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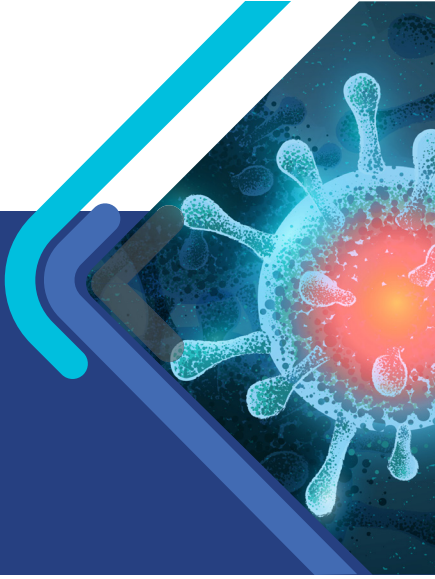

Addressing the impact of COVID-19 on the low and middle income segments in Indonesia

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This blog is the second of two blogs based on MSC's study to understand the economic and health impact of COVID-19 on low and middle-income (LMI) segments in Indonesia. It provides recommendations for policymakers to improve the socio-economic and health outcomes for LMI segments as the pandemic evolves in the country. The first blog in the series highlighted the key findings of the study that inform these recommendations.

COVID-19 is an unprecedented crisis that caught many policymakers off guard. While the pandemic presents a unique set of problems in itself, it also challenges the ability of policymakers to handle an economic and health crisis. At such times, the policymakers need to address two key areas to support the LMI segment—preventive health and economic support.

The Government of Indonesia (GoI) took multiple measures to address these two concerns. These included the extension of existing social safety net programs, such as conditional cash transfers under PKH and in-kind food subsidy under the Kartu Sembako program, among others. GoI expanded the PKH program to include an additional 0.8 million beneficiaries, raising the total budget of the program by around 25%. The Kartu Sembako program was also expanded to include an additional 4.8 million beneficiaries, together with an increase in monthly benefits by approximately 30%. However, like many developing countries, Indonesia struggles to identify, target, and authenticate new beneficiaries for these social assistance programs.

The grid given below provides a snapshot of the potential steps that policymakers in Indonesia can take to complement some of the existing relief efforts. It also highlights the medium to long-term systemic changes the crisis could catalyze. These measures are further detailed in the discussion below.

Strategic priorities

	Immediate	Medium to long-term
Preventive healthcare	Utilize frontline non-health community workers to disseminate information on the existing awareness initiatives of the government	Build the capacities of community workers to manage disaster risk and control the spread of communicable diseases
Social security net	Utilize alternative databases and electronic verification systems to target new beneficiaries of social assistance programs	Prepare a social security database to identify different vulnerable segments Involve a wide range of institutions, including the private sector, to deliver social assistance benefits

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1. Utilize non-health community workers to to disseminate information on the existing awareness initiatives of the government

The Government of Indonesia has done a commendable job in consolidating COVID-19 initiatives and putting out pertaining information in the public domain through a web portal. Collaboration with other ministries and private sector players have also helped align and synergize these efforts. However, despite the launch of a corona virus helpline number and a WhatsApp chatbot, the awareness of such facilities is fairly limited. The reach of private sector players, including HealthTechs, may also be limited to the urban middle class or within the captive client base of such service providers.

The government may need to utilize the network of frontline community workers. Much of the existing burden of providing healthcare falls on the *Puskesmas* or community health center staff, who are now struggling to manage limited resources due to the strain COVID-19 has put on the healthcare system. To ease the burden on the *puskemas* staff and generate more awareness of existing initiatives such as helpline numbers, smartphone apps, and WhatsApp chatbots, efforts are needed to engage other non-health community workers. These workers may include PKH facilitators, school teachers, neighborhood authorities such as *Rukun Tetangga* (RT) and *Rukun Warga* (RW) leaders, village heads, and *Posyandu's* cadres[1]. Additionally, outbound IVR calls channel should also be used to build awareness among low-income communities that lack access to smartphones. The government can also learn from the initiatives of communities in other countries to battle the pandemic. For Instance, slum communities in Brazil are taking initiatives to combat the virus. In Senegal, a network of community workers trained by local NGOs monitors common diseases in their villages.

Another critical last-mile link between communities and the government is banking agents responsible for the delivery of social security benefits to low-income communities. Over a million such banking agents are spread across Indonesia, along with a few million non-bank agents. This presents an opportunity to use these agents to motivate and assist communities to sign up on platforms such as the WhatsApp chatbot. These agents can also be used to distribute handouts, such as flyers and booklets, to beneficiaries when they visit the agent points to receive their entitlements.

Other materials can also be used to create awareness and influence precautionary behavior during the pandemic. MSC has developed comic books that lucidly explain preventive healthcare and operational procedures to protect the MFI staff, cash-in cash-out agents, and their clients against COVID-19. This tool is already being used by multiple agencies including microfinance institutions and digital financial service providers across the globe. At present, these comics are available in five different languages. Such comic books can be customized and translated in Bahasa and distributed among the LMI segments in either print or electronic formats.

2. Utilize alternative databases and electronic verification systems to identify and target new beneficiaries for social assistance programs

Policymakers across the globe grapple with the issue of identification and targeting of the right beneficiaries for social assistance programs. This situation is worsened during times of emergency when different categories of vulnerable groups have to be supported over a short timeframe. In this light, the Government of Indonesia announced the expansion of two of its largest social assistance programs—PKH and Kartu Sembako. The design of programs like Kartu Prakerja—a re-skilling program, has also been tweaked to provide cash incentives to the beneficiaries. These programs put together serve more than 10 million new beneficiaries.

The government uses the Integrated Social Welfare Data (DTKS)[2] to target all beneficiaries under its social assistance programs. One of the major issues that the government faces is the opening of bank accounts or e-wallets for new beneficiaries. The quality of beneficiary data, either obtained through DTKS or self-reported in case of new programs, does not comply with the customer due diligence requirements of financial service providers as mandated by OJK, the financial services authority of Indonesia. This delays the transfers of emergency funds or in-kind benefits to the vulnerable segments.

Identification of the newly impoverished
A new social database called non-DTKS was created to cover those who are not listed in the DTKS database. These people are the newly poor who fell into poverty due to layoffs, who had their income reduced to less than the minimum wage after the pandemic, and those who did not receive any benefits under programs such as PKH and BPNT. The data was manually collected by the RT/RW heads, the village authorities, or through hotline numbers or apps created by several local governments. After that, the data were submitted to the district/city level, and then referred to the provinical level to legitimize the eligibility of assistance.

1 Posyandu cadres are a group of community members chosen from and by the community who are willing and able to work together in voluntary community activities. Generally, their houses are located near the public health facilities.

In light of the current pandemic, the government could utilize the existing databases of some large financial service providers with a national or regional presence. These may include cooperatives, credit unions, e-commerce companies, or multi-finance companies. Their data could be used to cross verify the identity details of new beneficiaries for account opening and benefit transfers. Many of these databases already include the national ID details of the beneficiaries, which can be used for electronic verification of beneficiaries by matching their demographic or biometric details with the Dukcapil database.

Such a mechanism can complement the efforts already underway to identify new beneficiaries. This includes the identification of new beneficiaries by local government officials such as village heads and in some cases, self-reporting by beneficiaries to enroll for government programs.

3. Build the capacities of community workers to manage disaster risk and control the spread of communicable diseases

While an emergency like the COVID-19 pandemic requires quick-fix solutions, the government should also use this opportunity to build the capacities of frontline workers in a more structured way. Relevant frontline workers should be identified and trained on two key aspects—communicable disease control and disaster management. These workers may include PKH facilitators, RT/RW heads, school teachers, *posyandu's* cadres, nurses and midwives, and the members of *Karang Taruna*[3]. The training for these could be facilitated with the help of relevant government agencies, such as the Ministry of Health and the National Disaster Management Agency. Digital channels such as mobile-based learning modules could be used to educate, assess, and certify the participants. Certifications on these two modules should be made mandatory and, in some cases, linked to the overall KPIs for a particular role. Community workers can also be provided training on basic measures to prevent communicable diseases. This will enable them to help frontline healthcare workers respond to the crisis. The World Bank Institute has developed a global distance learning program on disaster risk management. Similar platforms could be customized to deliver training to a vast number of frontline workers on the basics of disaster management.

4. Prepare a social security database to identify different vulnerable segments and clean the entire social security database to ensure the quality of data

Effective targeting of social protection response during an emergency relies heavily on the quality of existing databases. Governments across the world are trying to make their existing social protection databases as robust as possible. Recently, the Government of Indonesia also shortened the data update cycle of DTKS from one year to three months. In addition to updating the database more frequently, the government should also periodically clean its entire social protection database. As discussed earlier, financial service providers at present struggle to enroll new beneficiaries for any social assistance program due to issues related to the quality of data. In the longer run, the coverage and quality of entire DKTS data should be reassessed.

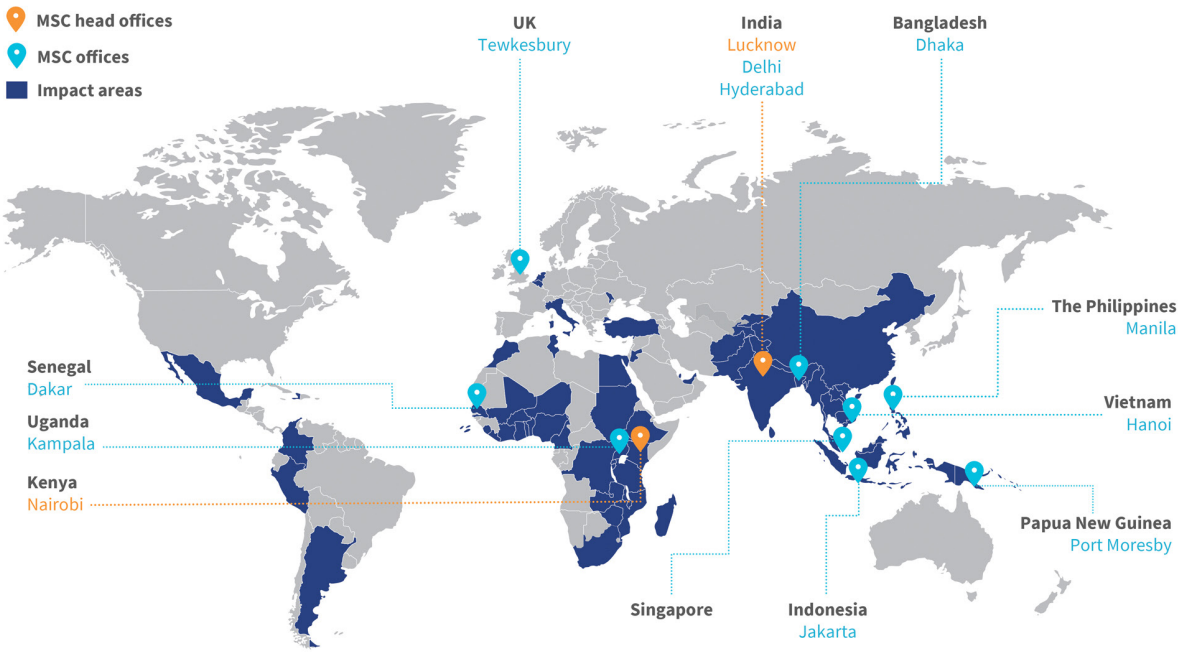
While the existing DTKS data covers bottom 40% of households, the government may eventually like to expand this database to more households. In countries such as Pakistan, Colombia and the Philippines, the social registries have near universal coverage. Also, the quality of data in DKTS needs to be addressed, especially by matching their basic demographic details with the database of unique ID numbers (NIK). This will help the government remove duplicates and identify incomplete and inconsistent data. The government should incorporate a system of tagging various vulnerable groups as part of the update cycle of DTKS. This could include tagging individuals or households members whose have a specific occupational profiles such as migrant workers, wage or agricultural laborers, and other vulnerable segments that may need support during certain kinds of crises. For instance, the Government of India recently started an exercise to map millions of domestic migrants to strengthen its relief measures. Lastly, the government should allow DTKS

2 The Integrated Social Welfare Data (DTKS) for the Social Protection Program is an electronic data system that contains social, economic, and demographic information from individuals with the lowest welfare status in Indonesia.
3 Karang Taruna is a youth organization that gathers to carry out social activities at the village level.

beneficiaries, especially the ones who do not have KKS cards, to self-report the details of their bank accounts or e-wallets. Moreover, systems should be set in place to digitally verify these account numbers. This will ensure that during an emergency, payment service providers do not have to scramble to open accounts for a large number of beneficiaries.

5. Involve a wide range of institutions, including the private sector, to deliver social assistance benefits through cash-in cash-out (CICO) agents

In Indonesia, the delivery of social assistance programs, popularly known as *bansos*, has long been restricted to four state-owned banks. Together, these banks serve more than 15 million beneficiaries. To build a robust social assistance delivery infrastructure, relying on selected state-owned banks may not be feasible since these banks are already burdened with providing essential banking services. It may be an opportune time for GoI to allow non-banks and FinTechs as well as other banks to deliver government-to-person (G2P) payouts to the beneficiaries. The involvement of non-banks like GoPay, Linkaja, and OVO as payment service providers for the Kartu Prakerja program is already a step in the right direction. Estimates suggest that non-banks have more than 2 million agents that could potentially be used to provide basic cash-in cash-out services. This will not only help reduce the burden on state-owned banks but also help regulators and policymakers test the efficiency of other service providers. Moreover, innovative delivery models may also help lower the costs associated with the delivery of G2P payouts.



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