



## PUBLIC-PRIVATE PARTNERSHIP IN THE SPHERE OF CULTURE IN UKRAINE: STAFFING

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### Summary

The author of the article studies a relevant issue of partnership between government, business and civil society in the development of culture in Ukraine. The author notes an insufficient number of qualified professionals in public authorities and local governments, private companies that are able to implement PPP projects. The author analyzes the level of awareness and enlightenment of all PPP stakeholders on the basis of a survey conducted by "USAID". The author emphasizes that all partnership stakeholders will acquire professional skills through training and successfully implemented projects in form of PPP in the sphere of culture of Ukraine.

**Key words:** PPP, survey, awareness, enlightenment, professional skills.

### Аннотация

Автор статьи рассматривает актуальную тему партнерства власти, бизнеса и гражданского общества с целью развития сферы культуры в Украине. Автор отмечает недостаточное количество квалифицированных специалистов в органах государственной власти и местного самоуправления, а также частных компаниях, которые способны реализовывать проекты в рамках ГЧП. Автор анализирует уровень информированности и осведомленности всех сторон ГЧП на основе опроса, проведенного специалистами "USAID". Автор подчеркивает, что все заинтересованные участники партнерства будут приобретать профессиональные навыки через обучение, а также успешно реализованные проекты в форме ГЧП в сфере культуры Украины.

**Ключевые слова:** ГЧП, опрос, осведомленность, информированность, квалификация.

### Formulation of the problem.

For Ukrainian society and government rethinking of the role of culture is very important challenge which may become a stimulus for a political transformation. In developed countries culture is considered to be an important factor of social-economic development which can considerably influence on the solution of economic, political and social problems. It is particularly relevant for Ukraine where socio-cultural distinctions (East-West) were actively used until recently with a political purpose and had a negative impact on social climate, destroyed social and cultural unity of the country.

Changes in the sphere of culture of Ukraine are possible owing only to the close cooperation of public authorities, business and civil society. Public-private partnership is an effective mechanism for the implementation of partnerships in the field of culture.

**Relevance of the topic.** The peculiarities of the public-private partnership development were studied by domestic and foreign scientists: O. Berdanova, V. Vakulenko, V. Varnavskyy, M. Jerrard, P. Nadolishniy, M. Maisuradze, K. Pavluk, S. Pavluk, A. Renda, L. Shrefler and other. However, despite a significant number of scientific researches in the sphere of the public-private partnership, a high level

of handling general theoretical issues, the implementation of PPP projects in Ukraine is associated with many difficulties. It is clear that not every PPP project will be successful by default. It is much easier to claim partnership relations than to implement real PPP projects in practice.

Among the reasons for low attraction of private funding sources in the development of culture in Ukraine are both objective and subjective reasons. Improper staffing in the field of PPP refers to subjective factors, which can be influenced and changed to attract the attention of private investors to PPP projects in the sphere of culture of Ukraine. Therefore, the study of staffing of PPP in the sphere of culture is highly relevant and important.

So, **the purpose of the article** is to determine the level of awareness of stakeholders and suitability of partners to implement PPP projects in the sphere of culture in Ukraine.

**The presentation of the main research material.** Public-private partnership (PPP) is a quite widespread phenomenon in the world practice. During 1990–2014 7 035 projects within PPP with the total amount of investments for the sum of \$ 433.257 billion have been implemented on the developing markets [1]. The crux of PPP lies in long-term mutually beneficial relationships

between authority, business and civil society for the sake of realization of significant for community projects. According to the European Commission, PPP is limited to the transfer of some of the powers, responsibility and risks concerning the realization of investment projects that were financed by public sector to private sector [2].

PPP may be carried out in different spheres: water supply, waste management, energetics, manufacturing, transportation and supply of heat, construction and operation of transport infrastructure, health protection, culture, tourism, etc. In countries with developing markets during 1990-2015 the biggest part of PPP projects were applied in the sphere of communications and energetics.

In countries, where significant experience of fruitful cooperation of public and private sectors has accumulated, rather different tendencies are observed. In particular, in 2015 49 PPP contracts were executed in European countries with the value of 15.6 billion euro in such spheres: education – 15 projects with the value of 1.412 billion euro, transport – 12 projects with the value of 9.006 billion euro, health care – 10 projects with the value of 4.183 billion euro, providing public services – 7 projects with the value of 623 million euro, environmental protection – 4



projects with the value of 372 million euro, recreation and culture – 1 project with the value of 12 million euro [3].

Ukraine is interested in the development of PPP, considering the deficit of public budget and the bad shape of infrastructure. In the report of world competitiveness for 2015–2016 Ukraine took the 69th place among 140 countries as for the quality of infrastructure [4]. The infrastructure of road is mentioned to be the most problematic component of Ukrainian infrastructure (91st place). Ukraine has much better level as for the coverage of electricity and telecommunication networks (54th place). It is worthy of note that the quality of infrastructure in Ukraine remains practically the same (2011–2016) and it is evaluated on average in 4.1 points of 7 possible. The financing of culture over the years by the residual principle has also led to depreciation of infrastructure objects in the sphere of culture. The relevant task today is attracting private sources of funding for the development of culture.

According to the information from the central and local executive authorities by the end of 2014 243 projects in Ukraine had been realized in different spheres of economic activity, among which 1 project – in the sphere of tourism, refreshment, recreation, culture and sport. 7 concessional contracts and 16 joint management ones are concluded concerning the objects of public property, among which only 2 concessional contracts are in the sphere of culture. However, as mentions the Ministry of Economic Development and Trade of Ukraine, 32 objects of communal property are determined by local executive authorities as such concerning which projects with the use of PPP mechanism in the sphere of culture, refreshment, recreation culture and sport are planned to be realized [5].

Successful partnership relations depend among other things on such factor as correct understanding of the formation and implementation of PPP by officials of central and local authorities, entrepreneurs and members of community. In order to determine the level of awareness about PPP among representatives of local authorities, entrepreneurs and local non-profit organizations in

Ukraine, U.S. Agency for International Development has conducted “Baseline survey on awareness of public-private partnership” within the “Public-private partnership development program” [6]. Another important task of the conducted research was to assess the current state of infrastructure and public services at the local level to determine areas in which pilot projects subsequently should be implemented. On the whole the nationwide representative telephone survey involved 1761 respondents.

About 37% of respondents identified the concept of PPP correctly, among which 52% are representatives of local authorities, 32% – representatives of non-governmental organizations and 30% are those of entrepreneurs. It is worthy of note that most of the entrepreneurs considered PPP to be government subsidies to private companies. The question of the definition of PPP was the so-called issue of separation. Further answers concerning PPP were provided only by 643 respondents who had identified PPP correctly: long-term relationship between government and business, based on a contract according to which business provide services that are traditionally provided by local or central authorities. Other respondents moved to a set of questions about the status of quality of infrastructure and public services.

Among the respondents, 78% were unable to name a single successfully realized PPP project Ukraine and only 22% are aware of such projects. Representatives of local authorities were the most informed while business representatives – the least. It is worthy of note that among those who have information about successfully implemented projects, 73% of respondents named only one successfully implemented PPP project. The most recalled PPP projects (not necessarily different) were in the sphere of water supply, the lowest – in tourism. In the field of culture and sport respondents mentioned 15 PPP projects, which is 8% among the total number of projects. Herewith almost 40% of respondents knew nothing about the partners of PPP projects.

Also, respondents gave an answer to the question regarding the PPP projects that were in the planning stages, but

were never implemented. The ratio of failed projects (81) to successful ones (200) is 1 : 2.5, which is generally consistent with international practice [6, p. 13]. According to respondents, the most significant problems of implementation of PPP in Ukraine is the insufficient level of communication, in other words, dialogue does not take place between stakeholders (26%), limited funding opportunities (23%) and regulatory issues (23%), other problems: the lack of private interest, public resistance, political risks, the failure were considered to be not significant.

The baseline survey showed that 17% of all respondents were/are involved in planning, implementing PPP projects. Representatives of local authorities (23%) and non-governmental organizations (19%) were the most active – in contrast to entrepreneurs (9%). Groups of respondents also differ in the willingness to participate in the implementation of PPP: local authorities and non-governmental organizations are more willing to participate in the planning and in the implementation phase of PPP, while business representatives have shown greater willingness to participate at the stage of tendering. Respondents who participated in PPP in the past have shown a much greater interest in participating in PPP in the future (94%). The level of interest in PPP is approximately equally distributed among all spheres and sectors of the economy and does not exceed 12% (respondents believe that the most attractive sector water supply).

Along with the survey of representatives of local authorities, business and non-governmental organizations a survey was conducted within eight heads of central executive authorities who have the right to take part, including financially, in the planning and implementation of PPP projects. According to respondents, the knowledge and skills of officials within public authorities of all levels need improving through training, spread of information, preparation of textbooks, manuals, equipment and software. Training was identified as very important for each stage of implementation of PPP: planning and development; review and approval; tender phase; implementation phase; monitoring. At the same time,



respondents believe that representatives of the central authority need training in the form of seminars and study tours while local authorities need seminars and short courses.

Therefore, the level of understanding and awareness among representatives of authorities, business and non-governmental organizations is inadequate, which requires decisive and urgent measures from the state on developing an information strategy, which can raise the level of awareness about PPP. Special attention should be paid to the representatives of the private sector because of misconceptions about PPP. Unfortunately, in recent years Ukraine has implemented very few successful PPP projects, which is not contributive for spreading understanding about the nature of PPP.

Central and local authorities also require external support for successful implementation of PPP, at the same time authority officials are willing to improve their knowledge and skills through specialized training, textbooks, and practical manuals with the help of the Internet, which is a very positive factor and will contribute to the development of PPP.

Successful implementation of PPP projects depends on the professionalism of all stakeholders of the partnership. Let's focus on the professional requirements to each party. Today public services have job requirements which are criteria for the selection of officers and evaluation of their activities. Employees are selected to specific positions with defined duties and required knowledge, skills and characteristics of a person. But in terms of changes or appearance of new mechanisms that help to form and implement state policy, such as PPP, the requirements concerning the professionalism of officials of public authorities and local government are expanding. The public partner shall have the obligation to create conditions and opportunities for PPP development and implementation of projects. Therefore, authority officials must have all the necessary knowledge, skills and abilities for legal, financial, organizational, informational, etc. support of PPP. A public partner is responsible for project planning, prioritization of projects, the specification of services and

project requirements, data collection, preparation of documentation, conduction of competition, monitoring of performance etc.

Unfortunately, not all government officials are able to effectively do the work of managing PPP projects in Ukraine today. Some scientists are even saying about the lack of appropriate staffing with the necessary level of methodological and methodical training, especially at the local level, during the implementation of PPP. The activity of employees of authority bodies and local self-administration related to the implementation of PPP is mostly aimed at redistribution of budget funds in the sphere of investment activities instead of creating the appropriate enabling environment which would contribute to attracting private investment in the real sectors of the economy [7, p. 42].

Another challenge for the public partner is employee turnover. International partners regularly hold trainings for Ukrainian specialists, but then find that the officials, who have improved their skills, take job in the private sector. A half among the 25 participants in the last training program of the World Bank has changed their job in six months. Both preparation of new projects and implementation of current ones suffer from this, because new employees need time to study essence, documentation, the features of a project [8].

Implementation of PPP projects in the sphere of culture of Ukraine is a complex task. PPP projects need a professional private partner, which specialized in the field of culture. During PPP implementing, it is expected that the private partner is qualified, has all the capabilities and skills that will make him perform work or provide services that previously belonged to the state more effectively. During the conduction of competition to define the private PPP partner, among other things, his experience in the execution of works or delivery of services is evaluated. Provided that during implementation of a PPP project the private partner will be not qualified enough, the only thing that could make the public partner is to initiate the deletion of a partner or to undo the PPP contract. In particular, such a situation arose during the PPP project implementation in the Kruger National

Park, South Africa [9, p. 29–33]. 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. In 2004 an independent assessment of the PPP project found out that one of the private partners was not qualified enough, which led to low level of customer service in the first year of the concession. Then 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:

- 1) the selection of a new technical partner;
- 2) developing rules of operation of the facility;
- 3) improving skills of the staff;
- 4) preparation of motivation system for the staff of the national park.

A similar situation exists in Ukraine. In the Lviv 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 were given in concession. Private investors have indicated their readiness to invest in the restoration of these monuments from UAH 100 million to \$ 100 million depending on the object. A specific action plan was developed for each facility. However, in 2013, media reported that Lviv castles and palaces continued to collapse even after giving them in concession, and Ukrainian entrepreneurs appeared to be unable to save the monuments [10, p. 27–29]. It was about the fact that local activists have created a charitable fund to save the palace in Tartakiv and demanded to undo the concession agreement in Stare Selo. In their turn, the private partners stated about inability to make a large investment in the restoration of monuments in time of economic crisis and intended to attract Polish investors. As you can see, in the Ukrainian reality, the public partner could not interfere in the situation and propose ways out of the crisis in time.

Representatives of civil society, who are actively involved in the



implementation of PPP projects, represent primarily expert community, and their opinion should be listened to by the representatives of government and business. Successfully implemented pilot projects, in addition to the direct impact in the form of improved infrastructure and services, will have an indirect positive impact on local communities which in the future will let involving to the formation and implementation of PPP projects not only authorities and businessmen, but also civil society institutions.

**Conclusions.** The implementation of successful PPP projects in the sphere of culture requires a high level of knowledge, skills and experience from each partner. The public partner must have all the knowledge regarding legal, financial-economic, organizational, informational, etc. PPP support as well as be able to negotiate. The success of PPP largely depends on the experience of the private partner in the provision of services in the sphere of culture.

The problem of improper staffing of PPP greatly affects the attraction of private sources of financing in the development of culture in Ukraine, but it can be successfully solved with the active assistance of all stakeholders of the partnership. In particular, already today public organizations and authority bodies of Ukraine with financial and organizational support from the U.S. Agency for International Development (USAID) organize educational seminars, prepare and distribute informational-analytical and methodical materials on the preparation of PPP projects etc. In our opinion, the professionalism of all of the PPP stakeholders in the sphere of culture will increase with the experience of participation in successful PPP projects.

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