

Real estate capitalization of Public Administration Institutions - a chance to stimulate investment and increase economic competitiveness

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Abstract: The divide in the development of the different European space regions, is exemplified by the different ability to attract investments between rural and urban areas. Urban areas usually assure to investors a broad availability of structures and services that rural areas cannot offer. Another limiting factor for rural areas is the difficulty the enterprises which want to localize their structures outside the urban area meet when they try to find information about the quantity and the quality of the available structures. This penalization affects also the unused real estates of the public administration institutions; these real estates could represent for the investors an important opportunity to improve area's resources, meeting some forms of converging collaboration with the public administration institutions. POLYINVEST project aims at improving conditions for investment in the rural areas, directly tackling the development gap between the regions of the South East Europe and to develop an information system useful for those public administration institutions.

Key words: Polycentric development, Public-Private Partnership, investment opportunities, economic competitiveness

Introduction:

In a period marked by reduced investment at national and European scale, we need to find solutions to attract investors, increasing competitiveness and reducing

development gaps between national regions and between European Union member countries. Real estate capitalization of Public Administration Institutions could be a solution for these problems by identifying and valuing the unexploited real estates favoring

the entry of a large public property offers unused by local public institutions that can bring profit and develop these areas by offering them (by renting, selling or Public-Private Partnership (PPP)) to potential investors.

In order to do this it is need to develop an active approach by the government to identify the main characteristics of the real estates to be surveyed and to centralize them in some themes of interested referred to each territory and define packages linked with the chosen themes, which can attract potential investors. Favoring implementation of territorial complete packages, these packages will include information on buildings or terrains differentiated following the classification of the themes of interest and assets' geo-reference which can be embezzled and information on conditions that could foster investments by private investors. Such an idea was explored in the Polyinvest project.

Polyinvest project aimed to improve conditions for investment in the rural areas, directly tackling the development gap between the regions of the SEE space. Through the development of an innovative information service about the availability and characteristics of marketable real estates, the project responds to: the needs of those public administrations interested in enhancing and gaining an income from a part of their real estates, converting them to productive uses, fostering the development of polycentrism; the needs of those investors who, having the tools to know the investment opportunities in the various territories, can benefit from infrastructural efforts made by the Public administration institutions and be helped in the administrative and bureaucratic course.

Polyinvest contributes to fill the gap between urban and rural areas in the SEE space

through the start of pragmatic initiatives favoring the growth and economic competitiveness of marginal areas. It also contributes to the development of polycentrism in the SEE space using an innovative and sustainable approach which levers on commercial potential (and on the capacity to create development in the involved areas) derivable from alienation of unused or dismissed public real estates in rural areas. Polyinvest contributes to increase rural areas' attractiveness creating a real estate offer (now difficult to find and not attractive), with turn key solutions for EU and non-EU investors to realize sustainable productive and commercial activities. Finally Polyinvest contributes to the integration process between institutions and between countries, and to the birth of a stable network between public and private actors, able to standardize procedures and methods of new real estate businesses

The first innovation of Polyinvest resides in the will expressed by the involved Public administration institutions of transforming the problem of managing unused real estates in a development chance; this point is made stronger by the will to supply investors with a project related to the transformation of the assets and which can enter in a sustainable development of the area, exploiting the area's strong spots and potentials thanks to preliminary market analysis and subsequent sale. So Public administration institutions will be able to lead the process of sustainable development, activating a priori sustainable economic processes then managed by private entrepreneurs. For no similar experiences have been enacted also the adopted turn-key method requires an innovative approach in management. Also the public-private co-operation established to

achieve the common objectives is absolutely new because it is the the public sector which keeps on defining and leading the development of its own territory exploiting for this the support of private actors

University of Bucharest was a partner in this project, having the main role to coordinate market analysis, defining topics of interest and property census. In the Market Analysis package, the team from the University of Bucharest developed a methodology for identifying the development needs of local governments and on the other the needs of potential investors (this methodology included a guide to conduct interviews

and focus groups with potential investors representatives of local government and regional development experts). In this activity were conducted 14 focus groups with 132 participants and 16 interviews, the results are presented below.

1. Methodological approach

The Romanian partner received reports from Austria, Bulgaria, Greece, Italy-Venice, Italy-Molise, Slovenia and Hungary. In the following section, we offer a brief analysis of the field situation.

	Number	Total duration (minutes / hours)	Average duration (minutes / hours)	Participants
Focus groups	14*	1340** / 22	96 / 1h 36min	132*
Interviews	16	960*** / 16	87 / 1h 27min	16

* No data for Hungary

** No data for Austria and Hungary

*** No data for Austria

2. Local economic and business issues

Data suggest that before every investment project the stakeholders should survey the population structure by means of labor force characteristics. A frequent mentioned problem seems to be migration of the core of labor force: young or middle aged people. This is a double faced situation: a) on the one side, especially in Western Europe, is a trend toward immigration of students who studied abroad and b) on the other side, especially in Eastern Europe is a trend toward emigration of unemployed people. The investor should regard each Eastern Europe country in a

global perspective: there are rather regional problems than local problems. With few exceptions, the economies here are slow and the labor market have little efficiency in covering the need for employment. Because of this situation it is expected that a large number of Eastern Europe citizens to migrate toward Western Europe.

There is also a rural problem, especially in Eastern Europe. Here, and in small towns also, large enterprises are rare. There is a tendency toward small business with little as possible expenses. This is, by no means, a driver toward an increased quality of life.

This can be an opportunity for external investors because the local inhabitants can be retained with medium and long term employment projects than can satisfy basic criteria for a decent standard of living.

One key point that investors should consider in Eastern Europe especially, is the low price for selling land. This is mainly suitable for agriculture. A problem can be that the land is segmented in small sections and it can be difficult to convince different proprietors to sell at a reasonable price. Another key point is that there is a basic infrastructure on national and local paved roads that can be adapted function of the investor needs.

The deficiencies of local economy show institutional problems, especially in countries like Bulgaria, Greece or Romania. The investor should put this aspect in front of there to do list. The support of the inhabitants is easy obtainable but the implementation of different projects can be delayed or even stopped by local administration inefficiency or corruption. The investor should hire a competent juridical specialist who can interpret complicated and incomplete laws or government decisions.

Another problem can be the resistance to change. It seems that there is strong inertia regarding reconversion from public administration institutionst activity domains. For example, if the local economy was based on an industrial factory and this is no longer functional, the trend is toward migration (the core of labor force) or subsistence agriculture (the old ones).

Aging is regarded like a serious problem in several regions. Old people seem to be considered unproductive. The local government should change their perspective and seek to encourage enterprises that use

different abilities of this age segment. This is rather a mentality problem that can take time to change.

In several countries seems to be significant differences between regions regarding the orientation toward work and possibilities to invest. The investors should survey the differences of economic potential between development regions and counties.

Due to local specific we highly encourage to consult the country specific reports!

3. Resources for economic development: positive and negative inputs

Please bear in mind that the information collected is perceptual and not a representative survey for the regions studied. In addition, you should consider that the participants at focus groups and interviews are experts in their field and good connoisseurs of the business, policies and the functioning of the central and local administration and this can give us a certain degree of the accuracy of the data analyzed here and in the country specific reports.

There are several aspects frequently mentioned:

- The public administration should encourage investors relaxing the bureaucratic system, giving tax incentives to them, investing in the infrastructure (especially transportation), facilitating credit etc.
- Tourism seems to be, at least at perceptual level, a panacea for local development.
- Before starting a project for land/buildings reconfiguration, the investors should be aware about the juridical statute of

them: who is the owner? Can he/she be convinced to rent or to sell on long term?

- There is a vast amount of properties available especially in the ex-industrial zones that today are on collapse. Here, also, is a big rate of unemployment meaning a qualified workforce available for reconfiguration.
- There are some opportunities in the agriculture domains.
- The investors should consider in their plans the attitudes of the citizens favoring local or regional development.
- There is a growing acceptance and orientation toward friendly environment projects: renewable energy, bio-foods etc.
- The collaboration between countries is necessary especially on the transport infrastructure: public administration should focus on building commercial routes (motorways etc.) that connects them.

Here are some country specific situations organized on positive versus negative outcomes.

Austria:

- Positive input:
 - o Overall the bureaucratic environment is stated to be low when setting up businesses;
 - o The sector of tourism is regarded as a substantial driver of investments by experts;
 - o The regions are attractive for the some industries and agricultural investments;
 - o The city centers are wished to be preserved and restructured and it is said that parking facilities might reduce the dying of individual shops as the parking area in shopping malls is abundant and usually free of costs;

- o There is potential for development of the organic farming initiatives and the production of crops for renewable energy;

- o Marketable estates can be made out in all regions under review, being perceived as not costly and offering a high level of assistance upon purchase for the investor. Depending on the region, some municipalities offer trained personnel that support and guide the process of purchase in administrative and technical terms;

- o The call for a multi-level approach is raised, starting at the very top of the regional planning at federal state level, and gradually moving downwards to the regional and local level. At this level it is thought to have the best outcome when the actors involved offer tailor made and customized solutions for the investors;

- o Special focus has to be given to alternative energy sources as they are thought to have a great positive impact on the regions' environment.

Bulgaria:

- Positive input:
 - o The region it is amenable for tourism development.
 - o There are opportunities for development of food industry (food processing and raw materials).
 - o The land owned by local administration can be bought or rented relatively easily.
 - o The available building stock is offered to investors
- Negative input:
 - o Small number of projects for development and gaining profits from tourism
 - o The programs in process are rather more cosmetic

o The infrastructure (i.e. transportation) is in a work-and-progress state

o A part of the lands are still with unsettled documents and outstanding possession.

o Local people will rather agree to rent the land than to sell it. This is explainable by the fact that land price is too low.

Greece:

- Positive input:

o **Agriculture** in the coastal area of Western Greece region is well developed due to the good fertility of the territories but mainly because of the climatic conditions. This situation give the possibility for production of an important number of agricultural products with possibilities of export e.g. oil production, the viniculture, the citrus fruits, the horticultural, the spring potato.

o The sector of **manufacturing-industry** is developed particularly in the Western Greece region especially in the prefecture of Achaia - in the area of Patras and the wider region - with a focus on the sectors of food and beverages, textile, clothing, non-metal minerals and in the sector of machinery and equipment. Therefore, the majority of the manufacturing industries of the Prefecture of Achaia do belong in sectors with current growth potential.

o In line with the economy of Western Greece, **international sea transportation and commerce** are important elements of economic development. Patras is the country's main gateway to Western Europe and a critical transport hub. As a result, there has been intense development of international sea transport and trade to and from its port.

o The prospects for developing **tourism** are also favorable. Although these

have not yet been adequately exploited, the Region processes significant natural, cultural and tourist resources. More specifically in the Prefecture of Etoloacarnania there are landscapes with mountains, rivers, lakes, hot springs and protected regions presenting many serious occasions of alternative tourism development (naturalist tourism, agrotourism, athletic activities in the nature). In addition, the Archaeological area of Ancient Olympia in the Prefecture of Ilia remains unexploited although there is good potential for touristic development.

o The Prefecture of Achaia has a good potential for the further development of **research and technology services** and the provision of innovative services to the local SMEs in particular linked to the University of Patras, the Technological Educational Institute of Patras and Patras Science Park.

o Another sector that offers important prospects of development is the growth of **renewable resources of energy** and mainly the photovoltaic parks, as there is large extents of ground that remain unexploited.

o In parallel with these sectors, Patras shows a great development also in **other sectors** such as health services and education, as well as in the productive services.

Italy – Venice:

- Negative input:

o For companies operating in construction there is a need to classify the operators by introducing specific legislative requirements for access of technical-professional nature and of organization, such as to ensure the quality of products and services.

o The fiscal policy should be reviewed and modified:

- In order for the redevelopment to be activated incentives are needed that are

convenient to citizens, including tax wise, to support the higher cost of redevelopment of existing buildings.

- To encourage the involvement of private investors, it would be appropriate to use incentive mechanisms such as the transfer of land intended for public housing and volumetric incentive mechanisms

- o There is a highly bureaucratic administrative system:

- The strategic objective to encourage the development, is the simplification of the procedures together with the reduction in the number of rules and their stability

- An easier procedure for accessing credits for investment in construction and the purchase of homes by families

Italy-Molice

- Positive input:

- o There is land in public ownership available for the establishment of industrial and commercial activities.

- o Many of the available public and private property are concentrated in the historic centers of small towns in the region. In recent years has created strong interest from local government aimed at recovering the vitality of their historic centers

- o Widespread accommodation is an initiative aimed at local development and social and cultural enhancement, an economic opportunity and a business program

- o The prices of land and buildings that are fairly low compared to other Italian regions

- Negative input:

- o The greatest difficulty is found always in the bureaucracy and complexity of administrative processes and the fragmentation and dispersion of skills in public offices

Romania

- Positive input:

- o Openness for innovative business sites using the latest technology, with high value added (Celestica, Connectronics, Hanil Electronics, Plexus, etc.);

- o Tax incentives offered by local public authorities;

- o The unused land owned by the Local Public Administrations, with high potential to attract investors on the following areas:

- tourism (geothermal);
- agriculture (viticulture, fruit growing);
- zootechnics;
- renewable energy (photovoltaic panels);
- industrial (industrial parks).

Slovenia

- Negative input:

- o In public administration institutions two years, local municipalities have prepared the investment project proposals, which are 10 times exceeding available funds;

- o Global financial crisis has also caused lack of favorable bank loans

Hungary

- Positive input:

- o The proximity of the Slovakian border allows for international projects and for the continuous flow of labour force and trade

- o The transportation routes between Budapest and East and North cross the county

- o Almost any part of Nógráds is within the critical one hour ride by car

- o Although traditional mining, heavy industry and glass production were all closed up during the time of the political changes

of the early 1990's, people of the region still have a strong respect for these sectors. The knowledge, traditions and acceptance still lives on within the county. There is a chance to re-ignite these industrial activities, there are plenty of labour available, the only limiting factor is vocational training in these fields which was totally abandoned in the public administration institutions 20 years.

- o Since these activities are no longer pursued, the **labour capacity** of the region is high and relatively cheap. This calls for **labour intensive jobs**

- o All suitable for brownfield investments, there are large numbers of abandoned industrial premises in the county

- o The county is exceptionally rich in clean and original natural sites. Some special touristic targets of Nógrád are: hunting, fishing, bicycle routes, and villages. There are various **cultural attractions**, (the archaic village of Hollókő, the Simonyi castle and the Fossils Park at Ipolytarnóc) are among the most important strengths of the county and have a high potential for having an intensive tourism built around them. One of the most important endemic 'product' of the county is the Palóc culture (Palócs are a Hungarian ethnic group). In a recent survey of 1000, 70% of the responders connected the Palócs to Nógrád. Elements of the Palóc traditions include the 'lovely clothing', a village wedding, gastronomy – and looking from the marketing angle: a whole set of new and natural experience. Developing tourism around the Palóc culture may involve developing local procession and selling traditional foods, regional gastronomy, combining cultural values with historical and natural ones into a complex touristic destination.

- o Due to the stagnant economy, **prices of real estates are low**, which is a definite advantage for any investor. The same applies to residential properties, and for potential industrial premises as well.

- o Certain small regions of the county were ranked 'underdeveloped', so the **chances of receiving a support** for a development project are **increased**

- o **The proximity of Slovakia** is important not only for marketing. It also means lots of available labour. The new Ipoly Bridge opens up new possibilities

- o There is an excellent **vocational training** in the county. There is one college of finance and accountancy. Technical education however, needs more training (engineering and foreign languages). The county is well equipped with a suitable system of infrastructure and teachers.

- Negative input:

- o One of the striking problems of the county that most potential empty premises are privately owned. The owner is unable to invest and develop his or her property, but is unwilling to sell it. Most owners are under-informed about the possibilities and are not interested in developments

- o Since the inhabitants of this region are **patriotic** and true to their homeland, it is advisable to promote and support the establishment of **local enterprises**

4. Support for the LPA project, community leaders and investors

The stakeholders are open toward the project. The interviewed experts consider that this project should be continuous: data should be updated frequently and stakeholders announced about the changes.

Here are some country specific aspects.

Austria.

- Just alone the mapping of the areas would help abolishing the mental frontiers, which are still present in many of our minds;
- When it comes to selling building lots and real estate objects the selling party should keep in mind the long-term strategy for the regional development in order to satisfy the multiple stakeholders in the region.

Bulgaria:

- It is a question of doubt that administration and business will join the project with concrete actions and assistance for the project implementation, for they have not the resource for it;
- The other problem is the existence of regions with vague ownership and it would be complicated to define them.

Greece:

- The University of Patras has made serious efforts in industrial liaison activity and its capacity and capability is established with reference to models of knowledge based enterprise support and entrepreneurial development.
- The Patras Science Park and the Business Innovation Centre play a significant role in supporting the development of economic strategy and leading the implementation of significant activities with the Chamber of Commerce and the University and Technological Institute around industrial modernization and industry creation.
- The creation of a suitable institutional and legislative framework that will facilitate more the investment efforts and will be based inter alia on concrete and evident

strategy of reduction of bureaucratic procedures (new investment law 2011)

- The public Authorities of the Region of Western Greece and more precisely the general secretary lays accent on the acceleration of approval processes of investment projects that already has been submitted for integration and subsidy by the existing developmental law.
- In the Region of Western Greece are already developing some of the biggest works of infrastructures such as the Ionian road, the Olympia road and the new port of Patras that will give big impulse and will facilitate the investment activity in the region.

Italy-Venice:

- The role and contribution of regional policy is particularly relevant to counter the structural weakness of the Italian economy to the main industrialized countries and in a counter-cyclical use the opportunities offered by the programs.

Romania:

- The main recommendations refer to development of the infrastructure - utilities, access roads, telecommunications;
- Support from University of Oradea (vocational and technical schools) in improving work force qualifications in accordance with investors' requirements;
- Improved promotion of Oradea Metropolitan Area;
- Permanent preparation of work force;
- Greater degree of involvement of local authorities;
- Action to amend the legislative framework;
- Organizing meetings between stakeholders in the area;

- Solving the problem with the Oradea Airport.

Slovenia:

- All local municipalities have expressed their interest to participate at the project;

- They are also prepared to participate after the conclusion of the project and to offer minimal required resources;

- Municipalities are interested in on-line data base in Slovene language, providing sustainable costs-free information on available business premises and sites;

- For foreign investors an English version should be provided.

Hungary:

- Unless refreshed frequently, data-pools quickly became outdated. Data pools can successfully operate only if supported by an agency that continuously tracks down all new and relevant information, and examines the real estate in question on the spot if that is needed, answers any questions stemming during the process and manage any business that may take place with regard to a property. Local authorities, being incompetent and not effective enough are unable to deal with the issues raised by a potential investor. This is why an agency is needed. A data-pool itself will never boost the economy of a region, it can only supplement ongoing activities

- When supplemented by an alternative real estate marketing agency, the Polyinvest project might operate fully to its potential. An investor is looking for possibilities (premises, real estates) and since most large companies do not have a specialized department (department of real estates development) these tasks are often done by

agencies. The agency seeks local connections, persons with a suitable knowledge of special local relations. This is where leaders of local authorities and smaller regions take part: they can be one of the key persons with that special knowledge. They also operate investment promotion agencies that are in connection with real estate agencies.

5. Conclusions and recommendations

The project proved that real estate capitalization of Public Administration Institutions could be a solution for fostering polycentric development of the regions less attractive for the investors and had positive premises:

- Public administration shows positive feelings about the mapping of land and buildings.

- The project should have an inter-regional and inter-country orientation: this perspective will foster the development of at least neighboring countries.

- The project should have a strong component of public relations and communication: it should be devised a way of real-time informing of all stakeholders.

- The project should make the connection between the land / building mapping and the legislative component of business opportunities. This is seen as an important condition for the success of a possible investment: knowing the place geographically and juridical.

- The project should consider delivering a database of experts in public space reconfiguration: gentrification, industrial reconversion etc. This, besides the map and the legal counseling will be the third level of information that will help fostering a sustainable development and a self-sustained investment.

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