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## THE INVESTOR'S ROLE IN PROMOTING THE CONSTRUCTION PROJECTS

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One of the three main participants involved in the process of investments' promotion is the investor. He comes from the public or private sector. Being the promoter of the investment he plays an important economic function for it. He invests the profit obtained in previous projects or he obtains bank credits and risks them for new investments, in order to make supplementary profits. Beside of providing the necessary financial resources for the project, the investor has responsibilities regarding its conception and execution.

### 1. The Investor Defines and Conceives the Purpose of the Future Project

There are some differences between the projects promoted by the public sector and those promoted by the private one. The public sector is usually involved in promoting projects which satisfy the society's needs of development, roads, water channels, irrigation systems, electrical power, telecommunication networks, social cultural buildings, etc.

The private sector usually promotes investments for individuals or societies for their own necessity (houses, offices, hotels, factories, farms, etc.); the main purpose of these buildings is to get profit for their owners [1].

Both types of investors have to get involved as businessmen so as their investments will be useful and safe, will satisfy the quality standards, cost as reduced as possible and will be as profitable as estimated (when the investment has a productive purpose). No beneficiary has unlimited resources of investment. The public investor has to give a transparent account of all the money spent from public funds, while the private investor has to do the same but for his family or business partners. The involvement of the public or private investor in a project is firstly based on a preliminary analysis of the ratio cost-profit, which demonstrates the investment's viability.

In this occasion are analysed the available resources, the legal, economic and social implications. Many ideas arise at this stage, but not all of them are possible after the cost-profit analysis. The good and viable ideas approved by the investor, together with his wish and power of facing the risks, will be considered for a more

profound insight. In the public sector these preliminary analyses are the subject of public debates and criticisms, even if they are part of the administrative programme.

While the investment promoters from the public sector are committed to the society's welfare, the private investors are preoccupied with satisfying the requirements of the market and to obtain some financial profit. Usually, the public investor, as well as the private one, behaves as businessmen when the preliminary analyses are conducted; they solicit reports, preliminary studies and the cost-profit analysis.

A good idea is always accompanied by specifications regarding the project's future purpose and objectives and a correct estimation of perspectives.

At the same time there are other important issues to be stated clear: the function, the technical parameters of the resources, products and functions – all to satisfy the necessary quality standards. These specifications are necessary in order to pass to the next stage that is preparing the preliminary documentation. This preliminary documentation can be simple, like a business plan, but it also can be more complex and profound, according to the investors requests. The longer and expensive the investment is, the greater will be the efforts to prepare detailed pre-feasibility and feasibility studies. A pre-feasibility study contains a detailed analysis of the investment and are presented some engineering solutions regarding the location, the sizes, the functions, installations and equipments, as well as estimated costs for realizing the project, the cost and the profit from its exploitation, the yearly profit, the payback period, together with other parameters of profitability and viability [1].

A well prepared feasibility study can determine the government or other financial authorities to create credit facilities or to finance the investment as long as the study fulfils the creditors requirements. The public or private investor has limited resources of financing projects. All the money invested has to bring profit to its investor. If the preliminary analyses show that the profit is not high enough compared with the profit from other possible investments, then the project needs to be revised or dropped. It is obvious that there is a difference between the private investor and the public one.

A public investment is for satisfying public needs and the preliminary analysis will only show the best solution to accomplish it – the project – using the public money as efficiently as possible, based on the lowest cost.

There is no straight response regarding the selection of priorities, but the analyses have to estimate the viability of one project against another or the priority of executing one investment before another. The investor will be able to take the decision to invest after the preliminary analyses, the pre-feasibility studies and the final feasibility study have shown that the project is a viable (profitable) one and the profit will be higher then that of another investment. The investor's decision means that he is decided to start the project, beginning with the first stage – preparing the necessary documentation – and then he establishes the management system, selects the contractor, the activities supervisor, negotiates and signs the contracts. Next, it will be elaborated the execution graphic, the financing and payment graphic and other actions which have as final purpose the execution and completion of the project [2].

## 2. The Investor Procures the Necessary Notices and Licences for the Investment

It is essentially important to observe the laws, the city planning regulations the standards for environment protection and safety, as well as the standards and norms from the construction field. The realization of an investment is conditioned by obtaining the necessary authorizations, the City Planning Certificate and the Construction Authorization. These authorizations are obtained based on several documents for notices and licences, which are usually prepared by specialist consultants who are aware of the rules and legal terms that need to be observed when composing the files. Any omission or elusion of the rules can have as consequence major difficulties for proceeding with the project and sometimes it can even stop the activities [3].

On the other hand, the contract with the contractor stipulates that one of the investors obligations is to ensure all the authorizations and licences needed for the project. In opposite case the contractor is entitled to claim compensation. Additional to all these licences and authorizations, the investor and his consultants have to establish which the possible risks are and to try to eliminate them. The risks may regard the right to privacy of the neighbouring properties: lands, buildings, crops, forests, environment protection, as well as public properties – roads, streets, networks, etc. These properties may be affected by dirt, degradation or blocking during the construction activities. Failing these risks from the preliminary documentation, the lack of attention or precaution can produce important losses for the project, interruptions in the construction process, as well as delays of the completion time [3].

Further on they reduce the profit significantly and sometimes lead to the investor's bankruptcy, as he finishes all his resources without completing the project. The contractors and consultants contracts stipulate the modalities of payments for the services and activities performed; the investor has to respect the payment graphic they agreed for. Before the actual beginning of the activities the investor pays the contractor a certain amount of money (account). The investor together with his consultants elaborate a graphic of payments, usually corresponding with that of execution, taking into account several factors: the earnest money stipulated in the execution contracts, the anticipated payments for materials, installations, equipments and other necessary provisions, and a fund for hazards. During this stage the investor has an estimated project budget. Practice in this field showed that almost always there are some unforeseen situations, changes in the project or prices too high that will exceed the estimated costs. All these expenses are between 5...20% of the first estimated value, but there are cases when the final cost of an investment was less than estimated.

The informed investor is prepared to face these issues in order not to stop the activity because of fund shortage; interrupting the activity will only produce more losses. The percentage of money that exceeds the budget appears when the preliminary and the conception stages were not well prepared by the consultants or the

project is incomplete, having errors or omissions, mainly because the designer or the contractor does not have the necessary experience. A good management will make sure that there are no extra costs, or they are minimum – the manager will appoint only professional, experienced consultants and contractors and will permanently monitor the activities and the costs.

The estimated project for an investment ends the day the project is commissioned to its investor. There will be a period of production expenses – materials and staples, energy supplies, utilities, manufacture, etc., that are to be paid by the buyers or the users. In the public sector, the lack of funds is quite common at the beginning of the activities, mostly because the investor and the user are different units. The cautious investor stipulate in the feasibility study what are the costs for set to function the investment, the costs for technological tests, for staff instruction, raw materials and other funds necessary to the good functioning of the project.

It is especially important for the project manager and the activities supervisor to permanently control the fulfilment of the contractual responsibilities of the participants. There will be paid fair and in time only those activities executed in concordance with the project, the specifications and the quality standards. The project that are executed in a wrong manner, or low quality will be rectified by the contractors on their expense and if there are delays compared to the plan penalties will be applied according to the contractual stipulations. After the investment is commissioned to the users, the investor keeps his interest for it, at least until the guarantee period expires, sometimes even during the exploitation period. The purpose is to monitor the technical behaviour and the economic results in order to know more for the future projects. This monitoring has as main purpose to learn from the mistakes so as to perform better activities in the future. There can always be benefits for the future project if one learns from the previous ones; many mistakes can be quantized after several years of operation. The mistakes may bring benefits to the participants as well – consultants, designers, contractors, supervisors – as they will try not to do them again.

### 3. Conclusions

The investor's role in promoting and realizing the investment is important, considering the facts discussed above. Beside these it is essential to take into account the analyses and studies performed during the preliminary and conception stages; the studies are considered and pondered thoroughly before proceeding with the project. The errors and possible omissions in the preparation stage will lead to serious losses in the future. The time and money well spent during the preparation stage are going to pay back in the future. The most important issues to deal within this stage are: defining the functions (objectives), the analyses cost – profit, defining the priorities, the pre-feasibility and feasibility studies, the acquisition of the necessary authorizations and licences, the financing agreements, the selection of the most competent

participants.

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#### ROLUL INVESTITORULUI ÎN PROMOVAREA PROIECTELOR DE CONSTRUCȚII

(Rezumat)

Unul dintre cei trei participanți implicați în procesul de promovare a investiției este investitorul. Acesta poate veni atât din sectorul privat cât și din cel public. Fiind promotorul investiției, investitorul are o funcție economică determinantă pentru realizarea proiectului. Investește profitul obținut din proiecte anterioare sau folosește credite bancare pe care le riscă în realizarea unor noi proiecte. Pe lângă obținerea resurselor necesare pentru realizarea proiectului investitorul are și responsabilități legate de conceperea și realizarea acestuia.