



BPNT operations assessment

January, 2019

Acknowledgment

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Progress of transforming food subsidy in Indonesia



RASKIN

Rice subsidy to 15.5 million poorest households. In-kind distribution of 15 Kgs of rice (price IDR 1,600 per Kg) to beneficiaries through village office/ community leader.

2009-2015

RASTRA

Rice subsidy program to 15.5 million poorest households, change only the name from *Raskin*. Providing better quality of rice (15 Kgs per beneficiary per month, price IDR 1,600 per Kg). Distributed mainly through village office/community leader.

2016

RASTRA and BPNT

BPNT (*Bantuan Pangan Non-Tunai*) was introduced in 2017 to transform *Rastra* (gradually), from in-kind to direct transfer (IDR 110,000 per month) to beneficiary's bank account. Initial roll out with 1.3 million beneficiaries in 44 cities. The fund was used to buy food such as rice, sugar, cooking oil, eggs.

2017

BPNT

BPNT expanded to 10.3 million beneficiaries in 219 regencies/cities by 2018. Plan to completely replace *Rastra* with *BPNT* by reaching 15.6 millions beneficiaries in 514 regencies/cities in 2019. Food items are limited to rice and/or eggs only. *Rastra* changed in 2018 from subsidy to social assistance program while gradually fully transformed to BPNT.

2018/19

Methodology and approach

Scope of the study

- To assess key performance BPNT operations through feedbacks from beneficiaries and the *e-warongs*.
- The key areas of inquiry include: awareness of BPNT, ease of process and access to *e-warongs*, satisfaction, *BPNT* impacts on food consumption and financial inclusion, suppliers and pricing, and the *e-warong's* viability.

Respondents criteria

- BPNT beneficiaries (BPNT expansion until July, 2018).
- All types of *e-warongs* associated with the beneficiaries.
- Multi-stage stratified random sampling approach
- Sample size calculation based on 95% confident level and design effect (*deff*) 2.

Locations of research

- The study covers all the 25 provinces where BPNT was launched till July, 2018.
- 93 of 106 regencies/cities where BPNT was included in the study.
- Regencies or cities with the beneficiaries to *e-warongs* ratio less than 3:1 were excluded. A few exceptions were applied to ensure the coverage of all 25 provinces.

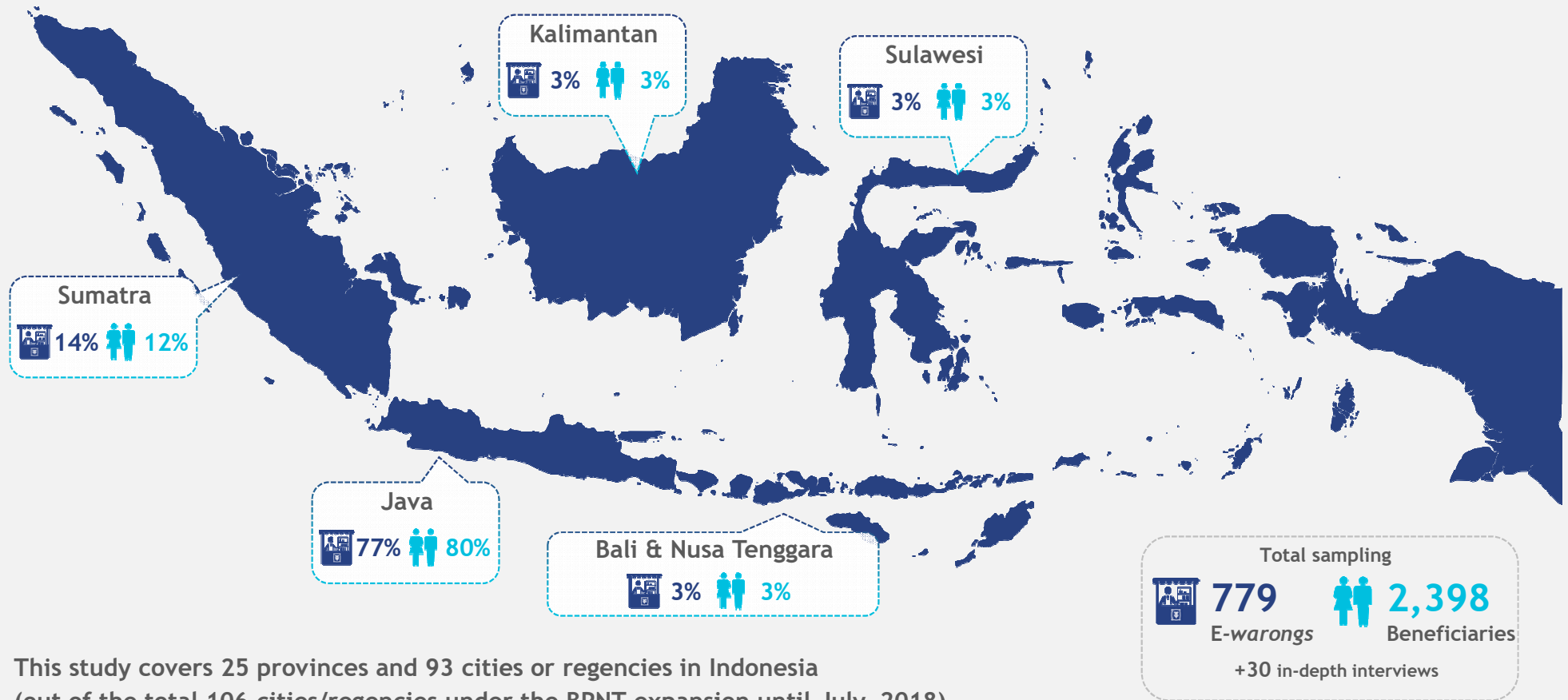
Research framework

- Mixed methods research.
- In-depth interviews with beneficiaries, *e-warongs*, and TKSK/PKH facilitators to complement the quantitative survey findings.
- Research was conducted from October to December 2018.

Limitation:

Statistically, the sample size represents the BPNT population. However, the findings only report the likelihood of an event for the overall population. The study did not cover the same respondents as the previous study but covers the same locations. The study is also limited to BPNT operations from the beneficiaries' and *e-warong's* perspectives only.

Research sample distribution



This study covers 25 provinces and 93 cities or regencies in Indonesia (out of the total 106 cities/regencies under the BPNT expansion until July, 2018).



Results from beneficiary survey

Total sample: 2,398 beneficiaries



Beneficiaries typically include middle-aged women with elementary education. Majority has 4-5 family members and poor.



96% of the beneficiaries are female. Out of these, 16% are the heads of their houses



71% of the respondents' families have at least four members

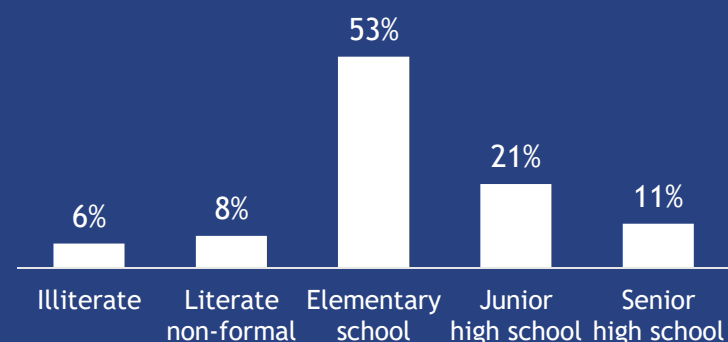


Median monthly expenses per household is IDR 700,000

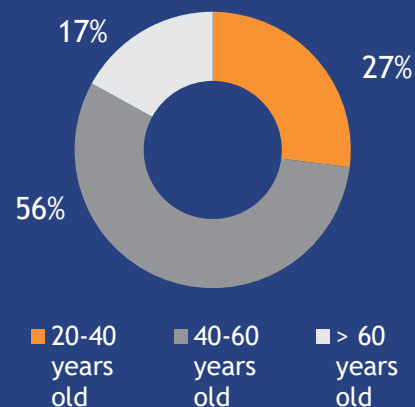


54% respondents also received PKH

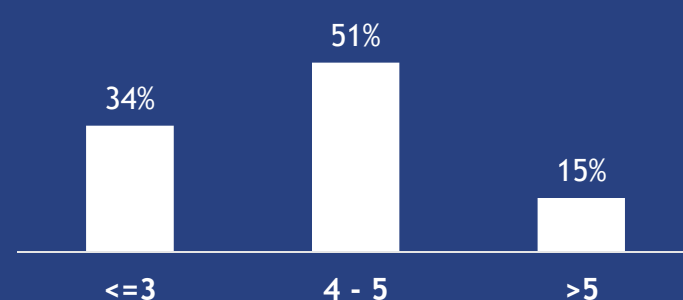
Beneficiaries' education (n= 2,398)



Age of beneficiaries (n= 2,398)



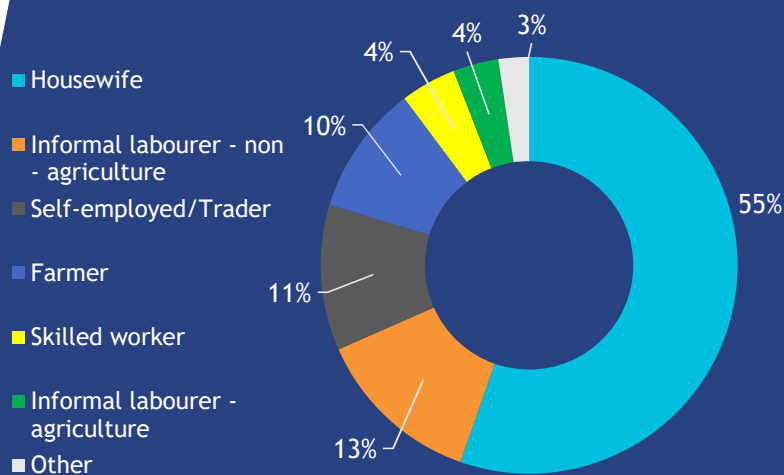
Number of family members (n=2,398)



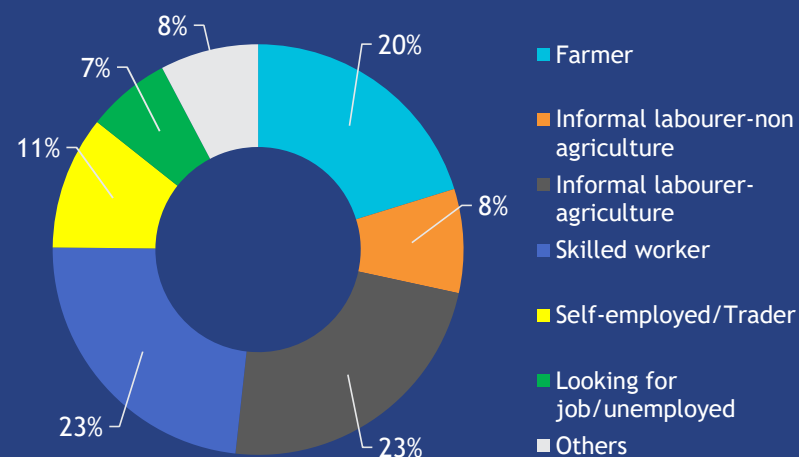
44% of beneficiaries working in different types of informal work.



Occupations of the beneficiaries
n=2,398



Occupation of their spouses
n=2017

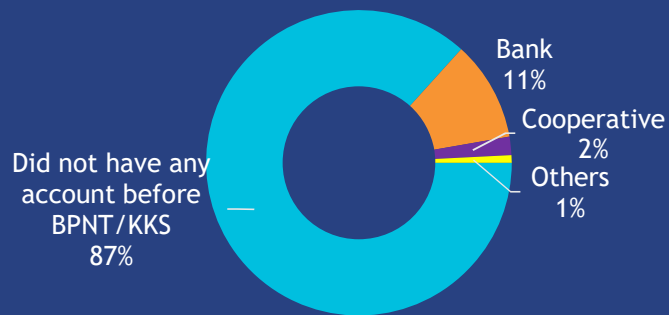


- 44% of the beneficiaries are engaged in various type of occupations, such as informal laborers (13%), traders (11%), farmers (10%), skill worker (4%), or others (6%), while 56% of the respondents are housewives.
- The spouses of beneficiaries are usually skilled workers, such as carpenters, non-agriculture wage labors (20%) or farmers (17%).

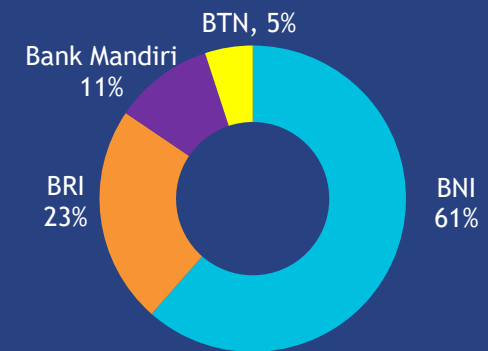
87% of beneficiaries got a bank account for the first time. Mobile phone and e-KTP ownership is high.



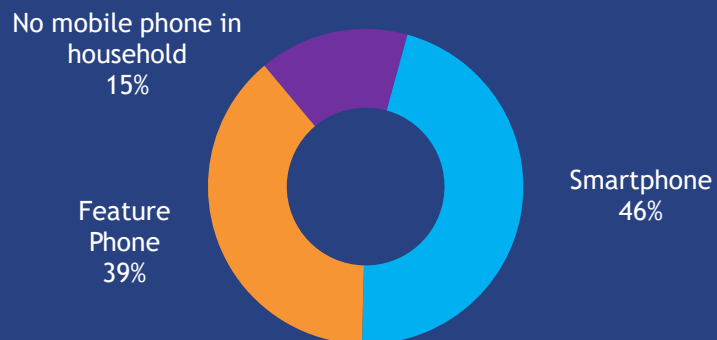
Owned formal account before *BPNT/KKS* card (n=2,398)



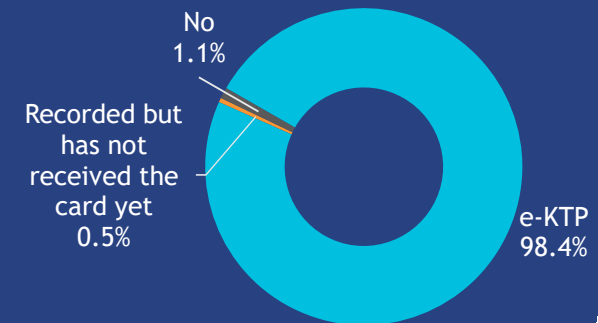
Distribution of *BPNT* accounts across banks (n= 2,398)



Mobile Phone Ownership (n=2,398)



e-KTP (biometric ID) ownership (n=2,398)



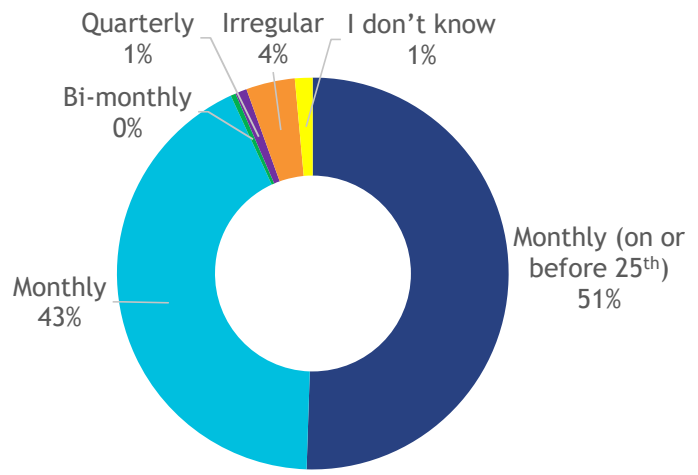


Socialization and awareness

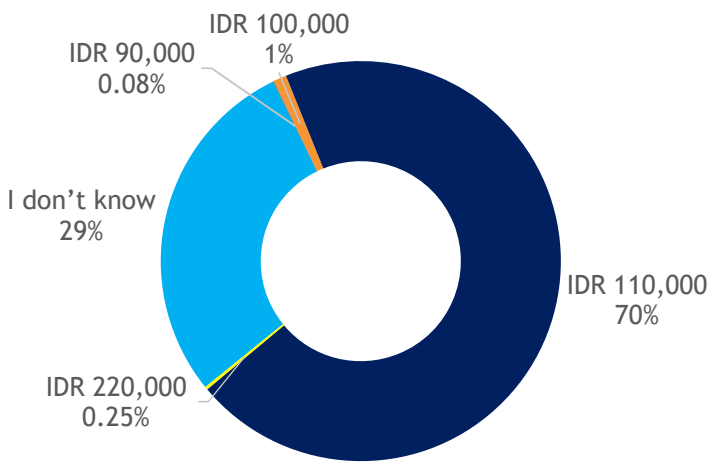


Beneficiary awareness on the scheme details (amount and schedule of transfer) has improved as compared to 2017.

Awareness of the frequency of transfer in 2018 (n=2,398)



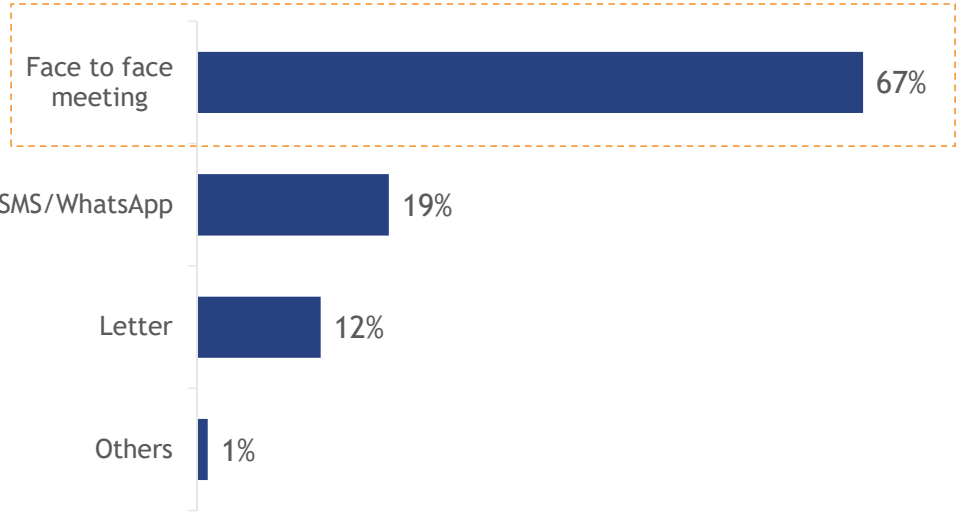
Awareness of BPNT amount in 2018 (n=2,398)



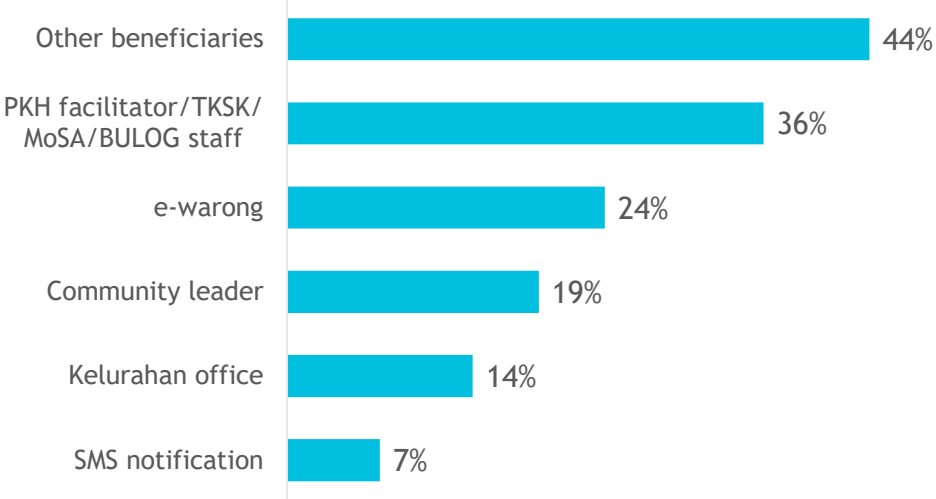
- 94% of the beneficiaries are aware that the *BPNT* fund is transferred once a month, while 70% are aware on the subsidy amount.
- In the 2017 survey, only 15% of the respondents knew the amount of *BPNT*, while only 16% knew that the transfer is scheduled monthly.
- This significant improvement is the result of two important factors. These factors include: the improvement in the socialization and awareness, and the improvement in the *BPNT* operational implementation. It implies the timely implementation of the *BPNT* program.

In-person meetings are the most preferred means of communication for socialization of the program.

Preferred means of communication for *BPNT* socialization (n= 2,398)



How do beneficiaries receive information on transfer? n=2,398



The majority of beneficiaries prefer to gather *BPNT* information in-person through face to face meeting (67%), while 19% prefer to get text information through mobile phone (SMS/WhatsApp), and 12% prefer letter.

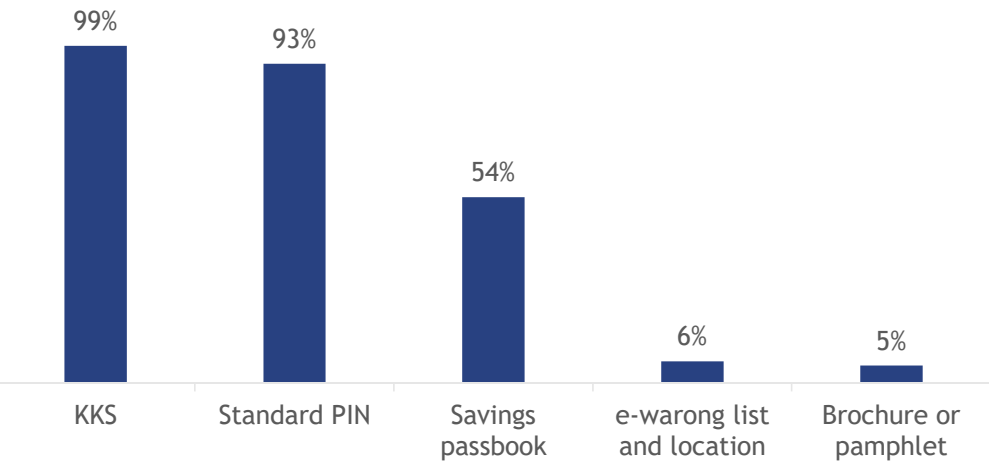


Ease of the process

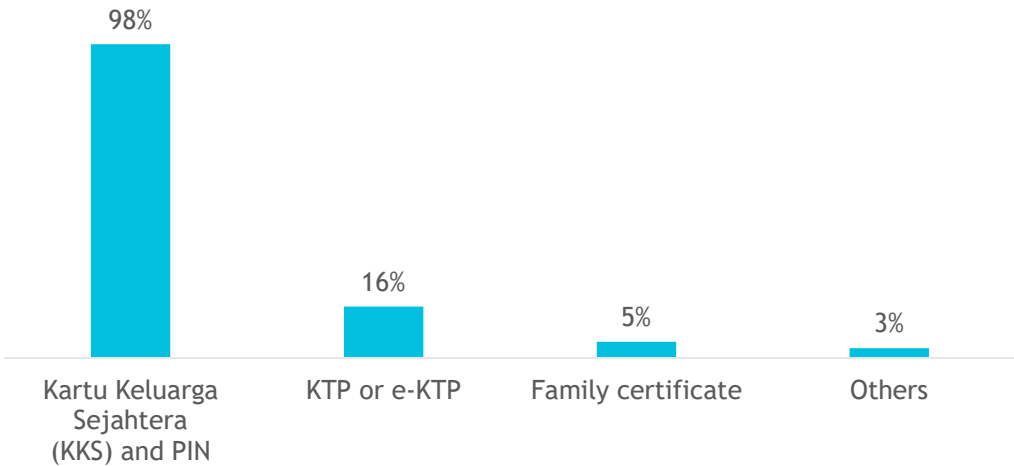


Non-standardized processes are still observed in terms of documents received and needed to avail *BPNT*

Items received after opening an account (n= 2,398)



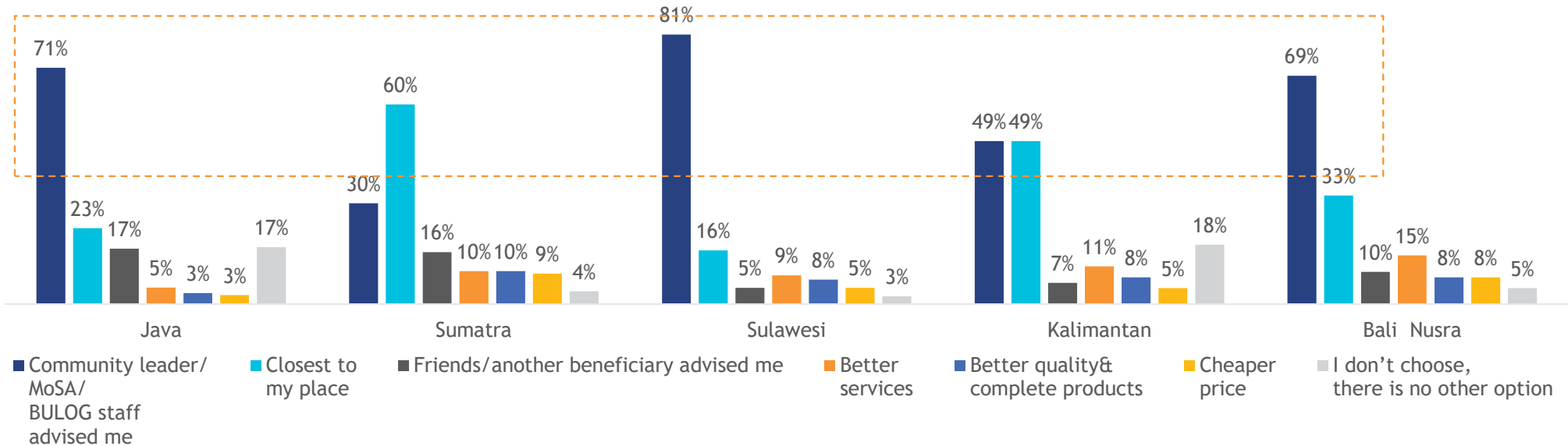
Documents required to claim food (n= 2,398)



- Only 54% of the beneficiaries received savings passbook. In some instances, passbooks *KKS* cards and PINs are received by the beneficiaries a few days after the registration. However, as per the guidelines, all the items should be given at the time of registration.
- The guidelines state that *KKS* card and PIN are enough to access *BPNT*. However, 16% of respondents reported that they are also required to bring their *KTP/e-KTP* to obtain food, while 5% are also required to bring their family certificate (*Kartu Keluarga*). This poses an inconvenience to customers in different regions.
- 2% of respondent answered that they do not need to bring their *KKS* as it is kept by village officials/*e-warongs*. Preventing the loss of cards and thereby ensuring smooth disbursement is the common reason behind this practice.

Most beneficiaries visit *e-warongs* that they are assigned to. PKH recipients usually assigned to the nearest *e-warung* KUBE.

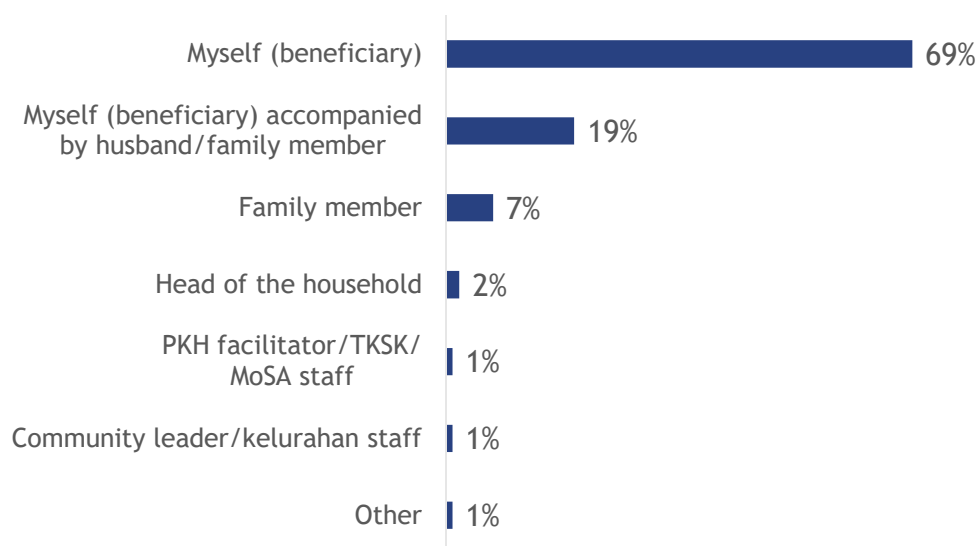
Factors to choose warongs to get BPNT n=2,389



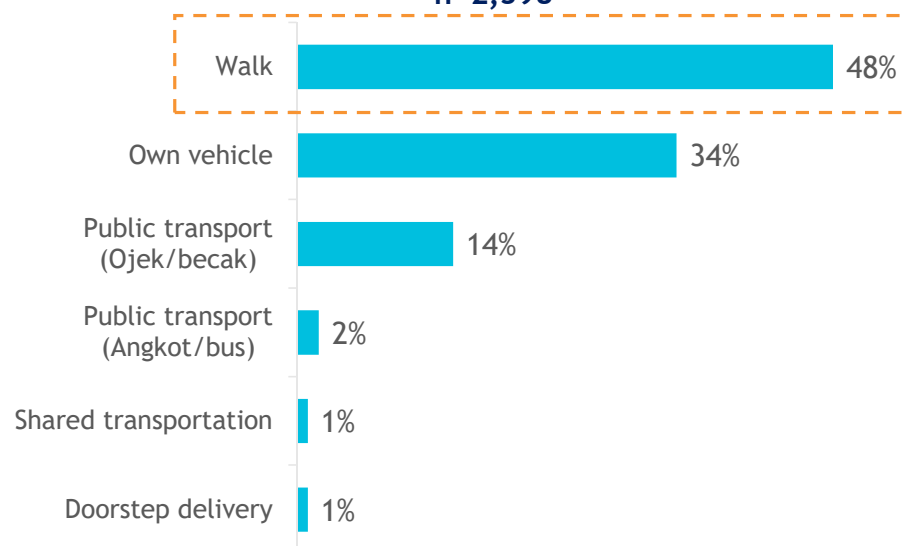
- In most islands, respondents go to *e-warongs* assigned by local leaders or MoSA or other authorities. This is primarily due to absence of choice.
- Exceptions are observed in Sumatra and Kalimantan, where a significant number of beneficiaries based their decision to chose *e-warongs* upon the proximity to their house. However, even in these regions, the quality of food, customer service or price are not seen as differentiating factors in selection of *e-warongs*. This indicates that uniform service standards are being maintained across e-warongs in most regions for now.

Beneficiaries themselves travel to purchase food. Almost half of them walk to reach *e-warongs*.

Who went to *e-warong*? n= 2,398

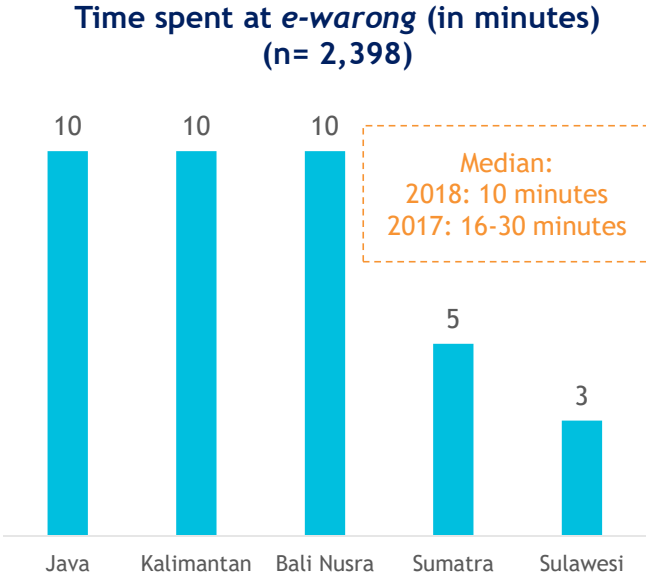
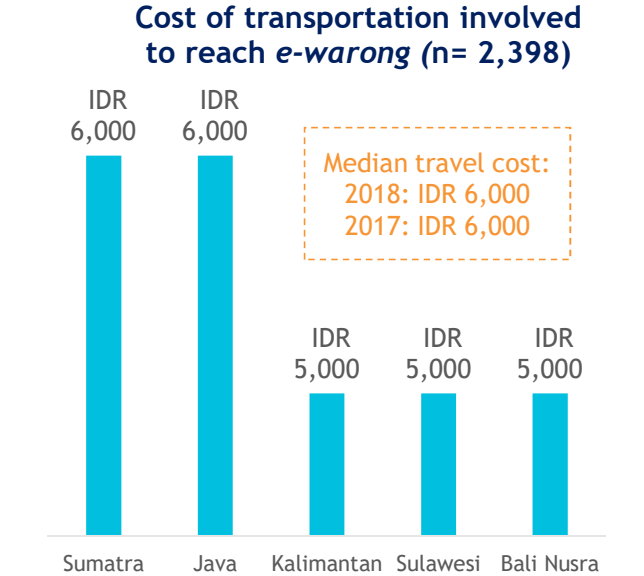
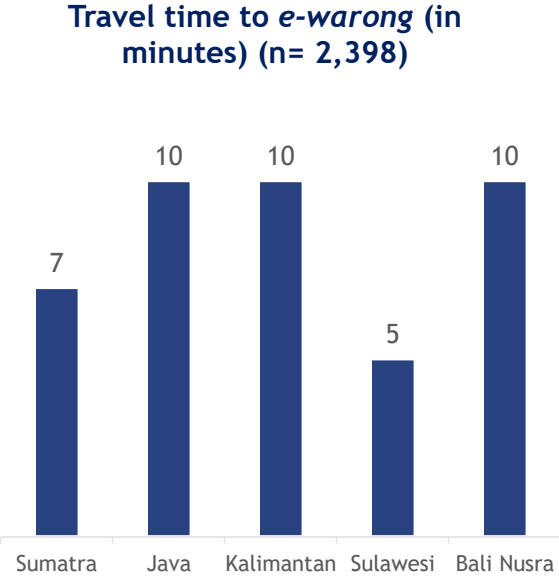


Modes of transportation used to reach *e-warong* n=2,398



- In most cases (88%), the beneficiaries themselves visited the *e-warongs*, either alone or together with a family member. In a few cases (1%), *PKH* facilitators provide doorstep grocery delivery to the elderly or disabled.
- Almost half of the respondent (48%) answered that they walk to the *e-warongs* since *e-warongs* are in the vicinity of their homes. In total, 17% took public transport and, thus, pay for transportation. Even among these, a few do it out of choice and not due to distance.

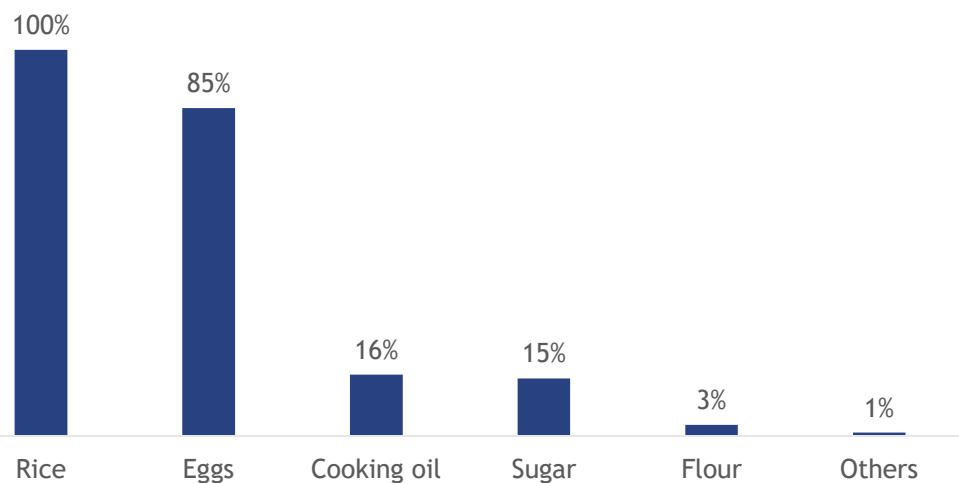
Median time to reach *e-warong* is 10 minutes. Time spent at the *e-warongs* for transaction reduced significantly in 2018.



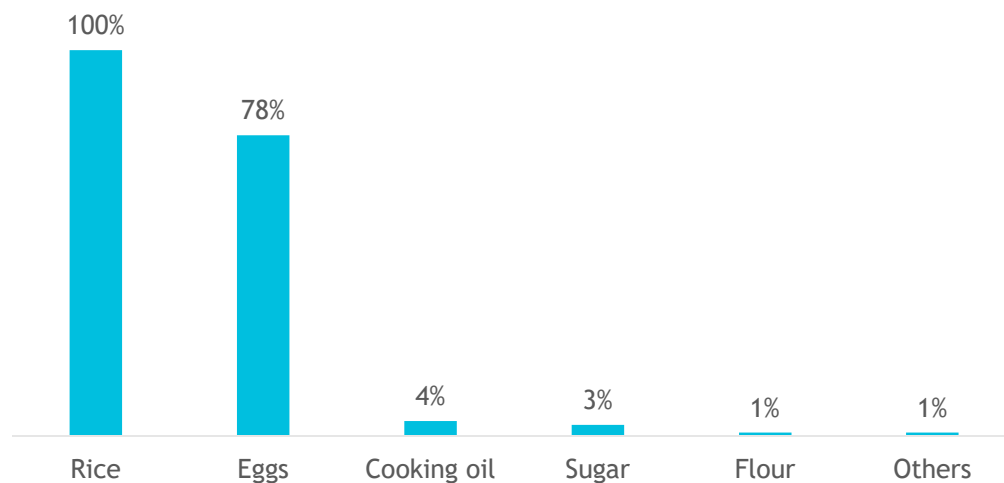
- The majority of respondents reach the *e-warongs* within ten minutes. In Sulawesi, the travel time is five minutes.
- The cost of transportation (median) to get to the *e-warong* is IDR 6,000, which is still the same as in 2017. Beneficiaries largely are fine with the transportation cost, since in a number of cases it is their choice to use a motorcycle taxi or ojek.
- The time spent at *e-warongs* for the disbursement has reduced as compared to 2017, from 16-30 minutes to 10 minutes. This suggests that there is an improvement in the disbursement process and the fact that the ratio of beneficiaries to *e-warongs* has also decreased.

Some beneficiaries still bought food items besides rice and eggs, due to a preference for other groceries.

Awareness on BPNT grocery (n= 2,398)



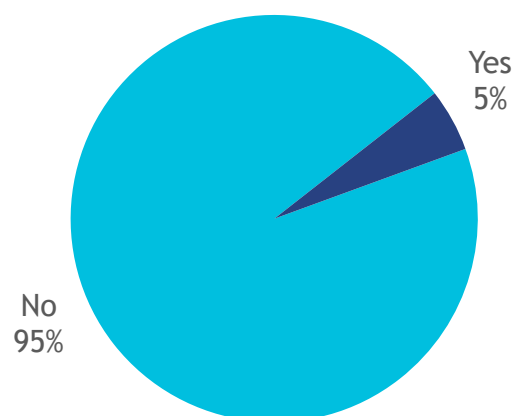
Grocery bought by beneficiaries in the last disbursement (n=2,39)



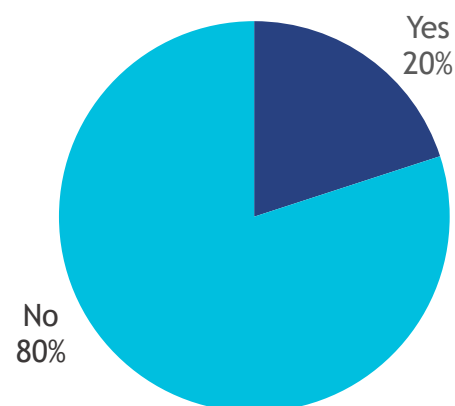
- 16% of the beneficiaries still feel they can access food items beyond eggs and rice under *BPNT* program. But in terms of actual purchase only 4% bought items beyond rice and eggs.
- The majority of these cases are in Sumatra island and it is largely due to the fact that in 2017 these beneficiaries could buy cooking oil, sugar, eggs and flour in addition to rice. In spite of the changes in the policy for 2018, beneficiaries in these regions still continue to demand these items as they prefer more variety than just 2 items.

In 2018, the incidences of “additional charges” by the *e-warongs* reduced significantly from 20% to 5%

Payment of additional fees in 2018 (n=2,389)



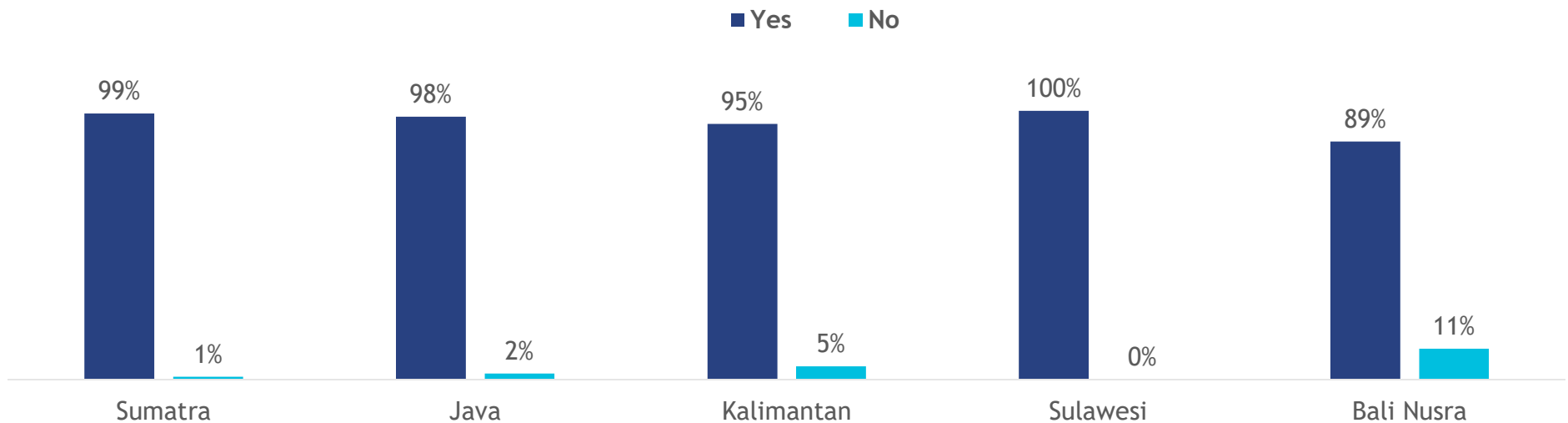
Payment of additional fees in BPNT 2017 (n= 1,770)



- The incidence of making extra payments set by the *e-warongs* reduced significantly from 20% in 2017 to 5% in 2018. Better monitoring and clear communication to discourage this practice are the likely reasons for the reduced instances of this practice.
- To note, this charge is usually given as an option by the *e-warongs* rather than on mandatory basis. 5% of cases where additional fee is still paid it is largely done to buy plastic covers. Beneficiaries who need a bag to carry the food usually do not mind to make the payment.
- The median amount of additional fees paid is IDR 2000, which is also much lower than IDR 4,500, the median payments in 2017.

Instances of food stock outs at *e-warongs* are rare. Few cases usually happen due to delay on the delivery.

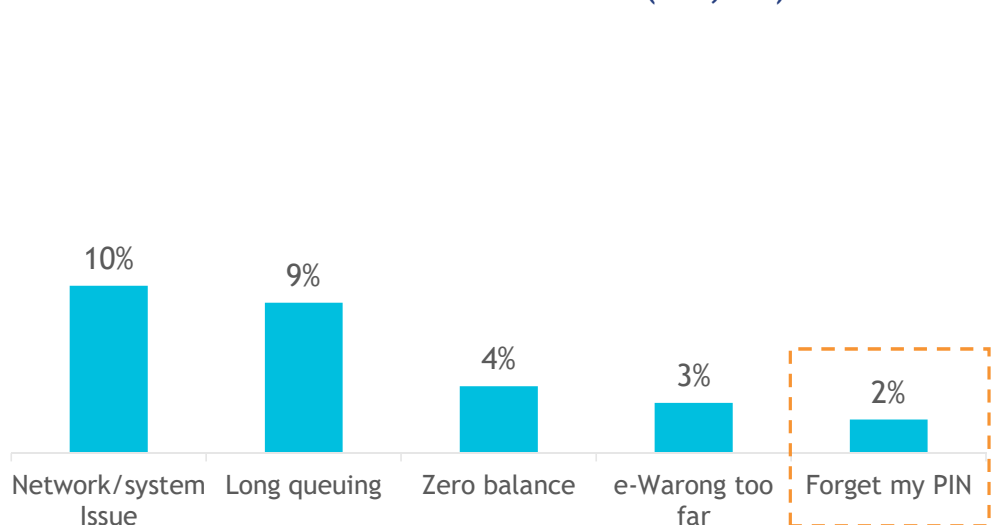
BPNT stock available every month at *e-warongs* (n=2,398)



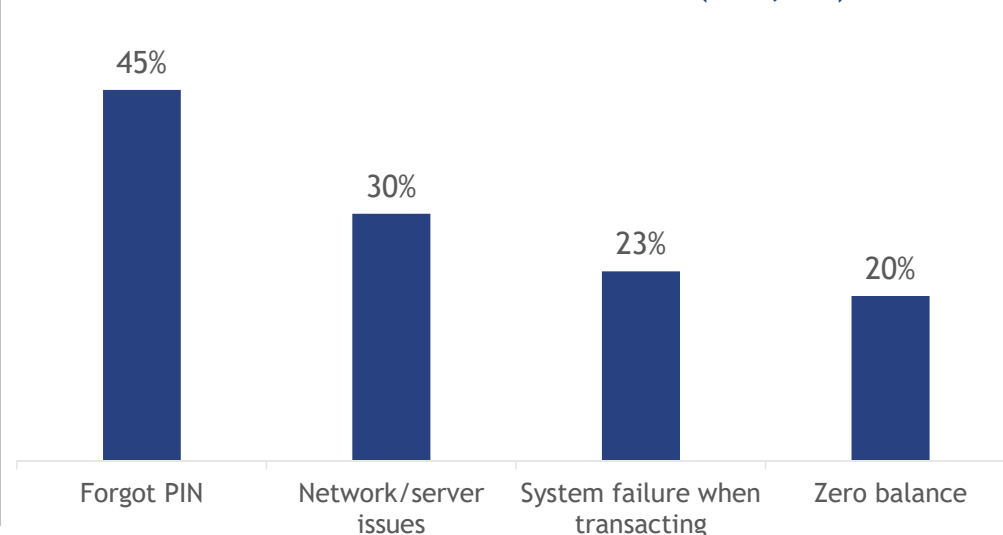
- Timely availability of food was not an issue across all regions. Generally, food is available on the stated days of disbursement. Areas or regions that faced a few instances of food scarcity, such as Nusa Tenggara and Kalimantan, resulted due to delay on the part of distributors. However, the option to choose from among a variety of distributor channels such as *BULOG*, big retailers, rice mills, direct farmers, etc., has ensured the timely supply.

Technical issues faced in 2017 have reduced significantly. Network issue, queuing, and zero balance are three major issues.

Issues faced in BPNT- 2018 (n=2,398)



Issues faced in BPNT- 2017 (n= 1,770)



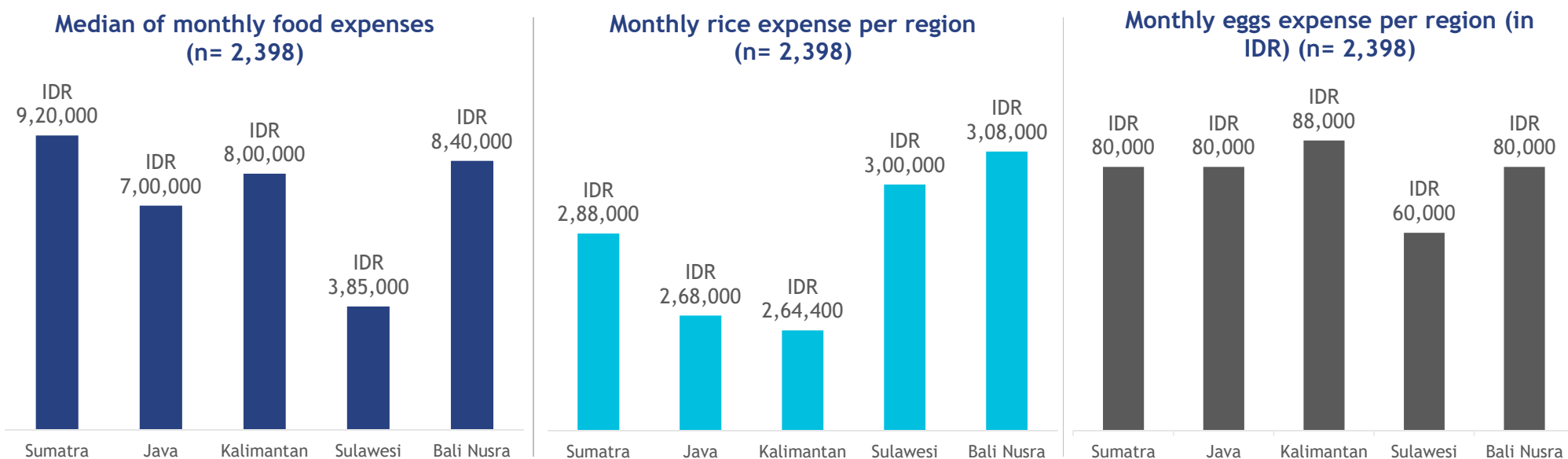
- The number of instances of technical issues reported have reduced in 2018, which implies a maturity of the technology used by banks and better training sessions provided to *e-warongs*.
- Network issues still affect some 10% of the beneficiaries as the major issue, and followed by long queuing (9%) and zero balance (4%) issues. Considering the expansion of BPNT to further such as remote areas and eastern Indonesia, the network issue should be resolved to avoid technical problems
- Interestingly, the issue of forgetting PINs by beneficiaries has also reduced significantly in 2018. However, this has been managed by 'unhealthy' practices, such as *e-warongs* or banks setting common PINs for all beneficiaries in the region or sticking the PIN onto the KKS card. This strategy still has an issue of customer privacy and data protection.



Household consumption



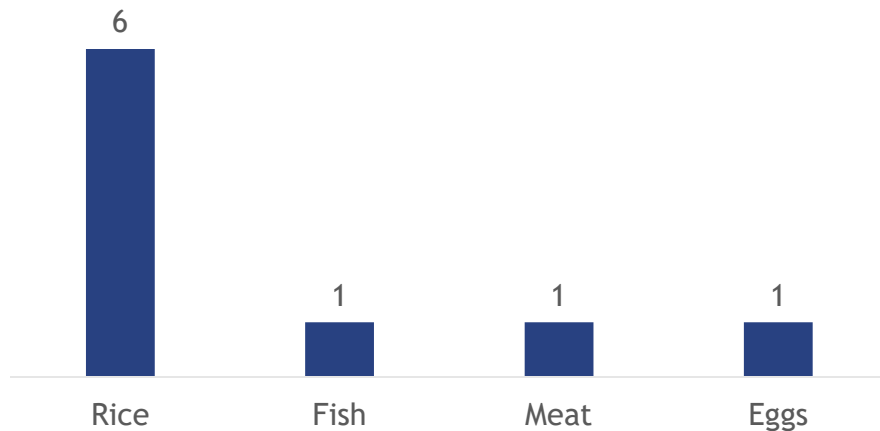
BPNT contributes 12%-29% of the total monthly food expenditure or covers one to two weeks of basic food (rice) consumption.



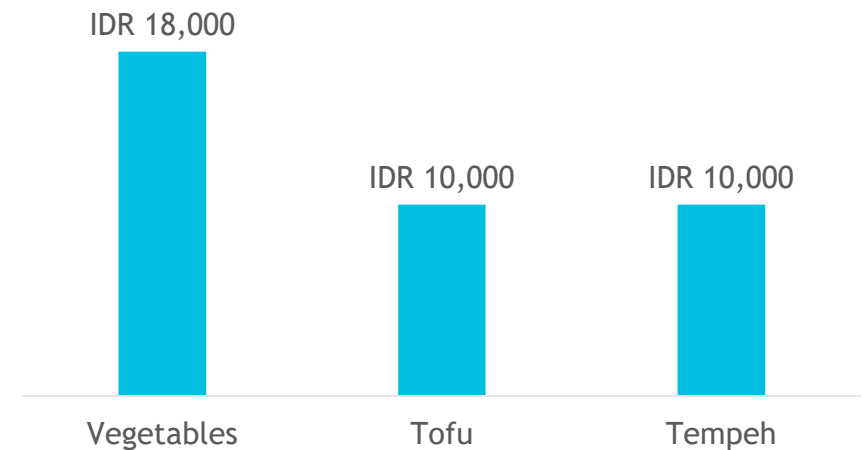
- Monthly food expenses for beneficiaries varies across regions or islands, with the overall median being IDR 700,000 (and median of four to five household members per household). The highest monthly food expenditure is in Sumatra (IDR 920,000), while the lowest is in Sulawesi (IDR 385,000).
- About 40% of the monthly food expenditure goes to rice (median IDR 280,000) and nearly 12% to eggs (median IDR 80,000).
- The data suggests that *BPNT* fund of IDR 110,000 contributes towards 12% to 29% of monthly food expenses of beneficiaries or covers about one to two weeks of the monthly food consumption of a typical beneficiary household.

The quantity of food received through *BPNT* fulfills around seven to ten days of rice and two to three days of eggs consumption

Median of weekly food consumption frequency or behavior (in kilogram) (n= 2,398)



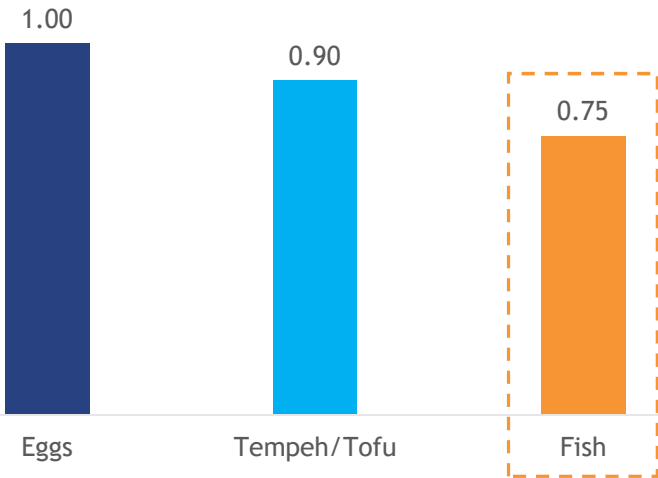
Median of weekly food consumption expenses for particular food (n= 2,398)



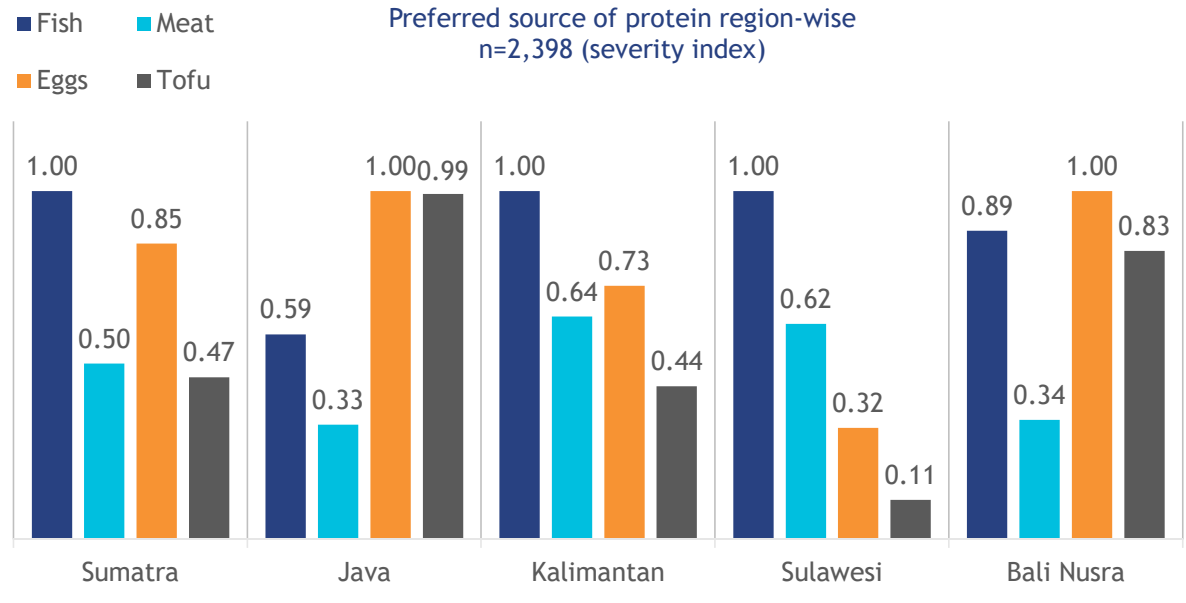
- The beneficiaries (median four to five household members) report that they consumed about six Kgs of rice per week (median). In average, *BPNT* fund helps them cover one to one and half week of food (rice) need.
- For eggs, the weekly consumption (median) is one kilogram, combined with other types of protein source. For a four to five members family, the eggs from *BPNT* will be consumed within two to three days.

Eggs is the most preferred but are not uniformly across regions. Fish is more preferred in Java and Bali Nusra

Top 3 preferred source of protein n=2,398 (Severity index)



Preferred source of protein region-wise n=2,398 (severity index)



At an aggregate country level, eggs are the most preferred source of protein followed by tempeh or tofu (soybean based traditional food) and fish. However, on some islands, such as Java and Bali Nusra, fish is preferred over eggs. MoSA can look This can be useful information for MoSA to include other food items under BPNT.

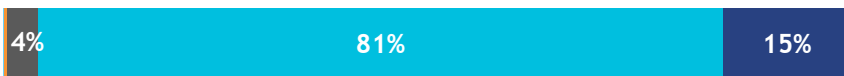


Satisfaction and feedback

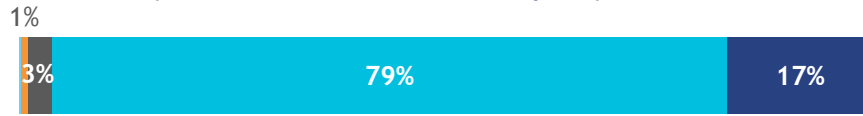


The satisfaction level of beneficiaries remain high. 96% of them are satisfy with overall *BPNT* program and food quality

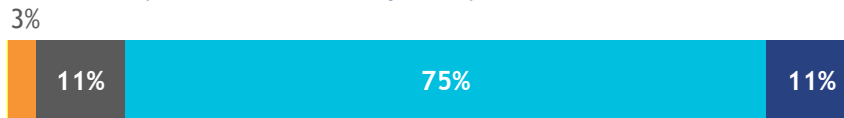
Overall satisfaction of beneficiaries with the *BPNT* program n=2,398



Beneficiary satisfaction with *BPNT* food quality



Beneficiary satisfaction with quantity of food received



Beneficiary satisfaction with complaints handling mechanisms



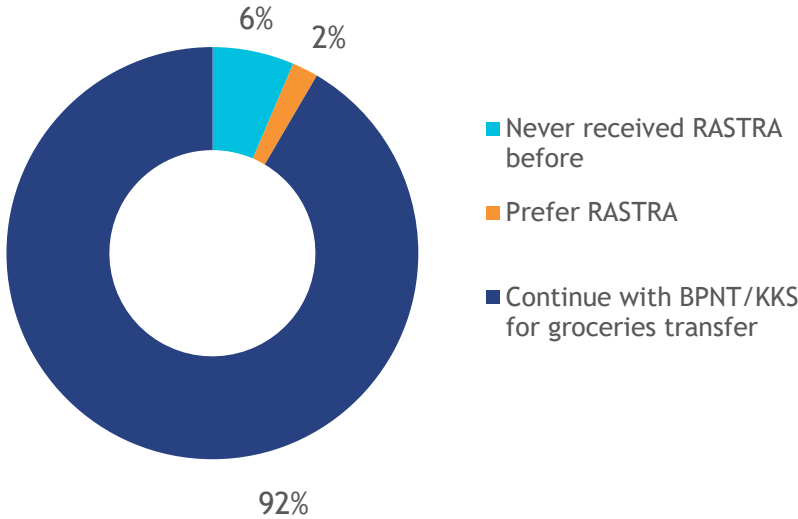
■ Very dissatisfied ■ Moderately dissatisfied ■ Neither satisfied nor dissatisfied
■ Moderately satisfied ■ Very satisfied

- The overall satisfaction with the *BPNT* program remains high among the beneficiaries.
- Beneficiaries are also satisfied with the quantity and quality of food received under the program.
- Complaints resolution mechanisms, especially communication from banks and *e-warongs* in case of any issues faced, can be improved to increase the satisfaction levels of the beneficiaries.

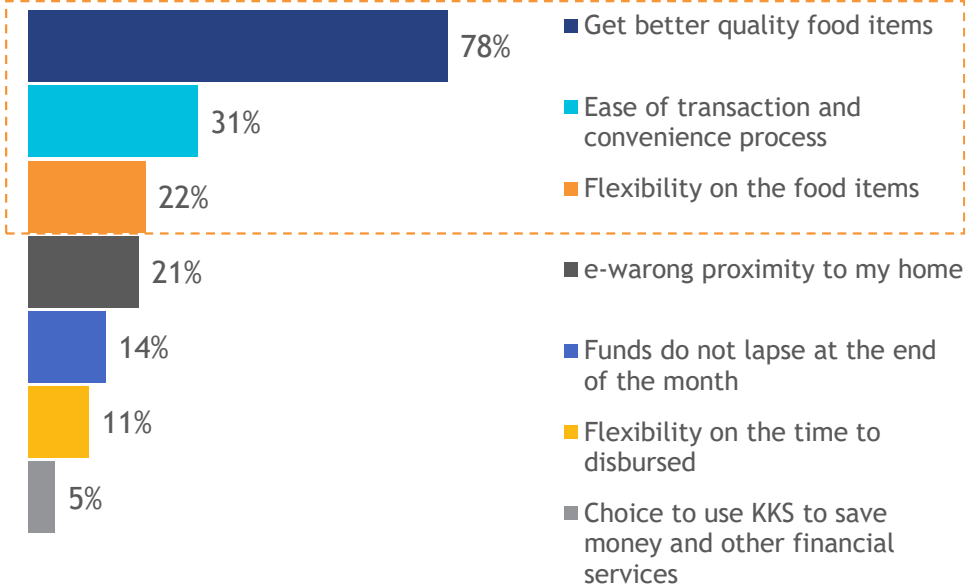
*"I feel grateful about receiving *BPNT* as it helps my family to reduce our household expenses", *BPNT* beneficiary in Makassar.*

92% of the beneficiaries prefer *BPNT* as compared to *RASTRA* program due to better quality of food and convenience process

Preference on method of rice subsidy program (n=2,398)



Reasons to continue with BPNT (n=2,398, multiple responses)



The majority continues to prefer *BPNT* program over *RASTRA* due to the better quality food items (78%) received under *BPNT*. Other reasons include convenience and ease of process (31%), flexibility to choose food items (22%), and easy access to *e-warongs*.

Beneficiaries' comments on *BPNT*



“

I like *BPNT* more than *RASKIN*. The rice [from this program] is not only edible, but also of very good quality. It can be consumed for one week. In addition, I receive eggs as well.

“

I'm happy because the government gives me attention by providing me food. Hope that this program can continue for a long time.

“

I no longer receive cooking oil and sugar (which I got last year). When I asked a government staff member, he answered that consuming too much sugar causes diabetes and cooking oil increases the cholesterol level.

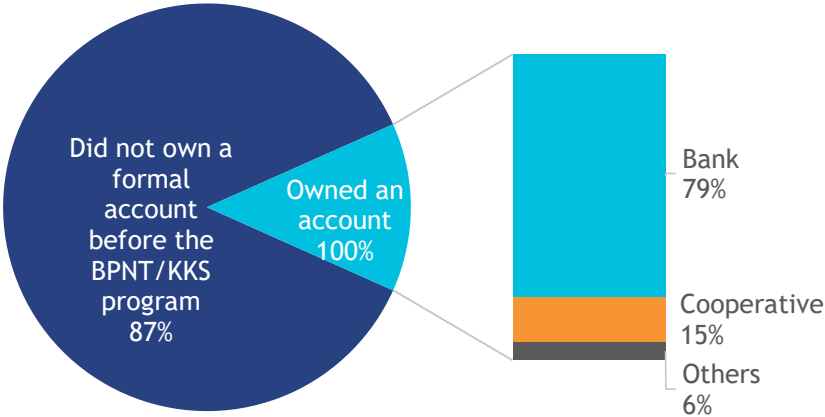


BPNT and financial inclusion

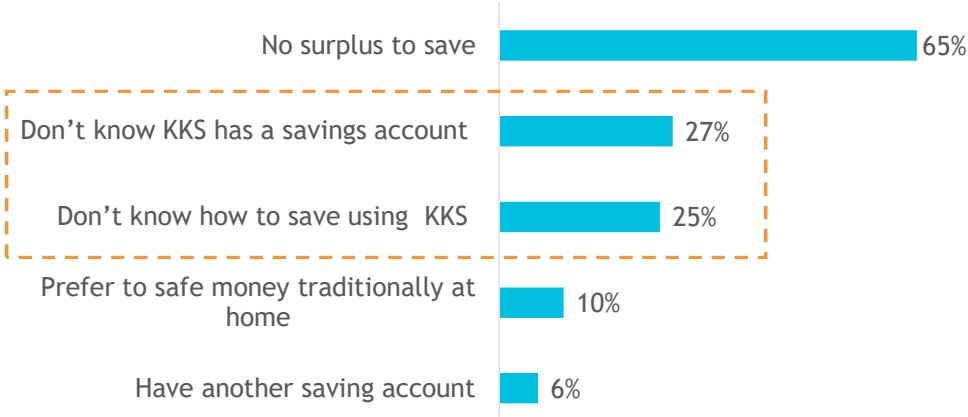


87% of the beneficiaries got access to a formal financial account for the first time through *KKS* card

Experience of using formal institution (n=2,398)



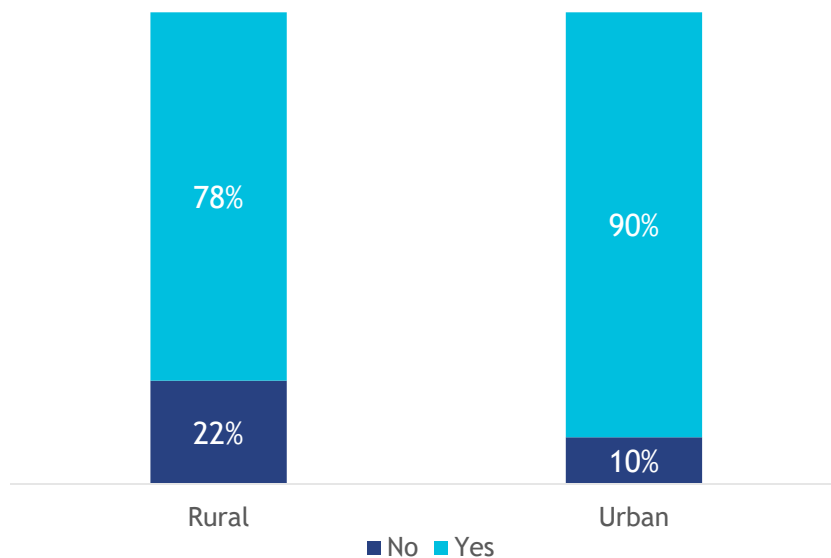
Reasons for beneficiaries to not use KKS account (n=2,398)



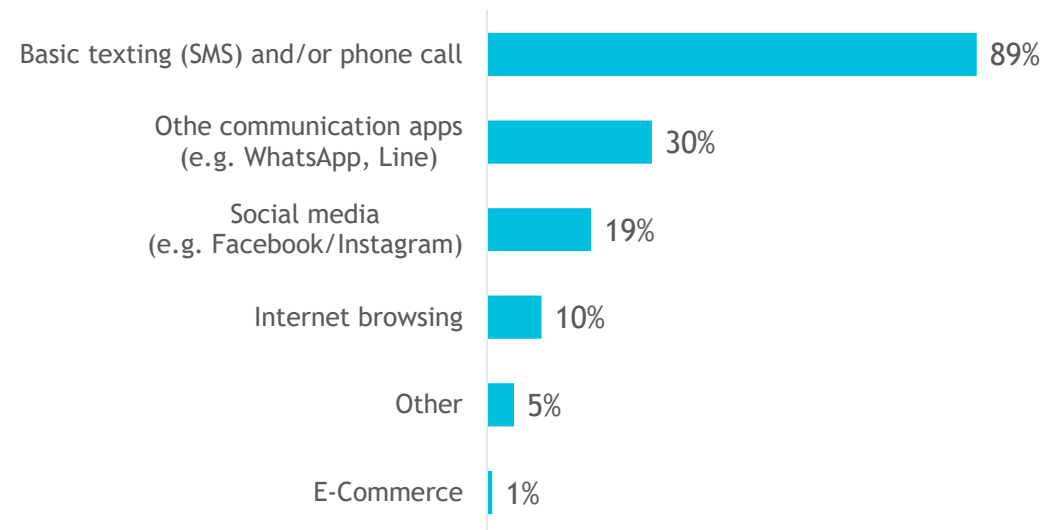
- For most respondents (87%), *KKS* for *BPNT* is their first experience to have a savings account in a bank. This shows that the social assistance (*bansos*) programs (both *BPNT* and *PKH*) are making significant contribution to financial inclusion in Indonesia.
- However, when checked on usage, the study found that only a negligible number of respondents (<1%) have used their *KKS* for savings. 52% of the beneficiaries said that they did not know *KKS* has a linked savings account or they didn't know how to save in the account.

Mobile phone penetration in this segment is as high as 85%. Nearly half of these are smartphones.

Mobile phone ownership (n= 2,398)



Mobile phone frequently used features (n= 1,987)



- The data shows that mobile phone ownership is high, where 85% of the beneficiaries had at least one mobile phone in their household. The rate of ownership is higher in the urban areas as compared to rural areas. 46% of the households have at least one smartphone. The presence of mobile phones and smartphones can offer comfort to MoSA to test OTP based authentication or even pilot QR code based payment systems.
- In terms of usage, mobile phones are mostly used for basic texting. Around 30% of the beneficiaries possessed experience using Internet-based features, whether through communication apps, social media, or browsing.

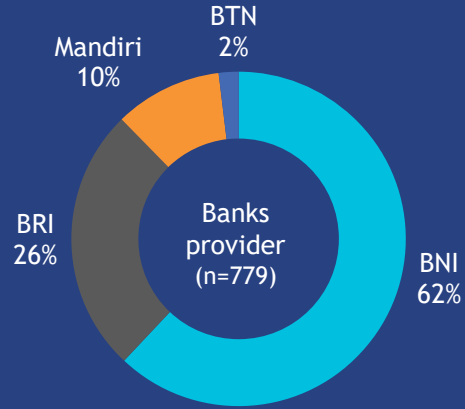
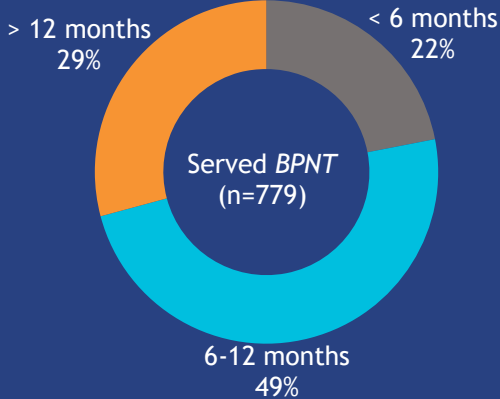
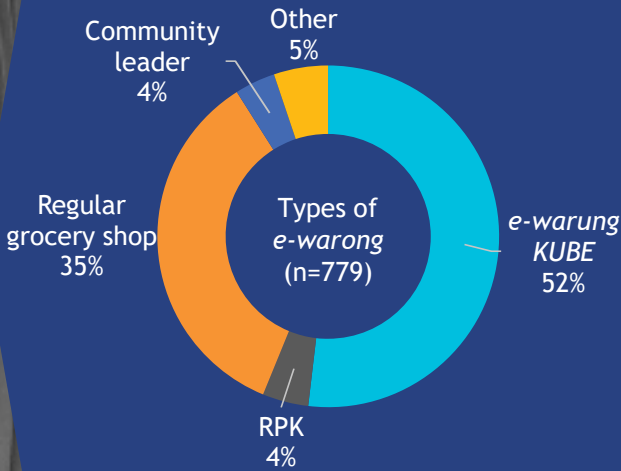


Results from *e-warong* survey

Total samples: 779 *e-warong*

Profile of e-warong operators

Majority of e-warongs are e-warung KUBE. The e-warongs serving a median of 230 beneficiaries and length to serve BPNT for seven months.



Except Sulawesi, majority of the e-warongs are e-warung KUBE (set up under the KUBE program of MoSA). In Sulawesi, the e-warongs are mainly regular grocery shops (52%) appointed by banks. Presence of e-warung KUBE is strong as part of strategy to empower women as PKH (Program Keluarga Harapan) beneficiaries.



Profile of e-warong operators



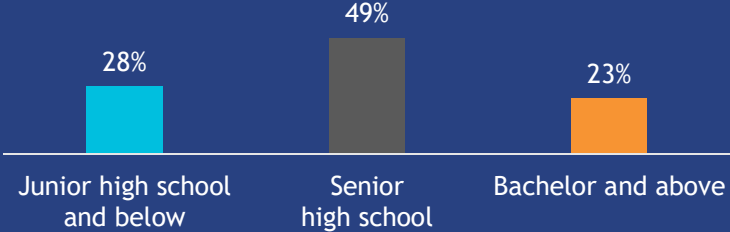
68% of the e-warong operators are female. 51% fall under 40-60 years old age group.



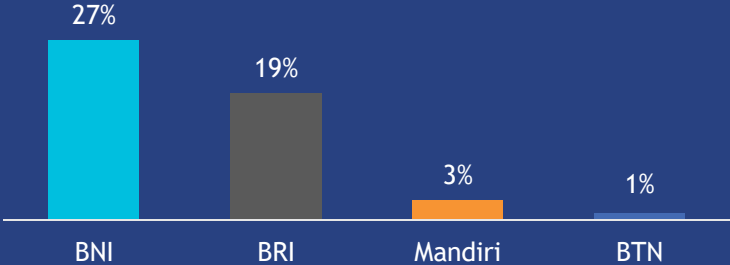
20% of the e-warongs open only during the disbursement day. Out of this number, 61% are e-warung KUBE and 14% are community leaders.

The e-warongs predominantly are micro-entrepreneurs, typically groceries and mom and pop stores. Most of them (90%) are comfortable with using EDC machine for making payments transactions.

Education level (n=779)



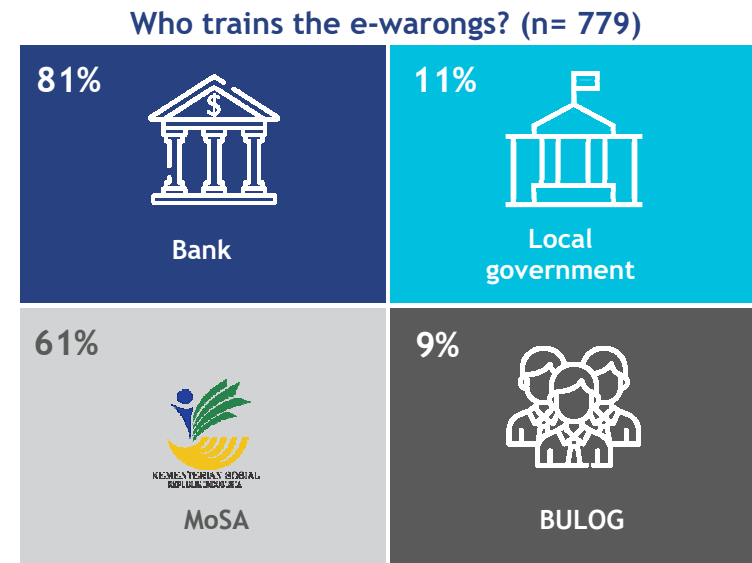
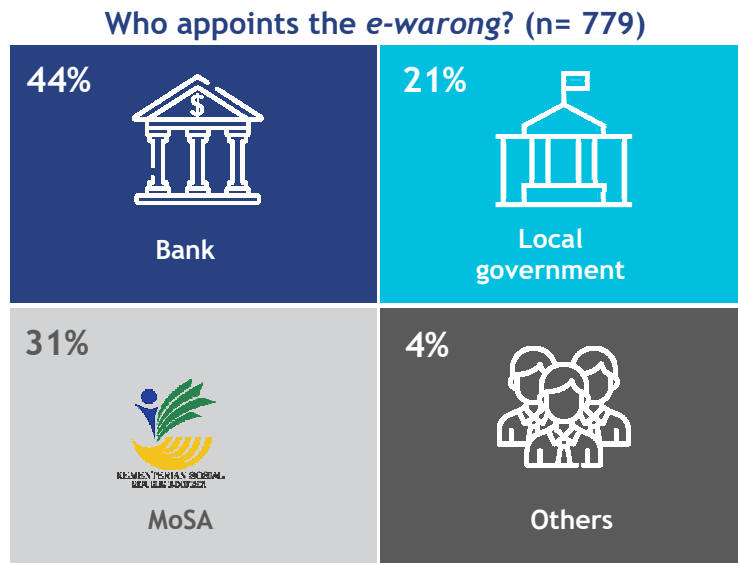
50% are Laku Pandai agents (n= 779)





Quality of *e-warongs* onboarding and training

Banks lead in recruitment and training of *e-warongs*.



- The *e-warongs* report that the major motivation to join the BPNT program is to serve the community (84%). Another motive is to increase earnings (43%) and business (34%).
- Training sessions are typically conducted in-person at least once in the beginning of recruitment. Bank staff are usually present during the disbursement to support the *e-warongs*.
- Overall, the *e-warong* operators are well versed with BPNT disbursement mechanism. 87% of the *e-warongs* can operate the EDC machine. 90% of them are comfortable with the process.


e-warongs were mainly trained to operate EDC machines. Compliance with training guidelines of MoSA is the least in Sulawesi

What should be taught?	What was taught?
BPNT program objectives	<ul style="list-style-type: none"> On average, 75% of <i>e-warongs</i> were informed about the objectives of <i>BPNT</i>. Sulawesi scores the lowest in providing adequate information on <i>BPNT</i> program objectives (48%).
Product, disbursement mechanism, and process	<ul style="list-style-type: none"> Most of the <i>e-warongs</i> (93%) were trained to use the EDC machine. 75% of <i>e-warongs</i> were informed on the amount of the <i>BPNT</i>, schedule, food items, and disbursement mechanism.
Handling complaint mechanism	<ul style="list-style-type: none"> Only 66% of the <i>e-warongs</i> were explained about the procedures to handle complaints. Sulawesi again scored the lowest on the knowledge on complaints handling.
Benefits of savings and financial planning	<ul style="list-style-type: none"> <i>e-warongs are usually not explained</i> on the existence of the savings account linked to the <i>KKS</i> card and how to operate the savings account.


Training topics that were covered the least:



Commission structure and benefit (58%)



Beneficiaries' rights on type and quantity of food items (64%)



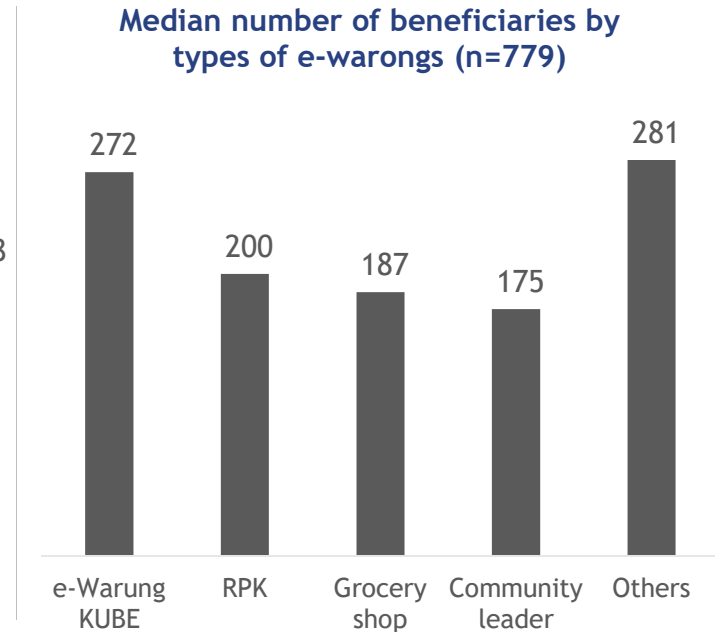
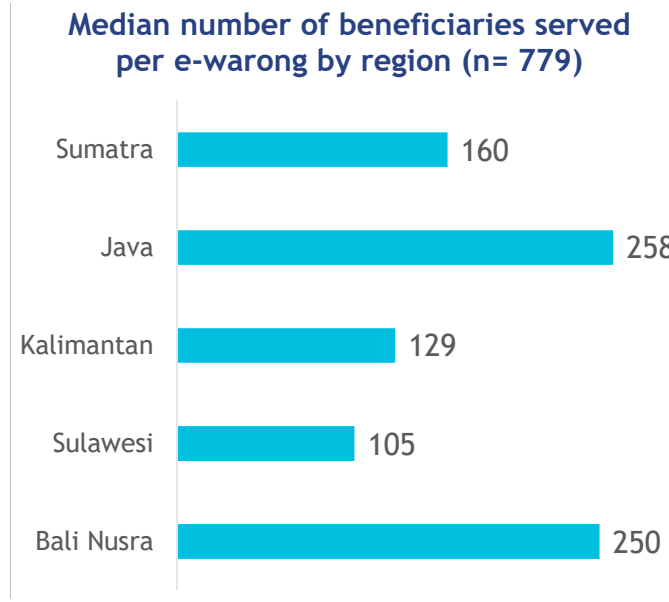
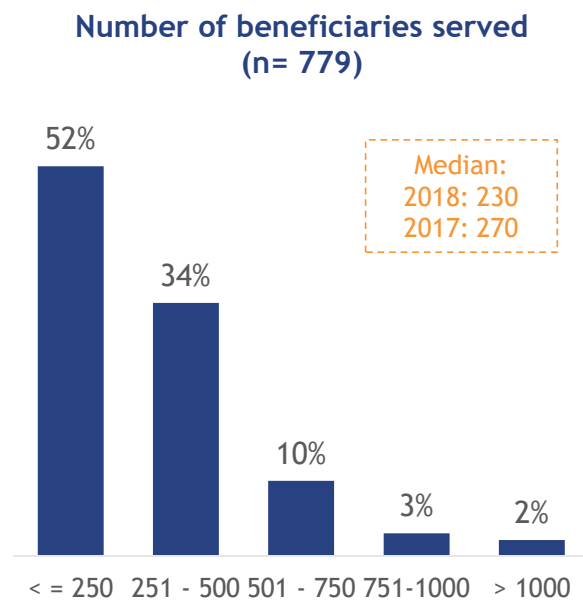
Complaint handling (66%)



Delivery process and support



The median number of beneficiaries served by *e-warongs* is 230



- 52% of *e-warongs* served equal to or less than 250 beneficiaries which is the standard as per the guidelines. Median number of beneficiaries served per e-warong in Sulawesi, Kalimantan and Sumatra is less than 250. This has an implication on the *e-warongs* viability and their continued interest to serve *BPNT*.
- Less number of beneficiaries per e-warong does have a positive effect on the convenience to beneficiaries in terms of lesser queueing time at the e-warongs.
- The research also finds that *e-warung* KUBE's served more beneficiaries than other *e-warongs*. Since each *e-warung* KUBE is owned by a group of people (KUBE), it has to earn more to generate sufficient income for all members of the KUBE.

Providing information on the fund transferred helps *e-warongs* to manage the stock. Disbursement requirements are not uniform.



PKH facilitators/*TKSKs*, who usually received disbursement information from banks, play a crucial role of informing the *e-warongs* if the funds have been transferred. Asking beneficiaries to swipe their *KKS* cards on the EDC machines helped facilitators gather this information. This information is important to help the *e-warong* to prepare the stock.

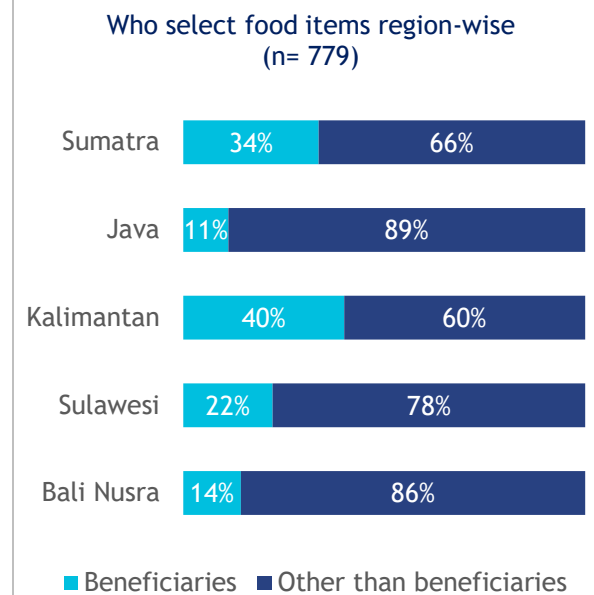
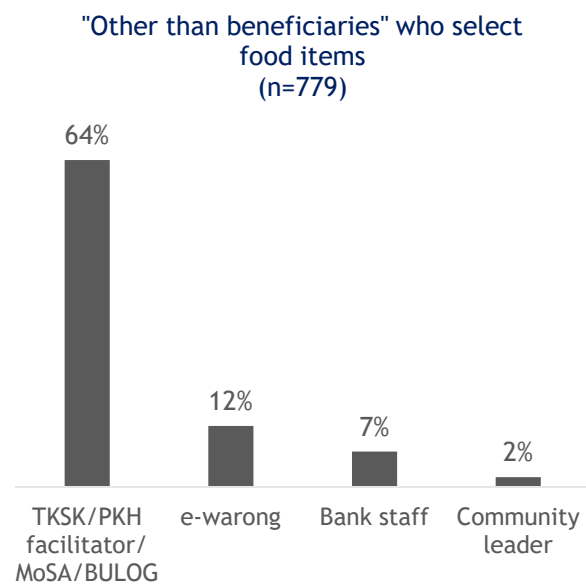
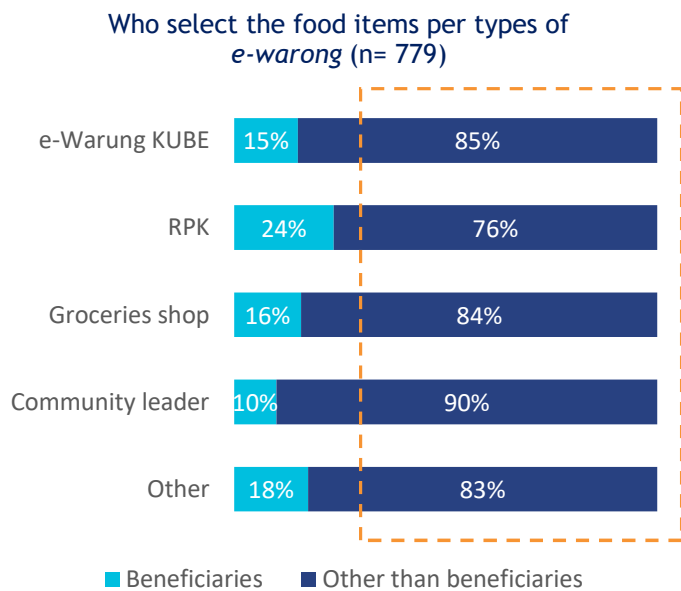


Majority of the beneficiaries utilized all the funds in a single transaction. There are 2 reasons for this: (i) their food expenses are sufficiently large (ii) *TKSK/PKH* facilitator/*e-warong* operators encourage transaction of the amount within the same month to manage food stock at *e-warongs*



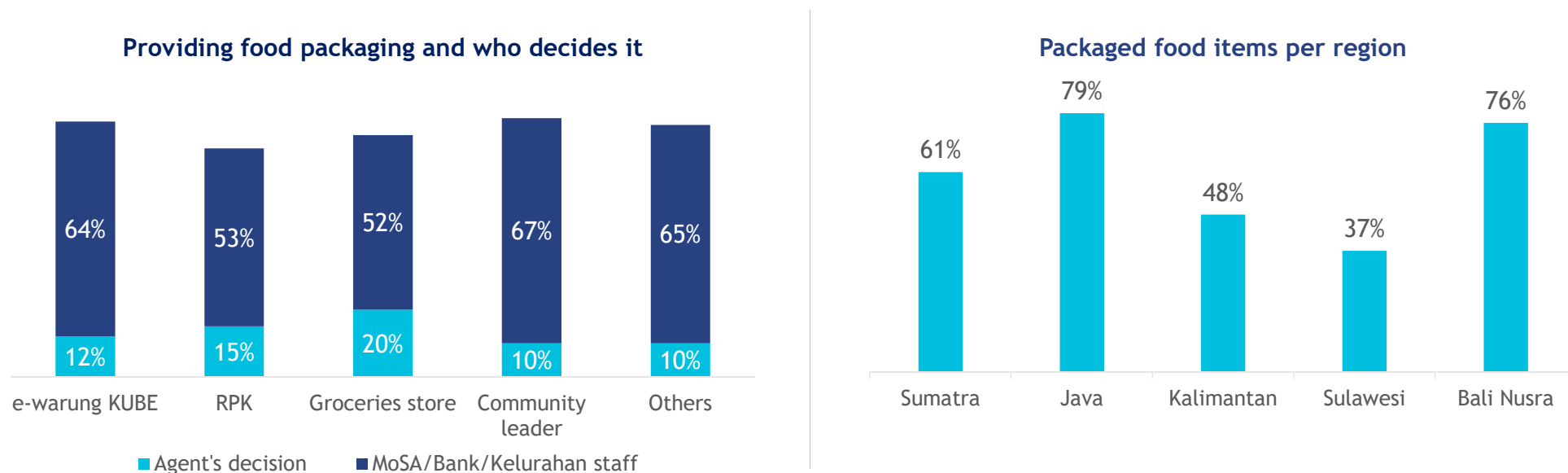
Documents required for the disbursement varied across geographies or *e-warong* operators. In addition to *KKS* card, some *e-warong* operators, mainly in Java, requested a copy of ID card (*KTP*). Two factor authentication—the *KKS* card and PIN—should ideally be enough.

Beneficiaries have limited flexibility to choose the food items



- Beneficiaries have limited choice to choose the quantity and quality of rice and eggs they want to purchase . This is due to the packaging of the food prior to the disbursement date. *TKSK/PKH* facilitator and *e-warongs* usually select the food for the beneficiaries. This is especially prevalent in Java.
- Most of the beneficiaries prefer rice over eggs. Rice is a basic staple food, while there are concerns that eggs are not good for elders, as they may increase the cholesterol level.
- There are still 18% of *e-warong* operators who think that beneficiaries can purchase items, such as sugar and cooking oil. These *e-warongs* are mostly in Sumatra and Java and are influenced by the previous years food items policy.

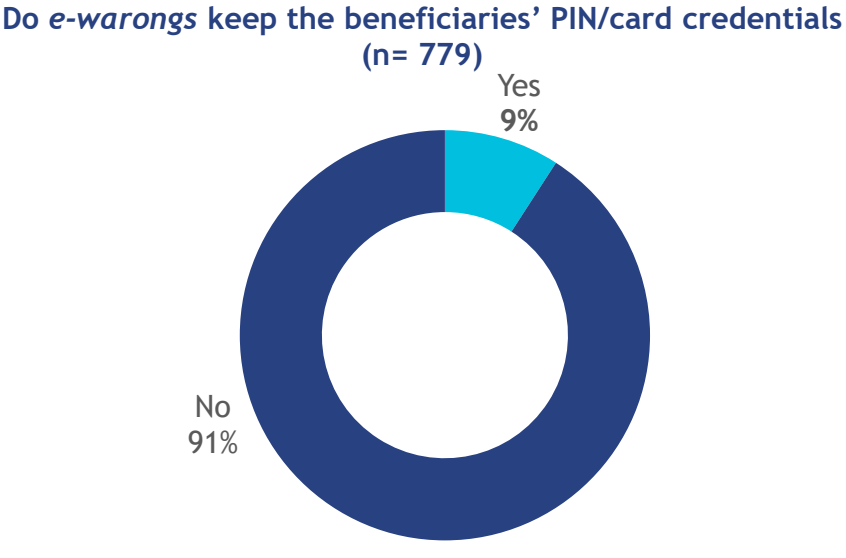
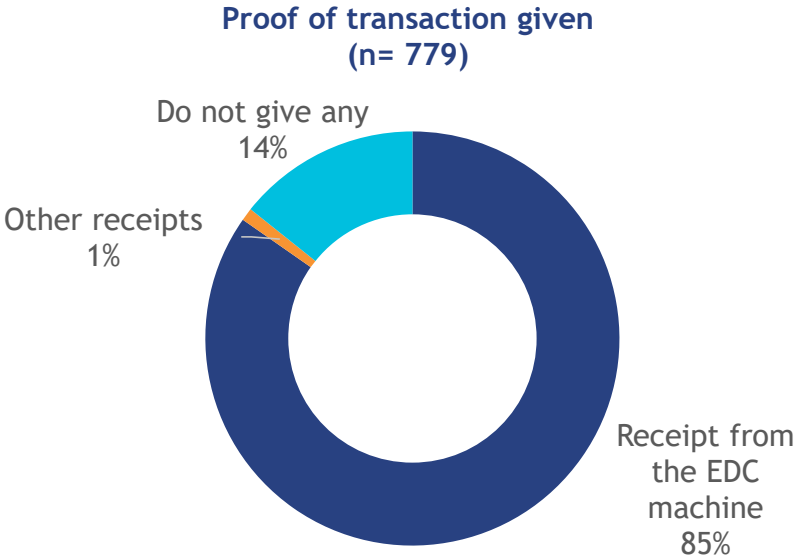
75% of *e-warongs* provide *BPNT* grocery in the form of a package



Most of the *e-warong* operators (75%), especially in Java, confirm that they provided the grocery in a packaged form. This means that the quantity and the quality of the food items is decided by the *e-warong* and sold as a package worth IDR 110,000. Beneficiaries do not have the flexibility to choose. This is done either on the advice of *PKH* facilitator/*TKSK* or by *e-warongs* themselves to manage queuing, ensure faster transaction time and managing stock. However, it also has implications on transparency in terms of pricing and flexibility for beneficiaries to choose the quantity and quality of food items they want.

“Each beneficiary should be entitled to at least 10 Kgs of rice, which is similar to the *RASTRA* program. In case of surplus money, we can use it to provide them eggs. Usually, they can expect to receive about 0.5-0.8 Kg of eggs.”— An *e-warong* in Kediri

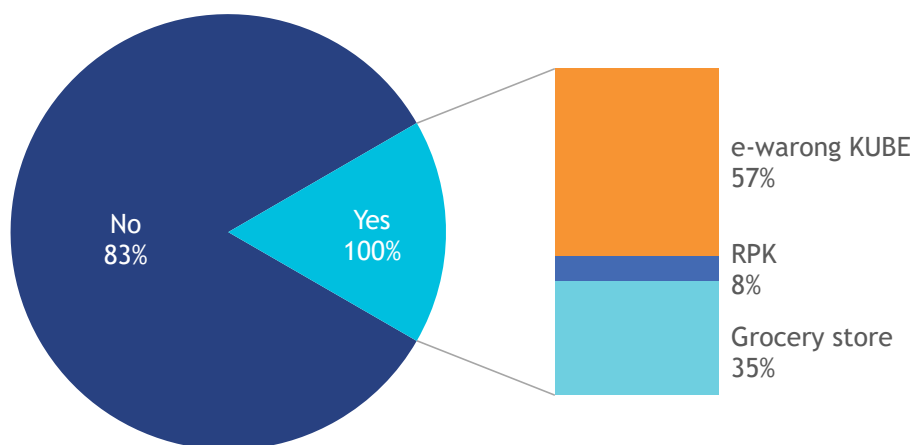
Most *e-warongs* (85%) gave purchase receipts. Few *e-warongs* kept beneficiary's credential (PIN or card).



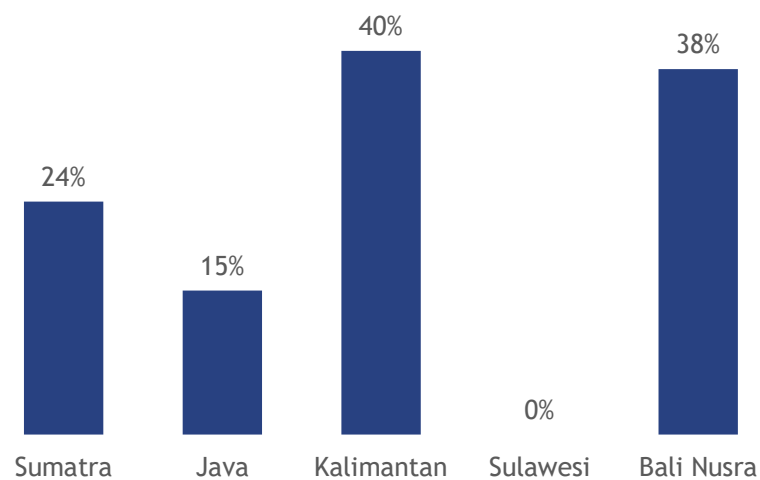
- 14% of the *e-warongs* did not provide any purchase receipts. Such instances are more prevalent in the regions of Kalimantan and Java. This practice is more common with *e-warung KUBE*, and it is usually done for transaction reconciliations.
- The incidence of *e-warongs* keeping beneficiary's credential (PIN/Card) has reduced as compared to 2017. However, these incidences are still persistent in Java and Sumatra regions. In a number of instances, beneficiaries, especially elderly, have requested *e-warongs* to keep these credentials as they may lose the card or forget the PIN. Beneficiaries tend to trust the *e-warongs* as they have known the store owners for years.

Food stock availability and stock replenishment is not an issue

Food stock out at *e-warongs* (n= 779)

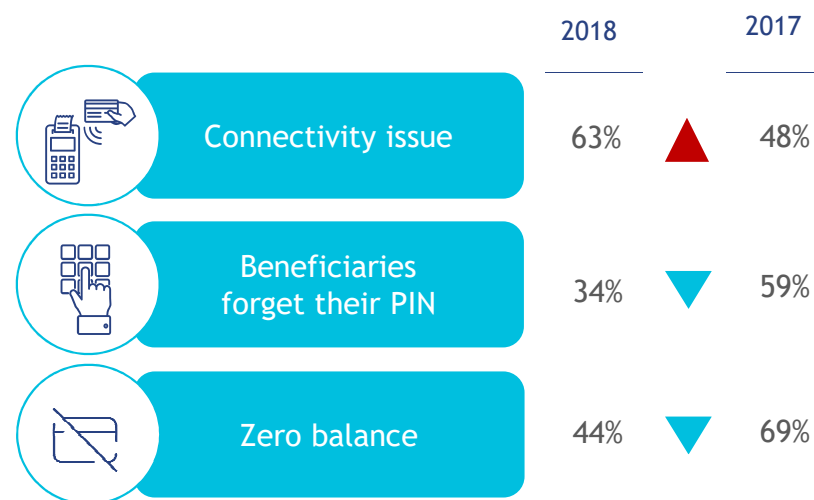
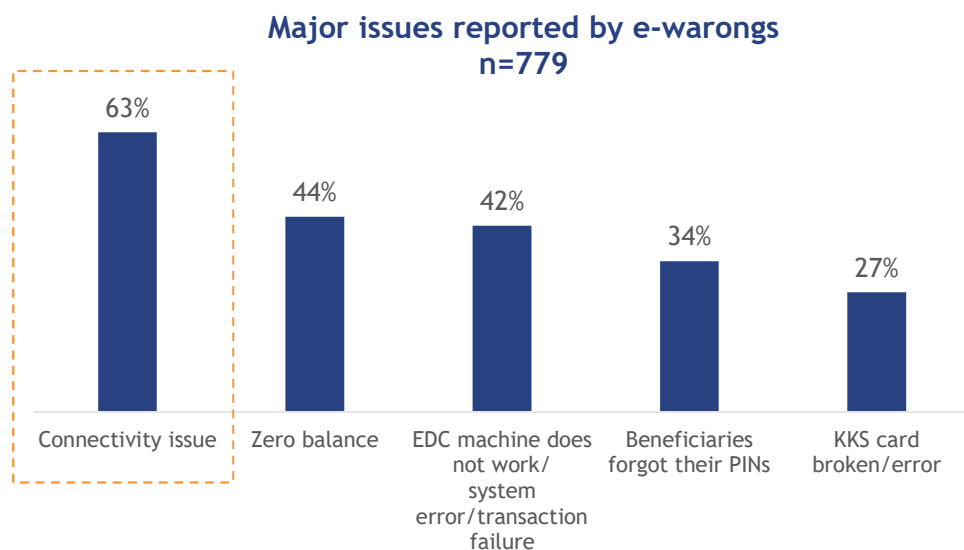


e-warongs experiencing stock-out by region (n=779)



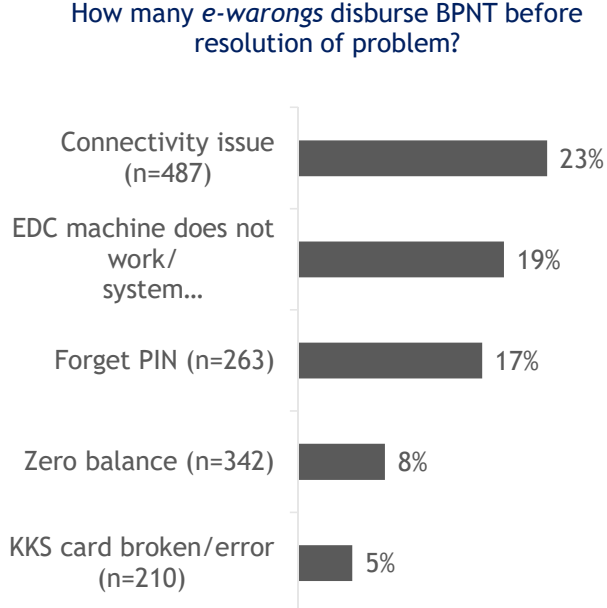
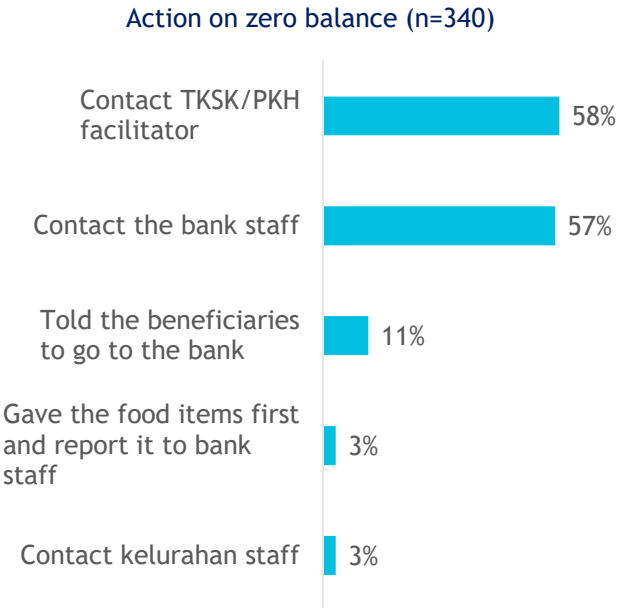
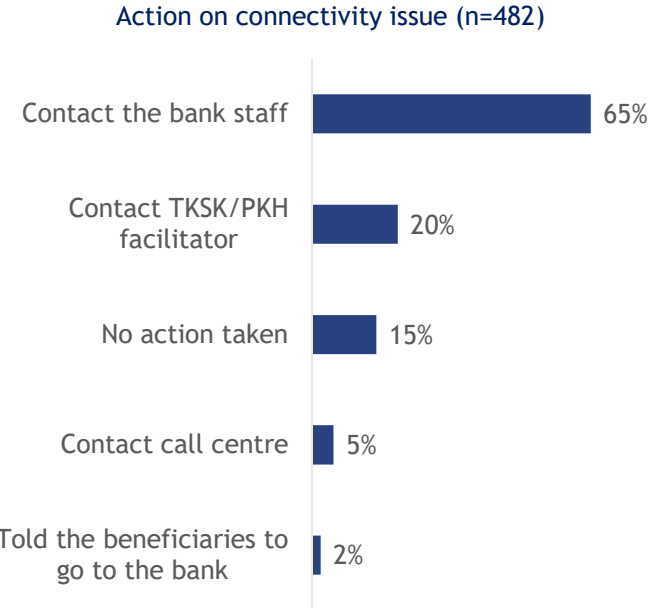
- As stated earlier in the report, the availability of food stock has been managed well. Though there are instances of a particular grocery item going “out of stock”. In such cases, the replenishments are usually done on the same day (44%). None of the *e-warongs* surveyed complained of non-availability of food items.
- Kalimantan and Bali Nusa Tenggara did report stock outs but in most cases it was due to the delay in the distribution by the supplier. Most of the stock became available within three days (84%).

Connectivity, zero balance, and system error are major operational issues faced. Instances of “zero balance” have reduced significantly.



- While the top-three issues faced by *e-warongs* remain the same as in 2017, the incidence of beneficiaries forgetting PIN and zero balance has reduced significantly. However, to ensure beneficiaries did not forget the PIN, practices such as allocating the same PIN number to all beneficiaries in one location or sticking the PIN on the *KKS* card or both, are being done which are risky from a customer protection point of view.
- Poor connectivity remains a major challenge. Among *e-warongs*, 63% reported issues with connectivity, up from 48% in 2017. While the problem is pervasive across regions, a higher percentage of *e-warongs* in Java reported this problem. This is largely due to the expansion of the program into non-urban centers in 2018.

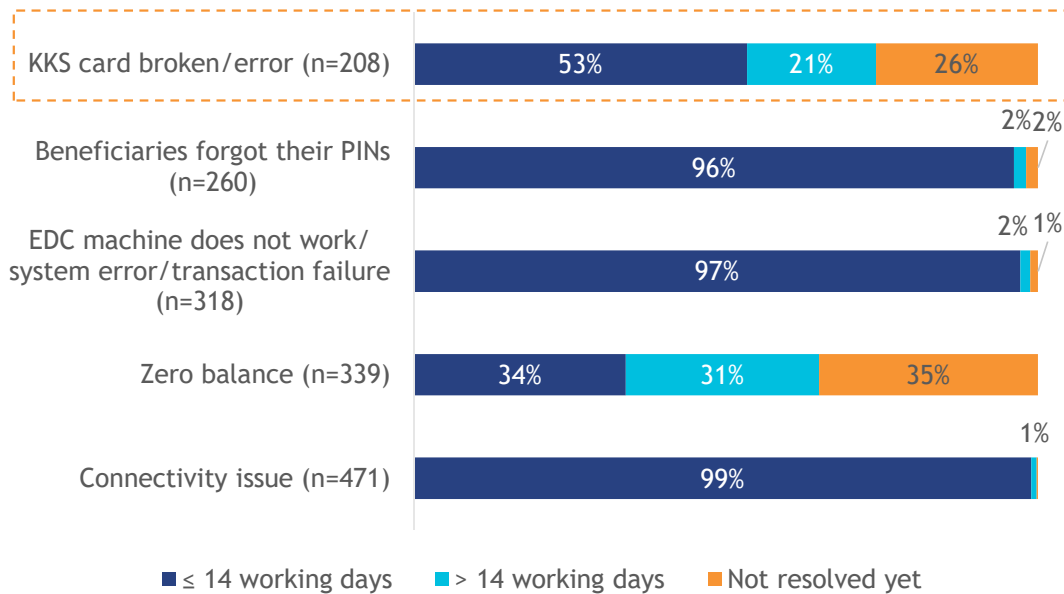
Banks' staff are the first contact point to report problems. Food distribution is usually unaffected by technical issues.



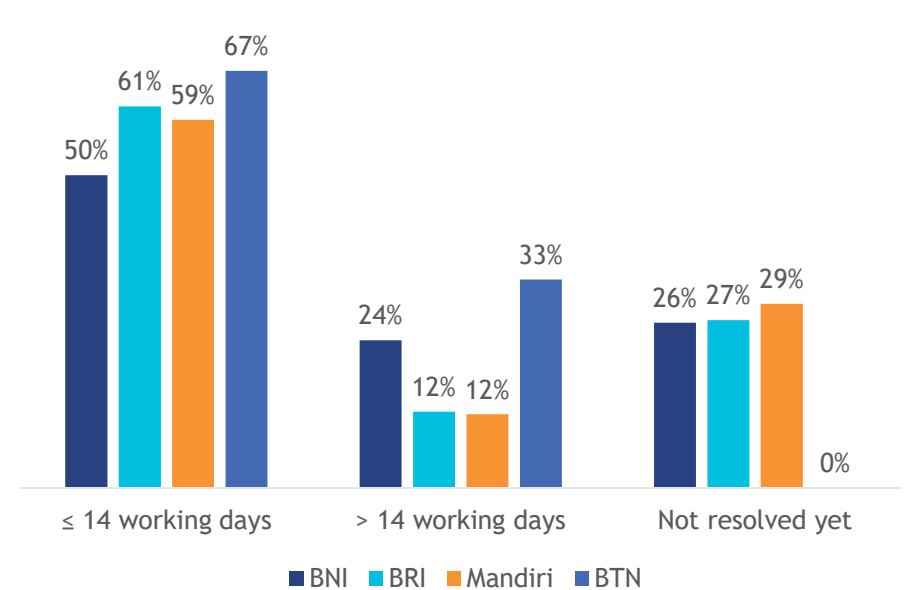
e-warongs depend on banks' staff to report any technical issues they face during disbursement. PKH facilitators are particularly preferred by e-warong KUBEs to report any type of issues. However, some of the e-warongs are not denying the food items to beneficiaries due to the technical issues. The study found instances where e-warongs disburse the food in spite of the transaction not taking place due to poor connectivity or network issues. The transaction is completed once the issues are resolved.

Most technical issues took less than 14 days to be resolved. However, issues of damaged *KKS* and zero balance, need longer time to be solved.

Time Duration for Resolving Issues



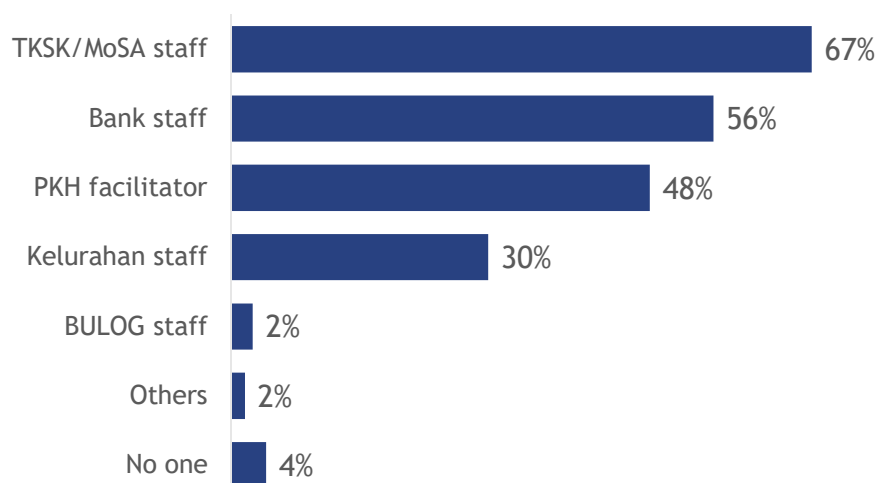
Time to resolve damaged KKS card (n= 208)



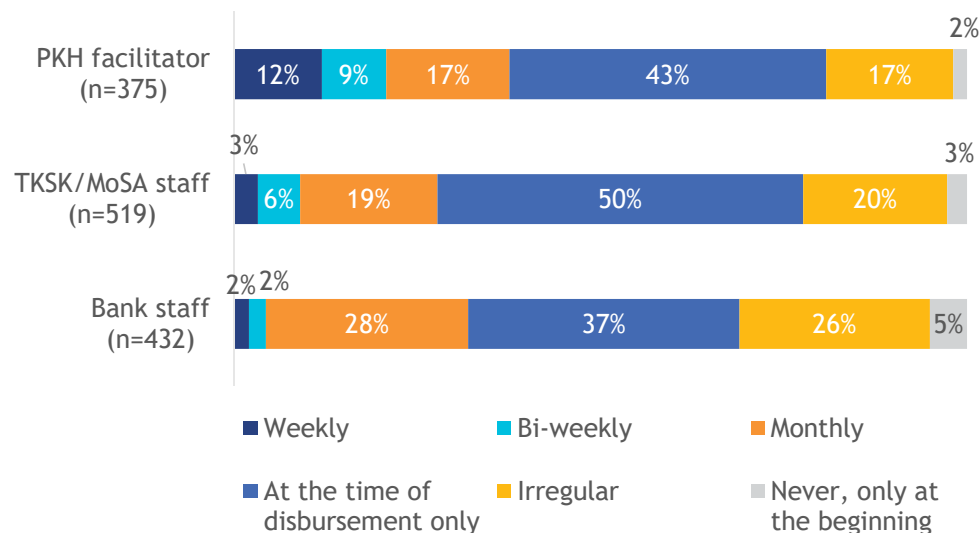
- Most of the beneficiaries' issues are fully resolved in less than 14 working days. A few issues, such as zero balance and damaged *KKS* card took longer time to be resolved or have not been resolved yet.
- Of the damaged *KKS* card issues, 26% have not been fully resolved. The median days for these unresolved issues is 90 days.
- Across different banks, the service duration for BRI and BTN to solve the issue is a slightly faster compared to others.

Monitoring happens at least once a month, during disbursement, and is done mostly by *TKSK* and bank staff

Who conducts the monitoring visit? (n=778)



Frequency of Monitoring Visits (n=778)



Similar to the evaluation in 2017, *TKSK*, *PKH* facilitator and bank staff are mostly involved in the monitoring. The frequency of the monitoring varied across different set of monitors, but it happens at least once a month and mostly during disbursement. However, the monitoring till date is not done uniformly across regions or in a structured manner. Typically, manual notes are taken down by the monitoring person without following any structured guide or check list of things to monitor.

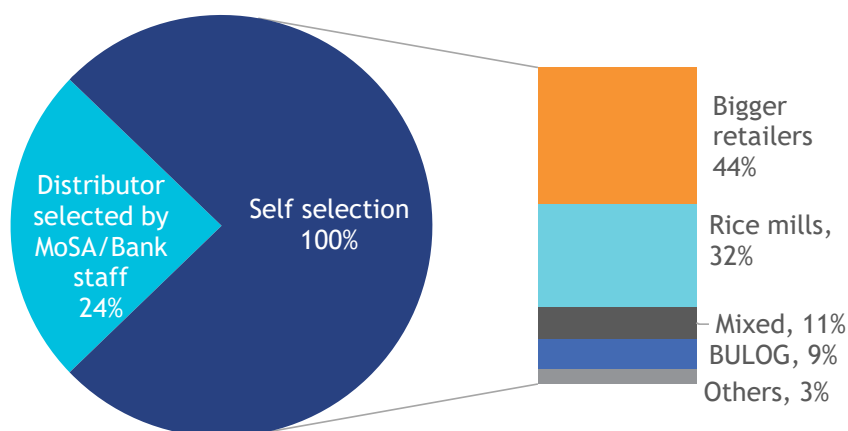


e-warong viability

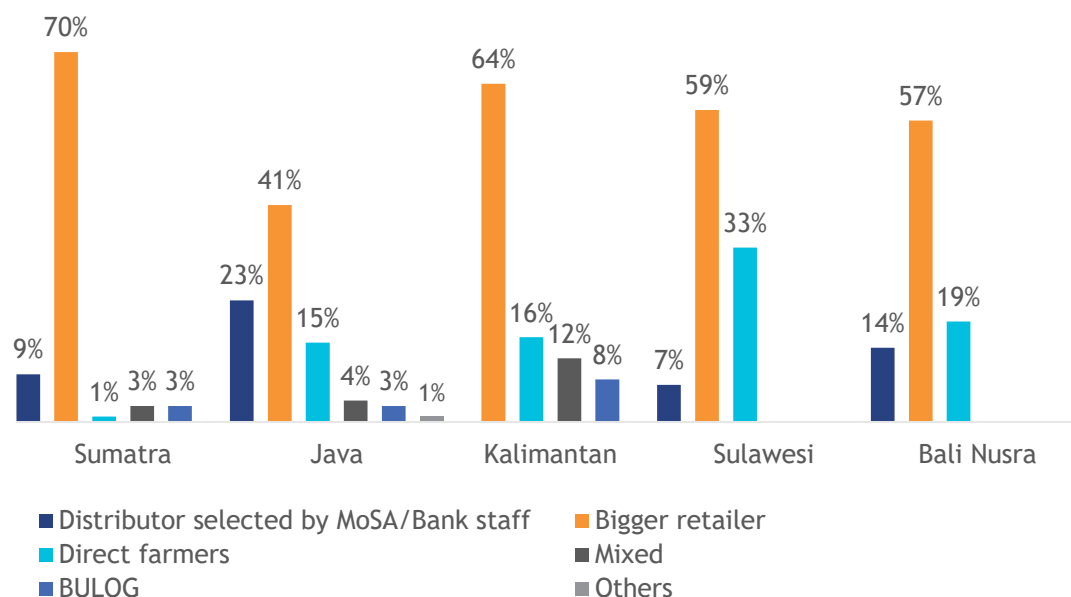


76% of *e-warongs* select rice suppliers by themselves. The bigger retailers are the top choice, followed by rice mills.

Rice suppliers (n=779)



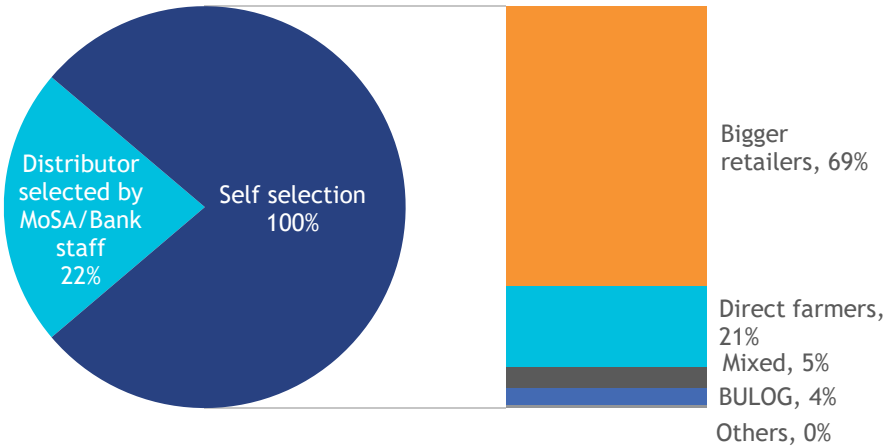
Rice suppliers across region (n=779)



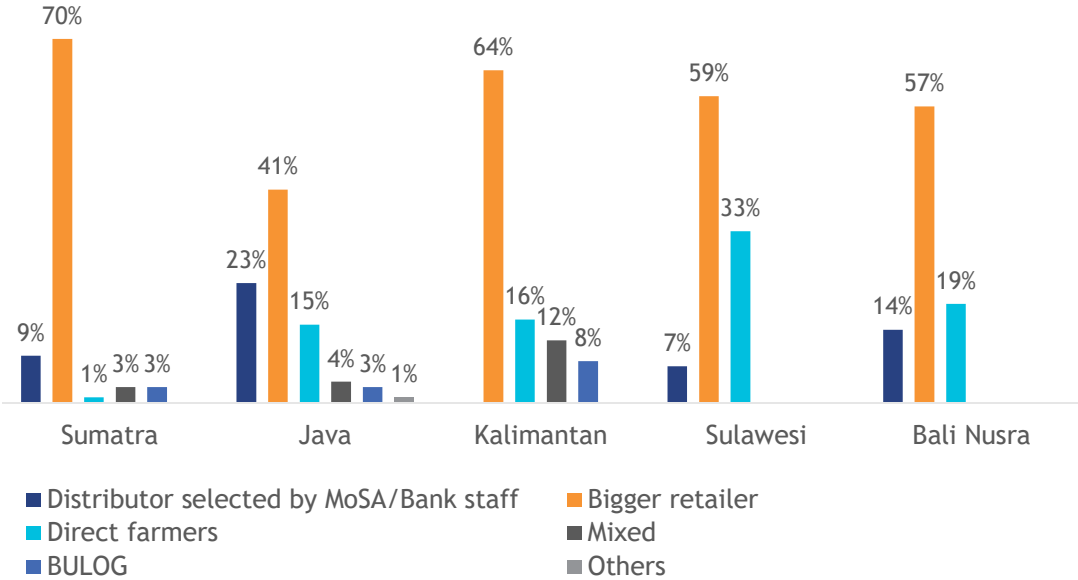
- Bigger retailers (bigger grocery stores or wholesalers) and rice mills are two most preferred choice of suppliers for rice for *e-warongs*.
- An interesting development observed was that as the *BPNT* program is getting more popular, suppliers have been approaching *e-warongs* or the *PKH* facilitator or *TKSK* to build partnerships. This bodes well for the future to ensure healthy competition and to ensure that prices are reasonable for beneficiaries.

78% of *e-warongs* select eggs suppliers by themselves. Sourcing directly from farmers is being preferred in some regions.

Egg suppliers (n=779)

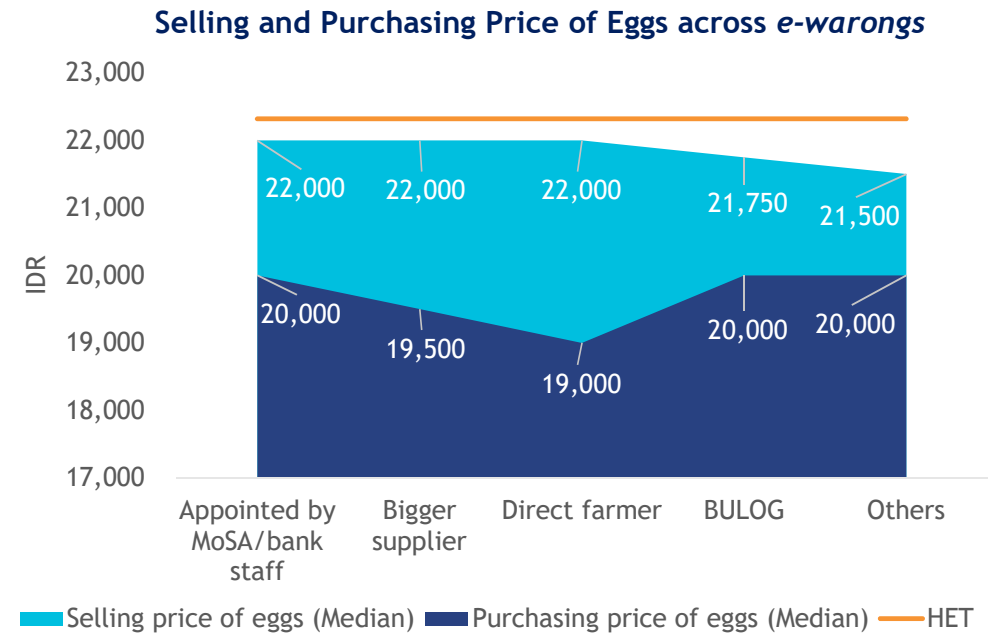
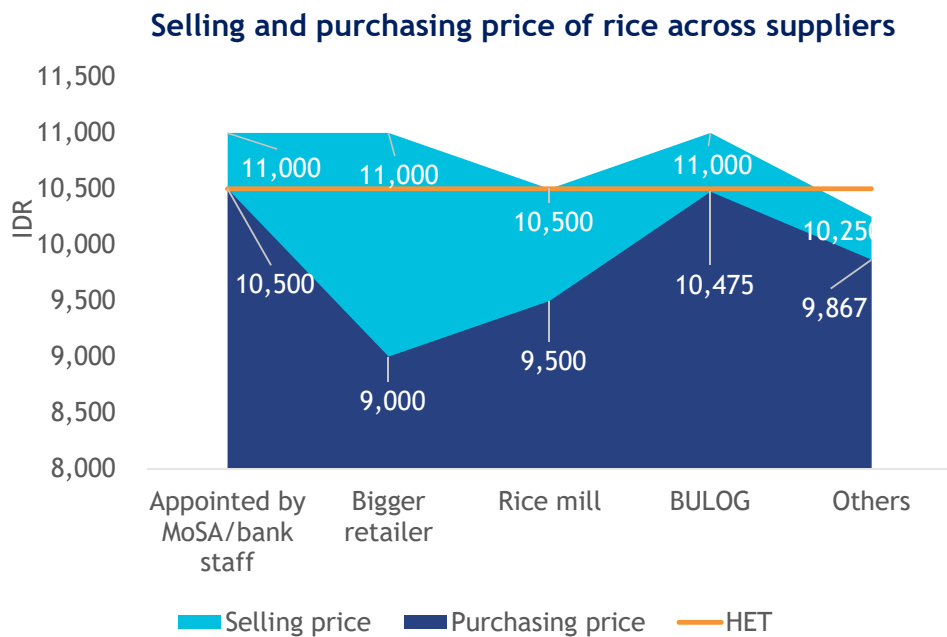


Egg suppliers across region (n=779)



Big retailers and local farmers are the two most preferred choice of suppliers for eggs. The share of supply for local farmers is the highest in Sulawesi (33%) as compared to other regions. This has positive impact on the local economy. MoSA can take more steps to promote local farmers to supply eggs.

Sourcing from big retailers and local producers leads to higher gross margin for *e-warongs*.



- Overall, the purchasing price of rice and eggs across different types of suppliers was lower than the national highest retail price (*Harga Eceran Tertinggi, HET*). Interestingly, the purchasing price from appointed suppliers (by MoSA staff) and *BULOG* is more likely to be higher than other self-selected suppliers.
- Across regions, the purchase price in Kalimantan is slightly higher as compared to other regions.

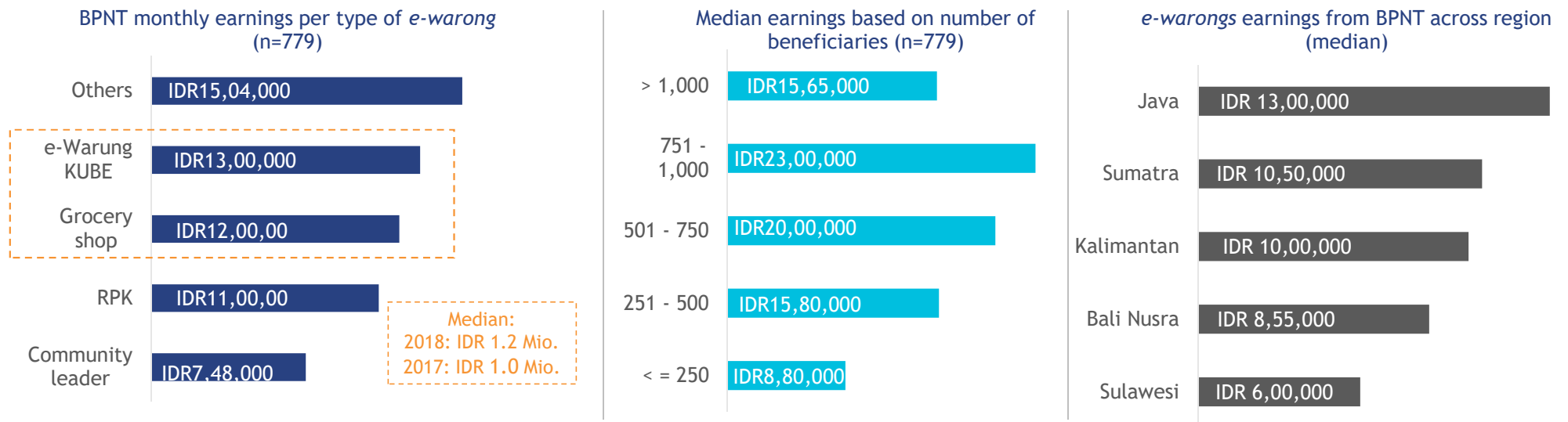
Rice mills have a good potential to be suppliers for *BPNT* across regions

	Bigger retailers	Rice mills	BULOG	Suppliers appointed by MoSA
Responsiveness to food order	<ul style="list-style-type: none"> Quick response to order, on time delivery, overall good services 	<ul style="list-style-type: none"> Quick response to order, on-time delivery, overall good services 	<ul style="list-style-type: none"> Quick response to order, potential delay when there are many orders, overall good services 	<ul style="list-style-type: none"> Quick response to order, potential delay when there are many orders, overall good services
Capital & payment requirement	<ul style="list-style-type: none"> A mixed of in-advance/ COD and after disbursement payment Might require working capital 	<ul style="list-style-type: none"> A mixed of in-advance or COD and after disbursement payment Might require working capital 	<ul style="list-style-type: none"> No need of working capital Payment one to two weeks after disbursement 	<ul style="list-style-type: none"> No need of working capital Payment one to two weeks after disbursement
Price and margin	<ul style="list-style-type: none"> Purchasing price tends to be the cheapest due to market competition Highest gross margin 	<ul style="list-style-type: none"> Purchasing price tends to be cheaper due to closest to farmer High gross margin 	<ul style="list-style-type: none"> Purchasing price tends to be expensive Lower gross margin 	<ul style="list-style-type: none"> Purchasing price is the most expensive Lowest gross margin

E-warongs prefer to purchase directly from farmers due to cheaper price

	Bigger retailers	Local farmers	BULOG	Suppliers appointed by MoSA
Responsiveness to food order	<ul style="list-style-type: none"> Quick response to order, on time delivery, overall good services 	<ul style="list-style-type: none"> Quick response to order, on time delivery, overall good services 	<ul style="list-style-type: none"> Quick response to order, potential delay when there are many orders, overall good services 	<ul style="list-style-type: none"> Quick response to order, potential delay when there are many orders, overall good services
Capital & payment requirement	<ul style="list-style-type: none"> A mixed of in-advance/ COD and after disbursement payment Might require working capital 	<ul style="list-style-type: none"> A mixed of in-advance or COD and after disbursement payment Might require working capital 	<ul style="list-style-type: none"> No need of working capital Payment one to two weeks after disbursement 	<ul style="list-style-type: none"> No need of working capital Payment one to two weeks after disbursement
Price and margin	<ul style="list-style-type: none"> Purchasing price tends to be relatively cheaper due to market competition High gross margin 	<ul style="list-style-type: none"> Purchasing price tends to be the cheapest due to no middle men Highest gross margin 	<ul style="list-style-type: none"> Purchasing price tends to be expensive Lower gross margin 	<ul style="list-style-type: none"> Purchasing price tends to be the most expensive, similar to BULOG Lower gross margin

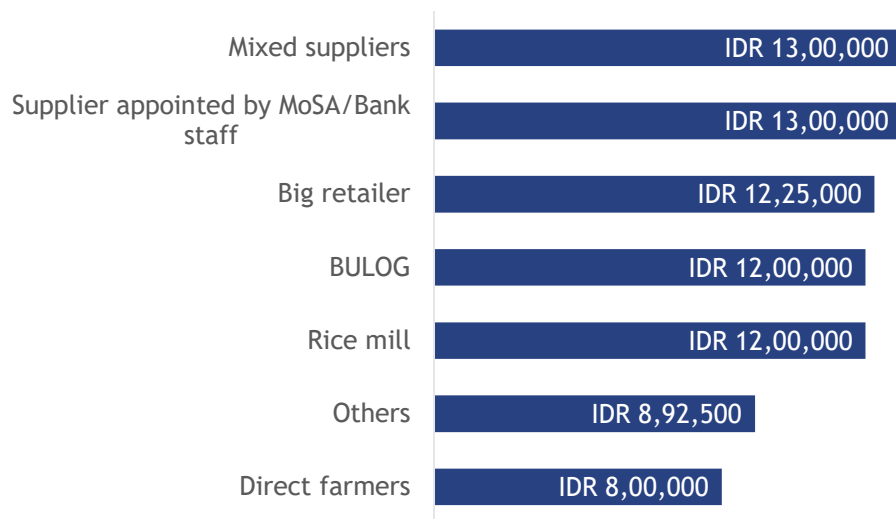
The median income of *e-warongs* from *BPNT* is 20% higher than in 2017. *e-warung KUBE*



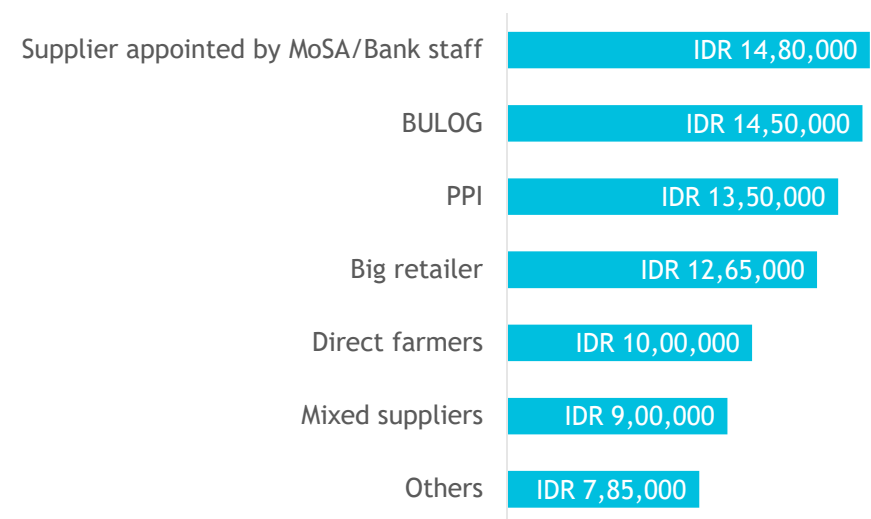
- “Others”, comprising mainly of BUMDES (80%), and *e-warung KUBE* are more likely to earn higher incomes due to larger number of beneficiaries, which is 281 and 272 beneficiaries (median), respectively. In the case of grocery shops, even though the median number of beneficiaries is only 187 (median), they still earned a high income due to their flexibility to choose suppliers that can give them higher margins.
- *e-warung* operators with higher beneficiaries earned a higher profit, but decreased after more than 1.000 beneficiaries. This was more likely for *e-warung* operators, such as *e-warung KUBE*, who earned a lower gross margin despite serving many beneficiaries.
- *E-warongs* in Java and Sumatra are more likely to earn higher income than those in other regions. The *e-warongs* in these regions have more experience and also have better availability of suppliers.

For rice, using a mix of suppliers leads to larger earnings. For eggs, suppliers selected by MoSA leads to larger earnings for *e-warongs*

BPNT earnings per type of rice suppliers



BPNT earnings per type of eggs supplier



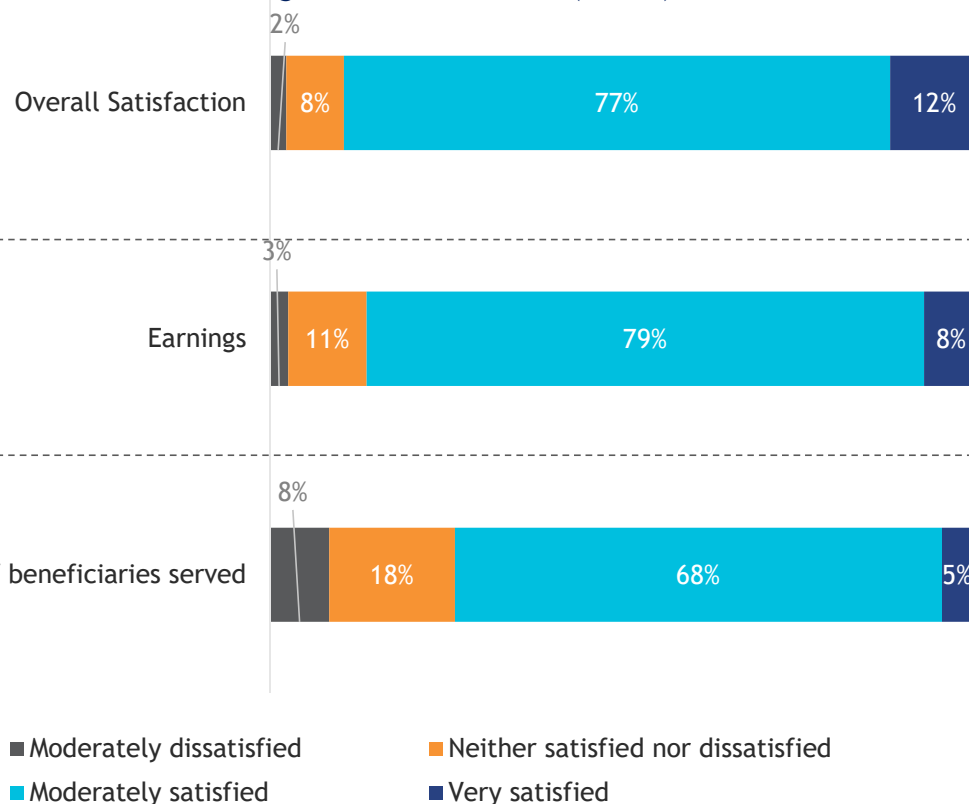
- For rice supply, *e-warongs* typically use a combination of different types of suppliers as different suppliers have different payment terms. Suppliers identified by MoSA usually offer more flexible payment terms. In some cases, the average payment duration is 10 days after the actual disbursement. This helps *e-warongs* to manage their liquidity.
- For eggs, using suppliers appointed by MoSA staff or *BULOG* leads to larger earnings for the *e-warongs* and as a result, these are most preferred.



Satisfaction and feedback

Satisfaction among *e-warongs* is high, but they are concerned with the ratio of beneficiary per *e-warong*.

e-warong's satisfaction level (n=779)



- Overall, the majority of *e-warongs* are satisfied (90%) with the support given to them to participate in BPNT operational. It increases four percentage points than the previous study.
- With regard to the earning, the *e-warong* operators' satisfaction was also high, similar to the previous study.
- *e-warongs* with 500-1,000 beneficiaries are likely to be more satisfied than the others.

“By serving BPNT, besides doing a good deed to the society, I can get another source of income.”
(*e-warong*, Kediri).

E-warongs satisfaction to serve BPNT



“

“Since distributing *BPNT*, I feel like [a celebrity], because everyone knows and greets me. Some of them even asked me what I have done (supernaturally) so my shop now is more crowded.”
(*e-warong*, Banjarmasin)

“

“I am happy to serve the *BPNT* program, as now I have activities to earn money for my family.”
(*e-warong*, Kediri)

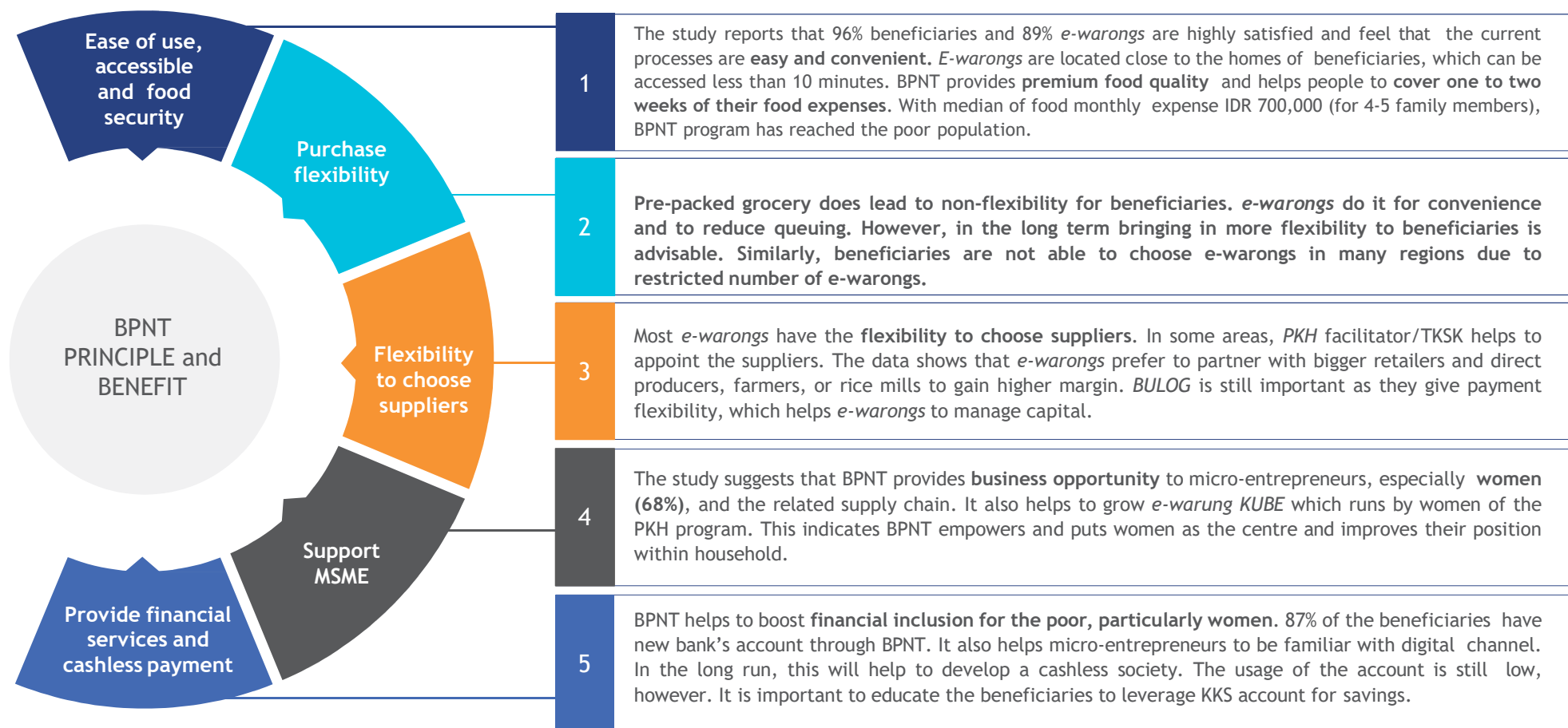
“

“I feel happy to serve *BPNT* as it taught me to use the EDC machine and to be part of financial literacy.”
(*e-warong*, Kupang)







Summary and recommendations

Summary of the key findings



Summary of the key findings

	 Key Positives	 Pain Points
 Beneficiaries	<p>96% of the beneficiaries are satisfied with the program. They are happy with the quality of the food received, and the assured reliability of supply.</p> <p>There has been a significant improvement in the number of areas of program implementation when compared to 2017. For example, awareness on the scheme details, less incidence of paying an “extra charges” for such as plastic bag, reduction in the average time taken to reach an <i>e-warong</i> and faster transactions at the <i>e-warong</i> locations. There has also been a significant reduction in the technical issues faced, such as zero balance, and network or system malfunction, among others.</p>	<p>Remembering KKS card PIN is still an issue and some of the practices adopted by <i>e-warongs</i> or banks to manage this issue are risky from a customer protection perspective. Better payment mechanisms can be explored.</p>
 E-Warongs	<p>89% of <i>e-warongs</i> are satisfied with the overall program.</p> <p><i>e-warongs</i> have diversified the suppliers for purchasing rice and eggs and there has been an impressive increase in the median earnings of <i>e-warongs</i> when compared with 2017.</p> <p>Almost all the <i>e-warongs</i> want to continue with the program in 2019 and beyond.</p>	<p>The average number of beneficiaries served per <i>e-warong</i>, especially in the case of non-KUBE <i>e-warongs</i>, has reduced as compared to 2017. This has led to dissatisfaction among some <i>e-warongs</i></p> <p>Stable mobile connectivity remains a challenge in some regions.</p> <p>Training of <i>e-warongs</i> is restricted to EDC machine operation. Knowledge on scheme benefits, objectives remains low for <i>e-warongs</i>.</p>

Recommendation on operations (1/3)

Improved training of *e-warongs* with emphasis on program details and savings account

Awareness of details of the BPNT program has been considerably low, especially for *e-warongs*. The *e-warong* operators are just taught about disbursement/EDC machine operations. Exploring digital channels as a media to train *e-warongs* (such as creating an online training module) to explore program objectives and details about BPNT program.

1

Ensuring front end authentication: face authentication/biometric

PIN issue is being managed in a sub-optimal way and the risk largely persists. Also, card and PIN has the drawback of not being able to authenticate the beneficiary at the time of disbursement. With the proliferation of smart phones, face/biometric authentication based transactions have become cheaper than card/EDC based payment mechanisms. The feasibility to adopt these in the Indonesian context needs to be further explored.

2

3

Increasing the *e-warong* vs beneficiary ratio to at least 300

BPNT should consider the *e-warongs* viability for the sustainability of the program. The study reports that *e-warong* satisfaction has been decreasing when the number of beneficiary they serve is smaller. Keeping the balance between profitability and ease of access and convenience (managable queuing) should be considered.

Recommendation on operations (2/3)

Improving entrepreneurship skills of *e-warung* KUBE personnel.

A number of *e-Warung* KUBE lack business knowledge and do not have capacities to manage businesses. A structured capacity building programme to improve business skills can be considered for sustainability of *e-warung* KUBE.

4

Increasing partnership with rice mills and direct farmers.

The *e-warungs* concern about profitability. Rice mills and direct farmers are two prominent and preferred suppliers which can give higher gross margin to the *e-warungs*. They are available in most of regions and have capacities to supply BPNT needs.

5

Uniformity of disbursement requirement: no need for a copy of beneficiary ID.

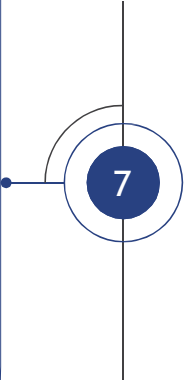
Some *e-warungs* require a copy of the beneficiary's ID in every disbursement. Even though the beneficiaries do not feel inconvenient, this practice can be stopped. Two factors of authentication, the KKS card and the PIN, not to mention the presence of the beneficiary, are enough and have been applied in digital payments system in many regions.

6

Recommendation on operations (3/3)

Increase account usage through active promotion

BPNT increases financial account ownership, especially for women. However, the usage of the account is still remains low due to inadequate awareness. Developing partnership with organizations, such as *OJK / BI* for financial literacy may increase the account usage.



Recommendations on program design and strategy

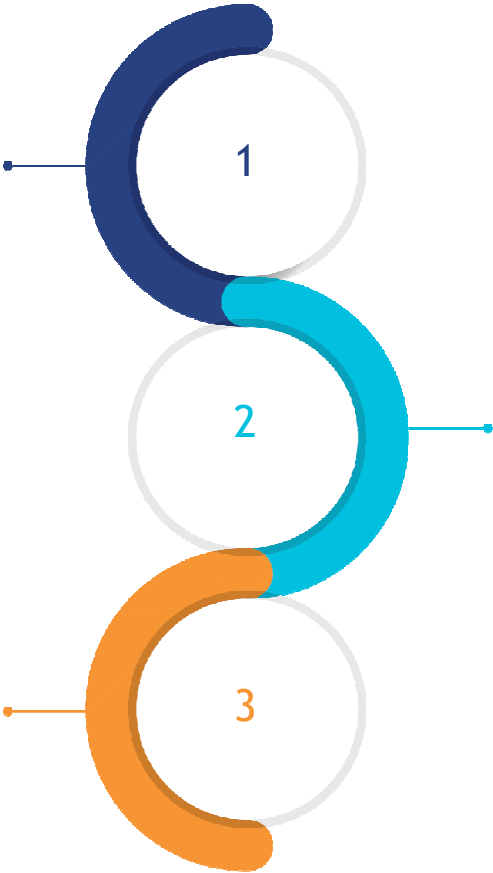
Re-look participating bank's incentive for sustainability

MoSA, can envisage a more transparent and clear incentive structure for the banks. Countries like Brazil and India which have similar large social assistance transfer programs make a fixed amount per transaction to banks that participate in the G2P programs.

A more detailed cost and benefit analysis of the BPNT program from banks' and MoSA's perspectives can be conducted to further analyse the sustainability of the program and whether existing incentive mechanism is enough .

Exploring new BPNT distribution channel to improve services.

The evolution of the digital economy in Indonesia has led to new e-commerce models and payments ecosystem being created. This gives an opportunity to collaborate and explore new models for BPNT distribution and for payments. For example, some e-commerce and payment firms are partnering with large networks of small grocery merchants to digitize the supply chains. Can MoSA tap into these networks for expansion of the program? Similarly, existing e-warung KUBE's can be linked to these networks to increase the value added services offered by them and thereby improve business services.



Explore the potential for an integrated payment and monitoring platform

For better audit, and ensuring monitoring is possible on real time, an integrated payment and monitoring platform can be developed for all G2P programs. An example of such a system is the PFMS (Public Finance Management System) of India. PFMS connects the treasury with beneficiary account by linking through the national payment gateway.

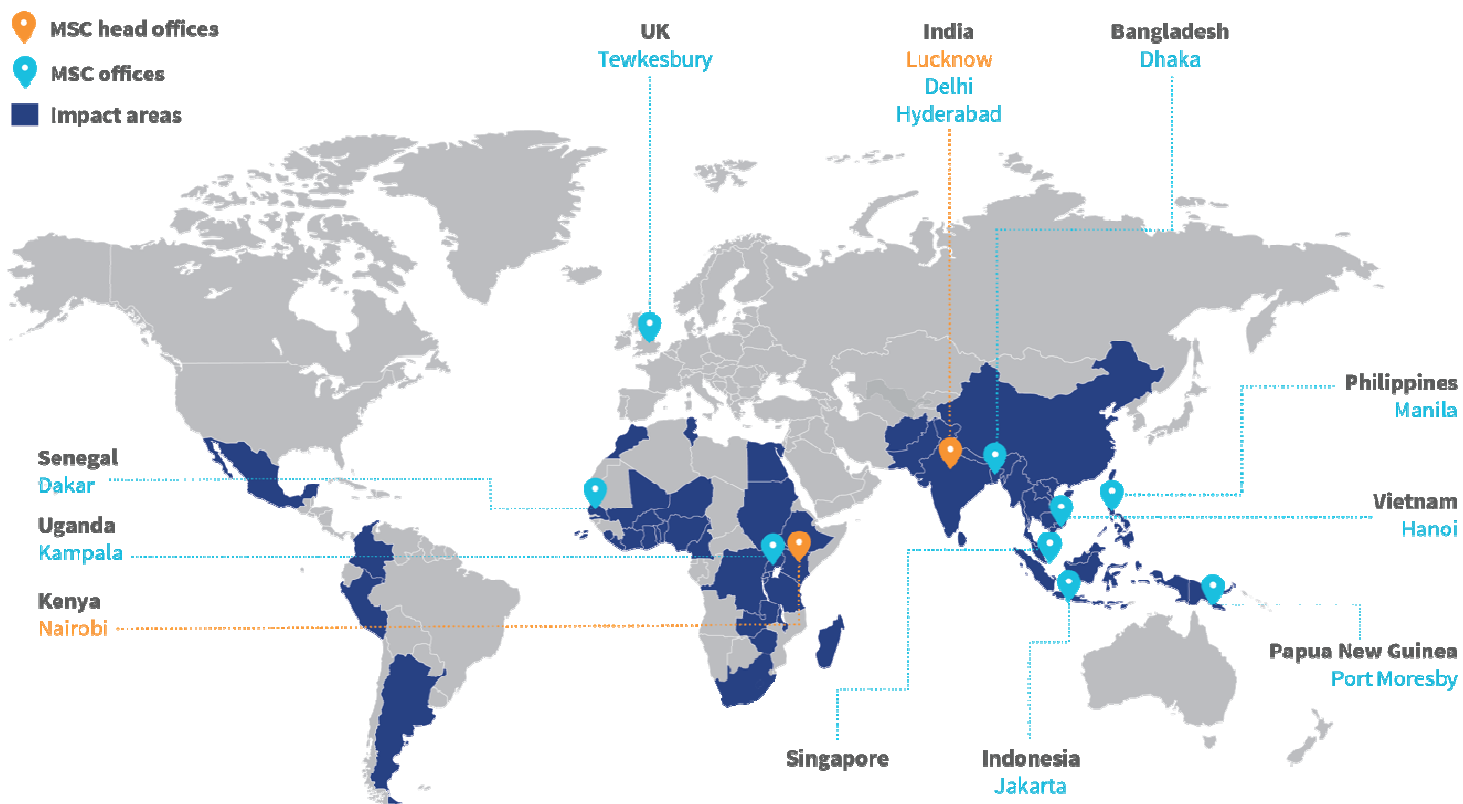


Annexures



Annexure 1: List of Abbreviations

Abbreviation	Description	Abbreviation	Description
Bali Nusra	Bali and Nusa Tenggara, a region consists of 3 provinces, Bali, East Nusa Tenggara and West Nusa Tenggara	Laku Pandai	<i>Layanan Keuangan Tanpa Kantor dalam Rangka Keuangan Inklusif</i> , branchless banking services.
BNI	<i>Bank Negara Indonesia</i> , a commercial state-owned bank	MoSA	Ministry of Social Affairs, <i>Kementerian Sosial Republik Indonesia</i>
BPNT	<i>Bantuan Pangan Non Tunai</i> , Non-cash Food Assistance	OJK	<i>Otoritas Jasa Keuangan</i> , Indonesia financial service authority
BRI	<i>Bank Rakyat Indonesia</i> , a commercial state-owned bank	PIN	Personal Identification Number
BTN	<i>Bank Tabungan Negara</i> , a commercial state-owned bank	PKH	<i>Program Keluarga Harapan</i> , Family Welfare Programme, a conditional cash transfer program by Government of Indonesia, targeting poor women.
BULOG	<i>Badan Urusan Logistik</i> , Government Agency for Food Logistics	PPI	<i>Perusahaan Perdagangan Indonesia</i> , a state-owned trading/distributing company
BUMDES	<i>Badan Usaha Milik Desa</i> , Village-owned enterprise	Raskin	<i>Beras untuk Rakyat Miskin</i> , a subsidised rice for the poor program (in-kind food assistance)
COD	Cash on Delivery	Rastra	<i>Beras Sejahtera</i> , rice for prosperity, a food assistance program for the poor to replace <i>raskin</i> .
e-KTP	<i>Elektronik Kartu Tanda Penduduk</i> , Electronic National Identity Card	ROSCA	Rotating Savings and Credit Association, or equal to <i>Arisan</i> in Indonesia
e-Warong	<i>Elektronik Warung Gotong Royong</i> or Electronic Shop for Mutual Cooperation. There are at least four main types: <i>e-Warung KUBE</i> , regular grocery shop, RPK, and community leader.	Rp	<i>Rupiah</i> , equal to IDR
e-Warung KUBE	<i>Elektronik Warung Kelompok Usaha Bersama</i> , Electronic Shop for Mutual Business Group, established by selected PKH beneficiaries in one sub-district	RPK	<i>Rumah Pangan Kita</i> , Grocery Agents of BULOG
EDC	Electronic Data Capture	RT	<i>Rukun Tetangga</i> , a community association in the neighbourhood area, consisted of several household in a close neighbourhood.
FGD	Focus Group Discussion	RW	<i>Rukun Warga</i> , the aggregate form of <i>Rukun Tetangga</i> with a wider scope of area
HET	<i>Harga Eceran Tertinggi</i> , recommended highest retail price.	SMS	Short Message Service
HIMBARA	<i>Himpunan Bank Milik Negara</i> , Association of State-owned Banks	TKSK	<i>Tenaga Kesejahteraan Sosial Kecamatan</i> , District Social Welfare Workers
ID	Identity		
IDR	Indonesia Rupiah		
KK	<i>Kartu Keluarga</i> , Family Register/certificate		
KKS	<i>Kartu Keluarga Sejahtera</i> , a Combo Card for beneficiaries to receive social assistance from the government		
KTP	<i>Kartu Tanda Penduduk</i> , National Identity Card		



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