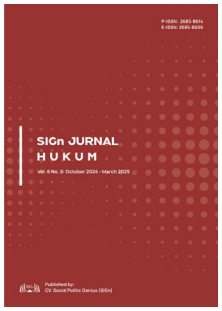

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Article Title

Dispute Resolution Mechanism Related to Force Majeure Clauses in Construction Contracts: A Case Study of Procurement Process at the State-Owned Enterprises

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ABSTRACT

The COVID-19 pandemic caused significant disruptions in the execution of construction contracts, leading to disputes related to force majeure claims. This article examines the force majeure dispute resolution mechanism in construction contracts at XYZ Ltd, an Indonesian SOE. This research employs normative and empirical legal approaches, with a case study on XYZ Ltd. Primary data were obtained through analysis of construction contract documents, a legal opinion from the State's Attorney, and other relevant documents. Secondary data includes statutory regulations, court decisions, and related legal literature. The data were analyzed using qualitative content analysis and case analysis techniques. The research findings reveal that XYZ Ltd resolved disputes with service providers through negotiation, taking into account the legal opinion from the State's Attorney, which recognized the pandemic as force majeure but emphasized the principles of pacta sunt servanda and good faith. The involvement of the BPKP through a claim audit strengthened accountability and good corporate governance. The audit results served as the basis for negotiations to minimize state financial losses. This research highlights the complexity of applying force majeure clauses in construction contracts, the importance of renegotiation, and the crucial role of legal opinions and independent audits in dispute resolution at SOEs.

Keywords: *Construction Contracts; COVID-19; Force Majeure; Negotiation; SOEs.*

INTRODUCTION

The construction industry is a vital sector of the Indonesian economy, making significant contributions to infrastructure development and national economic growth (Wiraantaka et al., 2025). However, this sector is also highly susceptible to various risks, both internal and external. One of the most significant challenges the construction industry has faced in recent years is the COVID-19 pandemic, which has had unprecedented, multidimensional impacts (Frisyudha et al., 2021). This pandemic has not only threatened the health and safety of construction workers but has also disrupted global supply chains, caused material price fluctuations, and triggered significant economic uncertainty.

The impact of the COVID-19 pandemic on ongoing construction contracts has been substantial. Large-scale social restrictions and lockdown policies implemented by the government to curb the spread of the virus resulted in delays and even temporary suspensions of many construction projects (Rostiyanti & Agustin, 2023). Contractors experienced difficulties in fulfilling their contractual obligations, such as completion deadlines and quality standards, due to labor shortages, material supply disruptions, and other logistical constraints. These conditions created a significant potential for legal disputes between parties to construction contracts, particularly concerning force majeure claims, time extensions, additional cost compensation, and even contract termination.

Furthermore, State-Owned Enterprises (SOEs), as construction service users, also faced significant financial challenges due to the pandemic. Revenue declines in

various business sectors, coupled with the obligation to continue executing national strategic projects, put pressure on cash flow and the ability of SOEs to finance construction projects. These budget constraints can have implications for contract renegotiations, payment delays to contractors, or even the cancellation of lower-priority projects. This situation complicates the resolution of construction contract disputes, as SOEs must balance the interests of maintaining project continuity with existing financial resource limitations.

Within the context of contract law, the COVID-19 pandemic can be categorized as a force majeure event, an occurrence beyond the control of the parties that prevents the performance of contractual obligations (Setyowati, 2021). Force majeure clauses are commonly found in construction contracts; however, their interpretation and application in the pandemic situation often lead to disagreements between project owners and contractors. These differences in interpretation, coupled with legal uncertainty and a lack of clear precedent, led to an increase in the number of construction contract disputes during the pandemic. It necessitates effective and efficient dispute resolution mechanisms to maintain project continuity and minimize losses for all parties involved (Junaedi et al., 2025).

Previous research has examined the impact of the COVID-19 pandemic on the construction industry from various perspectives. Henong (2022), through a systematic literature review, highlighted the pandemic's impact on construction project completion. Meanwhile, Sijabat et al. (2024) analyzed the pandemic's impact on project execution but did not specifically address construction contract disputes and their resolution mechanisms, especially regarding force majeure and its implications for SOEs. These studies provide an important foundation but do not fully answer the question of how contract disputes related to force majeure clauses are resolved in practice, especially in the context of SOE procurement.

This research fills that literature gap by offering a novel, in-depth investigation of dispute resolution mechanisms related to force majeure clauses in construction service procurement contracts at XYZ Ltd, an Indonesian SOE. Moreover, this is further strengthened by the utilization of a legal opinion from the State's Attorney as a source of data, differentiating this study. Therefore, this research aims to identify the legal issues that arise, analyze the implementation of force majeure clauses in practice, and evaluate the effectiveness of the dispute resolution mechanisms employed by XYZ Ltd. The results of this research are expected to make a significant contribution to the development of contract law and construction law, as well as provide practical recommendations for SOEs and other construction industry players in managing risks and resolving contract disputes arising from pandemics or other force majeure events in the future.

METHOD

This research examines the dispute resolution mechanisms for construction contracts arising from force majeure claims at XYZ Ltd. The study combines normative legal and empirical legal approaches to achieve this objective (Qamar & Rezah, 2020). The normative legal approach is employed to analyze legal norms and principles, as well as statutory regulations related to contract and construction law, specifically force majeure clauses and their dispute resolution. The empirical legal approach is used to understand the implementation of these legal norms in the procurement practices of XYZ Ltd. The research type employed is descriptive, aiming to provide a detailed, systematic, and factual description of the dispute resolution mechanisms, including the processes, procedures, and underlying legal considerations.

The research data is sourced from primary and secondary data (Sampara & Husen, 2016). Primary data was obtained through in-depth interviews with parties directly involved in the dispute resolution process at XYZ Ltd, as well as analysis of construction contract documents, legal opinions from the State's Attorney, meeting minutes, correspondence, and other relevant internal documents. Secondary data was collected through an extensive literature review, encompassing the Civil Code, Law Number 2 of 2017, construction contracts, court decisions related to construction contract disputes, official documents, reference books, and scholarly journal articles in the fields of contract law and construction law. Note that Law Number 2 of 2017, which was mentioned in the original Bahasa Indonesia text, was renamed according to its formal translation.

Data analysis in this study utilizes two main techniques: qualitative content analysis and case analysis (Irwansyah, 2021). Qualitative content analysis is applied to identify, categorize, and interpret key themes and patterns emerging from the textual data, both primary and secondary, to extract the meaning contained therein. Meanwhile, case analysis is used to construct an in-depth and contextual understanding of the dynamics of dispute resolution at XYZ Ltd, considering the chronology of events, the parties involved, legal arguments, and factors influencing the dispute resolution process and outcomes. Thus, this case analysis enables the research to make a significant contribution to understanding construction contract dispute resolution, particularly in the context of force majeure at SOEs, and to achieve its objective, which is to provide practical recommendations for the resolution of similar construction contract disputes in the future.

RESULTS AND DISCUSSION

A. Analysis of Force Majeure Claims in Construction Contract Disputes at XYZ Ltd

As an SOE operating in the infrastructure sector, XYZ Ltd routinely enters into construction contracts with various service providers to realize development projects. Contracts agreed upon before 2018 were generally drafted under normal circumstances, where risks and allocation of responsibilities were regulated based on the prevailing assumptions at that time. Contractual clauses, including those related to force majeure, generally refer to reasonably foreseeable extraordinary events. However, the COVID-19 pandemic presented unprecedented challenges and fundamentally altered the legal landscape of construction contracts.

The COVID-19 pandemic, with all its implications, triggered a series of events that directly affected the execution of XYZ Ltd's construction contracts. Large-scale social restrictions and lockdown policies implemented by the government resulted in significant disruptions to material supply chains, labor shortages, and increased operating costs. XYZ Ltd, which was also financially impacted, responded to this situation by formally issuing a force majeure notice to its service providers. The letter explicitly declared a temporary suspension of all ongoing construction work activities and requested a postponement of payments from XYZ Ltd to service providers until January 2021. This action by XYZ Ltd indicated the company's recognition that the COVID-19 pandemic constituted a force majeure event hindering the performance of contractual obligations.

The parties' agreement to amend the contract, solely addressing time extensions without touching upon compensation issues, became the root of the dispute later on. From a contract law perspective, this amendment can be interpreted as a waiver or estoppel, where the parties are deemed to have relinquished certain rights or are bound by the new agreement (Harita & Mudiparwanto, 2023). Consequently, XYZ Ltd could argue that the service providers had waived their right to claim compensation for the pandemic's impact, at least for the period covered by the amendment.

The situation took a turn when XYZ Ltd's financial condition began to improve around 2023. The company planned to resume the previously delayed construction projects. However, there was a significant time gap between the end date of the payment postponement stated in the force majeure notice (January 2021) and the time when XYZ Ltd was actually ready to resume the projects (2023). This time gap of approximately two years raised complex legal questions. XYZ Ltd's actions in delaying payments and project execution beyond the period stipulated in the

force majeure notice could be interpreted as a violation of the principle of good faith in contract performance. Furthermore, such actions potentially constitute a new form of breach of contract by XYZ Ltd, as prolonged delays without a clear legal basis could harm the service providers.

The service providers subsequently submitted substantial compensation claims, including price adjustments, late payment interest, and overhead costs, alleging that post-pandemic economic conditions had materially changed and the remaining contract value no longer reflected the actual costs they had to bear. These claims, from a legal perspective, can be analyzed from two opposing viewpoints. On the one hand, the service providers could argue that the drastic and unforeseen changes in economic conditions due to the pandemic meet the criteria for hardship, which in some legal systems can be grounds for demanding contract revision (Jaya et al., 2023). On the other hand, XYZ Ltd could adhere to the principle of pacta sunt servanda, which states that agreements must be kept as they are, and reject the claims because there was no clause in the contract explicitly addressing compensation due to hardship (Wisnuaji et al., 2025).

XYZ Ltd's position became precarious due to the absence of specific clauses in the contract governing compensation for force majeure or significant changes in economic conditions. On one hand, XYZ Ltd is bound by the principle of pacta sunt servanda and prudence in managing state finances. On the other hand, an outright rejection of the service providers' claims could potentially lead to contract termination, which would hinder project completion and potentially result in greater losses. This situation highlights the importance of contract renegotiation as a mechanism for adapting to unforeseen changes in circumstances. The request for a legal opinion from the State's Attorney and the involvement of the Financial and Development Supervisory Agency (BPKP) in auditing the claims indicate XYZ Ltd's efforts to seek a comprehensive and accountable legal solution, considering the principles of contract law, state finance law, and the continuity of development projects.

B. Juridical Analysis of the State's Attorney's Legal Opinion Regarding Force Majeure in the XYZ Ltd Construction Contract Dispute

In response to the force majeure claim dispute in the construction contract between XYZ Ltd and the service provider, XYZ Ltd requested a legal opinion from the State's Attorney. The legal opinion contains key points of legal analysis that form the basis of the State's Attorney's recommendations. This subsection will juridically analyze these key points, considering their conformity with the principles of contract law, state finance law, and relevant statutory regulations, as well as their implications.

1. The Agreement as the Source of Obligation

The State's Attorney's legal opinion begins by affirming that the Construction Contract signed by XYZ Ltd and the service provider is the source of the binding obligation between the two parties. This affirmation is based on a fundamental principle of contract law, namely the principle of freedom of contract, as stipulated in Article 1338 of the Civil Code. This article states that all legally made agreements are binding as law for those who make them, thus emphasizing the binding force of the agreement reached.

Furthermore, the State's Attorney refers to Article 1339 of the Civil Code, which states that agreements are not only binding for matters expressly stated therein but also for everything that, according to the nature of the agreement, is required by propriety, custom, and the law. It broadens the scope of contractual obligations, not limited to the written words, but also to the norms that exist in business practice and applicable legal provisions (Indahwati et al., 2025). The implication, in the context of the force majeure dispute, is that the State's Attorney emphasizes that the parties remain bound by all provisions of the contract unless there is a strong legal basis for deviation, such as the existence of a force majeure event that meets the legal requirements (Sumantri et al., 2025).

The State's Attorney's analysis of the source of the obligation provides a solid foundation for further discussion. By emphasizing the binding force of the agreement, the State's Attorney seemingly gives a warning to XYZ Ltd not to easily disregard the rights of the service provider arising from the contract, even in a pandemic situation. This approach emphasizes the principle of pacta sunt servanda as the main basis for dispute resolution (Marpaung et al., 2024).

2. Issuance of the Board of Directors Instruction Regarding Force Majeure

In its legal opinion, the State's Attorney highlights XYZ Ltd's action in issuing a Board of Directors' Instruction regarding the Notification of Unforeseen Circumstances (Force Majeure) in response to the COVID-19 pandemic. This instruction contained two main points: the temporary suspension of all construction work activities and a request for postponement of payments until January 2021. The issuance of this instruction indicates that XYZ Ltd recognized the pandemic as an event that potentially met the criteria for force majeure, affecting the company's ability to fulfill its contractual obligations.

However, the State's Attorney also seems to imply the need for caution in such unilateral actions. Although the pandemic is generally recognized as

an extraordinary event, the issuance of a force majeure instruction should be preceded by a careful analysis of the force majeure clause in the contract itself. It is to ensure whether the pandemic meets the conditions stipulated in the contract to be qualified as force majeure, as well as the notification mechanism and legal consequences.

Furthermore, XYZ Ltd's action of setting a payment postponement deadline until January 2021 without prior negotiation with the service provider can be interpreted as less cooperative. Ideally, in a force majeure situation, the parties should strive to reach an agreement on contract adjustments rather than unilaterally imposing their will (Iskandar, 2021). The State's Attorney's analysis on this point indicates that XYZ Ltd's action, although reasoned, has the potential to be challenged from a contract law perspective.

3. Analysis of the Force Majeure Clause in the Construction Contract

The State's Attorney specifically analyzes Article 64 of the Construction Contract between XYZ Ltd and the service provider, which regulates force majeure. This article defines force majeure as an event beyond the control of the parties that directly and substantially affects the ability of the affected party to perform its obligations and mentions several examples, including disease outbreaks. Based on this definition, the State's Attorney argues that the COVID-19 pandemic can, in principle, be qualified as force majeure.

However, the State's Attorney's analysis does not stop at the general definition. The State's Attorney highlights Article 64 point (e) of the Construction Contract, which states that the actions taken to address the force majeure event and the party bearing the losses must be determined by mutual agreement of the parties. This provision underscores the importance of deliberation and negotiation between XYZ Ltd and the service provider to reach a fair and balanced solution (Sebastian et al., 2025). The State's Attorney emphasizes the necessity of not disregarding the substance of the agreement made.

The implication of the State's Attorney's emphasis on the agreement of the parties is that XYZ Ltd cannot automatically impose the entire impact of force majeure on the service provider. Instead, XYZ Ltd has a legal obligation to act in good faith in seeking a joint solution, including considering the possibility of contract adjustments, time extensions, or reasonable compensation (Nugroho et al., 2022). Failure to reach an agreement through deliberation could open the possibility for the service provider to sue XYZ Ltd for breach of contract.

4. Contract Documents as an Integrated Whole

The State's Attorney affirms that all contract documents, as stipulated in Article 7 of the Construction Contract, constitute an integral whole and have equal legal force. These documents include contract amendments (either in the form of Minutes of Meeting or Addenda), contract articles, attachments, and minutes signed by the parties. This affirmation has important implications in the context of the compensation claims filed by the service provider.

By emphasizing the unity of the contract documents, the State's Attorney seemingly reminds XYZ Ltd not to be fixated only on the initial agreement but also on any changes or additional agreements that may have been made, including the time extension addendum. If the addendum does not address compensation, XYZ Ltd can argue that the service provider has waived its right to claim compensation, at least for the period covered by the addendum.

However, the State's Attorney also implies that if other documents (e.g., minutes of meetings) contain agreements regarding compensation or price adjustments, then those documents also have equal legal force and must be considered. The State's Attorney's analysis on this point encourages XYZ Ltd to conduct a comprehensive review of all contract documents to ensure that no agreements are overlooked

5. Force Majeure Provisions in the Civil Code

The State's Attorney's legal opinion is not limited to the contract clauses but also refers to the force majeure provisions in Articles 1244 and 1245 of the Civil Code. Article 1244 of the Civil Code stipulates that the debtor may be released from the obligation to pay costs, losses, and interest if the non-performance of the obligation is caused by an unforeseen and unaccountable event. Article 1245 of the Civil Code affirms that there is no compensation for costs, losses, and interest if the debtor is prevented by a compelling circumstance or unforeseen event.

Furthermore, the State's Attorney reinforces its argument by referring to Supreme Court jurisprudence, namely Supreme Court Decision No. Reg. 15 K/Sip/1957 and No. Reg. 24 K/Sip/1958. This jurisprudence requires the existence of 'inability to fulfill obligations' and 'the absence of other legal alternatives' as elements of force majeure. By referring to the Civil Code and jurisprudence, the State's Attorney provides a broader and stronger legal basis for its analysis of force majeure, not relying solely on the interpretation of contract clauses.

The implication of the State's Attorney's reference to the Civil Code and jurisprudence is that XYZ Ltd cannot automatically claim force majeure based solely on the existence of the pandemic. XYZ Ltd must be able to prove that the pandemic truly made it impossible to perform the contractual obligations, and that there were no other reasonable alternatives that could be taken. It presents a challenge for XYZ Ltd, especially if the service provider can demonstrate that they still can carry out the work, albeit at a higher cost.

6. Dispute Resolution Pursuant to Law Number 2 of 2017

The State's Attorney cites Article 88 of Law Number 2 of 2017 as the legal basis for dispute resolution. This article prioritizes the principle of deliberation to reach a consensus (musyawarah untuk mufakat) as the first step (Wisatrioda et al., 2025). If deliberation fails, the parties may proceed with the dispute resolution stages stipulated in the contract, namely mediation, conciliation, or arbitration. If these stages are not stipulated in the contract, the parties must make a written agreement on the dispute resolution mechanism to be chosen.

By citing this article, the State's Attorney reminds XYZ Ltd that dispute resolution must be carried out in stages and in accordance with applicable procedures. XYZ Ltd cannot directly bring this dispute to court without first attempting to resolve it through alternative dispute resolution (ADR) mechanisms regulated in Law Number 2 of 2017 and/or the contract.

Furthermore, the State's Attorney's emphasis on musyawarah indicates that the State's Attorney encourages non-litigious dispute resolution (out-of-court settlement). Resolution through musyawarah, mediation, or conciliation is considered faster, cheaper, and better preserves the relationship between the parties compared to resolution through court or arbitration (Yanuar et al., 2025). It is in line with the spirit of Law Number 2 of 2017, which promotes cooperative dispute resolution.

7. Dispute Resolution Pursuant to the Contract

In addition to referring to Law Number 2 of 2017, the State's Attorney also analyzes Article 68 of the Construction Contract between XYZ Ltd and the service provider, which regulates dispute resolution. This article also prioritizes musyawarah as the first step. If musyawarah does not reach a consensus, the parties can resort to mediation, conciliation, or arbitration at the LKPP (Government Procurement Policy Institute) Dispute Resolution Board. If resolution at LKPP is unsuccessful, only then can the dispute be brought to the Indonesian National Board of Arbitration (BANI).

The State's Attorney's analysis of this article reiterates that the contract itself has provided a tiered and specific dispute resolution mechanism. XYZ Ltd and the service provider are bound to follow that mechanism. The option to take the dispute directly to BANI without going through the stages of musyawarah, mediation, or conciliation at LKPP could be considered a violation of the contract terms.

By emphasizing the dispute resolution clause in the contract, the State's Attorney reinforces the principle of pacta sunt servanda and encourages the parties to respect the agreement they have made. It also shows that the State's Attorney is more inclined toward dispute resolution through agreed-upon mechanisms rather than through court intervention.

8. Conclusion and Recommendations

The State's Attorney's juridical analysis in its legal opinion comprehensively integrates various legal aspects relevant to the force majeure dispute between XYZ Ltd and the service provider. The State's Attorney elaborates on the philosophical-theoretical foundation of the agreement as a source of obligation to the technical provisions of dispute resolution in Law Number 2 of 2017 and the Construction Contract. This holistic approach by the State's Attorney provides valuable guidance for XYZ Ltd in navigating the complexities of construction contract law, especially in unprecedented situations like the COVID-19 pandemic.

Although the State's Attorney's legal opinion does not explicitly state whether the service provider's compensation claim should be accepted or rejected in its entirety, its direction is very clear; the recommendations are implicit. *First*, the State's Attorney encourages XYZ Ltd to recognize the COVID-19 pandemic as a force majeure event, but with the understanding that this recognition does not automatically release XYZ Ltd from all contractual obligations. Recognition of force majeure must be accompanied by careful analysis of the contract clauses, the Civil Code, and jurisprudence to determine the extent to which the pandemic affected contract performance and what rights and obligations arise as a result.

Second, the State's Attorney emphasizes the importance of musyawarah and contract renegotiation as a manifestation of good faith in dealing with fundamental changes in circumstances. This approach is in line with the principle of flexibility in modern contract law, which recognizes that contracts do not always have to be rigidly enforced according to their original text, especially if extraordinary events occur that significantly alter the contractual

balance. Successful renegotiation can result in a fairer and more sustainable agreement for both parties and prevent potential greater losses due to contract termination.

Third, if renegotiation is unsuccessful, the State's Attorney directs XYZ Ltd to follow the dispute resolution path stipulated in the contract and Law Number 2 of 2017, namely through LKPP or BANI. This recommendation reflects the State's Attorney's preference for non-litigious dispute resolution, which is considered more efficient, cost-effective, and preserves the relationship between the parties. By following the agreed-upon dispute resolution mechanism, XYZ Ltd demonstrates its commitment to the rule of law and good corporate governance.

Thus, the State's Attorney's legal opinion provides a comprehensive framework for XYZ Ltd to resolve the force majeure dispute in a principled and pragmatic manner. By emphasizing in-depth legal analysis, this legal opinion not only assists XYZ Ltd in making informed and accountable decisions but also contributes to the development of adaptive construction contract law practices in response to changing times, especially for SOEs. This legal opinion implicitly emphasizes the importance of making more detailed, thorough, and comprehensive agreements as risk mitigation (Nababan & Ntuacademy, 2022).

C. The Role of the BPKP in Auditing Claims for the Resolution of Construction Contract Disputes at XYZ Ltd

As an SOE operating in the infrastructure sector, XYZ Ltd has a dual responsibility when facing construction contract disputes triggered by force majeure claims and compensation demands from service providers. On the one hand, there is an interest in promptly completing delayed construction projects, which are essential for national development and the public interest. On the other hand, XYZ Ltd is bound by the principles of prudence and accountability in managing state finances, which do not permit state expenditures without a legal basis and careful calculation (Alfian et al., 2023). The balance between these two responsibilities forms the philosophical basis for the involvement of the BPKP.

Following up on the State's Attorney's legal opinion recommendation advocating for dispute resolution through negotiation, XYZ Ltd initiated a series of meetings with the service provider. These intensive negotiations focused on three main components of the compensation claim: price adjustments due to market disruptions, compensation for interest on late payments arising from XYZ Ltd's payment postponements, and reimbursement of overhead costs claimed by the service provider during the project suspension period. Although these initial

negotiations resulted in a tentative agreement on the claim value, XYZ Ltd, as an entity responsible for state finances, could not immediately endorse the agreement.

XYZ Ltd's decision to involve the BPKP by requesting a Claim Audit embodies the principles of the business judgment rule and good corporate governance. The business judgment rule provides legal protection to directors who make business decisions in good faith, based on adequate information, and without conflicts of interest (Vasarienė & Jakulevičienė, 2021). This request for a Claim Audit also reflects XYZ Ltd's commitment to transparency and accountability, two main pillars of good corporate governance. By requesting an audit from an independent institution with expertise in state financial oversight, XYZ Ltd sought to ensure that any decisions made regarding the compensation claim were based on valid data, accurate calculations, and objective analysis.

The Claim Audit conducted by the BPKP was not merely an arithmetical verification but rather a comprehensive investigative process. The BPKP examined the legal basis for the compensation claim, assessing whether the claim had a strong contractual basis or could at least be justified based on applicable legal principles. The BPKP also conducted a quantitative analysis to assess the reasonableness of the claim value, comparing it with market prices, the actual costs incurred by the service provider, and the provisions of the contract. In addition, the BPKP verified the supporting evidence submitted by the service provider to ensure that valid and relevant documents supported the claim. The final result of this Claim Audit was the BPKP's recommendation to XYZ Ltd regarding the value of the compensation claim that could be approved, rejected, or subject to further negotiation.

Based on the BPKP's recommendations, XYZ Ltd proceeded with final negotiations with the service provider. The audit results provided XYZ Ltd with legal certainty and confidence in negotiating, as each proposed figure had a strong and justifiable basis. The final negotiations, guided by the BPKP's findings, ultimately resulted in a final agreement accepted by both parties. Thus, the construction contract dispute could be resolved through musyawarah (deliberation), avoiding lengthy and expensive litigation, while maintaining the integrity of state financial management. The resolution process undertaken by XYZ Ltd can serve as a best practice for other SOEs facing similar disputes.

CONCLUSIONS AND SUGGESTIONS

Based on the findings and discussion, it can be concluded that the construction contract dispute between XYZ Ltd and the service provider, triggered by a force majeure claim due to the COVID-19 pandemic, reflects the complexity of applying contract law in extraordinary situations. The pandemic, recognized as a force

majeure event, significantly disrupted the execution of contracts agreed upon before 2018. The assumptions underlying those contracts, particularly regarding risk and responsibility allocation, became irrelevant. Furthermore, XYZ Ltd's actions in issuing a force majeure notice and agreeing to a contract addendum that only addressed time extensions raised legal issues related to breach of contract and the obligation to negotiate in good faith, which should have guaranteed contractual rights.

The juridical analysis of the State's Attorney's legal opinion reveals that the State's Attorney provided a comprehensive legal basis for XYZ Ltd. In the legal opinion, the State's Attorney affirmed the principle of pacta sunt servanda as the central pillar of contract law. Nevertheless, the State's Attorney also acknowledged the need for flexibility in dealing with fundamental changes in circumstances, referring to the Civil Code, Law Number 2 of 2017, jurisprudence, and the contract clause itself. Therefore, the State's Attorney emphasized the importance of musyawarah (deliberation) and renegotiation and encouraged dispute resolution through agreed-upon mechanisms if negotiations were unsuccessful.

The involvement of the BPKP through the claim audit reinforces XYZ Ltd's commitment to accountability and good corporate governance. The BPKP's claim audit provided an objective and evidence-based foundation for XYZ Ltd in its negotiations with the service provider. The results of this audit minimized the risk of state financial k losses, strengthening XYZ Ltd's bargaining position in the negotiations. Thus, dispute resolution through negotiations based on the BPKP audit results reflects adherence to the business judgment rule principle and the principles of good corporate governance in the context of construction contract dispute resolution at SOEs.

Based on the above conclusions, it is recommended that XYZ Ltd and other SOEs operating in the construction sector develop more comprehensive and adaptive force majeure clauses in future construction contracts. These clauses should not only clearly define force majeure but also stipulate in detail: (1) the force majeure notification mechanism; (2) the rights and obligations of the parties during and after the force majeure event; (3) the possibility of contract renegotiation; (4) hardship criteria that can serve as a basis for contract revision; and (5) efficient and effective dispute resolution mechanisms, prioritizing musyawarah and mediation before resorting to arbitration or litigation. Including comprehensive clauses will minimize potential disputes and provide greater legal certainty for all parties.

In addition, it is recommended that the government and legislature update and refine regulations related to contract law and construction law, particularly those related to force majeure and hardship. Existing legislation, including the Civil Code and Law Number 2 of 2017, must be supplemented with more specific and anticipatory provisions for extraordinary changes in circumstances, such as the COVID-19 pandemic.

Establishing guidelines or standard operating procedures (SOPs) specifically for SOEs in dealing with construction contract disputes due to force majeure is also highly recommended, so there is uniformity and certainty in handling similar cases in the future.

Finally, it is recommended that legal academics and researchers continue conducting in-depth studies on legal issues arising from the COVID-19 pandemic, particularly in contract law and construction law. Further research can focus on developing adaptive contract models, comparative analysis with other legal systems, and formulating evidence-based policy recommendations. Thus, it is hoped that a more resilient and responsive construction contract law ecosystem can be realized in response to changing times.

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