

## Improving State Land Management: Technical Note

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### Executive Summary

1. This document has been produced as part of the work undertaken for the World Bank Advisory Services & Analytics Project P164922, *Turkey Land Sector – Emerging Issues*. The project was undertaken at the request of the Government of Turkey, specifically the General Directorate of National Property (Milli Emlak Genel Müdürlüğü) (GDNP) of the Ministry of Finance<sup>1</sup>.
2. Treasury and State lands have the potential to make a significant contribution to national finances and economic growth. There are many examples of State property being used for relatively low value government activities that could be transferred to other less well-situated locations. There is no pressure on public bodies to make efficient use of the public assets or to release assets that are surplus to their requirements. Releasing property currently used for relatively unproductive purposes has the potential to bring a significant boost to the economy and national finances.
3. GDNP is charged with managing the State's real estate appropriately in the national interest. Its main duties are to maintain the inventory of Treasury and State immovables, carry out transactions such as selling, renting, and easements, and to allocate real estate to State institutions. Its headquarters is in Ankara and with offices in each province. Agricultural properties make up the largest part of its portfolio. The policy is to dispose of or rent out these, which will eventually leave GDNP with a portfolio largely focused on urban areas.
4. Turkey has a clear policy with regard to which lands are required to be in state ownership and which cannot be disposed of. The Government has also identified groups of properties that it wishes to dispose of as no longer fulfilling current objectives. GDNP has developed good systems for undertaking the sale of these. GDNP has been set revenue targets from the disposal of surplus properties and rentals, which look modest and could be enhanced if it were to take a more proactive stance in managing its portfolio.
5. Line ministries develop plans for the premises they need for their services but this does not seem to be in a coordinated way. GDNP appears to be unable to verify the needs of the requesting authority, which are not subject to rigorous assessment of need and viability. For requesting bodies, immovables are a free good. Users are not responsible for depreciation, obsolescence, or impairment of the assets. There are limited checks as to whether users are using them efficiently or for the uses for which they have been requested. Releasing inefficiently used assets would provide a significant boost to the economy and could alleviate

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<sup>1</sup> Presidential Decree No. 1 dated July 10, 2018, approved following the completion of this technical note, attaches the General Directorate of National Property to the Ministry of Environment and Urbanization.

social pressures, such as intensive development in seismically active areas and informal housing. Requests should be evaluated against standards for space, quality, location, and cost. Investment appraisal methods should be used to determine whether a proposed use is cost effective. GDNP has developed appropriate systems for setting reserve prices for surplus properties but does not carry out regular revaluations of the portfolio.

6. Current information systems are not capable of providing the data needed for efficient management. Information is typically in analogue form stored in archives. It needs to be available on-line in digital form. Data held by other bodies is currently accessible largely through correspondence rather than in databases that can be accessed on demand. Decision making also needs to become electronic. Staff productivity would be improved if less time was spent on relatively unproductive activities, such as obtaining information, and more on direct management of property. It is not just a matter of investing in new technology and software but also undertaking business process re-engineering and re-designing the procedures to be automated. In other words, such investment should not just provide improved equipment or software but should examine whether the systems being used can be improved. Software should not replicate current paper-based systems but should be based upon improved processes.

7. Best practice requires:

- Tools evaluating the business case for requests for immovables in terms of their efficiency and whether they achieve minimum returns.
- Standards for space quantum, quality, location, and cost against which requests can be evaluated.
- Check as to whether there is still a business case for continuing to use assets previously allocated.
- Responsibility by users for meeting the costs of impairment of assets, obsolescence, and depreciation.
- Incentives for users to make efficient use of immovable assets by requiring them to pay the economic costs of their use.
- Regular revaluations of immovable assets.
- Regular inspections of properties to protect them from encroachment and trespass, to check that users are using them for the purposes for which they have been allocated, that assets are being used efficiently, and that depreciation or impairment is not occurring.

8. If GDNP is to secure best advantage for the Government and citizens of Turkey from the portfolio of State and Treasury immovables it manages, it needs to re-orientate its approach from being a body that primarily responds to requests from public bodies and private organizations for immovables, to taking a more proactive approach in looking for the best outcome for the portfolio and initiating changes as necessary. This requires:

- Major investment in IT, including systems, hardware, and software to make the system more stable and less vulnerable to disruption and to integrate systems.
- Investment in improving the quality and accessibility of data about properties, including developing data standards and modeling.
- Business process re-engineering to replace paper-based management, communications, and decision systems need to be replaced by electronic ones.
- Investment in the training of staff and enhancement in capacity.

- An organization structure that it is less oriented towards functions and more towards securing best value from the portfolio as a whole.

## 1. Introduction

This document has been produced as part of the work undertaken for the World Bank Advisory Services & Analytics Project P164922, *Turkey Land Sector – Emerging Issues*. The project was undertaken at the request of the Government of Turkey, specifically the General Directorate of National Property (Milli Emlak Genel Müdürlüğü) (GDNP) of the Ministry of Finance<sup>2</sup>. One of the development objectives of this project is to provide technical assistance to the Government of Turkey in order to identify options to improve the management of public land and property. The study has concentrated on the properties that are the responsibility of GDNP and has not examined state or public sector property in the hands of other state bodies or municipalities. Some of the conclusions reached are also likely to be relevant for these, but the focus of the study has been to seek to identify how GDNP can improve the ways in which it manages the properties for which it has responsibility. It has sought to identify areas where investment could produce economic and efficiency gains. Initial discussions on this project took place with GDNP in October 2017. A mission in which this was one of the primary objectives took place in January 2018 with a follow up mission in April 2018. During these missions, meetings were held with the main departments of GDNP, in order to understand their activities and the processes and procedures involved, and with representative bodies that work closely with GDNP, the Ministry of National Education, TOKI, the Ministry of Culture and Tourism, and the Privatization Administration. The report was completed prior to the July 2018 reorganization of the Government in Turkey and the transfer of GDNP from the Ministry of Finance to the Ministry of Environment and Urbanization.

The report is divided into three main sections. Section 2 describes the General Directorate of National Property and its principal activities. Understanding what GDNP does and how it is organized is a necessary part of identifying the areas in which GDNP might benefit from investment aimed at improving its operations. This information will form an important part of the background to any investment proposal. Section 3 seeks to summarize international good practice in the management of public sector land and property. This provides the basis for evaluating GDNP's current processes. Section 4 contains conclusions about the issues GDNP faces and Section 5 the recommendations about the areas of its activities which would benefit from investment.

### **Why improved management of State and Treasury Land is important for Turkey**

Treasury and State lands form a significant proportion of the land area of Turkey. Much of this is of relatively low economic value, such as wildernesses, or its development potential is limited because of the need to preserve it, such as sites of historic, archaeological, or environmental importance. The State also has significant holdings of agricultural and forest lands. In addition to these, the State has an extensive portfolio of properties in urban areas and of areas of potential economic value like coastlines. These have the potential to make a significant contribution to national finances and economic growth. Yet there are many examples of State property that is favorably located for economic development being used for relatively low value government activities that could be transferred to other less well-situated locations. There is no pressure on public bodies to make efficient use of the public assets that they have been allocated or to release assets that are surplus to their requirements. Making more efficient use of State property has the potential to generate income to enhance the State

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<sup>2</sup> Presidential Decree No. 1 dated July 10, 2018, approved following the completion of this technical note, attaches the General Directorate of National Property to the Ministry of Environment and Urbanization.

budget. Releasing property currently used for relatively unproductive purposes has the potential to bring a significant boost to the economy.

## **2. The General Directorate of National Property**

GDNP is responsible for:

- Real estate registered in the name of the State Treasury
- Real estate in the ownership of the State that is not capable of private ownership and cannot be registered, such as mountains, coasts, pastures, and lakes.

Although the Directorate can trace its origins to 1909, it took on its present form in 1983, with Decree Law No.178, when its name was changed to the General Directorate of National Property. Its mission is:

- To manage the state's real estate appropriately in the national interest, in an effective and efficient way, in cooperation with other institutions, taking into consideration scientific and social developments.
- To be a sector leader and prominent institution by managing the state's real estate effectively and effectually in accordance with international developments.

GDNP sees itself as being at a turning point in its development. It seeks to use public properties in the most efficient way to support economic, social, and environmental objectives. It sees its role as being the Government's internal landlord or property manager, managing and extracting public benefit from the portfolio of state properties used or occupied by public bodies and private occupiers.

Its main duties are:

- To maintain the inventory of real estate owned by Treasury and the State and to determine the basis and procedures for keeping records of the real estate owned by other state institutions and organizations, such as local administrations and bodies like universities.
- To carry out transactions such as selling, renting, and easements, for the Treasury's and State's real estate.
- To allocate real estate to State institutions for the provision of public services.
- To manage public housing provided as lodgings for public officers and to determine policies about it.
- To conduct the acquisition of properties to be transferred to the State.
- To inspect and audit transactions.

### **2.1 Strategic Plan for 2018-22**

The 2018-2022 Strategic Plan for the Ministry of Finance includes the following objectives and these identify the areas in which future investment should be aimed at bringing about improvements.

- To make available Treasury immovables in a speedy manner for alternative uses through a stakeholder-orientated and effective approach by reducing bureaucracy and improving service quality for citizens when responding to requests from real persons and public and private legal persons.
- To increase the incomes from Treasury immovables.

- To extend the Treasury immovables portfolio provided for the purposes of investment and employment.
- To accelerate and improve the current ways in which ownership problems are resolved for those citizens who have entitlement to Treasury immovables.
- To speed up transaction processes and the fulfillment of requests through the transfer of processes in an electronic environment.
- To complete the transition to e-tendering.
- To increase the number of services provided to citizens through e-government.
- To classify Treasury immovables according to their actual status, intended use, and most suitable and efficient use.
- To register non-registered zones in the name of the Treasury.
- Enhanced data sharing of Treasury immovables with other public bodies, particularly the number of institutions which have access to MEOP database (Milli Emlak Otomasyon Projesi or National Property Automation Project).

The plan explicitly recognizes that there is a need for capacity building, including increasing the quality and quantity of personnel and improving software, hardware and equipment. It also talks of establishing an income-based performance management system with individual goals being established for each estate unit. The implication of these objectives is that work will need to be undertaken on developing effective management processes. The implementation of these will require significant enhancement of capacity through staff training and recruitment and investment in computer hardware and software.

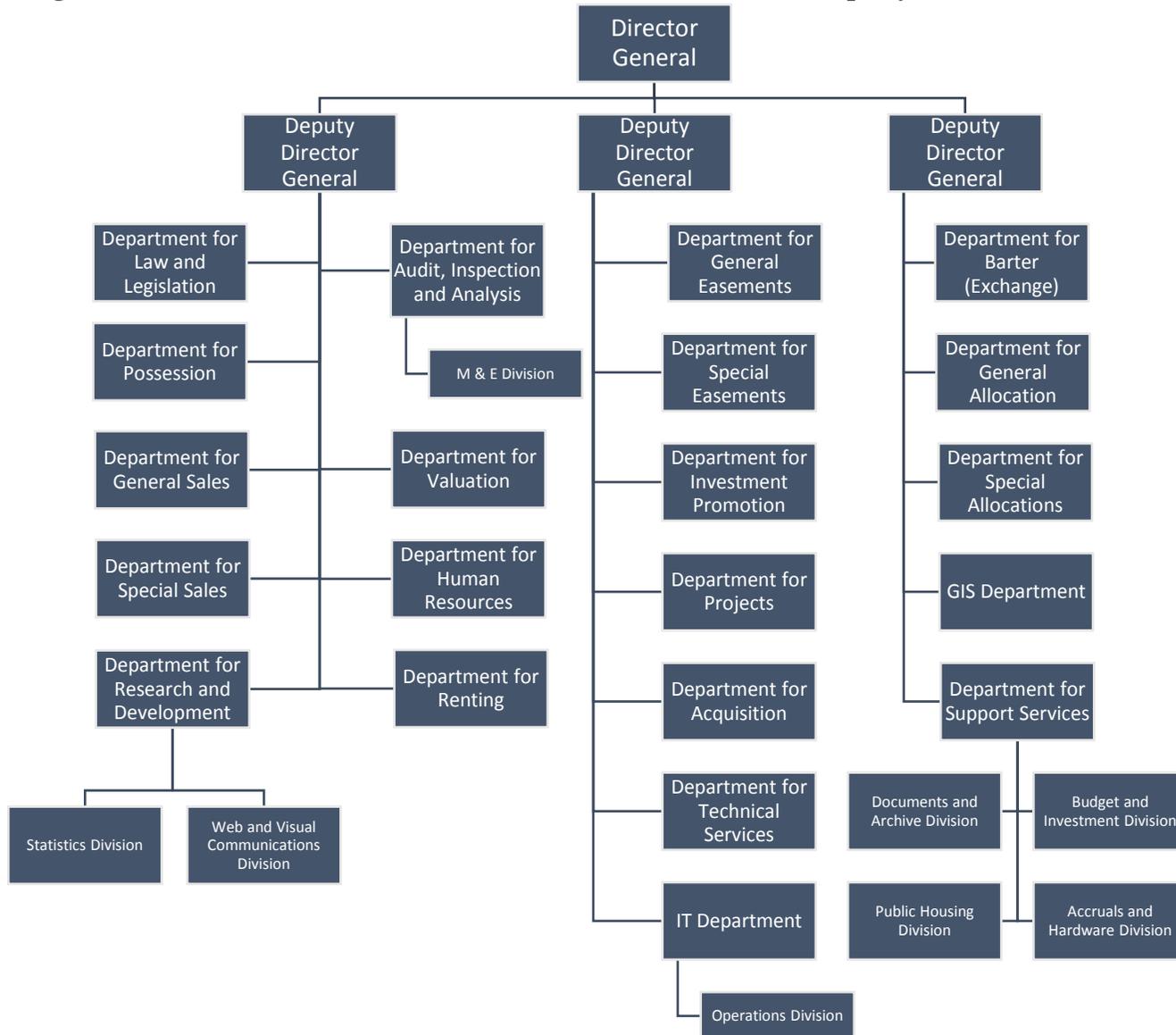
## **2.2 Organizational Structure of GDNP**

The organizational structure is shown in Figure 2.1. GDNP has 4,545 personnel of whom 344 work at headquarters in Ankara and the remainder in provincial offices in 81 cities. The provincial and sub-provincial offices of GDNP are part of the provincial revenue offices of the Ministry of Finance<sup>3</sup>. Provincial offices typically have 3 – 5 deputy heads, one of whom is the Head of Department responsible for National Property. The activities undertaken by provincial offices are not restricted to the management of national property but include undertaking sales for other institutions, of assets seized from criminals, or those of political parties that have been closed. In essence, the role of a provincial office is to undertake any activities concerning property that is the responsibility of the State as and when directed. Based on the workload created by national property related works and transactions at provincial/sub-provincial level, there are National Property Departments or Property Directorates under the revenue offices at provincial level and National Property Services under National Property Directorates or Goods Directorates at sub-provincial level. There are 7 total National Property Departments in Turkey under their respective revenue offices (Adana, Ankara, Antalya, Bursa, Kocaeli, İstanbul and İzmir).

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<sup>3</sup> Following Presidential Decree No. 1 dated July 10, 2018, which attaches the General Directorate of National Property to the Ministry of Environment and Urbanization, National Property Departments or Property Directorates at provincial level have started to provide services within the Provincial Directorates of the Ministry of Environment and Urbanization Ministry. In the districts, according to the intensity of work and transactions, they serve as National Property Directorates or National Property Chiefs. Recently, the number of National Real Estate Departments located in 7 provinces across Turkey increased to 11 with the addition of new departments in Konya, Mersin, Muğla and Samsun.

**Figure 2.1 Organizational Structure of the General Directorate of National Property**



### **2.3 The Property Portfolio**

GDP is responsible for a portfolio of 3,835,268 Treasury properties registered with TKGM, covering an area of 243,792 square kilometers. Approximately 185,232 square kilometers of this area (about 76 percent of the registered surface area) is composed of forests. Cadastral Code 3402 draws a distinction between what can be registered and what merely recorded and demarcated. As noted above, properties in possession of the State cannot be registered whereas those in the ownership of the Treasury can be. TKGM has demarcated the former properties but is not able to register them. Forestry is a special case as it is under the control of the General Directorate of Forestry rather than GDP.

The composition of the portfolio is shown in Table 2.1. Agricultural properties make up the largest group of properties. The Ministry of Finance's policy is to dispose of or rent out these, which will eventually leave GDP with a portfolio largely focused on land and buildings in urban areas used for non-agricultural purposes, particularly for the delivery of public services and investments.

### **2.4 Financial Position**

The main sources of income generated by GDP are set out in Table 2.2. GDP generates an annual income of 4.5 billion TL in 2017. Although the generation of revenue is not its primary objective, revenues have been growing. In 2015 they were 3.2 billion TL. The Government does not prioritize profit but social objectives such as the alleviation of poverty through affordable agricultural rents. However, GDP has an income generation target. The revenues form part of the general government budget and are an alternative way of generating revenue to the imposition of taxes or fees. The main sources of income are from leases (33% revenue) and sales (47% revenue). Rents come mainly from government housing and compensation extracted from users for the illegal occupation of State land. There is currently a debate as to whether GDP should be more pro-active in developing projects or whether it should continue with its current role of supporting projects being developed by municipalities and for mass housing. These involve profit-sharing but GDP currently does not deal directly with developers on projects, and so is not involved in profit-sharing with them. GDP, unlike the Privatization Administration or TOKI, does not have the power to create development plans. This means that it is unable to identify profitable developments on State or Treasury lands and then grant itself development consent to execute them. Instead, it must either hand the properties over to a public body with the power to do this, such as the Privatization Administration, or work in partnership with a municipality. It is not clear how such arrangements are reflected in GDP's income generation target since the income and capital growth generated by such means does not pass through its accounts. A more portfolio-oriented approach could produce higher revenues as well as exploiting GDP's property expertise, which other agencies may not possess to the same degree.

**Table 2.1 GDNP's Property Portfolio**

<b>Distribution of Real Estates According to Types (11/2016)</b>					
<b>TYPE</b>	<b>REGISTERED</b>		<b>UNDER THE JURISDICTION and POSSESSION of STATE</b>		<b>RELATED</b>
	<b>NUMBER</b>	<b>AREA(m<sup>2</sup>)</b>	<b>NUMBER</b>	<b>AREA(m<sup>2</sup>)</b>	<b>NUMBER</b>
<b>Forest</b>	452,713	185,542,528.076	1,297	2,599,376.274	2,512
<b>Territorial areas</b>	955,236	31,672,155.364	32,727	5,409,973.231	10,534
<b>Agricultural areas</b>	1,367,603	17,169,916.923	21,506	439,968.911	30,458
<b>Common Goods</b>	91,781	4,638,474.009	6,742	673,694.502	4,771
<b>Land</b>	471,398	1,805,282.402	10,872	60,275.319	11,891
<b>Vineyards and orchards</b>	238,309	1,023,089.157	7,344	37,742.489	5,219
<b>Buildings</b>	190,417	656,487.301	852	1,246.612	6,522
<b>Water and aquaculture product areas</b>	53,785	523,960.375	4,623	927,941.233	478
<b>Areas of mines and quarries</b>	1,188	112,614.812	1,001	107,203.432	157
<b>Historical And Cultural Areas</b>	4,095	92,652.611	519	2,466.129	397
<b>Coastal Areas</b>	609	5,588.049	8,684	113,164.273	721
<b>Other</b>	8,134	550,146.226	12,092	663,085.206	24,598
<b>Total</b>	<b>3,835,268</b>	<b>243,792,895.306</b>	<b>108,259</b>	<b>11,036,137.611</b>	<b>98,258</b>

**Table 2.1 Income Resources**

**2017 National Property Disaggregated Revenue Realization Ratios by Month (January - December)**

(\* (Thousand TL)

<i>SOURCES OF INCOME</i>	<i>BUDGET TARGET</i>	<i>REALIZATION</i>	
		<i>Jan-Dec</i>	<i>Budget Realization Ratio (%)</i>
<b>A-Rents</b>	<b>1,247,309</b>	<b>1,395,308</b>	<b>112</b>
a) Rents of Government Housing	509,309	<b>486,771</b>	<b>96</b>
b) Compensation of Illegal Occupation	410,000	580,893	<b>142</b>
c) Revenues from Social Facilities	0	57	<b>0</b>
d) Other Immovable Rent Income	328,000	327,587	<b>100</b>
<b>B- Pre-Authorization, Right of Easement and Usage Authorization</b>	<b>351,000</b>	<b>771,721</b>	<b>220</b>
a) Pre-Authorization	16,000	32,347	<b>202</b>
b) Right of Easement	85,000	305,516	<b>359</b>
c) Usage Authorization	190,000	255,351	<b>134</b>
d) Revenues and Profits from Rents of Public Immovables	60,000	178,507	<b>298</b>
<b>C-Sales of Immovables</b>	<b>2,401,961</b>	<b>2,341,445</b>	<b>97</b>
a) Sales of Government Housing	0	604	<b>0</b>
b) Sales of Social Facilities	0	0	<b>0</b>
c) Sales of Other Buildings	1,855	1,969	<b>106</b>
d) Sales of Real Estates	190,000	172,517	<b>91</b>
e) Sales of Land	1,130,000	785,566	<b>70</b>
f) Sales of Other Immovables	945	1,569	<b>166</b>
g) 2/B Real Estate Properties Sales Revenue	762,433	1,214,583	<b>159</b>
h) Transfer Revenues of 2/B Immovables on Project Areas	0	56,676	<b>0</b>
i) Agricultural Areas Belong Treasury (Law No. 6292/12)	316,728	107,961	<b>34</b>
<b>D-Sales of Movables</b>	<b>3,500</b>	<b>7,285</b>	<b>208</b>
<b>GENERAL TOTAL</b>	<b>4,003,770</b>	<b>4,515,759</b>	<b>113</b>

\*Quoted from the Public Accounts Bulletin Table on Economic Classification of General Government Budget (Ecode 4), published by the Public Accounts DG of MOF on 15.01.2018 .

## **2.5 Principal Activities**

The primary activities of GDNP are the acquisition, management, and disposal of properties. For a detailed description, see Annex A: Principal Activities of the General Directorate of National Property. Where acquisition is carried out by expropriation, GDNP is not involved in this process which is carried out by other institutions. Once acquired, the properties are then registered with TKGGM under the name of the Treasury. Many state bodies are not legal entities, which is why ownership has to be registered under the Treasury.

### **2.5.1 Allocations**

The largest area of activity is allocations, which accounts for approximately 50 per cent of the work (transactions) carried out. Allocations are for a specific period of time and purpose. GDNP does not construct buildings. The principal counterparts are other public bodies. GDNP has the potential to influence how efficiently property assets are used across government through its allocations policy and practices and through the training of counterparts.

Currently, there is an enabling environment in existence in which GDNP seeks to fulfill requests made by public bodies. Property is allocated to public institutions, who occupy it without any charges or rents being paid. For these institutions, property is a “free good” for which there is no incentive to either moderate their demands or economize on their use. Standards for accommodation are set with the Ministry of Construction and Environment and the Prime Minister’s Office. There are periodic reassessments of the needs of the occupying bodies. There is an official letter to the institution that sets out the conditions for usage with 30-40 pages of attachments.

Past allocations were made on the basis of less rigorous standards and not all public bodies are believed to be making efficient use of the properties allocated to them. The current system does not allow GDNP to examine how much real estate is really needed or to take back what is not necessary for the purpose for which it has been allocated. The properties allocated may not be in optimal locations so that some public bodies may be occupying more valuable locations than they need to be in<sup>4</sup>.

Public bodies are responsible for the maintenance of the properties allocated. After an initial two-year pre-allocation period, if the public body has been using the property in accordance with the allocation, then the allocation is for a period without limit. However, there should be periodic inspections by GDNP and they can take the property back in the event of a breach of the terms. The actual counterparts are general directorates of construction or real estate in receiving departments rather than the occupiers. These counterparts can act as informed clients, acting as intermediaries between those delivering public services and GDNP. This implies that the counterparts have a good understanding of the needs of those actually delivering the public services rather than imposing the property standards they think are appropriate.

In 2017 7,097 allocations were made covering a total of 3.537 billion square meters. The largest allocation was to the Directorate General of Forestry, which was granted 5,095 allocations and

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<sup>4</sup> On 17 April 2018, the National Real Estate General Communiqué No. 384 was published in order to ensure the economic, effective and efficient use of the properties of the Treasury. This general communiqué defines the principles regarding the evaluation of the demands to be made by public institutions and the rules to be followed by the requesting public bodies.

3.5 billion square meters. The remaining allocations accounted for just 36.9 million square meters and 2,002 allocations. These were to:

Ministry of National Education	1,390 allocations	10.4 million m <sup>2</sup>
State universities	131	14.1 m m <sup>2</sup>
Ministry of Health	422	5.1 m m <sup>2</sup>
Ministry of Environment & Urbanization		4.0 m m <sup>2</sup> reserve areas 1.3 m m <sup>2</sup> risk areas
Municipality, Special Provincial Administration, Village Legal Entity	37	1.3 m m <sup>2</sup>
Municipal solid waste storage	22	0.69 m m <sup>2</sup>

### 2.5.2 Establishment of easement rights over public property for investments

This is done through easements for which the normal term is between 30 and 49 years. Investors are permitted to erect structures, with fixed investments becoming Treasury property at the end of the term. No compensation is paid to the tenant for any outstanding value of the structures at the end of the term. Generally, the rents for easements are lower than for rentals because of the building works the tenant undertakes. Easements are influenced by incentive schemes designed to promote those economic activities supported by the Government. The present incentive scheme dates from 2009 (Council of Ministers' Decree 2009/15199) and was revised in 2012 (Decree 2012/3305), which reclassified incentives and regional distinctions. Turkey is divided into six regions for regional incentives.

Easements can take several forms.

- General easements, which can apply to all forms of easement. The immovables under the discretion and property of the State and privately owned by the Treasury may be allocated for various public investments in areas such as healthcare, education, sports, industry, social, agriculture and animal husbandry, geothermal energy and greenhouse production. The allocations shall be in the form of easement and usage rights as per Article 51 (g) of Public Procurement Law.
- Special easements. These are structures on coastal sites such as harbors, marinas, and shipyards. The shoreline is Treasury property so any installation on the coast has to be affixed to Treasury property.
- Investment zones. The government promotes investments in these zones and here GDNP has to work most closely with the private sector. The easement rights are set in accordance with the government investment schemes aimed at improving economic activities. The existing Investment Scheme dates back to 2009 (Cabinet Decision No: 2009/15199), and it has been revised in 2012 (2012/3305) with a view to re-classify incentives and zones. There are six different investment zones.

They can also be granted on State property for activities including energy generation, organized animal husbandry, greenhouses, organic production, hi-tech industries (such as space and aviation), healthcare, education, industrial use, and technology development zones. In such cases permission for utilization is granted rather than the easement being registered in the Land Registry.

Users have a one-year pre-approval period before the easement is granted. Investments must be completed within the timeframe set forth in the investment promotion documentation. Users pay a fee for the use of the property based on its market value with revenue sharing once the

investment becomes operational. The two payments together mean that tenants in effect pay turnover rents comprising a fixed sum plus a variable element according to the revenue generated. There are incentives available for certain sectors and regions. Incentives have to take place within the limits set by World Trade Organization rules and the terms of the EU's Accession Partnership, which set limits on state aid to industry. The role of GDNP is to allocate the land but it is not responsible for the incentive schemes, which are the responsibility for the Ministry of Economics.

Properties available for investment are advertised. In 2017 there were 267 covering 18,077,421 m<sup>2</sup>. The main areas of investment have been in integrated animal husbandry, tourism, and education. The former has mainly been in Central Anatolia and requires large areas so only the government has access to suitable sites. The education investments are in student hostels and private schools, mainly in South East and East Anatolia, and reflect the schools gap in Turkey in which there are too few schools for the number of children of school age.

### **2.5.3 Rentals**

Property that is surplus to requirements can be rented out to legal or natural persons. Rentals are for short term tenancies of up to 10 years, with no construction of fixed structures by the tenant being permitted. It has been stipulated that Treasury immovables may be rented directly for a period of 20 years provided that they are used for agricultural production. In some other countries the contract is likely to be described as a license. The properties can be used for agricultural, commercial, sports, or social purposes.

Rentals can be allocated through closed or open bidding procedures or negotiation. Open bidding is applied if the annual rental fee is below the monetary threshold (currently 2,047,200 TL). Negotiation is used where open or closed bidding are deemed inappropriate, including where the Treasury owns shares with other shareholders, agricultural lands, where parts of properties allocated for public services can be rented out for commercial services, and properties used for temporary works. They are properties where there is likely to be a single bidder or there is a socially preferred bidder. The open bidding procedure is deemed as more objective for the purposes of ensuring transparency and competitiveness for rentals of Treasury immovables in comparison to negotiations. The negotiation procedure is carried out only for parties identified by the relevant public institutions in order to ensure the safety of the public institutions involved.

Normally properties are rented out for a maximum of 10 years but contracts can be renewed. Rentals are based on the fair value and are typically 4 per cent of the value of the immovable. There are reductions in certain cases. With farmland, the priority is to legalize rather than undertake punitive action against encroachment, with 10-year contracts being granted to the occupiers, who are typically farmers from neighboring villages.

### **2.5.4 Sales**

The objective of sales is to create economic benefit for the country. The properties which can be sold are Treasury properties that are privately owned, those that are no longer needed for a public purpose, and those for which there is no impediment to sale. Certain properties cannot be sold, principally properties in historical, archaeological, or environmental protection zones, military and security zones, cultural assets, and State land which cannot be registered.

There has been emphasis on sales of degraded forest lands (2B properties) on which there has been extensive encroachment of long standing by neighboring villages for agriculture, agricultural properties, and properties which the Treasury owns in conjunction with other

owners rather than being the its exclusive possession. In these cases there is a social policy issue and the law requires GDNP to prevent social disturbance and to legalize users. Users with occupancy rights from before 1981 are protected.

Local offices work out whether property can be sold. They collect relevant information and send it to Headquarters, which determines whether the sale is permissible and would be beneficial. The zoning plan documentation is provided by the relevant municipality. The General Directorate is not involved in the preparation of such documentation. If the sale is permitted, then the property is put out to tender with GDNP headquarters monitoring the process. Properties are sold by auction. The advertisements are published on the web site and other suitable venues identified by Law No: 2886. The Revenue Administration Presidency of the Ministry of Finance has the power to levy additional taxes if any state-owned assets, irrespective of the seller, are resold within five years, which should prevent rigged tenders designed to secure properties at artificially low prices. The purchase price after tender can be paid in cash or in instalments, with interest payable and penalties for late payment. The interest rate is set each year.

In arriving at a reserve price for the property, GDNP makes use of past market transactions, including those from their own database of past sales and auction. The problem with declared prices recorded by the Land Registry being inaccurate is well known. GDNP also seeks the opinion of realtors and others with knowledge of market conditions.

### **3. International Practice in the Management of Public Sector Land and Property**

The management of public sector land and property is an area that few countries undertake well. Typical problems are high level of vacancy rates, failure to maximize incomes from rents and other charges, backlogs of repairs and maintenance, inefficiency in occupancy of immovables, failure to protect state assets from incursion and trespass, and the illegitimate transfer of state assets into private hands. Even within countries in which there is good practice, examples of poor practice and inefficiency can also be found, such as poor utilization of assets, public bodies being provided with premises that are in a poor state of repair or are unsuitable to their needs, lack of clear objectives, public servants who are poorly qualified for their roles and may lack motivation, failure of public bodies to coordinate their plans, and lack of understanding of what public lands and property is worth and the opportunity cost to citizens of poorly utilized public assets.

In this section attention is paid not just to how national governments manage their property but also sub-national governments, including provinces and municipalities. The degree to which countries devolve management and control over public sector assets to sub-national governments varies, as does the degree of autonomy they are able to exercise in their decision making. However, when institutional variations between countries are taken into account, certain trends emerge as to the most desirable ways of managing public sector immovable assets. For instance, Canada and the UK, which have common law systems and Switzerland with laws derived from Roman law have adopted similar policies to achieve efficient management of public lands. There are important lessons to be learned from good practice at sub-national level in federations like Australia and Canada, where many of the activities are undertaken by provincial governments, and from well-managed municipalities as well as from national governments. Many of the reforms have involved decentralization of operational activities whilst maintaining central oversight without detailed or micro management. This has led to sub-national governments, such as provinces in Canada, agencies, and even private bodies, carrying out activities that had formerly been undertaken by central government. In some cases, as in Canada, it has led to the creation of special purpose corporations to manage real estate assets (McKellar, 2006b).

The main driver of reform has been the need to reduce costs of government and to generate higher revenues from state assets. The immediate stimulus has often been a financial crisis that forced governments to give serious consideration to changes that previously seemed impossible or too difficult to achieve. Central to the reforms has been recognition that public land and property is not a free good but there are significant costs associated with them. Managing these requires an explicit public policy with respect to the functions that public assets should fulfil and whether those functions are best met by the state owning assets or renting them. Their management requires good information systems about the assets and their capabilities. Efficiency in the use of public assets means that there must be good systems of accountability. Decentralization is only possible if managers can be held to account. This in turn requires systems that measure outcomes and enable these to be assessed against targets. The costs of using public assets needs to be measured, including costs of impairment, depreciation, and obsolescence. Since immovable assets have long lives, the true cost of using them can only be assessed if governments draw up balance sheets of assets and liabilities and do not just look at current incomes and expenditure (Grover, 2009).

### 3.1 Ownership policies

There are different views as to what the role of the public sector ought to be, and therefore the role of public lands. Whilst the public sector is responsible for supplying public goods, there is not a consensus as to what a public good is. Public land and property tends to exist for three main reasons.

- **Operational reasons.** Land is needed in order to enable public services, such as education, healthcare, and defense, to be provided. The demand for public lands for operational purposes is a derived demand required because of their contribution to the delivery of public services.
- **Investment purposes.** Land can be used to generate income as an alternative to levying taxes.
- **As a trustee.** Assets may be in public ownership so that the state can act as custodian over them on behalf of society. This may be because of cultural, historic, religious, or environmental reasons. Land may also be held for strategic reasons to provide protection from potential threats.

States need to adopt a policy towards public sector lands and property, which sets out the reasons why they might be owned. Such a policy helps to identify not only which immovables should be owned but also which can and ought to be disposed of.

### 3.2 Information Systems

The starting point with any system for managing land is information. There can be policies as to what is to be achieved but no organization can realize these unless it knows what assets it has. This means surveying the immovables so that the following information is known.

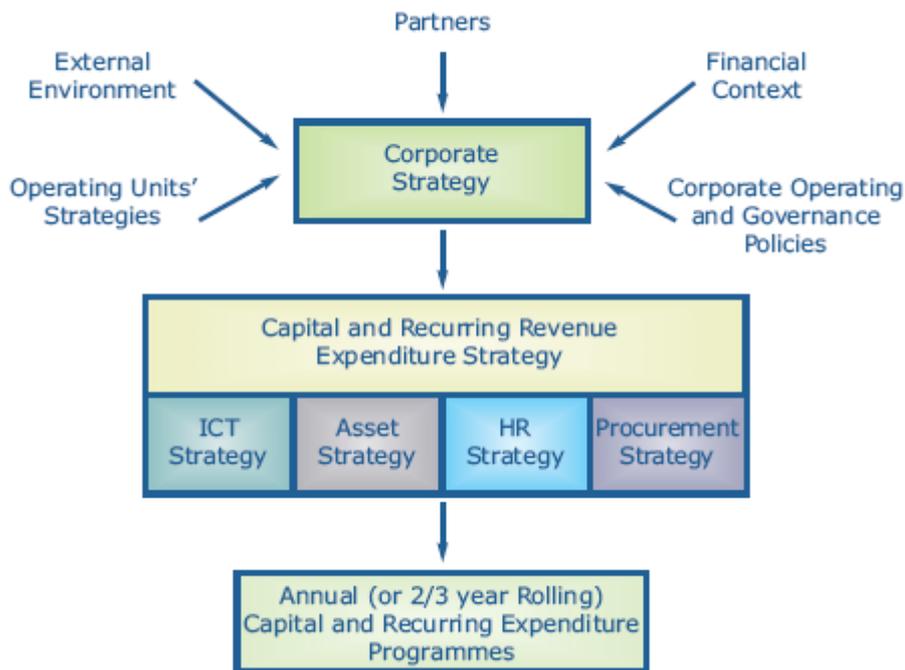
- What the asset is.
- Where it is located.
- Characteristics - size, age, condition, use, features.
- Legal rights – what is it permitted to do with the asset (for instance development plans), occupiers and tenants and the terms under which they hold the land, whether it can be sold or let.
- Governance – who is responsible for the asset?
- What is the capacity of the asset to achieve the objectives set for it?
- What it is worth.
- What its investment potential is.
- What needs to be spent on the asset to enable it to deliver its function during the course of its life cycle?

Good practice in this area points to the information being available to users through web-based applications. It is not necessary for all the information to be centralized as long as information can be brought together from different sources as and when it is required. This can only be done if the information is available in digital form and accessible through web-based applications or apps. Paper-based data is not capable of being shared and is not readily accessible except by those working in those locations. Different pieces of information can have different custodians. Thus, titles could be in a land registry, parcel boundaries in a cadastre, development plans in a municipality, expenditure in an accountancy department, and valuations in a tax authority. Data users can access the different registers and combine information from different sources to meet their requirements. This implies that there should be data standards and common data models.

### 3.3 Management of public lands and property

Having immovable assets is not an end in itself but are a means to an end. They are demanded because of what they can contribute to the achievement of society's goals.

**Figure 3.1 The position of asset management in the overall planning process**



Source: RICS (2008)

Figure 3.1 sets out the position of asset management in the overall planning process for achieving strategic goals. The strategy has to be set so that asset managers know what they are trying to achieve. This takes place within operating and governance policies, the financial context, external influences such as the need for environmental sustainability, what the partners and stakeholder want to see achieved, and the strategies of the various operating units, like line ministries. Immovables are one resource alongside others, particularly information technology, human resources, and financial resources that can be used in external procurement. These resources need to be coordinated to achieve the objectives. Sometimes this means that different resources are complementary and must function together, and in others can be substitutes. The aims of an asset management plan (DTLGR 2002) therefore can be seen to be part of the process to ensure that:

- land and buildings are used efficiently and effectively and in a sustainable manner;
- the opportunity cost of holding land and buildings is minimized and the value of public assets is protected;
- expenditure on land and buildings maximizes value for money;
- the use of assets contributes to the process of service improvement;
- innovative accommodation solutions are developed to meet service needs;
- a coordinated approach is implemented reflecting service needs as determined by consultations with stakeholders;
- the return on investment and surplus properties is maximized in an appropriate manner to meet financial requirements.

There are five key areas that ought to be covered by an effective asset management plan (DTLGR, 2002). These are:

- an overview of property aims, objectives and strategies;
- a statement of the current property portfolio;
- key areas for change;
- preferred options for the key areas of change;
- implementation programs.

This suggests not only a proactive approach to asset management but also an approach which has a broader awareness of objectives and medium-term planning needs for the delivery of public services. Therefore, public authorities that currently are the most advanced in their management of real estate (ODPM 2003) can be characterized as doing most or all of the following:

- Using performance indicators to inform their property management;
- Consulting on the use of their capital funds and property assets;
- Embedding good practice in individual service areas;
- Using a formal approach to the appraisal of options for major capital schemes;
- Implementing formal strategies in key areas such as property disposals.

An organization can have efficient processes for managing operational issues whilst still having poorly developed strategic decision-making.

### **3.4 Accounting for public land and property**

Immovables can make an important contribution to the welfare of a society if used well but can also be a drain on its resources if used badly. In recent years there has been a revolution in the way in which governments in countries such as New Zealand, Australia, Canada, UK, and USA account for assets. Traditionally governments have used cash accounting systems - income is recorded when it is received and costs when they are paid. The revolution has been the adoption of accruals accounting in the public sector, which is how businesses produce accounts under International Financial Reporting Standards. Accruals accounting matches income and costs so that the income earned in an accounting period is recorded together with the costs incurred in earning it. Although it is simple to state, this raises significant questions as to how to account for immovables because of their long lives lasting many accounting periods. Expenditure must be apportioned between accounting periods. Depreciation, obsolescence, asset impairment, asset improvement, periodic maintenance, and asset acquisition costs must also be apportioned. Unless there is a mechanism for their replacement at the end of their useful life, there will come a point at which the public service they are delivering will have to come to an end. These issues require the development of public sector accounting standards as has been done in countries like the UK and New Zealand (HM Treasury 2005, 2007; The Treasury 2005). A key aspect of these accounts is the production of a balance sheet accounting for the use of assets.

Accruals accounting has brought some important changes to the way in which public lands are managed.

- The maintenance of accurate records of public lands.
- Valuation of real estate assets.
- Users paying the full economic costs for the use of real estate assets rather than treating them as “free” goods.

- Investment appraisal to ensure that minimum returns on the capital employed are achieved (HM Treasury 1997).
- Risk management to cope with possible inaccuracies in projections of future cash flows and costs (HM Treasury 2004).
- Performance measures for real estate assets.

### 3.5 Accessing land for public services: The choice between ownership and renting

It should not be presumed that the provision of land for the supply of public services requires the state to own it. It is also possible for the state to lease it from a private owner. If the asset is not expected to be required in the future or it has limited future investment potential, then leasing may provide a more cost effective alternative than owning the immovable. With some public services migrating from offices to the internet in areas such as land registry and cadastre, tax collection, and the payment of pension and social security, it is unattractive for the government to own poor quality offices in secondary locations that are expected to be needed only for a limited period of time. Sale and leaseback agreements with clawback provisions under which the government shares in any excess profit when the offices are eventually sold on are an alternative to ownership.

The choice between owning and renting the land needed for supplying public goods is a strategic one and will be influenced by many factors. In Australia, for instance, the government states that the circumstances in which property should be owned include where the yield from its benefits exceeds the opportunity costs of capital, where the property has national symbolic significance or is needed for national security, has a highly specialized use, and situations of market failure (Conway 2006). Table 3.1 indicates the criteria for the decision.

**Table 3.1 The ownership/rent decision**

<p>When is it best to own:</p> <ul style="list-style-type: none"> <li>• When not to own would compromise security</li> <li>• Operational needs are unique – no private landlord will supply except under a Public Private Partnership</li> <li>• Where market imperfections mean premises are not available</li> <li>• When a high degree of control needs to be exercised</li> <li>• When operational requirements are stable and predictable</li> <li>• Investment potential is good with future growth in asset values</li> </ul>	<p>When is it best to rent:</p> <ul style="list-style-type: none"> <li>• When there is risk of obsolescence</li> <li>• When operations and operational requirements are changing</li> <li>• There is need for flexibility</li> <li>• Operational needs are standard and can be met by any landlord</li> <li>• Capital is restricted</li> </ul>
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For public lands, as with private business, there can be a tension between the occupational and investment requirements of real estate assets (McKellar 2006, Edington 1997). Those that need public lands for operational reasons desire operational autonomy to acquire and dispose as they see fit and to gain access to these lands by the most economic means, whether by lease or ownership. By contrast, central institutions have an ownership and portfolio perspective and their objectives are likely to include income, capital growth and the maximization of asset value, and the avoidance vacant properties. There may be a need to own property where it has a strategic significance for future public use, or where to lease would give the owner excessive negotiating power in the future, or for specialized facilities. Care needs to be taken in

investment decisions not to confuse operational and long-term investment requirements. The former should be undertaken because of the impact on service delivery and the latter because of expected long-term financial benefits.

### **3.6 Conclusions**

Best international practice can be summarized as:

- Countries have clear policies as to what land and property ought to be owned and the reasons for owning it. Implicit in such policies is the identification of those assets that do not need to be owned and which can be disposed of.
- Countries have accurate records of the properties owned and the details of these including use, location, characteristics, conditions, and valuations. These records are accessible by all users, which implies that they should be in databases accessible through the web and apps.
- Countries have management systems for immovables that treat them as an integrated element in the delivery of public services alongside human resources, information technology, finance, and bought in supplies. These resources may be used in combination with immovables or in competition with them.
- Public lands and properties are not treated as free goods for users but are recognized as having a cost. These costs include depreciation, obsolescence, and impairment.
- Countries recognize that the land and premises they require for the delivery of public serviced could be accessed through ownership or through renting. They have developed policies to identify when ownership is more appropriate than renting and vice versa.

#### 4. Issues and analysis

Some of the issues identified with the management of state land and property in Turkey are within the potential ability of GDNP to resolve if it were able to access the necessary resources. Others require a policy change from higher in government to bring about, though GDNP might act as a change agent and champion of them.

##### 4.1 State Land Policy

4.1.1 Turkey has a clear policy with regard to which lands are required to be in state ownership and which cannot be disposed of. The latter include properties in historical, archaeological, or environmental protection zones, military and security zones, cultural assets, forests, pastures, and immovable properties on the shores. Some of these properties form State lands that cannot be registered and that no other person or body is legally able to own. The State acts as custodian of these on behalf of society. The Government has also identified groups of properties that it wishes to dispose of as no longer fulfilling current objectives. These are principally agricultural lands, degraded forest lands, and lands in which the Treasury is one of a number of co-owners. GDNP has developed good systems for undertaking the sale of these, including web applications for providing information to potential bidders, tendering systems, and for the valuation of the properties to be sold so that reserve prices can be set.

4.1.2 GDNP has been set revenue targets from the disposal of surplus properties and rentals. The Government has also identified social objectives to be met from State and Treasury lands. These include making them available through easements and rentals to particular industries and for specific economic activities. They also include social objectives from the disposal of property, such as where occupiers have acquired customary rights through long-standing usage so that they have pre-emptive rights of purchase. The income targets look to be relatively modest and it is possible that GDNP could make a greater contribution to the Government's budget if it were to take a more proactive stance in managing its portfolio and seek out opportunities to generate additional revenue rather than just responding to requests for the allocation of land.

4.1.3 The current role of GDNP is to respond to requests for the allocation of land rather than to be proactive in determining the best use of the State's assets. Assets may be sold in response to an application from a private body or from an organization like TOKI, but there does not appear to be a policy of identifying properties that could be sold or redeveloped other than for the categories identified as priority for sale by the Government. In some cases securing best advantage from immovables might involve the relocation of current uses to less valuable sites that are equally suitable for the delivery of public services. GDNP should be examining assets to determine which should be retained for future public purposes and which offer the State a good long-term investment. By implication it should also be identifying those immovables which are not likely to be required for the future delivery of public services, including those where the delivery pattern is likely to make them obsolete in the future. For instance, the growth of the internet and e-government is reducing the need for office accommodation in which the public can undertake transactions with government. This will reduce the demand for office space in the future. Whilst some of this space can be converted to deliver other public services or be made available for easements or rentals, not all has long term use or investment potential. Aside from those classes of immovable assets for which GDNP has been given an explicit brief to dispose of, the program of sales, easements, and rentals looks to be reactive and piecemeal rather than based on a strategy for the portfolio as a whole. It is possible that opportunities for maximizing its value may be missed.

4.1.4 It is not clear what the roles of the different agencies involved in the disposal of state property are and why for some properties one agency is involved, and in others a different one. For degraded forest lands, agricultural lands, and properties for which the Treasury is one of several owners, it is clear who is responsible for their disposal. The lead agency is GDNP, which is why it has been able to develop good systems and processes to further their disposal. In other cases, the responsibility is less obvious. It is not clear why for some properties the disposal is in the hands of the Privatization Administration or TOKI, and others the responsibility of GDNP working with municipalities. There are clear differences in the outcomes since, if GDNP is responsible for redevelopment and disposal, municipalities will also be involved and there will be a deduction of the element to meet infrastructure and other community needs where development is to take place. GDNP has no powers to change development plans and this prevents it from seeking best advantage from the disposal of assets acting on its own. Rather this has to be secured either by passing assets on to the Privatization Administration or TOKI, or by working in partnership with municipalities. It is not clear why GDNP does not have the power to change development plans in certain circumstances, subject to appropriate oversight and participation of those in the areas affected.

4.1.5 The Privatization Administration was created to sell state shares in nationalized companies. Its expertise lies in the privatization of companies and the disposal of financial assets. It does not appear to have any significant expertise in the disposal of land and management of leasehold property. If it is to continue to be involved in this type of activity in the future, there is a clear need for training and the development of capacity in this area. With financial assets the seller generally has no long-term interest after sale, so the organization of sale is primarily concerned with establishing an environment in which an auction can take place so as to realize the best price. With land and property there can be an on-going interest in the property as disposal is often through a lease, with the State retaining a reversionary interest in the asset and sharing in its potential capital growth. In the case of coastal assets, the State's immovables cannot be sold only leased. Leasing needs to be undertaken in such a way that it creates obligations on the purchaser, such as the investment to be undertaken, which maximizes long term benefit for the State. The State as land owner should be put in the position to share in future uplifts in value. There is also the risk that the State will be left with a compromised asset and the costs of impairment if the right precautions are not taken. It is not clear that the Privatization Administration currently has the capacity to manage this process to the maximum benefit of the State.

## **4.2 Coordination of demands from other public bodies**

4.2.1 Line ministries develop plans for the premises they need for their services but this does not seem to be in a coordinated way. The Government has a planning process in which public bodies are set targets over plan periods, so deriving the premises requirements for these could be expected to be a normal part of the planning and budgetary cycle. A strategic approach is needed so that demands for premises can be planned and coordinated with demands for other resources such as personnel and finance. One would expect each body seeking allocations to develop strategic plans with indicative demands for premises over a five-year period and specific requests over the next two years. For significant users of public land and property like education and health, demands for services are driven by forces like demography and migration and are reasonably predictable in the medium term.

4.2.2 The key issue that arises with allocations is GDNP's inability to verify the needs of the requesting authority. It has been established to satisfy the requests of the public bodies seeking

state land rather than to determine whether the requests are appropriate or make best use of public resources. Since the requesting bodies do not pay for the use of immovables, they are for them free goods. It is suspected that they seek allocations in excess of their requirements as there is no penalty for doing so. Good practice requires that there are standards for the amount of land allocated (space standards), for the quality of property, its location, and costs. Requests should be evaluated against such standards.

4.2.3 Investment appraisal methods are not used to determine whether a proposed use of immovables is cost effective. Requesting bodies have no hurdle to pass in terms of return on the capital employed to determine whether the use they wish to make is a viable one for the property. Although properties are valued prior to sale, there is no similar requirement before allocations. The opportunity costs of the uses of immovable assets are not identified. Requests therefore may not be well formulated and may not result in the best use being made of immovable assets.

4.24 GDNP through its allocation policies should be able to influence the efficient use of state property over a wide range of government activities. It is in the position where it could act as a change agent and work with other public bodies to bring about improvements in the way in which they use and manage public properties. The liaison departments it works with are ones which have technical expertise in construction and real estate and are so are in a good position to function as clients' representatives. They ought to have a good understanding of the property needs of their parent organizations.

### **4.3 How GDNP discharges its responsibilities as the landlord of Treasury and State lands.**

4.3.1 There are questions as to whether GDNP has the ability to monitor adequately whether the use being made of immovables is in accordance with the allocation. There is no incentive for recipients to hand back properties for which they have no need and properties may stand idle or be underutilized, or even be sub-let. This would indicate that there is an important role for GDNP to verify at regular intervals that properties are being used properly and to best purpose. Otherwise the methods of allocation may not serve the purpose of ensuring that best value is secured or that the properties continue to make a contribution to the national economy. GDNP appears to have limited ability to prevent inactive uses. There is a lack of auditing of requests. On paper GDNP has the legal authority to check on uses and can be shown from time to time to make effective use of these, but, in practice, the powers are limited. At heart is probably a cultural problem. As users are not charged for the assets they use and there are no penalties for inefficiency, there is no incentive to use immovable assets efficiently. GDNP's powers to take back properties are primarily ones to curb unauthorized use, not inefficient use for an authorized purpose.

4.3.2 It is not clear how regularly in practice properties are checked for illegal or improper use, though there is a requirement that this should be done every five years. This should be part of a regular program by a landlord to ensure that occupiers are fulfilling their obligations as well as checking that there are not problems that will adversely affect the State's long-term interests.

4.3.3 Field surveys are an important part of the process to identify any illegal use and occupancy, and whether properties are being used and managed in accordance with policies and allocations. It is something which should apply to all properties and not just to those being prepared for sale. There is evidence that local offices lack the necessary equipment, such as vehicles and tablets, they need to undertake this work as well as the training and staff capacity.

Equipment is one of the areas where technology, particularly in remote sensing, is changing very rapidly leading to obsolescence.

4.3.4 Staffing levels would appear to be a significant problem and appear to be having an impact on the management of property, such as the program of landlord inspections. Without these, management is likely to be reactive in response to information that comes to light or is supplied by occupiers rather than being proactive, particularly seeking out information. Issues were reported of poor physical working conditions for staff and in-service training being disrupted by staff shortages, including the training of new staff.

4.3.5 Staff roles appear to be defined very narrowly and multi-skilling is not pursued. It was reported that a shortage of drivers and vehicles in the Ankara Provincial Office had adverse impacts on identification and supervisory work. This raises questions about working practices. It is unclear why staff rely on drivers rather than driving themselves to activities using pool cars or receiving essential user payments for using their own vehicles. The shortage of drivers was reported to have resulted in files being stalled rather than progressed. It does suggest the need to undertake a fundamental review of work processes as one would normally expect staff involved in property management to be mobile and to be able to work remotely from the office using appropriate technology. Being in possession of a driving license would normally be an essential requirement for anyone employed in property management.

4.3.6 Reliance on paper-based information systems in which some data has to be sought from other institutions through correspondence is an antiquated approach and means that staff are being used relatively unproductively, even though they are likely personally to be working very hard. Similarly, reliance on paper-based correspondence methods of securing decisions rather than electronic systems also ties up staff in unproductive activities. At least part of the staffing shortages are likely to be due to staff having to work in ways which reduce their productivity and take them away from important activities directly concerned with the management of property assets. Reductions in staffing have not been accompanied by investment in improving staff productivity.

4.3.7 Staff will need to learn additional skills for managing property, such as investment appraisal and risk management. It may also be necessary for technically qualified staff to become familiar with recent developments such as lidar systems for surveying properties and Building Information Management Systems. It will be necessary to develop capacity at the provincial level in property management skills. Any project designed to improve the efficiency with which immovables are managed in Turkey will inevitably need to have a significant capacity building and training element.

4.3.8 There would appear to be significant scope for improving staff productivity through investment in appropriate information technology systems. However, IT is not the only issue. Business processes need to be reviewed including the way in which information is provided by other bodies. Working practices need to be reviewed as staff productivity could be improved by changing the tasks staff are expected to undertake, such as driving, and training to produce multi-skilled individuals able to undertake a variety of property management activities. Improving the IT system would be likely to make a significant contribution to improving productivity, but this needs to be done in conjunction with a review of business processes and working practices. Without these much of the potential impact of better IT could be lost. The issues are not just ones about technology but also about how work is carried out and human resource management.

#### **4.4 Management Structure of GDNP**

4.4.1 The management structure of GDNP reflects the legal structures under which it functions. Thus, there are different departments dealing with sales, easements, renting, and allocations. On the one hand, this makes sense as there are different processes and procedures to be followed for each activity. However, this is not an ideal structure for optimizing the use of property. The structure is replicated in each provincial office. Each department may act in a silo rather than posing the question as to what is the best outcome for any individual property. The structure is a useful one for ensuring that decisions about properties are executed but is not an ideal one for managing a portfolio to best advantage. For this the question is what outcome is optimal for an asset in order to maximize the benefit of the portfolio as a whole. This may involve, for example, allocating a different immovable to the one requested because the use can be carried out elsewhere and the particular property requested might be better utilized for an alternative purpose or be sold. An alternative approach to managing the portfolio would be for the properties to be managed by geographical areas, with multi-discipline teams responsible for undertaking all the activities for a portfolio within their charge rather than carrying out specific tasks on a larger number of properties.

4.4.2 A further issue already alluded to is that headquarters staff are dependent on those in provincial offices to carry out important aspects of the work of managing the property. It is no bad thing to have a devolved management structure so that those with knowledge and understanding of local conditions play a significant role in managing the properties in their areas. However, this seems to be by default rather than design and reflects records being in analogue form in local offices. This makes a strategic approach to the portfolio difficult and a reactive one to requests for immovables from other bodies inevitable.

#### **4.5 Information Systems**

4.5.1 Fundamental to the management of land is information about each parcel and property. At a basic level, information is needed on location, rights and obligations, and characteristics. Property management starts with the need to defend property rights from incursion. These can be physical incursions from trespass and encroachment but also infringements of rights, for example, through tenants and occupiers failing to meet their obligations, thereby undermining the long-term value of the property. Management should be concerned with maximizing returns from properties. This does not imply exclusive focus on financial returns. Account also needs to be taken of the environmental and social consequences.

4.5.2 The MEOP system has been developed to facilitate sales with the priority being given to the properties that the government has identified for their disposal – degraded forest land, farmland, and properties which it is only one of a number of shareholders (see Annex B: GDNP's Information technology systems). It appears to function well. However, the system has not been extended to cover easements, rentals, or allocations, or other aspects of management policy, such as identifying properties that are surplus to requirements or which could be improved to generate investment returns. For this to happen, there needs to be accurate information about each property available in electronic form. This requires more data than is needed for sales as it is necessary to be able to identify the potential of each parcel.

4.5.3 There has been work undertaken to develop the type of systems needed for proactive management of the portfolio. The GIS Department has undertaken pilot studies of systems that enable examination of Treasury immovables and for the retrieval of development plan data from municipalities. The GIS Department is very small and rolling out these systems will

require additional capacity, but this looks to be a very significant development. There has been useful work done on pilot GIS systems, but they will need to be rolled out.

4.5.4 GDNP has developed appropriate systems for setting reserve prices for surplus properties. However, the good practice in this area does not appear to have been translated into regular valuations of the rest of the portfolio. Unless there are regular valuations made of the property portfolio, GDNP will not be able to assess whether best use is being made and value for money secured. For a portfolio of this size mass valuation on a sample basis is a practical option. It would be sensible for GDNP to develop its own mass valuation system so that it could regularly revalue its properties. Currently property tax values are used rather than market values. There is evidence that property tax values are set in ways that mean that it is unlikely that they are market values. A move to make the market values of properties appear in the balance sheets of the bodies to which they have been allocated would help promote efficiency by identifying the true costs of the use of immovable assets.

4.5.5 The current system for seeking approvals for allocations is cumbersome, paper-based, and dependent on the physical presence of key persons whose approval is needed. There is the need for an e-based support system with electronic signatures to aid decision making and ensure that approvals are given or rejected with appropriate speed and consistency. This would also produce an audit trail that would assist in the monitoring of processes and checking that value for money had been obtained.

## **4.6 Information Technology**

4.6.1 The following issues exist with respect to IT.

- ICT Strategy. Although GDNP has Strategic plan 2018-2023 which refers to necessity of ICT support, a comprehensive, clear and adopted ICT strategy is missing.
- The current applications portfolio does not fully support all the business processes related to the immovable properties management.
- Technical documentation which fully describes system and software architecture should be improved and available not only to external contractors but also to the IT Department. This issue is especially apparent in the GIS department, and reflects the needs for human resources development.
- Heterogeneous database managements systems, Business Information, and tools. Thematic data are stored and managed in SYBASE database, whereas geospatial data are stored and managed in MS SQL Server database. Consequently, the tools for design and maintenance of databases are different: SYBASE Power Designer for SYBASE database and MS Visual Studio for MS SQL Server database.
- Non-integrated thematic and geospatial data. Neither systems, MEOP, nor their corresponding databases are integrated. This significantly increases potential inconsistency problems, overall complexity, maintenance costs, and necessary human resources including their capacity building.
- Weak and purely designed geospatial data model. There is no formal specification of conceptual/logical data model – physical data model is directly implemented in MS SQL Server. This approach does not follow relevant standards and best practices either for design of information system or software engineering.

- Majority of supported business processes, i.e. implemented transactions and workflows follow paper-based paradigm – business processes are simply mapped and directly implemented in applications.
- Interaction and communication with the majority of stakeholders involved in business processes and workflows is still paper-based. Electronic documents and digital signature are not used.
- Implemented workflows and business rules are hard-coded in all applications, which increases complexity of applications and their maintenance. Any potential change either in business processes or business rules would require direct changes in MEOP source code. Potential, advantages and benefits of workflow management systems (WfMS) and business rules management system (BRMS) have not been used in system design and software development.
- DMS/EBYS is not integrated with MEOP, but rather is an isolated subsystem
- Inappropriate Data Center on the premises.
- A Disaster recovery center (DRC) not in place – GDNP is not able to recover and restore its technology infrastructure, systems and operations in the case of natural or human-induced disaster and unavailability of the existing, primary data center.
- Archive records/files are kept in paper form. There is no digital archive system – all archive records and files are stored in analog/paper form.
- Strategy/Methodology for extracting and uploading record/files from provincial offices is missing.
- Telecommunication infrastructure. During the visit to the Ankara Provincial Revenue Office, it was highlighted that telecommunication infrastructure does not provide required speed and throughput, to support core business continuity and operation. This would appear to be because GDNP does not have dedicated infrastructure but use that of the Ministry of Finance. Response times slow down when the system becomes overloaded.

## **4.7 Conclusions**

4.7.1 The Ministry of Finance controls a significant part of the land and property of the country in the form of Treasury and State lands. These are capable of making a significant contribution to the country's economic and social well-being if used efficiently. However, there is evidence that these assets could be more effectively utilized. Public sector users of immovable assets are able to treat them as free goods for which they make no payment. Nor do they have responsibility for any depreciation, obsolescence, or impairment of the assets. Allocations are in response to requests without being subject to rigorous assessments of need and viability. There are limited checks made as to whether the bodies to which they have been allocated are using them efficiently or for the uses for which they have been requested. It is likely that public bodies are occupying properties for uses for which other less costly assets in less advantageous locations would suffice. Releasing these immovable assets for more efficient uses would provide a significant boost to the economy. They could also be used to alleviate certain social pressures such as the intensive development that has taken place in seismically active areas and long-established informal housing.

4.7.2 The issues faced by GDNP are inter-related, which is why the analysis keeps coming back to the same set of problems. GDNP was established to manage the portfolio of State and

Treasury lands. Its role has been one of responding to the demands of public bodies and private organizations seeking land by providing them with what they require rather than proactively managing the immovable assets. Sometimes GDNP has been given specific tasks by the Government, such as the sale of agricultural lands, degraded forest lands, and lands where the Treasury is one of a number of owners. On these occasions it has set up efficient and workable systems to achieve these tasks over a reasonable time period. The problem is the rest of the portfolio which has to be managed on a day-to-day basis and for which there are no clearly defined objectives beyond responding to the needs of potential users. Instead of being proactive in seeking to manage the portfolio to best advantage on behalf of the Government and citizens, it is reactive with the aim being to respond efficiently and effectively to requests.

4.7.3 The system of strategic planning adopted by the Ministry of Finance ought to make the efficient management of GDNP's portfolio feasible, since public bodies produce targets, aims, and objectives for the planning horizon. The problem is that these are not translated into detailed plans for property requirements. This makes it difficult for GDNP to produce a property strategy to enable the plans to be fulfilled or to resolve incompatibilities between the requirements of different bodies or to ensure that best value is secured from immovable assets.

4.7.4 Moving from a reactive strategy of responding to client demands to a proactive one of managing the portfolio to best effect will be difficult. Users of State and Treasury lands have to be educated that these are not free goods but are scarce resources that have to be managed to best effect. It would not be surprising if there was resistance to this idea since such bodies will have to justify their applications for immovables, as well as their continuing use of them.

4.7.8 GDNP is in a position to make a major contribution to improving the efficiency with which public immovable are used through its role in managing most State and Treasury lands and its decentralized structure with offices in each province. It is in the position to be a change agent working with the various branches of government to which it supplies immovables. It has shown that it can develop efficient systems for carrying out management functions such as the disposal of agricultural lands and degraded forest lands. If it is to be the driver of greater efficiency in the use of public immovables, with all the potential benefits that can come from this, significant investment will be needed.

## 5. Recommendations

5.1 The use of State and Treasury immovables has a significant economic cost even if users are not actually charged for their use. There is the opportunity cost of what else any immovable asset could be used for. This is not sufficiently recognized in the current systems for the allocation of State and Treasury immovables. Decision-making systems for the allocation of immovables to public and private bodies need to be enhanced so that allocations are made only when the application represents best value for money and the optimum use of the asset. It should not be assumed that allocations made in the past still represent best value and optimum use. Securing continuing best value and optimum use requires the introduction of a range of decision-making tools and incentives for users of State and Treasury assets to continue to use them efficiently. Specifically, the following are recommended.

5.2 **Improving tools for evaluating requests for immovables and developing standards against which requests can be assessed.** Improved systems are needed for evaluating requests from public bodies and private organizations for the allocation of immovables. This implies two things.

- (i) Firstly, that there are tools in use for evaluating such requests in terms of their efficiency and whether they achieve minimum returns. Potential users should prove that they have a business case for using the properties they seek. Best practice requires the business case to be evaluated using discounted cash flow investment appraisal techniques and for the likely outcomes to be subjected to risk assessment.
- (ii) Secondly, there needs to be standards against which requests can be evaluated. These include standards for the quantum of space to be allocated for particular activities, the quality of the space, its location, and its cost. Such standards can also be used to check whether there is still a business case for continuing to use assets previously allocated.

5.3 Tools should be introduced to measure the costs of using immovable assets. Best practice requires users to meet the costs of impairment of assets, obsolescence, and depreciation. Best practice incentivizes users to make efficient use of immovable assets by requiring them to pay the economic costs of their use. Central to these is the valuation of the immovable assets. Good systems have been developed by GDNP for valuing assets prior to sale but these should be applied to the portfolio as a whole and not just to those assets identified for disposal. Regular revaluations are needed to reflect changes in market circumstances and the relative values of properties. The size of the portfolio and the need for regular revaluations mean that it is only really feasible for valuation to use a mass valuation approach.

5.4 **Strengthening institutional capacity for inspection.** There should be regular inspections of properties to protect State and Treasury immovables from encroachment and trespass, to protect property rights, to check that users are using them for the purposes for which they have been allocated or leased, that assets are being used efficiently, and that depreciation or impairment is not occurring. This will require investment in equipment like vehicles, tablets, and remote sensing. It will also require staff training and capacity.

5.5 **Training and capacity building for staff.** The recommendations put forward imply significant investment in the training of staff and enhancement in capacity. Some of this will be needed in new roles and the use of new systems and equipment. Opportunity should also be taken to enhance the skills of staff. In the process it may be possible to change job specifications

so that staff can have more rewarding and demanding roles in which their expertise, experience, and local knowledge can be channeled to increase the efficiency with which the portfolio is managed. This implies some training to acquire new skills relevant to efficient property management.

**5.6 Changing approach to allocations from a piecemeal reactive one to the strategic management of the portfolio.** If GDNP is to secure best advantage for the Government and citizens of Turkey from the portfolio of State and Treasury immovables it manages, it needs to re-orientate its approach from being a body that primarily responds to requests from public bodies and private organizations for immovables for their use and delivers them through sales, easements, rentals and allocations to taking a more proactive approach in looking for the best outcome for the portfolio and initiating changes as necessary. The two approaches are not mutually exclusive. Proactive managers of portfolios also engage in reactive management by dealing with requests for assets. However, making better use of the assets at its disposal calls for a shift in approach from being an organization that is primarily reacting to requests to being one that reacts speedily and efficiently to requests but is also proactive in seeking out opportunities to utilize immovable assets for best advantage.

**5.7 Carrying out an internal reorganization.** GDNP should review its internal organization. It is currently organized largely by function, such as allocations, easements, rentals, sales. This applies at both headquarters and provincial level. The approach is a good one in terms of efficiently executing tasks. It may not be the best one for identifying which tasks ought to be prioritized. In other words, the current structure is a good one for a body set up with the aim of responding to demands for immovables from other bodies but may not be the best one for managing a portfolio in a proactive way, seeking the best outcomes and bringing them about. There is a great deal of knowledge and experience in provincial offices about the assets and the conditions in their areas and the provincial structure of GDNP is a great strength. The issue is how to harness this expertise. One approach might be for teams of people to manage groups of properties rather than to take a purely functional approach.

**5.8 Reviewing GDNP's role in the disposal of asset.** Clarification is needed about the role that GDNP should play in the disposal of assets through sale or easement. This is quite clear when it is given the task of disposing of a class of assets on behalf of the Government, such as degraded forest lands. It is less clear when the aim is one of securing best advantage from the disposal of other assets. In such cases assets may be handed over to bodies like the Privatization Administration or TOKI to develop or development is undertaken in conjunction with municipalities. There are two issues. One is that GDNP does not have the power to determine development plans. It is therefore not in the position where it can produce development plans for an asset. If GDNP were to be granted such powers, it is important that these are exercised in consultation with and the participation by the communities affected. Not being able to bring forward development plans is a major constraint on GDNP's ability to secure best value from its portfolio. The second is it is not clear that the Privatization Administration has the necessary capacity to deal with the development of property assets as distinct from the sale of state companies and financial assets. There are long term interests of the State in easements that need to be protected as well as opportunities to share in uplifts in value.

**5.9 Strengthening the IT system.** No significant change can be brought about in the management of the immovable assets for which GDNP is responsible without major investment in ICT, including hardware, software, and human resources. There are detailed proposals set out in Annex C. It would be fair to characterize the whole IT system as being unstable. It is

vulnerable to disruption. Good applications that meet requirements in a user-friendly way have been built on unstable platforms and systems that should be integrated are not. The weaknesses in information systems and business and management processes that have been identified cannot be tackled without this investment. This investment is also essential for improving staff productivity so that staff can be redeployed from low grade and relatively unproductive labor-intensive activities to those that can yield significant economic and social returns.

**5.10 Creating a digital inventory and management system of public assets.** Efficient property management requires good quality data about assets that is accessible to users. This does not currently exist. Instead data about individual properties is in analogue form in local archives. Some important data, such as the status of assets in development plans, is in the hands of municipalities or other government bodies and has to be obtained through correspondence. Building digital systems for accessing relevant data about properties is a major undertaking. It will require the digitization of many paper records, including maps, plans, and photographs. Inevitably, the process will identify gaps in data about individual properties that will need to be filled, for example, through inspection. Means will have to be developed by which data held by other bodies can be accessed or transferred electronically. Data standards will have to be created and data modeling developed. It would be unwise to embark on such a program without carrying out some pilot studies to test strategies and approaches prior to a nationwide migration of data and records into electronic form.

5.11 Paper based management, communications, and decision systems need to be replaced by electronic ones. Decision making also needs to become electronic. Paper systems for obtaining the physical signatures from those from whom approval is needed are obsolete and do not provide an audit trail that meets modern standards. Staff productivity would be improved if less time was spent on relatively unproductive activities, such as obtaining information, and more on direct management of property. It is also needed for quality assurance since electronic transactions produce audit trails. The approach should not be one of turning existing paper-based systems into electronic form but there should be business process re-engineering to identify the most efficient ways of undertaking tasks before programming is undertaken. The context in which this should take place is a total quality one in which each person is encouraged to recognize that they have internal clients dependent on the quality of their work and that they in turn have internal suppliers on whom they depend. Involving external stakeholders, such as line ministries, in the redesign process is also important so that the outcome reflects their needs and aspirations.

5.11 Investment in developing the techniques associated with best practice in managing state and public sector assets, in training staff and enhancing human capacity, and in IT has the potential to transform the management of State and Treasury immovables in Turkey over the medium term so that they are able to deliver significant net improvements to public finances through income generation and cost reductions and to enhance economic growth in the economy as a whole.

5.12 There are aspects of change which are easier to achieve than others. Changing the culture of public bodies towards the use of immovables is likely to be a long-term goal. Improving business processes and information systems in GDNP, investing in improved hardware, software, and equipment for use by GDNP, and training GDNP staff and enhancing their capacity are the types of activities that can be undertaken in the medium-term. These are the sort of activities that can be demonstrated to produce positive effects for both the Ministry of Finance and the bodies who make use of the immovables managed by GDNP. The

achievement of positive results for both GDNP and its clients can help towards the attainment of long term changes in the culture of using publicly-owned immovable assets

## **Annex A: Principal Activities of the General Directorate of National Property**

### **A1 The process of taking properties into public management**

The process by which properties are taken into management by GDNP is as follows.

- 1) **Registration of title with the Treasury.** The title is registered in MEOP with a number and a file. This can be updated with zoning data, value, and restrictions.
- 2) **Legal information.** This involves enquiries about restrictions in the title, what is in the zoning plan and the purpose, whether it is a forest or pasture or in a protected area, and whether it is associated with a road or waterway. Gathering this information requires correspondence with a number of institutions. The long-term plan is for such data to be updated in real time, though this implies that the bodies with the data upload new information as it becomes available.
- 3) **Identification.** The location is checked through MEOP. Data is entered into MEOP about whether the property is vacant or has a formal or informal use. Information that can influence value is examined, such as topography, use, and structures. In principle the information should be reviewed every year and renewed at intervals of not more than 5 years, but the backlog of work means that this may not happen.
- 4) **Valuation.** The current value is estimated using the legal and physical characteristics of the property. Valuation can be by GDNP or the Ministry's auditors, or be outsourced. There is no set time for revaluation. This should be done every 6 or 8 months or when there is evidence of a change in values in the area. There are some licensed valuers on the staff but not all those who undertake valuations are professionally qualified. Valuation is at the highest and best use so that development potential is examined.
- 5) **Decision making.** Properties may be identified as being for liquidation and disposal or be taken into management – for allocation, easement, leasing, or reserve stock. With rentals, leasing, and sales, GDNP can respond to demands or be proactive and advertise the property as being available, with an auction being organized. The Headquarters is the final decision-maker, but the local offices are the final decision-makers for matters falling under the scope of Communiqué No. 327.

### **A2 Allocations**

The legal basis for allocation is determined by:

- Article 47 of the Public Financial Management and Control Law no 5018. This gives the power to the Ministry of Finance to allocate Treasury properties to government bodies and village entities free of charge to provide public services. It also has the power to terminate allocations which are not necessary for public use. The principals and procedures for these are governed by regulations issued by the Ministry of Finance.
- Article 13(D) of the Law on the Organization and Duties of the Ministry of Finance, law no 178, which similarly sets out powers to allocate properties and to terminate the allocation if not being used for the purpose allocated and also to liquidate properties of other public bodies not being used for appropriate purposes.
- Regulation on the Allocation and Transfer of Immovable Properties Owned by Public Administrations, *Official Gazette* no 26315, 10 October 2006. This byelaw regulates allocations to public bodies, not only of Treasury-owned immovables, but also those of other public administrations, and sets out how to assess demands and what should be taken into account in making allocations.

Requests for allocations are forwarded to the Ministry of Finance's District Revenue Offices where the property is located or to the Provincial Revenue Directorate or GNDP. The request should come with:

- details of the administrative district where the property is registered, parcel number and area, or if it is not registered, a sketch of where it is located and the area;
- whether all or part is requested and, if part, the location of that part;
- if the property is covered by a development plan, its intended use as specified in the plan as well as a copy of the plan; and
- if a building is to be constructed, whether the design is available and whether it has been included in the investment plan.

Where there are competing demands for a property, priority is determined by reference to the development plan. If the property has not been covered by a development or if the plan does not make the intended use clear, then there is a hierarchy of priorities. As plans often state that the use is to be a public use rather than being specific as to what the use is to be, GNDP may have to determine whether the appropriate use is, say, for education or health care. If the purpose is not fully developed in a zoning plan, then GNDP must carry out a needs assessment. Government bodies with central budgets rank above those with special budgets, and then municipalities, special provincial administrations, village entities, and administrations established by municipalities or special provincial administrations.

GNDP cannot allocate certain types of immovable property:

- Property where there is a dispute over ownership before a cadastre court
- Property where there is a dispute over development plans
- Where there are multiple shareholders, of which the Treasury is one, and there is not unanimous agreement amongst the shareholders
- Where there is a reservation in the land registry certificate
- Where other agencies have easement rights
- Where the property is subject to specific legislation requiring that it is allocated or transferred or sold to a specific body, or for a defined use.

A preliminary allocation is made for up to two years so that an investment project can be prepared and construction started. If the property is to be used in its current state without construction, then the preliminary phased can be skipped. The body requesting the allocation is required to pay the expenses incurred, including parceling and registration. That body is required to take steps to protect the property from illegal occupation and encroachment and to report any such instances to the district or provincial revenue office/directorate.

GNDP can withdraw allocation decisions where:

- Property is not being used in accordance with the allocation.
- Property has been sub-let without permission or a third party has been allowed to use it without permission.
- The property has been vacant or unused for two years, or not used at all.
- There has been a change in allocation in the development plan to another use.
- If the public service use has ended or the purpose of allocation no longer exists.

### **Ministry of National Education: Case study of allocations**

The Ministry of National Education (MoNE) provides a useful a case study of the public bodies receiving land allocated by GDNP. It is one of the largest recipients of state land. MoNE, like other line ministries, cannot acquire or possess immovables. Even where land is acquired by expropriation for their use, then the ownership is with the Treasury and the building is registered to the inventory of that ministry. MoNE requests areas and GDNP allocates them. The immovables requested must have a zoning plan. The allocation of land for education changed in 2003. Part of the 40 per cent of land that has to be given up on development (Duzenleme Ortaklik Payi (DOP), Layout Arrangement Partnership Share in English) is allocated to education. In 2003 the share was increased from 35 to 40 per cent in order to accommodate education needs.

Municipalities decide on the zoning plan rather than MoNE. These are based on population projections. Demographic data comes from municipalities. Allocations are then made for the facilities needed, including education, healthcare, and religion. There are requirements according to the size of a settlement: 0 – 75,000; 75,000 – 150,000; 150,000 – 500,000; and over 500,000. There are requirements that have to be followed, including that the school should be as close as possible; the site should be free of noise and pollution; it must not be on a fault line; and must be away from hazards like gas stations. If the sites do not comply, then MoNE can file a complaint. Areas already registered to the Ministry of Finance as education areas are recorded in the Land Registry.

MoNE organizes tenders for building work though philanthropists can also carry this out. There are uniform designs for schools but the designs must reflect the characteristics of the parcels. Provincial organizations supervise the construction such as MoNE, the Interior Ministry, the Ministry of Construction and Urbanization, or Governorships. Although MoNE does the planning work, provincial governors decide who will supervise construction.

In older areas there are issues about the standards that were used in the construction of schools in the past. There may have to be relocations of schools to areas with less seismic risk, or rebuilding on the site, or improvements to the existing structure. If an alternative site can be found, then relocation takes place. If reinforcement of the building is not viable, then the building is demolished and rebuilt. Students may have to be relocated to other schools, with schools running two shifts. It is government policy that dual shifts must be ended by 2019 and that all school buildings must meet modern seismic codes by 2023. Funding for rebuilding cannot come from redeveloping existing sites for commercial activities as they are reserved for education uses, though the Ministry of Finance can do this and the Ministry of Environment can revise the zoning plans.

### **A3 Establishment of Easements Rights**

Investors must apply to the unit of the administration owning the immovable property at the place where the property is located. A commission is established to determine whether the investment shall be permitted. Users have a one-year pre-approval period before the easement

is granted, though this can be extended to up to a maximum of four years. This is to allow for the registration of the easement. An agreement on use is signed if the property is under the control of the State rather than Treasury lands, i.e. the distinction between whether the property can be registered or not. The process is terminated if the investor withdraws. Once the site is delivered to the investor, construction must begin within six months and be completed within two years (though this can be extended to up to five years). Investments must be completed within the timeframe set forth in the investment promotion documentation.

Investors make two payments.

- (i) An amount for the use of the property. A commission identifies the fair value (market value). Use is made of valuers authorized by the Capital Markets Board and financial specialists by the GDNP headquarters staff undertaking valuations. The fee is 2 per cent for the first year with a 70 per cent deduction from the fair value during the first three years as an incentive to investors. The fees for easement or usage rights vary according to the region where investments are located. The easement right fee is set based on a certain proportion of the property tax. Deductions (initially for 3 years) are provided when investments are undertaken as earnings are likely to be restricted during this period.
- (ii) Revenue sharing from the investment once it becomes operational.

Rents are revised each year in line with the producer price index. For agricultural land the agriculture price index is used. Under revenue sharing agreements, GDNP takes 1 per cent of the revenue generated annually. Accountants audit the accounts, which must be compiled in accordance with International Financial Reporting Standards. The rents can change if there is a policy to support a sector. For instance, shipyards pay 0.01 per cent of their revenue and there is no revenue sharing for foundations involved in education.

Easement rights can be transferred during their term but GDNP must be notified. This cannot be done during the preliminary period. Investors can buy the investments during the term for the full value of the land plus the value of the investment up to the point of purchase. Implicit in this is that investments are subject to depreciation with their value falling over time.

Policy on investment promotion regularly changes in terms of the sectors that are deemed to require incentivizing and the provinces and regions for which incentives are given. Under the present scheme (Decree 2012/ 3305), the following incentives are available.

- General exemptions. VAT exemption and customs duty exemption.
- Regional incentive scheme. VAT exception, customs duty exception, tax reduction, subsidy for employer's share of insurance contributions, investment site allocation, and interest rate subsidy.
- Incentives for large scale investments. VAT exception, customs duty exception, tax reduction, subsidy for employer's share of insurance contributions, and investment site allocation
- Incentives for strategic investments. VAT exception, customs duty exception, tax reduction, subsidy for employer's share of insurance contributions, investment site allocation, interest subsidy, and VAT return.

The income tax withholding subsidy and the subsidy for the employer's share of insurance contributions apply to the 6<sup>th</sup> Region (South East and East Turkey).

Incentives have to take place within the limits set by World Trade Organization rules and the terms of the EU's Accession Partnership. These set limits on state aid to industry. The role of GDNP is to allocate the land but it is not responsible for the investment schemes. An investor applies for an investment certificate from the Ministry of Economics. The certificate sets out the minimum investment the investor must undertake and employment obligations – the number of jobs and the minimum period for which they must exist, which is generally five years. The total amount of investment to be carried out on immovable properties subject to an easement right or usage permit must not be smaller than their current market value for agriculture, livestock and education investments, or twice the appraised value for tourism investments, and three times the appraised value for other investments. The minimum equity investment is 20 per cent of the total. Feasibility reports are required where the investment is in excess of 50 million TL. There are target returns that investors should achieve. Incentives are not given if the property is near an industrial zone where there are vacancies. This should prevent incentives from blighting nearby locations and thereby creating a dual market.

#### **A4 Rentals**

The legal basis for renting out properties is Law No 178 on the Organization and Duties of Ministry of Finance, with the Code of Obligations, State Tender Law No 2886, the Regulation on the Management of Treasury-Owned Immovable Properties, and National Estate General Communiqué No 300. In order to speed up the process, Provincial Revenue Offices have been assigned powers under the National Estate Directorate General No 327.

Rentals can be through closed or open bidding procedures or negotiation. Open bidding is applied if the annual rental fee is below the monetary threshold and closed if above this. The threshold for 2018 is 2,047,200 TL (State Tenders Law No 2886, article 45). Negotiation is used where open or closed bidding are deemed inappropriate. These are where the Treasury owns shares with other shareholders and the property is to be rented to another shareholder; agricultural lands; where parts of properties allocated for public services can be rented out for commercial services; properties used for temporary works; locations of ATM machines to be rented to banks; sites of base stations, radio and television transmitters; properties to be used for afforestation; properties rented out to former tenants; properties for the erection of billboards; rentals of fishing ports to fisheries cooperatives; wooden wharves; and properties used for traditional handicraft activities. The characteristic shared by such properties is that there is likely to be a single bidder, and therefore the absence of competition, or there is a socially preferred bidder.

Normally properties are rented out for a maximum of 10 years, though the Provincial Revenue Offices can rent out for a maximum of 5 years. Some facilities can be rented out for longer than 10 years. These include lands on which tourist facilities will be built and the facilities themselves; land for energy transmission facilities and for transmission and distribution facilities and networks; and lands needed for natural gas transmission, distribution and storage. Contracts can be renewed. Often rentals are undertaken through ministries with GDNP having the right to check on the sub-tenants.

Rentals are based on the fair value (market rents), influenced by where the property is located. Typical rents are 4 per cent of the value of the immovable. For agriculture and livestock, the figure is 1.5 per cent and for medicinal and ornamental plants it is 0.1 per cent. Medicinal plants are encouraged by low rentals with 131 species of plants being recognized for such purposes. Special rental regimes apply to re-afforestation, fishery ports, wooden wharves, coastal areas,

beach locations, higher education, Ministry of National Education properties used as canteens and sports facilities, agricultural lands, medical, aromatic plants and decorative plants, and areas used for storing excavated earth and construction and demolition wastes. The aim with re-forestation is to encourage production through 10-year rentals and with rents being based on the value of saplings, with a discount of 50 per cent for the first five years. The coastal facilities are rented out to municipalities in unions of local public authorities and can include changing booths, stalls, septic tanks, and shades. If users do not levy charges, then there is no fee to GDNP.

## **A5 Sales**

The sale of properties is governed by State Tenders Law no 2886, Law no 4706 on the Utilization of immovable Properties Owned by the Treasury, Regulations on the Management of the Treasury's Immoveable Properties, the Code of Obligations, and the National Estate General Communiqué no 313. Certain properties cannot be sold, including those covered by special legislation, principally properties in historical, archaeological, or environmental protection zones, military and security zones, and cultural assets, forests, pastures, immovable properties on the shores, properties in areas under development plans, and properties within municipal areas but outside master plans.

The process of undertaking sales is primarily handled by local offices. They work out whether property can be sold. They collect relevant information and send it to headquarters, which determines whether the sale is permissible and would be beneficial. If the sale is permitted, then the property is put out to tender with GDNP headquarters monitoring the process. The process of preparing a property for sale involves examining its legal status and the information in the Land Registry, field visits and surveys to examine the use that can be made of the property, the status of the property in development plans, and valuation to establish the reserve price.

The legal use of properties is given in the title deeds. When on-site checks identify illegal uses, investigations are undertaken to discover when these began. A retrospective rental fee is then charged for the use. Action is initiated to stop illegal occupancy. There is restraint shown in two areas: agricultural land and degraded forest land (2B land). In these cases there is a social policy issue and law 6292 (2012) requires GDNP to prevent social disturbance and to legalize users. Users who have occupied the land from before 1981 are protected. The 2B lands date from a time when the land was not properly managed, whereas today there are better preventative mechanisms in place so similar issues should not arise in the future. It is residents and occupiers whose rights are protected rather than the owners of buildings. Degraded forest land is principally used by neighboring villages for agricultural purposes. Technically this use is illegal but the land no longer fulfils a forestry function and the incursions are long-standing. The policy is to sell the land to the occupiers on an affordable basis. This has the effect of regularizing the use, which has often been going on for so long that the users could be argued to have acquired customary rights. There is no desire on the part of the State to evict them.

In arriving at the market price for the property, GDNP makes use of past market transactions, including those from their own database of past sales and auction. GDNP also seeks the opinion of realtors and others with knowledge of market conditions. They look at property tax data, though this is also believed not to reflect market prices as the commissions who undertake this work may not include qualified valuers, and their approach does not seem to accord with that needed to arrive at a market price. For agricultural land GDNP collects data about crops, trees and other uses, and is able to capitalize estimated earnings from the land. GDNP staff are

encouraged to acquire appropriate qualifications in valuations. Use is made of the valuation standards published by the Capital Markets Board, which follow International Valuation Standards. GDNP appears to have adopted good practice in this area.

## Annex B: GDNP's Information technology systems

The applications portfolio includes the following.

- **MEOP** – Milli Emlak Otomasyon Projesi (National Property Automation Project). A system based on three-layered architecture pattern with the following layers and corresponding technologies:
  - Presentation layer – Java JFC
  - Application layer – Oracle WebLogic Application Server
  - Data layer – SYBASE DBMS<sup>5</sup>

The system consists of the following key components:

- Sales to shareholders
- Web sites
- Electronic sales
- Content management

There are 43 modules in total, of which 25 modules are related to the management of 3.5 million of immovable properties. The system is used at 1106 locations/offices by approximately 4,500 users, with 350 users at GDNP headquarters.

- **KTS** – Taşınmaz Sistemi (Public Immovable Property System). A system for management of Public Social Facilities and Turkish Representations Abroad. It is based on three-layered architecture pattern with the following layers and related technologies:
  - Presentation layer – Java JFC
  - Application layer – Oracle WebLogic Server
  - Data layer – SYBASE DBMS

Both the MEOP and KTS presentation layers were developed using JavaServer Faces (JSF)<sup>6</sup> – a Java specification for building component-based user interfaces for web applications. MEOP presentation is currently being rewritten in Vaadin<sup>7</sup> - an open-source web framework for rich Internet applications. In contrast to JavaScript libraries and browser-plugin based solutions, it features a server-side architecture, which means that the majority of the logic runs on the servers. Presentation layers are deployed on users' machines which runs on MS Windows OS. Oracle WebLogic Server is deployed on SUN Solaris OS, whereas SYBASE DBMS runs on SUN Solaris OS.

- **EBYS** – Elektronik Belge Yönetim Sistemi (Electronic Document Management System). An electronic document management system (DMS) developed by Ministry of Interior and used by all the central departments of the Ministry of Finance.
- **CBS Web Uygulaması**<sup>8</sup> (GIS Web Application). In-house developed WebGIS application based on three-layer architecture. A system based on three-layered architecture pattern with the following layers and related technologies:
  - Presentation layer – OpenLayers
  - Application layer – GeoServer

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<sup>5</sup> Database Management System

<sup>6</sup> <https://javaee.github.io/javaxserverfaces-spec/>

<sup>7</sup> <https://vaadin.com>

<sup>8</sup> [cbs.milliemlak.gov.tr](https://cbs.milliemlak.gov.tr)

➤ Data layer – MS SQL Server DBMS

Geospatial data have been recently stored and managed in MS SQL Server database – before 2014 they were stored and managed in relational DBMS SYBASE, without natively supported geospatial capabilities. The application is capable to consume WFS<sup>9</sup> and WMS<sup>10</sup> services provided by TKGM (Tapu ve Kadastro Genel Müdürlüğü). Thematic mapping is based on MapXtreme – software development toolkit for .NET developers embedding GIS in business applications. For the analytical works, GIS department also uses desktop GIS products (MapInfo, QGIS).

- **meopCUY** – MEOP Coğrafi Uygulama Yazılımı<sup>11</sup> (MEOP Geographic Application Software).

Desktop GIS deployed at all provincial and sub-provincial offices and used by technical staff (mostly surveyors) for processing of survey data and creating geospatial data in MS SQL Server database. Additional customization is done by in-house development using Delphi programming language. Maintenance and upgrading is centralized (by an employee of GIS Department) using a tool for remote software maintenance.

- **Business Intelligence (BI).**

GDPN online analytical processing and reporting rely on two complementary SAP<sup>12</sup> technologies

- SYBASE IQ – a core component of business intelligence. It is a high-performance decision support server designed for data warehousing, i.e. reporting and data analysis. The data stored in SYBASE IQ is uploaded from the operational SYBASE database.
- SAP Business Objects – a suite of front-end applications that allow GDPN users to view and analyze business intelligence data from SYBASE IQ.

An overall backup strategy is based on full daily backup repository and incremental backup repository, which is refreshed every 15 minutes. The backup strategy is satisfactory and enables GDPN business continuity. Load balancing across servers is performed by f5 BIG-IP Load Traffic manager, whereas ArcSight ESM is used for security information and event management.

GDPN has developed a number of web-based applications to meet its needs as and when required. These include systems for the sale of agricultural land and degraded forest land. These have been designed well from the perspective of the end user, with an emphasis on being user friendly. The problem is that they have been attached to systems that have not been systematically developed or designed.

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<sup>9</sup> Web Feature Services

<sup>10</sup> Web Mapping Services

<sup>11</sup> [www.belsiscad.com.tr](http://www.belsiscad.com.tr)

<sup>12</sup> <https://www.sap.com>

## Annex C: Recommended IT Strategy

- Develop GDNP ICT strategy in alignment with the GDNP Strategic objectives. ICT Strategy is the overall plan which consists of objectives, principles and tactics relating to use of the ICT technologies within DGNP. It should elaborate and define several strategic goals including, but not limited to:
  - Free and Open Source Software (FOSS) vs Commercial-off-the shelf (COTS) products
  - Software development (In-house vs. outsourcing)
  - Disaster recovery policy, plan and type of DRC (cold, warm or hot)
  - Systems integration.

ICT strategy and related strategic decision will have a significant impact on the overall costs of the activities listed here, i.e. on TCO (Total Costs of Ownership) and RoI (Return of Investment).

- Business process re-engineering. Business process re-engineering should redesign the way DGNP business processes are done to better support DGNP mission and reduce costs. The result of this activities should be re-engineered and formally described business processes using relevant international standards, such as Business Process Model and Notation (BPMN) or similar.
- Design and development of an integrated, data-intensive system for acquiring, processing, storing, distributing and selling/leasing Treasury immovables with the following features and capabilities:
  - Centralized system architecture with homogeneous and integrated database
  - Business processes, transactions and workflows are executed in a fully electronic environment
  - Transaction/Workflows are fully managed and controlled by the Workflow Management System (WfMS)
  - Business rules are implemented using business rule management system and executed by business rule engine in runtime production environment
  - Business intelligence with geospatial capabilities
- Design, build and equip Data Center. The Data Center should be renovated, better protected and build up to satisfy the criteria of Tier level III Data Center (see <https://uptimeinstitute.com>).
- Design, build and equip Data Recovery Center. GDNP should recover and restore its technology infrastructure, systems and operations in the case of natural or human-induced disaster and unavailability of the primary data center. Disaster recovery strategy should be defined in ICT strategy, including the key metrics of recovery point objective (RPO) and recovery time objective (RTO) for various business processes. The metrics should be mapped to the underlying IT systems and infrastructure that support those processes.
- Design and perform ETL (Extract, Transform and Load) processes including scanning of records/files stored in provincial offices.
- Design and build digital archive subsystem integrated into MEOP.
- Ensure appropriate telecommunication infrastructure.
- IT capacity building, both for IT and GIS department.

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## Further reading

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