

STATE OF PLAY, BARRIERS AND PERSPECTIVES TO EFFICIENT PUBLIC SECTOR PROPERTY MANAGEMENT: EVIDENCE FROM CROATIA AND CROSS COUNTRY COMPARISON

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Public sector (state) property management

- ✓ Most often referred to a set of strategies aimed at preserving public assets and boosting economic growth by implementing optimal solutions.
- ✓ Is to ensure the control over natural resources, cultural and other heritage, important trading companies and other resources in the government portfolio, as well as revenues that can be used for common goods.
- ✓ As such, it is an important tool for achieving strategic development goals in regional, infrastructure, cultural, health and other development policies.

- Advanced reformers: Developed countries experiences show that efficient public sector property management encourages economic growth, increases economic stability and improves the overall quality of life.
- Followers: In terms of state assets disposition and management, in most (post) transition countries financial state assets (shares and stakes in SOEs and GBEs) have been given greater attention and priority.

RESEARCH HYPOTHESES

- THE POTENTIAL OF STATE PROPERTY IN POST TRANSITION COUNTRIES IS NOT RECOGNIZED AND EXPLOITED ENOUGH
- THE EXISTING SYSTEM OF STATE PROPERTY MANAGEMENT IN POST TRANSITION COUNTRIES IS NORMATIVELY UNCOORDINATED, NOT TRANSPARENT, AND INEFFICIENT IN PRACTICE:
 - ✓ methodological inconsistency and incoherence of property items coverage and classification across different regulatory frameworks
 - ✓ the existence of a large number of authorities regarding state property items ownership and management

SCOPE AND FOCUS

- QUALITATIVE ANALYSIS OF ACTIVITIES AND DIRECTIONS OF IMPROVING STATE PROPERTY MANAGEMENT PROCESSES IN DEVELOPED AND POST TRANSITION COUNTRIES
- THE COMMON DRIVERS OF THE INTERNATIONAL PUBLIC SECTOR ASSET MANAGEMENT AND THE EFFORTS OF GOVERNMENT ASSET MANAGEMENT REFORM IN CROATIA WHICH COMMENCED IN 2013.

PREREQUISITES FOR EFFECTIVE STATE PROPERTY MANAGEMENT

- Integrated comprehensive state property registry
- Unified classification and definition of state property
- Standardised recognition and evaluation (measurement) of state property
- State property portfolio construction
- Institutionalization and professionalism in state property management
- Cost and outcomes measurement and management.

Drivers of property asset management reforms in developed countries public sector: barriers in post- transition countries?

Internal factors associated with property management practices prior to the introduction of asset management

- a lack of a central policy framework;
- fragmented management of public property assets; economic inefficiencies associated with public property;
- a lack of information needed for managing property portfolios;
- accounting reforms fostering public sector management reforms;
- lack of transparency and accountability;
- entry of real estate professionals into public property management.

The second set of drivers concerned the external forces that have influenced public bodies and which have forced such bodies to give greater attention to the way they manage their property assets:

- New Public Management (NPM) which has emerged over the past two decades as the dominant public administration model

STATE OF PLAY – POST TRANSITION COUNTRIES (1)

- The complexity of the political, territorial and legal structure significantly hinders the efficient functioning of the state. This also reflects the state assets coverage (physical and financial aspects) and management.
- State property management process is "stuck" in the initial phase of defining and determining who is the owner. Ownership is fundamental for further property rights and obligations.
- **Economic ownership and *de iure* ownership conflict**

STATE OF PLAY – POST TRANSITION COUNTRIES (2)

- Drivers -

- lack of appropriate and transparent legislation or a high degree of normativizm (many acts and subordinated set of regulations, such as decrees, one misinterpreting the other);
- lack of political will and resistance to change from within the administration structure;
- lack of technical capacities and adequate information systems;
- the data on assets is inconsistent and/or inaccessible (The incompleteness of records of public assets partly results from the inherited disorder in land registries the disorder in the records is also a consequence of inconsistent legislation, which has allowed rights but has rarely imposed the obligations related to the disposal of specific assets on the various beneficiaries.);

Long term state asset management reform in Croatia

- Reform started in the year of **2013**.
- Reform evolves conceptually and gradually, and refers to:
 - ✓ *central state asset registry public announcement*
 - ✓ *building annual plans outline to operationalize the integrated 5 year strategy and producing annual reports accordingly*
 - ✓ *forming part of the National reform program documents (EU strategic document) and country-specific recommendations (EU semester), and reporting on quartal basis about the National reform program documents goals fulfilment*
 - ✓ *the process of developing Information system for state asset management- ISUDIO (the development and conceptual upgrade of the existing Central state asset registry data model and IT applicative solution).*
 - ✓ *the existing asset management regulatory framework amendments to support the ISUDIO set up.*
 - ✓ *the necessity of developing standard methodologies and procedures for an adequate government fixed asset recognition and measurement*
 - ✓ *bridging central and local government property management: State Audit has recommended local and regional state units to pursue the strategic planning practice and internal registries set up in accordance to the central state practice.*

Long term state asset management reform in Croatia

- Croatian Parliament devised the Strategy of Government Assets Management and Distribution from 2013 to 2017
- It determines medium-term goals and guidelines to:
 - assure efficient and transparent long-term management and effective utilization of the assets
 - boost economic growth and protect national interests
- It points out the necessity to register the assessed public sector assets in the public sector accounting is the priority goal.
- It sets four main asset management principles: public availability, predictiveness, efficiency, responsibility.
- Annual state asset (property) management plans (approved by the Government) and reports (discussed in Parliament).

* A note: Distribution encompasses but is not restricted to the disposal.

Long term state asset management reform in Croatia

- Three year strategic planning aligned with the MoF mandatory guidance and budget planning process
- Three year strategic planning aligned with national reform programs (EU semester)

Information system for state asset management (ISUDIO): project goals and features

- Multidisciplinary, interinstitutional project, main proposer – State asset management Office(as of 2014) /Ministry of State Assets (as of November 2016)
- Enabling Reporting to the Ministry of finance in accordance with the budgetary requirements
- Enabling electronic data entry
- More transparent and more accurate data - standardized and comprehensive data modelling
- Performed in three phases – gradually:
 - ✓ the first phase of constructing the model for property items and the IT solution and connecting to the Land register and Cadastre: January 2015 to December 2016;
 - ✓ second phase of constructing the model for financial asset items, connecting to Central Depository and Clearing Company, Inc. and the IT support: September 2015 to July 2017.;
 - ✓ third phase: connecting to other registries (concesssion registry, cultural goods registry, agriculture registry.....)

Information system for state asset management (ISUDIO) project – I. phase: property items model

- Incorporates MoF guidelines:
- ✓ Instruction on types and modalities of collecting data, content of data and information on public sector assets necessary for the management of Government Assets Register and public sector balance sheet
- ✓ Instruction on valuation, value assessment and registering the Republic of Croatia assets
- The expanded form and logistic table for future data entry (physical data, legal data, economic data – means of utilization, financial data, and asset use outcomes' data)
- Asset items reclassification in accordance with the unified chart of accounts
- Gathering data out of asset users reports and other records, Land register, Cadastre, Concession register, Agriculture land register, Cultural heritage register.

Central asset register data – property items data

- In mid-January 2014 **Central asset registry**, though incomplete and comprising of two asset groups/types – shares/stakes and property, was made publicly available for the first time
- Registry is filling up with the data out of internal records - all entities that either manage or use state property are obligated by law to hand in the data.
- In July 2014, the Registry comprised of 403328 property items, divided in several categories: land and buildings (2%), agricultural land (1%), forests and woodland (76%), public water (11%), housing (7%); business premises (2,5%), property used by government bodies, residential buildings and villas
- ✓ In May 2017, the Registry comprised of 1043668 property items, divided in several categories: land and buildings (2%), agricultural land (58%), forests and woodland (28%), public water (5%), housing (3%); business premises (1%), property used by government bodies, residential buildings and villas.

Conclusion remarks

- Developed countries have spent decades in developing public sector property management: it is a long term process which needs expertise and political support and needs to be viewed from both institutional – organisational aspect and accounting/reporting aspect.
- State Property Management insufficiently contributes to the economic development of post-transition countries. It has been performed on an ad-hoc, often reactive basis.
- State of play in post transition countries is unsatisfactory because, in addition to objective problems, resolving the status of an asset is the unresolved political issue with no agreement between the entities.
- Croatia has intensified the process of improving the management of state property, has made significant progress, but the efficient model outcomes are still to be reached.
- Croatian experience, approach and ongoing activities may be helpful to other countries in the region in order to foster property management reform activities and efficiently reach „the finish line” - the efficient and effective state property management.

Thank you for your attention and patience!