

INDONESIA'S NEW SOVEREIGN WEALTH FUND "DANANTARA" – AMENDMENTS TO THE STATE-OWNED ENTERPRISES LAW

April 2025

As part of the Amended SOE Law¹ enacted and in force from 24 February 2025, Indonesia has launched a new sovereign wealth fund, **Danantara**, modeled on Singapore's Temasek, to hold and manage seven key SOEs:

1. PT PLN – Indonesia's state electricity company;
2. PT Pertamina – Indonesia's state oil and gas company;
3. PT Mineral Industri Indonesia (MIND ID) – Indonesia's mining industry holding company;
4. PT Telkom Indonesia Tbk – Indonesia's state telecommunications company;
5. PT Bank Rakyat Indonesia (BRI) – a state-owned bank focused on microfinance and small to medium-sized businesses;
6. PT Bank Negara Indonesia Tbk (BNI) – a state-owned commercial bank;
7. PT Bank Mandiri Tbk – Indonesia's largest state-owned bank by assets.

Danantara will manage assets valued at over IDR 9,000 trillion (around USD 571 billion), surpassing the minimum capital requirement of at least IDR 1,000 trillion specified in the Amended SOE Law.

Danantara is a vehicle to consolidate SOE assets and investments and to realize the current government's vision for SOEs to generate their own funding instead of relying on the state budget, with their profits accelerating investment and economic growth.

SOE Governance

The Amended SOE Law has restructured the organization of SOEs, separating operational and regulatory functions. The Ministry of SOEs is responsible for policy and regulation while Danantara will serve as the operator and manager of the SOEs' assets. Danantara will report directly to the President, ensuring checks and balances.

Danantara has three organs: a Supervisory Board, Managing Board, and Advisory Board. Members of these bodies are appointed and terminated solely at the President's discretion. Their appointments have been formalized through Presidential Decree No. 30 of 2025 on the Appointment of Danantara's Supervisory Board and Managing Board. The details are as follows:

- *Supervisory Board*: oversees Danantara's operations, ensuring compliance and effective management. Members serve five-year terms, with a one-time reappointment option.

¹ Law No. 1 of 2025 on the Third Amendment to Law No. 19 of 2003 regarding State-Owned Enterprises

- *Managing Board*: responsible for Danantara's daily operations and investment strategies. It consists of professionals, with one serving as the agency head. Members serve five-year terms, with a one-time reappointment option. The board will also form an investment and risk management committee by resolution.
- *Advisory Board*: provides advice to Danantara and consists of a chairperson and additional members.

As noted in the media reports, on 24 March 2025 it has been confirmed that Erick Thohir (current Minister of SOEs) and Muliaman Hadad are respectively the Chairman and Vice Chairman of the Supervisory Board. Rosan Roeslani (current Minister of Investment and Downstream Industry) is the Head of Managing Board/Chief Executive Officer, Pandu Sjahrir (Vice Minister of SOEs) is the Chief Investment Officer and Dony Oskaria is the Chief Operating Officer. Susilo Bambang Yudhoyono and Joko Widodo (former Presidents of the Republic of Indonesia) serve as the Advisory Board members.

Business Judgment Rule

The Amended SOE Law also adopts the business judgment rule, which protects the Minister of SOEs, Danantara's boards, and staff from legal liability for investment losses if they can prove that:

1. the losses are not caused by their fault/negligence (the due care and prudent principles have been implemented);
2. they have performed in the best interest of the SOE;
3. they have no conflict of interest; and
4. for directors, they have taken measures to prevent and mitigate the loss; for commissioners/members of the Supervisory Board, they have provided advice to the directors to prevent and mitigate the loss.

SOE Capital - Not Part of State Finance

The Amended SOE Law also provides that the capital (whether sourced from the state budget/APBN or otherwise) belongs to the SOE, which is a separate legal entity, and the SOE is responsible for it. Consequently, the SOE's profits and losses are its own, not the State's. This clarifies that APBN funds invested in an SOE become the SOE's capital, not the state's funds. Previously, this distinction was unclear. As a consequence, judges often included SOE directors and commissioners in corruption proceedings for corporate decisions that caused losses, treating those losses as harm to the state finances.

Holding Companies

Danantara will invest directly or through:

- investment Holding companies: focused on asset management and optimizing investment value.

- operational Holding companies: responsible for supervising the SOE operations to improve efficiency.
- third parties.

The Minister of SOEs and Danantara will establish the Investment Holding and Operational Holding companies to ensure a structured and efficient approach to managing state assets.

Both companies will operate under Danantara's oversight and maintain alignment with the agency's broader economic objectives. Each will be structured as a limited liability company with its own board of directors and commissioners. Ownership of both companies will be divided as follows:

- 1% of shares will be Series A Dwiwarna Shares² owned by the GOI; and
- 99% will be Series B shares owned by Danantara.

Audits

To address concerns over transparency given the scale of assets being managed, the State Audit Board (*Badan Pemeriksa Keuangan* – BPK) will examine Danantara's management and financial responsibility.

The development and implementation of Danantara and the Amended SOE Law are ongoing matters that warrant close attention. As these topics evolve, they are generating a range of reactions from the public, highlighting both their potential benefits and drawbacks. We are actively monitoring the situation and will keep you informed of any significant updates as they arise.

This client alert is provided to our clients, business relations and friends for informational purposes only. Accordingly, this should not be regarded as legal advice. Legal advice should be based on your specific situation and provided by a qualified attorney.

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² Dwiwarna literally means two-colors, referring to the red and white flag, being the symbol of the State/RI. This label is given to the special series of shares representing special rights owned by the State in SOEs.