

Legal Policy on Changing the Nomenclature of the Ministry of State-Owned Enterprises to the State-Owned Enterprise Management Agency in Indonesia

Anna Shania de Zeta Sinaga¹, Irsyaf Marsal²

¹ Universitas Pembangunan Nasional Veteran Jakarta, Indonesia; annashaniadezeta@gmail.com

² Universitas Pembangunan Nasional Veteran Jakarta, Indonesia; irsyafmarsal@upnvj.ac.id

ARTICLE INFO

Keywords:

Legal Policy;
Change;
Nomenclature;
State Owned Enterprise
Regulatory Agency;
Ministry of State Owned
Enterprises

Article history:

Received 2025-08-19
Revised 2025-09-17
Accepted 2025-10-13

ABSTRACT

The reform of the governance of State-Owned Enterprises (BUMN) in Indonesia demands a fundamental separation of roles to balance the function of public service with an efficient and competitive corporate approach, as BUMN carries out the mandate of Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia (UUD NRI Tahun 1945). The previous dualism of functions between regulator and operator inherent in the Ministry of BUMN had hindered performance optimization and created the risk of political intervention, consequently triggering an urgent need to form entities focused on economic value and managerial independence. The establishment of the Danantara Investment Management Agency (BPI Danantara) as the operator holding and the BUMN Regulatory Agency (BP BUMN) as the regulator represents a strategic legal political policy aimed at eliminating moral hazard, enhancing accountability, and attracting global investment. This research employs a normative juridical method with statutory and conceptual approaches. The research results indicate that BPI Danantara is designated as the economic controller and business operator through majority share ownership, functioning as a professional fund manager responsible for value creation, restructuring, and the remediation of loss-making BUMN through a corporate cross-subsidy scheme. Conversely, BP BUMN plays the role of an independent regulator focusing on setting general policy directions, governance standards, and BUMN compliance oversight; however, the potential for conflicting authorities and the issue of meaningful participation in law formation must be addressed with robust check and balance mechanisms and highly detailed implementing regulations.

This is an open access article under the [CC BY](#) license.



Corresponding Author:

Anna Sinaga

Universitas Pembangunan Nasional Veteran Jakarta, Indonesia; annashaniadezeta@gmail.com

1. INTRODUCTION

The transformation of the investment climate in Indonesia now increasingly demands clarity on the role of SOEs as pillars of state representation that must be able to balance public service functions with a responsive corporate approach (Fatzgani, 2017). On the one hand, SOEs must operate efficiently and generate profits like private companies, but on the other hand, they still carry out their constitutional mandate to serve the public interest and maintain national economic sovereignty. This corporate approach allows SOEs to be more agile in asset management, investment, and innovation, enabling them to provide higher quality and more affordable public services. The success of SOE reform is an important indicator of investor confidence, as it demonstrates the state's commitment to good governance and professionalism in managing state assets (Sandra et al., 2022). Therefore, SOEs are required to create value that is measured not only in terms of financial profit, but also in terms of the social and economic impact they generate. Strengthening SOE governance through this separation of roles is expected to eliminate moral hazard and political intervention, which have been the main obstacles to SOE optimization (Sangalang, 2012). This reform places SOEs in a strategic position to become the locomotive of economic growth, which is competitive in the regional and global arena. This clarity of position is key to attracting sustainable foreign and domestic investment.

In line with these investment climate demands, the presence of SOEs is crucial in responding to the needs of citizens more quickly without being entangled in rigid and exhausting government bureaucracy. SOEs function as development agents that provide essential infrastructure and services, ranging from energy, telecommunications, to banking, all of which must be accessible to everyone. Furthermore, SOEs play a central role in the management of vital and strategic natural resources, in accordance with the mandate of Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia, which states that the earth, water, and natural resources must be controlled by the state and used as much as possible for the prosperity of the people (Zon et al., 2017). The corporate approach enables SOEs to manage these resources efficiently and with the latest technology, so that their added value can be maximized for the national interest. This role is not limited to business operations, but also includes maintaining energy and food security, which are pillars of state sovereignty. Thus, SOEs act as an agile extension of the state, ensuring the availability and affordability of public services. The success of SOEs in this dual role is a reflection of the state's ability to carry out its welfare function.

Therefore, as a fundamental effort to strengthen governance, BPI Danantara was established as the holding company for all SOEs in Indonesia, occupying a very central position based on Law No. 1 of 2025 concerning Changes to SOEs. Danantara is designed as Indonesia's sovereign wealth fund, acting as an economic controller that manages portfolios, makes strategic investments, and is responsible for the operational performance of all state-owned corporations (Jurdi, 2017). This special position explicitly separates it from regulatory functions, providing a high degree of professional independence in making business decisions, similar to global investment managers. Danantara has full authority over the restructuring, mergers, and acquisitions of SOEs under its umbrella, with the main objective of maximizing asset value and increasing global competitiveness. Its presence is a solution to overcome the dualism of roles that has long hampered the efficiency of SOEs, as business functions are now carried out by professionals at Danantara. Through this role, Danantara is expected to become the main vehicle for attracting foreign and domestic capital for national development.

The direct implication of Danantara's central position as a professional operator is, of course, a question mark over the position of the Ministry of State-Owned Enterprises, which has become unclear in an operational context and remains only as a regulator (Arion & Indarja, 2016). Traditionally, the Ministry of SOEs has held full authority over SOEs, but with the transfer of operational control to Danantara, the ministry's role has shifted dramatically. This shift shows that the state is committed to cutting bureaucracy in SOE business decision-making, which was previously often hampered by political and administrative processes within the ministry (Rachmad, 2025a). However, concerns have been raised about the potential for a power vacuum or deadlock if BP BUMN (as the replacement for the Ministry) and Danantara do not have very clear and detailed working boundaries. This new position requires the

Ministry of State-Owned Enterprises to transform into a regulatory and policy oversight agency, whose focus is on creating a healthy and compliant SOE ecosystem, rather than being a player in the business field.

Furthermore, regarding its core function as a holding entity, Danantara's function as a holding company also includes an innovative internal funding mechanism, namely by providing a percentage of revenue from all healthy SOEs to be channeled as capital or cash injections. This mechanism is designed to provide financial assistance to SOEs that are nearly bankrupt or financially unhealthy in a given year, without burdening the state budget through PMN. This concept of internal bailout funds creates corporate cross-subsidies, allowing large and profitable SOEs to help those in difficulty. Danantara acts as an internal investment bank that strategically allocates capital based on strict business calculations and sustainability prospects (Sekretariat SDGs DKI Jakarta, 2023). Through this function, Danantara ensures that every SOE can continue to operate and provide Public Service Obligations (PSO) without having to rely entirely on government assistance. This is a concrete manifestation of SOE synergy aimed at saving state assets from permanent loss.

Regarding institutional changes on the regulatory side, the transformation of the Ministry of SOEs into the SOE Agency is a very interesting topic because it involves a tug-of-war between the legal and political spheres of government (Kewenangan et al., 2022). On the one hand, this change intersects with the President's prerogative as head of state in determining the composition of the cabinet and/or its institutions, which is purely an executive matter (Ghibrani, 2022). However, on the other hand, this change in status and nomenclature was driven and ratified through the latest amendment to the SOE Law (Fourth Amendment to the SOE Law), which is a legislative matter. This normative conflict has sparked debate, as institutional changes should be under the full control of the President (Madjid, 2022), but this time it was enacted through legislation to give greater legal force to the separation of regulatory roles. This step demonstrates the political seriousness to strengthen BP BUMN as an independent regulator, even though it must go through a legislative process that has the potential to limit the flexibility of the President's prerogative in the future.

As a measure to strengthen governance and prevent conflicts of interest, the positions of Minister and Deputy Minister (Wamen) have been clarified with provisions that directly accommodate Constitutional Court Decision Number 128/PUU-XXIII/2025 (Putri & Mahanani, 2022), which prohibits both from concurrently serving as Directors, Commissioners, or Supervisory Board members of SOEs. This context is very important because the current trend is that many Deputy Ministers are Commissioners in SOEs, a practice that has been criticized for creating conflicts of interest and undermining the independence of SOEs. This prohibition on concurrent positions aims to ensure that public officials focus on their main duties in government and are not distracted by the business interests of SOEs. This Constitutional Court decision and its accommodation in the latest SOE Law is a victory for the principles of Good Corporate Governance (GCG) and meritocracy, which clearly separate political power from business operations. The implementation of this rule is crucial to prevent abuse of authority and ensure that the appointment of SOE supervisory boards is truly based on professional competence.

Despite the separation of roles, there is ambiguity between the roles of BP Danantara and BP BUMN, particularly in relation to their legal political standing in the management of state-owned enterprises (Zaini, 2018), due to the existence of two institutions that actually carry out and administer state affairs in the field of state-owned enterprises. This ambiguity has the potential to trigger a tug-of-war over authority and overlapping regulations in the field, especially in the gray area between policy-making (BP BUMN) and strategic operational implementation (Danantara) (Ndiaye et al., 2017). If these two institutions do not have an effective coordination mechanism, there is concern that this reform will only transfer the old dualism problem to a new institutional structure. The success of this model is highly dependent on the ability of BP BUMN to act as a pure regulator and Danantara as a pure operator, without any attempts to intervene outside their respective authority limits. A very detailed Government Regulation is needed to define operational and regulatory boundaries so that these two institutions can work synergistically without hindering each other.

2. METHODS

The methods used in this study are normative juridical with a legislative approach and a conceptual approach. Normative juridical research is used to find answers to research problems by examining secondary data in the form of legislation, court decisions, and other sources (Marzuki, 2017). The legislative approach in this study uses the 1945 Constitution of the Republic of Indonesia, Law No. 1 of 2025 concerning the Third Amendment to Law No. 19 of 2003 concerning State-Owned Enterprises, and the Draft Law on the Fourth Amendment to the Law on State-Owned Enterprises. The conceptual approach in this study uses the theory of state sovereignty, the theory of state monopoly, the theory of the welfare state, and the doctrine of *rechtstaat*.

3. FINDINGS AND DISCUSSION

Separation of Roles Between the Danantara Investment Management Agency and the State-Owned Enterprise Management Agency in Indonesia

The separation of roles between the Danantara Investment Management Agency (BPI Danantara) and the State-Owned Enterprise Regulatory Agency (BP BUMN) in Indonesia marks a fundamental transformation in the governance of state-owned corporations, which is expected to improve efficiency and accountability. This institutional change is regulated in a series of legislative revisions, creating a dualism of functions between regulators and SOE business operators. With this clear separation, SOEs are encouraged to operate more professionally, competitively, and focus on creating economic value (Ayu et al., 2025). This policy is a strategic step to overcome overlapping governance issues and reduce political intervention in SOE business decisions (Rachmad, 2025b). The main objective is to maximize the contribution of SOEs to the national economy through more agile and market-oriented asset and investment management. This new structure is also designed to attract global investment, as it provides legal certainty and governance that is on par with international standards. Therefore, understanding the role of each institution is crucial to assessing the success of SOE reform in the future.

Based on the provisions of Law Number 1 of 2025 concerning the Third Amendment to Law Number 19 of 2003 concerning SOEs, the main role of BPI Danantara is defined as a holding entity that controls the portfolio and assets of SOEs economically (Hidayat et al., 2025). Danantara functions as a strategic investment manager for state assets placed in the form of SOE shares, with a focus on increasing long-term economic value. The establishment of Danantara through law provides a strong legal basis to act as an investment holding parent and operational holding parent, separating the function of share ownership from the regulatory function (Simanjuntak & Widyadhana, 2025). Danantara is authorized to restructure the share composition of parent companies, which includes a 99% majority of series B shares, demonstrating its dominance in the operational and business management of SOEs (Ayu et al., 2025). This role places Danantara at the forefront of strategic decision-making related to mergers, acquisitions, restructuring, and divestment of SOEs under its management. The goal is to create a leaner, more focused SOE cluster with global competitiveness. Danantara is also tasked with managing investment funds, including assets previously managed by other institutions, with the aim of maximizing returns and promoting sustainable development (Simanjuntak & Widyadhana, 2025). In short, Danantara is the business locomotive responsible for the operational and financial performance of SOEs.

Danantara's role in the law is essentially to eliminate the dualism of roles that previously attached to the Ministry of SOEs, namely as a shareholder and regulator. With Danantara as the majority shareholder in holding companies, investment and operational decisions are entirely in the realm of business professionalism, independent of daily government bureaucratic intervention. Danantara is required to implement the principles of Good Corporate Governance (GCG) and strict transparency in every step of managing state assets. Its presence is also a solution for funding strategic state projects without always relying on State Capital Participation (PMN) from the State Budget, as Danantara is encouraged to seek capital, innovation, and expansion independently. This role includes overseeing

the financial and operational performance of all state-owned holding companies (Fatzgani, 2017), which demands higher accountability and is purely performance-based. Therefore, Danantara's role is as the state's professional right-hand man in carrying out the commercial and sustainable business and investment functions of state-owned enterprises.

The main duties, functions, and authorities of BPI Danantara towards SOEs in Indonesia are to act as the operational manager (operator) and economic controller of all state-owned corporations. Its main duties include the establishment, structuring, and management of SOE investment and operational holding companies in order to optimize the value of state assets. Its key function is to be a center of value creation through aggressive investment strategies and corporate restructuring, so that SOEs can contribute maximally to economic growth. Its authority includes approving the work plans and budgets of holding companies (Investment and Operational), rotating assets, and deciding on the restructuring of SOEs under its control. Danantara is also authorized to manage funds from various sources, including SOE dividends and non-state budget funds, to be reinvested in strategic national projects. In addition, this institution has the authority to appoint the Board of Directors, Board of Commissioners, and Supervisory Board of the holding entities it manages, ensuring that key positions are filled by professionals.

The mechanism for managing SOEs by Danantara is, in practice, to hold 99% of series B shares in the holding company, which effectively gives it full operational and managerial control over the SOEs under it (Makruf & Murni, 2025). Danantara focuses on internal restructuring of troubled SOEs, including closing inefficient entities or radically turning around businesses. Its authority also includes restructuring the SOE asset portfolio across sectors, so that synergies between SOEs can be enhanced and potential losses minimized through investment diversification. Its function as an independent economic entity allows Danantara to make quick and responsive business decisions to market dynamics, without having to go through lengthy bureaucratic processes (Muttaqin et al., 2025). Nevertheless, Danantara remains directly accountable to the President, affirming its position as a strategic state institution with high operational freedom but still within the corridor of state supervision.

One of the main positive effects of the existence of BPI Danantara since its establishment is the creation of bureaucratic efficiency and speed of decision-making within SOEs. With the existence of operational and investment holdings under Danantara (Widjaja, 2025), the managerial chain of command has become shorter, enabling SOEs to respond more quickly to market changes and community needs. This positive impact is also evident in the financial health of SOEs, where they are forced to be more independent and innovative in seeking capital without always relying on State Capital Participation (PMN) from the State Budget. This encourages an overall improvement in the corporate performance of SOEs (Maharani & Valdiansyah, 2025), which in turn will increase dividends that can be paid to the state or reinvested for development. Macroeconomically, Danantara has the potential to become a new economic engine by encouraging strategic investments that support the achievement of the 2045 Golden Indonesia Vision.

The presence of Danantara creates stronger synergies between SOEs, enabling asset consolidation and business specialization in each SOE cluster, which can reduce overlap and increase global competitiveness (Mahardika et al., 2022). In terms of transparency, Danantara is required to implement higher Good Corporate Governance (GCG) standards, including strict information disclosure and investment fund management accountability obligations, which will ultimately increase public and investor confidence (Sutanto et al., 2025). In addition, with more professional management, the benefits of SOEs can be felt more quickly by the community through better services, accelerated infrastructure development, and the overall economic impact. The separation of functions between regulators and operators also fundamentally strengthens governance by introducing a clearer check and balance mechanism, reducing the potential for conflicts of interest that previously often occurred (Chandranegara, 2017).

Despite its noble goals, Danantara's existence has not been without negative effects that have sparked public controversy, especially at the beginning of its establishment, particularly regarding its organizational structure, which has the potential to cause moral hazard (Al Fauzi et al., 2022). One of the biggest concerns is the potential for nepotism in the placement of strategic positions, such as the Board of Directors and Supervisory Board of Danantara entities or the state-owned holding companies it manages. Controversy arose when the appointment of key officials at the beginning of its establishment was suspected of not being based entirely on the principles of meritocracy and pure competence, but rather on personal or political connections (Pasiak, 2020). This undermined the spirit of governance reform that was being sought, as the practice of nepotism can harm institutional performance and create an unfair working environment. Danantara's overly centralistic structure has also been criticized because there are concerns that it could transfer the bureaucratic problems that previously existed in the ministries to this new institution.

The impact of alleged nepotism, if true, would be very detrimental to the credibility of the institution, reduce the motivation of competent SOE employees, and ultimately damage the overall performance of SOEs (Dhakal et al., 2022; EFFENDI et al., 2021). Critics also highlight the potential for overlapping authority in the oversight mechanism, especially if internal oversight by Danantara's Supervisory Board is ineffective and overshadowed by certain interests. In addition, with its enormous assets under management, Danantara's high operational freedom also raises concerns about the risk of significant investment losses if it is not closely and transparently supervised (Sihombing & Hadita, 2023). Therefore, strict guardrails, including a ban on dual positions and the implementation of highly transparent governance, are crucial to prevent this institutional reform from being merely cosmetic.

One of the indicators of success mandated to Danantara is its ability to resolve state-owned enterprises that are loss-making or have serious financial problems, which were previously a burden on state finances (Maharani & Valdiansyah, 2025). Initial data shows that Danantara faces a major challenge, with a large number of SOEs, up to 52% of the total, reportedly losing money, causing fantastic losses to the state. Danantara has adopted an aggressive approach by conducting fundamental business reviews of problematic SOEs, the results of which will determine whether the companies will be turned around, restructured, or even closed. The success in helping these SOEs can be seen from concrete steps to reorganize the business portfolio and eradicate bad practices such as corruption and over-investment, which are the "sores" causing the companies' failure.

Through its role as the entity with full control over SOEs, Danantara has the authority to make tough but necessary managerial decisions, such as significantly reducing the number of SOEs from thousands to hundreds, with the aim of creating more efficient entities. This turnaround effort is carried out by injecting strategic investment capital, improving management, and restructuring debt and assets, ensuring that the rescued SOEs have healthy and sustainable business fundamentals. Although the process is still ongoing, Danantara's commitment to resolving problematic SOEs shows a serious transformation from the old management model that often relied on subsidies and PMN. This success will have a direct impact on state budget savings and increased SOE profits, which will ultimately benefit the people (Kurniawati & others, 2017).

The emergence of the State-Owned Enterprise Regulatory Agency (BP BUMN) is a logical response and evolutionary step in the reform of SOE governance, which was agreed upon through the Draft Law on the Fourth Amendment to Law Number 19 of 2003 concerning SOEs. BP BUMN was formed as an effort to strengthen institutional transformation, definitively replacing the role of the Ministry of State-Owned Enterprises, which has had the dual function of regulator and operator. The main objective of establishing BP BUMN is to create an ideal check and balance mechanism by completely separating the regulatory function from the business operational function (operator), which is currently carried out by Danantara. The presence of BP BUMN is confirmed as an institution that carries out government tasks in the field of SOEs, which means that its authority is to make policies and supervise, not to run businesses.

The substance of this amendment explicitly regulates the nomenclature of the State-Owned Enterprise Regulatory Agency (BP BUMN) as a regulatory agency. BP BUMN symbolically affirms the state's one percent share ownership, which is the government's privilege to determine strategic policies (Kristian, 2022). The emergence of BP BUMN is a concrete effort to professionalize the management of SOEs by focusing government institutions on rule-making and strict supervision. Thus, BP BUMN is designed to be an independent referee and standard-setter for SOE governance, ensuring that all state-owned companies, including Danantara, operate in accordance with the state's general policy direction.

The main task of BP BUMN in Indonesia is to act as an independent regulator and general policy direction setter for all SOEs. Its functions include determining SOE governance policies, preparing SOE roadmaps, and regulating and assigning Public Service Obligations (PSOs) to SOEs. BP BUMN has extensive authority, including approving restructuring, mergers, acquisitions, takeovers, and spin-offs of SOEs proposed by Danantara as the operator. This institution also has the authority to set criteria for writing off and canceling SOE assets, as well as regulating the procedures and main content of SOE key performance indicators (KPIs). BP BUMN also has the authority to conduct audits of SOEs, including those under Danantara, in order to improve the transparency and accountability of financial management.

BP BUMN is tasked with approving and consulting on the work plans and budgets of the Investment Holding Company and the Operational Holding Company with the DPR RI organs in charge of SOEs, ensuring that political checks and balances are in place (Rosana, 2014). The supervisory function of BP BUMN is to ensure the compliance of all SOEs with established governance policies, performance indicators, and government assignments (Tedjo, 2018). In addition, BP BUMN has the authority to optimize the role of SOEs as agents of economic and social development, in line with the national development priorities set by the President. Thus, the duties, authorities, and functions of BP BUMN are as rule-makers and compliance supervisors, which are essential for maintaining the corridor of SOE public services amid the onslaught of Danantara's commercial spirit.

The separation of roles between BPI Danantara (operator) and BP BUMN (regulator) is ideally designed to create healthier governance (Mayarni et al., 2023), but there is the potential for a tug-of-war over authority that could become a serious obstacle. Conflicts of authority can arise when BP BUMN, as the regulator, wants to establish policies that Danantara, as the operator, considers could interfere with its business independence and profit maximization goals. This overlap often occurs at the boundaries of governance policy-making versus daily operational implementation, where Danantara wants to have the freedom of a professional manager equivalent to a global sovereign wealth fund. Potential conflicts are also evident in the process of approving the restructuring or restructuring of state-owned enterprises, where Danantara's business views may differ from the political considerations or public assignments that must be considered by BP BUMN.

To overcome this potential tension, very clear and firm regulatory boundaries are needed. Critics highlight that if the boundaries of authority are not made detailed and transparent, then confusion over authority could trap Danantara in issues of independence and ultimately hinder the efficiency it seeks to achieve. For example, in the case of the appointment and dismissal of members of the Board of Directors and Commissioners of SOEs (Widjaja, 2025), even though Danantara has the authority to appoint at the holding company level, BP BUMN's role as a dual-class shareholder still has significant power. If BP BUMN does not function as an independent regulator and instead acts as an extension of political interests, Danantara will lose its professional space to maneuver. Therefore, the effectiveness of this dualism model is highly dependent on the commitment of stakeholders to respect the designed check and balance mechanism.

As it develops, the interpretation and implementation of Law Number 1 of 2025 increasingly clarifies that BPI Danantara has the main function of managing SOEs operationally or as the executor of business functions (Fajar et al., 2023). This operational function includes the direct management of SOE assets, investments, and portfolios through two key entities, namely the operational holding company and the investment holding company. Danantara acts as the right hand of the state business,

responsible for ensuring that the SOEs under its umbrella operate efficiently, achieve maximum financial performance targets, and are highly competitive in the global market (Rachmad, 2025b). Danantara's main focus is on value creation, investment diversification, and agile decision-making oriented towards commercial profits. In this context, Danantara has full authority over SOE risk management and investment capital allocation, ensuring that state assets are managed professionally like a business entity.

By controlling the operational holding company, Danantara directly controls the core activities of state-owned enterprises, from production and marketing to product and service development. Danantara is tasked with ensuring that state assets in state-owned enterprises are allocated optimally, generating ideal returns on investment and contributing significantly to the national Gross Domestic Product (GDP). Its main functions also include attracting global investors and providing attractive investment schemes, making Danantara a strategic state investment institution. Overall, Danantara is an implementing entity that carries out its business functions professionally and accountably, prioritizing corporate performance above all else, while remaining accountable to the President.

The definitive role of the State-Owned Enterprises Supervisory Board (BP BUMN) is as a regulator of Danantara and all state-owned enterprises in Indonesia, a role that, according to UPN economist Achmad Nur Hidayat, must be carried out independently and professionally. According to Hidayat, this separation is an important moment to reorganize the relationship between the state as owner, regulator, and operator, so that BP BUMN must focus on regulation, standardization of governance, and corporate performance oversight. BP BUMN functions as a referee that sets clear rules and guardrails, including ensuring that the prohibition on concurrent positions is enforced and that Public Service Obligation (PSO) contracts are regulated transparently. This independent role is vital to prevent BP BUMN from merely becoming an extension of political interests, which would undermine the spirit of SOE governance reform as a whole.

On the other hand, Danantara's role as the main driver of economic implementation is further strengthened with BP BUMN focusing on its regulatory function. Danantara can act as the main driver of Indonesia's economic implementation through the management of all SOEs, which includes portfolio control, strategic financing, and asset rotation. Danantara's role is as the economic controller of state-owned corporations, operating like a professional fund manager with the aim of maximizing the value of SOEs. This separation of roles, if carried out with integrity and consistency, is expected to be a solution to the dualism that has been hampering the efficiency of SOEs. Achmad Nur Hidayat emphasized that the key to the success of this reform lies in the quality of supervision by BP BUMN and the integrity of implementation at Danantara, not merely in the change of the institution's nomenclature.

Legal Politics of the Change in Nomenclature of the Ministry of State-Owned Enterprises to the State-Owned Enterprise Management Agency in Indonesia

The formation of laws in Indonesia involves a rigorous process, and the development of the Draft Law (RUU) on the Third Amendment to the SOE Law, which was later passed into Law No. 1 of 2025, demonstrates compliance with the constitutional procedures stipulated in Article 20 paragraph (2) of the 1945 Constitution of the Republic of Indonesia. This procedure explicitly requires that every bill must obtain joint approval from the President and the House of Representatives (DPR) before it can be legally enacted into law (Qoroni & Winarwati, 2021). This joint approval process ensures a mechanism of checks and balances between the executive and legislative branches of government, guaranteeing that the resulting laws have strong political legitimacy and reflect the common will of the state (Hardjono, 2009). Like other bills, the Third Amendment to the SOE Law went through stages of discussion at the commission level, working meetings, and decision-making at the DPR Plenary Meeting, all of which required approval from both parties (Setiadi, 2018). The involvement of the President and the DPR in each of these stages underscores the importance of the bill for national

interests and SOE governance reform. This process, although time-consuming, is essential to ensure the quality and accountability of legal products.

However, there is a phenomenon that contrasts with this mature procedure. Regarding the SOE legislation plan, there appears to be a rush to draft the Fifth Amendment to Law No. 19 of 2003 on SOEs (Nasution & Sapii, 2022). The unusual speed of the drafting and deliberation process of this bill has raised public questions about the depth of the study, its urgency, and the quality of public participation that accompanied it. Although the legislative process does need to be efficient, excessive speed in drafting strategic laws such as those concerning SOEs can neglect the principles of prudence and completeness of impact analysis. A rushed process has the potential to cause imperfections or multiple interpretations in the resulting norms, which in turn could lead to implementation problems in the future. Therefore, the lightning speed in the formation of this bill can be interpreted as a reflection of a very strong legal political agenda that needs to be realized immediately.

Ironically, this speed has sparked sharp criticism, especially regarding the problematic drafting of the Bill on the Fourth Amendment to the State-Owned Enterprises Law, which has the potential to violate the principles of law formation as stipulated in Law No. 12 of 2011 on the Formation of Legislation (Antariksa, 2017; Wijayanto et al., 2020). The most fundamental violation is the failure to fulfill the principle of meaningful participation, which requires meaningful, open, and accountable public participation in every stage of law drafting. Time constraints and a closed process have made civil society, academics, and other stakeholders feel that they are not substantively involved, even though SOEs are entities that affect the livelihoods of many people. The consequences of this violation could result in inconsistencies in norms and even potentially trigger a judicial review lawsuit to the Constitutional Court on the basis of procedural flaws in the formation of the law (Siregar, 2012). This problem underscores that time efficiency should not sacrifice the quality and procedural legitimacy of a legal product.

When discussing the realm of power, a crucial issue that always arises in SOE reform is the tug-of-war between the concept of abolishing the Ministry of SOEs and establishing a State-Owned Enterprises Agency (BP BUMN) that directly intersects with the President's prerogative (Setiawan, 2021). Constitutionally, the President's prerogative is the absolute authority possessed by the Head of State in carrying out executive duties, which traditionally includes the formation, change, and dissolution of ministries and state institutions at the ministerial level. This authority is the exclusive domain of the President and cannot be challenged by other branches of power, including the legislature, as it is a matter of internal government management. Although the establishment of BP BUMN was carried out through a change in the law, the basic concept of BP BUMN as the highest regulator of state-owned enterprises is actually within the full authority of the President to determine the composition of the cabinet and the institutions that assist him. Therefore, the establishment of BP BUMN through the law can be considered as political legitimacy for the executive's decision to separate regulatory functions, which is fundamentally based on the President's prerogative.

Although there were procedural and political polemics in the formation of the regulation, in terms of development, the ambiguity in the composition of shares in SOEs became a governance issue that became even more unclear before the existence of BPI Danantara (Rachmad, 2025b), so Danantara was created with BP BUMN as its supervisor in the regulatory realm. Prior to the reform, state shares in SOEs were scattered across various ministries, creating fragmentation of ownership that hindered consolidation, synergy, and the establishment of a single strategic direction. This ambiguity triggered dualism of control between regulators and owners, which ultimately hampered the performance of SOEs. The establishment of Danantara as a single holding company holding a majority stake (Series B) was the solution to create centralized control over SOE operations, while BP BUMN was formed as a regulatory supervisor (holder of Series A Dwiwarna shares). This dualistic solution aimed to overcome the long-standing chaos of ownership and control.

To analyze this phenomenon of institutional change, we need to understand its theoretical foundation, namely the theoretical understanding and concept of legal politics, which refers to basic

policies on what laws will be enacted, amended, or repealed to achieve the objectives of the state (Nggilu & Fence M. Wantu, 2020). In this context, the formulation of laws by the President and the DPR in accordance with the provisions of Article 20 paragraph (2) of the 1945 Constitution of the Republic of Indonesia is a concrete manifestation of national legal politics. Specifically, the formation of the Fourth Amendment Bill to the State-Owned Enterprises Law is a legal policy aimed at reforming the governance of state-owned enterprises (Mayarni et al., 2023), driven by the urgent need to professionalize state-owned companies. This legal policy involves interaction between political forces in the legislature and the executive, resulting in a consensus to establish a new legal framework for the relationship between the state and SOEs. The decision to separate the regulator and the operator is at the core of this legal policy.

In essence, analyzing the direction of the legal policy behind the drafting of the Fourth Amendment to the SOE Law, this context reveals that there are many strategic elements that are its main objectives. First, this bill explicitly seeks to clarify the chain of supervision between BPI Danantara and regulators through the establishment of BP BUMN, so that checks and balances can function effectively and avoid overlapping authorities. Second, the main objective of this reform is to separate the operational and regulatory elements of state-owned enterprises, which is key to creating good and professional corporate governance. Third, this separation also aims to strengthen the separation between state officials and operational executives through the establishment of a supervisory body in the form of BP BUMN. Collectively, these three elements reflect the political and legal aspiration to create business-oriented and independent SOEs that remain under strict state supervision.

4. CONCLUSION

The reform of SOE governance in Indonesia is marked by the separation of fundamental roles through the establishment of two main entities: the Danantara Investment Management Agency (BPI Danantara) as the operator and the SOE Regulatory Agency (BP BUMN) as the regulator, in accordance with a series of legislative revisions, including Law No. 1 of 2025. Danantara, which acts as a holding company with economic control (99% of Series B shares), functions as the state's strategic investment manager to maximize value creation, improve the operational efficiency of SOEs, and restore the health of loss-making companies through a cross-subsidy scheme. The main objective of this separation is to eliminate the dualism of functions (regulator and operator) that was previously attached to the Ministry of State-Owned Enterprises, reduce political intervention, and encourage state-owned enterprises to operate professionally, flexibly, and accountably in accordance with Good Corporate Governance (GCG) standards. This separation is also a strategic step to create a stronger check and balance mechanism, positioning SOEs as an economic locomotive that is ready to compete globally and attract investment.

On the other hand, BP BUMN (the successor to the Ministry of SOEs) was established as an independent regulator responsible for setting general policy directions, governance standards, and compliance oversight, as well as assigning Public Service Obligations (PSOs), while holding Series A Dwiwarna shares (veto rights). Although this reform is strategic and driven by legal politics to clarify the oversight process, there are polemics and risks that threaten its effectiveness, such as the potential for a tug-of-war between Danantara and BP BUMN in the gray area of policy and operations. Furthermore, the speed with which the bill was drafted and allegations of violations of the principle of meaningful participation, as well as the potential for nepotism within Danantara's structure, could undermine the credibility of this meritocracy-based reform. Therefore, the success of this dualistic model is highly dependent on the integrity of Danantara's implementation and the ability of BP BUMN to act as a pure referee without political intervention, which must be reinforced through highly detailed and transparent implementing regulations.

REFERENCES

- Al Fauzi, M. R., Muliya, L. S., & Supriatna, R. (2022). Akibat Hukum dari Kebijakan PSBB di Masa Pandemi Covid-19 terhadap Perjanjian Sewa Gedung Resepsi Perkawinan Akibat Keputusan Presiden Nomor 12 Tahun 2020 sebagai Bencana Nasional Dihubungkan dengan Buku III KUHPerdara. *Bandung Conference Series: Law Studies*, 2(1), 787–794.
- Antariksa, B. (2017). Penerapan Hierarki Peraturan Perundang-undangan Dalam Ketatanegaraan Indonesia. *Deliberatif*, 1(1), 24–41.
- Arion, T., & Indarja, R. S. (2016). KEDUDUKAN MENTERI KOORDINATOR DALAM SISTEM KETATANEGARAAN INDONESIA MENURUT UNDANG-UNDANG NOMOR 39 TAHUN 2008 TENTANG KEMENTERIAN NEGARA. *Diponegoro Law Journal*, 5(3), 1–16.
- Ayu, C. D., Febiani, F., Ardhani, F., Leonardo, M., Syahwa, N., & Nuraya, A. S. (2025). Keterkaitan Danantara dengan Stabilitas Keuangan Makro di Indonesia: Sebuah Pendekatan Teori Ekonomi Makro. *Indonesian Research Journal on Education*, 5(2), 1026–1031.
- Chandranegara, I. S. (2017). Genealogy of Checks and Balances Formula on the Constitution. *Proceedings of The 2th International Multidisciplinary Conference 2016*, 1(1).
- Dhakal, B., Chand, N., Shrestha, A., Dhakal, N., Karki, K. B., Shrestha, H. L., Bhandari, P. L., Adhikari, B., Shrestha, S. K., Regmi, S. P., & others. (2022). How policy and development agencies led to the degradation of indigenous resources, institutions, and social-ecological systems in Nepal: Some insights and opinions. *Conservation*, 2(1), 134–173.
- EFFENDI, M., Sugadini, D., Saidi, D., & others. (2021). *BUKU PEMBERDAYAAN MASYARAKAT DI BAROS KRETEK BANTUL MELALUI PEMANFAATAN APPLE MANGROVE PADA PROGRAM KKN-PPM UPN "VETERAN" YOGYAKARTA*. Zahir Publishing.
- Fajar, M. Z., Purbasari, R., & Rizaldy, M. R. (2023). TINJAUAN TERHADAP METODE PEMBAYARAN CASH ON DELIVERY (COD) DALAM PENGIRIMAN PAKET PADA EKSPEDISI SICEPAT EKSPRES MENGGUNAKAN METODE USER JOURNEY MAPPING. *Jurnal Organisasi Dan Manajemen Bisnis Logistik*, 1(1).
- Fatzgani, A. D. (2017). Tinjauan Hukum Terhadap Pembentukan Induk Perusahaan (Holding) Pada Badan Usaha Milik Negara. *UNIVERSITAS HASANUDDIN MAKASSAR*.
- Ghibrani, A. (2022). *Tinjauan Yuridis Hak Prerogatif Presiden Dalam Pengangkatan Dan Pemberhentian Menteri Berdasarkan Undang-Undang Nomor 39 Tahun 2008*. Universitas Islam Riau.
- Hardjono. (2009). *Legitimasi Perubahan Konstitusi, Kajian terhadap Perubahan UUD 1945*. Pustaka Belajar.
- Hidayat, A., Alhakim, B. A., Litamahuputty, J. V., Patty, J. P., & others. (2025). Effectiveness Of Danantara Policy In Creating Golden Indonesia 2045. *Jurnal Teknologi Dan Manajemen Industri Terapan*, 4(1), 69–74.
- Jurdi, F. (2017). Format Kekuasaan Presiden dalam UUD NRI 1945 (Relasi Horizontal dan Vertikal kekuasaan Presiden dalam Sistem presidensial). *Amanna Gappa*, 38–59.
- Kewenangan, R., Kepegawaian Penghubung Komisi Yudisial, dan, Penguatan Pengawasan Perilaku Hakim di Daerah Zaki Priambudi, U., Rico Pambudi, B., Intania Sabila, N., Kalimantan No, J., Timur, K., & Timur, J. (2022). Reformulasi Kewenangan, Kelembagaan, dan Kepegawaian Penghubung Komisi Yudisial: Upaya Penguatan Pengawasan Perilaku Hakim di Daerah. *Negara Hukum: Membangun Hukum Untuk Keadilan Dan Kesejahteraan*, 13(1), 21–40. <https://doi.org/10.22212/JNH.V13I1.2906>
- Kristian, O. Y. (2022). Posibilitas Kepemilikan Saham oleh Koperasi sebagai Sarana Tindak Pidana Pencucian Uang. *AML/CFT Journal: The Journal Of Anti Money Laundering And Countering The Financing Of Terrorism*, 1(1), 33–52. <https://journal.ppatk.go.id/index.php/jac/article/download/27/6>
- Kurniawati, L., & others. (2017). Optimalisasi penerimaan laba badan usaha milik negara sebagai upaya memperkuat penerimaan negara. *Jurnal Manajemen Keuangan Publik*, 1(2), 90–106.
- Madjid, M. A. S. W. (2022). Politik Hukum Pembatasan Hak Prerogatif Presiden Dalam Pembentukan Kementerian Berdasarkan Undang-Undang Kementerian Negara. *Constitution Journal*, 1(2), 169–

188. <https://doi.org/10.35719/constitution.v1i2.31>
- Maharani, A. C., & Valdiansyah, R. H. (2025). Pengaruh Profitabilitas dan Leverage Terhadap Kebijakan Dividen dengan Likuiditas Sebagai Variabel Moderasi Pada Perusahaan Badan Usaha Milik Negara (BUMN) Tahun 2020--2023. *Juara: Jurnal Riset Akuntansi*, 15(1), 52–67.
- Mahardika, R. V., Prakoso, B., Hariyani, I., & Others. (2022). *Kedudukan Subyek Hukum Ditinjau Dari Hak Keperdataan: Refleksi: Terjadinya Tumpang Tindih Lahan Hak Guna Usaha*. UM Jember Press.
- Makruf, M., & Murni, M. (2025). Analisis Efisiensi Dan Rasionalitas Dalam Pengelolaan Badan Usaha Milik Negara (BUMN) Berdasarkan Undang--Undang Nomor 19 Tahun 2003 (Prespektif Ekonimi Konvensional Dan Ekonomi Syariah). *INICIO LEGIS*, 6(1), 13–22.
- Marzuki, P. M. (2017). *Penelitian Hukum: Edisi Revisi*. Prenada Media.
- Mayarni, M., Siregar, S. H., Khoiri, M. A., Nasution, M. S., Sulistyani, A., Hariyani, E., & others. (2023). *Tata Kelola Kawasan Mangrove Terintegrasi Dalam Perspektif Governance Di Indonesia Kajian Teoritis Dan Empiris*. Elfitra.
- Muttaqin, M. F., Septiarani, I., & Velentina, R. A. (2025). The Formation of Danantara: Between Efficiency and the Threat of Moral Hazard for State Investments. *Walisongo Law Review (Walrev)*, 7(1), 67–80.
- Nasution, A. I., & Sapii, R. B. S. (2022). Aktualisasi Konsep Meaningful Participation dalam Pembentukan Peraturan Perundang-Undangan. *Jurnal Surya Kencana Dua: Dinamika Masalah Hukum Dan Keadilan*, Vol. 9(No. 2, Desember,), 202–220.
- Ndiaye, C., Aemro, T., Tairou, F., Ndiaye Pape, & Cisse, C. (2017). Political and institutional commitment to nutrition in Senegal: an analysis of the legal and regulatory framework. *Food and Nutrition Bulletin*, 38(1), 100–112. <https://doi.org/10.1177/0379572116682229>
- Nggilu, N., & Fence M. Wantu. (2020). Menapaki Jalan Konstitusional Menuju Zaken Cabinet : Ikhtiar Mewujudkan Pemerintah Berkualitas Konstitusi. *Jurnal Hukum Samudra Keadilan*, 15(1), 126–140. <https://doi.org/10.33059/jhsk.v15i1.1653>
- Pasiak, P. (2020). Pengembangan Karier Aparatur Sipil Negara (ASN) Berdasarkan Sistem Merit Menurut Undang-Undang Nomor 5 Tahun 2014 Tentang Aparatur Sipil Negara Pada Pemerintah Kota Bitung. *Lex Administratum*, 8(2).
- Putri, A. R., & Mahanani, A. E. E. (2022). Putusan Positive Legislature pada Mahkamah Konstitusi dan Implikasinya terhadap Asas Erga Omnes Praktik Rangkap Jabatan yang Dilakukan Wakil Menteri. *Yustisia Tirtayasa: Jurnal Tugas Akhir*, 2(1), 62–73.
- Qoroni, W., & Winarwati, I. (2021). Kedaulatan Rakyat Dalam Konteks Demokrasi Di Indonesia. *INICIO LEGIS*. <https://doi.org/10.21107/il.v2i1.11079>
- Rachmad, Y. E. (2025a). Danantara and Indonesia's Green Economy: Pioneering Sustainable Investments for the Next Century. *The United Nations Global Compact*.
- Rachmad, Y. E. (2025b). Danantara and the Future of Impact Investing: Strengthening ESG and SDG Commitments. *The United Nations Global Compact*.
- Rosana, E. (2014). Kepatuhan hukum sebagai wujud kesadaran hukum masyarakat. *Jurnal Tapis: Jurnal Teropong Aspirasi Politik Islam*, 10(1), 61–84.
- Sandra, N., Komariah, K., & Wardoyo, Y. P. (2022). Analisis Yuridis Normatif Praktik Investasi Ilegal Pada Aplikasi Binomo. *Indonesia Law Reform Journal*, 2(2), 237–253.
- Sangalang, A. A. (2012). *Kajian Terhadap Ganti Rugi Atas Tanah Dalam Pengadaan Tanah Bagi Pembangunan Untuk Kepentingan Umum Guna Mewujudkan Kepastian Hukum, Perlindungan Hukum, Dan Keadilan Berdasarkan Peraturan Presiden Nomor 36 Tahun 2005 Dan Peraturan Presiden Nomor 65 Tahun .* UAJY.
- Sekretariat SDGs DKI Jakarta. (2023). *Tujuan Pembangunan Berkelanjutan*. Sekretariat SDGs DKI Jakarta. <https://sdgs.jakarta.go.id/detil-sdgs/pekerjaan-layak-dan-pertumbuhan-ekonomi>
- Setiadi, W. (2018). Makna Persetujuan Bersama Dalam Pembentukan Undang-Undang Serta Penandatanganan Oleh Presiden Atas Rancangan Undang-Undang Yang Telah Mendapat Persetujuan Bersama. *Jurnal Legislasi Indonesia*, 1(2), 21–26.
- Setiawan, A. (2021). Analisis Yuridis terhadap Penataan Struktur Organisasi Kementerian dalam

- Rangka Peningkatan Reformasi Birokrasi. *Supremasi Hukum: Jurnal Kajian Ilmu Hukum*, 10(2), 117–142.
- Sihombing, E. N. A. M., & Hadita, C. (2023). Kewenangan Presiden Membentuk Undang-Undang Dalam Sistem Presidensial. *Reformasi Hukum*, 27(1), 14–24.
- Simanjuntak, J. M., & Widyadhana, K. N. (2025). Danantara, the SOE Superholding, and the Pillar of Indonesia's Economic Future. *Economics*, 6(4), 1163–1182.
- Siregar, L. H. (2012). Implikasi Putusan Mahkamah Konstitusi dalam Pemakzulan Presiden dan/atau Wakil Presiden di Indonesia. *Jurnal Konstitusi*, 9(2), 287–312.
- Sutanto, N. N., Christie, A., Elviyana, J., Simanjuntak, C. P., & Baharina, A. M. S. A. (2025). Implementasi Good Corporate Governance Dalam Mencegah Tindak Pidana Korupsi Pada Badan Usaha Milik Negara. *Acten Journal Law Review*, 2(1), 51–71.
- Tedjo, P. (2018). Peran Demokrasi, Pilkada Serentak Tahun 2018 Tantangan Dan Harapan. *Mimbar Administrasi FISIP UNTAG Semarang*.
- Widjaja, G. (2025). PENGATURAN DAN PENGAWASAN BADAN USAHA MILIK NEGARA (BUMN) DALAM PERSPEKTIF HUKUM ADMINISTRASI NEGARA. *ADMIN: Jurnal Administrasi Negara*, 3(2), 49–56.
- Wijayanto, K., Tijow, L. M., & Wantu, M. F. (2020). Kedudukan Peraturan Desa dalam Sistem Pembentukan Perundang-Undangan Nasional. *Jurnal Ius Civile*, 4(2), 198–219. <https://doi.org/https://doi.org/10.35308/jic.v4i2.2548>
- Zaini, A. (2018). Demokrasi: Pemerintah oleh Rakyat dan Mayoritas. *Al-Ahkam*. <https://doi.org/10.37035/ajh.v14i2.1485>
- Zon, F., Iskandar, M., & Zuhdi, S. (2017). Tinjauan Sejarah Hukum Pasal 33 UUD 1945 sebagai Ideologi Ekonomi (The Legal History Review of Article 33 UUD 1945 as Economic Ideology). *Negara Hukum: Membangun Hukum Untuk Keadilan Dan Kesejahteraan*, 7(1), 111–125.

