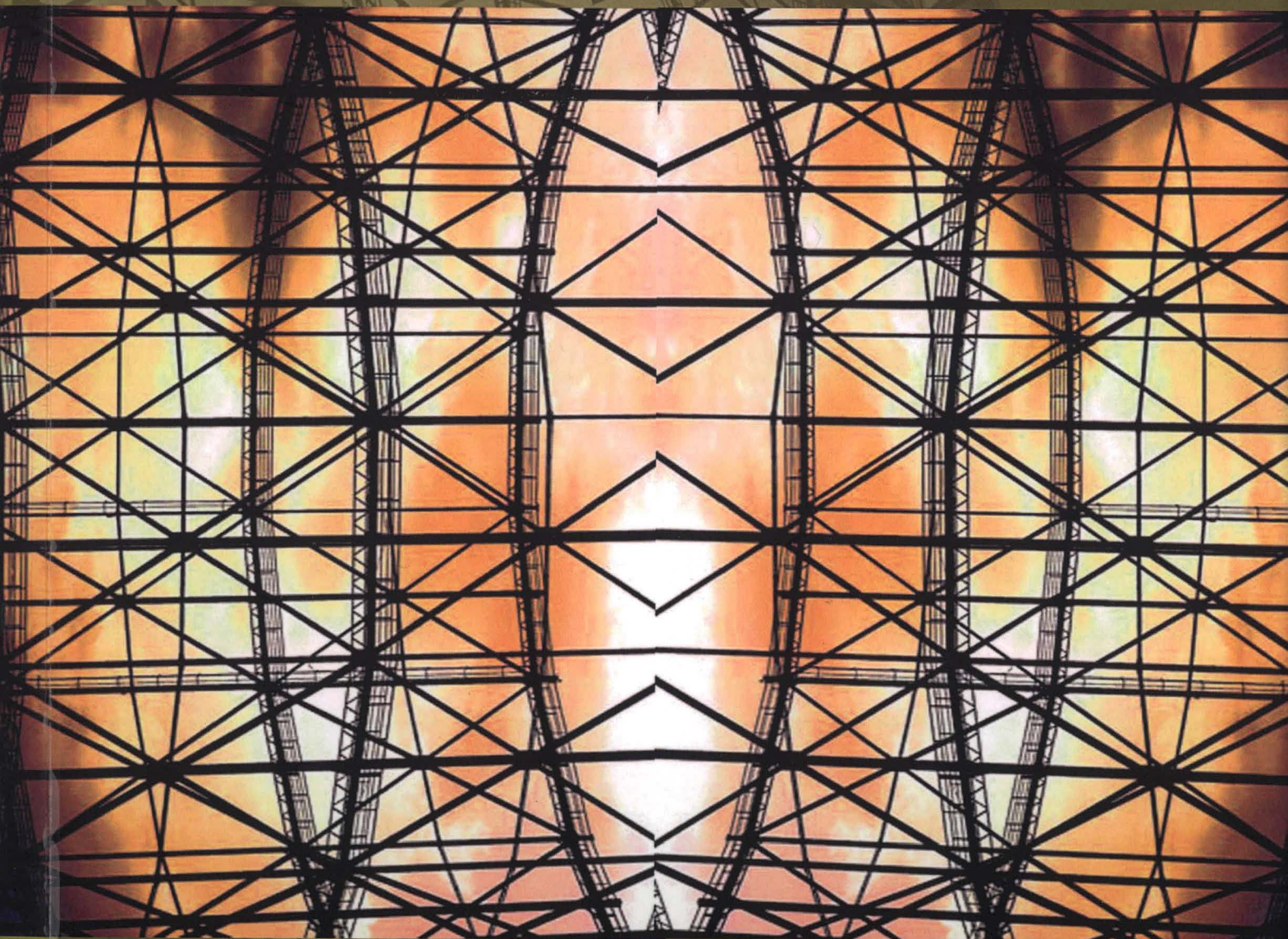


RESEARCH IN *QUANTITY SURVEYING*

Tan Chin Keng



Research Management Centre
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA



RESEARCH IN QUANTITY SURVEYING

**Editor
Tan Chin Keng**



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CHAPTER 1

PERFORMANCE BOND AND PERFORMANCE GUARANTEE SUM UNDER THE PWD 203A (2007) STANDARD FORM OF CONTRACT

Khairuddin Abdul Rashid, PhD¹

ABSTRACT

In public works contracts in Malaysia the use of either the form PWD 203 or 203A² is mandatory. Form PWD 203 is for contracts based on drawings and specifications and Form PWD 203A is for contracts using Bills of Quantities. In both forms, a contractor is required, on the date of possession of Site, to submit a Performance Bond, failing which the contractor is deemed to have opted for a Performance Bond in the form of Performance Guarantee Sum. The objective of requiring the Performance Bond or Performance Guarantee Sum is to secure the due performance of the contractor's obligations under the contract. This chapter reviews the rules on the requirement for Performance Bond or Performance Bond in the form of Performance Guarantee Sum and assesses the consequences to the Government of contractors' opting for either one of the bonds.

Keywords: Construction, Contract, Guarantee, Performance Bond, Public works.

INTRODUCTION

Khairuddin (2002, 2004) pointed out that, in public works, among the key risks to the Government is non-performance of contracts by the contractors. He defined non-performance of a construction contract by the contractor as to either: (1) the contractor fails to execute the contract; or (2) the contractor commits any breach of his obligations under the contract (Khairuddin, 2004, 2011).

Non-performance of contracts by contractors when undertaking public works poses serious problem to the Government. The consequences include that the construction of facilities urgently needed to promote socio-economic growth and development are delayed or abandoned completely (Khairuddin, 2002, 2004, 2011).

There are several reasons that can be attributed to the phenomenon of non-performance of construction contracts by the contractors when undertaking public infrastructure works; topping the list includes incompetent and inexperienced contractors,

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² The PWD has come up the forms PWD 203 series revision 1/2010.