

Annual Business Plan and Budget (RKAT) as a Continuous Improvement Engine: Eliminating Waste, Shifting Mindsets

BPJS Ketenagakerjaan



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From Legal Mandate to Strategic Execution

01

Legal Mandate

Article 24 of Law No 24/2011 assigns the Board Of Directors to ensure BPJS Operations guarantee participants' rights to social security benefits



Coverage: Expanding and retaining membership to achieve *universal coverage* through systematic extension, intensification, retention, and branding strategies

02

Core Functions

The Board of Directors is responsible for planning, implementing, supervising, and evaluating all operational activities



Trust: Enhancing the quality of service delivery and strengthening participants' confidence through program development, member experience improvement, and governance excellence

03

Strategic Role

The planning function explicitly includes the formulation of the Annual Business Plan & Budget



Benefits: Optimizing investment yield and fund stability to maximize social and financial returns

04

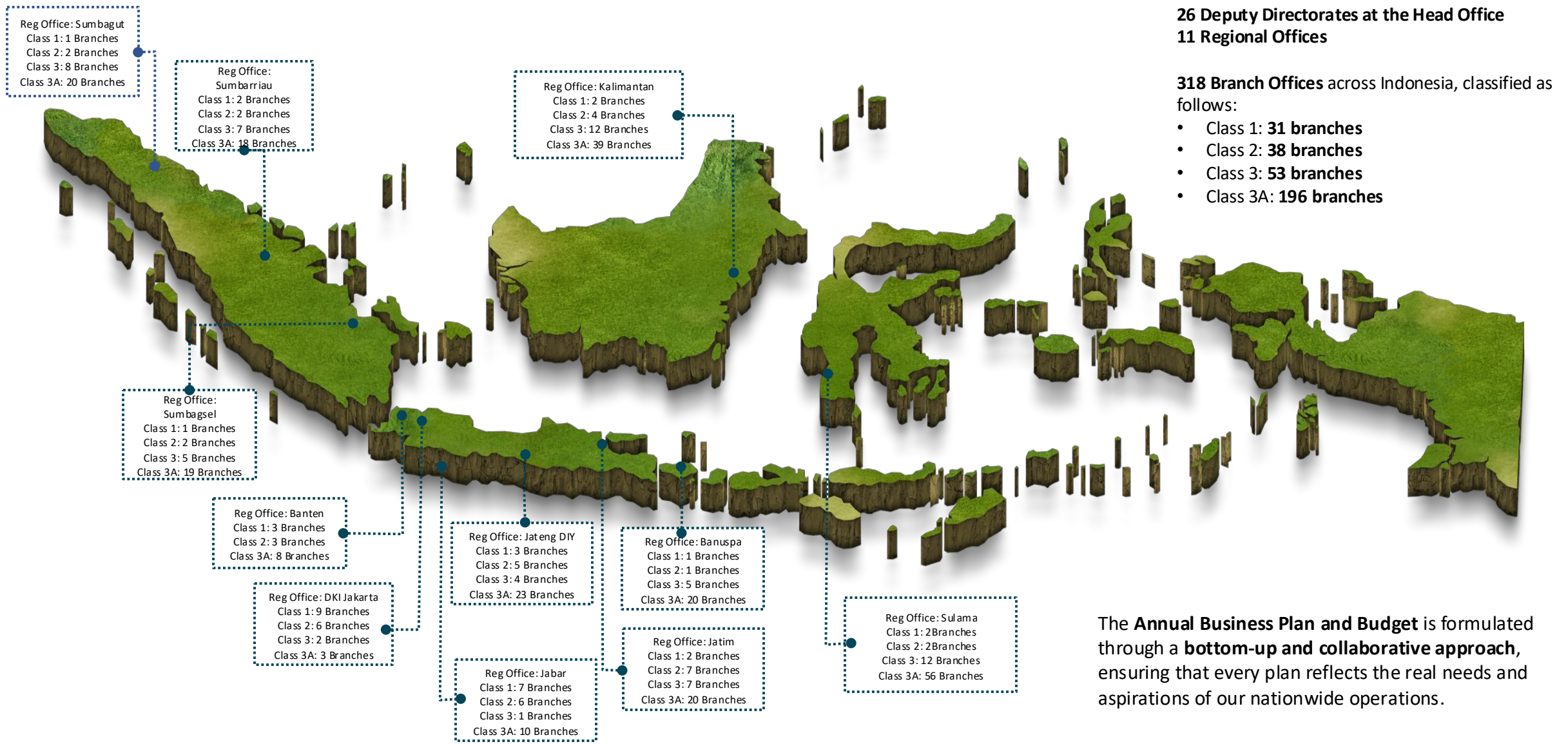
Governance Integration

Embodies the principle of accountable, transparent, and performance based planning, ensuring alignment between operational activities and the legal mandate of social protection



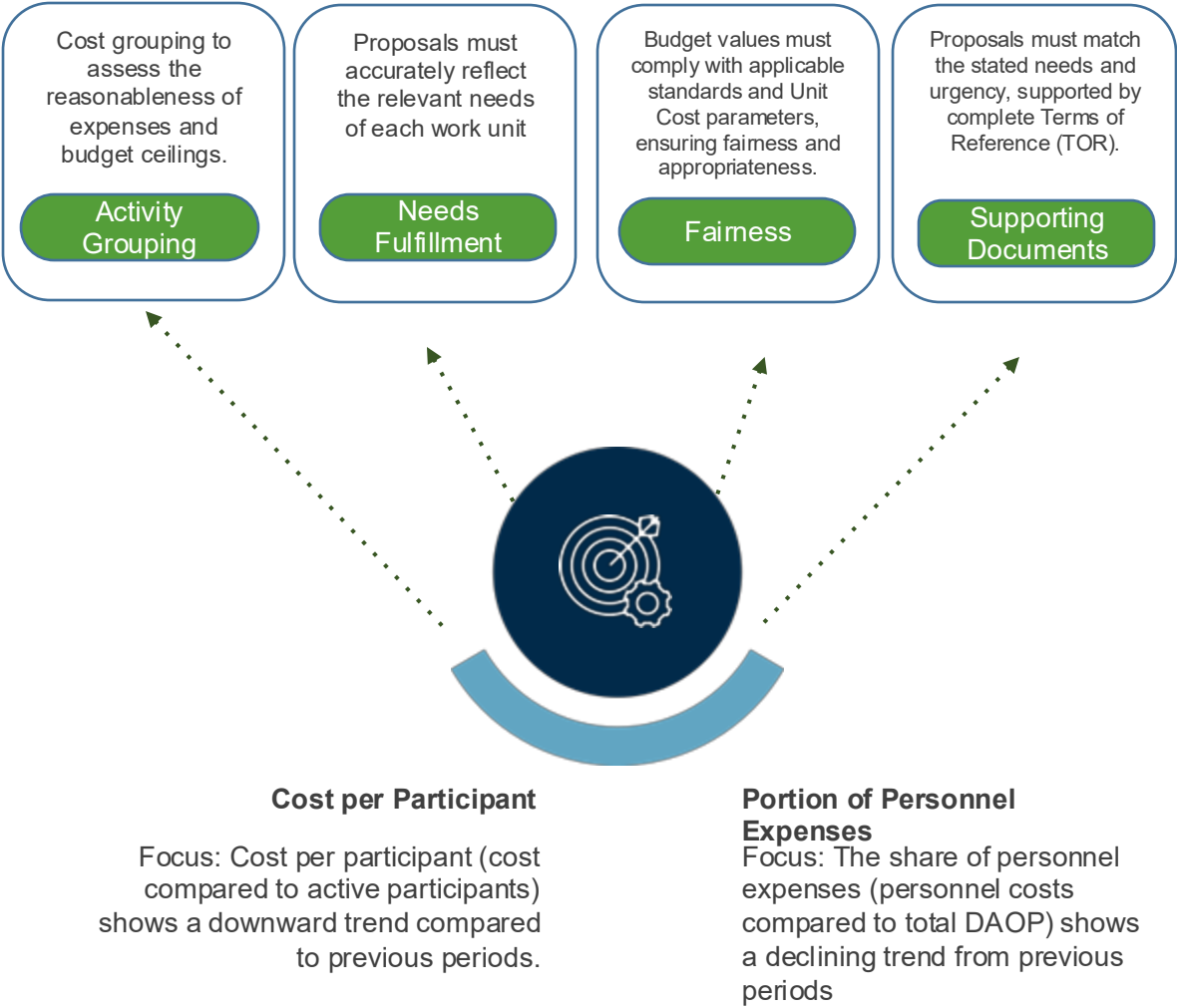
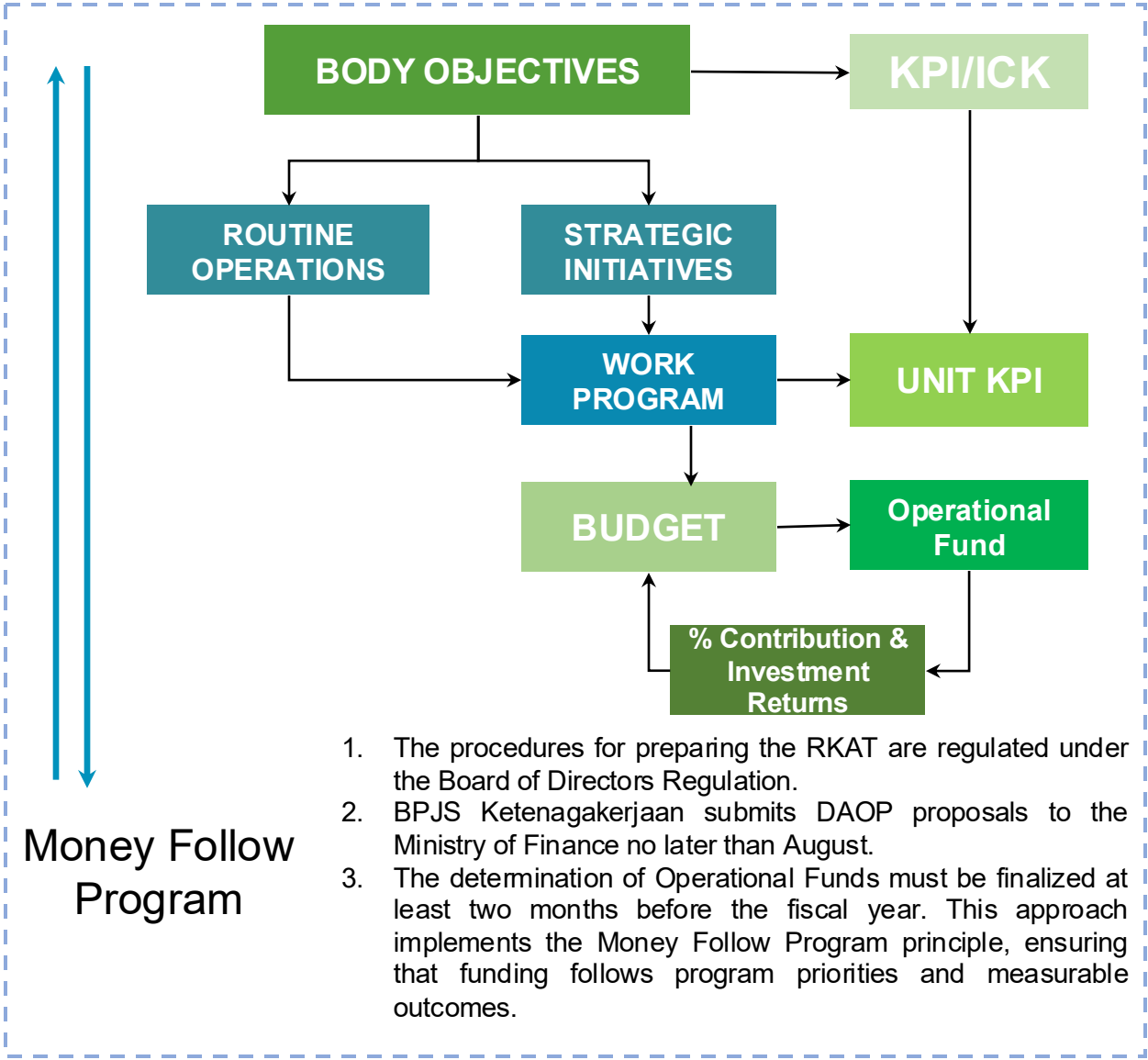
Capabilities: talent development, next-generation technology, financial and risk management, and organizational transformation

Nationwide Bottom-Up Planning: From Local Insights to Strategic Alignment



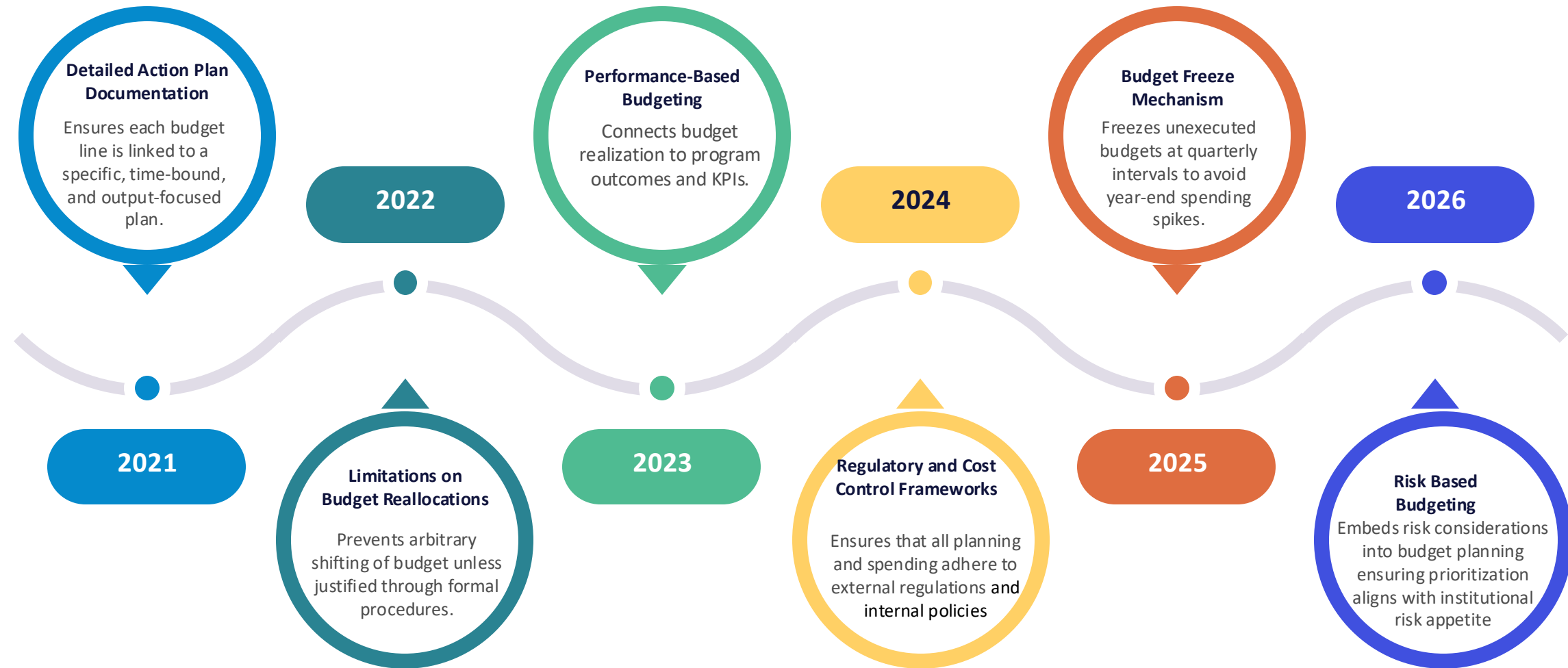
The **Annual Business Plan and Budget** is formulated through a **bottom-up and collaborative approach**, ensuring that every plan reflects the real needs and aspirations of our nationwide operations.

Framework for ABPB Preparation

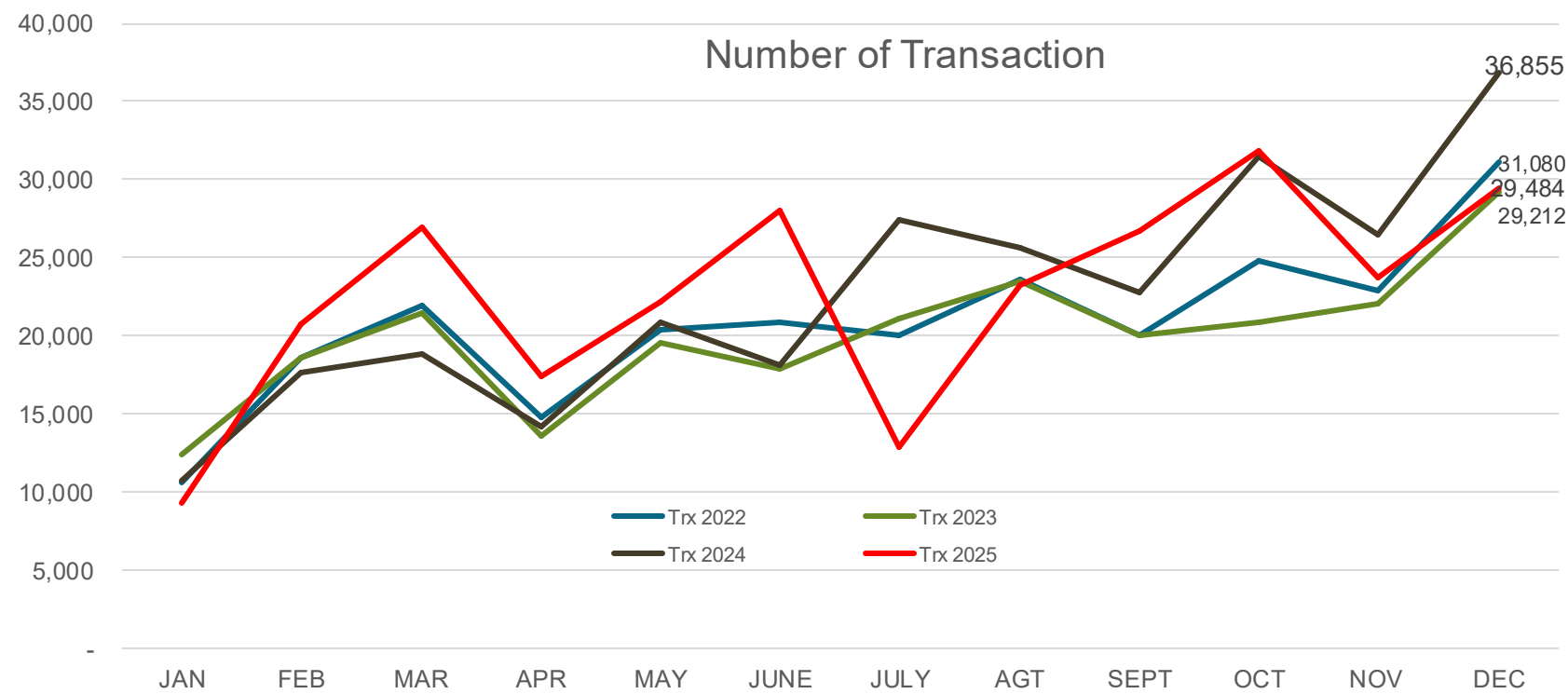


Annual Budget as a Continuous Improvement Engine

Six Strategic Governance Levers in ABPB Implementation



The Year-End Budget Bunching Phenomenon: Understanding the Transaction Spike in December



Note:

- ❖ The acceleration in budget realization during the first semester of 2025 indicates anticipatory action by work units ahead of the budget freeze policy implemented under the 2025 ABPB. With the implementation of the freeze policy, work units are encouraged to execute their Semester II activities in alignment with their respective Action Plans.
- ❖ Data Source: SMILE, based on data as of September 30, 2025.

December Transaction Trends

Over the past two years, the average number of transactions in December has reached **33.033 transactions**.

In 2025, actively aiming to **suppress the December transaction volume to between 27,000 and 29,000**, below the two-year December average.

Conservative Start in January

Each year, **transaction volumes in January consistently start from a lower baseline**. This is primarily due to delays in **budget finalization and allocation at the start of the fiscal year**, which causes business units to act conservatively in executing budgets.

In January, most disbursements are limited to **fixed and recurring expenditures**, such as rent, subscriptions, electricity, property tax, and other mandatory operational costs. Programmatic and variable spending tends to ramp up only after coordination and internal planning are fully completed.

When the budget was not finalized on time, budget determination at the start of the fiscal year was also delayed. Consequently, both regional and central offices experienced delays in budget breakdowns, which in turn slowed the execution of programs and procurement activities. This often contributed to transaction spikes towards the end of the year as units rushed to implement delayed spending plans.

A Systemic Diagnosis: Root Cause of Budget Bunching

Strategic Planning & Resource Allocation

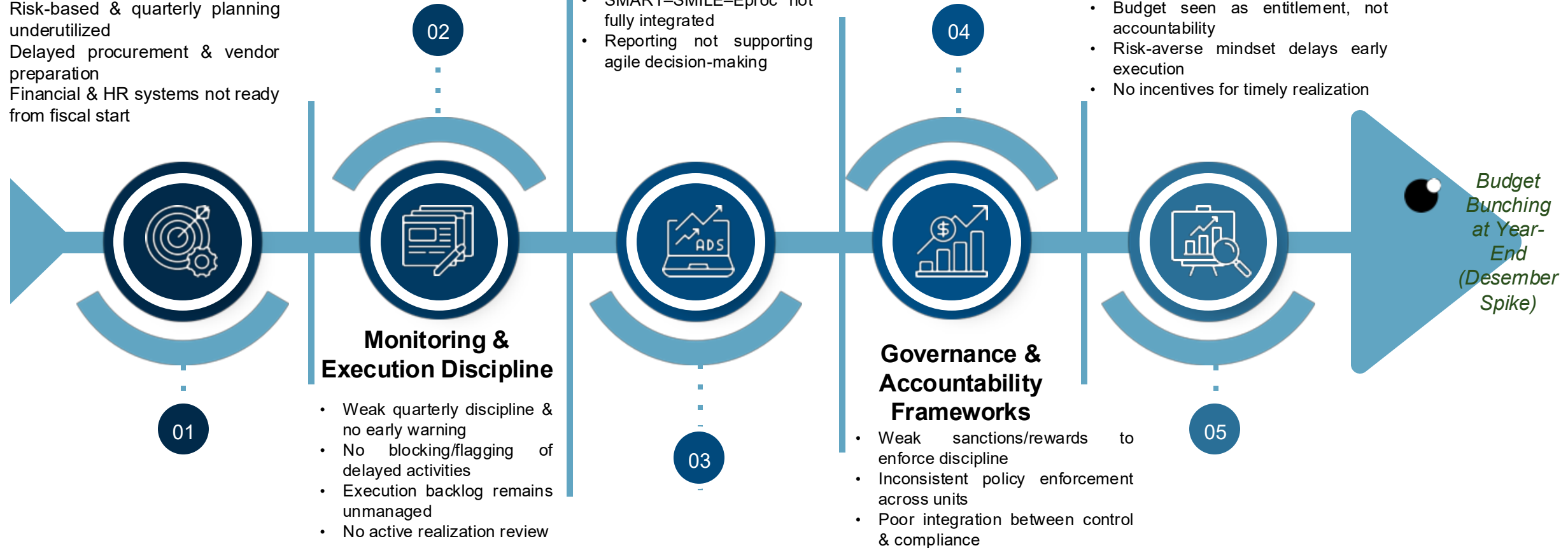
- Plans lack execution readiness & milestone alignment
- Risk-based & quarterly planning underutilized
- Delayed procurement & vendor preparation
- Financial & HR systems not ready from fiscal start

System & Tools Readiness

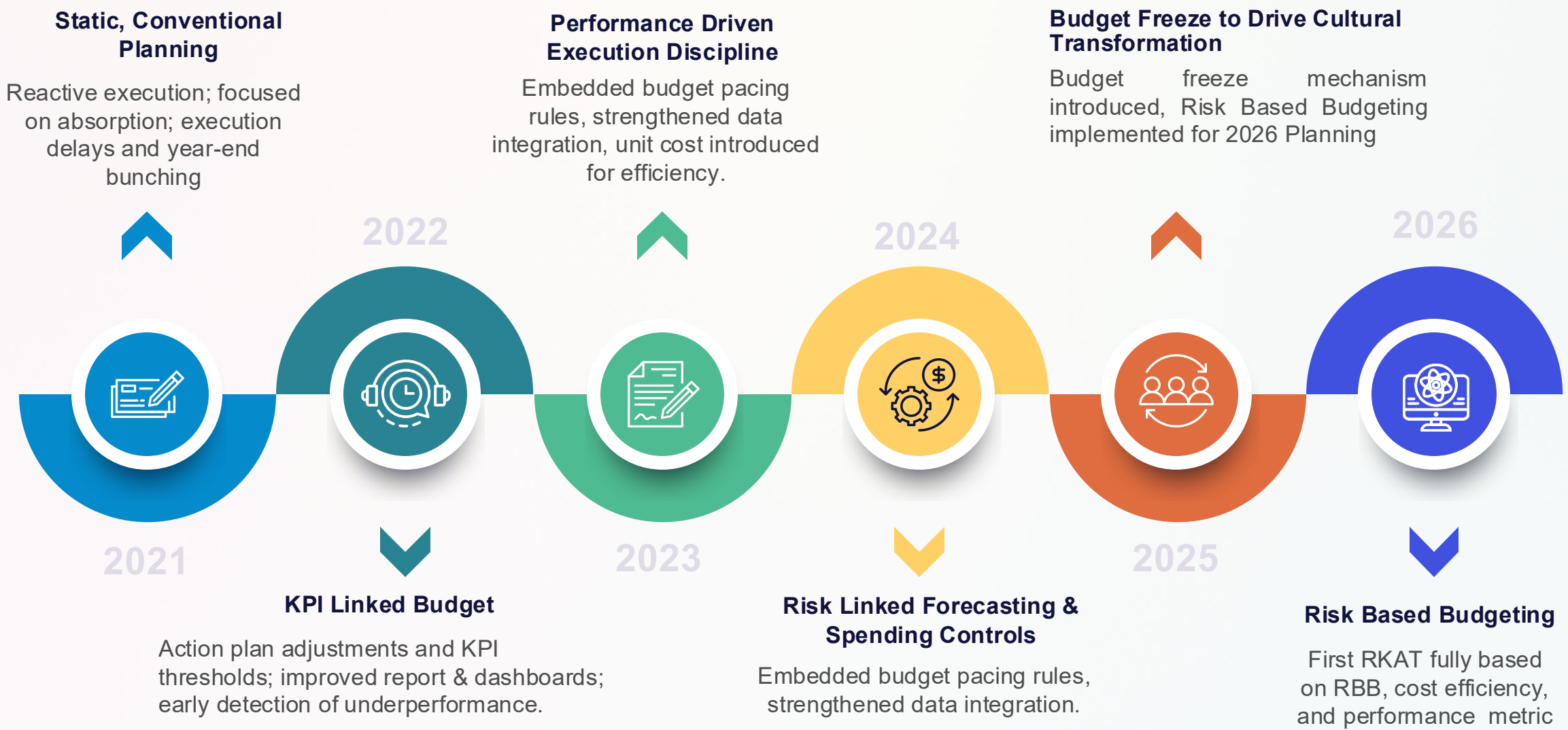
- Lack of real-time alerts & automated controls
- SMART-SMILE-Eproc not fully integrated
- Reporting not supporting agile decision-making

Organizational Culture & Behavior

- Year-end rush normalized, not challenged
- Budget seen as entitlement, not accountability
- Risk-averse mindset delays early execution
- No incentives for timely realization

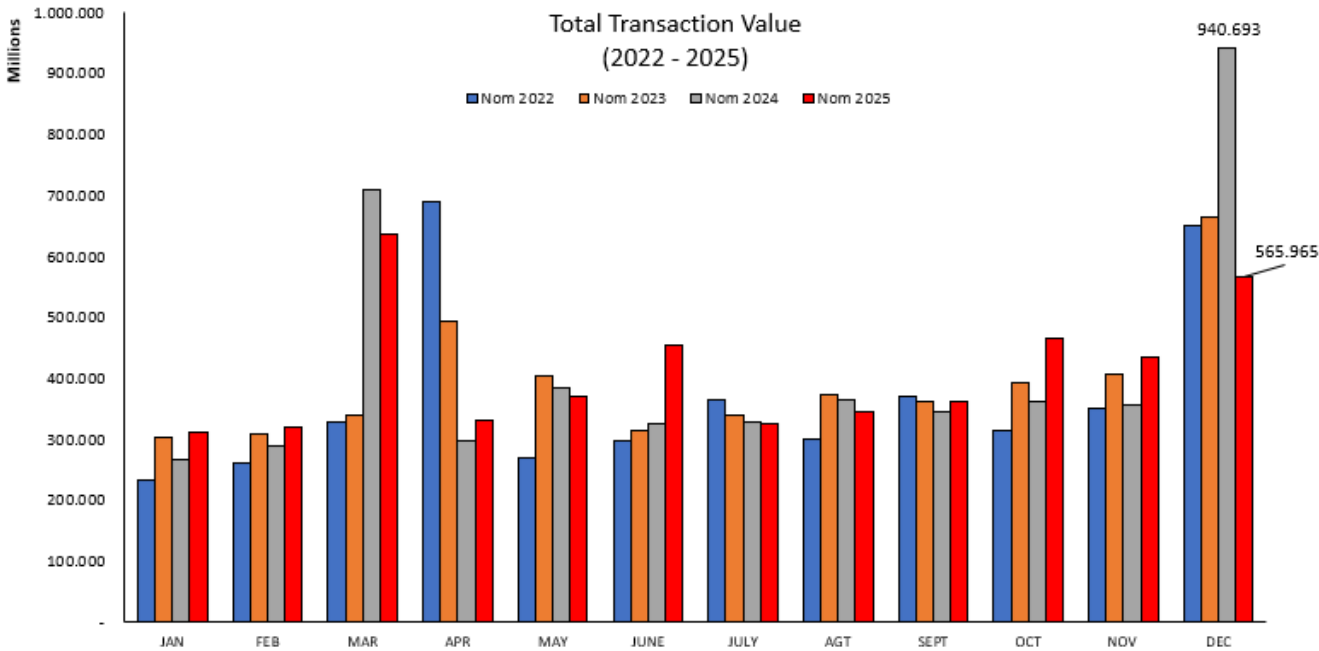
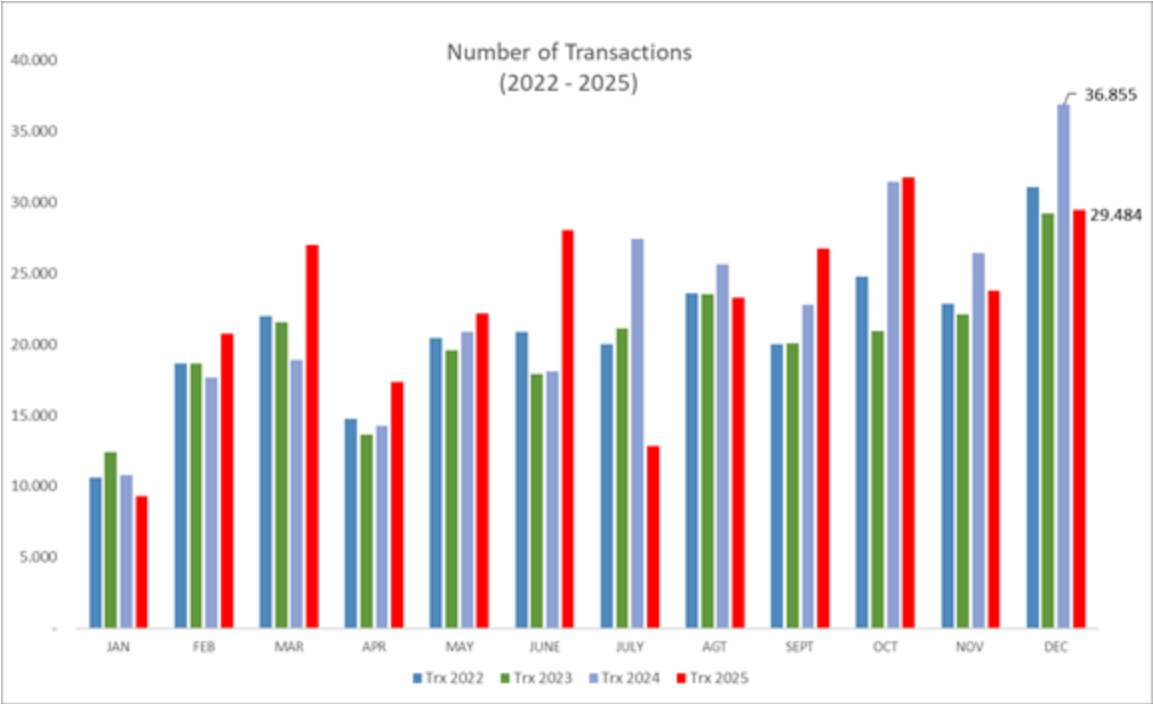


Evolution of Budget Governance: Strengthening Execution, Control, and Accountability



BPJS Ketenagakerjaan drives continuous improvement through incremental steps, rather than depending on a single overwhelming innovation to deliver change.

Behavioral Shift: Front-Loading Execution to Avoid Year-End Rush



Quarter I Performance Trend

- Transaction volume in January consistently records the lowest figures each year.
- This reflects the beginning-of-year budget cycle, where spending is mainly limited to essential and routine operations.
- Strategic and project-based expenditures generally start in Quarter II once the annual budget is approved.
- Budget was not finalized on time, which in turn slowed the execution of programs and procurement activities.

Reform Action

- Front-loading execution by prioritizing strategic and high-impact programs as early as Q1.
- Starting 2025, Director's instruction mandates that at least 40% of strategic activities must be executed in Q1, followed by 30% in Q2, 20% in Q3, and only 10% in Q4.
- This shift ensures better project management, risk control, and service delivery throughout the year.

Quarter IV Performance Trend

- Historically, a large portion of transactions were rushed into Q4, particularly in December, causing inefficiencies, supplier bottlenecks, audit risks, and poor spending quality.

Reform Action

- Pacing rules and execution dashboards to monitor monthly spending and trigger early warnings.
- Budget freeze mechanisms were implemented to lock unplanned expenditures.
- Activities with multi-month procurement and implementation timelines are now required to begin earlier in the fiscal year.

From Budget Bunching to Balanced Execution



Key Findings/Summary Points:

- This budget bunching behavior created inefficiencies, audit risks, and uneven service delivery.
- Quarter I historically showed under-utilization due to delayed budget approvals and limited early execution.
- In Quarter IV, budget freeze and pacing controls were introduced to prevent last-minute spending spikes.
- 2025 projection shows a more balanced, accountable, and disciplined spending pattern, marking a real behavioral and cultural shift



Reform Action

A series of strategic interventions were introduced to improve spending discipline and smooth execution. These included:

- The implementation of detailed Action Plans
- Front-loading execution by prioritizing strategic and high-impact programs as early as Q1
- Control & limitations on budget reallocations
- Performance-based budgeting,
- Risk-based budgeting
- The budget freeze mechanism



thank you

Sustainable transformation is not built in a single leap,
but in the discipline of improving one step at a time
#unknown