

NATIONAL REMITTANCE PLAN 2015 INDONESIA

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Background

Based on data from the National Agency for the Placement and Protection of Indonesian Migrant Workers (BNP2TKI), the number of Indonesian migrant workers abroad reached 500 thousand people per year in countries including Malaysia, Taiwan, Oman, Saudi Arabia, Singapore, Hong Kong, Brunei Darussalam, Bahrain, United Arab Emirates, Qatar, South Korea, United States, Italy, Turkey, Kuwait, Fiji Islands, Brazil, Germany, New Zealand, Japan, Uruguay, Australia, Mauritius, China, Canada, Spain, Netherlands, Thailand and South Africa.

The Government of Indonesia pays attention to and supports migrant workers as “The Foreign Exchange Heroes” for Indonesia by improving their knowledge and skills, facilitating their needs to deliver money for their families in their hometown and needs of security and protection.

As a member of the G20, Indonesia supports the initiative to reduce the global average cost of sending remittances to 5%, which will benefit migrant workers in sending money to Indonesia. As a receiving country, Indonesia does not focus on the pricing policy aspect but on country-led action plans through initiatives to support infrastructure development and formal remittance services mechanisms that will efficiently reach the broader society. In addition, education will continue to be provided to migrant workers before going abroad, including options for formal money transfer when they work abroad.

2014 Call to Action on Remittances

Digital Financial Services (DFS) through development of supporting regulations and as point of services for people for their daily financial transaction

1. Issuance of supporting regulations: amendment of Regulation on Electronic Money and issuance of Regulation on DFS operations for financial inclusion development through DFS individual agents. DFS is the provision of a mix of financial and payment services that are delivered and managed using mobile or web technologies and a network of agents.
2. Bank Indonesia along with the Government of Indonesia launched a pilot project of government assistance distribution using electronic money (G to P program) through DFS individual agents on October 8, 2014.
 - In the third quarter of 2014, G to P was distributed to 1,860 recipients in some cities with total grants reaching Rp606 million. Around 20% of the recipients left some of their grants in electronic money, indicating willingness to save money.

- Based on monitoring of the pilot project, the society has benefited in terms of cost and time. In addition, it is also proof that financial education was successfully implemented due to the fact that the people are deciding to save some of their grants.
3. Development of DFS agents and services: Number of DFS (February 2015) reached 24,561 agents (individual and legal entity agents), including Indonesian post offices. The agents spread to around 418 of 537 regions, reaching 1,026,793 customers. DFS can reduce the time and cost for recipients to withdraw funds.

Interconnection of ATMs to encourage efficiency and reduce remittance costs

1. Interconnection among three principals of ATM network providers has been implemented in Indonesia to enable fund transfers among bank customers, which are members of the ATM network providers. It gives more options for bank customers to transfer funds, which gives faster services (real time) with better cost efficiency.

Synergy with the private sector to support implementation of remittance services through mobile devices including education for the community

1. Interconnectivity among three telecommunication operators of server-based electronic money issuers (mobile phone) has been implemented and enables fund transfers among holders of electronic money, issued by the three operators mentioned (P to P transfer). The implementation is supported by synergy between banking and telecommunication operators (as the electronic money issuers) through development of top-up features from savings accounts to electronic money virtual accounts, and transfer from electronic money to bank savings accounts through ATM.
2. Cross-border synergy by one of the domestic telecommunications operators issuing electronic money and a telecommunication operator in Malaysia to facilitate electronic money transfer from Malaysia to Indonesia.
3. Financial education in order to provide knowledge to the society on financial management and DFS is disseminated for students, migrant workers, and other groups of community, such as farmers, fishermen, and small and medium enterprises (SMEs).

2015 Country plan for reducing remittance transfer costs

1. Increase Remittance Market Competitiveness

- a. Propose government to government (G to G) arrangement with sending countries to reduce transfer costs, through some actions as follows:
 - Mapping remittance process to find out which business models leads to higher remittance transfer costs and which should be promoted as the most efficient.

- Supporting cooperation among domestic postal office and postal offices in other countries to facilitate affordable remittance services, which are currently limited.

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

- a. Evaluation of regulations to support expansion of DFS.
- b. Creating alternative models for remittances targeting low income people and conduct pilot project on remittances with a selected country. Adoption and implementation of infrastructure and technology based on the study and pilot project.
- c. Promoting domestic postal offices network for remittances, taking into account that postal offices' transfer costs are the lowest compared with other remittance service providers.

3. Improve Transparency and Consumer Protection of Remittance Transfers

- a. Financial education for migrant workers aims to encourage the use of non-cash transactions, among others. Through financial education, the migrant workers and the society more generally are expected to protect themselves and have more balanced bargaining power with financial services providers. Financial education will be done through making standard modules and integrating these modules into the curriculum of the Migrant Worker Training Center.
- b. Promoting access to electronification and remittance services for migrant workers.
- c. Promoting regulations on consumer protection and registration for remittances.

Monitoring of Outcomes

Action/Output	Main monitoring indicator
Area 1: Increase Remittance Market Competitiveness Expected outcomes: Propose government to government (G to G) arrangement with sending countries to reduce transfer costs,	
1) Mapping remittance process to find out which business models leads to higher remittance transfer costs and which should be promoted as the most efficient	<i>Selected efficient business model</i>
2) Supporting cooperation among domestic postal office and postal offices in other countries to facilitate affordable remittance services, which are currently limited.	<i>Number of postal office cooperation initiated or established with another country</i>
Area 2: Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies Expected outcomes: infrastructure and technology to support efficient remittance services	
1) Evaluation on regulations to support expansion of digital financial services (DFS)	<i>Number of input for improvement on Digital Financial Services regulation</i>
2) Creating alternative model for remittances targeting low income people and conduct pilot project on remittances with a selected country	<i>Number of alternative model for remittance that fit to lower level income people and the outcome of pilot projects on remittances established with other countries</i>
3) Adoption and implementation of infrastructure and technology based on the study and pilot project	<i>Progress towards adoption and implementation</i>
4) Promoting domestic postal offices network for remittances, taking into account that postal offices' transfer costs are the lowest compared with other remittance service providers	<i>Number of agents/consumers using the postal office network for facilitating remittances in Indonesia</i>
Area 3: Improve Transparency and Consumer Protection of Remittance Transfers Expected outcomes: increase safety of remittance transfers and consumer awareness	
1) Financial education for migrant workers encourages the use of non-cash transaction, among others.	<i>Number of financial education activities organized for migrant workers</i>
2) Promoting access to electronification and remittance services for migrant worker.	<i>Number of non cash payments used by candidate migrant workers</i>
3) Promoting regulations on consumer protection and registration for remittances	<i>Increasing awareness of consumer protection and remittance registration</i>