

QUALITATIVE SURVEY OF CURRENT AND
ALTERNATIVE G2P PAYMENT CHANNELS IN PAPUA
AND PAPUA BARAT

MICHAEL JOYCE, SHELLEY SPENCER, JORDAN WEINSTOCK AND GRACE RETNOWATI

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Michael Joyce, Shelley Spencer, Jordan Weinstock And Grace Retnowati¹

April 2015

ABSTRACT

Many Papuans are eligible for social assistance in the form of government-to-person (G2P) payments because the poverty levels in Papua and Papua Barat are among the highest in the country. However, disbursing these payments is difficult, costly and time-consuming. Recent developments in technology and regulatory environments in Indonesia mean that G2P payments could potentially be delivered using locally-based agents and low-cost payment instruments such as electronic money or branchless banking. This research provides a snapshot of current payment practices in 18 subdistricts in Papua and Papua Barat that have varying degrees of accessibility. It reveals that beneficiaries are interested in and willing to try alternative payment mechanisms. The research focuses on payments made from the Conditional Cash Transfer Programme for Poor Families (PKH) and the Cash Transfers for Poor Students programme (BSM) but also looked at other payment streams, including salaries for the civil servants and teachers living in the subdistricts studied.

The research shows that the costs of travelling to reach current payment points and the time this takes are major challenges for beneficiaries of these programmes and this situation could be alleviated if alternative payments channels were possible. The research presents a cost–benefit model that suggests potential pricing models for different payment locations. However, before these alternative payment channels can be introduced, Papua and Papua Barat need to have reliable power, transport and communications infrastructures throughout the subdistricts and this remains a major obstacle. Until this issue can be tackled, some areas will need to continue using existing payment methods for the foreseeable future.

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Acronyms

ATM	: Automated teller machine
Bappenas	: <i>Badan Perencanaan dan Pembangunan Nasional</i> (National Development Planning Agency)
BFA	: Bankable Frontiers Associates
BKMM	: <i>Beasiswa Khusus Murid Miskin</i> (Special Aid for Poor Students)
BLSM	: <i>Bantuan Langsung Sementara Masyarakat</i> (Temporary Unconditional Cash Transfers)
BOS	: <i>Bantuan Operasional Sekolah</i> (School Operational Grants)
BPS	: <i>Badan Pusat Statistik</i> (Statistics Indonesia)
BRI	: Bank Rakyat Indonesia
BSM	: <i>Beasiswa untuk Siswa Miskin</i> (Cash Transfers for Poor Students)
BTN	: Bank Tabungan Negara
EDC	: Electronic data capture
FGD	: Focus group discussion
G2P	: Government to person payments
GDP	: Gross Domestic Product
GoI	: Government of the Republic of Indonesia
KYC	: know your customer (client information required)
KPE	: <i>kartu pegawai elektronik</i> (Electronic card for civil servants)
MoEC	: Ministry of Education and Culture
MoSA	: Ministry of Social Affairs
PKH	: <i>Program Keluarga Harapan</i> (Conditional Cash Transfer Programme for Families)
PNPM	: <i>Program Nasional Pemberdayaan Masyarakat</i> (National Programme for Community Empowerment)
POP	: Point of payment
PT Pos	: Indonesian post office
PIN	: Personal identification number
RESPEK	: <i>Rencana Strategi Pembangunan Ekonomi Kampung</i> (Economic Development Strategy for Villages)
Rp	: Indonesian rupiah
TNP2K	: <i>Tim Nasional Percepatan Penanggulangan Kemiskinan</i> (National Team for the Acceleration of Poverty Reduction)

Executive Summary

The poverty levels in Papua and Papua Barat make many Papuans eligible for government assistance programmes, including the Conditional Cash Transfer Programme for Poor Families (hereafter referred to as PKH) and the Cash Transfers for Poor Students programme (hereafter referred to as BSM). Accordingly, government payments provide an important income stream to residents of Papua and Papua Barat. With the highest poverty rate among the provinces of Indonesia, timely and cost-effective delivery of government to people (hereafter referred to as G2P) payments are particularly important. Currently, disbursing and collecting government payments can be costly for all parties in the payment chain. Both those processing the payments and those receiving them face high costs at the set payment points. For beneficiaries, this reduces the net value of their payments. The National Team for the Acceleration of Poverty Reduction (TNP2K) commissioned this research to understand more about: current payment practices; the costs of delivering and receiving payments in Papua and Papua Barat; the availability of current payment points; and the potential for alternative channels to improve payment delivery. The research provides a snapshot of current payment practices and interest in alternative payment mechanisms in 18 subdistricts in Papua and Papua Barat with varying degrees of accessibility. The research focuses primarily on payments made from the PKH and BSM programmes but also looks at other payment streams, including civil servants and teachers' salaries paid to residents in the subdistricts studied.

Current payment points provide insufficient reach

This research project began by collecting data on existing payment points in Papua and Papua Barat. Mapping current payment points based on publicly-available data indicates that most villages in the provinces are more than 25kms from a physical bank branch. This is confirmed by bank density levels for the areas. Bank density levels in Papua and Papua Barat are significantly lower than the level in Indonesia as a whole, reported as 9.59 bank branches per 100,000 inhabitants. Papua has 3.24 bank branches per 100,000 residents, while Papua Barat has a higher density with 5.26 bank branches per 100,000 inhabitants. Post offices serve as the payment distribution point for the PKH, while BSM payments are currently disbursed by banks. Post offices are more common at the district level in Papua Barat than in Papua (Bank Indonesia, World Bank, IMF 2012).

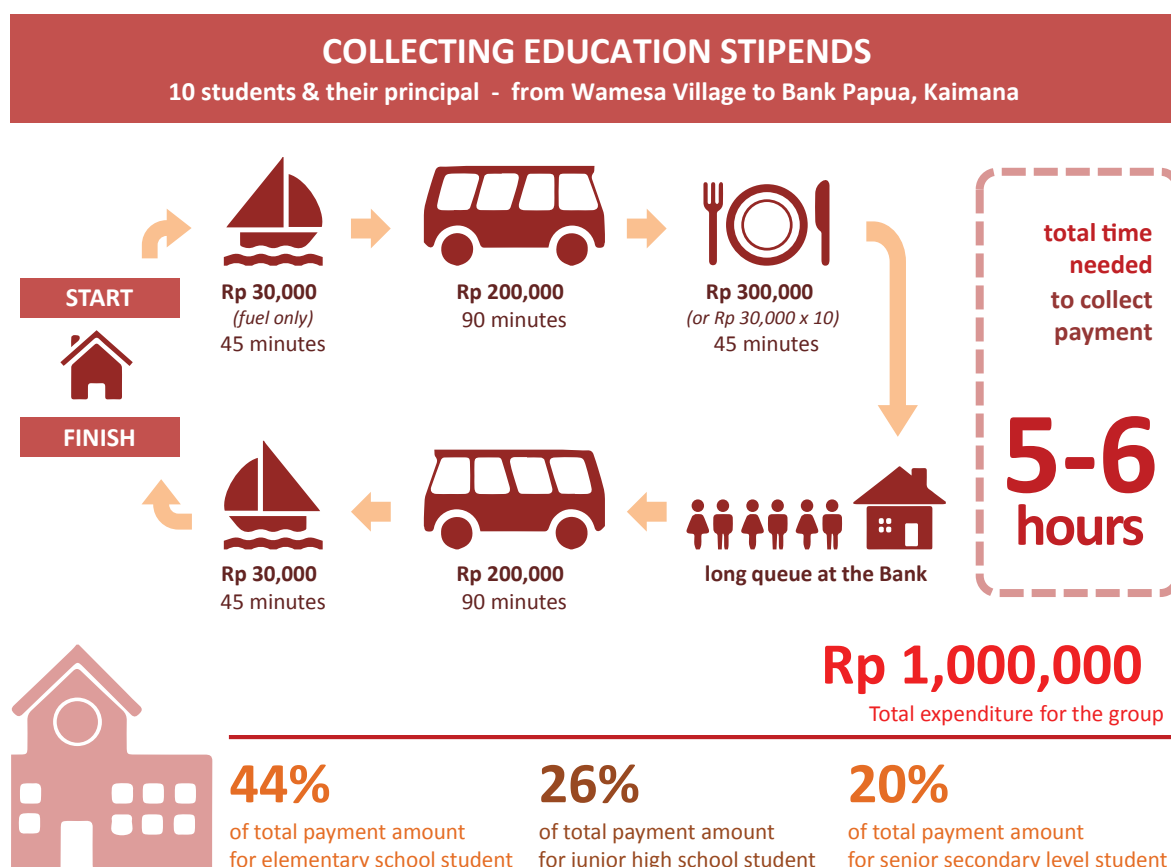
Localised data from 18 subdistricts with differing degrees of accessibility

Data on current payment practices were collected from focus group discussions (FGD) and in-depth interviews held in 12 subdistricts across six districts with three districts each in Papua and Papua Barat and two subdistricts in each district. The subdistricts were selected based on their classifications as remote and difficult to access, semi-urban with medium accessibility and easy to access urban areas. The 370 focus group discussion participants included a range of G2P recipients, mostly beneficiaries of the BSM and PKH programmes. Significantly, the PKH payment recipients interviewed reside in the more urban subdistricts of Jayapura and Manokwari Barat, while the BSM recipients surveyed live in more remote and semi-urban subdistricts with less accessibility. In addition to the focus groups, payer and service provider information was collected through a series of in-depth interviews.

Travel cost and time to current payment points is the major challenge for G2P payment recipients

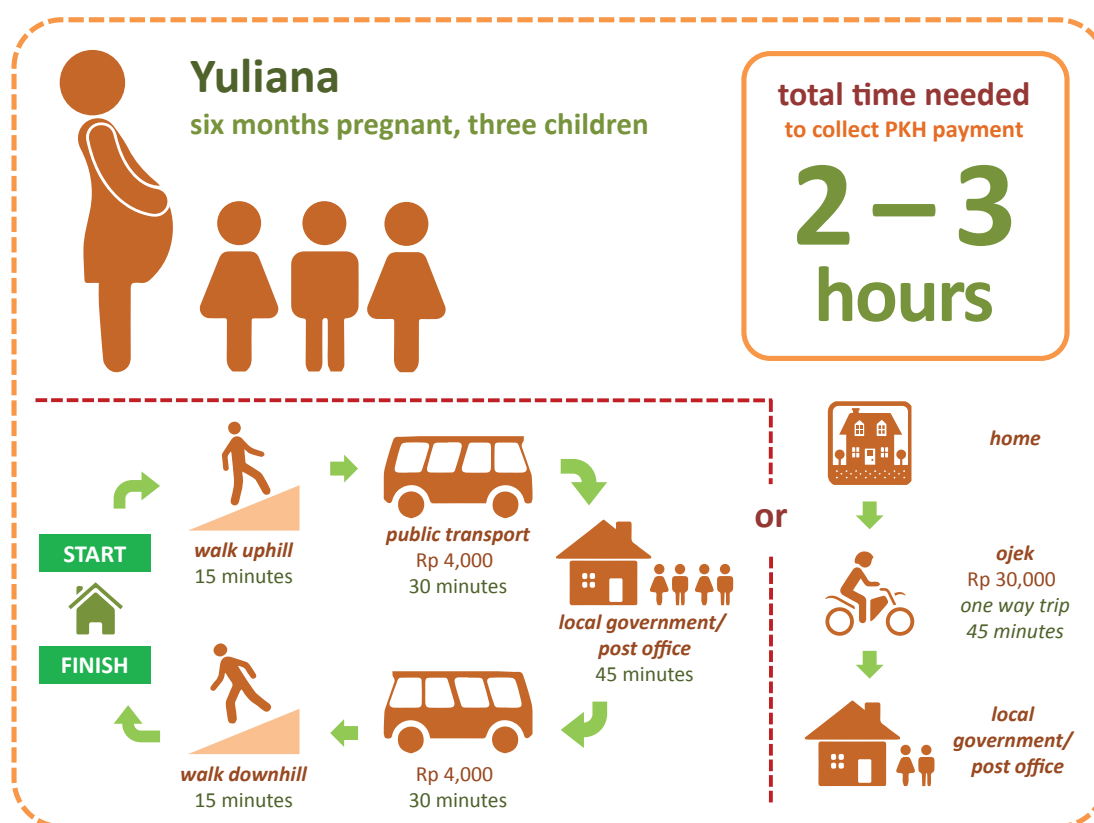
The research indicates that current disbursement methods for the two programmes impose a relatively high collection cost on payment recipients due to lengthy and expensive travel to designated payment points. While this is more pronounced in less accessible areas, travel time and cost were reported as primary concerns for payment recipients. Currently the collection rate for the BSM programme payments is low, which may be partly due to the travel costs exceeding the value of the payments. The requirement to disburse these payments directly to student beneficiaries, rather than through schools, imposes high individual collection costs and increases the overall cost per school to collect per disbursement. Figures 1 and 2 document some of the collection experiences and costs incurred by payment recipients who participated in this research.

Figure 1: Collecting education stipends



Given the current challenges of collecting payments, the research reveals that G2P payment recipients in Papua and Papua Barat are open to using alternative delivery channels, including ATMs, mobile devices and third party agents.

Figure 2: Time taken to collect a PKH payment



Important findings include:

- Payment recipients are highly aware about and familiar with debit cards and mobile technology.
- Payment recipients are willing to try and to pay for payment channels using new technology if they are closer than their current payment points.
- Literacy levels (both language and numeracy) are high (98 percent) among recipients and many of them own mobile phones.²
- While mobile phone usage was high (79 percent), bank accounts were less prevalent (49 percent) with public servants being the most likely to have a bank account.
- Satisfying the know your customer (KYC) and documentation requirements of banks was seen as more of a burden than fulfilling the requirements for collecting payments at the post office.
- The recipients need to be able to trust the third party agents that service payment points.
- Infrastructure, including power and mobile network coverage, could hinder the use of alternative payment channels.
- Several subdistrict locations would be suitable for implementing these alternative collection methods, with a high beneficiary need for them and sufficient infrastructure to make them practical.
- The cost of delivering payments is often higher than the price the Government of Indonesia pays for the service. Tiered pricing reflecting the difficulty of delivering payments in remote areas may be appropriate.

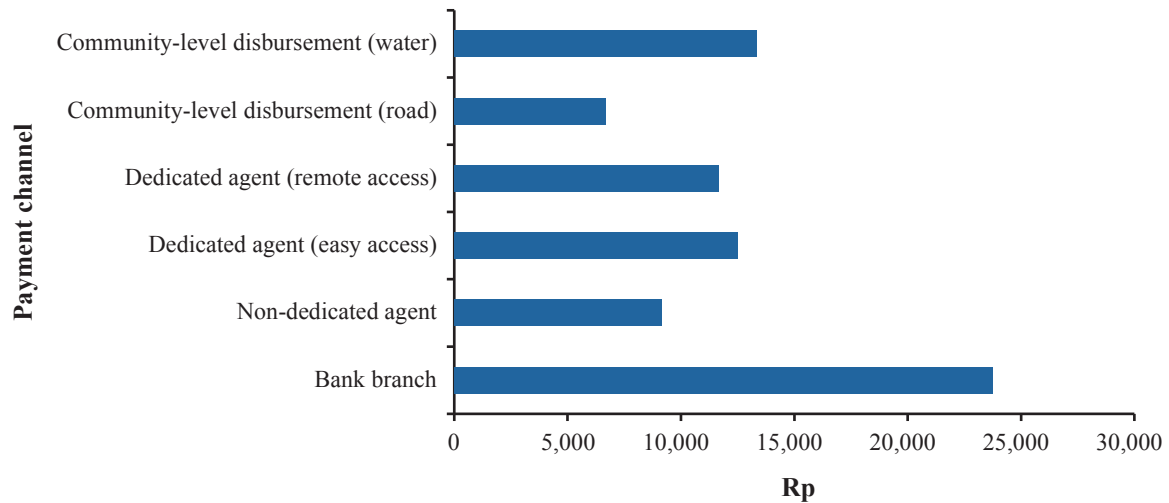
² Targeting PKH recipients residing in more urban areas and with the BSM programme providing financial support to students are likely to have produced respondents with higher literacy levels than the general population of Papua and Papua Barat.

Payer and payment processor interviews confirm hardship of payment collection

Interviews conducted with the government payers and the institutions engaged in the disbursement process confirmed the hardships imposed on G2P payment recipients. Bank Papua reported a collection rate of less than 50 percent for the BSM payments. The banks reported low usage of bank accounts for savings even when the payments were disbursed into bank accounts.

With the limited reach of their physical branches in Papua and Papua Barat, the banks and the post office are already actively pursuing geographic expansion through the use of technology and third party agents. This is being done through debit cards linked to ATMs and third party agents equipped with electronic data capture (EDC) devices. In addition, government payments are moving to these technologies. Bank Papua is issuing civil servants with electronic civil servant identity cards (KPE) that they can use at ATMs. Health workers are processing their Social Security Administrative Body (BPJS) payments through payment cards instead of cash. These signs all point to a readiness to explore the use of alternative payment channels in Papua and Papua Barat on both the supply and demand sides. It was noted consistently that payment processors felt a responsibility to disburse the payments and did not treat it as a business line or a for-profit market segment. Our research indicated that for many service providers in many disbursement situations the remuneration from distributing funds (on average Rp5,000) was less than the cost to disburse.

Figure 3: Estimated cost per transaction by channel



A cost-benefit model for alternative payment channels

This report includes a cost–benefit model that analyses the value of moving from current payment methods to alternative channels in closer proximity to recipients. The model shows that payment providers disburse payments at a loss except when non-dedicated agents are used. Non-dedicated agents have other revenue streams to fund operational expenses and lower staffing costs that allow lower per transaction payment disbursement costs. As expected, beneficiaries who travel to payment points from remote locations pay the highest costs. In this case, an individual’s costs are four times the cost for a service provider to complete community-level disbursement. As payment points become closer to the beneficiary through the use of alternative channels, as expected, the beneficiaries’ collection costs decline in terms of both time and travel.

Reliable power and the communications infrastructure are major challenges for new payment methods

The electric power and mobile phone infrastructures in Papua and Papua Barat are relatively undeveloped compared to other parts of Indonesia. This creates a significant challenge for the use of new payment methods in the region that depend on electronic payments (cards or mobile phones) and connectivity. For the foreseeable future it is likely that a variety of payment methods will be needed to serve these beneficiaries. Some payment options will not be possible due to the lack of infrastructure and community-level disbursement or beneficiary travel and in-person collection methods will need to continue.

Other challenges identified in the research include:

- Native Papuans or people in more remote locations may prefer cash.
- Agent liquidity could challenge some payment points.
- Technology-enabled payment systems would raise issues of trust and technology adoption that will need to be addressed with an attendant plan to promote public awareness.

Next steps

Given plans to expand G2P payments in Papua and Papua Barat, it becomes imperative that more efficient payment mechanisms are developed and tested. Recent changes to the Agent Banking regulations and a commitment on the part of the Financial Services Authority of Indonesia (OJK) to expand the availability of financial services through agent banking, provide an opportunity to address the greatest challenge facing G2P beneficiaries: proximity to payment points. Additionally, the continued development of mobile technologies and the adoption of these technologies in Papua and Papua Barat provide a further foundation for alternative payment channels. Our findings indicate that multiple payment mechanisms will be required in Papua and Papua Barat with existing channels (bank branches and post offices), community disbursements and agent banking locations all playing a role in delivering G2P payments. Critical next steps include:

- Mapping expanded PKH and BSM programme payments for 2015/2016;
- Selecting optimal geographies for an alternative channel payment pilot;
- Developing detailed pilot requirements;
- Discussing requirements with potential service providers;
- Finalising contract requirements;
- Executing the payment pilot;
- Collecting and analysing the pilot metrics; and
- Expanding the pilot to other geographies and other beneficiaries.

1. Overview

This report provides the findings of research commissioned by TNP2K to survey and evaluate current and potential payment options for disbursing government to people (hereafter referred to as G2P) social welfare payments to residents of Papua and Papua Barat. Based on research conducted in 18 subdistricts, the report analyses the needs for and costs of disbursing and collecting G2P payments in this region and provides a cost–benefit analysis of current and alternative electronic payment options. It also examines other payment streams, including salary payments to civil servants, teachers and health care workers. The report makes policy recommendations that TNP2K, the National Development Planning Agency (Bappenas), the Ministry of Education and Culture (MoEC), the Ministry of Social Affairs (MoSA) and other policy makers can use to develop effective disbursement mechanisms to meet the specific goals of the PKH and the BSM programmes as well as other G2P payments in Papua and Papua Barat. Additionally, the report includes a plan for an alternative payment pilot and specific guidelines on designing and executing the social welfare G2P pilot in selected areas in the region.

2. Research Objectives/Methodology

This report builds on earlier work commissioned by TNP2K in 2013 and 2014 that examined payment options for PKH in selected areas of Indonesia. In 2013, a study was commissioned to evaluate options for the government to distribute PKH payments directly to recipients' bank accounts (OPM 2013).³ In a follow-on study in 2014, TNP2K and Bankable Frontiers Associates developed a PKH strategy and requirements matrix that identifies options for assisted and self-service programme payments or disbursements (using electronic payments, including mobile phones and ATM cards) (Joyce et al. 2014). The study recommended that district-level considerations be factored into the selection of payment disbursement methods for the revised and expanded programme. This research aimed to identify the district-level considerations in Papua and Papua Barat and better understand the demand-side (payment recipient) and supply-side considerations at the district and subdistrict level in Papua and Papua Barat. It also aimed to assess infrastructure readiness to support the delivery of G2P payments through current or alternative electronic payment channels. Open Revolution, MicroSave and NetHope were selected as the contracting team to conduct this research in April 2014.

G2P payments are an important payment stream in Papua and Papua Barat and are likely to continue and to increase as the government expands their programmes as part of an overall campaign to address the consistently high levels of poverty in the two provinces. Papua and Papua Barat have the largest poverty severity percentages (2.3 percent and 2.05 percent respectively) in Indonesia, more than five times the country's average of 0.44 percent (BPS 2014).⁴ The poor are concentrated in the rural areas of the provinces that include 1.1 million of the 1.15 million people living below the poverty line – 38 percent of the rural population in Papua is poor. A slightly smaller percentage (36.62 percent) of rural residents in Papua Barat are poor.

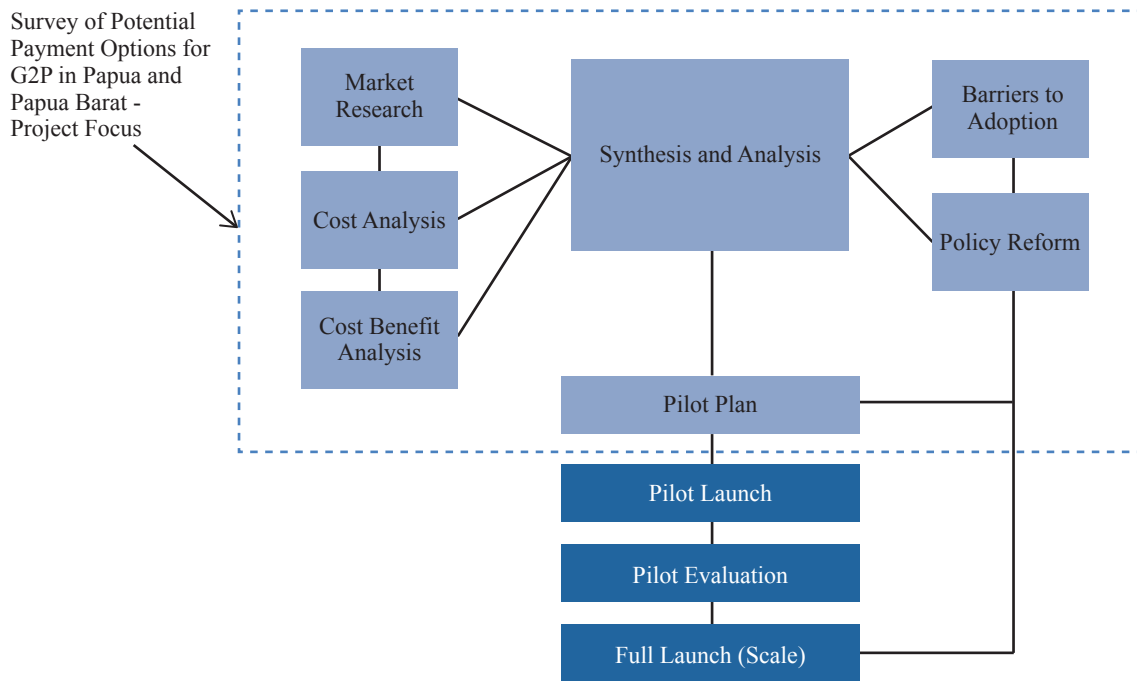
These poverty levels make the timely and cost-effective delivery of G2P payments particularly important. In addition, the change in the BSM programme requiring payments to be disbursed directly to recipients, rather than through schools or school officials, will create challenges in the existing payment systems. With current disbursement methods, beneficiaries incur costs in collecting their payments. This reduces the value of the payments or even, in some cases, eliminates the benefit of collecting them. Service providers, in some cases, incur operational costs above the per transaction remuneration rate paid and so they often disburse these payments at a loss. The research reveals that the cost of disbursement and collection varies between urban and rural areas. This suggests that a diversified approach to payment disbursement may be necessary in Papua and Papua Barat to ensure optimal programme benefits.

Based on the project objectives, the team developed a project framework that provided a high-level guide to the project and illustrated the linkages among various project-related activities. Figure 4 presents our overall project framework.

³ The study drew on findings from qualitative research collected through interviews with 209 programme recipients in the provinces of Gorontalo, Nanggroe Ached Darussalam, Nusa Tenggara Timur, Nusa Tenggara Barat, Sumatera Utara, Jawa Tengah, Bengkulu and Maluku Utara (hereafter referred to as the OPM study).

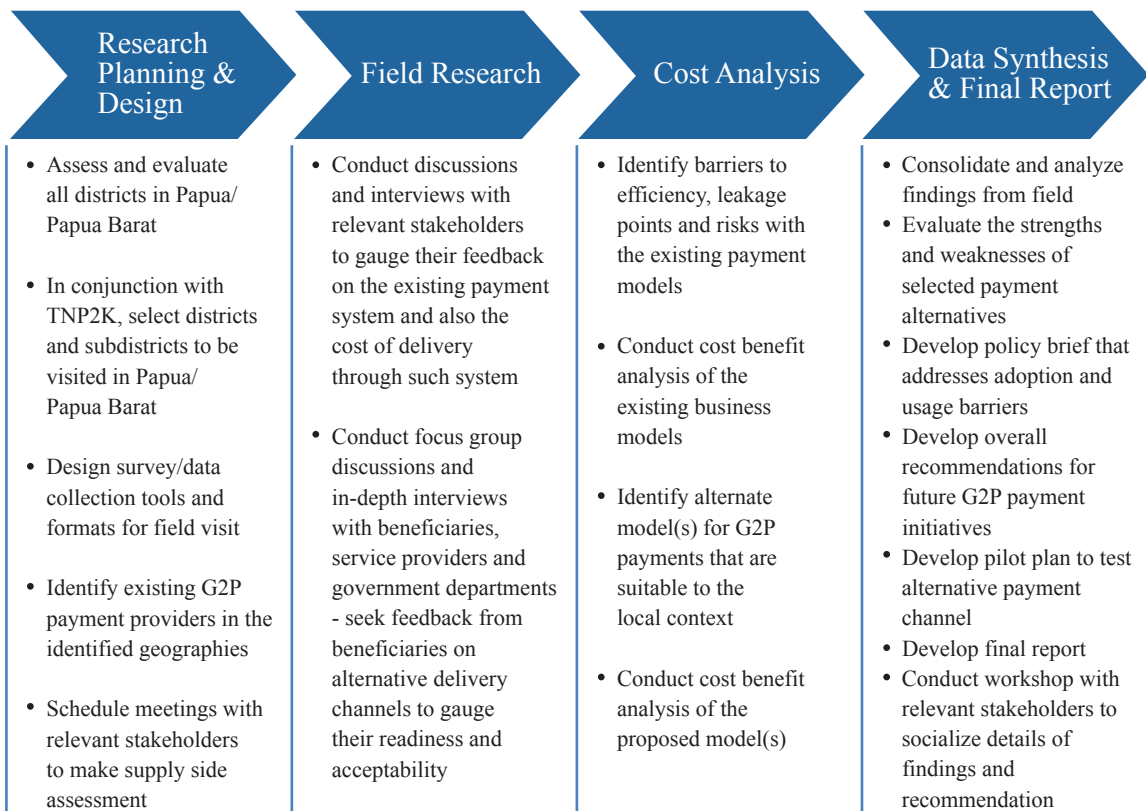
⁴ Statistics Indonesia – the poverty severity index is used to measure poverty intensity and to what degree the lack of resources impacts on the poor.

Figure 4: Project framework



Based on the project framework, the team organised project work activities according to the approach illustrated in Figure 5.

Figure 5: Project approach



3. District Assessment

Prior to selecting specific districts and subdistricts for field research, the team conducted a broad review of all 28 districts in Papua and 11 in Papua Barat. Using government offices, donor organisations and other sources, the team collected information on the following attributes:

- Area in square kilometres;
- Population including male/female breakdown, households and population density;
- Gross domestic product (GDP) per district and per capita;
- Poverty rates;
- Number of schools;
- Number of teachers;
- Number of health-care facilities;
- Electricity usage;
- Number of kilometres of road; and
- Existing points.

Specific criteria and parameters were then developed in order to assign ratings to districts. Table 1 presents the district evaluation framework. From this evaluation, the team developed a district assessment that assigned each district an accessibility rating (easy, moderate or difficult).

Table 1: District evaluation framework

District Evaluation Criteria	Definition	Rationale	Rating		
			Score	Parameter	Unit
Population Density	Number of inhabitants per square kilometer	Provides a proxy for urban versus rural	0	0 to .2	
			2	.6 to 10	pop/km2
			4	over 1.6	
Economy	Total GDP and GDP per capita	High economic activity areas with low access scores represent overall level of economic activity.	0	6 to 10	
			2	1.1 to 1.5	Aggre-gate GDP
			4	over 1.6	GDP per capita
Poverty	Percentage of population below the poverty line	High % of pop below poverty line indicates high need for social welfare payments. However, high poverty levels may mean inability to use e-payments?	0	.6 to 1.0	Percent
			2	1.1 to 1.5	-tage of pop below
			4	over 1.6	poverty line
Transportation	Availability of reliable transportation (ground, water, air)	Poor transportation infrastructure and high transportation costs indicate a need for more community oriented payment methods.	0	.6 to 10	kilome-ter of road
			2	1.1 to 1.5	per person
			4	over 1.6	number of water and air services
Infrastructure	Availability of electricity and telecommunications services.	Access to electricity and telecommunications services are prerequisites to introducing innovative G2P payment methods.	0	.6 to 1.0	% of popula-tion with mobile
			2	1.1 to 1.5	house-holds with elec-tricity
			4	over 1.6	house-holds with elec-tricity

Table 1: District evaluation framework (continued)

District Evaluation Criteria	Definition	Rationale	Rating					
			Score	Parameter	Unit	Score	Parameter	Unit
Public Service	Availability of schools, markets, post office, and healthcare	High levels of public services indicate potential for alternative payment points.	0	.6 to 1.0	number of schools	0	0 to .2	number of health-care facilities
			2	1.1 to 1.5		2	.3 to .5	
			4	over 1.6		4	.6 to 1.0	
Local Capacity	Availability of viable private sector and other organisation support.	Established institutions and educated populations present stronger candidates for innovative payment.	0	.6 to 1.0		0	0 to .2	number of health-care facilities
			2	.1 to 1.5	number of schools	2	.3 to .5	
			4	over 1.6		4	.6 to 1.0	
Access	Availability of a beneficiary to reach payment and/ or access funds.	High access are as will likely have lower cost and greater potential for sustainable innovative payment methods.	Composite of transportation, infrastructure, and number of payment points					
Level G2P Payment Activity	Number G2P payment recipient including social welfare and civil service salary payments.	Number G2P payment recipients including social welfare and civil service salary payments.	2	.6 to 1.0	G2P payment receipts	2	.6 to 1.0	G2P payment receipts
			3	1.1 to 1.5		3	1.1 to 1.5	
			4	over 1.6		4	over 1.6	

Infrastructure analysis

A key area of investigation was the quality and breadth of infrastructure. Our team focused on the following three infrastructure components:

- electricity;
- telecommunications; and
- road networks.

Reliable electricity at the payment point is a prerequisite for most payment technologies (for example, electronic data capture devices – hereafter referred to as EDCs). While generator and battery options can provide temporary capabilities, expanding the power grid in Papua and Papua Barat will be critical in developing comprehensive payment solutions. In the near-term, one criteria used to select future payment points will be the availability of reliable power. Connectivity, typically through mobile networks, is the other prerequisite for electronic payment solutions. EDCs, ATMs and mobile handsets all need to connect to back office systems in order to register the payment transaction. Our research confirmed that Telkomsel is the primary provider of telecommunications services in the region. Our research further confirmed that in many rural districts, coverage is poor. The final infrastructure element reviewed was the road network. Our findings indicated that the quality and reach of the road network directly impacted on travel time and travel costs for both payer and beneficiary. Details on the availability of infrastructure and other facilities in Papua and Papua Barat are given in Appendix 1.

Payment point analysis

Payment points and channels exist in Papua and Papua Barat and are used to disburse G2P payments. These payment points include bank branches, post office facilities and temporary community-level disbursement points that deliver cash payments to remote locations. ATMs also exist in the two provinces and can be used to access accounts serviced by a bank and, more recently, accounts with the post office linked through ATM Bersama (an inter-bank network). There are indications that residents of Papua are increasingly using ATM and debit cards. However, to date, card-based systems have not been used for G2P payments. The research did not identify the current offering of electronic-money services by mobile network operators. In addition, existing money transfer services, such as Western Union, were not included, given that G2P payment recipients are unfamiliar with these services and the services are generally expensive. For the region as a whole, this report maps the existing payment points as determined through secondary research and information available from public sources. The accessibility of banks and post offices varies in Papua and Papua Barat with more bank branches across the districts of Papua than post office facilities. By contrast, there is a post office in over 80 percent of the districts in Papua Barat. In Papua all districts, with the exception of Intan Jaya, have at least one bank branch while only 58 percent of the districts have a post office facility.

Tables 2 and 3 identify the distribution and density of current financial access points by district.

Table 2: Existing payment points in Papua

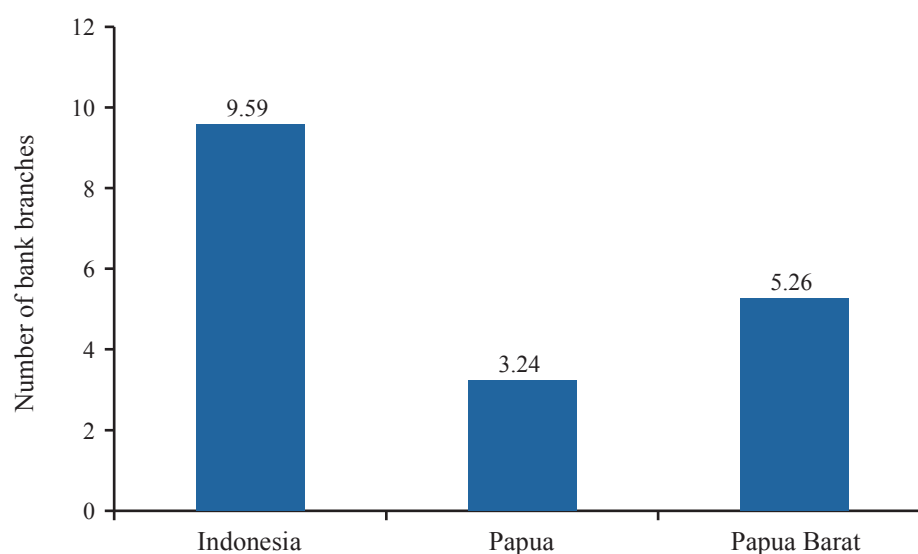
Papua districts	Banks	Bank branches	Bank branches per 100,000	ATMs	ATM per 100,000	Post office	Post office per 100,000
Merauke	Bank Papua, BRI, Mandiri	21	10.7	16	82.0	19	9.7
Jayawijaya	Bank Papua, BRI, Mandiri	3	1.5	8	4.1	1	0.5
Jayapura	Bank Papua, BRI	11	9.8	13	11.6	1	0.9
Nabire	Bank Papua, BRI, Mandiri	10	7.7	11	8.5	13	10.0
Kep. Yapen	Bank Papua, BRI, Mandiri	7	8.4	9	10.8	1	1.2
Biak Numfor	Bank Papua, BRI, Mandiri	8	6.3	13	10.3	11	8.7
Paniai	Bank Papua	3	2.0	4	2.6	1	0.7
Puncak Jaya	Bank Papua	1	1.0	3	3.0	1	1.0
Mimika	Bank Papua, BRI, Mandiri	18	9.9	33	18.1	3	1.6
Boven Digoel	Bank Papua	1	1.8	2	3.6	2	3.6
Mappi	Bank Papua	2	2.4	2	2.4	2	2.4
Asmat	Bank Papua	2	2.6	5	6.5	1	1.3
Yahukimo	Bank Papua	1	0.6	2	1.2	0	0.0
Pegunungan Bintang	Bank Papua	1	1.5	3	4.6	0	0.0
Tolikara	Bank Papua	1	0.9	1	0.9	0	0.0
Sarmi	Bank Papua, Mandiri	2	6.1	3	9.1	1	3.0
Keerom	Bank Papua, BRI, Mandiri	4	4.1	2	2.1	1	2.1
Waropen	Bank Papua	2	8.1	1	4.1	1	4.1
Supiori	Bank Papua	3	18.9	2	12.6	0	0.0
Mamberamo Raya	Bank Papua	1	5.4	1	5.4	0	0.0
Nduga	Bank Papua	1	1.3	0	0.0	0	0.0
Lanny Jaya	Bank Papua	1	0.7	0	0.0	0	0.0
Mamberamo Tengah	Bank Papua	1	2.5	0	0.0	0	0.0
Yalimo	Bank Papua	1	2.0	0	0.0	0	0.0
Puncak	Bank Papua	1	1.1	0	0.0	0	0.0
Dogiyai	Bank Papua	1	1.2	0	0.0	1	1.2
Intan Jaya	Bank Papua	0	0.0	0	0.0	0	0.0
Deiyai	Bank Papua	1	1.6	1	1.6	0	0.0
Kota Jayapura	Bank Papua, BRI, Mandiri	31	12.1	93	36.2	20	7.8

Table 3: Existing payment points in Papua Barat districts

Papua districts	Banks	Bank branches	Bank branches per 100,000	ATMs	ATM per 100,000	Post office	Post office per 100,000
Fakfak	Bank Papua, BRI, Mandiri	9	0.9	9	0.9	1	0.1
Kaimana	Bank Papua, BRI, Mandiri	8	0.8	8	0.8	1	0.1
Teluk Wondama	Bank Papua	1	0.1	1	0.1	1	0.1
Teluk Bintuni	Bank Papua, BRI, Mandiri	7	0.7	4	0.4	2	0.2
Manokwari	Bank Papua, BRI, Mandiri	16	1.6	25	2.5	6	0.6
Sorong Selatan	Bank Papua, BRI, Mandiri	10	0.7	8	0.8	3	0.3
Sorong	Bank Papua, BRI	6	0.6	3	0.3	1	0.1
Raja Ampat	Bank Papua	6	0.6	3	0.3	1	0.1
Tambrau	Bank Papua	1	0.1	0	0.0	0	0.0
Maybrat	Bank Papua	1	0.1	0	0.0	0	0.0
Kota Sorong	Bank Papua, BRI, Mandiri	12	1.2	26	2.6	1	0.1

Source: Bank Indonesia (2013)
 Note: BRI = Bank Rakyat Indonesia

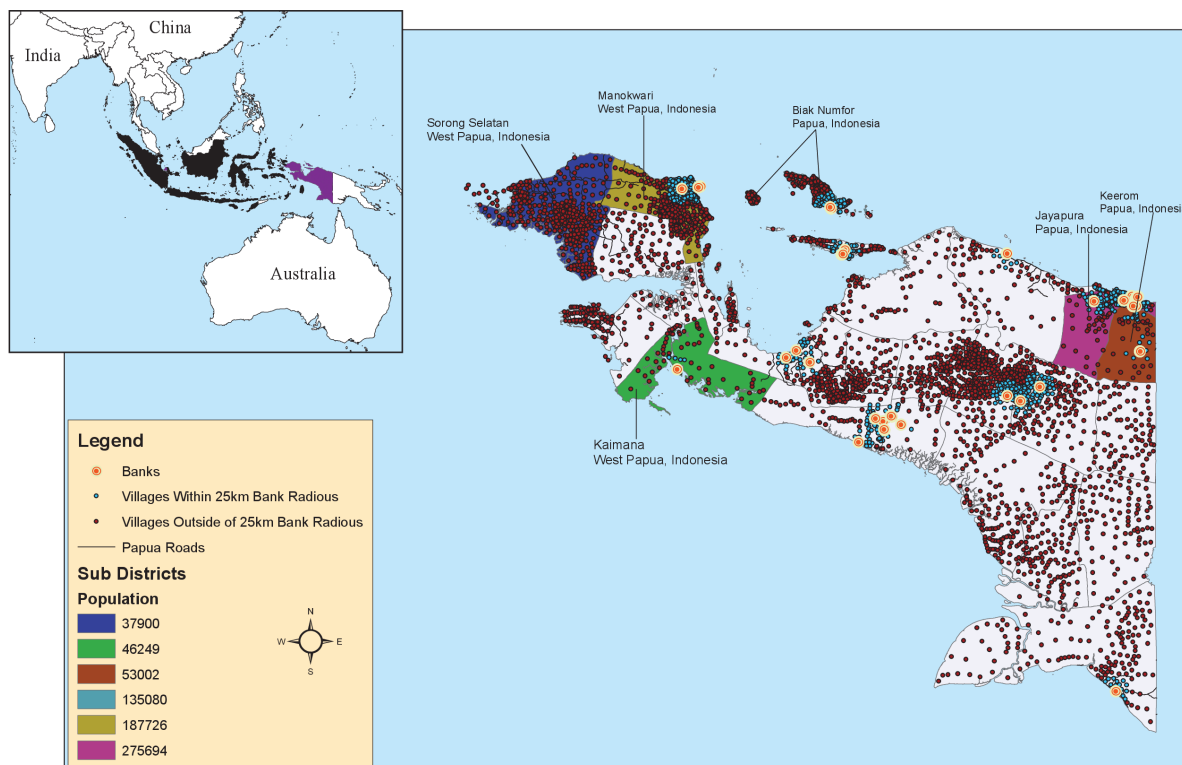
Figure 6: Bank branches per 100,000 inhabitants



Source: Bank Indonesia, World Bank, IMF (2012)
 Figure 6 compares bank density for Papua and Papua Barat to Indonesia overall.

Proximity to a bank branch, post office or ATM is a key determinant in beneficiaries' costs of collecting G2P payments. Prior studies used a 25kms threshold as the maximum distance for a payment point to be deemed accessible. Figure 7 highlights villages within 25kms of an existing bank branch.

Figure 7: Villages within 25kms of a bank branch⁵



In Figure 7, red dots indicate villages more than 25kms from a bank branch. Light blue dots indicate villages within 25kms from a bank branch.⁶

Summary

Most of the population in Papua and Papua Barat live in areas characterised by poor infrastructure and limited access to financial institutions. While some of the larger cities and district capitals have adequate facilities, the overall development in these two provinces is significantly lower than in many other parts of Indonesia. Table 4 shows each district and its composite accessibility rating. The composite accessibility rating is based on the evaluation criteria presented in Table 1. Final composite rankings for each district were compiled using a team-wide review of available data. Appendix 1 contains the foundational data for each district.

⁵ The distance of 25kms was used as the proxy for accessible financial points in the OPM study. In Papua, given the hills and valleys, distances shorter than 25kms could still affect accessibility.

⁶ Post office locations have been requested but to date limited data has been received.

Table 4: District composite rating

Papua		Papua Barat	
Districts	Composite Rating	Districts	Composite Rating
Merauke	2	Fakfak	3
Jayawijaya	1	Kaimana	1
Jayapura	3	Teluk wondawa	2
Nabire	2	Teluk Bintuni	3
Kep. Yapen	2	Manokwari	2
Biak Numfor	1	Sorong Selatan	2
Paniai	2	Sorong	2
Puncak Jaya	2	Raja Ampat	2
Mimika	1	Tambrauw	1
Bocen Digoel	2	Maybrat	1
Mappi	1	Kota Sorong	3
Asmat	1		
Yahukimo	0		
Pegunungan Bintang	2		
Tolikara	0		
Sarmi	2		
Keerom	1		
Waropen	3		
Supiori	2		
Mamberamo Raya	1		
Nduga	0		
Lanny Jaya	1		
Mamberamo Tengah	1		
Yalimo	1		
Puncak	1		
Dogiyai	1		
Intan Jaya	1		
Deiyai	1		
Kota Jayapura	4		

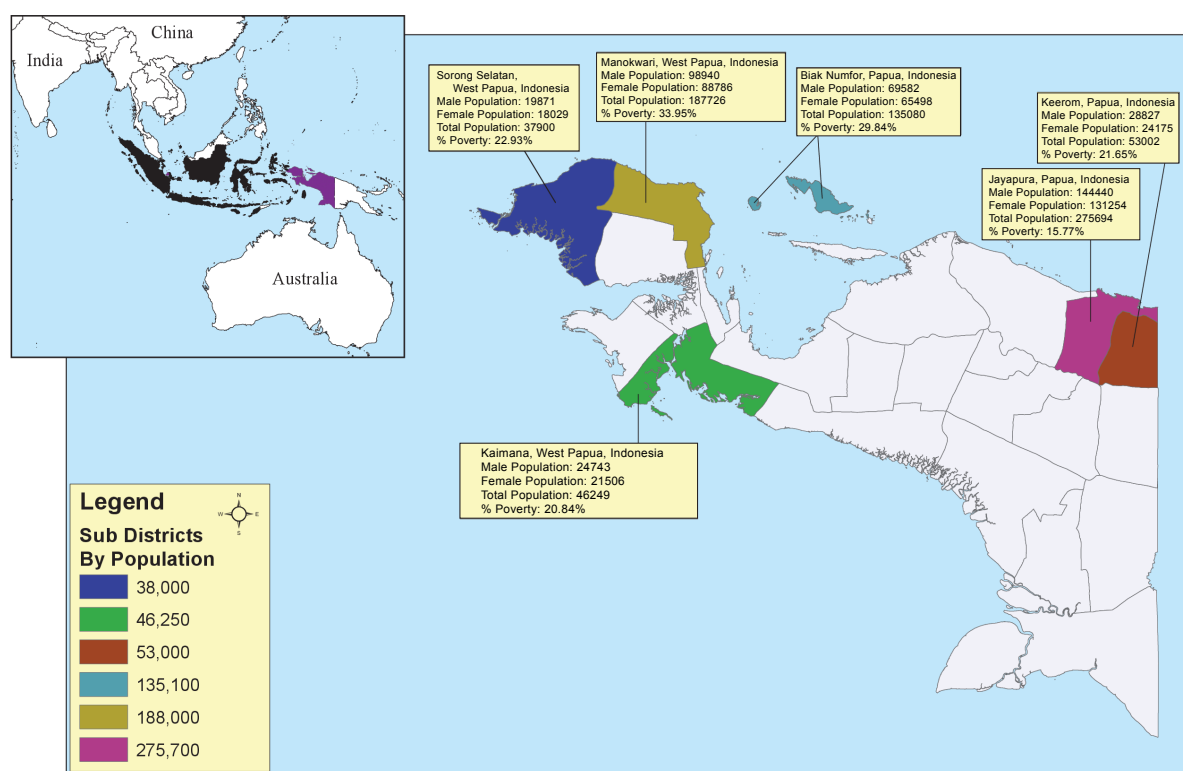
4 Indicates strong infrastructure, facilities, and accessibility

0 Indicates weak infrastructure, facilities, and accessibility

4. Field Research

In consultation with TNP2K, six districts and 12 subdistricts were selected for focused, qualitative data collection. Within each of the six districts qualitative data was collected in two subdistricts, one of which was the district's headquarters. In the Biak district, three subdistricts were included. Data was collected from rural areas, classified as remote and difficult to access, semi-urban and urban areas, classified as having medium accessibility, as well as from easily accessible areas. However, our findings may not provide generalised conclusions for all districts in Papua and Papua Barat. Districts in more remote regions that were not included in the data collection may have unique attributes that are not reflected in the data collected in this study. Figure 8 highlights the selected districts and subdistricts.

Figure 8: Selected district summary

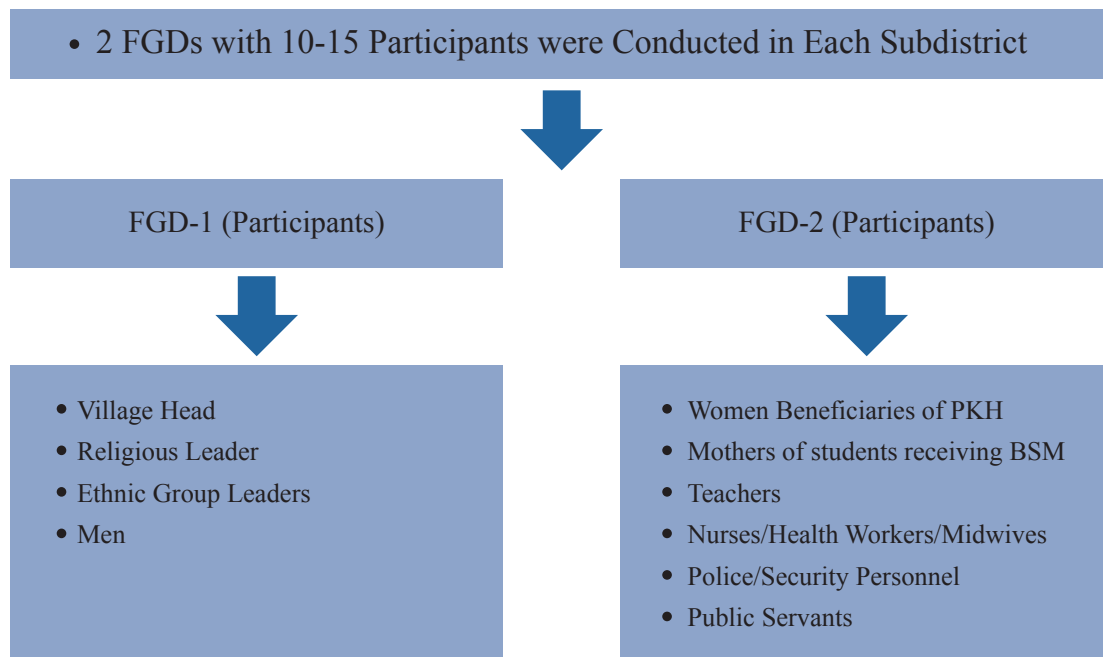


Once the districts had been selected the team conducted a three-week field visit to Papua and Papua Barat. The field research included 37 qualitative focus group discussions (FGDs) with 370 participants and in-depth interviews with payment sources and payment channel institutions (both existing and potential) at the district and subdistrict level.

Focus group participant profiles

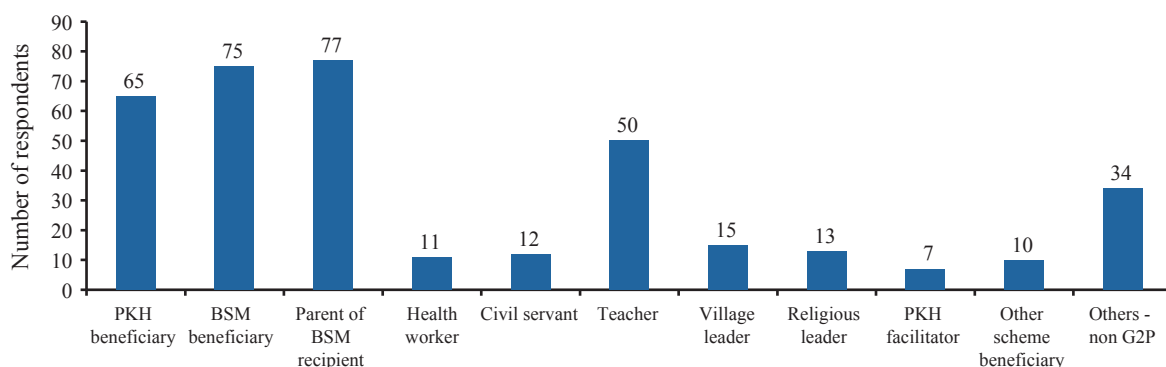
At least two focus group discussions were held in each subdistrict, with female and male respondents separated to isolate any gender considerations for payment delivery. Figure 9 summarises the composition of the demand-side focus groups.

Figure 9: Demand-side focus group composition



A total of 370 respondents participated in the focus group discussions, including 222 women and 148 men. Respondents included a range of G2P recipients who were most prominently beneficiaries of the BSM and PKH programmes. PKH recipients interviewed resided in the more urban subdistricts of Jayapura and Manokwari Barat, while the BSM recipients surveyed lived in the more remote and semi-urban subdistricts with less accessibility. See appendix 2 for additional details on the composition and location of the focus group discussions. Figure 10 presents a breakdown of the participants by programme or role.

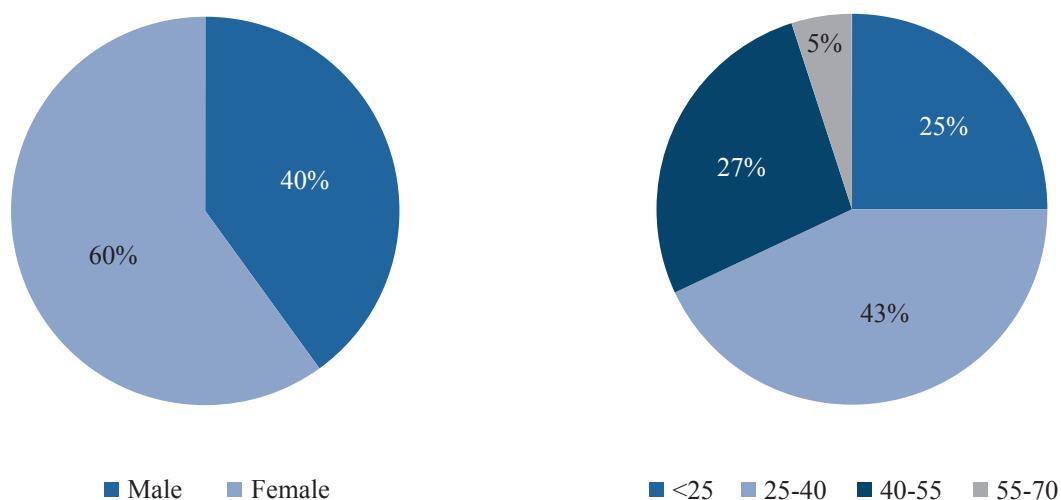
Figure 10: Focus group participant breakdown (programme or role, 370 respondents)



Source: Papua/Papua Barat field

While the focus group discussions were generally segregated by gender, there were no significant differences in the reported responses by men and women. Respondents reported consistently that the wife or mother in the family managed the use of the G2P payment funds. Figure 11 presents focus group participant profiles by gender and by age.

Figure 11: Focus group participant breakdown (gender and age, 370 respondents)⁷



Source: Papua/Papua Barat field

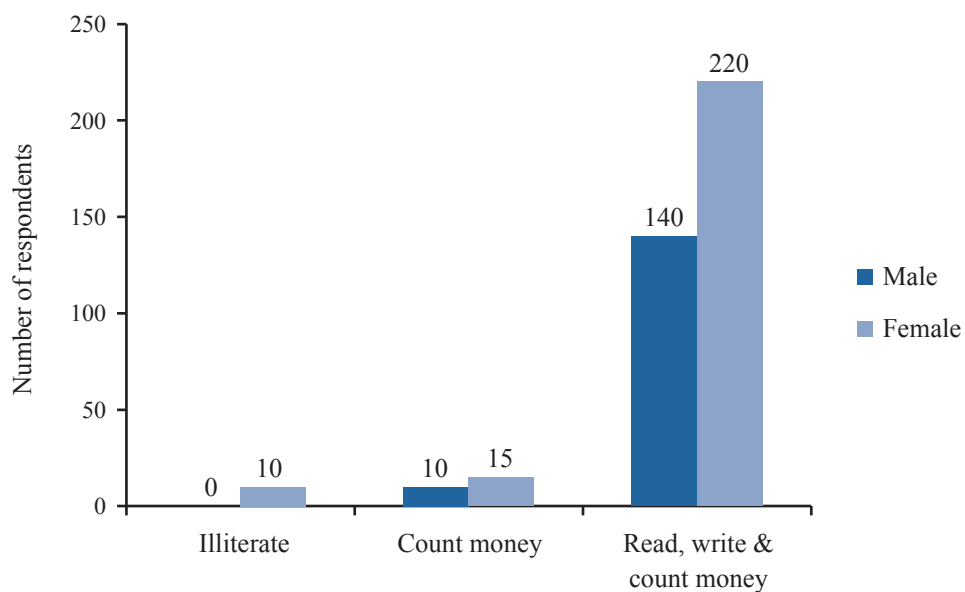
DID YOU KNOW?

The language used within the family is a mixture of Bahasa Indonesia and the local Biak language. The youth primarily use Bahasa Indonesia and use very little of the local language which is now being promoted by the local education department. Migrant families from other parts of Indonesia do not use the local language. – Focus Group Discussion

In contrast to the low, overall literacy rates reported for Papua (67.6 percent) and Papua Barat (95.6 percent) (BPS 2013), there was a high level of literacy (98 percent) among the respondents in the subdistricts surveyed. Women tended to have higher levels of literacy than men. In addition, while local dialects were spoken in some districts, Bahasa Indonesian is the predominant language spoken both at home and at school partly due to the government and schools’ efforts to increase literacy in Indonesian. This data indicate that language and numeracy are unlikely to hinder recipients of G2P payments in using new payment channels in Papua or Papua Barat. Figure 12 presents reported literacy rates for focus group discussion participants broken down by gender.

⁷ Targeting PKH and BSM programmes at families with children produced respondents within the child rearing age of 25-40 years.

Figure 12: Focus group participant breakdown (literacy rates, 370 respondents)

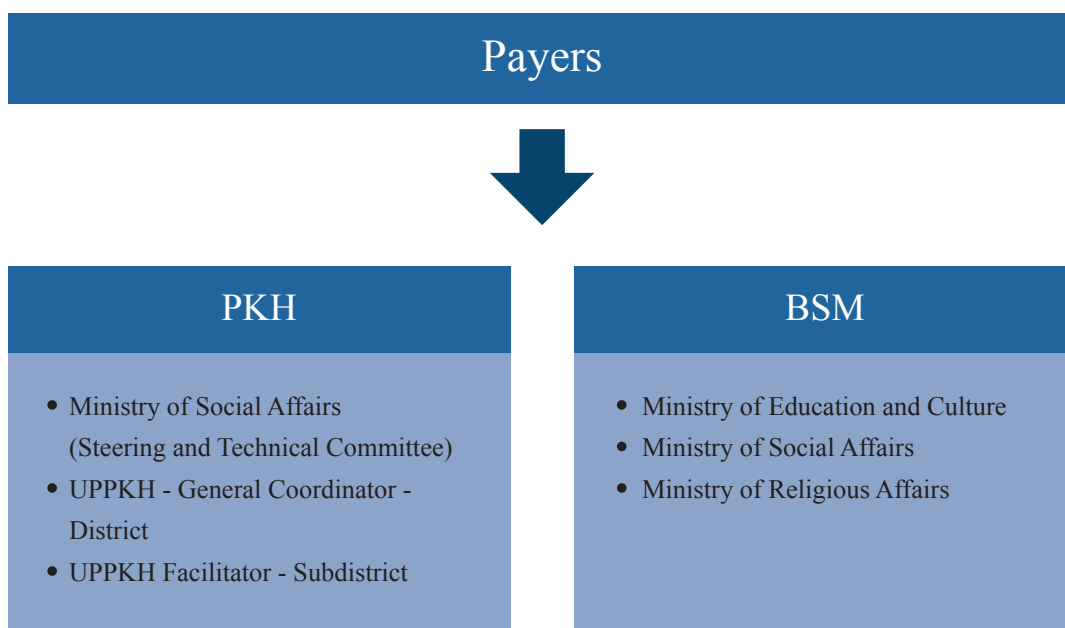


Source: Papua/Papua Barat field visit

In-depth participant profiles

In addition to the focus groups, payer and service provider information was collected through a series of in-depth interviews. Figure 13 shows the key payer organisations for the two primary G2P payment programmes (PKH and BSM). Appendix 2 provides additional detail on the composition and location of the in-depth interviews.

Figure 13: Payer interviews



Note: UP-PKH = Implementing unit for PKH

Interviews were also conducted with current service providers disbursing G2P payments and those in closer proximity to G2P payment recipients that could serve as payment points. Table 5 summarises the payment channel interviews.

Table 5: Service provider interviews

Service Provider	Stakeholders	Head Office Level	Papua			Papua Barat			Total Interviews
Existing provider	Bank Papua	1	0	1	0	1	1	4	
	BRI	1	0	1	2	1	1	6	
	Post office	1	0	1	0	0	1	3	
Potential provider	Mobile network provider	0	0	1	0	0	0	1	
	Cooperative/MFI	0	0	1	0	1	1	3	
	NGOs	0	0	1	1	0	1	3	
	School/teacher	1	1	0	1	0	0	3	
	Religious institutes	0	1	0	2	0	1	4	
	Airtime sellers/ Internet Café	0	2	0	2	0	0	4	
	Health centres	0	1	0	0	1	1	3	
	Midwives	0	1	0	1	0	1	3	
	Gas stations	0	0	1	0	0	0	1	
	Grocery shops	0	1	0	2	0	1	4	
	Total	2	4	7	7	11	4	9	44

Note: BRI = *Bank Rakyat Indonesia*; MFI = microfinance institution; NGO = non-governmental organisation

The field research provided detailed information on: payment streams; the cost of delivering and receiving G2P payments; beneficiary preferences; service provider capabilities; paying organisation priorities; and the potential for using alternative channels.

Appendix 3 gives the question sets used for all focus group discussions and in-depth interviews. Key findings from the field visit are discussed in section 5.

G2P payment streams in Papua and Papua Barat

PKH (Conditional Cash Transfer Programme for Families)

The research focused primarily on G2P payments. It looked particularly at payments disbursed through PKH that gives financial assistance to women and poor families, and the BSM programme, that assists poor students with school-related costs. The research also identified other G2P schemes that generate payments flowing into the subdistricts, including salary payments. Payment streams that could be active in the subdistricts include:

- BSM (Cash Transfers for Poor Students) – Ministry of Education and Culture (MoEC)
 - BSM – elementary school
 - BSM – junior high school
 - BSM – senior high school
- BSM – Ministry of Religious Affairs (MoRA)
 - BSM – elementary school
 - BSM – junior high school
 - BSM – senior high school
- PKH – fixed conditional cash transfers
 - Child up to 5 years old
 - Pregnant woman or lactating mother
 - Children in elementary school
 - Children in junior high school
- PKH facilitators
- Teachers' salaries
- Health workers' salaries
- Civil servants' salaries
- Other G2P scheme payments⁸

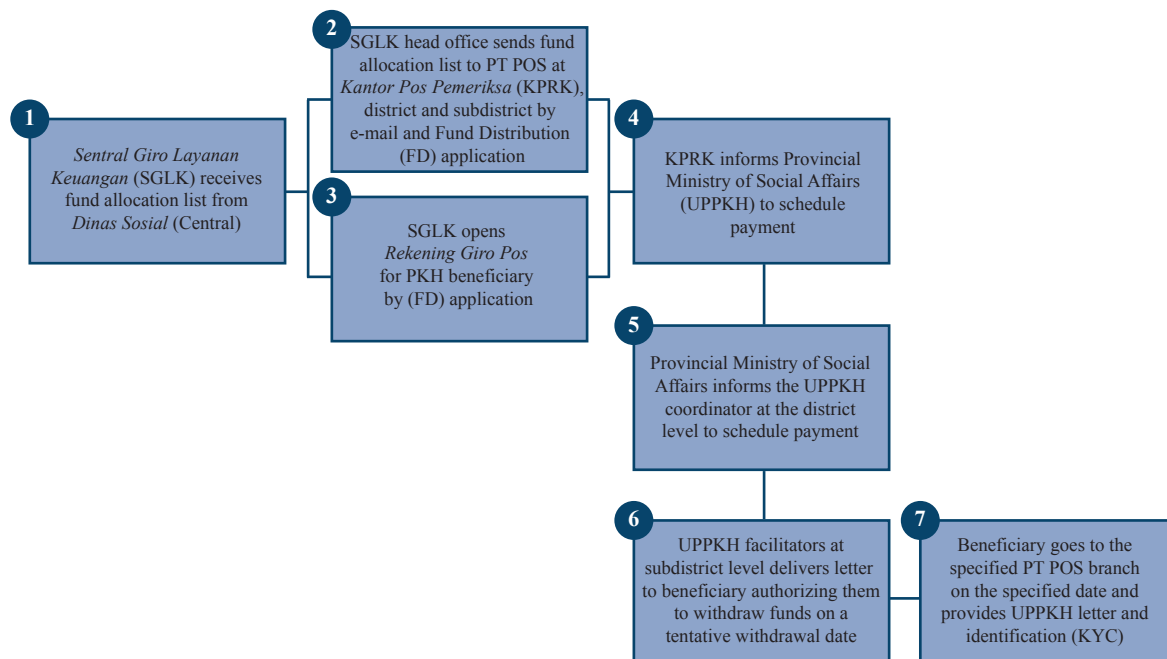
Some of the G2P payments, such as PKH, originate and are administered by the national government while other payments may originate more locally or are paid to the local government directly. In remote and rural areas, payments may be collected by the community leaders or school principals (with letters of authorisation) and then disbursed in kind or through the schools' allocation of funds, rather than being collected individually by the beneficiaries. A recent change to the BSM programme will require disbursement of programme payments directly to the student recipients, a policy that will necessitate a change in some current disbursement and collection practices.

The funds for PKH are currently disbursed through the post office and the programme provides a more structured support system for collecting payments than the BSM programme. It supports programme participants through facilitators whose role was highly rated by the participants in our survey. The facilitators help participants collect payments, notifying recipients when payments are available and assisting them at the disbursement points. In some cases, the facilitators travel with the cash to more remote villages and manage the disbursement directly. Sometimes they are required to accompany post

⁸ Other payment streams reported by participants in the survey included the following programmes: Economic Development Strategy for Villages (*Rencana Strategi Pembangunan Ekonomi Kampung –RESPEK*), Temporary Unconditional Cash Transfers (*Bantuan Langsung Sementara Masyarakat – BLSM*), School Operational Grants (*Bantuan Operasional Sekolah – BOS*) and National Programme for Community Development (*Program Nasional Pemberdayaan Masyarakat – PNPM*)

office staff to disburse the payments as the staff are not allowed to do this by themselves. By contrast, BSM recipients (under both MoEC and MoRA) reported confusion about programme eligibility, payment amounts and who to contact for queries (especially related to different amounts received by the beneficiaries for the same school grade level). The PKH facilitators can play a key role in educating programme beneficiaries on using alternative delivery channels for their payments. This support system that is in place for PKH also suggests that piloting a new payment method with these programme beneficiaries first may be most effective. Figure 14 illustrates the payment flow for PKH.

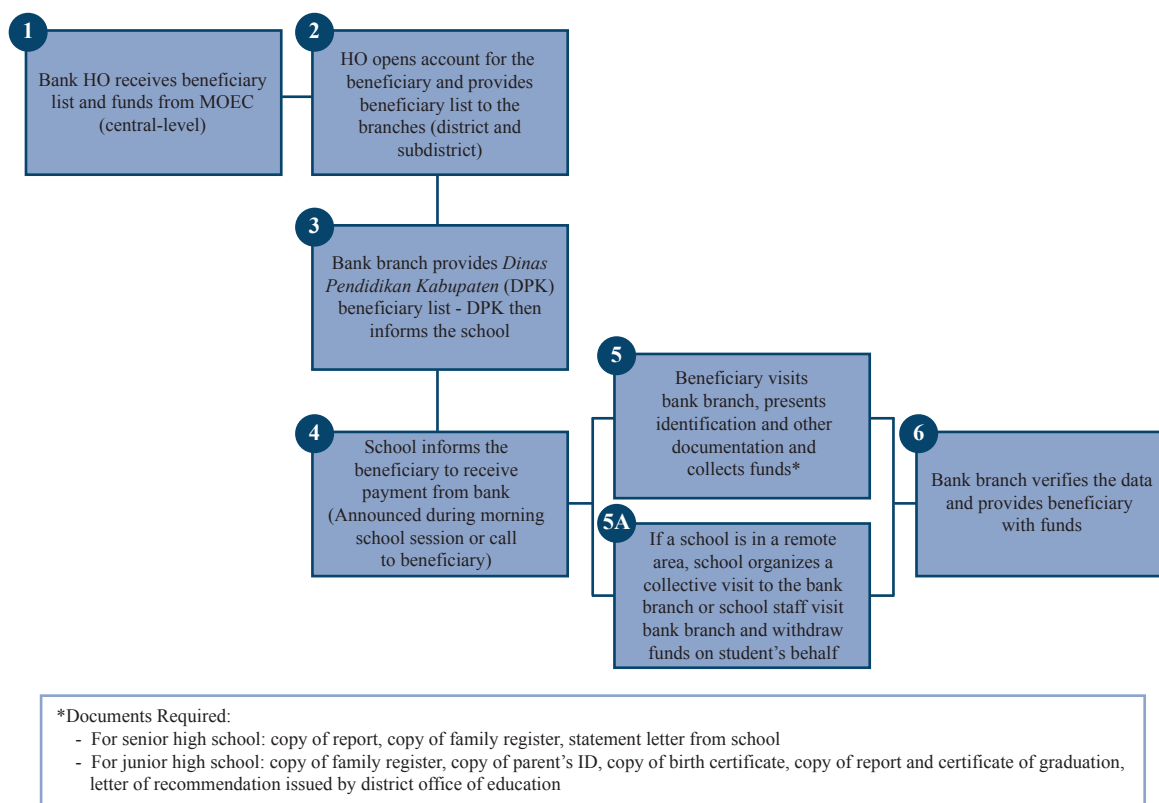
Figure 14: PKH payment flow



Note: *Sentral Giro Layanan Keuangan* (SGLK) = Central accounts financial service; *Dinas sosial* = social services agency; PT Pos = post office; *Kantor Pos Pemeriksa* (KPRK) = post office audit department; *rekening giro pos* = post office account; UP-PKH = Implementing Unit for PKH; KYC = know your customer (bank client information requirements)

Figure 15 illustrates the BSM payment flow using Bank Papua:

Figure 15: BSM payment flow



Note: HO = head office; *Dinas Pendidikan Kabupaten* (DPK) = district education office

In the subdistricts surveyed payment streams funded by government revenues included payments for the programmes shown in Table 6. The payment amount and frequency varies by programme as does the payment point. The most frequent disbursements are monthly salary payments (which are also highest in value), followed by quarterly PKH payments and semi-annual BSM payments.⁹

⁹ Some of the BSM programme participants surveyed indicated they only received payments annually or received no payment when they believed they were eligible.

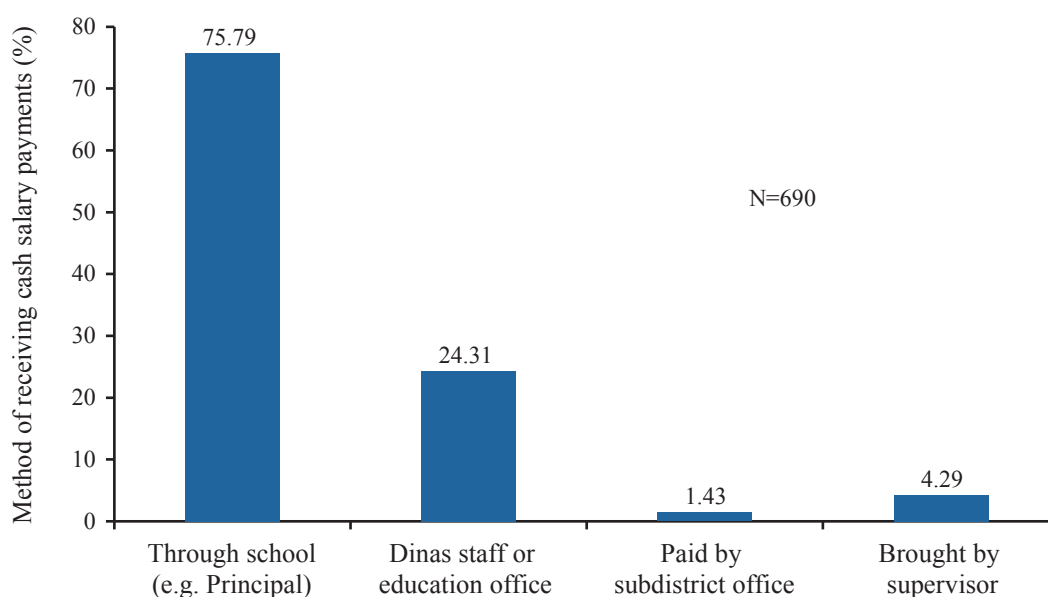
Table 6: G2P payment details

Scheme/payment stream	Payment frequency	Payment channel	One cycle payment value (Rp)	Payment per year
BSM–MoEC	semi-annual	Bank Papua		
BSM–elementary school	semi-annual	Bank Papua	400,000	800,000
BSM–junior high school	semi-annual	Bank Papua	425,000	850,000
BSM–senior high school	semi-annual	Bank Papua	500,000	1,000,000
BSM–MoRA	semi-annual			
BSM–elementary school	semi-annual	BRI	180,000	360,000
BSM–junior high school	semi-annual	BRI	275,000	550,000
BSM–senior high school	semi-annual	BRI	500,000	1,000,000
PKH–fixed cash transfer	quarterly	Post office		
Variable transfer for each beneficiary:				
Child up to 5 years old	quarterly	Post office	250,000	1,000,000
Pregnant or lactating mother	quarterly	Post office	250,000	1,000,000
Children in elementary school	quarterly	Post office	125,000	500,000
Children in junior high school	quarterly	Post office	250,000	1,000,000
PKH facilitators	monthly	Post office	1,800,000	21,600,000
Teachers	monthly	Bank Papua, BRI, district education office	1-5 million	12-15 million
Health workers	monthly	Bank Papua	1-5 million	12-15 million
Public servant	monthly	Bank Papua, BRI, post office	1-5 million	12-15 million
Other G2P schemes	monthly	Bank Papua BRI, Bank Mandiri, post office	Varies	Varies

In addition to social welfare payments, salaries are a recurring payment stream in the subdistricts including those for teachers, health workers and other civil servants. As of 2011, there were 1,716 schools across Papua staffed by 38,499 teachers. In Papua Barat 1,521 schools employed 12,983 teachers in 2011. Every subdistrict surveyed had a school and health centre in close proximity to the surveyed beneficiaries. This indicates a likely monthly flow of salary payments although teachers and health workers in rural locations have to travel to collect their salaries.

While survey respondents indicated that teachers and civil servants receive their salaries through bank account deposits, only 52 percent of the teachers surveyed had bank accounts. Research by UNICEF confirms that paying teachers in cash is still the norm in Papua and Papua Barat (UNICEF 2012). In a 2012 study on teacher absenteeism, UNICEF reported that most teachers in Papua and Papua Barat receive their salary payments in cash (73 percent) and not through deposit into a bank account. Cash payments were reported as the sole source of payment for teachers in the highland districts and a high proportion of teachers in hard to access districts receive their salary payments in cash. Surprisingly, most teachers in semi-urban and rural or isolated subdistricts also received their salaries in cash. Figure 16 shows that in most cases (76 percent) the school principal collects teachers' salaries from the district education office and distributes them at their schools. Less frequently, district education officials deliver the salaries to schools and, on rare occasions, to the district school supervisor.

Figure 16: Methods of receiving cash salary payments (percentages)



Source: UNICEF (2012)

TNP2K is currently conducting a point of payment study in Kaimana and Keerom districts to review whether providing better incentives for teachers and health staff in remote areas could improve their performances in providing better education and health care to the children and communities. Of the health workers surveyed for this report, only 27 percent reported they have a bank account, indicating that it is likely that salary payments for health workers currently track the pattern of teacher salary payments and are made in cash.

5. Findings

The field visit findings are presented in this section and are organised into the following subsections:

- Beneficiary focus groups
- Payer interviews
- Service provider interviews
- Potential payment channels

Beneficiary focus groups

As part of the focus group discussions, three foundational areas were explored:

- respondents' experience in collecting social welfare payments from current payment points;
- respondents' experience with and access to financial institutions (banks); and
- respondents' experience with and access to mobile phone technology.

Information on respondents' experience with banks provides insights into the usefulness of bank branches as payment points and the overall utility of linking G2P payments through banks to broader financial inclusion objectives. Mobile telephone usage provides information on the practicality of using mobile network based G2P payment delivery channels, including network and end user access issues.

Recipient experiences

The beneficiaries of G2P payments interviewed in the 18 subdistricts revealed that payment disbursement methods need to be improved to reduce the distance between the recipients and the payment points. The current situation discourages collection and reduces the value of the payments. The study found that beneficiaries were open to using alternative channels with trusted agents and the appropriate public awareness and training on the use of the new payment methods. The findings for the BSM and PKH beneficiaries differed slightly as the focus group discussions for the latter were held in more urban areas while the focus group discussions for the former were largely in remote or medium-access locations.

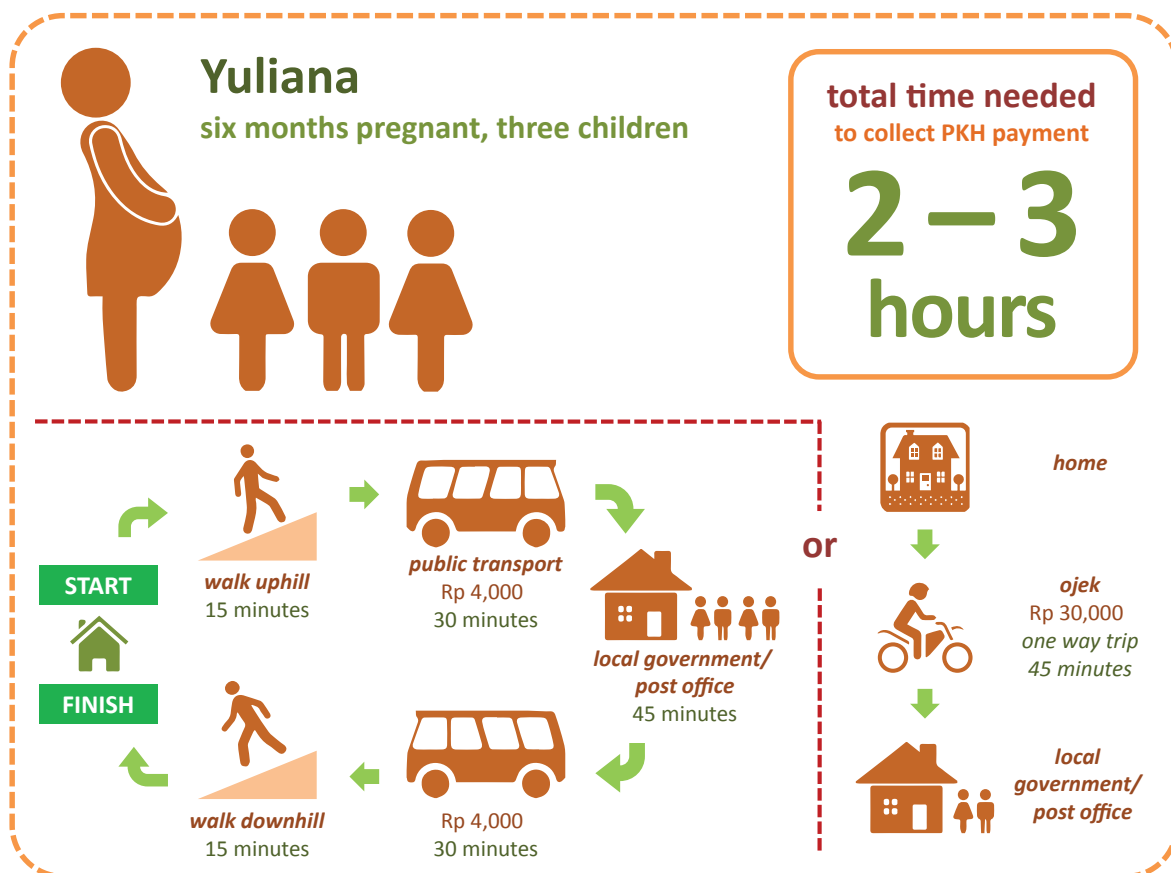
Beneficiaries of both the PKH and BSM programmes cited travel costs and other expenses associated with visiting payment points as a primary hardship with collecting funds – G2P payment recipients in Papua and Papua Barat face higher costs in collecting their social protection payments than those in more populous regions of Indonesia (OPM 2013). The travel costs and time required for payment collection were viewed negatively by the focus group discussion participants. There was a strong preference for improving the proximity of payment points to ease the burden of collection. For some more rural groups this included using community-level disbursement while others were ready to adopt new technologies and channels to reduce the travel distance and costs.

G2P beneficiaries are familiar with ATM cards and mobile technology – Payment recipients interviewed acknowledged an awareness and familiarity with debit cards and mobile technology. Recipients also recognised the convenience of accessing an ATM at a bank or post office outside office hours as well

as using the locations they choose. The focus group participants were divided on whether an ATM or mobile-based payment system was preferable with the variation depending on the stage of development of the network and infrastructure. Generally, mobile-based payment systems were only viewed as viable options in urban areas and ATMs and card-based systems were viewed as valuable but dependent on electricity.

Outages in communications and electricity networks hinder reliable access for electronic or mobile payment points (EDCs, ATMs or mobile payment systems) – The reliability of electronic payment points in delivering payments will depend on reliable mobile communication signals and electricity to transmit transactions and charge payment devices. The study revealed that in many remote areas there are frequent outages that can render an EDC device or ATM inoperable. Upgrades to infrastructure should be considered as a pre-condition to support the use of these technologies or alternative payment channels or technology that can operate in an offline mode need to be tested. For example, some banks have purchased dedicated satellite communication links to compensate for the lack of mobile coverage.

Figure 17: Time taken to collect a PKH payment



BENEFICIARY STORY 1

Consider the case of Yuliana,^a a PKH recipient who lives in Trikora Jayapura. Her husband works as a labourer while she tends a small farm growing cassava, sweet potato and yam. Yuliana visits the market weekly to sell her produce, earning Rp100,000–150,000. She also makes nokens (traditional Papuan bags) that she sells, earning Rp100,000–200,000 per week. Jansina is six months pregnant and has three children. She travels to collect her PKH payment quarterly. She starts the journey from her house in the valley by walking uphill for 15 minutes or more to reach public transport or she hires an ojek (motorbike taxi) to reach her designated programme payment point – the post office branch. Once there, she generally waits two to three hours to collect her payment. Sometimes she has to repeat the trip two or three times to get the payment as by the time her turn comes, the working hours for the post office are over and it closes. Each trip costs her Rp4,000–15,000 and three to four hours away from her home and farm.

^a The names of interviewees have been changed in this report.

Trust is a key issue in using an alternative payment point – Trust was cited as a key factor in accepting new payment points. Repeatedly, participants in the research suggested that endorsement by village leaders or community support could drive the use of a payment point. This suggests that payment providers would be well served by engaging the local community in their search for new agents and making regulations flexible when selecting them. However, respondents still expressed a strong preference for local payment points being related to a bank or post office to ensure integrity in the transaction process and to manage the risk of loss and fraud. Of the potential community members that could serve as payment points, civil servants, teachers and religious leaders ranked as trustworthy. Gas stations were seen as not trustworthy at all while non-governmental organisations, microfinance institutions, grocery stores and airtime resellers were seen as somewhat trustworthy. Some of the most trusted institutions, like religious centres and non-governmental organisations were not interested in becoming payment channels as they believed it could conflict with or distract them from fulfilling their role in the community. In addition, these organisations were concerned about having to manage payment complaints or disputes and being seen as the one responsible for determining eligibility for a G2P payment.

“How do we trust new payment channels to protect us from risk and fraud? We will try if the agent is screened and selected by a bank.”

- focus group discussion

Cultural preference for cash – Respondents indicated that Papuans prefer using cash for any transactions. This was seen in their reluctance to open bank accounts and also in how students take the total sum out in cash when they receive payments from the BSM programme, even when they are offered the opportunity to open a bank account with no fees or limited fees. Having the liquidity to cash out payments on receipt will be an important factor that may require some remapping of payment dates. Staggering payments may be an option if the frequency or volume of funds could exceed the capacity of the payment points.

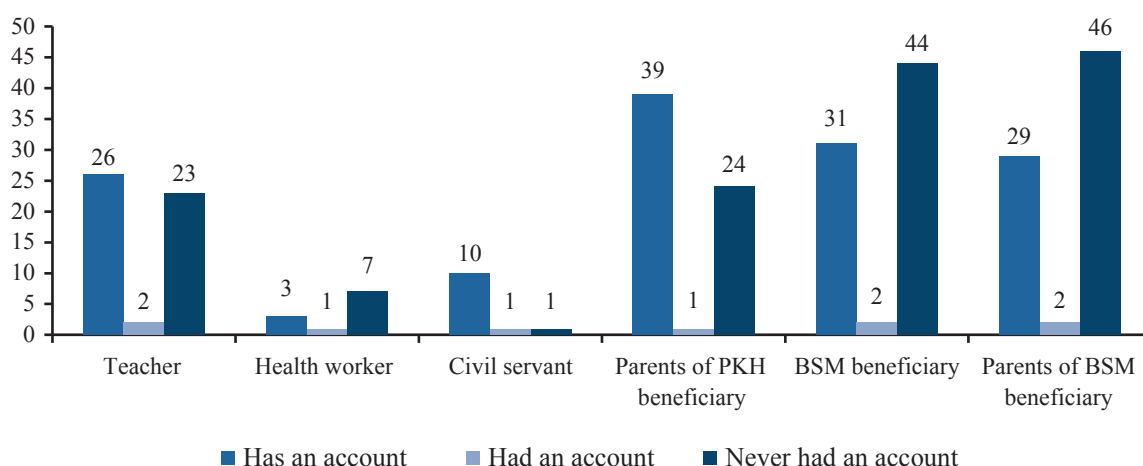
Institutions' know your customer and documentation requirements hinder account opening and are seen as burdensome – satisfying these requirements was seen as more of a burden by those collecting their BSM payments at banks than by beneficiaries of PKH who used the post office. The transition from the post office to banks for processing payments for students (other than high school students) resulted in more stringent documentation requirements which were viewed as burdensome. The interviews and focus group discussions revealed challenges in meeting these documentation requirements to access payments and open bank accounts. Some students did not have birth certificates or identity cards. For some, the costs of photocopying the documents were higher than the payment value. The proof of eligibility and identity requirements at these institutions should be evaluated in the context of their use as payment channels.

Current financial usage profile

It is not surprising, given the low density of bank branches, that 49 percent of the surveyed respondents did not have bank accounts. Women respondents were slightly less likely than their male counterparts to have a bank account and more than three times as likely to never have had a bank account. Of those surveyed, the G2P recipients most likely to have bank accounts were public servants, followed by PKH recipients (78 percent of beneficiaries surveyed lived in the urban areas of Jayapura or Manokwari, the districts with the highest bank density in the provinces). Figure 18 summarises bank account adoption by focus group respondents who received G2P payments.

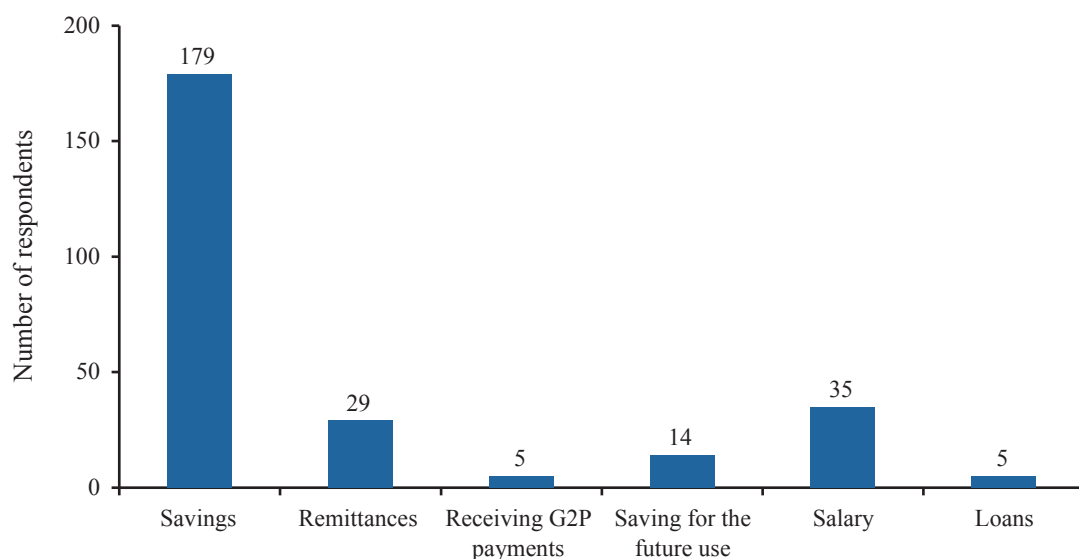
Even where banks are accessible, the respondents preferred to receive payments at the post office. In general, beneficiaries prefer the post office as a payment point, firstly, because the documentation required to receive payments is easier and, secondly, because they consider the bank expensive. Respondents indicated they do not open a bank account unless required (for example, to receive their salary or G2P payments, obtain a loan, and so on). They also reported that the current bank fees imposed and minimum balances required, including for “no-frills” savings accounts, created disincentives to opening or maintaining bank accounts. If required to open an account, the primary utility of the account is as a savings instrument. Figure 19 presents the focus group respondents' views on the primary purpose of a bank account if they are required to open one.

Figure 18: Bank account ownership – G2P payment recipients



Source: Papua/Papua Barat field visit – focus group discussions

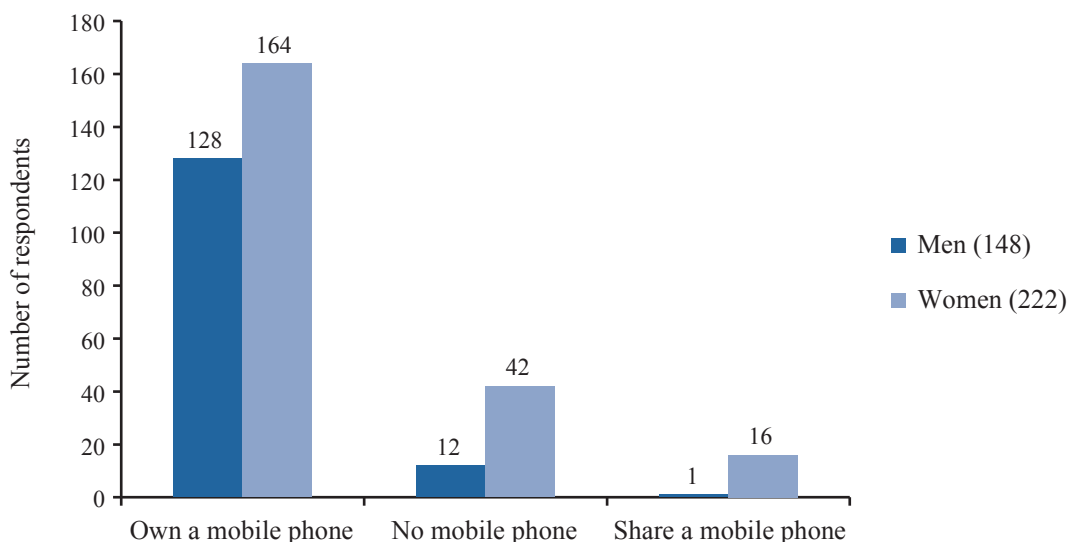
Figure 19: Bank account rationale



Mobile usage profile

Despite a low mobile network coverage rating in the subdistricts, many Papua and Papua Barat residents own mobile phones. There is a gender gap between men and women but it is not as significant as in many other countries where mobile financial services are used. Figure 20 summarises mobile telephone access for focus group respondents.

Figure 20: Mobile telephone ownership – gender breakdown



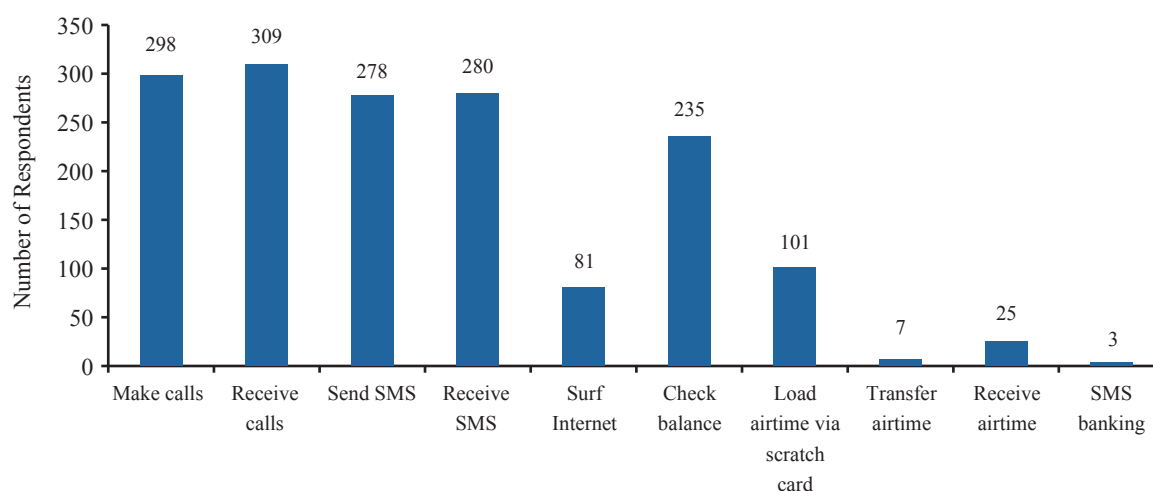
Source: Papua/Papua Barat field visit – focus group discussions

The focus group discussions held in Papua and Papua Barat further revealed the following:

- 79 percent of the respondents own a mobile phone;
- 5 percent share mobile phones with family members when needed;
- only 16 percent (61) of the respondents do not have regular access to a mobile phone;
- only four respondents had two mobile phones;
- only five respondents had two SIM cards; and
- Telkomsel is the predominant mobile service provider in the area.

Another important insight regarding mobile phones is the high number of respondents who were comfortable sending and receiving SMS messages. The ability to go beyond simple voice calls is typically a strong indication of a market segments' ability to adopt some form of mobile telephone based payment technology. Figure 21 presents the number of focus group discussion respondents who were comfortable performing typical mobile telephone functions and services.

Figure 21: Respondents' comfort with mobile telephone functions and services (309 respondents)



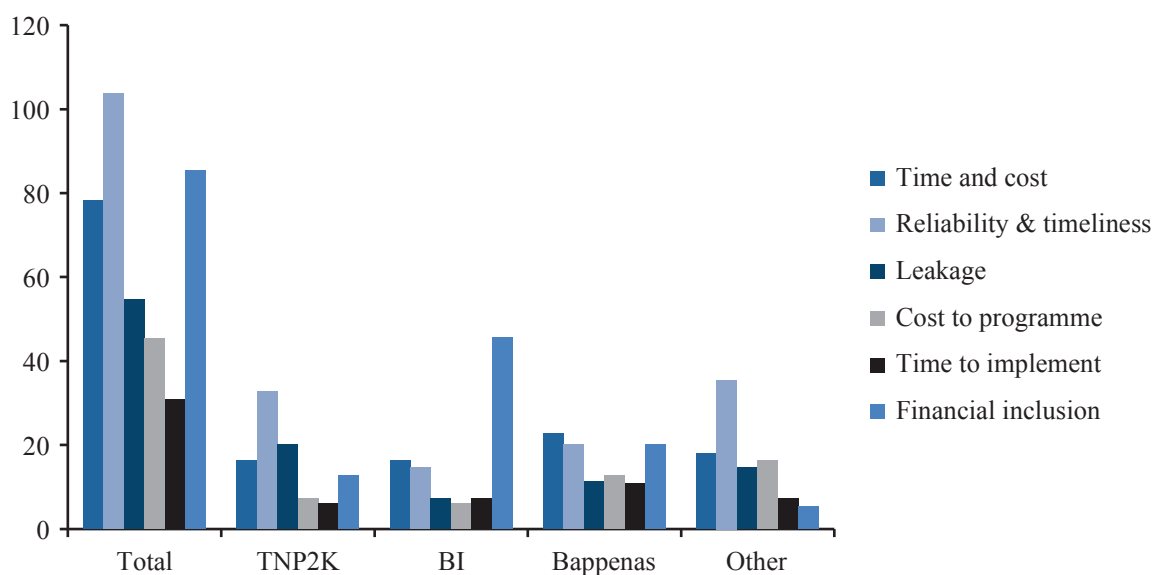
Source: Papua/Papua Barat field visit – focus group discussions

As shown in figure 21, out of 309 respondents who own mobile phones or share with family members, everyone can receive calls but fewer (298) can make calls. The percentage of respondents who can receive and send SMS is also high at 90 percent. Additionally, 235 (76 percent) of respondents can check their airtime balance. Few respondents can browse the Internet, load airtime via scratch cards, transfer airtime, receive airtime and use SMS banking.

Payer interviews

Based on interviews with selected government organisations responsible for G2P payments, the following findings impact on the overall execution of G2P payment programmes and prospects for improving payment delivery in Papua and Papua Barat. The in-depth interviews confirm that the priorities of government agencies identified recently in Joyce et al. (2014) as key aspects in the evaluation of G2P schedules also exist in Papua and Papua Barat (see figure 22).

Figure 22: G2P payment scheme attributes



Source: Joyce et al. (2014)

Annual contracts negotiated at national level – Government organisations responsible for distributing PKH and BSM payments typically negotiate one-year contracts with payment service providers at a national or regional level. The providers selected for certain BSM payments have varied in Papua and Papua Barat each year over the last several years. District and subdistrict institutions typically have little input in selecting payment providers. The results of this have been that local institutions have little buy-in on the details of the payment process in their geography and service providers are unwilling to invest in information technology and other support systems to improve payment distribution.

BSM programme eligibility is determined at the local level and approved by the Ministry of Religious Affairs or the Ministry of Education and Culture – Initial qualification for the programme is determined by the local educational body and then confirmed and vetted by either of the two ministries concerned. Each of these ministries determines the method for distributing payments, producing different payment modalities depending on the governing ministry. In addition, there is a high degree of confusion between the local educational body and the ministry in reconciling the beneficiaries submitted as eligible and those ultimately receiving the payment benefit. Moving from a manual system to a digital system, starting from determining beneficiaries and going through to collecting payments, would provide some transparency and traceability that would improve the targeting of programme beneficiaries.

G2P recipients receiving payments through bank accounts are not using the savings features of their accounts – BSM recipients receive payments into bank accounts but even if they are encouraged to use the account for savings, they tend to withdraw the full amount and leave the account dormant. This may be due to their perception that the costs of maintaining the account, including a minimum balance and monthly fees, are not worthwhile. In addition, given the financial demands on the students, the full amount may be needed immediately. The distances to bank outlets, branches or ATMs also impede ready access to the account and impose a travel cost for access that outweighs the benefit of maintaining the account. If the payers' broader goal includes promoting financial inclusion through bank account ownership, the current practice is not meeting that goal.

Reaching current payment locations is a challenge for many G2P recipients; travel costs reduce the payments' value – Similar to the findings from the focus group discussions with G2P payment recipients, the G2P payers echoed the concern that for many targeted recipients the payment location is difficult to reach and imposes a high cost for travel. To defer some of these costs, some districts allow consolidated BSM payment collection where the principal collects the payments for the students in the school with letters of authorisation. There is concern that this increases the risk of fraud since the payer cannot trace the payment distribution beyond the principal. In addition, the costs of travel reduce the net benefit of the payments. Whether done collectively and charged back to the recipients or collected by the individual through direct travel to the payment point, the cost of this travel is born by the recipient. For some recipients these costs negate the payments' value entirely.

Challenges with reliable infrastructure limit the perceived value and efficacy of using alternative channels for G2P disbursement – Interviews with payers revealed their concern that the required infrastructure may not be ready which would impede the use of mobile payment channels and those requiring a reliable source of power. One payer indicated that only 10 percent of the rural areas have a good mobile network signal. While efforts are underway to improve Internet access to villages through the *Desa Dering*¹⁰ programme, payers reported that Internet does not reach the villages as in other areas. Payers also questioned whether owning a mobile phone could be equated with actually using a mobile phone in remote areas. According to one government representative, some villagers have a mobile phone only as symbol of prestige but its use is limited to when they travel to the city. Providing the foundational infrastructure to introduce digital payments will require a minimal level of power and network connectivity that is not yet reliably available throughout Papua and Papua Barat.

PKH facilitators can provide training and support for the transition to alternative payment channels – PKH facilitators can play a valuable role in successfully introducing a new payment method and helping people to use it. The facilitators interviewed indicated that they are comfortable with the use and application of mobile technology. Residing in the more urban areas, they reported that they use the existing channels and introducing them throughout the two provinces could reduce the time and effort they currently have to devote to supporting payment collection.

¹⁰ *Desa Dering* is a government programme under the auspices of the Ministry of Communications and Information Technology (MCIT) designed to work with service providers to bring telecommunications services to 31,000 previously unserved villages.

Service providers

The final piece of the G2P payment ecosystem is the service provider. Service providers use a range of facilities and technologies and are responsible for delivering G2P payments to recipients. Service providers can be compensated on a contractual or per transaction basis. Interviews with existing service providers provided additional insights into the opportunities and challenges of G2P payments in Papua and Papua Barat.

Payment providers in Papua and Papua Barat have introduced digital payments in the provinces and are using agents to extend their reach – Current payment service providers interviewed reported that they are using technology to expand their reach. They have begun to service their customers through ATMs, internet banking, cash deposit machines and agents using EDCs. *Bank Rakyat Indonesia* (BRI) is signing up agents to expand its reach through its BRILink agent banking programme and offers MoCASH, a mobile payment product that can be used with merchants that bank with BRI. The bank currently offers a debit card, co-branded for university students as well as an ATM card linked to a savings account. While still in the earlier stages, their interest in developing these alternative channels is promising. Bank Papua offers ATM cards, internet banking, SMS banking, cash deposit machines and enables transactions through EDC devices. The post office uses agents in certain areas to extend its services beyond its current office reach and expressed interest in expanding its use of agents. It also offers an ATM card linked to ATM *Bersama* (an inter-bank network) and serves as a channel for a BTN savings product called e-Batara Pos.

G2P recipients receiving payments through bank accounts are not using the savings features of the accounts – Interviews with bank service providers for BSM payments confirm the findings in the focus group discussions. As programme recipients reported, when students receive payments into their bank accounts, they typically withdraw the full amount of the payment and leave the account dormant, even if they are encouraged to use the account for savings.

Payment providers view disbursing G2P payments as a government-driven obligation and a social responsibility rather than as a business line or target market – The disbursement of G2P payments and increasing financial services use by G2P recipients is not a stated objective of the service providers. While G2P payment disbursement is seen as important it is not linked to a growth or business strategy for the payment service provider. This may be because most recipients use the account solely for payment collection. In addition, the G2P payments are infrequent (either quarterly for PKH or semi-annual for BSM) which may contribute to the challenge of having sufficient staff capacity to service the G2P payments without the wait times recipients reported. The cost benefit model also shows that payment service providers often incur disbursement costs that exceed, on a per transaction basis, the reimbursement amount per transaction.

Contracts for payment disbursement are determined at headquarters level without engaging the local branches – Branch managers interviewed indicated a general lack of knowledge about the terms of the disbursement contract, including remuneration for the payment costs. The local managers described their role as fulfilling a corporate directive rather than engaging in the selection of payment processes or implementation. If an effort is made to increase the proximity of payment points to recipients, local branch managers should be engaged in selecting and supporting the channels used in their districts. In addition, if the accounts were viewed as achieving a business objective, the local branches may devote more resources and capacity to supporting their disbursement.

Infrastructure and facilities findings

During the field visits, the team reviewed facilities and infrastructure in the 18 subdistricts. Table 7 summarises our findings and provides a snapshot of conditions in specific districts and subdistricts.

Table 7: Infrastructure and facilities summary

Particulars	Jayapura				Karimana	
	Jayapura	Abepura	Jayapura Selatan	Jayapura Utara	Karimana	Kembraw
Location	Jayapura	Abepura	Jayapura Selatan	Jayapura Utara	Karimana	Kembraw
Sub District	Jayapura	Abepura	Jayapura Selatan	Jayapura Utara	Karimana	Kembraw
District	Kota Jayapura	Kab. Jayapura	Kota Jayapura	Kota Jayapura	Karimana	Kaimana
Province	Papua	Papua	Papua	Papua	West Papua	West Papua
Accessibility by (Road/Water/Air)	District HQ	Road	Road	Road	District HQ	Water
Distance from district	District HQ	30 Km	10 Km	10 Km	District HQ	50 Km
Distance from Sub-district	District HQ	District HQ	Sub-district HQ	Sub-district HQ	District HQ	Sub-District HQ
Time required for travel (One way)	District HQ	45 Minutes	20 minutes	20 Minutes	District HQ	2 Hours
Name of MNO	Telkomsel, Indosat	Telkomsel	Telkomsel	Telkomsel, Indosat	Telkomsel	No
Quality of network (Good, Bad, No)	Good	Good	Bad	Bad	Bad	No
Presence of airtime sellers	Yes	Yes	Yes	Yes	Yes	No
Mobile penetration	Yes	Yes	Yes	Yes	Yes	No
Eelectricity	24 hours	Avg. 18 Hours	Avg. 18 Hours	Avg. 18 Hours	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Yes	Yes	Yes	Yes	Yes	No
Presence of grocery shop	Yes	Yes	Yes	Yes	Yes	Yes
Public transport	Yes	No	No	No	Yes	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	Yes	Yes	Yes	Yes	No
Presence of Post Office (including sub-district)	Yes	Yes	Yes	No	Yes	No
Presence of Health centre	Yes	Yes	Yes	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes	Yes	Yes	Yes
Presence of Cooperative/MFI	Yes	Yes	Yes	Yes	Yes	No
Presence of NGOs	Yes	No	No	No	Yes	No

Table 7: Infrastructure and facilities summary (continued)

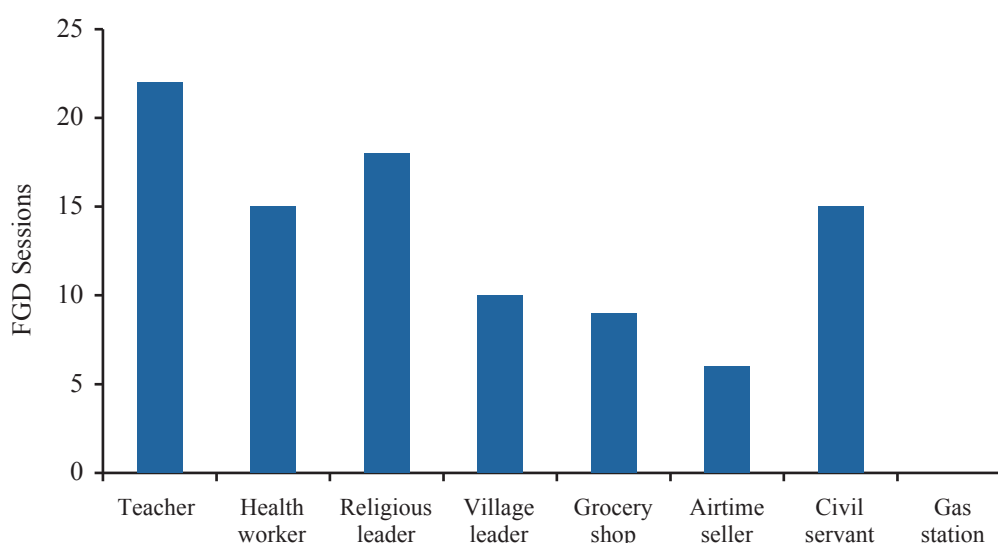
Particulars	Manokwari				Sorong Selatan	
	Manokwari	Manokwari Barat	Masni	Village-Masni	Teminabuan	Sawiyat
Location	Manokwari	Manokwari Barat	Masni	Village-Masni	Teminabuan	Sawiyat
Sub District	Manokwari	Manokwari Barat	Masni	Masni	Sorong Selatan	Sorong Selatan
District	Manokwari	Manokwari	Manokwari	Manokwari	Sorong Selatan	Sorong Selatan
Province	West Papua	West Papua	West Papua	West Papua	West Papua	West Papua
Accessibility by (Road/Water/Air)	District HQ	Road	Road	Road	Road	Road
Distance from district	District HQ	5 Km	100 Km	120 Km	District HQ	50 Km
Distance from Sub-district	District HQ	Sub-District HQ	Sub-District HQ	20 Km	District HQ	50 Km
Time required for travel (One way)	District HQ	10 Minutes	2 Hours	30 Minutes from Masni HQ	District HQ	1:30 Hours
Name of MNO	Telkomsel	Telkomsel	Telkomsel	Telkomsel	Telkomsel	No
Quality of network (Good, Bad, No)	Good	Bad	Bad	Bad	Bad	No
Presence of airtime sellers	Yes	Yes	Yes	No	Yes	No
Mobile penetration	Yes	Yes	Yes	Yes	Yes	No
Eelectricity	Avg. 18 Hours	Frequent Failure	Frequent Failure	Frequent Failure	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Yes	Yes	No	No	Irregular	No
Presence of grocery shop	Yes	Yes	Yes	Yes	Yes	Yes
Public transport	Yes	No	No	No	No	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	No	No	No	Yes	No
Presence of Post Office (including sub-Branch)	Yes	Yes	Yes	No	Yes	No
Presence of Health Centre	Yes	Yes	Yes	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes	Yes	Yes	Yes
Presence of Cooperative/MFI	Yes	Yes	No	No	No	No
Presence of NGOs	Yes	Yes	No	No	No	No

Potential payment channels

Technology and new regulatory frameworks authorising digital financial services and evaluating branchless banking agents make it appropriate to consider alternative delivery mechanisms. Joyce et al. (2014) identified a range of “self-assisted payment options” for payments through PKH, including mobile money, ATMs and pre-paid cards used at ATMs and with EDC machines.

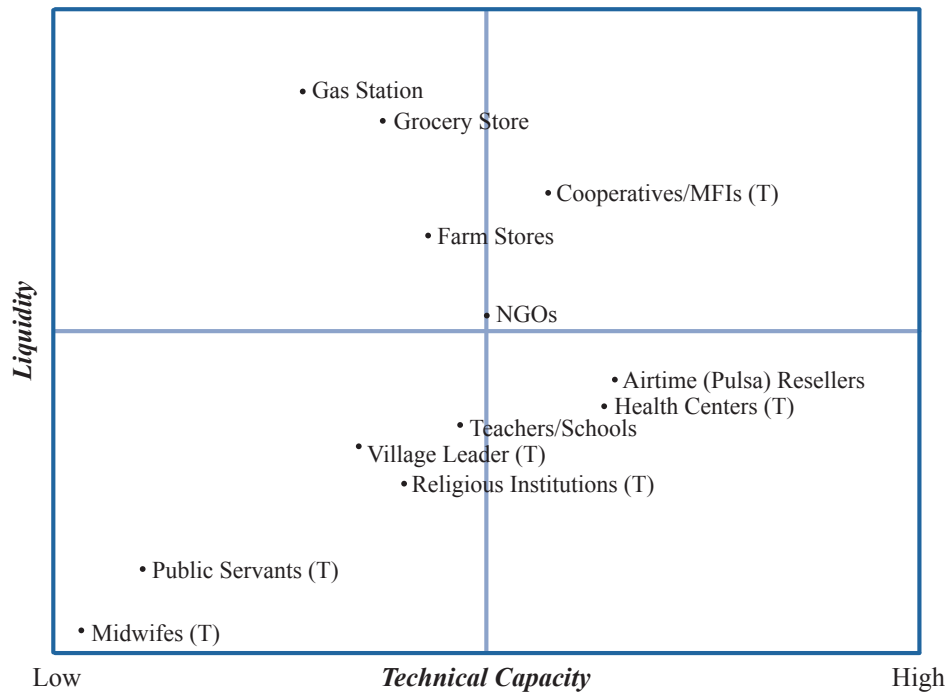
Significantly, the study revealed that G2P payment recipients in Papua and Papua Barat are willing to use technology-enabled payment methods if they improve the proximity of financial service points. This report evaluates a number of possible channels to provide more localised G2P payment points and financial services across the eighteen subdistricts studied. The analysis focuses on local institutions or individuals that could serve as agents for current institutional payment points such as banks, post offices or mobile network operators offering electronic-money products. These new payment points could incorporate a variety of supporting technologies (for example, EDC devices, mobile money products, debit cards). As previously noted, interviews with beneficiaries revealed that proximity and trust were key factors in accepting new G2P payment points. Figure 23 presents perceived levels of trust for various payment channels based on beneficiary focus group consensus. Figure 24 presents a high-level assessment of potential payment points. In Figure 24, potential payment points were arrayed along two axes (liquidity and technical capacity). Additionally, selected payment points were given a “T” if beneficiary interviews rated the potential payment point as trustworthy.

Figure 23: Potential payment point assessment



Source: Papua/Papua Barat field visit – focus group discussions

Figure 24: Potential payment point assessment



Source: Papua/Papua Barat field visits – focus group discussions, OpenRevolution

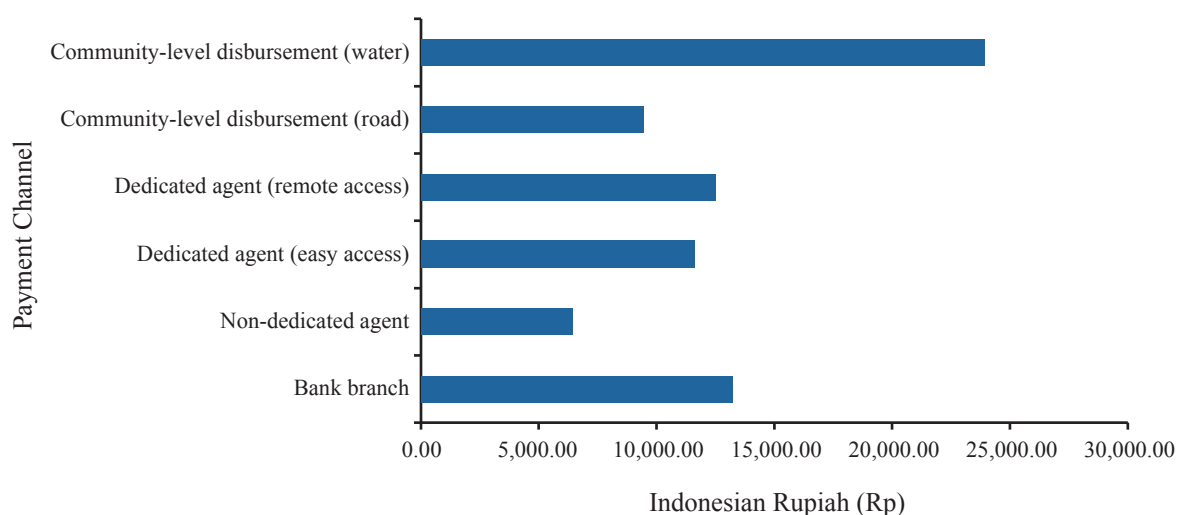
6. Cost-Benefit Analysis

Data collected from the six districts and 18 subdistricts studied in this report were used to evaluate the per transaction costs for disbursing G2P payments (referred to as service provider costs) and costs incurred by beneficiaries in collecting their payments through existing and alternative channels (referred to as beneficiary collection costs).

Service provider costs

The model looked at the different methods currently used to distribute and collect G2P payments and potential, future alternative channels. In modelling service provider cost, both a bottom-up and top-down approach was used to estimate the cost per transaction to a service provider to distribute a bulk social transfer or salary payment. Service provider cost analysis details are included in Appendix 4. Figure 25 summarises the estimated cost per transaction for the primary payment distribution channels.

Figure 25: Estimated cost per transaction by channel



Source: Papua/Papua Barat field visit – focus group discussions; OpenRevolution/NetHope Analysis

As shown, on a per transaction basis, service provider costs are highest for community-level disbursements (delivering payments to recipients in remote locations) and for payments made through bank branches. Similarly, beneficiary collection costs are highest when beneficiaries travel from remote locations to collect their payments from post offices or bank branches. Post office disbursements, treated as non-dedicated agents for purposes of this model, have lower service provider costs than bank branches or community-level disbursement. Assuming a service provider's per transaction compensation rate of Rp5,000 for BRI and Rp9,000¹¹ for post offices, only the non-dedicated agent model provides the service provider with full cost recovery and a profit margin.

¹¹ The provider per transaction compensation rates are based on those reported in the OPM study (2012). These may not reflect current pricing since the contracts for disbursement are awarded on an annual basis.

Interviews with current service providers revealed that disbursing PKH and BSM payments is seen as a moral duty or community service obligation and not treated as a business line or profitable market. This perception could restrict investment in products or commitment and support for an extended financial footprint.

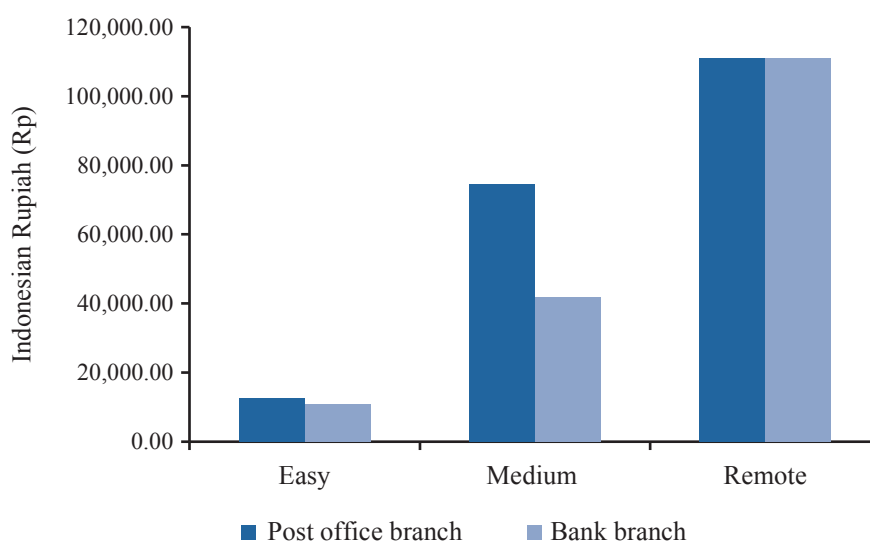
Beneficiary collection costs

As previously stated, travel time and transport costs were cited as the most important issues affecting G2P programme recipients. Beneficiary collection costs were calculated based on travel time and round-trip travel costs from their community to the specified payment point. Beneficiary cost analysis details are included in Appendix 4. We calculated these costs for the six districts visited during the field review. Figure 26 presents beneficiary collection costs for existing payment points based on averages among the districts and subdistricts visited.

Significantly, beneficiary collection costs of Rp113,334 from remote locations are four times the service provider cost of community-level disbursement calculated at Rp27,150 per transaction, the most expensive for a three-day disbursement that includes water travel.

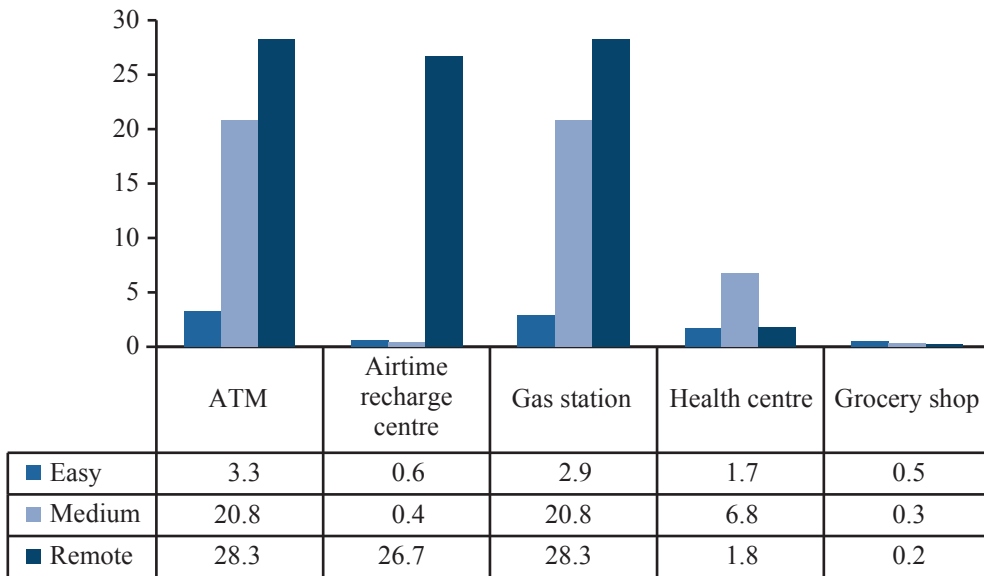
As the payment points become closer to the beneficiary by using alternative channels, as expected, beneficiary collection costs decline in both time and travel costs.

Figure 26: Beneficiary collection costs (existing payment points) (Rp)



Source: Papua/Papua Barat field visit – focus group discussions – OpenRevolution/NetHope Analysis

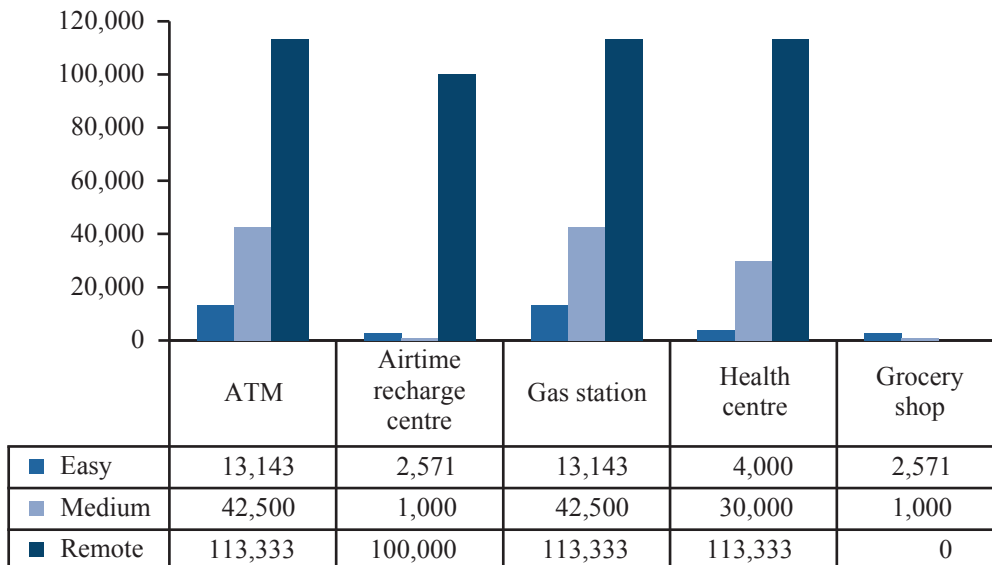
Figure 27: Beneficiary travel distances (kms)



Source: Papua/Papua Barat field visit – focus group discussions – OpenRevolution/NetHope Analysis

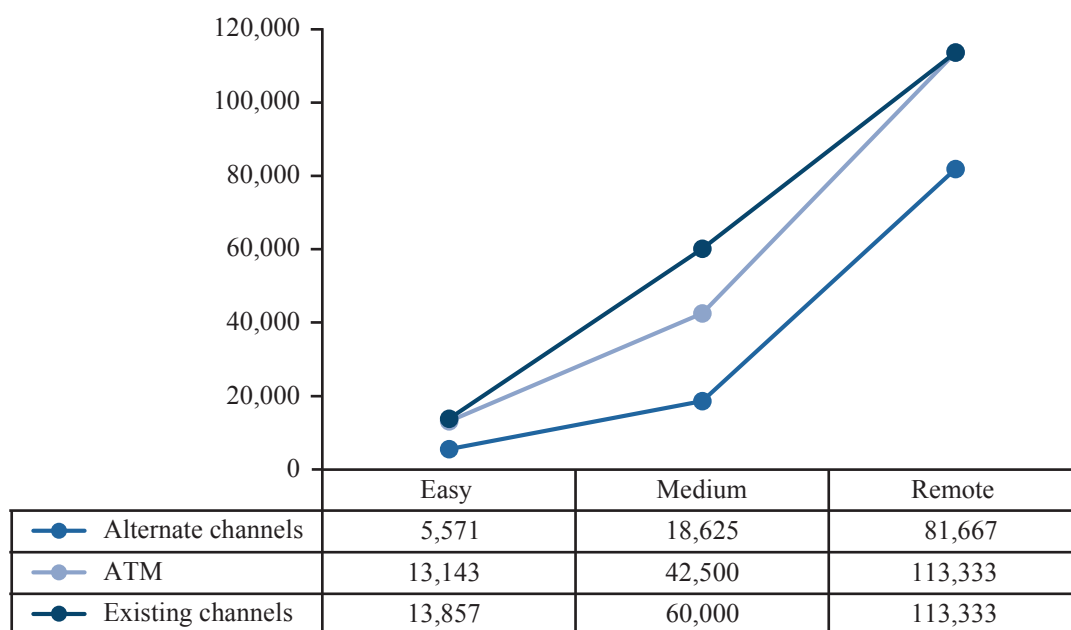
Expanding the financial footprint of payment points, whether through new or existing channels, reduces the cost to beneficiaries if they travel to payment points to collect their payments.

Figure 28: Beneficiary collection costs (Rp)



The most accessible locations are grocery stores and health centres and they have a significant presence in each district. They may prove to be interesting agent options. Health workers interviewed indicated they are comfortable with card-based payments since they now process card rather than cash payments through the Social Security Administrative Body health system. Health workers were also rated as trusted and they are highly engaged with the community and with the social welfare of recipients. In addition, PKH imposes obligations on participants to fulfill certain health-care commitments as part of their programme eligibility. Figure 28 compares the cost to beneficiaries of collecting payments using existing channels to their costs using alternative channels.

Figure 29: Beneficiary collection cost comparison (Rp)



Source: Papua/Papua Barat field visit – OpenRevolution/NetHope Analysis

Grocery stores are another interesting lower cost branchless banking agent option. BRI is already rolling out its agent branchless banking services, BRILink, through grocery stores in the Manokwari district. It has four agents located in Manokwari City, Prafi subdistrict, Mansi subdistrict and Teluk Wondama district, all of which are grocery stores. By 2014, the bank’s Manokwari branch is planning to have ten agents. As agents, they offer basic financial services through e-money accounts: cash deposits and withdrawals and money transfers. Agents are not currently authorised to open accounts.

Bank Papua is also committed to increasing its outreach and presence by opening more sub-branches and cash offices.

Other benefits

In addition to direct cost savings by reducing the use of public transport (hard costs), focus group discussions and further analysis indicated the following additional benefits from moving payment points closer to beneficiaries and employing electronic payment mechanisms (for example, cards and mobile phones):

- A reduction in overall travel time which could translate into more productive activities;¹²
- Access to more viable and accessible financial instruments enabling savings and possibly payments;
- Greater flexibility as to when collections can occur; and
- The possibility of using a single instrument (for example, a card) for multiple payment programmes.

¹² The research team debated whether it was useful to translate travel time into lost wages or some other monetary metric based on time taken and average wages in the province. It was decided that due to the nature of the beneficiaries (students, mothers) such a calculation could be misleading.

VOICES OF THE BENEFICIARIES

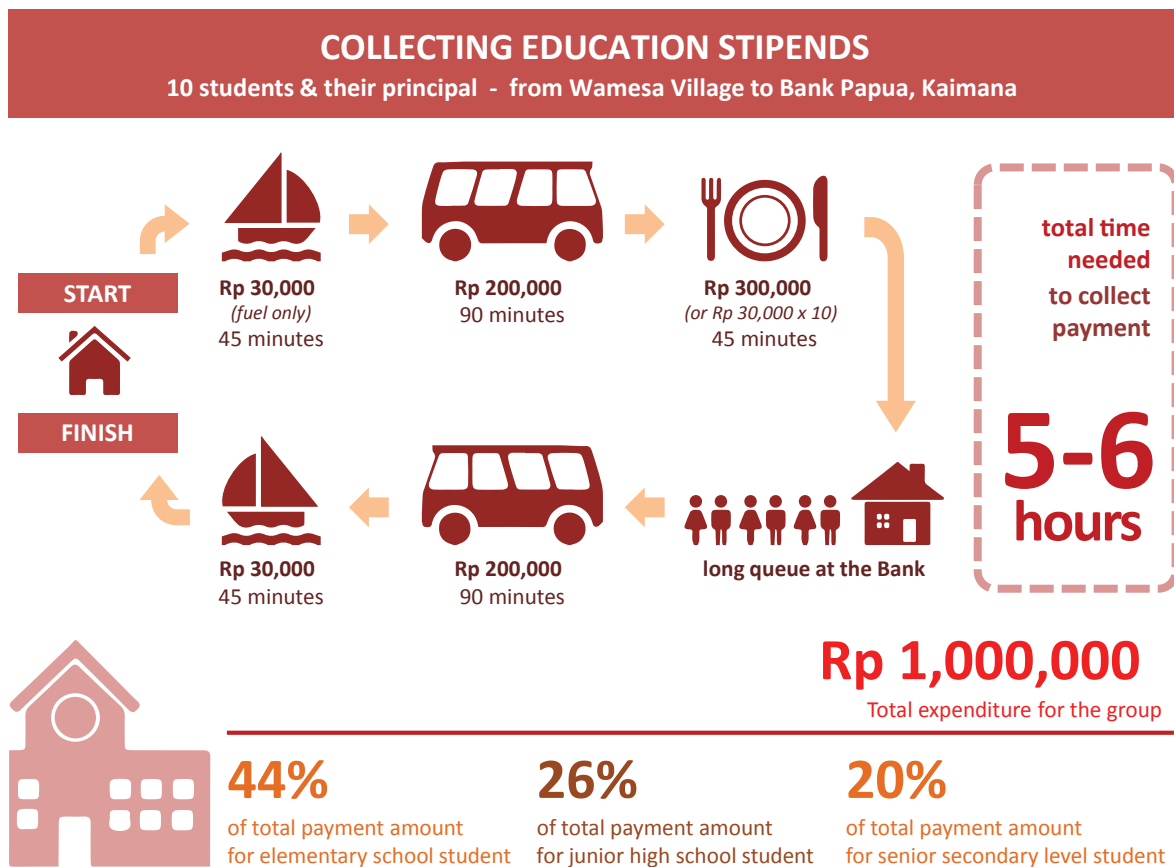
“We are willing to pay the transaction costs. Transaction costs, if any, should be clear. The beneficiaries should be informed in detail so the process becomes transparent.

We are very excited about the possibility of savings near their house. We are willing to learn about the use of technology just so we can save. We think direct transfers are going to be really helpful.

If the BSM payment is via a smart card, it would be so comfortable for us. We will not be tempted to buy small, unnecessary things because only a limited number of shops/merchants have the machine that can use the smart card. This way we will be able to save our money for more important purposes.”

– Focus Group Discussion

Figure 30: Collecting education stipends



BENEFICIARY STORY 2

In remote areas, some school or government officials travel to the payment point (with authorisation from the beneficiaries) to collect the payments. The cost of their travel may be assessed against the payment recipients receive, resulting in a payment to the beneficiary below the benefit amount. In other cases, beneficiaries may travel together and share the cost.

Consider Reza,^a a resident of Wamesa village in the Kambraw subdistrict of Papua Barat that can only be reached by boat. Reza's 10-year old daughter is eligible for the BSM programme. To collect her payment, she had to travel with the other nine student recipients to Bank Papua in the Kaimana district with the principal of her school. The groups' collective travel costs amounted to Rp1,000,000. This made the average expenditure per beneficiary Rp100,000 or 20 percent of the total payment amount, even for a senior secondary student who gets Rp500,000 per payment cycle. For junior high school and elementary school students the travel costs per beneficiary are 26 percent and 44 percent of the total benefit amount respectively. Rural residents reported it reduced costs if people travelled together or if a representative from the village collected the payments. Despite these options, people in rural areas would still prefer to have closer payment points or payments made by the service providers through community-level disbursements.

^a The names of interviewees have been changed in this report.

7. Challenges

The existing payment channels for G2P payments impose different levels of costs and challenges for all those involved in the payment chain: the payment service providers, the payers and the beneficiaries. The data collected reveal challenges with the existing payment points but new payment points will also present their own set of challenges.

Existing payment point challenges

The focus group discussions and in-depth interviews noted the following challenges:

- The costs of disbursing G2P payments exceed the payment received by the service provider with the possible exception of disbursements through post office facilities.
 - According to the OPM study (2013) BRI receives a payment of Rp5,000 per transaction. This is well below what each transaction costs the bank to process through a teller in a branch. Uniform transaction fees do not take into account the variable disbursement methods and their costs in Papua and Papua Barat.
 - The post office receives Rp9,000 per transaction which may cover the costs if the post office is treated as a non-dedicated agent but this assumes that revenue from other income-generating activities cover most of the facilities' other operational costs.
 - Payment service providers interviewed indicated that they treat processing G2P payments as a moral obligation or community social responsibility and not a business line. This can lead to limited interest and investment in providing adequate support for G2P payment disbursement or strong customer services.
- For beneficiaries, the cost of travel and opportunity cost of time reduce the net value of the G2P payments. For those from remote locations, this may negate the utility of collecting the payment. Unlike in other surveys of PKH payment recipients, the payment points in Papua and Papua Barat are not regarded as convenient.
- The office hours at bank branches and post offices are not long enough to cater for the recipients of G2P payments.
 - The data collected include reports of G2P payment recipients waiting in line for payments only to have the payment point close, requiring them to return another day to rejoin the line.

VOICES OF THE BENEFICIARIES:

"The bank had very rigid requirements. We had to present 19 documents to collect funds. The cost of copying such documents is very high. When Rp570,000 is transferred to a student he/she only receives Rp300,000 – 350,000 after deductions for transportation and copy expenses have been made. Those who come from rural areas prefer not to collect the payment because it costs money to put together the supporting documentation."

VOICES OF THE BENEFICIARIES:

"Those who have ATM cards prefer to go to the ATM after working hours. The queues are shorter then so it is more convenient than going during working hours to queue at the bank." – Focus Group Discussion

- ATMs were regarded as offering a more convenient option that would allow beneficiaries to avoid the lines and access their money outside of office hours if appropriate card-based accounts could be issued.
- Beneficiaries were often required to make repeated trips to the payment points to complete the documentation process and collect payments which increased their expenses.
 - Respondents surveyed frequently noted that they were denied payment because they lacked the proper documentation.
 - This was more pronounced with bank disbursements and for BSM recipients as the banks have more onerous documentation requirements.
- While respondents expressed an interest in receiving payments in a way that enabled savings, bank accounts are not widely valued and are viewed as expensive. They are not yet comfortable with using the formal banking system. This detracts from the possibility of G2P payment methods being used to advance the government's policy of financial inclusion.

DID YOU KNOW?

Some student payments have been cancelled because students failed to submit the required documentation by the due date. Such students may have had to travel home to collect their documents – a journey that can take up to 4 hours by boat – a costly trip. If the payment is not issued, the bank should return the funds to the government. – Focus Group Discussion

Alternative payment point challenges

Financial access points could be extended through branchless banking using technology and agents in closer proximity to the G2P payment recipients. However, the challenges in the successful introduction of these new financial access points may be significant in Papua and Papua Barat, especially in remote areas.

- Communications and power infrastructures are not reliable in the semi-urban and remote areas.
 - Some payment options may not be viable everywhere due to lack of infrastructure so community-level disbursements or beneficiary travel and in-person collection will need to continue.
 - ATMs can only serve as an access point if power and communications infrastructure is available. This also holds true for EDC devices.
 - Agents may be able to process transactions with payment systems that can operate without the internet but will need some way of frequently uploading transaction data.
- Native Papuans and those in more remote locations may prefer cash.
 - While generally the survey participants were familiar with ATM cards and mobile devices and supported their use for payments, some reported that Papuans had a cultural preference for cash transactions.
- Liquidity could be a challenge for agents at some payment points.
 - Financial access points in closer proximity to beneficiaries will need to manage their liquidity to be able to service payment recipients. Depending on the volume and frequency of payments, this may be challenging in certain remote areas where cash disbursement or collection may be necessary to balance liquidity needs.

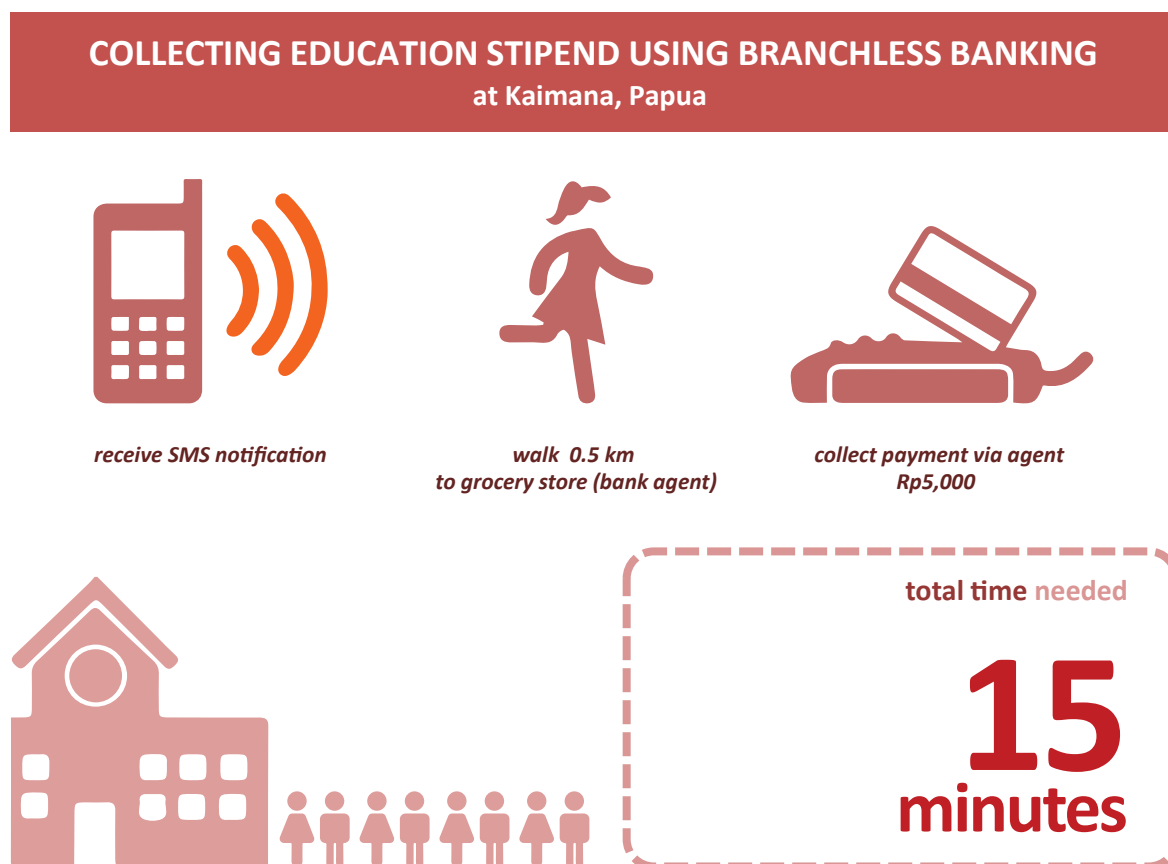
- If technology-enabled payment systems allowed closer access to payment points, issues of trust and technology adoption need to be addressed and a plan for public awareness will need to be put in place.
- Policy issues surrounding agent networks, know your customer information requirements and the application of technologies will also impact on how new channels are deployed. Appendix 5 presents a recent policy paper identifying specific policy issues associated with G2P payments in Papua and Papua Barat.

8. Recommendations and Summary

Based on field research and overall analysis of the data, the following considerations will improve the efficiency and utility of delivering G2P payments in Papua and Papua Barat.

Put them close – The research conducted for this report confirms that the suitability of current and potential payment points to effectively deliver G2P payments in Papua and Papua Barat varies by the categories of subdistrict surveyed. Overall, beneficiaries expressed a strong willingness to use alternative delivery channels that provide payment points in closer proximity to their homes. Most respondents indicated that transport costs and other expenses associated with visiting payment points were the primary hardship and the negative element associated with collecting funds. For some, the cost of travel to a payment point exceeded the amount of the payment, leading to it remaining uncollected. According to a representative of Bank Papua, less than 50 percent of those eligible for payments from the Special Aid for Poor Students (BKMM) and the BSM programmes collect these payments. The recipients were highly interested in using alternative payment channels that would bring the payment points to their villages. This included using bank cards and some endorsed mobile payment methods in the more urban areas. Future G2P programmes should prioritise increasing the number of payment points and bringing these payment points closer to beneficiaries.

Figure 31: Collecting education stipends using branchless banking



Enable savings – Although secondary to the need to move payment points closer to beneficiaries, respondents were also interested in using alternate payment channels that would allow them to save. Similar to other research on Indonesians’ financial behaviour, the study found that while many currently have no bank accounts and live in poverty, they are attracted by the prospect of being able to save. This is a strong draw for using financial products and banking services. The recipients surveyed were interested in payment products that would facilitate multiple withdrawals and saving a balance (rather than withdrawing the entire payment at once). Some viewed ATM cards or accounts linked to a bank account favourably because they provided this option. Others saw the ATM as providing ready access to cash that could accelerate their spending while others viewed this as a benefit. Where possible, new payment options should contain a broader account facility that enables multiple withdrawals and cash ins with the G2P payment serving as a catalyst for broader financial inclusion objectives.

Choose trusted agents – Trust in the institution or person providing the payment was identified as an important issue for acceptance and use of new, more local payment points. Existing payment institutions, including banks, post offices and mobile network operators are regarded as trustworthy across the subdistricts. As new G2P programmes and payment point options are developed, significant resources should be assigned to recruiting, vetting and training agents that can serve as trusted payment points. Additionally, these agents should be provided with support systems (for example, liquidity options and customer service centres) to ensure that programmatic issues do not unfairly taint local agents.

Technology training and familiarisation on new payment methods are more important than technology choice – The respondents surveyed were eager to use alternate channels for payment that would be closer to their homes and provide more operating hours. However, they were divided on whether an ATM card, bank card or mobile phone based payment method would be preferable. Despite the limited mobile network coverage in the subdistricts, many Papua and Papua Barat residents own mobile phones. There is a gender gap between men and women but it is not as significant as in other countries where branchless banking is currently being implemented.

The respondents favoured mobile phone payment methods for G2P payment disbursement in the urban areas (given the more stable mobile network coverage) and the use of ATM or smart cards in more rural subdistricts where electricity could support ATM machines and connectivity for EDC devices. The respondents saw the value in being able to use the cards to access payments more locally and outside of banking hours. In many of the groups surveyed, people commented on the need to return to a payment location multiple times as the payment point closed without serving all of those in the queue.

The use of card-based payment systems is increasing in Papua. BRI, Bank Mandiri, Bank Papua and the post office all offer ATM cards to their customers in Papua and Papua Barat. In addition, civil servants have received special cards, known as KPE cards, that can be used at ATMs and health centres now take card-based payments for the Social Security Administrative Body system.

Whatever technology option is selected, the recipients in the survey highlighted public awareness and training on the use of the payment system as essential steps to adoption. While they were receptive to using technology to improve the payment process, recipients recognised the change required. They

suggested that a public awareness programme would be needed at the outset as well as clear training and transparency on how the payment system works, including who would be responsible for any errors. In addition, different delivery methods can be used and would be accepted based on infrastructure and community differences. Collectively, these findings indicate that future programmes should devote sufficient resources to training beneficiaries on the new technology and local facilitators should be made available during initial payment cycles to assist beneficiaries with collection and other programme features.

Without liquidity nothing else matters – Despite an apparent readiness to take advantage of electronic payments, cash is still “king” in Papua and Papua Barat. Additionally, most G2P payment programme structures are designed to meet immediate consumption needs. Consequently, alternative payment channels (for example, agents) should plan on 100 percent cash out during the initial phases of a programme. To meet liquidity needs, accurate redemption forecasts and a plan to move cash to payment points is a prerequisite for a successful alternative channel strategy.

9. G2P Pilot Recommendations

Based on our analysis we recommend that the government plan to pilot the PKH and BSM payments in selected subdistricts in Papua and Papua Barat using a card-based system and agents equipped with EDC devices.

As an initial starting point we recommend that an early pilot could be conducted in the Skanto subdistrict (Keerom district). Beneficiaries in this subdistrict have moderate travel requirements to reach payment points and sufficient infrastructure (mobile network and power) to make alternative payment channels viable. As noted in Section 6 (the cost benefit analysis), using alternative channels has the greatest cost savings impact on beneficiaries who currently travel a moderate distance to payment points. Another practical pilot option is the Serong Selatan district which has similar geographic and infrastructural characteristics.

Pilot overview

The social welfare payment pilot is designed to reduce the financial burden of collecting G2P payments by establishing agent banking facilities closer to beneficiary villages and residences. Currently, many PKH and BSM recipients travel great distances and incur significant costs in order to collect their periodic social welfare payments. In some cases the costs of travel outweigh the monetary benefit of the payment and many G2P social welfare payments are never collected. Figures 14 and 15 in section 4 illustrate the existing payment collection process.

MoSA and MoEC seek to introduce a more convenient channel for the delivery of selected G2P payments in Papua and Papua Barat. After reviewing several options and assessing the viability of these options in the Papua and Papua Barat context, a system focusing on bank agents and based on a stored-value card system is proposed.

The pilot would be under the auspices of TNP2K with support from the Ministry of Social Affairs and the Ministry of Education and Culture. It would select a set of subdistricts and then identify, recruit and train PKH and BSM beneficiaries to have stored-value cards. The pilot would also identify viable bank agents and agent locations to support the programme. Each participant would be enrolled by an authorised programme representative (either from the ministry or from the payer institution) and would open a card account and be issued with their card and PIN. Training would be provided to participants as part of the registration process and reinforced through PKH facilitators. BSM programme participants would receive training through Ministry of Education and Culture representatives. Fees would be established on a per transaction basis. The sponsoring ministries would pay fees to the payment service provider through a negotiated contract. Agent locations would be compensated via a cash out fee that would be added to the beneficiary disbursement total. Figure 32 presents the proposed payment process.

Figure 32: Proposed electronic payment process

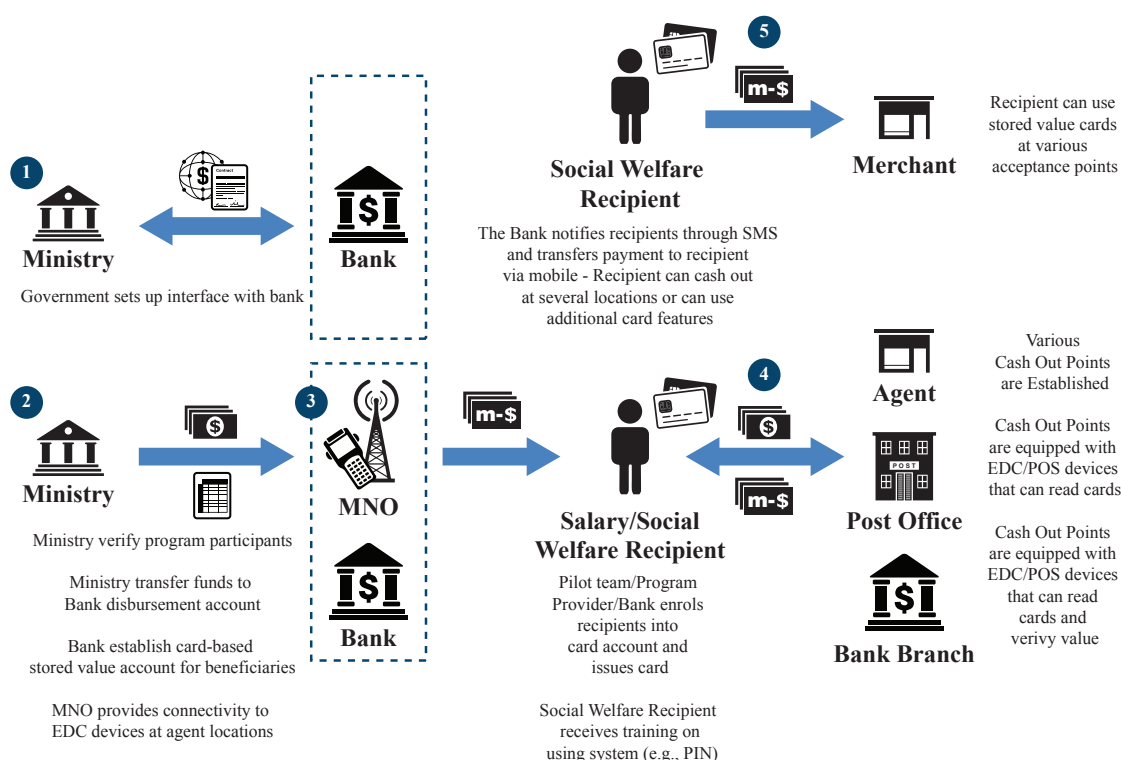


Table 8 provides additional details on the payment process to be used in the pilot.

Table 8: Pilot payment process

Activity	Key considerations
1. Beneficiary identification and registration	<ul style="list-style-type: none"> Ministry to identify participating PKH/BSM beneficiaries and assist payment service provider with registration Initial training should occur at registration
2. Agent banking/payment point identification and establishment	<ul style="list-style-type: none"> Once number and location of beneficiaries has been established TNP2K working with the ministries and selected payment service providers should identify and establish viable agent banking locations as new G2P payment points
3. Ministry disbursement account	<ul style="list-style-type: none"> Ministries should establish disbursement accounts with the selected payment service provider with agent payment points in the required subdistricts
4. Agreed upon payment authorisation process	<ul style="list-style-type: none"> Ministries should develop a payment authorisation process with the payment service providers Payment service providers should provide ministries with transaction records
5. Disbursement	<ul style="list-style-type: none"> Payment service provider should execute a bulk transaction based on an approved payment spreadsheet using the ministries' disbursement account Disbursement to individual beneficiaries should include an additional amount provided by ministries to cover the cost of cashing out with an agent Beneficiaries should receive an SMS confirmation that a payment has occurred
6. Agent-supported cash out	<ul style="list-style-type: none"> Agents should provide cash out services to PKH and BSM beneficiaries

A key element of the pilot would be to aggregate G2P transactions in specific subdistricts in order to improve the economics of establishing local agents. In addition to piloting both PKH and BSM payments in the same subdistrict, it is also recommended that civil servants in the designated region be given the option to receive salaries via a similar stored-value card. Additionally, health clinics and other health facilities in the area could become acceptance points for the cards, thus broadening their utility. The card should also allow for loading of value by individuals or other entities, thus making it a broader benefits card rather than a single use programme card.

Pilot details

The pilot would be conducted in selected regions in Papua and Papua Barat over a 12-month period. Table 9 summarises the key attributes of the pilot that should be determined during the pilot design phase.

Table 9: Pilot attributes

Attribute
Duration
Geographic area
Total population (target subdistricts)
Total population (target subdistricts)
Total pilot participants (PKH)
Total pilot participants (BSM)
Agents (cash-out points)
Average value per core* transaction PKH/BSM payment

*Core transaction includes only electronic payments to beneficiaries and does not include discretionary transactions (for example, health-care payments, merchant purchases)

Appendices

Appendix 1: Desk study district details

Table A1: Papua Payment Points

S. No	District	Banks	Bank Branches	ATMs	Post Offices
1	Merauke	Bank Papua, BRI, Mandiri	21	16	19
2	Jayawijaya	Bank Papua, BRI, Mandiri	3	8	1
3	Jayapura	Bank Papua, BRI	11	13	1
4	Nabire	Bank Papua, BRI, Mandiri	10	11	13
5	Kep. Yapen	Bank Papua, BRI, Mandiri	7	9	1
6	Biak Numfor	Bank Papua, BRI, Mandiri	8	13	11
7	Paniai	Bank Papua	3	4	1
8	Puncak Jaya	Bank Papua	1	3	1
9	Mimika	Bank Papua, BRI, Mandiri	18	33	3
10	Boven Digoel	Bank Papua	1	2	2
11	Mappi	Bank Papua	2	2	2
12	Asmat	Bank Papua	2	5	1
13	Yahukimo	Bank Papua	1	2	0
14	Pegunungan Bintang	Bank Papua	1	3	0
15	Tolikara	Bank Papua	1	1	0
16	Sarmi	Bank Papua, Mandiri	2	3	1
17	Keerom	Bank Papua, BRI, Mandiri	4	2	1
18	Waropen	Bank Papua	2	1	1
19	Supiori	Bank Papua	3	2	0
20	Mamberamo Raya	Bank Papua	1	1	0
21	Nduga	Bank Papua	1	0	0
22	Lanny Jaya	Bank Papua	1	0	0
23	Mamberamo Tengah	Bank Papua	1	0	0
24	Yalimo	Bank Papua	1	0	0
25	Puncak	Bank Papua	1	0	0
26	Dogiyai	Bank Papua	1	0	1
27	Intan Jaya	Bank Papua	0	0	0
28	Deiyai	Bank Papua	1	1	0
29	Kota Jayapura	Bank Papua, BRI, Mandiri	31	93	20

Indicates districts visited by the team and indicates detailed information available from FGD and in-depth interviews

Note 1: Bank information was taken from Bank websites (Bank Papua: bankpapua.com, Bank Mandiri: bankmandiri.co.id, Bank BRI: bri.co.id)

Note 2: ATM information also taken from Bank websites

Note 3: Post Office branch locations was taken from PT Pos Indonesia website (posindonesia.co.id)

Table A2: West Papua payment points

S. No	District	Banks	Bank Branches	ATMs	Post Offices
1	Fakfak	Bank Papua, BRI, Mandiri	9	9	1
2	Kaimana	Bank Papua, BRI, Mandiri	8	8	1
3	Teluk Wondama	Bank Papua	1	1	1
4	Teluk Bintuni	Bank Papua, BRI, Mandiri	7	4	2
5	Manokwari	Bank Papua, BRI, Mandiri	16	25	6
6	Sorong Selatan	Bank Papua, BRI, Mandiri	10	8	3
7	Sorong	Bank Papua, BRI	6	3	1
8	Raja Ampat	Bank Papua	6	3	1
9	Tambrau	Bank Papua	1	0	0
10	Maybrat	Bank Papua	1	0	0
11	Kota Sorong	Bank Papua, BRI, Mandiri	12	26	1

Indicates districts visited by the team and indicates detailed information available from FGD and in-depth interviews

Note 1: Bank information was taken from Bank websites (Bank Papua: bankpapua.com, Bank Mandiri: bankmandiri.co.id, Bank BRI: bri.co.id)

Note 2: ATM information also taken from Bank websites

Note 3: Post Office branch locations was taken from PT Pos Indonesia website (posindonesia.co.id)

Table A3: Accessibility (Biak)

Particulars	Biak		
	Biak City	Biak Barat	Samofa
Location	Biak City	Biak Barat	Samofa
Sub District	Biak	Biak Barat	Samofa
District	Biak	Biak	Biak
Province	Papua	Papua	Papua
Accessibility by (Road/Water/Air)	District HQ	Road	Road
Distance from district	District HQ	50 Km	25 Km
Distance from Sub-district	District HQ	Sub-district HQ	Sub-district HQ
Time required for travel (One way)	District HQ	1.5 Hour	30 Minutes
Name of MNO	Telkomsel	Telkomsel	Telkomsel
Quality of network (Good, Bad, No)	Good	Bad	Bad
Presence of airtime sellers	Yes	Yes	Yes
Mobile penetration	Yes	Yes	Yes
Eelectricity	24 Hour	24 Hour	24 Hour
Presence of gas station (Yes, Irregular, No)	Yes	No	No
Presence of grocery shop	Yes	Yes	Yes
Public transport	Yes	Yes	Yes
Presence of banks (BRI, Bank Papua including outlets)	Yes	No	Yes
Presence of Post Office (including sub-district)	Yes	No	No
Presence of Health centre	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes
Presence of Cooperative/MFI	Yes	No	No
Presence of NGOs	Yes	No	No

Table A4: Accessibility (Keerom)

Particulars	Keerom		
	Arso	Skanto	Arso -3
Location	Arso	Skanto	Arso -3
Sub District	Keerom	Skanto	Skanto
District	Keerom	Keerom	Keerom
Province	Papua	Papua	Papua
Accessibility by (Road/Water/Air)	Road	Road	Road
Distance from district	District HQ	30 Km	30 Km
Distance from Sub-district	District HQ	Sub-district HQ	3 Km
Time required for travel (One way)	District HQ	45 Minutes	1 Hour
Name of MNO	Telkomsel	Telkomsel	Telkomsel
Quality of network (Good, Bad, No)	Good	Bad	Bad
Presence of airtime sellers	Yes	Yes	Yes
Mobile penetration	Yes	Yes	Yes
Eelectricity	Frequent Failure	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Yes	Irregular	No
Presence of grocery shop	Yes	Yes	Yes
Public transport	No	No	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	Yes	Yes
Presence of Post Office (including sub-district)	Yes	No	No
Presence of Health centre	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes
Presence of Cooperative/MFI	No	No	No
Presence of NGOs	No	No	No

Table A5: Accessibility (Jayapura)

Particulars	Jayapura			
	Jayapura	Alepura	Jayapura Selatan	Jayapura Utara
Location	Jayapura	Alepura	Jayapura Selatan	Jayapura Utara
Sub District	Jayapura	Alepura	Jayapura Selatan	Jayapura Utara
District	Kota Jayapura	Kab. Jayapura	Kota Jayapura	Kota Jayapura
Province	Papua	Papua	Papua	Papua
Accessibility by (Road/Water/Air)	District HQ	Road	Road	Road
Distance from district	District HQ	30 Km	10 Km	10 Km
Distance from Sub-district	District HQ	District HQ	Sub-district HQ	Sub-district HQ
Time required for travel (One way)	District HQ	45 Minutes	20 minutes	20 Minutes
Name of MNO	Telkomsel, Indosat	Telkomsel	Telkomsel	Telkomsel, Indosat
Quality of network (Good, Bad, No)	Good	Good	Bad	Bad
Presence of airtime sellers	Yes	Yes	Yes	Yes
Mobile penetration	Yes	Yes	Yes	Yes
Electricity	24 hours	Avg. 18 Hours	Avg. 18 Hours	Avg. 18 Hours
Presence of gas station (Yes, Irregular, No)	Yes	Yes	Yes	Yes
Presence of grocery shop	Yes	Yes	Yes	Yes
Public transport	Yes	No	No	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	Yes	Yes	Yes
Presence of Post Office (including sub-district)	Yes	Yes	Yes	No
Presence of Health centre	Yes	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes	Yes
Presence of Cooperative/MFI	Yes	Yes	Yes	Yes
Presence of NGOs	Yes	No	No	No

Table A6: Accessibility (Manokwari)

Particulars	Manokwari			
	Manokwari	Manokwari Barat	Masni	Village- Masni
Location	Manokwari	Manokwari Barat	Masni	Village- Masni
Sub District	Manokwari	Manokwari Barat	Masni	Masni
District	Manokwari	Manokwari	Manokwari	Manokwari
Province	West Papua	West Papua	West Papua	West Papua
Accessibility by (Road/Water/Air)	District HQ	Road	Road	Road
Distance from district	District HQ	5 Km	100 Km	120 Km
Distance from Sub-district	District HQ	Sub-District HQ	Sub-District HQ	20 Km
Time required for travel (One way)	District HQ	10 Minutes	2 Hours	30 Minutes from Masni HQ
Name of MNO	Telkomsel	Telkomsel	Telkomsel	Telkomsel
Quality of network (Good, Bad, No)	Good	Bad	Bad	Bad
Presence of airtime sellers	Yes	Yes	Yes	No
Mobile penetration	Yes	Yes	Yes	Yes
Electricity	Avg. 18 Hours	Frequent Failure	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Yes	Yes	No	No
Presence of grocery shop	Yes	Yes	Yes	Yes
Public transport	Yes	No	No	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	No	No	No
Presence of Post Office (including sub-Branch)	Yes	Yes	Yes	No
Presence of Health Centre	Yes	Yes	Yes	Yes
Presence of School	Yes	Yes	Yes	Yes
Presence of Religious Institute	Yes	Yes	Yes	Yes
Presence of Cooperative/MFI	Yes	Yes	No	No
Presence of NGOs	Yes	Yes	No	No

Table A7: Accessibility (Kaimana)

Particulars	Karimana	
Location	Karimana	Kembraw
Sub District	Karimana	Kembraw
District	Karimana	Kaimana
Province	West Papua	West Papua
Accessibility by (Road/Water/Air)	District HQ	Water
Distance from district	District HQ	50 Km
Distance from Sub-district	District HQ	Sub-District HQ
Time required for travel (One way)	District HQ	2 Hours
Name of MNO	Telkomsel	No
Quality of network (Good, Bad, No)	Bad	No
Presence of airtime sellers	Yes	No
Mobile penetration	Yes	No
Electricity	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Yes	No
Presence of grocery shop	Yes	Yes
Public transport	Yes	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	No
Presence of Post Office (including sub-district)	Yes	No
Presence of Health centre	Yes	Yes
Presence of School	Yes	Yes
Presence of Religious Institute	Yes	Yes
Presence of Cooperative/MFI	Yes	No
Presence of NGOs	Yes	No

Table A8: Accessibility (Sorong Selatan)

Particulars	Sorong Selatan	
	Teminabuan	Sawiyat
Location	Teminabuan	Sawiyat
Sub District	Sorong Selatan	Sorong Selatan
District	Sorong Selatan	Sorong Selatan
Province	West Papua	West Papua
Accessibility by (Road/Water/Air)	Road	Road
Distance from district	District HQ	50 Km
Distance from Sub-district	District HQ	50 Km
Time required for travel (One way)	District HQ	1:30 Hours
Name of MNO	Telkomsel	No
Quality of network (Good, Bad, No)	Bad	No
Presence of airtime sellers	Yes	No
Mobile penetration	Yes	No
Eelectricity	Frequent Failure	Frequent Failure
Presence of gas station (Yes, Irregular, No)	Irregular	No
Presence of grocery shop	Yes	Yes
Public transport	No	No
Presence of banks (BRI, Bank Papua including outlets)	Yes	No
Presence of Post Office (including sub-Branch)	Yes	No
Presence of Health Centre	Yes	Yes
Presence of School	Yes	Yes
Presence of Religious Institute	Yes	Yes
Presence of Cooperative/MFI	No	No
Presence of NGOs	No	No

Table A9: Existing payment streams

Scheme/Payment Stream	Payment Frequency	Payment Channel
BSM- MOEC		
BSM-Elementary School	Half Yearly	Bank Papua
BSM-Junior High School	Half Yearly	Bank Papua
BSM-Senior High School	Half Yearly	Bank Papua
BSM- MORA		
BSM-Elementary School	Half Yearly	BRI
BSM-Junior High School	Half Yearly	BRI
BSM-Senior High School	Half Yearly	BRI
PKH-Fixed cash transfer	Quarterly	PT PoS
Variable transfer for each beneficiary:		
Child up to 5 years old	Quarterly	PT PoS
Pregnant or lactating mother	Quarterly	PT PoS
Children of elementary-school	Quarterly	PT PoS
Children of junior-high-school	Quarterly	PT PoS
PKH Facilitator	Monthly	PT PoS
Teachers	Monthly	Bank Papua, BRI, <i>Dinas Pendidikan Kabupaten</i>
Health Workers	Monthly	Bank Papua,
Public Servant	Monthly	Bank Papua, BRI, PT PoS
Other G2P Schemes	Monthly	Bank Papua, BRI, Bank Mandiri, PT PoS

Appendix 2: Focus group discussions and in-depth interviews: composition and locations

District/Sub	Category	Interviews with Existing Channels					Interviews with Potential Channels					Program Clients-FGD				Payer Interviews		
		Bank Papua	Bank BRI	Bank Mandiri	Post Office	School	Air Time Resellers	Religious	Cooperative	Community	Health Center	Other	NGO	PKH	BSM	Other G2P Payments	PKH	BSM
Jayapura		X	X		X												PKH Coordinator (2)	
Jayapura Selatan	Easy/Urban				X		X	X		X	Telkomsel	X					PKH Facil	
Jayapura Utara	Easy/Urban										Gas Station		3				BSM, BLT, PNPM/RESPEK program, BOS/DAK	
Biak		X	X		X													MOEC (2)
Biak Kota	Easy/Urban					X								4			RESPEK, BLSM, BOS, Salaries	
Biak Barat	Remote													2			RESPEK, BLSM, BOS, Salaries	
Samofa	Med/Semi Urban													2			PNPM/RESPEK, BLSM, BOS/DAK	
Keerom																		MORA
Skanto	Remote						X	X		X	Midwives & School			2			BLT/BOS	Madrasah-BSM/Coordinator
Arso Kota	Med/Semi Urban													2			PNPM/RESPEK, BLSM, BLT, BOS/DAK	MOEC

District/Sub	Category	Interviews with Existing Channels				Interviews with Potential Channels				Program Clients-FGD				Payer Interviews				
		Bank Papua	Bank BRI	Bank Mandiri	Post Office	School	Air Time Resellers	Religious	Cooperative	Community	Health Center	Other	NGO	PKH	BSM	Other G2P Payments	PKH	BSM
Manokwari																		
Manokwari Barat	Easy/Urban	X					X			X	Electric Shop	X	3	2	BSM, BLT, PNPM/RESPEK, BOS/DAK			MOEC
Masmi	Remote		X					X					1	1	Strong BLT, PNPM/RESPEK, BOS/DAK			
Sorong Selatan																		
Sawiyat	Remote									X					Salaries, PNPM/RESPEK, BOS/DAK			
Teminabuan																		
	Med/Semi-Urban	X	X				X							2				
Kaimana																		
Kambaw	Remote														Mainly BLT No BSM/PKH			
Kaimana	Med/Semi-Urban	X	X		X		X	X	X	X				2				
Jakarta																		
																	Min. Soc. Affairs	TNP2K, Cluster 3

Appendix 3: Focus group discussions and in-depth interviews: question sets

Beneficiaries

Focus Group Discussion Guidelines Instructions for moderator and note taker
Focus Group Composition: Respondents in focus group are male/female recipients in a household receiving G2P payments (e.g. PKH, BSM, JSPACA, JSLU, Civil Service Salary)
Research objectives: <ol style="list-style-type: none">1. Understand participant attitudes toward current payment methodology including issues of convenience, cost, security and trust2. Understand participant attitudes toward potential alternative payment mechanisms including issues of convenience, cost, security and trust3. Identify and probe relevant differences in participant responses based on gender as they relate to managing household finances
Key considerations: <ul style="list-style-type: none">• Ensure that participant information is tied to specific G2P payment streams• Focus groups have been divided by gender; specific questions have been designed to allow for comparison between male and female viewpoints• Encourage participation among attendees without leading toward a specific outcome• Actively probe general statements in order to obtain more detailed and accurate information
Working hypotheses: <ol style="list-style-type: none">1. Recipients are comfortable with existing G2P disbursement processes and methods; therefore, they are more likely to resist new alternatives, especially those that involve technology (handsets or cards)2. Recipients of “high touch” G2P programmes, like PKH, that use facilitators will be more willing and interested in adopting alternative disbursement channels3. Recipients do not view travel distances and time associated with G2P disbursement collection as inconvenient4. Within households, the male controls access to money5. Within households, there are shared responsibilities re: payments/purchases involving men and women6. Formal education levels are not a barrier to the comprehension and adoption of alternative disbursement methods7. Recipients perceive the government’s role positively and their participation in the programme as a valuable thing8. Recipients do not always use G2P disbursements for immediate consumption

Focus Group Discussion Guidelines Instructions to the participants

Moderator:

- Thank you for coming to this discussion
- My name is ... and my colleague's name is ... We are from MicroSave and are working with OpenRevolution and NetHope on an Australian funded project under the auspices of TNP2K.
- The purpose of our discussion is to understand your experiences with G2P payments. Specifically, we would like to better understand how each of you physically collects these payments, the steps involved, the amount of time it takes, your method of transportation, etc.
- Your opinion and views will be very helpful to us and will provide an understanding of the strengths and weaknesses of the current payment delivery method. Your views will also help inform the development of future payment mechanisms.
- Your thoughts and ideas are important to us. There are no right or wrong answers to our questions. Please feel free to express all of your ideas and opinions.
- Any information that you provide will be considered private and confidential and will be used only for this research. Your name will not be used in any reports. Your answers will be grouped with the answers of other participants and only your district or subdistrict may be identified.
- You are encouraged to participate in the discussion as much as possible. Your participation is voluntary. If you are not comfortable with a question, you may choose not to answer it. You may leave the discussion without penalty. You are free to ask questions at any time. At the end of the discussion, you will receive a small gift and some refreshments.
- During the discussion we would like to use a recording device to facilitate note taking and to better capture what is being said. Members of the study team will only hear the recording.
- During the discussion, the research team would like to take photographs of you for use in our report. Your name will not be used with any photos without your permission.
- Before we start, do you have any questions?
- During the discussion, please speak one at a time so that everyone can hear what is being said.
- If anyone has a mobile device, please turn it off

Beneficiary Details	
General Questions	Response
Name	
Gender	
Age	
Marital status (Single, married, divorced, widowed)	
Mother tongue [language spoken in the home]	
If one parent speaks another language, which one?	
Primary means of earning income	
If beneficiary does not work, how does head of the family earn income?	
What is monthly income from these activities?	
Government support schemes enrolled in (e.g. PKH) (List all)	
Benefit amount received	
Frequency of payment	
Present payment location	
Type of institution – payment location	
Highest education level reached	
Literacy (read, write, count money) [To be completed by MicroSave staff]	
Do you have a mobile phone? (owns, someone else in the house owns but use)	Yes __ No __ Shared __
Which of the following have you used a phone for? <ul style="list-style-type: none"> • Make calls • Receive calls • Send texts • Receive texts • Check airtime balance • Load airtime via scratch card • Transfer airtime to family member or friend • Receive airtime from family member of friend 	Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No Yes / No
Do you have or have you ever had a bank account?	Yes, currently have ___ Yes, had an account ___ No, never
Did you open the account for personal or business use?	Personal Business Both
What do you or did you use your account for?	Generally a safe place to keep money Save for a specific reason (e.g. children's tuition, purchase more stock for business) No real reason, just opened one
Does this attendee have a disability? [To be completed by MicroSave staff]	Physical disability Chronic Illness

Group Discussion Guide	
Framing Questions	Probes
Basic access, infrastructure & collection experience	
We would like to begin by better understanding where certain things are (e.g. a post office) relative to where you live or work and your experiences collecting government payments.	
What are the costs involved in collecting benefit payments?	<ol style="list-style-type: none"> 1. Where do people typically gather in your town or village? 2. Where do you collect your payment (i.e. withdrawal point)? 3. How long does it take you to get there on foot? 4. If there is a paved road near your town/village, how long does it take you to reach it on foot? 5. Excluding your time, what is the cost of reaching the payment point? 6. To receive your government payment, what do you do? 7. How does the household decide who collects the payments? 8. On a scale of 1 to 3 with 1 = good and 3 = bad, how would you rate your experience collecting these payments? 9. Describe your experience waiting at the payment point to receive your payment. 10. If you could change one thing about how you collect these payments, what would you change?
Is this an isolated activity or is it integrated into other household activities?	<ol style="list-style-type: none"> 1. On days that you collect these payments, what else do you typically do? 2. Are these things you do regularly or are they specific to the days you collect payments? 3. How is the payment used in your household? 4. How does the household decide what to use the payment for?
Family finances/formal & informal financial services	
Next, we would like to know whether you have ever visited and used places like a bank or a post office, what your experiences there are like; how your families earn money and how that money is kept and spent; as well as whether you borrow money for emergencies or other reasons.	
How do respondents access and use formal and informal financial services?	<ol style="list-style-type: none"> 1. If you have ever visited a bank branch, what do you go there for? 2. How would you rate your experience going to a bank branch? 3. If you have never visited a bank branch, what do your family, friends or people in your village say about using banks? 4. If you have ever visited a post office branch instead of a bank to access an account to receive or deposit money, on a scale of 1 to 3 with 1 = good and 3 = bad, how would you rate that experience? 5. If you have never visited a post office branch, what do your family, friends or people in your village say about using the post office? 6. When you need to borrow money and you do not go to a bank to apply for a loan, who do you borrow from? 7. On a scale of 1 to 3 with 1 = good and 3 = bad, how would you rate your experiences borrowing money from these other sources? 8. What have been your experiences using a formal money transfer service? 9. If you have never visited a money transfer outlet, what do your family, friends or people in your village say about using them?

Group Discussion Guide	
Framing Questions	Probes
Basic access, infrastructure & collection experience	
How do respondents' households manage money?	<ol style="list-style-type: none"> 1. How do you and your family members earn money? 2. Who in the family keeps the cash? 3. Who in the family pays for household expenses such as food and other supplies? 4. What are your other major expenses and who is responsible for paying them? 5. When the family wants to put money aside for a wedding, funeral, etc. how is that money saved? 6. If the family needs money in an emergency, what do you do?
Risks & challenges associated with collecting government payments	
Now, we invite you to tell us some more about your experiences collecting government payments; and what you do if you have questions or concerns before, during or after collection.	
What are the challenges faced in collecting payments? Are there communication/info gaps, physical risks, other challenges facing recipients?	<ol style="list-style-type: none"> 1. If you have a question or concern about the date or location for your collection, what do you do? 2. What is the reputation of the payment location? 3. Who is responsible for distributing the payments at your location? What is the standing of these people in your communities? 4. How do people who cannot read or write collect their payments? 5. How do people with disabilities collect their payments? 6. If you have a question or a concern after you receive the payment, what do you do? 7. After you leave the payment location, what happens? 8. What happens when you arrive home with your payment?
Alternate payment channels	
Typically, when people need to buy or sell goods and services they will visit different locations depending on what they need. We would like to know more about the various locations you visit and how you rate the quality of service you receive in these places. Also, cash is the most common way to make or receive payments. However, there are other ways that payments can be made. We would like to know more about whether you have ever made payments without using cash and what your experiences were.	
Would an alternative location for payment collection suit respondents and why? Are issues of proximity, privacy, or security more important than others?	<ol style="list-style-type: none"> 1. Who do you trust most in your community outside of your family members and close friends, and why? 2. How would you describe the reputations of local vendors and merchants in your town/village? 3. Which vendors or merchants do you interact with most frequently? 4. Outside of your home, what other locations make you feel safe and why? 5. Would you be willing to collect your payment from an alternative location? If so, why? If no, why not? 6. What qualities or features would be most important to you in this alternative location? 7. If you could select an alternative location to collect your payment, which location would you select and why? 8. Would you be willing to pay a transaction fee for a more convenient payout location or payout method?

Group Discussion Guide

Framing Questions	Probes
Basic access, infrastructure & collection experience	
Are respondents aware of non-cash based payment alternatives? Are such alternatives understood or used by them?	<ol style="list-style-type: none">1. If you have ever used a plastic bank card to withdraw money from an ATM or make purchases from a merchant, how would you describe the experience?2. If you have never used such a card but you have seen or heard of them, what do you know about them?3. Have you ever thought about using one of these cards? If so, why? If no, why not?4. If you have ever received airtime on your phone from a family member or friend but you did not have money of your own, how would you describe the experience?5. If you have never received airtime on your phone, is this something you think you could understand how to do? If so, why? If no, why not?6. If there was a service that could send your government payment to you the way a family member or friend could send you airtime, would such a service be of interest to you? If so, why? If no, why not?7. If you were given the choice of collecting your government payment with cash, a plastic card or your mobile phone, which would you choose and why?

In-depth Interview Guidelines Instructions for interviewer

Interviewees:

Members of government (federal, provincial, or district) responsible for the management, execution, or oversight of various G2P payment schemes (salary disbursement, social welfare, etc.)

Research objectives:

4. Understand key priorities and concerns associated with the implementation and expansion of a particular G2P payment scheme.
5. Collect feedback from government personnel regarding the performance of current G2P service providers, with an emphasis on issues of cost, efficiency, transparency and reliability.
6. Develop a composite profile of an “ideal” service provider based on the preferences of government personnel.
7. Clarify growth projections and capture government personnel preferences regarding payment channels (bank, post office, MFI, authorised retail outlets) and methods (cash, plastic card, mobile phone).

Key considerations:

- Ensure that information collected is relevant to the G2P payment stream the interviewee is affiliated with or manages.
- Depending on the role and duties of the interviewee, questions can be modified slightly to emphasise strategic, operational, or managerial considerations based on his/her position to avoid questions that the interviewee is not qualified to answer.
- Obtain basic understanding of payment process flow and approvals.

Working hypotheses:

9. In general, the government wants more efficient and cost effective G2P payments services.
10. The government seeks to diversify the type of G2P payment schemes it manages
11. The government is agnostic regarding the type of G2P service provider, payment channel, or payment method
12. Specific priorities vary by ministry or department, which creates a competitive rather than complementary dynamic that complicates the procurement and management process.
13. The government’s most preferred quality in a G2P payments provider is reliability, which favours existing over potential service providers.

Interview Guidelines Background/Context for interviewee

Interviewer:

- Thank you for making time to meet with me in person.
- My name is ... I am from ... and am working with OpenRevolution, NetHope, and Microsave on an Australian funded project under the auspices of TNP2K.
- The purpose of our meeting is to understand your role and responsibilities managing a specific government-to-person (or G2P) payment scheme or schemes.
- Specifically, we would like to better understand your experiences to date working with various service providers, your opinions regarding potential alternative payments channels and methods, as well as any preferences or priorities you may have regarding the growth and expansion of this payment scheme or schemes.
- Your opinion and views will allow us to better understand the strengths and weaknesses of current payment delivery channels and methods. They will also help inform observations and recommendations regarding the development of future payment scheme mechanisms.
- Before we start, do you have any questions?

Respondent Detail	
General Questions	Response
Name	
Institution	
Designation	
Administrative level (HO, RO, branch, etc.)	
Name of payments schemes handled (list all)	
Approximate number of beneficiaries in the total programme (s)	
Approximate number of beneficiaries in the target districts	
Frequency of payments	
Average value of individual payment	

Interview Guide

Baseline Question Set

1. What are the key objectives of this particular G2P payments scheme or schemes, particularly as they relate to individual recipients and the intended use of these funds?
2. In your opinion, what are the ideal attributes of a G2P payments scheme (e.g. cost, speed, transparency, reliability, scale potential)?
3. How would you characterise your experiences to date interacting with current G2P payments providers? What is working well? What would you like to see improved?
4. What are your growth projections and priorities for the G2P payments schemes with which you are involved?

Core Questions

Probes

Existing payment scheme processes

What are the existing payment systems that are used to transfer G2P payments? What are the associated costs, programme requirements, process steps, and oversight procedures?

11. What are the existing payment delivery channels in the targeted districts (e.g. banks, post offices, MNOs, cooperatives, other authorised intermediaries, etc.)?
12. What G2P payments schemes are carried out by these channels?
13. What are the specific processes or administrative steps that you and your department/office are responsible for?
14. What approvals are required before the procured G2P service provider can initiate the payments process?
15. What does the service provider charge to implement these payments schemes?
16. Does the government incur any additional costs? What are the factors that contribute to these additional costs?
17. When is the provider compensated for services rendered? At what intervals and in what amounts?
18. Is the contract multi-year or for a single payment cycle?
19. Does each payments scheme receive an authorised budget specifying the amount of funds available for disbursement? Is this budget fully spent each payment cycle?
20. If the budget is under-spent in a payment cycle, what happens to the additional funds?

Risks and challenges

How does the government approach and manage risks associated with G2P payments schemes?

10. What are the reporting requirements for G2P service providers? How are these reports submitted and how often?
11. Which risks does the government track most closely? What monitoring procedures and processes exist to mitigate these risks?
12. Is there a team or individual responsible for monitoring G2P payments schemes and engaging procured service providers to address issues of concern? How is this team staffed?
13. What information does the team rely upon to exercise its monitoring and oversight duties?
14. What IT systems and processes are used in reporting, monitoring, and oversight activities?
15. Do you feel that the government has access to the necessary information it needs to supervise these payments schemes? If no, what additional information would be useful?
16. What are the mechanisms for beneficiaries to voice questions, concerns, or complaints regarding G2P payments?

Interview Guide

Baseline Question Set

Potential alternative delivery channels & methods

What other delivery channels are available and how they can start G2P payments?

9. Has the government considered alternatives to existing G2P service providers? If yes, which ones and why? If no, why not?
10. Has the government considered alternatives to a cash-based payment method such as wire transfer direct to bank account, pre-paid debit card not linked to formal bank account, transfer to e-wallet account on mobile device?
11. When comparing these methods, what do you see as the relative strengths and weaknesses associated with each?
12. Are there known regulatory constraints which would limit the viability of these alternative channels or methods? If yes, what are they?

Existing provider

In-depth Interview Guidelines Instructions for interviewer

Interviewees:

Members of an existing service provider responsible for the management, execution, or oversight of various G2P payment schemes (salary disbursement, social welfare, etc.)

Research objectives:

8. Understand why these organisations decided to enter the G2P payments space
9. Collect details regarding how they provide these services, looking at questions of implementation, management, and oversight
10. Clarify specific cost drivers for providing these services
11. Determine whether service providers possess the resources (capital, personnel, infrastructure, and technology) necessary to effectively manage the G2P payment scheme contracts they currently possess
12. Gauge the appetite for growing this particular type of service offering and how G2P payment schemes fit within the broader strategic visions of existing providers

Key considerations:

- Ensure that information collected is relevant to the G2P payment stream or streams that the interviewee's organisation is directly responsible for providing.
- Depending on the role and duties of the interviewee, questions can be modified slightly based on his/her position to avoid questions that the interviewee is not qualified to answer.
- For questions that touch on higher level topics (business strategy, growth plans, etc.), if the interviewee is not in a position to respond to these questions, request the name and contact information for those who are in a position to respond.

Working hypotheses:

14. Overall, interest in providing G2P payments services is low among existing providers given that the market segments served are not seen as commercially profitable beyond the delivery of payments.
15. Existing service providers do not prioritise G2P payments services as a core revenue stream.
16. Existing service providers lack the necessary network and infrastructure to aggressively scale its G2P payments service.
17. Existing service providers do not have adequate processing capabilities (trained personnel and technology) to process multiple G2P payment schemes at scale.
18. Existing service providers possess adequate policies and procedures to address and mitigate against implementation fraud and other risks at the current size and scope of existing G2P payments

Interview Guidelines Background/context for interviewees

Interviewer:

- Thank you for making time to meet with me in person.
- My name is ... I am from ... and am working with OpenRevolution, NetHope, and Microsave on an Australian funded project under the auspices of TNP2K.
- The purpose of our meeting is to understand how your organisation provides government-to-person (or G2P) payments services and your specific role and responsibilities as they relate to this service offering.
- Specifically, we would like to better understand your experiences to date providing this type of service, your opinions regarding potential service delivery alternatives, as well as any preferences or priorities you may have regarding the growth and expansion of this particular service offering within your organisation.
- Your opinion and views will allow us to better understand the current opportunities and challenges associated with delivering these types of services. They will also help inform observations and recommendations regarding the development of future G2P payment schemes.
- Before we start, do you have any questions?

Interview Guide

Baseline question set

5. What is your organisation's core business offering?
6. What growth strategies or areas has your leadership identified over the next 3–5 years?
7. What is your organisation's approach to the adoption and implementation of new technology? To what extent is it prioritised by senior leadership?
8. How would you characterise your experiences to date providing G2P payments services and your interaction with relevant government departments?
9. What is working well? What could be improved?

Core questions

Probes

G2P payments service system & network/Incentives for providing service

<p>What is the existing payment process under different schemes?</p>	<ol style="list-style-type: none"> 21. What is the account opening/registration process for a beneficiary to enter the programme? 22. If applicable, are there any documentation, minimum balance requirements and/or charges as part of the registration or transaction process? 23. How do funds flow from your organisation to the beneficiary with respect to each scheme managed? Which departments and personnel are involved? Who authorises? Who conducts oversight? 24. How is cash management done to ensure adequate liquidity at payment locations (e.g., branches, intermediaries, post offices)? 25. How are beneficiaries notified that a payment is available? 26. How do beneficiaries receive payment? Cash distributed against an authorised list, pre-paid plastic card not linked to a formal account, direct wire transfer to existing account, other? 27. What mechanisms do beneficiaries have to raise questions or concerns related to the programme generally or the payments process? 28. What systems and processes are used to record movement of funds until it reaches the beneficiary (e.g. Head Office to regional offices, regional to district offices, district to beneficiary)?
<p>What is the contractual arrangement between your organisation and the G2P sponsor?</p>	<ol style="list-style-type: none"> 1. Do you have a contract to provide payment services? With whom is the contract signed? 2. Is the contract multi-year or for a single payment cycle? 3. Is your organisation paid on a per beneficiary/per transaction basis or by another mechanism? 4. What is the fee charged by your organisation? 5. What is the approximate value of the entire contract? 6. What additional services (e.g., dashboard, reports) does the contract require in addition to funds disbursement?
<p>What is the presence and reach of the channel in the geography?</p>	<ol style="list-style-type: none"> 1. What is the existing infrastructure presence of your organisation at the district, sub district or village level? Specifically, how many branches/ payment points does your organisation have in the target geographies? [<i>Note: If available, geo-coded information is desirable</i>] 2. Are there sufficient staff resources to support G2P payments? 3. Do you have staff dedicated to this activity? How many? 4. Is there a dedicated G2P Payments Project Team at the Head Office that coordinates these activities? Specifically, who is on that team and who does it report to? 5. At any stage in the payments process, do you contract a 3rd party to provide additional support? Which third parties? 6. What is their role, how many of their staff is involved and what does it cost to contract these parties?

Interview Guide

What is the motivation or compelling factor to serve the beneficiaries?

5. What is the primary motivation for your organisation to pursue and provide these services? (e.g. additional revenue stream, social service, social service with profit potential, market expansion, marketing, regulatory mandate)?
6. How do you see the G2P payments as a stand-alone service in terms of viability, sustainability, and corporate social responsibility?
7. Do G2P payments support other strategic commercial objectives (e.g. attracting new customers)?
8. Are G2P payments services profitable to your organisation net of all costs (including the contracting of intermediaries)?

Risks and challenges

What are the challenges faced in the physical distribution of G2P payments?

17. What physical and other constraints exist in terms of electricity, telecommunications network, and roads?
18. How are these constraints managed currently? How do they impact your operations?
19. Do formal education levels (e.g. literacy) affect service provision (e.g. disbursement delays due to inability to fill withdrawal slip etc.)?
20. What challenges have you observed or heard of regarding the registration or transaction process (e.g. beneficiary cannot produce necessary KYC, loses PIN or password, excessive wait times, misinformation regarding timing or location of disbursements)?
21. Is your organisation's network able to accommodate current transaction volumes in each district where payments are scheduled? If no, what is restricting processing capacity?

What are the risks associated with managing G2P payments services?

7. What major risks do you face when managing these payments (e.g. fraud, misappropriation of funds, corruption, robbery, abuse by intermediary, etc.)?
8. What are the existing risk mitigating measures present in the system? Are there formalised policies and procedures in place for staff and management to follow?
9. Are there additional mitigation measures under consideration or desired?
10. What client protection issues have emerged in your experience (e.g. sharing of personal sensitive information)?
11. What IT systems are being used to track and evaluate the G2P payment disbursement process?

Interview Guide

Opportunities for expansion

Is your organisation interested in growing its G2P payments service? Assuming your organisation wishes to expand, what additional skills and resources would you need?

13. Would you like to expand your G2P payment services to additional geographies? If so, why? If not, why not?
14. Would you like to expand your G2P payment services to additional programmes? If so, why? If no, why not?
15. Does your organisation view the market segments served by these schemes as attractive potential clients? If yes, why? If no, why not?
16. What additional infrastructure, personnel or other resources would be needed to expand geographically and increase the volume of payments process (e.g. branches, personnel, technology systems and hardware, agents, extended MIS, etc.)?
17. What training and human resource support will be required?
18. Would your organisation require any regulatory reform to expand?
19. What challenges and risks do you see while expanding your network?
20. Has your organisation considered alternatives to a cash-based payment method such as wire transfer direct to bank account, pre-paid debit card not linked to formal bank account, transfer to e-wallet account on mobile device?
21. When comparing these methods, what do you see as the relative strengths and weaknesses associated with each?

Potential Payment Providers

In-depth Interview Guidelines Instructions for interviewer
<p>Interviewees: Members of a potential G2P payments service provider who would be responsible for the management, execution or oversight of such services.</p>
<p>Research objectives:</p> <ol style="list-style-type: none"> 13. Understand what factors would motivate these organisations to enter the G2P payments space. 14. Determine whether these potential providers have a clear strategy for capturing this type of business and if a product offering exists, including the development of a pricing strategy and value proposition. 15. Collect details regarding the current infrastructure, network, capacity and other resources available to potential providers that would permit them to enter the G2P payments space. 16. Gauge the level of interest and ability to aggressively grow and expand its role as a G2P payments provider.
<p>Key considerations:</p> <ul style="list-style-type: none"> • Distinguish between existing capability and planned capability. • Depending on the role and duties of the interviewee, questions can be modified slightly to emphasise strategic, operational, or managerial considerations based on his/her position to avoid questions that the interviewee is not qualified to answer.
<p>Working Hypotheses:</p> <ol style="list-style-type: none"> 19. Potential service providers view G2P payments as commercially “unattractive” that will distract from current service offering strategy and focus. 20. Potential service providers perceive that current market dynamics favour existing providers, which further reduces the incentive to pursue G2P payments as a viable line of business. 21. New entrants perceive cost barriers as too high to justify necessary investment to execute G2P payment scheme contracts. 22. New entrants possess comparable or larger points of presence networks than existing providers but lack the necessary personnel, skills and technology to provide G2P payments at scale.

Focus Group Discussion Guidelines Instructions to the participants
<p>Interviewer:</p> <ul style="list-style-type: none"> • Thank you for making time to meet with me in person. • My name is ... I am from ... and am working with OpenRevolution, NetHope, and Microsave on an Australian funded project under the auspices of TNP2K. • The purpose of our meeting is to better understand how your organisation perceives the opportunities and risks associated with providing government-to-person (or G2P) payment services. • Specifically, we would like to better understand your organisation’s current priorities, your existing network infrastructure and operational capacity, as well as any preferences or priorities the organisation may have regarding entering the G2P payments services business and how it fits into your broader strategic vision. • Your opinion and views will allow us to better understand the opportunities and constraints of potential G2P service providers. They will also help inform observations and recommendations regarding the development of future payment scheme mechanisms. • Before we start, do you have any questions?

Respondent Detail	
General Questions	Response
Name	
Institution	
Designation	
Administrative level (HO, RO, branch, etc.)	

Interview Guide

Baseline Question Set

10. What is your organisation's core business offering?
11. What growth strategies or areas has your leadership identified over the next 3-5 years?
12. What is your organization's approach to the adoption and implementation of new technology? To what extent is it prioritized by senior leadership?

Core Questions

Probes

Does your organisation have an existing product that could support a G2P payment?

22. Describe your existing bulk payment service including access channels (e.g. branch, proprietary outlet, affiliated 3rd party outlet), product form factor (plastic card, mobile device) and registration process.
[Note: If no bulk payments product exists, skip to the next core question.]
23. Are organisations (e.g. government, businesses) currently using this product? What types of bulk payments are they (salary, pension, social welfare) and how many transactions do you typically process per month for various clients?
24. Approximately how many recipients are served through your bulk payment service?
25. What is the average amount disbursed per payment?
26. If there is a formal account associated with the bulk disbursement, what type of account is it? What are the account features and parameters (e.g. balance minimum, set number of transactions, tariff structure)?
27. Do you monitor their running balances? If yes, what is the average account balance?
28. What do you charge per disbursement and on what basis (per transaction, per recipient, etc.)?
29. Is this a profitable line of business for you net of all associated costs (including any subcontracting to 3rd parties or intermediaries)?

Are bulk payments an attractive line of new business for your organisation? Has your organisation developed a value proposition for this service offering?

1. Is your organisation interested in providing bulk payments services such as G2P payments? If yes, why? If no, why not?
2. Does your organisation view the market segments traditionally served by G2P payments as commercially attractive, prospective new clients? If yes, why? If no, why not?
3. Where do G2P payments fit within your organisation's overall growth strategy? Is it a stand-alone offering or part of a broader strategy to develop new revenue streams?
4. How would your organisation position itself to compete effectively with existing service providers? What is the value proposition that would set your organisation apart from current providers (e.g. price, speed, reliability)?

Interview Guide

Baseline Question Set

<p>What additional preparation in terms of skills, infrastructure, human resource etc. do you need to become a bulk payments provider?</p>	<ol style="list-style-type: none">1. Does your organisation have the necessary infrastructure, personnel and technology in place (e.g. branches, agents, extended MIS, etc.)?2. What is your organisation's current network footprint? How many branches or points of service, covering which districts? What are the staffing levels across the network (e.g. Head Office, regional offices, district offices/local outlets)?3. What is the transaction processing capacity of a typical local branch location (e.g. how many transactions can a single teller perform in a standard day)?4. Would additional training and human resource support be required? If so, what kind and in what areas/departments?5. What challenges and risks do you see associated with your organisation's entry into the G2P payments business?6. Does your organisation have standardised policies and procedures for management and oversight of the types of payments streams? What types of processes and systems are in place to mitigate instances of fraud, corruption, misappropriation of funds, etc.
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Risks and Challenges

<p>What are the anticipated risks and challenges facing your organisation if it launches a G2P payments service?</p>	<ol style="list-style-type: none">22. What are the physical and other constraints (transportation infrastructure, energy, electricity, etc.) facing your organisation? How will your organisation seek to minimise them?23. Does providing a bulk payment service present a liquidity challenge for your organisation at the point of disbursement? If yes, what sorts of challenges? If no, why not?24. How will your organisation address the challenges unique to ensuring adequate liquidity?25. Are there regulatory issues that need to be resolved before your organisation is permitted to deliver a bulk payments solution at scale? What are they and what is being done to address those issues?
<p>What are the risks that you foresee serving G2P recipients?</p>	<ol style="list-style-type: none">12. What kind of experience does your organisation have designing products, marketing to, and engaging the types of client segments that typically receive G2P payments?13. What sorts of customer service issues do you anticipate your organisation will have to face?14. What customer support policies and procedures does your organisation have in place to receive, process and track question, concerns or complaints?15. Does your organisation anticipate the need to modify these policies and procedures in order to effectively provide this service? If yes, what types of modifications?

Appendix 4: Cost Analysis

Overview

As stated in our proposal, we are using both a bottom-up and top-down approach for estimating the cost per transaction to a service provider to distribute a bulk social welfare/civil servant salary payment.

Cost to the beneficiary primarily reflects travel time and out-of-pocket expenses (for example, transport, accommodations) associated with collecting a payment.

Bottom-up approach – service provider costs

The bottom-up component involved identifying and estimating individual cost components associated with a specific payment point type (for example, bank branch). Cost elements included the following:

- Staff costs (for example, tellers, agents, branch managers)
- Payment point infrastructure costs (for example, rent, electricity, telecommunications)
- Platform costs (for example, account management and funds disbursement systems)
- Liquidity (the incremental cost of ensuring sufficient funds are available at the specific payment point)
- Customer support (for example, call centres, customer services)

Using information from headquarters interviews and field discussions, the team assigned cost values to each of the cost elements. As an example, for staffing costs we obtained the annual salaries for branch personnel associated with the bulk disbursement function. We then estimated the amount of time they spent on a disbursement transaction and calculated a labour cost per transaction. For infrastructure costs we estimated the monthly cost of maintaining the facility. We then estimated the number of transactions and the percentage of payment point activity that should be applied to the total cost of maintaining a facility. We assumed that the payment point incurred infrastructure costs for other purposes in addition to the bulk disbursement of social welfare and salary payments. Consequently, we based our estimates on the amount of time that was devoted to the disbursement activities. If a payment point was established solely to disburse social welfare and/or salary payments, then the infrastructure cost per transaction would be dependent on the number of transactions occurring at that facility.

Platform costs, liquidity management and customer support information was not obtained during the interview process. Neither headquarters nor branch staff had a good handle on these costs and were unwilling to provide us with an estimate. Consequently to estimate these costs we relied on benchmark data obtained from service providers in other markets (both banks and MNO mobile money providers). Additionally, in as much as OpenRevolution operated MobiPay, a mobile money service provider in the Republic of Georgia, we had access to detailed internal cost information associated with platform and customer service costs. While we recognise that Papua/Papua Barat is a unique environment, we felt using benchmark data was better than ignoring these cost elements.

Top-down approach – service provider costs

Several banks and mobile money service providers have established bulk payment services. The team had access to price per transaction for the sponsoring organisation. It should be noted that the price per transaction may or may not represent the true cost of the service and does not include any agent commission for cash out services. The table below presents selected benchmark prices for a bulk payment.

Organisation	Average cost per bulk transaction (USD)
West African MNO	0.5% of transaction amount
India	0.12
Brazil	0.55
Malawi MNO #1	1.00
Malawi MNO #2	0.75
Mexico	1.75
Columbia	2.00
South Africa	2.25
DRC	2.50
Kenya	4.15
Afghanistan MNO # 1*	1.75
Afghanistan MNO # 2	0.50
Indonesia BRI	0.45
Indonesia post office	0.65

Source: West African MNO, Afghanistan MNO #1 and #2, Malawi MNO #1 and #2 – India, Brazil, Mexico, Columbia, South Africa, DRC, Kenya – Bankable Frontiers 2009 Research; Indonesia BRI and Indonesia post office – Bankable Frontiers interviews

Additionally, as part of the top-down analysis we obtained benchmark data on establishing a mobile money agent location. The average cost to establish and maintain an agent is as follows:

- Agent setup costs (one-time) (training, branding, materials) = US\$ 200.00
- Agent management cost (annual) = US\$ 1,200.00

This cost represents an agent location in a peri-urban area. Our team adjusted this information as appropriate to address higher costs associated with difficult access districts in Papua and Papua Barat.

Service provider costs and assumptions

Payment points were organised into three broad categories: bank branch, agent and community-based disbursements. Within the agent classification, we further divided the category into dedicated and part-time, and accessible and remote. The community-based disbursement category was subdivided into road accessible and water/air accessible.

Bank branch

The table below summarises our assumptions for the cost of disbursement per transaction for an existing bank branch.

Branch Based Payment

	Minutes	
Estimated Time per Transaction	10	
	Number	
Estimated transactions per account	5	
STAFFING		
	Hourly Rate (Rp)	Cost per Transaction
Banks Staff	11,364	1,894
Security Arrangements	5,682	947
Sub-total		2,841
INFRASTRUCTURE		
	Monthly Charge (Rp)	
Rent of Premises	5,000,000	4,735
Electricity	1,000,000	947
Sub-total		5,682
OVERHEAD		
Administrative (15% of staffing and infrastructure)	15%	1,278
Platform (per account)	17,000	3,400
Liquidity Management	Part of normal bank branch operation	-
Customer Service	Branch staff	-
Sub-total		4,678
Fully Allocated Cost per Transaction		13,201
Assumption:		
<ol style="list-style-type: none"> 1. We estimate that a disbursement transaction takes 12 minutes of teller time 2. Costs related to personnel, security, rent and electricity are taken from interviews with existing service providers. 3. Since it is difficult to apportion cost like connectivity, paper, refreshments etc. for disbursement activities, we have taken higher overheads expenses of 15% in this scenario. 4. Platform costs were derived from discussions with Bank Andara, BTPN, and benchmark data from a bank in Malawi 5. We estimated that each account would incur 5 transactions (payments) per annum. 		

Agent

Agent costs are modelled after mobile money agents in Indonesia and other markets. We examined both dedicated and non-dedicated agent locations. For non-dedicated locations (for example, post offices, retail establishments) the underlying assumption is that staffing and facility costs would be allocated to the payment function based on the amount of time required to conduct a payout transaction. For dedicated locations, the staffing and costs were allocated based on the number of transactions conducted at the specific location. Dedicated locations were further divided into accessible and remote with the primary difference being the cost associated with providing liquidity. The table below presents the cost and assumptions for a non-dedicated agent facility.

Non-Dedicated Agent

	Minutes
Estimated Time per Transaction	10
	Number
Estimated Transaction per Account	5
	Transactions
Number of Transactions per month	200
	Calls per months (per account)
Calls to call center	0.1

STAFFING		
	Hourly Rate (Rp)	Cost per Transaction
Agent	8,523	1,420
Security Arrangements	n/a	
Sub-total		1,420
INFRASTRUCTURE		
	Mounthly Charge (Rp)	
Rent of Premises	500,000	473
Electricity	200,000	189
Internet	600,000	568
Sub-total		1,231
OVERHEADS		
Administrative (15% of staffing and infrastructure)	15%	398
Platform (per account)	11,000	2,200
Liquidity Management (per mounth)	240,000	1,200
Customer Service (per call to call center)	500	50
Sub-total		3,848
Fully Allocated Cost per Transaction		

Assumption:

1. We estimate that a disbursement transaction take 10 minutes of agent time.
2. Agent earns approximately Rp1,500,000 per annum.
3. Cost related to personnel, security, rent and electricity are taken from interviews with existing service providers.
4. Since it is difficult to apportion costs like connectivity, paper, refreshments etc. for disbursement activities, we have taken higher overhead expenses of 15% in this scenario.
5. Platform costs were derived from discussions with Telkomsel, Airtel in Malawi, and Tigo Cash in Ghana.
6. We estimated that each account would incur 5 transactions (payments) per annum.

The table below presents the cost per transaction and associated assumptions for an easily accessible dedicated agent location.

Dedicated Agent-Accessible

	Minutes
Estimated Time per Transaction	10
	Number
Estimated transactions per account	5
	Transactions
Number of Transactions per month	200
	Calls per month (per # accounts)
Calls to call center	0.1

STAFFING		
	Monthly Rate (Rp)	Cost per Transaction
Agent	125,000	625.000
Security Arrangement	n/a	
Sub-total		625
INFRASTRUCTURE		
	Monthly Charge (Rp)	
Rent of Premises	500,000	2,500
Electricity	200,000	1,000
Internet	600,000	3,000
Sub-total		6,500
OVERHEAD		
Administrative (15% of staffing and infrastructure)	15%	1,069
Platform (per account)	11,000	2,200
Liquidity Management (per month)	240,000	1,200
Customer Service (per call to call center)	500	50
Sub-total		4,519
Fully Allocated Cost per Transaction		11,644
Assumption:		
<ol style="list-style-type: none"> 1. We estimate that a disbursement transaction takes 10 minutes of agent time. 2. Agent earns approximately Rp1,500,000 per annum. 3. Cost related to personnel, security, rent and electricity are taken from interviews with existing service providers. 4. Since it is difficult to apportion costs like connectivity, paper, refreshments etc. for disbursement activities, we have taken higher overhead expenses of 15% in this scenario. 5. Platform costs were derived from discussions with Telkomsel, Airtel in Malawi, and Tigo Cash in Ghana. 6. We estimated that each account would incur 5 transactions (payments) per annum. 		

The table below presents the cost per transaction and associated assumptions for a remote dedicated agent location.

Dedicated Agent-Remote

	Minutes
Estimated Time per Transaction	10
	Number
Estimated transactions per account	5
	Transactions
Number of Transactions per month	200
	Calls per month (per # accounts)
Calls to call center	0.1

STAFFING		
	Monthly Rate (Rp)	Cost per Transaction
Agent	125,000	625.000
Security Arrangement	n/a	
Sub-total		625
INFRASTRUCTURE		
	Monthly Rate (Rp)	
Rent of Premises	500,000	2,500
Electricity	200,000	1,000
Internet	600,000	3,000
Sub-total		6,500
OVERHEAD		
Administrative (15% of staffing and infrastructure)	15%	1,069
Platform (per account)	11,000	2,200
Liquidity Management (per month)	400,000	2,000
Customer Service (per call to call center)	500	50
Sub-total		5,319
Fully Allocated Cost per Transaction		12,444
Assumption:		
<ol style="list-style-type: none"> 1. We estimate that a disbursement transaction takes 10 minutes of agent time. 2. Agent earns approximately Rp1,500,000 per annum. 3. Cost related to personnel, security, rent and electricity are taken from interviews with existing service providers. 4. Since it is difficult to apportion costs like connectivity, paper, refreshments etc. for disbursement activities, we have taken higher overhead expenses of 15% in this scenario. 5. Platform costs were derived from discussions with Telkomsel, Airtel in Malawi, and Tigo Cash in Ghana. 6. We estimated that each account would incur 5 transactions (payments) per annum. 		

Community-based

Community-based disbursement requires the establishment of a temporary payment centre designed to serve a set number of beneficiaries in a specific geographic location. The primary drivers of cost are the mode of transport needed to reach the centre and the number of days of operation required to service the target community. We have divided community-based distribution into locations accessible by road and locations accessible by air/water. The table below presents costs for a road accessible payment point.

		Community Level Disbursement-Road									
Particulars	Assumptions	Cost/ Units/ Day	Disbursed in 1 day		Disbursed in 2 days		Disbursed in 3 days		Disbursed in 4 days		
			Units	Total Cost	Units	Total Cost	Units	Total Cost	Units	Total Cost	
Personnel Cost	1 Staff salary @ 2,000,000/ month	66,667	1	66,667	2	133,333	3	200,000	4	266,667	
Vehicle Cost*	Including driver cost @ 600,000/ day	600,000	1	600,000	2	1,200,000	3	1,800,000	4	2,400,000	
Lodging Cost	For 1 night stay @ 400,000/day	400,000	0		1	400,000	2	800,000	3	1,200,000	
Boarding Cost	To cover meals @ 200,000/day	200,000	1	200,000	2	400,000	3	600,000	4	800,000	
Security Arrangements	1 Security Guard @ 500,000/day	500,000	1	500,000	2	1,000,000	3	1,500,000	4	2,000,000	
Sub- Total		1,766,667		1,366,667		3,133,333		4,900,000		6,666,667	
Overheads @ 20%			0,20	273,333	0,20	626,667	0,20	980,000	0,20	1,333,333	
Total Cost/Day				1,640,000		3,760,000		5,800,000		8,000,000	
No. of Beneficiaries Served/ Day			200		400		600		800		
Cost/ Transaction				8,200		9,400		9,800		10,000	

*Vehicle cost can go up if distance travelled is more

Assumption :

1. Personnel cost is calculated per day assuming monthly salary of Rp2,000,000/- for staff of service provider.
2. Vehicle, lodging, lodging and security cost are taken from interviews with existing service provider and first hand experience in the field.
3. Average beneficiaries served in one day is stated as 200.

The table below presents the cost for an air/water accessible payment point.

Particulars	Assumptions	Cost/ Units/ Day	Community					
			Disbursed in 1 day		Disbursed in 2 days		Disbursed in 3 days	
			Units	Total Cost	Units	Total Cost	Units	Total Cost
Personnel Cost	1 Staff salary @ 2,000,000/month	66,667	1	66,667	2	133,333	3	200,000
Boat/ Plane Cost*	Including sailor cost @ 5,000,000/ day	5,000,000	1	5,000,000	2	10,000,000	3	15,000,000
Lodging Cost	For 1 night stay @ 400,000/day	400,000	0		1	400,000	2	800,000
Boarding Cost	To cover meals @ 200,000/day	200,000	1	200,000	2	400,000	3	600,000
Security Arrangements	1 Security Guard @ 500,000/day	500,000	1	500,000	2	1,000,000	3	1,500,000
Sub- Total		6,166,667		5,766,667		11,933,333		18,100,000
Overheads @ 20%			0,20	1,153,333	0,20	2,386,667	0,20	3,620,000
Total Cost/ day				6,920,000		14,320,000		21,720,000
No. of Beneficiaries Served/day			200		600		800	
Cost/ Transaction				34,600		23,867		27,150

* Cost for hiring boat or plane can vary from Rp 5 million to 25 million depending upon the distance

Assumption:

1. Personnel cost calculated per day assuming monthly salary Rp2,000,000/-for staff of service provider.
2. Vehicle, lodging, lodging and security costs are taken from interviews existing service providers and first hand experience in the field.
3. Average beneficiaries served in one day: 200.

Beneficiary costs and assumptions

Beneficiary costs were calculated based on travel time and travel costs from their community to the specified payment point. We have calculated these costs for the six districts visited during the field review. The tables below summarise these costs.

Nearest Point	Easy				Easy			Easy			
	Biak Kota				Arso Kota			Jayapura Selatan			
	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - <i>angkot</i>	Cost (In Rp) - <i>ojek</i>	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - <i>ojek</i>	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - <i>angkot</i>	Cost (In Rp) - <i>ojek</i>
Post Office Branch	7	15	8000	20,000	3	5	30,000	1	15	6000	20,000
Bank Branch	7	15	8000	20,000	3	5	30,000	1	15	6000	20,000
ATM	7	15	8000	20,000	3	5	30,000	1	15	6000	20,000
Airtime Recharge Centre	0.5	10	0	0	0	0	0	1	15	6000	20,000
Gas station	7	15	8000	20,000	3	5	30,000	1	15	6000	20,000
Health Centre	5	15	8000	20,000	3	5	0	1	15	6000	20,000
Grocery Shop	0.1	3	0	0	0	0	0	1	15	6000	20,000

Time is for one-way trip

Cost based on round trip transport

Nearest Point	Easy			Easy			Easy			
	Jayapura Utara			Manokwari Barat			Manokwari Utara			
	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - <i>angkot</i>	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - <i>angkot</i>	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - <i>angkot</i>	Cost (In Rp) - <i>ojek</i>
Post Office Branch	1	15	6000	1	15	6000	5	20	6000	20,000
Bank Branch	1	15	6000	1	15	6000	5	20	6000	20,000
ATM	1	15	6000	1	15	6000	5	20	6000	20,000
Airtime Recharge Centre	1	15	6000	1	15	6000	0.5	10	0	0
Gas station	1	15	6000	1	15	6000	5	20	6000	20,000
Health Centre	1	15	6000	1	15	6000	1	10	2000	10,000
Grocery Shop	1	15	6000	1	15	6000	0.5	10	0	0

Time is for one-way trip

Cost based on round trip transport

Nearest Point	Easy			Averages				Median			
	Kaimana			Distance (Km)	Time Taken (Minutes)	Cost (Rp)	Cost (USD)	Distance (Km)	Time Taken (Minutes)	Cost (Rp)	Cost (USD)
	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - ojek								
Post Office Branch	10	45	40,000	4.0	18.57	1.25	3.0	3.0	15.00	6,000	0.51
Bank Branch	5	30	30,000	3.3	16.43	1.13	3.0	3.0	15.00	6,000	0.51
ATM	5	30	30,000	3.3	16.43	1.13	3.0	3.0	15.00	6,000	0.51
Airtime Recharge Centre	<0.5	0	0	0.7	9.29	0.22	0.8	0.8	10.00	0	0.00
Gas station	2	10	30,000	2.9	13.57	1.13	2.0	2.0	15.00	6,000	0.51
Health Centre	<0.5	0	0	2.0	10.71	0.34	1.0	1.0	15.00	6,000	0.51
Grocery Shop	<0.5	0	0	0.6	8.57	0.22	0.8	0.8	10.00	0	0.00

Time is for one-way trip
Cost based on round trip transport

Nearest Point	Medium				Medium			Medium		
	Biak Barat				Samofa			Skanto		
	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - angkot	Cost (In Rp) - ojek	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - angkot	Distance (Km)	Time Taken (Minutes)	Cost (Rp) - ojek
Post Office Branch	60	60	60,000	200,000	15	30	20,000	20	45	200,000
Bank Branch	60	60	60,000	200,000	15	30	20,000	3	10	60,000
ATM	60	60	60,000	200,000	15	30	20,000	3	10	60,000
Airtime Recharge Centre	0.5	10	0	0	0.1	5	0	0	0	0
Gas station	60	60	60,000	200,000	15	30	20,000	3	10	60,000
Health Centre	4	15	10,000	0	15	30	20,000	3	10	60,000
Grocery Shop	0.1	5	0	0	0.1	5	0	0	0	0

Time is for one-way trip
Cost based on round trip transport

Nearest Point	Medium			Averages				Median			
	Teminabuan										
	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - ojek	Distance (Km)	Time Taken (Minutes)	Cost (Rp)	Cost (USD)	Distance (Km)	Time Taken (Minutes)	Cost (Rp)	Cost (USD)
Post Office Branch	5	15	30,000	25.0	37.50	77,500	6.65	17.5	37.50	45,000	3,86
Bank Branch	5	15	30,000	20.8	28.75	42,500	3.65	10.0	22.50	45,000	3,86
ATM	5	15	30,000	20.8	28.75	42,500	3.65	10.0	22.50	45,000	3,86
Airtime Recharge Centre	1	5	4,000	0.4	5.00	1,000	0.09	0.3	5.00	0	0,00
Gas station	5	15	30,000	20.8	28.75	42,500	3.65	10.0	22.50	45,000	3,86
Health Centre	5	15	30,000	6.8	17.50	30,000	2.57	4.5	15.00	25,000	2,15
Grocery Shop	1	5	4,000	0.3	3.75	1,000	0.09	0.1	5.00	0	0,00

Nearest Point	Remote			Remote			Remote		
	Masni			Sawiyat			Kambraw		
	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - ojek	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - ojek	Distance (Km)	Time Taken (Minutes)	Cost (In Rp) - ojek
Post Office Branch	5	30	40,000	50	90	100,000	30	120	200,000
Bank Branch	5	30	40,000	50	90	100,000	30	120	200,000
ATM	5	30	40,000	50	90	100,000	30	120	200,000
Airtime Recharge Centre	0	0	0	50	90	100,000	30	120	200,000
Gas station	5	30	40,000	50	90	100,000	30	120	200,000
Health Centre	5	30	40,000	0.5	10	0	0	0	0
Grocery Shop	0	0	-	0.5	10	0	0	0	0

Appendix 5: Policy Brief

Survey of potential payment options for G2P in Papua and Papua Barat

This policy brief provides recommendations for policies that could improve the disbursement of social welfare transfer payments, most specifically for the PKH and BSM programmes, to residents of Papua and Papua Barat. The recommendations are drawn from qualitative research conducted in May 2014 in 18 subdistricts of Papua and Papua Barat that surveyed existing and potential payment options for government to person payments (G2P). Many of the recommendations echo recommendations from prior studies commissioned by TNP2K that looked at payment mechanisms for PKH on a national basis (OPM 2013;¹³ Joyce et al. 2014).

The timely, efficient and cost effective delivery of G2P payments is particularly important in Papua and Papua Barat, given the high incidence of poverty in the two provinces and the likelihood that the government will increase the size and geographic reach of social welfare payment programmes. Papua and Papua Barat have the highest levels of poverty in Indonesia with 30 percent of the population living below the poverty line in Papua and 27 percent in Papua Barat. As expected, poverty rates are highest in the more remote areas of the provinces, further complicating the payment point issue.

Currently disbursement methods of PKH and BSM payments impose a relatively high cost of collection on the payment recipient due to lengthy and expensive travel to designated payment points. Additionally, the cost to disburse payments for the service provider often exceeds the remuneration rates for the transaction. These cost factors make exploration of alternative payment options for the two programmes appropriate, especially as they expand. Policy changes will be needed to enable effective use of alternatives to the current payment systems. It is important to note that given the payment point accessibility diversity in Papua and Papua Barat a variety of payment methods will most likely be needed to deliver G2P payments in these provinces. Data collected for this study in subdistricts with different levels of accessibility revealed that, regardless of the programme, transport costs and other expenses associated with visiting payment points were the primary hardships and negative elements associated with collecting funds. The data also show that community-based disbursement is one of the highest cost forms of payment disbursement. Respondents surveyed indicated a strong interest in the use of alternative modes of payment delivery if they would increase the proximity of the payment point to their homes and reduce their travel time and costs. The analysis of the data leads to five primary policy recommendations:

1. **Foster the advancement of branchless banking and digital financial services** to bring payment points in closer proximity to payment recipients.
2. Require that payment products selected for G2P payments **meet global standards to provide interoperability** that will maximise the number of payment points for withdrawal of G2P payments.

¹³ The study drew on findings from qualitative research collected through interviews with 209 PKH recipients in the provinces of Gorontalo, Nanggroe Ached Darussakan, Nusu Tenggara Timur, Nusu Tenggara Barat, Sumatera Utara, Jawa Tengah, Bengkulu, and Maluku Utara.

3. **Modify procurement practices to avoid the annual selection of payment service providers** to disburse the PKH and BSM payments to encourage longer-term investment, avoid beneficiary confusion at collection and allow for varied fees based on disbursement methods.
4. Encourage products that offer savings and can lead to financial inclusion and savings **but do not let short-term financial inclusion goals override the need to improve proximity of payment points.**
5. **Prioritise Papua and Papua Barat as regions for improved delivery of G2P payments and use of new delivery methods.**

Each of these policy recommendations is examined in further detail below:

1. **Foster the advancement of agent banking and digital financial services to bring payment points in closer proximity to payment recipients.**

Branchless banking has been under consideration by financial regulators in Indonesia for the past two years but remains in a state of regulatory uncertainty. More than any other payment delivery method, branchless banking and its use of localised agents would address the primary concern of PKH and BSM payment recipients – the distance between their homes and the designated payment points. In Papua and Papua Barat, service providers already are looking to branchless banking to bring financial products and services closer to their potential customers. Bank Rakyat Indonesia and the post office have already begun to use agents in the Papua region to extend their service footprint but the capabilities of agents currently are limited. For example, agents in Bank Rakyat Indonesia’s BRILink programme can conduct certain transactions but cannot open accounts. In addition, infrastructure deficiencies such as lack of power and communications network coverage are impeding the recruitment and use of branchless bank agents. On the demand side, the data collected for this study indicate that Papuans are ready to try new, more localised forms of payment delivery and financial services, including financial services provided through trusted agents in their communities. Given the positive view of branchless banking on both the demand and supply side, government ministries administering social welfare transfer programmes should encourage the Financial Services Authority (OJK) and Bank Indonesia to adopt regulations for branchless banking by the end of 2014. In addition, the regulations should permit branchless banking by smaller banks, like Bank Papua, and the use of individual and institutional agents given the limited choice of agents to serve as financial access and payment points in Papua and Papua Barat.

2. **Require that payment products selected for G2P payments meet global standards to provide interoperability that will maximise the diversity of payment points for withdrawal of G2P payments.**

Currently, PKH and BSM beneficiaries travelling to collect their payments in Papua and Papua Barat must travel to specific, designated payment locations to collect their G2P payments. The designated location is not always the closest payment point. In addition, some payment points lack adequate staffing capacity to manage the volume of G2P payments during business hours, requiring beneficiaries to return on multiple days to collect their payments. Electronic payments

that meet global standards, however, can be delivered to the beneficiary at his or her location through a card or mobile device and allow the beneficiary to choose the location for withdrawal. This is only possible if the payment system used to disburse the payment is not a proprietary system (it is interoperable) and the supporting power and telecommunications infrastructure exist. Given the limited financial access points in Papua and Papua Barat and the small but disbursed population, allowing access to funds at multiple access points will improve the efficiency and collection of programme payments. In the data collected, recipients recognised the value of an ATM card that could be used outside a branch and outside of traditional bank or post office hours. In addition, the post office now offers an ATM card linked to the ATM Bersama network. Civil servants also receive KPE cards that can be used at ATMs and health workers are processing card-based payments for the Social Security Administrative Body health programme. In Papua, an interoperable ATM network could significantly collapse the distance and wait time currently incurred by beneficiaries seeking to collect their programme payments. The procurement contracts awarded to service providers to disburse G2P payments should request that the delivery method meet global payment standards and be interoperable with other payment points.

3. Modify procurement practices to avoid the annual selection of payment service providers to disburse PKH and BSM payments to encourage longer-term investment, avoid beneficiary confusion at collection and allow for varied fees based on disbursement method.

Current procurement practices provide for annual selection of the payment provider to disburse social welfare payments. Currently in Papua and Papua Barat, G2P payments are disbursed by a range of banks, including Bank Rakyat Indonesia and Bank Papua as well as the post office. The uncertainty from year to year of whether a service provider will be disbursing the same payments can lead to low investment in capacity to support the payment stream. This is particularly true given the infrequency of the G2P social welfare payments. PKH payments are disbursed quarterly and BSM payments are disbursed semi-annually. Payment service providers interviewed confirmed they see the disbursement of these payments as a social responsibility and government mandate rather than a business line to be supported. In addition, an annual change of payment providers can create confusion for the beneficiaries. BSM beneficiaries who used to collect their payments from the post office expressed frustration and surprise at the more rigorous document requirements for collecting payments from a bank branch. These issues can be mitigated by longer-term contracts that provide stability for recurring revenue streams and support the development of institutional capacity to support the payment streams.

The procurement contract should also provide a variable fee schedule adjusted for the variable costs of disbursement. This will provide a business interest in serving the payment stream by creating a sustainable business model. Multiple disbursement methods are likely to continue to be needed for G2P payments. Similar to other regions of Indonesia there is no one payment solution that will work for all G2P payment streams in Papua and Papua Barat. For some areas, community-level disbursement will continue to be the best and only option. Service providers should be able to set contract terms to collect per transaction reimbursement that is variable to cover their costs.

4. Encourage products that offer savings and can lead to financial inclusion and savings but do not let short-term financial inclusion goals' interests override the need to improve proximity of payment points.

Financial inclusion is an important national goal for Indonesia. It is particularly important for poor populations such as those in Papua and Papua Barat who report an interest in access to financial products that allow them to save. This sentiment was reported by the beneficiaries surveyed for this study. The funds from the two social welfare programmes we looked at, however, are targeted towards consumption for family needs or schooling and are unlikely, on their own, to produce high savings rates. For example, BSM recipients, although receiving their payments into a virtual account set up by Bank Rakyat Indonesia, rarely chose to open a savings account but rather withdraw all the funds often at the suggestion of a school staff member. As such, these payment streams alone are unlikely to support a strong or habitual savings pattern. However, payment products and services should be sought that can offer the ability to store and save cash and use the G2P payment and collection account as a catalyst for savings and broader financial inclusion objectives. However, this objective should not supersede the more urgent need of providing payment points in closer proximity to the payment beneficiaries.

5. Prioritise Papua and Papua Barat as a region for improved delivery of G2P payments and use of new delivery methods given the incidence of poverty and the geographic and logistical challenges for traditional delivery methods.

A small percentage of Indonesia's population lives in Papua and Papua Barat and is dispersed throughout the islands. The challenges of providing this population with financial services has contributed to limited financial footprints with most of the villages in Papua and Papua Barat more than 25kms from the nearest financial access point. The volume and value of financial transactions by those receiving G2P payments also makes traditional banking products that impose minimum balances and/or monthly account maintenance fees impractical.

As new payment methods continue to be introduced that extend the financial footprint of banks and other service providers and target the unbanked in Indonesia, it is easier to focus on larger, more populated areas such as Java where economies of scale are more likely and accessibility is easier to manage. If scale and speed are prioritised, Papua and Papua Barat will lag behind in the introduction and sustained effort to use new payment channels for G2P payments. It is precisely for this reason that the government should use policy instruments to make sure Papua and Papua Barat stay at the forefront of the agenda.

The costs of the current payment methods detract from the social welfare payments. For some, the mode of collection eliminates their value altogether and those eligible forego collection because travel costs outweigh the payment value, resulting in a low payment collection rate.

The target population in Papua and Papua Barat is the most impoverished in Indonesia, demonstrating a dire need for the payments to improve livelihoods and help withstand economic shocks. The rural areas are poorly served in power and telecommunications infrastructure but payment points could provide a focal point for advancement or creative solutions (such as

solar power and communications networks). By making Papua and Papua Barat a priority for improving the methods of payment, the government could focus efforts to improve infrastructure and delivery of government services and payments that could set an example and provide a road map for other remote locations throughout Indonesia.

The recently released regulations for branchless financial services (LAKU PANDAI) recognise the importance of serving areas in East Indonesia, including the provinces of Papua and Papua Barat. The interest in promoting the use of branchless banking in East Indonesia should be coupled with a migration of G2P payment streams into these channels and construction of the necessary supporting infrastructure.

Appendix 6: Payment Pilot Sample Statement of Work

Planning and executing the Papua and Papua Barat G2P payment pilot requires collaboration between TNP2K, the sponsoring ministries and the payment service provider. The following sections summarise core activities and deliverables for each pilot stakeholder.

The following activities will be performed by the National Team for the Acceleration of Poverty Reduction:

Pilot requirements – TNP2K will work with pilot stakeholders and develop, on behalf of the Ministry of Social Affairs or Ministry of Education and Culture, a pilot requirements document for submission to potential payment service providers.

Selection of mobile money service provider – TNP2K will work with the Ministry of Social Affairs or Ministry of Education and Culture to develop a request for proposals for the delivery of G2P payment services. TNP2K will also establish evaluation criteria and provide technical expertise for the evaluation of proposals. It will support the Ministry of Social Affairs or Ministry of Education and Culture in contract negotiations with the selected payment service providers.

Pilot work plan – In coordination with other G2P payment pilot stakeholders, TNP2K will develop and manage a pilot project plan including periodic stakeholder meetings.

Identification and recruitment of pilot participants – TNP2K will work with the Ministry of Social Affairs or Ministry of Education and Culture to identify and contact pilot participants. Information on participants will be provided to the selected payment service providers.

Liquidity requirements analysis – TNP2K will develop a liquidity model for the pilot and provide the payment service providers with liquidity estimates for the pilot in order to facilitate liquidity management and planning.

Training Module – the National Team for the Acceleration of Poverty Reduction, in coordination with the payment service providers, will develop a training module specifically designed for beneficiaries. It is anticipated that production of materials will be outsourced to a media/training entity.

Public awareness campaign – TNP2K will align public awareness campaign activities and resources to G2P payment pilot target districts.

Monitoring and evaluation – TNP2K will design and deliver a comprehensive evaluation of the pilot including a mid-point participant survey (survey conducted by an outside firm).

DELIVERABLES

- 1. Pilot requirements document** – summary of pilot requirements for presentation to Ministry of Social Affairs/Ministry of Education and Culture for concurrence;
- 2. Payment service providers selection module**
 - a. request for proposal;
 - b. evaluation criteria; and
 - c. evaluation summary;
- 3. Pilot work plan** – work plan used to monitor pilot activities and maintain schedule;
- 4. Participant list** – summary details (for example, name, location) of potential pilot participants for delivery to the selected payment service providers for registration and training;
- 5. Liquidity estimate** – estimate of liquidity requirements at specific agent locations;
- 6. Training module** – user training materials for delivery by selected payment service providers;
- 7. Monitoring and evaluation report** – highlights key findings from the pilot and draws upon platform data, agent interviews and participant survey results.

Selected payment service providers will perform the following activities. It is anticipated that these activities would be incorporated into a final negotiated contract:

Accounts – the selected payment service providers will provide stored value/savings accounts to participating beneficiaries and other related pilot participants in the target subdistricts. Specifically the payment service provider will provide the following capabilities in support of the pilot:

- a. Stored-value card and account;
- b. Interface mechanism with Ministry of Social Affairs/ Ministry of Education and Culture and agreed upon process to enable monthly disbursement of salaries (for example, automated or manual process that moves funds from payer account to disbursement account and associated disbursement ledger that identifies recipient and monthly payment amount).

Registration and training – the selected payment service providers will develop and execute a G2P payment pilot registration and training plan consistent with the overall pilot work plan and leveraging training materials developed by the National Team for the Acceleration of Poverty Reduction.

Agent network – the selected payment service providers will leverage existing retail outlets in the target geographies to serve as cash/cash out points and, where required, will establish additional cash out locations to enable full range of mobile money transaction activity in the targeted areas (a frequent target is one agent per five hundred active customers but this is subject to further analysis).

Ecosystem development – using information developed from the recent market research activities and internal market intelligence, the selected payment service providers will recruit local merchants and other entities as mobile money acceptance points (optional).

Liquidity management – the selected payment service providers will develop a plan and ensure that sufficient agent liquidity exists in the target districts, consistent with anticipated cash out requirements.

Customer services – the selected payment service providers will provide pilot specific customer service representatives capable of addressing common issues and agreed upon escalation procedures to address more complex issues.

Audit and monitoring and evaluation – the selected payment service providers will provide TNP2K and the Ministry of Social Affairs or Ministry of Education and Culture with monthly transaction records of participants for audit and monitoring and evaluation purposes.

DELIVERABLES

- 1. Account demonstration** – provide TNP2K and Ministry of Social Affairs or Ministry of Education and Culture with a demonstration of product features and functionality.
- 2. Registration and training schedule** – provide TNP2K and the Ministry of Social Affairs or Ministry of Education and Culture with a schedule for registration and training.
- 3. Agent and merchant summary** – provide TNP2K and Ministry of Social Affairs or Ministry of Education and Culture with details (for example, location, mobile number, hours of operation) of participating agents and merchants.
- 4. Monthly report** – provide TNP2K and Ministry of Social Affairs or Ministry of Education and Culture with a monthly report of key pilot activities extracted from platform transaction records.

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Many Papuans are eligible for social assistance in the form of government-to-person (G2P) payments because the poverty levels in Papua and Papua Barat are among the highest in the country. However, disbursing these payments is difficult, costly and time-consuming. Recent developments in technology and regulatory environments in Indonesia mean that G2P payments could potentially be delivered using locally-based agents and low-cost payment instruments such as electronic money or branchless banking. This research provides a snapshot of current payment practices in 18 subdistricts in Papua and Papua Barat that have varying degrees of accessibility. It reveals that beneficiaries are interested in and willing to try alternative payment mechanisms. The research focuses on payments made from the Conditional Cash Transfer Programme for Poor Families (PKH) and the Cash Transfers for Poor Students programme (BSM) but also looked at other payment streams, including salaries for the civil servants and teachers living in the subdistricts studied.

The research shows that the costs of travelling to reach current payment points and the time this takes are major challenges for beneficiaries of these programmes and this situation could be alleviated if alternative payments channels were possible. The research presents a cost-benefit model that suggests potential pricing models for different payment locations. However, before these alternative payment channels can be introduced, Papua and Papua Barat need to have reliable power, transport and communications infrastructures throughout the subdistricts and this remains a major obstacle. Until this issue can be tackled, some areas will need to continue using existing payment methods for the foreseeable future.

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