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Legal Strategies for Preventing Corruption in The Procurement of Goods and Services at State-Owned Enterprises

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Abstract. *The procurement of goods and services within state-owned enterprises (SOEs) is the sector in Indonesia with the most widespread and recurring corruption, with state losses due to procurement corruption surging from Rp5.3 trillion between 2016 and 2020 to Rp43.33 trillion between 2021 and 2023. The absence of a decrease in corruption figures despite the ongoing strengthening of anti-corruption regulations indicates a fundamental gap in SOE procurement governance. The core issue is the absence of a comprehensive, integrated, and legally binding prevention strategy. At the same time, SOE boards of directors have the full authority to establish procurement procedures independently without equivalent accountability standards. This study employs a normative-dogmatic legal methodology. The findings reveal that procurement fraud in SOEs occurs systematically across all stages of the procurement cycle and across sectors. Furthermore, it is found that fraud prevention fails due to a 'trifragmentation' of the system, which undermines the substance of regulations by containing normative gaps, a supervisory structure co-opted by conflicts of interest, and an internal legal culture that is permissive towards gratification. The discussion concludes that the most coherent academic response is to formulate a single binding legal instrument that closes every fraud loophole at every layer of the procurement cycle, restores the independence of internal oversight, and institutionalises anti-corruption cultural transformation as a corporate obligation.*

Keywords: *Corporate Governance; Corruption In SOE Procurement; Fraud Diamond Theory; Legal Prevention Strategies; Trifragmented Legal System.*

1. Introduction

The procurement of goods and services represents a significant component of the broader business activities within the ecosystem of State-Owned Enterprises (SOEs) in Indonesia. Concurrently, this activity constitutes the largest expenditure component in the budget structure of these state-owned companies. The significant value of procurement transactions, in conjunction with relatively expeditious payment mechanisms, renders this sector particularly susceptible to corruption, as the time required to exploit such opportunities is brief.(Tasya Nurhalyz et al., 2025). The results of the 2024 Integrity Assessment Survey (SPI) indicate a high risk of misuse in goods and services procurement. The survey found that 97% of ministries and agencies, and 99% of local governments, are susceptible to such practices. Moreover, of the 154 criminal corruption cases prosecuted by the KPK throughout 2024, 68 cases, or nearly half, involved the procurement of goods and services, making it the most frequently prosecuted type of case. Of the total number of cases, 38 originated from state-owned enterprises (SOEs) and regionally owned enterprises (ROEs). This indicates that SOEs are the second-largest contributor to cases after ministries and central government agencies.(KPK, 2025b). This assertion is corroborated by Indonesia Corruption Watch (ICW). According to a 2024 report monitoring corruption trends, the ICW noted that the value of state losses from corruption in goods and services procurement during the 2021–2023 period reached Rp43.33 trillion. This figure represents a drastic surge compared to the 2016–2020 period, which stood at Rp5.3 trillion—an increase of more than eightfold. This reflects an escalating, increasingly alarming problem rather than an improvement. A particularly noteworthy surge is evident in the aggregate state losses due to corruption throughout 2024, which reached Rp279.9 trillion. Private companies and state-owned enterprises (SOEs) emerged as the primary contributors, accounting for Rp275.8 trillion, representing 98.53% of the total losses. These figures are not merely statistics; rather, they represent systemic failures in governance that have occurred repeatedly, with losses actually increasing despite regulations and anti-corruption instruments being continuously strengthened over time.(Kumalasanti et al., 2025a)

The documented history of procurement corruption in SOEs is extensive, as evidenced by numerous final and binding court rulings. Eddie Widiono, former President Director of PT PLN (Persero), was convicted and sentenced to five years of imprisonment for his involvement in corruption related to the Roll Out Customer Information System (CIS-RISI) procurement project at PLN from 2004 to 2006. This corruption led to state losses amounting to Rp46.1 billion. The conviction was upheld on appeal, and the charges stemmed from Widiono's alleged direct appointment of PT Netway Utama without following a transparent tender process.(Nasution, 2013). Hotasi Nababan, the former President Director of PT Merpati Nusantara Airlines, was sentenced to four years of imprisonment by the Supreme Court. This sentence was imposed in a case involving the payment of a security deposit for the lease of a Boeing aircraft. The court found that Mr. Nababan had caused the state a loss of US$1 million. The payment of the security deposit was conducted without a letter of credit mechanism and without the required approval of the General Meeting of Shareholders. This constitutes a form of abuse of executive authority that bypasses corporate accountability mechanisms.(Reviyanto, 2014)

Richard Joost Lino, former Chief Executive Officer of PT Pelindo II, was convicted of corruption and sentenced to four years of imprisonment, in addition to a fine of 500 million Indonesian rupiahs. The Jakarta High Court subsequently upheld this ruling. Lino was found guilty of orchestrating a scheme that involved the direct awarding of a contract to a Chinese company for the procurement and maintenance of three Quayside Container Cranes (QCC) units in 2010. This illegal arrangement resulted in state losses amounting to 1,997,740.23 United States dollars. The scheme was executed by fabricating repeated tender failures.(Rizki, 2022). The most recent case involves PT Amarta Karya (Persero), in which CEO Catur Prabowo and CFO Trisna Sutisna were charged with causing state losses of Rp 46 billion by fabricating payments to fictitious subcontractors across approximately 60 procurement projects between 2018 and 2022. This was accomplished by establishing fictitious limited liability companies (CVs) to channel corrupt funds, leading to Catur Prabowo also being named a suspect in a money laundering case.(Bagaskara, 2023)

The four emblematic cases above reveal a consistent pattern: procurement corruption in state-owned enterprises (SOEs) is not incidental but systemic, occurring across various types of SOEs in multiple sectors, from utilities, aviation, and ports to construction, and employing recurring methods ranging from non-transparent direct appointments, self-determined mark-ups, of self-estimated prices, to the creation of fictitious transactions and subcontractors. This discrepancy underscores a critical gap between the prevailing conditions and the legal framework that ought to be in place.

According to Law No. 19 of 2003 on SOEs, the principles of Good Corporate Governance must be applied. These principles include transparency, accountability, responsibility, independence, and fairness. Government Regulation No. 45 of 2005, in conjunction with the Minister of SOEs Regulation No. PER-08/MBU/12/2019 on General Guidelines for the Implementation of Goods and Services Procurement by SOEs has also established the principles of efficiency and transparency as guidelines that must be adhered to. However, a critical structural deficit exists within the sui generis nature of SOEs. Procurement of goods and services in SOEs is not subject to Presidential Regulation No. 16 of 2018, which governs government sector procurement. Consequently, the SOE Board of Directors possesses full authority to establish procurement procedures independently.(Tijow & Hayat, 2021). The primary source of information asymmetry and moral hazard in the management of SOE procurement is precisely this extensive authority, unchecked by equivalent accountability mechanisms, as seen from the perspective of Principal-Agent Theory. Empirical legal research has identified significant deficiencies in the determination of criteria for urgent circumstances used to justify direct awards. These deficiencies create loopholes for misconduct, as research confirms. These recurring deficiencies are particularly evident in corruption cases adjudicated by the courts.(Sugianto et al., 2024)

This discrepancy can be attributed not only to inadequate regulatory substance but also to deficiencies in oversight structures and the deterioration of legal culture within SOE corporations. The results of the KPK’s 2024 SPI report indicate several concerning trends in vendor selection processes. Firstly, it was found that 49% of these processes were prearranged, suggesting a lack of transparency and potential conflicts of interest. Secondly, it was determined that 56% of goods did not meet the quality standards relative to the price paid, potentially leading to substandard outcomes or unsatisfactory services. Thirdly, there was a significant increase in nepotism cases, with 71% of them involving vendors offering gratuities to government officials, potentially resulting in corruption or undue influence. Corruption in the procurement process has been shown to have deleterious effects on state finances and the quality of procurement outcomes for the public. These effects include goods and services that do not meet specifications and stalled projects with no tangible benefits.(KPK, 2025a). The implementation of good corporate governance in SOEs remains hampered by structural barriers, including political interference, pressure from state shareholders, and unmanaged conflicts of interest. Consequently, a poor control environment fosters opportunities for corruption. If this situation is not addressed promptly with the appropriate legal strategies, the prevalence of procurement corruption in SOEs is likely to persist and escalate.(Turjandini, 2024)

In light of the empirical evidence previously delineated, the central problem this study addresses is as follows: The prevailing positive law has proven ineffective in preventing the recurrence of corruption in the procurement of goods and services within SOEs. This is due to the absence of a comprehensive, integrated, and corporately binding legal prevention strategy that addresses the mapping of existing crime models, the strengthening of oversight structures, and the transformation of legal culture within SOEs. To address this fundamental issue, the study employs four theoretical frameworks arranged in a layered structure: Lawrence M. Friedman's Legal System Theory serves as the overarching theoretical framework guiding the examination of legal structure, substance, and culture. Barda Nawawi Arief's Criminal Law Policy Theory is the secondary theoretical framework that aims to formulate a comprehensive approach encompassing both penal and non-penal measures. The Principal-Agent Theory is employed to analyze the dynamics of actor relationships and conflicts of interest that underlie procurement corruption. Finally, Wolfe and Hermanson's Fraud Diamond Theory is utilized as an applied theory to classify corruption models based on four determining elements: pressure, opportunity, rationalization, and capability. This ensures that the resulting prevention strategies are grounded in measurable causal analysis and are academically accountable.

2. Research Methods

The present study employs a normative-dogmatic legal research method, which treats law as an autonomous system of norms and examines it internally through the following procedures: first, tracing applicable legal rules; second, identifying those rules; and third, analyzing them. In the tradition of legal science, the dogmatic approach signifies that the object of study is positive law itself—the norms, principles, structures, and doctrines that exist within the legal system—rather than social behavior or empirical facts outside the law. The selection of this approach was predicated on the recognition that the subjects under consideration were of a legal-normative character. To elaborate, this entails examining the discrepancy between the legal norms that ought to be implemented (das Sollen) and their actual implementation (das Sein) in the context of preventing corruption in the procurement of goods and services by state-owned enterprises (SOEs). Concurrently, this method entails formulating a comprehensive and scientifically accountable legal prevention strategy.(Fahrizal S.Siagian, 2023)

The present study employs three approaches that proceed simultaneously and complement one another. First, the statutory approach (statute approach) involves the systematic examination of all laws and regulations related to the research subject. The legal materials examined include Law No. 19 of 2003 on State-Owned Enterprises (SOEs), Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on the Eradication of Corruption Offenses, Government Regulation No.

45 of 2005, Minister of SOEs Regulation No. PER-08/MBU/12/2019 on General Guidelines for the Implementation of Procurement of Goods and Services by SOEs, as well as other relevant regulations. The objective of the review was to ascertain the degree of consistency among regulations, identify normative gaps, and determine potential overlaps or legal vacuums that could serve as entry points for procurement corruption.

Secondly, the case approach is employed, which involves analyzing final and binding court decisions relevant to the legal issues under study. The rulings examined include the cases of Eddie Widiono (PLN), Hotasi Nababan (Merpati), RJ Lino (Pelindo II), and Catur Prabowo and Trisna Sutisna (Amarta Karya). The focus of the examination was the ratio decidendi of each ruling. The objective was to identify patterns of corruption and weaknesses in legal mechanisms revealed during the trials.

Thirdly, the conceptual approach refers to the perspectives, doctrines, and theories developed within legal science to construct analytical and prescriptive arguments. This approach is supported by four theoretical frameworks established as analytical tools: Friedman's Legal System Theory, Barda Nawawi Arief's Criminal Law Policy Theory, Principal-Agent Theory, and Fraud Diamond Theory. (Rosidi et al., 2024)

The legal materials employed in this study encompass three distinct categories. The primary legal materials encompass legislation and judicial decisions. Secondary legal materials encompass academic works, articles from reputable international journals, legal textbooks, previous research findings, and reports from authoritative institutions such as the KPK and ICW that are legally relevant. Tertiary legal materials consist of legal dictionaries and encyclopedias that serve to explain terminology. The analysis was conducted using a prescriptive-analytical method, which not only describes what exists but also actively formulates how the law should be constructed and function to achieve its objectives—in this case, effective and fair corruption prevention within the SOE sector.

This study identifies two interrelated key findings. First, the study examines the concepts and models of fraud or corruption in the procurement of goods and services at state-owned enterprises. Second, the study analyzes the modus operandi of such fraud at each stage of the procurement process, as evidenced in various court rulings.

Conceptually, the terms "fraud" and "corruption" refer to two distinct academic fields yet share overlapping substance. In the domain of corporate governance, the term "fraud" is frequently employed. Conversely, within the framework of criminal law, the same act is designated as a "criminal act of corruption." The

Association of Certified Fraud Examiners (ACFE) defines fraud as an unlawful act committed intentionally by one or more individuals who abuse their authority, such as management, employees, or third parties, to obtain personal gain through dishonest means, including manipulation, breach of trust, and deception. The Association of Certified Fraud Examiners (ACFE) has established a classification system for fraudulent activities. According to the ACFE, fraud can be categorized into three distinct categories: asset misappropriation, fraudulent statements, and corruption. In the context of the procurement of goods and services in state-owned enterprises (SOEs), these three types of fraud often occur simultaneously within a structured, systematic sequence of acts.(Mulyawan, n.d.)

To comprehend the legal classification of fraudulent procurement of goods and services at SOEs, as delineated by Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 on the Eradication of Corruption Offenses (Anti-Corruption Law), a thorough examination is necessitated, extending beyond a mere textual analysis of the pertinent articles. It is imperative to comprehend the dogmatic relationship between Article 2 and Article 3, two provisions that appear superficially similar but differ fundamentally in the legal subject, the mens rea element, and the consequences of criminal punishment. These discrepancies have often been misinterpreted, even by legal practitioners, as highlighted by anti-corruption law experts during an academic forum facilitated by the Jentera School of Law in March 2016.(Putra & Yonatan, 2016)

From a normative perspective, Article 2(1) of the Anti-Corruption Law establishes three essential elements that must be proven cumulatively. The first element of the definition is the commission of an unlawful act. The second element is the resultant enrichment of the actor, another person, or a corporation. The third element is the capability of the act to cause harm to the state's finances or economy. Conversely, Article 3 delineates inherently divergent elements. The abuse of authority, opportunity, or means available due to one's position or office constitutes the first element of the definition. The second element is the intention to benefit oneself, another person, or a corporation. The third element is the potential for harm to the state's finances or economy. The most significant legal distinction can be found in the initial element: Article 2 stipulates an "unlawful act" of a general nature that can be committed by any individual ("any person"). In contrast, Article 3 stipulates "abuse of authority arising from an official position," which inherently requires that the perpetrator must first possess authority derived from the position or office held. (FNH, 2016)

The Supreme Court's decision in case number 2231 K/PID.SUS/2017, delivered by Justice Artidjo Alkostar, provided clarification on this doctrinal controversy. In this decision, the Supreme Court affirmed the legal principle that "the act of abusing authority is also an unlawful act as the genus of abuse of authority." This principle signifies that every instance of abuse of authority (Article 3) is simultaneously an unlawful act (Article 2). However, not every unlawful act automatically constitutes an abuse of authority.(Febryani et al., 2025)

The ramifications of this construction are especially evident in the context of procurement fraud at state-owned enterprises (SOEs). Directors and officials of SOEs who possess formal authority over the procurement process, whether in their capacity as officials authorized to determine procurement methods, sign contracts, or approve payments, a priori meet the legal subject requirements of Article 3. The Supreme Court Circular (SEMA) cited in the Supreme Court's study on the interpretation of the "unlawful" element even confirms that the justices agreed on using the criterion of the amount of state loss as the basis for choosing between Article 2(1) or Article 3 of the Anti-Corruption Law in its application during trials. This practice demonstrates how crucial these two articles are as complementary instruments rather than mutually exclusive alternatives.(Agustina et al., 2016)

From the perspective of criminal penalties, there is a normative asymmetry that poses a significant academic challenge. Article 2 stipulates a minimum sentence of four years and a maximum of twenty years, while Article 3 stipulates a minimum sentence of one year and a maximum of twenty years. This paradox has been the subject of substantial criticism from Shinta Agustina of Andalas University. Agustina contends that Article 3 should carry a higher penalty than Article 2 because acts of corruption committed by officials who abuse their authority are morally and socially more reprehensible and harmful than ordinary unlawful acts committed without official authority.

This discrepancy in the charges against RJ Lino and Eddie Widiono, despite both implicating procurement fraud at state-owned enterprises, underscores the nuance in the legal and ethical considerations involved in such cases. In RJ Lino's case, the charges were based on Article 3 because trial evidence demonstrated that the criminal act in question was the direct appointment of Wuxi HDHM Agrocranes Co. In 2010, the procurement of three units of Quayside Container Cranes (QCC) for PT Pelindo II by Ltd. was only made possible due to Lino's position as President Director. This role bestowed upon him the authority to oversee the entire procurement process. Absent the role of President Director, the direct appointment, which contravened the SOE Ministerial Regulation No. PER-05/MBU/2008, could not, in principle, be implemented. The fundamental premise of Article 3 is that the authority of the position is indispensable for the commission of the act of corruption.(Badai, 2021)

The panel of judges found Lino legally and convincingly guilty, despite a dissenting opinion from Presiding Judge Rosmina, who questioned the inaccuracy of the calculation of state losses. The panel sentenced Lino to four years' imprisonment and a fine of Rp500 million. The Jakarta High Court later upheld this verdict in its appellate ruling. The panel of judges determined that the state losses amounted to Rp28.82 billion, which differs from the prosecutor's claim of losses amounting to 1,997,740.23 US dollars. This discrepancy arises from the use of two different calculation methodologies by the KPK's forensic unit and the BPK.

In contrast to the Lino case, Eddie Widiono, who served as Chief Executive Officer of PLN from 2001 to 2008, was charged with corruption in the outsourcing of the Customer Information System Master Plan for Information Systems (CIS-RISI) project at PLN Distribution Jakarta Raya and Tangerang from 2004 to 2006, valued at Rp46.18 billion. The finding of guilt for Eddie, as outlined in the counter-memorandum of appeal, was primarily based on the second charge that aligns with Article 3. This charge, as stated in the aforementioned document, confirms that "the proven charge is the second charge violating Article 3 in conjunction with Article 18 of Law No. 31 of 1999." This finding indicates that the initial charge against Eddie was under Article 2, also known as the primary charge. However, the panel of judges determined that the more appropriate legal framework to address the charges against Eddie was Article 3.(Aan, 2011)

This judicial decision offers a normative affirmation of a pivotal principle: that in procurement fraud committed by SOE officials using their official authority, Article 3 more accurately describes the nature of the act because the element of abuse of official authority is the core of the entire series of criminal acts, and not merely a "means" to enrich oneself as formulated by Article 2. Chandra Hamzah, former Commissioner of the Corruption Eradication Commission (KPK), has asserted that a critical inaccuracy arises in the implementation of the Anti-Corruption Law when law enforcement officials prioritize state loss over the initial element of self-enrichment. This inverted burden of proof, as Hamzah contends, engenders a paradoxical legal uncertainty that imperils Specially Owned Enterprises (SOEs) officials who make risk-averse business decisions, rather than targeting the true corruptors.

From the perspective of occupational fraud as conceptualized by the ACFE,(Bracco et al., 2024) The qualification of Article 3 as the more appropriate norm for fraud in SOE procurement has a very strong theoretical basis. Occupational fraud is defined as the exploitation of a position of trust to commit fraud. Perpetrators of occupational fraud do not merely engage in unlawful acts; they specifically exploit the trust, access to information, and formal authority that come with a position to carry out their fraudulent activities.

Article 3 of the Anti-Corruption Law captures these characteristics through the element "abusing the authority, opportunity, or means available to them by virtue of their position or status." The phrase "by virtue of their position or status" is not merely a stylistic element in this provision; rather, it is a crucial component that underscores the nexus between the perpetrator's institutional position and their capacity to engage in corrupt activities. This nexus, identified by Wolfe and Hermanson (2004) in the Fraud Diamond Theory as the element of capability, signifies the perpetrator's ability to exploit their position and official authority to facilitate, execute, and conceal corrupt actions, both from internal and external scrutiny. In essence, the legal interpretation of Article 3 of the Anti-Corruption Law indirectly acknowledges the concept of capability within the Fraud Diamond Theory framework. This theoretical framework is not only relevant from an academic perspective but also has normative implications for the criminal law analysis of corruption in SOE procurement. (Dwimawanti & Ramadani, 2023)

A thorough examination of the aforementioned court rulings and KPK findings reveals that fraud in the procurement of goods and services at SOEs transpires systematically at every stage of the procurement process, rather than being confined to a singular point. These findings corroborate the conclusions of the KPK study, which identified four corruption vulnerabilities in the procurement process: regulatory aspects, planning and budgeting, implementation, and oversight.(Nov, 2016)

During the procurement planning stage, at least four modes of fraud have been identified. First, the splitting of procurement package values (splitting) is employed to maintain the package value below the threshold necessitating an open tender, thereby enabling procurement to be conducted through a direct appointment mechanism. This administrative maneuver deliberately circumvents the competitive mechanisms that ought to be in place. Secondly, the Estimated Cost (HPS) is subject to manipulation during the preparation of procurement documents.

That errors in HPS preparation, particularly those stemming from unrealistic unit prices and inflated budget amounts, represent the most prevalent loophole utilized to facilitate corruption in procurement. According to Indonesia Procurement Watch, the BPK's findings indicate that procurement values in Indonesia are, on average, 30–40 percent higher than market prices. This finding suggests that the practice of HPS mark-ups has become systematic. Third, the manipulation of technical specifications to align with specific vendors—that is, the adaptation of technical documents in a manner that pre-selected vendors are the only ones capable of meeting the stipulated requirements, while excluding other participants without any demonstrable infractions. Fourthly, fictitious tender planning constitutes procurement planning intentionally designed to avoid obtaining goods or services through competitive bidding. Rather, it is a method of allocating budgetary resources to colluding parties.

During the vendor selection phase, this study identified five modes of fraud. First, the selection of affiliated vendors disregards the principle of arm's length transactions, which is a pillar of good procurement governance. Secondly, the failure to objectively evaluate vendor performance is evident. Third, bid rigging, defined by the OECD (2025) as the practice where companies, expected to compete, collude to manipulate the bidding process, inflate prices, or reduce quality, is a salient concern. The OECD has observed that collusion in procurement can result in contract costs that are 20% or more above market price. This practice manifests in various forms, including cover pricing, wherein a fictitious bid is submitted to ensure the victory of a particular vendor; bid rotation, where consortium members alternately secure contracts, thereby inflating prices by 10–12%; and subcontracting arrangements, where the predetermined winner allocates work to entities willing to relinquish the bid. Fourthly, the vendor evaluation process is subject to manipulation through scoring weight adjustments or one-sided interpretations of requirements. Fifthly, the most direct form of bribery is the exchange of gratuities between vendors and buyers, a practice substantiated by the KPK's 2024 SPI. The SPI's findings indicate that 46% of procurement cases involve the allocation of gratuities from vendors to organizers.(Pachnou et al., 2025)

As the tender process progresses, fraud methods tend to become increasingly sophisticated. (Faizov, 2021) First, tender information is intentionally restricted in its dissemination, even though it is formally declared open, to limit the number of participants aware of the process. Secondly, the approval of unqualified vendors is evidenced by overlooking the preferred vendor's shortcomings while strict standards are applied to other participants. Thirdly, bribery directed at the tender committee has been identified as a salient factor. Fourthly, engineering repeated tender failures to obtain legitimacy for direct appointment. This final scheme was validated in a court of law in the RJ Lino case. After two QCC procurement auctions failed to yield a winner—which was later shown to be fabricated—PT Pelindo II ultimately appointed the Chinese company Wuxi HDHM, which had never participated in the tender process. This action was undertaken by RJ Lino in his capacity as Chief Executive Officer, constituting a clear violation of the Ministry of State-Owned Enterprises Regulation No. PER-05/MBU/2008.(Dewantara & Sukarmi, 2024)

In the aftermath of the winner's selection, fraud persisted through two predominant methods. First, unilateral contract amendments deviating from the initial agreement made during the aanwijzing phase—whether regarding technical specifications or pricing—were used to inflate contract values or lower quality standards after the vendor had been securely selected. Secondly, kickbacks or demands for commissions by authorized officials directed at the winning vendor must be considered. This pattern was identified in the Garuda Indonesia aircraft procurement corruption case, in which kickbacks were paid to the CEO and senior management as compensation for securing the procurement of CRJ-1000 and ATR 72-600 aircraft, resulting in state losses of Rp9.3 trillion.(Kumalasanti et al., 2025b)

During the project implementation phase, three modes of fraud were identified. In the context of public procurement, collusion between a state-owned enterprise (SOE) user and a vendor to create fictitious procurements constitutes fraud. Such procurements involve the submission of invoices for work that was paid for but never carried out, or for which no goods or services were delivered. This scheme was at the heart of the corruption at PT Amarta Karya: Catur Prabowo and Trisna Sutisna established three fictitious limited liability companies (CVs) that functioned as active subcontractors, receiving payments for work on 60 projects, some of which were fictitious. The bank accounts, ATM cards, and checkbooks of these fictitious CVs were fully controlled by Catur Prabowo's trusted associates. This scheme operated undetected by the SOE's internal control system for four years.(Bagaskara, 2023) Secondly, clients solicit bribes from vendors as a condition for facilitating seamless payment processing or the execution of handover documents. Thirdly, there is the issue of vendor manipulation of the quality and quantity of goods or services. In such cases, deliveries that did not meet contract specifications still received full payment due to collusion with officials receiving the procurement results.

An examination of the aforementioned five stages of fraud reveals a consistent relational pattern that can be explained through the framework of Principal-Agent Theory. In the cases examined, three main actors were identified: the principal (the state, as the shareholder, and the public, as the beneficiaries), the agent (the board of directors and procurement officials of state-owned enterprises), and the client (private vendors or contractors). Conflicts of interest between the principal and the agent are known to create conditions in which the agent has an incentive to act in their own self-interest rather than in the interest of the principal. Empirical research on SOEs listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022 demonstrates that CEO power, which represents the "capability" element in the Fraud Diamond, has a positive and significant effect on the disclosure of corruption in SOEs, while oversight through audit opinions has a negative effect; that is, the stronger the external oversight, the lower the risk of corruption. (Riawan & Suryani, 2025)

A salient finding of the study is that SOE procurement regulations engender structural loopholes that, in essence, heighten the risk of fraud. Recent research on PT Indofarma Tbk (2026) confirms that the weak implementation of good corporate governance (GCG) is a key factor contributing to state losses of Rp371 billion, and that SOE directors have a fiduciary duty under Article 97 of the Limited

Liability Companies Act, which may result in personal liability if negligence is proven. Empirical research on 22 SOEs listed on the Indonesia Stock Exchange (2021–2023) found that the frequency of audit committee meetings has a positive and significant effect on fraud prevention. However, existing whistleblowing systems were found to have no significant effect due to implementation challenges. These findings reflect the prevalence of a hierarchical compliance culture over a speak-up culture within SOEs. These findings are corroborated by research on the fraud triangle in Indonesian SOEs, which found that the elements of pressure and rationalization have a significant positive influence on employees' intent to commit fraud.(Nurlia & Hermanto, 2021)

According to prevailing norms, the fraudulent activities in question constitute a clear infringement of the procurement principles set out in Article 2 of the Minister of State-Owned Enterprises Regulation No. PER-08/MBU/12/2019. This regulatory framework stipulates that procurement processes must be conducted in accordance with the principles of efficiency, effectiveness, competitiveness, transparency, fairness, reasonableness, and accountability. Each fraudulent scheme is in direct opposition to its respective principle: The aforementioned markups violate the principle of efficiency, as they effectively impede vendors' ability to compete fairly. The procurement process is characterized by a lack of transparency, which not only hinders competition but also undermines the fundamental principle of accountability. The fact that violations of these six principles can occur simultaneously within a single series of actions, as evidenced in the cases of Amarta Karya, PLN, Pelindo, and Merpati, serves as empirical evidence confirming that the substance of existing regulations is not yet sufficiently robust in practice to prevent procurement corruption in state-owned enterprises. Therefore, a legal prevention strategy is needed that specifically closes every operational loophole at every stage of the procurement cycle.(Bestari et al., 2026)

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The Supreme Court’s decision in case number 2231 K/PID.SUS/2017, delivered by Justice Artidjo Alkostar, provided clarification on this doctrinal controversy. In this decision, the Supreme Court affirmed the legal principle that “the act of abusing authority is also an unlawful act as the genus of abuse of authority.” This principle signifies that every instance of abuse of authority (Article 3) is simultaneously an unlawful act (Article 2). However, not every unlawful act automatically constitutes an abuse of authority.(Febryani et al., 2025)

The ramifications of this construction are especially evident in the context of procurement fraud at state-owned enterprises (SOEs). Directors and officials of SOEs who possess formal authority over the procurement process, whether in their capacity as officials authorized to determine procurement methods, sign contracts, or approve payments, a priori meet the legal subject requirements of Article 3. The Supreme Court Circular (SEMA) cited in the Supreme Court's study on the interpretation of the "unlawful" element even confirms that the justices agreed on using the criterion of the amount of state loss as the basis for choosing between Article 2(1) or Article 3 of the Anti-Corruption Law in its application during trials. This practice demonstrates how crucial these two articles are as complementary instruments rather than mutually exclusive alternatives.(Agustina et al., 2016)

From the perspective of criminal penalties, there is a normative asymmetry that poses a significant academic challenge. Article 2 stipulates a minimum sentence of four years and a maximum of twenty years, while Article 3 stipulates a minimum sentence of one year and a maximum of twenty years. This paradox has been the subject of substantial criticism from Shinta Agustina of Andalas University. Agustina contends that Article 3 should carry a higher penalty than Article 2 because acts of corruption committed by officials who abuse their authority are morally and socially more reprehensible and harmful than ordinary unlawful acts committed without official authority.

This discrepancy in the charges against RJ Lino and Eddie Widiono, despite both implicating procurement fraud at state-owned enterprises, underscores the nuance in the legal and ethical considerations involved in such cases. In RJ Lino's case, the charges were based on Article 3 because trial evidence demonstrated that the criminal act in question was the direct appointment of Wuxi HDHM Agrocranes Co. In 2010, the procurement of three units of Quayside Container Cranes (QCC) for PT Pelindo II by Ltd. was only made possible due to Lino's position as President Director. This role bestowed upon him the authority to oversee the entire procurement process. Absent the role of President Director, the direct appointment, which contravened the SOE Ministerial Regulation No. PER-05/MBU/2008, could not, in principle, be implemented. The fundamental premise of Article 3 is that the authority of the position is indispensable for the commission of the act of corruption.(Badai, 2021)

The panel of judges found Lino legally and convincingly guilty, despite a dissenting opinion from Presiding Judge Rosmina, who questioned the inaccuracy of the calculation of state losses. The panel sentenced Lino to four years' imprisonment and a fine of Rp500 million. The Jakarta High Court later upheld this verdict in its appellate ruling. The panel of judges determined that the state losses amounted to Rp28.82 billion, which differs from the prosecutor's claim of losses amounting to 1,997,740.23 US dollars. This discrepancy arises from the use of two different calculation methodologies by the KPK's forensic unit and the BPK.

In contrast to the Lino case, Eddie Widiono, who served as Chief Executive Officer of PLN from 2001 to 2008, was charged with corruption in the outsourcing of the Customer Information System Master Plan for Information Systems (CIS-RISI) project at PLN Distribution Jakarta Raya and Tangerang from 2004 to 2006, valued at Rp46.18 billion. The finding of guilt for Eddie, as outlined in the counter-memorandum of appeal, was primarily based on the second charge that aligns with Article 3. This charge, as stated in the aforementioned document, confirms that "the proven charge is the second charge violating Article 3 in conjunction with Article 18 of Law No. 31 of 1999." This finding indicates that the initial charge against Eddie was under Article 2, also known as the primary charge. However, the panel of judges determined that the more appropriate legal framework to address the charges against Eddie was Article 3.(Aan, 2011)

This judicial decision offers a normative affirmation of a pivotal principle: that in procurement fraud committed by SOE officials using their official authority, Article 3 more accurately describes the nature of the act because the element of abuse of official authority is the core of the entire series of criminal acts, and not merely a "means" to enrich oneself as formulated by Article 2. Chandra Hamzah, former Commissioner of the Corruption Eradication Commission (KPK), has asserted that a critical inaccuracy arises in the implementation of the Anti-Corruption Law when law enforcement officials prioritize state loss over the initial element of self-enrichment. This inverted burden of proof, as Hamzah contends, engenders a paradoxical legal uncertainty that imperils Specially Owned Enterprises (SOEs) officials who make risk-averse business decisions, rather than targeting the true corruptors.

From the perspective of occupational fraud as conceptualized by the ACFE,(Bracco et al., 2024) The qualification of Article 3 as the more appropriate norm for fraud in SOE procurement has a very strong theoretical basis. Occupational fraud is defined as the exploitation of a position of trust to commit fraud. Perpetrators of occupational fraud do not merely engage in unlawful acts; they specifically exploit the trust, access to information, and formal authority that come with a position to carry out their fraudulent activities.

Article 3 of the Anti-Corruption Law captures these characteristics through the element "abusing the authority, opportunity, or means available to them by virtue of their position or status." The phrase "by virtue of their position or status" is not merely a stylistic element in this provision; rather, it is a crucial component that underscores the nexus between the perpetrator's institutional position and their capacity to engage in corrupt activities. This nexus, identified by Wolfe and

Hermanson (2004) in the Fraud Diamond Theory as the element of capability, signifies the perpetrator's ability to exploit their position and official authority to facilitate, execute, and conceal corrupt actions, both from internal and external scrutiny. In essence, the legal interpretation of Article 3 of the Anti-Corruption Law indirectly acknowledges the concept of capability within the Fraud Diamond Theory framework. This theoretical framework is not only relevant from an academic perspective but also has normative implications for the criminal law analysis of corruption in SOE procurement. (Dwimawanti & Ramadani, 2023)

A thorough examination of the aforementioned court rulings and KPK findings reveals that fraud in the procurement of goods and services at SOEs transpires systematically at every stage of the procurement process, rather than being confined to a singular point. These findings corroborate the conclusions of the KPK study, which identified four corruption vulnerabilities in the procurement process: regulatory aspects, planning and budgeting, implementation, and oversight.(Nov, 2016)

During the procurement planning stage, at least four modes of fraud have been identified. First, the splitting of procurement package values (splitting) is employed to maintain the package value below the threshold necessitating an open tender, thereby enabling procurement to be conducted through a direct appointment mechanism. This administrative maneuver deliberately circumvents the competitive mechanisms that ought to be in place. Secondly, the Estimated Cost (HPS) is subject to manipulation during the preparation of procurement documents.

That errors in HPS preparation, particularly those stemming from unrealistic unit prices and inflated budget amounts, represent the most prevalent loophole utilized to facilitate corruption in procurement. According to Indonesia Procurement Watch, the BPK's findings indicate that procurement values in Indonesia are, on average, 30–40 percent higher than market prices. This finding suggests that the practice of HPS mark-ups has become systematic. Third, the manipulation of technical specifications to align with specific vendors—that is, the adaptation of technical documents in a manner that pre-selected vendors are the only ones capable of meeting the stipulated requirements, while excluding other participants without any demonstrable infractions. Fourthly, fictitious tender planning constitutes procurement planning intentionally designed to avoid obtaining goods or services through competitive bidding. Rather, it is a method of allocating budgetary resources to colluding parties.

During the vendor selection phase, this study identified five modes of fraud. First, the selection of affiliated vendors disregards the principle of arm's length transactions, which is a pillar of good procurement governance. Secondly, the failure to objectively evaluate vendor performance is evident. Third, bid rigging, defined by the OECD (2025) as the practice where companies, expected to compete, collude to manipulate the bidding process, inflate prices, or reduce quality, is a salient concern. The OECD has observed that collusion in procurement can result in contract costs that are 20% or more above market price. This practice manifests in various forms, including cover pricing, wherein a fictitious bid is submitted to ensure the victory of a particular vendor; bid rotation, where consortium members alternately secure contracts, thereby inflating prices by 10–12%; and subcontracting arrangements, where the predetermined winner allocates work to entities willing to relinquish the bid. Fourthly, the vendor evaluation process is subject to manipulation through scoring weight adjustments or one-sided interpretations of requirements. Fifthly, the most direct form of bribery is the exchange of gratuities between vendors and buyers, a practice substantiated by the KPK's 2024 SPI. The SPI's findings indicate that 46% of procurement cases involve the allocation of gratuities from vendors to organizers.(Pachnou et al., 2025)

As the tender process progresses, fraud methods tend to become increasingly sophisticated. (Faizov, 2021) First, tender information is intentionally restricted in its dissemination, even though it is formally declared open, to limit the number of participants aware of the process. Secondly, the approval of unqualified vendors is evidenced by overlooking the preferred vendor's shortcomings while strict standards are applied to other participants. Thirdly, bribery directed at the tender committee has been identified as a salient factor. Fourthly, engineering repeated tender failures to obtain legitimacy for direct appointment. This final scheme was validated in a court of law in the RJ Lino case. After two QCC procurement auctions failed to yield a winner—which was later shown to be fabricated—PT Pelindo II ultimately appointed the Chinese company Wuxi HDHM, which had never participated in the tender process. This action was undertaken by RJ Lino in his capacity as Chief Executive Officer, constituting a clear violation of the Ministry of State-Owned Enterprises Regulation No. PER-05/MBU/2008.(Dewantara & Sukarmi, 2024)

In the aftermath of the winner's selection, fraud persisted through two predominant methods. First, unilateral contract amendments deviating from the initial agreement made during the aanwijzing phase—whether regarding technical specifications or pricing—were used to inflate contract values or lower quality standards after the vendor had been securely selected. Secondly, kickbacks or demands for commissions by authorized officials directed at the winning vendor must be considered. This pattern was identified in the Garuda Indonesia aircraft procurement corruption case, in which kickbacks were paid to the CEO and senior management as compensation for securing the procurement of CRJ-1000 and ATR 72-600 aircraft, resulting in state losses of Rp9.3 trillion.(Kumalasanti et al., 2025b)

During the project implementation phase, three modes of fraud were identified. In the context of public procurement, collusion between a state-owned enterprise (SOE) user and a vendor to create fictitious procurements constitutes fraud. Such procurements involve the submission of invoices for work that was paid for but never carried out, or for which no goods or services were delivered. This scheme was at the heart of the corruption at PT Amarta Karya: Catur Prabowo and Trisna Sutisna established three fictitious limited liability companies (CVs) that functioned as active subcontractors, receiving payments for work on 60 projects, some of which were fictitious. The bank accounts, ATM cards, and checkbooks of these fictitious CVs were fully controlled by Catur Prabowo's trusted associates. This scheme operated undetected by the SOE's internal control system for four years.(Bagaskara, 2023) Secondly, clients solicit bribes from vendors as a condition for facilitating seamless payment processing or the execution of handover documents. Thirdly, there is the issue of vendor manipulation of the quality and quantity of goods or services. In such cases, deliveries that did not meet contract specifications still received full payment due to collusion with officials receiving the procurement results.

An examination of the aforementioned five stages of fraud reveals a consistent relational pattern that can be explained through the framework of Principal-Agent Theory. In the cases examined, three main actors were identified: the principal (the state, as the shareholder, and the public, as the beneficiaries), the agent (the board of directors and procurement officials of state-owned enterprises), and the client (private vendors or contractors). Conflicts of interest between the principal and the agent are known to create conditions in which the agent has an incentive to act in their own self-interest rather than in the interest of the principal. Empirical research on SOEs listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022 demonstrates that CEO power, which represents the "capability" element in the Fraud Diamond, has a positive and significant effect on the disclosure of corruption in SOEs, while oversight through audit opinions has a negative effect; that is, the stronger the external oversight, the lower the risk of corruption. (Riawan & Suryani, 2025)

A salient finding of the study is that SOE procurement regulations engender structural loopholes that, in essence, heighten the risk of fraud. Recent research on PT Indofarma Tbk (2026) confirms that the weak implementation of good corporate governance (GCG) is a key factor contributing to state losses of Rp371 billion, and that SOE directors have a fiduciary duty under Article 97 of the Limited Liability Companies Act, which may result in personal liability if negligence is proven. Empirical research on 22 SOEs listed on the Indonesia Stock Exchange (2021–2023) found that the frequency of audit committee meetings has a positive and significant effect on fraud prevention. However, existing whistleblowing systems were found to have no significant effect due to implementation challenges. These findings reflect the prevalence of a hierarchical compliance culture over a speak-up culture within SOEs. These findings are corroborated by research on the fraud triangle in Indonesian SOEs, which found that the elements of pressure and rationalization have a significant positive influence on employees' intent to commit fraud.(Nurlia & Hermanto, 2021)

According to prevailing norms, the fraudulent activities in question constitute a clear infringement of the procurement principles set out in Article 2 of the Minister of State-Owned Enterprises Regulation No. PER-08/MBU/12/2019. This regulatory framework stipulates that procurement processes must be conducted in accordance with the principles of efficiency, effectiveness, competitiveness, transparency, fairness, reasonableness, and accountability. Each fraudulent scheme is in direct opposition to its respective principle: The aforementioned markups violate the principle of efficiency, as they effectively impede vendors' ability to compete fairly. The procurement process is characterized by a lack of transparency, which not only hinders competition but also undermines the fundamental principle of accountability. The fact that violations of these six principles can occur simultaneously within a single series of actions, as evidenced in the cases of Amarta Karya, PLN, Pelindo, and Merpati, serves as empirical evidence confirming that the substance of existing regulations is not yet sufficiently robust in practice to prevent procurement corruption in state-owned enterprises. Therefore, a legal prevention strategy is needed that specifically closes every operational loophole at every stage of the procurement cycle.(Bestari et al., 2026).

3. Results and Discussion

From Lawrence M. Friedman's perspective, the effectiveness of the law is determined by the quality of the interaction between three components: legal substance, legal structure, and legal culture. The failure to prevent corruption in SOE procurement is characterized by trifragmentation, which occurs when corruption affects all three components of the legal system simultaneously. This phenomenon is not limited to a single component; it affects all three components of the legal system. Insufficient legal substance, a weak law enforcement structure, and a legal culture that remains permissive toward corruption collectively create conditions that allow corruption to persist, even though anti-corruption regulations have been repeatedly updated. Consequently, the development of an effective prevention strategy must be multifaceted, focusing on the simultaneous strengthening of all three components, rather than on a single one. (Mustaqim et al., 2025)

From a legal standpoint, the most significant gap is the absence of explicit norms in SOEs' procurement regulations that mandate budget transparency. Regulation

No. PER-08/MBU/12/2019, promulgated by the Minister of SOEs, establishes the principle of transparency. However, it does not include concrete mechanisms requiring SOEs to disclose procurement plans publicly, the basis for determining the Estimated Procurement Value (EPV), or contract documents. Consequently, ensuring budget transparency in procurement emerges as the primary strategy for corruption prevention. This assertion is further substantiated by research conducted by ICW and the Information Commission, which determined that procurement contract documents are a category of information that should be accessible under Law No. 14 of 2008. This transparency serves as a mechanism for horizontal oversight by competing bidders. The disclosure of information to the public can have ramifications for the competitive landscape of business. Specifically, it enables bidders to monitor their competitors' actions, thereby preventing any conduct that could be perceived as unfair competition. A study by the Open Government Partnership corroborates this finding through empirical evidence. The open procurement system implemented by Ukraine through ProZorro has successfully yielded savings exceeding 2 billion US dollars (equivalent to Rp28.6 trillion). The previously hidden markups no longer had the opportunity to operate once the budget and contract processes were made public.(Tuturoong et al., 2019)

The second normative strategy is to implement a multi-year contract system for routine annual procurement as an instrument to close the "splitting" loophole. Legally, this mechanism is grounded in PMK No. 238/PMK.02/2015 regarding Procedures for Submitting Multi-Year Contract Approvals. However, it has not yet been systematically adopted in SOE procurement regulations. From the perspective of the Fraud Diamond Theory, the multi-year contract strategy directly addresses the opportunity element. When the same procurement does not need to be repeated annually, the loophole for splitting packages and repeatedly manipulating vendor selection is structurally closed. However, a potential vulnerability must be considered: implementing long-term contracts without a comprehensive vendor performance evaluation mechanism may ultimately lead to a captive relationship, thereby diminishing the SOE's bargaining position. Therefore, the efficacy of this strategy depends on implementing a vendor performance evaluation mechanism based on standardized, published Key Performance Indicators, in conjunction with clear, enforceable contract termination clauses.(Schneider dos Santos et al., 2025)

From a legal structure perspective, there are systemic weaknesses in the internal oversight layer of state-owned enterprises (SOEs). COSO Internal Control: The Integrated Framework (2013) delineates five interdependent components of internal control: the control environment, risk assessment, control activities, information and communication, and monitoring. Empirical research on procurement units (2020) employing COSO as an analytical framework determined that, among these five components, the implementation of the monitoring component is the least robust. This finding has far-reaching implications for SOEs. A deficient monitoring component can fail to detect deviations from theoretically sound procurement procedures, thereby enabling fraudulent activities to persist undetected.(Chen et al., 2025)

The case of PT Amarta Karya, which demonstrated that a scheme involving fictitious subcontractors operated undetected for four years, is the most compelling empirical confirmation of the failure of the monitoring component within the internal control structure of SOEs. Quantitative research has confirmed that implementing e-procurement has a positive and significant effect on fraud prevention ($p = 0.013$). However, e-procurement itself does not automatically close all loopholes. The Indonesian Corruption Eradication Commission (KPK) has emphasized the need for effective oversight in e-procurement to mitigate corruption risk. This assertion is supported by the observation that fraudulent practices, such as cover bidding and bid rotation schemes, can be carried out even on digital platforms when adequate oversight is lacking.(Nurhalyz et al., 2025)

According to Barda Nawawi Arief's Theory of Criminal Law Policy, the prevailing penal approach is inherently limited in its efficacy. This approach is only effective in the aftermath of state losses, rather than as a preventative measure. A state-owned enterprise (SOE) official who has been sentenced to four years of imprisonment does not adequately compensate for state losses. Furthermore, analogous cases continue to occur in other SOEs due to inadequate structural prevention measures. This underscores the theoretical coherence and practical efficiency of a corporate and binding legal prevention strategy as a preferred option. This strategy does not supplant the penal approach; rather, it serves as a preemptive layer that closes structural opportunities for corruption before it develops into a criminal act. Therefore, regulations in the form of legally binding instruments are necessary to ensure enforceability and impose sanctions. This normative choice addresses the primary weakness of the soft-law approach: the lack of enforceability of non-binding guidelines.(Herman, 2018)

From the perspective of legal culture, the pressure on procurement officers in SOEs to commit fraud is indicative of a permissive legal culture toward gratuities. Perpetrators rationalize corruption for two main reasons. First, pressure from superiors cannot be refused. Second, the existing system is inherently designed that way. This element of rationalization has been shown to influence the intent to commit fraud significantly. The erosion of this culture can only be addressed through the internalization of formally institutionalized anti-corruption values. Transparency International Indonesia has articulated a set of ten principles for SOEs to combat corruption. These principles underscore the necessity of clearly articulating anti-corruption programs in a code of ethics and ensuring their application to all employees, directors, and subsidiaries. This formalization of values transforms them into legally binding provisions.(Sutanto et al., 2025)

As demonstrated in the preceding analysis, a recurrent pattern has been identified that appears to be self-defeating. With regard to substance, SOE procurement regulations do not explicitly address mechanisms for the early detection of judicially proven fraud schemes, creating what legal science calls an operational "legal vacuum." Existing anti-corruption provisions are no longer aligned with current developments, particularly in SOE procurement regulations, which have never been comprehensively revised to address the evolution of increasingly sophisticated corruption schemes. From a structural standpoint, the Internal Audit Unit (SPI) of SOEs functions under the board of directors—the very entity that, in certain instances, has been the principal actor in corruption, as evidenced by the cases of RJ Lino and Catur Prabowo—creating a structural conflict of interest that renders oversight ineffective. From the perspective of a legal culture, research examining Indonesian corruption through Friedman's lens concludes that society and law enforcement officials still struggle to break free from corrupt practices. (Prakasa et al., 2022)

An effective legal strategy for preventing corruption in SOE procurement must be designed as a multi-layered, integrated system, in which each layer of prevention directly addresses a specific judicially proven mode of fraud. The initial layer, which pertains to budget transparency, effectively closes loopholes for HPS mark-ups and splitting at the planning stage. The second layer, standardized performance-based vendor evaluation, is designed to mitigate the risk of collusion among affiliated vendors during the selection phase. The third layer, which is independent and technology-based, involves contract monitoring to identify and address any potential loopholes in contract amendments and fictitious procurement during the implementation phase. The fourth layer, legal protection mechanisms for procurement officials against external and internal pressure, mitigates the "pressure" element within the "Fraud Diamond," providing "legal protection for those involved in the prevention process when facing pressure from certain parties, whether from outside the SOE corporation or from within." This layered system must be consolidated into a single legal instrument that is binding on all SOEs, with strict sanctions, and feature a normative design that addresses both research problem formulations simultaneously and holistically.(Ashari et al., 2025)

Friedman's perspective asserts that systemic anti-corruption efforts must be countered with an anti-corruption system that incorporates three components of the legal system. When applied to the context of SOE procurement, this proposition implies that substantive legal reform must be accompanied by the strengthening of legal structures and the transformation of legal culture. This article not only identifies the problems but also offers a coherent, empirically verified, and implementable normative roadmap. This contribution goes beyond description and moves toward normative prescriptions that can serve as the basis for legal policy within the Indonesian SOE sector.

4. Conclusion

The present study reveals that the failure to prevent corruption in the procurement of goods and services within SOEs cannot be explained by a single cause. Rather, it is the result of simultaneous failures across three interacting components of the legal system. The existing SOE procurement regulations contain significant operational normative gaps, primarily due to the absence of legally binding budget transparency obligations, multi-year contract mechanisms to prevent splitting, and standardized, publicly auditable performance-based vendor evaluation standards. These gaps, inherent in the system, create space for fraudulent activities to persist without effective regulatory barriers. Judicial proceedings have repeatedly demonstrated the prevalence of fraudulent practices, including the manipulation of HPS and the use of fictitious subcontractors. From a legal-structural perspective, the inherent conflict of interest among SOE directors—who concurrently serve as the subjects of oversight and the superiors of the Internal Audit Unit—significantly undermines the integrity of the internal control architecture. The fact that the fictitious subcontractor scheme at PT Amarta Karya operated undetected for a period of four years, or that the manipulated direct appointments at PT Pelindo II were not halted by a single internal oversight mechanism, demonstrates that an oversight structure under the control of actors who are potential perpetrators of corruption will never be able to perform a genuine preventive function. The enhancement of the legal framework necessitates the institutional realignment of internal oversight entities to ensure their genuine independence from executive authority, rather than mere nominal independence. In the context of the legal culture, the inadequate internalization of anti-corruption values within state-owned enterprises has been shown to facilitate rationalization and pressure within the Fraud Diamond. In this paradigm, perpetrators construct justifications for their corrupt acts because they perceive hierarchical pressure as an unchallengeable norm. The transformation of legal culture cannot be relegated to voluntary awareness programs; rather, it must be formalized through the codification of anti-corruption values into legally binding instruments, accompanied by enforceable sanctions. Therefore, the most appropriate academic and policy response to this issue is to formulate a comprehensive legal framework that simultaneously updates the substance of SOE procurement regulations, restructures internal oversight mechanisms, and institutionalizes anti-corruption cultural transformation as an enforceable corporate obligation. This would ensure that prevention strategies no longer operate piecemeal and are easily circumvented. Instead, they would become a layered defense system that closes every loophole throughout the entire procurement cycle.

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