



# Public Real Estate between administrative reforms and financial constraints. A comparative analysis of the re-use of military assets in Italy and France

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**Public Real Estate between  
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constraints.**

**A comparative analysis of the re-use of military  
assets in Italy and France**

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## Résumé :

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### Abstract:

This paper contributes to the debate about the interplay between administrative reforms and public policies. It focuses on the effects of the autonomization of structures in charge for the “efficient management” and/or the privatization of Public Real Estate (PRE), which emerged in many European countries since the 1990s. Based upon a comparative analysis carried out in Italy and France, this paper analyses negotiations within the central State, central-local negotiations and policy outcomes in the re-use of military assets (which constitute the majority of PRE of State administrations). It is showed how MRE shifted from being a resource for defence policies to become the target of policies aimed both at improving its management and selling those buildings and lands “exceeding” administrative needs. First, this generated in both countries institutional conflicts and failures. Secondly, a contradiction emerged between two conflicting visions of PRE: the financial-budgetary one, and the planning-oriented one, which include the need for local governments to manage land use and mobilize PRE as a resource for local policies. Thirdly, the autonomization of the function of PRE management within the central State modifies long-term patterns of negotiation between Ministries of Defence and local governments and diminishes legal and political resources the latter have for negotiating prices, parcels and future land use.

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## 1. Introduction<sup>1</sup>

In November 2010 national media reported that the *Hotel de la Marine*, a historical building of the XVIII century located in the centre of Paris and currently Navy Headquarter, was to be leased for 300 million Euros a year for private uses. The 300 million were written in the Defence budget for 2009-2014 and should contribute to cover the costs of the defence reform. This news generated strong opposition from prominent personalities in the political, cultural and academic worlds, and the project was quickly withdrawn. This episode is unique since it deals with one of the most symbolic and relevant buildings in use by the French Ministry of Defence, a building symbolizing the power and continuity of the State, and with significant architectural and historical values. However, the episode also epitomizes the emergence of institutional conflicts and political concerns about present and future uses of Public Real Estate, in a period of restructuring of the public sector and of increasing financial constraints for public authorities.

This paper contributes to the debate about the interplay between administrative reforms and public policies. It analyzes the effects of the autonomization of structures in charge for the “efficient management” and/or the privatization of Public Real Estate (PRE)<sup>2</sup>, which emerged in many European countries since the 1990. National governments own a vast array of real properties, therefore they are important landowners. Management of public properties was usually under the responsibility of several administrations, and each of them managed real estate accordingly to the needs and the scope of the organization. To simplify, Armed Forces used military barracks and offices, or Ministries of Justice a vast array of courts and offices. Public real estate functioned for administrative needs. However, during the last decades, PRE came to be considered for itself (independently from the administrative uses) as a component of public wealth. Through this process, it became the target of policies aimed at reducing State ownership (and the costs related to ownership maintenance), raising financial resources through PRE sales (which would contribute to the reduction of national debts), and making the management of remaining resources more efficient. Standards of economic efficiency and effective organizational management started to be applied, and new normative visions about how PRE should be acquired, managed and disposed came up. PRE ownership and management have been addressed as a public problem, and task-specialized agencies are in charge of the matter.

The present comparative study focuses on the autonomization of task-specialized structures in charge of PRE (reporting to Ministries of Economy and/or Finance) in Italy and France, and analyses how this process affected the management of Military Real Estate (MRE). Both countries fall within the category

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<sup>1</sup> Paper presented for the IPSA World Congress, Madrid 2012. Session: RC27 Structure and Organization of Government. Panel: Does Administrative Structure Matter? The Effects of Agencification on the Policy Process.

<sup>2</sup> In its focus on administrative reforms and their effects on the policy process this paper only deals with the Real Estate used by central government administrations. This is a part of the huge publicly owned real estate, which includes assets owned by local governments and other public entities (for instance, nationally owned companies and corporations). Those are not considered in the present case study.

of Napoleonic states, with a “rule of law” tradition and “rule-bound” institutional practices (Pollitt et al., 2007; Kuhlmann, 2010). Our goal is to assess whether or not crosscutting administrative reforms modified ministerial policies dealing with this resource, and which were the effects on the implementation process. For this reason, the paper focuses on policies dealing with MRE *before and after* the emergence of task-specialized structures. Negotiations within the central State (Ministries of Defence and Agencies), central-local negotiations and policy outcomes are submitted to the analysis. It is showed how MRE shifted from being a resource for defence policies, the *locus* where polices took place, to become the target of policies aimed both at improving its management and selling those buildings and lands “exceeding” administrative needs. First, this generated in both countries institutional conflicts and failures. Secondly, a contradiction emerged between two conflicting visions of PRE: the financial-budgetary one, and the planning-oriented one, which include the need for local governments to manage land use and mobilize PRE as a resource for local policies. Thirdly, the autonomization of the function of PRE management within the central State modifies long-term patterns of negotiation between Ministries of Defence and local governments, in France, and diminishes legal and political resources the latter have for negotiating prices, parcels and future land use, in both countries.

The study of MRE is of particular interest for two reasons. First, MRE is the greatest part of PRE of central State administrations and is located in relevant urban settings, as a result of long-term processes of accumulation. History shows that massive public investment has been dedicated to military infrastructures. The fabric of European cities has been strongly influenced by defence strategies (Hohenberg, Lees, 1995), and in Europe military assets are located either in city centres, either in neighbourhoods close to city centres where military sites were developed after WW2. Today, these assets and lands therefore occupy strategic areas for urban redevelopment projects and for public interventions responding to needs in public services. Secondly, the needs of military administrations have been changing in the last two decades, as a consequence of reforms in defence policies, which followed the end of the Cold War. In comparison with other administrations, the military one has witnessed a quick decrease of its needs, and spaces under military control have often ended up empties or under-exploited. As a result, MRE came to be seen as one of the first to be mobilized in policies for more effective management and disposal of PRE. In European countries defence expenditure is still between 1.5% and 2.5% of GDP (SIPRI Military Expenditure Database, 2010, for Europe 15), Ministries of Defence remain among the biggest administrative bodies, and they are the main owners of public real estate. However, after the extremes of the 1980s, defence expenditures shrank in the 1990s and then stabilised in the 2000s (with national differences corresponding to the degree of participation in the Afghanistan and Iraqi wars). Intervention outside national territories became the main task for military organisations, which has been professionalized between the 1990s and the 2000s. Furthermore, the geography of defence policies has changed. The restructuring and/or the closedown of several military sites have affected spatial organization of armed forces within the national space. This is particularly true for countries in continental Europe, whose military geography was previously determined by the East-West confrontation. Spatial outcomes of State restructuring are similar to those accounted for the restructuring of productive structures, which opened up spaces for new investments, policies, conflicts and social demands (Hannigan, 2003; Scott, 2008; Fainstein, 2008).

**Table 1 : Military Real Estate and Central Government Real Estate**

	<b>Italy</b>	<b>France</b>
Military Real Estate	5821 assets (2010)	329.431 hectares <sup>3</sup>
Central Government Real Estate (Estimated market values)	62 billion Euros (2011) <sup>4</sup>	61 billion Euros (2011) <sup>5</sup>
MRE (Estimated market values)	30 billion Euros (2008)	22 billion Euros (2008) <sup>6</sup>
MoD infrastructure expenditures	56 million Euros (2010) <sup>7</sup>	1 billion Euros (2010) <sup>8</sup>

## 2. Understanding administrative reforms and public policies: policy change, temporalities, and feedbacks

Administrative reforms are defined here as “reflexive public policies” aimed at transforming the functioning and the organization of the State itself (Pollitt et al., 2001; Bezès, 2009). Historically, this kind of reform has served policy goals. However, in the last 20-30 years the autonomization of administrative reforms has been observed. The “State” has become a policy problem by itself and an object for public engineering and intervention. Agencies, intended as vertically specialized structures, occupy a prominent role in administrative reform agendas (Pollitt et al., 2001). A broad definition of agency defines it as an administrative body that is formally and organizationally separated from a ministerial, or cabinet-level, department and that carries out public tasks at a national level on permanent basis, is staffed by public servants, is financed mainly by National budget and is subject to public legal procedures” (Egeberg, Trondal, 2009).

How administrative reforms interplay with public policies is submitted to empirical enquiry. The literature having addressed agencification as an independent variable has focused on three major points. Firstly, normative expectations about the effects of agencification on policy effectiveness are to be considered. Specialization of public functions in agencies was expected to lead to better management, better service delivery, and more effective implementation, on the one side, and to improve transparency and accountability of the policy process, on the other side (Verschuere, 2009). The alleged effectiveness of agencies has been investigated by numerous scholars, who explored under which conditions agencies perform well, respond to assigned goals, and whether or not they improved management in government (James, 2003; Talbot, 2004). Secondly, empirical research focused on the effects of agencification on

<sup>3</sup> François Trucy et Didier Boulaud, Rapport d'information au nom de la commission des finances, et de la commission des affaires étrangères, de la défense et des forces armées sur la politique immobilière du ministère de la défense (Sénat, 26 Mai 2010)

<sup>4</sup> Edoardo Reviglio, Seminario MEF, September 29<sup>th</sup> 2011.

<sup>5</sup> Rapport n. 3805, Assemblée Nationale, Gestion des finances publiques et des ressources humaines, politique immobilière de l'Etat et gestion du patrimoine immobilier de l'Etat. Octobre 2011.

<sup>6</sup> François Trucy et Didier Boulaud, Rapport d'information au nom de la commission des finances, et de la commission des affaires étrangères, de la défense et des forces armées sur la politique immobilière du ministère de la défense (Sénat, 26 Mai 2010)

<sup>7</sup> Nota Aggiuntiva al Bilancio della Difesa, 2011.

<sup>8</sup> François Trucy et Didier Boulaud, Rapport d'information au nom de la commission des finances, et de la commission des affaires étrangères, de la défense et des forces armées sur la politique immobilière du ministère de la défense (Sénat, 26 Mai 2010)

political steering of the government apparatus, and more precisely on how agencification influences bureaucratic behaviour, and modifies relations between political elites and top civil servants. In this respect, the most discussed issue is whether or not agencification has weakened political control over administration. This has been analyzed focusing on trade-offs between agency autonomy and political control, which structured regulatory agencies in Norway (Christensen, Lægreid, 2007), or focusing on the attention brought by agency officials to political elites (Egeberg, Trondal, 2009). Other studies reversed this perspective and focused on means of control that politicians dispose over semi-autonomous government organizations, as part of the more general problem of control of bureaucracies by politicians (Calvert et al., 1989; Spence, 1997). With regard to this issue, another relevant question deals with agencification and the selection of policy priorities and contents. It has been argued that agencies officials have fewer contacts with the political leadership of their ministries than officials in ministerial departments. Therefore, they tend to give priorities to professional considerations more than to political concerns (Egeberg 2003). As a consequence, in policy sectors assigned to task-specialized structures, “experts considerations” are fed into the policy process at various stages (Egeberg, Trondal, 2009). The third group of empirical studies questions the broader effect of agencification on the implementation process. Their main argument is that agencification fragmented the public sector, which lead to a “loss of focus on the big picture” (Gregory, 2003). In those countries, which experienced early reforms in their organization of public sector, such as New Zealand, this required new coordination efforts in order to overcome increased transaction costs, conflicts, and decreased transparency of public decisions.

These researches are different in their epistemological approaches – going from neo-institutionalism to rational choice – but share the greater relevance given to the structure of government than to the policy process. The present case study adopts the opposite theoretical perspective. Indeed, the first theoretical choice of the paper is to focus on the policy process as a whole – and to consider the structure of government as a relevant dimension of it – rather than to focus directly on agencification. Transformations in the structure of government and transformations in public policies are here considered together, in order to grasp mutual influences and feedbacks.

In order to understand policy change, the paper adapts the analytical framework proposed by Peter Hall (1993) in his analysis of macroeconomic policymaking in Britain over the 1970-1980. Hall thought policymaking as a process that involves three crucial variables: policy goals, policy instruments, and the precise settings of these instruments (Hall, 1993: S. 278)<sup>9</sup>. Patrick Hassenteufel (2009) proposed a slightly modified list of relevant dimensions and a different understanding of hierarchical relations among them. Accordingly, four dimensions of change are considered in the present case study: policy goals, policy instruments, actors’ configurations, and institutional procedures and rules. Policy goals are the overarching goals that guide policy in a particular field. Policy instruments are defined as “devices that are both technical

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<sup>9</sup> Hall’s concept of policy paradigm and the hypothesis that “third order change” is explained by a shift in policy paradigm are not discussed here, since the purpose of this paper is not to explain policy change but to assess the role of task-specialized structures for policy making.

and social, that organize specific social relations between the State and those they are addressed to, according to the representations and meanings they carry” (Lascoumes, Le Gales, 2007). Policy instruments are not a set of neutral “technical” devices, but reveal a theorization of the relationship between the governing and the governed, and produce specific effects (Lascoumes, Le Gales, 2007). The analysis of actors’ configuration allows us to consider any shift in the locus of authority in the policy field of interest, such as the emergence of new actors, the empowerment of previous marginal ones, and the marginalization and de-legitimization of older ones. This is of particular interest for the present case-study since it sheds light on organizational change: the autonomization of specific tasks and the creation of dedicated administrative bodies are considered as part of the evolving landscape of organisations in charge of the policy sector. Finally, institutional procedures are those rules organizing interactions between actors and framing the scope and the conditions of their interventions in the policy sector. Again, this is of interests for the present analysis because allows us to consider both procedures framing relations within the central State, and those dealing with central-local relations. The four dimensions of change also include cognitive variables, related to ideological statements brought by actors, and which contribute to inform overarching policy goals, instruments, and institutional settings.

As previously mentioned, in Hall’s theoretical framework the dimensions of policy change are hierarchically organized: what he calls third rank change (a change in policy paradigm) entails first rank change (settings of policy instruments), and the opposite situation is not considered. However, as historical institutionalisms made clear, policy change is characterized by patterns of path dependency, feedbacks, and lock-in phenomena, which make paradigmatic change one of the possible forms taken by policy change, but not the unique. The four dimensions of change are therefore considered without establishing a hierarchy between them, either temporal or quantitative. In the empirical sections of the paper each dimension is considered by itself and in relations to the others, without establishing in advance their temporalities and mutual evolutions.

In order to assess the effects of administrative reforms on the policy process, it is necessary to understand policy change while focusing of the policy system before and after the emergence of task-specialized structures. This second choice is therefore justified by the need to consider the evolution of policy making, and to examine “policy legacies” and policy feedbacks, which are material and cognitive effects brought by policy implementation on interests groups, administrative elites and the mass public (Pierson, 1993). Temporalities are relevant also for the understanding of processes of path dependency, and the institutionalizations of norms and relations which could prevent, or slow down, policy change (Pierson, 1993). For these reasons, the analysis focuses on changes occurred during the last thirty years. In both countries, this lapse of time allows us to analyze the policy sector, the evolution of actors, and the consequences this had for the implementation.

The last element of relevance for the present case study is the conceptualization of local governments. As made clear by neo-institutionalism, public policies both distribute material resources and incentives, and structure the ways in which social actors make sense of their environment. In this respect, policies contribute to shape constituency, interest groups, and administrative elites themselves, and therefore to influence future possibilities for policy change (Pierson, 1993, 1995; Skocpol, 1995). Whom,



exactly, is influenced by public policies, and which actors are likely to be concerned and to mobilize, depends on the nature of policy intervention and varies across countries. This perspective requires looking at policy implementation beyond the central government, and understanding who “win or lose” from public intervention. In the present case study – and in every policy aiming at transforming public land uses- local governments play a sustained role in the implementation process. Local governments are not directly involved in the design of defence policies, or in policies about the reduction of national debts. However, local governments have the power of setting zoning rules, which define what can or cannot be built up in substitution of military assets or to which future functions existing buildings can be reconverted. Through zoning and planning documents, local governments are veto players in the transformation of real estate. Indeed, the production and transformation of built environment and the autonomy of cities in defining land rules are at the heart of urban policies. Land control provides a leverage, which allows local authorities to influence which activities- both in terms of production and consumption- are located in the city. It is therefore an instrument helping to regulate the benefits that different groups can take from a specific pattern of activities (Harvey, 1985). Therefore, although local governments’ consensus is not necessary for the design of administrative reforms and for policies for MRE disposal, local governments are key actors in the implementation process. National policies can or cannot consider this pivotal role in policy design. In the analysis of policy goals and instruments a relevant point of interest is whether or not national policies and actors in charge of MRE provide a framework, in terms of rules and resources, for local governments’ action and for central-local bargain.

The paper focuses on the evolution of administrative organisations in interaction with other three dimensions of change: policy goals, policy instruments and institutional rules. Given the specificity of the policy field, where local governments have structured interests and a crucial role, a multilevel perspective is adopted. In the present paper, the implementation process is analysed in two policy venues: 1) within the central State; 2) in central-local relations. The main hypothesis about the interplay between agencification and public policies reflect this double focus. The first hypothesis deals with central administrations. The creation of dedicated administrative bodies (related to the autonomization of the MRE as a policy problem) enhances fragmentation in the policy sector and, by then, raises coordination costs and the likelihood of conflicts; the second hypothesis deals with local governments. The creation of dedicated administrative bodies in charge of a rational management of PRE modifies local government’s expectations and resources.

The empirical part of the paper is organized in two sections. The next section focuses on real estate policies for MoD before and after administrative reforms. It shows how, in both countries, the emergence of PRE management as a policy problem requiring State intervention was supported by administrative reforms creating task-focused and crosscutting structures. The last section focuses on policy change and shows the interplay between the evolution of policy goals and administrative structures in both countries, along with their effects on previous patterns of policy implementation. In the conclusion, policy processes in the two countries are compared and three main areas of tension are underlined.

This article was developed using data from a more extensive field research, conducted for my current PhD thesis. Data used in the present study were collected from: 15 semi-structured interviews with civil

servants and military commanders in charge of this issue in the Ministries of Defence of both countries, in the France Domaine Department in France, and in the Agenzia del Demanio in Italy, from the study of policy documents on this issue (Parliamentary Reports, Agency Reports, Policy Drafts), and from the fieldwork conducted in several cities in both countries. The fieldwork aimed at tracing the evolution of relationships between the actors of interest, and at unfolding how they framed their interests and resources.

**Table 2. Organisations in charge of Military Real Estate**

	Organisations	Temporalities	Policy Goals	Policy Instruments	Conception of MRE	What is expected from local governments
ITALY	Department for Infrastructures of the Ministry of Defence (GENIODIFE)	(1996-2001) 2008- today	Extracting resources for new infrastructures (military housing)	Market oriented instruments (maximizing expected financial returns)	Administrative and financial resource for the MoD	Zoning, Swaps btw the MoD and municipalities (since 2009)
	Agenzia del Demanio (Ministry of Economy and Finance)	2006- today (but limited since 2008)	Managing and selling PRE	Urban planning oriented instruments (ad hoc instruments: <i>Piani Urbani di Valorizzazione</i> , Long-term leases), Public tenders (following central-local negotiations)	Financial resource for the State, to be managed through planning policies	Planning and zoning (close collaboration with municipalities is required)
FRANCE	Mission pour la Réconversion des Actifs Immobiliers (Ministry of Defence)	1989- today	Selling MRE, distributing compensations for defence restructuring to affected municipalities	Urban planning oriented instruments (public instruments for urban redevelopment), Privately negotiated sales ( <i>vente à l'amiable</i> )	Administrative resource for the MoD, whose exceeding assets have to be sold	Planning and zoning (close collaboration with municipalities is required)
	France Domaine (Ministry of Budget)	2005-today	Managing and selling PRE	Market oriented instruments (maximizing expected financial return), Public tenders ( <i>vente par adjudication publique</i> )	Financial resource for the State	Zoning (if really necessary), or nothing

### 3. How MRE became a resource for States under financial constraints

This section focuses on MRE before administrative reforms. In both countries, this sector was characterized by a lack of central policy framework, fragmented management, and weak knowledge. Then, the emergence of task-specialized structures in charge of the issue is analysed, and relevant national differences are pointed out.

#### 3.1. MRE before administrative reforms

##### 3.1.1. France

Sales of military real estate started in France at the end of the 1980s, as a consequence of a first restructuring of territorial organization of the MoD and reduction of armed forces members (at that time still composed both by professionals and draftees)<sup>10</sup>. Each armed force managed infrastructures and assets autonomously, with few orientations from the MoD general administration. In this context, a small and task-focused organization was created within the MoD: the *Mission pour la Réalisation des Actifs Immobiliers* (MRAI), which reported directly to the General Secretariat of the military administration and to the Minister Office. The MRAI was in charge of selling those assets, which had become useless for the MoD and burden the administration with maintenance and surveillance costs. Compared to others central State administrations, MoD benefited from a special legal and financial regime, since the revenues raised from assets sales were reallocated to the ministerial budget (in the chapter dedicated to infrastructure investments) rather than to State budget. Policy goals were therefore internal to the military administration and linked to ministerial needs and available resources. MRE was a resource for the administration itself, upon which MoD had greater control than other comparable central state administrations. A second kind of goals was progressively assigned to the MRAI because of the increasing closedown of military sites<sup>11</sup>, and became in time the prevailing logic of action for this organization. Territorial effects of defence restructuring are to be understood considering that centralized planning promoting balanced spatial development has been one of the defining features of French territorial and economic policies until the 1990s. Defence policy was part of State-led activities contributing to territorial development, both in terms of industrial production and troops presence (Aben, Rouzier, 2001). National defence retrenchment therefore generated local protests and mobilizations, on the one side, and went with a national policy allocating compensations (conversion studies, grants, fiscal incentives...) to affected regions and municipalities, on the other side. In these places, military brownfield sites were both the symbol and the most evident effect of Defence restructuring. Accordingly, MRAI's role of selling exceeding assets was made more complex by political concerns related to territorial effects and to the need to compensate local "losses". In other terms, the political and social acceptability of reforms (and the need for MoD to maintain popular support) became the

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<sup>10</sup> This reorganization was started with the Financial Bill for 1989 and with the Military Programming Law of 1990.

<sup>11</sup> Closedowns increased after 1996 when the draft was suspended.

cognitive framework within which MRAI initiatives took place. As underlined by an official presentation of MoD real estate policy drafted in 1998:

*Real Estate policy does not aim at systematically sale assets at the highest values. The goal is to examine, for each case, the most suitable way to support local restructuring, without harming Defence interests<sup>12</sup>.*

The main task implemented by MRAI consisted in negotiating with local governments about future land uses and about changes in zoning instruments, which precede assets sales. MRAI financed feasibility studies about urban redevelopment projects, and conducted negotiations both with central and local actors. For this, they had large room of manoeuvre, most notably in the negotiation of prices. MRAI officials described their work and relation with local governments as follow:

*What we do... we have this asset in this city and we go to the Mayor and other local politicians and we say: "Here it is, this is the asset and now you have to grasp the issue"<sup>13</sup>.*

And:

*MRAI discusses with the Mayor and it finances feasibility studies for the urban redevelopment projects<sup>14</sup>.*

The MRAI is therefore playing the role of a public actor involved in urban redevelopment projects. The organization developed an internal expertise about urban planning, which is far from being the main field of expertise usually associated with military organisations. Despite being a small structure (three employees at the beginning, and eleven in 2009), MRAI is composed by both career soldiers and urban planners, with the latter in charge of elaborating projects with municipalities.

Furthermore, the MoD benefited from a second derogation from ordinary administrative law, which made possible for this administration to sell most of the assets through "privately negotiated sales" (*ventes à l'amiable*) instead of public tenders (*ventes par adjudication publique*)<sup>15</sup>. Privately negotiated sales are a policy instrument that influences highly the way in which selling prices are set. Indeed, the underlying principle is that land value depends on the future project that is to be built up, and therefore varies accordingly to expected investments returns and to considerations about the general interest. In other terms, in this policy framework, prices are part of the broader negotiation process between MoD and local governments about urban reconversion. Partisan variables, social acceptability and the features of the projects therefore are taken into account. As described by the Chief of MRAI:

*... It is only at the end of all these studies and of negotiations that we ask the value to be estimated [France Domaine is officially in charge of values estimations]. Because you cannot estimate values and set prices before having decided what the project will be. If we have 30 hectares and the Mayor wants a new public park, this will cost a lot of money*

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<sup>12</sup> Répertoire Interarmées des Eprises Défense, La politique immobilière, patrimoniale et domaniale du ministère de la défense, 21 décembre 1998.

<sup>13</sup> Interview with the Chief of MRAI Service.

<sup>14</sup> Interview with the Chief of MRAI Service.

<sup>15</sup> Public tenders are the ordinary rule for public administrations. The Code des Domaines establishes some exceptions authorizing Central State to sell assets to local governments though privately negotiated sales (art. 148.3).

*without a financial return, and the price will have to be fixed accordingly. But if he wants...  
let's say a new big business district... then the land price will be 10 times higher<sup>16</sup>.*

Being a specialized interface between MoD and local governments is part of legitimization of MRAl as an organization and professional *ethos* for its members. MRAl puts forward successes in urban redevelopment of Defence assets<sup>17</sup>, publishes books, and defines itself as a unique *locus* of expertise in this policy field. In 2010, 76 sales were realized - 7 of them were public tenders and 69 were private sales agreements<sup>18</sup>. Municipalities were the most common buyers (around 90%)<sup>19</sup>. Several military spaces have effectively been transformed during the last 30 years. Between 1989 and 2006, the MoD sold 1940 assets (around 150 per year). The annual revenues for the State were small (around 100.000 Euros), but consequences for municipalities were relevant, and local governments have been the most common buyers and have led redevelopment projects (more than 80%) (Guelton, 1998, 2001; Dubois-Maury, 1998; Meillerand, 2011; Chinouilh, 2011).

### 3.1.2. Italy

The idea of selling MRE in Italy did not stem from defence restructuring as in the French case, but from the crisis of public finances of the 1990s, and the need to elaborate policies for the reduction of Italian public debt. At that time, this was closely linked both to the need to respond to economic parameters set by the European Union (EU) and to the political and economic crises that characterized the shift from the First to the Second Republic. Here MRE was to be sold in order to raise revenues for the State. The overwhelming financial goal is reflected in policy design: all these initiatives are officialised by Finance Acts. The first one was the Law for 1994 and 1995, but as far as MoD is concerned the policy was inaugurated by the finance Law for 1997 (L. 662/1996), later modified in the Finance Laws for 1998 and for 1999. A first Ministerial Decree listed the first 302 assets in use by the MoD that were to be sold in the following years.

However, the strategy of reform has consisted in a flood of laws and regulations, with poor institutional and organizational resources. The first problem was knowledge about MRE. Indeed, the first enquiry and evaluation of PRE was realized in 1985<sup>20</sup>, with the goal of providing a picture of the consistency of this unexploited and poorly used "national wealth". However, information needed for an active policy of asset disposal is much more detailed and technical than the one provided by this first report. In MoD, information was spread between the three armies and not organized on a territorial basis: given a city where multiple armies and military services are settled- such as Rome- there were no unified information about the state of used assets, neither any policy of reorganization. In addition, although the law established that the MoD should elaborate a national programme defining the schedule and the availability

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<sup>16</sup> Interview with the Chief of MRAl.

<sup>17</sup> Interview with the interministerial representative for defence restructuring (2008-2010), dans InterRégions, La Revue des Agences de développement et des Comités d'Expansion. Actes du 56<sup>e</sup> Congrès des Economies Régionales, Bourges, 2009.

<sup>18</sup> Source : MRAl, 2010 Report.

<sup>19</sup> « Les Armées, premier propriétaire immobilier de France, Revue Administration, n. 192, December 2001.

<sup>20</sup> Sabino Cassese, "Relazione della Commissione di indagine sul patrimonio immobiliare pubblico", Rivista trimestrale di diritto pubblico, 1986, n. 4, pp. 1117-1169.

of each asset for disposal, there was not a structure in charge of the problem. At that time, MoD lacked both competences in real estate management and the capacity to centralize information internally (from MoD various services)<sup>21</sup> and with other central State organisations, particularly from the Ministry for Cultural Heritage about the historical values and subsequent protection rules<sup>22</sup>.

Besides implementation resources, policy design provided weak incentives for the MoD to take an active role in this policy, since the overwhelming goal was the reduction of State debt. Indeed, the law established that part of revenues raised had to be reassigned to the MoD for the modernization of its structures, but this possibility was in fact limited by the rules of State accounting system. As a consequence, MoD general strategy was to define as available for disposal only assets with poor values: a significant number of assets included in the lists were of poor interest for real estate markets. Those assets “everybody was waiting for”, namely relevant buildings in historical city centres, were not included in policy lists<sup>23</sup>.

Finally, municipalities were not considered in policy design<sup>24</sup>, and results were linked to localized initiatives due to political relations. However, this policy opened up structured expectations by local governments about possibilities of urban transformations<sup>25</sup> (Ponzini, 2008). Indeed, with the extension of the urbanization, military zones (situated at the margins of historical centres) are now situated in key locations, being under-urbanized areas in hyper-dense neighbourhoods. Preferred land uses that were put forward by local governments’ associations were public, and MRE seen as a key resource for the improvement of public services supply in under-equipped urban settings. Plus, municipal sovereignty in the determination of future uses of dismissed military real estate was claimed, along with the need to estimate “just” assets values responding to local needs<sup>26</sup>.

Policy results were extremely weak for ten years, both in terms of assets sold and of resources raised. Attempts to improve policy effectiveness followed a frequent Italian pattern of reform. Indeed, when the implementation failed the strategy consisted in changing the law again (see Capano, 2003 for an analysis of difficulties encountered by administrative reforms in the 1990s). Legislation about MRE disposal has been modified almost once a year during the course of a decade, and this in turn meant the

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<sup>21</sup> A bureau for asset disposal was created in 1997 but professional competences for asset management were weak, a new one was created in 2007, after the reorganization of the Department for Infrastructures in the General Administration of the MoD (The Ufficio Generale Dismissione Immobili, reporting to MoD general staff).

<sup>22</sup> The role of Ministry of Cultural Affairs was not fully taken into account in policy design, which obliged to create specific interministerial committees in order to deal with the rules protecting military assets, which often have historical and cultural values.

<sup>23</sup> Camera dei Deputati, Indagine Conoscitiva Commissione IV (difesa), *Le dismissioni dei beni immobili della Difesa nell'ambito della ristrutturazione delle Forze armate*, 1999; Camera dei Deputati, Indagine Conoscitiva Commissione IV (difesa), *Indagine Conoscitiva sulle Servitù Militari*, 2006.

<sup>24</sup> They could benefit from ordinary-law arrangements for land disposal, which consists in the exercise of pre-emption right (right of first refusal).

<sup>25</sup> The issue of “selling out military barracks” is a recurrent topic in national media, on the one side, and has been dealt with in several reports and position documents drafted by various associations of local governments.

<sup>26</sup> See for instance : CNEL- Commissione per le Autonomie Locali e le Regioni, *Riuso da parte degli enti locali delle aree demaniali civili e militari dismesse*, Rome, September 25th 1996.

modification of its respective regulations, orders, and so on, but key implementation problems (organization, information, inter-institutional coordination) were not addressed (See Vaciago, 2007; Visco, 2007 for the evaluation of policy results).

*Therefore we sold some assets, but the resources we raised were not what we expected... in part because municipalities did not collaborate, in part because the rule did not match State accounting general rules... so we encountered any sort of problem... problems about issues we did not know, and that we have been slowly learning since then. (Officer, Bureau for Asset Disposal, MoD)*

The first difference between the two countries is that MRE disposal was firstly implemented in France within the MoD, and framed as a resource for the administration and a compensation for local governments. The issue also became a topic in specialized journals for local officials and professional planners<sup>27</sup>. On the contrary, in Italy initiatives for selling MRE were related, from the very beginning, to the financial crises of the State and the need to raise revenues through the reduction of State ownership. The second point is about policy feedbacks, i.e. how policies provide resources and incentives to political actors (Pierson, 1993). The existence of a policy for autonomous management of military real estate by the Ministry of Defence in France structured local governments' expectations in three aspects: relations with the MoD on this topic, procedures and bargaining context, and expected results. National policies provided local governments with resources, and gave them clear access to decision makers on this issue. On the contrary, in Italy, local governments were not structured as a specific constituency.

### **3.2. The emergence of cross-cutting policies for a “better management” of PRE and of task-specialized structures**

Both countries witnessed the emergence of policies for PRE management, and the creation of new task-specialized structures: France Domaine in France and Agenzia del Demanio in Italy. Four common features characterise the policy. The first one is the very process of framing of PRE as a policy problem, that means considering public real estate as something that should be addressed through public intervention. The construction of PRE as a realm of interventions for politicians, legislators and governmental actors require the *differentiation* of a specific task named “public real estate management” from the multiple tasks carried out by administrative bodies. PRE came to be considered for itself as a component of public wealth, independently from uses made by the administrations. In this respect, this policy fits in this general trend which have witnessed the multiplication of initiatives aimed at reforming the very functioning of the State, and made public administrations and civil services targets for public policies (Bezès, 2009). The second feature is the crosscutting scope assigned to this policy, and to new organisations charged of policy execution. As underlined by Philippe Bezès (2009), administrative reforms function to integrate the variety of governmental bodies through the imposition of new rules, instruments,

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<sup>27</sup> See for instance: « Stratégies foncières des forces armées », Etudes Foncières n. 26, March 1985; « Les maires et la reconversion des sites militaires », Le courriel des maires et des élus locaux, n. 32, 24 March-6 April 1995, pp 12-15; Le Moniteur des travaux publics, 13 July 1990, 26 juillet 1996; Revue Diagonal, février 1996 ; « Réforme de la Défense et aménagement du territoire », Interrégions, n. 219, July-August 1998 ; « Les Armées, premier propriétaire immobilier de France, Revue Administration, n. 192, December 2001.

and functioning standards which should apply to all of them, independently from the goals of each administration. For this reason, these kind of administrative reforms are – most of the times- under the jurisdiction of those “cross-cutting ministries” who deal with the general functioning of the State and of public administration (Ministries of the Interior, of Finances, of Civil Service Affairs). The third common feature is that policy goals put forward the need to improve PRE management toward standards of economic efficiency and effective organizational management. In its simplest form, this implies considering that PRE is not “free” for public administrations (for instance maintenance costs are huge, and keeping vacant lots is a “financial loss”)<sup>28</sup>, on the one side, and to recognize the wealth “tied up” in public real estate, on the other side. This wealth could be extracted through effective management, including leasing or sales. Financial returns and/or cost reductions are therefore expected by an improvement of PRE management. As far as military real estate is concerned, the consistency of empty or semi-empty assets make selling or long-term leasing the preferred lines of action. In addition to effective management principle, the reduction of national debts is one of the expected results of this new policy, mainly to be obtained through the reduction of State ownership. Here, public real estate management policy recall broad NPM doctrines, mostly in its critique of public administration as a bad landowner and manager, its emphasis on private sector principles for managerial practices (Hood, 1991), and on the need to sell out “exceeding” state properties. Reforms in national budgets accounting practices, budget constraints and cost-cutting measures have facilitated the emergence of policies for a better management of public assets. Also, as often accounted for NPM inspired reforms both normative prescriptions diffused by think-tanks or international organisations<sup>29</sup> and economic constraints play a role in the diffusion of similar practices in path dependent national contexts (Pollitt et al., 2007).

The emergence of this policy framework goes along with the creation of dedicated structures, whose goals and ranges of action should attain all public bodies of central administration. The fourth common feature is therefore the process of differentiation, within the state, of dedicated administrative bodies in charge of the management of PRE, and linked to Ministries in charge of Budget and/or Economy. The creation of new organisations goes along with the autonomization of a specific task formerly implemented by several central state administrations in charge of specific policy sectors (here, defence administrations are under study). As a consequence, new organisations have cross-cutting goals and responsibilities, which go beyond administrative borders and require some forms of inter-ministerial coordination. However, task-specialized structures in the two countries differ for their organizational features, and the political context from which they were originated.

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<sup>28</sup> Rapport DEBAINS, 2005.

<sup>29</sup> The construction of PRE as a public problem being part of administrative reforms was also promoted by private think-tanks, who edited reports and advanced suggestion about this issue. In France, the well-known liberal think-tank Institut Montaigne edited in 2005 a weighty report “Immobilier d’Etat: quoi vendre, pourquoi et comment”. Here it was claimed that PRE was a central stake for State reforms (p.9), and market oriented solutions were put forward. Similar positions were expressed by the liberal think-tank Fondation pour la Recherche sur les Administrations et les Politiques Publiques (Fondation IFRAP). In Italy, the Italian liberal think-tank Istituto Bruno Leoni animated a seminar and publications in 2008 about PRE disposal.



In Italy, it is possible to observe a process of structural disaggregation: Agenzia del Demanio was created in 1999 through the splitting up part of the Ministry of Economy and Finance into four new more specialized bodies, and in the context of a broader reform of Italian administration. Indeed, at the beginning of the 1990s, when the entire Italian political system was going through a period of severe crisis, a permanent cycle of reform was introduced by the governments led by Amato and Ciampi (1992–94) and then by the centre-left coalitions (1996–2001) (Capano, 2003). Capano defines the 1990s as a “triumphant period” for supporters of administrative reforms in Italy, where not one single area of the public sphere remained unaffected by change, at least in theory. Although the country had already experienced administrative structures different from the ‘traditional’ ministerial model, 1999 laws (d.lgs.3000/99) entailed a sharp increase in the number of governmental agencies, since eleven new structures were created. Agenzia del Demanio is one of four “fiscal agencies” operating in the policy fields of the former Ministry of Finance<sup>30</sup> (Toth, 2007; Fedele et al., 2007; Barbieri et al., 2009). The agency became effective in 2001, and potentiated in 2003/4. Today it is therefore a non-departmental public body, with decentralized structures at the regional level, but still under the responsibility of the Ministry of Finance and Economy.

In France, the emergence of a task-specialized structure in charge of PRE (France Domaine) is more recent in time. Also, it did not follow a broad process of agencification of the Ministry of Economy and Finance as in Italy, but it is the result of an initiative aimed at reinforcing precisely PRE management. A report drafted for the Prime Minister Raffarin (2003) and a second one drafted for the National Assembly (2005)<sup>31</sup> evaluated PRE management as poor: each Ministry was an “almost-owner” (*quasi-proprétaire*), did not proceed to asset disposals, neither improved the management and maintenance of the assets they had in use. Both the documents proposed the creation of an agency, vertically specialized, as the most suitable organization for a new crosscutting policy. The final choice (2006 – 2008) was to assign the task of elaboration and implementation of State asset management policy to a new structure, though still within department<sup>32</sup>. France Domaine is now a department of the Public Accounting General Directorate (Direction Générales des Finances Publiques, Ministère du Budget)<sup>33</sup>. Its tasks include enhancing the quality and cutting the costs of public real estate, as much as defining and implementing sales policy<sup>34</sup>.

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<sup>30</sup> The four “fiscal agencies” were Agenzia del Demanio, Agenzia delle Entrate, Agenzia delle Dogane and Agenzia del Territorio.

<sup>31</sup> The first report is about the state of the art of national policies on PRE and was drafted for Prime Ministre Raffarin (Rapport DEBAINS), the second report is drafted by the mission for evaluation and control of the National Assembly Finance Committee (Rapport TRON).

<sup>32</sup> Before France Domaine, there was a sub-directorate in charge of RE affairs under Tax Directorate (Direction Générale des Impôts), whose functions was to certify State purchases and sales (State Notary). France Domaine is therefore quite different from its forerunner: it has been shifted from the Tax Directorate to the Public Accounting Directorate (now Public Finance Directorate), has increased human and organizational resources, and its scope and responsibilities are considerably bigger and more complicated.

<sup>33</sup> This choice is the source of continuing critiques. The evolution of France Domaine toward more independence and autonomy (inspired the Italian and the British task-focused structures) have been put forward several times since the 2000s - by high-ranked civil servants, members of parliaments and private consulting firms and think-thanks - as a possible solution for the gridlocks encountered by the new policy (See Rapport DEBAINS; Rapport TRON; IFRAP).

<sup>34</sup> France Domaine, State Property Management and the French Public Treasury, 2007.

*It is still a department... but it has its own name – France Domaine- aimed at giving to it more visibility... a little bit of administrative marketing! And this service now represents the State as a landowner and is in charge of ownership management<sup>35</sup>.*

## 4. Administrative reforms and policy implementation

The creation of task-specialized structures had consequences on the way in which MRE is dealt with and disposed. In both countries, the implementation process is now contentious and leads to gridlocks and failures. This is to be understood through the analysis of conflicting understandings between actors about policy goals, expected results and suitable policy instruments. In France these conflicts take place at central state level, while in Italy contrasts are both at the central and the local level, depending on the kind of military assets under consideration.

### 4.1.1. France

At the beginning of the 2000s, the Ministry of Defence is cited by PRE policy advisors as a forerunner of real estate “conscious management”. Indeed, at that time the MoD was strengthening its Infrastructure Department (DMPA) and developing infrastructural plans<sup>36</sup> for each urban agglomeration characterized by a relevant presence of armed forces. The plans aimed at improving MRE internal management and to respond (and resist) to solicitations coming from local governments. Also, the MRAI was recognized as a unique organization in the French ministerial landscape.

However, the creation of France Domaine implied a re-centralization of tasks, and increased resources in the policy process for the Ministry of Budget and State Reform<sup>37</sup> at the expenses of other central administrations. The creation of France Domaine has not entailed the disappearing of MRAI; the two organisations have been coexisting during the last five years. A first element for the understanding of policy gridlocks is therefore to be found in classical conflicts and competitions between administrative bodies, and more precisely between administrative elites of “spendthrifts” Ministries (such as MoD) and elites of “savers” Ministries carrying debt-reduction ambitions and new cross-sector policies (such as Minister of Budget) (Genieys, 2007). One of the more frequent critique put forward by France Domaine is that ministries adopt “self-defence strategies” in order to preserve their control over assets from centralization. The most common strategy is transmitting partial or imprecise information to France Domaine, which is in charge of elaborating and following up the database about State assets.

*Ministries suddenly realized that they could not do anymore what they want with what they considered being “their” real estate. So they started to give us partial statistics for the*

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<sup>35</sup> Interview with the Special Adviser to Prime Minister Raffarin (2004) for the public real estate policy.

<sup>36</sup> The Schémas Directeurs d’Agglomération.

<sup>37</sup> Between 1997 and 2007, Departments of Economy, Finance and Industry were part of a same huge Ministry (MINEFI), later split into two different structures (one for Economy and one for Budget).

*SPSI<sup>38</sup>, they rigged the indicators about 12sqm per agent, and used convoluted vocabulary...<sup>39</sup>.*

Although the MoD is recognized a special status because of issues related to national security and because territorial defence restructuring is still going on<sup>40</sup>, the MRAI is now compelled to cooperate, to explain to and to bargain with France Domaine. A new actor having interests and responsibilities in the policy process added bargaining costs at the central level.

*We have less autonomy than we used to... in fact, the service in charge of State assets used to be very marginal, basically they did acts of sales... this was not a public policy. Now they are much more involved, so more coordination is needed and there are more injunctions coming from them<sup>41</sup>.*

The two main causes of gridlocks are goals assigned to land disposal and preferred policy instruments for sales. As underlined in the previous section, France Domaine policy goals are oriented at increasing State efficiency, through a better management of how public building are used and maintained, and debt reduction, through the sale of “useless” assets at the best market conditions. Importantly, targets of assets sales and State ownership reduction are quantified in annual Finance Law. In this perspective, social and political functions played by public real estate in local settings become of secondary relevance in the policy process. That emphasis on local negotiations which characterized MRAI policy doing is challenged by transformed goals assigned to land disposal, which contribute to weaken the legitimacy of the MRAI in the central State.

The second reason of conflict is related to policy instruments for assets values estimation and sale prices. Indeed, France Domaine claims for sales at prices, which should be as close as possible to local real estate market values. In this regard, their values estimations – which are the first steps for the determination of selling prices - are based upon existing zoning conditions. In this technique, the present status is the base for value estimation. This is very different from previously analysed technique, where the value of the land and the price were defined accordingly to future land uses.

*France Domaine estimated values are based on existing local planning documents and judicial constraints<sup>42</sup>.*

As a consequence, MRAI most used policy instrument (privately negotiated sales) is strongly criticized. Negotiated sales are blamed for being too far from market coordination and subject to political considerations, which induce market distortions. The policy instrument for land disposal, which is opposed to negotiated sales, is a public tender. Indeed, public tenders do not establish *ex-ante* the likely identity of the purchaser (the local governments) and re-introduce market competition. Here, sale prices are defined

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<sup>38</sup> Schémas Pluriannuels de Stratégie Immobilière.

<sup>39</sup> Interview with the Head of France Domaine (Minsitry of Budget).

<sup>40</sup> For instance, at the local level the MoD infrastructural and Real Estate plans are not under the responsibility of the Prefet, which is the case of other administrations. Local military hierarchies have to inform the Prefet about infrastructural plans, but parts of them are classified highly confidential. Plus, MoD stil benefits from 100% of revenues raised through asset disposal.

<sup>41</sup> Interview with the Chief of MRAI.

<sup>42</sup> Interview with the Head of France Domaine (Minsitry of Budget).

by matching of supply and demand rather than by broader mechanisms of negotiation. Plus, public tenders are publicized on France Domaine web site and on official journals revealing more transparent procedures and contributing to public administration accountability. As argued by the Head of Department:

*The market is the best judge for estimating the value of an asset.*

*Negotiated sales are not based upon market rules... and that is why it is difficult to be sure that you are not being cheated, and that you are selling at the right price, and doing the right thing.*

In other terms, asset value should be defined accordingly to localized real estate markets, a situation as close as possible to market competition should be created, and coordination among actors is to be ensured by laws of demand and supply rather than by political agreements. These elements challenge previously existing approaches, and MoD interests and ways of proceeding. The process is leading to a marginalization of MRAI, based upon the critique of its goals and preferred instruments. The structure is considered to be “slow” in its procedures (diminished legitimacy through outputs), no longer responding to the needs of efficiency of a modern State (diminished legitimacy through normative statements), and excessively submitted to requests coming from local governments (a problem of transparency and accountability).

*The MRAI... they handed themselves over local governments... because this is what they were asked to do when the structure was created [...] And now the Ministry of Defence is in late, although they used to be more advanced than other Ministries... this is mostly because their specific organization has become a little inadequate for the current goals of national real estate policy<sup>43</sup>.*

However, some usefulness is recognized to MRAI in its capacity to deal with “difficult” assets, which are either the largest polluted, unattractive ones, or those situated in small villages where military restructuring has economic consequences and therefore are to be dealt with following “political concerns”.

*With the Chief of Staff of Minister of Defence it was decided that France Domaine should focus on liquid assets which are easily sold, the MRAI took those located in “politically sensitive” towns, and the SOVAFIM could take the rest<sup>44</sup> ... and by “politically sensitive” I mean those places where the closedown of a military base has political and economic consequence, where it is actually a political problem [...]. Therefore, in the classic MRAI understanding of PRE<sup>45</sup>.*

On its side, MoD puts forward the legitimacy of project-based estimation and of negotiated prices and claims for the peculiarity of MRE, which makes any asset a single good rather than a commodity.

*Their methods [the methods of France Domaine] are rather normal ones and they can work... but they work only if you have a normal building... offices... But a market for military barracks... it does not exist. In a city, you have to invent something else.*

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<sup>43</sup> Interview with the Special Adviser to Prime Minister Raffarin (2004) for the public real estate policy.

<sup>44</sup> The SOVAFIM is a public company in charge of landowner's financial carrying costs in public development projects dealing with dismissed railways lands and buildings. The scope of the company has been extended to MRE, but in 2011 only one asset has been transferred to this company.

<sup>45</sup> Interview with the Special Adviser to Prime Minister Raffarin (2004) for the public real estate policy. He is now SOVAFIM President.

#### 4.1.2. Italy

In Italy two distinct phases followed the creation of the agency, which had strong consequences for the policy process: a first phase of agency empowerment – which consisted also in a modification of policy goals and instruments; a second phase of agency marginalization, where the MoD was put again at the heart of this policy.

The assignment of responsibilities about MRE to the Agenzia del Demanio did not automatically followed agency creation. Indeed, military assets are under military control (*demanio militare*) although this is not explicitly defined by law. The first initiatives of *Agenzia del Demanio* implying MRE took place under the centre-left coalition led by Romano Prodi in 2006-2007: the Finance Act for 2007 empowered Agenzia del Demanio since it obliged the MoD to transfer to the Agency assets for a total book value of 4 billion Euros. Two decrees transferred 400 assets from the MoD to the agency, and these should have been followed by two other decrees, which were never enacted (cf. infra).

*This was an agreement between Prodi and the MoD, which to some extent followed this idea: you give us the assets; we can give you some more money. And at that time there was this idea of bringing added values for cities with new uses for military assets<sup>46</sup>.*

For the first time, an organization in charge of policy implementation was established, which contrasts with the former system where laws were passed without assigning clear institutional responsibilities. Also, policy goals and instruments were extended and sharpened. Concerning policy goals, the purpose of selling PRE in order to reduce national debt was accompanied by goals related to urban planning and local development (Vaciago, 2007; Visco, 2007). Indeed, military assets became the object of the new program “*Valore Paese*” (*Country Value*), led by Agenzia del Demanio, which should associate a proper management of PRE with territorial local development thanks to cultural, social, economic projects for the re-use of military assets. This was strongly claimed by agency officials themselves:

*Valore Paese, the program for improvement and exploitation of Italian public real estate, will change cities landscapes, opening up new possibilities for urban and social development<sup>47</sup>.*

And:

*Our choice, when we finally got military assets, was to reverse completely former State approaches in real estate management ... which were... assets deterioration and abandonment, either expropriation for more or less useless new infrastructures, either “end-of-season sales”<sup>48</sup>.*

The evolution of policy goals went with the introduction of more sophisticated policy instruments, whose relevant innovations were the inclusion of urban planning perspectives and of local governments in the policy process. The first instrument was a long-term lease of former military assets, intended as a possibility for raising revenues from private uses of public real estate while keeping it of public property. The second, and more important, instrument was the *Programmi Unitari di Valorizzazione* (PUV), which

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<sup>46</sup> Former chief of the Department for Development and Valorization, Agenzia del Demanio.

<sup>47</sup> Agenzia del Demanio, *Valore Paese. Il progetto di valorizzazione degli ex immobili della difesa*, 2007.

<sup>48</sup> Interview with the chief of service for development of project valorisation, Agenzia del Demanio.

provided a framework for central-local cooperation in the implementation process. The PUV are urban planning instruments specifying collectively defined goals for the reuse of State assets (under the responsibility of the Agency) in a city. In this, the PUV define the broad future destination for a group of assets, whose requalification should engage a dynamic of urban development and/or respond to local needs. Once signed, each part (Agency, Ministry of Finance, and the local administration) is engaged in binding tasks within an institutional framework for inter-organizational cooperation. Also, although the vast majority of assets were military ones, they aimed at including all kind of public assets situated in a same city and which could become the object of new projects. In this regard, the goal assigned to the agency to be a crosscutting structure dealing PRE on local and functional bases rather than on boundaries between administrations attained a peak. The empowerment of a task specialized structure allows, at the local level, to elaborate planning documents about PRE beyond administrative borders.

Change in policy goals and instruments had new results in the process of transformation of military assets. PUV were signed on the basis of feasibility studies for urban redevelopment projects elaborated by the agency or contracted out to specialized cabinets. Thanks to its decentralized structures at the regional level, the agency had the organizational capacity to bargain with municipalities. By doing that, it promoted itself as a forerunner of new ways of central/local policy doing:

*The idea was not to be anymore the State going in cities and imposing projects or the Central State, which is far away from the local contexts... We had financial constraints to take into account, and we would have the power to impose on local governments... but I do not want to do that... I prefer deciding this with you (the local government) because you know which land uses are the best suited for your city and the most coherent with your development perspectives, and with your urban ideal<sup>49</sup>.*

This also prepares pre-conditions for markets: indeed, ex-ante cooperation between administrations (Agenzia del Demanio, local government and Ministry for Cultural Heritage) is what allows the decreasing of “administrative risks” for private investors. This capacity to conciliate local development needs with effective management and market principles and to set up central-local cooperative practices has become part of organizational pride, and it is opposed to MoD practices. Indeed, at the central level the agency claim for its unique expertise.

The emergence of a task-specialized structure entails conflicts within the central state, between the Agency and the MoD. Most of conflicts precede the implementation process, since they deal with the definition of the object itself: which assets of MRE can be transferred to the agency? And which kind of assets? Again, many of those assets that were at the hearth of local expectations were not listed and transferred. Moreover, phenomena of “institutional resistance” entailed the withdrawal of transferred assets from a decree or the re-occupation with military functions.

As is the case in France, the emergence of a task-specialized structure did not entail the complete vanishing of MoD in this policy field. In Italy the result was quite the opposite in the period under

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<sup>49</sup> Interview with the chief of service for development of project valorisation, Agenzia del Demanio.

consideration. In 2008, two years after “*Valore Paese*”, the MoD has been given back control over MRE, with enlarged prerogatives and responsibilities. Indeed, in the budget law of newly elected centre-right government, the legislator<sup>50</sup> stated that the MoD now replaces the Agency in assets exploitation.

*A new rule was slipped the first government decree which allows us to go back to 1997... the core point was to slim down the agency*<sup>51</sup>.

The new mechanism should allow MoD to gather resources for the modernization of existing infrastructures and more precisely to respond to the housing needs of professionalized armed forces. The expected result is to obtain constructions of military housing, therefore taking it away from the expense chapter of MoD budget, and allowing the re-allocation of resource to the ministry itself instead of the general State budget. The goal of raising revenues from real estate disposal is back on the centre of the stage, and local development issues are marginalized (even if formally maintained in policy orientation). Laws approved since 2008 about this issue isolate a legislation for MoD asset management, which differs from the general law, and makes it “independent” from the agency in policy implementation. Again, two decrees specified concerned assets (here 139 assets)<sup>52</sup>. Furthermore, MoD was attributed by law the possibility to create listed property trusts.

Both PUV and long-terms leases are left to the Agency and policy instruments provided for the MoD are “classical” assets swaps between the Ministry and local governments. The basic policy instrument is a swap of assets (*permuta*) between the MoD and local government. Those assets currently in use by the MoD, which are often very well located in city centres and having historical and cultural values, are offered to municipalities. In exchange, the latter have to provide the MoD with new infrastructures (housing and offices) where military activities could be relocated. The costs for new constructions and for the transfer should be covered by the revenues raised thanks to increased land values of existing military assets. In fact, the modification of existing zoning allows local governments to sharply increase the value of assets occupied by the MoD, and once reconverted these will generate extra-resources needed for investment in military infrastructures. The new foreseen mechanism has consequences on urban policies. First, it requires the maximization of urban rent leverage: what should replace existing infrastructures has to ensure financial returns covering new infrastructures. That means that municipal zoning defining future land uses should reduce public uses and open up possibilities for more profitable investments to be realized in former military sites (in Italy, the most profitable investment for real estate developers is private housing). As perfectly explained by an officer in the department for assets disposal in the MoD:

*The problem is that interests of the (military) administration do not always coincide with those of the local government. Indeed, the military administration would like to sell assets zoned for those uses allowing the greatest commercial values.*

Secondly, the mechanism links in financial and organizational terms the possibility for reuse of military assets, on the one side, and the process of increasing land values and the fulfilment of new

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<sup>50</sup> L. 133/2008 and L. 191/2009, art. 2 comma 189.

<sup>51</sup> Officer, Ministry of Defence.

<sup>52</sup> Decreti Direttoriali, 5 marzo 2010, 8 settembre 2010.

infrastructures, on the other side. The two stages are perfectly interdependent (a system of communicating vessels), and this requires high level of coordination between administrations and the potential buyers and developers. In addition, the mechanism assigns a pivotal role to local governments. Opposite to planning instruments, current policy design put aside the integration of local governments, and the consideration of long temporalities of urban projects. Therefore the implementation process becomes more difficult.

Policy change and the attribution of responsibilities to the MoD had feedbacks on the military administration. In 2008, inspired by professional practices developed in the Agenzia del Demanio a new office in charge of dealing with the disposal of MRE<sup>53</sup> is created in the Infrastructure Department of the Ministry (GENIODIFE).

At this stage, characterized by agency marginalization, conflicts are located again in central/local policy venues. MoD directly bargains with municipalities in order to negotiate with elected officials about new planning zoning that increases future values of military assets. This time several assets foreseen for sale are those located in historical city centres, including those assets which has been sources of local expectations in the last decades; this constituted a great incentive for municipalities to get into bargain. Several memorandums of understanding (*protocolli di intesa*) were signed between the MoD and municipalities. Italian large cities were particularly concerned, as agreements included Milan, Rome, and Turin. However none of them has been implemented so far, due to the weakness of economic and political feasibilities of these agreements. Indeed, municipalities are reluctant to adopt rent-maximizing strategies implying historical assets or assets located in neighbourhoods with underequipped in public services, and the Ministry for Cultural Heritage often functions as a veto point on this issue.

## 5. Discussion and conclusion

This article has used an in-depth analysis of thirty years of policy making dealing with MRE in order to understand the interplay between administrative reforms, specialization of functions within the central state and policy goals and instruments. The process of agencification was considered as one of four dimensions of enquiry. Furthermore, the choice of analysing policy making before and after administrative reforms allowed understanding in which manners institutional reforms affected both existing institutions and ways of policy doing. In both countries, the system has been transformed by the emergence of financial concerns about a resource – public real estate- that was formerly managed by central state organisations and considered as an administrative resource for the implementation of their policies. This change goes with a process of specialization and the creation of task-specialized structures.

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<sup>53</sup> It is called Ufficio Generala Dismissione Immobili.



**Table 3. Results**

FRANCE	ITALY
<b>Conflicts between central administrations</b>	
- about policy goals and instruments	- about assets to be included in the policy
<b>Central/Local : Reduced possibilities for local governments in the negotiation of assets values and future land uses</b>	
In France Domaine understanding: - assets values are determined by the market - as a consequence, future land uses are determined by selling prices - these principles could be attenuated for “politically sensible” municipalities and/or cases	In MoD understanding (post-2008): - assets values are determined by the need to extract resources for new military investments - new municipal zoning should respond to strategies maximizing future land values - public re-use of MRE is to be avoided
<b>New forms of “division of labour” between Ministries of Defences and task-specialized structures</b>	
- Marginalization of MoD for MRE disposal (under pressure by France Domaine, institutional conflicts) - MRE is divided between assets which are easy to sell (France Domaine) and assets hard to sell (MoD-MRAI)	- division of labour between Agenzia del Demanio and MoD, and institutional change inside MoD (creation of a task-specialized unit) - MRE is divided between pre-2007 assets (Agenzia del Demanio) and post-2007 (MoD)

The analysis of the evolution of the policy process showed three areas of tensions. Two of them are institutional conflicts: at the central level between agencies and ministries of defence, on the one side, and between the centre and local governments, on the other side.

Conflicts at the central level come under dynamics of administrative competition and resistances to centripetal forces drawing responsibilities toward Ministries of Economy and Finance. In France, these are stronger because of the existence of a specialized structure within the MoD with long-term experience and a specific toolbox for MRE disposal. Here gridlocks come from conflicting preferences about technical issues: estimation techniques and sales prices. In Italy, the lack of an institutionalized expertise within the MoD leads to simpler forms of conflicts, mainly about the amount of assets to be transferred. However, agencification entails policy feedbacks and institutional learning for MoD civil servants.

Conflicts in central-local venues are explained by local governments’ expectations about MRE, and by possibilities and constraints for local government action structured by national policies. Whether or not policy designs provide a framework for local governments’, action varies in time and between administrative structures. In France, this was part of MRAI policy practices and it is later marginalized as one of the mechanisms inducing market distortion. In Italy, *Agenzia del Demanio* put forward the need to conciliate economic efficiency with local expectations, but this lasts a short time. As a result, in both countries the room of manoeuvre for central/local negotiations is shrinking under budgetary constraints. In this respect, the paper contributes to underline a change in how central governments steer local governments and societies in a context of administrative reforms inspired by NPM principles and of increasing financial constraints (Goldsmith, Page, 2010).

The third area of tension lays in the very definition of public/military real estate. It is argued that a contradiction emerges between two conflicting visions: the financial-budgetary one, and the planning oriented one. The financial definition considers MRE as an asset to be sold accordingly to budgetary needs. Prices are set by supply and demand. The planning-oriented definition considers MRE as a resource for further public policies at the local level. Prices are the result of a negotiation, which considers final uses of the land. These conflicting understandings also imply conflicts about the most suitable policy instruments,

which reflect market-oriented or planning-oriented goals. However, which central government organization is supporting the one or the other vision of PRE varies. In France, the existence of a specialized organization within the MoD using planning-oriented instruments is challenged by the emergence of a task-focused organization with crosscutting goals (*France Domaine*). The latter carries a financial understanding of MRE, which implies new preferences towards policy instruments to be used and the “right” institutional arrangements for policy implementation. Here, a NPM inspired administrative reform delegitimizes previous forms of collaboration between the central administration and the local governments. In Italy, State financial and fiscal problems of the beginning of the 1990s structured the policy in a different manner. Here, the selling out of MRE was considered since the beginning as a tool for the reduction of national debt. However, both the weak knowledge about uses and conditions of MRE and the lack of appropriate instruments for policy implementation led to almost inexistent results and to the multiplication of legislative initiatives. In the general movement of administrative reforms of the 1990s - where NPM principles diffused in a context of nationally strong delegitimation of the political system – the creation of an agency in charge of the policy was the first step for the management of MRE. This agency carried out a vision of MRE trying to conciliate financial constraints with local governments’ veto power and needs, through some *ad hoc* policy instruments and extensive negotiations at the local level. However, the re-attribution to MoD of the responsibility of the “valorisation” of MRE in order to obtain new military infrastructures lead to policy gridlocks. Again, the latter are due to the finance/urban planning conflict.

Policy results are poor. Sales are rare, and gridlocks are the most frequent outcome. In both countries two organisations in charge of MRE coexist, one internal to Ministries of Defence, and another linked to the Ministries of Economy and/or Budget and in charge for crosscutting management. In this policy sector, the process of specialization of tasks within the State does not lead to the abandon of previous existing structures, but to a new organizational landscape, and to a new division of labour. In Italy, MRE is divided between those assets included in the decrees of 2007 and those still under the responsibility of MoD and therefore included in its new real estate management policy. In France, the division of labour is related to the kind of asset, which is under consideration, liquid assets versus politically sensitive assets.

Going back to the general question, namely the effects of administrative autonomization on the policy process, two main results can be pointed out. Agencification added a new actor in the policy process, and this increased bargaining costs within the central state (between agencies and MoDs) and generated defensive strategies from formerly existing institutions. However, changes in the administrative structure do not have exactly the same effects in the two countries. Indeed, the understanding of how the policy process change after the emergence of task-specialized structures needs to take into account former policy goals, instruments and institutional arrangements, on the one side, and how new structures frame their role in relation to other actors involved in the policy process, on the other side.

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