



Client Alert

Danantara Unveiled: Indonesia's New
SOE Powerhouse



The recent legislative approval of the Amendment to Law Number 19 of 2003 State-Owned Enterprises (“SOE Law”) marks a pivotal moment in Indonesia’s governance and economic landscape, aiming to address the evolving needs of State Owned Enterprise (“SOE”) management in the country. The Draft Amendment introduces the creation of Danantara, a super-holding entity designed to streamline and enhance the governance of SOEs, reflecting President Prabowo’s vision to transform the existing legal framework. This new sovereign wealth fund (SWF) will be tasked with managing SOE dividends and undertaking active roles in decision-making and management. While the Draft Amendment presents a significant opportunity for greater flexibility and efficiency in SOE management, it also raises concerns regarding corruption and mismanagement. This publication will delve into the specifics of Danantara’s establishment, governance, and funding mechanisms, assessing its potential impact on Indonesia’s economy and the associated challenges.

I. Introduction

The People’s Representative Council of Indonesia (*Dewan Perwakilan Rakyat* or “DPR”) has recently approved the amendment to the SOE Law (the “**Draft Amendment**”). The Draft Amendment will bring a significant revamp to the legal framework for the management of SOEs in Indonesia, which is much anticipated considering that the SOE Law will turn 22 (twenty-two) years old this year. Many politicians and lawyers have pushed different narratives to revise the SOE Law for various reasons. One of the narratives that was floated following the inauguration of President Prabowo was his intention to create a super-holding entity tasked to manage SOEs. In the World Government Summits, he announced to the world that Indonesia is preparing to establish a new sovereign wealth fund (“**SWF**”), Danantara.¹

In this publication, we will explore the provisions of the Draft Amendment specifically concerning the establishment of Danantara. We will touch upon the nature of the entity itself, what are its objectives, and how it will be funded and governed. We will also assess its potential impacts to Indonesia’s economy and the associated challenges and risks.

¹ Sekretariat Presiden (2025) *Pidato Presiden Prabowo pada World Government Summit*, YouTube. Available at: <https://www.youtube.com/watch?v=RA4wPTwUpbg> (Accessed: 17 February 2025).

Please note that this publication is not intended to diminish the importance and essence of other provisions specified in the Draft Amendment. There might be certain legal issues that are not covered with the explanations provided hereunder, hence, to get the accurate views and understanding of the current conditions, please contact our legal consultants (the details are provided on the last page).

Furthermore, the Draft Amendment discussed in this publication is still in draft form and has not been officially enacted. As such, the contents of this publication may be subject to change in the final version of the officially issued amendment. Readers are advised to consult the final legislation for the most accurate and up-to-date information. This publication is intended for general informational purposes only and does not constitute legal advice.

II. What is Danantara?

The Draft Amendment introduces Danantara, short for *Daya Anagata Nusantara* (translates to “strength of the future of Indonesia”), as an investment management body (*badan pengelola investasi*) which partially undertakes the tasks of the Minister of SOE (the “**Minister**”) in the management of SOEs. Danantara will be an Indonesian legal entity which is entirely owned by the Government of Indonesia and is directly responsible to the President. In nature, Danantara is envisioned to operate as an SWF. As we shall see in the sections below, Danantara will possess more scope of responsibilities than the traditional SWF.²

In any case, Danantara will not be Indonesia’s first SWF. In 2020, the Government has established an SWF through Governmental Regulation Number 74 of 2020 on Indonesian Investment Authority (*Lembaga Pengelola Investasi*) (“**INA**”). Injected with a bulky capital of IDR 75 Trillion entirely from state equity participation (*penyertaan modal negara*), its main task is to increase and optimize investment in order to support sustainable development in Indonesia.³

Danantara will not be the first Southeast Asian SWF either. In 1974, Singapore established Temasek Holdings, a state-owned investment company. Temasek now manages portfolio with the net value of SGD 389 Billion. Malaysia, on the other hand, has established a couple of SWFs, namely Khazanah Nasional Berhad, established in 1993, and 1Malaysia Development Berhad (1MDB).

In undertaking its duties, Danantara, together with the Minister, will establish an Investment Holding and Operational Holding.⁴ As the name suggests, these holdings will respectively be responsible for investment and operational activities of its SOEs. They are also SOEs themselves, jointly owned by the state and Danantara.⁵

Furthermore, it is reported that Danantara will initially have in its portfolio 7 (seven) of Indonesia’s SOE behemoths, which are: PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT PLN (Persero), PT Pertamina (Persero), PT Bank Negara Indonesia (Persero) Tbk, PT Telkom Indonesia (Persero) Tbk, and PT Mineral Industri Indonesia (Persero) or MIND ID.⁶ Additionally, INA will also be under the purview of Danantara, with other SOEs included gradually in the future.

² Quoting the International Monetary Fund (IMF), an SWF is a “special-purpose investment funds or arrangements, owned by the general government.” Furthermore, “SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies that include investing in foreign financial assets.”

³ Article 5 GR 74/2020.

⁴ Article 3AB (1) and Article 3AK (1) of the Draft Amendment.

⁵ Article 1.24 and 1.25 of the Draft Amendment.

⁶ CNBC Indonesia, 2024. *Diumumkan Prabowo, ini daftar 7 BUMN jumbo di bawah Danantara*. CNBC Indonesia. Available at: <https://www.cnbcindonesia.com/market/20241107084846-17-586318/diumumkan-prabowo-ini-daftar-7-bumn-jumbo-di-bawah-danantara> [Accessed 17 February 2025].

III. Objectives and Authorities

Danantara's primary objective is to manage SOEs dividends.⁷ In order to do so, it is equipped with a range of authorities, which includes:⁸

1. manage the dividends of Investment Holdings, Operational Holdings, and SOEs;
2. approve the addition and/or reduction of capital participation in SOEs sourced from dividend management;
3. approve the restructuring of SOEs, including mergers, consolidations, acquisitions, and divisions;
4. establish Investment Holdings, Operational Holdings, and SOEs;
5. approve the proposal for asset write-offs and/or debt cancellation of SOE assets proposed by the Investment Holding or Operational Holding; and
6. ratify and consult with the Indonesian House of Representatives regarding the Work Plan and Budget of the Investment Holding and Operational Holding Companies.

Furthermore, Danantara is also equipped to conduct investments, direct or indirect, cooperate with third parties, and manage and increase the values of its assets.⁹

Apparent from the above is the Government's vision to create Danantara as more than just a SWF that focuses solely on investment management. Instead, Danantara aims to be a super-holding of Indonesia's SOEs that also has active management and decision-making functions in place of the Minister.

IV. Funding and Governance

The capital of Danantara will be sourced from (i) state equity participation, by injecting cash, state owned assets, or the Government's shares in SOEs, and/or (ii) through other sources.¹⁰ Since the Draft Amendment is yet to be enacted, the exact value of the capital is still undetermined. In the Draft Amendment version that we have, the number is set at IDR 1 Trillion. In one occasion, according to President Prabowo, around USD 20 Billion will initially be injected to Danantara.¹¹

Organization wise, Danantara will comprise 2 (two) main organs: (i) a **Supervisory Board**; and (ii) an **Executive Body**.

The Supervisory Board is tasked with the supervision of the activities of Danantara as carried out by the Executive Body. It will consist of: (i) the Minister as the Chairperson and member, (ii) a representative from the Ministry of Finance as a member, and (iii) a government official or other party appointed by the President as a member. The members of the Supervisory Board are appointed and dismissed by the President, for a term of 5 (five) years and may only be reappointed for 1 (one) additional term.

The Executive Body, on the other hand, is responsible for Danantara's operations. It will consist of 6 (six) members of professional background, one of which will be appointed as the Head of Danantara. The members of the Executive Body are appointed and dismissed by the President, for a term of 5 (five) years and may only be reappointed for (1) one additional term.

The Draft Amendment prescribes a set of requirements for the members of the Executive Body, as follows:

⁷ Article 3F (1) of the Draft Amendment.

⁸ Article 3F (2) of the Draft Amendment.

⁹ Article 3H (1) and 3I (1) of the Draft Amendment.

¹⁰ Article 3G of the Draft Amendment.

¹¹ Sekretariat Presiden (2025) *Pidato Presiden Prabowo pada World Government Summit*, YouTube. Available at: <https://www.youtube.com/watch?v=RA4wPTwUpbg> (Accessed: 17 February 2025).

1. an Indonesian citizen;
2. capable of performing legal actions;
3. physically and mentally healthy;
4. no older than 60 (sixty) years at the time of initial appointment;
5. not a board member and/or member of a political party;
6. possesses experience and/or expertise in investment, economics, finance, banking, law, and/or corporate management;
7. has never been sentenced to imprisonment for committing a criminal offense;
8. has never been declared bankrupt or served as a corporate executive responsible for a company's bankruptcy; and
9. has not been declared an individual with a disreputable record in investment or other fields under applicable laws and regulations.

Additionally, the Draft Amendment also prohibits the members of the Executive Body from having family relations up to the second degree or in-laws with:

1. other members of the Executive Body;
2. members of the Supervisory Board;
3. employees of Danantara;
4. directors of the Investment Holding or Operational Holding; and/or
5. commissioners of the Investment Holding or Operational Holding.

Both the Supervisory Board and the Executive Body will be assisted by a handful of committees in discharging its duties and responsibilities. Lastly, the President shall also establish an Advisory Body for Danantara.

V. Potential Impact and Challenges

This Draft Amendment introduces a welcome change by reaffirming the line that separates state and business affairs. For one, in performing its investment activities, the profits gained and losses incurred by Danantara shall be deemed as its own profits and losses.¹² It is also explicitly affirmed that the organs and employees of Danantara are not state officials,¹³ and neither are the Directors, Commissioners, the Supervisory Board, and employees of SOEs.¹⁴ By underlining the distinction between Danantara's and SOEs affairs from those of the Government's, it is hoped that governance of SOEs will be improved. Particularly, this degree of separation aims to eliminate the daunting shadow of 'state loss' (*kerugian negara*) that has been looming over business operations of SOEs.

It is hoped that Danantara will be provided with more room to make business judgements in its operations without excessive fear of legal repercussions for the business losses incurred as part of the risk of doing business. It can choose to reinvest dividends strategically to kick-start national industries or to diversify its portfolio abroad. In any case, the establishment of Danantara is aimed to provide significantly more flexible management of SOEs and the dividends obtained therefrom, which previously cannot be done by the Minister as a state apparatus.

However, alongside the positive impact Danantara may bring, there are also valid concerns. For one, the potential risk of corruption and mismanagement. In his speech at the World Government Summit, President Prabowo estimated that Danantara's managed assets would be valued at approximately USD 900 billion.¹⁵ With such a vast asset portfolio, concerns over mismanagement and corruption are inevitable, especially when such a case can be readily seen elsewhere.

The Draft Amendment, however, has put into place a number of safeguards to mitigate corruption and conflict of interest. Apart from the requirements for members of the Executive Body as

¹² Article 3H (2) of the Draft Amendment.

¹³ Article 3X (1) of the Draft Amendment.

¹⁴ Article 9G and 87 (5) of the Draft Amendment.

¹⁵ Sekretariat Presiden (2025) *Pidato Presiden Prabowo pada World Government Summit*, YouTube. Available at: <https://www.youtube.com/watch?v=RA4wPTwUpbg> (Accessed: 17 February 2025).

outlined in the section above, the Draft Amendment also stipulates that the organs and employees of Danantara cannot be held legally accountable for investment losses if they can prove that:

1. the losses were not due to their fault or negligence;
2. they have acted with good faith and caution in accordance with the purposes and objectives of the investment and governance;
3. they have no direct or indirect conflict of interest in the management of the investment; and
4. they did not gain personal profits unlawfully.

While Danantara is open to be audited by the Audit Board of Indonesia (*Badan Pemeriksa Keuangan* or “**BPK**”),¹⁶ concerns have been raised on the scope of audit. Recent reports suggest that BPK is only allowed to conduct a limited scope audit (*pemeriksaan dengan tujuan tertentu*) on Danantara and only upon the request of the DPR. Although we can confirm that such limitation is true in the case of BPK’s audit on SOEs,¹⁷ we are unable to confirm if the same is true for Danantara. Nevertheless, we expect further corruption-mitigation measures to be put in place in the final version of the Draft Amendment and by subsequent implementing regulations.

Admittedly, Danantara’s establishment offers significant potential for more strategic management of SOEs, however its success will eventually depend on effectively addressing risks of corruption and mismanagement through robust governance, transparency, and oversight mechanisms. The safeguards in place aim to ensure accountability while allowing for greater flexibility in decision-making.

VI. Key Takeaways

Based on the elaborations above, below are the key takeaways that are essential to understanding Danantara:

1. Danantara is established as a specialized investment management body with the primary objective of managing Indonesia’s SOEs. It is designed to operate beyond a traditional SWF, incorporating broader powers in decision-making and active management of SOEs. It shall also establish Investment Holdings and Operational Holdings, each responsible for investment and operational activities of SOEs respectively.
2. It will be a government-owned entity directly responsible to the President. It will consist of a Supervisory Board and an Executive Body, with strict requirements and safeguards to prevent conflicts of interest and ensure professionalism. The Executive Body will have a high level of expertise and will be prohibited from having close family ties with other key figures in the organization.
3. By distinguishing its operations from those of the Government, Danantara is expected to improve the governance of SOEs, reduce concerns over ‘state loss’, and allow for more business-oriented decision-making. However, this new flexibility also comes with concerns about potential mismanagement and corruption, particularly given the large assets under management.
4. The Draft Amendment includes specific safeguards to mitigate risks of corruption and mismanagement. Members of the Executive Body are held to strict standards, and the organization will undergo audits to ensure transparency and accountability. We also expect to see further safeguards to be implemented by subsequent regulations. Despite this, the success of Danantara will depend on how effectively these safeguards are implemented and maintained.

¹⁶ Article 3K of the Draft Amendment.

¹⁷ Article 71 (2) and (3) of the Draft Amendment.

We hope that the information provided in this publication has been helpful and insightful. For any further inquiries, please do not hesitate to contact our legal consultants.

Thank you.

We will continue to follow the developments of this topic. Should you have any queries on this topic, please contact our consultants



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