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NAPA under the President of Ukraine***PUBLIC-PRIVATE PARTNERSHIP IN THE SPHERE OF CULTURE:
FOREIGN EXPERIENCE**

The article presents foreign experience in the implementation of public-private partnership in the sphere of culture. It analyzes the world practice of realization of PPP projects in the form of concession, rent, joint management and outsourcing and defines the common features of the examined PPP projects. The article presents recommendations for government authorities, representatives of civil organizations and businessmen interested in the implementation of similar projects in Ukraine. It emphasizes that Ukraine demonstrates the prerequisites necessary for the implementation of PPP projects in the cultural sphere.

Key words: public-private partnership, sphere of culture, international experience, concession, rent, joint management, outsourcing.

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ЗАРУБІЖНИЙ ДОСВІД**

У статті досліджено зарубіжний досвід впровадження державно-приватного партнерства у сфері культури. Проаналізовано світові практики реалізації проектів у рамках ДПП у формі концесії, оренди, спільного управління, аутсорсингу. Визначено спільні особливості розглянутих проектів ДПП. Надано рекомендації для органів державної влади, представників громадянського суспільства та бізнесу, які зацікавлені у впровадженні схожих проектів в Україні.

Ключові слова: державно-приватне партнерство, сфера культури, міжнародний досвід, концесія, оренда, спільне управління, аутсорсинг

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ЗАРУБЕЖНЫЙ ОПЫТ**

В статье исследован зарубежный опыт внедрения государственно-частного партнерства в сфере культуры. Проанализированы мировые практики реализации проектов в рамках ГЧП в форме концессии, аренды, совместного управления, аутсорсинга. Определены общие особенности рассматриваемых проектов ГЧП. Даны рекомендации для органов государственной власти, представителей гражданского общества и бизнеса, которые заинтересованы во внедрении подобных проектов в Украине.

Ключевые слова: государственно-частное партнерство, сфера культуры, международный опыт, концессия, аренда, совместное управление, аутсорсинг.

Implementation of projects under the public-private partnership (hereinafter – PPP) is considered by the Ukrainian authorities among the key mechanisms of implementing the policy of modernization of the economy and addressing important socio-economic problems. One of the three priority areas for PPP development in Ukraine is social infrastructure and human development [9], which includes, among other things, PPP projects in the sphere of culture.

In a broad sense PPP in the sphere of culture is considered as mutually beneficial cooperation of the institutions of the state, business and civil society, aimed at solving socio-cultural tasks, improving the quality of life and aimed at the comprehensive human development. In a narrow sense, PPP in the sphere of culture – specific projects implemented jointly by state agencies and private

companies or non-profit organizations on the objects of state and communal ownership in the sphere of culture. Today Ukraine has very few realized PPP projects in the sphere of culture, which causes the need to study global best practices of PPP in this area and the possibility of using acceptable foreign experience, taking into account the Ukrainian realities.

Theoretical, methodological and practical statements of PPP were researched by foreign and Ukrainian scientists: O. Berdanova, V. Vakulenko, V. Varnavskiy, M. Vasylenko, Y. Vdovenko, O. Vinnyk, B. Heytz, T. Yefymenko, O. Kotzurba, O. Martiakova, K. Pavluk, I. Smotryzka, Y. Cherevykova and others. The features of PPP in both developed and developing countries were

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studied by N. Bezbakh, A. Kappeler, A. Mostepanyuk, M. Nemoz, I. Pol'ska, A. Renda, Y. Tkachenko, P. Farlam, L. Shrefler and others. In particular, A. Renda and L. Shrefler conventionally divide the EU countries that implement PPP projects into three groups: the "advanced PPP adopters", the "intermediate PPP adopters", and the "latecomers" [17, p. 2]. The authors believe that the first group of countries includes the UK, France (to a certain extent), Germany, Ireland and Italy, where considerable experience of fruitful cooperation between the state and the private sector has been accumulated. "Intermediate" countries (Denmark, the Netherlands, Spain, Portugal, Cyprus) have made some progress in the implementation of large infrastructure PPP projects in individual sectors, however the authors referred to a number of obstacles that prevent the attraction of significant international investment in the development of the economy of these countries. The latter group includes Austria, Belgium, Finland, Luxembourg, Sweden, Greece, etc. where PPP projects are either absolutely not implemented or are under preparation. The authors put the countries of Central and Eastern Europe, where the EU funds for the development of infrastructure are mainly used thanks to PPP, in a separate group. But undeveloped capital market, low level of preparation of projects, the lack of qualified professionals in public authorities for PPP projects, as the authors note, lead to ambiguous results.

The foreign experience of PPP in separate spheres of society's vital activity was examined by N. Buryachenko, V. Poluyanov, V. Torkatyuk (housing and communal services), N. Bondar, V. Vlasova (transport), S. Hasanov, S. Petrukha (agricultural insurance), S. Pidhayets, T. Sitash (healthcare), V. Bratyuk, I. Lisitsyna, I. Chuchka (tourism) etc. Acknowledging the theoretical and practical significance of achievements of Ukrainian and foreign scientists, it is worthy of note that there is almost no scientific exploration on the elaboration of foreign experience of PPP in the sphere of culture and possibilities of its application in Ukraine, which determines the relevance of the study.

☞ The purpose of the article is to research the foreign PPP experience in the sphere of culture and develop suggestions concerning implementing acceptable experience in Ukraine.

☞ A summary of the main results and their justification. PPP has been actively spreading in the world over the past decades. During 1990-2015 1813 PPP projects were implemented in Europe with a total value of 289 billion 453 million 900 thousand Euro [14, p. 7; 15, p. 1]. Only in 2015 49 PPP projects were realized with a total value of 15.6 billion euros in such spheres: education – 15 projects, transport – 12 projects, healthcare – 10 projects, the provision of public services – 7 projects, the protection of the environment – 4 projects, recreation and culture – 1 project [15, p. 1].

In Ukraine, attraction of private investments for economic development of the country is not widespread yet. According to the World Bank, during 1991-2014 58 projects were implemented in Ukraine, which helped to attract private investment for the economic development of the country with a total value of 14.64 million dollars in the sphere of energetics, telecommunications, water supply and sanitation, transport infrastructure [18].

In 2010 the Law of Ukraine «On public-private partnership» [8] was adopted according to which PPP can be introduced in many spheres of public life, including:

- tourism, leisure, recreation, culture and sport;
- management of monuments and cultural heritage.

As for today Ukraine has not so many examples of implementation of PPP projects in the sphere of culture. According to the central and local executive bodies of Ukraine, as of the end of 2014 1 project in the field of tourism, leisure, recreation, culture and sports is implemented on the principles of PPP. 2 contracts of concession in the sphere of culture regarding the objects of state property were signed [4]. Unfortunately, the PPP projects in the sphere of culture of Ukraine cannot be attributed to successful ones. In particular, in the L'viv oblast in late 2010, the castle of the XVI-XVII centuries in Stare Selo, Pustomyty Raion, and the Potocki Palace of the XIX century in the village of Tartakiv, Sokal Raion continued to collapse even after giving them in concession, and Ukrainian entrepreneurs appeared to be unable to save the monuments [6, p. 27-29].

But in the world practice there are many successful PPP projects in the sphere of culture. Concession is the most common form of PPP according to which a state gives business a temporary right to use an object or property. Typically, the concession contract provides several functions for execution: the financing, design, construction, operation, maintenance. A noteworthy example is concluding a concession agreement on the construction of a new concert hall for Symphony Orchestra in the city of Montreal (Quebec, Canada). The old concert hall, the building of the 60-ies of XX century, did not meet all modern requirements in terms of sound quality, service and visitors' convenience. The government of Quebec has decided to erect a new building of the Montreal Symphony Orchestra with the use of PPP, which would save 48 million dollars on construction and further maintenance. This was the first PPP project in Canada, when private investment was involved not in the construction of toll roads or in the energy sector but in the development of infrastructure in the sphere of culture. Under the terms of the concession agreement the private partner «Groupe Immobilier Ovation» built the concert hall worth 105 million dollars and in 2011 took it under its control for 27 years. During the term of the concession, the Ministry of culture and communications of Quebec will pay «Groupe Immobilier» Ovation annual payments for the operational readiness of the facility. In addition, the private partner will be able to make profit from the sale of tickets, the use of dressing rooms and bars throughout the duration of the concession. It is also possible to obtain additional income for special events in the concert hall of the Montreal Symphony Orchestra, for example, corporate events [11, p. 25].

On the terms of the concession agreement between the Ministry of National heritage of Hungary and the private partner «TriGránit Development Corporation» the Palace of Arts was built in Budapest in 2005, which helped to attract significant private investment in the development of culture of Hungary. Under the roof of this unique building different fields of art were united: theatre, music, fine art. In 2006 the Palace of Arts won in a special category of FIABCI Prix d'excellence, which is treated as the «Oscar» in the field of architecture. As for today, Béla Bartók National Concert

Мета

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Hall, which is in the building, became one of the most popular concert halls in Europe [7].

In our opinion, it is important to consider another PPP project in the form of concession. In 2001, a concession was concluded for a period of 10 years between South African National parks («SANParks») and the consortium «Nature's Group». Under the terms of the agreement the management of 11 restaurants, 2 shops and 3 recreation areas in the Kruger National Park was expected. The consortium acquired the right to management of objects given in concession (including the right to their use, design and construction) in accordance with the parameters identified by the state partner. The private partner agreed to pay the monthly concession fee (13% of the capital turnover).

In 2004, an independent evaluation of the PPP project was conducted, which found its achievement and failures. A significant revenue growth of «SANParks», reconstruction of restaurants and shops, as well as considerable improvement of service quality became an undeniable positive result of the implementation of PPP. The disadvantages of the project included, first of all, the dissatisfaction of the staff regarding the new requirements for the provision of services that required improvement in their work and more demanding treatment of staff by the administration. Although it should be noted that none of the workers was fired. Secondly, insufficient qualification of one of the private partners led to low level of customer service in the first year of the concession. According to the monitoring results, the public partner initiated the exception of one of the private partners of the consortium, which had poorly fulfilled its obligations, and formulated an intervention program that included 12 steps among which were:

- the selection of a new technical partner;
- developing rules of operation of the facility;
- improving skills of the staff;
- preparation of motivation system for the staff of the national park. [12, p. 29-33].

The consideration of the mentioned PPP project provides an opportunity to understand that the implementation of PPP projects in the field of culture is related to many difficulties, but the interest and professionalism of all parties in the partnership contribute to the solution of problems and prevent failure of PPP.

Another form of PPP in the field of culture is rent. In particular, "Prussian Palaces and Gardens Foundation Berlin-Brandenburg" which has the right of ownership of the palace Belvedere on the Pfingstberg in Potsdam, signed a rent agreement with a non-profit organization «Förderverein Pfingstberg e.V. « («FVP») [10]. The duties of the FVP include capital and current repair and maintenance of buildings of architectural landscape ensemble. The tenant receives main profit from the tourists, renting out buildings for events and celebrations, for example, business meetings, weddings, filming and the like. FVP annually collects charity and sponsorship contributions for the repair of the Palace and the territory maintenance [13].

Joint management in the sphere of culture, as a form of PPP has spread in many countries of the world. In particular, in France, the company «Culture-Espaces», a subsidiary of the «Suez group», provides management of many historical sites. Public and private organizations

authorize the company «Culture-Espaces» to carry out the promotion, organization of cultural and educational activities and the overall management of the objects of history and culture during a long term. The company provides the organization of exhibitions, implements educational programs, new technologies which greatly extends the number of visitors and maintains an ongoing interest in cultural heritage. Effective management of adjacent areas allows one to obtain additional funds for restoration [1, p.47-48].

The system of «authorized managers» in Japan, which was introduced in September 2003, deserves special attention. Private companies got the opportunity to join the management of the institutions of culture, science, education and sport, which are under the direct supervision of local authorities. Authorized managers manage museums, national parks, municipal centers for public meetings, libraries, hospitals, secondary schools, kindergartens and sports facilities. The prefecture and city government of the city of Nagasaki, which are the founders of the cultural-historical museum, signed a contract with a private company to manage the museum for a period of five years, according to which responsibility for management is divided between the municipal government and private business. According to this contract, the expenditure budget of the museum is divided into two parts corresponding to the areas of responsibility of the parties. The municipal authority undertakes the payment of wages to employees of the museum and research spending. A private company must provide coverage for the maintenance of permanent and temporary exhibitions, the museum shop, advertising and the like. The source of payment for museum costs that are compensated by municipal bodies is the municipal budget, and part of the management responsibility fixed after private business is provided solely by entrance fees, herewith the increase in revenue is the profit of the private company [2].

Using the system of authorized managers a private company operates one of the libraries in the district of Chiyoda in Tokyo. The private managers have taken into account the local specificity of the central metropolitan area where many administrative buildings and few residential areas are. For the convenience of visitors the working hours of the library were extended until 22.00 pm, which allowed significant increasing the number of visits to the enterprise [3, p. 185-186].

During the implementation of PPP projects in the cultural sector outsourcing is applied. The essence of this form of PPP is to transfer a part of tasks or processes to external executors, specialists in a particular type of work. The use of such form of PPP as outsourcing can be seen on the example of the work of the Shimane Prefecture Museum (Japan). The prefectural government has signed a contract with a private company, specializing in advertising and marketing services, for a period of three years. According to the contract a private company provided record keeping, advertising, and also carried out financial management of the Museum at the expense of the municipal budget. The main advantages of this scheme are flexibility and efficiency of Museum management, speed of decision making and their implementation. For example, a private company can respond to increased attendance at the museum by hiring temporary workers

and students, which is often difficult to do within the rigid staffing, typical for municipal enterprises [2].

The management of the Schönbrunn Palace in Vienna (Austria), which belongs to the state, is conducted in terms of outsourcing. In the early 1990-ies the government of Austria did not have sufficient funds in order to ensure proper maintenance of the monument and carry out the necessary restoration work. In 1992, the PPP contract was signed between the Ministry of economy of Austria, the Austrian Ministry of Finance and the private partner «Schloss Schönbrunn Kultur-und Betriebsgesellschaft GmbH» («SSKB»), which was obligated to carry out an advertising campaign to raise the necessary funds for the repair and maintenance of the Palace, which accounted for, according to experts, about 1.4 billion ATS, as well as provide management services of the object. Solely during 1992-1998 «SSKB» has invested 710 million ATS in restoration of the palace. In this case the public partner and community followed closely to avoid excessive commercialization of the object. In December 1996, the Schönbrunn Palace complex was included to the World heritage sites of UNESCO. The success of this specific PPP project was recognized by many experts, the public and the media, who unanimously agreed that the quality of customer service consequently improved. According to SSKB, the number of visitors and the palace income significantly increased [16, p. 206–207].

The conversion of archival documents stored on paper in digital format in the UK, Australia, and USA is conducted by means of outsourcing. In particular, over the last decade the digitization of the national archives in the UK was carried out by representatives of the business by 90 % [5, p. 176–177].

As international practice shows, the implementation of PPP projects in the sphere of culture can occur in various forms: concession, rent, joint management, joint ventures, outsourcing and the like. All examined projects in the field of culture have common features:

- PPP projects in the sphere of culture affect the quality of people's living, assist in the formation of an attractive image of the city and improve the economic condition of the country;
- the public partner has sufficient knowledge and skills, is interested and ready to offer the private partner projects that open new opportunities for management and business development;
- the public partner regularly initiate independent monitoring of execution of works, according to the developed plans and, when needed, intervenes in time and proposes measures to correct identified disadvantages;
- successful PPP projects in the field of culture are supported by communities;
- the private partner in PPP projects in the sphere of culture is a professional private operator or nonprofit organization that have experience in the field of culture;
- PPP projects in the sphere of culture usually are not self-sustaining, that is why all sources of funding (budgets of all levels, the income from payment for services by visitors of cultural sites, patronage, sponsorship, etc.) are involved in their implementation.

Having examined the international experience of implementation of PPP projects in the sphere of culture,

it is possible to offer the following recommendations for government authorities, representatives of civil society and business who are interested in implementing similar projects in Ukraine.

1. The sphere of culture has its own peculiarities, there are different types of activities and organizations within it that are associated with the production, preservation, spreading, absorption of goods and services of cultural, social, informational and leisure values – libraries, museums, archives, theatres, concert halls, circuses, clubs, parks, publishing, movie industry, media, etc. The variety and versatility of culture determines the use of various forms of PPP in this sphere.

2. The forms of implementing PPP in the field of culture depend on the goals and assets of specific projects. If the public partner aims at the maintenance and modernization of an existing cultural object or creation of a new one, its management, it is appropriate to use PPP in the form of concession. The concession contract, which is quite complicated in application, is appropriate to use when the PPP partners are able to invest in the development of a cultural object. If it is about effective management of a facility with minimal investment, it is appropriate to stop on a rent contract, a simpler form of PPP. In case of the absence of investments, the possible way of implementation of PPP is the management agreement. An agreement in the form of outsourcing is signed to solve specific professional tasks and reduce costs. Joint activities and mixed contracts are usually used for a combination of tasks the solution of which goes beyond the limits of a concession.

3. Publishing companies, tourist companies, film studios, media companies, private entrepreneurs or non-profit organizations (charities, foundations of humanitarian and cultural profile) with experience in the field of culture can be a private partner in PPP projects in the sphere of culture.

4. Public perception and public involvement in participation in projects is very important for a successful implementation of PPP in the sphere of culture.

5. In the process of developing PPP projects in the sphere of culture, it is worthy of note that, typically, such projects require funding from a public partner and a private one, third parties.

6. Project partners must develop a plan regarding the effect of external factors beforehand.

7. PPP partners should be aware that during the implementation of projects in the sphere of culture they will have to face problems the solution of which depends on the professionalism and interest of each partner.

Conclusions and prospects for further research. Having analyzed international experience of PPP, it was revealed that there are a lot of implemented PPP projects in the sphere of culture both in developed countries and in developing ones. Successfully implemented PPP projects in the sphere of culture influence the quality and comprehensive development of a person, contribute to the solution of sociocultural problems, improvement of the economic performance of individual cities and the country as a whole. By implementation form it may be a concession, rent, joint management, joint venture, outsourcing, etc. depending on the goals and assets of specific projects.

Being aware of the complexity of implementation of PPP in the sphere of culture in Ukraine there are all

needed prerequisites (political, economic, organizational, legal, etc.) for its implementation. The investigated PPP projects in the sphere of culture can be used as a basis for implementation in Ukraine considering the Ukrainian realities. Further research, in our opinion, should be focused on the development of the PPP model in the field of culture in Ukraine.

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