

COMPARISON OF ORIGINAL AND REVISED POLICY ACTIONS

1. The Promoting Innovative Financial Inclusion Program consisted of two subprograms at its inception in 2020. During the processing of subprogram 1, the Government and ADB agreed to include 15 indicative policy actions as a basis for subprogram 2. From these 15 indicative actions, 14 have been fully accomplished and 1 partially accomplished. The language of some the completed actions were refined to provide details to reflect the full extent of government's reform.

2. In addition, 6 new sub-actions were included to strengthen the indicative policy actions. These are policy actions 1, 5, 7, 10, 12 and 15. These sub-actions were included based on ongoing policy dialogue and technical assistance provided to the government and OJK. The reforms supported by the program now go further than originally anticipated during preparation of the programmatic approach and subprogram 1 in 2020. New reforms completed include supplementing OJK regulations with an industry-based code of conduct, establishment of 5 targeted regulatory technology and supervisory technology initiatives and the launch of digital financial literacy modules on consumer privacy and cyber security for consumer protection.

3. Only one indicative policy action was partially accomplished: policy action 13. Industry specific standard certification has been developed for the peer to peer (P2P) lending cluster as originally anticipated. ADB's discussions with OJK clarified that P2P lending is the most prominent financial service in the fintech sector. The other fintech financial services, for which specific standard certifications were to be completed, are small in comparison and developing specific standards for each and every cluster would not have been in line with a risk-based supervision approach. OJK assured ADB that all fintech services are still governed by general regulations and OJK will continue to assess whether specific standards are needed for the other clusters.

4. Subprogram 2 now contains 15 high-impact policy actions, all of which have been completed, reflecting the government's priorities under the revised Financial Inclusion Action Plan 2020–2024. Revisions made to the policy matrix does not impact the overall strength of the program or its expected development results.¹ The following table provides a detailed summary of the policy actions.

¹ The outcome indicator on bank ownership was revised and supplemented with new indicators relevant to fintech and digital finance. Details provided in para 20 of the RRP.

COMPARISON OF ORIGINAL & REVISED POLICY ACTIONS
Promoting Innovative Financial Inclusion Program, Subprogram 2
January 2021 – September 2022

Indicative Policy Actions	Status of Accomplishments	Revised Policy Actions for Subprogram 2
Reform Area 1: Tools and infrastructure for financial inclusion		
1. The CMEA adopted and implemented a time bound Financial Inclusion Action Plan for 2020–2024, with gender targets.	This policy action has been fully accomplished and exceeded expectations. The wording of the policy action has been expanded to capture the specific details of the reform. Further, sub policy action ii) on regional digitization of public services by local governments was added to recognize accomplishments exceeding the original, indicative reform.	The CMEA (i) adopted and commenced implementation of a time bound Financial Inclusion Action Plan for 2020–2024, and integrated gender targets in the annual action plans of selected working groups, and (ii) established and fully operationalized the Task Force for the Acceleration and Expansion of Regional Digitalization (TP2DD) to improve public service provision by the local governments.
2. The CMEA expanded the Indonesia Financial Access Map to include subdistrict levels, and the OJK launched a complementary comprehensive sex-disaggregated Financial Inclusion and Literacy Data Dashboard to promote a better coordinated approach to accelerate financial inclusion.	This policy action exceeds expectations as the expanded FAP map will also include more granular locations of key formal financial access points, new financial access points (post offices, pawnshops, cooperatives, and fintech agents), updated demographic and socio-economic data, and new infrastructure data (electricity, road networks). It also integrates the Disaster Risk Index developed by government agencies including the National Development Planning Agency and the National Disaster Management Agency, which provides information on natural hazards, social vulnerability, and community resilience. The wording of the policy action has been expanded to capture the specific details of the reform. The second sub policy action on Financial Inclusion and the Literacy Data Dashboard has been completed by OJK.	The CMEA (i) expanded the scope of Indonesia Financial Access Point Map to include more granular data (demographic, socioeconomic, and infrastructure) on formal financial access points at subdistrict levels, along with integration of Natural Disaster Index Map; and the OJK (ii) launched a complementary comprehensive sex-disaggregated Financial Inclusion and Literacy Data Dashboard to promote a better coordinated approach to accelerate financial inclusion.
3. The OJK (i) implemented the Digital Finance Innovation Roadmap and Action Plan, (ii) completed a comprehensive assessment of its Regulatory Sandbox, (iii) adopted Fintech cluster	This policy action has been fully accomplished as proposed. The wording of the policy action has been expanded to capture more specific details of the reform, including addition of sub- action (#ii)	The OJK became a member of Global Financial Innovation Network as part of the Digital Finance Innovation Road Map and Action Plan, and implemented (i) regulatory frameworks for several

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<p>definitions, and (iv) designed and implemented a rigorous risk-driven Fintech due diligence approach to promote responsible digital financial inclusion.</p>	<p>on implementation of specific regulatory frameworks supporting Digital Finance Innovation Roadmap and Action Plan, to highlight the reform progress and further strengthen the policy action.</p>	<p>business models (aggregator, financial planner, and project planning), (ii) comprehensive scenario examinations of additional fintech business models under the Regulatory Sandbox, (iii) use of 16 fintech cluster definitions based on Cambridge Center for Alternative Finance Fintech Tools, and (iv) a rigorous risk-driven fintech due diligence approach to promote responsible digital financial inclusion.</p>
<p>4. As part of the Payment System Blueprint 2025, BI (i) established Real Time Retail Payment Infrastructure, and (ii) expanded Quick Response Indonesia Standard (QRIS) acceptance and usage in various transactions, both aimed at strengthening the reliability of retail payment systems, advancing industry competitiveness, improving transaction efficiency, and promoting financial inclusion.</p>	<p>This policy action has been fully accomplished as proposed and exceeded expectations. The wording of the policy action has been expanded to capture more specific details of the reform.</p>	<p>As part of the Payment System Blueprint 2025, Bank of Indonesia: (i) established a new Real Time Retail Payment Infrastructure, BI-FAST – a national initiative to build a more efficient public retail payment system – which facilitates individual credit transfers while reducing the cost from Rp. 6,500 to Rp. 2,500; and (ii) expanded Quick Response Code Indonesian Standard acceptance and usage in various transactions, both aimed at strengthening the reliability of retail payment systems, advancing industry competitiveness, improving transaction efficiency, and promoting financial inclusion.</p>
<p>5. The OJK (i) established a streamlined customer onboarding system linking e KTP and e-KYC, and (ii) introduced new regulations to fully automate the manual KYC and AML processes used by the finance sector.</p>	<p>This policy action has been fully accomplished. Currently there are 4 Fintechs in the OJK's e-KYC cluster under the Regulatory Sandbox. These Fintechs are providing e-KYC services for P2P companies and banks. Furthermore, some of these Fintechs are also providing digital ID services and thus are servicing corporations as well. The wording of the sub-action # i has been revised to capture the expanded coverage of the reform.</p> <p>Sub-action # ii on introduction of new regulations to fully automate the manual KYC and AML processes has been accomplished but is pending confirmation from OJK. Additionally, OJK Circular</p>	<p>The OJK (i) streamlined customer onboarding system linking national biometric ID (e-KTP) and e-KYC by establishing e-KYC cluster under the Regulatory Sandbox, (ii) implemented new regulations to fully automate the manual KYC and AML processes used by the finance sector, and (iii) issued Circular Letter on AML/CFT for Fintech lending.</p>

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	Letter No. 6/SEOJK.05/2021 on AML/CFT for Fintech lending, issued on 29 January 2021, has been added to further strengthen the policy action.	
6. The OJK (i) integrated government-to-person (G2P) payments into LokasiKu, and (ii) mandated banking and non-banking financial service providers to regularly update information on Laku Pandai and other financial service facilities	This policy action exceeded expectations as the expansion of LOKASIKU will integrate information on G2P payments (BANSOS) agents, and support the integration of data from an additional 21 financial institutions (from 6 to 27) along with a disability friendly feature. The wording of the policy action has been expanded to capture the specific details of the reform.	The OJK (i) expanded LOKASIKU with additional 21 banking and non-banking financial institutions, integrated government-to-person (G2P) payments (BANSOS) agents information, and a disability friendly feature, and (ii) mandated registered financial service providers to regularly update information on Laku Pandai, BANSOS, and other financial service facilities.
Reform Area 2: Access to finance by micro, small and medium-sized enterprises (MSMEs) and marginalized groups including women and youth		
7. The OJK (i) issued regulations to adopt Alternative Credit Scoring Framework and (ii) introduced a Central Movable Collateral Registry to further facilitate MSMEs' access to finance.	Sub-action # i is completed and exceeded expectations. OJK issued 10/POJK.05.2022 to adopt alternative credit scoring. Article 50 in the POJK 5/2022 states that Commercial Credit Scoring companies must ensure compliance with laws and regulations, and generally accepted ethical values including a Code of Conduct and Ethics. In addition, AFTECH as SRO issued a Code of Conduct for Innovative Credit Scoring. This is an internationally recognized practice adopted by other countries. The Code of Conduct regulates: <ul style="list-style-type: none"> • General Business Flow - Chapter VII POJK 5/2022 • Integrity and Quality of Accountable Credit Score - Accommodated in Article 47 POJK 5/2022 • Transparency of data sources and data processing - Accommodated in Article 8 and 55, POJK 5/2022 • Independence - Accommodated in Article 8 POJK 5/2022 • Safety - Accommodated in Article 56 POJK 5/2022 	The OJK: (i) issued regulation concerning P2P Lending to adopt alternative credit scoring; (ii) through Indonesian Fintech Authorities (Asosiasi Fintech Indonesia [AFTECH]) issued Code of Conduct for Innovative Credit Scoring to support the implementation of Alternative Credit Scoring Regulatory Framework; and (iii) the Ministry of Law and Human Rights expanded the online central movable collateral registry to include banks and other lending institutions to enhance MSMEs' access to finance.

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	<p>The wording of this policy action has been expanded to capture the progress of the reform.</p> <p>Sub policy action # ii on the introduction of Central Movable Collateral Registry is pending updates and confirmation from MOF/OJK/Ministry of Law.</p>	
<p>8. Through the EIFIL, the OJK introduced the innovation accelerator program for BPDs, in partnership with the Fintech sector, to support startups, and MSMEs with priority given to those owned/led by women and youth in various sectors such as agriculture and tourism.</p>	<p>This policy action has been fully accomplished as proposed. The wording of the policy action has been expanded to capture more specific details of the reform. Supported by an assessment of COVID-19's impact on BPDs and MSMEs in Eastern Indonesia, OJK facilitated partnership possibility mapping with 13 fintech companies, and pilot collaborations as follows: (i) between Bank Bali and agri-fintech CROWDE to provide financial services to previously underserved small holder farmers in Bali; (ii) between Bank Nusa Tenggara Barat (NTB) Syariah and innovative credit scoring company VICI to identify, map, and pilot fintech solutions with the e-commerce sector; and (iii) between Bank Nusa Tenggara Timur (NTT) and verification system company Digidata on e-KYC and biometric ID verification.</p>	<p>The OJK introduced an innovation accelerator program through EIFIL, and established pilot partnerships among three BPDs and three fintechs on e-KYC, innovative credit scoring, and agriculture lending to increase flow of credit to MSMEs with priority given to those owned and/or led by women and youth in agriculture and tourism.</p>
<p>9. The OJK implemented the TPAKD Roadmap to reach more marginalized individuals, households, and communities in rural and remote communities.</p>	<p>This policy action has fully accomplished and exceeded expectations. The roadmap implemented annual thematic programs and expanded TPAKD to 34 provinces and 345 districts/cities. In 2021, TPAKD implemented programs to support acceleration of basic savings, and savings accounts opened by students along with discouraging the use of loan sharks while focusing on priority agriculture sector. In 2022, TPAKD programs focus on accelerating the use of digital financial products and services. The wording of the policy action has been expanded to capture more specific details of the reform.</p>	<p>The OJK in collaboration with the Ministry of Home Affairs implemented the TPAKD Road Map through annual thematic programs (acceleration of savings account opening, credit financing against loan sharks, and use of digital financial services) and expanded TPAKD to 34 provinces and 345 districts and cities to reach more marginalized individuals, households, and communities in rural and remote communities to address regional disparities in financial inclusion.</p>

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10. The CMEA developed and implements National Action Plan to support WSMEs, and the OJK (i) issued new requirements for financial service providers to report sex-disaggregated data and to adopt client outreach strategies and training programs for WSMEs modeled on the data and (ii) developed and adopts gender-responsive procurement guidelines.	The wording of the policy action has been expanded to capture specific details of the reform. Further, a sub policy action on the WSME framework to monitor and track progress was added to further strengthen this policy action. The WSME framework sets out strong targets and metrics to ensure accountability on commitments, and a roadmap for progress which will unlock access to finance for women entrepreneurs.	The CMEA in collaboration with the Ministry of Women's Empowerment and Child Protection, OJK, and National Procurement Planning Agency, implemented National Women's Financial Inclusion Action Plan to support WSMEs, by adopting (i) new requirements for financial service providers to report sex-disaggregated data to facilitate the adoption of WSME client outreach strategies and training programs, (ii) gender-responsive procurement guidelines, and (iii) WSME framework to monitor and track the progress.
11. The CMEA and OJK implemented the YFIS and expand initiatives to promote youth financial inclusion.	This policy action has been fully accomplished and exceeded expectations. OJK implemented the Youth Financial Inclusion Strategy through the Youth Financial Inclusion Ambassadors Program (DIKA). Since 2021, DIKA has conducted 8 research studies, and 48 events in collaboration with over 20 universities to promote youth financial inclusion. The wording of the policy action has been expanded to capture more specific details of the reform.	The CMEA and OJK implemented YFIS through Ramadan Financial Challenge, community engagement events, research and training programs on financial and digital financial inclusion, literacy, and consumer protection, supported by the Youth Financial Inclusion Ambassador's Program (DIKA) and in collaboration with 20 universities, to promote and expand access to finance by youth across the country.
Reform Area 3: Supervision and consumer protection measures for responsible financial inclusion		
12. The OJK implemented Regtech and Suptech framework and issued regulations to require compliance with the regulatory and reporting requirements under the Regtech and Suptech frameworks.	This policy action is fully accomplished. OJK has implemented the regtech and Suptech framework through the issuance of 11/POJK.03/2022 concerning Information Technology Implementation by Commercial Banks. The wording of the policy action has been expanded to capture specific details of the reform. Further, a sub-action on the establishment of regtech and suptech initiatives was added to further strengthen this policy action.	The OJK (i) issued regulation on information technology implementation by commercial banks, and (ii) established five targeted regtech initiatives (e-KYC, e-regulatory compliance, fraud detection, e-reporting, and e-risk management) and five suptech initiatives (data analytics, text report mining, customer support tech, e-reporting, and blockchain e-licensing).
13. The OJK, in collaboration with AFTECH, (i) issued a comprehensive Code of Ethics and Conduct for Fintech Verticals providing online lending, equity crowd funding, and payments,	Sub-action # i has fully accomplished. OJK issued a comprehensive Code of Ethics and Conduct for Fintech Verticals providing P2P lending, securities crowd funding, and aggregator.	The OJK, in collaboration with AFTECH, the Indonesia Joint Funding Fintech Association (Asosiasi Layanan Urun Dana Indonesia [AFPI]), and Indonesia Crowdfunding Association

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<p>(ii) developed general and industry specific standards for each Digital Finance Innovation clusters, and (iii) created Human Capital Development Strategy and Digital Finance Innovation Ecosystem Development Strategy.</p>	<p>Sub-action # ii was partially accomplished as industry specific standard certification has been developed only for P2P lending. However, P2P lending is the most prominent player in the fintech sector. The other fintech financial services, for which specific standard certifications were to be completed, are small in comparison and developing specific standards for each and every cluster would not have been in line with a risk-based supervision approach. Hence, no additional or replacement measures were added as the reform still provides significant impact.</p> <p>Finally, on sub-action # iii, the Human Capital Development Strategy and Digital Finance Innovation Ecosystem Development Strategy was integrated into the OJK Blueprint for Human Resource Development in the Financial Sector 2021–2025.</p> <p>The wording of the policy action has been expanded to capture specific details of the reform.</p>	<p>(Asosiasi Layanan Urun Dana Indonesia [ALUDI]) (i) issued comprehensive Code of Ethics and Conduct for Fintech Verticals providing P2P lending, securities crowd funding, and aggregator services, (ii) developed industry specific standard certification for P2P lending cluster, and (iii) integrated digital talent development in the fintech sector into the Blueprint for Human Resource Development in the Financial Sector 2021–2025.</p>
<p>14. The OJK (i) established and operationalizes the LAPS by merging the six Dispute Resolution Centers (banking, capital market, insurance, multifinance, guarantee, and pension funds), (ii) harmonized Alternative Dispute Resolution regulations, and (iii) implemented International Security and Privacy Standards for banks and Fintechs to enhance cyber security and resilience and to protect digital consumers from identity theft and exploitation in the financial services sector.</p>	<p>Sub-action # i has been fully accomplished. The wording of the policy action has been expanded to capture the specific details of the reform.</p> <p>Sub-action # ii has been fully accomplished. OJK issued revised Regulation No.6/POJK.07/2022 on Consumer Protection in the Financial Services Sector, and six regulations on mediation, arbitration, binding opinion, mediator and arbitrator, code of ethics, and the dispute settlement service fee charged by LAPS-SJK.</p> <p>Sub-action # iii on implementation of International Security and Privacy Standards for banks and Fintechs has been accomplished.</p>	<p>The OJK (i) established and operationalized the Integrated Alternative Dispute Resolution Agency (LAPS-SJK) by merging the six Dispute Resolution Centers (banking, capital market, insurance, multifinance, guarantee, and pension funds), and (ii) harmonized and implemented six Alternative Dispute Resolution regulations (mediation, arbitration, binding opinion, mediator and arbitrator, code of ethics, and the dispute settlement service fee), and (iii) implemented international security and privacy standards for banks and fintechs to enhance cyber security and resilience, and to protect digital consumers from identity theft and exploitation in the financial services sector.</p>

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15. The OJK expanded the Y-Bank program across the country including in Eastern Indonesia.	This policy action has been fully accomplished as proposed. The wording of the policy action has been expanded to capture more specific details of the reform. Sub-policy action #ii was added to further capture progress on digital financial inclusion, supported by ADB, to strengthen the policy action.	The OJK (i) expanded Y-Bank introducing a digitized program curriculum to reach more youth across the country including eastern Indonesia, and (ii) launched digital financial literacy modules on consumer privacy and cyber security, customer support channels, and fintech lending as part of Smart Digital Indonesia Series in collaboration with Ministry of Education and Culture to educate digital financial consumers.