STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   1.1 Désirée Number: CZ2002/000-582.10.05
   1.2 Title: Strengthening Public Sector Business-related Real Estate Management
   1.3 Sector: Industry
   1.4 Location: Czech Republic

2. Objectives
   2.1 Overall objective
   Existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the EU

   2.2 Project purpose
   To initiate development of the property profession necessary for establishment of fully functioning property market in the Czech Republic, with special emphasis on business and industrial property sub-category

   2.3 Accession Partnership and NPAA priority
   AP: Economic criteria: To promote the competitiveness of the private sector, including SMEs
   Economic and social cohesion: To help reduce the GDP per capita gap with EU member states.

   NPAA: The NPAA cites the need to complete key structural changes in industry stemming from the transformation process including the need to substantially increase work productivity in industry and the quality and efficiency of production in order to bring performance indicators closer to the EU average.

   Clearly this goal would be effectively enhanced by diversifying and strengthening the local and regional economies by attracting new industries including foreign manufacturing and service firms to establish, expand and link with Czech companies.

   2.4 Contribution to National Development Plan
   The national priorities under RDP specifically target the increase in industrial investment, particularly direct foreign investment & structural investment.

   Listed in the sectoral and regional priorities of the RDP under Priority Axis No.1 (Support to develop an economic base and strengthen its competitiveness) are the goals of:
   - Increasing competitiveness through the improving the quality of the business environment and stimulation of enterprises' development.
   - Creating favourable conditions for investment ... and increasing efficiency.
   - Development of commercial and industrial co-operation.

   The Ministry of Industry and Trade lists among its priorities the need for industrial policy & attraction of foreign investment. The Competitiveness SOP for PHARE 2000 cites improving the business environment and stimulating business development, all of which goals benefit from a wider and more effective property offer. A fully functioning property market must be adequately recognised as a crucial part of a well functioning market economy. Understanding its management, development and investment determinants not only in a business context but also in recognising its role in wider economic development is one of the key prerequisites to the growth of the Czech economy.

   2.5 Cross Border Impact
   n.a.
3. Description

3.1 Background and justification
In preparing itself for EU membership, the Czech Republic will have to take on obligations of meeting membership principles among which "the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union" is one of the key ones. The Czech Government is thus charged with furthering the country's and regions' competitiveness and preparedness for the participation in the internal market.

One way of doing this is by diversifying and strengthening the local and regional economies by attracting new industries. In this process specific attention should be paid to improving local institutional and infrastructural conditions for subsequent private industrial investment. It must be ensured that the formation and expansion of these businesses is not artificially constrained by a lack of suitable sites and premises.

Modern business parks, new industrial property and - outside Prague - high quality large office premises are in short supply in the Czech Republic and this situation is holding back the economy generally and foreign investment in particular. In former command economies the property market is not usually adequately recognised as a crucial part of a well functioning economy. The property market is therefore rarely seen as a governmental issue or priority for government action & intervention or comprehensive modernisation of legislation.

Recent studies undertaken for CzechInvest in the Phare programme (see 3.2) demonstrate that the Czech Republic still faces a wide range of symptoms of property market failure, especially in the business property sector.

Although market failure is difficult to define precisely and concisely, it is possible to identify ways in which it materialises:

- **Lack of information** about the business property market throughout the country causes inadequate understanding by suppliers (property developers) of demand (especially from foreign investors) and leads to some types of space (e.g. very large serviced plots and small industrial units) being in short supply or not provided at all, despite a large skilled workforce in the vicinity. This would appear to be the situation in much of the Czech Republic.

- **Lack of interest and confidence** by international private sector property developers to invest outside Prague. This is due to the property market being untested and undeveloped in terms of demand and rental levels. There are problems to gain clear title to land because of ownership structures. These factors deter the property developer as the uncertainty further increases business risk exposure to unacceptable levels.

- There are a relatively small number of established Czech property development companies of any size. Those that are active again tend to concentrate their activities within the Prague area. New Czech property development companies often experience difficulty in raising the necessary funding for development and acquiring suitably qualified staff.

- There are insufficient government incentives to encourage private developers to enter the market.

- There is a lack of experience and understanding by municipalities in developing property themselves and in structuring public private partnerships.

- There is a lack of an NGO with a specific remit to package, develop, and manage land suitable for industrial and commercial development, in the absence of the private sector.

- There is a lack of suitably qualified property professionals throughout the Czech Republic, and particularly within the public sector. There are currently no property development or management courses within the Czech University system. Consequently, the few qualified property surveyors, of whom the vast majority are foreign nationals, are confined to the international property agents based in Prague.

These issues are being addressed, but it will take time to develop the interest and confidence of the private sector to develop outside Prague. A range of incentives were developed as part of the Klasterc project to encourage the private sector by providing gap funding in relation to the difference between the cost to develop and the market value of the scheme.

It is proposed that the status of CzechInvest, the national investment promotion agency, is developing from being just an initiator, designer and administrator of property provision programmes, to becoming, on
behalf of the government, a full developer and provider of business property representing a short term solution while the private sector market develops.

The reasons for CzechInvest to take on this role is that it is a natural development of its current role, the existing personnel have some useful experience in property administration, it was the beneficiary of the earlier Phare property programmes and such a change would reflect the best practices adopted within successful Western European national development agencies. All of them have professional, strong property development teams with the competence to stimulate an increase in the supply of property, especially in relation to satisfying the needs of foreign investors, while minimising and safeguarding public funds invested.

Without suitably experienced property professionals to assist CzechInvest, and the public sector in general, this process will be difficult to achieve.

For this reason, CzechInvest in co-operation with Prague Technical University, wishes to approach the EU Phare Programme for assistance in two areas.

The first is for immediate practical help in the form of long-term Technical Assistance from an experienced property development professional. This would be critical in supporting this process. It will give the Agency the capability, knowledge and market awareness in methods of appraising property market, property investment and development within the context of a market-led economy at the local, regional and national level. It will provide the Agency staff with the prerequisite skills to negotiate on an equal footing with the private sector to structure the optimal public private partnerships.

The second area of assistance is to improve the national training framework by the development of appropriate property professions. It is proposed to introduce both short courses and degree standard courses in property development and surveying in at least four technical universities throughout the country. The courses and qualifications would be entirely consistent with the standards set by international professional organisations and bodies such as the Royal Institute of Chartered Surveyors.

The courses’ primary contents should be property market research, the analysis of the stages of the development process including planning, funding, construction, disposal and marketing. Taxation and the funding of development, including evaluation of public support on the property market, sources and applications of funds with the perspective of potential access to the EU Structural and Cohesion Funds would be additional areas of relevance.

The courses developed under this project would also be made available both to CzechInvest and to personnel from municipalities and regional development agencies (i.e. CT’s partner organisations) in order to increase the return on the public money invested. The improvement of skills among public sector organisations is necessary bearing in mind that the public sector has to play an active role in stimulating the regional property market.

3.2 Linked activities

- **Brno 2000 - Phare 1996.** The project was to assist the city & region of Brno address the lack of availability of strategic sites for FDI. The project gave the city practical help in understanding the needs of FDI companies in selecting a site, relating to ownership, servicing, location and access, and how to prepare and market suitable sites for FDI. The results of the study were the identification of a former military airport that could be developed as the Brno Business Park. Additionally, sites were also identified in Brno for different levels of industrial and commercial development, which would assist the city in its wider economic development and establish the role property plays within a city and regional development strategy. Longer term, the findings have been used by CzechInvest as a best practice model to identify and prepare sites for a hierarchy of industrial uses from major FDI single users to business parks of international, regional and local standing. Conclusion: The project meant that CzechInvest had a greater understanding of the process of property provision for strategic FDI projects.

- **Klasterec – Phare 1997.** This project was designed to build on the earlier work by giving practical assistance in the implementation phase of a business park suitable for both FDI and regional needs. The town of Klasterec was selected as a pilot project. Practical help was given to a Czech professional team and the municipality on masterplanning, marketing, environmental design, estate management, and ownership and operational organizational structures of the business park. Considerable part of the project was devoted to design of the path for support of development of speculative industrial buildings and the framework proposals for a system of property grants (investment incentives) that would be sufficiently attractive to involve the private sector in the provision of industrial property, while at the
same time ensuring public property and value for money. To disseminate the results of the project a property project management toolbox was developed that could be used by CzechInvest and other public sector bodies, to provide basic project management techniques. Finally, the project provided a snapshot of the capacity and interest of the private sector property market in providing industrial property and identified the barriers to development. Conclusion: The project meant that CzechInvest gained an understanding of the role and needs of the private sector in industrial property development and gained knowledge of the mechanisms for property development and management of business parks. Based upon its results a policy paper was drafted as a basis the change of CzechInvest’s status.

- Demonstration regeneration project in Ostrava Vitkovice steelworks - Phare 2000. (Project Preparation Facility). The objectives of the project are to create a strategic plan for the re-use of the Vitkovice steelworks site. This will include: a detailed phased and costed programme for the re-use and redevelopment of the site; an implementation plan for its regeneration plus an advisory paper on the appropriate management structure to ensure successful development, management and marketing of both the initiative and the site. The project also aims to develop a strategy and business plan for a national Brownfield Regeneration Unit (BRU) that will continue the regeneration work nationally as well as to promote a programme of private/public sector developments to support the regeneration of derelict sites and buildings and to return them to effective use.

- Brownfield Regeneration Strategy (Phare 2001). This project will be a follow on from the pilot regeneration scheme of Vitkovice steelworks. Its goal is to map the brownfield and regeneration opportunities in the North Bohemia and North Moravia regions in order to establish a national database of brownfield sites. It will document the market failure that the regeneration programme should address and advise the government on national priorities for program implementation. It is also designed to be the technical assistance for implementation of the national Brownfield Regeneration Unit strategy and its business plan.

- Industrial Zones Strategy for Ostrava Region (Phare 2001). The objectives of the project are to complete an assessment of the regional business property market comprising: survey of sites & buildings available or under preparation in the North Moravia Region, to evaluate future demand for land and buildings within a short as well as medium time horizon, and the assessment of the market failure that Government intervention needs to address. The project outputs should advise on the optimal way to create public & private sector partnerships to fund the creation of the required land bank, including the balance between greenfield and brownfield and a cost/benefit method to evaluate the potential of individual sites. The project is designed to become a model for assessment and development of business property market on a national basis.

Financing by the Czech state CZK 7 billion is set aside for the PARK Program within the period 2002-2006 to support business property market development in the Czech Republic. CzechInvest has full responsibility for this Government programme’s implementation. Further funding will be required from the Czech Government to finance the development of CzechInvest’s property team as well as the potential establishment of a separate entity - Brownfield Regeneration Unit.

3.3 Results
- CzechInvest and regional partners organisation’s staff trained and capable of acting as a catalyst in the creation of a business property market on behalf of the public sector and to negotiate on an equal footing with the private sector in joint ventures and within public private partnerships.
- A comprehensive supply & demand analysis of the national business property market undertaken to ascertain how large the demand is and to cover all kinds of business property (industrial, office & science parks, facilities for SMEs etc.)
- A comprehensive system of public support on the property market based upon the EU standard gap funding mechanism proposed to cover different types of business property development, focusing on upgrading existing business property (adapting to new demands) before creating new industrial parks/business property. Public support system first approved by the Office for the Protection of Competition, EU and Government and then implemented in pilot schemes with the principal aim to stimulate economic development in less developed areas as well as to stimulate the process of regeneration of brownfield sites, taking into account the “polluter pays” principle, the Ministry of Environment’s own guidance and the EC Technical Paper No. 1
- Appropriate degree courses selected based upon detailed comparison between curricula currently available at Czech universities and the property development and land economy courses currently available at the Czech Universities and the property development and land economy courses at EU Universities in order to upgrade the training “framework” to the required level
• Liaison channels developed and twinning agreements made with EU country(s) university(s) and/or European Society of Chartered Surveyors to establish and facilitate the transfer of courses to Czech universities.
• Written proposal for the Ministry of Education with clear specification of training needs for the universities to be prepared

3.4 Activities
• Deliver practical advice in real estate market analysis, property development, property finance and management to CzechInvest and its regional partners. Practical day-to-day advice as well as short courses that will cover critical practical needs such as methods of development appraisal, comprehensive market analysis, resource requirements and risk management of property and environment and other training needs identified in the course of project implementation that will, in the short term, represent the most important support to public bodies before the standard courses at Universities are introduced and their first graduates will start to operate/work on the market.
• Use model developed under previous project to extend the supply & demand analysis for the national business property market covering all kinds of business property (industrial, office & science parks, facilities for SMEs etc.)
• Review property development courses at technical universities across the country
• Propose ways for the introduction of EU standard degree courses in property development and surveying in at least four technical universities across the country.
• Select EU country universities capable of delivery of degree courses on a twinning basis and to organise short visit program for representatives of Czech Universities in order to draft proposals for a future twinning contract

Means
• These activities will be provided within one service contract, which will include:
• 1 LT TA – full time property development expert up to 12 months with min. 10 years working experience in public/private property development schemes (in an EU country). The LT TA will guide the property team in its activities ensuring that European best property market practice is understood & applied in dealing with both public and private sector players.
• Group of ST TA – 1 man year in total will provide the detailed specialist inputs in property project appraisal, property surveying, management & law, public support in compliance with EU competition rules, property marketing and training.

3.5 Lessons learned
This project proposal is derived from previous Phare projects, where the Technical University of Prague was involved and a “gap” in the national training framework was identified. As a part of CzechInvest’s strategic movement towards the role of “public” property developer at the national level, the substantial training, both to CzechInvest and to personnel from municipalities and regional development agencies, is essential in order to safeguard the return on public money invested into greenfield and brownfield regeneration development schemes.

The EU has provided CzechInvest with a series of technical assistance projects focusing on property development related activities (mentioned above) with the principal aim of helping the country (via CzechInvest) to establish a viable and fully functioning property market. The training component will be the last piece of the jigsaw to complete the country’s readiness and ability to have an effectively functioning property market.

4. Institutional Framework

The lead organisation for this programme is CzechInvest, the national investment promotion agency. It will take overall responsibility for hosting the TAs and co-ordinating the national/regional aspects of the programme.

The TAs will act as advisors to the Programme Head in CzechInvest.
The principal co-ordinating bodies that will need to work with the programme team are:
• CzechInvest’s regional partners organisations
• Technical universities,
• Ministry of Industry and Trade (MIT) and the Ministry of Education of the Czech Republic
5. Detailed Budget (mil.€)

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6. Implementation Arrangements

6.1 Implementing Agency

Responsibility for the administration related to the procedural aspects of procurement, contracting accountancy will rest upon the CFCU, PAO: Mr. Jan Slavíček.

Responsibility for the whole project implementation is with the Czechinvest and MIT

6.2 Twinning

n.a.

6.3 Non-standard aspects

n.a.

6.4 Contracts

(1) Service Contract: TA - 0.8 M €

7. Implementation Schedule

7.1 Start of tendering/call for proposals 1Q/2003
7.2 Start of project activity 1Q/2004
7.3 Project Completion 1Q/2005

8. Equal Opportunity

Equal opportunity principles and practices in ensuring equitable gender participation in the Project will be guaranteed.

9. Environment

N/A

10. Rates of Return

N/A

11. Investment Criteria

N/A

12. Conditionality and Sequencing

N/A

ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed implementation chart
3. Contracting and disbursement schedule
LOGFRAME PLANNING MATRIX

<table>
<thead>
<tr>
<th>Project title: Strengthening Public Sector Business-related Real Estate Management</th>
<th>Programme number: CZ 2002/000-582.10.05</th>
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<tr>
<td>Benefit: Healthy, Socially Responsible, Sustainable, Liveable, Competitive Cities</td>
<td>Contrasting period expires: 31/10/2004</td>
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<td>Disbursement period expires: 31/10/2005</td>
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<tr>
<td>Beneficiary institution: Ministry of Industry and Trade / CzechInvest</td>
<td>Total budget: 0.8mil.€</td>
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<td>Phare budget: 0.8mil.€</td>
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<tr>
<td>Overall objective: Existence of functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the EU</td>
<td>Objectively verifiable indicators: Acknowledgement by EC</td>
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**Project purpose**

1. Increase in the supply of business property through effective public/private partnerships, especially in relation to supporting sustainable growth of business while minimizing government intervention to the level of support that triggers private sector activities on the property market.

1.1. Increase by 50% the number of public/private business park development schemes stimulated by the public support programme by the end of project.

1.2. Increase capability and capacity in technical preparation of projects eligible for future structural funding within CzechInvest and its regional partner organisations (RDAs, municipalities). Minimum 10 CzechInvest staff plus 1 individual in each partner organisation trained by the end of project.

1.3. Increase formation & expansion of new businesses. 10% annual growth in subsequent private industrial investment and 10% annual growth in number of new jobs created within 3 years.

**Results**

a) CzechInvest & regional partner organisation staff, trained and capable of acting as "public" business

1. Minimum 10 CzechInvest staff plus 1 individual in each partner organisation trained in methods of

**Sources of Verification**

1.1.1. CzechInvest property database

1.2.1. CzechInvest & Regional Development Agencies Annual Reports

1.3.1. CzechInvest statistics

**Assumptions**

- Government agrees to adopt public/private partnership on property market as another part of incentives package in the Czech.
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<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tr>
<td>property developers</td>
<td>development appraisal, finance and risk management aspects of property and environment in the context of economic development, regeneration and quality of environment by the end of project</td>
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<td>b) Comprehensive analysis of the national business property market will be undertaken</td>
<td>2. Business property market analysis</td>
<td>Continuation of the Commission's support (allowing public/private partnerships as a method to leverage the combined development benefits created using public sector capital to intervene on the property market) in the context of a pre-accession CE country applying competition &amp; state aid rules</td>
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<td>c) Comprehensive public development support programme for property market, adjusted for approval by EU &amp; Government</td>
<td>3. Public property development support programme approved by EU &amp; Government by the end of project</td>
<td>Legislative position of public/private partnerships is clarified in the Czech Republic</td>
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<td>d) Appropriate degree courses selected</td>
<td>4. Min. 5 public/private greenfield development schemes launched by the end of project</td>
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<td>e) Co-operation with EU country university and/or European Society of Chartered Surveyors established</td>
<td>5. Min. 2 brownfield regeneration public/private schemes eligible for subsequent state &amp; EU funding prepared by the end of project</td>
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<td>5. Courses documentation approved by technical universities &amp; Ministry of Education by the end of project</td>
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<td>6. Written agreement on co-operation in delivery of training courses achieved with min. 1 leading EU institution by the end of project</td>
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<td>Approved analysis results</td>
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<td>Approved course documentation</td>
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<td>Signed agreement on co-operation in delivery of training courses</td>
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| a) Deliver practical, everyday advice in property development, property finance and management to CzechInvest property department team (to enable it to work in partnership with private sector property specialists) | TA to be provided via one Service Contract
1 LT TA – full time residential property development expert for 2 man-years with min. 10 years working experience in public/private property development schemes (in an EU country). The LT TA will guide the CzechInvest property team in its activities ensuring that European best property market practice is understood & applied in dealing with both public and private sector players.

Group of ST TA – 1 man-year in total will provide the detailed specialist inputs in property project appraisal, property surveying, management & law, public support in compliance with EU competition rules, property marketing and training | Adequate state budget resources allocated for implementation of various development schemes
Linked activities:
State funded Business Property Development Programme
Property development study in North Bohemia (Phare 1997)
Demonstration Regeneration Project in Ostrava (PPF)
Industrial Zone Strategy in North Moravia (Phare 2001)
Brownfield Regeneration Strategy (Phare 2001) |
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<tr>
<td>d) Select EU country universities capable of delivering degree courses (on twinning basis)</td>
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**Preconditions**

- Staff support including office space for CzechInvest is delivered & funded by Government
- Concentration of business property development undertaken by the public sector under a single umbrella at a national level.
- CzechInvest's national role in property development, strengthened to enable it to become a single partner delivering a public development support program (incentives)
- Support from EU universities/Association of Chartered Surveyors founded
- Efficient collaboration with Ministry of Education and technical universities is achieved
12.1 Strengthening Public Sector Business-related Real Estate Management

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# Contracting and Disbursement Schedule by Quarter for Full Duration of Programme

**Cumulative Quarterly Contracting Schedule (mil.€)**

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**Cumulative Quarterly Disbursement Schedule (mil.€)**

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| Strengthening Public Sector Business-related Real Estate Management | 0.1  | 0.2  | 0.3  | 0.4  | 0.5  | 0.6  | 0.8  |       |       |       |       |       |       |       |       |       | 0.8   |