

REQUIREMENTS FOR FOREIGN CONSTRUCTION BUSINESS REPRESENTATIVE OFFICES (ROs)

The Minister of Public Works has issued Regulation No. 10/PRT/M/2014 revoking Regulation No. 05/PRT/M/2011 on ROs (MPW Reg. 10/2014).

Licenses for ROs are now issued by the Ministry of Public Works for the provision of construction services throughout Indonesia. They remain valid for 3 years and are extendable. Extension applications must be submitted within 60 calendar days of the expiry.

The license will be issued as a certificate containing:

- name of the business entity;
- name of the head of the representative office;
- address and phone number of the representative office;
- term of validity of the license; and
- type of business.

Under MPW Reg. 10/2014, ROs must enter into an operational cooperation with a Construction Services Business Entity (BUJK) to participate in any tender for construction. ROs which have entered into an operational cooperation with a BUJK may engage in construction activities funded by:

1. the state or regional budget;
2. loans;
3. foreign grants;
4. foreign and domestic investment; and/or
5. private funds in accordance with the prevailing laws and regulations.

ROs may only participate in construction projects which involve high risk, high technology and high cost. The minimum high cost construction project is Rp100,000,000,000.00 and the planning and/or supervision work must be valued at least Rp10,000,000,000.00.

The requirements for an operational cooperation for a construction project are:

1. at least 50% of the construction by value must be carried out domestically; and

2. at least 30% of the construction by value must be carried out by the BUJK.

The requirements for operational cooperation for the planning of a construction project are:

1. all technical planning must be carried out domestically; and
2. at least 50% of construction by value must be carried out by the BUJK.

ROs must submit annual activity reports containing:

1. data of the foreign construction business representative office;
2. data of the BUJK acting as cooperation partner;
3. data of project handled;
4. data of the operational cooperation;
5. data of the foreign and Indonesian manpower used with their CV;
6. copy of the Memorandum of Agreement of the cooperation agreement; and
7. data on the transfer of knowledge, including to Indonesian experts acting as understudies (pendamping).

MPW Reg. 10/2014 provides the following progressive administrative sanctions for violations: written warnings followed by suspension of the license; and finally the revocation of license.

An RO whose license has been revoked must wait for 3 years before applying for a new license.

Licenses issued before MPW Reg. 10/2014 remain valid until expiry.