

## Session 3B

## Public Private Partnerships in the Culture Sector

*The cultural sector offers a great and unexplored potential for partnerships. Partnerships in the area of culture can bridge the funding gap of public entities, provide interesting investment opportunities for the private sector, but require environmentally and socially sound approaches that respect and benefit local communities.*

*Such partnerships require the development of national legal, institutional, policy and administrative enabling environments, and offer opportunities to develop capacities, transfer of knowledge and excellence, and foster entrepreneurship.*

*In which ways can we create win-win innovative, sustainable and equitable partnerships between private and public actors?*

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### Background Note<sup>1</sup>

#### Introduction:

The session's objective is to raise awareness about the nature, scope, challenges and opportunities of public-private partnerships (PPPs) in the area of culture through three models of partnerships:

- Public-private ventures;
- Philanthropy;
- Social and environmental corporate responsibility.

The session is intended to showcase to policy-makers the potential of PPPs towards achieving their objectives in the area of culture (e.g. preservation and promotion) and contributing to local development, while advocating to philanthropists and private investors 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.

To this end, the session examines win-win partnership models, assesses the institutional and operational challenges in implementing joint public-private ventures in the culture sector, discusses policy and legal frameworks for conducive private-sector investments, provides a platform for drawing on best practices and lessons learned, and presents practical tools for enhancing these frameworks.

#### Culture as an Asset

Culture is a source of personal pride. It has the power to inspire and unify, and it can reveal a nation at its best to the outside world. The unique, transformative power of culture can be leveraged to improve socio-economic conditions in communities that often have a rich cultural heritage but in

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<sup>1</sup> Prepared by Luis Monreal and Nada Al Hassan

which people nevertheless sometimes live in poverty. “Culture isn’t a world apart; it lies within an all-too-real economic context.”<sup>2</sup>

The notion of culture as an asset rather than a drain on resources is still new in many parts of the world, where culture is considered a luxury in an era of unmet social and economic needs. This attitude has resulted in the decay or decline of both the tangible and the intangible cultural heritage and in drastically reduced public investment in favour of culture. However, 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.

### **Models of Partnership**

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.

The following provides background information on such innovative funding mechanisms and outlines factors to be considered when assessing public-private investment in the culture sector.

<h3><b>Considerations on Public-Private Partnerships</b></h3>
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Innovative funding mechanisms including PPPs can have the following benefits:

- Increased recognition of the potential contribution of the private sector;
- Easing the financial burden on governments and donors in an environment of tight budgetary restrictions;
- Least-developed countries stand to benefit from such alliances because of their immensely rich cultural heritage and prevalent public resource constraints;
- Other potential benefits of public-private investments such as PPPs include speedy implementation, flexibility, improved quality of services, efficient operations, availability of modern technology, market access/networks, market knowledge, optimal risk allocation, visibility, commercial incentives, and other public goals and commercial attributes;
- PPPs and other public-private investment models aim to 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;
- Extensive planning and sustained facilitation is required, notably in relation to:
  - The Specificities of the Culture Sector

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<sup>2</sup> His Highness the Aga Khan at the Avignon Forum on 16 November 2008.

There is a need to address public responsibility for cultural assets, property rights, and intellectual property rights in relation to the creative industries, etc.

- **Governance System and Policy Frameworks**

The governance system in question (e.g. whether centralized or decentralized) and the economic context and competing demands for resources should be borne in mind.

- **Legal/Administrative Frameworks**

Attention should be paid to the enabling environment to accommodate private investment and encourage investment.

- **Institutional and Operational Capacity and Mechanisms**

Public-sector capacity (availability of skilled staff with technical, financial and managerial skills), capacity-building through technical assistance and training, etc., should also be borne in mind.

### **Philanthropic Considerations**

Private foundations are playing an increasingly prominent role both in the scale of their giving and in their ability to set the agenda in international development.

While major private foundations have for many years supported charitable causes at home, their philanthropy is increasingly crossing borders, with the developing world receiving a larger share of total giving. 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.

### **Social and Environmental Corporate Responsibility Considerations**

Social and environmental corporate responsibility can create added value in terms of:

Creating win-win situations for the benefit of local communities and sustainable development at large through:

- Community participation and consultation;
- Ethically and environmentally responsible actions;
- Equitable practices;
- Creation of local jobs;
- Local capacity-building;
- Developing local entrepreneurship;
- Promoting the role of the civil society.

Expanding social and environmental corporate responsibility actions to the cultural sector: opportunities, potential, benefits, and challenges.

## Highlighting Cultural Heritage

Cultural heritage can be harnessed to develop sustainable models of public-private partnerships. “I hope that more public-private partnerships can be evolved to maintain and restore the monuments of our ancestors, which often lie in a neglected condition in our cities and towns.”<sup>3</sup>

A number of approaches and procedures can be used to set up efficient public-private ventures. For many years, PPP agreements have been used for the development of large infrastructure or industrial projects in developed countries and as means to privatize large service companies in the search for increased efficiency and reduced costs to the taxpayer. The notion that PPPs could also be a useful instrument in the non-profit area, in particular for the conservation, refurbishment and economic use of cultural heritage, is still, however, not widely appreciated in many countries.

Cultural assets are often in public ownership, and while they are given some public funding they are generally accorded low levels of priority. However, this situation is changing, and today in a number of countries the private sector, civil society institutions and government have started to work in partnership to help conserve the cultural heritage and develop it as a socio-economic asset.

In this context, PPPs can be a useful tool to foster collaboration between stakeholders. They allow for the coordination of various competencies and inputs into a project and help to structure the post-implementation management and operation of the restored/rehabilitated cultural assets. In such scenarios, the public sector is in a position to provide regulatory oversight, administrative support and investment infrastructure. The private sector can offer project management, coordination and the multiple stakeholders involved, as well as mechanisms to bring in third-party funding through grant-making bodies or loans that can be amortized through the income-generating capacities of the rehabilitated cultural assets.

The experience of organizations like the Aga Khan Trust for Culture has shown that establishing PPPs with national and local governments in different countries in order to implement conservation and socio-economic development projects can be beneficial for all the actors involved in achieving their stated goals, while helping to overcome serious challenges in the setting up and efficient management of a public-private partnership in the realm of cultural heritage.

Major challenges that have been encountered include:

- The lack of legal precedent in national legislation for the establishment of PPPs in the non-profit cultural sector;
- Lack of precedents in transferring the management of important cultural heritage assets to the private sector;
- 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

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<sup>3</sup> Indian prime minister Manmohan Singh at the Aga Khan Award for Architecture ceremony at Humayun’s Tomb in Delhi, India, in 2004.

in question and that the development of commercial activities is legitimate within a non-profit project;

- The need to efficiently coordinate the legal, administrative, technical and financial capacities of the public and private partners acting together in a given area;
- Differences in managerial culture between key actors from the public and private sectors;
- The need to nurture on a constant basis relationships with the public partner, which in most cases will experience frequent changes in key players due to changes in the political context.

Public-private partnerships in the cultural heritage area need not be limited to cooperation between governments and the private philanthropic sector, however. There is also a need for cooperative institutional arrangements between the public sector and the other actors of a pluralistic civil society in order to create diversified partnerships among governments, businesses, NGOs, universities, and faith communities as stakeholders in public values and for the public good and providing not only financial resources, but also human resources and intellectual capital.

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.

Experience in developed and developing countries around the world suggests that 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 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.

If we want to see a sustainable future for the historic cities of the developing world, we must prioritize the strategy of making the cultural heritage an asset for economic development that can contribute to fostering community opportunities, improving standards of living, and breaking away from the constraints of poverty. The gradual development of a middle class in these countries that is able to play a role in collective efforts to maintain such cities' assets, including their domestic and monumental architecture, infrastructure and public services, is key to this strategy.

Traditional approaches to the conservation of such cities' cultural heritage that do not address the social and economic dimensions of the problem are insufficient in ensuring the survival of historic settlements that are irreplaceable witnesses to the development of human civilization. For such a monumental task to be a success, the resources of the state alone are not sufficient, and instead they require partnerships with the technical, financial and entrepreneurial resources of the private sector.