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# DEVELOPMENT'S DARK SIDE: INFRASTRUCTURE CRIME AND GOVERNANCE RISK IN INDONESIA'S NATIONAL STRATEGIC PROJECTS

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Abstract: *Indonesia created the legal category of National Strategic Projects (*Proyek Strategis Nasional*, PSN) to accelerate infrastructure, granting these projects simplified licensing, land acquisition, and procurement. Legal scholarship has examined these privileges mainly as questions of administrative efficiency or land rights, leaving their criminogenic effects largely unexamined. This article identifies the typology of infrastructure crime within PSN, analyzes the governance risks that produce it, and formulates legal and policy responses. Using normative juridical research with statutory, conceptual, and case approaches, it examines the PSN regulations and the regimes on procurement, land acquisition, regional government, spatial planning, environment, corruption, and money laundering, together with documented cases. It finds that PSN are exposed to project corruption, construction fraud, land grabbing, money laundering, and networked crime involving corporate and political actors, and that these crimes arise from structural governance failures: regulatory fragmentation, overlapping authority, weak* ex ante *oversight, over-centralization, and broad discretion justified by acceleration. The article conceptualizes this pattern as development's dark side, in which the legal design that speeds projects also lowers the barriers to crime, and it proposes risk-based supervision, beneficial-ownership tracking, the follow-the-money approach, and stronger inter-agency coordination.*

Keywords: Economic Crime; Governance Risk; Infrastructure Crime; Legal Reform; National Strategic Projects

## 1. Introduction

Infrastructure supports economic activity and strengthens connectivity between regions (Bado & Dunakhir, 2024). It encompasses physical facilities such as transport, electricity, water and sanitation, telecommunications, and housing, and it is a crucial factor in a country's structural transformation (Djajawinata et al., 2023a). Economic development is a long-term process that aims to improve public welfare through growth in the production of goods and services, and this growth depends on the accumulation of capital, whether in natural resources, human resources, or technology (Erokhin et al., 2023). Infrastructure, including roads, irrigation, clean water, sanitation, housing, and transport facilities, is among the most important forms of such investment. It underpins productive activity and connects regions, so that adequate infrastructure allows economic growth to proceed more fully and sustainably (Ma'rifah, 2022).

Indonesia is one of the developing countries of Southeast Asia that pursue infrastructure development in order to achieve high economic growth and improve their global competitiveness (Khurriah & Istifadah, 2019). The benefits are visible: logistics costs, which once reached 23–24% of GDP, have fallen toward the regional average; farmers

on outlying islands have gained easier access to markets; tourism in destinations such as Lake Toba and Labuan Bajo has grown with improved airports and roads; and the gap in per capita GDP between Jakarta and regions such as East Nusa Tenggara has begun to narrow as connectivity improves (Compassion, 2025).

To accelerate infrastructure development and economic growth, the government established a dedicated regulatory framework through Presidential Regulation Number 3 of 2016 on the Acceleration of the Implementation of National Strategic Projects, issued on 8 January 2016 (What National Strategic Projects Are Governed Under PERPRES 3/2016?, 2025). The regulation became a key instrument for accelerating priority projects considered strategic for Indonesia's economic transformation by simplifying licensing, shortening approval times, and coordinating government support in an integrated way (Saleh et al., 2024). Through it, the government introduced the legal category of "National Strategic Projects" (PSN), defined as projects carried out by the central government, regional governments, and/or business entities that have a strategic character for increasing economic growth, equitable development, public welfare, and regional development (Budiyanti, 2022).

With this framework, the government established a special legal category and also confirmed a mode of development characterized by high speed, high budgets, and high risk (Humas, 2016). The PSN regulations were designed to accelerate projects through simplified licensing and cross-agency support, with investment reaching IDR 1,519 trillion by 2024, while the risks arising from their cross-sectoral and cross-regional complexity were to be addressed through the National Development Risk Management framework under Presidential Regulation Number 39 of 2023 (Humas, 2024).

The acceleration of infrastructure through large strategic projects has also produced a dark side of development in the form of a growing risk of infrastructure crime. The high value, complexity, and multiplicity of actors involved in infrastructure projects, together with the pressure to accelerate, make the sector vulnerable to various forms of deviation and economic crime (Isabelle Adam & Mihály Fazekas, 2023). The risks that emerge in strategic infrastructure projects extend beyond administrative corruption to construction fraud, procurement collusion, money laundering, agrarian conflict, and social conflict arising from land acquisition and the relocation of communities (As Countries Sit on Shaky Foundations, Tackling Corruption in Infrastructure Is Key, n.d.)(Alvin Nicola et al., 2023).

The 2023 Corruption Perceptions Index shows that the public sector, and engineering and infrastructure projects in particular, are vulnerable to bribery and fraud that inflate costs and degrade quality (Transparency International, 2024). The World Economic Forum's Global Risks Report 2024 likewise emphasizes that the complexity of project management and the size of investments make the sector increasingly prone to corruption (Global Risks Report 2024, 2024). The United Nations Office on Drugs and Crime (UNODC) has also identified procurement as a principal site of both political and private corruption, which makes transparency and accountability essential to protect public funds and to maintain public trust in infrastructure development (Crasto, 2025). Kenny (2009) observes that corruption in infrastructure is difficult to measure precisely because much of it takes the form of reduced quality rather than inflated prices, so that

the losses appear years later as failing roads and buildings rather than as visible transfers of money.

A further problem in the implementation of PSN is the gap between the government's development ambitions and its governance capacity (Talitha, 2025). This problem stems from fragmented planning and weak inter-agency coordination, which prevent the benefits of development from being fully realized. Limited human and institutional resources compound the problem and increase the likelihood of stalled projects, politicization, and abuse of authority, while the lack of transparency, accountability, public participation, and access to current information leaves public oversight ineffective. This governance gap ultimately generates serious risks in national infrastructure projects (Sesunan & Izzati, 2025).

The study asks what forms and patterns crime takes in national infrastructure projects and which governance risks contribute to its emergence in the implementation of PSN. It therefore aims to identify the typology of infrastructure crime in strategic development projects, to analyze the governance weaknesses that create space for corruption, abuse of authority, and other crimes, and to formulate preventive and repressive legal approaches that can reduce the risk of crime in the infrastructure sector. Academically, the study seeks to contribute to economic criminal law and the law of development, particularly to the understanding of the relationship between infrastructure development, governance, and the risk of crime. Practically, it offers material for policymakers, oversight bodies, and law enforcement agencies in designing more effective strategies to prevent and combat crime in national development projects.

## 2. Method

This study uses normative juridical research with a statutory approach, a case approach, and a conceptual approach (Abdulkadir Muhammad, 2004). The statutory approach analyzes the legal instruments relevant to preventing and combating infrastructure crime, including the regulations on PSN, corruption offences, and money laundering. The case approach examines a number of corruption cases and irregularities in national infrastructure projects in order to identify patterns of crime and the factors that contribute to violations.

The conceptual approach examines the concepts of infrastructure crime and governance risk as an analytical framework for understanding the relationship between infrastructure development, governance, and the risk of crime. The primary legal materials consist of the relevant statutory regulations. The secondary legal materials comprise journal articles, books, reports of state institutions, and other scholarly publications on infrastructure development and governance, and the tertiary materials include legal dictionaries, encyclopedias, and other supporting references. All materials were analyzed qualitatively using deductive reasoning, moving from general legal norms and concepts to the specific problems arising in the implementation of PSN.

## 3. Analysis and Discussion

### 3.1. Governance Risks in the Implementation of National Strategic Projects

Transparency and accountability are two fundamental pillars of the integrity of public policy implementation (Pamungkas & Munawir, 2025). Yet the governance of PSN remains overshadowed by deficits of transparency and accountability at various stages of implementation (Hamdani, 2025). As instruments of accelerated development, PSN enjoy a range of privileges in the form of administrative facilitation and regulatory relaxation. The government has reinforced these privileges with additional regulations on special economic zones (Government Regulation Number 40 of 2021), simplified land acquisition procedures (Government Regulation Number 19 of 2021), land acquisition in forest areas (Government Regulation Number 23 of 2021), and the resolution of spatial planning inconsistencies (Government Regulation Number 43 of 2021) (Djajawinata et al., 2023b). These facilities reach every stage of the project cycle, from planning and licensing to land clearance and construction, and they often relax control mechanisms as well, creating accountability gaps on the ground (Fatra et al., 2025).

This flexibility often comes at the cost of closing public access to crucial documents such as feasibility studies and environmental impact assessments (*Analisis Mengenai Dampak Lingkungan*, AMDAL), which disables the oversight function of civil society (Hakim & Phahlevy, 2024). Restricted access to information in turn opens wide space for conflicts of interest, particularly in the procurement of goods and services. When tender documents, vendor track records, and the details of third-party contracts are not disclosed, the selection process becomes highly susceptible to interference by economic and political actors close to decision-makers (Conflict of Interest: How to Identiy and Manage Conflicts of Interest in Evaluation Committees, 2020).

Improper procurement in the implementation of PSN has damaged the principle of fair competition and opened the door to collusion and systemic corruption. Indonesia Corruption Watch (ICW) recorded that between 2022 and 2024 at least six corruption cases related to PSN caused state losses of IDR 2.7 trillion, with bribes totalling IDR 58.2 billion (ICW: Kerugian Negara Akibat Kasus Korupsi PSN Capai Rp 2,7 Triliun | Tempo.Co, n.d.). These figures show that contractors and subcontractors are often appointed on the basis of agreements to share economic value among the parties rather than on competence and efficiency. The physical quality of projects suffers, while the centralization of authority in PSN weakens oversight and checks and balances. Acceleration through PSN thus risks entrenching rent-seeking and enlarging state losses instead of improving public welfare (Nkoba & Amoah, 2026).

A tendency toward over-centralization in the management of PSN aggravates these risks. The dominant role of the central government in designating, controlling, and evaluating projects often erodes the role and oversight of regional governments (Zakie, 2023). Although the projects are physically located in the regions and directly affect local communities, regional governments are frequently treated as administrative implementers bound to follow central instructions. Article 17 of Law Number 23 of 2014 on Regional Government, which requires regional policy to follow the norms, standards, procedures, and criteria set by the central government, is often invoked to shield central

discretion, which weakens regional oversight at the planning stage. The limited involvement of the regions creates a social distance between projects and local communities and triggers conflict on the ground, because the centre often lacks understanding of local dynamics, sociological characteristics, and fiscal and spatial capacity (Hadamean et al., 2025).

In practice, over-centralization is reinforced by the exploitation of regulatory gaps, namely the inconsistencies between statutory regulations that open space for irregularities in the management of PSN. To ease the path of PSN, the government often issues special regulations, whether presidential regulations or ministerial instructions, that derogate from general rules (Fauziah et al., 2025). The result is overlap and conflict between regulations on the ground, particularly concerning spatial planning, environmental law, and customary land rights. Certain actors exploit the misalignment between PSN-specific regulations and existing sectoral rules as legal cover for bureaucratic shortcuts, which blurs the line between legitimate policy discretion and maladministration (Syarif Ibrahim Robbany & Franky Butar-Butar, 2025). Stigler's (1971) theory of economic regulation explains why such derogations tend to favour organized interests: regulation is supplied in response to the demand of groups that can mobilize resources to obtain it, so that special regimes created for particular projects are especially exposed to capture by the firms and officials who benefit from them.

One cause of this cycle of governance risk is the weakness of *ex ante*, or preventive, oversight from the planning and procurement stages onward. Internal and external oversight bodies such as the Audit Board (*Badan Pemeriksa Keuangan*, BPK) and the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*, KPK) often lose effectiveness at these stages because they confront the doctrine of "acceleration" and the legal shield of policy discretion legalized through special PSN regulations. Oversight therefore tends to operate *ex post*, focusing on enforcement after state losses, budget leakage, or environmental damage have occurred. Reactive oversight of this kind cannot prevent leakage at an early stage, and the disharmony between PSN-specific rules and sectoral regulations narrows the space for substantive oversight still further. Without stronger preventive instruments, such as independent evaluation and meaningful public participation from the planning stage, the governance of PSN will remain beset by massive inefficiency, maladministration, and systemic failures that cause direct losses to state finances and harm public welfare (Mitra, 2025)("Konflik Agraria di PSN," 2024).

### 3.2. A Typology of Infrastructure Crime in National Strategic Projects

The weakness of preventive oversight, rooted in the doctrine of acceleration and in policy discretion, produces more than inefficient governance. It opens space for more complex forms of crime in the PSN infrastructure sector. Reactive oversight and regulatory disharmony make national strategic projects vulnerable to corruption, collusion, and maladministration rooted in procurement and physical implementation, which makes it necessary to set out the specific forms of infrastructure crime that arise within the PSN framework.

Infrastructure crime encompasses all criminal offences committed in the infrastructure development cycle, including corruption, construction fraud, land grabbing, and

regulatory maladministration, perpetrated by public or private actors to obtain illegal profit, with consequences that include state financial losses, reduced quality and safety of infrastructure, and violations of community rights (Ghahari et al., 2024). The first form of infrastructure crime found in PSN is infrastructure corruption, understood as the abuse of authority, office, or trust in the infrastructure project cycle to obtain unlawful personal, group, or corporate gain (Hermawan et al., 2024).

The infrastructure sector is recognized worldwide as one of the most vulnerable to the leakage of public funds. Corruption appears at every phase, from planning and procurement to implementation and maintenance, and it produces cost inflation, delays, and reduced quality and safety. Cases such as Berlin Brandenburg Airport, Operation Car Wash in Brazil, and the Jakarta–Bandung high-speed railway show that infrastructure corruption disrupts budgetary efficiency and also endangers public safety and the sustainability of development (Isabelle Adam & Mihály Fazekas, 2023).

Corruption takes highly structured forms. At the budgeting stage, mark-ups that inflate project values serve as the principal means of creating illegal margins before work begins (Darmawan & Djufri, 2025). At the procurement stage, corruption materializes through tender bribery and bid rigging, in which the winner is decided behind closed doors through horizontal collusion among bidders or vertical collusion with the procurement committee (Anis Noviya et al., 2025). These practices generate informal commitments in the form of kickbacks, a percentage of the project value paid to public officials in return for the concession (Hajnal et al., 2026). In extreme cases, procurement is entirely fictitious, and funds are disbursed without any physical output. The misuse of discretion to accelerate projects worsens this vulnerability, as the urgency of development is invoked to bypass standard oversight procedures and cut through lines of accountability (Ramadhan et al., 2026).

Several intrinsic characteristics of infrastructure drive the frequency and variety of these schemes. Infrastructure is capital-intensive: projects involve public funds on a large scale, so that small percentage deviations in the budget yield very large amounts of corruption (Locatelli et al., 2017). Infrastructure projects are also typically multi-year contracts that span several budget periods and political cycles. Their duration weakens the continuity and consistency of oversight and opens space for non-transparent contract renegotiation along the way (Valdiglesias, 2025). Flyvbjerg (2014) describes the general pattern in megaprojects as an “iron law” of cost overruns, delays, and benefit shortfalls, and he argues that it results in part from the strategic misrepresentation of costs and benefits by those who promote projects. Where acceleration is itself a policy goal, as in the PSN regime, the pressure to approve projects quickly rewards optimistic estimates and weakens the scrutiny that might expose them.

A further characteristic lies in the multiplicity of actors and the complexity of contracts. The infrastructure ecosystem involves a wide and layered network of actors, from central regulators and regional governments to state-owned enterprises (*Badan Usaha Milik Negara*, BUMN), large private contractors, supervisory consultants, and hundreds of subcontractors. This complex network often obscures the chain of legal responsibility when failures or irregularities occur. Infrastructure contracts also contain highly complex technical and engineering specifications that only a few technical experts can

understand, so that general oversight bodies struggle to detect manipulation of materials or reductions in quality standards at an early stage (Eka, 2025).

The structural vulnerabilities arising from capital intensity, long duration, multiple actors, and technical and contractual complexity open space for more specific forms of corruption on the ground. Construction fraud, which occurs during the physical implementation of a project, is one concrete manifestation. Unlike procurement corruption, which is rooted in administrative processes, construction fraud employs neat and manipulative technical schemes at the project site (Battling Construction Fraud in a Fragile Economy, 2023).

The second form of infrastructure crime is construction fraud, the deliberate manipulation, concealment, or misrepresentation of facts about the physical execution of construction in order to obtain unlawful financial gain (Hansen et al., 2025). It takes place on site once a project is under way. One of the most common schemes is the reduction of technical specifications and the use of substandard materials, for example reducing the dimensions of reinforcing steel or lowering the grade of concrete below that agreed in the contract (Partnership, 2025). To conceal this fraud, perpetrators falsify progress reports and engineer the results of technical supervision, so that supervisory consultants, who should guard quality, instead compromise and validate manipulated volumes of work.

Construction fraud causes damage that is more destructive than other financial fraud because it affects physical structures and safety. Economically, it causes massive state losses through the gap between the amount paid and the real value of the infrastructure built (Yap et al., 2022). More seriously, it sharply reduces quality and shortens the lifespan of structures, so that infrastructure designed to last decades may deteriorate prematurely or even collapse within a few years (Apriyanti & Rais, 2020). In extreme cases, structural failure turns a development project into a real threat to the safety of workers and of the public who will use the facility.

Construction fraud rarely stands alone; it is a logical and systemic continuation of procurement corruption upstream. When a contractor wins a tender through collusion, bribery, or a large kickback to public officials, its legitimate profit margin shrinks. To recover the “invisible costs” paid at the outset and still secure maximum profit, the contractor resorts to illegal savings during implementation (Catalão et al., 2023). Construction fraud thus functions as a means of cost recovery for corrupt actors, sacrificing the physical quality of buildings to cover the bribes paid earlier (Benarroche, 2019).

If construction fraud represents technical cheating on site to cover the costs of procurement corruption, another problematic practice arises in the control of land. In PSN, governance vulnerabilities extend beyond construction to land acquisition, where land grabbing becomes an instrument of elite domination that exploits the supremacy of state authority and regulatory gaps (Kurniawan et al., 2025).

The third form, land grabbing in the context of PSN, can be defined as the disproportionate acquisition or control of land on a large scale through the exploitation of state authority, administrative manipulation, and structural pressure on local

communities (Pattra et al., 2025). Unlike land acquisition conducted democratically, land grabbing under the guise of development reflects the dominance of economic and political elites facilitated by law (Septian, 2023). Through distorted legal instruments, communities relinquish their land rights because of their unequal bargaining position before the state apparatus rather than through genuine consent (Shandy Aura & Muhammad Zaenal Abidin, 2025). The state, which should protect citizens' constitutional rights, frequently becomes an agent of land clearance that smooths the way for investment.

Land grabbing proceeds through a series of schemes that disregard human rights. The most basic is land acquisition without meaningful participation, in which public consultation becomes a formality to endorse decisions already made (Liao & Agrawal, 2024). The process often begins with the unilateral designation of project locations (*penetapan lokasi*, *penlok*) without the consent of affected communities. When communities resist, officials on the ground frequently resort to psychological or physical intimidation through the deployment of security forces (Poderati, 2022). Unfair compensation schemes that ignore the long-term loss of livelihoods, and the systemic marginalization of indigenous communities whose customary (*ulayat*) rights are often treated as legally non-existent for lack of formal certificates, aggravate the situation (Yang & He, 2021).

These schemes produce widespread and protracted agrarian conflicts in the regions affected by PSN. Such conflicts can no longer be treated as ordinary civil disputes over boundaries or compensation between residents and developers, since they are structural problems of a far more complex kind (Wahanisa et al., 2025). When a conflict originates in the structural abuse of power, the engineering of regulations to legalize dispossession, and covert collusion between public officials and business actors, it becomes a form of infrastructure crime (Bukhari et al., 2024). Treating the phenomenon as crime matters because it recognizes deliberate and systemic violations in which state instruments are used to seize communities' living space for the benefit of a few corporations.

Including the dimension of infrastructure crime in the analysis of PSN land disputes therefore offers a new perspective for legal reform in Indonesia. The resolution of agrarian conflicts arising from strategic projects has so far been forced through civil or administrative litigation, whose formalistic mechanisms rarely deliver substantive justice to residents. Viewing land grabbing as structural crime extends legal responsibility upstream from the corporations that execute clearance to the officials who issue discriminatory policies and engage in administrative collusion. Without firm legal reform, land acquisition in the name of the public interest will continue to supply moral legitimacy for the structural impoverishment of local communities.

The fourth form of infrastructure crime is money laundering. Discussions of infrastructure problems often stop at conventional corruption, an approach that fails to reach the proceeds of crime. In modern finance, large-scale project corruption is almost always accompanied by money laundering (*tindak pidana pencucian uang*, TPPU) as a safe means of protecting assets (Building up a Storm, n.d.). Money laundering in infrastructure can be understood as the systematic concealment, disguise, or conversion

of the proceeds of corruption so that their origin becomes difficult to trace. Illegal funds from bribes, kickbacks, or budget mark-ups are cleaned so that they appear to be legitimate income (Isolauri & Ameer, 2023).

The process runs through three interrelated stages: placement, layering, and integration. In the placement stage, perpetrators introduce illegal funds into the formal financial system, for example by splitting kickbacks across many accounts or smuggling them abroad. In the layering stage, they break the chain of tracing through complex, multi-layered, and cross-border transactions that obscure the source of the funds. In the integration stage, the "cleaned" funds return to the real economy, mix with legitimate assets, and become usable without arousing suspicion (Kris Selway, 2025).

The schemes used have become increasingly sophisticated. Nominees, whether relatives or paid third parties, serve as the main shield for concealing the beneficial owner (Modus Operandi Evolution, n.d.). This technique is often combined with shell companies in tax havens that have no real business activity beyond receiving tender funds. The funds are then reintegrated through purchases of high-value assets such as property, land, and precious metals, or through hidden investments in legitimate companies in the real sector (Khushi Dixit, 2025).

The relationship between development corruption and money laundering shows that law enforcement will remain lopsided if the two are separated. Infrastructure corruption functions as a predicate crime that generates money laundering. The capital-intensive character of projects produces volumes of illicit funds too large simply to hide, so that laundering becomes a vital instrument for corrupt actors to preserve their purchasing power and to finance the political protection that allows further corruption to continue. This inseparability opens the way to examining how the infrastructure sector, often presented as an engine of economic growth and public welfare, harbours the dark side of development.

Infrastructure projects are often celebrated as the main engine of economic growth and public welfare, yet behind the concrete and asphalt the sector harbours a dark side of development that is rarely exposed (Nisa & Khalid, 2024). Its systemic vulnerability follows from the characteristics of infrastructure projects themselves: enormous budgets, complicated licensing, heavy dependence on political access, and complex procurement create wide openings for actors seeking quick profit (Liu et al., 2022).

The fifth form is networked crime involving corporate and political actors. The conditions just described give rise to a corrupt ecosystem with solid ties among actors across sectors. Within it, one no longer confronts one or two errant individuals but systematic collaboration among politicians who control regulation, officials who manage budgets, state-owned enterprises that execute projects, and private corporations seeking maximum profit (Silitonga et al., 2023). Professional consultants and intermediaries strengthen the network by legitimizing and disguising illicit transactions so that they appear to comply with legal procedures (Hidayaturrahman et al., 2025).

Crime in infrastructure projects has thus evolved beyond conventional corruption committed by isolated individuals into organized economic crime, or networked crime (Owusu et al., 2021). State institutions and corporations, which should be pillars of

development, deviate from their functions and merge into large cartels that use formal organizational structures to design, conceal, and execute the systematic plunder of state funds (Khambule, 2025). The schemes are layered and sophisticated. Among the earliest are trading in influence and elite capture, in which political elites hijack development policy for the benefit of particular business groups. As projects proceed, the collusion shifts to the technical domain through bid rigging and corporate collusion, in which the winner is determined long before the official tender begins (Marito Magno et al., 2025).

Ultimately, the entire chain of crime serves the needs of political financing. Large infrastructure projects often become “cash cows” for political actors seeking funds for elections or for the maintenance of power (Ullberg et al., 2025). The corrupt synergy between corporations that need projects and politicians who need campaign resources fuels a vicious circle that is difficult to break. When construction ends, the public bears the burden in the form of swelling public debt, poor-quality infrastructure, and damage to the democratic order.

### 3.3. Development’s Dark Side: Legal Gaps and Policy Responses to Infrastructure Crime

The typology above leads to the question of legal gaps in the PSN framework. The implementation of PSN rests on a multidimensional regulatory framework involving several overlapping legal regimes. As instruments of accelerated development, PSN are governed by regulations specifically concerned with their designation and implementation, and they also intersect with regulations on procurement, land acquisition, regional government, spatial planning, the environment, the prevention of corruption, and the prevention and eradication of money laundering.

The breadth of this regulatory coverage also reveals the complexity of the legal regime surrounding PSN. The involvement of many regulatory sectors and implementing institutions creates a multi-layered regulatory framework that is necessary to support cross-sectoral projects of strategic value but that also risks normative fragmentation, overlapping authority, and unclear accountability. Mapping the regulatory framework of PSN, as in Table 1, therefore helps to show how far the existing normative design supports effective development governance while minimizing the risk of infrastructure crime.

**Table 1. Analysis of the Legal Framework of Indonesia’s National Strategic Projects**

| Regulation/Policy | Analysis |
|---|---|
| Presidential Regulation Number 109 of 2020 on the Third Amendment to Presidential Regulation Number 3 of 2016 on the Acceleration of the Implementation of National Strategic Projects | The principal basis for designating and accelerating PSN through administrative facilitation, cross-sectoral coordination, and accelerated licensing. Although it aims to make development more effective, the acceleration regime widens government discretion and creates exceptional governance mechanisms, which may reduce the effectiveness of oversight and public accountability. |

| Regulation/Policy | Analysis |
|---|---|
| Law Number 2 of 2012 on Land Acquisition for Development in the Public Interest | Provides the legal basis for land acquisition to support infrastructure development, including PSN. In practice, problems remain concerning public participation, compensation, and the protection of affected communities, which may give rise to agrarian conflict and abuse of authority in land clearance. |
| Presidential Regulation Number 16 of 2018 as amended by Presidential Regulation Number 12 of 2021 on Government Procurement of Goods/Services | Regulates the principles of efficiency, transparency, fair competition, and accountability in government procurement. The high economic value of infrastructure projects and the complexity of procurement still leave room for collusion, tender bribery, bid rigging, and other forms of procurement corruption. |
| Law Number 31 of 1999 as amended by Law Number 20 of 2001 on the Eradication of Corruption | The principal instrument for prosecuting the forms of corruption that may occur in PSN, such as bribery, gratification, abuse of authority, and acts that cause state financial losses. Its approach remains largely repressive and does not yet integrate risk-based prevention into the governance of infrastructure projects. |
| Law Number 8 of 2010 on the Prevention and Eradication of Money Laundering | Enables the tracing and confiscation of the proceeds of crime, including those derived from infrastructure corruption. The use of shell companies, nominees, and complex ownership structures still makes it difficult to trace the flow of criminal proceeds in strategic projects. |
| Law Number 23 of 2014 on Regional Government | Regulates the division of authority between the central and regional governments. In the context of PSN, the dominance of the central government in designating and implementing strategic projects may reduce the space for regional participation and oversight, creating risks of centralized authority and weakened checks and balances. |
| Law Number 26 of 2007 on Spatial Planning as amended by Law Number 6 of 2023 on the Enactment of the Government Regulation in Lieu of Law on Job Creation into Law | Regulates spatial conformity in development. The simplification of licensing and the acceleration of investment within the strategic development framework may create disharmony between development interests, spatial protection, and the interests of affected communities. |
| Law Number 32 of 2009 on Environmental Protection and Management as amended by Law Number 6 of 2023 | Provides environmental protection instruments through environmental approval and environmental impact assessment. The orientation toward acceleration may push environmental oversight toward administrative formality rather than substance, increasing the risk of |

| Regulation/Policy | Analysis |
|---|---|
| | environmental violations in large-scale infrastructure projects. |

*Source: Compiled by the authors (2026).*

Although PSN rest on a fairly comprehensive regulatory framework, the existence of these instruments does not by itself guarantee effective governance free of the risk of irregularities (Sulistyawan et al., 2025). The implementation of PSN reveals regulatory fragmentation involving several legal regimes, from administrative law, procurement, land, spatial planning, and the environment to the anti-corruption and anti-money-laundering regimes. This complexity may produce normative disharmony and unclear boundaries of authority between institutions.

The implementation of PSN also involves many institutional actors at the central and regional levels, including technical ministries, regional governments, procurement bodies, government internal auditors, and law enforcement agencies. Their involvement often creates overlapping authority, weak coordination, and accountability gaps in project oversight (Enala et al., 2025).

Weak law enforcement and underdeveloped preventive oversight compound these problems. Oversight of PSN remains oriented toward enforcement after violations have occurred (*ex post* enforcement), while risk identification, early detection, and internal control at the planning and implementation stages remain ineffective (Akhmadi, 2025). The emphasis on acceleration also grants decision-makers relatively broad discretion in licensing, procurement, and strategic decision-making.

Under certain conditions, such broad discretion increases the risk of regulatory capture, a situation in which the formation and implementation of policy are shaped more by the interests of particular groups than by the public interest, as Stigler (1971) predicts for regulatory regimes that concentrate benefits on organized actors. Vulnerability to infrastructure crime in PSN therefore stems from legal and institutional weaknesses that structurally create opportunities for abuse of authority and corruption, and not only from the deviant behaviour of individuals (Sujadi, 2018). The central problem of PSN governance lies in a paradox of development rather than in an absence of regulation: the need to accelerate development produces a legal and institutional configuration that unintentionally creates vulnerability to infrastructure crime.

The legal and institutional gaps in the implementation of PSN show that the risk of infrastructure crime cannot be understood merely as the consequence of individual deviance. Project corruption, procurement manipulation, agrarian conflict, and money laundering in infrastructure projects reveal structural governance failures. Regulatory fragmentation, overlapping authority, weak preventive oversight, and broad discretion in strategic projects create an institutional environment that permits the systemic abuse of authority (Agustin, 2025). Infrastructure development then becomes an arena vulnerable to economic crime and governance failure as well as an agenda for growth and welfare.

This paradox reflects what may be called the dark side of development: a condition in which efforts to accelerate development create new vulnerabilities to corruption and

the abuse of power. An orientation toward speed, simplified procedures, and the concentration of authority in particular actors aims to reduce bureaucratic obstacles and make development more effective. The same approach can weaken checks and balances, narrow public participation, and reduce the effectiveness of oversight. Irregularities in infrastructure projects therefore tend to arise as risks inherent in the design of development governance rather than as incidental events (Morrissette, 2020).

The dark side of development in PSN lies in a governance regime that makes acceleration its overriding priority without corresponding mechanisms of accountability, transparency, and oversight, and not in development as such. Under these conditions, development intended to produce prosperity may instead generate systemic and recurrent opportunities for infrastructure crime. Flyvbjerg's (2014) account of megaprojects offers a comparative confirmation: the features that make megaprojects attractive to political leaders, including their scale, visibility, and the opportunities they create for contractors and officials, are the same features that make them prone to misrepresentation and failure. The PSN regime adds to these general features a legal design that removes many of the procedural checks that might otherwise expose such risks.

The complexity and systemic character of infrastructure crime in PSN show that repressive law enforcement alone is no longer adequate. Because irregularities in infrastructure projects are often shaped by weaknesses in governance and institutional design, mitigation should integrate legal instruments, oversight mechanisms, and governance reform. The prevention of infrastructure crime must become an inherent part of planning and implementation rather than a response after violations occur.

From the perspective of preventive governance, early detection and risk screening should cover every stage of a project, from planning, land acquisition, and procurement to implementation and evaluation. This approach should be integrated into a compliance-based model of governance that emphasizes compliance, risk control, and strong internal oversight rather than punishment alone (Musawir et al., 2024). Given the enormous economic gains at stake, the legal response should also make fuller use of the money laundering regime by applying the follow-the-money principle to trace, freeze, and confiscate the proceeds of crime derived from strategic projects.

Institutionally, the mitigation of infrastructure crime requires stronger capacity and coordination among oversight bodies, including the KPK, the BPK, and the Government Internal Supervisory Apparatus (*Aparat Pengawasan Intern Pemerintah*, APIP), so that oversight no longer operates in sectoral fragments. Governance reform should also develop technology-based procurement through advanced e-procurement, beneficial-ownership tracking to identify those who actually benefit from infrastructure projects, and risk-based project monitoring and digital transparency to strengthen accountability and public oversight of PSN.

Infrastructure development must therefore be governed, and not only accelerated, through an accountable, transparent, and risk-based legal and governance framework. The mitigation of infrastructure crime requires reform of legal instruments and stronger enforcement, together with a transformation of development governance so that the

acceleration of national development does not create structural vulnerability to infrastructure crime.

## 4. Conclusion

The article answers its first question by identifying five forms of infrastructure crime in Indonesia's National Strategic Projects: project corruption through mark-ups, bid rigging, and kickbacks; construction fraud that recovers the cost of bribes by degrading materials and falsifying progress; land grabbing through unilateral location designation, intimidation, and unfair compensation; money laundering through nominees, shell companies, and asset purchases; and networked crime linking politicians, officials, state-owned enterprises, and private firms in the service of political financing. These forms are connected: procurement corruption generates construction fraud, corruption proceeds generate laundering, and political financing sustains the network that protects the whole chain.

On the second question, the analysis shows that these crimes arise from the legal design of the PSN regime itself. Presidential Regulation Number 3 of 2016 and its amendments, together with the government regulations easing land acquisition, forest land use, and spatial conformity, remove procedural checks in the name of acceleration, while Article 17 of Law Number 23 of 2014 and the dominance of the centre limit regional oversight. The resulting fragmentation, overlapping authority, broad discretion, and reliance on *ex post* enforcement lower the barriers to crime in a sector already prone to it because of its capital intensity, long duration, and technical complexity. The article's contribution lies in conceptualizing this pattern as development's dark side, a criminogenic effect of acceleration law, and in linking the Indonesian evidence to the theories of regulatory capture and megaproject governance.

Mitigation therefore requires a transformation of governance rather than more severe punishment alone: risk-based supervision from the planning stage, the integration of criminal law instruments with development policy, the use of the money laundering regime and beneficial-ownership tracking to follow the proceeds of crime, and coordinated oversight by the KPK, the BPK, and the APIP. Acceleration of infrastructure should be matched by commensurate accountability, transparency, and risk control so that national development does not create structural vulnerability to crime. Further research could examine individual PSN cases in depth to test how far the governance risks identified here explain the variation in outcomes between projects.

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