PUBLIC REAL ESTATE MANAGEMENT IN POST-SOCIALIST COUNTRIES[1]

Marta Gross, M.Sc.
Faculty of Geodesy and Land Management
University of Warmia and Mazury in Olsztyn
e-mail: marta.gross@uwm.edu.pl

Ryszard Źróbek, prof., PhD
Faculty of Geodesy and Land Management
University of Warmia and Mazury in Olsztyn
e-mail: rzrobek@uwm.edu.pl

Abstract

Public real estate management is a complicated process which depends on many factors. Post-socialist countries are characterized by different ways of public real estate management. This is caused, inter alia, by the specifics of a particular country, its history, politics, the way in which public real estate is interpreted, or the amount of public resources.

The paper presents the classification of the public real estate management systems in terms of the applied procedures. Analyses were made on the basis of the authors' own studies and indicators proposed by international organizations, such as the World Bank and World Economic Forum. Extremely helpful advice was also obtained from the participants of the international seminar on State and Public Sector Land Management in Transition Countries, which was organized in September 2012 in Budapest by Commission 7 of the International Federation of Surveyors (FIG) and the United Nations Food and Agriculture Organization (FAO).

1. Introduction

Public real estate is regarded as that which is under state and local self-government unit ownership. It can also refer to properties which are used by others. The third aspect of public real estate are properties that public entities gained from other entities (GROVER 2012). Public real estate is often considered to be a common, and sometimes even free, good. It is often managed improperly, which is accented, inter alia, by FAO (2007), GROVER (2009), ZIMMERMANN (2007, 2008). There are a lot of problems connected with public real estate management. Some authorities responsible for management do not even know the amount of their resources or what rights they hold to the real estate. Therefore, the lack of information is also a typical problem (FAO 2007).

Public real estate management is a complicated process. It depends on many factors, including

---

external ones (social, historical or geographical). However, real estate management results also influence the way in which public real estate resources are managed (KOKOT, GNAT 2010). Above all, these resources should be treated in the same way as private ones. This takes place in countries such as the United Kingdom or Sweden. Post-socialist countries are characterized by a different way of management. This is caused, inter alia, by the specifics of a particular country, its history, politics, the way in which public real estate is interpreted, or the amount of public resources.

The paper presents the classification of public real estate management systems in terms of the applied procedures. Analyses were carried out on the basis of the authors' own studies and indicators proposed by international organizations, such as the World Bank and the World Economic Forum. Extremely helpful advice was also obtained from the participants of the international seminar on State and Public Sector Land Management in Transition Countries, which was organized in September 2012 in Budapest by Commission 7 of the International Federation of Surveyors (FIG) and the United Nations Food and Agriculture Organisation (FAO).

2. Methodology

The Authors took into consideration public real estate management systems in chosen post-socialist countries, i.e., Lithuania, Latvia, Poland and Ukraine. The detailed scope of the research concerns the analysis of real estate management indicators and the realization of chosen public real estate management procedures, as described below. The research undertaken in this paper has been divided into two parts, the first general and the second, more detailed. The collations determining the level of the applied indicators have been presented in the next section.

The indicators used in the first part of the study have been characterized below. The first group includes indicators prepared by THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION (2013). They describe aspects of real estate rights registration, such as:
– the number of registering procedures,
– the time taken to register property (in days),
– the cost of registration (considered as a percent of the real estate value).

Next, the rules of assigning points for the registration of real estate rights were determined and have been specified in table 1. The level of those three indicators was divided into 3 classes as proposed by SALUKVADZE (2008): convenient, moderate and inconvenient. Finally, scores were assigned for each of the classes.

Table 1

The rules of assigning the scores to registering real estate

Class	Number of procedures	Time (days)	Cost (% of property value)	Score
convenient	up to 5	up to 10	up to 1	2
moderate	5 to 8	10 to 60	1 to 3	1
inconvenient	8 and more	60 and more	3 and more	0

Source: authors' own study based on Salukvadze (2008).

The next indicator relates to the protection of real estate rights. It is one of the indicators from The Global Competitive Index 2012-2013 created by the WORLD ECONOMIC FORUM [WEF] (2012). This indicator was based on the experts' responses to questions regarding real estate rights protection in their countries, who were asked to assess this aspect by ranking it from 1 (very weak) to 7 (very strong). The value of the scores proposed by WEF (2012) was estimated by Min-Max Transformation - automated data preparation algorithms.

The last group of indicators were the WGI (Worldwide Governance Indicators) prepared by KAUFMANN ET AL. (2012). They were created on the basis of 30 data sources taken from many institutions, organizations and private companies. Two of them were chosen in this paper: Government Effectiveness and the Rule of Law. The first is defined as "capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies", while the second (the Rule of Law) is defined as "capturing perceptions of the extent to which agents have confidence in and abide by the rules of

society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence" (KAUFMANN AT AL. 2010). The WGI scores ranged from - 2.5 to + 2.5. At the end, all of the above scores were aggregated and the total scores have been described in the next chapter.

The second part of the research related to public real estate management. This research was conducted on the basis of a questionnaire on public real estate management systems created by GROSS (2010). The authors chose eight features and determined their ranks (from 1 to 5):

– the creation of resource development plans (5 – yes, 3 – partially, 1 – no),
– the opinion on public real estate management (5 – definitely good, 4 – rather good, 3 –average, 2 – rather bad, 1 – definitely bad),
– the optimality of the public real estate resource (5 – definitely yes, 4 – rather yes, 3 – average, 2 – rather not, 1 – definitely not),
– the need to improve the public real estate registration system (5 – definitely no, 4 – rather no, 3 – partially, 2 – rather yes, 1 – definitely yes),
– the existence of an integrated real estate information system (5 – yes, 3 – work has been undertaken to create it, 1 - no),
– the existence of a cadastre (5 – yes, 3 – not in the full dimension, 1 - no),
– the application of public private partnership (5 – yes, often, 4 – yes, but only occasionally, 3 – lack of accurate data, 1 - no),
– the transparency and complexity of public real estate law (5 – definitely yes, 4 – rather yes, 3 – average, 2 – rather not, 1 – definitely not).

The authors are aware of the fact that there are a lot of features that can describe public real estate management systems but only eight of them were chosen because of limitations in the length of the paper. As a result, the scores were aggregated and described in the next section.

3. The results of the comparison of public real estate management systems in post-socialist countries

The first part of the research was to show how the analyzed post-socialist countries fare in international rankings. Table 2 shows the chosen indicators that were used to obtain the final aggregate rating of the analyzed countries.

Table 2

Final aggregate rating of real estate management systems

Country / Feature	THE WORLD BANK & THE INTERNATIONAL FINANCE CORPORATION					World Economic Forum	WGI			TOTAL SCORE
	Registering procedures		Registering time		Registering cost		Score	Property rights	Government Effectiveness	Rule of Law	Score	
	number	score	days	score	% of property value	score		Score				
Latvia	5	1	18	1	2	1	3	4.2	0.68	0.80	1.48	8.68
Lithuania	3	2	3	2	0.8	2	6	4.3	0.68	0.77	1.45	11.75
Poland	6	1	54	1	0.4	2	4	4.4	0.68	0.73	1.41	9.81
Ukraine	10	0	69	0	3.7	0	0	2.7	-0.83	-0.86	-1.69	1.01

Source: authors' own study based on SALUKVADZE (2008), KAUFMANN ET AL. (2012), THE WORLD ECONOMIC FORUM (2012), THE WORLD BANK AND THE INTERNATIONAL FINANCE CORPORATION (2013).

Lithuania obtained the highest scores in the general ranking of the four analyzed countries (Table

2). It was because real estate was registered in only 3 days using only 3 procedures. The cost of registering is determined as a percent of real estate value and is also not big – 0.8%. Poland and Latvia obtained similar results, while Ukraine was classified in the last place. This is because of the 10 procedures that have to be done to register a real estate. The time taken to perform this procedure also influenced this result; 69 days is definitely too long. In comparison to the rest of the analyzed countries, Ukraine had the biggest cost of registering real estate.

When analyzing the property rights indicator, Lithuania, Latvia and Poland obtained similar results. The worst in protecting real estate rights was Ukraine, which can be explained by the current situation in this country and its problems with real estate management. The current system does not protect the rights to real estate.

The third group of indicators were WGI. Government Effectiveness is the same for Latvia, Lithuania and Poland, which shows that these countries are similar. Only Ukraine had a negative score. This means that governance in the scope of real estate management is not led in an effective way. The situation is similar in the case of the Rule of Law, however, there are some differences between Latvia, Lithuania and Poland in its case. Ukraine once again obtained a negative score.

The total classification obtained as a result of the first part of the research is shown in Figure 1. Lithuania placed first in the rating. The differences between Poland and Latvia were not very big. Only Ukraine differed significantly from these countries and this can be explained in a simple way – political transformations are still taking place in this country.
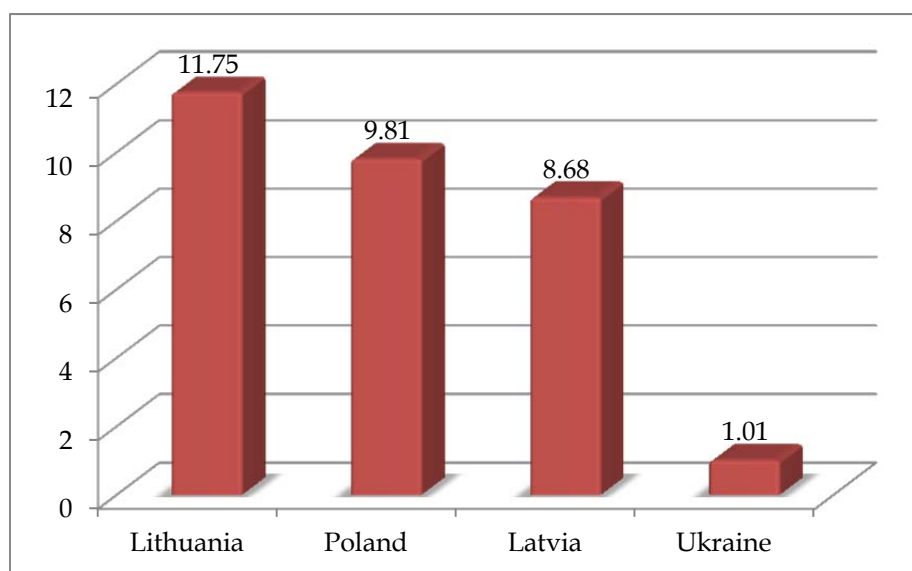

Fig. 1. Classification of the real estate management systems, *Source*: authors' own study

As mentioned above, the second part of the research was related to public real estate. The results obtained on the basis of the assumptions presented in the previous chapter are shown in Table 3. All of the analyzed countries, besides Ukraine, create resource development plans. The respondents assessed that the management of public real estate in these countries is at an average level. In Latvia, the optimality of public real estate resources was ranked in first place with Ukraine and Poland coming in second. This is unusual, especially for Ukraine which needs the most improvements in the scope of the public real estate registration system. The analysis shows that the Polish system requires the fewest improvements in real estate rights registration, where both public and private real estate is registered equally. Cadastres exist in Latvia, Lithuania and Poland. Cadastres don't exist in Ukraine. Ukraine stopped works on creating a cadastre and nobody knows when they will be resumed. Such a register would especially help to protect real estate rights. Lithuania is the only analyzed country to have an integrated real estate information system, although efforts have been made to create one in other countries. Public private partnerships are occasionally used in Lithuania, Latvia and Poland. More and more such projects are being realized from year to year and only Ukraine does not use these partnerships.

Finally, the last indicator was the transparency and complexity of public real estate law. Its regulations are rather transparent and understandable in Latvia, Lithuania and Poland. Ukraine has

some legal acts that can cause misunderstanding and are complicated. A good example can be the initiation of a prohibition on selling state-owned agricultural real estate, which has been in place since 2002 and, according to current legislation, is going to be in effect until 1.01.2016 (but may be extended).

Table 3

Final aggregate rating of public real estate management systems

Feature	Latvia	Lithuania	Poland	Ukraine
creation of resource development plans	5	5	5	1
opinion on public real estate management	3	3	3	3
optimality of the public real estate resources	4	2	3	3
need to improve the public real estate registration system	3	3	5	1
existence of an integrated real estate information system	3	5	3	3
existence of a cadastre	5	5	5	1
usage of public private partnerships	4	4	4	1
transparency and complexity of public real estate law	4	4	2	1
TOTAL SCORE	**31**	**31**	**28**	**14**

Source: authors' own study.

The final results are shown in Figure 2. Ukraine was far behind the other countries, scoring half the points of Poland. This time Latvia and Lithuania obtained the same scores. Poland was classified in third place, but the differences were small, which implies that these three public real estate management systems are similar. Ukraine, once again, placed last.
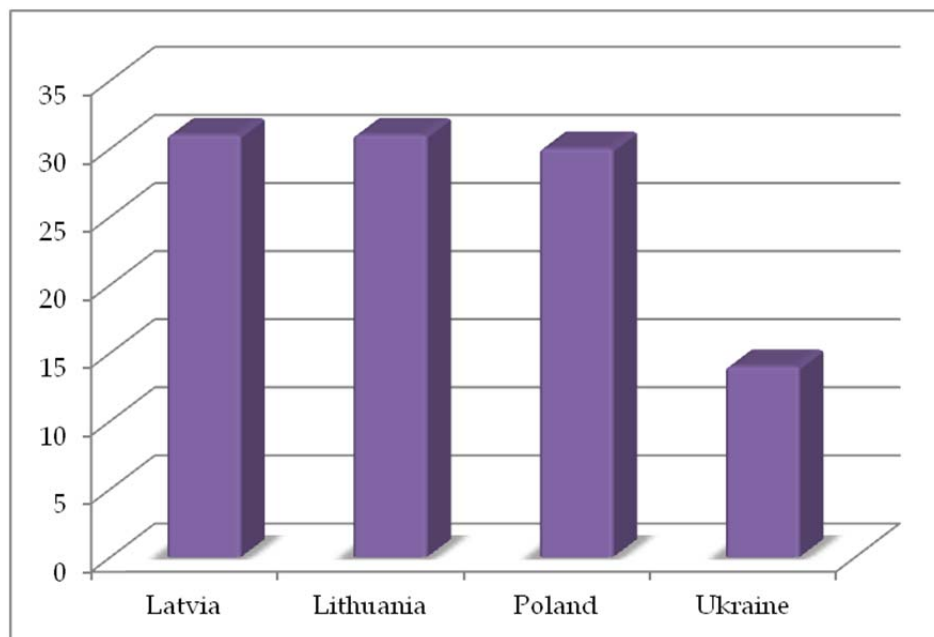

Fig. 2. Classification of public real estate management systems. *Source*: authors' own study.

4. Conclusions

The research undertaken in this paper confirms that public real estate management systems are different throughout the world, even when seemingly similar countries, in this case post-socialist ones, were analyzed. The two different parts of the research show that there aren't many differences between Latvia, Lithuania and Poland. The only country that differs very much is Ukraine.

The first method was created on the basis of international indicators. This data is detailed because it was prepared with the usage of a number of reviews of international experts, as well as public or private organizations. However, it also has a disadvantage as it concerned real estate in general and

not that which is public.

The second part of the research was prepared on the basis of data obtained from questionnaires. This time the features were connected with public real estate or the public sector in general. Nevertheless, this method also has some disadvantages. First of all, sometimes the respondents did not understand certain questions, although the authors were able to counteract this by using literature on the subject and other independent resources. The other disadvantage was that some respondents do not take a critical position on the assessment of some problems.

The analyzed countries should make some improvements in their systems, especially Ukraine which was ranked last both times. Almost every examined feature should be improved in this country. First of all, its legislation concerning real estate management ought to be changed as it is not transparent and often causes misunderstandings. Ukraine should also focus on creating resource development plans, not only privatizing its public lands. A very important issue is also to return to creating a real estate cadastre and improve real estate registration, which could help in protecting the rights to public and private real estate. The other countries were also not perfect. For example, Poland, Latvia and Ukraine should ultimately create integrated real estate information systems. Of the analyzed countries, such a system exists only in Lithuania.

The public sector should manage its resources in an efficient way, not only because they are limited, but also because they are important to the realization of public purposes. KEITH (2012) and ZIMMERMANN (2008) emphasize that, in order to improve public real estate management, practical guidelines should be created. These would inform, in a simple way, how to manage public real estate which would certainly have a positive impact on management effectiveness.

5. References

FAO. 2007. *Good governance in land tenure and administration. FAO Land Tenure Studies No 9.* Rome.

GROSS M. 2010. *Questionnaire on Public Real Estate Management Systems*. Unpublished materials.

GROVER R. 2009. *State and public land management: the drivers of change*. [In:] *Journal of Land Reform, Land Settlement and Cooperatives*. 2009/1. FAO. s. 58-68.

GROVER R. 2012. *The Management of State and Public Sector Land in Transition Economies: An Overview*. FIG/FAO International Seminar on State and Public Sector Land Management in Transition Countries. Budapest, Hungary, 20-21 September 2012. www.fig.net. Access: December 2012.

KAUFMANN D., KRAAY A., MASTRUZZI M. 2010. *The Worldwide Governance Indicators. Methodology and Analytical Issues*. World Bank Policy Research Working Paper No. 5430. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1682130.

KAUFMANN D., KRAAY A., MASTRUZZI M. 2012. *The Worldwide Governance Indicators (WGI) project*. http://info.worldbank.org/governance/wgi/index.asp. Access: January 2013.

KEITH S. 2012. *Land Management in Context: Learning from Experience.* FIG/FAO International Seminar on State and Public Sector Land Management in Transition Countries. Budapest, Hungary, 20-21 September 2012. www.fig.net. Access: December 2012.

KOKOT S., GNAT S. 2010. *The problem of the efficiency of the economy of communes' properties.* Journal of the Polish Real Estate Scientific Society. Vol. 18, No 2. pp. 29-44.

SALUKVADZE J. 2008. *Good Governance and Natural Resources Tenure in Eastern Europe and CIS Region*. Land Tenure Working Paper 3. FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS. ftp://ftp.fao.org/docrep/fao/011/ak015e/ak015e00.pdf. Access: May 2010.

The World Bank and the International Finance Corporation. 2013. *Doing Business 2013. Smart Regulations for Small and Medium-Size Enterprises*. Washington: International Bank for Reconstruction and Development / The World Bank.

WORLD ECONOMIC FORUM. 2012. *The Global Competitiveness Report 2012–2013. Insight Report*. SCHWAB K. (ed.). Geneva: World Economic Forum.

ZIMMERMANN W. 2007. *Good governance in public land management*. [In:] *Journal of Land Reform, Land Settlement and Cooperatives*. 2007/2. FAO. s. 30-40.

ZIMMERMANN W. 2008. *Effective and Transparent Management Public Land Experiences, Guiding Principles and Tools for Implementation*. FIG/FAO/CNG International Seminar on State and Public Sector Land Management. Verona, Italy, 9-10.09.2008. www.fig.net. Access: July 2009.