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Indonesia's 2025 Budget Cut & Program Overhaul



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2024年10月に発足したインドネシアの新政権は100日のハネムーン期間を終え、48省の内閣がいよいよ本格稼働に入ろうとしていた今年1月、プラボウォ大統領は各省庁に大幅な予算削減を命じました。これにより、前政権のインフラ開発で最大の予算を割り当てられていた公共事業・国民住宅省は、5割以上の予算カットに直面しています。効率化されたその予算は果たしてどのように活用されるのでしょうか。また、予算縮小による負の影響はないのでしょうか。本ニュースレターでは、国家予算の再配分からプラボウォ新政権を読み解きます。

1. Background on Indonesia's Budget Efficiency Measures:

Prabowo Subianto, the newly elected President of Indonesia, was officially inaugurated on October 20, 2024. To address the nation's growing needs and challenges, his administration has expanded the number of ministries from 34 to 48.¹ Now that the initial 100-day honeymoon period has ended, the cabinet is ready to actively implement his policies. However, at this pivotal juncture, the President introduced measures aimed at budget efficiency. In January 2025, budget efficiency measures were announced by the President through the Presidential Instruction Number 1 of 2025.² These measures direct reductions in allocated funds for various line ministries and regional governments for the Fiscal Year (FY) 2025.² The budget efficiency

¹ Source: <https://setkab.go.id/inilah-kementerian-negara-kabinet-merah-putih/>

² Budget efficiency measures involve cutting expenditures in operations, office expenses, maintenance, travel, government assistance, infrastructure, and equipment procurement

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measures amount to IDR 306.69 trillion, reducing the original budget allocation of IDR 3,621 trillion by this sum. This comprises IDR 256.1 trillion in cuts to line ministry expenditures and IDR 50.59 trillion from regional transfers. The President emphasized the necessity of these efficiency measures to redirect funds to priority areas, including free nutritious meals for children ("Free Meals Program"), defense, and downstream industries. Almost all line ministries have faced budget reductions, ranging from minor adjustments to cuts exceeding 50%. This report will examine which line ministries have received the largest budget allocations, which faced the most substantial cuts, and the objectives behind the Prabowo administration's fiscal policies.

2. Top 10 Line Ministries by Budget Allocation After Cuts:

The table below provides a detailed breakdown of budget allocations for the top 10 line ministries after the implementation of efficiency measures for 2025. It compares the budget allocations for 2024 (Column A), the initial budget for 2025 (Column B), and the final budget for 2025 after the efficiency measures (Column C). Additionally, it shows the differences between the 2024 budget and the final 2025 budget (A - C), as well as the differences between the initial and final budgets for 2025 (B - C).

No.	Top 10 Ministries/ Agencies	State Budget (IDR Trillion)			Reduction (IDR Trillion)	
		FY 2024 ³ (A)	FY 2025 Initial ⁴ (B)	FY 2025 Final ⁵ (C)	A-C	B-C
1.	Defense	139.3	166.2	139.3	0.0	26.9
2.	National Police	117.4	126.6	106.1	11.3	20.5
3.	Health	90.5	105.7	86.1	4.4	19.6
4.	Social	79.2	79.6	78.6	0.6	1.0
5.	Nutrition Agency	N/A	71.0	70.8	N/A	0.2
6.	Religion	74.1	78.5	66.2	7.9	12.3
7.	Public Works	147.4 ⁶	110.9	50.5	N/A ⁶	60.4
8.	Finance	48.7	53.1	44.2	4.5	8.9

³ According to Presidential Regulation of the Republic of Indonesia Number 76 of 2023

⁴ According to Presidential Regulation of the Republic of Indonesia Number 201 of 2024

⁵ The FY 2025 final state budget, adjusted for efficiency measures and reconstruction, is based on the Minister of Finance's Letters Number S-37/MK.02/2025 and S-75/MK.02/2025.

⁶ This budget was allocated to the Ministry of Public Works and Housing, which has been divided into the Ministry of Public Works and the Ministry of Housing under the Prabowo administration.

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9.	Higher Education, Science and Technology	98.9 ⁷	57.6	43.3	N/A ⁷	14.3
10.	Primary and Secondary Education		33.5	26.2	N/A ⁷	7.3
Total Budget Allocation ⁸		3,350	3,621			

[Table: Top 10 Ministries and Agencies with the Largest Budget Allocations for the FY 2025]

3. Budget Priorities: Defense, Social Welfare, and Free Meals:

The top 10 line ministries listed in the table reflect the President's priorities for 2025, with a clear emphasis on defense, social welfare, and the Free Meals Program. The Ministry of Defense and the National Police have received the largest budget allocations, underscoring their critical roles in national security. Additionally, the newly established National Nutrition Agency, an agency responsible for coordinating the Free Meals Program, remains among the top five recipients despite a slight reduction in its budget.

Conversely, certain ministries have encountered substantial budget reductions. For instance, the Ministry of Public Works has seen its allocation slashed by more than 50%, dropping from IDR 110.9 trillion to IDR 50.5 trillion. In response to this shift in funding priorities, President Prabowo has instructed the Coordinating Minister for Infrastructure and Regional Development to explore alternative financing options for infrastructure projects.⁹

Several strategic ministries outside the top 10 have also faced budget reductions. In 2024, the Ministry of Communication and Digital Affairs (MCDA) received IDR 14.8 trillion to advance the nation's digital infrastructure and communication systems. However, for 2025, its initial budget allocation was significantly reduced to IDR 7.7 trillion, with the final allocation further reduced to only IDR 3.9 trillion.¹⁰

Similarly, the Ministry of Energy and Mineral Resources (MEMR) saw its budget slashed in 2025, with its allocation reduced from IDR 3.9 trillion to IDR 2.2 trillion. This reduction is notable considering the initial budget had already decreased from the 2024 allocation of IDR 6.8 trillion. This substantial decrease indicates a bold decision to redirect resources to other priority areas, despite the critical role of energy in national development.

As a result, these sectors may need to explore alternative funding sources and cultivate partnerships with the private sector, signaling an increased reliance on private investment.

⁷ Under the Prabowo administration, the Ministry of Education has been divided into the Ministry of Higher Education, Science & Technology and the Ministry of Primary & Secondary Education.

⁸ The Total Budget Allocation represents the aggregate amount for all line ministries, not only the top 10.

⁹ Source: <https://www.presidentri.go.id/siaran-pers/presiden-prabowo-tegaskan-pentingnya-pembangunan-infrastruktur-untuk-perekonomian-nasional/>

¹⁰ <https://dataindonesia.id/keuangan/detail/data-rincian-efisiensi-anggaran-2025-pada-kementerianlembaga-mitra-kerja-ko-misi-i-dpr-ri>

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4. Consequences of the Efficiency Measures:

The implementation of budget efficiency measures may lead to various consequences. Among those affected are the construction and energy sectors. Notably, these measures could result in a potential slowdown in the construction sector and hinder progress toward Indonesia's renewable energy mix targets. The following sections will delve into the specific impacts on these critical areas.

(1) Impact of Efficiency Measures on the Construction Sector

According to data from the Central Statistics Agency, the construction sector was among the top five contributors to Indonesia's economic growth in 2024, accounting for 10.09% of total GDP (equivalent to IDR 2,233.5 trillion) and recording a year-on-year growth of 5.81%,¹¹ driven by government capital expenditure. However, in 2025, these efficiency measures may lead to a decline in the sector's economic contribution and disrupt planned infrastructure projects, potentially resulting in job losses for millions of workers. In addition, these budget cuts are expected to affect the construction sector's supply chain.

(2) Impact of Efficiency Measures on Renewable Energy Targets

The government's energy security goals will also be facing significant challenges due to budget cuts. The budget reduction for the MEMR significantly impacts the Directorate General of Electricity (DG Electricity) and the Directorate General of New, Renewable Energy, and Energy Conservation (DG NRE). The DG Electricity's budget has been slashed by 77%, from IDR 457 billion to IDR 102 billion, while the DG NRE's budget has been cut by 56%, from IDR 566.9 billion to IDR 248.3 billion.¹² These budget cuts will hinder progress toward the renewable energy utilization target of at least 23% by 2030, a target which has already been postponed from its original 2025 deadline.¹³

(3) What Will the Funds Saved from These Efficiency Measures Be Used For?

On February 24, 2025, President Prabowo launched the Investment Management Agency, known as Daya Anagata Nusantara (Danantara), Indonesia's Sovereign Wealth Fund. Its primary mission is to serve as a strategic investment vehicle to optimize the assets of State-Owned Enterprises. During the launch, the President announced that the funds saved through the efficiency policy will be allocated to Danantara. These funds will be utilized to support over 20 national projects, including downstreaming, artificial intelligence

¹¹ Source: <https://www.bps.go.id/id/pressrelease/2025/02/05/2408/ekonomi-indonesia-tahun-2024-tumbuh-5-03-persen--c-to-c---ekonomi-indonesia-triwulan-iv-2024-tumbuh-5-02-persen--y-on-y---ekonomi-indonesia-triwulan-iv-2024-tumbuh-0-53-persen--q-to-q-.html>

¹² Based on the Working and Hearing Meeting of Commission XII of the House of Representatives with MEMR regarding the Determination of the Budget Reconstruction Results for the Fiscal Year 2025 on February 12, 2025

¹³ Based on the Working and Hearing Meeting of Commission XII of the House of Representatives with MEMR DG NRE on February 18, 2025

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development, oil refineries, petrochemical plants, and food and protein production.

While Danantara is expected to take some time to generate profits from its investment strategies, the economic impact of the recent budget cuts will be felt much sooner. How can Danantara effectively navigate this interim period? With a large budget reallocation into Danantara, can it deliver high and rapid returns and have a positive impact on the Indonesian economy?

Our next newsletter will explore Danantara's structure, strategies, and potential implications.