

How a Tiny Dutch Village Gave Rise to Global Sovereign Funds

Danantara Indonesia Diaries Issue 13 - Tuesday, 4 November 2025
Danantara Indonesia Investor Relations Team



"The real wealth of a nation is its people. And the purpose of development is to create an enabling environment for people to enjoy long, healthy, and creative lives. This simple but powerful truth is too often forgotten in the pursuit of material and financial wealth."

MAHBUB UL HAQ, Pakistani economist and creator of the Human Development Index

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It was, simply put, a miracle.

In the summer of 1959, near the quiet Dutch village of Slochteren (population: 15,000), a drilling crew was on a mission to look for oil. But at 2,600 meters below ground, they found something else.

Natural gas. About 2.8 trillion cubic meters of it. (Translation: a lot.)

It turned out to be Europe's largest natural gas field. The gas boom powered homes, filled state coffers, and turned what was then a modest postwar nation into one of Europe's richest.

Years later, economists would call it the opposite of a miracle: the Dutch disease.



Photo credit: Danantara Indonesia investor relations team

The sudden wealth had sent the guilder, i.e. the pre-Euro Dutch currency, soaring. But that made exports expensive and eroded industrial competitiveness. After World War II, shipyards, steel mills, and factories had powered the country's recovery. But one by one, they began to close.

Between 1965 and 1975, Dutch GDP per capita rose by about 40%, but manufacturing's share of employment fell. Eventually, inflation and unemployment climbed, and the Dutch economy lost momentum by the 1980s.

Through it all, someone else was watching: Norway, the Netherlands' neighbor across the North Sea.

And for good reason. Because by 1969, Norway itself had struck oil.

From that point, Norwegian economists had warned of the Dutch disease. That was evident in the country's careful, methodical approach to managing its oil revenues over decades. The culmination? Norges Bank Investment Management, the world's largest sovereign fund.

Gratification, Delayed

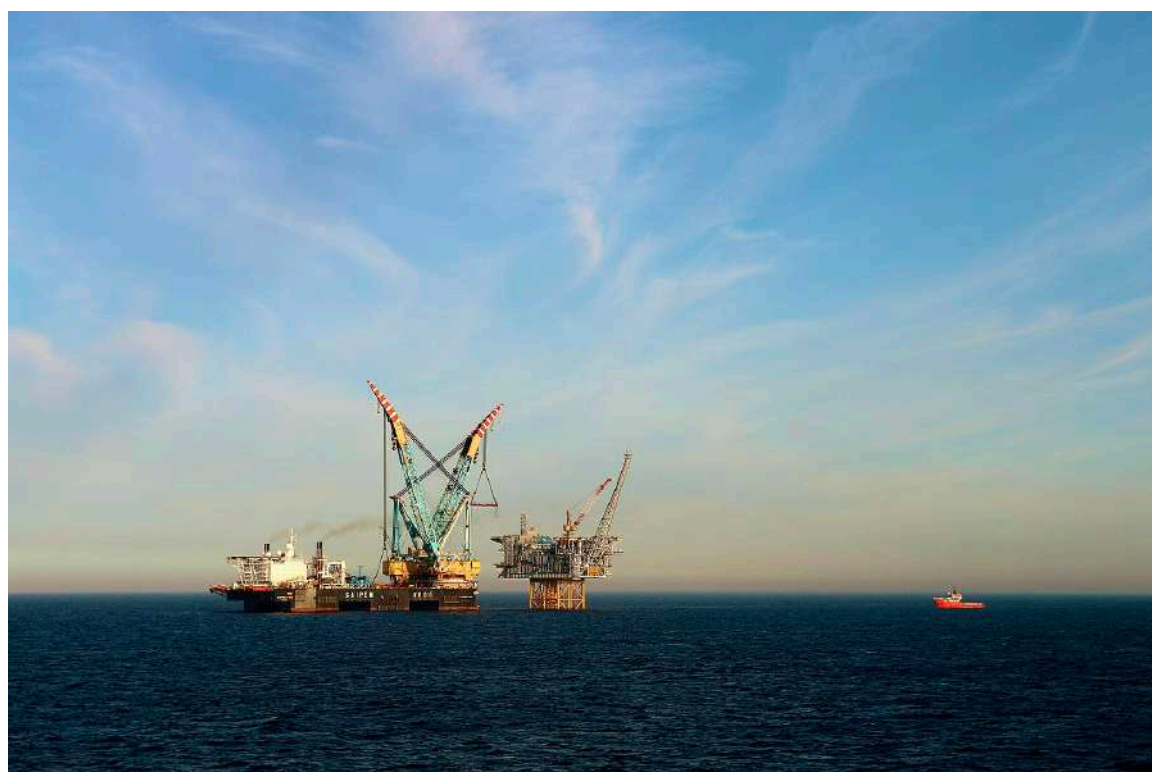
Norway founded its sovereign fund in 1990. But the idea was not new.

The Kuwait Investment Authority was set up in 1953. Saudi Arabia's Public Investment Fund came in 1971. Then came Singapore, which established Temasek in 1974 and GIC in 1981.

Even more interesting: sovereign funds were a reality long before the term "sovereign fund" itself was coined. That happened in 2005, in an essay written by Andrew Rozanov, a Russian-born, London-based portfolio strategist. A lifelong observer of patterns, Rozanov had noticed that governments, who often acted simply as borrowers and spenders, have started behaving like investors.

"Are central bank reserve managers [...] starting to act more like sovereign wealth managers?" he wrote in "Who Holds the Wealth of Nations?", an essay published by the *Central Banking Journal*.

It was here that the words "sovereign wealth fund" were written in an academic journal for the first time: simple, but revolutionary. It reframed state wealth as something that could be managed like a portfolio, instead of merely consumed.



Norway's Johan Sverdrup oil field in the North Sea / Photo credit: Wikimedia Commons

And here was Rozanov's key insight: countries best prepared for the future were those able to delay gratification. Instead of easy spending, they choose long-term compounding: the concept that Warren Buffett and other investment professionals have touted throughout history.

Rather than chase quick returns after only one or two years, the highest potential returns come to countries that invest long term, i.e. 10-, 20-, or even 30-year timeframes.

Indonesia knows this story well. It starts with the lesson every Indonesian parent tells their kids: *bersakit-sakit dahulu, bersenang-senang kemudian*. Delay gratification first, enjoy later.

But there are other parallels with the Dutch story. Indonesia has always been blessed with abundant natural resources: oil, coal, nickel, gas. For decades, they have been a linchpin of our economy.

While each commodity boom brings prosperity, they also bring pressure. It is easy to forget that natural resources are finite. In fact, that applies to almost any kind of resource. We do not need to look far for examples: Indonesia's demographic bonus, our young population, is set to end by 2045.

Designing for a Post-Resource Era

Like Saudi Arabia's quest in 1971 and Singapore's in 1974, many countries have pondered: how can they best manage their nation's wealth so that it would bring dividends for decades to come?

For Indonesia, though, the question of what kind of sovereign fund to build is existential. Right now, the country's opportunity is real, but fleeting. It is an urgency that makes Danantara Indonesia so different from the funds that came before it.

That includes the Indonesia Investment Authority (INA), the country's first sovereign fund. When INA was established in 2021, it was meant to bring in foreign capital as a co-investment platform. INA began Indonesia's journey into sovereign wealth management, similar to other promising economies in the past.

But Danantara Indonesia's purpose now lies beyond bringing in foreign capital as co-investors. If INA acts as a magnet for global capital, Danantara Indonesia is an engine for domestic capital. Its role is to redeploy what Indonesia already owns via Danantara Indonesia companies, to turn state equity into strategic investment, converting dormant balance-sheet value into momentum for the next phase of growth.

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Danantara Indonesia's Structure, Explained

Danantara Indonesia was not born out of resource windfalls, but from a strategic desire to consolidate, catalyze, and deliver. This is clear from our twin-engine structure.



Our Operational Holding, **Danantara Asset Management (DAM)**, serves as the asset executor. It consolidates the ownership of state-owned enterprises (SOEs), drives constructive interaction and performance, and leads the restructuring of legacy institutions. The Companies of Danantara Indonesia series is more about DAM, which is now the parent company of Telkom and other SOEs.

Our Investment Holding, **Danantara Investment Management (DIM)**, acts as the capital allocator. It builds investment platforms, brings in global co-investors, and channels capital into strategic sectors such as energy transition, industrial downstreaming, and digital infrastructure.

Together, this structure allows us to orchestrate transformation, not simply manage portfolios. Danantara Indonesia and the SOE ecosystem are separate from the state budget, and once we achieve our goal of streamlining SOEs, this circular model lets us be self-sustaining.



The distinction matters: it is why Danantara Indonesia is a sovereign fund, not a sovereign *wealth* fund. Because unlike many of the world's investment vehicles, such as those of Norway, Kuwait, and Abu Dhabi, Danantara Indonesia is not built from oil, foreign reserve, or other natural resource surpluses. Instead, it is powered mainly by recurring dividends from Danantara Indonesia companies and supported by market-based instruments.

That puts Danantara Indonesia's strategy closer to funds like Temasek, ADQ, and PIF. All of them grew, either wholly or in part, by taking ownership of their nations' most strategic companies, corporatizing them, and investing the returns.

For Danantara Indonesia, this means transforming the companies under it to be competitive domestically *and* globally. It means focusing on those with the strongest potential while freeing up trapped capital.

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Photo credit: Injourney

It is akin to sculptors revealing form by removing excess stone. Just like the making of our iconic Borobudur Temple: assembled block by block, then perfected through careful subtraction.

Sometimes building means knowing what to take away.

Mirrors of a Nation's Soul

As Rozanov once wrote, sovereign funds reflect the priorities and anxieties of their nations. Some maximize returns, like Norges or Singapore's GIC. Others focus on national development, like the Ireland Strategic Investment Fund or Malaysia's Khazanah.

Danantara Indonesia sits in the middle ground. This is reflected in its dual mandate: to deliver credible commercial returns while supporting national transformation through job creation, ESG uplift, and the development of future strategic industries.

This is not just about philosophy. Where a fund sits on this spectrum is mirrored in the investment decisions and asset allocations they make. A sovereign fund's portfolio is, in a way, its national psychology made visible. Like in how much risk it tolerates, or how patient it is willing to be.

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The Meru Sanur in Bali is part of Injourney Hospitality, a Danantara Indonesia company. Designed by Indonesian firm Yolodi+Maria Architects, the hotel extensively uses intricate wooden structures across its sprawling complex, including the limasan roofs / Photo credit: Danantara Indonesia investor relations team



In Danantara Indonesia's case, its portfolio will balance public market investments for liquidity and stability with domestic private projects that build Indonesia's long-term competitiveness. The focus is on critical initiatives that private capital cannot execute alone, particularly those constrained by regulatory complexity or fragmented ownership. It could also include investments outside of Indonesia, a way to diversify risk and seek returns considering Danantara Indonesia's existing, vast portfolio of domestic companies.

Transforming Danantara Indonesia companies is equally pivotal. A rejuvenated Telkom or Garuda Indonesia means more dividends that Danantara Indonesia can invest in projects that build up Indonesia's future.

This is a long-term project: sovereign funds rarely deliver instant results. Temasek, founded in 1974, only pivoted from a domestic holding company to a truly global investor in the 2000s, roughly three decades later. Abu Dhabi's Mubadala, created in 2002, needed much of that first decade to bear fruit, returning to profit by 2009. Norway's oil fund received its first inflows only in 1996, six years after funding, because the country had previously spent the oil surpluses to deal with its budget deficit.

The pattern is obvious: these institutions compound credibility long before they compound capital. Sovereign funds, by design, reward patience. The kind measured in generations, not fiscal years.

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A Nation Learns to Remember

Back to the tiny village of Slochteren.

After six decades of extraction, the once-proud gas field became a symbol of regret. Resulting earthquakes cracked homes, and eventually, public trust fractured too. In 2024, the Dutch government shut the field for good, even though there were still substantial gas reserves.

Yet the closure came with an irony. By then, the Dutch economy had already moved on from gas, quietly becoming one of Europe's most diversified economies through technology, trade, and high-value manufacturing. The same nation that once suffered from Dutch disease had, through painful adaptation, inoculated itself against it.

The lesson here is that past mistakes can still be corrected, however difficult.



Photo credit: Husniati Salma / Unsplash

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That is the power of institutional learning: the ability to turn crisis into design. If the Netherlands once mistook abundance for destiny, Indonesia is trying to do the opposite: to treat abundance as discipline.

The next challenge for sovereign funds may no longer be capital, but capability. As Stanford University researcher Ashby Monk noted in his interview on Gita Wirjawan's *Endgame* podcast, the world has built trillions in institutional wealth, but almost no institutions to train the people who manage it. There are business schools and economics departments, but no real school of long-term investing.

For Indonesia, this is where Danantara Indonesia's true legacy may lie: in showing that it is possible to build an investment institution that learns, remembers, and endures. Sovereign funds, as Rozanov once hinted, are simply the vessels through which nations remember their histories and others', and more importantly, learn from them.

Because the real difference between the Dutch and the Norwegians was not luck. It was memory, and in turn, the humility to act on it.

Did You Know?

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Photo credit: Moahad Saqib / Unsplash

When Qatar's sovereign wealth fund bought Paris Saint-Germain (PSG) in 2011, the French football club had just two league titles in its entire history. Since then, with superstars like Neymar and Kylian Mbappé, it has won ten more.

For Qatar, though, the deal was never just about football, but rather, a soft power project. PSG was like a global billboard for the country's wealth, ambition, and national identity.

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