-warong KUBE program, that would allow PKH beneficiaries to open small businesses to operate as bank agents/e-warong. Meanwhile, the banks focused on the practical preparation of the program, including the preparation of agents, infrastructure and technology. For example, as a result of Kemensos's zoning<sup>34</sup>, Bank Mandiri had to invest significant time and money into finding new bank agents/e-warong because it did not have any existing bank branches and agents in their allocated districts. Meanwhile, BRI had to develop technology that allowed its BPNT Electronic Data Capture (EDC) machines to connect with its satellite.

<sup>34</sup> Zoning is the allocation of BPNT cities/districts to banks.

## Implementation

In February 2017, President Widodo officially launched BPNT in 44 cities targeting 1.2 million families<sup>35</sup>. Beneficiaries were given Kartu Keluarga Sejahtera (KKS) cards that were linked to a savings account and associated e-wallet. As stipulated in the PKH and BPNT implementation manuals, KKS holders are women. This was informed by the results of the TNP2K-S Raskin Reform pilot that found that most social assistance is collected and used by women, especially for the benefit of their children. PKH benefits were transferred into beneficiary bank accounts for withdrawal from ATMs or bank branches. BPNT credit was transferred to the e-wallet linked to newly opened accounts for beneficiaries to use in participating e-warong/agents. One respondent described this reform as one of the most significant reforms in the social protection sector.

*“Have you all received your KKS card? Your account book? In this KKS card, you get IDR1,890,000 from PKH. For food assistance, your account will receive IDR110,000 every month. I’m giving this money to those who will really benefit from it. PKH is for child nutrition and education. Do not give it to your husband to buy cigarettes and phone credit. That is not allowed.*

*Before, you just received the rice. There was black and brown rice. Now you can choose. Rice is IDR8,500 per kilo. There is also sugar<sup>36</sup> now, but don’t buy a lot because you will get diabetes later”<sup>37</sup>.*

With the reform focused on disbursing benefits through bank accounts, the Himbara banks have played a central role in its implementation. Banks are responsible for beneficiary registration and account opening, printing and distributing KKS cards, recruiting and preparing e-warong/agents, providing infrastructure such as EDC machines, training for agents, benefit disbursement and payment complaint handling.

Due to their key role in implementation, the banks have been at the frontline of handling early implementation issues. For example, data issues early in implementation, including the revision of beneficiary lists based on new data, resulted in the banks needing to reprint and disseminate large batches of new cards. Additionally, the beneficiary data sent to banks for account opening/registration, usually lack or is inconsistent with registration/identity data in other Government databases. As such, banks are forced to soften their know your customer (KYC)<sup>38</sup> requirements so beneficiaries with no formal identity cards can present alternative documents<sup>39</sup>. During the study, bank respondents referred to the fine line between complying with the BPNT implementation and meeting their standard banking requirements.

The banks have also had to invest significant human and financial resources to implement the non-cash reform. For example, Bank Mandiri has had to create a specific unit to oversee its social assistance efforts as well as develop a volunteer program amongst its staff to meet its implementation obligations. Similarly, BRI has required significant overtime from its national and local-level staff to prepare and implement the program. In remote areas, banks are unable

<sup>35</sup> Available at: <http://setkab.go.id/presiden-jokowi-luncurkan-bantuan-pangan-non-tunai-untuk-12-juta-penerima-manfaat/>

<sup>36</sup> In the 2017 BPNT implementation manual, sugar was not included as a buyable food item. However, e-warong were packaging sugar with rice and cooking oil during BPNT implementation in 2017.

<sup>37</sup> President Widodo addressing KKS beneficiaries in East Jakarta on 23 February 2017. Available from: <https://news.detik.com/berita/d-3429830/jokowi-luncurkan-bantuan-pangan-non-tunai-serentak-se-indonesia>

<sup>38</sup> The process of verifying the identity of customers through formal identity documents

<sup>39</sup> Such as domicile letters signed by the local authorities.

to fulfil the non-cash principles of the reform due to their either limited physical presence in those locations (no near bank branches or agents) or limited connectivity. As such for PKH, they have to physically deliver the cash benefits, often with logistic costs being higher than the cash benefits being disbursed. For example, Bank Mandiri respondents described needing to hire a warship to access remote islands in East Java:

*“We are in Sumenep district near Madura. We can access Sumenep via road. However, in addition to Sumenep, there are five other islands which require 23 hours to get to with waves 8 meters high. Have you heard of the Tampomas Ship that sunk in Masalembu? That is also an area for Bank Mandiri. We cannot just hire a normal ship, but a warship. And for this, we need to use our own funding.”*

Respondents regularly noted that local governments have also had to play a major role in program implementation. Accurate and timely socialisation to local governments, including to social and civil registration offices and local apparatus is critical to efficient and effective implementation of BPNT. TNP2K-S supported the socialisation of the program to local governments, including the preparation of materials and workshops with local governments. Additionally, as observed in the field visit for this study, TNP2K-S’s field monitoring means that it continues to play an important socialisation role, especially to beneficiaries. At the registration meeting in Cisauk in April 2018, beneficiaries directly asked questions about BPNT, including what they were and were not allowed to do with their cards, to TNP2K-S staff (rather than local officials).

As the implementing agency for BPNT, Kemensos has also played a major role in the implementation of the reform. Its role has included establishing the regulatory framework and administration for implementation (through ministerial regulations, agreements with banks), coordination with districts and banks on preparation and start-up, bank zoning, coordination on disbursement/transfers as well as participation in monitoring activities. Respondents noted that Kemensos has found it challenging to implement this reform, primarily because its internal human resource capacity has not been able to match the breadth and complexity of the reform. Nevertheless, Kemensos has been receptive to monitoring findings and making changes to improve implementation.

In addition to supporting the implementation of BPNT in 2017, TNP2K-S and other related ministries (including Bappenas, Kemensos, KSP, Kemendagri and Kemenko PMK) implemented a parallel pilot program in ten local governments<sup>40</sup>. These local governments, which tended to be more remote or have unique implementation circumstances, would form part of the BPNT 2018 expansion. Implementation, including the disbursement mechanism, was identical to BPNT in 44 districts/cities. Households received IDR 110,000 over two months whilst they continued to receive Rastra benefits. The results of the study were similar to previous monitoring undertaken by TNP2K-S and were used to inform the scale up of the program and revise the BPNT general guidelines in 2018<sup>41</sup>.

TNP2K-S has also supported the development of a complaint handling system (CHS) for BPNT. In 2016, TNP2K-S worked with the Directorate General of Regional Development in Kemendagri

<sup>40</sup> The 10 locations are: Kota Sorong, Kota Tual, Kota Balikpapan, Kabupaten Gowa, Kabupaten Lombok Timur, Kabupaten Tabanan, Boyolali, Kediri, Kabupaten Deli Serdang and Kulon Progo. These districts were selected based on infrastructure preparedness index (regional electronicfication, signal, road access) and transaction index (total number of banks, stores and markets).

<sup>41</sup> Key issues highlighted by the monitoring included: poor preparation and socialisation resulting in inconsistent understanding across relevant stakeholders; confusion from beneficiaries on bank balances; and late disbursement.

to develop a CHS for the BPNT pilot. Kemendagri's engagement in social protection had been very limited before, and as such, it worked closely with TNP2K to strengthen Gol's primary CHS, LAPOR!, as well as undertook a series of technical trainings on the system. Developing the manual on CHS for BPNT took approximately one year, due to personnel changes in Kemendagri. At least 20 meetings were held on the CHS with relevant ministries attending. Most meetings focused on how to improve LAPOR!, draft the CHS manual, socialisation materials as well as trainings. TNP2K-S also contributed to trainings between May 2017 and May 2018 for officials responsible for complaint handling in 34 provinces. The CHS manual was approved and signed by the Minister of Home Affairs in February 2018. Respondents from Kemendagri commented on how important TNP2K-S's assistance was in setting up the CHS, particularly in terms of facilitating information to the ministry:

*"With TNP2K-S, the information came more quickly to us. So actually, TNP2K-S was a facilitator for our communications... with Kemenko PMK and KSP. Our relationship with KSP got better with support from our friends at TNP2K-S. I am not just saying this, it is because we have very limited capacity. TNP2K-S staff were personable and open, so we felt comfortable talking with them."*

As Secretary of the Supervisory Team for non-cash social assistance, TNP2K-S's formal role under the Presidential Regulation is to monitor and report on implementation of Gol's non-cash programs. Since the Raskin Reform pilot in 2016, TNP2K-S has led Gol's monitoring efforts, including developing the mixed-methods methodology, monitoring tools, undertaking local-level spot checks and in 2017, a large household survey to assess how implementation was being carried out (see Annex 3 for an overview of TNP2K-S's monitoring efforts since 2016). This joint monitoring was undertaken with Kemenko PMK, Kemensos, KSP and Bappenas.

Respondents highlighted that TNP2K-S's rigorous monitoring of BPNT implementation prompted and informed improvements to the program's implementation throughout 2017. For example, monitoring in 2017 found that implementation of BPNT had not strictly followed the program's design and that deviations, were the result of the reform being implemented for the first time by Kemensos and downstream stakeholders, including local governments, banks and agents. Monitoring results were reported through ministerial and technical meetings (including in January 2018 ministerial meeting which determined the speed of BPNT's expansion in 2018). Kemensos was responsive to these monitoring results and issued regulations that reinforced BPNT's principles, including that beneficiaries should choose the quantity and quality of their food (not have agents pre-package benefits) and that any credit not used one month, should be carried over for use another time. Respondents consistently credited TNP2K-S's monitoring and the Business Process Review undertaken by the World Bank with informing expansion of the program in 2018, specifically, delaying the expansion from February to April and phasing the expansion throughout the year to 10 million households.

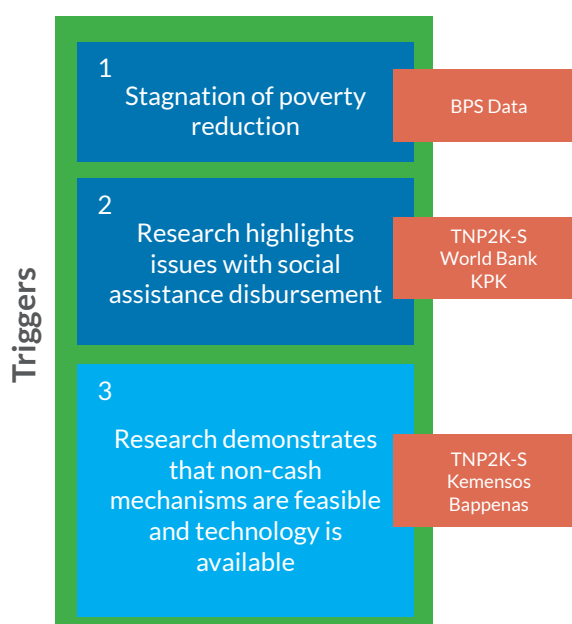
### 3.4 Steps 6: Revise Contribution Story

Following data collection and analysis, the program theory for the policy reform was revised, as outlined below.

#### 3.4.1 Triggers:

The findings from this study confirm that research, primarily conducted by the World Bank and TNP2K-S on social assistance disbursement inefficiencies, was a key trigger for the reform. The findings also indicate that the evidence base primarily developed by TNP2K-S on alternative disbursement mechanisms was also an important reform trigger. This is because the pilots demonstrated that alternative disbursement mechanisms were possible and that the banks and telcos were prepared, with various technologies, to implement the reform. As such, the program theory has been revised to reflect this, as seen in Figure 11, below (stakeholders in orange boxes had a direct influence on that outcome):

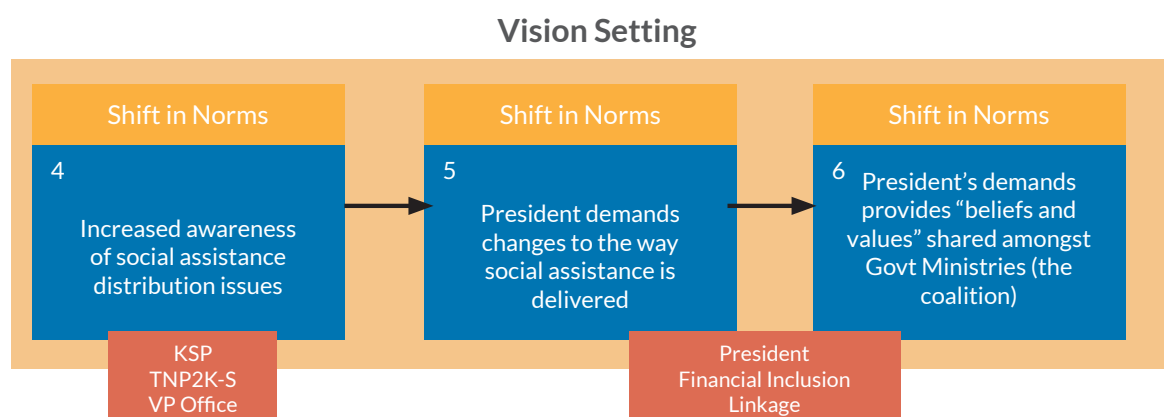
Figure 11: Updated Program Theory for Triggers



#### 3.4.2 Vision Setting:

The results of this study support the program theory that this reform was initially led by the President and that he had an important role in setting the vision for the reform, including its linkages with Indonesia's financial inclusion agenda. The results also highlight the importance of an early coalition between KSP, TNP2K-S and the Vice President's Office to bring this issue to the President's attention. Based on these results, the vision setting of the program theory has been updated as seen in Figure 12 below (stakeholders in orange boxes had a direct influence on the outcome):

Figure 12: Updated Program Theory for Vision Setting



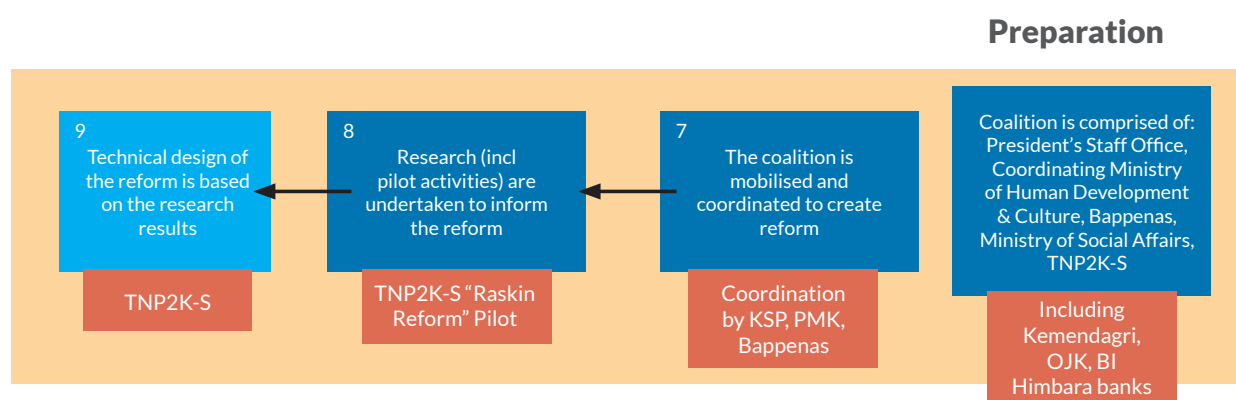
### 3.4.3 Preparation:

The results indicate that whilst the formation of the coalition happened soon after the President's limited cabinet meetings, its evolution was organic. As such, the coalition was larger than originally anticipated in the program theory, with Kemendagri, OJK, BI and the Himbara banks playing important functions in the preparation (and implementation) of the reform.

The TNP2K-S-led Raskin Reform pilot played an important role in informing the coalition of what technologies were most appropriate and what preparation was needed for implementation in 2017. The preparation of the reform also benefited from TNP2K-S's deep institutional knowledge of social assistance disbursement issues and non-cash principles and mechanisms, the result of TNP2K-S's ability to retain staff that had been involved in previous relevant studies/research.

The program theory has been updated as seen in Figure 13 below (stakeholders in orange boxes had a direct influence on the outcome):

Figure 13: Updated Program Theory for Preparation





#### 3.4.4 Policy and Program Change:

The study results support the program theory of policy and program change<sup>42</sup> as well as provide a brief insight into coalition dynamics and contributions.

Whilst the coalition did collaborate to create the policy and program reform, the results indicate that had the reform not been led by the President with continued involvement by KSP, the reform may have stalled due to political differences in the coalition. As such, KSP's presence, including its briefings/updates to the President, supported by day-to-day coordination by Kemenko PMK, were important in maintaining reform momentum and coalition cohesiveness.

Whilst all coalition members contributed to the reform according to their role within government, TNP2K-S's contribution was significant because it either managed or supported a variety of activities beyond its think tank function. For example, in addition to being the "technical anchor" of the reform based on its rigorous research and monitoring, TNP2K-S drafted program manuals, supported complaint handling and undertook socialisation and training. Respondents were consistent in their feedback on the breadth and depth of TNP2K-S's support, and that this support was needed because other members in the coalition lacked the necessary technical knowledge and/or human and financial resources.

Despite TNP2K-S contributing beyond its think tank remit, implementation of the reform was so significant and so different to Rastra, that even ministries and agencies that operated within their government function had to allocate additional resources and change their ways of working. For example, Kemensos had to establish and resource a new project management unit to manage implementation and expansion; Kemendagri, of which is responsible for complaint handling within government, had to engage in social protection issues, of which it had had limited experience; and the banks had to make adjustments to their banking requirements and invest additional human and financial resources to implement the reform.

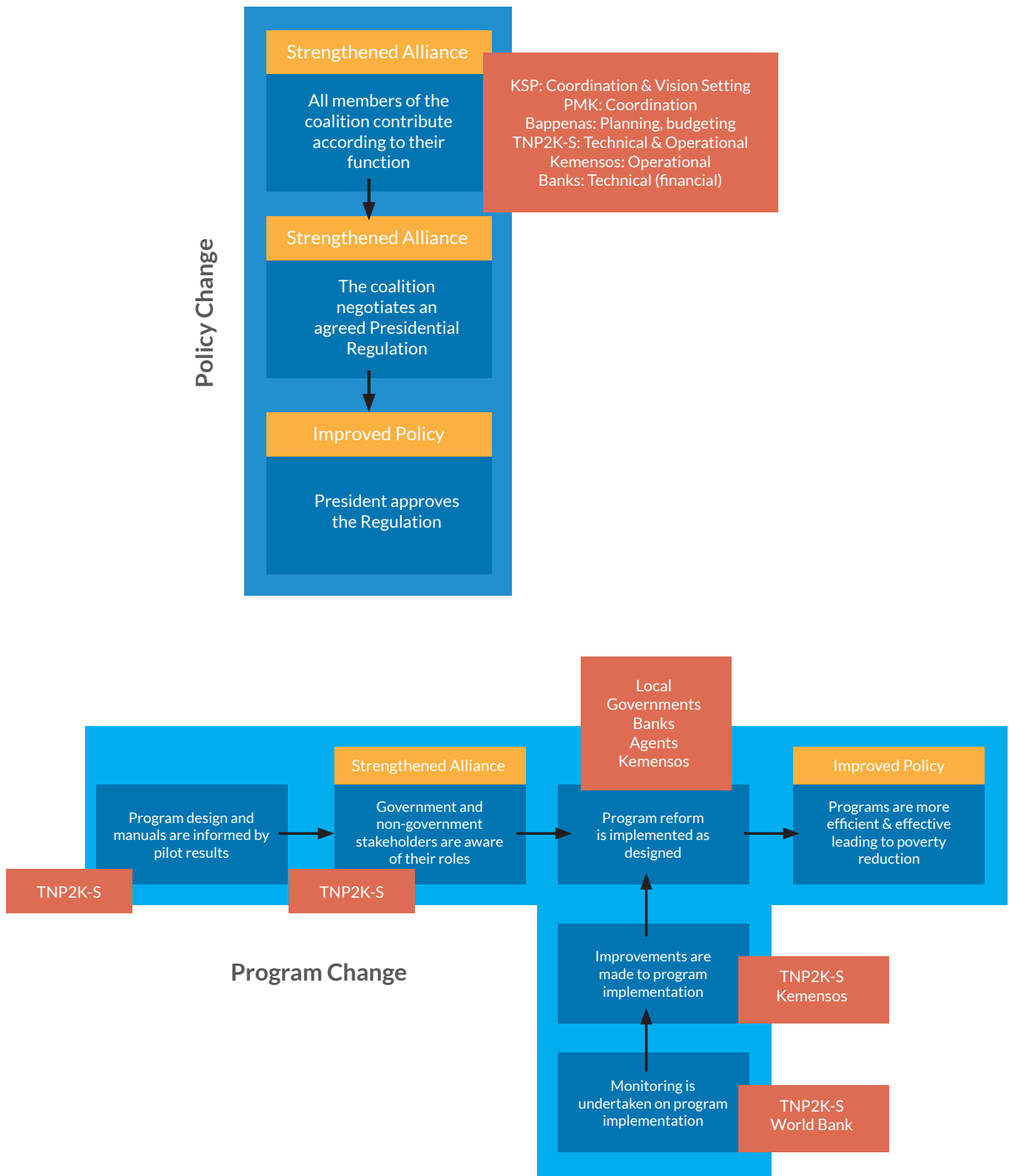
The Himbara banks<sup>43</sup> have been the government's frontline implementers and as such, the reform has depended on their significant preparation and implementation contributions. Put simply, the non-cash reform, as designed, would not have happened without the banks to implement it. It is also unlikely that the reform would have happened with private bank implementation given bank costs associated with the program.

Whilst TNP2K-S has played an important monitoring and reporting role, it has been Kemensos' role to ensure that monitoring results lead to improved implementation.

<sup>42</sup> The policy and program change segments are discussed together here given that stakeholders rarely distinguished between the two and consistently referred to both changes as one reform.

<sup>43</sup> And local governments, however no local governments were interviewed to get a more detailed perspective.

Figure 14: Updated Program Theory for Policy Change









## 04

# CONCLUSION

The non-cash social assistance reform relied on a spider's web of contributions from many ministries and agencies. This reflects how significant the reform was, and that it could not have been achieved by one ministry, or even a smaller coalition of ministries.

Based on the assessment against the program theory, this study concludes that TNP2K-S's contribution to the non-cash social assistance reform was highly significant. This is because, TNP2K-S contributed at every step in the reform process: from triggering the reform through its research; working with KSP to bring the reform to the President's attention; undertaking a pilot study to inform government preparation; provide technical contributions to the policy; and monitoring to improve implementation. TNP2K-S's value-add included its flexibility to develop an evidence base over an extended period of time, as well as fill human and financial capacity gaps within government.

In addition to assessing TNP2K-S's contributions to this reform, this study has also identified several lessons learned. These include:

- **Investing in long-term evidence allows programs to be opportunistic when the right conditions for reform emerge.**

TNP2K-S's long-term approach paid-off in a number of important ways. Firstly, the evidence base created and disseminated over years resulted in a gradually-built awareness amongst senior government officials on the potential for reform. These officials would eventually be positioned in a network advising the President on the need for reform. Secondly, as TNP2K-S's evidence base grew, so too did its technical expertise on non-cash technologies and its connections with relevant stakeholders. This meant that when the President triggered the reform, TNP2K-S was well-positioned to provide practical and technical support.

- **Difficult reforms require high-level government support and oversight.**

This reform was fraught with technical, logistical, political and coordination challenges, underpinned by how significantly different reform implementation would be and how many stakeholders were involved. Importantly, not one single coordinating ministry within government has the authority to oversee all ministries and agencies involved, much less drive this as a priority for them all. As such, the President's role in the reform (and subsequently, KSP) was essential to ensuring this work was prioritised and progressed.

- **Flexible donor support allows partners to be flexible and responsive too.**

Australia's support through PRSF and MAHKOTA, both facilities that have provided significant operational and programmatic support to TNP2K-S, meant that TNP2K-S could provide the right support at the right time. For example, through MAHKOTA's human resourcing support, TNP2K-S had a broad range of technical experts to support the reform, including experts on financial inclusion/non-cash technologies, research, monitoring and evaluation, complaint handling, data/targeting, and social assistance. Combined with this expertise was TNP2K-S's ability to travel and hold workshops (sometimes at short notice) to either support or monitor implementation.

This reform also provides a good example of how a donor can support a partner government to lead their own policy reform agenda, whilst maintaining their own independence and leadership in doing so.

<sup>44</sup> These lessons are further described in: Crossley, R., O'Farrell, S., & Warroka, T. (2018). Indonesia's non-cash (electronic transfer) social assistance reform. Cardno Policy Influence Series.







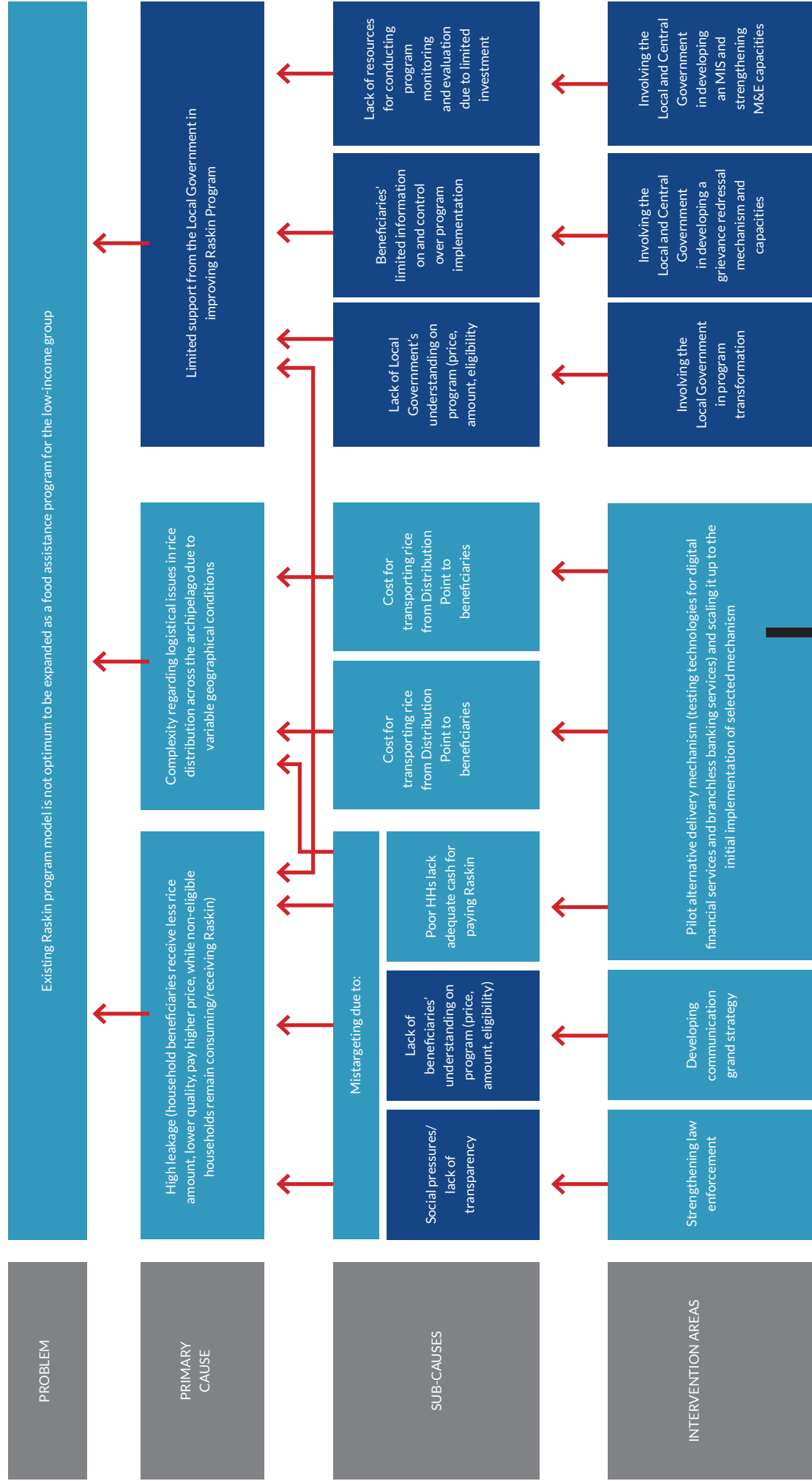
## Annex 1

### List of Informants

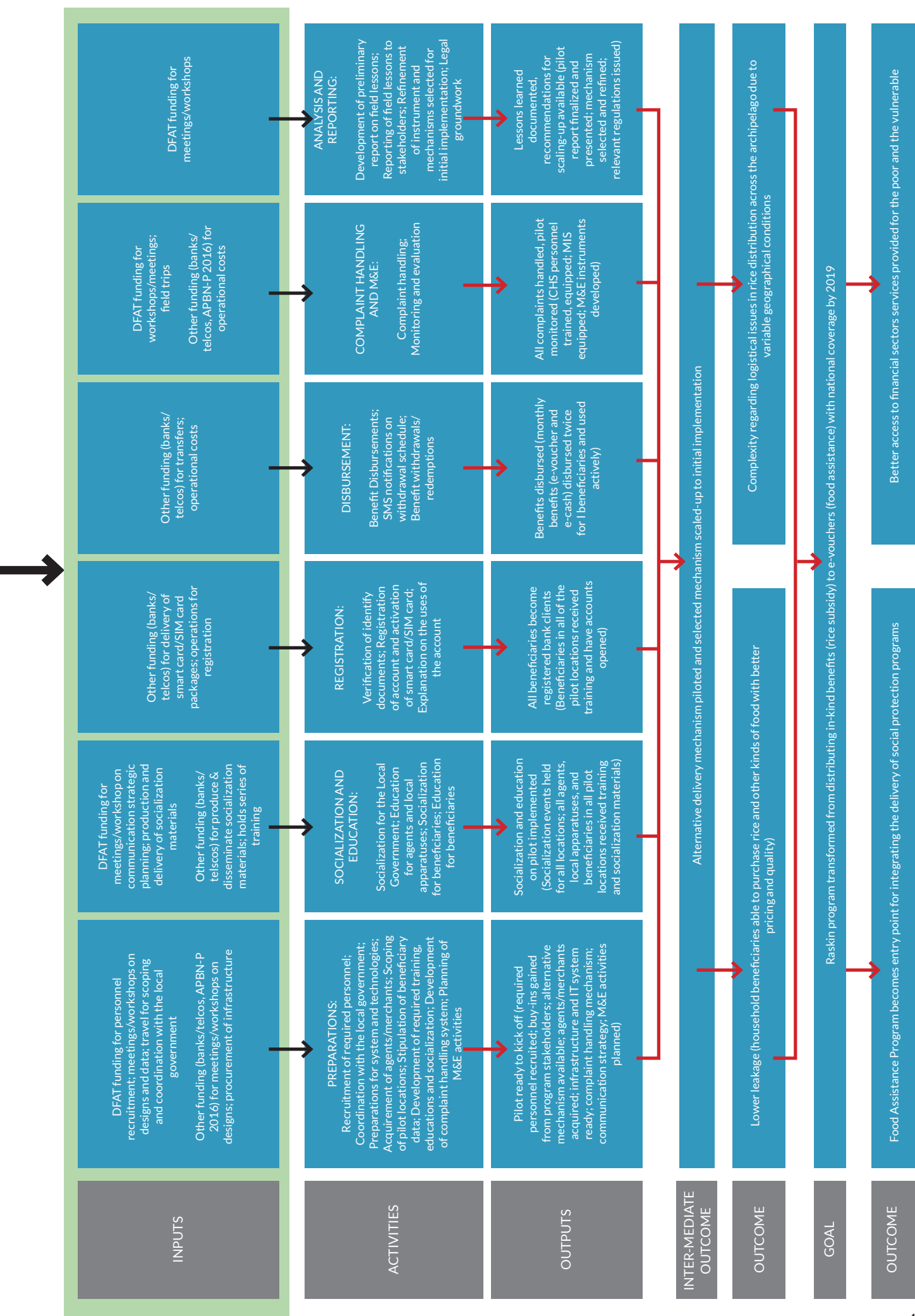
No	Name	Job Title	Ministry/ Institution
1	Dr. M.O Royani	Sekretaris Ditjen PFM	Kemensos
2	Dr. Vivi Yulaswati, MSc	Direktur Penanggulangan Kemiskinan dan Kesejahteraan Sosial	BAPPENAS
3	Ir. Ester Fitrinika, MT	Kepala Subdit bantuan Sosial Ditjen Penanggulangan Kemiskinan	BAPPENAS
4	Ir. Tubagus Ahmad Choesni	Deputy Bidang Koordinasi Penanggulangan Kemiskinan dan Perlindungan Sosial	Kemenko PMK
5	Luh Made Ayu Citraninda	Kepala Bidang Kompensasi Pangan	Kemenko PMK
6	Panji Winantea Ruky	Tenaga Ahli KSP	KSP
7	Jurist Tan	Tenaga Ahli KSP	KSP
8	Edison Siagian	Head of Sub Unit Agriculture and Food	Kemendagri
9	Eva Novianty	Kepala Seksi Wilayah II Subdit Pertanian dan Pangan Ditjend SUPDI	Kemendagri
10	Yosefhino Frederick	Fungsional Non PNS, Pengelolaan Pengaduan Bansos Pangan, Subdit Pertanian dan Pangan	Kemendagri
11	Ida Rumondang H.S	Analisis Eksekutif Senior Pada Strategic Committee dan Pusat Riset	OJK
12	Nila Mayta	Senior Vice President – Government Project	Bank Mandiri
13	B.Koeshartoto	Vice President	Bank Mandiri
14	Junastra Firka	Assistant Vice President	Bank Mandiri

No	Name	Job Title	Ministry/ Institution
15	Ade Tri	Assistant Manager	Bank Mandiri
16	M.Taofik Hidayat	Vice President Social Entrepreneurship Division	Bank BRI
17	Asti Nastiti	Social Entrepreneurship Division	Bank BRI
18	Sri Kusumastuti Rahayu	Head of social Assistance Working Group	TNP2K-S
19	Siti Nurfitriah Farah Dewi	Social Protection Operations Specialist	TNP2K-S
20	Ridza Maya Meutia Aziz	Implementation Officer for Pilot and Support Activities	TNP2K-S
21	Real Rahardinnal	Monitoring and Evaluation Specialist	TNP2K-S
22	Rajeshnagara Sutedja	Communication Strategy Specialist	TNP2K-S
23	Priambudhi	Communication and Stakeholder Relation Specialist	TNP2K-S
24	Nur Cahyadi	Quantitative Impact Evaluation Specialist	TNP2K-S
25	Imelda Leiwakabessy	Social Protection Operations Specialist/ CHS Initiative Coordinator	TNP2K-S
26	Hoky Siregar	Complaint Handling Specialist	TNP2K-S
27	Farida Sondakh	Qualitative Evaluation Specialist	TNP2K-S
28	Ekki Syamsulhakim	Head of Monitoring and Evaluation Unit	TNP2K-S
29	Alie Sadikin	Implementation Officer	TNP2K-S
30	Kholid Fathirius	Local Implementation Coordinator	TNP2K-S
31	Djamilah	Implementation Officer	TNP2K-S

# Annex 2 TNP2K's Theory of Change for its Raskin Reform Pilot (2016)







## Annex 3

### TNP2K's Monitoring and Evaluation

Year	M&E Activity	Focus	Stakeholders	Use
2016	Monitoring of the 8 pilot cities/districts	Readiness of non cash food assistance implementation and challenges	TNP2K-S, Bank, Telco	Recommendation for 2017 implementation and 2017 Implementation Guidelines
2017	Monitoring of BPNT 2017 – Implementation in 44 cities	Early BPNT disbursement, implementation identification, early assessment and rapid assessment of the early BPNT.	TNP2K-S, K/L	Improvement of BPNT 2018 through the drafting of the 2018 BPNT general guidelines and socialization activities
2017	Mini Survey (May 2017) in 10 cities	Appropriateness between BPNT and Implementation Guideline.	TNP2K-S, Survey Firm	
2017	Main Survey (November 2017) in 20 cities	Enhance practice of BPNT program principles.	Survey Firm, TNP2K-S	
2018	Third survey in the 2017 BPNT cities (January 2018)	Readiness of BPNT implementation and disbursement	TNP2K-S	Inputs towards mechanism of district expansion.
	Phase 1 expansion of 2018 (April 2018)	Follow up to assess how implementation has gone.	TNP2K-S, Kemenko PMK, KSP, Bappenas	



















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