

**THE PRESIDENT OF  
THE REPUBLIC OF INDONESIA**

**LAW OF THE REPUBLIC OF INDONESIA  
NUMBER 18 YEAR 1999  
ON  
CONSTRUCTION SERVICE**

**WITH THE BLESSING OF GOD ALMIGHTY  
THE PRESIDENT OF THE REPUBLIC OF INDONESIA**

**Considering:**

- a. That the national development has the purpose of accomplishing a just and prosperous society, with material and spiritual equality based on Pancasila and the 1945 Constitution;
- b. That construction service are one of the economic, social and cultural activities with an important role in achieving various targets in support of the realization of the national development objectives;
- c. That various prevailing regulations have not been oriented to the interests in the development of construction services according to their characteristics, resulting in an underdeveloped business climate which should have supported an optimum improvement of competitiveness and the public interest;
- d. That on account of the considerations in points a, b and c there is a need for a Law on Construction Service.

**Recalling:**

Article 5 Paragraph (1), Article 20 Paragraph (1), and Article 33 Paragraph (1) of the 1945 Constitution.

**With approval of**

**HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA**

**HAS DECIDED**

**To stipulate: LAW ON CONSTRUCTION SERVICE**

**CHAPTER I  
GENERAL STIPULATIONS**

**Article 1**

In this Law:

1. construction services comprise consultancy service in construction works planning and design, contracting service in construction works implementation, and consultancy service in construction works supervision;
2. construction works is the whole or part of a series of planning design and/or

implementation as well as supervision activities including architectural, civil, mechanical, electrical and their respective environmental arrangement along with the accessories, for the realization of a building or another physical structure;

3. service user refers to individuals or organizations as task provider or work/project owner in need of construction service;
4. service provider refers to individuals or organizations whose business activities are to provide construction service;
5. construction work contract is the entire documents regulating legal relations between the service user and service provider in organizing a construction works;
6. building failure is the condition of a building which, upon delivery by the service provider to the service user, becomes out of function part or whole, and/or is not in accordance with the terms set forth in the construction work contract or its allocation such irregularity caused by the service provider's or service user's mistake;
7. construction service forum refers to a means of communication and consultancy between the construction service community and the Government with regard to the matters of construction service of a national, independent and autonomous nature;
8. registration refers to an activity for specifying certain expertise or skill professional competence of individuals and business concerns for specifying business licenses according to their classification and qualification in the form of certificates;
9. construction planning design refers to service providers, either individuals or business concerns declared professional experts in the field of construction service capable of accomplishing in the form of a building planning design document or another physical structure;
10. contractor refers to a service provider, either individuals of business concerns declared professional experts in the field of construction service contracting capable of organizing his activities to accomplish a planning results to become a form of structure or another physical structure;
11. construction supervisor refers to a service provider either individuals or business concerns declared professional experts in the field of construction service supervision capable of carrying out supervisory work from the beginning of a construction work until its accomplishment and delivery.

## **CHAPTER II PRINCIPLES AND OBJECTIVES**

### **Article 2**

The regulation of a construction service shall be based on the principles of honesty and fairness, benefit, harmony, balance, autonomy, transparency, partnership, security and safety in the interests of society, nation and state.

### **Article 3**

The regulation of a construction service has the purpose of :

- a. giving direction to the growth and development of construction service in order to realize a strong, reliable and highly competitive business structure and quality results of construction works;
- b. realizing an orderly organization of construction works to ensure an equal position between the service user and service provider in regard to rights and obligations, and to improve adherence to prevailing legislation;
- c. realizing the enhancement of community's participation in the field of construction service.

## **CHAPTER III**

### **CONSTRUCTION SERVICE BUSINESS**

#### **Part One**

#### **Types, Forms and Fields of Business**

#### **Article 4**

- (1) The types of construction service business comprise the construction planning, construction implementation and construction supervision, each carried out by the construction planner, contractor and construction supervisor.
- (2) The construction planning business offers planning and design services in construction works involving a range of activities or parts of activities starting from development study up to preparation of a construction work contract document.
- (3) The construction implementation business offers implementation services in construction work involving a range of activities or parts of activities starting from field preparation to final delivery of a construction work.
- (4) The construction supervision business offers supervision services either for whole or part of the construction work implementation starting from field preparation to final delivery of a construction work.

#### **Article 5**

- (1) A construction service may take the forms of individuals or business concerns.
- (2) The form of business carried out by individuals as referred to in paragraph (1) as a contractor may only perform a construction work of small risks, with a simple technology and at a low cost.
- (3) The form of business carried out by individuals as referred to in paragraph (1) as a construction planner or construction supervisor may only perform works relevant to their expertise.

- (4) A construction work of high risks and with a high technology and/or at a high cost may only be carried out by business concerns in the form of limited liability companies or foreign business companies of an equal status.

#### **Article 6**

The fields of construction service business include civil and/or mechanical and/or electrical works and/or environmental arrangement along with the accessories.

#### **Article 7**

The stipulations on the types of business as referred to in Article 4 paragraph (1), the forms of business as referred to in Article 5 and the fields of business as referred to in Article shall be regulated further with a Government Regulation.

### **Part Two Requirements of Business, Expertise and Skill**

#### **Article 8**

The construction planner, contractor and construction supervisor in the form of business concerns shall :

- a. comply with the requirements for business licensing in the field of construction service;
- b. have certificates, classification and qualification of construction service companies.

#### **Article 9**

- (1) Individual construction planners and construction supervisors must have an expertise certificates.
- (2) Individual constructions supervisors and skill workers must have work skill proficiency certificates and work expertise certificates.
- (3) Individuals employed by a business concern as construction planner or construction supervisor or personnel in a respective contracting business must have an expertise certificates.
- (4) Personnel carrying out technical works employed by a contractor must have a skill proficiency and expertise certificates.

#### **Article 10**

The requirements for business licensing, classification and qualification, skill proficiency certificates and expertise certification as referred to in Article 8 and Article 9 shall be regulated further with a Government Regulation.

**Part Three**  
**Professional Responsibilities**

**Article 11**

- (1) The business concerns as referred to in Article 8 and individuals as referred to in Article 9 shall be responsible for the result of their works.
- (2) The responsibility as referred to in paragraph (1) shall be based on the principles of expertise in accordance with scientific rules, propriety and intellectual integrity in carrying out their professions by giving priority to public interests.
- (3) Compliance with the responsibilities as referred to in paragraph (1) and paragraph (2), may require a warranty scheme in accordance with the prevailing effective legislation.

**Part Four**  
**Development of Business**

**Article 12**

- (1) The business of construction service shall be developed for the accomplishment of a strong and efficient business structure through a synergic partnership between large, medium and small businesses and between general, special and specific skill businesses.
- (2) The construction planning and construction supervision businesses shall be developed in the direction of general and special businesses.
- (3) The construction implementation shall be developed in the direction of :
  - a. general and special businesses;
  - b. individual businesses with working skills.

**Article 13**

To develop the business of construction service will require support from business partners through:

- a. expanding and increasing access to fund sources and facilitated requirements for funding;
- b. developing the type of warranty effort to cope with the resulting risks and legal accountability to other parties in the implementation of construction work or for the consequences of building failure.

**CHAPTER IV  
CONSTRUCTION WORK CONTRACT**

**Part One  
The Parties**

**Article 14**

The parties to a construction work shall comprise:

- a. the service user
- b. the service provider

**Article 15**

- (1) The service user as referred to in Article 14 point a, may appoint a representative on his behalf for the implementation of the construction work.
- (2) The service user must have solvency to pay the cost of construction work supported by documentary evidence from a banking institution and/or a non- bank financial institution.
- (3) The solvency evidence as referred to in paragraph (2) may take another form mutually agreed by taking account of the location, complexity, costs and/or the functions of building embodied in a written agreement between the service user and service provider.
- (4) In case the service user is the Government, the solvency evidence shall be in the form of a document showing an available budget.
- (5) The service user shall meet the required conditions for implementing the construction work.

**Article 16**

- (1) The service provider as referred to in Article 14 point b shall comprise :
  - a. construction planner;
  - b. contractor;
  - c. construction supervisor;
- (2) The service executed by the service provider as referred to in paragraph (1) shall be made available by each service provider separately in the construction work.
- (3) The planning, implementation and supervision services may be provided in an integrated manner considering the amount of work and cost, the use of high technology, and the high risk to the parties or public interest in a construction work.

**Part Two**  
**The Parties Contract**

**Article 17**

- (1) The work contract in a construction service shall be based on the principles of healthy competition through the selection of a service provider in a public or limited tender.
- (2) The limited tender may only be available for service providers passed in pre-qualification.
- (3) In a certain case, the appointment of a service provider may be available for a direct selection or appointment.
- (4) The selection of service provider shall take into account the relevant fields, the balance between work capacity and responsibility, and performance of the service provider.
- (5) The selection of service provider may only be followed by those qualified as referred to in Article 8 and Article 9.
- (6) Business concerns owned by the same person or group of persons or under the same management may not follow a tender for a construction work at the same time.

**Article 18**

- (1) The service user's obligations in the contract include:
  - a. issuing documents on the selection of service provider containing comprehensive, clear, correct and understandable requirements.
  - b. appointing the service provider in writing as a result of the selection.
- (2) In the contract, the service provider shall prepare bidding documents based on the principle of expertise to be conveyed to the service user.
- (3) The documents as referred to in paragraphs (1) and (2) are binding upon both parties and neither of the parties may alter the documents unilaterally until the signing of a construction work contract.
- (4) The service user and service provider shall follow up the written appointment as referred to in paragraph (1) point b with a construction work contract. These ensure the fulfillment of the parties rights and obligations in a fair and balanced manner, on the basis of good faith in implementing the construction work.

**Article 19**

In case the service user replaces or cancels the written appointment, or the service provider resigns upon issuance of the written appointment as referred to in Article 18 paragraph (1) point b and it proves to cause damage to any of the parties, then the party replacing or canceling the appointment, or having resigned shall be subject to pay a compensation or

liable to legal accusation.

### **Article 20**

The service user is prohibited from giving a work to an affiliated service provider to carry out a construction work in the same location and period of time without a public or limited tender.

### **Article 21**

- (1) The conditions of the selection as referred to in Article 17, the obligations as referred to in Article 18, and the cancellation as referred to in Article 19 shall also apply to a contract between a service provider and his sub-service provider.
- (2) The conditions regarding the procedures for selection of a service provider as referred to in Article 17, the issuance of documents and appointment of a service provider as referred to in Article 18 shall be regulated further by a Government Regulation.

## **Part Three Construction Work Contract**

### **Article 22**

- (1) The legal arrangement of working relationship as referred to in Article 18 paragraph (3) shall be set forth in a construction work contract.
- (2) The construction work contract shall at least include description of :
  - a. the parties, clearly specifying the parties' identity;
  - b. job description, clearly describing in detail the scope of work, value of work and implementation time limit;
  - c. warranty and/or maintenance period, describing a period of warranty and/or maintenance being the responsibility of the service provider;
  - d. specialists, describing the conditions on their number, classification and qualification for implementation of the construction work;
  - e. rights and obligations, describing the service user's right to receive the results of construction work and obligation to comply with the agreed conditions and the service provider's right to obtain information and receive service fees and obligation to perform the construction work;
  - f. terms of payment, describing the conditions on the service user's obligation to pay for the results of construction work;
  - g. breach of contract, describing the conditions on responsibilities of any of the parties who fails to comply with the agreed obligations;
  - h. settlement of dispute, describing the procedures for settlement of disputes arising from differences;
  - i. severance of construction work contract, describing the conditions on termination of the construction work contract arising from non-compliance of the obligations of any of the parties;
  - j. force majeure, describing the conditions on events beyond the will and power of



- the parties, causing damage to any of the parties;
- k. building failure, describing the conditions on obligations of the service provider and/or the service user with regard to the building failure;
  - l. workers' protection, describing the conditions on obligations of the parties to protect the occupational safety and health and social security;
  - m. environmental aspects, describing the parties' obligations to comply with environmental requirements.
- (3) A construction work contract on the planning and design work shall contain the conditions on the rights to intellectual property.
  - (4) The construction work contract may contain the parties' agreement on the giving of incentives.
  - (5) The construction work contract on the implementation of construction work may contain the conditions on sub-service providers and suppliers for building materials and/or components and/or equipment in accordance with the applicable standards.
  - (6) The construction work contract shall be made in the Indonesian language and a construction work contract with foreign parties may be made in the Indonesian and English languages.
  - (7) The conditions on the construction work contract as referred to in paragraph (2) shall also apply to a construction work contract between the service provider and his sub-service provider.
  - (8) The conditions on the construction work contract as referred to in paragraph (2), rights to intellectual property as referred to in paragraph (3), the giving of incentives as referred to in paragraph (4), and on suppliers and/or components of building materials and/or equipment as referred to in paragraph (5) shall be regulated further by a Government Regulation.

## **CHAPTER V ARRANGEMENT OF CONSTRUCTION WORK**

### **Article 23**

- (1) The arrangement of a construction work includes the stages of planning, implementation and supervision. Each stage shall comprise the preparation, execution and finalization.
- (2) The arrangement of a construction work is subject to compliance with requirements of technical aspects, security, occupational safety and health, workers' protection, and the environmental arrangement as to ensure the accomplishment of orderly organization of a construction work.
- (3) The parties in carrying out the conditions as referred to in paragraph (1) is subject to compliance with the obligations required as to ensure an orderly organization of

construction work as referred to in paragraph (2).

- (4) The organization of a construction work as referred to in paragraph (1) and paragraph (2) shall be regulated further with a Government Regulation.

#### **Article 24**

- (1) The service provider in arranging a construction work may hire a sub-service provider with special competence in line with each stage of construction work.
- (2) The sub-service provider as referred to in paragraph (1) shall comply with the requirements as referred to in Article 8 and Article 9.
- (3) The service provider as referred to in paragraph (1) shall be obliged to satisfy the sub-service provider's rights as contained in the construction work contract between the service provider and sub-service provider.
- (4) The sub-service provider as referred to in paragraph (3) shall fulfill his obligations as contained in the construction work contract between the service provider and sub-service provider.

### **CHAPTER VI BUILDING FAILURE**

#### **Article 25**

- (1) The service user and service provider shall be responsible for a building failure.
- (2) The building failure being the service provider's responsibility as referred to in paragraph (1) shall be effective upon final delivery of the construction work for a maximum of 10 (ten) years.
- (3) A third party acting as specialist appraiser as referred to in paragraph (2) shall determine the building failure.

#### **Article 26**

- (1) In the case of a building failure due to the construction planner's or supervisor's mistake, and it proves to cause damage to the other party, the construction planner or supervisor shall be held responsible in accordance with the fields of professions and are subject to pay compensation.
- (2) In the case of a building failure due to the contractor's failure and it proves to cause damage to the other party, the contractor shall be held responsible in accordance with the field of professions and is subject to pay compensation.

### **Article 27**

In the case of a building failure due to the service user's mistake in managing the building and it causes damage to the other party, the service user shall be held responsible and is subject to pay compensation.

### **Article 28**

The conditions regarding the period and specialist appraiser as referred to in Article 25, responsibility of the construction planner, contractor and supervisor as referred to in Article 26 and the service user's responsibility as referred to in Article 27 shall be regulated further with a Government Regulation.

## **CHAPTER VII THE ROLE OF THE PUBLIC**

### **Part One Rights and Obligations**

#### **Article 29**

The public shall have the right to :

- a. exercise supervision to realize an orderly implementation of a construction service;
- b. receive proper compensation for losses they suffer directly as a consequence of a construction work.

#### **Article 30**

The public shall have the obligation to:

- a. keep order and comply with the effective requirements for implementation of a construction service.
- b. take part in preventing any construction work that are detrimental to public interest.

### **Part Two Construction Service Community**

#### **Article 31**

- (1) The construction service community is part of the public that have interest in and/or activities related to the construction service business and work.
- (2) The role of construction service community as referred to in paragraph (1) shall be carried out through a construction service forum.
- (3) The role of construction service community as referred to in paragraph (1) in the development of construction service shall be carried out by an independent and autonomous board.

### **Article 32**

- (1) The Forum as referred to in Article 31 paragraph (2) shall comprise representatives from:
  - a. association of construction service companies;
  - b. association of construction service professions;
  - c. association of goods and services companies as business partners of construction service companies;
  - d. intellectual community;
  - e. social organizations related to and having interest in construction service and/or representing consumers of construction service;
  - f. government agencies; and
  - g. other elements deemed necessary.
  
- (2) The Forum as referred to in paragraph (1) shall have the broadest opportunities for participating in an effort to cultivate a national construction service business with the function of:
  - a. accommodating and channeling the public aspirations;
  - b. discussing and formulating ideas on the direction of development of the national construction services;
  - c. stimulating the role of public control;
  - d. giving input to the government for formulating the regulation, empowerment and supervision aspects.

### **Article 33**

- (1) The board as referred to in Article 31 paragraph (3) shall have membership comprising the representatives from:
  - a. association of construction service companies;
  - b. association of construction service professions;
  - c. experts and universities relating to the field of construction service; and
  - d. relevant government agencies.
  
- (2) The board as referred to in paragraph (1) shall have the task of:
  - a. doing or stimulating research and development of construction service;
  - b. organizing education and training;
  - c. doing the registration of construction workers, including the classification, qualification and certification of skill and work expertise;
  - d. doing the registration of construction service business companies;
  - e. stimulating and improving the roles of arbitration, mediation and specialist appraiser in construction services.
  
- (3) In support of its activities, the board as referred to in paragraph (1) may arrange for acquiring funds from the construction service community concerned.

### **Article 34**

The descriptions on the forum as referred to in Article 32 and the board as referred to in Article 33 shall be regulated further with a Government Regulation.

## **CHAPTER VIII ASSISTANCE**

### **Article 35**

- (1) The Government shall provide assistance to construction service in the forms of regulation, empowerment and supervision.
- (2) The regulation as referred to in paragraph (1) shall be carried out with the issuance of legislation and technical standards.
- (3) The empowerment as referred to in paragraph (1) shall be carried out on behalf of construction services businesses and the public to enhance awareness of their rights, obligations and roles in the implementation of construction services.
- (4) The supervision as referred to in paragraph (1) is carried out for construction works to ensure orderly construction services in compliance with the prevailing legislation.
- (5) The assistance as referred to in paragraph (1) may be carried out together with the construction service community.
- (6) Part of the assistance task as referred to in paragraph (1) may be delegated to the Local Government to be regulated further with a Government Regulation.

## **CHAPTER IX SETTLEMENT OF DISPUTE**

### **Part One General**

#### **Article 36**

- (1) Disputes relating to construction services may be settled in or of court based on voluntary choice of the disputing parties.
- (2) Settlement of a dispute out of court as referred to in paragraph (1) shall not apply to any criminal acts in a construction work as regulated in the Criminal Code.
- (3) Should the settlement of a dispute out of court be chosen, legal proceedings may only be instituted when it is declared unsuccessful by any or all of the disputing parties.

### **Part Two Settlement of Dispute Out of Court**

#### **Article 37**

- (1) Settlement of construction service disputes out of court may be pursued for issues arising from the commitment to the contract and arrangement of construction works as well as in the event of a building failure.

- (2) The settlement of construction service disputes as referred to in paragraph (1) may use the service of a third party approved by the parties.
- (3) The third party as referred to in paragraph (2) may be formed by the Government and/or the construction service community.

**Part Three**  
**Lawsuit by the Community**

**Article 38**

- (1) The community members suffering a loss due to a construction work shall have the right to bring a lawsuit before the court as:
  - a. individuals;
  - b. group of people with power of attorney;
  - c. group of people without power of attorney through a class action.
- (2) When it is known that people has suffered from the result of a construction work in such a way that affects their life, the Government shall side with and may take action in the interest of the public.

**Article 39**

The lawsuit as referred to in Article 38 paragraph (1) is brought to court for a certain action and/or demand for reimbursement of an actual cost or spending without discounting the possibility of bringing other demands in accordance with the prevailing legislation.

**Article 40**

The people's lawsuit as referred to in Article 38 paragraph (1) shall be taken by individuals, group of people, or social institution by referring to the Law of Civil Procedure.

**CHAPTER X**  
**SANCTIONS**

**Article 41**

The Organizer of a construction work is subject to administrative and/or penalty sanctions for violation of this Law.

**Article 42**

- (1) The administrative sanctions as referred to in Article 41 that may be imposed on the service provider include:
  - a. written warning;
  - b. temporary termination of construction work ;

- c. restriction on activities of business and/or professions;
  - d. freezing of business and or professional licenses;
  - e. revocation of business and or professional licenses.
- (2) The administrative sanctions as referred to in Article 41 that may be imposed on the service user include;
- a. written warning;
  - b. temporary termination of construction work;
  - c. restriction on activities of business and/or professions;
  - d. Temporary prohibition on using the result of construction work;
  - e. freezing of construction work license;
  - f. revocation of construction work license.
- (3) The conditions of procedures and imposition of the administrative sanctions as referred to in paragraph (1), paragraph (2) shall be regulated further with a Government Regulation.

### **Article 43**

- (1) Whoever engages in a construction work planning and design without complying with the technical requirement with construction work failure or building failure as a result, is subject to an imprisonment of at the most 5 (five) years or a fine of at the most 10% (ten percent) of the contract value.
- (2) Whoever engages in a construction work implementation in contradiction to or not in accordance with the determined technical requirements with construction work failure or building failure as a result, is subject to an imprisonment of at the most 5 (five) years or a fine of at the most 5% (five percent) of the contract value.
- (3) Whoever engaged in supervision of a construction work implementation deliberately gives an opportunity for other people that implement the construction work to make a deviation from the technical requirement with construction work failure or building failure as a result, is subject to an imprisonment of at the most 5 (five) years or a fine of at the most 10% (ten percent) of the contract value.

## **CHAPTER XI TRANSITIONAL PROVISION**

### **Article 44**

- (1) Provisions of existing legislation that regulate the activities of construction service, as long as they are not in conflict with this law, shall remain to be effective until issuance of a new implementation regulation based on this Law.
- (2) A service provider that has obtained a license in accordance with his line of business shall make adjustment to the provisions of this Law within 1 (one) year commencing on the enactment hereof.

**CHAPTER XII  
CLOSING PROVISION**

**Article 45**

Upon issuance of this Law, any provisions of legislation that regulate the same matters and are in contradiction to this Law, shall become null and void.

**Article 46**

This Law shall take effect for 1 (one) year as from the time of its enactment.

For public knowledge, it is ordered to announce this Law by placing it in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On: May 7, 1999

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

BACHARUDDIN JUSUF HABIBIE

Enacted in Jakarta

On: May 7, 1999

MINISTER/SECRETARY OF STATE OF THE REPUBLIC OF INDONESIA

AKBAR TANDJUNG

THE STATE GAZETTE OF

THE REPUBLIC OF INDONESIA YEAR 1999 NO.54