

## ABSTRACT

Formation of contracts in transactions made by the Government of Indonesia is still referred to in article 1320 Burgerlijk Wetboek (BW) and a variety of Presidential Decree regulating the implementation of state budget revenues and expenditures as well as guidelines for the implementation of government procurement of goods and services. The implications of such a situation is not only the issue of legal certainty, but in many ways it brings losses to the state finance. In connection with the issuance of the decision by the Court of Tenggarong which states that local governments of Kutai Kartanegara have been guilty by non fulfilment to the Contractor, so that the local governments of Kutai Kartanegara was sentenced to a payment of the contract value is accompanied by a fine, of course, this can cause financial losses to the state.

In this thesis, the author focuses on the Local Government Liability In Construction Contracts Implementation. Targets to be achieved is the relationship between Local Government as Contractual service users with the Contractor to the fulfillment of achievement; and dispute resolution efforts by local governments as a result of default in the contract construction work.

The study explains that the manufacture of construction contracts that are made specifically regulated in Law Number 18 Year 1999 About the Construction Services and its implementing regulations, particularly the Presidential Regulation Number 54 Year 2010 Concerning the Procurement of Goods / Services as a successor regulations of Presidential Decree Number 80 Year 2003 on Guidelines for Procurement of Goods / Services for Construction Contracts included in the Procurement Contract as stipulated in the regulations.

In Construction Contracts involving local government, although not set in writing in the Construction Contract and the regulations governing the procurement of goods / services, if local governments do defaults resulting in losses to the Contractor, the Contractor still can request fulfillment of their rights and compensation for losses suffered either through consultation with local governments or by filing a lawsuit to the court or alternative dispute resolution institution.

Key words: Construction contract, non fulfilment, compensation cost