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## **PUBLIC-PRIVATE PARTNERSHIP AS A TOOL FOR SUSTAINABLE FINANCING OF ARTS EDUCATION INSTITUTIONS**

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### **Abstract**

This article examines public-private partnership (PPP) as a sustainable financing mechanism for arts education institutions in transitional economies, particularly Uzbekistan. The study analyzes international PPP models, identifies existing institutional constraints, and proposes a “50-30-20” diversified financing framework combining state support, private partnerships, and international funding to strengthen financial sustainability and institutional development.

**Keywords:** public-private partnership, arts education, sustainable financing, cultural institutions, financial diversification, Uzbekistan.

### **Introduction**

Arts education institutions serve as indispensable pillars of socio-cultural development, functioning simultaneously as custodians of cultural heritage and generators of long-term human capital. Yet across the globe — and especially in transitional economies such as Uzbekistan — these institutions face a persistent structural financing crisis. As of 2023, approximately 78 percent of Uzbekistan's cultural and arts education institutions remain entirely dependent on state budgetary transfers, leaving them acutely exposed to fiscal contractions and shifting governmental priorities [1]. This dependency constrains institutional autonomy, limits strategic planning, and impedes quality enhancement. Against this backdrop, public-private partnership (PPP) has emerged in international policy discourse as a credible and empirically supported structural remedy — a governance instrument that mobilizes private capital and expertise while preserving the public interest orientation that purely market-driven solutions would compromise.

### **Theoretical Background**

The economic case for PPP in the arts rests on two foundational theoretical pillars. First, Baumol and Bowen's "cost disease" hypothesis established that performing arts institutions are structurally incapable of achieving the productivity gains available to manufacturing sectors, because their core output — a live lesson, a rehearsal, a performance — is irreducibly labor-intensive and cannot be mechanized without destroying its essential nature [2]. This structural inefficiency condemns arts

institutions to perpetually rising costs relative to revenues unless external subsidies are maintained or alternative income streams are developed. Second, Throsby's cultural capital theory demonstrates that arts and cultural goods carry dual value: a measurable economic value and a broader cultural value — aesthetic, historical, social — that markets consistently undervalue [3]. This duality creates the classic public goods problem: purely market-based provision results in chronic underproduction of cultural output relative to its true social worth. PPP addresses both problems simultaneously by leveraging private sector efficiency and capital while the state maintains the public interest mandate that market logic alone cannot sustain.

### **International Experience: Lessons from Successful Models**

Cross-national evidence offers compelling support for diversified PPP approaches tailored to distinct institutional environments. Finland's co-financing framework — enshrined in the Act on the Financing of Educational and Cultural Providers — guarantees state funding at approximately 58 percent of institutional operating costs while requiring institutions to mobilize matching private contributions, producing financial sustainability indices exceeding 90 percent even during periods of national austerity [4]. The Netherlands operates a quadrennial grant cycle administered by the Dutch Fund for Performing Arts, under which institutions submit four-year artistic and financial plans evaluated through transparent peer review. The four-year commitment horizon is particularly consequential: it enables multi-year contracts with private sponsors who require planning certainty, facilitates long-term capital investment, and provides earned income strategies sufficient time to mature [5]. South Korea presents the most ambitious case, embedding PPP within a national creative economy strategy: state-funded arts education institutions produced the trained talent that private entertainment conglomerates commercialized globally through the "hallyu" cultural export wave, generating annual cultural export revenues of approximately twelve billion US dollars [6]. These three cases collectively demonstrate that PPP effectiveness depends not merely on the volume of private funding mobilized, but on the structural architecture — legal clarity, multi-year commitments, accountability mechanisms — within which partnerships operate.

### **PPP in Uzbekistan: Opportunities and Constraints**

Uzbekistan's post-2017 reform trajectory has created measurably more favorable conditions for PPP development in the cultural sector. The adoption of the "Creative Uzbekistan" development concept, the liberalization of arts education governance, and internet penetration surpassing 23 million users by 2022 collectively signal both state commitment and expanding market potential for private engagement [1]. Nevertheless, three structural constraints continue to impede genuine PPP development. First, no dedicated legal framework exists for cultural PPP: general PPP legislation does not address the non-profit orientation, dual value mandate, and intangible-asset character of cultural institutions, all of which require tailored contractual arrangements. Second, corporate philanthropic culture remains underdeveloped, partly because tax incentive structures insufficiently reward long-term cultural sponsorship, making short-term ad hoc transactions more attractive to businesses than strategic institutional partnerships. Third, institutional managers at arts education organizations typically lack the financial, legal, and negotiating competencies required to structure and monitor complex partnership agreements — a capacity gap that no amount of legislative reform alone can bridge.

### **Proposed "50-30-20" Financing Framework**

Drawing on the international evidence and Uzbekistan's contextual realities, this thesis proposes a "50-30-20" diversified financing model as a practical roadmap for sustainable PPP-based institutional funding. State support would constitute 50 percent of revenues, providing the stable foundation that protects educational mission from purely commercial distortions. Private sector partnerships — including corporate sponsorships, naming rights, co-branded educational programs, and CSR allocations channeled through a reformed tax incentive framework — would account for 30 percent. The remaining 20 percent would derive from international grants, EU Cultural Program co-funding, UNESCO partnerships, and multilateral development financing, mobilized through dedicated institutional capacity for grant writing and international engagement. Three enabling

conditions are prerequisites for this model's success: first, a dedicated cultural PPP statute defining eligible partnership forms and multi-year budgetary commitments; second, a national cultural financing agency to manage the PPP ecosystem, evaluate institutional plans, and broker relationships between state, private, and international stakeholders; and third, a structured management capacity-building program covering financial governance, partnership negotiation, and digital revenue generation.

## **Conclusion**

Public-private partnership represents a governance philosophy as much as a financing technique — a recognition that the long-term stewardship of arts education institutions demands the active, structured engagement of multiple stakeholders contributing distinct resources and accountability orientations. The international evidence reviewed confirms that well-designed PPP models substantially enhance institutional financial resilience without compromising cultural or educational mission, provided that structural enablers are deliberately constructed rather than assumed to emerge spontaneously. For Uzbekistan, the transition from dependency-based to partnership-based financing is both a significant governance challenge and a historic strategic opportunity. The "50-30-20" framework proposed here offers an evidence-grounded starting point, with the expectation that ongoing empirical research — particularly longitudinal studies of pilot PPP arrangements in Uzbek institutions — will progressively refine its parameters and validate its applicability across the diverse institutional landscape of the country's cultural education sector.

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