

Automatic Adjustment on Ministry of Finance Expenditures 2022–2024

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ABSTRACT

The Indonesian Government introduced the technocratic automatic adjustment policy (blocking budget) for 2022–2024 to strengthen the financial sector during and after the pandemic. This policy prioritizes spending for ministries and institutions. The Ministry of Finance, as the main fiscal manager, recorded spending realizations of 97.81% in 2022 and 97.47% in 2023 both higher than the average 95% absorption rate for ministries and institutions raising concerns about the policy's optimal implementation within the ministry. Although extensive literature addresses fiscal discipline in developed economies, a research gap remains regarding how automatic adjustment policies new fiscal innovations during post-pandemic recovery are applied in Indonesia's key fiscal bodies. This gap is significant since the Ministry of Finance's expenditure consistently exceeds the national average, questioning whether standard automatic adjustment protocols fit the fiscal authority itself. This study uses a qualitative thematic approach with interviews, document analysis, and literature review to explore how the Ministry of Finance enforces automatic adjustment from 2022 to 2024. Findings reveal the ministry implements the policy based on national criteria and priority needs, blocking 7.45% of its budget in 2022, 7.23% in 2023, and 4.47% in 2024. A five-tier priority scale protects basic needs and mandatory expenditures, while targeting lower-priority items such as supporting costs and non-strategic capital investments. The policy fosters efficiency, improves spending quality, and encourages new work patterns within the Ministry of Finance, aligning with organizational and national goals. Its impact extends beyond the ministry to Indonesia's broader fiscal system.

KEYWORDS

budget, automatic adjustment, ministry's expenditures



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INTRODUCTION

The COVID-19 pandemic has harmed society, economic activities around the world, and the fiscal of each country. After the relaxation of the budget deficit ends in 2022, which was previously implemented from 2020 to 2021 to support economic recovery and public health programs that had reached above 6% of GDP (Republic Indonesia, 2021a), the government must re-implement fiscal discipline.

From 2022 to 2024, global and local economies faced many uncertainties. These included rising global interest rates, high inflation, energy crises, geopolitical tensions, energy subsidy pressures, and economic slowdowns. Because of this, fiscal policy needs to be more responsive. Also, spending often starts slowly at the beginning of each year. This is known as low-budget absorption. Data from the ministry of finance shows that in the first quarter before 2022, central government spending was often below 20-25% of the total budget. This is despite the goal of around 25% per quarter.

Table 1. Indonesia's Economic Growth 2022-2024

Year	Indonesia's Economic Growth
2022	5,31%
2023	5,05%
2024	5,03%

Source: Statistics Indonesia, processed by the author

Besides implementing discipline and improving fiscal response, the government also needs to reform fiscal policies to achieve national development priorities and support economic recovery (Adiyanta, 2020; Chen et al., 2023; Lee & Esfahani, 2020; Ma et al., 2022). Spending must be refined to enhance fiscal management and maintain economic stability. The state budget is a key tool in addressing challenges by creating effective fiscal policies (Supriyanto, 2024). To prepare for uncertain global and national economic conditions, geopolitical developments, economic growth, purchasing power, and health issues, the finance minister issued a letter concerning the automatic adjustment policy (Eva Haryatie et al., 2023; Leha et al., 2022; Permatasari, 2021). This directive continues the mandates of the State Budget Law and the President's instructions.

The automatic adjustment policy applies to ministries and institutions in Indonesia from 2022 to 2024. It aims to prioritize spending and block activities that do not align with the budget. Consequently, ministries and institutions must be more selective and efficient in creating and executing work programs (Dwi, 2024). Automatic adjustment is a fiscal control strategy designed to address economic uncertainty, ensuring state spending remains efficient and flexible (Republic Indonesia, 2023). This policy addresses the need to maintain fiscal space, mitigate risks, and ensure that state spending is adaptive and accountable.

The 2022 state budget focuses on COVID-19 response and national economic recovery. It aims to reduce economic risks and ensure stability in the financial system. One key state spending policy for 2022 prioritizes essential expenditures and enhances efficiency in non-priority areas. The budget supports operational and capital expenditures related to economic transformation. It also functions as an automatic stabilizer to manage uncertainty by strengthening social protection programs (Republic Indonesia, 2021b). The validity of the 2022 automatic adjustment is outlined in Article 28 Paragraph (2) of Law Number 6 of 2021 concerning the 2022 State Budget, which allows the government to adjust state expenditures as needed.

The 2023 state budget acts as a shock absorber during global economic fluctuations. It employs both projective and responsive policies, while focusing on monitoring spending to boost productivity and economic inclusivity (BKF, 2024). Special measures continue the automatic adjustment while ensuring that spending quality remains effective, efficient, productive, and generates a multiplier effect on the economy (Republic Indonesia, 2022). This expenditure adjustment is based on Article 32 Paragraph (1) of Law Number 28 of 2022, concerning the 2023 State Budget.

The 2024 state budget aims to drive structural reforms that accelerate economic transformation (Pradipta, 2023). The budget policy emphasizes efficient and effective spending, enhancing the fulfillment of basic needs, prioritizing key programs, and ensuring results-based execution. According to the 2024 State Budget Law, the government can

maintain fiscal sustainability through various spending policies. Adjustments to state expenditure will prioritize automatic budget use.

The Ministry of Finance manages fiscal matters, creating policies including budgeting and state budget management (Directorate General of Budget). It formulates and implements budgeting policies in accordance with laws for all ministries and institutions in Indonesia. Automatic adjustment occurs to address unexpected priorities. This adjustment does not affect the overall deficit outlook. The adjustment equals at least 5% of each ministry's or institution's total spending ceiling from the overall budget to be reserved (Directorate Budget Implementation, 2023).

The automatic adjustment policy will not hinder national development or ministries/institutions. Historical data show that ministries/institutions typically absorb about 95% of their budgets yearly, meaning 5% can be temporarily set aside. However, the Ministry of Finance's expenditure realization was 97.81% in 2022 and 97.47% in 2023. These figures exceed the average absorption rate of 95%, raising concerns that the Ministry of Finance's automatic adjustment may not work as intended.

Previous research on automatic adjustment in Indonesia includes a study by Galih Anggriawan and Cris Kuntadi (2023), which examined the policy's effects on activities and budgets at the Nuclear Power Supervisory Agency (Bapeten) (Anggriawan et al., 2023). Research on automatic adjustment in Indonesia remains limited; no studies have explored its implementation within ministries. Most prior work focused on budget absorption and fiscal discipline in developed countries (IMF, 2012). Thus, a deeper study on the automatic adjustment policy's implementation in ministries is necessary.

A critical review of existing literature reveals several gaps addressed by this research. First, a theoretical gap: while international scholarship on fiscal discipline and budget management is extensive, especially from developed countries (Reed & Swain, 2012; IMF, 2012), these frameworks have not been tested in Indonesia's unique post-pandemic fiscal context. The automatic adjustment mechanism represents a departure from conventional budget execution models, requiring empirical investigation of its implementation dynamics. Second, a contextual gap: existing Indonesian research has mostly examined budget absorption rates or automatic adjustment in smaller agencies, but not within the Ministry of Finance itself — the body responsible for designing, mandating, and monitoring automatic adjustments. This creates an important blind spot, as the implementer of fiscal control mechanisms has not been studied as a subject of those mechanisms. Third, a methodological gap: previous studies largely relied on quantitative budget analysis or one-year implementations, lacking qualitative, process-oriented investigation to understand decision-making, priority criteria, and how organizational cultures adapt to fiscal constraints over multiple budget cycles.

The novelty of this research is evident in several dimensions. First, institutional focus: it is the first study to examine automatic adjustment implementation within the Ministry of Finance itself, providing insider perspectives on how the principal fiscal authority navigates the constraints it imposes on others. This reflexive examination reveals insights unavailable from studies of line ministries or smaller agencies. Second, temporal scope: by analyzing three consecutive years (2022–2024), the research captures policy evolution across economic contexts—from immediate post-pandemic recovery to subsequent global economic uncertainties. This longitudinal perspective reveals policy refinements and organizational

learning over time. Third, methodological innovation: combining qualitative thematic analysis with primary data from key budget decision-makers yields rich understanding of how abstract fiscal policies translate into concrete organizational actions. Unlike quantitative studies that show what was cut, this research explains why, how, and with what consequences. Fourth, practical contribution: documenting the priority scale framework and new work pattern initiatives developed by the Ministry of Finance generates actionable knowledge that other ministries and public organizations can adapt for their own automatic adjustment implementations.

This research has two main contributions. First, it enhances understanding of fiscal policy innovations emerging during the pandemic and in response to global and domestic uncertainty, contributing to literature on adaptive budget management and fiscal resilience in developing economies. Second, it serves as an academic discourse and scientific article on public finance administration, providing policymakers and implementers with empirical evidence to evaluate the effectiveness, challenges, and possible refinements of the automatic adjustment policy. The findings will inform future automatic adjustment implementations and broader discussions of fiscal flexibility, budget discipline, and public sector efficiency in resource-constrained environments.

Based on the above perspectives, the author is interested in examining the implementation of the automatic adjustment policy within the Ministry of Finance, which creates and manages budgets for all ministries and institutions in Indonesia. So far, few studies have focused on this implementation in Indonesia, particularly within the Ministry of Finance as the main manager of national finances. This research aims to fill that gap by exploring the implementation of automatic adjustment in the Ministry of Finance's spending from 2022 to 2024.

The research objectives are threefold: first, to analyze how the Ministry of Finance operationalizes automatic adjustment policies within its own expenditure framework, including specific mechanisms, criteria, and decision-making processes; second, to identify organizational and fiscal impacts of automatic adjustment implementation, examining both efficiency gains and potential constraints on ministerial functions; and third, to evaluate alignment between automatic adjustment practices and broader national fiscal policy goals, assessing if the policy maintains fiscal discipline while supporting economic recovery and transformation. These objectives are addressed through qualitative investigation of policy documents, budget data, and stakeholder interviews, providing a comprehensive understanding of automatic adjustment as both a fiscal instrument and organizational change initiative.

The policy implications of this research extend across multiple governance levels. For the Ministry of Finance, findings will inform refinements to automatic adjustment protocols, priority-setting frameworks, and change management strategies for future fiscal constraint environments. For other ministries and institutions, the research provides a replicable model for implementing automatic adjustments effectively while maintaining operational capacity and service delivery. For legislative oversight bodies, the analysis offers evidence-based assessments of whether automatic adjustment achieves fiscal discipline objectives without undermining national development priorities. For fiscal policy scholars and international organizations, the study contributes empirical knowledge on how middle-income countries can employ flexible budget management to navigate economic uncertainty while maintaining fiscal

sustainability — insights potentially relevant to other developing economies facing similar post-pandemic fiscal challenges.

RESEARCH METHOD

The research employed a qualitative thematic approach using interviews, document studies, and literature review. An explanatory qualitative case study design was chosen to investigate how and why the *automatic adjustment* policy was implemented within the Ministry of Finance. This method suited the examination of the policy in its real-world organizational context, especially given the policy's novelty and limited prior research.

Primary data came from semi-structured, in-depth interviews with five purposively selected key informants from the Ministry of Finance's Budgeting Department. These included the Head of Budget Planning, two Budget Analysts, the Head of Budget Execution Monitoring, and a Senior Budget Officer with institutional experience. Selection criteria required at least three years of budget management experience and direct involvement in *automatic adjustment* decisions from 2022 to 2024. Interviews lasted 60–90 minutes, were audio-recorded with consent, transcribed verbatim, and cross-checked against documentary evidence to ensure reliability.

Document studies reviewed relevant laws, presidential and ministerial regulations, ministerial letters, financial statements (2022–2023), press releases, and news articles. These sources contextualized the policy, provided quantitative data, and supported triangulation with interview findings. Literature review focused on fiscal discipline and budget management, emphasizing developing countries' experiences to inform the analytical framework.

Data analysis followed Braun and Clarke's thematic process: familiarization, coding, theme identification, reviewing, defining, and reporting. NVivo software supported systematic coding and theme management. Data saturation was confirmed when additional data yielded no new themes.

The research complied with ethical standards approved by the Ministry of Finance's ethics committee. Participants gave informed consent, confidentiality was strictly maintained using position-based identifiers, and data storage followed security protocols. Sensitive budget information was excluded from reports to protect national interests.

RESULT AND DISCUSSION

Automatic adjustment is an important instrument to maintain fiscal flexibility and control over funds. This policy was implemented by holding a partial spending ceiling at the beginning of the year, then evaluating and disbursing it gradually based on national needs and priorities (Mauleny, 2024). This approach keeps the state budget controlled and adaptive. It also avoids new fiscal risks during uncertain global conditions. Expenditure budgets for non-priority are temporarily reserved and blocked during emergencies, so that the state budget can be flexible and resilient.

In 2022, the government withheld the ministries/institutions' budget of IDR 39.71 trillion in phase 1 and IDR 24.5 trillion in phase 2, IDR 50.23 trillion in 2023, and IDR 50.14 trillion for 2024. Ministries and institutions recommend their Activities/Classification of Output Details/Output Details/Accounts that will be blocked according to the automatic adjustment amount. This adjustment excludes some types of budgets based on yearly priorities. Certain

budget exceptions help oversee the state budget as a social defense mechanism for vulnerable, support national economic recovery, and assist in structural reforms (Putri, 2024).

The ministry of finance handles government finance and state wealth. One key function is to create, set, and implement budgeting policies (PMK, 2014). The ministry funds its duties through the state budget. As a public organization, it also identifies activities that can be postponed or streamlined by making budget adjustment in 2022-2024, focusing on savings and efficiency. Below are the initial ceiling and the adjusted ceiling for the ministry of finance from 2022 to 2024.

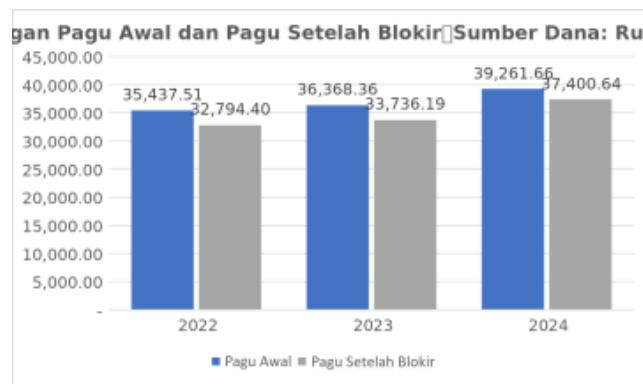


Figure 1. Initial Ceiling and Adjusted Ceiling 2022-2024 (in trillion IDR)

Source: PPID Secretariat General of the Ministry of Finance

From the ceiling data above, information on the percentage of automatic adjustment at the ministry of finance 2022-2024 as follows.

Table 2. Block Percentage of the Ministry of Finance 2022-2024

Year	Block Percentage
2022	7,45%
2023	7,23%
2024	4,47%

Source: processed by the author based on data from
PPID Secretariat General of the Ministry of Finance

The ministry of finance obtained a block percentage of 7.45% in 2022, 7.23% in 2023, and 4.74% in 2024. For 2022 and 2023, the automatic adjustment met the minimum requirement of 5% of the total spending ceiling, as per regulations. However, the automatic adjustment for 2024 is below 5%, which does not fit the rule. But on the other hand, the nominal is the number listed on page IV of the DIPA, which is an attachment to the letter of the minister of finance, containing the nominal automatic adjustment of each ministry/institution; this is a contradiction.

In 2022, there were two automatic adjustment policies. First, based on the president's mandate in the Plenary Cabinet on November 17, 2021, tactical steps were needed to address the pandemic's ongoing effects by making budget reserves, followed by the Minister of Finance Letter Number S-1088/MK.02/2021 dated November 29, 2021 regarding the Automatic Adjustment of Ministries/Institutions Expenditure for 2022. Second, continuing the direction of the president in an internal meeting on May 16, 2022, with the agenda of the Implementation of the 2022 State Budget Policy and the results of the meeting of the Budget Committee of the

House of Representatives with the Government on May 19, 2022. They noted rising global economic uncertainty affecting the domestic economy. This situation called for actions to boost national economic recovery. On May 23, 2022, the minister of finance issued Letter Number S-458/MK.02/2022 concerning the Additional Automatic Adjustment of Ministries/Institutions' Expenditure for 2022 (Ministry of Finance, 2023). The first phase of the budget reserves by the ministry of finance amounted to IDR 2.187.002.267.000 (employee spending). Additionally, the extra budget reserve reached IDR 456.111.679.000 (goods and capital expenditure).

The automatic adjustment policy continued in 2023 because considering global geopolitical conditions and presidential directives. The ministry of finance received an automatic adjustment totaling IDR 2.632.171.433.000 (employee, goods, and capital expenditures). It was granted through Minister of Finance Letter Number S-1040/MK.02/2022 on December 9, 2022. In 2024, another automatic adjustment occurred. This was done via the Minister of Finance's Letter Number S-1082/MK.02/2023 dated December 29, 2023. The budget amount blocked by the ministry of finance is IDR 1.861.021.156.000.

Ministry of finance determines to distribute automatic adjustment using a priority scale, starting from the lowest priority. The priority scale from highest to lowest is as follows:

1. Spending on basic needs (employee and operational goods).
2. Mandatory expenditure, covers national priorities, strategic TIK (information and communication technology), 005/Capping component, MYC (multi-year contracts), international events that enhance national reputation, leadership support and protocols for ministers/deputy ministers of finance and/or echelon I leaders, as well as follow-up on leadership meeting directions.
3. Main service expenditure, involves non-secretarial tasks and functions focused on the external echelon I/work units, crucial for meeting program targets and key performance indicators. It also includes finishing ongoing construction projects.
4. Innovation/service improvement spending, including flagship projects and output details that focus on innovation and/or improvement of external services (customer stakeholder) of echelon I units/work units.
5. Supporting expenditures, for technical tasks of the work units (study, research, socialization, workshops, focus group discussions, monitoring and evaluation), secretariat administration of echelon I units (RKBMN/State Property Needs Plan, internal compliance recommendations, library services, personnel administration, preparation of financial statements, etc.), capital expenditure outside strategic TIK and MYC, focus on developmental TIK for echelon I units.

The ministry of finance implements automatic adjustment in line with national policy. This policy aims to boost the culture of efficiency and better spending. In addition, the automatic adjustment policy is also a momentum to strengthen new work patterns, such as:

1. Simplification and digitalization/automation of business processes for increasing productivity, service efficiency, and human resource empowerment.
2. Build a priority team to improve the efficiency of the honorarium.
3. Optimize facilities and infrastructure to reduce meeting package costs.
4. Implement the future workspace, leading to lower office rental costs.
5. Control bureaucratic spending (official trips and consignments).

6. Consolidate procurement using the LKPP e-catalog and domestic component levels (TKDN).
7. Negative growth policy for employee numbers.
8. Centralized collaborative tools.
9. The concentration of employee expenditure fulfillment to lower salary management costs and optimize human resources.
10. Standardize prices and choose seminar kits wisely.

CONCLUSION

The 2022–2024 automatic adjustment policy served as a tool to uphold fiscal discipline, legitimize budgeting decisions, and support Indonesia's national economy. The Ministry of Finance developed and implemented this policy aligned with national priorities, fostering greater efficiency, improved spending habits, and new work patterns within the ministry while balancing organizational and national objectives. For future automatic adjustment initiatives, the Ministry and other public institutions should ensure careful, transparent supervision of policy planning and execution, maintain continuity and coordination among budget authorities, advance bureaucratic reforms to enhance work practices, and safeguard public service delivery without adverse effects on communities. Future research could explore the long-term effects of automatic adjustment on service quality and fiscal resilience across various ministries and public sectors.

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