

The Promise of Government-to-Person 3.0

Opinion piece

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The Program Management Office of Kartu Prakerja oversees and manages the Kartu Prakerja Program. Kartu Prakerja is the first active labor market policy and social assistance program in Indonesia with end-to-end digital implementation and beneficiary-centric G2P payment mechanism. From 2020 to 2023, Prakerja has provided training access and social assistance to over 17.5 million individuals across all districts and cities in Indonesia.



The Michael F. Price College of Business at the University of Oklahoma is a business school that prepares students for undergraduate, master's, and doctoral degrees. Established in 1917, it aims to ensure the enduring global competitiveness of Oklahoma and the United States. The college is the top-ranked business school in Oklahoma by U.S. News And World Report.

INTRODUCTION

The COVID-19 pandemic catalyzed a global expansion of government-to-person (G2P) programs, primarily through direct cash transfers from government agencies to individuals. This rapid response was critical, as the pandemic's impact on economies led to a worldwide surge in extreme poverty, marking the most significant escalation in decades. Such an increase poses a considerable challenge to the global agenda, especially in eradicating poverty in all its forms by 2030, as outlined by the Sustainable Development Goals (SDGs). To address this, a concerted global effort is necessary, one that must accelerate poverty-combating measures at a rate 26 times faster than the current pace (Yonzan et al., 2023). This situation underscores the importance of robust G2P programs not only in alleviating immediate financial distress but also in laying the foundation for sustainable economic recovery and development.

Moving forward, while there's a gradual return towards pre-pandemic poverty levels, the journey ahead remains challenging. The World Bank's projections for 2023 indicate that approximately 691 million people, or 8.6% of the global populace, are still expected to live in extreme poverty, subsisting on less than \$2.15 per day

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(Yonzan et al., 2023). This signals a pressing need for accelerated action in poverty eradication, a goal that has seen limited progress since 2019. So far, the countries that have achieved notable reductions in poverty rates attribute their success to the efficient deployment of social assistance programs. As we navigate the aftermath of the pandemic, the importance of G2P initiatives cannot be overstated.

The ongoing evolution of Government-to-Person (G2P) payments during and after the COVID-19 pandemic highlights a significant transformation in how governments reach and support their citizens. This shift from traditional in-kind government support to G2P 1.0 (cash-delivery), G2P 2.0 (digital delivery through a single channel), and then G2P 3.0 (digital delivery through multiple channels and offering choices to beneficiaries), marks a significant leap in the accessibility of these programs. The ideal G2P system should be interoperable, scalable, and secure. Most importantly, it must be flexible enough to meet the diverse needs of beneficiaries,

ensuring quick and reliable support during crises and shocks.

UNLOCKING THE POTENTIAL OF G2P 3.0

At its core, G2P 3.0 embodies a shift towards digital platforms, enabling single programs to connect with multiple providers. This digital transformation ensures faster, more cost-effective, and secure transactions, significantly reducing vulnerabilities to fraud and leakage that were present in earlier versions. More crucially, G2P 3.0 also introduces the element of choice, allowing beneficiaries to select their payment service providers (PSPs) among a variety of options for receiving funds. This choice extends to account providers and withdrawal access points, thus enhancing consumer autonomy and promoting financial inclusion. By adopting this approach, G2P 3.0 serves as a gateway to a wider array of financial services, tailoring solutions to meet the diverse needs of all citizens, especially the unbanked and underbanked.

The benefits of G2P 3.0 are multifaceted. For beneficiaries, it could substantially enhance user experience, welfare, and convenience—through reduced costs, minimized time investment, closer cash-out options, and better complaint resolution (World Bank, 2022). It could further improve financial inclusion by offering financial products and services tailored to enrich beneficiaries' financial well-being. Furthermore, G2P 3.0 plays a crucial role in empowering vulnerable groups, like women, by granting them greater control over their resources, thereby empowering them and giving them a voice.

From the government's perspective, enabling G2P 3.0 payment that leverages

digital public infrastructure can create efficiencies across programs. This approach can reduce governmental expenditures, minimize financial leakages, enhance the accuracy of targeting beneficiaries, and deter fraudulent and corrupt activities. Ultimately, such enhancements are anticipated to culminate in substantial fiscal savings for the government.

Lastly, the consistent flow of transactions presents a significant business opportunity for payment service providers. It may foster competition, reduce operational costs, and expand service coverage. Moreover, broadening the base of financially included individuals enhances the viability of digital payments, encourages the refinement of financial products and services for those previously excluded, and promotes the development of financial infrastructure in areas previously underserved.

Nevertheless, unleashing the full potential of G2P 3.0 requires overcoming several obstacles. These include adopting a system-wide perspective for integrating payments, encouraging cooperation between the public and private sectors, connecting existing infrastructures, and demonstrating the system's viability through multiple payment program prototypes. Achieving this also depends on ensuring that a robust digital infrastructure, essential to widespread digital financial inclusion, is firmly established.

INDONESIA'S KARTU PRAKERJA: MODERN BENEFICIARY-CENTRIC G2P

In 2020, the Indonesian government launched the Kartu Prakerja Programme. Kartu Prakerja is a pioneer of self-targeting, multi-channel, and beneficiary-cen-

tric Government-to-Person (G2P) payment in Indonesia, proven to have built economic resilience and driven financial inclusion. Primarily, Kartu Prakerja is a large-scale skill development initiative that grants training vouchers and disburses post-training cash incentives directly from the government to individuals. Initially aimed at enhancing skills like competence, productivity, competitiveness, and entrepreneurship, the program expanded its objectives in response to the COVID-19 pandemic to include distributing social assistance to those economically impacted and in need of financial support. From 2020 to 2023, Prakerja has provided training access and social assistance/post-training incentives to over 17.5 million effective beneficiaries in all 514 districts/cities across Indonesia.

Kartu Prakerja distinguishes itself as the first G2P 3.0 payment system in Indonesia to offer beneficiaries a wide array of payment options, including e-wallet, firmly rooted in a customer-centric and transparent design philosophy. This innovative approach has led to partnerships with a variety of state-owned and private banks, as well as e-wallet platforms, ensuring beneficiaries have control over when and how they receive their payments. Such transparency allows for better financial planning, with some partners even offering zero fees for money transfers and withdrawals, fostering a competitive environment that promotes quality services. Additionally, the program's adoption of e-money enables beneficiaries to access their funds with ease, directly from their mobile phones.

Beyond merely facilitating transactions, Kartu Prakerja focuses on address-

ing the varied needs of its users, employing online surveys to measure customer satisfaction and customize its offerings to a diverse demographic. Registration is made simple, allowing individuals to sign up online with basic information, which is subsequently verified for eligibility. The payment process is equally user-friendly; beneficiaries receive their incentives directly in their bank or mobile money account after completing training and assessments, facilitating a seamless transition for those new to banking or e-wallet services.

»Ultimately, the goal of G2P 3.0 implementation is to drive long-term development outcomes.«

The addition of e-money options in the Kartu Prakerja payment mechanism has also contributed positively to promoting financial inclusion. The World Bank - TN-P2K (2022) study found that the majority of Kartu Prakerja beneficiaries (58.5%) are either first-time users of e-money (49.8%) or bank accounts (8.7%). Around 96.4% of all beneficiaries reported satisfied with the cashless disbursement method, with no difference between bank and e-money users. The primary reason for their satisfaction was due to how fast beneficiaries received the incentive. Furthermore, about 85.4% of beneficiaries also experience a

fast incentive cashing-out process, taking 15 minutes or less.

The program has demonstrated that multi-channel G2P systems can overcome the limitations of traditional single-channel distributions, maximizing benefits for beneficiaries by reducing intermediary costs and increasing accessibility. Importantly, Kartu Prakerja has contributed to financial inclusion for a significant portion of its beneficiaries, marking a step forward in Indonesia's journey towards a more inclusive economic ecosystem. This G2P 3.0 payment system, exemplified by Kartu Prakerja, showcases the transformative potential of digital solutions in addressing contemporary economic challenges and setting a precedent for future social assistance programs worldwide.

FUTURE DIRECTION FOR G20: ENHANCING G2P ACCESSIBILITY AND IMPACT

The G20 should further enable the integration of multiple government programs into a unified G2P infrastructure within each country. This infrastructure needs to be interoperable, seamlessly supporting diverse programs and financial service providers. Ensuring a wide range of payment service provider options, including extensive ATM and agent networks, is critical. G2P payments should be deposited into fully functional accounts, facilitating not just cash withdrawals but broader financial engagement. It is essential to design G2P systems that prioritize the beneficiaries' needs, obstacles, and preferences, to create impactful and user-centered programs.

To unleash the full potential of G2P 3.0, several demand-side interventions

are recommended. Firstly, the government should endorse practical applications for beneficiaries using banks/e-wallets and digital financial services (DFS). Enhancing trust and confidence in bank/e-wallet transactions for those beneficiaries who are new to digital financial interactions is crucial. Second, Ensuring all beneficiaries have a National ID, which is critical for bank/e-wallet account opening, alongside advocating for a risk-based Know-Your-Customer (KYC) framework for bank/e-wallets, will further streamline access. Third, addressing the digital divide, particularly among women, the elderly, and persons with disabilities, through increased mobile phone ownership is essential for broadening G2P 3.0's reach and effectiveness.

To ensure the successful implementation of G2P 3.0, it's also crucial to acknowledge and address key supply-side factors. First, there is the need to nurture a vibrant digital ecosystem, a foundation that supports the seamless operation and expansion of G2P 3.0. Equally important is the promotion of interoperability and the development of a shared infrastructure, which together facilitate the integration of various programs and financial services. Furthermore, prioritizing enhanced public communication, alongside stringent data protection and cybersecurity measures, is vital. These steps are essential not only for keeping beneficiaries informed but also for guaranteeing their ability to securely manage their payment preferences, ensuring a smooth and secure transition into the digital framework of G2P 3.0.

Ultimately, the goal of G2P 3.0 implementation is to drive long-term development outcomes, improving beneficiaries'

welfare through greater convenience, financial inclusion, and economic empowerment. This initiative seeks to encourage innovation and the growth of the private sector, thereby making a substantial contribution toward fostering more inclusive and financially empowered beneficiaries. Through strategic implementation and focused efforts, G2P 3.0 implementation aspires to create an environment where all stakeholders have the opportunity to thrive.

CONCLUSIONS

Kartu Prakerja is a prime example of the potential of technological innovation and leapfrogging in building adaptive and shock-responsive social protection systems. Indonesia's experience has shifted the paradigm of how we think about social protection delivery and offers valuable lessons for the region and beyond. Kartu Prakerja was able to reach scale quickly by using novel approaches and building a new delivery model for social protection systems. This customer-centric and multi-channel method provided a way to support Indonesian residents in a situation of urgency. Previous infrastructure investments in mobile network infrastructure, payment ecosystems, and digital literacy enabled Kartu Prakerja's delivery model, yet these enabling factors are not necessarily distributed uniformly or progressively within Indonesia's socioeconomic landscape.

Other G20 countries can leverage the innovations introduced by Kartu Prakerja and combine them with more conventional approaches to increase the reach of social protection systems. Local conditions such as digital readiness

call for differentiated, complementary, and flexible policies to optimize program delivery. Combining approaches requires forward-thinking design, including using modular data structures to integrate future data sources and ensure the interoperability of data sources through unique identification systems.

The G20 Countries have a unique opportunity to develop digital G2P 3.0 payment ecosystems, as well as Digital Public Infrastructure (DPI) more broadly. Doing so can ultimately lay the foundation for shared payment infrastructures capable of enhancing convenience, inclusion, and empowerment for their beneficiaries. Through G2P 3.0, financial intermediaries benefit from consistent cash flows and an expanded client base. Meanwhile, beneficiaries gain access to digital tools that enable them to manage their assets, save for future investments, smooth consumption patterns, and create a savings buffer against adverse events. Additionally, governments stand to improve payment efficiency through electronic delivery and achieve amplified developmental impacts due to its enhanced efficiency and multiplier effects. This modern approach could streamline social assistance delivery and foster a more inclusive and resilient digital ecosystem.

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