

## **STRENGTHENING GOVERNANCE IN STATE-OWNED ENTERPRISES: A CRITICAL EVALUATION OF BPI DANANTARA'S MANAGEMENT AND REFORM CHALLENGES**

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### **Abstract**

The governance of State-Owned Enterprises (SOEs) in Indonesia faces significant challenges, particularly regarding the independence of management, the separation of powers between regulators and operators, and political interference. This study examines the governance issues within BPI Danantara, a newly established national investment institution tasked with managing a range of strategic SOEs. Despite its potential to optimize state asset management, BPI Danantara's governance has been hindered by the continued involvement of public officials in dual roles, which undermines managerial independence. The overlapping functions of business and state interests within SOEs create ambiguity in decision-making and open the door to inefficiencies, political interference, and corruption. A key governance issue is the practice of concurrent positions, which compromises the principle of independence, a core element of good governance. This research analyzes the implications of the Indonesian Constitutional Court Decision No. 80/PUU-XVII/2019, which prohibits Deputy Ministers from holding concurrent positions in SOEs, and the limited enforcement of this decision. It highlights the need for a more robust regulatory framework for BPI Danantara to prevent political interference and ensure transparent, accountable management. The study advocates for the establishment of a specific law for BPI Danantara, including prohibiting concurrent positions and introducing an independent supervisory board. This would help safeguard managerial independence, align decision-making with long-term national interests, and enhance the institution's role in driving economic growth. By implementing these reforms, BPI Danantara can become a model for effective SOE governance and contribute to improving Indonesia's economic competitiveness.

**Keywords:** Good Governance; State-Owned Enterprises; *BPI Danantara*; Managerial Independence; Political Interference.

### **A. Introduction**

The application of good governance principles in the management of State-Owned Enterprises (SOEs) has become an important focus of public sector governance reform in Indonesia (Firmansyah et al., 2024). As state-owned entities, SOEs not only perform economic functions, but also have an inherent social and political mandate (Adebayo & Ackers, 2026). However, the duality of these functions often creates problems in management practices, especially when there is an overlap between political and corporate interests (Djuniarsono et al., 2023). One of the fundamental principles of good governance is independence, which emphasizes the importance of a clear separation between the functions of regulator and operator (Pradipta & Widjajanti, 2025). In the context of SOEs, this separation is vital to prevent conflicts of interest and to avoid political

intervention that can undermine decision-making quality, operational efficiency, and public accountability (Liu et al., 2025).

In their management practices, SOEs often face various challenges that hinder the realization of effective and accountable governance (Suwignjo et al., 2022). One of the main problems is the overlap between business and state functions, where SOEs are expected to pursue profits like private corporations but are also burdened with public service missions and short-term political interests (Xu, 2025). This condition creates ambiguity in the direction of corporate policy and ultimately has an impact on inefficiencies in strategic decision-making (Karisma et al., 2021). In addition, government intervention in the appointment of directors, investment decisions, and operational policies increases the risk of conflicts of interest and reduces managerial independence (Smith et al., 2025). It is also not uncommon for SOEs to become fertile ground for corruption, collusion, and nepotism, undermining the principles of meritocracy and public accountability. This is exacerbated by weak monitoring and reporting systems that lead to a lack of transparency in business processes and the use of state resources (Saputra et al., 2024). These four issues are interrelated and underscore the urgent need to implement good governance principles, which is an urgent need to push SOEs towards professional, transparent, and free-from-destructive-intervention governance (Hoang et al., 2025).

Entering a new era in managing the country's wealth, Indonesia now has a national investment institution aimed at effective development. *Badan Pengelola Investasi Danantara* (BPI Danantara) manages a number of strategic state-owned enterprises across various sectors, including Bank Mandiri, BRI, BNI, Pertamina, Telkom, and MIND ID, with an estimated asset value of around 900 billion dollars (Kartika et al., 2025). *BPI Danantara*, as a new holding, is present to manage economic potential, natural resource wealth, and human resources in an optimal and sustainable manner (Solihin et al., 2025). However, there are several indications of problems in its governance, particularly regarding managerial independence and potential conflicts of interest (Minoja & Romano, 2024). For example, the intensive involvement of state actors in establishing holding companies and appointing management raises questions about the extent to which the principle of separation between regulators and operators is consistently implemented. One of the most highlighted issues is the practice of concurrent positions of state officials in the structure of state-owned companies, which could potentially blur the line between supervisory and operational functions.

In this context, it is relevant to review the Indonesian Constitutional Court Decision No. 80/PUU- XVII/2019 on August 27, 2020, where the Court stated that there is no explicit prohibition for Deputy Ministers to concurrently hold positions as Directors or Commissioners in State or Private Companies (Sari et al., 2023). However, the Court emphasized that the Deputy Minister, like the Minister, is mandated and duty-bound to assist in all government affairs, including ministerial duties. Therefore, the Deputy Minister's status is the same as that of the Minister, so the provision prohibiting concurrent positions in Article 23 of Law No. 39 of 2008 concerning State Ministries (hereinafter referred to as Law 39 of 2008) must also be applied to the Deputy Minister.

Although these provisions have explicitly clarified the limitations on the roles of ministers and deputy ministers, their implementation in the field still raises problems. Some public officials continue to hold concurrent positions in state-owned companies, which has the potential to substantially undermine the principle of managerial independence and create conflicts of interest. Thus, Ministers and Deputy Ministers should no longer be allowed to sit on the Board of Commissioners or Directors of SOEs, state-owned enterprises, or private companies. The Court held that deputy ministers should be able to devote their full attention to their ministerial responsibilities. However, some public officials still hold concurrent positions in state-owned companies. For example, Dony Oskaria, who serves as Deputy Minister of SOEs, is also a member of the Board of Directors (Chief Operating Officer) at *BPI Danantara*, and Pahala Nugraha

Mansury, who serves as Deputy Minister of SOEs, also holds a position as Deputy President Commissioner at PT Pertamina (Persero), although the Constitutional Court's decision is still valid (Sari et al., 2023).

On the other hand, the absence of a regulatory framework that specifically regulates the limits of government intervention in SOE holding opens a gray area in terms of accountability and transparency of strategic policies taken by *BPI Danantara* (Rasji et al., 2024). This makes *BPI Danantara* a concrete illustration of how the principles of good governance, especially independence, continue to face structural and political challenges in the practice of SOE management in Indonesia (Ma et al., 2024). Despite its great potential in supporting the national sustainable energy agenda, *BPI Danantara's* success will be determined by the extent to which institutional reforms minimize political interference and strengthen managerial accountability.

The study of state-owned enterprise (SOE) governance in Indonesia has become a key focus in the public sector governance literature, particularly after the 1998 reforms, when the demand for accountability and efficiency in managing state assets intensified. In a previous study (Nibraska & Abror Faroja, 2023) highlighted the structural dilemma faced by SOEs in balancing their role as profit-oriented business entities with socio-political functions that often conflict with efficiency principles. However, existing research has primarily examined these governance challenges from a corporate or administrative perspective, with limited attention given to the constitutional aspects of public office that directly intersect with SOEs.

Research by (Sari et al., 2023) further reveals the persistent neglect of Constitutional Court Decision No. 80/PUU-XVII/2019, which prohibits concurrent positions held by deputy Ministers as commissioners of SOEs, thereby exposing weaknesses in the enforcement of good governance principles and the rule of law. While this finding underscores the probe mog legal non-compliance, it has not been sufficiently extended to explain how such constitutional disregard translates into concrete governance failures, particularly in relation to managerial independence within SOEs.

Responding to this gap, this study advances an integrative analysis that positions the constitutionality of public office as a central explanatory variable in assessing SOEs' governance. By examining how political intervention through concurrent public offices operates within the governance structure of a newly established SOEs holding, namely *BPI Danantara*, this research demonstrates that constitutional non-compliance is not merely a formal legal issue but a structural governance problem that directly undermines managerial independence, accountability, and decision-making autonomy (García-Gómez et al., 2023). In doing so, the study offers an integrated analytical framework that connects constitutional law with corporate governance in the context of SOEs holdings in Indonesia.

This research adopts a doctrinal legal research method, focusing on the analysis of legal norms, principles, and doctrines that govern the management of State-Owned Enterprises (SOEs). The study applies a statutory approach to examine the regulatory framework concerning SOE governance, specifically Law No. 1 of 2025 concerning State-Owned Enterprises (hereinafter referred to as Law 1 of 2025), Law No. 30 of 2014 on Government Administration and the General Principles of Good Governance (hereinafter referred to as Law 30 of 2014), Law No. 90 of 2008 concerning State Ministries, and Constitutional Court Decision Number 80/PUU-XVII/2019. Furthermore, it considers principles such as institutional independence, the separation of the regulator and the operator, and the prohibition on concurrent positions. This doctrinal approach enables a comprehensive analysis of the coherence between the normative ideals of good governance and their legal construction within Indonesia's SOE holding structure, with particular focus on *BPI Danatara*.

The legal materials used in this research consist of primary legal materials in the form of statutes, constitutional court decisions, and official regulatory instruments, as well as secondary legal materials, including academic books, peer-reviewed journals, expert opinions, and corporate accountability. These materials are analyzed qualitatively through prescriptive and evaluative legal

reasoning by examining the extent to which the practice of concurrent positions reflects or deviates from good governance principles such as independence, accountability, transparency, and professionalism. The analysis is conducted deductively, moving from the general principle of good governance to the specific institutional design and practices of *BPI Danantara*, in order to formulate normative conclusions and policy recommendations. Ultimately, this methodological framework supports the argument for establishing a special *BPI Danantara* law and an independent supervisory mechanism to minimize political intervention and strengthen sustainable SOE governance.

## **B. Discussion**

### **1. Concepts and Principles of Good Governance in the Context of State-Owned Enterprises**

The context of government administration, agencies, and/or government officials is stated in Law 30 of 2014. The article on the law specifically discusses procedures, rights, authorities, and the scope of state officials and agencies (Panjaitan & Irwansyah, 2023). The principles that underpin the authority and rights of public officials are essential in ensuring the proper functioning of government administration. Legal certainty, expediency, impartiality, accuracy, avoidance of abuse of authority, openness, public interest, and good service are fundamental principles that guide the actions of public officials. These principles not only provide a framework for the exercise of power but also protect citizens' rights and maintain public trust. Legal certainty ensures that government officials act in accordance with clear, established laws and regulations, preventing arbitrary decisions that could undermine fairness. Expediency reflects the importance of timely decision-making and efficiency in addressing public needs, while impartiality ensures that decisions are made without bias, treating all citizens equally.

Accuracy in the exercise of public authority is vital to avoid errors that could harm individuals or disrupt governance processes. Public officials must act within their prescribed powers, never misusing or overstepping their authority, as the principle of not abusing power is central to preserving the integrity of the state. Openness, or transparency, is crucial to ensuring the public can access information and understand government actions, thereby reinforcing accountability. The principle of public interest demands that government officials prioritize collective well-being over personal or narrow interests. Finally, good service emphasizes public officials' responsibility to provide high-quality, accessible services to the public, fostering positive interactions between the state and its citizens (Panjaitan & Irwansyah, 2023).

The legal foundation for these principles is reflected in laws designed to address challenges in the administration of government. The primary goal of such laws is to establish a clear structure and guidelines that promote effective governance while safeguarding citizens' rights. These laws are not merely a formality but a crucial mechanism for resolving issues that arise in the public sector. By ensuring that government officials operate within a well-defined legal framework, these laws aim to prevent misuse of power, encourage fairness, and foster trust between the government and its citizens.

Furthermore, the enactment of laws governing government administration provides legal protection for both citizens and public officials. Citizens are protected from arbitrary decisions or actions, while government officials are provided with a legal framework within which they can perform their duties with confidence and without fear of overstepping their bounds. Such laws are instrumental in creating a balanced system in which individuals' rights are respected, and public servants are held accountable for their actions. The legal provisions that define the scope of authority for public officials help to clarify their roles and responsibilities, ensuring that their actions align with the principles of justice, equality, and good governance.

More than that, the concept of good governance is built on the basis of the realization of good governance, especially for state administration officials (Glass & Newig, 2019; Ştefan, 2024;

Zakrzewska et al., 2017) . The principles of good governance are also enshrined in law as a legal basis for officials and to meet society's social needs (Karunia et al., 2023). By definition, good governance means good governance. Some experts interpret it as good governance, while others see it as a good government system. According to (Aryanti & Marliyah, 2022), good governance refers to how state power is exercised to manage economic and social resources in support of community development. Thus, it can be concluded that the principles of good governance refer to the governance of state power, or government by state administrative officials in accordance with the basic laws and regulations (Vu et al., 2025).

The relationship between the principles of good governance and the actions of SOE officials is a close line. The position of SOEs as state agencies engaged in the economic sector, including goods and services, requires strategic leadership. It is questionable when these strategic positions are then managed by individuals with political backgrounds or government institutions. With 50-100% control by the government, SOEs must be friction-free with political needs, even in the midst of *BPI Danantara* institutions. In (Edy, 2019), it is noted that the performance of bureaucratic services since the reform has not changed significantly. Public officials often show a low attitude of accountability, responsibility, and efficiency in their administration. Not only that, but collusion, corruption, and nepotism were still commonplace at that time. In this context, the presence of *BPI Danantara*, a new institution promising increased state investment, demands that the distribution of SOEs and positions within them be free of political contradictions.

In accordance with the SOE Law, directors and commissioners cannot hold concurrent positions in strategic positions, unless the law stipulates otherwise. Concurrent or interlocking directorships are situations in which one individual holds two or more positions in a company, or represents two different corporate entities and sits together on the board of directors or board of commissioners of one company (Anam & Rahadiyan, 2023). Article 23 of Law No. 39 of 2008, known as the Ministry of State Law, expressly contains provisions prohibiting Ministers from holding concurrent positions. This article states that a Minister is prohibited from holding concurrent positions as other state officials, managers in state-owned and private companies, or leaders of organizations that receive funds from the State Budget and/or Regional Budget. This prohibition is primarily intended to ensure that Ministers can fully discharge their duties and responsibilities within the Ministry of State without distraction (Panjaitan & Irwansyah, 2023).

## **2. Structure and Dynamics of Power Relationships between State Institutions and State-Owned Enterprises Management**

The relationship between state actors such as the President, the Minister of SOEs, and the House of Representatives of the Republic of Indonesia with the directors and commissioners of SOEs shows a complex and interrelated interaction in the governance of SOEs in Indonesia. The process of appointing and dismissing directors and commissioners is generally carried out through the General Meeting of Shareholders (GMS). In practice, the Minister of SOEs serves as the state's representative in the GMS and has broad authority to propose and appoint the board of directors and commissioners, who then receive the President's approval. Meanwhile, the House of Representatives of the Republic of Indonesia plays a supervisory role through a fit-and-proper test mechanism to ensure that candidates for the main board of directors and main commissioners possess adequate capabilities and professionalism (Syaifuddin & Putri, 2016). However, the House of Representatives of the Republic of Indonesia's involvement also has the potential to lead to politicization in the management of SOEs because the House of Representatives of the Republic of Indonesia is a political actor with certain interests (Rasji et al., 2024).

The Board of Directors is responsible for running the company's operations, while the Board of Commissioners oversees and provides advice to ensure the implementation of good corporate governance principles (Juliani, 2016). While this structure formally adopts the principle of checks and balances to ensure good governance, in practice, the appointment of directors and

commissioners is often influenced by political interests, which risks reducing the professionalism and independence of SOE management (Fikriya, 2020). Efforts to reform SOE governance through revisions to laws and the involvement of the House of Representatives of the Republic of Indonesia in the selection of board candidates aim to improve transparency and professionalism. However, the challenge of politicization remains a major obstacle in realizing optimal SOE management that is free from political intervention. Thus, the GMS mechanism is the main arena where the interests of the state, politics, and professionalism meet, so a balance between political intervention and professional corporate governance is needed to optimize the performance of SOEs in Indonesia.

*BPI Danantara* shows these power relations at work in the formation of new SOE holding companies in priority sectors, including infrastructure, renewable energy, and manufacturing (Salviantono et al., 2022). In the early stages of its formation, strategic decisions such as the selection of subsidiary entities, the development of management structures, investment strategies, and regulations were made in a short period of time. This indicates that there was an intense tug of interest behind the process (Valenzuela, 2023). Structurally, *BPI Danantara* is under the direct coordination and supervision of the Ministry of SOEs, which also serves as a shareholder and industry policymaker. When the same actors serve as regulators and company managers, there is a concentration of power that creates a wide space for unaccountable practices. One concrete form of potential conflict of interest is the practice of concurrent positions. Dual Position can be defined as a condition in which a person holds two or more strategic positions, which inherently has the potential to cause conflicts of interest within the scope of government and between government and business entities (Harjono, 2022).

The practice of dual positions in SOEs has become a crucial legal and governance issue. The Constitutional Court Decision Number 80/PUU-XVII/2019 explicitly prohibits certain public officials, including Deputy Ministers, from holding positions as commissioners or directors of SOEs, on the grounds of preventing conflicts of interest, avoiding abuse of authority, and maintaining the independence of state company management (Sari et al., 2023). In its reasoning, the Court emphasized that the roles of regulators and operators must be strictly separated in order to uphold the principles of good governance, ensure fair business competition, and prevent the concentration of economic and political power in certain individuals or groups (Wang et al., 2024).

The Court places the prohibition of concurrent positions not merely as an administrative rule. But as a constitutional instrument to realize the objectives of Article 33 of the 1945 Constitution, namely, the management of branches of production that are important to the state must be carried out professionally, free from political intervention, and oriented towards the greatest prosperity of the people (Salmon, 2023). However, in practice, this prohibition is often ignored, either through loose interpretation, granting exceptions under the pretext of strategic needs, or through ad hoc policies that allow public officials to continue holding dual positions. Ignoring the final and binding decision is not only a constitutional violation, but also erodes the authority of the Constitutional Court as the guardian of the constitution. (Sari et al., 2023). This creates a bad precedent in which constitutional court decisions are treated merely as political recommendations rather than as legal norms that must be obeyed. Furthermore, this omission weakens the principle of checks and balances, exacerbates the risk of corruption, collusion, and nepotism within SOEs, and lowers public confidence in the executive's commitment to upholding the rule of law.

In addition, the absence of an institutional buffer, such as an independent board of directors free from political affiliations, increases vulnerability to conflicts of interest. Under these conditions, the internal control function is weakened because those who are supposed to provide control are politically close to the decision makers. This creates a concentration of power in the hands of the government, which, in the case of *BPI Danantara*, plays a dual role as both regulator and manager of the Company. As a result, the line between public and corporate interests blurs, opening the door to decision-making that favors certain SOEs over fair competition (Bozos et al., 2025). The government, which is supposed to set the regulatory framework, has become an active

player through *BPI Danantara*, thereby creating inequalities between SOEs and the private sector. In terms of access to projects, subsidies, and policy protection. This directly interferes with the principle of fair competition and undermines the ethics of public sector governance.

Conflicts of interest are also very likely to occur in the formulation of sectoral policies. For example, when the state plays the role of energy price policymaker or fiscal incentive provider, there is ambiguity about whether the decision is made to promote the national investment climate in general or only to benefit the state-controlled entity *BPI Danantara*. This role ambiguity risks undermining private investor confidence and Indonesia's reputation for good governance-based management of strategic sectors. Therefore, the inseparability of the roles of regulators and operators in the *BPI Danantara* case is not just a bureaucratic technicality, but a fundamental governance issue that, if left unchecked, will become entrenched as a systemic pattern of conflict of interest.

### **3. Formulation of Prevention and Eradication of Dual Position Practices in the Management of State-Owned Enterprises**

The practice of multiple positions in the management of State-Owned Enterprises (SOEs) is not only a problem of poor governance, but also reflects the strength of political intervention in SOEs. When public officials hold strategic positions in SOEs, this does not rule out the possibility of conflicts of interest and the weakening of business decision-making independence (Ekanayake et al., 2025). This opens up space for political influence that can undermine the principles of professionalism and good corporate governance in the management of SOEs. The government's awareness of this is evident in several regulations that prohibit concurrent positions. Article 23 of Law No. 39 of 2008 on State Ministries states that "Ministers are prohibited from holding concurrent positions as commissioners or directors of private companies, as well as state companies" (Damayanti et al., 2025). Article 24 paragraph (2) emphasizes that ministers who violate Article 23, as stipulated in the law, can be dismissed from office by the president. In addition, there are rules that discuss conflicts of interest. Article 42 of Law No. 30/2014 emphasizes that government officials who have a potential conflict of interest are prohibited from making decisions and/or taking actions. Article 17 emphasizes that "Government officials are prohibited from abusing authority that exceeds the limits of authority" (Toloh, 2024). This article mitigates conflicts of interest if a public official holds multiple positions. Even in the latest Law No.1 of 2025, article 15 b emphasizes that members of the Board of Directors of Persero are prohibited from holding concurrent positions on the board of directors, commissioners of other State-Owned Enterprises companies, or private companies. Furthermore, Law Number 16 of 2025 concerning State-Owned Enterprises (hereinafter referred to as Law 16 of 2025), in Article 15 e, clarifies that the phrase "other positions" includes ministers and deputy ministers (Oktavinanda et al., 2025). The prohibition of concurrent directorships applies to structural and functional positions in ministries/government institutions".

However, it cannot be denied that *BPI Danantara*, as one of the strategic entities in the SOE holding that will manage all state asset instruments, still involves ministry officials directly in its structure. The absence of an independent supervisory board in its management structure further strengthens the potential for conflicts of interest and weakens the principle of supervisory independence, which should be a pillar of good corporate governance (Singh, 2025). An independent supervisory board serves as a balance between the interests of the government and the need for accountability and efficiency of the investment management body (Khan & Prodhon, 2025). The absence of an independent element in the supervisory board will make the strategic decision-making process very risky, making it vulnerable to political intervention that could ultimately sacrifice the long-term public interest in favor of the short-term agenda of government agencies (Yuliyanti & Cahyonowati, 2023). This is particularly crucial given that *BPI Danantara*

will not only manage a large portfolio of state assets but will also play a role in managing public funds that require transparency, accountability, and objective oversight.

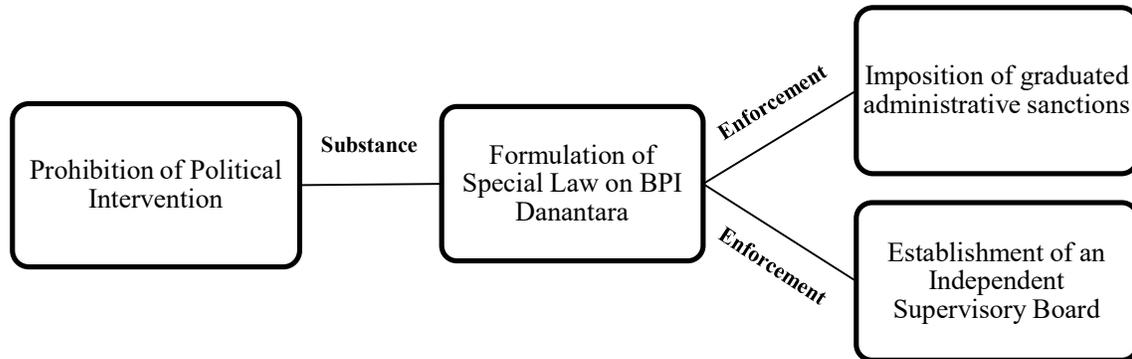
There are indications of concurrent practices in the management structure, where, in this case, the ministry, which is supposed to act as a regulator, also manages as an executor. This could undermine the principles of Good Governance, namely accountability and independence in the management of *BPI Danantara*. The principle of Good Governance, ideally, is that a Minister or deputy Minister does not hold concurrent positions in any institution, as this would directly affect the policies made (Damayanti et al., 2025). The prohibition on dual positions is intended to maintain independence, transparency, and accountability in policy-making (Zahran et al., 2023). Therefore, there needs to be a separation of powers between the Regulator (Ministry of SOEs) and the Executor (Board of Directors of *BPI Danantara*), so that *BPI Danantara*, as an investment agency, is transparent in its management, and *BPI Danantara*, as a state investment agency, can strengthen the Indonesian economy.

When looking at similar successful investment entities from other countries, such as Temasek Holdings from Singapore (Fitria & Sumaryanto, 2025). It becomes evident that institutional design and managerial independence are central to their effectiveness. Established in 1974 under the Singapore Companies Act, Temasek was designed to separate the state's ownership function from the operational management of SOEs, positioning the government as a strategic shareholder without direct involvement in business decisions (Suryana et al., 2025). Within this framework, the Singapore Minister for Finance primarily acts as a regulator and supervisory authority, while executive functions are carried out by professional directors selected on meritocratic principles (Kristi, 2025). This Institutional arrangement minimizes conflicts of interest and prevents the abuse of authority in corporate decision-making (Raihan et al., 2024).

A fundamental distinction between Temasek Holdings and *BPI Danantara* lies in their respective supervisory structures and levels of institutional independence. Temasek operates within an integrated, risk-based oversight system under the monetary authority of Singapore, supported by a clear legal foundation through the Minister for Finance (incorporation) Act and Singapore's corporate law regime. This framework enables effective supervision without encroaching upon managerial autonomy, while ensuring transparency and public accountability (Suryana et al., 2025). In contrast, *BPI Danantara* currently operates under a fragmented regulatory regime, relying on Law No. 1 of 2025, Law No. 40 of 2007 on Limited Liability Companies, and Law No. 6 of 2023 on Job Creation, without a dedicated legal framework. This fragmentation weakens supervisory coordination, creates inefficiencies, and increases the risk of political intervention in state investment management. Consequently, the absence of a specific regulatory framework underscores the urgency of establishing strict rules within *BPI Danantara*, including administrative sanctions prohibiting concurrent positions, such as removal from directorial or executive roles, to safeguard managerial independence and good governance (Damayanti et al., 2025).

To ensure that *BPI Danantara* is free from political interference, special regulations are needed to govern it (Taylor et al., 2025). These regulations should include a prohibition on concurrent positions as well as strict administrative sanctions for each organ. Removal of directors at the GMS could be an option in this case. The presence of special regulations can tighten restrictions on ministerial intervention in the operations of SOEs such as *BPI Danantara* (Damayanti et al., 2025). So that the principles of Good Governance for the management of SOEs can be fully implemented, especially regarding independence, transparency, and accountability (Pariela & Hoesein, 2025). It would be very risky if the management of *BPI Danantara* lacked a strong independence mechanism, as decision-making may not be based on business interests but on other interests, thereby hindering *BPI Danantara's* main goal of improving the national economy (Solihin et al., 2025). Thus, the author proposes the establishment of a special law for

*BPI Danantara* so that in the future it can be in line with the principles of Good Governance and become an evaluation material for the implementation of *BPI Danantara's* management.



**Figure 1. Schematic of the Law Formation Process *BPI Danantara***

Source: Author’s Analysis Results

In a more structured manner, the author proposes a scheme of *BPI Danantara's* law-making process. Through a multilevel administrative sanctioning mechanism. First, light administrative sanctions in the form of verbal warnings and written warnings. Second, moderate administrative sanctions in the form of payment of forced money and / or compensation, as well as temporary dismissal without obtaining the rights of office. Third, severe administrative sanctions, namely dismissal from office without obtaining the rights of office for public officials who hold concurrent positions in *BPI Danantara* Company. This could serve as a deterrent to political interference, which is often found in other state-owned companies. Furthermore, the proposed establishment of an Independent Supervisory Board aims to increase transparency, ensure the operational effectiveness of the institution being supervised, and maintain accountability in the implementation of its duties and responsibilities (Boldbaatar et al., 2019).

Independent supervisory boards provide strategic recommendations, maintain strict ethical standards, and prevent conflicts of interest in the institutions they supervise (Lu & Zhu, 2020). Proposing the establishment of a *BPI Danantara* law is important to strengthen internal oversight mechanisms and prevent political interference in *BPI Danantara's* management. In the future, *BPI Danantara's* management will be in line with the principles of good governance. *BPI Danantara*, as a super-holding, can play an important role in managing state assets to increase their productivity and enhance Indonesia’s economic competitiveness. The management of *BPI Danantara*, grounded in Good Governance, can provide certainty in the board of directors' business decisions (Anam & Rahadiyan, 2023).

The Board of Directors can be more focused and efficient in managing investments aimed at improving the national economy. The recruitment of *BPI Danantara's* Board of Directors does not have to be from SOEs; it could be through young figures with experience in finance, technology, and global industries. However, they have not had the opportunity to be involved in the management of *BPI Danantara* (Setiawan et al., 2024). In addition, if the Minister and Deputy Minister still hold concurrent positions in state-owned companies. The Minister and Deputy Minister should choose one position and resign from the other (Ardiansya & Sanjaya, 2025). This step is important to ensure that the principles of good governance are truly applied, both in the SOE holding company and in *BPI Danantara*.

### **C. Conclusion**

The governance of State-Owned Enterprises (SOEs) in Indonesia has long been an area of concern, particularly regarding the separation of powers between regulators and operators, managerial independence, and the avoidance of conflicts of interest. This issue has gained further significance with the establishment of BPI Danantara, a national investment institution tasked with managing key state-owned enterprises across multiple sectors. While the potential for BPI Danantara to optimize the management of state resources is immense, its governance is currently plagued by significant structural and political challenges. These include the continued involvement of public officials in dual roles within SOEs, which undermines the essential principle of good governance, especially the independence of management from political influence.

One of the central issues at the heart of this problem is the persistent overlap between business and state functions in SOEs. These entities are expected to operate with the efficiency and profitability of private corporations, while simultaneously fulfilling social and political mandates that are often subject to short-term political goals. This dual role creates ambiguity in decision-making, leading to inefficiencies in operational strategy and increasing the risk of political intervention. The interference of political actors in the selection of directors, investment decisions, and policy-making diminishes decision quality and compromises the accountability that SOEs owe to the public. Moreover, political influence can foster corrupt practices such as nepotism and collusion, further eroding the professional standards that good governance demands.

A key principle of good governance is the independence of SOE management, which is essential for ensuring transparency, accountability, and operational efficiency. The Constitutional Court's Decision No. 80/PUU-XVII/2019, which prohibits Deputy Ministers from holding concurrent positions as directors or commissioners of SOEs, was intended to safeguard this independence. However, despite the Court's ruling, political figures continue to occupy dual roles, raising concerns about the implementation of the separation between regulators and operators in SOE governance. This situation is particularly evident in the case of BPI Danantara, where government actors continue to be involved in management, thus compromising the integrity of the institution's governance structure.

The lack of a clear and specific regulatory framework for BPI Danantara exacerbates these governance challenges. As it stands, the institution operates within a fragmented legal environment, relying on various laws and regulations that lack coherence and consistency. This regulatory gap makes BPI Danantara susceptible to political interference, which could undermine its potential to effectively manage state assets and investments. The absence of an independent supervisory board within BPI Danantara further weakens the institution's governance, leaving it vulnerable to unaccountable decision-making. In contrast, successful international models like Singapore's Temasek Holdings, which maintains a clear separation between government ownership and management, demonstrate the importance of institutional independence and professional governance in managing state assets effectively.

To address these governance issues, this study proposes the enactment of a special law for BPI Danantara that would provide a clear regulatory framework for its operations. This law would prohibit concurrent positions within the institution, enforce strict administrative sanctions for violations, and establish an independent supervisory board to ensure transparency and accountability in decision-making. Such measures are necessary to prevent political interference and safeguard the principles of good governance. By enhancing the institutional design of BPI Danantara and ensuring its independence from political influence, the institution can play a crucial role in driving sustainable economic growth and improving Indonesia's economic competitiveness.

Ultimately, the success of BPI Danantara will depend on implementing reforms that strengthen its governance structure and promote managerial independence. This includes not only legislative changes but also a shift in the political culture surrounding SOEs, where public officials must prioritize the long-term national interest over short-term political considerations. By adopting

these reforms, BPI Danantara can become a model for effective state asset management, demonstrating the potential of good governance to drive economic development while ensuring public accountability. This vision aligns with the broader goal of enhancing Indonesia's economic competitiveness and fostering a more sustainable and transparent governance framework for SOEs in the future.

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