

**EXECUTIVE BODY OF OIL AND GAS UPSTREAM BUSINESS ACTIVITIES
(BPMIGAS)**



MANUAL OF WORK PROCEDURE

No.: 007/PTK/VI/2004

ON

**SUPPLY CHAIN MANAGEMENT OF
PRODUCTION SHARING
CONTRACTORS**

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**EXECUTIVE BODY OF
OIL AND GAS UPSTREAM BUSINESS ACTIVITIES**

**DECISION
NO. Kpts-21/BP00000/2004-SO**

ON

**MANUAL OF WORK PROCEDURE OF SUPPLY
CHAIN MANAGEMENT OF PRODUCTION SHARING CONTRACTORS**

**HEAD OF EXECUTIVE BODY OF
OIL AND GAS UPSTREAM BUSINESS ACTIVITIES**

- Considering :
- a. that in the context of exercising the authority to supervise Production Sharing Contractors ('PSCs') main activities, it is deemed necessary to prepare Manual of Work Procedure on Supply Chain Management of Production Sharing Contractors.
 - b. That considering Presidential Decree No. 80 of 2003 Article 7(1) c, which provides goods/services procurement within BI, BHMN, BUMN, BUMD, the greater part or the whole financing of which is charged to the State / Regional Revenues and Expenditure, BPMIGAS is able to regulate on its own the goods/services procurement procedure for the interest of Production Sharing Contractors' within Executive Body of Oil and Gas Upstream Business Activities.
 - c. That it is deemed necessary to set up Manual of Work Procedure of Supply Chain Management of Production Sharing Contract Contractors, consisting of five manuals which regulate General Provisions of Supply Chain Management, Goods/Services Procurement Manual, Asset Management Manual, Custom Affairs Manual, Project Management Manual. These manuals are aimed at providing uniformity in clarity of thinking and action patterns for all Production Sharing Contractors' (PSC) Supply operation Managers.
- In view of :
- 1. Law No. 5 of 1999
 - 2. Law No. 18 of 1999
 - 3. Law No. 22 of 2001
 - 4. Government Regulation No. 42 of 2002.
 - 5. Presidential Decree No. 133/M of 2002
 - 6. Presidential Decree No. 80 of 2003



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Decision
No. Kpts-21/BP00000/2004-SO
Dated: June 09, 2004

HEREBY DECIDES:

- To enact :
- FIRST : To enact Supply Chain Management Manual for PSC Contractors consisting of two (2) books, viz:
1. Book I deals with General Provisions of Supply Chain Management.
 2. Book II deals with Goods/Service Procurement Implementation Manual.
- SECOND : This Supply Chain Management Manual is applicable for all PSC Contractors within Oil and Gas Upstream Business Activities.
- THIRD : Provisions that have not been or adequately provided for shall be provided later on, the provision of which will be an inseparable part of this manual.

With the enactment of this Manual, Decision No. 077/C0000/2000 SO and Procedure Bulletin 077 IIIrd Revision shall be declared null and void within Oil and Gas Upstream Business Activities.

This decision shall come into effect on the date of its enactment.

Enacted in : Jakarta
On : June 09, 2004
Head of Executive Body of Oil and
Gas Upstream Business Activities

[signed and sealed]

Rachmat Sudibjo

**EXECUTIVE BODY OF OIL AND GAS UPSTREAM BUSINESS ACTIVITIES
(BPMIGAS)**



**SUPPLY CHAIN MANAGEMENT OF
PRODUCTION SHARING CONTRACTORS**

No.: 007/PTK/VI/2004

BOOK I

**GENERAL PROVISIONS OF SUPPLY
CHAIN**

CHAPTER I GENERAL

A. DEFINITIONS

1. **Authorization For Expenditure (AFE)** shall be authorization for project cost expenditure of PSC Contractors that shall be considered as operational cost after obtaining approval from BPMIGAS.
2. **Executive Body of Oil and Gas Upstream Business Activities (BPMIGAS)** shall be State Owned Corporate Body established by virtue of Government Regulation No. 42 of 2002 pursuant to the Law No. 22 of 2001, engaged in supervising Upstream Business Activities in order that Natural Oil and Gas resources exploitation is able to contribute maximum benefit and revenues for the state and for people's welfare.
3. **Exploration** shall be the activities performed by PSC Contractors in their efforts to find new oil and gas reserves.
4. **Production Sharing Contract Contractors (PSC Contractors)** shall be any Corporation or Permanent Corporation such as it is provided in the Law no.22 of 2001 on oil and gas which operate exploration and exploitation activities based on Production Sharing Contract or any other Joint Operation Contracts in the territory of the Republic of Indonesia.
5. **Authorized Official** shall be the top management official of PSC Contractors or those who have obtained empowerment of authority and responsibility from the top management officials to procure goods/services. Such authorized officials (proxies) may delegate his/her authority to his/her subordinate, if necessary.
6. **Plan of Development (POD)** shall be field development plan, covering integrated technical and financial planning, namely production and oil and gas volume estimates, incomes and operational and capital expenditure estimates.
7. **Project** shall be non routine activities to develop and produce specific/unique item with time limit of commencement, termination that have been set in advance. The project consist of:
 - a. *main project*, that has to do with exploration and production activities, viz. exploration survey, drilling and workover projects. Capital projects used in exploration and production activities as well as platform certification.
 - b. *certain other project* is a project to support the overall operational activities and may not be categorized as the main project.

8. **Supply Chain** shall be goods and services comprising the phases of Planning, Implementation and Control and Supervision of Goods/Services Procurement, Asset Management, Custom Affairs and Project Management, including Goods/Service Supplier Management, Production Empowerment, Domestic Product and Competency and Dispute Control/Settlement.
9. **Exploration Phase** shall be PSC Contractor's status which is still in the phase of finding out new resources and has not produced oil and gas yet.
10. **Production Phase** shall be PSC Contractor's status that has produced oil and/or gas.
11. **Work Program and Budget (WP&B)** shall be sequential activities of exploration, development, production and their expenses during budget year.

B. AIM AND OBJECTIVE

1. This manual is aimed at providing a thinking pattern, concept and integrated technical and administrative implementation directives, clearly and expressly provided for all operators of oil and gas upstream business activities within the territory of the Republic of Indonesia, in respect of Chain Supply management.
2. The objective of Chain Supply shall be to obtain and utilize goods/services required in term of quantity, quality, price, effective and efficient time and place and accountable in accordance with applicable procedure and comply with supply chain ethical principles.

C. SUPPLY CHAIN PROCEDURAL SCOPE

1. Application Scope

This manual is applicable for supply chain management within PSC Contractors of Executive Body of Oil and Gas Upstream Business Activities in the territory of Republic of Indonesia, for project and non-project requirements.

2. Arrangement Scope

This Supply Chain Management shall cover the arrangement of Assets/Service Procurement, Asset Management, Custom Affairs and Project Management, including the arrangement of Goods/Service Providers Management and the guideline of Production Empowerment, Domestic competency and Dispute Control/Settlement.

D. COMPOSITION OF SUPPLY CHAIN MANUAL

Supply Chain Manual of Production Sharing Contract Contractors consists of five (5) books, namely:

1. Book I : General Provisions of Supply Chain
2. Book II : Goods/Service Procurement Manual
3. Book III : Asset Management Manual
4. Book IV : Custom Affairs Manual
5. Book V : Project Management Manual

E. BASIC PRINCIPLES OF SUPPLY CHAIN MANAGEMENT

The activities relevant to supply chain management shall be carried out with the following principles:

1. Effective, meaning that it has complied with the given need and can provide the highest benefit according to the given target of the company.
2. Efficient, it means that it shall be carried out by using the least facilities in order to reach the given target in the shortest possible time and accountable in providing the greatest contribution for the State's benefit.
3. Competitive, meaning it shall be carried out through sound selection and competition between Goods/Services Providers and shall comply with the given criteria/requirements, based on clear and transparent procedures.
4. Transparent, meaning that all provision and information, both technical and administrative, including the procedure of evaluation, result of evaluation and the award of the winner shall be open for the interested Goods/Service providers.
5. Just, meaning it is not discriminative in treating all goods/service providers and it is not designed and oriented to provide favourable treatment to a given party in any facilities and reasons.
6. Accountable, meaning it has to achieve target, both physically financially and obtain benefit for smooth business implementation in accordance with applicable principles and policies and in Supply Chain management.
7. To Support and develop National competency in order to be more able in Completion at National, Regional and International level.
8. It shall have environmental vision, meaning to support and develop the activities by observing enviromental abilities and impacts.

F. SUPPLY CHAIN MANAGEMENT ETHICS

Competent authority, Procurement Committee, goods/service providers and relevant parties in supply chain management shall comply with the following ethics:

1. To work in orderly manner by complying with applicable regulations and shall implement supply chain basic principles, be responsible, and professional by maintaining honesty, independence and keeping secret information confidential.
2. They shall not unduly influence each other, directly or indirectly which will result in unsound competition and impaired work quality.
3. They shall prevent conflict of interest of the parties which are directly or indirectly involved in supply chain management.
4. In decision making, they shall not exceed the given competency and not influenced by other interests outside company's interest, in accordance with basic principles of the above point E.
5. They shall prevent state's and company's loss.
6. They shall not misuse the authority or to make joint activities which have something to do with, directly or indirectly, personal, group or another party's interest.
7. They shall not receive, give, offer, or promise to give reward/gift in any form to/from anybody who is known or is supposed to have something to do with supply chain management.
8. They shall not use documents which are not true and authentic.

G. HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION (K3LL)

Competent official, Procurement Committee, Official, goods/service providers and the parties relevant to supply chain shall observe the provisions of K3LL which are applicable within oil and gas upstream business activities.

CHAPTER II

WORK PLAN AND BUDGET

- A. POD and WP & B and their revisions shall be prepared by PSC Contractors and shall have prior approval from BPMIGAS.
- B. AFE and its revision for all activities of the main project and certain other project shall be prepared by PSC Contractors and shall have prior approval from BPMIGAS.

1. AFE General Provisions:

- a. AFE Control is stressed on activities control, while approval mechanism arrangement shall be applied in the activities approval with value parameter.
- b. AFE system as a form of activities control shall be applied according to parameter of AFE Manual Revision of 1999.

Activities which require AFE are:

- 1) *Main Project Activities*, and
- 2) *Certain Other Project/(Other Than Main Projects)* with cost estimate equal to or exceeds five billion rupiah (Rp5,000,000,000.00) or equal to or exceeds five hundred thousand U.S dollar (US\$500,000.00)
- c. In emergency situation, AFE provisions shall remain applicable; however, approval formality may be made later. Before implementation, it is necessary to have verbal approval from Deputy of Planning BPMIGAS or the Head of BPMIGAS.
- d. Activities which do not directly become cost are not subject to AFE provisions, unless such activities are included in certain other Project.

Example: non project supply procurement and manpower supply shall not be subject to AFE.

- e. A number of activities which do not require AFE, but *bundled* so that their value becomes very high, is controlled through goods/service procurement system.

Example: *multi year's* goods/service procurement or non project supply procurement.

- f. Activities component, the value of which is dominant shall become title of these activities.

Example: Construction of housing complex's "security fences" has very dominant value, hence title of activities shall be "Security fences construction", and shall require AFE.

2. Activities which require AFE:

Preyek/Project	Kegiatan/Activities	
A. PROYEK UTAMA/MAIN PROJECT	<ul style="list-style-type: none"> a. Penyelidikan Eksplorasi b. Pemboran dan kerja ulang c. Proyek aset kapital d. Sertifikasi anjungan 	<ul style="list-style-type: none"> a. <i>Exploration Surveys</i> b. <i>Drilling and workover</i> c. <i>Capital Asset Projects</i> d. <i>Platform certification</i>
B. PROYEK TERTENTU LAIN (CERTAIN OTHER PROJECTS) dengan perkiraan nilai biaya Rp5.000.000.000, 00 atau lebih (with estimated expenditures of \$500.000, 00 or more).	<p>Kegiatan operasional lain; yaitu:</p> <ul style="list-style-type: none"> a. Sewa kantor/gudang/tanah. b. Jasa teknik/pemeliharaan peralatan/fasilitas produksi. c. Jasa teknis dari luar negeri. d. Pembangunan perumahan dan fasilitas rekreasi. e. Teknologi informasi. f. Lindungan lingkungan g. Sewa/sewa beli peralatan atau fasilitas. h. Pemasaran gas. i. Konsultasi j. Inspeksi k. Pengolahan dan pengangkutan/pengaliran minyak dan gas bumi. 	<p><i>Other operational activities; which are:</i></p> <ul style="list-style-type: none"> a. <i>Rental Office/warehouse/land</i> b. <i>Technical/Maintenance Services</i> c. <i>Technical Services from Abroad</i> d. <i>Construction Housing & Welfare</i> e. <i>Information technology</i> f. <i>Environmental Activities</i> g. <i>Equipment/Facilities rental/leasing</i> h. <i>Gas marketing</i> i. <i>Consultancy</i> j. <i>Inspection</i> k. <i>Oil & Gas Processing/transportation services</i>

CHAPTER III

ENTITLEMENT

A. PROCUREMENT ENTITLEMENT:

1. PSC Contractors in Exploration Phase:

PSC Contractors shall be entitled to execute and take decision in respect of the winner of goods/services procurement activities. Procurement procedure shall follow what is prescribed in this manual. PSC Contractors shall submit Procurement Execution Report to BPMIGAS.

2. PSC Contractors in Production Phase:

- a. Non project goods/services procurement which are bundled and project;

The following bundled Non project goods/services procurement activities phase and project shall have approval from BPMIGAS :

- 1) Goods/services procurement plan for tender, direct selection/nomination with each procurement package value of more than Rp20,000,000,000.00 (twenty billion rupiah) or more than two million U.S. dollar (US\$2,000,000.00). The submission procedure is given in Book Two (II) of this manual;
- 2) Decision of Procurement winner with per package value of more than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million U.S. dollar (US\$5,000,000.00);
- 3) Change of Work Scope or change of work term resulting in the addition of value, as follows:
 - a) For SP/PO contract, the decision of winner which shall be approved by BPMIGAS, with total cumulative value addition being more than 10% from initial contract or higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million U.S. dollar (US\$5,000,000.00);
 - b) For decision and nomination of initial contract winner by PSC Contractors, total cumulative of value addition plus initial contract to be higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00).
- 4) Cancellation of procurement process, the plan of which has been approved by BPMIGAS, shall be approved in advance by BPMIGAS.

b. Non project goods/services procurement:

- 1) Goods/services procurement plan for tender, direct selection/nomination with procurement package value amounting to higher than twenty billion rupiah (Rp20,000,000,000.00) or higher than two million US dollars (US\$2,000,000.00) shall be approved by BPMIGAS. The submission procedure is given in Book II of this manual.
- 2) Evaluation Written Report and Procurement Winner Decision with procurement value per package amounting to more than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00) shall be reported to BPMIGAS to be studied before the winner is decided.
- 3) Change of work scope or change of work terms which results in addition cumulative value higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00) shall be reported to BPMIGAS to be studied, before its implementation.
- 4) Procurement plan process cancellation, the plan of which has been approved by BPMIGAS, shall be reported to BPMIGAS before it becomes effective. BPMIGAS may state its disagreement on the plan.

B. ASSET MANAGEMENT ENTITLEMENT

The entitlement in this field is provided in Book III on Asset Management.

CHAPTER IV SUPERVISION

A. BUILT-IN SUPERVISION

1. Built-in supervision shall be conducted by any manager structurally and functionally over administrative, technical, financial and K3LL (Environmental) aspects in respect of work target, time, entitlement and responsibility based on the applicable regulation from planning, implementation till physical completion.
2. PSC Contractor Management shall apply intensive built-in supervision with regard to the managers who carry out their tasks in their respective work areas. In implementing built-in supervision, it is necessary to take into account the input of functional and social supervisors, thus allowing built-in supervision to play the role of effective internal control.

B. FUNCTIONAL SUPERVISION

1. Supervision of supply chain management within PSC Contractors shall be carried out by both internal and external supervisory agencies.
2. Supply chain management supervision shall be conducted from planning phase (pre-audit), implementation phase till completion phase (current audit), post completion phase (post audit). If it is necessary, special supervision may be conducted.
3. Supervision and verification by supervisory function shall be coordinated by BPMIGAS in order to avoid mixed-up verification.

C. PSC CONTRACTOR PERFORMANCE EVALUATION

PSC Contractor Performance Evaluation in Supply chain management scope shall be conducted by using Key Performance Indicator which covers at least:

1. Adherence to laws and regulations;
2. Cost Efficiency;
3. Asset utilization efficiency;
4. Use of domestic production and competence;

KPI target is jointly agreed by BPMIGAS and respective PSC Contractors at the beginning of calendar year at the time of Work Program and Budget Analysis. At this matter evaluation is made on *KPI* Contractor and PSC Contractors of preceding year.

D. REPORT:

For the purpose of Supervision, PSC Contractors shall furnish data and/or report to BPMIGAS, as under:

1. Trimestrial Report

Supply chain management execution report shall be transmitted in the first week of the following trimester, consisting of:

- a. Goods procurement report using Form SC.04 and SC.06, and service procurement report using Form SC.05 and SC.07.
- b. PLK/PJWK report using Form SC.08.
- c. Goods/service procurement report for small-scale goods/service providers, including small-scale cooperatives and non small-scale businesses using Form SC.04 and SC.05.
- d. Domestic product goods procurement report using Form SC.04 and domestic service procurement report using Form SC.05.

2. Contract Photocopy

One photocopy of goods/service procurement contract the value of which is more than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00), shall be transmitted within one (1) week at the latest after the signing of contract.

3. Contract Termination Report

Contract Termination report using form SC-09, shall be transmitted by PSC Contractors within three (3) weeks at the latest after contract physical work is completed, both for project or non project activities with value of higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00)

4. Closed Out Project Report

Closed Out Project report using form SC-10 shall be transmitted by PSC Contractor within four (4) months at the latest after contract/project physical work is completed, both for project or non project activities with value higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00).

5. Other Supply Chain Report

Report of Asset Management activities, Custom Affairs and Project Management is provided in Third, Fourth and Fifth Book in this Manual.

E. FOLLOW UP OF SUPERVISION

- 1. Follow up of supervision may be in the form of:**
 - a. Improvement/advancement of process, institutions, human resources and procedure;
 - b. Appreciation given to individuals or groups who have achieved good performance and deserve to receive appreciation, the procedure of which is given in the respective PSC Contractors;
 - c. Sanctions shall be applied to violations committed by relevant parties, both by executive agents or goods/service providers with regard to supply chain provisions and management based on the available evidence resulting from the findings of internal/external supervision in terms of applicable regulations;
 - d. KPI target revision that has been agreed, the proposal of which may be made in the middle of calendar year.
- 2. Sanction follow up shall be the competency and responsibility of PSC Contractors' top management officials according to applicable regulations within the respective Contract.**
- 3. Follow up of sanctions and appreciation shall be monitored and evaluated by internal supervision of PSC Contractors and be reported to BPMIGAS.**

CHAPTER V

DISPUTE SETTLEMENT

A. DEFINITION:

Dispute is the difference of opinion that occurs between PSC Contractor and goods/service provider which usually constitutes claim within the supply chain scope where either party defends its view and tries to justify its arguments while refuting its opponent's arguments.

B. DISPUTE SETTLEMENT:

1. Efforts to settle the dispute:

- a. Dispute shall preferably be settled through amicable discussion with or without mediator.
- b. If amicable negotiation fails, it shall be settled through arbitration or litigation in accordance with the provisions in procurement or contract documents.
- c. If contract document does not set out the clause of dispute settlement, then the PSC Contractor shall consult BPMIGAS before entering into agreement with goods/service provider.
- d. If the parties hereto fail to settle the dispute, then it shall be preceded in the Indonesian Court.
- e. Dispute that takes place between goods/service providers and its subcontractor or its principal or with its employees shall be regarded as their internal issues and shall be settled between them. PSC Contractor and BPMIGAS shall not be involved as a party.

2. Dispute may be settled by:

- a. Settlement via arbitration
 - 1) If either party selects the dispute settlement via arbitration in accordance with contract provisions or pursuant to dispute settlement agreement, PSC contractor, within five (5) working days after the receipt of the notice of arbitration, shall report the matter to BPMIGAS together with measures to be taken, including the lawyers who will be appointed
 - 2) BPMIGAS within ten (10) working days as from the receipt of the plan of action to be taken by PSC Contractor, shall give its approval or refusal. If within ten (10) working days, BPMIGAS does not give its reply, BPMIGAS shall be considered to have given its approval.

- 3) If PSC contractor performs any action without prior approval from BPMIGAS, then the expenses that arise exceeding fair market expenses shall be fully charged to PSC Contractor. It cannot be charged as expenses in term of production sharing contract, unless BPMIGAS gives its approval;
- 4) If PSC Contractor and goods/service provider intend to make reconciliation by the time arbitration process is in progress, such plan of reconciliation shall be reported to BPMIGAS.

b. Settlement through litigation

- 1) If in the process of goods/services procurement, claim is initiated by goods/service providers, PSC Contractor, within five (5) working days after the receipt of claim notice, such claim shall be reported to BPMIGAS, together with the action to be taken;
- 2) If in its action PSC Contractor intends to appoint a lawyer, it shall be first approved by BPMIGAS;
- 3) BPMIGAS, within ten (10) working days at the latest after the receipt of action plan to be initiated by PSC Contractor, shall give its approval or refusal;
- 4) If within such ten (10) working days, BPMIGAS does not give a reply, BPMIGAS shall be considered to have given its approval;
- 5) If PSC Contractor takes action without BPMIGAS approval, the expenses arising in connection with the action shall be charged to PSC Contractor and may not be calculated as the expenses based on PSC Contract;
- 6) If PSC Contractor and goods/service provider intend to make reconciliation by the time litigation process is still in progress, such reconciliation plan shall be reported to BPMIGAS.

c. If goods/service provider lodges a claim in arbitration or the Court, while such process is in progress till the decision with permanent legal force is made (*inkrach van gewisyde*), the goods/service provider concerned may not participate in the goods/service procurement at:

- 1) PSC in question, if the claim is lodged only to the PSC Contractor in question.
- 2) All PSC Contractors, if the claim involves BPMIGAS as defendant.

3. Follow up of Settlement

- a.** If the decision (award) of arbitration or the Court/Supreme Court of Justice is in favor of PSC Contractor, such goods/service provider shall not be included, within a period of one year at least, in goods/service procurement activities at:
 - 1) PSC Contractor if the claim involves only the PSC in question;
 - 2) All PSC Contractors, if the claim involves BPMIGAS as the party therein.
- b.** If the decision proves to be in favor of goods/service provider, such goods/service provider shall be included again in procurement activities performed by PSC Contractors.

CHAPTER VI

TRANSITIONAL PROVISIONS

1. With the enactment of BPMIGAS Procedural Manual on Supply Chain Management, all provisions that once existed and are relevant to supply chain management and contrary to provisions of this manual, shall be declared null and void.
2. The procedure of Goods/service procurement that has been conducted before the enactment of this manual shall be continued by adhering to the provisions given in the Letter of the Head of BPMIGAS No. 144/BP00000/2002-S0 dated August 13, 2002.
3. Matters that have not been or not adequately provided in this manual, shall be given later by BPMIGAS.

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**EXECUTIVE BODY OF OIL AND GAS UPSTREAM BUSINESS ACTIVITIES
(BPMIGAS)**



**MANUAL OF WORK PROCEDURE OF
SUPPLY CHAIN MANAGEMENT OF
PRODUCTION SHARING CONTRACTORS**

No.: 007/PTK/VI/2004

BOOK II

**GOODS/SERVICES PROCUREMENT
MANUAL**

CHAPTER - I GENERAL DIRECTIVES

A. DEFINITIONS

1. **Goods/specific services** shall mean goods/services, which due to their character/technical requirements or standardization may not be substituted by any other goods or a given type of work so that they can only be provided/prepared by a certain Goods/Services Provider.
2. **National Construction Services Contractor** shall mean corporation established by virtue of Indonesian laws, where majority of shares are owned by Indonesian citizens/Indonesian corporations that are engaged in construction business authorized by certificate in accordance with the provisions No. 18 of 1999 on Construction Services.
3. **Emergency condition** shall mean the events that cannot be anticipated or avoided as they cannot be forecasted and predicted and requires immediate action in order to avoid greater loss. Those that can be classified into emergency conditions shall include: natural disasters (flood, earthquake, storm, tempest, volcano eruption, landslide or epidemic), or war, riot, revolution, strike, fire and the effect of wild spouting.

Emergency condition shall be announced by Top Management official of PSC Contractor and shall be reported to BPMIGAS within 1 x 24 hours.
4. **Contract** shall be agreement that is set forth in binding deal between PSC Contractor and Goods/Services Provider in goods/service provision. Contract may be in the forms of Service Contract, *Agreement*, *Purchase Order and*, *Service Order*.
5. **Work Scope** shall mean the description of specifications and/or function of goods or work description, which is aimed at producing something with specifications and function described in procurement document and/or agreement/contract.
6. **Goods/services users** shall mean Competent Officials as job owners, who assigns the task to Goods/Services Providers in providing goods/services in order to perform a given job so as to meet the specifications of certain goods/services within PSC Contractors.
7. **Competent Officials** shall mean top Management officials of PSC Contractor or official appointed and authorized to decide and responsible for the whole process and output of supply chain within PSC Contractors.

8. **Procurement Committee** shall mean the Committee established and ratified by the Authorized Official to execute tender process, direct selection or appointment within PSC Contractors circle.
9. **Procurement Official** shall be the official and/or organization appointed to manage goods/services procurement activities within PSC Contractors.
10. **Goods/Service Provider** shall mean a corporation or individual who carries out goods/services procurement for the interest of PSC Contractors in accordance with their business lines, furnished with valid business permit issued by the authorized government agency. Goods/Services provider consists of goods supplier, contract service provider, any other service provider and Consultancy service provider.
11. **National Company** shall mean a company established by virtue of Indonesian laws with business activities inside the territory of Republic of Indonesia.
12. **Change of Work Scope** shall mean the change occurring in an agreement that has been previously agreed upon due to any unplanned, unexpected and unavoidable condition in the context of implementing the original work, thus resulting in the change of value from what has been provided for in the agreement and provisions of the original contract.
13. **Change of Contract Term** shall mean the change in the agreed contract, which occurs due to unplanned and unexpected condition, thus resulting in contract term extension in the context of completing work scope.
14. **Work of complex nature** shall mean the work, which requires high technology and/or has high risk and/or uses equipment with specific design and/or has the value of more than fifty billion rupiah (Rp50, 000,000,000.00) or higher than five million American dollar (US\$5,000,000.00)

B. OBJECTIVE

This Manual of Work Procedure is aimed at obtaining the required goods/services with proper number, quality, price, time and place. It shall be carried out effectively and efficiently with transparent and accountable contract conditions in accordance with applicable provisions and procedure.

C. GENERAL POLICY

1. To perform activities of goods/services procurement within the area of the Republic of Indonesia and to adhere to the applicable laws and regulations in the State of the Republic of Indonesia.
2. To make payment to Goods/Services Provider through the banks existing within the Republic Indonesia territory.

3. To procure the required goods/services in effective and efficient manner.
4. To prioritize the use of domestic products and competency.
5. To develop business ability and to give business opportunity to small companies, including small cooperatives.
6. To create the atmosphere of sound, orderly and controlled competition by enhancing transparency in procuring goods/services.
7. To speed up the process and decision making in goods/services procurement.
8. To step up performance and responsibility of the planners, executives and supervisors in goods/services procurement.

D. WORK PLAN AND BUDGET

1. In principles, the plan of goods/services procurement shall be based on *Plan of Development (POD)*, *Work Program and Budget (WP&B)* and or *Authorization For Expenditure (AFE)* approved by BPMIGAS.
2. Particularly for *Engineering Procurement and Construction-EPC*, its procurement process may be conducted paralelly with *AFE* approval process. Opening of envelopes/price quotation phase may be performed if *AFE* for these activities has been approved by BPMIGAS.
3. For drilling activities, goods/services procurement may be implemented by using *pre-AFE*, which is based on drilling work plan approved by BPMIGAS.
4. Goods/service procurement by lease purchase system shall be treated as capital project activities.
5. Goods/services procurement which shall be charged to different types of activities/works that have not been determined and/or goods supply procurement, which in its procurement process does not require *AFE*, but it shall be included in work plan in *WP&B*, *AFE* shall be submitted for each project execution.

E. PROCUREMENT PLAN

Goods/services procurement shall:

1. Take into account economic factors by observing the following points:
 - a. Optimization of economic factors by determining procurement pattern, including: lease or lease-purchase or to build at its own expense;
 - b. Type of contract, quality, quantity or period;
 - c. Business risks
 - d. Efficient technology.

2. Maximizing the use of domestic products and competency (local content).
3. Prioritizing the provisions of health, work safety and environmental protection (K3LL) which are applicable within oil and gas upstream activities.

F. QUALIFICATIONS, RESPONSIBILITY AND MAIN TASK

1. Qualifications, Responsibility and Main Task of Competent Official.

a. Competent Official:

The competent official shall be the Top Management official of PSC Contractors or officials who have been authorized with competency and responsibility from the Top Management official and he may delegate them as well to the officials of lower echelon.

b. Responsibility

He shall assume the responsibility in the organizing goods/services procurement in accordance with supply chain management principles and business ethics.

c. Main tasks

- 1) To work out and determine project/activities implementation schedule in the corresponding financial year;
- 2) To determine goods/services packages that shall be procured;
- 3) To determine criteria, requirements and/or procurement procedure;
- 4) To determine and ratify expenses estimate (*Owner Estimate/Engineering Estimate – HPS/OE/EE*), schedule, procurement location and procurement implementation method;
- 5) To determine the amount of advance payment pursuant to company's provisions;
- 6) To decide the winner of goods/services procurement;
- 7) To prepare the agreement/contract and to make payment to Goods/Services Provider according to the contract;
- 8) To control and supervise contract implementation of the project/activities in question;
- 9) To hand over project assets upon completion of the work together with supporting documents, directly or via the official who is delegated to the function in question;
- 10) To prioritize the use of domestic products and expertise and wider opportunity shall be provided for small business companies, including small cooperatives;
- 11) To appoint/nominate Procurement Committee;
- 12) To give response and comment on the objection of procurement participants;
- 13) To give sanctions to Goods/Services Provider based on applicable provisions and regulations;

- 14) To sign integrity pact or similar one in accordance with the applicable provisions within the respective PSC Contractor;
 - 15) To report goods/services procurement implementation according to provisions.
- d. The Competent official shall not be allowed:
- 1) To divide package into a number of packages with the purpose of avoiding tender or entitlement limit;
 - 2) To combine a number of packages which, based on their work nature and their volume are included in small business, including small cooperatives, into a work package to be executed by non small business, except if it is required to subcontract part of the work to small businesses, including small cooperatives;
 - 3) To set up criteria, requirements or procedure of procurement which are discriminative and/or with non-objective judgment;
 - 4) To implement procurement process, with unavailable budget and/or to sign contract which exceeds the available budget.

2. Qualification, Responsibility and the Main Task of Procurement Committee.

- a. Procurement Committee.
Goods/services procurement shall be carried out by Procurement Committee established by the Top Management official or Competent Official or performed by Procurement Official.
- b. Procurement Committee shall have at least five (5) members and must be in uneven number, consisting of:
- 1) Chairman;
 - 2) Procurement function as secretary;
 - 3) Legal function;
 - 4) Work planning function.
- It shall be added by one (1) member of the elements:
- 5) Financial function;
 - 6) User function;
 - 7) Experts from related technical function.
- c. Goods/services procurement till the maximum amount of one billion rupiah (Rp1, 000,000,000.00), or one hundred thousand American dollar (US\$100,000.00), may be carried out by internal team inside procurement management function whose task and competency is similar with Procurement Committee.
- d. The local Top Management Official and/or member of functional supervising body shall not be allowed to be member of Procurement Committee.

e. Procurement Committee's Requirements:

Procurement Committee's shall meet the following requirements:

- 1) It shall adhere to business ethics and basic principles of supply chain management;
- 2) It shall understand all the works and master goods/services procurement procedural manual together with production document content;
- 3) To sign integrity pact or similar pact in accordance with applicable provisions within the respective PSC Contractor;
- 4) Member of Procurement Committee shall not have direct family relation with Competent Official;
- 5) Chairman shall be Indonesian citizen with structural employee status and member of Procurement Committee's shall be structural member, except PSC Contractor in exploration phase, it can be held by foreign citizen;
- 6) Chairman and Procurement Committee's member shall have attended training and shall have oil industry procurement certificate in Indonesia issued by BPMIGAS or another body appointed by BPMIGAS.

It would be more appreciated if he has government goods/services procurement certificate/national procurement certificate.

f. Responsibility.

- 1) It shall be responsible for smooth process of goods/service procurement by tender, direct selection, direct appointment and any other procurement methods;
- 2) It shall be responsible to Competent Official.

g. Main Task

- 1) To prepare the list of Goods/Services Providers that meet qualifications and classification (business sector and sub-sector) and then invite them to participate in the procurement and if necessary, to ask information whether or not their qualifications and classification are true;
- 2) To prepare procurement and prequalification document, including bid evaluation criteria and procedure;
- 3) To issue notice of tender on company's official information board, through printed media and if possible through electronic media;
- 4) To know HPS/OE/EE which is expertly calculated, prepared by responsible function, to prepare schedule and, implementation process and procurement location;
- 5) To invite other candidate tender participants to participate prequalification if the number of listed and qualified participants in the tender turn out to be less than three;

- 6) To give clarification on procurement document, including bid requirements, bid submission and evaluation procedure and to prepare written report of clarification;
 - 7) To open bid document and prepare written report of bid opening and to announce Goods/Service Providers which do not pass/fail/disqualified;
 - 8) To evaluate the bid, make clarification and negotiation, to decide their ranking and to recommend the candidate winners of tender/direct selection/direct appointment and to prepare written report;
 - 9) To deal with postqualification and prequalification, fairly and transparently and to stimulate sound competition;
 - 10) To announce winners that have been selected by the Competent Official;
 - 11) To respond protest and objection lodged by goods/services procurement participants;
 - 12) To prepare report of the process and outcome of goods/service procurement to its superior.
- h. The work term of Procurement Committee shall terminate in accordance with its assignment term.

G. CLASSIFICATION, QUALIFICATIONS AND THE WORK SCOPE OF GOODS/SERVICES PROVIDERS

1. Classification of Goods/Services Providers

Goods/Services providers shall be classified into three (3) categories, namely:

- a. Small business, including small cooperatives, shall be the company or cooperatives that meet the following criteria:
 - 1) It is established in accordance with the Republic of Indonesia's laws; and
 - 2) It has net richness of two hundred million rupiah (Rp200,000,000.00), at the most, not including land and structure of its business domicile or it has annual sales turnover of one billion rupiah (Rp1,000,000,000.00); and
 - 3) It is owned by Indonesian citizens; and
 - 4) It is the principal company, not subsidiary company or branch of the company which is owned, controlled by or affiliated to, directly or indirectly, non small business company; or
 - 5) Small cooperatives, which has business unit of dealing with, contract services, goods procurement or other services.

- b. Non small business company shall be a company or cooperatives which meets the following criteria:
 - 1) It is established based on the State of Republic of Indonesia's laws with business activities within the state of Republic of Indonesia; and
 - 2) It has net assets/richness of more than two hundred million rupiah (Rp200, 000,000.00), not including land and structures where it performs the business or it has annual sales turnover of more than one billion rupiah (Rp1, 000,000,000.00); or
 - 3) Cooperatives which meet criteria of points 1) and 2) and has business unit dealing with contract services, goods procurement or any other services.
- c. Foreign company shall be the company, which is not established based on the state of Republic of Indonesia's laws.

2. Goods/Services qualifications

- a. Qualifications shall be the financial, personnel and equipment ability at respective work field. In principles, business qualifications and competency of Goods/Services Provider are valued by postqualifications. In a given condition, it may be done by prequalification.
- b. Postqualifications shall be the process of business competency and ability valuation and other required compliances of Goods/Service Provider after submitting the bid.
- c. Prequalifications shall be competency and business ability valuation and other required compliances of Goods/Services Provider before submitting the bid.
- d. Prequalifications shall be carried out for goods/consultancy service and for goods procurement, contract service or any other services which use limited tender, direct selection and direct appointment method.
- e. In general goods procurement tender, contract service or other services that have complex nature qualification process shall be conducted with postqualification or prequalification.
- f. The given Qualification requirements shall constitute minimum requirements needed for the activities, thus allowing sound competition. For specific/high technology works, it may be added other requirements such as special equipment, special expert personnel or certain experiences.
- g. In prequalification or postqualification process Goods Procurement Committee/Officials shall not be allowed to add qualification requirement.
- h. Goods/Services Provider shall sign a statement on the stamp that all information given in the qualification process are true and if there are fraud/falsification, the interested party shall be sanctioned in the form of its cancellation as Candidate Winner and be put in the black list.

- i. Qualification requirements of Goods Provider, Contract service provider and any other services shall cover:
- 1) It shall have business permit for its business line issued by the competent government agency and which is still valid such as: Trade Business Permit (SIUP) for trading service, Construction Service Business Permit for construction service, and so forth;
 - 2) It has lawful capacity to sign procurement contract;
 - 3) It is not under court supervision, not in bankruptcy condition, not under criminal sanction which is stated in a letter of statement by Goods/Services Provider concerned;
 - 4) In case Goods/Services Provider shall be engaged in partnership (consortium/joint venture), Goods/Services Provider shall have partnership cooperation agreement which contains, among others, responsibility of each party, partnership percentage and the company (lead firm) that represents partnership;
 - 5) It has settled tax obligation of the latest year (SPT/Income Tax) and has monthly report of Income tax Article 25 or Article 21/Article 23 or Value Added Tax for the last three (3) months, except the new company which has no obligation to report;
 - 6) Within a period of the last seven (7) years it had experience in providing goods/services within oil industry, the government or private enterprises, either it worked as the principal company or as partner company;
 - 7) It has good performance record and it is not included in Goods/Services Provider group which was imposed by sanction in PSC Contractor concerned;
 - 8) It is included in Goods/Services Provider, which matches work package, being proved by its latest year's balance sheet.
 - 9) It has ability in work sub-sector which suits small business, including small cooperatives;
 - 10) It has ability in work sub-sector which suits non business line and shall meet the requirements of:
 - a) For contract service, it meets $KD = 2 \text{ NPt}$, at work sub-sector in question for the last seven (7) years;
 - b) For other goods/services procurements, it meets $KD = 5 \text{ NPt}$ in work sub-sector in question for the last seven (7) years;
Where:
 KD = Basic Qualifications;
 NPt = Highest experience value;
 - c) With regard to partnership, basic qualifications amount of the partnership company shall be calculated.
- Goods/Services Provider shall transmit basic qualifications calculation document (KD) as bid document's attachment.

Basic Qualification Calculation procedure is given in *Attachment CP-001*.

- 11) Specifically for contract service, it shall submit list of works awarded to it, now being executed;
 - 12) For contract work which has sufficient remaining financial ability (SKK) and the remaining package ability (SKP).
The SKK and SKP calculation procedure is given in *Attachment CP-001*.
 - 13) If it is deemed necessary, requirement may be obligated, namely possessing certificate of support from government/private bank to participate goods/services procurement, amounting at least to ten percent (10%) from contract value for contract work and five percent (5 %) from contract value of goods supply work or other services, except for small Goods/Services Providers, including small cooperatives;
 - 14) It has permanent and clear address and shall be accessible by mail.
- j. Qualifications requirements for consultancy service provider shall cover:
- 1) It shall have business permit in its business field issued by competent government agency and which is still valid such as SIUP for non construction consultancy service and IUJK for construction consultancy service, etc;
 - 2) It has lawful capacity to sign procurement contract;
 - 3) Not under court supervision, nor being in bankruptcy condition, its business activities are not being stopped, not being imposed by criminal sanction which is stated in a letter of statement of consultancy service provider concerned;
 - 4) In case consultancy service provider intends to be engaged in partnership (*consortium/joint venture*), consultancy service provider shall have operation/partnership cooperation agreement containing the responsibility of each party, partnership percentage and the company (lead firm) which represents such partnership;
 - 5) It has settled tax obligation of the latest year (SPT/Income Tax) and has monthly report of Income Tax Article 25 or Article 21/Article 23 or Value Added Tax for the last three (3) months, except the new company which is not obliged to report;
 - 6) For the last seven (7) years it had got experience in providing consultancy service within oil industry, both government and private, either as the main contractor or subcontractor;
 - 7) It has good performance record and it is not included in Goods/Services Provider which was imposed by sanction by PSC Contractor concerned;
 - 8) It has qualifications in suitable work sub-sector;

- 9) It meets KD = 3 NPt; requirements in work sub-sector in question for the last seven (7) years.
 - a) In case of partnership, amount of basic qualifications of the partnership company shall be calculated.
 - b) Whereby:
KD =Basic Capability;
NPt =Highest experience value;
Calculation procedure and example of Basic Capability is given in the *Attachment CP-001*
- 10) It has the ability to provide the required facilities, equipment and personnel for work execution;
- 11) Expert assigned to carry out consultation service work shall meet the following requirements:
 - a) He has taxpayer registration number (NPWP) and it has evidence of paying tax in the latest year;
 - b) He shall be State University graduate or has graduated from private University that has passed state examination or that has been accredited by the competent agency or overseas University, the diploma of which has been ratified/recognized by competent government agency of higher education, proved by copy of diploma;
 - c) He shall have experience in this field which is correctly and accurately set forth in his curriculum vitae, signed by the interested party, acknowledged by the Company's management, unless it is an individual consultant;
 - d) Expert staff from Non-Governmental Organization shall have experience and expertise in his field which is set forth in his work experiences and/or his curriculum vitae and he shall meet requirements set by PSC Contractor;
 - e) Foreign expert shall adhere to the applicable laws and regulations in manpower and immigration.
- 12) It shall have permanent and clear address and shall be accessible by mail.

3. Work Area of Goods/Services Provider

- a. Work area of Goods/Services Provider shall cover:
 - 1) Goods supplier.
 - 2) Contract Service Provider.
 - 3) Other services providers.
 - 4) Consultancy service provider.
- b. In postqualification or prequalification process, Goods Provider shall declare its business sub-sector according to basic specialization

competency that it has. Such declaration shall be supported by credentials of business experience, trade/business affiliation or ownership of relevant business supporting facilities. The accuracy of such work sub-sector declaration shall be evaluated by PSC Contractor Committee/Official.

- c. In the context of process simplification and uniformity, work sub-sector within PSC Contractor shall be determined such as it is set forth in the attachments of this manual.

4. Limits of work/activities values that may be applied by Goods/Services Providers according to their classification:

a. Goods Procurement:

- 1) Small business, including small cooperatives for procurement up to one billion rupiah (Rp1,000,000,000.00) or one hundred thousand American dollar (US\$100,000.00).
- 2) Non small business/cooperatives for procurement of higher than one billion rupiah (Rp1,000,000,000.00) or higher than one hundred thousand American dollar (US\$100,000.00).
- 3) Foreign company may participate in procurement activities with value higher than twenty five billion rupiah (Rp25,000,000,000.00) or higher than two million five hundred thousand American dollar (US\$2,500,000.00), it shall be obligated to cooperate in the form of partnership with national company.

b. Contract Service:

- 1) Small business, including small cooperatives for procurement up to one billion rupiah (Rp1,000,000,000.00) or one hundred thousand American dollar (US\$100,000.00).
- 2) Non small business/cooperatives for procurement higher than one billion rupiah (Rp1,000,000,000.00) or higher than one hundred thousand American dollar (US\$100,000.00).
If the value is higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million American dollar (US\$5,000,000.00), it shall cooperate with small business company, including small cooperatives.
- 3) Foreign company may participate in procurement with value higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million American dollar (US\$5,000,000.00) with obligation to deliver at least thirty percent (30%) from contract performance service or ten percent (10%) from contract value to national company.

c. Other services:

- 1) Small business company, including small Cooperatives for procurement up to one billion rupiah (Rp1,000,000,000.00) or one hundred thousand American dollar (US\$100,000.00).
 - 2) Non small business company/cooperatives for procurement higher than one billion rupiah (Rp1,000,000,000.00) or higher than one hundred thousand American dollar (US\$100,000.00).
In case procurement is higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million American dollar (US\$5,000,000.00), it shall cooperate with small business company, including small cooperatives.
 - 3) Foreign company may participate in procurement of higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million American dollar (US\$5,000,000.00), in this case it shall cooperate in partnership company with national company.
- d. Consultancy service
- 1) Small business company, including small cooperatives for procurement up to the value of five hundred thousand million rupiah (Rp500,000,000.00) or fifty thousand American dollar (US\$50,000.00).
 - 2) Non small business company/cooperatives for procurement of higher than five hundred million rupiah (Rp500,000,000.00) or higher than fifty thousand American dollar (US\$50,000.00);
 - 3) Foreign company may participate in procurement with value of higher than ten billion rupiah (Rp10,000,000,000.00) or higher than one million American dollar (US\$1,000,000.00) with obligation to cooperate with national company in the form of Partnership Company.
5. Civil service employees, Bank Indonesia's (BI), employees, BHMN/BUMN (State Owned Company)/ BUMD (Regional Owned Company) employees and PSC Contractor's employees shall not be included into Goods/Services Provider, unless they act as representatives of BUMN/BUMD or the interested parties take leaves outside the responsibility of the state/BI/ BHMN/BUMN/ BUMD/PSC Contractor.
 6. Goods/Services Provider, the participation of which will result in conflict of interest shall not be allowed to participate in procurement.
 7. Goods/Services Provider that has exclusive relation with another Goods/Services Provider shall not be allowed to jointly participate in procurement. Exclusive relation may be known from ownership status and/or from the management of procurement participant companies by the same persons.

CHAPTER - II

PROCEDURE OF GOODS/SERVICE PROCUREMENT/CONTRACT SERVICES/AND OTHER SERVICES

A. PREPARATION OF WORK SCOPE AND SPECIFICATIONS

1. Procurement document shall expressly set out regulation references and applicable procurement requirements within PSC Contractors.
2. **Language of Procurement Documents:**
 - a. Procurement documents use Indonesian language or two (2) languages, viz. Indonesian and English language;
 - b. If there is difference of interpretation of matters given in these two (2) languages, it is firmly stated that only one (1) language shall be lawfully binding, namely Indonesian language.
3. **Procurement Documents shall consist of:**
 - a. Procurement invitation.
 - b. Instruction to bidders (ITB) together with attachments, consisting of, among others:
 - 1) General provision:
 - a) Information on goods/service users, addresses, numbers of telephones / facsimiles / e-mail persons in charge of procurement;
 - b) Goods/Services Provider's requirements;
 - c) Format of bid letter and its submission method;
 - d) Evaluation method and procedure;
 - e) Bid objective/definition shall be clearly set forth in procurement document and shall be clarified to procurement participants before bid opening;
 - f) Negotiation method;
 - g) Sanctions in case Goods/Services Provider does not comply with obligations and/or violates the provisions;
 - h) Sanction given to procurement participant whose denial/objection proves to be wrong;
 - i) Provisions if there is bid with exception/conditional/demand/variation;
 - j) Bid validity;
 - k) Procurement schedule estimate, particularly large scale project;
 - l) Venue selection for dispute settlement;
 - m) Provision of import facilities utilization;

- n) Provision stating not to commit monopoly practices and unsound competition, using illegal objects and violate business ethics;
 - o) Contract termination provisions;
 - p) Provisions on granting reward;
 - q) Copy of contract/agreement concept to be executed;
 - r) Time arrangement and venue of tender execution.
- 2) Qualifications requirements
- a) Qualifications document completeness of Goods/Service Provider that shall be submitted pursuant to Chapter-I, point G.2.i;
 - b) Goods/Service Provider that has been registered as client in PSC Contractor in question may be required not to submit the above document.
- 3) Administrative Requirements:
Administrative requirements shall include:
- a) Compliance with all required procurement documents;
 - b) Bid document and bid supporting document shall be signed by the Management/President Director whose name is found in the deed of establishment and its amendments or the head of company's branch appointed by head office or the official who, based on partnership/association agreement is the person who is entitled to represent the association;
 - c) Bid document and bid supporting document shall be authentic.
- 4) Technical requirements:
- a) Type and description of the work to be performed, including special work term of reference for consultancy service and the work that may not be subcontracted;
 - b) Required type and quality of material;
 - c) Technical specifications and drawings shall not be oriented to a given product/brand;
 - d) Obligation to apply maximum use of domestic products and competencies;
 - e) Provisions on assessment and inspection;
 - f) Special requirements that will be applied in the agreement (Standard Nasional Indonesia-SNI, *International Standard Organization-ISO* and etc.).
 - g) Alternative bid:
Procurement document shall mention whether or not participant may include alternative bid. If bid document does not mention alternative bid, it means that the inclusion of alternative bid is not allowed;
 - h) Exception/ variation/ conditional:

- (1) Exception/variation/conditional shall only be allowed in two (2) phases system and only in technical bid phase.
 - (2) Procurement document shall mention whether or not exception/variation/conditional may be included, if procurement document does not mention exception or conditional, it shall mean that exception/conditional variation are not allowed.
- 5) Commercial requirements:
 - a) Provision that bid letter is signed on stamp by the top management official or the person so authorized at above point 3) b);
 - b) Provision on bid currency and exchange rate that shall be applied;
 - c) Payment requirements;
 - (1) Payment shall be made through the bank which is found within the territory of the Republic of Indonesia;
 - (2) Payment period which is promised;
 - (3) Provision of advance payment (if any);
 - (4) For construction work and/or other works which are specifically provided in the contract, requirement may be provided to withhold five percent (5%) at the most from contract value as the guarantee during maintenance period for a length of time not exceeding one hundred (100) calendar days. In case the work of complex nature, the last payment amount which is withheld may be more than five percent (5%).
 - d) Percentage, period, and bid bond requirement;
 - e) Percentage, period and performance bond requirements;
 - f) Provision to mention the volume of domestic component;
- 6) Contract concept:

Contract concept (agreement, order, purchase order, service order) shall contain, among others:

 - a) The Parties thereto;
 - b) Right, obligation and responsibility of either party;
 - c) Work scope, including technical requirements and specifications;
 - d) Value;
 - e) Contract commencement and period;
 - f) Payment requirements;
 - g) Performance bond;
 - h) Sanctions;
 - i) Insurance;
 - j) Contract termination;

- k) Dispute settlement;
 - l) Contract language;
 - m) Contract attachments;
 - n) Contract amendment;
 - o) Work assignment;
 - p) Work performed by small business company including small cooperatives;
 - q) Obligation to cooperate with small business company, including small cooperatives;
 - r) The willingness of foreign Goods/Services Provider to cooperate with national Goods/Services Provider.
- 7) K3LL which requires Goods/Services Provider shall meet K3LL requirements according to applicable provisions;
 - 8) Period of work execution or date of work hand over;
 - 9) Delay penalty/liquidated damage;
 - 10) Other documents, including the result summary of pre-bid meeting (*aanwijzing*) or summary of other clarifications;
 - 11) Additional information, clarifications, error rectification or amendment of procurement document shall be given to procurement participants in writing by Procurement Committee/Official.

4. Document Replacement Expenses:

In tender implementation and direct selection, document replacement expenses shall be collected at the time of taking instruction document to IKPP procurement participants (*instruction to bidders-ITB*):

- a. Amounting to two hundred and fifty thousand rupiah (Rp250,000.00) for procurement estimate value of higher than one billion rupiah (Rp1,000,000,000.00) or higher than one hundred thousand American dollar (US\$100,000.00) up to five billion rupiah (Rp5,000,000,000.00) or up to five hundred thousand American dollar (US\$500,000.00)
- b. Amounting to five hundred thousand rupiah (Rp500,000.00) for procurement estimate value of higher than five billion rupiah (Rp5,000,000,000.00) or higher than five hundred thousand American dollar (US\$500,000.00).
- c. Document replacement expenses shall be put into PSC Contractor's account to be calculated as operating cost reducer, particularly procurement expenses.

B. OWN EXPENSES CALCULATION (OWNER ESTIMATE)/ENGINEERING ESTIMATE (HPS/OE/EE)

1. General Provisions

- a. Own calculation estimate (HPS) or *owner estimate (OE)* or *Engineering Estimate (EE)*, shall be calculated expertly.
- b. HPS/OE/EE shall be prepared by referring to expenses budget plan (RAB)/ AFE / WP&B as plafond fund being provided.
- c. In principle, total value of HPS/OE/EE is not confidential. Detail of HPS/OE/EE is confidential till the opening of bid price.
- d. HPS/OE/EE is used as one of evaluation reference in deciding candidate winner.

2. Procedure and Preparation Consideration Basis

- a. HPS/OE/EE shall be prepared as accurately as possible by using data/basis/consideration, including:
 - 1) Price list or manufacturer's price offer, sole agent, agent, distributor with agent status appointed by manufacturer;
 - 2) Work unit price analysis in question;
 - 3) Price obtained through overseas source, including representative or PSC Contractor's head office, internet, etc.;
 - 4) Accountable market price;
 - 5) The last purchase/contract price by taking into account market price development and/or inflation factor as well as profit and risk, but double price calculation shall be avoided;
 - 6) Price references issued by Departments/Institutions/Association, both in domestic and overseas countries;
 - 7) Price estimate prepared by Consultant;
 - 8) Accountable information, both from liabilities and engineering aspects;
 - 9) Goods price/domestic products.
- b. HPS/OE/EE shall be prepared and signed by the function that plans goods/services procurement (user, planning function, procurement) and ratified by the Competent Official.
- c. If domestic goods procurement requires comparison with overseas price, it can be conducted by price built up, based on free on board (FOB) price.

Example of calculation pursuant to *Attachment CP-002*.

- d. For tender of contract service/other services work (not including consultancy and goods procurement) fully financed by PSC Contractor, HPS/OE/EE.

Calculation can be used as follows:

- | | | |
|----|------------------------------------|--------------------|
| a) | Salary/Service | A |
| b) | Material | B |
| c) | Lease/equipment | C1 |
| d) | <u>Mobilization/demobilization</u> | <u>C2 (if any)</u> |
| e) | Sub total | $D=A+B+C1+C2$ |
| f) | Profit & risk | $E=P \times D$ |
| g) | Amount | $F=D + E$ |
- (Price estimate does not include VAT)

Where:

1. A consist of engineering, project management, inspection, certification and insurance (if any);
2. B consists of material and equipment purchase expenses;
3. C1 consists of work equipment, vehicle and other items leasing expenses;
4. C2 consists of formality, equipment transport, loading and unloading ;
5. P shall be calculated as follows:
 - (1) = Fifteen percent (15%) for work estimate price calculation the with value amounting up to five hundred million rupiah (Rp500,000,000.00).
 - (2) = Ten percent (10%) for work estimate price calculation with the value lower than five hundred million rupiah (Rp500,000,000.00).
 - (3) = Eight percent (8%) for work estimate price calculation with the value of more than five billion rupiah (Rp5,000,000,000.00).
- e. HPS/OE/EE do not include unexpected expenses, other expenses, income tax of Goods/Services Provider and VAT.
- f. In goods procurement, own estimate price calculation shall calculate all expenses component till destination port/delivery site.
- g. If, after bid opening it is found that all bid offers are above HPS/OE/EE, negotiation shall be conducted. If, bid price resulting from negotiation is still higher than HPS/OE/EE, analysis of HPS/OE/EE shall be conducted. Further, if HPS/OE/EE is valued not to reflect fair price, correction/adjustment may be effected for only once, with maximum addition of ten percent (10%).
- h. The adjusted HPS/OE/EE shall be prepared by the function that plans goods/services procurement (user, planning function, procurement, technique) with written analysis and ratified by the Competent Official.

C. CONTRACT TYPE

1. Contract Type based on mode of payment:

a. Lumpsum Contract

Lumpsum contract shall be goods/services procurement for completion of all given work in a given time with fixed price amount. All risks that may take place in the process of work completion, insofar as it matches drawings and specifications shall be fully charged to Goods/Services Provider.

b. Unit Price Contract

Unit price contract shall be goods/services procurement contract for all work completion in a given time limit based on fixed price unit for any work unit/component with certain technical specifications. Work volume is still temporary estimate. Payment shall be based on joint measurement outcomes that have been performed by Goods/Services provider. Extra/less works may be allowed based on joint measurement inspection on required work.

c. "Cost Plus Fee" Contract

"Cost Plus Fee" contract shall be service contract for the completion of the whole work and its volume has not been precisely known, while the payment is conducted based on expenses spending covering material purchase, lease of equipment, workers' salary, etc., plus service rewards that have been agreed by either party.

d. Cost Plus Incentives Contract

Cost Plus Incentives Contract shall be contract for work implementation by using given criteria as its success target. Payment is based on the approved expenses in the contract plus appreciation. Appreciation is a certain value which is promised if achieving success target agreed in the contract.

In general, a *Cost plus incentives* applies sanction/penalty if minimum target is not achieved.

e. Percentage Fee Contract

Percentage Fee contract shall be agreement/execution contract of consultancy service in construction business or a given contract work where the consultant in question receives service reward based on a given percentage of physical construction/contract work.

This contract is applied for a consultancy work the implementation of which has not been standardized or its operation standard is not available or its output type and volume has not been definitely determined.

f. *Turnkey Contract*

Turnkey Contract shall be goods/services procurement contract in respect of completion of the whole work in a given time limit with fixed price amount till the whole main factory construction/facilities and main network and its supporting facilities function well according to given *output performance criteria*.

2. *Contract type based on materials:*

There are five (5) contract types based on materials. Detail of each type is found in the attachments.

a. *Sharing Contract*

Sharing contract shall be contract between a number of PSC Contractors with a given Goods/Service Provider in completing the work or a number of projects which is set forth in an agreement. Inter PSC Contractors agreement may be entered into at early time of the contract or at the time when the contract is in progress.

b. *Partnership/Strategic Alliances Contract*

Partnership/Strategic Alliances Contract shall be goods/services procurement contract for the completion of the whole given work in the context of achieving company's target in a given time limit where each party gives contribution of fund, resources or facilities that it has. Partnership contract adopts profit sharing principles and common risk charging which is fair, just, based on dealing set out in the contract.

c. *Supply Agreement Based on Call Off Order*

Call Off Order shall goods/services procurement contract for a relatively long period (one year or more) where goods/services users do not have to make inventory and only pay a certain quantity of goods/services that are actually consumed and used.

The benefits obtained may be in the form of:

- 1) Lowering of ordering and holding cost and preventing goods damage risk and material surplus.
- 2) Goods collecting/delivery is performed partially according to actual need and as such payment is only made for goods/services that have been properly received.
- 3) Goods/service user are not obligated to purchase the remaining goods/services that are still available at Goods/Service provider, if after contract termination there are still the remaining goods/that have not been taken yet.
- 4) Goods holding and handling cost is performed by Goods/Services Provider so that Goods/Services user does not have to deal with holding cost and handling cost.

- 5) Goods/Services Provider may get assurance of long-term procurement.

d. Price Agreement

- 1) Price Agreement shall be agreement with one (1) Goods/Services Provider that acts as sole agent and which is made based on unit price officially issued by manufacturer/principal.
- 2) The agreement is applicable for a given period of time for one (1) specific goods/services group.
- 3) Unit price may be revised in a given period of time. In general, this contract is applicable for the purchase of spare parts of the main goods being used. Goods procurement may be made by direct appointment to the sole agent of the goods.

e. Multi Standing Agreement

Multi Standing Agreement (MSA) shall be unit price contract agreement with more than one client in the same period of time for the same goods/services in term of specifications, size, qualifications and ability within a certain contract period.

Procedure of each contract type may be seen in the Attachment *JK-001 through JK-005*.

3. Alternative Procurement Method:

a. Procurement Card.

Procurement with Pro Card shall be goods/services procurement by direct appointment by using Procurement Card as payment facilities without issuing agreement/contract, letter of order or purchase order (PO).

b. Electronic procurement (*e-Procurement / e-Commerce*).

In adapting ourselves with globalization era, goods/services procurement may use electronic facilities. (*internet, electronic data interchange-EDI and e-mail*), including electronic reverse auction (*e-RA*).

Procedure of Alternative Procurement Method is given in the Attachment *MP-001 and MP-002*.

D. GOODS/SERVICES SOURCES

1. Domestic Sources

In providing goods/services. PSC Contractor shall include national company and prioritize domestic products/competency that meet technical requirements.

2. Overseas Sources

- a. Goods import shall be allowed if:
 - 1) They have not been produced yet in domestic country, or
 - 2) Domestic quality standard does not meet minimum technical requirements, or
 - 3) After negotiation, domestic product price is still higher than HPS/OE/EE and after repeat tender has been conducted by including import products, domestic product price, after TKDN preference calculation, is still higher if compared to the lowest cost insurance and freight (CIF) of imported products plus (normalized) with entry duty and levies of import.
- b. Foreign company may be included by adhering to the provisions in Chapter-I, point G.4.

E. PROCUREMENT PLAN SUBMISSION.

1. PSC Contractor's Official in charge of procurement shall submit to BPMIGAS procurement plan which requires approval within ten (10) working days at the latest before the date of bid notice/bid invitation by attaching the following documents:
 - a. Copy *material requisition (MR)*, work plan and technical specifications which are the result of discussion of budget proposal (*WP&B* or *AFE* or *AFE* proposal attachments).
 - b. Procurement process plan/schedule, including prequalification process (if any).
 - c. Accountable justification on the implementation of direct selection and direct appointment.
 - d. Plan of contract validity term.
 - e. Expenses budget (*AFE* and/or *WP&B*):
 - 1) For project activities, *AFE* approval copy shall be attached and/or *WP&B*. Particularly for EPC activities, work scope copy approved by BPMIGAS shall be attached and copy of plan proposal of budget use, while drilling work shall require pre-*AFE* copy.
 - 2) For Non-project activities, *WP&B* copy shall be attached.
 - f. Copy of tender notice plan.
 - g. Copy of decision letter of the Competent Official in PSC Contractor regarding the composition of Procurement Committee.
2. BPMIGAS shall have given approval or refusal within ten (10) working days at the latest as from the receipt of complete documents, referred to at the above point's 1.a. through 1.g. Such seven (10) days time does not include

time required by PSC Contractor to complement clarification request from BPMIGAS.

PSC Contractor may proceed to procurement process if, after ten (10) days BPMIGAS does not give reply.

F. METHOD AND PROCEDURE OF SELECTION OF GOODS/SERVICES PROVIDER AND OTHER CONTRACT/SERVICE PROVIDERS.

In principle, selection of Goods/Services Provider and other contract/Service Providers shall be conducted through general tender. In certain circumstances, by taking into consideration efficiency and effectiveness selection method of Goods/Services Providers may be conducted through limited tender method, direct selection, direct appointment, including procurement card, electronic procurement (e-Procurement) or self-management.

1. General Tender

- a. General tender shall be goods/services procurement openly conducted for public which refers to supply chain management basic principles by broadly notifying it first through mass media, official notice board of PSC Contractor and if possible, through electronic media so that the society at large and businessmen who are interested and meet qualifications may participate therein.
- b. Tender requirements
 - 1) It is conducted for goods/service procurement with value of more than two hundred million rupiah (Rp200,000,000.00) or higher than twenty thousand American dollar (US\$20,000.00);
 - 2) It is attended by Goods/Service Provider that meets qualification, competency and ability such as required in procurement documents. Qualifications valuation is conducted by postqualification system, however, in certain condition, it can be conducted by prequalification system;
 - 3) Work with value up to one billion rupiah (Rp1, 000,000,000.00) or up to one hundred thousand American dollar (US\$100,000.00), is intended particularly for small Goods/Services Provider, including small cooperatives registered in the List of well to do Goods/Services Providers, including small cooperatives registered in the List of Well-to-do Goods/Services Providers.

Specifically, equipment leasing and/or service procurement which requires expensive equipment that is beyond the ability of small business company's capital, including small cooperatives, small company/cooperatives of non small business may be included by conducting prequalification;

- 4) Postqualification system shall be followed by three (3) Goods/Services Providers who submit the bid and which meets qualifications at least one (1);
- 5) Pre-qualification system shall be followed by at least three (3) Goods/Services Providers that passed prequalification and submit the bid;
- 6) Negotiation shall be conducted in order to obtain the best bid and lower than HPS/OE/EE.

c. Tender Procedure

1) Notice

- a) Tender notice shall be made broadly and openly through company's notice board. Tender with value of more than one billion rupiah (Rp1,000,000,000.00) or higher than one hundred thousand American dollar (US\$100,000.00) shall be published through domestic printed media and if possible, using electronic media (radio, television, internet) so that business society at large that are interested therein and meet qualifications and classification may participate in it.
- b) Tender announcement contains among others:
 - (1) Name and address of PSC Contractor which will participate in the tender.
 - (2) Heading, number and brief description on goods/services which will be offered for bid.
 - (3) Administrative requirements of tender participants, including qualifications and classification requirements and tender document expenses (if any).
 - (4) Venue, day and time limit for registration as prospective tender participants.
 - (5) Notice that prequalification shall be conducted (if required).
 - (6) Venue, day and time to collect prequalification or tender document and any other information.

2) Registration of Prospective Tender Participants.

- a) Candidate/Prospective tender participants shall register themselves in the given time by complementing all requirements.
- b) Candidate tender participants who have met requirements shall be included in the next tender process.
- c) If candidate participants are less than three (3), Procurement Committee/Official may extend registration period according to the need. If after the end of extension period, the number of candidate participants who register themselves is less than

three (3), Procurement Committee/Official shall draft written report that the tender fails and make repeat notice/announcement and may invite other candidate tender participants.

- 3) Postqualification and prequalification
 - a) Basically, evaluation of qualification of competency and business ability of tender participants shall be conducted by postqualification. Qualification requirements of candidate Goods/Services Providers shall comply with the provisions in Chapter I point G.2.
 - b) Specifically for complex work, qualification evaluation may be conducted by prequalification system;
 - c) Tender with the value up to one billion rupiah (Rp1,000,000,000.00) or one hundred thousand dollar (US\$100,000.00), postqualification of Goods/Services Providers that have been registered in the List of well to do Goods/Service Providers, shall be conducted.
 - d) Postqualification
 - (1) Qualification valuation shall be based on qualifications requirement document which is submitted at the same time with price bid document. For Goods/Services Providers registered in DPM shall only deliver DPM substitute supporting document that has expired;
 - (2) In the context of qualification certification in respect of Goods/Services Providers which will be recommended as winner and reserve winner, verification may be conducted for all existing data and information in the qualification fill-up form by asking original document or lawful recording and if necessary, confirmation shall be made with relevant agency;
 - (3) If Goods/Services Providers which register themselves are less than three (3), repeat tender shall be conducted by issuing repeat notice/announcement;
 - (4) Qualification document evaluation shall be carried out after technical and price bid evaluation;
 - (5) Qualification evaluation shall be conducted on three (3) lowest bids that meet technical requirements.

e) Prequalification

- (1) Prequalification is aimed at identifying candidate participants' ability in administration, technical, human resources, K3LL (environment), financial and enhancement of the use of domestic products and competency program by referring to work scope to be carried out. In addition, this process is also intended to give general information such as work scope, evaluation procedure (tender prequalification and evaluation) and so forth;
- (2) Candidate tender participants shall submit qualification document at specified time;
- (3) Qualification evaluation shall be performed in prequalification phase before submitting bid document;
- (4) In the event candidate tender participants register themselves as consortium, prequalification valuation shall be conducted on overall ability of consortium members;
- (5) Prequalification shall be conducted by Procurement Committee/official of respective PSC Contractor and outsiders who are believed to be independent;
- (6) Procurement Committee/official of PSC Contractors or the parties so appointed shall conduct verification and valuation on competency and ability of candidate tender participants;
- (7) For the work of the same type, it may use valuation result of other PSC Contractors that has been conducted for the last two (2) years, insofar as valuation criteria being used is identical or higher than required valuation criteria. This matter shall be set forth in prequalification document.
- (8) If the number of Goods/Services Providers that passed prequalification is less than three (3), tender shall be declared a failure. Subsequently notice shall be issued and prequalification process for new Goods/Services Providers shall be conducted. Goods/Services Providers that have passed prequalification shall register again but they do not have to follow repeat prequalification;
- (9) Goods/Service Providers who do not pass prequalification may express objection/protest to Procurement Committee/Official with copy addressed to Competent Official within PSC Contractors in question. Procedure of settlement for this objection and protest shall refer to Chapter II point F.1.c.12);

- (10) Procurement Committee/Official shall announce prequalification result and shall notify in writing to all candidates tender participants who have or have not passed prequalification together with the reasons;
 - (11) Procurement Committee/Official shall prepare a list of tender participants.
- 4) Invitation delivery and Returning of Procurement Document
- a) Procurement Committee/Official shall prepare list of tender participants.
 - b) If the number of candidate tender participants is less than three (3), tender shall be declared to have failed and Procurement Committee/Official shall issue repeat notice and may invite other candidate tender participants.
 - c) If, after repeat notice has been made, the number of candidate tender participants remains less than three (3), Procurement Committee/Official shall draft written report declaring that tender has failed.
 - d) All candidate tender participants who have met requirements shall be invited to take procurement documents.
- 5) Clarification
- a) Clarification of tender document shall be conducted at given venue and time and attended by candidate tender participants.
 - b) Specifically for other goods/services procurement with value of less than one billion rupiah (Rp1,000,000,000.00) or less than one hundred thousand American dollar (US\$100,000.00), tender clarification shall be given, if necessary.
 - c) Meeting of tender clarification shall be attended by the Competent official, candidate tender participants or represented by the person so authorized with power of attorney.
 - d) PSC Contractor may specifically arrange the presence of tender participants that shall be set forth in procurement documents.
 - e) Clarification of procurements document shall be given clearly and comprehensively so that they can be followed and understood.
This clarification shall announce the need of other information which shall be addressed by tender participants, including the filling in of the required forms in the procurement documents. If necessary, field inspection may be conducted.
 - f) Written Report shall be drafted for this clarification on procurement documents and other information, including their

amendments. This Written Report shall serve as an inseparable part of procurement document. Such Written Report shall be signed by Procurement Committee/Official and all representatives of tender participants being present on this occasion.

- g) If there is change of procurement document's content, Procurement Committee/Official shall issue procurement document addendum, which constitutes an inseparable part of procurement document and shall be given to all procurement participants.
 - h) In case there are additional explanations after clarification meeting, it shall be addressed to all tender participants at the same time and according to the given schedule.
 - i) Clarification meeting may be held more than once according to requirement. However, it shall be within the specified time limit.
- 6) Bid document submission
- a) Bid document shall be submitted in Sealed envelope of bid letter and supporting documents.
 - (1) Bid Letter
 - (a) Bid letter shall comply with provisions prescribed in procurement document and duly stamped (except foreign Goods/Service Provider), dated and signed by the competent Company Management Official in accordance with the deed of establishment/amendment.
 - (b) Bid price shall be clearly set forth in figures and letters. Amount given in figures shall match that given in letters. If there is difference between figures and letters, bid price that matches bid breakdown shall be applicable.
If there is no bid breakdown, the one that is applicable shall be the value in writing given in bid letters.
If bid document in figures, letters and breakdown, are different, the bid shall be declared disqualified.
 - (2) Supporting documents
Bid supporting documents shall include:
 - (a) Administration requirements that shall be attachment in accordance with that required in procurement document.
 - (b) Technical and Commercial documents required in procurement Document.
 - (c) Other documents that support the above points (a) and (b).

- (d) Exception of the bid may only be made if it is provided in procurement document.
- (3) In tender with prequalification, qualification document shall not be attached in bid document.

b) Bid Document Submission System

Procurement Committee/Official may select one of three bid document methods, namely: One Envelope, Two Envelopes and Two Phases. Document submission shall use closed envelope and sealed. The selected system shall be clearly identified in procurement document and shall be explained during clarification(*aanwijzing*).

(1) One Envelope System

- (a) The overall bid document (administrative, technical data and price quotation) shall be put into one (1) envelope embracing all requirements needed in procurement document.
- (b) This system is recommended for goods/service procurement with clear work technical specifications and it is supposed that from technical point of view the greater part of Goods/Service Providers who are invited shall be able to perform the work.

(2) Two Envelope System

- (a) Envelope I (first) shall be marked "Administration and Technical Data" and shall only contain complete required administration data completeness. If commercial data is found, the bid shall be declared disqualified.
- (b) In Envelope II (second) "Bid Price Data" shall be recorded containing price quotation together with its breakdown, domestic component level (TKDN) and bid bond letter.
- (c) Envelope I (first) and II (second) shall be put into one sealed envelope.
- (d) The use of this system is recommended for the work scope and/or its technical specifications which require deep technical evaluation before price valuation.

- (3) Two Phase System
 - (a) Bid Document submission in this system is performed in two phases.
 - (b) Phase-I (first):
 - i. In this phase-I (first), envelope of first phase is submitted, containing administrative and technical requirements and other supporting documents such as is required in procurement document. If there is Commercial bid data, bid shall be declared disqualified.
 - ii. Participants who have been declared qualified by Procurement Committee/Official at evaluation phase I (first) shall be invited to submit price bid in phase II (second).
 - (c) Phase II (second):
 - i. Envelope at phase II (second) contains price quotation together with breakdown, TKDN and bid bond.
 - ii. Such bid price is calculated based on technical analysis and other requirements that have been agreed in phase-I (first).
 - (d) This system is recommended in complex goods/service procurement, using unstandardized design system, as it may require a lot of technical adjustment.
 - (e) This system prioritizes performance optimization achievement, main equipment technical specification and operational reliability of the overall system.
- (4) In the envelope of one envelope system and in closing envelope in two envelopes system and envelope of phase-I (first) and phase-II (second) items that shall be set forth shall only be:
 - (a) Tender Number and heading.
 - (b) Address of delivery destination, which shall match the one required in procurement document.
- c) Bid document shall be submitted to Procurement Committee/Official in specified time and place in IKPP/ITB. Bid document received after the closing of bid submission period, shall not be included and returned to sender, and it will be considered as not having submitted the bid.

- d) Bid document shall be directly delivered by tender participant, via mail or by courier service. Delivery shall not be allowed through or presented to member of Procurement Committee, Procurement Official or Competent Official.
- 7) Bid Document Opening
- a) In a given time, Procurement Committee/Official, in a meeting, shall declare before tender participants that document submission period has been closed.
 - b) After the closing of bid document submission period, it is not allowed to receive bid document, change or addition of bid bond, except to complement stamps and date.
These stamps and dates shall be complemented at the opening of tender. These provisions shall apply for one envelope, two envelopes and two phases system.
 - c) Bid document opening may be initiated if:
 - (1) There are at least three (3) tender participants who submit the bid (not including letter of resignation) and attended by at least one (1) tender participant.
 - (a) If there is no representative of tender participant who is present, opening of bid document shall be suspended for at least one (1) working day.
 - (b) If till the given time, no tender participant is present, bid opening shall be executed. Written report of bid document opening shall be signed by Procurement Committee/Official.
 - (2) If the number of incoming bids is less than three (3) and it is known broadly that the number of existing Goods/Service Providers is less than three (3), written report shall be made that procurement process is continued by:
 - (a) Direct selection if the bids that meet the requirements are only two (2).
 - (b) Direct appointment if the bid that meets the requirement is only one (1).
 - d) Bid document opening for every system shall be conducted as follows:
 - (1) One Envelope System:
 - (a) Procurement Committee/Official shall open bid document envelope before participants.
 - (b) All bid documents containing administrative, technical, price and TKDN data shall be read out clearly so that all participants can hear it and then it

is attached in written report of bid document opening.

(2) Two Envelopes System:

- (a) Procurement Committee/Official shall open the box and sealed envelope containing envelope-I (first) and envelope-II (second) before participants.
- (b) Procurement Committee/Official shall open Envelope-I (first). All bid documents containing administrative and technical data shall be read out clearly so that all participants may hear it and then it shall be attached in bid document opening written report.
- (c) Envelope-II (second) containing bid price data together with its calculation breakdown, bid bond and TKDN declaration (if any) shall be kept by Procurement Committee/Office and shall only be opened if the bid in question is declared to have passed administrative and technical evaluation.
- (d) The result of administrative and technical evaluation shall be announced on PSC Contractor's information board or notified to participants.
- (e) Regarding the bid that does not pass administrative and technical evaluation, envelope-II (second) shall not be opened and shall be returned to participant concerned before the opening time of envelope-II (second).
- (f) Participants who have passed administrative and technical evaluation shall be invited in envelope-II (second) bid opening.
- (g) Procurement Committee/Official shall open envelope-II (second). Price bid document, bid bond and TKDN declaration shall be read out clearly so that all participants may hear it and then it shall be attached on bid bond opening written report.

(3) Two Phases System:

- (a) Phase-I (first):
 - i. Procurement Committee/Official shall open envelope of phase-I (first) before participants.
 - ii. Envelope of phase-I (first) containing administrative data and technical bid shall be opened and read out clearly so that all participants may hear it and then it shall be

attached in written report of phase-I (first) bid document opening.

- iii. Result of administrative and technical evaluation shall be announced on PSC Contractor's notice board or notified to participants.
- iv. Participants who pass administrative and technical evaluation shall be invited to submit bid in phase-II (second).

(b) Phase-II (second):

- i. Procurement Committee/Office shall open the envelope of phase-II (second) before participants.
- ii. Price bid letter, bid bond and TKDN declaration shall be clearly read out so that all participants hear it and then it shall be attached in the written report of bid letter opening.
- iii. In the event participants who passed the 1st phase (first) is more than one (1), while those who submit phase-II (second) bid is only one (1) or there is only one (1) bid that meets requirements, tender process shall be continued.

e) Bid is declared disqualified

The bid shall be declared disqualified at the time of bid envelope opening, if one of the following circumstances occurs;

- (1) It does not meet administrative and bid document submission requirements such as is required in procurement document.
- (2) Bid Letter:
 - (a) It is not signed by the competent official mentioned in the deed of establishment/its amendment or the person so authorized.
 - (b) In case of consortium, if it is not signed by the official, who, based on *association agreement*, the person who is entitled to represent the association (official of the lead firm).
 - (c) It does not mention the validity term of the bid or it is less complete than what is required in procurement document.
 - (d) It is submitted outside the specified time limit.

- (e) It is given to or through member of Procurement Committee, Procurement Official or the Competent Official.
 - (3) Bid bond does not meet the requirement in procurement document.
 - (4) There is no Quantity list and/or price unit (specifically for unit price contract).
 - (5) Bid that includes additional requirements which are contrary to requirements/specifications, except as is provided in procurement document.
 - f) Bid participants shall be given the chance to have a look at the bid of other participants.
 - g) After the reading out and checking of bid document completeness, Procurement Committee/Official shall immediately draft written report of bid document opening.
 - h) Such written report, after being clearly read out shall be signed by Procurement Committee/Officials who are present and by at least one representative of participants who is present.
- 8) Bid Evaluation
- a) In one and two envelopes system Procurement Committee/Officials may perform administration and technical clarification, but it does not change procurement materials.
 - b) For two phases system, in phase-I (first) Procurement Committee/Officials may conduct clarification, material/equipment test and technical negotiation with participants who are declared to have met administrative requirements.
 - c) Alternative bid:
 - (1) If procurement document allows the inclusion of alternative bid:
 - (a) Participant shall mention, in each bid, a statement as the main or alternative bid.
 - (b) Main and alternative bid shall be evaluated in the same manner.
 - (c) Bid bond value shall be between one percent (1%) till three percent (3%) from the highest bid value of the main and alternative bid.
 - (d) Alternative bid shall meet the main technical specifications determined in procurement document.
 - (2) If procurement document does not allow the inclusion of alternative bid, however, the client includes alternative bid:

- (a) The bid in question shall not be declared disqualified;
- (b) Main bid shall be declared clearly. If it is not declared clearly, the bid shall be declared disqualified;
- (c) Bid which is evaluated shall be the main bid while alternative bid shall not be evaluated.
- (3) If procurement document does not mention alternative bid, however, participant includes alternative bid, it shall be treated equally as the above point (2).
- d) Exception/variation/conditional in the bid shall fully refer to the provisions in bid document.
 - (1) Exception, conditional/variation in bid shall fully refer to bid document.
 - (2) If exception/variation/conditional bid is allowed:
 - (a) It may only be conducted for technical bid at the bid using two (2) phases inclusion procedure.
 - (b) Procurement Committee/Official may conduct clarification and/or negotiation on exception and/or request of bid document submitted by bid participant.
 - (c) All exceptions and variations in the bid shall be explained on a given sheet that becomes component of bid document so that Procurement Committee/Official may identify them. If bid participant places exception and/or variation in his bid outside such sheet, such action may not be justified and his bid shall be declared as disqualified.
 - (3) In case it is not allowed and participant submits exception/conditional/variation bid, the participant in question shall be declared disqualified.
 - (4) In technical evaluation, it shall be decided whether or not exception or variation is accepted in bid document.
 - (5) Exception and/or variation in price bid submitted by Goods/Service Provider shall not be taken into account in evaluation. If Goods/Service Provider is appointed as tender winner and such exception and/or variation condition is more profitable for the state, such condition shall be set forth in the contract.
- e) After the opening of bid document, Procurement Committee/Official shall not be allowed to add or lessen evaluation criteria and procedure that has been stipulated in bid document.

- f) Any one-sided bid document change proposal by tender participant after the opening of bid document shall result in the declaration of his resignation and bid bond shall be cashed in.
- g) If procurement document provides the possibility that Goods/Service Provider submits alternative bid, all main and alternative bids shall be equally treated in evaluation process.
- h) In one envelope and two envelopes system, bid price evaluation shall be conducted for participant who meets administrative and technical evaluation. In two phases system, price evaluation shall be performed for bid that passes phase-I (first) and submit price bid in phases-II (second).
- i) Bid Evaluation Phases:
 - (1) Administrative Evaluation.
Bid shall be declared to have met administrative requirements if it meets requirements based on bid document. Content of each document is believed to be true and bidder shall guarantee its truth. Technical evaluation shall be performed for the Bid that meets administrative and technical requirements.
 - (2) Technical Evaluation.
Evaluation procedure and factors evaluated in technical evaluation shall match that given in procurement document. If in technical evaluation there are matters which are not clear or doubtful, Procurement Committee/Official shall conduct clarifications. Price evaluation shall be performed to Bid that meets technical requirements.
 - (3) Price Evaluation:
Phases of price evaluation:
 - (a) Bid that does not provide volume or bid volume does not suit the demand, relevant work volume shall be adjusted with that given in the document. The work shall continue to be done according to the volume given in bid document.
 - (b) Work type which is not provided with unit price in the bid shall be given explanation. If it is not provided with explanation, it shall be regarded not to offer such work type.
 - (c) Arithmetic correction
If necessary, Procurement Committee/Official may conduct arithmetical correction of error in addition and multiplication of volume and unit price with following conditions:

- i. If there is error of multiplication result between volume and work unit, correction shall be made on multiplication result provided that the offered volume and work unit price shall not change.
 - ii. If there is error of bid value addition result, addition result shall be corrected.
 - iii. Arithmetical correction may change bid total value, it will become higher or lower.
 - iv. If arithmetical correction changes total value of price bid and result in bid bond value less than one percent (1%) from corrected price, bid bond shall be changed/added so that its value becomes at least one percent (1%) from corrected price.
 - v. If participant does not accept the change of bid value or change of bid sequential order, and/or change of bid bond as a result of the above price evaluation execution, his bid shall be disqualified.
- (d) TKDN (Domestic Component Level) Price Preference Evaluation
Evaluation Procedure of domestic component preference in order to obtain final evaluation price shall refer to the provisions in Chapter VI on Domestic Production and Competency Empowerment.
- (e) Normalization
- i. Bid value shall be equalized by calculating overall expenses which factually shall be spent by PSC Contractor (*total cost*) to obtain and/or operate goods/equipment, and/or to operate certain facilities. Normalization value shall be calculated by adding all equalization expenses into HEA TKDN. Normalization result evaluation shall only be used for evaluation interest and may not be used as contract binding value.
 - ii. This clause is given in procurement document.
- (f) In price evaluation, the considered price as candidate winner shall be the one which is most favourable for the state and which suits what is specified in procurement document. Bid price valuation may be processed with the lowest price evaluation, economic lifecycle cost or combined evaluation of performance and price.

- (g) Evaluation procedure is as follows:
- i. Lowest price evaluation:
In evaluation, candidate tender winner shall be considered in term of its lowest HEA TKDN.
 - ii. Economic Lifecycle cost:
 - (i) Evaluation shall be conducted by normalization (estimation) operation cost element with maintenance cost for economic lifecycle. Such cost element is not included in Contract price.
 - (ii) This system evaluation is used particularly for procurement of equipment with high value.
 - (iii) Economic lifecycle shall be equipment life limit where operation cost plus maintenance cost are still lower than new equipment.
 - (iv) Bid with the lowest HEA TKDN, shall be selected as candidate winner.
 - iii. Performance and price evaluation:
This evaluation method is aimed at selecting the bid that promises the lowest output unit price. This method is only suitable to be used in goods evaluation, with work effectiveness or production facilities, the output amount of which can be calculated mathematically.
Evaluation procedure is as follows :
 - (i) For goods:
Expense per output unit shall be calculated, among others by:
$$\frac{\text{Bid price per goods unit}}{\text{Amount of output per goods unit}}$$
 - (ii) For production facilities:
Expenses per output unit shall be calculated among others, by:
$$\frac{\text{Amount of bid price}}{\text{Output amount per time period.}}$$
- (4) Qualification evaluation
Qualification evaluation by post qualification shall be conducted on three (3) lowest bidders who meet administrative and technical requirements. Goods/Services Providers that shall be recommended as

candidate winner verification shall be conducted to all data and information found in qualification form by asking recording or official original document from relevant agencies,

- 9) Bid Price Negotiation
 - a) Negotiation shall be conducted by Procurement Committee/Official;
 - b) Before negotiation, venue and time of negotiation shall be notified to Goods/Services Provider;
 - c) In price negotiation, written report of price negotiation shall be made;
 - d) Negotiation Method:
 - (1) Direct
It shall be conducted face to face between Procurement Committee/Official and negotiation participant.
 - (2) Written
Negotiation participant shall submit final bid in closed envelope in a specified time. Procurement Committee/Official shall open bid envelope before negotiation participant. Bid submission may only be made once.
 - (3) Both methods may be conducted simultaneously.
 - e) Negotiation may be processed with the following manner:
 - (1) In phases
 - (a) Phases shall first be processed to the lowest bidders-I (first), based on normalization output sequence and/or HEA TKDN. If price agreement is achieved and negotiation price and output is lower or equal with HPS/OE/EE value or with adjusted HPS/OE/EE value, negotiation shall not be processed to other Goods/Services Providers;
 - (b) If no deal is made after negotiation with the lowest bidder-I (first), it may be proceeded to the second lowest bidder-II (second) and so forth till the third lowest bidder-III (third);
 - (c) Direct negotiation method or written negotiation may be used.
 - (2) In the event of significant price drop in national and international market, simultaneous negotiation shall be conducted, provided that:
 - (a) It shall obtain approval from Competent Official;

- (b) Price lowering amounting to ten percent (10%) or more from HPS/OE/EE;
 - (c) It is conducted simultaneously to three (3) lowest bidders according to normalization output and/or HEA TKDN;
 - (d) It shall be processed by written negotiation and shall only be done once;
 - (e) Negotiation result may only be agreed if bid price has reached below and equal to HPS/OE/EE value or HPS/OE/EE has been adjusted.
 - f) Price negotiation result may not change technical specifications that have been agreed upon.
 - g) If price agreement is obtained, Goods/Services Provider shall give statement of price total agreement and new TKDN statement signed by the management official or the person so authorized on duly stamped sheet.
 - h) Based on price negotiation outcome, TKDN shall be recalculated, however, it is not used to calculate HEA TKDN.
 - i) If after negotiation has been conducted, none of the bid prices are lower or equal to HPS/OE/EE, then the lowest bid price resulting from negotiation which is lower or equal than HPS/OE/EE that has been corrected, may be appointed as winner.
 - j) If none of prices resulting from negotiation which is lower or equal to HPS/OE/EE or HPS/OE/EE that has been corrected, then negotiation shall be declared a failure.
- 10) Selection of Candidate Winner
- a) Procurement Committee/Official shall select a candidate winner, the bid of which is most favorable in the sense of:
 - (1) The bid, viewed from administrative, technical, price and qualification meet requirements of procurement document and accountable; and
 - (2) Such bid, is the best among the bids that meet requirement such as referred to at the above points; and
 - (3) Has prioritized the use of domestic products and competencies.
 - b) In the event MSA contract system is used, selected candidate winner shall be more than one;
 - c) Selection of candidate tender winner referred to at the above point a shall be processed by Procurement Committee/Official in a meeting attended by more than two third of total members. If in the first meeting quorum fails to be reached, in the

- subsequent meeting, a decision may be made if attended by more than half of total members;
- d) If two or more participants submit equal bid price (price according to bid), then Procurement Committee/Official shall select participant who offers larger TKDN;
 - e) After tender candidate winner has been selected, then:
 - (1) Procurement Committee/Official shall immediately make Written Report of Tender Outcome, containing written Report of Tender outcome, consisting of:
 - (a) Name of all tender participants and bid price amount and/or corrected bid price and price out of negotiation from respective participant;
 - (b) Evaluation method/formula and negotiation method being used, including evaluated items;
 - (c) Name of tender candidate winners;
 - (d) Other information deemed necessary in respect of tender implementation process;
 - (e) Date of the drafting of written report and the number who pass or do not pass every evaluation phases.
 - (2) BAHP shall be signed by chairman and all members of the Committee who are present or at least by two third of Committee's total members.
 - f) Procurement Committee/Official shall draft report to the Official who is entitled to take decision of tender winner selection. Such report shall be accompanied by proposal of tender candidate winner, BAHP and additional explanation deemed necessary to be used as consideration to take decision.
 - g) Decision of winner
 - (1) Based on proposal of Procurement Committee/Official, Competent Official in PSC Contractor shall immediately:
 - (a) To decide tender winner which is the competency of PSC Contractor;
 - (b) To approve the proposal of decision of tender winner which subsequently shall be addressed to BPMIGAS if it is BPMIGAS competency;
 - (c) To discuss it with Procurement Committee/Official if there is difference of opinion on tender candidate winner proposed by Procurement Committee/Official to obtain final decision.
 - (2) Supporting data required as proposal attachments of tender winner decision referred to at point (1) letter (a) and (b) shall be as follows:

- (a) Written report of clarification;
 - (b) Written report of bid opening;
 - (c) Written report of negotiation result;
 - (d) Written report of tender output;
 - (e) AFE agreement;
 - (f) Ratified HPS/OE/EE;
 - (g) Tabulation of comparison of candidate winner bid breakdown with HPS/OE/EE or HPS/OE/EE that has been adjusted;
 - (h) TKDN estimate form (form SC-02);
 - (i) Tender process summary and tender output (form SC-01);
 - (j) Statement of willingness to carry out the work in accordance with final to target if the selected bid price is below eighty percent (80%) of HPS/OE/EE;
 - (k) Bid document of candidate tender winner proposed by Procurement Committee/Official.
- (3) For proposal of tender winner selection that requires BPMIGAS approval, proposal letter shall be signed by PSC Contractor's Top Management Official by attaching photocopies of documents such as referred to at the above point (2) and:
- (a) Letter of statement that tender process that has been implemented conforms with applicable provisions and signed by PSC Contractor's Top Management Official or the official so authorized;
 - (b) Photocopy of procurement document.
- (4) BPMIGAS shall have addressed its approval or refusal within twenty (20) working days at the latest starting from the receipt of all documents such as referred to at the above point (2). Such time of twenty (20) days does not include the time required by PSC Contractor to complement the request of clarification from BPMIGAS.
- PSC Contractor may continue procurement process if after twenty (20) working days BPMIGAS does not give reply.
- 11) Tender Winner Announcement
- Decision of tender winner selection shall be announced by the Committee to the participants through PSC Contractors' notice board or notified to tender within two (2) working days after receipt of the decision.

12) Protest and objection

- a) Protest shall be the objection of tender participants which is addressed within three (3) working days at the latest before the last day of bid document submission.

Protest shall be addressed in writing by attaching evidences that support such objection.

Protest may only be addressed with regard to:

- (1) Deviation of document and tender practices in respect of the applicable goods/services procurement regulations;
- (2) Requirement design that is unduly oriented to a single goods/services provider or any other product type;
- (3) Practices of corruption, collusion and nepotism (CCN) between tender participants with members of Procurement Committee/Official and/or with Competent Official.

- b) Objection shall be tender participants' objection made within the period of the above objection with regard to:

- (1) Decision of passing administrative and technical requirements in 2 envelopes tender system or two (2) phases system; or

- (2) Decision of tender winner.

Particularly for 2 envelopes system tender or 2 phases system, objection on the above point (1), addressed within the period of protest for the decision of tender winner, shall not be accepted.

- c) Objection period shall be applicable for five (5) working days:

- (1) Starting from the date of written announcement on the decision of administrative and technical evaluation at two (2) envelopes system and two (2) phases system ;
- (2) Starting from the date of the announcement of winner decision.

- d) Objection shall only be addressed with regard to:

- (1) Deviation from provisions and procedure given in procurement document;
- (2) Certain designed measure which may hamper sound competition;
- (3) Misuse of authorities committed by Procurement Committee/Official or Competent Official;
- (4) There is Corruption, Collusion and Nepotism between tender participants and Procurement Committee/Official and /or Competent Official

- e) Objection shall be addressed in writing by attaching violation evidences.

- f) Method of addressing objection
 - (1) Objection shall be addressed in writing by procurement participants, signed by the one who signs bid letter and delivered by Competent Official in a given period;
 - (2) Protest shall be addressed in writing by tender participant by the one who signs bid letter and delivered to Procurement Committee/Official or supply chain manager in accordance with that which issues procurement document within the given period.
- g) If the objection against tender participant who is declared to have passed administrative and technical requirements or tender participant who has been decided as winner proves to be true, such tender participant shall be declared disqualified and repeat evaluation shall be conducted on another participant who meets requirements.
- h) Comments on protest:
 - (1) Procurement Committee/Official shall give written comment or hold clarification meeting within five (5) working days as from the receipt of letter of protest.
 - (2) If protest is right, Procurement Committee/Official shall rectify the document and/or tender process.
 - (3) Tender process shall be continued without waiting for the reaction on protest comment.
- i) Comment on objection:
 - (1) Reply to objection shall be given in writing within ten (10) working days at the latest as from the receipt of objection. If till time limit of ten (10) days, no comment is made, objection appeal may be addressed to the Competent official with copy to internal supervision unit within five (5) working days at the latest starting from one day after time limit;
 - (2) Tender winner decision process shall be suspended till objection reply is given;
 - (3) If the person who makes objection is not satisfied with the objection reply, he may submit appeal objection only once (1x) to the Competent Official with copy to Internal Supervision Unit of PSC Contractor within five (5) working days at the latest as from the date of receipt of reply. If it exceeds the above time limit, objection shall not be accepted;
 - (4) The Competent Official's supervisor or PSC Contractor's top management official shall comment appeal objection

within ten (10) working days at the latest as from the date of receipt of appeal objection;

- (5) Tender process shall be continued if there is no appeal objection or if appeal objection is declared as in correct.
 - j) If the objection or protest does not match the above provisions and it is not supported by evidence or, if the protester fails to justify its truth, the objection/protester shall be subject to sanction, namely he is not allowed to follow procurement activities for six (6) months.
- 13) Winner appointment
- a) Winner appointment by the Competent official shall be conducted by letter of intent and shall only be processed, if:
 - (1) No objection is made within the protest period; or
 - (2) There are objections, but:
 - (a) Objection has been replied and it is believed that objection is incorrect;
 - (b) Content of objection is not included in the content that may be protested;
 - (c) Objection to be accepted after objection limit period.
 - b) Participant appointed as tender winner shall accept the appointment. If the appointed participant resigns or if due to certain circumstances, he is not willing to be appointed or to meet the requirements of procurement document, then the bid bond of the interested party shall be cashed in and sanction shall be applied such as provided in Chapter V or Goods/Services Providers Management.
 - c) Further, tender candidate winner of second ranking may be decided to carry out goods/service procurement, insofar as its bid price or price after negotiation does not exceed HPS/OE/EE;
 - d) In case candidate winner of Second ranking is not willing to be appointed as contractor, bid bond of the interested party shall be cashed in and sanction shall be applied such as referred to in Chapter V on Goods/Service Provider Management. Further, candidate winner of third ranking may be appointed as goods/service procurement contractor, insofar as its bid price or the price after negotiation does not exceed HPS/OE/EE;
 - e) If candidate tender winner is not willing to be appointed as Contractor, bid bond of the interested party shall be cashed in and it shall be sanctioned by the provisions given in Chapter V on Goods/Service Management. Further, tender shall be declared a failure and repeat tender shall be performed.

14) Returning of Bid Bond Letter.

Bid Bond Letter shall be returned to tender participant within three (3) working days at the latest after the decision of tender winner, except:

- a) For tender winner, it shall be exchanged by performance bond letter at the time it is going to sign Contract/SP/PO;
- b) For two (2) other lowest bidders that meet requirements it shall be returned within fourteen (14) working days after winner appointment;

15) Tender Cancellation

- a) Tender cancellation shall, as far as possible, be avoided. Tender cancellation shall only be effected if one of the following circumstances occur:

- (1) There is change of work plan, resulting in the change of goods/service need;
- (2) Budget is not available or not adequate;
- (3) Due to court decision;
- (4) There is strong indication and evidence of CCN (Corruption, Collusion and Nepotism).

- b) If construction service work tender is cancelled, tender participant that has been appointed as winner, may ask for reimbursement of bid document preparation expenses. Such condition may only be applied if Goods/Service Provider concerned has not received letter of intent or has not signed the contract or has not delivered performance bond. Reimbursement expenses value shall be equal at the highest to bid bond value. If this condition is not applied, it shall be mentioned explicitly in procurement document.

Such expenses reimbursement value may only be charged as cost recovery if tender cancellation has got approval from BPMIGAS.

- c) Tender cancellation, the procurement plan of which has been approved by BPMIGAS and effected after bid opening:
 - (1) For project activities procurement, it shall first get approval from BPMIGAS;
 - (2) For non-project activities procurement, it shall be reported to BPMIGAS.

16) Tender Fails

Tender shall be declared a failure, should:

- a) In tender with prequalification, candidate Goods/Service Providers who registered themselves and meet qualification requirements be less than three (3).

- b) Bid submission:
 - (1) In tender with one and two envelopes system, Goods/Service Providers who submit the bid be less than three (3).
 - (2) In two (2) phases system:
 - (a) In phase-I (first), Goods/Service Providers that submit bid be less than three (3).
 - (b) In phase-II (second), no one submits the bid.
 - c) No bid meets requirements.
 - d) No price agreement is achieved in negotiation process.
 - e) Available budget is not adequate.
 - f) Tender implementation does not suit tender document provisions.
 - g) Candidate winner of first, second and third ranking is not willing to be appointed as work contractor.
 - h) Objection proves to be true, except objection case against tender participant who has been selected as winner turns out to be true, such participant shall be declared disqualified, but repeat evaluation may be performed on other participants who meet requirements.
- 17) Repeat Tender.
- a) In case tender is declared a failure, Procurement Committee/Official shall hold repeat tender and its process shall start within fifteen (15) working days after tender has been declared a failure.
 - b) Repeat tender shall be held by inviting old tender participants and may invite new tender participants.
 - c) If the bids that passed in phase-I (first) is more than one (1), while in the phase-II (second) the bid is only one (1) or there is only one (1) bid that meets requirements, the process shall be continued. If bid price is higher than HPS/OE/EE and negotiation does not result in price agreement, Procurement Committee/Official shall hold repeat tender for only the second phase.
 - d) If repeat tender fails, procurement shall be processed by:
 - (1) Direct selection of the submitted bids which meet requirements, if the bid that meet requirements are only two (2), or
 - (2) Direct appointment of the submitted bid and in case the bid that meet requirements is only one (1).

- 18) Repeat Order
Repeat order of goods/service procurement by using previous tender output, shall not be allowed.
- 19) Work Package Division
In principle, division of work package may not be justified, except:
 - a) Technically if it is accountable, for example the separation of electrical, mechanical and civil works in a project.
 - b) The need to refill the supply.
 - c) In the context of local small business/cooperatives development program.
 - d) For work package of complex nature which requires different ability qualifications in order to avoid the control of a type of work of a Goods/Service Provider.
- 20) Tender time allowance
In order that candidate participants and tender participants have adequate time to make preparation, the following time shall be allowed:
 - a) Tender process as from tender notice till contract signing, time of three (3) months shall be allowed.
 - b) Tender process starting from tender notice till contract signing for the work of complex nature shall be completed within six (6) months.
 - c) As from early time of notice till the last day of registration, time of three (3) working days shall be allowed.
 - d) From final day of registration and the last day of tender document collection, three working days shall be allowed.
 - e) From the final day of procurement document collection till clarification, two (2) working days shall be allowed.
 - f) From the final day of clarification till the day of document submission, three (3) working days shall be allowed.
 - g) Time allowance of contract issue:
 - (1) Issue of contract of uncomplex nature, time allowance of completion shall be thirty (30) days at the latest as from the date of winner appointment.
 - (2) Issue of contract of complex nature, time allowance and completion shall be ninety (90) working days as from the date of tender winner.

2. Limited Contract

- a. Procedure of limited tender shall be, in principle, same as general tender, except in the notice it is mentioned participant criteria and/or name of Goods/Service Providers to be invited.

- b. If after the notice there are Goods/Service Providers who are not recorded in the notice and they register themselves and meet qualifications, they shall be included in limited tender.
- c. Qualifications shall be conducted by prequalification.
- d. Limited tender shall be held to procure goods/service that meet the following criteria:
 - 1) Goods procurement with domestic intermanufacturer tender with value of higher than ten billion rupiah (Rp10,000,000,000.00) till fifty billion rupiah (Rp50,000,000,000.00) or higher than one million US dollars (US\$1,000,000.00) till five million us dollars (US\$5,000,000.00); or
 - 2) Goods procurement with domestic and foreign manufacturer with value higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million US dollars (US\$5,000,000.00)
Foreign manufacturer shall meet foreign company participation provisions in Chapter I point G.4; or
 - 3) Work of complex nature and the number of Goods/Service Providers is believed to be limited.

3. Direct Selection

- a. Direct selection shall be goods/services procurement without tender and conducted by inviting at least three (3) Goods/Service Providers.
- b. Direct Selection Requirement
 - 1) Direct selection shall be conducted for goods/service procurement with the value higher than fifty million rupiah (Rp50,000,000.00) or higher than five thousand US dollars (US\$5,000.00) till two hundred million rupiah (Rp200,000,000.00) or equal to the value of twenty thousand US dollars (US\$20,000.00).
 - 2) Direct selection with value of higher than two hundred million rupiah (Rp200,000,000.00) or higher than twenty thousand US dollars (US\$20,000.00) may be conducted, provided that:
 - a) As further process of repeat tender has failed.
 - b) Electrical, telephone, gas, drinking water pipe installation.
 - c) It shall require justification approved by local Top Management Official or by a person so authorized with regard to:
 - (1) Tender process is declared a failure as there are only two (2) candidate participants and it is known widely that there are only two (2) Goods/Service Providers.
 - (2) Urgent work as a consequence of situation which, if it is not immediately performed will result in loss or loss of opportunity to obtain higher profit associated with the

main operational activities of exploration and production, can still be processed by direct selection.

- (3) Rentals of housing, office or warehouse facilities.
- (4) In the context of goods/equipment standardization so that the same goods/equipment required as those already installed, which can be met with approved brands. Goods/equipment standard shall be set out in supply chain management policy of PSC Contractor and shall first be approved by BPMIGAS.

c. Procedure of Direct Selection

- 1) Direct selection shall be performed by internal team of procurement management function or by Procurement Committee, according to its competency limit.
- 2) Direct selection executive official may directly select candidate Goods/Service Provider registered in DPM and meet requirements or from another source outside DPM.
- 3) Direct selection executive official shall invite at least three (3) Goods/Service Providers to participate in direct selection, except as follow up of tender that fails as there are only two (2) candidate participants and it is known widely that there are only two (2) Goods/Service Providers.
- 4) Qualification evaluation of candidate Goods/Services Provider shall be conducted on prequalification basis.
- 5) For direct selection with value higher than two hundred million rupiah (Rp200,000,000.00) or higher than twenty thousand US dollars (US\$20,000.00), Goods/Service Provider may be required to deliver bid bond.
- 6) Submitted bids shall be at least two (2) and the valid one shall be at least one (1), continued by direct appointment.
- 7) Price negotiation shall be conducted and if required, clarification and technical negotiation shall be conducted before price negotiation. Negotiation shall not change work target.
- 8) Process sequence from clarification till winner appointment shall follow public tender method.

4. Direct Appointment

- a. Direct appointment shall be goods/service procurement, which is performed by directly appointing one (1) Goods/Service Provider.
- b. Direct Appointment Requirements
 - 1) Direct appointment may be implemented for procurement with price till fifty million rupiah (Rp50,000,000.00) or till five thousand US dollars (US\$5,000.00)

- 2) Direct appointment with value higher than fifty million rupiah (Rp50,000,000.00) or higher than five thousand US dollars (US\$5,000.00) may be for:
 - a) Work that cannot be suspended anymore as a result of emergency situation based on the statement of PSC Contractor's top management official.
 - b) Fuel procurement of Pertamina products.
 - c) Tender which, after repeat tender is held once, still fails as there is only one (1) Goods/Service Provider who submits the bid and meets requirements.
 - d) Direct appointment, which is followed by one (1) participant who meets requirements.
 - e) Certain work with justification approved by local Management Top Official or by official so authorized and if it meets at least one of the following conditions:
 - (1) For unexpected additional work and if standard price is available by using price unit according to applicable price in the contract in question and technically constitutes inseparable activities from previous work based on the opinion of competent technical function in writing.
 - (2) For unexpected additional work without price standard, but, due to its homogeneity, its implementation shall be continued according to the opinion of competent technical function in writing.
 - (3) Unavoidable additional work in the context of original work completion where standard price is available by using applicable price unit in the contract in question insofar as it is professionally accountable.
- (4) Specific goods/service procurement that can only be met by certain Goods/Service Provider. The need of specific goods/service shall be determined by Competent official with the following terms and conditions:
 - (a) Goods/Service technical specifications shall not be oriented to a given brand/type/goods/service with the purpose of being able to directly appoint a given Goods/Service Provider.
 - (b) Goods/Service user in question shall prepare comprehensive analysis and technical specifications, which serve as support to the reason why such specific goods are needed.

- (c) Specific goods/service procurement may be conducted insofar as it is processed to a single service provider or to goods provider who represents manufacturer/branch office/business unit/sole agent/agent/distributor with agent status, provided that:
 - i. It is proved by agency agreement or letter of appointment from manufacturer or the party with competency given by manufacturer and according to applicable provisions.
 - ii. In the event the appointed Goods/Service Provider is a sole agent of the manufacturer/agent/distributor with agent status from manufacturer in foreign country, the opening of Letter of Credit (LC) or payment shall be directly made to manufacturer in foreign country or the party given the competency by such manufacturer.
- (5) In the context of goods/equipment standardization so that the same goods/equipment are needed as those already installed. Goods/equipment standard shall be mentioned in supply chain management policy of PSC Contractor and shall first be approved by BPMIGAS.
- (6) In the event of continuity of work in progress being required, while tender process or direct selection has not been completed, provided that it shall last till the work commencement according to new contract and maximum three (3) months.
- (7) It is needed for testing so that the desired result is obtained based on economic analysis or performance based evaluation.
- f) Certain work complemented with justification approved by top management official of PSC Contractor, namely:
 - (1) Urgent work due to unexpected situation, which cannot be suspended and has to be immediately implemented.
 - (2) Certain goods/service procurement that is known widely that it can only be executed by one (1) goods/service provider.
- c. Procedure of Direct Appointment
 - 1) Direct appointment shall be implemented by internal team of procurement management function or by Procurement Committee in accordance with its limit of competency value.

- 2) Up to value of twenty five million rupiah Rp25,000,000.00 or up to the value of two thousand five hundred US dollars US\$2,500.00 may be implemented in cash or otherwise without work intent.
- 3) Higher than twenty five million rupiah (Rp25,000,000.00) or higher than two thousand five hundred US dollars (US\$2,500.00) shall be implemented with Contract/SP/PO.
- 4) In using *procurement card*, it can be performed till the value of fifty million rupiah (Rp50,000,000.00) or till five thousand US dollars (US\$5,000.00) without SPK/ SP/ PO.
- 5) Price negotiation shall be conducted and if required, clarification and technical negotiation. Negotiation shall not change work target.

5. Electronic Facilities Procurement (e-Procurement):

- a. E-Procurement is aimed at procuring goods/service more efficiently by eliminating different administrative phases.
- b. *e-Procurement* shall be utilized at maximum efficiency so as not to eliminate the role of small business company, including cooperatives and shall continue empowering national company and shall prioritize the use of domestic products and competencies.
- c. It shall be implemented by maintaining transparency concept and sound business competition.
- d. FORM OF E-PROCUREMENT:
 - 1) E-BIDDING, FOR GOODS PROCUREMENT TOTALING Rp.1,000,000,000.00 (ONE BILLION RUPIAH) OR US\$1000,000.00 (ONE HUNDRED THOUSAND USD);
 - 2) E-REVERSE AUCTION (E-RA); FOR A VALUE OF MORE THAN Rp.1,000,000,000.00 (ONE BILLION RUPIAH) OR MORE THAN US\$100,000.00 (ONE HUNDRED THOUSAND USD) UP TILL Rp.20,000,000,000.00 (TWENTY BILLION RUPIAH) OR UP TILL US\$2,000,000.00 (TWO MILLION USD);
 - 3) FORM OF OTHER E-PROCUREMENT EXCLUDING POINT 1) AND 2) REQUIRING THE APPROVAL OF BPMIGAS (THE EXECUTIVE BODY OF OIL AND GAS UPSTREAM BUSINESS ACTIVITIES).
- e. GOODS/SERVICES PROVIDERS SHALL BE OBLIGED TO SIGN REPRESENTATION STATING THEIR WILLINGNESS TO BE ABIDE BY PROVISIONS AND STANDING PROCEDURE ON E-PROCUREMENT STIPULATED IN THE PROCUREMENT DOCUMENTS.
- f. THE DETAILED STANDING PROCEDURE IS COMPILED IN THE FORM OF SPECIAL ATTACHMENT TO THIS MANUAL.

6. SELF-CONTAINED MANAGEMENT

- a. SELF-CONTAINED MANAGEMENT SHALL BE A WELL-PLANNED WORK IMPLEMENTATION, SELF-PERFORMED AND SELF-CONTROLLED BY MAKING USE OF ONE'S OWN MANPOWER OR CONTRACTED MANPOWER, OWN EQUIPMENT, OR DELEGATED TO ANY GOVERNMENT AUTHORITY/COMMUNITY GROUP/NON-GOVERNMENTAL ORGANIZATION (NGO).
- b. TYPES OF WORKS THAT MAY BE PERFORMED IN SELF-CONTAINED MANNER BY THE PSC CONTRACTORS SHALL AMONGST OTHERS BUT NOT LIMITED TO:
 - 1) THE SAID WORK SEEN FROM ITS MAGNITUDE, NATURE, LOCATION, RISKS AND FINANCING, SHALL NOT REQUIRE TO BE CARRIED OUT ON TENDER FASHION, DIRECT SELECTION AND DIRECT APPOINTMENT;
 - 2) EDUCATIONAL AND TRAINING, COURSES, UPGRADING, SEMINARS AND WORKSHOPS;
 - 3) LAND PROCUREMENT/CLEARANCE FOR CORPORATE REQUIREMENTS;
 - 4) WORK IMPLEMENTATION IN TERMS OF COMMUNITY BASED DEVELOPMENT.
- c. TYPES OF WORK THAT MAY BE DELEGATED TO ANY SCIENTIFIC AGENCY AND UNIVERSITIES, COMMUNITY GROUPS AND NON-GOVERNMENTAL ORGANIZATIONS ARE AS FOLLOWS:
 - 1) RESEARCH WORKS, STUDY AND DEVELOPMENT IN ACCORDANCE WITH THE FIELD SPECIFICATIONS SHALL BE ASSIGNED TO SCIENTIFIC AGENCIES, UNIVERSITIES IN SO FAR AS THEY ARE CONDUCTING THEM ON THEIR OWN;
 - 2) COMMUNITY ENVIRONMENTAL BASED DEVELOPMENT THE IMPLEMENTATION OF WHICH IS DONE BY COMMUNITY GROUPS (EXCLUDING NGOS) THE TRANSFEREE OF WHOM HAS THE OBJECTIVES OF THOSE STIPULATED BY THE PSC CONTRACTORS.
 - 3) THE ENVIRONMENTAL COMMUNITY BASED DEVELOPMENT CONSULTING SERVICES IMPLEMENTATION, IMPROVED COMMUNITY PARTICIPATION IN EFFICIENT TECHNOLOGICAL EDUCATION, COUNSELING, APPLICATION AND DISTRIBUTION BOTH SIMPLE OR ADVANCE IN FAVOR OF THE PUBLIC INTEREST MAY BE DELEGATED TO THE NGOS.
- d. SELF-CONTAINED PROCEDURE:
 - 1) SELF-CONTAINED MANNERISM THE IMPLEMENTATION OF WHICH IS AUTHORIZED TO THE SCIENTIFIC AGENCIES AND/OR UNIVERSITIES:
 - a) PLANNING AND CONTROLLING SHALL BE PERFORMED BY THE PSC CONTRACTORS WHEREAS THE WORK

IMPLEMENTATION SHALL BE DONE BY THE AUTHORIZED AGENCIES.

- b) GOODS/SERVICES PROCUREMENT INCLUDING EXPERTS REQUIREMENTS SHALL BE DONE BY SCIENTIFIC AGENCIES AND/OR UNIVERSITIES BEING THE AUTHORIZED PARTIES, MAKING USE OF THE APPLICABLE PROVISIONS IN THE SAID AUTHORIZED AGENCY.
- c) SPECIFIED EXPERTS REQUIREMENTS SHALL BE PAID BASED ON INDIVIDUAL CONSULTING CONTRACT.
- d) WORK IMPLEMENTATION TARGET ACHIEVEMENT SHALL BE REPORTED AND EVALUATED PERIODICALLY, IN ACCORDANCE WITH AGREEMENT BETWEEN THE PCS CONTRACTORS WITH THE AUTHORIZED AGENCIES MENTIONED ABOVE.
- e) FIELD SUPERVISION IN SITU USING WORK ADVANCE PAYMENT PERIODICALLY SHALL BE THE RESPONSIBILITY OF THE AUTHORIZED INSTITUTION.
- f) PAYMENT SHALL BE MADE USING ADVANCE PAYMENT PERIODICALLY BE TAKEN RESPONSIBLE BY THE AUTHORIZED INSTITUTION.

2) SELF-CONTAINMENT THE IMPLEMENTATION OF WHICH IS PERFORMED BY COMMUNITY GROUPS OR NON-GOVERNMENTAL ORGANIZATIONS:

- a) TARGET STIPULATION AND SUPERVISION PERFORMED BY COMMUNITY GROUPS BEING THE TRANSFEREE, OR NGOS BEING THE PROXIES:
- b) GOODS/SERVICES PROCUREMENT INCLUDING EXPERTS REQUIRED SHALL BE DONE BY THE COMMUNITY GROUP RECEIVING AUTHORIZATION OR NGOS RECEIVING EMPOWERMENT.
- c) TRANSFERRED FUNDING DISTRIBUTION TO THE COMMUNITY GROUPS CONDUCTED PERIODICALLY.
- d) PAYMENT TO THE AUTHORIZED NGOS INCURRED THROUGH ADVANCE PAYMENT PERIODICALLY SHALL BE REPORTED BY THE AUTHORIZED NGOS.
- e) WORK TARGET INCLUDING FUND USAGE, REPORTED AND EVALUATED PERIODICALLY, IN ACCORDANCE WITH THE AGREEMENT BETWEEN PSC CONTRACTORS AND THE COMMUNITY GROUPS RECEIVING FUND TRANSFER OR AUTHORIZED NGOS.

G. BID BOND AND PERFORMANCE BOND

1. BID BOND

- a. ON EVERY GOODS/SERVICES PROCUREMENT VIA TENDER, THE GOODS/SERVICES PROVIDERS SHALL HAVE TO SUBMIT BID BOND
- b. IN DIRECT SELECTION/DIRECT APPOINTMENT PROCESSES DUE TO THE FAILURE OF TENDER, BID BOND SHALL REMAIN BE NEEDED.
- c. PROVISIONS ON BID BOND:
 - 1) THE AMOUNT OF BID BOND SHALL BE BETWEEN 1% TO 3% (THREE PERCENT) FROM THE BID PRICE. SHOULD THE BID BOND SUBMITTED IS MORE THAN 3% (THREE PERCENTS); IT SHALL NOT LEAD TO DISQUALIFICATION.
 - 2) TYPE CURRENCIES OF BID BOND SHALL BE THE SAME WITH THAT USED IN THE BIDDING;
 - 3) ISSUED BY THE GENERAL BANK (NOT INCLUDING PEOPLE'S CREDIT BANK/BPR) OR ANY FOREIGN BRANCH BANK IN INDONESIA OR ISSUED BY THE INSURANCE COMPANY FULFILLING THE FOLLOWING CRITERIA:
 - a) OWNING SURETY BOND AND REINSURED TO ANY BONA FIDE OVERSEAS INSURANCE COMPANY IN ACCORDANCE WITH DECISION No. 481/KMK.017/1999 DATED OCTOBER 7, 1999 OF THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA.
 - b) BE WILLING TO MAKE OUT LETTER OF REPRESENTATION CONFIRMING ITS CAPABILITY IN PAYING INSURANCE CLAIM AMOUNTING TO ITS COVERAGE VALUE.
 - c) BE WILLING TO CONTAIN THE UNCONDITIONAL BOND REQUIREMENTS SO AS TO MAKE IT POSSIBLE FOR CLEARING WITHOUT PENDING FOR SETTLEMENT BY THE INSURER/GUARANTOR WITH THE PRINCIPAL/GOODS/SERVICES SUPPLIER IN ACCORDANCE WITH ARTICLE 1832 AND DEVIATES FROM THE ARTICLE 1831 OF THE CIVIL CODE.
 - 4) THE TERM OF BOND WHICH IS NO LESS THAN THAT APPLICABLE FOR BIDDING;
 - 5) NAME OF GOODS/SERVICES PROVIDER CONTAINED IN THE BID BOND SHALL HAVE TO BE THE SAME WITH THE BIDDER'S NAME;
 - 6) In bid bond letter, bond value shall be given in figures and letters. The value in figures shall be equal to that given in letters;
 - 7) Name of PSC Contractor that holds tender shall be given in bid bond as PSC Contractor that receives bid bond;

- 8) Guaranteed work package shall be the same as tendered work package;
- 9) In case Goods/Service Provider resigns, bid bond shall be cashed and it will go to PSC Contractor's cash to be calculated as operational expenses reducer, specifically for procurement expenses;
- 10) Statement of the party that issues bond letter that bid bond may be cashed immediately pursuant to Article 1832 and deviates from Article 1831 of Civil Code.

2. Performance Bond.

- a. Before signing agreement letter/contract/SP/PO the value of which is higher than two hundred million rupiah (Rp200,000,000.00), or higher than twenty thousand US dollars (US\$20,000.00), Goods/Service Provider shall deliver performance bond;
- b. Upon the receipt of performance bond by PSC Contractor, bid bond of the winner in question, shall be returned;
- c. Performance Bond Requirements
 - 1) The amount of performance bond shall be five percent (5%) from Agreement/Contract/SP/PO value. If it is deemed necessary, for activities/work with high risk, performance bond may be imposed by more than five percent (5%) and ten percent (10%) at the highest. Amount of performance bond for the bid value of which is lower than eighty percent (80%) HPS/OE/EE, shall be raised to five to ten percent (10%) in respect of eighty percent (80%) HPS/OE/EE;
 - 2) Specifically for goods/services procurement contract with contract period of more than one (1) year, performance bond value of second (2nd) year and so forth, it may be set to five percent (5%) or ten percent (10%) at the highest from the balance of contract value that has not been performed. This provision cannot be applied for lumpsum contract, turnkey and percentage contract.
 - 3) Performance bond currency shall be the same with that used in the contract;
 - 4) Issued by General Bank (not including People Credit Bank) or Foreign Bank in Indonesia or issued by Insurance that meets the following criteria:
 - a) Has Surety bond insurance program and is reinsured to bonafide Insurance Company in foreign country pursuant to the decree of the Minister of Finance of Republic of Indonesia No. 481/KMK.017/1999 dated October 7, 1999.
 - b) It is willing to make statement of ability to pay insurance Claim amounting to insurance value.

- c) It is willing to set forth *Unconditional Bond* requirements, so that it can be cashed without waiting for the settlement between insurer party and principal Goods/Services Provider according to Article 1832 and deviates from Article 1831 of Criminal Code.
- 5) Performance Validity term shall be till completion of contract term plus at least one (1) month;
- 6) Name of Work Owner PSC Contractor shall be set forth in performance bond as the party who receives performance bond;
- 7) Name of Goods/Service Provider set forth in performance bond shall be the same as contractor's name;
- 8) In performance bond letter, bond value shall be given in figures and letters. The value in letters shall be same as that given in figures;
- 9) Statement of the party which issues the bond that performance bond immediately may be cashed according to Article 1832 and deviates from Article 1831 of Criminal Code;
- 10) It shall be accompanied by the declaration of the performance bond's authenticity signed by Company's competent Company Manager of Goods/Service Provider.
- 11) Final time limit of proposal for cashing of performance bond by Goods/Services user to guarantor shall refer to Civil Code 1831 and 1832;
- 12) In the event Goods/Service Provider within a specified time fails to perform goods delivery, either partially or wholly according to Agreement/Contract/SP/PO and after notice is given, performance bond shall be cashed within fifty (50) calendar days at the latest after the end of goods delivery term and it shall go to PSC Contractor's cash to be calculated as operational expenses reducer, particularly procurement expenses;
- (13) In the event Goods/Service Provider resigns after signing contract, performance bond shall be cashed and shall be transferred into PSC Contractor's cash to be calculated as operational expenses reducer, particularly procurement expenses;
- 14) If delay occurs in work completion and delay penalty has reached maximum amount, then:
 - a) Performance bond shall be cashed if Goods/Service Provider declares that he is unable to complete the work.
 - b) If the work can be continued and completed, no additional penalty shall be applied and performance bond shall not be cashed.
 - c) Performance bond shall be cashed, if PSC Contractor terminates the work contract as Goods/Service Provider and is considered unable to complete the work.

- 15) Performance bond letter shall be returned to Goods/Service Provider after the whole work/goods delivery has been completed pursuant to agreement/contract/ SP/ PO.

G. PROCUREMENT THAT NEEDS SPECIFIC REQUIREMENTS.

The following goods/service procurement shall need special requirements, either it has to comply with applicable laws and regulations or it has to meet special specifications and requirements issued by relevant agency. Its procurement process shall continue to refer to goods/service procurement procedure such it is given in this manual. Goods/Service procurement that needs special requirements shall be:

1. Security services
2. Custody meter
3. Technical inspection service company
4. Waste management
5. Explosives
6. Marine Drilling Rigg
7. Platform removal
8. Telecommunications
9. Foreign workers
10. Shipping business
11. Special Port
12. Insurance Service
13. Lawyer service
14. Land procurement

CHAPTER III

AGREEMENT/ CONTRACT

A. CONTRACT CONTENT:

Contract shall explicitly contain the following points:

1. The parties;
2. Clear identity of either party who is involved in the contract;
3. The company that represents, manages and is responsible for contract in case Goods/Service Provider is in the form of consortium, cooperation, Joint venture and any other form of cooperation;
4. National company appointed as agent to sign the contract if Goods/Service Provider is a foreign company;
5. Rights, obligations and responsibility of either party shall be in accordance with contract and agreement draft resulting from procurement process;
6. Work scope, including technical requirements and specifications shall suit contract and agreement draft resulting from procurement process;
7. Price and Value:
 - a. Definite price and value according to the result of procurement process;
 - b. Provisions on work value adjustment as a result of price fluctuation or change of applicable official Tariff shall be for contract of the term which is more than one (1) year. If it is not specified, the contract price shall be applicable for the entire contract term without any change;
 - c. Local component / content value.
8. Date of work commencement and contract hand over term;
9. Terms of payment:
 - a. Payment shall be made through bank existing within the territory of Republic of Indonesia;
 - b. Time limit and currency used in payment;
 - c. Should advance payment be provided, contract shall contain provisions on:
 - 1) Rate of advance payment percentage;
 - 2) Advance money payment shall be made after Goods/Services Provider has delivered advance money guarantee bond letter provided and issued by General Bank (not including Peoples Credit Bank) or Foreign Bank Branch in Indonesia);

- 3) Provisions that the aforementioned advance payment shall be fully used for implementation/activities of the project concerned;
- 4) Advance payment repayment shall be calculated phase by phase and proportionately in the payment phases set beforehand in the contract and shall be settled when the work performance has achieved one hundred percent (100%);

10. Performance bond shall be in accordance with the provisions in goods/service procurement document Chapter II point G.2.

11. Sanctions:

If the Goods/Service Provider is delayed for completing the work/delivering the goods, sanctions shall be applied as follows:

- a. Penalty of one per mil (1‰) from contract value shall be imposed for every delayed day.
- b. Amount of penalty shall be five percent (5%) maximum. If required, for project/activities that have high risk, penalty of more than five percent (5%) may be applied and twenty percent (20%) at the highest from contract value.
- c. In the event contract provides that goods delivery/work completion may be performed in phases, delay penalty shall be calculated based on the value of work goods/package that is delivered/completed in delay.
- d. The provision of partial penalty application may not be performed in lumpsum and to turnkey contract.

12. Provisions on insurance, tax, entry duty and other levies in the context of import.

13. Provisions on contract and early termination.

14. Provisions on dispute settlement.

15. Contract Amendment:

- a. Contract amendment shall be drafted in writing and signed by the parties who sign the contract;
- b. Contract amendment that results in PLK or PJWK shall meet provisions on PLK/PJWK in Chapter-III point D.
- c. Amendment shall be accompanied by solid justification and approved by the Competent Official.

16. Work Assignment Provisions.

- a. Goods/Service Provider who obtains goods/service procurement work shall not be allowed to subcontract the whole work or the main work to another Goods/Service Provider. Goods/Service Provider who subcontracts or otherwise receives such subcontract work shall be subject to sanction according to applicable provisions.

- b. The above provisions shall be excluded for merger or acquisition performed by another company after contract is in progress, proved by lawful and accountable merger or acquisition documents. Assignment shall cover all legal responsibility and work completion.
- 17. Provisions of work performed by small business company, including small cooperatives:
 - a. Such work shall be executed by the appointed Goods/Service Provider itself and shall not be allowed to be subcontracted to another party;
 - b. If provisions referred to at point (a) are violated, goods/service procurement contract shall be cancelled and the interested party shall be subject to sanction according to applicable provisions.
- 18. Provisions of obligation to cooperate with small business company, including small cooperative.

If contract value is higher than fifty billion rupiah (Rp50, 000,000,000.00) or higher than five million American dollars (US\$5,000,000.00) the following points shall be set forth in the contract:

 - a. Goods/Services Provider shall be obliged to cooperate with small business company or local small cooperatives, including by subcontracting a given portion of work with PSC Contractor's approval;
 - b. In executing point a., the selected Goods/Services Provider shall remain be responsible for the whole work;
 - c. The form of cooperation shall only for a portion of work and it shall not be allowed to subcontract the whole work/main work;
 - d. If Goods/Services Provider in question does not carry out provisions referred to at point a, b and c, other than the contract is cancelled, Goods/Services Provider in question shall be subject to sanction according to applicable provisions.
 - e. The above provisions are not applicable if they have to do with sophisticated work where Goods/Services Providers that are included in small business company/small cooperatives are not able to perform it.
- 19. Contract Language.
 - a. Contract made with National Goods/Services Providers shall use Indonesian language or two (2) languages, namely Indonesian and English language;
 - b. If it is has to do with commitment with foreign party, contract shall use two (2) languages, namely Indonesian and English;
 - c. If there is difference of interpretation on matters provided in these two (2) languages, it shall be confirmed that only one (1) language that legally binds, namely Indonesian language.

20. Exhibits

If in the contract there are exhibits, it must be stated that the exhibits constitute inseparable component of the contract.

B. WORK IS EXECUTED BEFORE THE ISSUE OF AGREEMENT/CONTRACT/SP/PO

1. Work is executed before the issue of Agreement/Contract/SP/PO shall only occur in a very urgent condition with strong justification which, if not immediately performed, may result in the loss of PSC Contractor concerned;
2. Work executed before the issue of Agreement/Contract/SP/PO shall only occur after the selection of winner, unless in urgent condition, candidate winner of first ranking may be appointed to perform the work with written approval of Competent Official. If winner selection is BPMIGAS' competency it shall first get approval from BPMIGAS.
3. Execution shall be processed as follows:
 - a. Proposal of work to be executed before the issue of Agreement/Contract/SP/PO the winner of which has been selected shall be agreed by the official who signs Agreement/Contract/SP/PO.
 - b. Proposal of the work to be executed before the issue of Agreement/Contract/SP/PO the ranking of winners of which has been selected, however, there is no winner selection/decision, shall be approved by local Top Management Official.
 - c. Proposal of work to be implemented before the Issue of Agreement/Contract/SP/PO shall immediately be followed up by the issue of Agreement/Contract/ SP/PO;
4. In the situation where contract is not issued, the provisions binding the parties shall be provisions and/or requirements according to contract concept and the deal in procurement process.

C. EXPORT/IMPORT FORMALITY.

In executing export and import, it shall comply with the provisions provided in the Book IV on Custom Affairs Manual.

D. CHANGE OF WORK SCOPE AND EXTENSION OF CONTRACT TERM (PJWK):

1. General Provisions:

- a. Change of Work Scope and Contract Term Extension (PJWK) shall be avoided as far as possible, because all work plans have already been professionally prepared.

- b. PLK that cannot be avoided shall be complemented with accountable justification, and for non project activities, total of addition values shall not higher than ten percent (10%) than initial contract value.
 - c. PLK and PJWK that adds contract value and its addition total value exceeds the entitlement, PSC Contractor shall get approval from BPMIGAS, if:
 - 1) Initial contract, selection of its winner through BPMIGAS and PLK/PJWK value is more than ten percent (10%);
 - 2) Initial contract, selection of its winner through BPMIGAS and PLK/PJWK value is less than ten percent (10%) but higher than fifty billion rupiah (Rp50,000,000,000.00) or higher than five million American dollar (US\$5,000,000.00);
 - 3) Initial contract shall be processed by PSC Contractor itself, but initial contract value added by PLK/PJWK becomes higher than PSC Contractor's entitlement value in deciding the winner of procurement.
 - d. If PSC Contractor has executed PLK/PJWK that should have prior approval from BPMIGAS, then such PLK/PJWK value may not be charged as expenses based on PSC Contract. Sanction shall be applied to PSC Top Management official.
 - e. PLK/PJWK shall be set forth in written Contract Amendment and signed by the parties who sign contract.
- 2. Procedure:**
- a. PSC Contractor shall conduct work scope negotiation and expenses for the proposal of work addition/reduction to Goods/Services Provider.
 - b. PLK/PJWK proposal that requires BPMIGAS approval shall be submitted within fifteen (15) working days before its execution.
 - c. BPMIGAS shall declare its opinion on PLK and PJWK submission within ten (10) working days at the latest as from the date of proposal receipt. If within ten (10) working days, BPMIGAS does not give reply, BPMIGAS shall be considered to have given approval and PLK/PJWK may be executed.
 - d. PLK/PJWK that requires BPMIGAS approval shall be provided with:
 - 1) Photocopy of initial contract
 - 2) Accountable technical justification/reason.
 - 3) Written report of negotiation and price agreement resulting from negotiation.
 - 4) Correspondence with Goods/Services Provider on PLK/ PJWK.
 - 5) Photocopy of AFE agreement or AFE revision.
 - 6) Form FL-003 PLK/PJWK Examination Summary.

- e. PLK/PJWK shall be provided with justification approved by local Top Management Official or the person so authorized and it may be implemented if it meet at least one of following requirements:
 - 1) It is the work that cannot be suspended as a result of emergency condition based on the statement of PSC Contractor's Top Management Official.
 - 2) It is an additional work which is unexpected the standard price of which is available by using price unit according applicable price in the contract in question and technically it is integrated unit of activities which is inseparable from activities of previous work based on the opinion of competent technical function in writing.
 - 3) It is additional work which is unexpected and due to its homogeneity, its implementation continuity shall be maintained according to competent technical function in writing but there is no standard price. Its pricing shall take into account market price.
 - 4) In the context of completing the original work which is unavoidable based on operation consideration by using unit price of the relevant contract insofar as it is professionally accountable.
 - 5) The continuity of the work in progress is required while process of general/limited tender or direct selection have not been completed. This PLK/PJWK term may only be allowed till the commencement of the work according to new contract and three (3) months at the longest.
 - 6) PJWK in the context of the completion of initial work or goods supply, the validity term of which has expired, however, its contract volume and value has not been fully utilized.

E. CONTRACT MANAGEMENT

During contract execution, contract holder shall be responsible to control and supervise contract implementation according to work scope, expenses, contract term and other agreed conditions, including:

- 1. To perform work evaluation so as to meet work specifications and implementation term as well as to prepare report and give feed back to Goods/Services Provider.
- 2. To supervise cost expenditure in order to avoid spending excess, including by:
 - a. Controlling the issue of work contracts;
 - b. Preventing excessive payments.
- 3. Managing contract filing system so that all relevant documents are kept in complete order and easy to find. Term of contract document maintainance shall be adjusted to applicable national archive regulation.

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 - a. Controlling the issue of work contracts;
 - b. Preventing excessive payments.
- 3. Managing contract filing system so that all relevant documents are kept in complete order and easy to find. Term of contract document maintainance shall be adjusted to applicable national archive regulation.

F. CLOSED OUT CONTRACT:

At the end of contract term, closed out contract shall be conducted, involving the activities of:

1. Contract implementation evaluation consists of the activities:
 - a. Contract implementation evaluation. Contract supervisor shall determine the percentage of work completion.

If work scope that has been completed is larger or smaller than initial Work Scope, contract addendum shall have been prepared in respect of additional (extra) work or work reduction;
 - b. Evaluation of work execution quality covering specifications compliance, work scope or time required to complete the work.
2. Examination of the number, quality and performance of goods, equipment and structures that shall be handed over by Goods/Services Provider to PSC Contractor;
3. Examination and decision of ownership for the remaining material and equipment resulting from work implementation according to work scope;
4. Custom completion for temporarily imported equipment to be used in work execution;
5. Evaluation and compliance with the rights and obligations of either party;
6. Decision of penalty value that shall be imposed to Goods/Services Provider, if any. This decision shall be notified to Goods/Services Provider.
7. Hand over of goods, equipment or work. For this handover, written report of goods/work handover shall be drafted.
8. Final payment if all obligations of Goods/Services Provider of Goods/Services Provider have been met according contract provisions.
9. Return of performance bond to Goods/Services Provider shall be conducted after written report of goods/work handover has been signed.
10. Report preparation by PSC Contractor management or competent official declaring that the implementation of the contract in question has been completed and closed out. One (1) copy of the report shall be transmitted to BPMIGAS for the contract, the winner of which has been approved by BPMIGAS.

Report form *attachment FL-008*

CHAPTER IV

PROCUREMENT OF CONSULTING SERVICES

A. GENERAL GUIDELINES

1. Consulting services is a professional expertise service in various fields including construction planning, construction supervision, and such other professional services as surveying, testing, macro studies, detail studies, industrial and production fields, maintenance, rehabilitation, operation consulting, information services, management, legal, K3LL , research, training, etc
2. Consulting services is intended for the achievement of certain objectives in the form of suggestions and recommendations as a result of data and/or situation analysis systematically arranged on the basis of work Reference Framework determined by the users.
3. Engagement of consulting services must be temporary in nature and must prioritize the utilization of domestic consultants.
4. Consulting activities must be performed in Indonesia, except for activities that are not possible or cannot be conducted domestically.
5. Consulting services provider:
 - a. Providers of consulting services includes: consulting services agencies, industrial and banking services with research and development unit with special expertise, individual consultant, business unit affiliated with state or private universities, and cooperatives;
 - b. Research and development unit in industrial and banking services companies is primarily prioritized for special work that matches the specifications;
 - c. Foreign consultancy services may be included in consultancy services tender, if the value of such work is greater than Rp10.000.000.000,00 (ten billion rupiah) or greater than US\$1.000.000,00 (one million US dollars), with the provision/obligation that they have to cooperate with national consultant services in the form of partnership;
 - d. Individual consultants are primarily used for work that can be conducted by the person who has very high expertise in the concerned field and which does not require team work for completion thereof.

B. PREPARATION OF THE PROCUREMENT DOCUMENTS

1. Procurement document services consists of:

a. Invitation to consulting services provider to submit administrative technical and price bid;

b. Terms of Reference (TOR):

1) The objective of TOR is:

a) To describe the objective and scope of consulting services and the expertise required;

b) As reference and information for consultants invited for procurement in order to prepare administrative requirements, technical recommendations, technical proposal, and price proposal;

c) As reference in the evaluation of recommendations, clarification and negotiation with selected consultant candidates, basis for preparation of contract and reference to consultant work result evaluation.

2) TOR must at least include the following:

a) Introductory description in the form of outline description regarding the project/activities to be performed, among others including background, goal and objectives, location, and user;

b) Supporting data which is related to project execution, among others basic data, technical standards, previously done studies and applicable rules and regulations;

c) The objective and scope of work that describes the objectives to be achieved, other outcome, materials and equipment provided by job provider and materials and equipment that must be provided by the consultant, scope of authority given to the consultant, estimation of time for completion of consulting services work, qualifications and number of experts that must be provided by consultant, estimation of all experts and support personnel needed (in man-months) and schedule for all stages of work completion;

d) Type and number of reports required (preliminary report, interim report, and final report);

e) Other issues and arrangements such as facilities provided by user to help the smoothness of consultant's work, conditions for cooperation with other consultants (when needed), and guidelines regarding field data collection).

c. Instruction to Bidders/ ITB.

Instructions to Bidders should at least contain such issues as given in Chapter II point A.3.b.

2. TOR and owner estimates (*HPS/OE*) is used as reference in the evaluation of bids, clarification, and/or negotiation with selected consultant candidate. Differences in results of negotiation of TOR and HPSIOE such as classification, number of experts utilized, man-months, or personnel unit cost differences are permissible as long as it does not alter the goals and objectives and output and does not exceed allocated budget, which is considered to be professional accountability.
3. The procedure and bid evaluation system based on type and scope of services that takes into account efficiency, effectiveness and fair competition principles must be determined in the procurement document.

C. OWNER ESTIMATE /OE

1. Owner Estimate (OE) which is calculated by experts is used as one of the assessment reference for all consultant services to be performed taking into account AFE as budget ceiling provided.
2. HPSIOE consists of two main components:
 - a. Remuneration;
 - b. Direct reimbursable cost which covers among others office rent, travel expense, document mailing expense, permit obtainment cost, communication expense, allowance for housing/accommodation, etc.

D. CONSULTING SERVICES PROCUREMENT METHOD

1. Consulting services procurement is done by the following methods:
 - a. Regular auction;
 - b. Limited auction;
 - c. Direct selection;
 - d. Direct assignment.
2. Procedure for the execution of regular auction, limited auction, direct selection and direct assignment basically follow the procedure regulated in chapter II.F, unless specifically stated otherwise.

E. PREPARATION OF SELECTED SERVICE PROVIDER LIST (DPT).

DPT consists of consulting service providers who have the same qualifications and classification of business field.

F. BID EVALUATION SYSTEM

The evaluation of consulting service bids adopts quality evaluation system or technical quality evaluation system or lowest price evaluation system. The evaluation system adopted is stated in the procurement document.

1. Quality evaluation system

a. General guidelines

- 1) Quality evaluation system is evaluation based on best technical bid score and clarification and price and technical negotiation. Steps for the process are as follows:
 - a) Evaluation of administrative completeness and assessment of technical bid quality is conducted and thereafter selection is made of the consultants who entered best-scored technical bid and who are the same as or exceed passing grade.
 - b) Opening of the bids of the consultants who pass the highest or the same or above passing technical score. Thereafter clarification and negotiation on technical bid and price is conducted.
 - c) Clarification must not alter goals, objectives and output and must not exceed ceiling budget.
- 2) Procurement of consulting services by way of quality evaluation system is used for consulting services assignment that calls for innovation or complex consulting work.

b. Procurement participants

- 1) Participants must be short listed in DPT/selected services provider list which has been prepared by procurement committee/officials. Procedure for the preparation of DPT is as follows:
 - a) Procurement Committee/Official performs a pre-qualification on procurement participant candidates by studying and assessing qualification data of the pertinent participating candidates.
 - b) Procurement Committee/Official prepares procurement participant candidates ranking based on pre-qualification score. If the number of participants who fulfill pre-qualification requirement is less than three, then Procurement Committee/Official invites other consultants to participate in second pre-qualification.
 - c) If the pre-qualification produces three or more participants then a tender will be performed but if the number of participants after pre-qualification is only two then direct selections is done, and when only one then direct assignment is made.
- 2) In case the services to be tendered can not yet be performed by national consultant then national consultant may use foreign expert of international standing or cooperate in a partnership with foreign consultant of international standing.

c. Submission of Bid Document.

Submission of bid documents is done using two envelope systems and submitted to Procurement Committee/Official in accordance with the predetermined schedule.

d. Opening of Bid Documents.

- 1) Procurement Committee/Official opens the technical and administrative (if any) bid documents in the presence of procurement participants on the predetermined date as stated in procurement document or at other times determined in a procurement document briefing memorandum. Afterwards on the same date a bid document memorandum describing among others the validity of bid documents and signed by Procurement Committee/Official and representative of procurement participant present is prepared.
- 2) The envelope of bid prices may not be opened before the list of procurement participants who pass technical evaluation is prepared.
- 3) The opening of envelope containing price bid and validation of price bid is conducted on the same date. Afterwards bid document memorandum describing among others validity of bid prices signed by Procurement Committee/Official and representatives of procurement participants is prepared.

e. Bid evaluation

1) Administrative completeness evaluation

- a) Assessment on the administrative completeness is performed only on matters that have not been assessed in pre-qualification stage;
- b) Procurement Committee/Official checks, shows and reads out the completeness of bid documents which comprises of:
 - (1) bid letter stating effective bid period;
 - (2) technical bid document;
- c) Bid is declared disqualified if any of the administrative requirements stipulated in procurement document is not fulfilled or unqualified;
- d) Procurement Committee/Official prepares administrative procurement memorandum signed by Procurement Committee/Official and one participant representative is present (if any);

- e) Bids that pass administrative assessment are continued with technical evaluation; consultant whose bids are declared disqualified may recover all their bid documents.
- 2) Technical Bid Evaluation
 - a) Clarification and technical negotiation:
 - (1) Clarification is made to achieve technical clarity and price by taking into consideration the work load and expert assigned by also considering proportional supporting instruments to achieve optimum goal;
 - (2) Clarification must not alter the goal/target of work frame reference;
 - (3) Technical aspects which need to be clarified are mainly:
 - (a) Consultant service facility and framework;
 - (b) Work conduct and work plan;
 - (c) Qualification of the expert;
 - (d) Execution arrangement;
 - (e) Know-how transfer program;
 - (f) Work time table;
 - (g) Personnel time table;
 - (h) Supporting facility.
 - b) Technical bid evaluation is conducted by giving a score on principal elements in the technical bid document by observing qualifications (significance) given to those elements.
 - c) Principal elements taken into consideration and an example of qualifications is as follows:

<u>PRINCIPAL ELEMENT</u>	<u>QUALIFICATIONS (%)</u>
Consultant Experience	10-20
Approach and Methodology	20-45
Qualifications of Experts	<u>45-60</u>
Total	100

Assignment of qualifications for each element in the above range is based on the type of consulting work to be performed. For analysis study services it is necessary to emphasis on experience of consultants and approach, while for supervision and planning services more emphasis is given to qualification of experts.

- (1) Consultant Experience;
 - (a) Assessment is made on consultant's experience in performing similar assignments with the intended project stated in TOR for the last seven (7) years.

Work experience in Indonesia and/or project location in Indonesia is an advantage. This experience is described clearly by stating project names/activities, scope, location, client name, project value and time (in months and years) of execution.

- (b) Assessment is also done on the number of project currently carried out by the consultant. This is intended to measure the experience/capacity of the concerned consultants in performing their tasks. Consultant's experience must be accompanied with references from previous employers, which shows consultant's performance.
- (c) Elements which are evaluated are among others:
 - i. Experience in performing similar project/work;
 - ii. Experience in performing project/activity in Indonesia or overseas;
 - iii. Managerial experience and main facility;
 - iv. Company capacity such as the number of full time expert staff.

(2) Approach and Methodology

- (a) It is intended to evaluate consultant's understanding on the scope of work/service requested in TOR, understanding on goals, methodology quality, and output.
- (b) Elements which are evaluated are among others:
 - i. Understanding on service stated in TOR; evaluation primarily includes understanding on project goal, framework and consulting service needed (main aspects which are indicated in TOR) and field familiarity;
 - ii. Methodology quality. Evaluation primarily includes problem analysis accuracy and suggested solution steps that are in harmony with TOR requirements, concentration between methodology and work plan, appreciation of innovation, response/reaction to TOR especially with respect to available data, the number of man-months of the experts, job description, execution time span, reports required, kind of expertise, and the number of experts needed, work program, work schedule, assignment schedule, organization, the need of man-months, and the required supporting facilities;

- iii. Output (deliverable); evaluation covers, among others, analysis, work drawings, technical specifications, technical calculation and reports;
 - iv. Consultant's support facility in the execution of the work specified in TOR. Consultant, who proposes new concept to improve output quality as stated in TOR, although it may result in TOR alteration, will be given added value.
- (3) Qualifications of Expert
- (a) Evaluation is conducted upon the consultant experts who are proposed to perform the work taking into account their area of expertise, circumstances, and number of workers stated in TOR.
 - (b) Elements to be evaluated are:
 - i. Education, namely graduate of State university graduate or accredited Private university, or of overseas university having been accredited, proven by photocopy of certificate;
 - ii. Area of expertise proven by certificate must be in accordance with the terms stated in KAK;
 - iii. Professional experience according to terms stated in KAK, supported by user's reference;
 - iv. Others: English language proficiency, Indonesian language (for foreign consultant), familiarity aspect and manners on situation, condition and local customs. Personnel who are skillful in these areas will be given added value.
- Expert qualification that exceeds the requirement stated in KAK will not be given added value. Scoring and assessing for each sub-element is further determined by procurement official/committee.
- d) Organizing and Announcing of Technical Evaluation Rank.
- (1) Based on technical bid evaluation results, procurement official/committee decides the rank of consultants written in technical bid evaluation memorandum and selects consultant whose technical bid score best and is the same as or exceeds the passing grade;
 - (2) Official/committee inform the authorized official of the results of technical assessment for approval;
 - (3) Based on the decision of the authorized official, procurement official/committee announces the rank of consultant along with technical value in written form to the tender participants.

- e) Objection/Protest
Procurement participant who objects to the technical bid evaluation result announcement will be given an opportunity to submit their objection in writing within 5 (five) days following the date of such announcement at the latest.
More detailed terms regarding opposition - is given in chapter II, point *F.1.c.12*).
- f. Bid price opening
 - 1) Procurement official/committee only opens envelope-II (second) of the bid of the consultants with the best technical rank, and evaluates the price.
 - 2) Clarification and negotiation of price.
 - a) Clarification and negotiation of price is made when technical bid clarification and negotiation is already done;;
 - b) Clarification and negotiation of price is made in order to obtain agreement on accountable price while always maintaining the contemplated objectives in line with the technical bid proposed by consultant.
 - c) The aspects which need to be clarified and negotiated are inter alia:
 - (1) Compatibility of work plan with cost type;
 - (2) The amount of activity and cost type;
 - (3) Price unit compared to price applicable in market/cost fairness;
 - d) Negotiation on personnel price unit is done based on audited payment list and/or income tax payment receipt of the concerned expert consultants.
 - e) Total personnel price unit is calculated on time unit basis using rate of presence with the following provisions:
 - (1) 1 (one) month to be counted as 22 (twenty two) work days at least;
 - (2) 1 (one) workday to be counted minimally as 8 (eight) working hours.
 - f) When clarification and negotiation with the first-rank consultant fails to reach agreement then procurement official/committee shall continue the clarification and negotiation with second-rank consultant, and so on with the consultant who passes the assessment until agreement is achieved.
 - g) Procurement official/committee takes minutes of the results of clarification and negotiation which will tell whether or not an agreement is achieved and inform the clarification and negotiation result to the authorized Official.

- g. Announcement of Winner and objection.
 - 1) Based on the report of procurement official/committee, the authorized Official determines the winner of procurement consultant;
 - 2) The decision of the Authorized Official regarding the tender winner is announced by procurement official/committee on the information board of the KKS contractor or informed to the procurement participants;
 - 3) Participants who object to the Winner announcement have an opportunity to submit their objection in writing within 5 (five) working days at the latest after the date of announcement or information stated in point 2 above.
- h. Appointment of Winner
 - 1) Should there be no objection, Winner of procurement can be directly determined. However if there is an objection then Procurement Committee/Official to reevaluate the process and respond to the objection at the latest 10 workdays after the receipt of the objection letter. If Procurement Committee/Official is convinced that the process is correct then the appointment of the Winner may continue;
 - 2) Based on procurement Winner designation, the authorized official designates procurement Winner as executor of the works;
 - 3) Participant designated to be the Winner shall accept the designation. Should the participant withdraw then his/her bid bond will be cashed and entered into PSC Contractor account to be counted as compensation of operational cost, especially procurement expense;
 - 4) If the consultant is appointed as the Winner, the following will result:
 - a) Replace team leader or replace 30% (thirty percent) of his team of experts; or
 - b) Withdraw; or
 - c) Could not fulfill the requirements stipulated in the procurement document,Then Winner appointment designation is cancelled and bid bond is cashed.
 - 5) In the event the appointment of first Winner is cancelled, then:
 - a) Clarification and negotiation of technical bid and price to be conducted with the second-rank winner;
 - b) In case the second-rank winner candidate likewise withdraws then clarification and negotiation of technical bid and price to be conducted with the third-rank candidate;
 - c) Should the third-rank winner candidate also withdraw, then the tender process is repeated.

- i. Returning of Bid Documents
 - 1) All bid documents may be recovered by pertinent procurement participants if the bid does not fulfill price administration and technical requirements;
 - 2) Procurement Committee/Official and authorized, official must maintain the secrecy of every participants bid.
2. Technical quality and price evaluation system
 - a. General guidelines.
 - 1) Technical and price evaluation system is evaluation based on technical and price bid value combination, continued with technical clarification and price negotiation.
 - 2) Consulting services procurement procedure by price and technical quality evaluation follows the procedure for consulting services procurement by quality evaluation except otherwise stated.
 - 3) Steps in the evaluation process are as follows:
 - a) Technical bid assessment/evaluation, followed by selection of similar bids or bids that have passed a passing grade;
 - b) Price bid evaluation of consultant who passes the technical evaluation;
 - c) HEA calculation based on TKDN;
 - d) Normalization of price bid by among others adding management cost that PSC Contractor will spend if the execution of the consulting services is conducted abroad;
 - e) Combined calculation of technical bid amount and price bid amount based on weighing previously stipulated in the auction document;
 - f) Preparation of consultants ranking based on the result of combined calculation of price and technical bids;
 - g) Clarification and negotiations with consultants who have highest score as per score of evaluation of combined calculation of price and technical bids. Clarification may not alter TOR objectives.
 - b. The Opening of Technical and Administration Bid (first envelope):

Procedure for the opening and evaluation of technical and administrative bids (first envelope) follows the procedure for procurement of consulting services by way of quality evaluation system.
 - c. Opening of Price Bid (second envelope):

- 1) Procurement Committee/Official invites participants who pass the technical evaluation to attend the opening of price bid (second envelope);
 - 2) Procurement Committee/Official in the presence of participants conveys the following:
 - a) Consultant candidates who pass technical evaluation and their associated scores;
 - b) Technical bid evaluation weighing policy and price bid evaluation score as stated in the procurement document;
 - 3) Procurement Committee/Official opens second envelope, reads and writes bid prices, TKDN and bid bond amount of all participants who pass the technical evaluation;
 - 4) Procurement Committee/Official prepares price bid opening memorandum that must be signed by procurement committees and at least one participant representative.
 - 5) Procurement Committee/Official performs combined technical and price evaluation.
- d. Combined price and technical evaluation.
- 1) In the price opening meeting, the committee directly calculates combined values of technical bids amount and price bid amount in the presence of participants by the following method of calculation:
 - a) Arithmetical corrections are performed;
 - b) Calculation of combined scores between technical bid and price bid as follows:
$$\text{Final Score} = [\text{Technical bid score} \times \text{technical bid qualification}] + [\text{Price bid score} \times \text{price bid qualification}]$$
Where:
 - Technical bid qualification is between 0.60 to 0.80
 - Price qualification is between 0.20 to 0.40
 - Lowest bid amount is given the highest price bid score.
 - 2) The result of combined evaluation is used as the basis for the determination of consultant rank.
- e. Clarification and negotiation
- 1) Based on the minutes of combined evaluation technical bid and price bid, Procurement Committee/Official invites consultant with the highest score to attend technical and price negotiation meeting. Consultant with the highest rank is given sufficient time to prepare technical clarification and price negotiation;

- 2) Clarification procedure follows regulations on consulting services procurement clarification using quality evaluation system;
- 3) Negotiation procedure follows regulations, as does consultancy service procurement negotiation clarification, using quality evaluation system.

3. Lowest price evaluation system

a. General Guidelines.

- 1) Lowest price evaluation system is evaluation based on lowest bid price from consultant who meets or exceeds technical passing grade;
- 2) Procurement of consultancy services with lowest price evaluation system is used for consulting service work which has technical standard nature or technically is executable by simple methods.
- 3) Steps of the process are as follow:
 - a) Assessment of technical bid quality followed by selection of bids which have the same value or exceed the passing grade;
 - b) Opening of price bid starting from bids that have same score or exceed technical passing grade;
 - c) Determination of consulting service procurement winner candidate is based on lowest bid price;
 - d) Technical clarification and price negotiation with the winner candidate consultant. Clarification may not alter TOR.

b. Procedure

The procedure for procurement of consultancy service with the lowest price evaluation system follows the procedure for consultancy service procurement with quality evaluation system unless otherwise stipulated.

c. Technical evaluation

- 1) Procurement Committee/Official to assess technical proposal, and assessment procedure follows the regulations on consultancy service procurement on the basis of quality evaluation system, and a list of participants whose grade is the same as or above passing grade;
- 2) Price bids (second envelope) of Participants who did not pass technical bid evaluation shall be returned.

d. Opening of price bid

- 1) Procurement Committee/Official informs the names of consultant candidates who pass technical evaluation with their respective technical bid evaluation scores in the presence of procurement participants;

- 2) Procurement Committee/Official opens, reads and writes the bid prices (second envelope);
 - 3) In the presence of participants, Procurement Committee/Official shall:
 - a) make arithmetical corrections;
 - b) Determine lowest corrected bid.
 - 4) Procurement Committee/Official prepares minutes of bid price opening which shall be signed by Procurement Committee/Official and by at least one representative of procurement participants.
- e. Clarification and negotiation
- 1) Procurement Committee/Official invites consultants with the lowest bid prices to attend clarification meeting and technical negotiations. First-rank consultant is given sufficient time to prepare technical and price negotiation;
 - 2) Procurement Committee/Official clarifies and conducts technical and price negotiations with the consultant who has the lowest bid price;
 - 3) The procedure for clarification and negotiation to follow that of consultancy service procurement clarification under quality evaluation system.

G. PROCUREMENT OF INDIVIDUAL CONSULTANCY SERVICES

1. GENERAL GUIDELINES

Procurement of individual consultancy services is done by direct assignment taking into consideration price fairness factor and compliance with one of the following requirements:

- a. Completion of work does not require team work;
- b. The consultancy service is not an integrated, independent project ;
- c. The assignment can only be conducted by a specialist;
- d. The consultancy service is a special assignment to provide input (suggestions) in project implementation;

2. Procedure

The procedure for the procurement of individual consultancy services follows direct assignment method unless otherwise stipulated in the procurement document.

3. Clarification and negotiation

The committee performs clarification and negotiation of price with the consulting service to be assigned, as is the case with the consultancy service procurement under quality evaluation system. Aspects that need to be negotiated are as follows:

- a. The compliance of work plan with the type of expenditure;
- b. The type and volume of activities and total expenditure;

c. Unit price as compared to market price/reasonable price.

H. CONTRACT DRAWING UP

After the Winner is appointed, a contract that is legally binding upon both parties is prepared. The contract will specify clearly at least the following arrangements:

1. Scope of work, period of work execution, the beginning and ending of contract, and contract viability;
2. Details of rights and responsibilities of both parties. In the event that the consultant engages in partnership then the responsibility of each consultant shall be described;
3. Description regarding total cost, number of experts, type of expert, personnel unit cost, work schedule for experts and consulting staff and items for direct cost;
4. Method and terms of payment and the currency to be used.
5. Professional responsibility/liabilities towards his/her consulting services.
6. Dispute resolution.

CHAPTER V

GOODS/SERVICES PROVIDER MANAGEMENT

Goods/Services Provider management is aimed at enhancing the ability and performance of Goods/Services Provider, particularly for small Business Company, including Small Cooperatives. Goods/Services Provider Management shall cover administration system, development and performance evaluation, appreciation and and sanction given to Goods/Services Providers.

A. ADMINISTRATION OF WELL-TO-DO GOODS/SERVICES PROVIDERS:

1. In the context of procurement implementation simplification, PSC Contractor may prepare the List of Well-to-do Goods/Services Providers. The list contains main data of Goods/Services Providers that are required in the reference in evaluating the ability of Goods/Services Providers in participating in procurement activities. In procurement process, PSC Contractors may use DPM as reference without asking again required data from Goods/Services Providers that have been registered in DPM. Goods/Services Provider shall only attach photocopy of Certificate of Registration and addition of other documents, if required. PSC Contractor may use DPM from another PSC Contractor for procurement process.
2. Goods/Services Provider may register itself to become well-to-do Goods/Services Provider to PSC Contractor by transmitting the required data, including:
 - a. Deed of Company establishment or deed of company amendment,
 - b. Mandatory certificates according to applicable regulation,
 - c. Company data,
 - d. Photocopy NPWP,
 - e. Company Final Balance Sheet.
3. PSC Contractor shall determine basic company's ability of Goods/Services Provider, PSC Contractor may conduct verification and examination of the truth of the data delivered by Candidate Goods/Services Provider, including the examination of business domicile. Goods/Services Providers that meets qualifications shall be recorded in DPM and SKT shall be given by PSC Contractor concerned.
4. Goods/Services Providers that have been registered shall provide the latest data which will replace the expired ones.

B. GOODS/SERVICES PROVIDER'S DEVELOPMENT

1. Development of Small Company, including small Cooperatives.

CHAPTER V

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B. GOODS/SERVICES PROVIDER'S DEVELOPMENT

1. Development of Small Company, including small Cooperatives.

a. In empowering small business, including small cooperatives, opportunity is given to them according to their business line.

b. Training

In the context of Community based development and development of Goods/Services Providers, PSC Contractors, PSC Contractors may provide training that give benefits in promoting the performance of Goods/Services Provider, including:

- 1) PSC Contractors' Standard operating procedure;
- 2) Regulations relevant to goods/services procurement;
- 3) K3LL (Environment).

2. In performing the work, PSC Contractor may provide advance payment to small business company, including small Cooperatives, if PSC Contractor's financial condition allows it.

3. In Goods/Services procurement with substantial value and there is portion to be given to small business, including small cooperatives, this portion shall first be set forth in procurement document.

4. Non small Goods/Services Provider shall, as far as possible, give a portion to Small Goods/Services Providers in PSC Contractor's operation area. This matter shall be mentioned in its bid document.

C. WORK PERFORMANCE EVALUATION OF GOODS/SERVICES PROVIDER

Work Performance of Goods/Services Provider shall be evaluated by relevant agency within PSC Contractors according to available system and procedure of respective PSC. Basis of work performance of Goods/Services Provider may be evaluated by the following points:

1. Response to invitation to participate in procurement activities.
2. Activity:
 - a. Active in participating in procurement process;
 - b. Active in providing information, including development of new technology, new equipment and recommendation for procurement process improvement.
3. Punctuality in goods/services delivery, viewed from quality, time and price.
4. K3LL application in goods/services procurement.
5. Adherence to supply chain management ethics.

D. APPRECIATION AND SANCTION

PSC Contractors may give appreciation to Goods/Services Provider, the procedure of which shall be adjusted with that applicable within the respective PSC Contractor, whereas violations committed by Goods/Services Provider shall be imposed by sanctions by respective PSC Contractors as follows:

1. Category of violation

Violations committed by Goods/Services Providers shall be categorized as follows:

a. YELLOW Category

- 1) It does not collect goods/services procurement document three (3) times in a year;
- 2) It does not submit the bid without giving written explanation (no response) three (3) times in a year;
- 3) It does not submit the bid but given written explanation (*no quote*) five (5) times in a year;
- 4) It has been disqualified twice (2x) as it has submitted the bid that does not meet required conditions in tender document;
- 5) It cancels the submitted bid after tender opening;
- 6) It does not make any response when it has to answer clarification;
- 7) It is late in taking and sign agreement letter in a specified time limit by PSC Contractor;
- 8) It fails to supply goods and services according to the provisions of the deal that has been agreed and based on PSC Contractor's evaluation the impacts will not result in fatal consequences for PSC Contractor's operation;
- 9) Delay in supplying Goods/services according to provisions in the agreement. Tolerance time limit shall be determined by PSC Contractor itself;
- 10) If it is unable to supply goods/services because it asks price increase of goods/services which is not due to the regulation of the government of Republic of Indonesia.

b. RED Category

- 1) Influencing the practice of CCN (Corruption, Collusion, Nepotism) to participants or conspire in determining the price among the fellow procurement participants or with PSC Contractor's staff;
- 2) It is proven that through its own system, it has used force and threaten PSC Contractor;
- 3) It supplies goods/services which do not meet specifications;
- 4) It is not competent/it has no required expertise in its business;
- 5) Refuse to perform the work after it has been appointed as winner/performer;
- 6) Assign the main job to another party;
- 7) Supply goods/services by engaging PSC Contractor's staff concerned;
- 8) It is unable to supply goods/services according to the agreed provisions and from PSC Contractor's point of view, it brings fatal consequences for PSC Contractor's operation;

- 9) To commit YELLOW Category violation twice;
- 10) It is proven to have sent anonymous letter or similar action which is relevant to goods/services procurement activities;
- 11) It does not complete the work and it does not settle penalty till the specified time.

c. BLACK Category

- 1) To falsify/change document and to manipulate data;
- 2) To supply false/counterfeit goods, proven by the statement from competent agency or manufacturer/agent;
- 3) It is involved in criminal actions declared by the competent agency. For the information obtained from the media, it is necessary to have clarifications in respect of the interested party or to the competent agency;
- 4) To have committed. RED Category violations twice.

2. Sanction on violation

a. YELLOW Category:

- 1) Warning notice shall be given which is valid for six (6) months for one case of violation of the agreement. If within such period there are another yellow category violation for another agreement subject, Goods/Services Provider shall not be allowed to participate in procurement activities for one (1) year within PSC Contractor in question;
- 2) If the validity of warning notice ends, Goods/Services Provider shall submit letter to PSC Contractor declaring that it is interested to participate again in the procurement activities within PSC Contractor, by stating its plan of remedy that shall be implemented by the Goods/Services Provider in question so that similar incident would not repeat.

b. RED Category:

- 1) A letter is given to Goods/Service Provider stating that it is not allowed to participate in procurement activities for one (1) year within PSC Contractor concerned, with copy to BPMIGAS;
- 2) If the warning term expires, Goods/Services Provider shall be obliged to transmit a letter to PSC Contractor stating its proposal to participate again in procurement activities within PSC Contractor and shall declare its plan of remedy so that similar incident would not repeat, with copy to BPMIGAS.

c. BLACK Category:

Letter shall be given to Goods/Services Provider in question stating that it is not allowed to participate in procurement activities within PSC Contractor concerned with copy sent to BPMIGAS.

d. Other items:

- 1) Specifically for violation for construction service procurement, applicable sanction of violation shall be adjusted to the Law No.18 of 1999 on Construction Service.
- 2) If it is deemed necessary, PSC Contractor may add provisions regulating the sanctions to be applied and they shall be set forth in procurement document.

3. Reward

Reward may be given to Goods/Services Providers that meet requirements according to provisions of respective PSC, in the form of:

- a. Exemption from selection as candidate procurement participant (prequalification);
- b. Incentives/bonus if it is regulated in the Contract and only applicable for service contract;
- c. Appreciation letter from PSC Contractor concerned.

Appreciation given to Goods/Services Provider shall be reported to BPMIGAS by PSC Contractor concerned.

CHAPTER VI

DOMESTIC PRODUCTS AND COMPETENCY EMPOWERMENT

A. GENERAL PROVISIONS

1. DOMESTIC PRODUCTS SHALL BE ALL TYPES OF GOODS/SERVICES MADE OR PRODUCED DOMESTICALLY (LOCAL CONTENT).
 - a. IN THE MANUFACTURE PROCESS OF DOMESTIC PRODUCTS BOTH IN THE FORM OF GOODS AND SERVICES, IT SHALL BE MADE POSSIBLE AS WELL THE COMPONENT OR ELEMENT USAGE DERIVED FROM ABROAD (IMPORTED). THE LOCAL CONTENT LEVEL (TKDN) OF GOODS /SERVICES SHALL BE CALCULATED BASED ON THE LOCAL CONTENT VALUE BEING USED;
 - b. IN THE SERVICES CONTRACT, SHOULD THE EQUIPMENT OFFERED IS IN THE FORM OF:
 - 1) DOMESTIC PRODUCTS AND OWNED BY NATIONAL GOODS/SERVICES PROVIDER, IT SHALL BE CALCULATED AS 100% (ONE HUNDRED PERCENT) LOCAL CONTENT.
 - 2) OVERSEAS PRODUCTS AND OWNED BY NATIONAL GOODS/SERVICES PROVIDER, IT SHALL BE CALCULATED AS 100% (ONE HUNDRED PERCENT) LOCAL CONTENT.
 - 3) DOMESTIC PRODUCTS AND OWNED BY FOREIGN GOODS/SERVICES PROVIDER SHALL BE CALCULATED AS 75% (SEVENTY FIVE PERCENT) LOCAL CONTENT.
 - 4) OVERSEAS PRODUCTS AND OWNED BY FOREIGN GOODS/SERVICES PROVIDER SHALL BE CALCULATED AS OVERSEAS CONTENT.
 - c. IMPORTED GOODS SOLD DOMESTICALLY NOT IN THE FORM OF DOMESTIC PRODUCTS; AND IMPORTED GOODS PURCHASED THROUGH DOMESTIC GOODS/SERVICES PROVIDER SHALL NOT BE CALCULATED AS LOCAL CONTENT;
 - d. FOREIGN MANPOWER (TKA) ALTHOUGH RESIDING IN INDONESIA SHALL NOT FORM LOCAL CONTENT.
2. INCLUDING IN THE SENSE OF DOMESTIC PRODUCTS SHALL BE:
 - a. GOODS SHALL CONSIST OF:
 - 1) FINISHED GOODS, SEMI-FINISHED GOODS, EQUIPMENT, SPARE PART, MAIN COMPONENTS AND ACCESSORIES;
 - 2) RAW MATERIALS, ACCESSORIES, AND AIDS.
 - b. SERVICES SHALL CONSIST OF:
 - 1) CONSTRUCTION SERVICES, COVERING ALL ASPECTS OF PUBLIC WORKS CONSTRUCTION ACTIVITIES, MECHANICAL, ELECTRICAL AND SO FORTH;
 - 2) CONSULTING SERVICES COVERING AMONGST OTHERS:
 - a) SERVICES PROVIDER ACTIVITIES BEFORE ANY CONSTRUCTION SUCH AS SURVEY, FEASIBILITY STUDY, MASTER PLAN, ENGINEERING, DESIGN.

- b) SERVICES PROVIDER ACTIVITIES AT THE TIME OF CONSTRUCTION AS SUCH INSTALLING, PROJECT MANAGING AND SUPERVISING;
- c) SERVICE PROVIDER ACTIVITIES AT OPERATIONAL PHASE FOR IMPROVED EFFICIENCY AND PRODUCTIVITY SUCH AS TESTING, MAINTENANCE, MANAGEMENT, ACCOUNTANCY, DEVELOPMENT, EDUCATION AND TRAINING;
- d) SERVICES INDIRECTLY RELATED TO CONSTRUCTION PROJECT, SUCH ANALYSIS, AND EVALUATION
- 3) DESIGN AND ENGINEERING;
- 4) RESEARCH SERVICES;
- 5) TRANSPORTATION, INSURANCE, AUXILIARY, LEASING AND OTHER SERVICES.

3. LOCAL CONTENT GOODS/SERVICES

- a. DOMESTIC COMPONENTS SHALL BE THE LEVEL OR VALUE OF GOODS VOLUME THE PROCESSING, FABRICATION, ASSEMBLING, AND FINISHING ARE CONDUCTED DOMESTICALLY INCLUDING TRANSPORTATION FARE DOMESTICALLY, UP TILL THE LAST PLACE OF DELIVERY;
- b. DOMESTIC COMPONENTS FOR SERVICES SHALL BE LEVEL OR VOLUME OF SERVICES USED TO COMPLETE THE WORK CONDUCTED DOMESTICALLY, BY USING EQUIPMENT, AUXILIARY MEANS, THOUGHT, SOFTWARE, AND MANPOWER INCLUDING EXPERTS FROM DOMESTIC;
- c. GOODS/SERVICES LOCAL CONTENT CALCULATION (TKDN)
 - 1) TKDN/LOCAL CONTENT SHALL BE CALCULATED AS RATIO BETWEEN THE FINISHED PRODUCT PRICES LESS RAW MATERIAL PRICE, / ENGINEERING COMPONENT DERIVED FROM OVERSEAS, AGAINST THE FINISHED PRODUCT PRICE (IN PERCENT);
 - 2) TKDN OF SERVICES SHALL BE CALCULATED AS RATIO BETWEEN THE SERVICE PRICE REQUIRED LESS THE SERVICE PRICE DERIVED FROM ABROAD, AGAINST ALL THE PRICES REQUIRED (IN PERCENT).
 - 3) COMBINED TKDN SHALL BE COMBINATION OF 1) AND 2).
- 4. COMMITTEE/PROCUREMENT OFFICER SHALL PREPARE FORMS RELATED TO THE TKDN CALCULATION OF GOODS/SERVICES, IN ACCORDANCE WITH PROVISIONS FROM THE AUTHORIZED INSTITUTION;
- 5. PROCUREMENT PARTICIPANTS SHALL CONDUCT TKDN EVALUATION WITH SELF-ASSESSMENT AND ITS CALCULATION SHALL FOLLOW THE PROVISIONS ISSUED BY THE RELATED INSTITUTIONS.
SHOULD HAVING OWNED TKDN CERTIFICATE RATIFIED BY RELATED INSTITUTION; THE SAID STATEMENT SHALL BE FINAL IN NATURE.
PROCUREMENT PARTICIPANTS SHALL ASSUME THE RESPONSIBILITY IN THE

TRUTHFULNESS OF THE VALUE OF TKDN STATED BY HIM.

COMMITTEE/PROCUREMENT OFFICER SHALL NOT BE RESPONSIBLE FOR THE SAID TKDN STATEMENT AND SHALL USE IT AS THE PROCUREMENT EVALUATION BASE.

6. GOODS/SERVICES PROVIDER SHALL PROOF THE TRUTHFULNESS OF ITS TKDN VALUE STATEMENT AND ATTACH THE DETAILED TYPE AND VALUE OF THE RAW MATERIALS / AIDS MATERIAL, MANPOWER, BOTH STEMMING FROM DOMESTIC AS WELL AS OVERSEAS.
7. PROCUREMENT PARTICIPANT'S OBJECTION ON THE TKDN BIDDING PROPOSED BY OTHER PARTICIPANTS MAY ONLY BE ACCEPTED BEFORE THE ANNOUNCEMENT OF THE TENDER WINNER.
8. SHOULD ANY OBJECTION IS LODGED, THE COMMITTEE OR OFFICIAL OR PROCUREMENT OFFICER SHALL ASK VERIFICATION FROM THE RELATED INSTITUTION, AND THE RESULT OF WHICH SHALL BE FINAL IN NATURE, NOT FORM ANY POST BIDDING, AND SHALL AFFECT EVALUATION PROCUREMENT IN THE SENSE OF :
 - a. VERIFICATION RESULT OF TKDN IS THE SAME OR BIGGER THAN THE STATEMENT DURING BIDDING PROCUREMENT PARTICIPANTS, THE TKDN VALUES IN THE SAID BIDDING SHALL REMAIN BECOME THE BASE OF PROCUREMENT. TKDN VALUE SUCH AS MENTIONED IN THE BIDDING OF THE PARTICIPANT IN THE SAID PROCUREMENT MENTIONED ON THE CONTRACT;
 - b. VERIFICATION LETTER OF TKDN IS SMALLER THAN THE STATEMENT DURING BIDDING, THE SAID TKDN RESULTING FROM THE SAID VERIFICATION, SHALL BE COME THE BASE OF EVALUATION. HOWEVER SHOULD THE PROCUREMENT PARTICIPANT BECOMES THE WINNER, THE TKDN VALUE MENTIONED IN THE CONTRACT SHALL B VALUE OF TKDN DURING THE PRICE OF SAID PARTICIPANT PLUS 10% (MAXIMUM TKDN 100%), THE PROVISION PROVIDED FOR THE SAID CASE IS MENTIONED IN THE PROCUREMENT DOCUMENT;
 - c. SHOULD AFTER TEN (10) WORKING DAYS AFTER THE DELIVERABLES ARE ACCEPTED IN FULL, HAVING NOT BEEN OBTAINED THE COMPLETE VERIFICATION RESULT FORM THE RELATED INSTITUTION, THE TKDN BIDDING SHALL BE USED AS BASE OF THE FINAL EVALUATION. (HEH)
9. THE FACTOR OF LOCAL CONTENT (TKDN) MENTIONED IN THE CONTRACT.

B. DOMESTIC PRODUCTION EMPOWERMENT

1. PSC CONTRACTORS IN GOODS/SERVICE PROCUREMENT FOR THEIR OPERATIONAL REQUIREMENT SHALL HAVE TO MAKE EFFORTS PRODUCT/SERVICE USAGE OF DOMESTIC PRODUCT AND PRIORITIZING NATIONAL PROVIDERS, AMONGST OTHER:
 - a. IMPORTING EXPLICITLY AND CLEAR INTO THE PROCUREMENT DOCUMENTS THE TERMS OF USAGE DOMESTIC PRODUCTS INCLUDING ITS SANCTION, AND DESCRIBED TO ALL THE PROCUREMENT PARTICIPANTS;
 - b. IN THE CASE OF MANPOWER/CONSULTANT PROCUREMENT, SPECIAL REQUIREMENTS SHALL HAVE TO BE PAID ATTENTION TO ON FOREIGN MANPOWER PROCUREMENT.
 2. SHOULD DUE TO THE NATURE AND SCOPE OF PROCUREMENT, IT CAN NOT BE PROVIDED BY ONE NATIONAL PROVIDER, THE OPPORTUNITY SHALL BE GIVEN TO MAKE IT POSSIBLE THE GOODS/SERVICES PROVIDERS MAY JOIN A CONSORTIUM OR SYNERGIZED IN ANY OTHER FORM OF COOPERATION BOTH BETWEEN PEERS OF NATIONAL PROVIDER AS WELL AS WITH FOREIGN PROVIDERS.
 3. IN THE PROCESS OF GOODS/SERVICES PROCUREMENT PROCESS, THE PSC CONTRACTORS SHALL HAVE TO BE DILIGENTLY MAKE EFFORTS OF USING THE LOCAL PRODUCTS AND COMPETENCY BY WAY OF:
 - a. SPECIFICATIONS OF GOODS/SERVICES TO THE MAXIMUM REFERRING TO THE SPECS OF GOODS/SERVICES HAVING BEEN PRODUCED DOMESTICALLY;
 - b. STIPULATING TIME OF DELIVERY OF PRODUCTION REASONABLY;
 - c. STIPULATING QUANTITY IN ACCORDANCE WITH REQUIREMENT HOWEVER NOT IN EXCESSIVE MANNER, SO AS TO MAKE THE DOMESTIC CAPABILITY CAN NOT MEET IT.
 - d. CARRYING OUT PROCUREMENT BY ONLY INCLUDING THE DOMESTIC PRODUCTS FOR GOODS HAVING BEEN PRODUCED LOCALLY; IF NEGOTIATION HAS BEEN EXECUTED, THRU DOMESTIC PRODUCTS PRICING ARE STILL HIGHER THAN HPS/OE/EE, RE-TENDERING SHALL BE MADE BY INCLUDING THE IMPORTED PRODUCTS;
 - e. PROVIDE PREFERENTIAL PRICES TO DOMESTIC PRODUCTS;
- SHOULD THE PROCESS RESULT OF PROCUREMENT HAS APPLIED THE ABOVE-MENTIONED PROVISIONS, HOWEVER IT TURNS OUT THAT THE WINNER IF FOREIGN PRODUCTS/PROVIDERS TO EXPORT THEM, THE PSC CONTRACTORS SHALL HAVE IT PROCESSED, IN ACCORDANCE WITH THE APPLICABLE PROVISIONS.

IMPORTED GOODS SHALL ONLY BE MADE POSSIBLE WHEN:

- a) HAVING NOT BEEN PRODUCED DOMESTICALLY OR
- b) STANDARD QUALITY DOMESTIC PRODUCTS HAS NOT MET MINIMUM TECHNICAL REQUIREMENTS, OR

- c) AFTER NEGOTIATION, DOMESTIC PRODUCTION PRICE REMAINS HIGHER THAN HPS/OE/EE AND AFTER REPEAT TENDER HAS BEEN HELD BY INCLUDING IMPORT PRODUCT, DOMESTIC PRICE AFTER TKDN PREFERENCE CALCULATION IS STILL HIGHER AS COMPARED TO THE LOWEST COST, INSURANCE AND FREIGHT (CIF) OF IMPORTED PRODUCT ADDED BY ENTRY DUTY AND LEVIES IN THE CONTEXT OF IMPORT.

C. PRICE PREFERENCE

1. In order to obtain TKDN price preference in bid evaluation, goods shall have TKDN (domestic content level) of twenty five percent (25%) minimum, while services shall have minimum TKDN of thirty percent (30%). Goods/Services with TKDN less than the above provisions TKDN price preference shall not be given;
2. Price preference shall be calculated proportionately for domestic goods/services against lowest price of foreign goods/services bid as follows:
 - a. For goods, it shall be fifteen percent (15%) from lowest imported goods price bid;
 - b. For service, it shall be seven and half percent (7,5%) at the highest from the lowest price of foreign service bid;
 - c. For contract service, preference calculation of respective component shall comply with provisions of the above point C.2. a. and b.
Percentage of respective goods/services TKDN shall be calculated from the comparison between:
 - 1) Domestic goods value with total of goods value;
 - 2) Domestic service value with total of service value;Contract service TKDN value represents the addition of the values referred to at the above point c. 1) and 2);
 - d. For integrated construction service (engineering procurement and construction/EPC), preference calculation of respective component shall comply with the above provisions of C.2. a. and b.
Percentage of respective TKDN of goods and services elements shall be calculated from comparison between:
 - 1) Domestic goods value with total of goods value;
 - 2) Domestic service value with total of services value;
 - 3) Other than goods and service elements preference, for construction service, preference is also given based on company status that executes the work in question as follows:
 - a) Amounting to seven and a half percent (7, 5%) of preference amount of goods and service, if such work is fully carried out by Construction Service National Contractor and minimum thirty percent (30%) is executed in Indonesia.
 - b) Amounting to five percent (5%) of goods and service preference amount, if it is performed by consortium between.

- Construction Service National Contractor with foreign company and minimum thirty percent (30%) is performed in Indonesia.
- c) Amounting to two and half percent (2, 5%) of goods preference amount plus services, if such work is fully performed by Construction Service National Contractor, but it is not performed in Indonesia.
 - d) Company status preference is not given if it is fully performed by construction service foreign company or by the company which is not Construction Service National Contractor.
 - e. For contract service and integrated construction service the respective goods and service TKDN shall be set forth in the contract and bind either party.
3. Price preference shall be used as price comparison instrument in price bid evaluation phase that has met technical and administrative requirements, including arithmetical correction.
4. Final Evaluation Price Calculation Formula (HEA) TKDN:
- a. Goods HEA $= (100\% / (100\% + P_b)) \times HP_b$
 - b. Service HEA $= (100\% / (100\% + P_j)) \times HP_j$
 - c. Construction HEA $= (HEA \text{ goods}) + (HEA \text{ service}) \times (100\% / (100\% + P_{sp}))$
- Where:
- HP_b = Goods bid price
 - HP_j = Service bid price
 - P_b = Goods preference adhering to C.2.a. Provisions
 - P_j = Good preference adhering to C.2.b. provisions
 - P_{sp} = Company Status Preference adhering to point C.2.d.3) provisions

Note:

- a. In case where procurement evaluation requires normalization process that will affect bid ranking, the process shall be conducted after HEA calculation process.
- b. If there are two or more bids which are equal after normalization, then bidder with the largest local content bid value shall be selected as winner.

D. SANCTION FOR DEVIATION OF LOCAL CONTENT (TKDN)

- 1. If, after contract/PO implementation, Auditor finds out the use of TKDN value which is smaller than what is written in the contract due to the mistake of Goods/Services Provider, Goods/Services Provider shall be imposed by sanctions as follows:

2. Administration Sanction.

- a. One (1) time mistake: it shall be included in yellow category with sanction in accordance with the provisions of Chapter V point D.2.a.
- b. Two (2) times mistake, it shall be included in red category with sanction in accordance with Chapter V, point D.2.b provisions.
- c. Three (3) times mistakes, it shall be included in black category with sanction in accordance with Chapter V point D.2.c provisions.

3. Financial sanction

- a. The achievement of local content in contract implementation if applied at bid evaluation shall not change winner's ranking.
Amount of sanction shall be discrepancy of price normalization calculation which is won by price normalization on TKDN actually performed.

Example:

Goods/Ser vices Provider	Bid				Implementation		
	Bid Price(Rp)	TKDN	HEA (Rp)	Ranking	TKDN	HEA (Rp)	Ranking
A	1.100.000.000	80%	982.142.857,14	I	75%	988.764.044,94	I
B	1.050.000.000	40%	990.566.037,74	II	40%	990.566.037,74	II
C	1.200.000.000	80%	1.071.428.571,43	III	80%	1.071.428.571,43	III

Amount of sanction imposed to Service Provider A shall be:
Rp988.764.044, 94 - Rp982.142.857, 14 = Rp6.621.187, 80

- b. TKDN content in contract implementation if applied at bid evaluation changes winner's ranking:
Amount of sanction shall be discrepancy of bid value gained by defeating the best bid added by the discrepancy of price normalization calculation gained by price normalization on TKDN which is actually implemented.

Example:

Goods/Ser vices Providers	Bid				Implementation		
	Bid Price (Rp)	TKDN	HEA (Rp)	Ran king	TKDN	HEA (Rp)	Ranking
A	1.100.000.000,00	80%	982.142.857,14	I	60%	1.009.174.311,93	II
B	1.050.000.000,00	40%	990.566.037,74	II	40%	990.566.037,74	I
C	1.200.000.000,00	80%	1.071.428.571,43	III	80%	1.071.428.571,43	III

Amount of sanction imposed to Service Provider A is:
(Rp1.100.000.000, 00 – Rp1.050.000.000, 00) +

(Rp1.009.174.344, 93 – Rp982.142.857, 14)=
Rp50.000.000, 00 + Rp27.031.454, 79 =
Rp77.031.454, 79

- c. If goods TKDN realization is smaller than it is mentioned in the contract and the change of TKDN is not accountable, additional sanction is imposed in the form of an amount of entry duty value plus levies of import from local content value which cannot be fulfilled.

E. IMPLEMENTATION SUPERVISION OF DOMESTIC PRODUCED GOODS/SERVICES PROCUREMENT

1. Supervision is performed to monitor and remind Goods/Services Provider on its obligation to comply with TKDN agreed in the Contract.
2. Every month PSC Contractor shall report in writing goods/service procurement of domestic production to BPMIGAS by using the form SC.04/SC.05 in the attachment FL-004/FL-005.
3. BPMIGAS shall be responsible for disseminating information on the competency of domestic product to PSC Contractors.

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