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Research Report

Preliminary Study of the *e-Warong Kube-PKH* Program Implementation

February 2017



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Preliminary Study of the *e-Warong Kube-PKH* Program Implementation

Research Report

Acknowledgements

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Abstract

In mid-2016, the government launched the Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer. The objectives of the program are, most significantly, to improve the effectiveness of social assistance and to expand the scope of inclusive financial services. In early November 2016, at the request of Bappenas, and with the support of KOMPAK, The SMERU Research Institute conducted a preliminary study on the preparation and implementation of the e-Warong Kube-PKH program in five cities/districts (Batam, Balikpapan, Denpasar, Kediri, and Malang). This study uses a qualitative approach with stakeholders at the central and local levels. Stakeholders stated that the e-Warong Kube-PKH program is operationally feasible. Nevertheless, the results of the study indicate that implementation has yet to fully occur, in part, due to the absence of a completed program regulation, including program guidelines and operational guidelines, as well as clarity of cooperation between parties. In addition to having the necessary regulations in place, the successful implementation of e-Warong Kube-PKH program in the future requires several prerequisites related to the development and stabilisation of the organisation, the management of its functions (as a point of distribution of non-cash social assistance, bank agents, and livelihood for the poor, as well as an effective mechanism of monitoring and evaluation).

Keywords: e-Warong Kube-PKH program, non-cash social assistance, inclusive finance.

Foreword

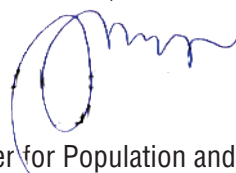
To support the distribution of non-cash social assistance to the poor and vulnerable, an e-Warong/kiosk is required as the agent to distribute the non-cash social assistance in the form of rice and other nutritious foodstuffs. In that regard, in mid-2016 the Ministry of Social Affairs took the initiative to build Electronic-Based Mutual Cooperation Warong of Hope for Families Program Joint Business Group (e-Warong Kube-PKH). The initiative is intended as a means to empower the poor community of beneficiaries of the Hope for Families Program (PKH) through the establishment and management of Services Kube/Joint Business Group. E-Warong Kube-PKH may also serve as a bank agent to disburse and distribute social assistance in the form of basic food and/or cash electronically, the marketing of *Kube* products, and a place for savings and credit cooperatives. Furthermore, the e-Warong Kube-PKH program continues to be directed to support the delivery of the government's non-cash social assistance.

The distribution of non-cash social assistance aims to improve the effectiveness and targeted poverty reduction programs, as well as to support an inclusive national financial system. From the beneficiaries' side, the distribution of non-cash social assistance is intended to encourage productive behavior and the realisation of asset accumulation by underprivileged and vulnerable communities, through the flexibility of withdrawal time and savings opportunities. From the government's side, channelling of non-cash social assistance using the banking system is intended to increase the transparency and accountability of the program to facilitate controlling, monitoring, and reducing misuse.

Following up on this good initiative, Bappenas in cooperation with the Australian Government through KOMPAK and The SMERU Research Institute monitor the implementation of the e-Warong Kube-PKH activities, and receive inputs in terms of the conceptual development and business process, institutional perceptions, and expectations of various parties.

Finally, I wish to express great appreciation to all parties who support the realisation of this study. Hopefully the results of this study will be able to contribute in concrete ways to the acceleration of poverty reduction and the development of productive economies for the underprivileged communities.

Jakarta, March 2017



Deputy Minister for Population and Manpower Affairs,
Bappenas

Rahma Iryanti

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List of Abbreviations and Terms

APBN	<i>Anggaran Pendapatan dan Belanja Negara/National Budget</i>
ATM	Automatic Teller Machine
Bansos	<i>Bantuan Sosial/Social Assistance</i>
Bappenas	<i>Badan Perencanaan Pembangunan Nasional/National Development Planning Agency</i>
Bimtek	<i>Bimbingan Teknis/Technical Guidance</i>
BNI	<i>Bank Negara Indonesia</i>
BPK	<i>Badan Pemeriksa Keuangan/Audit Board of the Republic of Indonesia</i>
BPSU	<i>Bantuan Prasarana Sarana Usaha/Business Infrastructure and Facilities Assistance</i>
BRI	<i>Bank Rakyat Indonesia</i>
Bulog	<i>Badan Urusan Logistik/National Logistics Agency</i>
CSR	Corporate Social Responsibility/ <i>Tanggung Jawab Sosial Perusahaan</i>
Dinsos	<i>Dinas Sosial/Social Affairs Agency</i>
Dirjen	<i>Direktur Jenderal/Director General</i>
DG PFM	<i>Direktorat Jenderal Penanganan Fakir Miskin/Director General of Poor People Management</i>
Divre	<i>Divisi Regional/Regional Division</i>
DO	Delivery Order/ <i>Surat Jalan</i>
e-Warong Kube-PKH	<i>Elektronik Warung Gotong Royong Kelompok Usaha Bersama Program Keluarga Harapan/Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer</i>
EDC	Electronic Data Capture/ <i>Perekam Data Elektronik</i>
Himbara	<i>Perhimpunan Bank Negara/State Bank Association</i>
HP	Handphone
Juklak	<i>Petunjuk Pelaksanaan/Operational Guidelines</i>
Juknis	<i>Petunjuk Teknis/Technical Guidance</i>
Kemenkop and UKM	<i>Kementerian Koperasi dan Usaha Kecil dan Menengah/Ministry of Cooperatives and Small and Medium Enterprises</i>
Kemensos	<i>Kementerian Sosial/Ministry of Social Affairs</i>
Keppres	<i>Keputusan Presiden/Presidential Decree</i>
KKS	<i>Kartu Keluarga Sejahtera/Prosperous Family Card</i>
KMIS	<i>Koperasi Masyarakat Indonesia Sejahtera/Prosperous Indonesian Community Cooperative</i>
KOMPAK	<i>Kolaborasi Masyarakat dan Pelayanan Untuk Kesejahteraan</i>
Korcam	<i>Koordinator Kecamatan/Sub-District Coordinator</i>
Korkab	<i>Koordinator Kabupaten/District Coordinator</i>
Korkot	<i>Koordinator Kota/City Coordinator</i>
Korwil	<i>Koordinator Wilayah/Regional Coordinator</i>
KPM	<i>Keluarga Penerima Manfaat/Beneficiary Families</i>
Kube	<i>Kelompok Usaha Bersama/Joint Business Group</i>
KUR	<i>Kredit Usaha Rakyat/People's Business Credit</i>

M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding/ <i>Nota Kesepahaman</i>
OJK	<i>Otoritas Jasa Keuangan</i> /Financial Services Authority
Pedum	<i>Pedoman Umum</i> /General Guidelines
Pemda	<i>Pemerintah Daerah</i> /Local Government
Permensos	<i>Peraturan Menteri Sosial</i> /Ministry of Social Affairs Regulation
PKH	<i>Program Keluarga Harapan</i> /Hope for Families Program
PO	Purchase Order/ <i>Surat Pemesanan Barang</i>
POB	<i>Pedoman Operasional Baku</i> /Standard Operational Guidelines
PTO	<i>Petunjuk Teknis Operasional</i> /Operational Technical Guidelines
Rakor	<i>Rapat Koordinasi</i> /Coordination Meeting
Rastra	<i>Beras Sejahtera</i> /Rice for the Poor
Regdiv Bulog	Regional Division Bulog
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> /National Medium-Term Development Plan
RPK	<i>Rumah Pangan Kita</i> /Our Food Home
SDM	<i>Sumber Daya Manusia</i> /Human Resources
SHU	<i>Sisa Hasil Usaha</i> /Business Surplus
SKPD	<i>Satuan Kerja Perangkat Daerah</i> /Local Government Units
TIK	<i>Teknologi Informasi Komunikasi</i> /Information and Communication Technology
TKSK	<i>Tenaga Kesejahteraan Sosial Kecamatan</i> /District Social Welfare Worker
Tupoksi	<i>Tugas Pokok dan Fungsi</i> /Basic Tasks and Functions
UEP	<i>Usaha Ekonomi Produktif</i> /Productive Economic Enterprise
UP	<i>Unit Pelaksana</i> /Implementing Unit

In April 2016, President Joko Widodo conveyed his directions to his ministers on: (i) the importance of realising an inclusive national financial system; and (ii) the distribution of all social assistance and subsidies in non-cash form, using the banking system to facilitate control, monitoring, and to decrease the possibility of misuse. In this regard, the Minister of Social Affairs translated the direction by launching the Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer, which changed the mechanism of channelling social assistance from cash to non-cash. The objectives were most significantly to improve the effectiveness of social assistance, and to improve access of poor families to inclusive financial services.

To implement the e-Warong program (Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer), the Ministry of Social Affairs (*Kemensos*) collaborated with various parties, namely the implementing banks (BNI¹/BRI²), *Bulog*³, and Prosperous Indonesian Community Cooperatives (*KMISs*). In general, the roles of those parties are as follows: (i) the implementing banks provide digital transaction facilities and issue the Prosperous Family Card (*KKS*) to be able to perform non-cash transactions at the e-Warong; (ii) *Bulog* plays the role to supply basic necessities to e-Warong; and (iii) *KMIS* consists of beneficiary families (*KPM*) of the *PKH* who act as the representative of e-Warong in conducting collaborations with both the implementing banks and *Bulog*. Since June 2016, the Ministry of Social Affairs has launched e-Warong program in many cities/districts. As of 29 November 2016, *Kemensos* has opened 108 units of e-Warong in 32 cities/districts.

From 31 October to 6 November 2016, The SMERU Research Institute, at the request of the National Development Planning Agency (Bappenas), and in collaboration with KOMPAK, conducted a preliminary review of the implementation of e-Warong program in four cities (Batam, Balikpapan, Malang, and Denpasar) and one district (Kediri). This study uses a qualitative approach. The purpose of the study is: (i) To identify the perceptions of stakeholders in the field about the concept of e-Warong; (ii) To find out the readiness of stakeholders in implementing the e-Warong program; (iii) To provide input and learning materials to improve the implementation of the e-Warong program. The resource persons for this study consisted of various stakeholders at the central level (*Kemensos*, *Bulog*, BRI, BNI and *KMIS*), and at the local level (*Dinsos*⁴, *Bulog*'s regional division⁵, BRI/BNI branch offices, Korkot⁶/Korkab⁷/*PKH* counterparts, Services *Kube* managers, members of Services *Kube*, community leaders, poor community member who are non-recipients of social assistance, and traditional food stall owners around the e-Warong). Data collection used the in-depth interview method and observations.

¹ *Bank Negara Indonesia.*

² *Bank Rakyat Indonesia.*

³ National Logistics Agency

⁴ Social Agency at the local level

⁵ Regional Logistics Agency

⁶ City Coordinator

⁷ District Coordinator

In general, the results of this study indicate that:

1. Stakeholders perceive the concept of the e-Warong program to be viable, as it will strategically enhance the effectiveness of social assistance distribution, and is technically feasible.
2. At the level of implementation, the stakeholders are not ready to implement the e-Warong program in accordance with its concept and objectives. This is because the program has not been equipped with general guidelines (*pedum*), technical guidelines (*juknis*), modules, and monitoring and evaluation (M&E) systems as a common reference. As a result, the understanding and technical implementation of e-Warong program varies in the field. This is still considered reasonable, as all stakeholders at both the central and local levels understand that the implementation of e-Warong program in 2016 is still at pilot stage. Related to this, some commonly found conditions in all sample locations show that:
 - a) Preparation for e-Warong establishment is short – between one to two weeks – and the construction of e-Warong kiosk took two to five days.
 - b) Dissemination of information about e-Warong program did not reach all stakeholders and the material is not comprehensive.
 - c) The establishment of Services *Kube* (newly formed business group of *PKH* recipients and acting as e-Warong managers) takes place instantly, so that members do not know each other (in Denpasar). Services *Kube* has not been formally established (in Malang) and *KPM* does not know that they have been appointed as members of Services *Kube* (in Kediri).
 - d) Training for operators related with the new e-Warong function is limited to the operation of digital devices for non-cash social assistance transactions. Advocacy and education related to the e-Warong function as a bank agent and livelihood component for a poor community has not yet been conducted.
 - e) The number of *PKH* beneficiaries in all sample locations is around 33,000 *KPM*, but those who have received *KKS* is only 264 *KPM*. The amount of funds disbursed through *KKS* accounts ranges from IDR 110,000 to IDR 420,000 per *KKS*, and these funds are not derived from *PKH*'s social assistance funds but from corporate social responsibility (CSR) funds of the implementing banks.
 - f) After the inauguration, some e-Warongs at the sample locations (in Kediri, Batam, and Denpasar) were closed. This happened because the digital device (tablet) as a transaction recorder was withdrawn by the Ministry of Social Affairs; the electronic data capture (EDC), or electronic data recorder, was damaged; apps on the tablet were not available; and all stakeholders understood that e-Warong will be operational by 2017. As a result, until early November 2016, the stocks of basic necessities in e-Warong, such as rice, sugar, wheat flour, and cooking oil, remained intact. In Malang, e-Warong operated about three weeks and then closed because the EDC was damaged and funds in *KKS* had run out, so that e-Warong managers could not perform the transactions anymore. In Balikpapan, after all the *KKS* holders did the transactions, e-Warong was no longer operational because there was no more supply of basic necessities from *Bulog* and the funds in *KKS* were empty.
3. In full operational scale and to support the widespread distribution of non-cash social assistance, the successful implementation of e-Warong programs in the future requires comprehensive program regulation, development of organisational governance, e-Warong management capacity in accordance with its function (as the distribution point of non-cash social assistance, and livelihood components for the poor), as well as effective monitoring and evaluation mechanisms. Some of the following aspects need specific attention, so that the implementation of e-Warong program can perform in accordance with its concept.

Future Institutional Aspect of e-Warong Program

1. The Ministry of Social Affairs should immediately complete the regulation of the program, such as the operational technical guidelines, and encourage various parties to immediately and formally (in writing) finalise the collaboration to occur between them. Furthermore, the regulation and details of this cooperation need to be disseminated to all stakeholders at the local level. In addition to creating a common understanding, it is also important to obtain real support from the stakeholders, so that e-Warong's function as: (i) the point of distribution of non-cash social assistance; (ii) a bank agent; and (iii) the livelihood component for the poor can work well.
2. The establishment of e-Warong is conducted by taking into consideration the area access coverage, the accessibility of e-Warong for the *KPM*, the number of *KPM* and the communities served. In addition, in terms of the establishment requirements, e-Warong does not have to be located at the house of the *KPM*, but can also be located at the facilitator's house or other locations that meet certain prerequisites, such as security factors, accessibility, and adequate storage space. Services *Kube* that are formed in a rush and show indication of less ability to perform the role of e-Warong managers, should get special treatment, for example, through re-establishment or through intensive coaching.
3. Ministry of Social Affairs/Prosperous Indonesian Community Cooperative (*KIMS*) needs to provide assistance/training/education to e-Warong kiosk managers and *KPM* to enhance their capacity, so that the presence of e-Warong can encourage them to help themselves in the efforts to improve welfare. On the other hand, the Ministry of Social Affairs also needs to provide incentive mechanisms for *PKH* Facilitators if they are also involved in the implementation of e-Warong program.

e-Warong Stock Management

1. The government needs to provide a legal foundation that enables *Bulog* to perform transaction mechanisms with e-Warong, apart from the standard procedures of *Bulog*.
2. *KMIS* should formulate a simple and timely mechanism for the procurement of goods from the supplier (non-*Bulog*) to the e-Warong.
3. The government (central/local level) or *KMIS* should facilitate/build some distribution centres from the suppliers (non-*Bulog*) to e-Warong, as well as to prepare the resources of Services *Kube* to manage e-Warong in accordance with its functions.

Monitoring and Evaluation

The implementation of e-Warong program should be guarded by a regular internal and external monitoring and evaluation system, by putting forward transparency and accountability aspects, as well as to ensure that the results can serve as a reference to improve the ongoing program. In addition, this program should also provide complaint and handling mechanisms that are easy, fast, and responsive.

1. Introduction



1.1 Background

Since 2007 the Government of Indonesia has implemented the Household Conditional Cash Transfer (*PKH*) for the poorest communities. The objectives are: (i) to improve access and the quality of education and health services; (ii) to improve the level of education of beneficiary families (*KPM*) of *PKH*; (iii) to improve the health level of pregnant/nursing mothers and children under the age of 6; and (iv) to improve the economic condition of *KPM*. In line with the National Medium-Term Development Plan (RPJMN) 2015–2019, the government is expanding *PKH*'s targets and gradually distributing non-cash assistance. *PKH*'s target is not only for poor families with health and education components, but also families with members who have severe disability and/or are elderly. The number of *PKH* participants also increased from about 3.5 million families (cohort 2007–2015) to approximately 6 million families (2016).

Although *PKH* has been implemented for nine years, there are still some problems with its implementation. The Audit Board of the Republic of Indonesia (BPK⁸, 2013), for example, found some issues such as: (i) the lack of commitment of local governments to supporting *PKH*; (ii) the target validation process does not always follow the rules so the validation results are incomplete; (iii) the verification process of *PKH* commitment on health and education is not ideal; (iv) policies set by the Ministry of Social Affairs often change so that assistance payments become less effective; and (v) regular/periodic monitoring and evaluation has not been implemented in accordance with the guidelines.

In April 2016, President Joko Widodo conveyed his directions to his ministers on: (i) the importance of realising an inclusive national financial system; (ii) the distribution of all social assistance and subsidies in non-cash form, using the banking system to facilitate control, monitoring, and to decrease the possibility of misuse; and (iii) the need to integrate usage of various cards in channelling social assistance funds into one card. Related to this, the Minister of Social Affairs directed all lines of officials in the Ministry of Social Affairs that: (i) all poverty reduction programs need to be synergised so that their outcomes will have broad, efficient and effective impacts; (ii) there need to be empowerment activities to the *PKH* Facilitators and the communities they assist, making them actors in the inclusive financial system; and (iii) the process of handling the Joint Business Group (Kube) must be comprehensive, from the establishment and organisation, up to the marketing activities of the business results.

Based on the aforementioned matters, starting in June 2016 the Ministry of Social Affairs tried non-cash social assistance with the following principles: (i) all beneficiaries will have a bank savings account; (ii) all social assistance (cash and e-voucher⁹) will be transferred into the account; (iii) disbursement of assistance is done through an agent/outlet (shop); and (iv) disbursement of assistance by *KPM* is done using digital technology. The distribution of non-cash social assistance is organized through Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer, hereinafter referred to in this report as e-Warong program.

⁸ Badan Pemeriksa Keuangan.

⁹ Kupon elektronik.

The e-Warong program is the result of the cooperation between the Ministry of Social Affairs and the implementing banks (BNI¹⁰ and BRI¹¹), the National Logistics Agency (*Bulog*), and the Prosperous Indonesian Community Cooperative (*KMIS*¹²) to distribute the non-cash *PKH* social assistance¹³. To access this assistance, *KPM* get a Prosperous Family Card (*KKS*) to disburse the assistance¹⁴. This social assistance distribution pattern is different from the earlier social assistance using PT Pos Indonesia Office as a point of disbursement of social assistance in cash with coupons.

Conceptually, the mechanism of distributing social assistance through e-Warong provides more advantages compared to the previous mechanism. According to the Minister of Social Affairs, the e-Warong program will be able to meet several goals at once:

- i) The e-Warong program empowers the poor communities to be more prosperous, so they can help reduce the poverty rate.
- ii) The e-Warong program improves the access of poor families to inclusive financial services and eliminates the misuse of assistance.
- iii) The e-Warong program is part of the efforts to revive the spirit of mutual cooperation (*gotong royong*) to alleviate poverty.
- iv) Social assistance recipients can receive help according to the designated amount, on time, and on target, and gradually social assistance can be integrated to non-cash format. The price of the basic necessities in e-Warong is probably lower than the market price, because the supply of goods is directly from the distributor. *KPM* can disburse its assistance whenever they need it without having to stand in line.
- v) The e-Warong at the same time also functions as the bank agent, so that empowering poor families is no longer the sole responsibility of the government, but also involves the business sector.

In 2016, the Ministry of Social Affairs planned to open 302 e-Warong units. As of 29 November 2016, the Ministry of Social Affairs has successfully opened 108 e-Warong units in 35 cities/districts. In 2017, the Ministry of Social Affairs plans to open 3,500 e-Warong units across Indonesia. To find out the preliminary implementation of the e-Warong program, the National Development Planning Agency (Bappenas), in collaboration with KOMPAK, tasked The SMERU Research Institute to conduct a study on the program.

1.2 Purpose of the Study

In general, the purpose of this study brief is to obtain an accurate picture of the implementation of the e-Warong program. Specifically, the objectives of this study are.

- i) To identify the perceptions of stakeholders in the field about the concept of e-Warong program.
- ii) To find out the readiness of stakeholders in implementing the e-Warong program.
- iii) To provide input and learning materials to improve the implementation of the e-Warong program.

¹⁰ Bank Negara Indonesia.

¹¹ Bank Rakyat Indonesia.

¹² *KMIS* is a new institution established for the implementation of e-Warong program. This cooperative is a primary cooperative that regulates the mechanism of supply of goods (from the Logistics Agency or other suppliers) to e-Warong. Members of Services *Kube* (as e-Warong managers) are individually members of *KMIS*.

¹³ For now, the non-cash social assistance is in the form of rice, cooking oil, wheat flour and sugar. Going forward, e-Warong will likely provide other foodstuffs, such as onions, beef, and chicken pieces.

¹⁴ *KKS* can also be used as a means for *KPM* to do saving in banks and as other non-cash assistance transaction tools.

1.3 Study Questions

A brief study of the implementation of e-Warong program is designed to obtain answers to the following questions.

- i) How is the implementation of the program progressing, comprising dissemination of information, card distribution, e-Warong establishment mechanisms, and complaint handling, as well as the supervision?
- ii) What are the assessments of stakeholders on the program concepts, and the potential for sustainability – the development of future programs?
- iii) What are the factors that affect the success of the implementation and sustainability potential of the e-Warong program?
- iv) What are the benefits to the program beneficiaries and what is their level of satisfaction with the e-Warong program?
- v) What needs to be done to ensure the successful implementation of e-Warong program?

1.4 Research Methods and Analysis

This study uses a qualitative approach. Data/information collection uses personal and group interview instruments, guidelines, observation, and secondary data collection. Informants are the stakeholders at the central and local levels. At the central level, the informants include officials from the Ministry of Social Affairs, *KMIS*, *Bulog*, BNI, and BRI. At the cities/district level up to the urban village/village, the sources included *Dinsos* (Social Agency¹⁵), implementing unit of *PKH* (city/district level), local division (Logistics Agency), BNI and BRI branches, local government units (SKPD) such as the Trade and Cooperatives Office/Micro, Small, Medium Enterprises, Local Planning Development Agency (*Bappeda*), sub-district government officials, *PKH* Facilitators, *Sevices Kube* supervisors, *Services Kube* managers/e-Warong kiosk operators, village government officials/community leaders, holders and non-holders of *KKS* of *KPM PKH*, the poor-non *PKH*, and traditional stall owners around the e-Warong.

In accordance with the method of study, in general, this report uses a descriptive-comparative analysis approach. The study samples consisted of ten e-Warong locations spread over five districts/cities (Table 1). The selection of sample locations and e-Warong is based on the geographical distribution that represents the national territory, the number of e-Warong that have been in operation, and the time of their inauguration. This latter criterion becomes a consideration for sample selection with the assumption that e-Warong that operate longer will have more experience than the newly operating ones.

¹⁵ Social Agency are mostly referring to Social Agency at the district/city level.

Table 1. e-Warong Kube-PKH Sample Distribution

City/District	e-Warong Location (Urban Village/Village)	Inauguration	Amount of Printed KKS
Batam	Tanjung Piayu Duriangkang	10 September 2016	50 KKS
Balikpapan	Baru Ilir Graha Indah	16 September 2016	50 KKS
Denpasar	Penatih Ubung Kaja	9 October 2016	24 KKS
Sub-District of Kediri	Tulungrejo Gurah	23 September 2016	50 KKS
Malang	Jatimulyo Polehan	27 June 2016 28 July 2016	35 KKS

Source: Directorate-General of Poverty Management of the Ministry of Social Affairs (2016) and field resource persons.

1.5 Organisation of the Report

This study report consists of seven chapters:

Chapter 1: Introduction describes the background, objectives, methodology, and research questions.

Chapter 2: Overview of the e-Warong Kube-PKH Program comprises general draft of the program and its objectives, and the development of e-Warong program implementation.

Chapter 3: Institutional Preparation of e-Warong Kube-PKH program presents a description of information dissemination, engaging the stakeholders, the establishment of Services *Kube* and e-Warong, and facilitation and training.

Chapter 4: Distribution of benefits for Program Beneficiaries presents an overview of the process of distributing non-cash assistance and education on the usage of KKS.

Chapter 5: e-Warong Stock Management generally describes the flow of the goods supply process to e-Warong and its payment mechanism.

Chapter 6: Monitoring and Evaluation presents an overview of program implementation control mechanisms.

Chapter 7: Closing Notes contains a reflective note on the journey of the implementation of e-Warong program until early November 2016. It includes the efforts that should be made to make the e-Warong program run better.

2. Overview of the e-Warong Kube-PKH Program



2.1 Objectives, History, and Program Design

2.1.1 Program Objectives and History

In 2013, the Ministry of Social Affairs and the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop and UKM) agreed to synergise the resources of the relevant parties to empower *Kube* and cooperatives. This collaboration aims to conduct coaching and development of *Kube*, so it can have cooperative status. Some joint efforts undertaken have been: (i) human resource capacity development, including guidance on entrepreneurial skills; (ii) improving access to financing/financial resources; and (iii) upgrading *Kube* institutional status to become cooperatives.

The agreement governs the responsibilities of each ministry. The Ministry of Social Affairs is responsible for: (i) facilitating the establishment, training, coaching, facilitation, and counselling of *Kube*; (ii) carrying out the ongoing technical development of institutional, social, and economic development of *Kube*; and (iii) inventory and recording of *Kube* to meet the requirements to elevate the institutional status to cooperatives. Meanwhile, the Ministry of Cooperatives and Small and Medium Enterprises is responsible for: (i) organising cooperative-related education and training; (ii) facilitating the establishment of cooperatives for eligible *Kube*; (ii) improving the quality of management of cooperatives; and (iii) increasing cooperative access to productive resources.

In line with the agreement, in the Cabinet Meeting on Inclusive Finance on 26 April 2016, President Joko Widodo tasked his ministers to immediately formulate a national digital-inclusive financial strategy. In this regard, every form of social assistance and subsidies should be distributed in the form of non-cash, using the banking system to facilitate the monitoring and at the same time to expand inclusive finance. For that, the use of various cards in distributing social assistance and subsidies should be integrated into one card.

Following up the results of the cabinet meeting, the Minister of Social Affairs then encouraged synergy between poverty reduction programs so that the outcomes would have broad, effective and efficient impacts. An important step that needs to be done is to empower the facilitators of the communities receiving assistance to make them actors of the inclusive financial system. This is intended as an effort to accelerate the welfare of the beneficiaries of social assistance and subsidies. To meet those objectives, the *Kube* development process must be conducted comprehensively, starting from the establishment, organisation, production system, and to the marketing of its products

2.1.2 Program Design

Towards mid-2016 the Ministry of Social Affairs initiated the e-Warong program to distribute social assistance and subsidies through the non-cash system. As a kiosk, e-Warong is a tool that is established and managed through mutual cooperation by using information and communications technology (ICT). An e-Warong is designed as a place to sell basic necessities and goods produced by *Kube* with a non-cash transaction system using an internet network. Minister of Social Affairs Regulation No. 25 Year 2016 on Business Development Support through e-Warong states that an e-Warong's function is as a: (i) place to sell cheap quality food and basic needs of households; (ii) non-cash social assistance distribution agent; (iii) marketplace of *Kube*'s products; and (iv) place for savings and cooperative loans.

In addition to the Ministry of Social Affairs and related technical officials, major stakeholders that are involved in the implementation of this program are (i) *KMIS*, (ii) the partner banks, (iii) Logistics Agency or other suppliers of goods, and (iv) Services Kube. In general, respective stakeholders have the following tasks and responsibilities.

(i) The Ministry of Social Affairs

In the e-Warong program, the Ministry of Social Affairs (Directorate-General of Poverty Management [Ditjen PFM]) acts as the party in charge of the overall implementation of the program.

(ii) *KMIS*

KMIS is a primary cooperative consisting of *PKH* participants. *KMIS* officially established on 5 August 2016 based on Ministerial Decree of Cooperatives and SMEs No. 001782/BH/M.KUKM.2/VIII/2016. The Ministry of Social Affairs gives a mandate to *KMIS* to manage e-Warong. *KMIS* is basically designed for receiving social assistance and subsidies through cooperation with Services Kube. To that end, *KMIS* cooperates and contracts the distributor in providing basic foodstuff (in this case *Bulog*), which will be marketed via e-Warong. In addition, to expand financial inclusion and to develop non-cash transactions in e-Warong, *KMIS* must cooperate with the State Bank Association (Himbara) as the partner bank. *KMIS* is also tasked to empower recipients of social assistance and subsidies to have an entrepreneurial spirit, to be economical and disciplined, and to help prepare Production *Kube* product standardisation.

(iii) Partner bank

In the non-cash distribution of social assistance and subsidies, the e-Warong program is supported by *Himbara* using web-based and e-wallet (electronic wallet) technology. This assistance is provided by the member of *Himbara* through a cooperation contract with *KMIS*. Through this partnership, Services *Kube* will be the agent of the bank and will make it possible to obtain People's Business Credit (KUR) on the guarantee of *KMIS* recommendation. As a bank agent, e-Warong can conduct basic banking functions services generally. For example, Figure 1 shows that as the Bank agent of BNI, e-Warong can perform the function of opening a new account, cash deposit and withdrawal, purchase (credit) and payments (electricity and water) for social assistance recipients and for the public. In relation to the e-Warong program, the bank guarantees proper distribution of social assistance and provides subsidies to beneficiaries, based on data provided by the Ministry of Social Affairs.

Figure 1. Information Concerning BNI Agents

AGEN BNI 46

SEKARANG... NABUNG ITU GAWPANG YA...

BETUL! DATANG SAJA KE AGEN BNI 46, BUKA TABUNGAN PASTI BERES!

Kini semua bisa menabung lebih mudah, lebih cepat, lebih dekat
BNI memberi lebih

Pembukaan Rekening Setoran Tunai Tarik Tunai Pembelian Pembayaran

BENEFIT OF BEING BNI 46'S AGENT

- EASIER**
Simple requirements make transaction easier at BNI 46's agent
- FASTER**
Real time tech-based service makes the transaction faster
- CLOSER**
Through Agent banking service is closer than before

- Easy and free requirements
- Use your smartphone
- Competitive fee per transaction
- Broad service office network

Source: PT Bank Negara Indonesia, 2016.

(iv) Services Kube

In its design, the owner and managers of an e-Warong is *Services Kube* (this group is a newly created group specifically for the e-Warong program) which consists of three administrators (chairman, secretary, and treasurer), and seven social assistance beneficiaries and a supervisor. Those ten persons are obliged to have a general consensus through formal agreement among them to decide on the location of e-Warong and appoint the administrators. In establishing e-Warong, *Services Kube* received Business Infrastructure and Facilities Assistance (BPSU) in the amount of IDR 10,000,000 from the Ministry of Social Affairs to repair/build kiosk buildings, and purchase shelves, storefronts, and other equipment. Members of *Services Kube* are those who live around an e-Warong location. They are responsible for the continued operation of the e-Warong and maintaining good relations with other Kube. Voluntarily, members of *Services Kube* are members of *KMIS* and are accountable to *KMIS* in managing the stock of goods and the financial transaction traffic.

Each *Services Kube* that has been formally assigned by the Ditjen PFM receives IDR 20,000,000 of social assistance for the purchase of e-Warong equipment, supplies, and working capital such as the supply of two-points with 900 watt electricity, tablets with particular specifications, one year of Internet services, scales, vacuum packaging machine, freezer, and a trolley. The e-Warong formation criteria listed in the Minister of Social Affairs Regulation are: (i) e-Warong location is connected to internet network and power grid; (ii) e-Warong serves 500 to 1,000 families of social assistance beneficiaries; (iii) e-Warong uses the place/house of *Services Kube* management or other places based on the agreement of *Kube* members; and (iv) e-Warong conducts non-cash social assistance transactions.

For *Services Kube* and e-Warong to obtain status as formal institutions, both establishments must follow three steps. Firstly, the facilitator and the participants of *PKH* make a proposal for the establishment of *Services Kube* and e-Warong to the Director-General of Poverty Management (Dirjen PFM) by attaching a photo of the location of the e-Warong candidates. Secondly, the proposal should have approval/recommendation from the provincial and city/district Social Agency.

Thirdly, the Ditjen PFM with the provincial Social Agency and the district/city Social Agency validate the proposal before the Ditjen PFM issues the approval of Services *Kube* and e-Warong establishment.

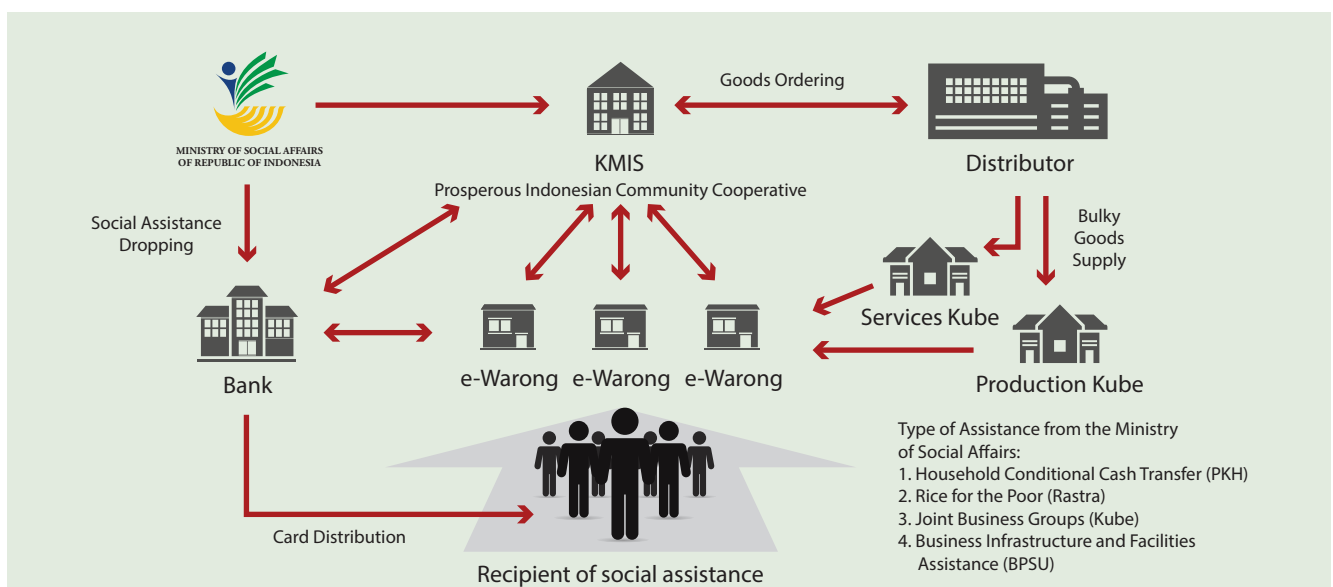
(v) National Logistics Agency (*Bulog*)

Bulog as the current distributor is an institution responsible for providing basic necessities at an assured quantity and quality, and at affordable prices. In performing its duties, distributors work closely with *KMIS* and banks through formal agreements to develop effective and efficient supply and payment systems. The ordering of goods is done centrally by *KMIS* and distributed to e-Warong with a relatively cheaper price compare to the price in surrounding warong.

Based on the roles and responsibilities of respective stakeholders, Figure 2 presents the working mechanisms of the implementation of the e-Warong program. In general, the processes are as follows.

- i) The Ministry of Social Affairs provides data of *PKH* recipients to partner banks and *KMIS*.
- ii) Partner banks open new accounts, issue *KKS*, and distribute it to respective *PKH* participants.
- iii) The Ministry of Social Affairs transfer *PKH* funds to partner banks and they channel the fund to the accounts of each *PKH* participant.
- iv) *KMIS* orders goods from *Bulog* or other distributors, and then arranges payments to them.
- v) *Bulog* distributes goods orders from *KMIS* to each e-Warong.
- vi) *PKH* participants get the non-cash social assistance at the e-Warong.
- vii) Aside from being the distribution point of non-cash social assistance, Services *Kube* can also cooperate with Production *Kube* in marketing its products in e-Warong.

Figure 2. Pattern of Relationships between Ministry of Social Affairs–*KMIS*–e-Warong *Kube*–*PKH*–Bank–Distributor



Source: Directorate-General of Poverty Management, Ministry of Social Affairs, 2016.

2.2 Progress of the Program and Perception of Stakeholders

2.2.1 Regulation of e-Warong Kube-PKH Program

On 26 April 2016, President Joko Widodo conveyed the direction on the mechanism of non-cash social assistance with regard to inclusive finance. On 27 June 2016, the Minister of Social Affairs inaugurated the first e-Warong in Malang. For a program that is expected to have national scale, the time interval of preparation has been relatively short. As explained in the previous section, for the Ministry of Social Affairs the reason for formalising the program in a short time is due to the urgency to immediately introduce e-Warong program to the wider community.

The involvement of various parties in the program, particularly with the inter-institution relationship mechanisms and the responsibilities of each institution, is based solely on goodwill for the success of the program. The inter-agencies' agreement is currently at the stage of verbal agreement. Until now (end of November 2016), according to various respondents at the central to local levels, the government has not issued written rules related to the implementation of the e-Warong program. For its own e-Warong program technical implementation, the government has not published a standard operating manual, standard operational guidelines (POB), or operational technical guidelines (PTO) for the program, or any other form of guidelines document to complement the program.

All documents are now in the stage of finalisation and/or completion. Although in general, each institution has been aware of its main tasks and functions, when it comes to technical aspects, it is not easy to find the common ground. For example, a *KMIS* management official stated that the draft of cooperation agreement between *KMIS* and *Bulog* has been completed, but to date, both parties have not reached a final agreement. Respondents give examples of other aspects related to payment clauses. *KMIS* requires payment to *Bulog* after all goods supplied to the e-Warong have been sold out (consignment system). Conversely, in accordance with the rules prevailing in *Bulog*, the payment mechanism for others is cash and carry. That is, *Bulog* will only issue a delivery order (DO) or relocate goods from the warehouse if *Bulog* has received payment. Another aspect that has not reached consensus is related to quality assurance, damage, expiration, and changes in the price of goods. *KMIS* wants all these risks to be the responsibility of *Bulog*, but *Bulog* has not yet agreed upon the relevant clauses. Although the details of the agreement have not been reached, *Bulog* still supports the implementation of e-Warong program so that the e-Warong inauguration can be realised.

The cooperative relationship between the Ministry of Social Affairs and partner banks (BNI and BRI) also has no detailed formulation. Until 14 November 2016, there was no legal basis or written agreement between the two implementing banks and the Ministry of Social Affairs specifically regulating the work procedures of the bank in the e-Warong program. The Ministry of Social Affairs has also never submitted road map of the e-Warong program to the executing bank. The banks did not insist that the written cooperation agreement be finalised, as they understand that until the end of 2016 e-Warong program is still in the pilot phase. In this context, the implementing bank is limited to providing *KKS* in limited quantities (24–90 *KKS* at the sample location), means of payment transactions, and training of the use of the card. Therefore, although various requests related to the opening of e-Warong were submitted incidentally by the Ministry of Social Affairs, BNI and BRI still fulfil these. This includes channelling the corporate social responsibility (CSR) funds of the two banks into *KKS*, so that during the inauguration, *KKS* can be used to perform transactions in e-Warong.

In addition to charging funds into *KKS*, the two banks also issued funds for ceremonial purposes of e-Warong's inauguration. Explicitly, the BRI stated that the company's disbursement for the inauguration benefits the corporate image and branding of the company.

Cooperation between *KMIS* and the partner banks also has no written detail. As a result, until now there has been no separation between e-Warong accounts as distributors of social assistance, and e-Warong accounts as bank agents. This is somewhat difficult for *KMIS*, because the payment for social assistance via electronic data capture (EDC) device, or electronic data recorder, can be connected directly to the *KMIS* account (this is expected in the future). Now, all transactions that occur in e-Warong directly go to the account of e-Warong as a bank agent (not associated with *KMIS*). Another issue concerning the inauguration of e-Warong at present is regarding the application. At the time of inauguration, the application used for transaction demonstration is originally from the bank. Therefore, the transaction is recorded as an e-Warong transaction as a bank agent, not a *KMIS* design application that records e-Warong transactions as a social assistance distribution kiosk. This condition implies more work to be done by *KMIS* in the future, as they will have to train or teach more e-Warong managers about the application made by *KMIS*.

The overall impressions indicate that although the parties, in general, have understood their respective roles and functions, there are some technical aspects that need to be resolved soon. If this is not resolved soon, it will most likely hinder the implementation of e-Warong program when it is fully operational nationwide.

The absence of national rules ultimately also impact on the implementation of the e-Warong inauguration at the local levels. Program executors in the field carry out this program without written rules. They implement the program only on the basis of good intentions, and in the spirit of mutual cooperation. Given that the institutions at the local level are the representatives of those at the central level, they remain cooperative and work to succeed with each e-Warong program.

The following statements by some respondents give an overview of their involvement and commitment in running their main tasks and functions in the e-Warong program.

'In the meantime, I just do it based on good faith, as there is no written Memorandum of Understanding [MoU]. The general guidelines are also not in place. Anyway, we just go ahead. I am sure all the agencies and district government will be ready to help, because during the inauguration the Head of District and all local officials were present. So, they already know about this program.' (Bulog's regional division, Kediri)

'While the rules have not been put into place, the program has run; the guidelines were not there yet too, but the program is already running. We are only given a brief training; nothing has existed in written form.' (Social Agency, Denpasar)

'... So far it is not clear on what are the main tasks and functions of Korkot [City Coordinator] and PKH Facilitator in the e-Warong Kube-PKH program is because everything seemed to be in rush. I also asked the Korwil [Regional Coordinator], and was explained that there are no juklak [operational guidelines]/juknis [technical guidelines]. The point is, we are only assisting the programs of the government.' (PKH Coordinator of City of Balikpapan)

2.2.2 The Number and Expansion Plans of e-Warong Kube-PKH

The transformation of the cash social assistance pattern into non-cash social assistance using digital devices and mechanisms is not an easy task. Previously, the cash assistance pattern involved only a few parties (mainly Ministry of Social Affairs and *PT Pos Indonesia*), and the implementation of e-Warong program involves more actors and activities. Therefore, from mid to late 2016, the Ministry of Social Affairs only targeted the opening of 300 e-Warong units. While continuing to evaluate its implementation, Ministry of Social Affairs will gradually increase the number of e-Warong. In the fiscal year 2017, Ministry of Social Affairs target the opening of 3,500 e-Warong, and this number will continue to grow to serve around 6 million *KPM-PKH*.

Table 2 shows the number of *KPM* that have received *KKS*, with as many as 264 families across the sample location. The amount of 'social assistance' distributed in the framework of the inauguration of e-Warong reached IDR 66,44 million or IDR 110,000 to IDR 420,000 per *KKS*. The funds come from CSR funds of implementing banks. In Kediri District, Batam City, and Denpasar City, each Social Agency plans to open as many as 26, 28, and 4 e-Warong units respectively, in accordance with the number of sub-districts in each location. In general, it can be stated that in 2017, the Social Agency will target at least one e-Warong in every subdistrict. When referring to the estimated service capacity of one e-Warong for 500 to 1,000 *KPM*, the plan to establish e-Warong is sufficient, since the total number of *KPM* in all sample locations is approximately 33,000 *KPM*.¹⁶

Table 2. Progress of Number of e-Warong, *KKS*, and Social Assistance Distributed (Condition as of 5 November 2016), as well as the Plan to Open Some e-Warong at the Study Sample Locations

City/ District	Number of e-Warong Currently (Sample Location)	Number of <i>KKS</i>	Number of <i>PKH</i> Recipients (People)	Number of Social Assistance Recipients per <i>KKS</i> (IDR)	Total of Social Assistance (IDR)	Plan on Number of e-Warong 2017
Batam	2	50	3,381	320,000	16,000,000	28
Balikpapan	2	50	2,102	320,000	16,000,000	n/a
Denpasar ^a	2	24	3,141	110,000	2,640,000	4
Kediri ^b	2	50	20,732	420,000	21,000,000	26
Malang ^c	6	90	4,300	100,000–200,000	10,800,000	n/a

Remarks: n/a = Not applicable because they do not have any plans yet.

^a Total social assistance per *KKS* is IDR 100,000 with details for e-wallet *PKH* IDR 60,000 and e-wallet Rastra (Rice for the Poor) IDR 50,000. However, there are also special *KPM* receiving funds in e-wallet 'account' (researchers team do not have information on the amount of money) and e-wallet for 3 kg LPG.

^b The amount of social assistance per *KKS* is IDR 420,000 divided into e-wallet *PKH* IDR 110,000, e-wallet Rastra IDR 110,000, and e-wallet 'account' IDR 200,000. However, from three trials checking of *KKS* account using EDC, the e-wallet 'account' of one *KKS* only has IDR 100,000. These three *KKS* have never been used.

^c There are two inaugurations of e-Warong in Malang. At the first inauguration (June 2016), the number of *KKS* distributed was 50 *KKS* with the total amount of IDR 200,000 per *KKS*, while at the second inauguration, the number of *KKS* distributed was 40 *KKS* (at four Services Kube) with the amount of funds IDR 800,000 (2 *KKS* filled only with amount of funds IDR 100,000/*KKS*).

Source: Directorate-General of Poverty Management, Ministry of Social Affairs (2016) and field resource persons.

¹⁶ *PKH* participants' data as of November 2016 based on City Coordinator/District Coordinator (Korkab) interview and the Social Agency's website. If in 2017 the number of *PKH* participants in each district/city increases significantly, then the number of e-Warong is likely still insufficient.

To realise the target of e-Warong opening in 2017, some districts have submitted their establishment proposals to Ditjen PFM/*KMIS*. For example, the city of Batam, by early November 2016 has sent six new e-Warong proposals. For Denpasar City, *PKH* City Coordinator has completed a proposal to set up two new e-Warongs, but the proposal has not been submitted to Ditjen PFM/*KMIS*. Meanwhile, although the Social Agency of Kediri District targets the establishment of 26 e-Warongs, they have not submitted any proposals to Ditjen PFM/*KMIS*. According to the Social Agency, proposal submission will be made if the additional verification process of *PKH* beneficiaries has been completed.

2.2.3 Overview of Field Implementation

Given the absence of written rules on the implementation of e-Warong, the opening of e-Warong in the field is generally only based on instructions and/or verbal information from the Ministry of Social Affairs. This may result in an ununiformed an understanding among stakeholders in the districts and inter-districts that is not uniform. To date, the overall activities of local stakeholders in the new e-Warong program are merely at the stage of succeeding to the inauguration ceremony. In such a context, it is understandable if matters relating to technical and conceptual procedures are somewhat abandoned.

In that regard, a deeper analytical study about the presence of e-Warong is not able to be conducted. This study would not be able to identify, for example, whether or not the role of stakeholders is in accordance with their main tasks and functions in supporting the existence and development of e-Warong; or to determine whether the performance of e-Warong in achieving the goals or sustainability has been reached, or at least see the benefits received by *KPM PKH*.

Therefore, the following elaboration will only explain the implementation of the e-Warong program in the context of pilots and particularly the inauguration ceremony. All respondents in the sample locations stated that the time for preparation for the inauguration of e-Warong was very short, approximately one to two weeks. This means that the establishment of e-Warong mechanisms are inconsistent with the concept (i.e. must be through the establishment of *Services Kube* first, and by submitting the proposal to establish e-Warong). The location selection for e-Warong was also not always ideal, since the initial focus was on the ceremonial aspect of preparing for inauguration.

(i) Funding for kiosk establishment

Each e-Warong should have a kiosk preparation/renovation fund of IDR 10,000,000 from the Ministry of Social Affairs. In five sample districts, only the e-Warong in Kediri District is yet to receive the funds. The construction of e-Warong kiosks was 'covered' by the *PKH* Facilitators whose houses were designated as e-Warong kiosks (see Table 3).

(ii) Operation of e-Warong after inauguration

The condition of e-Warong after inauguration varies between regions. In Kediri, there are practically no transaction activities after the inauguration. The Ministry of Social Affairs retracted the tablet devices (Samsung) as the tool to record transactions.¹⁷ According to the Social Agency, the Ditjen PFM will replace the tablets with Asus brand devices. Until early November 2016, replacement tablets had not been received by e-Warong; hence the e-Warong could not operate. The basic necessities goods that were supplied by the *Bulog's* regional division remain intact

¹⁷ The tablets were brought directly by Director General of Poor People Management from Jakarta, which contains applications for transactions in e-Warong. The day after the launch, *PKH's* assistance also retracted the tools that had been bought by *KPM* during the launch. The reason was that there was no clarity about the transaction record and reporting mechanisms. In Gurah e-Warong, after several weeks with no clarity about replacement tablets, the *PKH* Facilitator sold sugar in cash to interested *KPM* for the reason that sugar may be damaged (melted) if kept too long.

(except sugar in e-Warong Village Gurah), but have only become a display. Taking these conditions into consideration, the *PKH* Facilitators have not distributed *KKS* to *KPM* yet. The *PKH* Facilitators have only distributed six *KKS* to e-Warong kiosk managers for the purpose of simulating transactions during the inauguration of e-Warong.

Although for different reasons, a similar situation happened in Batam City and Denpasar City. Since the inauguration and until early November 2016 there were no more transactions in e-Warong; hence, all stocks of goods were intact (only reduced when they were used during simulation). According to the City Coordinator of Batam, e-Warong could not operate because the application on the tablet was not ready for use. The *PKH* Facilitator who inquired about this issue with *KMIS* received an answer that *KMIS* was in the process of replacing the e-Warong program application. The reason was the old application (that was used during the inauguration) was considered to be less effective (will be problematic or will affect performance when all e-Warong are in operation). However, *KMIS* also has not been told when exactly new applications will be available.

Technical constraints faced by the city of Denpasar are relatively the same, namely the retraction of transaction recorder tablets. In this case, the City Coordinator of Denpasar stated that the tablet originally used for simulation (Asus brand) has been retracted, because it will be replaced with gadgets in accordance with the original plan (iPad). As a result, *KPM* cannot conduct transactions and stocks of goods are still intact (only a few packages were sold for simulation during the inauguration).

Apart from the technical reasons, there are two views on the cause of the inactivity/closing of e-Warong. First, the government-level stakeholders (Social Agency, Head of Sub-District/Head of Village, *Bulog*) mentioned that e-Warong have not been activated since the program was opened only for the sake of a soft launch, and will be activated in 2017. The Denpasar Social Agency stated, 'We will be in operation in 2017; yesterday was only the inauguration to inform that Denpasar has two e-Warong.' Secondly, the technical officials in the field (City Coordinator, *PKH* Facilitator, Korcam¹⁸, and BNI) stated that e-Warong has not been active because the cash assistance for *PKH* (stage IV) has not been disbursed. According to them, after *PKH* recipients receive the funds, e-Warong then can operate.¹⁹

For the case of the city of Malang, ever since the inauguration, the two samples of e-Warong were only actively open for less than a month. The closing of e-Warong means that the *KKS* card has no credit or cannot 'swipe' (malfunctioning EDC). Even if anyone wants to shop for cash, there are no fresh supplies of goods from *Bulog*, while the remaining supplies for the inauguration ceremony are not considered suitable to consume.

The only sample area with an e-Warong that did not experience any obstacles was in Balikpapan City. Within a few days of the inauguration, all the *KPM* that have received *KKS* (50 *KPM*) could perform transactions at the e-Warong and all stocks of goods immediately ran out. However, after the stock of goods ran out and the credit on the *KKS* card was empty, activities in these e-Warong were also stalled. Nevertheless, the interesting fact is that members of *Services Kube* in these e-Warong are still doing the rotation to be in charge of the e-Warong. According to the explanation of the e-Warong chairman, each member gets at least a two-day turn each week. Observations (unnoticed) revealed that in both e-Warong locations, group members obey the picket schedule, even though they don't do anything.

¹⁸ Sub-District Coordinator.

¹⁹ It will only operate on a limited basis according to the number of *KKS* that has been distributed (24 *KKS*), unless the implementing banks increase the number of *KKS* to other *KPM* and *Bulog* increase the stock of goods in e-Warong.

Table 3. Funding Status and Operation of e-Warong Kube-PKH at the Sample Location as of 6 November 2016

City/District	Kiosk Development Funding	Status of e-Warong operational after the inauguration
Batam	Passistance	Inactive
Balikpapan	Passistance	Active
Denpasar	Passistance	Inactive
Kediri	Unpassistance	Inactive
Malang	Passistance	Active (<1 bulan)

Source: field resources.

2.2.4 Perceptions (Expectations) of Various Concerned Parties

In all sample locations, stakeholders are aware that the e-Warongs inaugurated are merely for trial or pilot. However, all stakeholders stated that conceptually the e-Warong program is good and operationally feasible. Some reasons they stated in favour of the presence of e-Warong include that e-Warong can: (i) facilitate social assistance access and transactions for *KPM*; (ii) offer entrepreneurship opportunities for *KPM*; (iii) allow the use of social assistance more effectively; and (iv) introduce the banking system to the poor. Some of the following quotes show respondents' perceptions of the e-Warong program.

(i) Kediri District:

'e-Warong's location is close to the residences of KPM; thus, it facilitates their access ... to make it easier for KPM to use PKH's assistance ... to introduce the entepreneurship world to them.' (Head of Social Agency, Kediri)

'The concept of e-Warong is good because it changes the mindset of the community towards the distribution of assistance.' (Community leaders, Pare Kediri)

'Conceptually, the program is good and can reach the poor directly.' (Bulog's regional division, Kediri)

(ii) Denpasar City

'e-Warong is good, it facilitates transactions and the distribution of assistance; it also prevents the misuse of social assistance.' (KPM PKH, Ubung Kaja Village)

'In terms of program design, e-Warong is better because if the community can save, they can get the interest; but if the fund is put in the post office, there will be no interest.' (PKH Facilitator)

'Conceptually, the e-Warong program is good; providing business opportunities to KPM, closer to banking access, and can also improve living standards.' (BNI, Denpasar)

'From the perspective of the urban village, it can ease our burden. In the past, when the rice arrived, we had to provide the transportation to distribute the rice; sometimes, we had to pay all the cost even before the rice was fully distributed; the community usually passistance shortly before the rice were distributed.' (Head of Penatih Urban Village, Denpasar)

(iii) Balikpapan City

'So they do not misuse the assistance, so they do not buy cigarettes ... e-Warong should only provide basic goods, it cannot provide cigarettes.' (Head of Graha Indah Urban Village, North Balikpapan Sub-District)

'Moreover, this is similar to the character of BRI customers so far, micro and small business groups. I think BRI is truly ready because it already has office branches in each district.' (Manager of Micro Business BRI Ahmad Yani Branch, Balikpapan)

(iv) Batam City

'In my opinion, the non-cash assistance is good. Why? It teaches poor people to be more familiar with banks, with ATMs; because so far our society is rather nervous; they feel less confident to go to the bank ... Now they are directed to save ... the facilitators will no longer be bothered with receipt slip, disbursement slip, withdrawal report; in the future it will be directly recorded by the bank.' (City Coordinator, Batam City)

'I agree; if the money has not been spent, they still have money. If we use the old way, they run out of money when the rice is available, [then] other people purchase the rice.' (Head of Tanjung Piayu Urban Village, Batam City)

'The usage of the card is better; it has the money but its usage is limited only for certain goods, to shop in particular places, and timely money transfer.' (Head of Tanjung Piayu Urban Village, Batam City)

(v) Malang City

Similar to other sample locations, stakeholders in Malang City also appreciate and consider the e-Warong program is a good program. The mechanism of distributing social assistance through e-Warong is more effective (the use of social assistance by KPM is more controlled) and has other added benefits for KPM PKH. Therefore, all stakeholders in the field are ready to start the e-Warong program on a full-scale, not just on a trial scale. In addition to supporting government programs and the poor, their interest in implementing the program is also driven by the potential benefits for relevant institutions.

Bulog, for instance, who already has Our Ration House (*RPK*²⁰) program, states that *RPK* and e-Warong can work together to offer the daily needs of the society. With the *RPK*, the delivery of a goods order to *Bulog* can be done by *RPK* or taken at the nearest *RPK*. This process will cut the shipping cost.

Likewise with *BNI*; *BNI* sees *PKH* and e-Warong program as important because the funding of this program is sourced from the National Budget (*APBN*). Participating in the *APBN* is a business that every bank expects. In addition, through its participation in managing e-Warong, *BNI* has the potential to add customers and has the opportunity to appoint e-Warong kiosk owners as *BNI* Agents. This means it can expand the place of the transaction without opening its own office (more efficient). As a group-based business, e-Warong can have the status of formal businesses, as long as they produce concrete goods or services. Thus, e-Warong managers have the opportunity to get *KUR* without having to go through a complicated process, because it will be easy to get references and verification through *BNI* agents.

²⁰ *RPK* outlets are *Bulog*'s partners in selling basic food to bring stability to food prices at the community level.

In addition to appreciating the concept and objectives of e-Warong, resource persons in all locations also gave their assessment about the program's readiness. They generally stated that although the concept and purpose of e-Warong program are good, the operational implementation of this program is not yet ready. Some of the reasons they mentioned included: (i) in general, there are no procedures and program technical guidelines that bind the related parties; (ii) there is a short period of inauguration preparation; (iii) coordination between parties is unclear; and (iv) the low quality of human resources, particularly for technical aspects. The aforementioned reasons are further revealed in the following quotes:

(vi) Kediri District

The point is, they 'cried' when asked to prepare for the e-Warong launch. The problems range from very short time of preparation, invoices from Bulog, undelivered order from Bulog, to damaged goods [daily basic needs], etc. (PKH Facilitator, Kediri)

... It's just a matter of very short preparation as it is too rushed and instant. (Community leaders, Kediri)

The system is not perfect yet ... it still needs improvement in all aspects, particularly on coordination sector ... If possible, cross-sectoral communications should be influential, e-Warong should be open; previously inter-department only talks to their respective agencies, while actually other parties should be involved; Now there should be a cross-sectoral involvement, so that there is no impression that one is being forgotten ... There should be an independent monitoring team that is not contaminated technically by circulation of the program. (BRI, Kediri)

The readiness of human resources is now sufficient although there are things to be improved, particularly the technical aspect ... The main obstacle is the payment mechanism that is still unclear, as the situation now, in which the bill has not been responded by KMIS. (Bulog's regional division, Kediri)

(vii) Denpasar City

We are not ready because we are obliged to do the launch, yet, we do not apply for it. If for example, we are the one who submits the proposal, it means we are ready... Although perhaps we are not (purely) ready, we can do it. Probably the Agency is also not ready, but because the launch should be done anyway, then it had to be done. (PKH Facilitator, Denpasar)

We are still waiting for the decree (presidential decree), Minister of Social Affairs regulation. The Minister went from one location to another because everything had to run. If not so, he (the Minister) will be late in doing the process, because of at least in 2017 the launch has to be ready at many cities; The launch targets must be fulfilled in cities all over Indonesia ... hurry [inauguration], make us short of breath. How to prepare this, and make things ready, while the Minister comes that exact night. BNI has to work late until night, they stay until late to give training about the tools. (Social Agency, Denpasar City)

(viii) Balikpapan City

The e-Warong program has no implementation guidelines. In ordering goods, for example, *Bulog* complains that the purchase order (PO) submitted by *KMIS* is incidental and changes several times. 'It always changes, the last PO did not even have a signature at all. I returned it. Finally, the one who signed it was the secretary' (commercial staff of *Bulog's* regional division of East Kalimantan). Another complaint was that *Bulog* was also not being informed who is responsible for receiving the goods they supply. 'Finally, I asked all their signatures: Head of urban village, facilitator, group leader' (commercial staff of *Bulog's* regional division of East Kalimantan).

After the launch, there is no coordination among stakeholders at the local level or further information on the operational continuity of e-Warong. When the stock of goods in e-Warong runs out, PKH Facilitators find it difficult to obtain information on how to refill it. One PKH Facilitator told me that he tried to ask *Bulog*, but he got the answer that even the stocks that were sent during the inauguration were not assistance yet.

(ix) Batam City

'... But [e-Warong] has lacking; Not at all regions, e.g. in small islands, will be possible to apply electronic systems.' (City Coordinator, Batam)

'The place is far from the residential area and the cost to go to e-Warong is more expensive, while going to the post office is nearer and walking distance ... the ojek costs around 16,000 for round trip. In the end, while the price is cheaper in e-Warong Kube-PKH, [but] the transportation expenses make the price even.' (KPM-PKH)

'On Friday afternoon there were staff from the Ministry of Social Affairs and [PKH] facilitator came. I asked why it was so sudden. They assistance that this is a surprise [surprise visit; impromptu visit]; nevertheless, many people came for this event, what if the community is not ready? If you want to make a surprise, this is not the way to do it ... if something happens, the sub-district should be held accountable.' (Head of Duriangkang Urban Village, Batam)

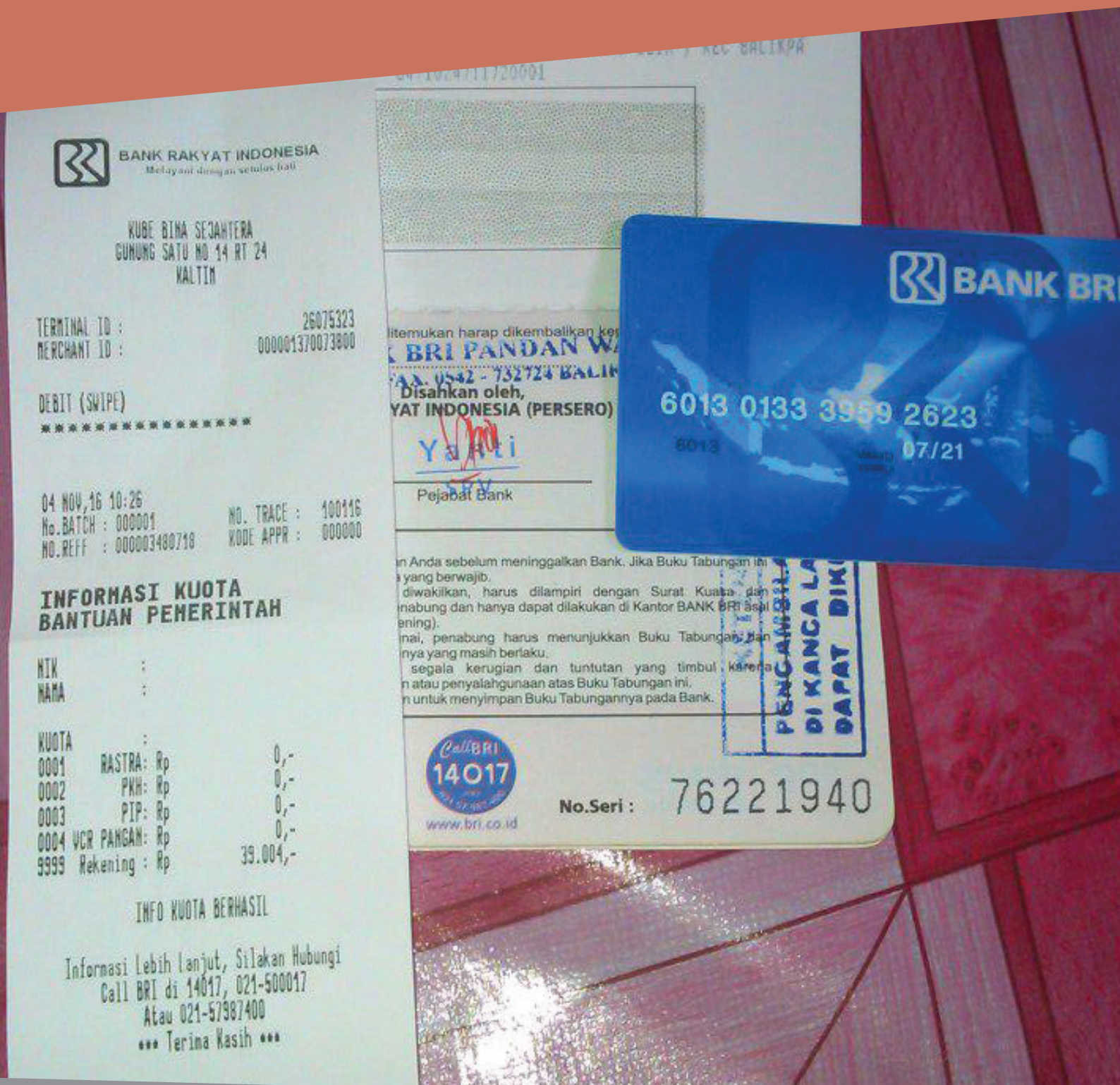
'KMIS should be more interactive to communicate with Bulog and there should be clarity of the MoU.' (Bulog's regional division, Batam)

'The fund must be disbursed immediately and card should be distributed to all PKH members.' (Social Agency, Batam)

(x) Malang City

In Malang City, the respondents generally stated that the preparation for establishment of e-Warong is still insufficient. They provided some examples, including (i) no formal dissemination of information to the beneficiaries and relevant stakeholders about e-Warong, as there are no guidelines to carry out such activities; (ii) the facilitators' approach in guiding e-Warong operations is similar to the way they assist PKH groups because they do not have sufficient knowledge about e-Warong; and (iii) in general, the manager of e-Warong does not have a complete understanding about the objectives of the program. To reflect the degree of preparation of e-Warong establishment in Malang, one respondent stated, 'At that time we work like magicians; e-Warong is *bonek* work [*bondo nekat*, reckless and rush with full of guts]' (PKH Facilitator, Malang).

3. Institutional Preparation of e-Warong Kube-PKH Program



3.1 Dissemination of Information

The e-Warong program started since June 2016. Dissemination of information of the program was conducted through ceremonial launches of the program to the public, which aims to introduce the existence of the program. Some of the dissemination of information was conducted specifically for the program; however, some was incorporated with other related activities.

A. Dissemination of information from the Central Government (Ministry of Social Affairs) to Social Agency and Program Implementers at the District/City Level

The national e-Warong program dissemination of information/material briefing attended by representatives of almost all sample cities/districts was a series of activities at a *PKH* coordination meeting/workshop in Yogyakarta at the end of August 2016. This dissemination of information/briefing was specially designated for districts/cities that would be the pilot location for establishment of e-Warong. From five study sample districts/cities, the ones who attended this event were the City of Batam, Kediri District, Denpasar City, and the City of Balikpapan. Specifically for Kediri District, according to the explanation of Kediri's District Coordinator, participation in this activity was undertaken on its own initiative without an official invitation.²¹

Particularly for Denpasar representatives, apart from attending the dissemination of information/briefing on e-Warong program in Yogyakarta in August 2016, they also attend at least two other activities related to dissemination of information, including: (i) a Coordination Meeting of *PKH*, as well as the inauguration of e-Warong in Madiun in September 2016; and (ii) a consolidation and study visit of e-Warong program in Bogor on 3–6 October 2016.

In addition to organising a national dissemination of information, the Ministry of Social Affairs together with Social Agencies conducted dissemination of information directly in every city/district that was the candidate location of an e-Warong opening. This dissemination of information activity is also a preparatory/consolidation meeting for e-Warong opening in local cities/districts. Participants are stakeholders at the district/city level, such as the Social Agency, City/District Coordinator, *PKH* Facilitator, partner bank representatives (*BRI* and *BNI*), and related local government units (Bappeda, Trade Agency, and Cooperative Agency), *Bulog* (Regdiv or Subregdiv). The preparatory/debriefing meeting was accompanied by an explanation of the program materials and discussion of the program's technical launch plan.

B. Dissemination of information from Social Agency and Program Implementers in District/City Level to Stakeholders at the City/District and Village/Sub-District Levels

In each sample city/district, the program's dissemination of information/material briefing activities were delivered on various occasions held specifically for e-Warong program or incorporated in other activities; for example, at a meeting with Services *Kube* in preparation for the inauguration and after the opening of e-Warong, during the e-Warong opening ceremony, and *PKH* group meetings before or after the launch of e-Warong. Informally, the dissemination of information of the change of assistance from cash to non-cash forms through e-Warong program

²¹ The information on the dissemination of information of e-Warong program was obtained by the District Coordinator of Kediri from the 'PKH Facilitators' WhatsApp group, which he participated in. District Coordinator of Kediri obtained the information that Kediri is one of the location to implement e-Warong Program that would be inaugurated in September 23, 2016.

was also done on various occasions, such as sharing sessions of e-Warong dissemination of information material from City/District Coordinator representatives who attended dissemination of information at national level to *PKH* Facilitators in each city/districts, *PKH* counterpart visits to *PKH* participants, and meetings with village/sub-district/district/community leaders.

Dissemination of information activities in the context of the program launch, both held specifically for e-Warong program and as part of other activities, were also complemented by the transfer of knowledge related to the program. However, almost all respondents stated that the dissemination of information was considered inadequate because: (i) it was not conducted intensively (held only one or two times); (ii) the time was limited and there was sometimes no specific time allocation; (iii) the materials were not fully presented; and (iv) it covered only some of the *KPM* and stakeholders.

Inadequate socialisation was seen clearly from the knowledge levels of *KPM* and various program stakeholders:

'The material is quite clear but still much needed to be informed, how e-Warong can gain profit; they only explain the possible schemes.' (*PKH Facilitators, Denpasar*)

'Lack of understanding of KPM about technology; there should be dissemination of information about card maintenance, storing, and the usage of the card. It could be accidentally washed, missing.' (*District Coordinator, East Denpasar*)

'... But maybe there need to be more dissemination of information specifically for them on how to use the card and what card they will get.' (*Head of Sub-District, Denpasar*)

'... Yes, there was still a dissemination of information but we were very busy; straight after that we went to the general rehearsal of the launch preparation.' (*PKH Facilitators, Balikpapan*)

'... I was notified the day before the inauguration event, e-Warong has stood is ready and will be inaugurated tomorrow. ... I am clueless with e-Warong even though it has built firmly in my sub-district.' (*Community leaders, Batam*)

If the knowledge of program implementer is inadequate, certainly this will affect the performance of program implementation. At the program beneficiaries' level, inadequate knowledge of the program may result in a less than optimum level of benefits received.

Inadequate socialisation of e-Warong program is inseparable from the lack of directives that regulate these activities. Dissemination of information activities were executed in an unstructured manner, without any clear designs on what aspects needed to be addressed, when socialisation needed to be done, at which level dissemination of information needed to be conducted, how dissemination of information should be done, which parties were involved, and the target of dissemination of information activities. Program dissemination of information was carried out merely as part of the program launch, and was not intended as an intensive educational tool for program stakeholders.

3.2 e-Warong as Social Assistance Distribution Point, Bank Agent, and Livelihood Components for Poor Communities

Previous information, particularly from Figure 1 in Chapter 2, shows at least three roles of e-Warong, including as: (i) the distribution point of the non-cash social assistance disbursement; (ii) bank agent; and (iii) the marketing agency of the products of Production Kube. The draft regulation of the Minister of Social Affairs²² that will be published in 2017 reinforces this concept. The draft regulation of the Minister of Social Affairs also states the function of e-Warong as a service place of saving and loan cooperatives. This draft regulation of the Minister of Social Affairs states that e-Warong has several functions including as a:

- i) Place to sell cheap quality food stock and basic household necessities.
- ii) Non-cash social assistance distribution agent.
- iii) Place for marketing of *Kube* products.
- iv) Place for savings and loan cooperatives' activities.

To provide these functions, e-Warong performs several activities that include:

- i) Disbursing non-cash social assistance.
- ii) Selling cheap basic household necessities for recipients of social assistance.
- iii) Providing telephone, electricity, and water payments to beneficiaries and the public.
- iv) Marketing of *Kube* products.
- v) Becoming a bank agent that works together in the distribution of non-cash social assistance.
- vi) Undertaking the repackaging of basic necessities from bulk to packaging in smaller quantities.

Based on these matters, it is fair to say that the e-Warong program has much economic weight for the poor community of *KPM PKH*. This is in line with one of the goals of the e-Warong program, which is to improve the welfare of the poor and to reduce poverty. The implication is that the effort to make e-Warong part of the livelihood component for the poor should be inevitable. Stakeholders should be able to make e-Warong an active business unit and offer more real income for both Production *Kube* members and Services *Kube* members. In practice, this means that the e-Warong kiosk will be transformed into a kiosk/shop business as a shop/shop in general but with various functions, including selling the product and the financial function for the poor. The potentials of the poor to own their own store/retail stalls collectively with 100% ownership level is then open for them.

Related to the various functions of e-Warong, following are some of the aspects to take into account for the parties concerned.

A. Clear Rules of the Implementation of e-Warong Program: Bank Agent and Non-Cash Social Assistance Distribution Point

In the field, the role of e-Warong as a bank agent and distribution point of non-cash social assistance seems separate. The indications are that the *PKH* Facilitators focus more on making e-Warong a social assistance distribution point. In accordance with what they see as the main task and function, generally they are less or not interested in the role of e-Warong as a bank agent. On the other side, the bank branch office with the interest in making e-Warong a bank agent is less interested in the function of e-Warong as the distribution point of non-cash social assistance.

²² Minister of Social Affairs Regulation on Business Sector Development Support through the Electronic-Based Mutual Cooperation Warong of Hope for Families Program Joint Business Group.

The earlier information shows that this dichotomy also occurs at the central level. In the actualisation of its roles, e-Warong will have two different supervisory parties, namely KMIS and implementing bank (BRI and BNI). KMIS as the supervisory party of the cooperative of Services *Kube* (e-Warong managers) will only handle e-Warong's stock management. At least until now, the supply of goods is only limited to the supply of goods from *Bulog* (rice, wheat flour, cooking oil, and sugar). *KMIS* has not made any concrete efforts to connect e-Warong with Production *Kube*. On the contrary, the executing bank, which is the supervisory party of e-Warong as a bank agent, only takes care of banking products attached to the function of e-Warong.

According to *KMIS*, bank participation in the e-Warong program is in terms of business only, and their primary interest is financial. As evidence for this view, *KMIS* provides an example: currently the bank exempts all administrative charges to e-Warong. However, in the long-term, such privileges will not be continued. On the other hand, *KMIS* claims that e-Warong is a place to help the poor prosper. *KMIS*'s suspicions that the bank will 'monopolise' e-Warong are expressed in its dissatisfaction with the lack of separation between e-Warong accounts as bank agents and e-Warong accounts as non-cash social assistance distributors (based on *KMIS*). Similarly, they are concerned about the use of transaction applications during the e-Warong inauguration, which priorities bank applications over *KMIS* applications.

When e-Warong is inaugurated, the technical tasks of each branch of the bank are to acquire agents (and deal with agents' administrative/legal requirements), to open accounts for agents, and to educate agents. Respondents stated that the benefit of bank involvement in this program is 'the acquisition of e-Warong as a bank agent'. Respondents confirm that to become a bank agent (outside of the e-Warong program) there are more conditions, such as experience running a business for at least a few months. The Ministry of Social Affairs hopes that in the future the e-Warong agents will become bank agents. However, the e-Warong agents that have been inaugurated are not/not yet qualified as bank agents. To that end, the bank is now in the process of proposing flexible special regulations for bank agents in government programs such as the e-Warong program to the Financial Services Authority (OJK).

Banks and bank agents are not allowed to cite the benefits of distributing social assistance, but outside the context of social assistance distribution, agents may take advantage of the transaction fee, such as from credit sale transactions, cash withdrawals etc. The profit sharing of e-Warong transactions as a bank agent for Services *Kube* (the e-Warong agent being its member/administrator) is the domain of *Kube* Service concerned. The executing banks do not take part in it. Basically, at the same time that e-Warong function as bank agents, they also cooperate with the implementers bank as personal. If at any time an e-Warong administrator (who is also a bank agent) is at the decision of Services *Kube* to be replaced with another person, then Services *Kube* just report it to the branch office of the implementer bank.

Based on this information, it can be stated that at the strategic level, e-Warong is actually a bank agent whose technical function is the distribution point for social assistance. In this regard, it is understandable that *KMIS* has concerns about bank domination in the e-Warong program.

B. e-Warong as the Livelihood Component for the Poor

Based on the concept, the e-Warong program also involves Production *Kube* in its operation. Products produced by Production *Kube* will be part of the goods that are marketed and sold through e-Warong kiosks. If this is realised, the poor who are members of Production *Kube* and Services *Kube* will gain benefit. Cooperation between Production *Kube* as a manufacturer and Services *Kube* (owner of e-Warong) as a marketing agent can create synergy between both parties. Services *Kube* as the owner of e-Warong can also cooperate or market various products from other producers/suppliers, so that the goods sold more fully meet the needs of the surrounding community. Furthermore, e-Warong as a place of saving and loan cooperative services will further help the access of the poor to meet their financial needs.

In relation to this aspect, the parties that are involved in the e-Warong program, both at the central and regional levels, have not sufficiently explored the opportunities. The overall agenda of the activities before and during the inauguration only focuses on the function of e-Warong as a point of disbursement of non-cash social assistance. The dissemination of information of e-Warong as a livelihood component for the poor community is practically untouched. This indicates that the Ministry of Social Affairs and *KMIS* have not prepared an operational concept to make e-Warong as a business entity for the poor.

Currently, the implementation of the e-Warong program is still at the level of non-cash social assistance distribution agent and bank agent. However, the idea of e-Warong as a livelihood component for the poor deserves attention. This includes thinking of mechanisms and types of training/empowerment activities, such as entrepreneurship training, bookkeeping, retail business management, savings and loan management, as well as who are the responsible parties, cooperation relationships of all concerned parties with e-Warong, and so on. In the fiscal year 2017, at particular selected locations, e-Warong inauguration should also start testing e-Warong as a livelihood component for poor communities with a more mature preparation process.

3.3 Engaging Stakeholders

At all sample locations, the preparation of e-Warong inauguration was conducted in a very short time, i.e. ≤ 7 days. After obtaining information from the Ministry of Social Affairs on the certainty of e-Warong inauguration in their respective towns/districts, the stakeholders at the district/city level worked directly on this activity. The stakeholders involved, and the form of their involvement in the preparation and implementation of e-Warong program launches in sample locations of cities/districts, are as follows.

- a. The Ministry of Social Affairs, and Social Agencies
The Ministry of Social Affairs, in this case Ditjen PFM, and the Social Agency in each city/district played a role in:
 - i) Dissemination of information/briefing of programs to the stakeholders at national and city/district levels.
 - ii) Verifying proposals of *PKH* members to be Services *Kube* and e-Warong locations.
 - iii) Coordinating with the program stakeholders at the city/district and national levels.
 - iv) Preparing the need for technical tools and related launches, such as tablets, construction funds for stall units, and data of recipients of *KKS* at the central level.

- b. District/City Coordinator (Korkot/Korkab) and Facilitator of *PKH*
 These parties play a role in: (i) establishing Services Kube; (ii) locating and proposing prospective e-Warong locations; (iii) preparing proposals; (iv) explaining e-Warong programs to selected *PKH* groups to manage the program and *KKS* holders; (v) collecting data and assisting *KPM* in completing bank forms to get *KKS* cards and bank account books (in Denpasar); and (vi) receiving complaints from e-Warong managers.
- c. Banks: *BRI/BNI* (central and local)
 The bank plays a role in facilitating e-Warong financial transactions. At the central level, the bank's task is to print cards, open beneficiary accounts, and give e-Warong technological devices (EDC machines). At the district/city level, the branch/unit of the bank is tasked with activating the card and printing the passbook, educating the e-Warong operator, and completing all administrative requirements related to e-Warong as a bank agent and card recipient. Particularly in Denpasar City, *BNI* provides a bailout fund for e-Warong development.
- d. *Bulog* (central and Regdiv/subregdiv)
 Central and regional *Bulog* coordinate to give goods for e-Warong based on *KMIS* orders.
- e. *KMIS*
 At the inauguration stage of e-Warong, *KMIS* plays a role in ordering goods to *Bulog*, providing applications, and conducts socialisation/briefings for district level program implementers together with the Ministry of Social Affairs and Social Agencies.
- f. Services Kube
 Services *Kube* has not played its proper role in managing e-Warong. In addition, in most sample locations, only the caretakers (chairman, secretary, and/or treasurer) are involved in Services *Kube* activities. They work only at the inauguration of e-Warong to simulate e-Warong transactions. After the inauguration, e-Warong is closed so there is no activity by Services Kube, except for e-Warong in Malang and Balikpapan. In both cities, Services *Kube* officials had been able to provide services for *KPM PKH* who want to shop in e-Warong for about three weeks to one month after the inauguration. Even in Balikpapan, the e-Warong is still open and members of Services *Kube* are still carrying out regular duty in the e-Warong, even though no more transactions are done (because *KKS* funds for *KPM* runs out). The e-Warong kiosk place in almost all sample locations is at the house of the head of Services Kube, so the chairman of Services *Kube* also acts as an e-Warong operator and is registered as a bank agent, except in Kediri where the e-Warong is located in the *PKH* Facilitator's house.
- g. Production Kube
 At present there is no Production *Kube* that cooperates with Services *Kube* in marketing their products in e-Warong. In addition to e-Warong closing after inauguration, the inadequate understanding of the Services *Kube* board and its facilitators (*PKH* Facilitators, City/District Coordinator) about the mechanism of business cooperation between Services *Kube* and Production *Kube* has also affected this condition.

- h. Head of sub-district, head of RT²³/RW²⁴, and community leaders
These parties have a role in assisting in the preparation and implementation of the e-Warong inauguration, including helping mobilise people to work together to build a kiosk (one e-Warong built independently). In the City of Malang, the Head of urban village took the initiative to add goods in the e-Warong by entrusting it with several types of superior products from his village, such as shoes, bags, cosmetics, and snacks.
- i. Sub-district social welfare workers (TKSK)
TKSK together with *PKH* Sub-District Facilitators conducted data collection of prospective recipients of *KKS* and members of *Services Kube* (Balikpapan only).

When this study was conducted, the e-Warong program regulation was not ready yet. New inter-institutional cooperation was based on verbally-built understanding. However, since institutionalisation in the regions is an extension of institutions at the central level, they were still trying to succeed in the e-Warong program. The willingness of all parties to carry out this program without a basis of written rules, has been solely because of good intentions.

'Because it was all of a sudden. I also asked the Regional Coordinator, there is no implementation guidelines/technical guidelines for sure. The point is, we are assisting and helping government programs. If it is suitable, we try to help.' (PKH Coordinator, Balikpapan City)

'... Ready or not ... we have to be ready.' (Head of urban village, Batam)

In general, in all sample districts/cities, there has been no cooperation related to the substance of the e-Warong program between Social Agencies and other Regional Government Work Unit/SKPD (e.g. training implementation). Regional Work Units and other government agencies (such as Regional House of Representatives/DPRD, Cooperatives, Micro, Small, Medium Enterprises Agency and Local Parliament members) are only limited to attending e-Warong inauguration ceremonies.

3.4 Management and Establishment Process of e-Warong Kube-PKH, as Well as the Embedded Capacity

3.4.1 e-Warong Kube-PKH Managers

To perform the function of e-Warong either as a point of distribution for funding of sales of cheap basic necessities, for non-cash social assistance recipients, or to productive economic enterprises (UEP) in supporting the livelihood of the poor as discussed in Section 3.2, *Services Kube* must be established as a managers of e-Warong. *Services Kube* consists of one facilitator and ten members (three administrators and seven members). Voluntarily, members of *Services Kube* become members of *KMIS* and then enter into cooperation agreements with *KMIS* in running e-Warong business activities. *Services Kube* is responsible for the sustainability of e-Warong business, including managing stocks of goods and financial transaction traffic.

²³ RT, or neighborhood unit, is the smallest unit of local administration consisting of a number of households.

²⁴ RW is a unit of local administration consisting of several RT (neighborhood units) within a urban village/kelurahan.

Based on the functions and responsibilities of Services Kube, the establishment of Services *Kube* should be done long before the establishment of e-Warong. This needs to be done so that they have enough time to equip themselves in running an e-Warong business professionally, so it becomes a profitable business for its members. However, the reality in the field is that Services *Kube* in most of the sample locations was formed in tandem with the establishment of e-Warong (in Batam City, Denpasar City, and Balikpapan City). This happens because the formation of Services *Kube* and e-Warong has been done primarily in pursuit of the inauguration timeframe of the e-Warong program by the Minister of Social Affairs. Even in Malang (particularly for the 2nd stage inauguration) and Kediri City, until this study was conducted, Services *Kube* had not been formally established. Three people from *KPM PKH* in Kediri City are appointed as chairman, secretary, and treasurer as a mere formality to simulate the use of the *KKS* during the inauguration of e-Warong.

However, in some cities in which Services *Kube* has been formed, members have admitted that they are not fully acquainted with each other, as is the case with one of the Services *Kube* in Denpasar. The chairman of Services *Kube* did not recognise the treasurer, because he met only twice during the distribution of *KKS* and rehearsal of the inauguration of e-Warong. *PKH* Facilitators realised that the process of establishing Services *Kube* did not fit with the concept of the program, but this was inevitable because the initiation process to start was quite short. One of *PKH*'s facilitators in Denpasar stated, 'They should be in a group first; accustomed within a group, but because of this rush launching, the e-Warong and Services *Kube* were established together. Technically they have to "get used together" later. Now because the program is already formed, so they "must be together"' (*PKH*'s facilitators, Denpasar City).

Related to membership of the Services Kube, there is a different understanding by some informants. Some assume that *PKH* Facilitators are group members, but others consider the opposite. *PKH*, City Coordinator, and Social Agency in Balikpapan City and Denpasar City consider that facilitator only help groups and can not interfere in internal organisation deeply. This confusion of understanding is inseparable from the lack of clear guidance on the role of all parties in the program.

In all sample locations, the establishment of Services *Kube* and its members was performed by a facilitator with an appointment system. Terms of membership are in accordance with that set by the program²⁵, but in some locations there are other requirements based on the needs of each region. In Malang City and Batam City, there are other requirements that Services *Kube* members must come from Kube-*PKH*. Particularly in Malang, the additional terms were only valid during of the inauguration of e-Warong program phase 1 (June 2016). Meanwhile in Denpasar City, the additional requirement is that the valid member must be indigenous of Denpasar. This is related to the high level of population migration in Denpasar City. Various stakeholders are worried that if they allow the migrants to be the member it may cause problems, because they tend to move frequently or return to their home countries.

Particularly in the District of Kediri, Services *Kube* membership is chosen from *KPM PKH* and the person should be 'person of entengan' (helpful and want to help *PKH* program activities). As a result, elected members are dispersed and not located in one village, some even living far away from the e-Warong place. One *KPM* in Kediri explained the background of her being elected as a member: '... originally invited by a facilitator because according to my facilitator, I am easy to ask to join; then I was also considered very active in the *PKH* group.'

²⁵ Terms of the program require members of Services *Kube* to be *KPM* beneficiaries and to live close to e-Warong kiosks.

From the the background of its membership, Services *Kube* in Malang (inauguration phase 1) comes from Kube-*PKH* (Production) 2015. While two Services *Kube* in Batam City are Kube-*PKH*, which formed in 2010 and 2014. Kube-*PKH* in Batam already owned business group activities in the form of *arisan* (social gatherings), selling various food/pastries and handicrafts, growing vegetables, and savings and loans business in which the development is good enough. Therefore, compared to Services *Kube* at other sample locations, Services *Kube* in Batam is considered more experienced in terms of group organisation. However, in terms of understanding and experience related to the e-Warong program, the situation is not much different from e-Warong in other cities (Services *Kube* is not active and the e-Warong is closed).

Although Services *Kube* capital has not been acquired, some goods/equipment that are components of the capital have been received at the time of the inauguration of the e-Warong.²⁶ Goods consist of: (i) Basic necessities (variety in number of amount); (ii) Tablets/iPad²⁷ (in some locations); (iii) Internet services; and (iv) Printers (in Denpasar). Meanwhile, for other equipment such as electrical installations (currently using electric lines from e-Warong operators), scales, vacuum packaging machines, freezers, and carts, Services *Kube* officials say they do not know when they will receive the equipment.

Table 4. Summary of the Establishment Process of Services Kube

Aspect	Batam	Malang	Kediri	Denpasar	Balikpapan
Time of formation	Coincided with the establishment of e-Warong	Not yet officially formed	Not yet officially formed	Coincided with the establishment of e-Warong	Coincided with the establishment of e-Warong
Parties that facilitate the formation of member-electing systems and administrators	Facilitator – appointment	Facilitator – appointment	Facilitator – appointment	Facilitator – appointment	Facilitator – appointment
Membership requirements	Kube- <i>PKH</i> group member	Kube- <i>PKH</i> / production (phase 1) <i>KPM PKH</i> (phase 2) member	<i>KPM PKH</i> with ‘orangnya entengan’ helpful persons	<i>KPM PKH</i> live near e-Warong Denpasar indigenous people	<i>KPM PKH</i> Live near e-Warong
The work division of members	Not available	Not available	Not available	Not available	There is already a picket system and is practised
Proposal (IDR 20,000,000)	Not yet submitted	Not yet submitted	Not yet submitted	Sent to <i>KMIS</i>	Sent to Korwil (Regional Coordinator)
Status	Inactive	Inactive	Inactive	Inactive	Active
Technical issues encountered	No available <i>KMIS</i> application, unstable signal	Unstable signal	Tablets were returned	Tablets were returned	Unstable signal

Source: field resources.

²⁶ The Ministry of Social Affairs gave assistance to each Services *Kube* IDR 20,000,000 for the purchase of work equipment in the form of: (i) electricity connection (two points of 900 watts); (ii) capital for purchasing basic necessities (worth IDR 5,000,000); (iii) tablets with particular specifications; (iv) one year of internet services; (v) printer; (vi) scales; (vii) vacuum (vacuum packaging machine); (viii) freezer (refrigerator); and (ix) carts.

²⁷ For tablets, when researchers visited e-Warong, there were no tablets in e-Warong locations (in Kediri and Denpasar). The City Coordinator stated that the tablet (Asus brand) was retracted from e-Warong because it would be replaced with another brand of tablet (iPad). Meanwhile, in Batam the tablet has no available application to input the transactions. Other problems also occurred in Batam and Malang, where the EDC condition was damaged.

Although *Services Kube* is already established and some equipment has been distributed, all *Services Kube* are not active (e-Warong kiosks are closed) or have no transactions. Some of the reasons for this are that there is no restocking of goods, out of/decreased stocks of basic necessities, the information technology equipment (EDC) is broken, there is no social assistance disbursement, and the new e-Warong program will be active by 2017. Only *Services Kube* in Balikpapan already had a work roster in e-Warong kiosks, and the members continued to take their turn, even though the condition of e-Warong is not active (no transactions). The various conditions and development of the *Services Kube* as described above are summarised in Table 4.

3.4.2 Establishment Process of e-Warong Kube-PKH

Under the terms of the program, once *Services Kube* is established, if you want to set up e-Warong, *Services Kube* must propose the candidate location for e-Warong establishment. In addition, they also have to make an agreement with the homeowners whose house will be the location of e-Warong. However, in practice this does not take place. The process of establishing *Services Kube* and e-Warong is done by the City Coordinator and *PKH* Facilitator at the request of the Social Agency/Ministry of Social Affairs.

After receiving information from the Ministry of Social Affairs that there will be an inauguration of the e-Warong program in its area, each Social Agency at the sample site of the study asks the City Coordinator and *PKH* Facilitator to prepare the location of the e-Warong kiosk in each sub-district (one to two locations per district).²⁸ After the place is mapped, the next stage is the establishment of the e-Warong place. From one or two e-Warong locations per proposed sub-district, only one to two e-Warong locations are selected in every district/city (except in Malang, where six locations were set in two inaugurations). Selection of e-Warong locations in three sample locations (Batam City, Denpasar City, and Balikpapan City) was carried out by the Ministry of Social Affairs visiting the city either for the purpose of monitoring other programs or specifically related to e-Warong. Meanwhile, in Malang City, the selection of location was conducted by the Social Agency (secretary), and in Kediri District was determined through a UP-*PKH* management meeting. The parties surveyed the location of the proposed location of e-Warong.

There are no written requirements submitted by the Ministry of Social Affairs to the Social Agency/City Coordinator in determining the location of each e-Warong. As a result, the specified requirements vary by place. Almost all program implementers in various sample locations state that e-Warong kiosks should be established in *KPM* homes and are the property of the concerned *KPM*, except in Kediri District, which allows e-Warong kiosks to be established in *PKH* Facilitators' houses. Significant requirements are also set by the program implementers in Batam City, which e-Warong must be in a place with good telecommunication network conditions (phone and internet connection), given the geographic situation of Batam City as part of the archipelagic area. However, all program implementers set the same terms related to the e-Warong's location. The requirements also consider ease of access for the inauguration of the e-Warong program,²⁹ i.e. a place on the edge of the main/a large road, where there is a wide enough space as a gathering place for a large group during the inauguration.

²⁸ Information about the city/district in which e-Warong will be built is first obtained by phone or group WhatsApp/Telegram.

²⁹ To ease access for the Minister of Social Affairs/Dirjen PFM to attend inauguration of the e-Warong.

Based on the results of the e-Warong location selection, most e-Warong kiosks are in the e-Warong managers house (in general at the head of Services *Kube* house), as happened in Batam, Denpasar, Balikpapan, and Malang (inauguration phase 1). Meanwhile the e-Warong location in Malang for the inauguration of phase 2 is in the house *KPM PKH*. In Kediri District, the e-Warong kiosk location is in *PKH's* Facilitators' houses because of: (i) short preparation; (ii) the location is easily accessible by the invitees at the time of the inauguration of the program; (iii) their willingness to remodel some of houses (including to pay the bills of renovation³⁰) for e-Warong kiosks; and (iv) a security factor as e-Warong kiosks will also act as bank agents and UEP facility.

There are obstacles in the selection of e-Warong kiosk locations in Batam City and Denpasar City. In Batam, location selection is constrained by the absence of mobile phone/internet signal, particularly in the islands. Another obstacle is the number of illegal settlements, because most *KPM* reside in illegal settlements or homes. Meanwhile, in Denpasar the constraints are related to the large numbers of migrant population (85% of the total population³¹), including *KPM* who rent houses and move around. Another constraint is need to get a permit from family members to borrow some parts of the house to be e-Warong kiosks, and this is sometimes difficult to get from family members of the home owner. This relates to the nature of the household unit in Bali, which usually consists of four to five families and the permit must include the consent of all family members.

Related to the preparation of the e-Warong location in a hurry, here are some comments from stakeholders.

'I do not know anything; all of a sudden there is an e-Warong next to my house, with no invitation, and no talk.' (Urban Village 2 Community leader, Batam City)

'Construction of the physical building surprisingly only took three days; even though it is next to my house, but because they give no confirmation of anything to me, I do not want to ask. I also told the Head of urban village and head of RW: Let them do what they want to do if there is no coordination with us, we are just silent.' (Head of RT, Batam City)

'Hurry [inauguration], make us short of breath. How to prepare this, and make things ready, while the Minister comes that exact night. BNI has to work late until night, they stay until late to give training about the tools.' (Social Agency, Denpasar City)

Under the terms of the program, prior to establishing an e-Warong, the facilitator and Services *Kube* are required to send a proposal for the establishment of e-Warong to the Dirjen PFM, by attaching a photograph of the location of the e-Warong candidate locations (see the explanation of the provision of the e-Warong proposal in Section 2.1). In fact, the proposal for the establishment of e-Warong in some sample locations was made by other parties, i.e. City Coordinator (in Batam and Denpasar) or the Ministry of Social Affairs (in Balikpapan). Until this study was conducted, Malang and District of Kediri had no proposal by the *PKH* Facilitator or City Coordinator.³²

³⁰ Until early November, the cost of home remodelling, providing storefronts (some storefronts were taken from BRI Branches warehouses – formerly the archive storage racks), painting etc. has not been refunded by the Ministry of Social Affairs.

³¹ Data was obtained based on information from a Social Agency informant of Denpasar City.

³² In Malang City, the *PKH* Facilitator argued that at the time of the inauguration there has been no proposal format for e-Warong submission, so that proposal is not made (Malang is the first location of e-Warong opening). Furthermore, *PKH* Facilitators are only required to make a report on the opening of e-Warong by Ministry of Social Affairs. In Kediri District, proposals for the construction of e-Warong have not been made because the Services *Kube* e-Warong management has not been established so that the proposal cannot be compiled.

Most of Services Kube/*PKH* facilitators have received funds for the establishment of e-Warong from the Ministry of Social Affairs (IDR 10,000,000/e-Warong) for their proposal submission. However, until early November 2016 (about one and a half months after the launch), e-Warong in Kediri District has not received the funds. To succeed with e-Warong inauguration in Kediri District, the *PKH* Facilitator must firstly cover the cost of e-Warong development.

The fund manager is different in each place. Batam and Malang are managed by the *PKH* Facilitator, Balikpapan is managed by Ministry of Social Affairs officials who came to prepare the inauguration, and Denpasar City is managed by BNI. In Denpasar, the establishment of e-Warong was only accepted after the inauguration, so the cost of establishing e-Warong was previously covered by BNI.³³

The execution of e-Warong construction or renovation in each place is also varied. In Malang and Balikpapan city, it was a self-supporting activity, which was carried out by mutual cooperation of the husband of *KPM PKH*/member of Services Kube. In Batam, Denpasar, and Kediri, fund managers used the services of construction workers. While in Batam the construction of some e-Warongs used the services of the husband of Services Kube's members, but they were paid as construction workers.

The establishment of e-Warongs in some locations cause various problems. In Malang City, a member of Services *Kube* who lends part of his house to an e-Warong kiosk now questions the status of the part used and expects a clear contract (if it is borrowed, for how long, and if it is rented, how much is the rent price). In Denpasar City, one of Services *Kube* members stated that he is quite disturbed after his house became the location of an e-Warong. This is due to the fact that many people come to his house from the establishment of the e-Warong, for inauguration, and after inauguration, and so he feels disturbed (at his work at his neighbour's shop). She states that the initial information he obtained on the use of the building is different from the one realised: 'I thought we will not use this e-Warong shop; it was said that this is just an ordinary warong, with collaboration with *Bulog*. But ever since, every day people come from BNI and from others too... I got confused... Why can it be like this, I feel disturbed and my work is also disturbed, but people mad at me, and I get confused that I want to withdraw from the group. I am so very confused as in the beginning they said it was only to deposit some goods' (Member of Sub-District 1 Services Kube, Denpasar City).

Various information about the establishment process and information on e-Warong are presented in Table 5.

³³ Based on the nominal stipulated in the receipt of the use of funds, the BNI's fund spent on e-Warong establishment is IDR 8,500,000. However, the Social Agency stated that they have reimbursed the money and gave IDR 10,000,000 per e-Warong to BNI. According to the City Coordinator, the difference between the funds was used by BNI for the procurement of tablets in e-Warong.

Table 5. Summary of the Establishment Process of e-Warong Kube-PKH

	Batam	Malang	Kediri	Denpasar	Balikpapan
Program Notification Prior to Inauguration	2 weeks	2 weeks	2 weeks	2 weeks	1 week
Length of Establishment	3–4 days	2 days	6–7 days	3–5 days	2 days
Requirement of Establishment	Accessible location The house is owned by <i>KPM</i> , not illegal homes, good internet and phone connection	Strategic location House of <i>KPM</i> – member of Services Kube/ <i>PKH</i>	Accessible location House of facilitator is also feasible	Accessible location Land and building owned by <i>KPM</i>	Strategic location (near main road) land is owned by <i>KPM</i>
Verifier and Location Determinant	Ministry of Social Affairs	Secretary of Social Agency	Board meetings of UP- <i>PKH</i>	Social Agency & Ministry of Social Affairs	Ministry of Social Affairs
Location of e-Warong	At the house of the Head of Services <i>Kube</i>	At the house of secretary of Services <i>Kube</i> and head of <i>PKH</i> group	At the house of facilitator	At the house of the head of <i>Kube</i> and <i>KPM</i>	At the house of the head of <i>Kube</i>
The Proposal-Making Process	Made by City Coordinator	Without proposal	Not yet submitted	Made by City Coordinator	Made by the Ministry of Social Affairs
Management of the e-Warong Establishment Financing	Managed by <i>PKH</i> Facilitator	Managed by <i>PKH</i> Facilitator	Bailed and managed by <i>PKH</i> Facilitator (fund is not disbursed yet)	Bailed and managed by BNI (reimbursed after the inauguration)	Managed by the Ministry of Social Affairs
Establishment process e-Warong	Pay construction workers	Husbands of the members of Services <i>Kube</i>	Pay construction workers	Pay construction workers	Husbands of the members of Services <i>Kube</i>
Post-Inauguration e-Warong Status	Closed, no transaction	Closed, transaction less than a month	Closed, no transaction	Closed, no transaction	Open, all <i>KKS</i> holders already performed transaction

Source: field resource person.

3.4.3 Embedded Capacity of e-Warong

Based on the terms of the program, one e-Warong serves 500 to 1,000 beneficiaries of the non-cash social assistance program. Until this study was conducted, e-Warong beneficiaries were only about 14 to 50 people, those who had received *KKS* to inaugurate the e-Warong program (no *PKH* assistance distributed through e-Warong).

From the point of view of e-Warong administrators, in general the members of Services *Kube* do not yet have a complete understanding of the concept and purpose of this program. Members of Services *Kube* also have no formal agreement on how to manage e-Warong. Almost all e-Warong activities are implemented based on the direction of City Coordinator and *PKH* Facilitator (who are also not yet ready to manage e-Warong or Services *Kube*).

The e-Warong operators in general already had adequate technical ability to serve the purchase of basic necessities by using EDC and recording it on the tablet. Even in some locations, operators are able to practise inter-e-wallet money transfers, check balances, voucher/telephone/electric voucher payments, and so on. However, this ability has not spread evenly among all members of Services Kube. The education provided by the bank is only to be able to operate at the time of the inauguration of e-Warong and no further training. One of the operator's expressions in Batam about the things they have learned related to the technical operation of ICT for e-Warong is as follows: 'Just learn at glance, we are not good enough to use the screen (tablet); now I forgot too much.'

3.5 Facilitation and Training

The discussion in this section is closely related to the discussion in section 3.2 on the function of e-Warong as a bank agent, the point of distribution of non-cash social assistance, or as a livelihood component for the poor. If e-Warong Kube-PKH is intended to be a Services *Kube* business entity to improve the livelihood of the poor, the preparation of human resources as e-Warong administrators (Services *Kube* and *PKH* Facilitators) should be carried out through intensive coaching and training. However, so far no specific training has been conducted for Services *Kube* or the *KPM* group. The only training related to the e-Warong program given to Services *Kube* management/operators is about technicalities on performing transactions in e-Warong (EDC and tablet operations) and the nature of this training for the preparation of the e-Warong inauguration.

Facilitation activities for Services *Kube* also have not been implemented. *PKH* Facilitators are present in e-Warong, particularly if there are problems or visits from other parties. For ICT problems, *PKH* Facilitators report to BNI, while for goods supply issues, *PKH* Facilitator report to *Bulog*. However, *PKH* Facilitators are aware that their responsibilities in facilitation tasks are quite daunting, including in building understanding and group cohesiveness, as one *PKH* Facilitator in Denpasar stated: '... what I fear is the unreadiness at the group level. Is the group willing to implement this, willing to abandon its habits (previous day-to-day activities) and join group business activities?'

One of the concerns of *PKH* Facilitators is based on the fact that they themselves have not been sufficiently equipped with proper knowledge in managing e-Warong and Services Kube. Related to this, some *PKH* Facilitators expect that there will soon be training/technical briefings related to the management of e-Warong and Services Kube. In addition, there are also *PKH* Facilitators who stated that *PKH* Facilitators should not double their jobs as facilitators of Services Kube. Some *PKH* Facilitators revealed the following:

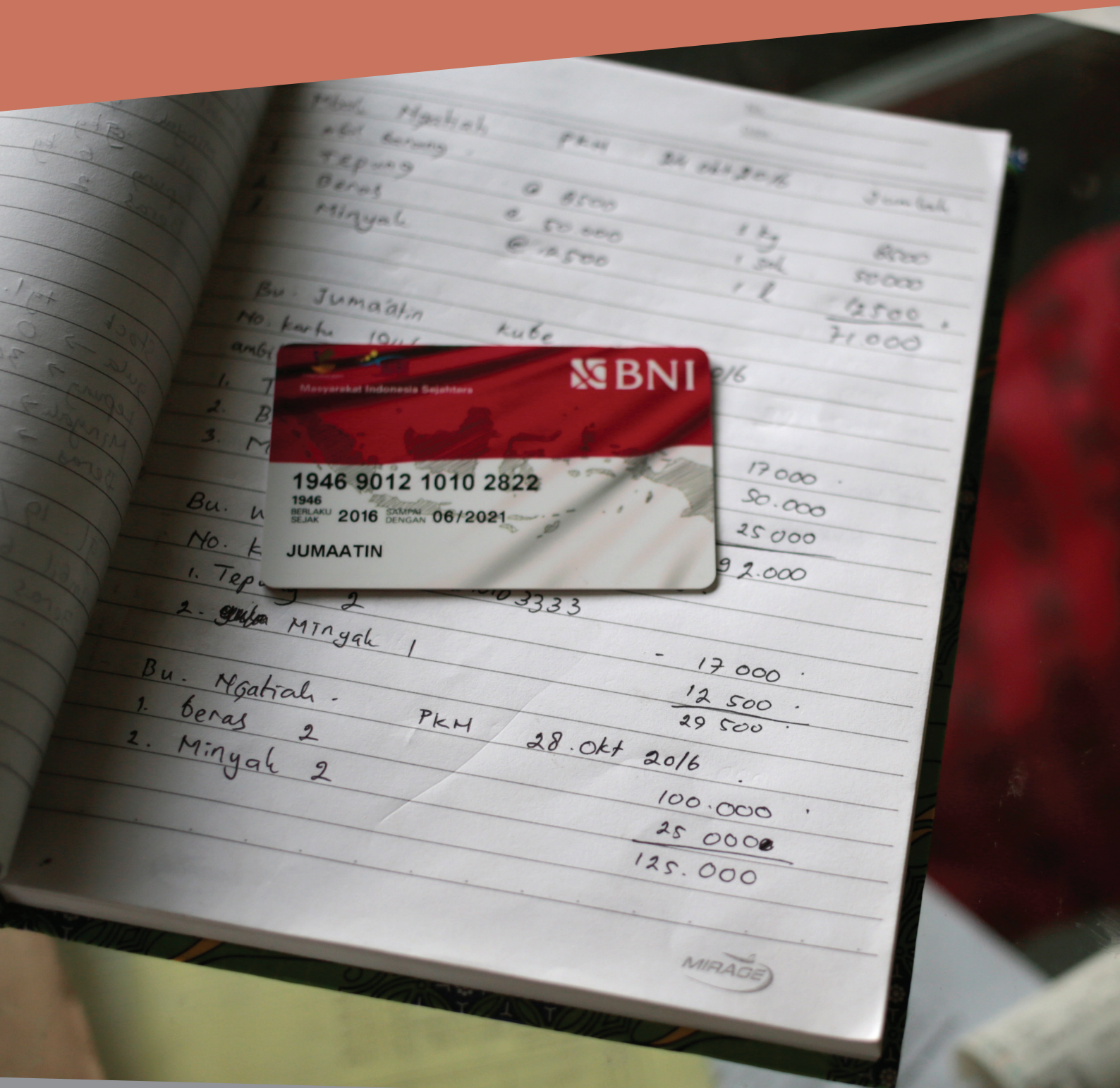
'I myself am not experienced. If I was told to freefall without any technical knowledge [technical guidance], yes I just groped, we will see about it later. Certainly many mistakes are made because I still try to grope and wonder how to do it' (PKH Facilitator, Denpasar City)

Yes it is an additional work. I just follow to the flow, Miss. If there is a visit to e-Warong Kube-PKH, then I go there. If there is a report told to supply the products, then I go to e-Warong. Because if the e-Warong already in operation, I have to manage profit sharing, be in charge of meetings, divide the work system, picket, e-Warong opening hours. (PKH Facilitator, Denpasar City)

'We form groups and submit their proposals, but after they are approved, there is special Kube facilitator even though they are also PKH participants. The question is, who will be the facilitator of Services Kube or e-Warong Kube-PKH, because it will not be limited to PKH participants only. So far, because they are PKH participants, we are still responsible because after all they are still our citizens.' (City Coordinator, Balikpapan)

'Apart from being a social assistance distribution point, e-Warong Kube-PKH also serves as a bank agent that manages aspects related to banking transactions. Therefore, the bank is also responsible for assisting the administrators of e-Warong as the agent of the bank. The following phrase is the hope of increasing the capacity of e-Warong as a bank agent. 'If possible, after the program runs there should be additional training for operators; don't just make training for the sake of inauguration or how to swipe the cards.' (Official of Social Agency, Kediri District)

4. Benefit Distribution for Program Beneficiaries



4.1 Description of Assistance Distribution Shifting Process from Cash to Non-Cash

The disbursement pattern of *PKH* assistance has been quite simple. When it is time for disbursement, *KPM* only need to take the *PKH* card to the post office to get the social assistance. However, social assistance given in cash is often debatable, resulting in a prolonged the pros and cons. Currently, the government considers cash social assistance to be less effective to support the improvement of the welfare of the poor. Therefore, the government considers non-cash social assistance through e-Warong as offering: (i) closer access to disbursement points; (ii) improving target accuracy; (iii) reducing deviation in assistance use; and (iv) introducing the banking world to the poor.

To *KPM*, the change in the mechanism and nature of the assistance is a big difference. While social assistance is in cash, *KPM* can flexibly use it for any purpose according to the family's need, such as clothing, food, children's pocket money, cellphone credit, cigarettes, loan payment etc. When they receive non-cash social assistance, the flexibility decreases. At least up until now, they can only use it to fulfil their food needs in the form of rice, wheat flour, sugar, and cooking oil.

For *KPM-PKH* as the recipient of the social assistance of Rice for the Poor (through the Rastra program), the existence of e-Warong doesn't change the type of assistance. The difference lies in its redemption mechanism. In the Rastra system, *KPM* must have money in advance to access Rastra. Various studies on Rastra show that *KPM* do not always have enough money to redeem rice rations. Many cases also indicate that Rastra is transformed to 'Rasto' (rice is shared equally among people who are not listed as *KPM*). In many cases, Rastra's redemption price also exceeded the provision for the reason of transportation cost. Through the new Rastra distribution mechanism, this is unlikely to happen again. *KPM* no longer needs cash to access Rastra and non-*KPM* is enabled to access Rastra. In this case, *KPM-PKH* will receive *KKS* in which the e-wallet is filled IDR 110,000 per family head monthly to buy rice or other food needs in e-Warong.

The change in the disbursement mechanism of *PKH* social assistance and Rastra through e-Warong itself changes the software and hardware of the social assistance overall. For example:

- i) The Ministry of Social Affairs will transfer all *KPM* data bank to the executor bank.
- ii) The Ministry of Social Affairs will transfer all *PKH* (including Rastra) social assistance fund to the executor bank.
- iii) The Ministry of Social Affairs needs to allocate budget to build tens of thousands of e-Warong to ease the objective of *KPM*'s access in social assistance disbursement is fulfilled.
- iv) The Bank will organise a sub-account of all *KPM* recipients and at the same time also print the *KKS*.
- v) The Bank will arrange for the distribution of the electronic certificate of electronic transactions, including the guarantee of its software to support the work of the hardware.
- vi) The Ministry of Social Affairs will distribute thousands of tablets to note the transaction journals of *KPM* and e-Warong.
- vii) The Ministry of Social Affairs/*KMIS* is now busy with developing e-Warong with the administrators (*Kube Jasa*) and *Kube* Produksi, so that the poor can receive the benefits as much through the e-Warong.

4.1.1 Perception of Beneficiary Families (*KPM*) Concerning Non-Cash Social Assistance

In the field, the change will also affect several stakeholders of the program. That is, the post office will no longer become the agent of *PKH* disbursement and village government will no longer be involved in the disbursement of Rastra. For *KPM* itself, the non-cash social assistance mechanism through e-Warong will change the habit of the social assistance users. When previously *KPM-PKH* could get cash, they will have options whether it is cash or cashless.

Most of *KPM* respondents stated their readiness to accept the changes, From the *KPM* side, this method makes it easier for them to access the social assistance any time and without a certain withdrawal schedule like it was with withdrawal in the post office (*PKH*) or kelurahan (Rastra). Most even stated that the new way is more fun. They are now becoming aware of the banking world they never imagined before. Even if there are *KPM-PKH* that like the old system, this can be because there is misleading information. In Balikpapan for example, there is one *KPM* respondent stating that the new system is slightly impractical, especially in withdrawing the the social assistance in cash. This perception occurred as there is a wrong/misleading explanation from the *PKH* Facilitator stating that if the *KPM* would disburse the non-cash social assistance, so they needs to transfer first from the *PKH* e-wallet to their other separated account (different from the *KKS* account). In fact, the truth is that this could be done through EDC in the e-Warong by transferring from the *PKH* e-wallet to the e-wallet account in the *KKS* account. When the process is done, *KPM* could withdraw the cash whether in an e-Warong or automatic teller machine (ATM).

4.1.2 Perception of Non-*KPM* Stakeholders Concerning Non-Cash Social Assistance

Non-cash social assistance is actually not something new in the social assistance program in Indonesia. Rastra (Raskin), for example, since the beginning is in-kind social assistance. The change from cash to non-cash social assistance in the context of e-Warong is also linked together to a digital transaction mechanism. This aspect is the main feature of the change of non-cash to non-cash social assistance in e-Warong. Most respondents stated that this mechanism is better than the previous one. The reasons are as follows:

- i) The social assistance usage is more focused and it can encourage people to save. *KKS* could become the social assistance's benefit control facility. Several respondents mentioned reasons as follows. Firstly, because *KPM* could use *KKS* anytime, it is most likely that they will only use it at a time when they really need it (whether it is non-cash or non-cash). Secondly, the social assistance that they don't use at certain withdrawal periods is accumulative, so realising it or not, it is making *KKS* a tool for saving. This situation is of course different from the previous one that requires them to withdraw all the social assistance to give them a chance to spend at that time. 'Cash social assistance is more likely to run out quicker' (*KPM* non recipient of *KKS*, Malang). Still in a savings context, a partner bank in Denpasar even disseminates continuously about saving to *KPM*, whether directly or through a *PKH* Facilitator, so that they set aside some social assistance money to be saved in the *KKS* account.
- ii) Withdrawal of the social assistance can only be done by the *KKS* card holder, so the chance of social assistance misuse by unauthorised parties is closed.
- iii) This mechanism eases the administrative works of *PKH* Facilitators, because the withdrawal of social assistance no longer needs to involve them.

4.2 Issuance-Distribution-Usage Instruction of KKS (Prosperous Family Card)

Stakeholders that are authorised to print *KKS* are executor banks at the central level. The bank prints the *KKS* based on data and requests from the Ministry of Social Affairs. Activation and distribution of *KKS* to *KPM* are the responsibilities of banks in the district. Because the transaction process is digitalised and all the hardware and software are at the bank's authority, so all the activity that is linked to this aspect becomes the bank's responsibility. In the field, generally the bank's branch office gives *KKS* to the *PKH* Facilitator, not to each *KPM* whose name is stated in the *KKS*. The *PKH* Facilitator then distributes the *KKS* to *KPM*. In the sampling districts (except Kediri), the *PKH* Facilitator distributes the card to *KPM*.

In an e-Warong official launch, the main role of the bank is to explain and train the e-Warong operator, *Kube* Jasa administrator, and *KPM* that will demonstrate social assistance withdrawal through e-Warong. In the sampling districts, the training usually takes place one to two days before the official launch event. In Denpasar especially, the training takes place a week before the official launch, and is held several times. The training and simulation process of using it does not require much time, usually only about two hours. In the official launch of e-Warong, all of the transaction demonstrations run smoothly. After the launch, *KPM* that make a transaction in e-Warong also do not meet any difficulties. They also handed the *KKS* to the operator and mentioned the things they wanted to buy.

5. e-Warong Kiosk Stock Management



As described in Chapter 3, e-Warong is designed as a distribution point for in-kind and monetary social assistance with a non-cash system to *KPM*. As the point of distribution for in-kind social assistance, in e-Warong kiosks a number of basic necessities can be purchased non-cash by *KPM* using *KKS*. As a point of distribution for monetary social assistance, e-Warong becomes one of the places for disbursement of funds transferred by the government to the *KPM* account in each *KKS*.

5.1 e-Warong Kube-PKH as Distribution Point of Non-Cash Social Assistance

In carrying out its function as a channel for in-kind social assistance, basic food items that are available in e-Warong at all study sites are supplied by *Bulog*. Except in Denpasar, the basic necessities supplied by *Bulog* consist of four types, including cooking oil (in packs of 1 and 2 litres), sugar (1 kg), wheat flour (1 kg), and rice (5 kg). Rice consists of two types, namely super quality and medium.³⁴ In Denpasar, the basic necessities supplied are only three types. *Bulog* in the Bali regional division (divre) does not supply wheat flour because it is not a common commodity consumed by Balinese people.

In all study sites, the basic necessities supplies are supplied by *Bulog* according to the order letter from *KMIS*. Therefore, in each city/district e-Warong location a different number of supplies was found. Even in Malang, the supply for each e-Warong is different. The number of basic food packages supplied by *Bulog* in each district/city can be seen in the following table.

Table 6. Comparison of the Supply from *Bulog* at the Respective e-Warong

City/District	Rice** (5 kg/sack)	Sugar (1 kg/pack)	Cooking Oil (1 litre/pack)	Wheat Flour (1 kg/bag)
Malang 1*	60	60	60	60
Malang 2*	10	10	10	10
Kediri	100	100	100	100
Denpasar	30	40	20***	0
Batam	50	50	50	50
Balikpapan	50	40	40	10

Note: *There were different amounts of supply during the official launch of stage 1 (June 2016) and stage 2 (July 2016).

**Consists of two categories with different quality. In each district/city, the numbers of the categories are different.

***Packed in 2 litres.

Source: Field respondents.

The prices of basic necessities sold in each e-Warong kiosks city/district are different. In this case the selling price is determined by each *Bulog*'s regional division (see Table 7).

³⁴ There are different types of rice distributed by *Bulog* in several districts/cities. In Balikpapan, the rice supplied is super and medium. In Denpasar, the rice supplied is medium C4 and cheap rice.

Table 7. Price Comparison of Basic Necessities Sold at e-Warong Kube-PKH

City/District	Rice (Rp/sack)	Sugar (Rp/pack)	Cooking Oil (Rp/pack)	Wheat Flour (Rp/bag)
Malang*	Premium: 50,000	13,500	12,400	8,500
Kediri	Premium: 43,750 Medium: 38,500	12,200	11,800	7,800
Denpasar	Medium C4: 47,000 Cheap: 39,500	12,500	24,500**	–
Batam	Premium: 43,000 Medium: 38,000	12,200	9,400	7,200
Balikpapan	Super: 44,000 Medium: 39,500	12,500	12,500	8,000

*e-Warong kiosks launch in June to July 2016 coincided with pre-launch Al Fitr days, so the prices are more expensive compared to the prices in e-Warong kiosks in other places.

**Price per 2 litre.

Source: Field respondent.

In some locations, the selling price set by *Bulog* is recognised by *KPM* to be cheaper than market price. This situation is found in Balikpapan, Kediri, and Batam. However, in some other locations, the conditions are different. The price of basic commodities sold in e-Warong in Malang is even more expensive than the market/stalls nearby. The price of *Bulog's* basic necessities in Denpasar was not significantly different from the market price, especially for cooking oil. This is acknowledged by *Bulog*, as *Bulog* also bought from agents (no cooking oil factory in Bali). 'Cooking oil goes very fast because there is no oil factory in Bali, so *Bulog* buys from the agency. So the price cannot be pushed, but it is cultivated to be cheaper than the market price' (*Bulog's* regional division Bali).

In some of the cities/districts visited, the e-Warong did not operate after it was launched. Only e-Warong in Balikpapan and two e-Warongs in Malang were conducting transactions after the launch. In Balikpapan, the two e-Warongs inaugurated had no difficulty in serving transactions with the *KKS* holders. All basic commodities, except rice, supplied by *Bulog* were already bought out by the *KKS* holders. All transactions were done using EDC and recorded in available tablets. In one of e-Warong in Malang, the transaction initially used EDC. When the EDC became stuck, managers ran transactions in cash and recorded them as debt to be paid after the EDC is fixed. In other e-Warong, after the balance on the *KKS KPM* ran out, the transaction was continued by using the cash method.

In Batam, Denpasar, and Kediri, e-Warongs were not active post-launch. Transactions in e-Warong in these three areas did not continue. As a result, the basic commodities supplied by *Bulog* were still piling up in e-Warong kiosks. The causes of inactivity of e-Warong after their launch varied. In Kediri, the cause was because *PKH* Facilitators had not distributed *KKS*. The reason given by the facilitator was that there was no clarification of the technical instructions from the Ministry of Social Affairs. In Batam, e-Warong could not operate because there was no e-Warong program application on the tablet. The tablet used during the launch was replaced with a new tablet that did not contain the app yet. In Denpasar, e-Warong was inactive because the facilitators thought that the new e-Warong would be active in 2017.

In all study sites, the supply of staple food by *Bulog* to e-Warong was only done once –on the night before the launch day. As a result, in some e-Warongs that are able to run transactions, the staple foods that were sold out never got additional supply. This happened in Malang and Balikpapan.

In Malang, when the goods at the e-Warong ran out, the *Kube* group of e-Warong administrators tried to submit a purchase order (*Bulog* form) signed by the group chairman and secretary, as well as *PKH* Facilitator, but with no follow-up. In Balikpapan, the administrator of e-Warong *Kube-PKH*, through *PKH* Facilitator, has several times asked if *Bulog* will resupply the goods. However, *Bulog* has not been able to provide certainty. The reason was because the previous supply had not been paid for by *KMIS*.

Stagnant supply of goods to e-Warong would never happen if the equipment that is connected online between e-Warong and *KMIS* was already running. As explained by the Ministry of Social Affairs before the field data collection, with the use of connected equipment, *KMIS* would be able to read the quantity of goods in e-Warong in real-time. Thus, *KMIS* would be able to directly execute the needs of e-Warong, such as asking *Bulog* to increase supply. However, when this study was conducted, the mechanism was completely invisible. In fact, the e-Warong management and *PKH* Facilitators' initiatives to contact *Bulog* to request additional supplies reflected the absence of clear information on how to order and supply payment mechanisms for e-Warong.

The stakeholders deplore the stagnating continuation of the e-Warong program. Village heads in one location, for example, see the program as if it just exists, without any clarity as to how it will operate. 'The program is good, but the implementation has not been as expected. It's like an impromptu event, just as long as it's launched and existed first. The stock [after it ran out] also was not restocked. If the stock was not there, what do we want to spend, right?' (Head of urban village, Balikpapan).

On the other hand, *Bulog* in each location complained that the order made by *KMIS* was sudden and did not heed *Bulog* procedures. In Batam, for example, reservations were only made orally by *KMIS* to *Bulog* during the e-Warong launch preparation meeting. In Balikpapan, the order letter to *Bulog*'s regional division of East Kalimantan was revised several times since the amount was revised and was not signed by *KMIS*.

For the supply that has been sent, *Bulog* was also uncertain about the payment. Until now, *KMIS* has not paid for all the basic materials supplied by *Bulog*. This situation occurred in all locations. Each local and *Bulog*'s regional division at the study site had tried to ask this question to *KMIS*, but the answer was always the same: 'It will be transferred,' without any certainty of exactly when. The lack of clarity for this payment seems to be one of the causes of the discontinued supply from *Bulog* to e-Warong who have run transactions with *KPM*.

For local stakeholders, the situation is quite confusing. This is mainly experienced by the facilitators. On the one hand, they are often asked by e-Warong administrators about the continuity of the supply of staple goods. On the other hand, they did not get satisfactory answers when conveying the question to *Bulog* and *KMIS*. 'The concept has been very good because it changes the centralised distribution way for the supply of assistance. However, the readiness is still not maximised, because there is no guideline and technical instruction to run this program. We, the ones in the field, are also finally confused, if the program is only for the launch and then completed or continued?' (District Coordinator [Korkab], Kediri).

5.2 e-Warong Kiosks as Distribution Point of Financial Social Assistance

In addition to being the social assistance distribution point, e-Warong also functioned as a social assistance channelling point. Through the EDC machine provided in e-Warong, *KPM* could use the card to withdraw some cash. In all study sites, at the time of the launch, the simulation of cash withdrawal with *KKS* was done by the *KPM* representatives at the mobile ATM owned by the executing bank. In the explanation during the launch, the bank and the Ministry of Social Affairs had also stated that the *KKS* can be used for cash withdrawal.

Despite the explanation and simulation, the conceptual understanding of program implementers in the field (especially *PKH* Facilitators) has not been uniform. Some assumed that all types of social assistance should be taken in the form of non-cash assistance. Some argued that *KPM* may take it as well in cash in e-Warong or at an implementing bank ATM by means of a *KKS* card. There were also facilitators who argued that to be able to take the social assistance in cash the *KPM* must transfer the grant to his personal account. Because of that understanding, he suggested to *KPM* who received *KKS* to open a new account in the related bank.

A similar thing happened to the understanding of the information on the benefits of *KKS* as a means of *KPM* to save. As a result there are still many *KPM* who do not know the function of *KKS* as a means of saving, even though they had been distributed the *TabunganKu* book. For example, there was a *KPM* who thought that his social assistance funds will be forfeited if not immediately spent. After the launch, there were no *KPM* using *KKS* to collect cash or increase the balance of savings, either through e-Warong or the executing bank. 'The facilitator said that you could take money, but it had to be sent to our account first. So, make your own account. After sending it to the account itself, it can be withdrawn at the bank. If it is about saving, I am not sure myself' (*KPM* receiver of *KKS*, Balikpapan).

Technically, e-Warong operators also mentioned that they had not received any briefing in serving *KPM* to make withdrawal transactions or saving money using EDC. On the other hand, the executing bank said it had provided a briefing on the usage of existing features in the EDC to the operator. However, they recognised that the process could not be done in one go.

5.3 e-Warong Kiosks as a Livelihood Component

As explained in Section 3.2, e-Warong may also serve as a livelihood component for the poor. Services *Kube* as the owner of e-Warong has the opportunity to synergise with Production *Kube* as a manufacturer and e-Warong as a marketing agent. In practice, this activity has never been done at all. There are at least two reasons behind this. Firstly, the e-Warong implementing agent (*PKH* Facilitator, City Coordinator /District Coordinator) in the regions had not received sufficient explanation from the Ministry of Social Affairs regarding the mechanism of business cooperation between Services *Kube* and Production *Kube*. Secondly, e-Warong in almost all sample locations is closed/not yet in operation after the launch.

The potential of e-Warong cooperation as a marketing agent is not limited to Production *Kube* alone. The e-Warong can cooperate with other goods suppliers outside Production *Kube* and *Bulog*. However, for the same reasons, in the field no one has realised this yet.

Apart from these situations, some stakeholders have understood the potential of e-Warong as a component of the livelihood for the poor. In Kota Malang, for example, at the launch of e-Warong, the local village chief took the initiative to showcase some excellent products of the village in e-Warong kiosks, such as shoes, bags, cosmetics, and snacks. In Denpasar and Batam, *PKH* supporters also understand the function of e-Warong as marketing agency for Production *Kube* or other parties. However, they do not know clearly the mechanism of business cooperation between Services *Kube* and Production *Kube* because they have not received adequate dissemination or explanation from the Ministry of Social Affairs.

6. Monitoring and Evaluation Mechanism Overview



According to the draft regulation of the Minister of Social Affairs on the development of business facilities through e-Warong Kube-*PKH*, e-Warong Program's implementation will be guided with monitoring and evaluation activities. Authorities to do so are ministers, governors, and heads of district/mayors. Monitoring and evaluation (M&E) activities should be done at least once per year with the objective of: (i) knowing the suitability of e-Warong Program implementation with guidance of implementation, barriers, and developments; and (ii) evaluating the implementation of e-Warong program.

Given that the implementation of e-Warong is still new and the regulatory tool is not yet available, there is currently no M&E activity. However, to carry out its duties, *PKH* Facilitators feel responsible for daily monitoring of e-Warong operation. In this case, they communicate with e-Warong administrators/operators when there are problems, especially regarding the supply of *Bulog* and ICT of banks.

Facilitators and administrators of e-Warong conveyed their surprise at the lack of information from the central administration regarding e-Warong's sustainability. They said that up until now it remains unclear who will be responsible for coaching the Services *Kube* and e-Warong groups. They have all been involved in the inauguration and operation of the e-Warong program solely because its management group is the *PKH* participants under their supervision. The Ministry of Social Affairs has so far only made reports to the facilitator on the implementation of e-Warong. Due to the lack of e-Warong operation after inauguration, the facilitator cannot yet assess the prospect of e-Warong in the future, as one of the facilitators said, 'If it is to be fully non-cash, it still needs to be viewed how the people will save, and so on. In this case it deals with the group. In this group there are limitations, such as education issues and knowledge. That is still a consideration as well. We can not see what the future is. The point is we are not yet walking, still groping' (*PKH* Facilitator, Denpasar).

On the other hand, the governor/head of district/mayor has not taken any steps to oversee e-Warong activities either because: (i) e-Warong is only in the preparation stage of infrastructure; and (ii) there is no regulation yet governing the M&E mechanism. Related to M&E mechanism for e-Warong program, Social Affairs Agency, *PKH* Facilitators, and village officials want the e-Warong program to be guided by the M&E system internally and externally. According to them, M&E is needed because e-Warong program is a new program involving many parties (at least Ministry of Social Affairs, *KMIS*, *Dinsos*, banks, and *Bulog*), and using APBN funds. The M&E mechanism for e-Warong program must be capable of guarding the implementation of this program in achieving its objectives because the mechanism of distributing the social assistance (*bansos*) and subsidies through e-Warong is actually more complex than the previous mechanism. A community leader in Pare, Kediri, for example, said, 'If the program runs, it looks like the village will open a complaints post at the village office and in every hamlet to make this program work.'

The Non-cash Food Assistance Policy will be implemented in 2017, and if e-Warong Kube-*PKH* will be appointed as one of the social assistance distributing agents, there are several things to consider, as follows:

A. Future Institutional Aspects of e-Warong

- a. Finishing the program regulation: MoU, Cooperation agreement, general guidelines, operational technical guidelines, and modules.
- b. Dissemination of information in the districts

The purpose of the dissemination of information is especially to provide the same understanding to all stakeholders to gain their support in the implementation of e-Warong program.

 - i) The aspects needed to be considered in the dissemination of information.
 - ii) Needs a guidance to set clearly the mechanism, material, goals, and target of the dissemination of information program.
 - iii) Encourage the counterparts to make existence of e-Warong program as part of poverty alleviation in the rural area.
 - iv) Making sure that *KPM* knows and understands the whole benefit of *KKS* in term of its function as a tool in a non-cash digital and banking transaction (saving, cash withdrawal, transfer, purchasing credit for mobile/electricity, payment of credit card etc.)
 - v) Clarity of *PKH* Facilitators roles in e-Warong program (group facilitator or supervisor).
 - vi) Explanation for all stakeholders regarding the functions of e-Warong such as:
 - 1) Non-cash social assistance distribution point
 - 2) Bank Agent
 - 3) Livelihood component for the poor.
 - vii) Clarity of mechanism of several functions in e-Warong, so that it will give additional value to the improvement of the welfare of *Kube* Jasa members especially, and *KPM* in general.
- c. Establishment of Services *Kube* and e-Warong
 - i) Establishment of e-Warong and Services *Kube* is done with considerations of area access coverage, accessibility of *KPM* to e-Warong, and the numbers of *KPM* and the people to be assisted.
 - ii) The prerequisites of establishing an e-Warong location mean it does not necessarily need to be in a *KPM* house, but it also can be done in the house of the facilitator, or any other location (i.e. the hall of the RT/RW/dusun/desa/kelurahan that qualifies several requirements such as:
 - 1) Security factor
 - 2) Accessibility factor
 - 3) Adequate storage room.
 - iii) For Services *Kube* that is formed in an impromptu way and indicates lack of ability to play the role as administrators of e-Warong, special care needs to be taken, including:
 - 1) Reorganised
 - 2) Intensively coached.

- d. Counselling and coaching
 - i) The Ministry of Social Affairs urgently needs to organise and educate KubeJasa (administrators and members) intensively regarding their rights and obligations as the administrators of e-Warong, especially in the development aspect of e-Warong, including how to manage the sales margin and fees as a bank agent, and also as the livelihood component.
 - ii) The Ministry of Social Affairs/*KMIS* needs to assist/train/educate the administrators of e-Warong and *KPM* to improve the capacity/capability so that e-Warong could support them to help themselves to improve their welfare.
 - iii) Need to provide incentive mechanism, for the *PKH* Facilitators for their involvement in e-Warong program.
 - iv) Services *Kube* facilitator can be recruited from *PKH* Facilitator or newly recruited. They need to get special training accordingly to the functions in e-Warong.

B. e-Warong Kiosk Stock Management

- a. The government needs to make a legal platform to make it possible for *Bulog* to work with the e-Warong transaction mechanisms, separately from their standard procedures.
- b. *KMIS* need to formulate an easier and faster procurement mechanism from the non-*Bulog* suppliers to e-Warong.
- c. The government (central/district) or *KMIS* needs to facilitate/build several distribution centres from non-*Bulog* suppliers to e-Warong.
- d. The government (central/district) or *KMIS* needs to prepare the resources in *Kube* Jasa to manage e-Warong functions.

C. Monitoring and Evaluation

- a. e-Warong program implementation needs to be guarded with regular internal and external monitoring and evaluation systems prioritising transparency and accountability.
- b. Need to make sure that the result of the monitoring and evaluation will be a reference to the betterment of the ongoing program.
- c. Need to provide an easy, fast, and responsive complaints handling mechanism.

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Legislation

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In mid-2016, the government launched Program for Empowering the Poor through Joint Business Groups' Electronic Mutual-Cooperation Shop under the Household Conditional Cash Transfer (e-Warong Kube-PKH) on a pilot scale. This program is a diversion of cash social assistance to digital non-cash social assistance. The purpose of this program, most significantly, is to improve the effectiveness of social assistance and expand the scope of inclusive financial services. In early November 2016, as requested by Bappenas and with the support of KOMPAK, The SMERU Research Institute conducted a preliminary study on the preparation and implementation of the e-Warong Kube-PKH program in five cities/districts (Batam, Balikpapan, Denpasar, Kediri, and Malang). This study used a qualitative approach with respondents from the central and district levels. The stakeholders stated that the e-Warong Kube-PKH program is operationally feasible. Nevertheless, the results of the study indicate that the preparation for implementation is not yet mature, due in part to the lack of a completed program regulation, including general guidelines, operational technical guidelines, and clear cooperation between parties. In addition to the completeness of the regulation, the successful implementation of e-Warong Kube-PKH program in the future requires several prerequisites related to the development and stabilisation of the organisation, the management of its functions (as a point of distribution of non-cash social assistance, bank agents, and livelihood components/poor livelihoods), as well as effective monitoring and evaluation mechanisms.

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