

Research Article

Legal-institutional Prematurity of the National Investment Fund 'Danantara' During the Prabowo Cabinet

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Abstract

This study analyzes the legal and institutional aspects of the establishment of the National Investment Fund 'Danantara' during the early period of Prabowo Subianto's administration. The approach used is juridical-normative with doctrinal content analysis of primary regulations regarding the establishment and governance of Danantara supported by a systematic literature review combined with a comparative mapping of sovereign wealth fund (SWF) practices and the GAPP (Santiago Principles). Evaluation indicators include: legal basis and certainty of status, institutional design and lines of accountability, governance (composition and functions of boards/committees, checks and balances), transparency and auditing, clarity of investment mandates and role separation, risk management including ESG, and control of conflicts of interest. The results indicate three clusters of weaknesses: (i) legal absence of *lex specialis* and clear fiscal ring-fencing; (ii) institutional overlapping authorities of the government, Investment Management Agency, and Danantara, as well as weak independent oversight; and (iii) practice limitations in proactive reporting, the non-operational status of ESG policies, and inadequate conflict of interest regulations. The conclusion emphasizes the prematurity of Danantara as a reliable state investment entity. Recommendations include a legislative roadmap towards *lex specialis*, clarification of mandate demarcation, mandatory periodic public reporting, independent external audits, mainstreaming ESG based on indicators, and strengthening the conflict of interest prevention regime.

Keywords

Prematurity Investment, National Investment Fund Danantara, Management Institution, Accountability, Prabowo's Cabinet

1. Introduction

Sovereign Wealth Funds (SWFs) have become strategic financial instruments for many countries in managing fiscal surpluses and national assets. However, the increasing role of the state through SWFs also raises global concerns regarding

accountability, transparency, and the potential misuse of public funds for geopolitical interests or economic elites, as noted by Chijioke-Oforji, Dixon, Mirakhor, Park & Estrada. In the context of Indonesia, the establishment of the Investment

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Management Agency Danantara in 2025 represents a significant moment, but it also ignites legal debates regarding its status and oversight, especially since this entity manages state wealth outside the framework of the state budget (APBN) and is not subject to traditional oversight regimes such as the Audit Board (BPK) or the House of Representatives (DPR).

A global study on Sovereign Wealth Funds (SWFs) has emphasized the importance of implementing transparent and accountable international governance principles, as outlined in the Santiago Principles. These principles serve as a minimal benchmark to ensure that the management of public funds by the state is not misused for political or personal interests, as stated by Dixon and Stone & Trumn. However, to date, there has been no normative legal study that critically analyzes Danantara as a subject of public institution in Indonesia. Existing literature is generally financial-technocratic in nature and does not explore aspects of legality, public legal accountability, and its position within the Indonesian constitutional system. In fact, Danantara's status as an entity managing state assets raises serious implications for the state financial control system and the constitutionally-based institutional design. This study aims to fill that gap by mapping legal and institutional loopholes in depth and comparing Danantara's structure with global SWF practices based on public law principles and information transparency. The absence of legal studies mapping Danantara's position within the state oversight structure makes this article relevant both academically and in terms of policy.

This paper aims to complement the literature that has so far focused more on the financial and commercial aspects of SWFs by discussing Danantara from a constitutional law and public institutional approach. Specifically, this paper aims to analyze the legal and institutional loopholes inherent in Danantara's structure, examine its legal status as a non-state-owned enterprise managing state assets, and provide legal policy proposals to strengthen accountability and oversight based on the principles of good governance and public information transparency. The importance of this approach is also emphasized by Backer, Bismuth, and O'Brien, who highlight the urgency of public law-based governance of SWFs. Previous studies have focused more on technocratic-fiscal aspects or the efficiency of state finances, without considering the importance of integrating SWFs into the constitutional system of checks and balances, as researched by Raharjo and Darmawan (2021). Thus, this article aims not only to complement the discourse but also to provide direction for the reform of state investment institutional regulations in the future.

This article starts from the hypothesis that Danantara's institution as Indonesia's SWF was formed under legally and institutionally premature conditions. The absence of specific legislation (*lex specialis*), the lack of horizontal checks and balances mechanisms, and non-compliance with public governance principles such as transparency, accountability, and open reporting indicate that Danantara operates within a

normative grey zone or grey legal status. Normatively, entities managing state assets should be subject to fiscal constitutionalism principles and adhere to public law regimes, including oversight by the Audit Board (BPK), the House of Representatives (DPR), and obligations for public transparency, as stated by Farizy et al [1]. However, Danantara's structure tends toward a hybrid institutional model that is more private in its governance but public in its asset sources, as emphasized in the research by Alexius & Furusten [2]. As a result, there is an imbalance between legal legitimacy and management discretion. Therefore, this article examines whether Danantara's institution has violated constitutional governance principles. By comparing Danantara's design with the Santiago Principles framework and SWF practices in other countries, this article concludes that institutional reform and law enforcement based on transparency and public control are urgent needs for the future state financial legal system.

In the early quarter of Prabowo's administration, the government issued Government Regulation No. 10/2025, which regulates the organization and governance of Danantara, followed by a Presidential Decree for the appointment of supervisory and executive organs (Presidential Decree No. 30/2025). However, in terms of GAPP, the obligations for public disclosure and external accountability schemes still require strengthening to be comparable to established SWFs. On the other hand, INA has a two-tier board framework and reporting/audit obligations with publication deadlines, making it an important domestic comparison. This research assesses the degree of Danantara's compliance with national norms, namely Government Regulation No. 10 of 2025 concerning the Organization and Governance of the Daya Anagata Nusantara Investment Management Agency (PP10/2025) and Government Regulation No. 16 of 2025 concerning State Capital Participation of the Republic of Indonesia in the Daya Anagata Nusantara Investment Management Agency (PP16/2025), as well as Law No. 17 of 2003 concerning State Finance (UU 17/2023) and SWF practices (GAPP), and maps the relationship of Danantara's mandate.

2. Literature Review

2.1. Prematurity

In constitutional law and public administration, “prematurity” refers to policies or decisions implemented before fulfilling valid normative, procedural, and institutional prerequisites. Such actions signify the state's failure to establish a legal-formal foundation prior to policy execution, resulting in constitutional illegitimacy and weak public participation [3-5]. Ayuni illustrates that premature recognition of separatist entities without international legal basis intensifies political and legal conflicts [6]. Nationally, judicial practices also reflect this concept when lawsuits are dismissed as premature for bypassing administrative or internal resolution channels. Within a democratic and lawful framework, implementing

policies before establishing adequate legal instruments generates legal uncertainty and violates the principle of due process, thereby undermining the credibility of governance and rule of law [7, 8].

Policies introduced without sufficient legislative legitimacy often attract criticism for bypassing public deliberation and formal ratification. Such practices erode constitutional accountability and risk administrative as well as judicial challenges [9-11]. The launch of the National Investment Fund “Danantara” at the onset of Prabowo’s administration, if executed without firm legislative grounding, exemplifies this legal prematurity. The potential risks extend beyond procedural violations to maladministration, conflicts of interest, and possible judicial review for inconsistency with the 1945 Constitution [12]. Constitutional law scholarship emphasizes that insufficient regulatory readiness, weak institutional design, and lack of transparency in major policies undermine public trust and damage the integrity of state financial governance [13-15].

2.2. National Investment Institutions

Sovereign Wealth Funds (SWFs) are instruments for long-term national wealth management through investment entities with defined governance structures, separating the roles of the state as owner and management as operator. International best practices based on the Santiago Principles (GAPP) emphasize clarity of objectives, legal framework, organizational structure, risk management, public disclosure, and accountability. This standard serves as the analytical lens for assessing Danantara and, comparatively, the Indonesia Investment Authority (INA), which has adopted a two-tier governance framework and undergone external assessment by IFSWF. According to Aggarwal & Goodell, national investment funds are government-led investment mechanisms aimed at supporting public welfare while minimizing foreign intervention [16, 17]. They promote domestic economic circulation and prioritize local prosperity, with private sector involvement as a key success factor. Thus, successful national investment funds require mature management, balanced state private collaboration, and consideration of national cultural values to ensure inclusive and sustainable economic benefits [18].

Empirical evidence from global experiences reinforces this argument Tong & Wan, X. Tong and X. Wan, show that China’s national investment funds have effectively strengthened industrial innovation and technology sectors, significantly improving economic growth and public welfare [19-21]. Similarly, studies by Sládková et al., Nyikos, and Ermasova indicate that European countries such as Germany, Serbia, and Hungary demonstrate progress in implementing national investment funds through robust regulatory preparation and complex management systems. These cases underline that effective national investment fund governance depends on long-term planning, institutional readiness, and transparent

financial oversight [22, 23]. Consequently, the success of SWF practices worldwide reflects the importance of aligning governance design with national priorities and international accountability standards a framework essential for assessing Indonesia’s Danantara within its evolving fiscal and constitutional context.

2.3. Prabowo’s Cabinet

The cabinet in Indonesia is established according to constitutional norms and administrative needs, functioning to assist the president in implementing laws, managing ministries, and formulating policies to promote public welfare. Noor & Wahyuningsih emphasize that an effective cabinet consists of ministers committed to preventing and addressing corruption [24]. Cabinet formation also involves the People’s Representative Council (DPR), which provides political considerations in shaping ministerial composition. According to Amancik et al., the cabinet system, as regulated in the post-amendment 1945 Constitution, operates under a presidential framework strongly influenced by Indonesia’s multi-party structure [25]. This coalition-based arrangement, though complex, is deemed suitable for Indonesia’s multicultural context [26]. Chandranegara & Bakhri further argue that ministerial selection should prioritize competence over political affiliation, a pattern reflected in the cabinets of Susilo Bambang Yudhoyono and Joko Widodo, which included technocrats, professionals, and entrepreneurs alongside party representatives [27-29].

During President Prabowo’s administration, cabinet formation follows a similar hybrid pattern, combining political, professional, and military elements to enhance performance efficiency [30, 31]. Anwar highlights that Prabowo’s leadership demonstrates strong managerial and economic capabilities, particularly in balancing national and international business interests. Within the first 100 days of his presidency, economic development has become a central focus, with initiatives like Danantara introduced as part of the cabinet’s strategic agenda to strengthen Indonesia’s economic resilience and sovereignty [32]. This aligns with the administration’s emphasis on fiscal independence and defense oriented economic policy [33]. However, the long-term effectiveness of Prabowo’s cabinet and programs still requires critical evaluation in terms of institutional performance, governance transparency, and the sustainability of implemented projects.

3. Methods

This research aims to examine the legal status and institutional design of Danantara as an entity managing state wealth outside the state-owned enterprises (BUMN) and the state budget (APBN) system. This study is important because Danantara is an institution established by the state, funded by state assets, yet not explicitly constructed as a public body or BUMN, leading to legal ambiguities that impact accountabil-

ity gaps and public oversight, as noted by Fisher et al [34].

Another reason for selecting this object is the phenomenon of shifting regulations regarding state asset ownership into a corporate framework, which demands an analytical approach from the perspective of constitutional law and public administration. Therefore, the approach used in this research is a juridical-normative method based on doctrinal analysis. Data is collected through literature studies sourced from legislation, government policy documents, and academic studies. All data is systematically analyzed through thematic coding based on public law principles.

The primary focus of this research is directed at the institutional aspects and public accountability of Danantara as a form of national sovereign wealth funds (SWFs) that lacks *lex specialis* regulation. The need for this approach arises from the absence of a standardized legal design that explicitly places Danantara within the system of state control and checks and balances. This underscores the importance of employing a comparative method with international practices, as well articulated by Backer and Truman [35, 36].

This research applies an institutional-comparative analysis model to five global SWFs (NBIM, GIC, Temasek, ADIA, Khazanah) with the Santiago Principles as a reference for evaluation (<https://ifswf.org/assessment/ina-2022>). The analysis technique involves constructing institutional categories from the principles of good governance and constitutional law, which are then compared with international norms.

This study utilizes primary legal sources such as the 1945 Constitution, Law No. 17 of 2003 on State Finance (State Finance Law), Law No. 1 of 2025 on the Third Amendment to Law No. 19 of 2003 on State-Owned Enterprises (BUMN Law 2025), and Government Regulation No. 74 of 2020 on the Investment Management Agency (PP LPI), as well as Government Regulation No. 16 of 2025 on the Management Agency for State Capital Investment in the Daya Anagata Nusantara Investment Management Agency (PP Danantara) to frame the legality of Danantara.

The need for these sources is based on the fact that Danantara operates within the realm of state wealth management [2, 37]. To strengthen the analysis, academic journals and reports from international institutions are also used as secondary data, allowing for a triangulated argumentation framework. All documents are classified based on normative functions and analyzed thematically.

The data collection procedure is conducted through systematic literature searches with a selection strategy based on the quality of sources, novelty, and relevance to public law themes. This strategy is crucial considering that the discourse on SWFs in Indonesia remains technocratic and has not yet moved towards institutional legal criticism. Sources are ob-

tained from databases such as Scopus, Google Scholar, and Consensus App, using specific keywords. The documents obtained are coded into an institutional matrix for structural analysis.

The analysis process employs a doctrinal approach based on fiscal constitutionalism and the principle of the rule of law. This approach is chosen because SWFs like Danantara fall within the realm of public law, not private law [38]. The analysis is conducted in three stages: first, verification of Danantara's legal status; second, evaluation of legality and accountability principles; and third, comparison with international SWF models, as articulated by Raharjo et al. [39] The results of the analysis are transformed into responsive legal regulatory recommendations based on constitutional governance principles.

Normative evaluation maps the provisions of PP 10/2025, PP 16/2025, PP 74/2020, PP 73/2020 (INA), and Law 17/2003 against relevant GAPP items, namely: (i) objectives/legal framework; (ii) separation of state-management roles/organizational structure; (iii) reporting, auditing, and publication deadlines; (iv) conflict of interest policies; and (v) degree of disclosure (ESG). The results of the mapping for each indicator are presented in the Results section and summarized in a comparison table.

4. Results

4.1. Legal-weaknessess

Table 1 illustrates the legal weaknesses related to the regulation of the Investment Management Institution (LPI) in Indonesia. There are normative gaps, regulatory controversies, and the absence of specific laws that technically regulate it, unlike other countries that have clearer and more structured legal foundations.

The establishment of the Investment Management Institution (LPI) still faces several fundamental legal weaknesses. Officially, the legal basis for LPI is only regulated through Government Regulation No. 74 of 2020 as a derivative of the Job Creation Law No. 11 of 2020. However, the Job Creation Law has been revoked and replaced by Law No. 6 of 2023 through a Government Regulation in Lieu of Law (Perppu). The existence of LPI still relies on the articles within the Perppu and Government Regulation, rather than on a specific law that explicitly regulates this institution comprehensively. This condition results in the legal legitimacy of LPI being relatively weak and potentially creates legal uncertainty.

Table 1. Legal Weaknesses.

Dimension	Legal Basis / Explanation	Weaknesses	Implications - Legal Consequences
Legal status	LPI: PP 74/2020 BPI: UU BUMN 2025	Ambiguity: not a state-owned enterprise, not purely private	Oversight gap
Lex specialis	There is no law that specifically regulates BPI, unlike NBIM (Constitution) or GIC (Companies Act).	No specific law (only regulated by government regulations and mentioned briefly in the law)	Weak legal hierarchy and institutional legitimacy
Management of state assets	PP 74/2020: "separated state assets"	Funded by state assets but with separate wealth (non-state budget)	At risk of not being supervised by State Financial Law
Public information	Public entities excluded → the public cannot access portfolios, financial statements, or investment data	Not subject to Law No. 14/2008 on Public Information Disclosure	Not accountable to the public

Source: The table is created based on the provisions set forth in Government Regulation No. 74/2020 and the State-Owned Enterprises Law 2025.

Table 1 above shows that the regulation of LPI is still limited to Government Regulations, making its legal foundation less robust and sustainable. Additionally, the regulation of LPI overlaps with state-owned enterprise regulations, causing confusion regarding its status and authority. The technical regulations in the financial sector provided by the Law on the Development and Strengthening of the Financial Sector have not fully accommodated the comprehensive regulatory needs of LPI. Compared to international practices, state investment institutions in Indonesia lack a specific legal framework that provides certainty and clear governance, unlike NBIM in Norway or GIC in Singapore, which operate under constitutional or Companies Act legal foundations. This condition

indicates the need for strengthening and restructuring regulations so that LPI can function effectively and legally.

4.2. Weaknesses of the Supervisory Structure

Table 2 illustrates the weaknesses of the institutional structure of Danantara. On one hand, it is considered an investment entity that is a legal entity under Indonesian law and funded by the state; however, on the other hand, it is not classified as a state-owned enterprise (BUMN) as recognized in Government Regulation 70/2020 and the State-Owned Enterprises Law. Its existence is that of a quasi-public entity.

Table 2. Supervisory Structure.

Dimension	Legal Basis / Explanation	Weaknesses	Legal Implications / Consequences
Institutional design	Report only to the President (PP 74/2020); does not involve BPK/DPR/KPK	Not connected to the state control system	Potential moral hazard
Supervision mechanism	Not explicitly regulated in the law; unlike NBIM/GIC	Without independent oversight bodies and public checks and balances	Weak accountability and public transparency
International standards	Not a member of IFSWF; no regular portfolio publications	Not adopting Santiago's principles	Weak global legitimacy and transparency
UU P2SK	Law No. 4 of 2023 does not explicitly mention INA as a subject of supervision.	Does not explicitly mention INA	Weak sectoral supervision by the OJK

Source: The table was created by the researchers based on Government Regulation No. 74/2020, the State-Owned Enterprises Law 2025, Law No. 4/2023, IFSWF.

The financial regime of the state that was in effect before the enactment of the State-Owned Enterprises Law 2025 placed all business entities formed and/or funded by the state budget under the supervision and examination of the Audit Board of Indonesia (BPK) and the House of Representatives (DPR). The enactment of the State-Owned Enterprises Law 2025 changed the direction whereby state-owned enterprises (SOEs) were required to be monitored and audited regarding their budget usage; however, Danantara is not subject to regular state audits. The BPK can only conduct examinations if required by the DPR. Why does this occur despite the fact that Danantara was established and funded from state assets with the task of managing state wealth? This is because, regulatory-wise, Danantara is not considered a state-owned enterprise.

Table 2 presents several weaknesses in the institutional structure of Danantara. First, although recognized as a legal entity in Indonesia with state capital and playing a strategic role in the SOE ecosystem, Danantara does not formally fall under the classification of SOEs, as emphasized in Article 4 Paragraph (2) of Government Regulation 74/2020 and Article 1 point 8a of the State-Owned Enterprises Law. Second, the assets managed by Danantara are not included in the management of state finances (APBN), which underscores its status as

a semi-public institution with unique characteristics, namely state-created and state-owned but not an operational state entity. Third, this condition contrasts with international practices, where state investment institutions such as Singapore's GIC or Norway's NBIM have clear legal status, for example, as trust units or parts of the central bank. This indicates that the institutional structure of Danantara still needs clarification to avoid uncertainty and strengthen its management legitimacy.

4.3. Weaknesses in Practice (Public Transparency)

Table 3 summarizes the fundamental weaknesses of Danantara in two global normative aspects, namely the implementation of the Santiago Principles and the integration of Environmental, Social, and Governance (ESG) Principles. These two indicators are widely accepted as minimum standards for governance and sustainable investment by the international community. This table aims to illustrate the extent to which Danantara's regulations fail to accommodate these global principles, as well as their impact on international legitimacy and the sustainability of Indonesia's fiscal policy.

Table 3. Weaknesses in Governance.

Dimension	Legal Basis / Explanation	Weakness	Legal Implications / Consequences
Penerapan San-tiago Principles	There is no explicit commitment in Danantara regulations to GAPPs (Generally Accepted Principles and Practices).	Not adopting global SWF governance standards	Weak international legitimacy and potential resistance from the target country for investment
Application of ESG Principles	No explicit reference to ESG was found in PP 74/2020 or the 2025 State-Owned Enterprises Law.	Investments are not required to consider environmental and social sustainability.	Potential conflict with the green finance and sustainable development agenda

Source: International Forum of Sovereign Wealth Funds (IFSWF).

Table 3 presents two main weaknesses in the standards of international governance that have not been integrated into the legal framework of Danantara, namely the non-implementation of the Santiago Principles and the exclusion of Environmental, Social, and Governance (ESG) principles in the regulations. These two principles serve as global references for the accountable, sustainable management of sovereign wealth funds with international legitimacy. The absence of an explicit commitment to these principles in Government Regulation No. 74/2020 and the State-Owned Enterprises Law of 2025 indicates that Danantara's regulations are not aligned with global governance norms, leading to vulnerabilities in transparency, global legitimacy, and potential resistance to non-sustainable investments. There is no regulatory commitment to the Santiago Principles. To date, there are no explicit clauses in Gov-

ernment Regulation No. 74/2020 or the State-Owned Enterprises Law of 2025 that express Danantara's commitment to the Generally Accepted Principles and Practices (GAPPs) as formulated by the International Forum of Sovereign Wealth Funds (IFSWF). This absence indicates that Danantara lacks a verifiable international governance reference, thereby weakening the trust of partner countries in investment.

Weak International Legitimacy. By not adopting the Santiago Principles, Danantara may face resistance from investment destination countries that regard these principles as standards for accepting foreign state investments. This contrasts with sovereign wealth funds such as NBIM or ADIA, which actively demonstrate openness and periodic reporting as a form of global legitimacy. Failure to integrate ESG into the regulatory framework. Danantara's regulations in Government Regulation

No. 74/2020 and the State-Owned Enterprises Law of 2025 also do not include ESG principles, even though the global investment trend is shifting towards green finance and sustainable development. Without explicit legal foundations or internal policies, Danantara risks positioning itself in conflict with international sustainability principles. The risk of conflict with the Sustainable Development Goals (SDGs) agenda. The absence of ESG principles not only weakens Danantara's legal standing in the eyes of international partners but may also reduce Indonesia's commitment to the Sustainable Development Goals (SDGs) agenda, particularly regarding sustainable finance and responsible resource management.

5. Discussion

The establishment of Indonesian sovereign investment entities LPI in 2020 and Danantara in 2025 illustrates the government's ambition to strengthen fiscal capacity and attract long-term investment. Yet, the institutional architecture governing these entities reveals deeper constitutional and governance tensions that extend beyond the descriptive weakness identified in the findings. Rather than a technical design issue, the Indonesian model reflects a structural misalignment between the normative foundations of public finance and the institutional form chosen for these funds. Unlike sovereign wealth funds (SWFs) in jurisdictions with established legal traditions, Indonesia's current configuration positions Danantara as a quasi-public body with an ambiguous public-law status, raising significant questions about its location within the state's fiscal order.

A key insight emerging from this analysis is that the absence of a primary legislative foundation is not merely an administrative deficiency but a constitutional deviation. The principle of legality central to Indonesia's rule-of-law framework requires that institutions managing state assets derive their authority from formal legislation. International scholarship similarly underscores that SWFs must be embedded within robust statutory mandates to ensure predictability, insulation from political cycles, and adherence to democratic oversight [40, 41]. In this light, Danantara's establishment through executive regulation represents an institutional shortcut that weakens both its fiscal credibility and constitutional legitimacy. This divergence from Articles 1(3) and 23C of the 1945 Constitution demonstrates that Indonesia's sovereign fund architecture is developing without the legal coherence observed in mature SWF systems.

The governance issues surrounding accountability and transparency further underscore this constitutional misalignment. Rather than focusing on repeated procedural deficiencies, what matters analytically is their broader implication: Danantara operates within a governance vacuum where the absence of statutory oversight mechanisms creates structural incentives for opacity and political intervention. In global practice, SWFs such as Norway's NBIM or Singapore's GIC mitigate these risks through parliamentary oversight, mandatory disclosure frameworks, and independent audits mecha-

nisms that enable public scrutiny while sustaining international credibility. Indonesia's departure from these norms signals a deeper institutional fragility, where the boundary between public and executive authority remains insufficiently defined.

This study situates these findings within the broader literature, which has consistently characterized Indonesia's sovereign investment entities as legally underdeveloped and institutionally premature [38, 39, 42]. However, the present analysis extends prior scholarship by offering a constitutional-institutional explanation for these persistent weaknesses. Previous studies largely identify governance deficits; this study explains why they persist namely, because the institutional design is not anchored in a coherent public-law framework or aligned with global governance standards such as the Santiago Principles or ESG norms. This theoretical contribution clarifies that Indonesia's challenge is not simply regulatory incompleteness but foundational inconsistency between public-law requirements and the hybrid status assigned to Danantara.

Framing Danantara as a quasi-sovereign fund without a clear legal identity also generates practical consequences for long-term fiscal governance. Without statutory embedding and transparent oversight, Indonesia risks creating an investment vehicle that is vulnerable to executive dominance, lacks international legitimacy, and remains misaligned with contemporary expectations for responsible sovereign asset management. Comparative evidence suggests that institutional stability, legal clarity, and explicit adherence to global governance principles are prerequisites for SWFs seeking credibility in international markets and for ensuring domestic fiscal discipline [43, 44]. Indonesia's current trajectory thus raises concerns about institutional sustainability unless comprehensive legal reform is undertaken.

Overall, this study contributes by demonstrating that Indonesia's sovereign fund governance issues cannot be addressed solely through technical adjustments or internal policy reforms. They require constitutional alignment, statutory reconstruction, and adherence to global governance benchmarks. By integrating doctrinal constitutional analysis with international SWF standards, the discussion provides a framework for understanding the structural roots of Danantara's institutional fragility and highlights the urgent need for a legally grounded and globally consistent sovereign wealth governance model.

6. Conclusions

This study finds that Danantara exhibits symptoms of a legal-structural vacuum within Indonesia's constitutional system. Although established through a constitutional mandate and funded by separated state assets, Danantara is not bound by the state budget (APBN) mechanism, does not fall under the BUMN category, and is not subject to oversight from DPR, BPK, or KPK. This institutional ambiguity creates a governance gap that weakens control and accountability mechanisms while increasing the potential for conflicts of interest. Danantara's framework does not yet embody key principles of fiscal constitutionalism legality, public accountability, and

transparency rendering its current institutional design normatively fragile. Hence, while Danantara carries a strategic mission to manage national wealth, its legal and constitutional legitimacy remains uncertain due to insufficient oversight and a lack of clear institutional boundaries within the state financial governance structure.

The research contributes both theoretically and practically to constitutional and administrative law by critically examining the hybrid fiscal institution created by the state. Using a juridical-normative approach combined with public institutional theory and fiscal constitutionalism, it evaluates Danantara against international sovereign wealth fund models such as NBIM, GIC, Temasek, ADIA, and Khazanah Nasional. This comparison highlights INA's legal and structural weaknesses and provides a framework for reforming its governance to align with global transparency and accountability standards. However, the study's limitation lies in its reliance on secondary legal literature, lacking empirical verification or field data. Future research using mixed methods is needed to explore Danantara's real governance practices, political dynamics, and public perceptions, thereby offering a more comprehensive understanding of its role in managing Indonesia's state wealth.

Abbreviations

ADIA	Abu Dhabi Investment Authority
APBN	Anggaran Pendapatan dan Belanja Negara (State Budget)
BPK	Badan Pemeriksa Keuangan (Audit Board of Indonesia)
BUMN	Badan Usaha Milik Negara (State-Owned Enterprises)
DPR	Dewan Perwakilan Rakyat (House of Representatives)
ESG	Environmental, Social, and Governance
GAPP	Generally Accepted Principles and Practices
GIC	Government of Singapore Investment Corporation
IFSWF	International Forum of Sovereign Wealth Funds
INA	Indonesia Investment Authority
KPK	Komisi Pemberantasan Korupsi (Corruption Eradication Commission)
LPI	Lembaga Pengelola Investasi (Investment Management Institution)
NBIM	Norges Bank Investment Management
SDGs	Sustainable Development Goals
SOE	State-Owned Enterprises
SWF	Sovereign Wealth Fund

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Meysella Al Firdha Hanim: Data curation, Resources, Software, Validation, Visualization

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Conflicts of Interest

The authors declare no conflicts of interest.

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