

# Danantara's Directive Letter, Between Coordination of Alertness Measures and Bureaucratic Inertia

Prepared by:

Michael A. Kaihatu (Partner)

On May 5, 2025, the Daya Anagata Nusantara Investment Management Board, abbreviated to Danantara, the entity which performs government duties in the field of state owned business entity management, which was established by and is governed by Law No. 1 of 2025, issued a directive letter to SOEs and SOE Subsidiaries number S-027/DI-BP/V/2025 entitled Directive Letter Regarding the Implementation of GMS and Corporate Actions of SOEs and SOE Subsidiaries ("**Directive Letter**"), which provides directions for SOEs and SOE subsidiaries to:

- a. Postpone all General Meetings of Shareholders of BUMNs and direct and indirect subsidiaries of SOEs (except for SOEs and subsidiaries in the form of public companies) until they have first obtained a comprehensive review and evaluation from BPI Danantara and the Operational Holding;
- b. Obtain a thorough review from BPI Danantara and Operational Holding of all corporate actions (including but not limited to mergers, acquisitions, separations, investments, divestments) and significant long-term contracts ; and
- c. Make periodic and routine reports to BPI Danantara and Operational Holding according to corporate needs.

We provide several notes below on the issuance of the Directive Letter.

## Institutional Alertness Coordination

The formation of Danantara and the SOE's Holdings company is actually aimed at improving coordination between SOEs and SOE subsidiaries by creating harmony and effectiveness of existing business entities so that there is no internal competition between SOE and SOE subsidiaries. With this harmony and alignment, the government can, through SOE, manage existing resources more effectively and efficiently. Danantara's strength in coordinating and directing all of its resources is certainly determined by the leadership and systems built by Danantara. Weaknesses in leadership and failure to create effective systems have the potential to lead to a situation of bureaucratic inertia. Right from the beginning, the formation of the new structure of SOEs and SOE subsidiaries has sparked many discussions and arguments regarding the functions and relations between Danantara, the Ministry of SOE, SOE Holding Companies, and related technical ministries and SOE Companies and SOE subsidiaries that carry out operational activities. The division of tasks, functions and authorities of each entity formulated in SOE Law No. 1 of 2025 requires the implementation of clear guidelines which have learnt from the existing realities in the implementation of coordination between existing government institutions and entities.

## Implications for SOE Management and SOE Subsidiaries

One of the directives that requires the postponement of GMS and significant corporate actions until a comprehensive review from BPI Danantara and the Operational Holding has been obtained will have more or less of an impact on the performance of SOEs and SOE subsidiaries, at least for the short term.

The global economic conditions that are still not good require speed and accuracy in executing policy directions to increase competitiveness. Delays in ongoing processes or business plans that were prepared a year ago or even several years ago can risk losing opportunities that should be followed up immediately.

In addition to the potential loss of opportunities due to the occurrence of delays and postponements can weaken competitiveness, they can cause on the management side of SOE and SOE subsidiaries the authority of company management to be constrained because strategic decisions that have already been planned and formulated cannot be followed up. This has the potential to weaken the spirit and motivation of management to innovate and make breakthroughs and take initiatives in the face of the challenges with which the company is presented. It is hoped that BPI Danantara and Operational Holding can also be alert and swift in conducting assessments and providing direction to SOEs and SOE subsidiaries in order to mitigate the risk of losing opportunities that can cause weaknesses in competitiveness.

### Coordination in Implementation

It is understood that this Directive Letter is an important coordination measure for Danantara to identify the operational potential and risks of SOEs and SOE subsidiaries as a whole in the future. In its implementation, SOE management is tasked with submitting proposals and reporting on ongoing activity plans and significant corporate actions to be carried out. In the field, uncertainty may arise in communicating and submitting proposals or plans to be implemented due to the absence of a more specific format and provisions for communication channels in the Directive Letter. SOEs and SOE subsidiaries certainly operate in the micro reality of their business activities, while Danantara's view takes a more macro perspective.

These differences in perspective have the potential to create differences in the direction and strategy of SOE entities and SOE subsidiaries. The provision of clearly formatted communication channels and procedures is expected to create optimal synergy for Danantara's coordination with SOEs and SOE subsidiaries.

Finally, it is the hope of all parties that Danantara can balance the strengthening of supervision and good governance with organizational agility and alertness so that it can build the strength of state-owned corporations that are respected internationally and continue to be the driving force of the nation's economy.

- o0o -

*The article above was prepared by Dentons HPRP's lawyers*

*This publication is not intended to be a comprehensive review of all developments in the law and practice, or to cover all aspects of those referred to. Readers should take legal advice before applying the information contained in this publication to specific issues or transactions or matters. For more information, please contact us at [dentons.hprp@dentons.com](mailto:dentons.hprp@dentons.com).*

*No part of this publication may be reproduced by any process whatsoever without prior written permission from Hanafiah Ponggawa & Partners.*