

Chapter 63

Agent Construction System on the Management of Government Investment Project

Yu Fan, Meng Wang, and Hong Zhang

Abstract By analyzing the currently problem existing in China Government investment project managements, the paper stresses the necessity of using the management model of ACS in China Government investment project managements, and then find the implementation problems in ACS. At the same time, the paper optimizes the development of the ACS. It is proposed that we should continue to perfect and advance the measures related to ACS in the policy, organization, the system establishment and market environment. There are also needed endeavors in accomplishment the ACS law and company qualification management, clearing the participators' functions in ACS, accomplishment the project guarantee system, unifying the ACS charge standard. The final purpose of the paper is proposing some suggestion on the improving project management level for government.

Keywords Agent construction system (ACS) • Government investment project

Government investment project refers to the use of foreign government grants and national financial security for domestic and foreign financial organizations loans owned or joint venture to build fixed assets investment projects that is in order to

Y. Fan (✉)

School of Economics and Management Engineering, Beijing University
of Civil Engineer and Architecture, 1#, Zhanlanguan Road, West-City District,
Beijing 100044, China
e-mail: fanyu@bucea.edu.cn

M. Wang

Xi'an University of Architecture and Technology, Xian 710055, China
e-mail: wang_meng0808@yahoo.com.cn

H. Zhang

China Xinxing Baoxin Construction Corporation, Beijing 100079, China
e-mail: zhanghong@bucea.edu.cn

adapt to and promote the national or regional economy development, satisfy the social culture, life needs, as well as political, national defense and other factors are taken into account, through finance by the government investment, issuance of bonds or financial bonds [1]. Along with the investment system reform in China continued to deepen, the old abuses of government investment project management pattern day by day, seriously hindered the reform and improve the efficiency of government investment. Under this background, in 2004 July, the State Council issued the “State Council’s decision on the investment system” is presented in the paper to accelerate the non-business government investment project ACS management mode.

63.1 Problems Existing in Government Investment Project Management

For A long time, governments at all levels in our country imposed on the direct investment project management single mode of “financial investments, government managed”. As the socialist market economic system is being gradually established and perfected, the government investment project management and construction system, mode, custom that under the planned economy system still plays an important role in the current government investment project management. The formation of government investment project of “investment, construction, supervision, use” multiple roles in a play model still exists. Although the model played a certain effect, but also has a lot of problems.

Some government departments are responsible for both investment approval, supervision of construction market, and direct projects construction that lead to integration of government administration with enterprise, responsibility is not clear and supervision ineffective. It is difficult to implement effective supervision and control, It is difficult to rectify the illegal problem in construction process, It is difficult to establish an effective system of responsibility, and even easy to lead corruption.

Government investment projects organized and implemented by temporary construction team which lack of engineering manager and technician required in the construction and project management expertise, and experience. That lead to the various phenomena of mismanagement such as decision-making is not mature enough, random adjustment program, long construction period; efficiency is not high and low investment benefit.

While, Infrastructure team disbanded at the end of the project, resulting in a waste of human, financial, material and information resources; Government investment project by construction company self-occupied, The user by itself interest drive, extremely easy caused contend project and funds. That led to some phenomenon such as “fishing” engineering, super scale, super standard construction, and super budget. Construction and supervision companies are the direct beneficiaries

of “three super” thereby forming interest linkage body, aggravate the investment hunger. Monopoly phenomenon seriously in management of government investment projects, which cannot adapt to the needs of the market reform.

Therefore, it is necessary to imposed on the government investment project organization for institutional innovation and process reengineering, active exploration and practice of new modes of investment management.

63.2 ACS and Its Model

63.2.1 ACS

ACS was with the development of market economy, increasing specialization requirements for project implementation and technical content, and being widely used in engineering construction project management in the developed countries of the world. ACS means the project investment management company by means of bidding to select the professional project management company (agent construction company), to undertake the construction project organization and management of funds, and in accordance with the relevant country regulations and the requirements stipulated in the contract, after the completion of construction according to regulations delivery the project system of engineering construction.

Agent system based on the investment, construction, operation and supervision of “four separate”, transformed the original building of administration management relations into contractual relationship. The principal-agent relations (as shown in Fig. 63.1) constitute the logic starting point and basis of ACS operation and management and can effectively inhibit the growth of corruption. It solves the last construction project principal issue of responsibility of project main body is unidentified and responsibility is not clear; so as to establish constraints and incentive mechanisms, impose strict controls on project targets. Agent mode is the summary of successful experience and promotion of all over the country on a

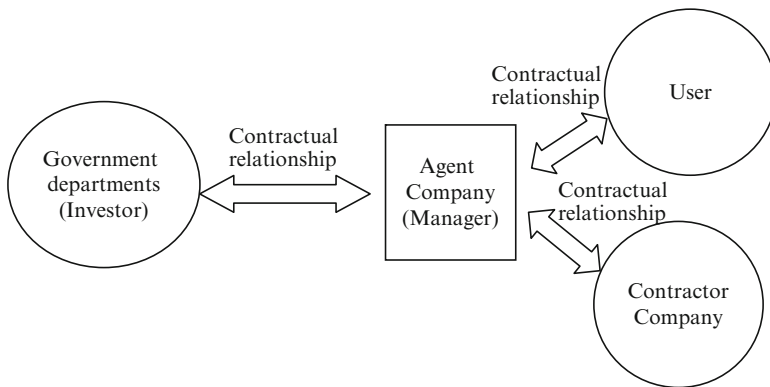


Fig. 63.1 Agent relationship in agent construction system

trial basis “agent” in recent years. As the construction main body, construction company’s nature of work for the project construction management and consulting, and company property is a self-financing enterprise, competitive advantage is professional management level, profit model is the collection agency fees, consulting fees, and from the Save construction investment commission. Agent has the following three advantages: firstly, To give full play to the role of market competition (such as bidding), from the mechanism to prevent the “three super ” acts. Secondly, to regulate the construction of government investment project management, enhanced user the sense of responsibility of the project. Third, help to accelerate the realization of the transformation of government functions, separate government functions from enterprise management.

63.2.2 Models of ACS in China

Now China has more than 20 provinces and cities begin the government invests project “ACS” trial implementation and promotion work, according to the different nature of the client and agent, ACS throughout the country is divided into the following several kinds of models [2].

63.2.2.1 Shenzhen Model

Earlier in the practice of “ACS” should be Shenzhen mode similar to the Hong Kong model. That is government contributors commissioned projects to government sector management that specifically set up. The specific approach is: after a project is established, government departments designated professional and technical personnel as the project leader and government departments (construction management center) signed the document of project management responsibility. Responsible for the contents include: Organization project proposal report editing, feasibility study report prepared, design and project budget, and invite public bidding, site management, completion acceptance, and settlement, full processes work. Other departments of construction management center to ensure technical scheme, total investment control, invite public bidding and contract, the disbursement of money and other monitoring, assist and service work.

63.2.2.2 Shanghai Model

Compared to Shenzhen model, shanghai model Pay more attention to “government indirectly” management principles. Government fosters the market, based on market mechanism and competitive mechanism to investment management and operation. The government investment company and the project management company through market competition by public bidding, determined by market selection. Government training a number of project management company through the market, formed the opening and the competition pattern.

63.2.2.3 Beijing Model

After the project proposals approval, the project examination and approval department of Beijing Municipal (Beijing development and Reform Commission) through public bidding, (also can be divided into early and implemented in two stages) signed a three party agent construction contract with agent construction company and project user. The contract describes the client and agent rights, obligations and agreed on compensation related matters. The largest character of this model is government project decision-maker as investment main body participates in market. The advantage of this is that commissioned the main clear, investment intentions fully implemented. The biggest obstacle may be from the government legal identity as the main body of investment need to be recognized, the government as the main civil equality exists will confuse the government referee role and players' roles in market economy, and conflict with the present reform goal. In this model, the agent is a purely social intermediary organizations, agent is the legal person of project construction period and undertake the actual owner function.

63.3 The Main Problems in ACS Implementation

Although the ACS implementation in some areas have achieved success, however, as it is a new exploration, the lack of sufficient theoretical basis and practical experience, therefore it still exist some problems in the objective.

63.3.1 *Lack of Legal Basis, Agent Construction Company Is Not Clear on the Legal Status*

ACS is not a legal system. This makes construction parties and investor operation in fulfilling their functions only by experience, the actual operation process in different degree of confusion; legal status of project user and agent construction company is not clear, mutual relationship is not clear enough which is the main source of agent construction main body behavior was not standardized, owners ultra vires is overmuch, intervention construction main body. At present, there are certain contradictions between "ACS" as a legal person system design and the present legal environment. In the relevant national laws and regulations were identified in the basic construction procedure are not given agent construction company to the legal status. The approval procedures still need to project eventually of user name for handling, Such the meaning of an agent construction company as the project legal person to exist greatly weakened, actually become the organizer and coordinator of the construction project, and Unable to exercise all the rights in the process of project construction and assume the corresponding responsibility, Project user also cannot real detach from project construction program.

63.3.2 Qualification Management System of Agent Construction Company Is not Perfect

As the investment management mode of “ACS” to carry out ceaselessly, many problems of agent construction company begin to emerge. On one hand Most of the current agent construction company belonging to government departments, trade protectionism, and local protectionism phenomenon still exists. These phenomena are greatly hindered the Agent Construction Companies in market competition; on the other hand The scale of current agent construction company generally small, the overall level is not high, and lack of competitiveness. the amount of agent construction company that really have the strength of engaged in ACS in government investment projects is not much, so cannot achieve rapid development of ACS.

On the qualification of agent construction company, local files are different, and lack national standards. Local government general provisions of agent construction company should be with the corresponding qualification and ability to independently bear the liability of legal person. China has no special mechanism of agent construction company qualification management, and market access conditions about agent construction company are not standard, The qualification conditions about agent construction company required by some local government departments neglected country qualification requirement about the project preparatory work, and this will have a significant impact on the construction cost of the whole project. At the same time as the agent construction company’s qualification identification, grade classification, professional personnel, agent construction qualification management and so on are not clear on the basis of criteria. So not ensure investors to grasp the agent construction company comprehensive and reliable information, seriously affecting the project management quality and efficiency of investment.

63.3.3 Incomplete Guarantee System of Agent Project

At present China’s agent construction company are generally small and weak, their Assets up to tens of millions R.M.B. but As a consulting agency, its commitment to construction and management tasks often reach hundreds of millions, even billions R.M.B. In this case, once the project risks, agent company can not afford the economic compensations. For only a limited liability corporation, with its bankruptcy, the government investment will be difficult to recycle, finance capital investment benefits more impossible to guarantee.

63.3.4 The Standard of Agent Service Fee Is Low

At present, domestic on agent cost calculation, the main reference is construction management fee standards for ceiling for calculation but there are the larger

differences between construction company management fees and agent service fee. Not including the agent construction company must be paid wages, taxes and should get reasonable profit, and other content, so the rate partial low, generally not more than 2 % of the project cost. If not the whole process agent, agent management fees lower. With FuJian province government investment project agent construction as an example, according to Min government [2007]11 article “FuJian province government provincial investment project agent management approach (for Trial Implementation)” provides that: If only assume construction phase agent, according to the whole process of agent fee 70 % to calculation ($2.0 \% \times 70 \% = 1.4 \%$) [3]. Thus this pattern of charges is extremely unfavorable for agent construction enterprises to develop and grow.

63.4 Countermeasures for Perfect the ACS of Government Investment Project

The ACS of government investment project is still a relatively new project management model, Need to further enhance the understanding on the thought, make accelerate it as an important work of deepening the reform of the investment system, speed up the transformation of government functions. Improve the advance of supporting measures for ACS of government investment projects at the policy level, in the organizational structure, the system building and the market environment.

63.4.1 Improve the Relevant Laws and Regulations, Clearly the Parties' Functions in the ACS

In the project ACS, involves three parties: the investors, agent company and user. From the legal design requires a contract system can embody the principle of law and spirit, but also can balance the interests and efficiency of three parties, The author thinks ACS framework should be established as soon as possible, make the investors, agent company, user common sign normative agent construction contract, in the contract for three party rights, obligations and with assistance, and other provisions. In a unified contract under the premise, seek common ground while reserving differences, overcome information asymmetry brings disadvantages, with legal contracts, clearly the rights and obligations of the parties and strict implementation. It is suggested that the government departments issued legal documents about project ACS as soon as possible. Clearly what is a construction agent company, and in the national capital status, powers and duties, and in the program participation relationship between the parties, implementation of agent forms, scope of application, and so on. As a result of the implementation of ACS in the background and legal environment of various constraints, through the first provisional regulations or provisions of the pilot management, sum up experience and then gradually standardized and promotion.

63.4.2 Improvement Qualification Management of Agent Construction Company

Make clear provisions on the agent construction company qualification and market access conditions. At the same time, set a clear standard and basis on the qualification grade of agent construction company, Make The agent construction market to form a healthy market competition mechanism as soon as possible. Market mechanism makes agent company can benign competition, achieve the purpose of survival of the fittest, so that to reduce costs, improve quality, improve management, innovate actively, improve construction management level.

63.4.3 Establish and Perfect Engineering Guarantee System

Engineering guarantee is refers to the agent construction company entrusted third parties provide building owners with a certain amount of economic responsibility and guarantees, As the agent construction company is unable to perform the construction agent contract, the guarantee shall bear all the consequences arising therefore. Construction guarantee is a disciplinary mechanism in the construction industry, is also the inherent stability of the economy.

63.4.4 Unify the Agent Service Fee Standard

The standard of Agent service fee should according to the construction project investment quotas, characteristics, technical requirements, complexity, quality requirements and many other factors, the project will be different because of their own different characteristics so that the generation to build a service fee for the ratio is not the same. Different project has different characteristics so the ratio of agent service fee is different.

63.5 Conclusion

The agent construction mode is a new direction for government investment project management, although currently there are a number of problems, but in continuous exploration and practice agent mode will gradually improve, better play its advantages in the areas of government investment project management.

References

1. Chenan (2010) Study on construction mode of local government investment project management-ZheJiang province aided “5.12” earthquake-revelation project management, Shandong Normal University, 4, pp 4–5
2. Huang Yifei (2009) On substitute construction system of Chinese project management. Shanxi Archit 7:223–224
3. Zheng Shaohong (2010) Discussion on agent construction system of the local railways project management. J Straits Sci 2:61–62

About author

Fanyu (1976-): Lecture of Beijing university of Civil Engineer and Architecture, Doctoral student of Xi’an University of Architecture and Technology, Research the Engineering economics and management.

Address: School of Economics and Management Engineering Beijing University of Civil Engineering and Architecture, 1#, Zhanlanguan Road, West-city District, Beijing, China (100044), Tel:13811101081

E-mail: fanyu@bucea.edu.cn

Wangmeng (1974-): Senior engineer of China xinxing baoxin Construction Corporation, Research the project management.

E-mail: wang_meng0808@yahoo.com.cn

Zhanghong (1974-): Associate professor of Beijing university of Civil Engineer and Architecture, Research the Construction economics and management.

E-mail: zhanghong@bucea.edu.cn