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The usefulness of asset management legislative framework in assuring quality information basis for a sound public management decision making: evidence from Croatia

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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.

Background

Grubišić, Roje, Nušinović (2009):

- documentation on government assets has been dispersed among various records of the government institutions that use the assets and/or have been assigned by special government or parliament decrees to manage, utilize or dispose of the assets,
- asset-related data are scattered, being recorded, if recorded at all, in balance sheets, off-balance sheet and analytical records of competent budget and extra-budgetary users

SAO (2011); MoF (2013): the State Budget General Ledger fails to incorporate the full data on all asset items (types of assets) owned by the State.

EUROSTAT (2011): asset worth vs. asset revenues (as % of GDP)

PREREQUISITES FOR EFFECTIVE STATE PROPERTY MANAGEMENT (Grubišić, Roje, Nušinović, 2009)

- 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.

RESEARCH HYPOTHESES

THE EXISTING SYSTEM OF STATE PROPERTY MANAGEMENT IN CROATIA 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

Methodology

Following the qualitative analysis of the legislative framework, a quantitative research is carried out comprising the analysis of the central state property registry contents (reflecting the selected state property key users (institutions/asset custodians) assets databases contents) and conducting interviews about drivers of ongoing state property management reforms.

* Data on state property in central asset registry in Croatia are collected and processed based on available secondary sources i.e. databases under the authority of bodies and institutions managing (entitled to manage) the state property.

Drivers of state property 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 vs. accounting reforms fostering public sector management reforms;
- fragmented management of public property assets;
- a lack of information needed for managing property portfolios;
- economic inefficiencies associated with public property;
- 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

<p>Zakon o upravljanju državnom imovinom (145/2010; 70/2012)</p> <p>In Engl. The Government Asset Management Act *was in force till 2013</p>	<p>Zakon o upravljanju i raspolaganju imovinom u vlasništvu Republike Hrvatske (94/2013, 18/2016).</p> <p>In Engl. The Act on the management and disposal of assets owned by the Republic of Croatia</p>	<p>Uredba o registru državne imovine (55/2011)</p> <p>In Engl. The Government Asset Register Decree *still in force; new Decree is set to be drafted in January 2015</p>	<p>Zakon o proračunu (87/08; 136/12, 15/05)</p> <p>In Engl. The Budget Act</p>
<ul style="list-style-type: none"> - Shares and participating interests in companies whose holder is the Republic of Croatia, - Property owned by the Republic of Croatia, except for those properties whose management and disposal is regulated by a special law, - Shares and participating interests in companies whose holder is Croatian Pension Insurance Institute, - Shares and participating interests in companies whose holder is the State Agency for Deposit Insurance and Bank Rehabilitation, which had been acquired in the process of rehabilitation and privatization of banks, - Shares and participating interests in companies, and property owned by, or owners institutes and other entities established by the Republic of Croatia, and that the Agency enter into a management contract for the property, and - Other assets administered by the Agency on the basis of special regulations. <p>* Note:</p> <ul style="list-style-type: none"> - State property refers to: residential and commercial buildings, building land, buildings and associated land - The Act does not refer to local government assets 	<p>Asset definition and classification:</p> <ul style="list-style-type: none"> - Defines specifically all types of financial and nonfinancial long term and short term assets - Still constrained to central government asset - Defines 36 assets items, not complying to the Government Balance Sheet classification of assets - Asset Register is a central register of shares and stakes and property in State ownership or in the ownership of other institutions and legal entities founded by the State. - Central Asset Register contains a list of state assets in the form of shares and stakes in companies; real estates, including the property management and disposal of which is regulated by a special law, and whose holder or owner is the Republic of Croatia, or institutions and other legal entities founded by the Republic of Croatia; concessions, cultural goods, agricultural and woodland <p>*Note:</p> <ul style="list-style-type: none"> - Separates and defines terms: asset ownership, management and usage. - The Act does not refer to local government assets 	<ul style="list-style-type: none"> - Register is a list of assets in the form of shares and stakes in companies, and property whose owner is the Republic of Croatia, public institutes or other legal entity which is the founder of the Republic of Croatia. - Register of state property encompasses: building land and buildings, agricultural land, forests and woodland, public water, housing; business premises, property used by government bodies, residential buildings and villas 	<ul style="list-style-type: none"> - Asset of central and local (regional) governments, according to this Act, encompasses financial and non-financial assets owned by the central, local and territorial (regional) governments. - Asset classification acknowledges 15 asset items groups: <ul style="list-style-type: none"> ✓ Non-produced fixed assets; ✓ Fixed assets produced; ✓ Precious metals and other stores of value; ✓ Small inventories; ✓ Fixed non-financial assets in preparation; ✓ Current assets produced; ✓ Cash in bank and on hand; ✓ Deposits, security deposits and accounts receivable from employees and for excess taxes, etc.; ✓ Accounts receivable for loans extended; ✓ Securities; ✓ Shares and stakes.

STATE PROPERTY MANAGEMENT STATE OF PLAY - CROATIA

(Interviews about drivers of property asset management reforms with state asset custodians: 10 ministries, 4 agencies and legal entities with public authority, 2 other PS entities (institutions) and 4 GBEs)

- lack of appropriate and transparent legislation or a high degree of normativism (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);
- state property management process is "stuck" in the initial phase of defining and determining who is the owner. Economic ownership and de iure ownership conflict.

Central asset registry 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.
- Data referring to property items - mostly of legal nature. There is a lack of information of economic/financial (accounting) nature present.

Central state asset register – Data Structure and Dynamics of Data Disclosure

Property items list in the Central state asset register - Structure and Dynamics of Data Disclosure

Data structure	Disclosure dates					
	January 2014	December 2014	December 2015	December 2016	January 2017	December 2017
List of shares	450	439	412	380	381	361
List of stakes	240	237	223	205	203	198
List of property items available for public disclosure	382.339	993.771	1.016.085	1.059.086	1.062.660	1.066.683

List of property items available for public disclosure		Disclosure dates					
		January 2014	December 2014	December 2015	December 2016	January 2017	December 2017
1.	land and buildings	4.126	8.663	14.887	29.472	29.473	30.253
2.	agricultural land	2.754	604.596	604.606	605.758	605.756	605.999
3.	forests and woodland	299.049	303.160	307.677	324.800	325.930	330.836
4.	public water	41.814	45.669	47.940	50.042	52.513	52.513
5.	housing	27.837	22.809	27.204	28.109	28.097	26.209
6.	business premises	9.562	7.035	10.650	11.645	11.631	11.594
7.	property used by government bodies for administrative purposes	1.226	1.229	1.322	1.306	1.308	1.297
8.	residential buildings and villas	24	55	70	60	60	61
Unspecified	Data with no clear mark of the property item	523	555	1.729	7.894	7.921	7.921
Total		386.915	993.771	1.016.085	1.059.086	1.062.660	1.066.683

Conclusion

The inconsistency between accounting and asset management legislative frameworks, resulting in incoherence of property items coverage and classification, further reflects in a methodologically non adequate data set and structure on state property items in central state property registry and questionable information basis to perform sound public property management decision making

Thank you for your attention and patience!

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