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DANANTARA: Indonesia's New Sovereign Wealth Fund Marks a New Era for State-Owned Enterprises

Indonesia has launched a new sovereign wealth fund that will take charge of key state-owned enterprises (“**SOEs**”), with the aim of maximizing dividends, increasing investment opportunities, and attracting global investors, while seeking to assuage concerns over potential political interference.

The **Danantara Investment Management Agency (*Lembaga Pengelola Investasi Daya Anagata Nusantara*)** was created under the Third Amendment to Law No. 19 of 2003 on State-Owned Enterprises (“**Amended SOE Law**”), which was approved by Indonesia’s House of Representatives on 4 February 2025 and enacted on 24 February 2025 as Law No. 1 of 2025 along with the enactment of Government Regulation No. 10 of 2025 on the Organization and Governance of Daya Anagata Nusantara Investment Management Agency.

The term **Danantara** is intended to reflect economic strength as the energy for Indonesia's future, as **Daya** means energy or strength, **Anagata** means future and **Nusantara** means the Indonesian homeland.

Danantara, which will serve some functions similar to Singapore’s Temasek Holdings, will act as a ‘super-holding’ and manage seven SOEs in its initial stage:

- (i) PT Pertamina – state oil and gas company;
- (ii) PT Mineral Industri Indonesia (MIND ID) – Indonesia’s mining industry holding company;
- (iii) PT PLN – state electricity company;
- (iv) PT Telkom Indonesia Tbk – state telecommunications company;
- (v) PT Bank Rakyat Indonesia (BRI) – state-owned bank focused on microfinance and small to medium-sized businesses;
- (vi) PT Bank Negara Indonesia Tbk (BNI) – state-owned commercial bank;
- (vii) PT Bank Mandiri Tbk – Indonesia’s largest state-owned bank by assets.

Danantara is also expected to consolidate Indonesia's existing sovereign wealth fund, the Indonesia Investment Authority ("INA"). It will manage assets totaling IDR 9,049 trillion (around USD 571.6 billion), surpassing the minimum capital requirement of at least IDR 1,000 trillion specified in the Amended SOE Law.

President Prabowo Subianto has confirmed that an initial fund of USD 20 billion will be reallocated to Danantara from his budget cuts across ministries and agencies as part of his austerity measures. Danantara will invest in Indonesia's natural resources and assets to support sustainable and high-impact projects in renewable energy, advanced manufacturing, downstream industries, food production, and food security.

Minister of SOEs, Erick Thohir has described Danantara as a vehicle to consolidate SOE assets and investments, representing the President's vision for SOEs to generate their own funding instead of relying on the state budget, while their profits accelerate investment and economic growth.

Danantara marks a major shift in how SOEs are managed by centralizing assets under a single holding. Its establishment will also affect Indonesia's sovereign wealth structure and broader economic strategy.

A. Danantara's Role and Presidential Oversight

The Amended SOE Law has restructured the governance of SOEs, separating operational and regulatory functions. Under the new framework, the Ministry of SOEs functions as a policymaker and supervisor, while Danantara will serve as the operator and manager. Danantara will report directly to the President, ensuring checks and balances.

Danantara has three governing bodies: 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:

- i. Supervisory Board: Oversees Danantara's operations, ensuring compliance and effective management. It is chaired by the Minister of SOEs, currently Erick Thohir, alongside a Ministry of Finance representative and an appointed state official. Members serve five-year terms, with a one-time reappointment option.
- ii. Managing Board: Handles 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.
- iii. Advisory Board: Provides advice to Danantara and consists of one chairperson and additional members.

The Head of Presidential Communications has confirmed that that along with Erick Thohir, Muliaman Hadad will become the Vice Chairman of the Supervisory Board, Rosan Roeslani

(current Minister of Investment and Downstream Industry) will become the Head of Danantara and former President(s) of the Republic of Indonesia will serve as the Advisory Board.

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

- i. The losses were not due to their fault or negligence.
- ii. They have acted in good faith and with due diligence in accordance with investment objectives and governance principles.
- iii. They had no direct or indirect conflicts of interest in the investment management actions.
- iv. They did not unlawfully obtain personal gain.

B. Key Updates

i. Holding Companies

Danantara will invest directly or through:

- **Investment Holding:** Focused on asset management and optimizing investment value.
- **Operational Holding:** Responsible for managing SOE operations to improve efficiency.
- **Third parties.**

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

Both holding 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 will be divided as follows:

Share Classification	Share Percentage	Ownership	Remarks
Dwiwarna A Series	1%	The Republic of Indonesia	special/preferential rights through Ministry of SOEs
B Series	99%	Danantara	N/A

The Head of Presidential Communications has also confirmed that Pandu Sjahrir will become the Chief Investment Officer while the Vice Minister of SOEs, Dony Oskaria will become the Chief Operating Officer.

ii. Audits

Concerns have been raised about Danantara’s transparency, given the scale of assets being managed. To address this, the Amended SOE Law provides that the State Audit Board (*Badan*

Pemeriksa Keuangan – BPK) will examine Danantara’s management and financial responsibility.

This provision aims to assure both domestic and foreign stakeholders who are closely watching the agency’s development, particularly regarding potential political intervention in fund utilization. By maintaining a clear audit framework that reflects transparency, the government hopes to build trust and confidence for potential investors.

C. Challenges of Consolidating with INA

While both Danantara and INA manage investments, their roles and priorities differ. Danantara is responsible for optimizing state-owned assets and enhancing SOEs performance, whereas INA focuses on attracting global co-investments to fund national infrastructure and development projects. This separation is intended to prevent overlapping mandates and maximize economic impact.

However, a major shift is underway: INA is expected to merge into Danantara as part of a broader consolidation strategy. Inspired by Singapore’s investment model, this move seeks to create a unified powerhouse managing Indonesia’s strategic investments. Talks are already in progress with key stakeholders to facilitate this transition.

Challenges remain, particularly in aligning the reporting structures of the two entities – INA falls under the Ministry of Finance, while Danantara reports directly to the President. Resolving these structural differences will be critical to achieving an effective integration that strengthens Indonesia’s investment strategy.

D. Conclusion

The establishment of Danantara represents a major shift in Indonesia’s approach to SOEs and sovereign wealth management. With plans to consolidate key SOEs and integrate INA, Danantara is intended to streamline asset management, boost investment returns, and attract global capital. However, its success will depend on clear role distinctions, strong governance, and effective implementation. Challenges faced by sovereign wealth funds in other nations highlight the importance of transparency, accountability and strong oversight to ensure stability and investor confidence.

As Danantara takes shape, its impact on Indonesia’s economy and investment ecosystem will be closely watched by both domestic and international investors. The coming months should reveal whether this ambitious restructuring can deliver on its promise of a stronger, more efficient sovereign wealth strategy. Stay tuned for the latest updates on Danantara and the Amended SOE Law.

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