

## PRIVATIZATION OF STATE-OWNED ENTERPRISES: A COMPARATIVE STUDY OF INDONESIA AND THE NETHERLANDS

### PRIVATIZAÇÃO DAS EMPRESAS ESTATAIS: UM ESTUDO COMPARADO ENTRE INDONÉSIA E PAÍSES BAIXOS

Article received on: 10/23/2025

Article accepted on: 1/23/2026

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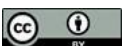
The authors declare that there is no conflict of interest

#### Abstract

This article examines the privatization of state-owned enterprises (SOEs) through a comparative study of Indonesia and the Netherlands. It addresses inefficiencies in Indonesian SOEs, reflected in concentrated dividend contributions, recurring losses, and strong state intervention in corporate decision-making. The study compares how both countries structure the relationship between the state and SOEs to identify governance models that may enhance efficiency in Indonesia. Using a law-in-context method and historical approach, the research analyzes statutory frameworks, institutional arrangements, and political developments shaping SOE governance. Through macro-comparative analysis, it evaluates how legal design affects managerial autonomy and accountability. The findings show that Indonesia maintains a dominant state role, treating SOEs as both business entities and public policy instruments. This dual function limits corporate autonomy and creates legal uncertainty regarding the responsibility of company organs. In contrast, the Netherlands positions the state primarily as

#### Resumo

*Este artigo examina a privatização de empresas estatais (SOEs) através de um estudo comparativo entre a Indonésia e os Países Baixos. Aborda as ineficiências nas SOEs indonésias, refletidas em contribuições concentradas de dividendos, perdas recorrentes e forte intervenção estatal na tomada de decisões corporativas. O estudo compara como ambos os países estruturam a relação entre o Estado e as SOEs para identificar modelos de governança que possam aumentar a eficiência na Indonésia. Utilizando um método de análise contextual da legislação e uma abordagem histórica, a investigação analisa os quadros legais, os acordos institucionais e os desenvolvimentos políticos que moldam a governação das ES. Através de uma análise macrocomparativa, avalia como a conceção jurídica afeta a autonomia e a responsabilização da gestão. As conclusões mostram que a Indonésia mantém um papel estatal dominante, tratando as ES tanto como entidades empresariais como instrumentos de política pública. Esta dupla função limita a autonomia*



shareholder, subjecting SOEs to general corporate law and market discipline. The article concludes that governance philosophy influences performance outcomes and recommends strengthening corporate autonomy, clarifying the separation between public finance and corporate assets, and consistently applying corporate law principles to improve efficiency and accountability.

**Keywords:** State-Owned Enterprises. Privatization. Corporate Governance. Comparative Law.

*empresarial e cria incerteza jurídica quanto à responsabilidade dos órgãos da empresa. Em contrapartida, os Países Baixos posicionam o Estado principalmente como acionista, sujeitando as empresas públicas ao direito societário geral e à disciplina do mercado. O artigo conclui que a filosofia de governança influencia os resultados de desempenho e recomenda o fortalecimento da autonomia corporativa, o esclarecimento da separação entre finanças públicas e ativos corporativos e a aplicação consistente dos princípios do direito societário para melhorar a eficiência e a responsabilidade.*

**Palavras-chave:** Empresas públicas. Privatização. Governança corporativa. Direito comparado.

## 1 INTRODUCTION

Indonesian State-Owned Enterprises (SOEs) have attracted public attention due to their perceived inefficiency, which is reflected in resource waste, corruption practices, and low profitability (APRILINA, 2013). On 15 August 2025, Dony Oskaria, Chairman of the Daya Anagata Nusantara Investment Management Agency, stated that 97% of the Indonesian SOE dividends were generated by only eight companies, while 52% of the Indonesian SOEs recorded losses. These losses, both direct and indirect, resulted from managerial inefficiency and amounted to approximately fifty trillion rupiah per year. He further explained that the government plans to address these inefficiencies through mergers among SOEs, intra-SOE acquisitions, and the separation of business units (OSWALDO, 2025).

The poor performance of Indonesian SOEs cannot be separated from strong state influence (LANDONI, 2018). The governance structure of SOEs in Indonesia demonstrates substantial state control in determining policy direction (TRIHATMOKO; SUSILO, 2023). As corporations, Indonesian SOEs are not fully subject to general company law in the same manner as private corporations (INDRAWATI, 2020). The state retains authority over the appointment and dismissal of members of corporate organs within SOEs (APRILYANTI, 2023). Moreover, although SOE capital originates from separated state assets through direct capital participation, it continues to be viewed within

the framework of the state financial system. This regulatory construction has led to the conception that any loss incurred by an SOE may be regarded as a state financial loss, potentially associated with corruption offenses (SUTEDI, 2010).

Empirical observations suggest that state ownership may have a positive impact on SOE profitability when the ownership share is limited, but may produce negative effects when state ownership becomes dominant (LE; CHIZEMA, 2011). The experience of the Netherlands prior to the 1980s reflects a governance pattern similar to that of Indonesia, particularly in terms of direct state involvement in SOE management (TIDEMAN; TIDEMAN, 1950). However, the Dutch government subsequently promoted privatization as a reform strategy aimed at enhancing efficiency, reducing the fiscal burden on the state, and aligning public sector management with market dynamics (THIEL *et al.*, 2020). In this context, privatization was understood as the transfer of ownership or control from the state to private investors, resulting in the reallocation of assets and decision-making authority to market mechanisms (VAN DE WALLE, 1989).

Initially, public utility companies in the Netherlands were managed by state-owned enterprises over a long period, with directors holding civil servant status. All business policies, including pricing and labor policies, were determined by boards operating under government influence (TIDEMAN; TIDEMAN, 1950). In 1985, the Dutch government issued a policy memorandum stipulating that state enterprises would be transferred to the market unless compelling public interest considerations justified continued state ownership (THIEL *et al.*, 2020). Thereafter, SOEs and their corporate organs became fully subject to general company law, similar to private corporations (ALGEMENE REKENKAMER, 2015). This policy shift gradually repositioned SOEs toward a more market-oriented management model, which in subsequent years led to improvements in efficiency and service quality across several sectors (SZARZEC *et al.*, 2021).

The above discussion reveals a fundamental difference between Indonesia and the Netherlands in managing SOEs, particularly in how the state positions itself in relation to corporate operations and how it responds to inefficiency. This research aims to compare SOE governance patterns in both countries by examining the relationship between the state and SOEs under each model. Through this comparison, the study seeks to identify a governance framework that may support greater efficiency in the Indonesian context.

Lessons drawn from the Dutch experience are expected to offer alternative solutions for reforming SOE governance in Indonesia.

## 2 PROBLEM STATEMENT

Indonesian State-Owned Enterprises (SOEs) continue to experience structural inefficiency despite successive legal and institutional reforms. The dominant role of the state in appointing corporate organs, directing strategic policies, and linking SOE assets to the state financial system creates a hybrid governance framework in which public law and corporate law intersect. This overlap generates legal ambiguity, limits managerial autonomy, and raises concerns regarding corporate accountability and performance.

This research therefore focuses on two core issues. First, it examines the differences between Indonesia and the Netherlands in structuring the legal and institutional relationship between the state and SOEs. Second, it analyzes the extent to which these differing governance models influence efficiency and accountability, particularly in light of the Dutch shift toward a market-oriented approach and Indonesia's continued reliance on strong state control.

## 3 METHODS

This research employs a *law-in-context method* to conduct a comparative analysis of State-Owned Enterprise (SOE) governance in Indonesia and the Netherlands. Rather than limiting the study to a doctrinal examination of statutory provisions, the law-in-context approach situates legal norms within their broader institutional, political, and economic environments (VAN HOECKE, 2015). Accordingly, this research analyzes not only the formal legal framework governing SOEs but also the institutional arrangements and political dynamics that influence how those rules operate in practice. By integrating legal analysis with contextual factors, the study seeks to understand how governance structures function beyond their textual formulation.

Although Indonesia and the Netherlands apply different models of SOE governance, the two jurisdictions remain comparable because their respective legal and institutional frameworks aim to address a similar structural concern, namely inefficiency

in state-owned enterprises. The comparison therefore does not rest on formal similarity alone, but on functional equivalence. Both systems attempt to reconcile public interest objectives with corporate performance, yet they adopt distinct approaches in defining the role of the state within the enterprise. This functional commonality provides a valid basis for comparative inquiry.

In addition, the research applies a *historical method*, which constitutes an integral component of the *law-in-context approach* (VAN HOECKE, 2015). The historical analysis traces the evolution of SOE governance in both countries in order to identify how past political choices, economic crises, and ideological orientations have shaped present institutional arrangements. As Indonesia inherited elements of the Dutch legal tradition, both countries initially exhibited comparable governance characteristics (HARDING, 2002). However, beginning in the mid-1980s, the Netherlands shifted toward a market-oriented framework, while Indonesia retained a model characterized by strong state dominance. Examining this divergence allows the study to explore how differing policy trajectories produce distinct governance outcomes.

Finally, the research adopts a *macro-comparison of legal organizations* to assess the structural design of SOE governance in both jurisdictions. This approach focuses on institutional configuration, allocation of authority, and the distribution of responsibility among corporate organs and state actors. Through this macro-level comparison, the study identifies institutional elements that contribute either to efficiency and accountability or to structural inefficiency. The analysis also provides a foundation for drawing relevant lessons that may inform future reform of SOE governance in Indonesia.

## **4 THE RELATIONSHIP BETWEEN THE STATE AND SOEs IN INDONESIA**

### **4.1 Historical development**

The existence of State-Owned Enterprises (SOEs) in Indonesia can be traced back to the Dutch colonial period, particularly to the era of the *Vereenigde Oostindische Compagnie* (VOC) (APRILIYANTI; KRISTIANSSEN, 2019). Established in 1602, the VOC was formed as a trading company endowed with monopoly rights over commerce in Asia (WIBOWO, 2025). Over time, it grew into the largest commercial enterprise of

its era. However, despite its early success, the VOC experienced a profound decline brought about by entrenched corruption, financial mismanagement, and the heavy costs of prolonged military engagements (UNOKI, 2012). In Dutch historical literature, the acronym VOC is often interpreted satirically as *vergaan onder corruptive* (“perished because of corruption”), a phrase that vividly captures the company’s internal decay in the years preceding its bankruptcy (QUAH, 2011). Following its dissolution in 1799, the VOC’s assets and operational structures were assumed by the Dutch state and reorganized into state enterprises that supported the colonial administration, particularly in infrastructure, finance, and other economic activities essential to imperial governance (APRILIYANTI; KRISTIENSEN, 2019).

After more than three centuries under Dutch rule, Indonesia entered the period of the National Revolution, spanning from the Proclamation of Independence on 17 August 1945 to the formal recognition of sovereignty by the Netherlands on 27 December 1949 (VAN KLINKEN, 2023). A significant policy development occurred in 1957 when President Sukarno appointed Djuanda Kartawidjaja as Prime Minister to lead the *Karya* Cabinet (THUY, 2019). During this period, the government adopted a policy of nationalizing Dutch-owned enterprises, which were perceived as enduring symbols of colonial domination and as incompatible with the political and economic aspirations of a newly independent state (WARDOJO *et al.*, 2021).

During the presidency of Soeharto, the management of SOEs was shaped by a political power structure that positioned Army officers, *Golongan Karya*, and the state bureaucracy as the principal pillars of governance (SUNGKAR, 2008). Although SOEs were initially conceived as economic actors tasked with generating profits to finance national development and expand employment opportunities, they gradually evolved into institutions resembling government bureaucracies. Rather than functioning as performance-oriented business entities, many SOEs operated as extensions of political authority, reflecting the priorities of the ruling establishment (RAKHMAN, 2018).

Following the 1998 monetary crisis and the onset of the *Reformasi* (Reformation) era, Indonesia undertook economic liberalization under the guidance and pressure of the International Monetary Fund and the World Bank (ASTAMI *et al.*, 2010). Subsidies to SOEs were reduced, several SOEs were listed on the stock exchange, and a number of companies demonstrated measurable improvements in performance (ASTAMI *et al.*,

2010). Nevertheless, these liberalization efforts did not produce comprehensive structural reform (CARNEY; HAMILTON-HART, 2015). In 2001, the government established the Ministry of State-Owned Enterprises, which acted as the state's representative shareholder in making strategic decisions. At the same time, Commission VI of the House of Representatives (*Dewan Perwakilan Rakyat*, DPR) was granted authority to exercise oversight and supervision over SOEs (APRILIYANTI; KRISTIANSSEN, 2019).

Over the two decades following the beginning of the *Reformasi* period, the trajectory of Indonesian SOEs has been characterized by uneven consolidation and persistent governance challenges. On 15 August 2025, Dony Oskaria, Chairman of the Daya Anagata Nusantara Investment Management Agency, stated that 97% of the Indonesian SOE dividends were generated by only eight companies. He further noted that 52% of the Indonesian SOEs were operating at a loss, attributable to managerial weaknesses and operational inefficiencies. These losses amounted to approximately fifty trillion rupiah per year, serving as a clear indication that governance reforms have yet to achieve their intended effectiveness. Dony Oskaria also conveyed that the government plans to address these inefficiencies through mergers among SOEs, intra-SOE business acquisitions, and the separation of SOE business units (OSWALDO, 2025).

## 4.2 State involvement

Since the 1950s, the governance and institutional structure of Indonesian State-Owned Enterprises (SOEs) have been profoundly shaped by the ideas of *history-minded nationalists* (LINDBLAD, 2011). Policymakers regarded SOEs as a concrete embodiment of Article 33 of the 1945 Constitution of the Republic of Indonesia (*Undang-undang Dasar Negara Republik Indonesia 1945*, UUD NRI 1945), which positions state-controlled resources as instruments to achieve the greatest prosperity of the people (BERLIANTY, 2018). Within this constitutional vision, SOEs were conceived not merely as state-owned companies, but as strategic tools of national development entrusted with implementing government programs and contributing revenue to the state (RASYID *et al.*, 2023).

This ideological foundation placed the state at the center of SOE governance from the outset. The state was not only the owner, but also the primary determinant of policy

direction, managerial structure, and operational priorities (WICAKSONO, 2008). As a result, the governance architecture of Indonesian SOEs developed with a pronounced pattern of state dominance that has persisted, albeit in evolving forms, across successive legal regimes.

The first comprehensive national regulation governing SOEs was Government Regulation in Lieu of Law No. 19 of 1960 concerning State Enterprises (*Perpu 19/1960*). This regulation formalized the state's position as the sole controlling authority over state enterprises. Article 1 of *Perpu 19/1960* defined a state enterprise as any enterprise in whatever form whose capital entirely constituted assets of the Republic of Indonesia. Articles 6(1) and 6(2) further stipulated that the capital of state enterprises derived from separated state assets and was not divided into shares, reinforcing the conception that these enterprises were not share-based corporations in the ordinary commercial sense. Moreover, Articles 7(1) and 7(2) provided that state enterprises were led by directors appointed and dismissed directly by the government.

These provisions clearly institutionalized full governmental control over ownership, capital structure, and managerial appointments. The absence of share division reinforced the notion that state enterprises functioned as administrative extensions of the government rather than as autonomous corporate entities governed by market mechanisms.

During the presidency of Soeharto, the government enacted Law No. 9 of 1969 concerning the Stipulation of Government Regulation in Lieu of Law No. 1 of 1969 on the Forms of State Enterprises into Law (*UU 9/1969*). Article 1 of *UU 9/1969* classified state enterprises into three forms: (1) *Perusahaan Jawatan (Perjan)*; (2) *Perusahaan Umum (Perum)*; and (3) *Perusahaan Perseroan (Persero)*. Pursuant to Article 2 of *UU 9/1969*, *Perjan* was subject to the *Indonesische Bedrijvenwet*, *Perum* was governed by *Perpu 19/1960*, and *PERSERO* was subject to the provisions of company law as regulated in the Commercial Code (*Kitab Undang-undang Hukum Dagang, KUHD*).

Under Article 44 of the KUHD, the corporate organs of a *PERSERO* consisted of the General Meeting of Shareholders (*Rapat Umum Pemegang Saham, RUPS*), the Board of Directors, and the Board of Commissioners. This structure introduced a corporate governance model resembling private limited liability companies. Nevertheless, Article 3(1) of *UU 9/1969* reaffirmed that state participation in a *Persero* constituted separated

state assets. Thus, even where corporate law mechanisms were adopted, the fundamental ownership and control paradigm remained anchored in state authority.

The Reformasi era marked a new phase of institutional restructuring. In 2001, the government established the Ministry of State-Owned Enterprises and subsequently enacted Law No. 19 of 2003 concerning State-Owned Enterprises (*UU BUMN 2003*), which consolidated and modernized the legal framework. Article 1(1) in conjunction with Article 4(1) defines SOEs as business entities wholly or predominantly owned by the state through direct participation derived from separated state assets. Article 9 confirms that SOEs consist of two forms: *Persero* and *Perum*.

Article 13 of *UU BUMN 2003* provides that the organs of a *Persero* comprise the General Meeting of Shareholders (*Rapat Umum Pemegang Saham*, RUPS), the Board of Directors, and the Board of Commissioners. The Board of Directors is the organ responsible for managing the SOE in accordance with its interests and objectives and represents the company both in and out of court (Article 1(9) *UU BUMN 2003*). The Board of Commissioners is tasked with supervising and advising the Board of Directors in the management of the *Persero* (Article 1(7) *UU BUMN 2003*). The RUPS is the highest organ of the *Persero* and holds all authority not delegated to the Board of Directors or the Board of Commissioners (Article 1(13) *UU BUMN 2003*).

At first glance, this structure suggests a conventional corporate governance model. However, Articles 15(1) and 27(1) of *UU BUMN 2003* stipulate that the appointment and dismissal of Directors and Commissioners of a *Persero* are conducted by the RUPS. Crucially, Articles 15(2) and 27(2) provide that when the Minister of SOEs acts as the RUPS, these appointments and dismissals are determined by the Minister. In practice, therefore, the state – acting through the Minister – retains decisive authority over the composition of corporate organs, ensuring continued executive influence over *Persero* companies.

A similar pattern is evident in the governance of *Perum*. Article 37 of *UU BUMN 2003* stipulates that the organs of a *Perum* consist of the Minister of SOEs, the Board of Directors, and the Supervisory Board. The Supervisory Board, defined in Article 1(8), is responsible for supervising and advising the Directors. Articles 44 and 56 further provide that both Directors and Supervisory Board members are appointed and dismissed by the

Minister. Accordingly, even under the reformed legal framework, state authority remains deeply embedded in the leadership structure of SOEs.

Notwithstanding this strong state role, *UU BUMN 2003* introduced the concept of privatization. Article 1(12) in conjunction with Article 78 defines privatization as the sale of Persero shares to other parties, either partially or entirely, with the objective of enhancing performance and increasing corporate value. However, this formulation does not equate privatization with relinquishing state control to the extent that SOEs become subject to market discipline on equal footing with private corporations (BOYCKO *et al.*, 1996). Rather, privatization is framed as a managerial and financial strategy. In practice, large-scale privatization that would fundamentally alter the state's controlling position did not occur in the post-*Reformasi* period (SHIDARTA; HUIS, 2020).

Subsequent amendments further illustrate the tension between corporatization and continued state dominance. In 2020, *UU BUMN 2003* was amended by Law No. 11 of 2020 on Job Creation (*UU 11/2020*), which was later declared unconstitutional by the Constitutional Court (SANDERS *et al.*, 2024). The relevant provisions were subsequently revised through *Law No. 6 of 2023*. Under the amended Article 66, the central government may assign special tasks to SOEs in the implementation of public service functions as well as national research and innovation. Such assignments may be granted through RUPS approval or directly by ministerial decision. As a result, these assignments can bypass the full operation of corporate mechanisms in the strict sense, reaffirming the state's capacity to direct SOEs for policy purposes beyond purely commercial considerations.

A further transformation occurred in 2025 with the enactment of Law No. 1 of 2025 (*UU 1/2025*). Article 4A(5) clarifies that state capital invested in SOEs becomes the property and responsibility of the SOE itself, and is no longer classified as part of state assets. Article 4B adds that profits and losses incurred by SOEs are the profits and losses of the SOEs themselves. Moreover, Article 9G stipulates that members of the Boards of Directors, Commissioners, and Supervisory Boards are not categorized as state officials. These provisions appear to strengthen the corporate identity of SOEs and to delineate more clearly the boundary between state finances and corporate assets.

Yet, in parallel, *UU 1/2025* consolidates executive authority. Article 3A(1) stipulates that the President, as Head of Government, holds authority over SOE

management as part of the state's financial governance. Article 3B assigns the Minister of SOEs responsibility for policy formulation, regulation, coordination, guidance, and supervision. The law also establishes the Daya Anagata Nusantara Investment Management Agency, which, under Articles 3E(1) and 3F(1), is entrusted with managing SOEs. Thus, while corporate distinctions are strengthened, institutional control remains concentrated at the executive level.

Eight months later, Law No. 16 of 2025 (UU 16/2025) introduced further amendments. Enacted on 6 October 2025, shortly after public acknowledgment of substantial SOE inefficiencies (OSWALDO, 2025), this law may be viewed as a direct response to governance and performance concerns. UU 16/2025 dissolved the Ministry of SOEs and replaced it with the State-Owned Enterprise Regulatory Agency (BP BUMN), defined in Article 1(21) as the government institution responsible for SOE regulation.

Article 3A reiterates that the President holds ultimate authority over SOE management as part of state financial governance, with such authority delegated to BP BUMN or to the Investment Management Agency acting as shareholder. Article 3B assigns the Head of BP BUMN responsibility for determining policy, regulating, fostering, and supervising SOEs. Article 3C further elaborates the Head's powers, including setting general policy directions, establishing governance standards, issuing and regulating assignments, and conducting examinations of SOEs.

In addition, Articles 14 and 27 confer upon the Head of BP BUMN the authority previously exercised by the Minister to appoint and dismiss the Directors and Commissioners of *Persero* companies. Similarly, Articles 43 and 56 grant the Head authority to appoint and dismiss Directors of *Perum* and members of the Supervisory Board.

Viewed as a whole, the evolution of Indonesia's SOE legislation reveals a consistent and interwoven pattern. While reforms have introduced elements of corporatization, asset separation, and managerial accountability, the state continues to occupy a central and determinative role in defining policy direction, appointing corporate leadership, and steering SOEs in accordance with broader governmental objectives.

## 5 THE RELATIONSHIP BETWEEN THE STATE AND SOEs IN THE NETHERLANDS

### 5.1 Historical development

The existence of the *Vereenigde Oostindische Compagnie* (VOC) as the largest trading company in the seventeenth and eighteenth centuries made a substantial contribution to the prosperity of the Dutch State during the period known as the Golden Age (NIJMAN, 1994). The VOC functioned not merely as a commercial enterprise, but also as a strategic instrument of economic expansion and geopolitical influence. Through its monopoly privileges and extensive control over international trade routes and commodities, the company became a primary source of national wealth accumulation (NIJMAN, 1994).

However, by the end of the eighteenth century, the imbalance between revenue and expenditure became increasingly apparent. Although the VOC's revenues had doubled compared to 1630, its expenditures had risen sixfold, largely due to military costs, administrative expansion, and structural inefficiencies (NIJMAN, 1994). This financial deterioration ultimately led to the dissolution of the VOC in 1799. Following its dissolution, the Dutch State assumed control over all assets and operational structures of the company and transformed them into state-owned entities that played roles in infrastructure development, financial services, and other economic activities (APRILIYANTI; KRISTIENSEN, 2019). This transition marked an early stage in the institutionalization of state participation in economic enterprise.

Major structural changes in the global economic order began to emerge with the rapid development of the Industrial Revolution during the eighteenth and nineteenth centuries (BOGNETTI, 2020). In 1870, the Dutch government adopted a policy opening the Dutch East Indies (now Indonesia) to private entrepreneurs (HESSELMANS *et al.*, 2025). During the second half of the nineteenth century, liberal economic thought dominated Dutch political discourse. The prevailing objective was to grant broad freedom to private enterprise while limiting governmental intervention in economic activities. The State's role was increasingly confined to providing legal certainty and maintaining public

order, rather than directly engaging in commercial operations (HESSELMANS *et al.*, 2025).

The global economic crisis of the 1930s significantly affected the Netherlands and triggered a shift in governmental attitudes toward business and state intervention (HESSELMANS *et al.*, 2025). Even before the crisis, the government had shown a tendency to expand its involvement in economic sectors; however, the severity of the depression accelerated the acceptance of nationalization policies across Western Europe (HESSELMANS *et al.*, 2025). Socialist ideas gained broader acceptance, including among groups that had previously defended strict private ownership principles (HESSELMANS *et al.*, 2025). In this context, public utility companies in the Netherlands were managed as state-owned enterprises whose directors held civil servant status. Corporate boards exercised extensive authority over business policies, including pricing and employment matters, while operating under direct governmental influence (TIDEMAN; TIDEMAN, 1950). Until the late 1970s, the Dutch government established or acquired companies across various sectors for diverse reasons, including economic stabilization, political considerations, and the provision of public services (VERNON, 1979).

The economic situation in the early 1980s prompted the Dutch government to undertake radical reforms. When the first cabinet of Ruud Lubbers assumed office in 1982, the Netherlands faced severe fiscal and economic pressures resulting from the oil crisis and the phenomenon known as *Dutch disease* (DAMME, 2006). More than seventy percent of national income was allocated to collective expenditures, the budget deficit reached eleven percent of gross domestic product, and unemployment continued to rise. In order to restore public finances, enhance efficiency, and strengthen the role of the private sector in the economy, the Lubbers administration adopted the principle of “*more market, less government*” and formulated five major reform programs collectively known as *The Major Operations* (DAMME, 2006). These programs included the reassessment of public spending, reorganization and decentralization of public administration, deregulation, reduction of bureaucratic structures, and privatization (HULSINK; SCHENK, 1998).

In 1985, the Dutch government issued a policy memorandum establishing that state-owned enterprises would be transferred to the market unless compelling public

interest considerations justified continued state ownership. The general principle adopted was “*privatize, unless...*,” which positioned market mechanisms as the primary framework for the provision of economic functions. This policy orientation has continued into the twenty-first century, with a consistent emphasis on safeguarding public interests as the principal justification for maintaining state ownership, while simultaneously improving efficiency and service quality across sectors (THIEL *et al.*, 2020).

The positive performance of Dutch SOEs is reflected in the *Jaarverslag Beheer Staatsdeelnemingen 2024*, which indicates that the state-owned enterprise portfolio remains financially strong and contributes significant profits to the State. Several companies recorded substantial net income in 2023. TenneT reported net results of €1.4 billion, while Gasunie recorded after-tax profits of €322 million. In the entertainment and hospitality sector, Holland Casino reported net profits of €127 million, whereas the government’s shareholding in Air France–KLM generated profits amounting to €0.4 billion. Fiscal contributions were further reflected in dividend revenues totaling €1.2 billion in 2023. These figures demonstrate that the Dutch SOE sector occupies a financially advantageous position for the State (MINISTERIE VAN FINANCIËN, 2024)

Privatization has been widely accepted as an effective instrument to improve the performance of state-owned enterprises and to reduce the performance gap between SOEs and private companies (REJEB-ATTIA, 2018). The Dutch experience suggests that placing SOEs under market discipline can enhance operational efficiency and strengthen corporate governance standards (LE *et al.*, 2023). The belief that market mechanisms are capable of correcting economic inefficiencies has been a central driving force behind privatization policies in the Netherlands (LUQMANI; QURAESHI, 2011). Privatization is therefore not viewed solely as a means of increasing state revenues, but also as a structural reform aimed at ensuring that state-owned enterprises operate within competitive environments that demand higher levels of efficiency, transparency, and accountability (PENA; CUADRADO-BALLESTEROS, 2019).

## 5.2 State involvement

Since the mid-1980s, the principle of *more market, less government* has increasingly shaped the direction of Dutch economic policy, including the governance of

state-owned enterprises (SOEs) (DAMME, 2006). From that period onward, Dutch policymakers have considered the establishment or retention of SOEs only where compelling and well-justified grounds exist, such as the implementation of projects serving strategic public interests, the provision of indirect subsidies to sectors deemed nationally important, or the supervision of network-based industries (TIDEMAN; TIDEMAN, 1950). This policy orientation reflects a deliberate shift in the role of the State. Rather than positioning itself as a dominant actor in determining business direction, the State acts primarily as a shareholder that safeguards public interests through the framework of corporate law (ALGEMENE REKENKAMER, 2015).

Dutch law does not prescribe a specific legal form exclusively for SOEs. In practice, however, state-owned companies are generally incorporated under one of two principal legal forms: the *Naamloze Vennootschap* (N.V.) and the *Besloten Vennootschap* (B.V.) (ALGEMENE REKENKAMER, 2015). An N.V. constitutes a public limited liability company and exists as an independent legal entity, bearing responsibility for its own legal acts (VAN DER LAARHOVEN; LANGELAAR, 2010). By contrast, a B.V. is a private limited liability company whose shares are not publicly traded and may be transferred only with the approval of the shareholders. Both forms provide limited liability protection while allowing the State to structure its shareholding in accordance with policy objectives (VAN DER LAARHOVEN; LANGELAAR, 2010).

Dutch corporate law is fundamentally based on a two-tier system, which establishes a clear separation between management and supervision through distinct corporate organs, similar to the structure adopted in Indonesia. Pursuant to Article 2:78a and Article 2:189a of the Dutch Civil Code, the corporate organs of both N.V. and B.V. consist of the General Meeting of Shareholders (*Algemene Vergadering*), the Board of Directors (*Bestuur*), the Supervisory Board (*Raad van Commissarissen*), and joint meetings between the *Bestuur* and the *Raad van Commissarissen*. This structure reflects a governance model designed to balance managerial autonomy with institutional oversight.

Under Article 2:129 and Article 2:239 of the Dutch Civil Code, the *Bestuur* bears primary responsibility for the management and administration of the company. In performing its duties, members of the *Bestuur* are required to act in the interest of the company and its affiliated enterprises as a whole (WUISMAN; WOLF, 2018). These

provisions also affirm the principle of managerial autonomy (*bestuursautonomie*), meaning that, insofar as the board acts within the limits of the law, the articles of association, and applicable internal regulations, it is not obliged to follow instructions from any party regarding the execution of its managerial responsibilities (WUISMAN; WOLF, 2018). This autonomy applies even where the State is the sole or controlling shareholder, thereby reinforcing the separation between ownership and day-to-day management.

Furthermore, Article 2:140 and Article 2:250 of the Dutch Civil Code stipulate that the Raad van Commissarissen is entrusted with supervisory authority, advisory functions, and the safeguarding of the company's interests. Meanwhile, Article 2:107 and Article 2:217 of the Dutch Civil Code grant the *Algemene Vergadering* the power to adopt resolutions that are not expressly assigned to the *Bestuur* or the *Raad van Commissarissen*. Through this allocation of powers, Dutch corporate law establishes a structured distribution of authority among corporate organs, ensuring that state participation as shareholder operates within a defined legal framework rather than through direct administrative control.

## 6 LIABILITY OF SOE ORGANS

### 6.1 Liability of SOE Organs in Indonesia

In principle, Article 10 (1) of Law No. 16 of 2025 affirms that the establishment and operation of a *Persero* shall be carried out in accordance with the statutory provisions governing limited liability companies, unless otherwise stipulated in the SOEs Law. Furthermore, Article 62A (1) of Law No. 16 of 2025 provides that SOEs must generally be managed in accordance with the principles of good corporate governance. Accordingly, the liability of SOE organs – particularly those of a *Persero* – is subject to the provisions set out in Law No. 40 of 2007 concerning Limited Liability Company (WIBISANA, 2022).

Article 97 (1) of Law No. 40 of 2007 stipulates that the Board of Directors is responsible for the management of the company. Under Article 97 (5), members of the Board of Directors cannot be held personally liable for company losses if they are able to

prove four cumulative elements: (1) that the loss did not result from their fault or negligence; (2) that they conducted management in good faith and with due care for the benefit of and in accordance with the purposes and objectives of the company; (3) that they had no direct or indirect conflict of interest in relation to the management action that caused the loss; and (4) that they took measures to prevent the occurrence or continuation of the loss. Similar provisions regarding the Board of Commissioners are found in Article 114 (1) and (5) of the same Law.

These provisions reflect the principle of the *Business Judgment Rule*, which provides corporate organs with a degree of protection in making business decisions without fear of criminalization, provided that those decisions remain within the bounds of reasonableness and prudence. The principle essentially affirms that courts should not second-guess or penalize business judgments of directors or commissioners so long as the decisions are made rationally, on an informed basis, and without conflicts of interest. In this sense, corporate liability is assessed not solely on the outcome of a decision, but on the process by which that decision was taken (IRAWAN *et al.*, 2022).

Nevertheless, the application of this principle in the context of SOEs encounters structural challenges. The influence of *history-minded nationalists*, who originally shaped the ideological foundation of SOEs, continues to position the State as the principal actor and SOEs as instruments of state policy (LINDBLAD, 2011). This conception also shaped the regulatory framework under which SOE capital was regarded as separated state assets (*kekayaan negara yang dipisahkan*), thereby allowing losses suffered by SOEs to be characterized as state losses with potential implications under anti-corruption law (SUTEDI, 2010). Such a framework inevitably creates a dilemma. On the one hand, SOEs are expected to operate as business entities subject to market risks. On the other hand, their losses may be interpreted within a public law paradigm, thereby exposing corporate organs to criminal liability. This tension reduces the practical space for directors and commissioners to exercise objective and risk-based business judgment (EMIRZON, 2024).

This structural tension was clearly illustrated in a case decided by the Supreme Court through Decision No. 121 K/Pid.Sus/2020, involving Karen Agustawan in her capacity as President Director of PT Pertamina. The business decision concerned the acquisition of a Participating Interest in the Basker Manta Gumy (BMG) Block in

Australia, which was initially intended to secure national oil reserves. However, the decision was later deemed to have caused state losses amounting to 568 billion rupiah and was subsequently prosecuted as a corruption offense. The first-instance and appellate courts found the defendant guilty. The Supreme Court, however, released Karen Agustawan from all legal charges (*ontslag van alle rechtsvervolging*), reasoning that her actions constituted a business decision falling within the scope of the *Business Judgment Rule* (ADIWINARTO, 2025). This decision reveals the underlying tension between corporate law principles and the public law framework of state ownership within SOEs (BRUTON *et al.*, 2015).

In response to these concerns, the government introduced reforms through Law No. 1 of 2025 and subsequently Law No. 16 of 2025. Article 4A (5) of Law No. 1 of 2025 clarifies that state capital participation in SOEs, whether at the time of establishment or through subsequent capital increases, constitutes the property of the SOE itself and falls under the responsibility of the SOE. This provision signifies a conceptual shift, as such capital participation is no longer regarded as part of state assets once it has been injected into the company. Furthermore, Article 4B of Law No. 1 of 2025 stipulates that profits or losses incurred by SOEs constitute profits or losses of the SOE, rather than of the State. Together, these provisions aim to realign the legal status of SOEs with orthodox corporate law principles by affirming the separation between state ownership as shareholder and the company as an independent legal entity bearing its own risks and liabilities.

Despite these reforms, traces of the *history-minded nationalist paradigm* remain embedded in other statutory instruments, thereby creating normative inconsistency within the broader legal framework. Article 1 point 22 in conjunction with Article 67(2) of Law No. 1 of 2004 on State Treasury continues to position SOE losses as a form of state loss, maintaining the linkage between corporate losses and public finance accountability. Moreover, Article 1 point 2 of Law No. 31 of 2009 on the Eradication of Corruption Crimes classifies any “person who receives a salary or wage from a corporation that uses capital or facilities from the State or the public” as a “Civil Servant” for the purposes of anti-corruption enforcement. This expansive definition potentially subjects SOE directors and commissioners to a public law liability regime that differs from the liability framework applicable to private corporations. Consequently, although Law No. 1 of 2025 and Law No. 16 of 2025 seek to reinforce a pure corporate law approach, the persistence

of these public law provisions continues to blur the boundary between corporate risk and state financial loss, thereby overshadowing the regulation of liability of SOE organs in Indonesia.

## 6.2 Liability of SOE Organs in the Netherlands

SOEs in the Netherlands are fully subject to the general provisions of corporate law (ALGEMENE REKENKAMER, 2015). Consequently, the regulation of liability of SOE organs follows the corporate law regime as set out in the Dutch Civil Code (DCC). Within the Dutch legal system, the *Business Judgment Rule* is not explicitly formulated as it is in certain common law jurisdictions (SEENACHERRY, 2020). Instead, a comparable standard operates through the obligation of each corporate organ to perform its duties properly, commonly referred to as the standard of proper fulfilment of duties. Corporate organs may be held fully liable for mismanagement, unless they are able to demonstrate that no negligence can be attributed to them and that appropriate measures were taken to prevent the occurrence of the adverse consequences in question.

This framework of liability is reinforced by Article 2:8 of the Dutch Civil Code, which provides that a legal entity and all persons involved in its organization must act toward one another in accordance with the standards of *reasonableness and fairness* (JANSEN *et al.*, 2021). In the landmark decision of *Baris v. Riezenkamp* (*Hoge Raad*, 1957), the Hoge Raad articulated that the principle of reasonableness and fairness requires parties to take into account the legitimate interests of others when determining their conduct (JANSEN *et al.*, 2021). This open norm enables ethical and equitable considerations to enter corporate law, and it is generally understood that the concept of reasonableness and fairness under Article 2:8 DCC does not materially differ from its counterpart in Dutch contract law. As such, corporate conduct is assessed not merely on formal statutory compliance, but also on broader standards of fairness within the corporate relationship (JANSEN *et al.*, 2021).

Furthermore, Article 2:9 of the Dutch Civil Code stipulates that each member of the *Bestuur* (Board of Directors) is accountable to the legal entity for the proper performance of his or her duties. Tasks that are not explicitly allocated to a specific director under statutory provisions or the articles of association are deemed to fall within

the collective responsibility of the entire board. A director may therefore be held liable for the full consequences of improper management, unless he or she can prove the absence of fault and demonstrate that all reasonable steps were taken to prevent or mitigate the resulting damage. This structure reflects a system of collective board responsibility, tempered by the possibility of individual exculpation.

Within this framework, the *Bestuur* bears responsibility for determining corporate strategy and policy, ensuring the company's compliance with applicable law, representing the company in external relations, managing business risks, arranging financing needs, and implementing resolutions adopted by other corporate organs where relevant (WUISMAN; WOLF, 2018). In addition, general statutory duties include maintaining proper accounting records, preparing and publishing the annual report, and providing information requested by the *Algemene Vergadering* (General Meeting of Shareholders), unless exceptionally weighty corporate interests justify confidentiality (WUISMAN; WOLF, 2018). Through this structured allocation of responsibilities, Dutch corporate law preserves managerial autonomy while simultaneously embedding accountability within a clearly defined legal and normative framework.

## 7 CONCLUSION

Since the 1950s, Indonesia's approach to the governance of state-owned enterprises has been shaped by the ideas of *history-minded nationalists*, who position the State as the principal actor in determining both policy direction and corporate operations. Although the concept of "privatization" was introduced through the *UU BUMN 2003*, the State has continued to maintain a pattern of direct intervention. The most recent amendments through Law No. 1 of 2025 and Law No. 16 of 2025 further reinforce state dominance, particularly through the establishment of BP BUMN and the centralization of authority in the President. Within this framework, inefficiencies in SOEs are addressed primarily through the strengthening of state control, rather than through restructuring ownership patterns or limiting administrative intervention. The regulatory trajectory thus reflects continuity in the underlying paradigm that perceives SOEs as instruments of state policy rather than as autonomous corporate entities operating under market discipline.

In contrast, the Netherlands has structured its SOE governance model on the principle of *more market, less government*, which has guided policy since the mid-1980s. The State positions itself primarily as a shareholder subject to general corporate law, rather than as a direct managerial authority. The guiding principle of “*privatize, unless...*” ensures that state ownership is retained only when compelling public interest considerations justify such retention. This institutional positioning has contributed to improvements in efficiency, financial performance, and service quality across various sectors. A comparison between the two jurisdictions demonstrates that the prevailing ideological framework and the institutional placement of the State within the corporate structure constitute decisive factors in determining the effectiveness and sustainability of SOE reform.

## 8 RECOMMENDATIONS

The legal framework for “privatization” has formally existed since the enactment of the *UU BUMN 2003*; however, its implementation has not been consistently directed toward limiting state intervention and fully placing SOEs under corporate discipline. Future SOE governance reform in Indonesia should therefore move beyond the history-minded nationalist paradigm and adopt a more market, less government approach that grants greater corporate autonomy, strengthens internal and external corporate oversight mechanisms, and clearly separates the sphere of public policy from business decision-making. Such a shift requires a conceptual repositioning of SOEs as business entities operating within market logic, rather than as extensions of governmental authority.

Concrete reform measures should include limiting direct state discretion in appointing corporate organs, ensuring consistency with the principle that SOE capital no longer constitutes state assets, and harmonizing statutory regulations so that the liability of SOE organs is assessed under corporate law standards rather than state finance law. Regulatory inconsistencies that blur the distinction between public law and private corporate responsibility should be systematically addressed to prevent overlapping accountability regimes. Through a coherent institutional restructuring of this nature, Indonesia can place its SOEs within a governance framework that promotes efficiency,

legal certainty, and accountability, while simultaneously creating conditions for sustainable performance improvement in the long term.

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### **Authors' Contribution**

All authors contributed equally to the development of this article.

### **Data availability**

All datasets relevant to this study's findings are fully available within the article.

### **How to cite this article (APA)**

Taufik, H. F., Khoe, K. C., Rachmadiani, E., & Soeprapto, A. W. (2026). PRIVATIZATION OF STATE-OWNED ENTERPRISES: A COMPARATIVE STUDY OF INDONESIA AND THE NETHERLANDS: UM ESTUDO COMPARADO ENTRE INDONÉSIA E PAÍSES BAIXOS. *Veredas Do Direito*, 23, e234885. <https://doi.org/10.18623/rvd.v23.n4.4885>