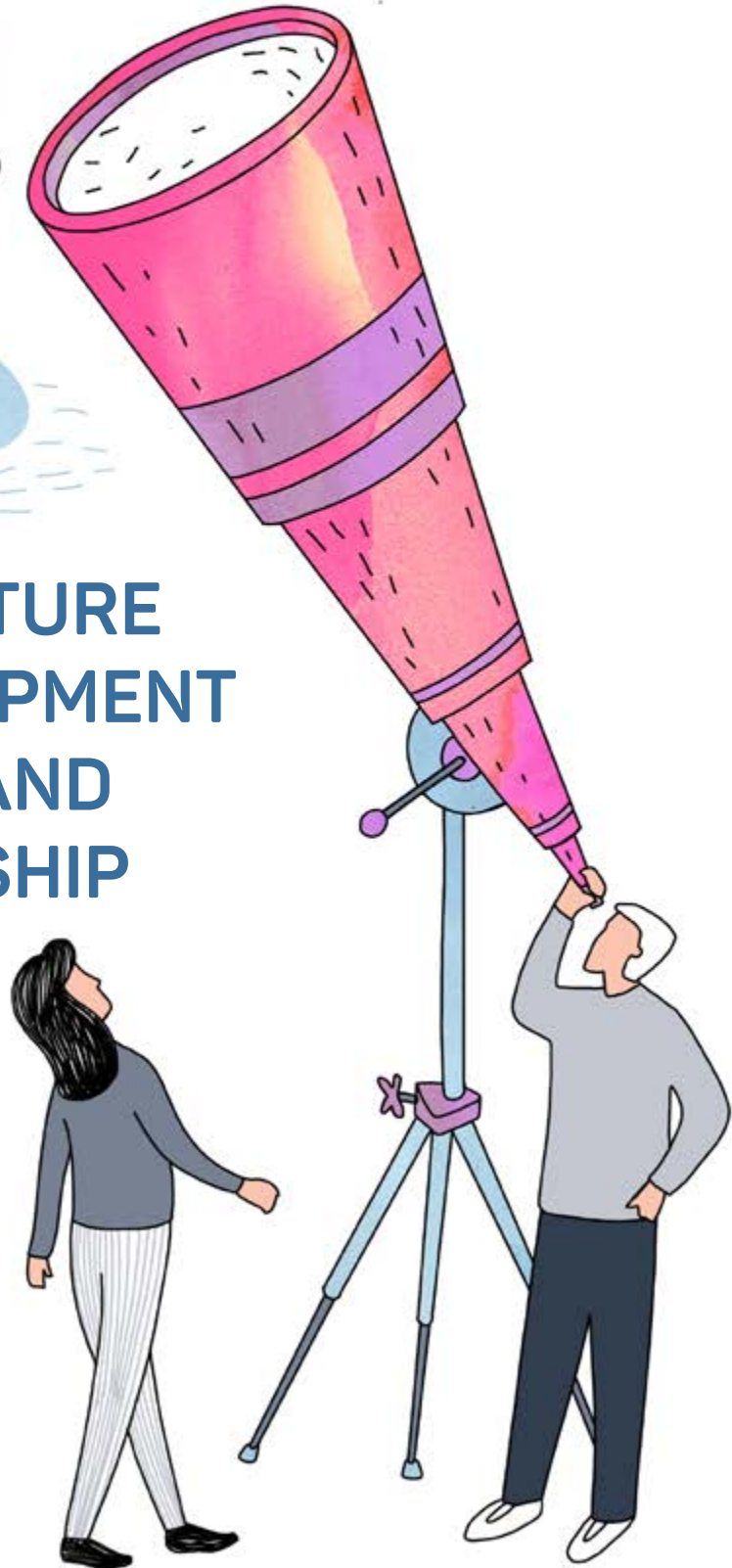


Culture & Creativity

EU-Eastern Partnership Programme



INFLUENCE OF CULTURE ON SOCIAL DEVELOPMENT THROUGH PUBLIC AND PRIVATE PARTNERSHIP



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Introduction

Public-private partnerships (PPPs) have generally become known as a method of procurement for the public sector, mostly in the areas of infrastructure development and management. Initially developed into a standardised form as a result of the Private Finance Initiative (PFI) in the United Kingdom in the 1990s, PPP was taken up throughout the world in various forms. Though the cultural sector offers a great potential for partnerships between the public and the private sectors, and the civil society, the knowledge and experience of PPPs in culture are very limited and largely unexplored. One of the reasons for this being the fact that long tradition of private donations and/or sponsorships in the cultural domain was regarded rather as a private wish, and not as a strategic partnership for the public benefit.

Nowadays PPPs are becoming increasingly popular and important: while for the governments and other public entities they can bridge the funding gap and help to close the shortage of human resources and knowledge, for the private sector they provide interesting investment opportunities and possibilities for implementing the corporate social responsibility (CSR). PPPs require environmentally and socially sound approaches that respect and benefit local communities. Building mutually beneficial, innovative, sustainable and equitable partnerships between private and public actors, requires the careful development of national legal, institutional, policy and administrative enabling environments. When successful, they offer opportunities to develop capacities, transfer of knowledge and excellence, and foster entrepreneurship.

A report, commissioned by the German Federal Ministry of Transport, Building and Urban Affairs in 2003, gives a wide and inclusive definition of PPP as *'a long-term, contractual cooperation between the public and private sectors for the economic execution of public tasks under which the necessary resources (e.g. expertise, equipment and facilities, capital, staff) are bundled in a joint organisational relationship and any project risks are allocated appropriately to reflect the risk management expertise of the project partners.'*

In the cultural domain partnerships involving the government, the business sector and a wide variety of institutions from civil society have enormous potential in finding innovative solutions for the delivery of social and cultural services, the development of human resources, and the promotion and protection of cultural heritage. Such public-private partnerships are based on shared risk, shared finances and shared credit, and as they include a buffer from market forces they also have the opportunity to develop a long-term horizon.

Facts and Figures

- PPPs in the area of culture can be viewed **through at least two types of models**: based on the motives and on the degree of involvement. Motives model of PPPs divides them into three types of partnerships: Public-private ventures; Philanthropy; Social and environmental corporate responsibility. When looked at from the point of involvement of private parties, PPPs can be divided into Public-Private Collaboration – a short-term contractual agreement, when private partner contributes to public cultural activities; Public-Private Partnership – a long-term contract, where tasks and risks of public authorities are transferred to the private partner; Public-Private Joint venture – a special purpose institution, where risks and tasks are shared between private and public shareholder.
- It has been clearly demonstrated that **support for communities living in historic districts**, the conservation and revitalization of their cultural heritage, and the promotion of creative cities through culture-led urban revitalization can provide springboards for social and economic development. Such projects can promote a sense of identity, good governance, the strengthening of civil society, a rise in incomes and economic opportunities, greater respect for human rights and better stewardship of the environment.
- From international banks to microcredit agencies, philanthropists to internet-based social enterprises or even those of residents themselves, **a variety of innovative funding efforts have emerged in recent years**, with an equally great variety in models of partnership between the state and private investors or funders.
- For non-governmental organizations, social enterprises and aid organizations seeking alternatives to multilateral and bilateral donors, **private foundation grants are becoming more and more important** and often instrumental in supporting the sustainable development agenda, with sometimes avant-garde and innovative approaches that are often results-oriented and have strong visible impacts.
- The Budapest Observatory reports that **tax benefits rarely figure among the top incentives that lead to private involvement in culture**. It happens rarely that cool calculation of tax return leads to a charity decision in favour of culture. However, political and economic measures aimed at developing a supportive climate for PPPs and protecting cultural enterprises from the market forces can be crucial.

Solutions

Case 1

The Düsseldorf Kunstpalast, forming part of the Ehrenhof complex, is the city's oldest exhibition building, opened in 1902. In 1980, the city of Düsseldorf voiced an intention to renovate the historical building, but the public resources were scarce. The next attempt to complete the project was made within a decade. This time a partner and a legal form were sought that would reliably secure a long-term cooperation.

The foundation form appeared suited to the purpose. In 1998 cooperation agreement was signed by the two parties – the city of Düsseldorf and energy corporation E.ON (at that time VEBA AG), creating Museum Kunstpalast Stiftung. The formerly city-run institution now became a foundation under private law, based on a public private partnership.

- Under the agreement the city sold the plot of land at the back of the Kunstpalast to E.ON, in order to enable the company to build a new office building on the plot, while E.ON, in turn, contributed to financing the reconstruction of the Kunstpalast and committed themselves to continually supporting the adjacent museum complex and its ventures on a long-term basis.
- The public private partnership comprised the joint funding, the maintenance and a close cooperation of the cultural facility. The city of Düsseldorf provided 4 million euro for building investments and also committed itself to grant the yearly operational costs of 4 million euro. E.ON AG acquired a plot of land from the foundation for 10 million euro and contributed 11.5 million euro for the construction project. In addition, E.ON AG contributed 9 million euro for operational exhibition programs through a sponsoring contract. In addition the land of the North Rhine Westphalia has provided 12 million euro from urban funding programs.



- In 2001 the foundation was joined by the Metro Group and Evonik Industries AG, formerly degussa (until 2010), as founder-sponsors. In 2010, Stiftung Museum Kunstpalast linked with the Dussmann-Gruppe, a service enterprise operating world-wide, to form the Ehrenhof Service Gesellschaft. Since August, 2010, this Service Company has been managing various services within the house, including the Visitor, Security and contractual Cleaning Services.
- Apart from the co-operation in providing the necessary funding, several other synergies can be observed.
 - Use of premises: halls and meeting rooms are used both by the energy company and the museum. The foundation can use printing facilities of E.ON and visitors of the Museum can use the cafeteria of the company.
 - Know-how transfers: legal or tax advice for the museum is given by experts of the energy company, also the marketing activities are supported by E.ON. The museum in turn has supported the art collection of the company.
 - Communication: an extensive marketing strategy was needed for branding and to present renewed museum to the public. The budget for communication was too low, so E.ON provided additional resources.
- The PPP thus established is an alliance of interests of public and private patrons, to the advantage of both. With further partnerships the Museum has entered, the aim is to bring together significant collections and artists' estates and to present them to the public. Some examples are the Zero-Foundation, the independent Willi Kemp-Foundation and the Hoehme-Foundation. A committed partner is the association of Friends of the Museum – the Freunde Museum Kunstpalast, which is open to art enthusiasts to join. There are many more such Partner all of them vital to the successful work of the Museum.

Case 2

- **POGON Zagreb Center for Independent Culture and Youth** was created as a new public institution, founded by NGOs and the city. It is co-funded and co-governed by a local network of culture and youth NGOs, the Alliance Operation City, and by the city of Zagreb. The director of POGON must be jointly appointed by both partners. The Center operates in two locations in Zagreb and provides services and managed infrastructure for the programs of the NGOs.
- POGON is financed through an operational grant from the City of Zagreb's Office for Education, Culture and Sports as part of the City's Youth Program. The city provided yearly 95,000 euro, which allows POGON some ten months of minimal operational functions and minimal servicing of programs.
- Programs in POGON's venues are financed by the members of Alliance Operation City and other users. The annual payment by users into programs at POGON adds up to approximately €200,000–€250,000.
- The founders monitor the Center's work and decide on its main functions and general development, approve the Center's statutory and other regulatory instruments, appoint the director. The primary role of the Alliance is to bring together organizations that work in the field and to organize programs in the

Center. In this way, it can secure program different funding from a variety of domestic and foreign sources. The role of the City of Zagreb is to provide the necessary financial resources and secure two municipal venues. The City also has control over the use of city property and monitors the work of the Center as a public institution.



- **Key principles of POGON as a PPP are:**
 - Participative decision-making. POGON's structure ensures that the Alliance with its member organizations has an equal role in managing POGON. Furthermore, POGON regularly pursues consultations with stakeholders and organizes public discussions about the modalities of its operation.



- Equal access. POGON's resources are accessible to all the Alliance members – NGOs, informal groups, artists and art organizations, individuals organizing cultural and youth programs.
- Transparency, simplicity and flexibility in programming. Programming rules and procedures are clear and accessible online. Anyone who needs to use POGON resources may find all the details on the website, including the calendar, a standard contract, pricing information etc. This model was designed through consultations with the sector (youth and cultural organizations) and is modified based on experience.
- Partnership and collaboration. Alongside the founding partnership, POGON is based on a partnership of two complementary civil society sub-sectors – culture and youth. This partnership is a result of joint values, shared interests and complementary needs.
- The next phase of POGON is redevelopment of one of the two venues - Jedinstvo and regeneration of the adjacent areas. Jedinstvo is a former water-pump factory, now used as a cultural center. Various forms of partnership are being researched to reach that goal.



Results and Impacts

- There is **much to be gained** from such cooperation between governments and private institutions. Governments can help provide a strong enabling environment in which the capacities of the public sector together with the entrepreneurship of the private sector can result in significant benefits for a given community through the conservation and appropriate use of cultural assets.
- **The potential of PPPs** for public officials lies in achieving their objectives in the area of culture (e.g. preservation and promotion) and contributing to local development, for philanthropists and private investors it is the added value and opportunities that culture, as a sector of activity, offers them for successful partnerships at the financial, social and environmental corporate responsibility levels.
- PPPs can **optimize the comparative advantage of each partner** and pool resources, while maintaining a balance between public and private interests, ensuring transparency and mitigating high transaction costs.
- **Benefits of PPPs** include, but are not limited to:
 - *Increased recognition of contributing partners;*
 - *Easing the financial burden on governments and donors in an environment of tight budgetary restrictions;*
 - *Knowledge and skills optimisation, which results in speedy implementation, flexibility, improved quality of services, efficient operations, availability of modern technology, market access/networks, market knowledge, optimal risk allocation, visibility, commercial incentives etc.*
- **Major challenges of PPPs** are:
 - *Lack of precedents, experience and/or necessary legislation for establishing and running PPPs in cultural domain (including transfer of management of cultural sites or establishing new institutions, e.g. foundations);*
 - *Difficulty in understanding and accepting the notion that the appropriate use of cultural assets could include producing income to ensure the long-term sustainability of the activity in question and that the development of commercial activities is legitimate within a non-profit project;*
 - *Differences in managerial culture as well as differences in attitude towards cultural assets between key actors from the public and private sectors;*
 - *The need to keep ongoing relationships with the public partner, which in most cases will experience frequent changes in key players due to changes in the political context.*

Recommendations

- **Policies and strategies need to be consciously elaborated and on every level:** national, regional and municipal, and also by cultural operations and institutions, big and small. The advisable order is to establish what potential investors and donors need (or might need), that partnership for culture can provide to them. This is the golden rule of fund-raisers: instead of concentrating on what culture needs, point out what culture can offer to funders (donors, investors etc.).
- **Every partnership is driven by certain motives and based on values.** For creating successful and mutually beneficial PPPs in culture all partners need to match their motives and values in order to move in the same direction.
- As lack of experience or trust between the parties can be a considerable obstacle, flagship projects can be considered a good start. They offer high degree of social and cultural importance, visibility, and transparency.
- The needs of private sector are crucial to their participation in PPPs in cultural domain. Those might be financial (orientation on revenues from the project, tax credits etc), and might be symbolic and connected to the company public image. The latter one should not be overlooked.
- Culture is one publicly sensitive domain. The needs for creating PPPs, roles and responsibilities of all parties as well as income generating activities need to be clearly communicated to the public. Public acceptance and participation (through cultural NGOs) can be a vital part of the project success.

Additional Resources

The Role of Public-Private Partnerships and the Third Sector in Conserving Heritage Buildings, Sites, and Historic Urban Areas, by Susan Macdonald and Caroline Cheong, 2014

http://www.getty.edu/conservation/publications_resources/pdf_publications/public_private.html

Public Private Partnerships in Culture Sector. Hangzhou International Congress, China:15-17 May 2013

<http://www.unesco.org/new/en/culture/themes/culture-and-development/hangzhou-congress/public-private-partnerships-in-culture-sector/>

Funding culture in Europe: Public and private partnerships, by Péter Inkei

<http://www.budobs.org/other-projects/sponsorship-and-taxes/231-funding-culture-in-europe-public-and-private-partnerships.html>

Transnational Public-Private Partnership concept in the cultural sector for the Second Chance Project. 2011

http://www.secondchanceproject.si/wp-content/uploads/Trans_PPP_Concept_final1.pdf

POGON – Zagreb Center for Independent Culture and Youth

<http://www.upogoni.org/en/>

Museum Kunstpalast

<http://www.smkp.de/en/>