



BUILDING CONTRACT ADMINISTRATION

PAYMENTS IN CONSTRUCTION

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Preface

The construction industry stands as the cornerstone of infrastructure development, shaping both the economic and physical landscapes of nations. Within this intricate and dynamic sector, payment administration holds a pivotal role, influencing project sustainability, stakeholder relationships, and overall success. However, challenges such as delayed payments, disputes, and inefficiencies continue to pose significant threats to the stability of this critical process.

This book, *Building Contract Administration - Payments in Construction*, serves as a compilation of notes on building contract administration in Malaysia, focusing on payments in the construction industry. The discussion primarily revolves around the P.W.D. Form 203A (Rev. 1/2010) standard form of contract, with relevant clauses in the P.A.M. Contract 2018 (With Quantities) also addressed at the end of each topic. These comparisons highlight the differences in provisions between the two forms, offering a comprehensive exploration of the subject. By integrating industry insights, legal frameworks, and practical case studies, this book bridges the gap between theory and practice, providing actionable guidance for professionals, policymakers, and academics alike.

The development of this work has been a collaborative journey enriched by the invaluable contributions of construction professionals, legal experts, and academic peers. The expertise and perspectives provided have added essential depth and clarity to the subject matter. Gratitude is also extended to supportive family and friends whose encouragement has been instrumental throughout this endeavour. It is hoped that this book serves as a practical and insightful resource for those involved in the construction sector. May it foster a deeper understanding of payment administration, inspire innovation, and stimulate meaningful dialogue, ultimately contributing to a more resilient, efficient, and equitable industry.

CHAPTER 1

ADVANCE PAYMENT

INTRODUCTION

A construction project may involve a long construction period and a large sum of money. Payment is important for a contractor's cash flow, as illustrated in Figure 1.1. The contractor relies on regular and fairly assessed payments to conduct his business. Underpayment or, in the worst situation, non-payment will cause excessive strain on the contractor's capital and ability to pay his debts.

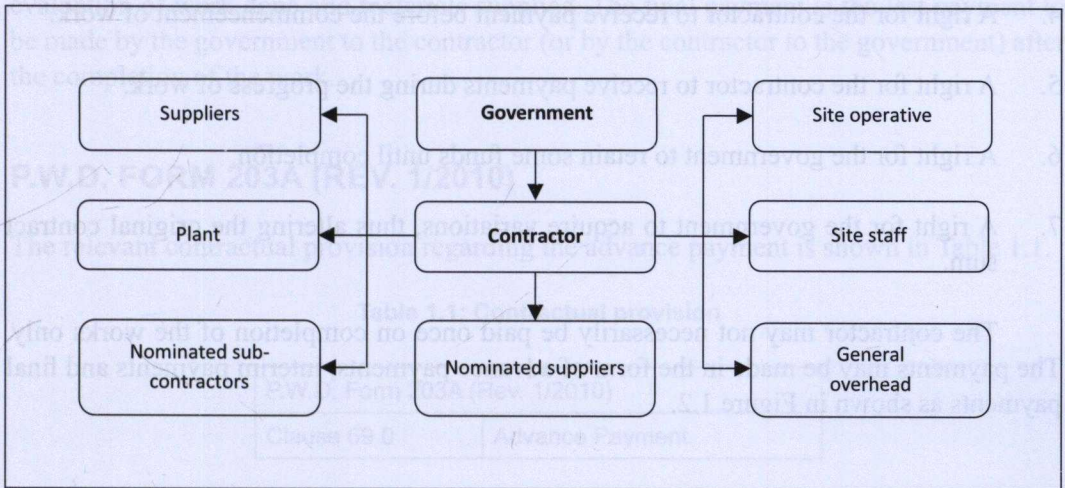


Figure 1.1: Financing of the contractor's resources using payments from the government

CONTRACTUAL OBLIGATIONS

'The Government to pay the Contractor in consideration of the construction and completion of the Works and making good of any defects' (Clause 7.0).

The payments made by the government are the monetary consideration for the contractor's performance. The government must pay the contractor in consideration of the

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Building Contract Administration – Payments in Construction provides a focused and practical exploration of payment mechanisms in the Malaysian construction industry, with reference to PWD Form 203A (Rev. 1/2010) and PAM Contract 2018 (With Quantities). It covers essential topics, including advance payments, interim payments, final payments, retention sums, loss and expense claims, and liquidated damages, along with the administration of performance bonds and nominated subcontractor payments.

Each chapter focuses on the most critical contractual clauses relevant to the respective topics, supported by detailed flowcharts, practical worked examples, and sample documentation. This approach enables readers to navigate a complex contractual procedures effectively, bridging the gap between theoretical principles and real-world application. It provides a thorough understanding of the roles and responsibilities of all stakeholders, key contractual obligations, and the payment processes essential to successful contract administration.

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