

# Indonesia Updates State-Owned Enterprises Legal Framework Through Law No. 16 of 2025



## Summary

- On 6 October 2025, the Indonesian Government enacted Law 16/2025, the fourth amendment to the SOE Law, as part of its ongoing initiative to enhance the governance, efficiency and competitiveness of SOEs.
- Among its key reforms, Law 16/2025 transforms Ministry of SOE into BP BUMN as the new regulatory authority overseeing SOEs and introduces a revised shareholding structure for both SOEs and their holding entities.
- SOEs, government bodies and private sector stakeholders are encouraged to closely monitor these developments and take necessary steps to align their operations and ownership structures (as applicable) with this new regulatory framework.



## Background

On 6 October 2025, the Indonesian Government enacted Law No. 16 of 2025 on the Fourth Amendment to Law No. 19 of 2003 on State-Owned Enterprises (“**Law 16/2025**”). The enactment of Law 16/2025 reflects the Government’s continuing effort to strengthen the governance and efficiency of state-owned enterprises (“**SOEs**”) as key contributors to Indonesia’s economic growth.

Since the issuance of Law No. 19 of 2003 on State-Owned Enterprises, the legal framework on SOEs has undergone multiple revisions to align with evolving market dynamics, corporate governance standards and state priorities. Law 16/2025 introduces further structural, governance and operational refinements. It reinforces the separation between the Government’s regulatory and management functions and harmonize SOEs governance with international best practices.

This legal update will outline the key changes introduced under Law 16/2025 and their implications for SOEs, government institutions and stakeholders engaging with state enterprises.

## Key Update and Changes

- **Transformation of Ministry of SOE into BP BUMN**

Law 16/2025 mandates the President of the Republic of Indonesia (“**President**”) to establish the SOE Regulatory Agency (*Badan Pengaturan Badan Usaha Milik Negara* or “**BP BUMN**”). Upon its establishment, the Ministry of SOE shall be dissolved, its personnel transferred to BP BUMN and all SOE shares currently registered under the name of the Minister of SOE transferred to BP BUMN as the new legal shareholder.

Furthermore, the Head of BP BUMN, appointed by the President, shall assume the institutional role previously held by the Minister of SOE and retains an equivalent ministerial status. In this capacity, Head of BP BUMN shall serve as the principal regulator responsible for the formulation, supervision and coordination of state policies on the management of SOEs.

Following this transformation, the ownership and control of Series A *Dwiwarna* shares, previously vested to the Minister of SOE, shall be exercised by the Head of BP BUMN. Consequently, all rights, approvals and supervisory authorities formerly conferred upon the Minister of SOE under applicable laws, regulations and corporate governance instruments will now fall under the authority of BP BUMN, unless expressly regulated otherwise under Law 16/2025. Such exceptions and their implications are further discussed in the following sections of this update.

- **Changes to SOE Shareholding Structure**

Law 16/2025 amends the provisions related to the State of the Republic of Indonesia (“**State**”) share ownership in SOEs. Previously, the law merely required the State to hold Series A *Dwiwarna* share in each SOE through the Minister of SOE. Under Law 16/2025, the ownership requirement is more



detailed where State's shareholding in the SOE shall comprise of 1% Series A *Dwiwarna* shares held through BP BUMN, and 99% Series B shares held through Daya Anagata Nusantara Investment Management Agency (*Badan Pengelola Investasi Daya Anagata Nusantara* or "**BPI Danantara**").

This new shareholding structure appears to be inconsistent with the current SOE's shareholding structure, where typically (i) only one Series A *Dwiwarna* share is issued, which may be below the required 1% threshold and (ii) Series B shares are generally held by the Operational Holding Entity, rather than BPI Danantara. On the latter, Law 16/2025 does not clarify whether the Series B shares must be held directly by BPI Danantara or may continue to be structured through the Operational Holding Company, as is current practice.

The amendment also raises challenges for SOEs whose shares are also held by non-State parties, such as publicly listed SOEs, since a strict reading of the relevant provision suggests that all SOEs shares must be held by the State.

This lack of clarity creates uncertainty in the implementation, and further guidance or implementing regulations will be essential to ensure consistent interpretation and application across the SOEs landscape. Subject to such implementing regulations and guidance, the State may need to adjust the composition of Series A *Dwiwarna* and Series B shares across SOEs to align with the ownership ratio introduced under Law 16/2025.

- ***Amendment to BP BUMN Authorities***

With the transformation of the Ministry of SOE into BP BUMN, all authorities previously held by the Minister of SOE are generally transferred to the Head of BP BUMN. However, Law 16/2025 introduces several changes to these authorities and responsibilities previously vested in the Ministry SOE, resulting in a clearer separation between regulatory oversight and policy direction.

Certain authorities that no longer fall within BP BUMN's mandate are now assigned to BPI Danantara, including (i) approval of SOEs restructuring plans, such as mergers, consolidations, acquisitions and spin-offs, as well as write-off and debt forgiveness matters and (ii) issuance of strategic guidelines or policies in areas such as finance, development and investment.

Typically, authority to issue strategic guidelines or policies is expressly provided in the SOE's articles of association as part of the Series A *Dwiwarna* shareholder's special rights. Where applicable, SOEs are expected to amend their articles of association to remove such authority from the right of Series A *Dwiwarna* shareholder to ensure consistency with Law 16/2025.

- ***Changes to Operational and Investment Holding Companies' Shareholding Structure***

Previously, the Minister of SOE held the Series A *Dwiwarna* share in the Investment and Operational Holding Companies. Under Law 16/2025, the Ministry of SOE (or, as currently constituted, BP BUMN)



shall no longer hold any shares in these companies. Instead, BPI Danantara shall hold all shares in both companies.

To comply with this new ownership structure requirement, both Investment and Operational Holding Companies must adjust their shareholding composition by 6 January 2026.

- ***BP BUMN Now Entitled to Manage SOEs Dividend***

Generally, the right to receive and manage SOEs dividends lies with BPI Danantara and the Investment Holding Company. However, Law 16/2025 now provides flexibility by allowing BP BUMN to manage such dividend, subject to the President's approval.

- ***Foreign Citizen Now Permitted to Serve as SOE Director***

Law 16/2025 now permits foreign citizens to serve as Directors of SOEs, provided they satisfy the prescribed eligibility criteria and obtain prior approval from BP BUMN.

- ***Restriction on Ministers and Vice Ministers to hold Structural Roles in SOEs***

Law 16/2025 reaffirms the restriction prohibiting members of the Board of Directors and Board of Commissioners of SOEs from concurrently serving as the Minister or Vice Minister of the Republic of Indonesia. This clarification aligns with Article 23 of Law No. 39 of 2008 on State Ministries (as amended) and Constitutional Court Decision No. 128/PUU-XXIII/2025, which collectively stipulate that both the Minister and Vice Minister of the Republic of Indonesia are prohibited from concurrently serving as members of any SOE's Board of Directors or Board of Commissioners.

- ***Status of SOE and BPI Danantara Personnels***

Law 16/2025 now provides that the members of any SOE's Board of Directors, Board of Commissioners, and employees of SOEs, as well as organs and employees of BPI Danantara are now explicitly subject to statutory provisions governing good governance and sound business practices. Previously, these personnels were not explicitly classified as state administrators and therefore were arguably not bound by regulations applicable to public officials, for example Law No. 28 of 1999 on State Administrators Who Are Clean and Free from Corruption, Collusion and Nepotism (as partially repealed by Law No. 30 of 2002 on the Corruption Eradication Commission).

Following this change, such personnels are deemed to fall within the scope of legislation applicable to state administrators, including subjecting them to the governance and integrity obligations set out under Law No. 28 of 1999.

- ***Expanded Authority of BPK over SOEs***

Previously, BPK's mandate was limited to conducting special-purpose audits of SOEs upon request from the Indonesia's House of Representatives, and only in relation to government fund utilization





(e.g., state capital injections). Law 16/2025 expands this authority, enabling BPK to audit SOEs more broadly, provided such audits comply with applicable laws and regulations.

- ***Transitional Provisions***

To ensure legal continuity and a seamless transition to the new framework, Law 16/2025 sets out several transitional provisions, including:

- (a) Existing assignments issued by the Minister of SOEs or relevant technical ministers prior to the enactment of the Law 16/2025 shall remain valid until the end of their respective terms.
- (b) All references to the Minister of SOEs in existing regulations and official documents shall be construed as referring to the Head of BP BUMN.
- (c) Until BP BUMN is formally established and its head appointed, the Ministry of SOEs and the Minister of SOEs will continue to exercise their existing governmental and management functions over SOEs to ensure continuity of governance.

## **Conclusion**

Law 16/2025 marks a major reform of Indonesia's SOEs governance landscape. Through the transformation of the Ministry of SOE into BP BUMN, the law seeks to improve oversight, enhance accountability and align SOEs management with national development priorities. Collectively, these changes reflect a strategic shift toward a more professional and investment-driven SOE ecosystem.

In light of these developments, SOEs should proactively review their governance structures, shareholding compositions and internal policies to ensure compliance with the new legal framework. Particular attention should be given to amendments of articles of association, realignment of approval and reporting processes, and close coordination with BP BUMN and BPI Danantara to clarify certain implementation details that remain unclear.

All and all, Law 16/2025 is expected to strengthen institutional clarity, improve operational efficiency and reinforce the strategic role of SOEs as key drivers of Indonesia's economic and social development. The successful implementation of this reform will depend on effective coordination among regulators, holding entities and individual SOEs to translate the new legal structure into sustainable governance practice.



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