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FOREIGN DIRECT INVESTMENTS, CULTURAL HERITAGE AND PUBLIC-PRIVATE PARTNERSHIP: A BETTER APPROACH FOR INVESTORS?

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ABSTRACT

The aim of this research is to analyze the influence and propose arguments for using the PPP framework for FDI projects, directly or indirectly connected to cultural heritage. In the literature overview we analyze topics of determinants and barriers to FDI, relations between FDI, cultural heritage, PPP, project and country risk management. Then, four business cases of FDI in connection to cultural heritage are presented and evaluated through the lens of the previous theoretical findings. The main conclusion is that the use of the PPP framework can add value to FDI projects in connection to cultural heritage.

Keywords: foreign direct investments (FDI), cultural heritage, risk management, public-private partnership (PPP)

INVESTIMENTI DIRETTI ESTERI, PATRIMONIO CULTURALE E PARTENARIATO PUBBLICO-PRIVATO: UN APPROCCIO MIGLIORE PER GLI INVESTITORI?

SINTESI

L'obiettivo della ricerca è quello di analizzare l'influenza e proporre argomenti per l'utilizzo del quadro PPP per i progetti IDE, direttamente o indirettamente collegati al patrimonio culturale. Nella panoramica della letteratura analizziamo i fattori determinanti e gli ostacoli agli IDE, le relazioni tra IDE, il patrimonio culturale, il PPP, la gestione dei progetti e del rischio per il paese. Successivamente, vengono presentati quattro casi commerciali di IDE in relazione al patrimonio culturale e valutati attraverso la lente dei precedenti risultati teorici. La conclusione principale è che l'uso del quadro PPP può presentare un valore aggiunto ai progetti IDE in relazione al patrimonio culturale.

Parole chiave: investimenti diretti esteri (IDE), patrimonio culturale, gestione del rischio, partenariato pubblico-privato (PPP)

INTRODUCTION

Since the 1980s, foreign direct investments (FDI) have continuously registered cumulative worldwide growth. This is in-line with the worldwide trade liberalization trend in the last decades which directly resulted in the lowering of risks and costs for international investors. It is nowadays widely accepted that FDI's positive impacts are far more important than the negative consequences. At the country level worldwide, specialized institutions (IPA-investment promotion agencies) are established and financed by the governments in order to promote the whole country, selected regions and/or cities as attractive destinations for foreign investors.

However, not in all cases are foreign investors welcome. Even in the situations when there should be no real doubt about the existence of the real national interest[1], the opposing partial interests of economically powerful local individuals and interest groups, publicly presented as the constitutive part of the national interest, can prevail and negatively influence the foreign investor's decisions. The negative experiences from disabling, or at least obstructing the investor's efforts, can also lead to their decision to abandon or postpone the planned projects because of the additional risks and costs occurred as the consequence of additional formal and informal barriers to investment.

Cultural heritage itself is generally considered as being a constitutive part of the national, cultural identity. By consequence, any attempt to jeopardize cultural heritage can quickly be evaluated as a threat and thus it would be in the national interest to stop this kind of danger. It is easy to imagine that in the case of (potential) foreign investments into projects linked directly or indirectly to cultural heritage, public opinion[2] can be effectively manipulated toward an outcome desired by the most influential participant in mass communication.

In our research we try to verify whether and when the public-private partnership (PPP) approach could represent the right choice for the foreign investor in order to realize their project linked to the cultural heritage of the country meant to accept an inward investment? Is it realistic to expect that the risk management dimension of the project organized in accordance to the selected PPP scheme would better be managed in order to avoid possible obstacles in the form of formal (e.g. local legislation) and/or informal institutions (e.g. negative public opinion)?

METHOD AND LITERATURE OVERVIEW

We start our literature overview with the presentation of the main research concerning FDI determinants and barriers. We link these results with a listing of research focused on FDI in connection with cultural heritage where we point out the role of informal institutions influencing FDI projects. Next, the possible relations between cultural heritage and projects using the PPP approach are presented with special attention paid to the project risk management. The latter topic is then covered more extensively and connected first with the FDI related risk management which is treated under the country risk topic and later also in relation to the concept of PPP.

In the second part, four selected cases of FDI in direct or indirect connection to cultural heritage are presented. Special attention is paid to their outcomes, positive and negative.

In the third part we combine findings from the literature overview, and we use them to evaluate the presented business cases. At the end, we propose an overall conclusion concerning the use of the PPP concept for foreign investments in direct or indirect connection to cultural heritage.

Determinants and Barriers for FDI

The research on FDI determinants was, in its early phase, generally focused on the location aspect of the so-called OLI (ownership, localization and internalization advantages) model or 'eclectic paradigm' (Dunning, 1979). With a growing importance of the institutional theory another group of FDI determinants has appeared significantly in research since 1990s. In the first period authors mostly focused on reliability and safety of institutions (North, 1991, 2005; Coase, 2002). Later, institutional quality has been analyzed also as an inward FDI determinant, with special attention paid to the CEEC economies (Bevan & Estrin, 2000; Pournakakis & Varsakelis, 2004). The academics were first focused on the quality and effectiveness of a country's mostly formal institutions such as property rights, rule of law, civil liberties, and political stability. This is in line with the 'new institutional economics' (Williamson, 1975) which considers both efficiency and distribution issues, in contrast to 'traditional' institutional economics, and extends economics with social and legal norms that influence market function in the neoclassical framework.

1 See, for example Robinson (1961) who classified national interest into six categories: primary interests (preservation of physical, political, and cultural identity of the state), secondary interests (less important but still vital for the existence of the state), permanent interests (relatively constant and long-term interest of the state which changes slowly), variable interests (considered vital for the state in certain circumstances), general interests (refer to those positive conditions which apply to a large number of nations or in several specified fields such as economics, trade, etc.) and specific interests (in connection to the general interest, specific interests are defined in terms of time or space).

2 Defined by Key (1961, 14) as *„opinions held by private persons which governments find it prudent to heed."*

In the last two decades, a narrower concept of 'informal institutions' started to attract the attention of researchers in the area of FDI determinants. However, it remains a very much underexploited theme in comparison to the more general topic of 'institutions'. There are numerous definitions of 'institutions' which seem to result in a common understanding, for example: *"Humanly devised constraints that structure political, economic, and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)" (North, 1991, 1)* or *"Rules and procedures (both formal and informal) that structure social interaction by constraining and enabling actors' behaviour"* (Helmke & Levitsky, 2004, 727).

However, when trying to define a narrower concept of 'informal institutions' definitions differ more, for example: *"Traditions, customs, moral values, religious beliefs, and all other norms of behaviour that have passed the test of time. Thus, informal institutions are the part of a community's heritage that we call culture"* (Pejovich, 1999, 166), *"Socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels"* (Helmke & Levitsky, 2004, 727) or *"Informal rules (that) are unwritten norms of repeated human interactions. They embody moral codes and norms, which can be very diverse across cultures"* (North, 2005, 50).

The FDI determinants are logically connected to the FDI barriers. When an important FDI determinant for a specific country is objectively (e.g. market size, geographical position, etc.) or subjectively (e.g. lack of clearly defined legislation, bureaucracy, corruption, etc.) worse in comparison to the other, especially in relation to the neighbouring countries, it represents a FDI barrier for this country. An interesting literature overview of barriers for FDI has been presented by Bitzenis (2006) and Bitzenis and Žugič (2016). The authors propose that *"empirical investigations on the determinants of FDI barriers can be broadly categorized in groups according to their observations: economic and political risk, transition progress and privatization, national culture and the general country risk factor"* (Bitzenis & Žugić, 2016, 230).

While the first two groups and at least partially also the fourth can be identified as mostly including determinants linked to formal institutions, the third and partially the fourth one include determinants in connection with informal institutions.

However, we point out that not all authors make clear distinction between the broader concept of culture and informal institutions, e.g. before mentioned Pejovich (1999). On the contrary, Helmke and Levitsky (2004) propose that culture is defined by shared values and not by shared expectations as informal institutions.

The presented overviews concerning barriers for FDI show clearly that the topic of informal institutions and its broader concept of culture still deserve attention from academics. However, there are already several interesting studies that explain the role of informal institutions in the decision-making process of foreign investors. Seyoum (2011) argues that informal institutions influence FDI in two ways: directly and indirectly through formal institutions by influencing formal rules. Mondolo (2019) highlights three types of informal institutions influencing FDI: trust, social networks and corruption. Trust is not only important in connection with FDI but also as an informal institution for the national economy in general; as stated by Seyoum (2011) more trust results in more growth because of its positive influence on lowering transaction costs and facilitating cooperation.

FDI and Cultural Heritage

As 'cultural heritage' UNESCO defines[3] tangible (movable (paintings, sculptures, coins, manuscripts), immovable (monuments, archaeological sites, etc.) and underwater cultural heritage (shipwrecks, underwater ruins and cities)) and intangible (oral traditions, performing arts, rituals) cultural heritage. Cultural heritage is closely linked to its historical background, but also to the geography or the physical environment in which it resides (Vaupot, 2018). It constitutes an important component part of cultural rights which include both the duty to respect cultural freedoms and the duty to protect cultural heritage (Vadi, 2008). According to the World Heritage Convention (WHC) which uses the criticized listing approach, protecting cultural heritage becomes a duty owned by the international community. This shift from the national sovereignty is, however, mostly theoretical (with exception of blame and shame mechanisms which may be efficient to some extent) since there are no compliance mechanisms if a state does not respect the WHC obligations.

International investment law is presently regulated by almost 3.300 international investment agreements. The overwhelming majority (more than 88%) of these agreements are bilateral investment treaties and the remaining are so-called treaties with investment provisions.[4] Obviously, international investment law did not yet succeed in establishing a veritable multilateral

3 Source: http://www.unesco.org/new/en/culture/themes/illicit-trafficking-of-cultural-property/unesco-database-of-national-cultural-heritage-laws/frequently-asked-questions/definition-of-the-cultural-heritage/ (last access: 26.6.2020)

4 Source: https://investmentpolicy.unctad.org/international-investment-agreements (last access: 26.6.2020)

investment agreement and this absence of multilateralism is considered as a factor causing fragmentation and inconsistencies in the cases of arbitral interpretation (Titi, 2017).

As claimed by Sauvant and Mann (2017) cultural heritage protection is part of the social dimension of sustainable FDI. From the foreign investor's perspective social, civil and cultural rights should be considered already in the early project planning phase. The same as for potential local investors, both should accept formally (in the investment agreements) all the connected costs linked to the specific situation of the investment project influencing local cultural heritage. Moreover, De Germiny (2013) proposes to foreign investors considering investing near a (existing or possible in the future) WHC site to pay special attention. Even more attention should be paid when an investment area is close to the site which is on the List of World Heritage in Danger. This list includes sites whose protection according to the WHC requires *"major operations [] and for which assistance has been requested"* (WHC, art. 11).

Cultural heritage is (also) huge international business. Not only in connection to the tourism industry (Richards, 2001; McKercher & Du Cros, 2002; Timothy & Nyaupane, 2009) but also from the wider perspective (Bishoff & Allen, 2004; Gražulevičiūtė, 2006; Labadi & Long, 2010; Starr, 2010; Masele, 2012). However, a legal point of view (formal institution) is not the only one that needs to be taken into account by foreign investors. The communicated 'threat' of foreign investors' project to cultural heritage, with a goal to negatively influence public opinion (informal institution), may also serve as the justification for protecting publicly hidden local interests. In some cases, foreign investors are just not welcome because the domestic players were meant to win the project, or the new project would establish unwanted competition in the local market. Vaupot and Fornazarič (2019) present the role of local print media in creating generally unbalanced and negative public opinion toward foreign investors/investments in general. In Slovenia in 1992, this resulted in the adoption of hostile foreign investor privatization legislation but also sent a clear non-welcome message to other possible foreign investors in this country with a long-lasting effect. Almost three decades later, the inward FDI stock-to-GDP share in Slovenia is still only just above 50% of the average of the four Visegrad countries, which are perfect for comparison from a geographical, historical, and perspective of economic development.

Cultural Heritage and Public-Private Partnership

The public-private partnership (PPP) is broadly defined as a long-term partnership between the public and the private sector in different business activities in the areas which are traditionally considered as part of the public sector (Webb & Pulle, 2002). In avoiding an all-embracing definition, Jelinčić et al. (2017) list the main characteristics of PPP: collaborative effort of at least two public and private autonomous organizations; projects linked to public service or goods for public consumption; long-lasting project; mutual products and/or services; all parties share risk, costs, and benefits; regulatory responsibility of the public sector; private sector is paid for the services delivered and mutual added value.

Traditionally, protection of cultural heritage is considered as one of the very basic tasks of a country's government. According to Macdonald (2011, 893) *"PPPs began to be used for heritage conservation in the late 1960s within the context of urban regeneration schemes. Their use has slowly expanded to the conservation and management of archaeological sites, buildings, landscapes, urban areas, collections and natural areas of heritage significance."*

As stated by RICHES,[5] PPP is better understood and accepted by the general public, in comparison to the concept of 'privatisation'. The latter implies a durable loss of ownership over public goods. PPP seems instead to be a 'safer' engagement for the public sector since it is normally limited to a specific project. In the area of cultural heritage, PPP is mostly used for: digital services, management of cultural services and conservation of immovable heritage. Some types of immovable cultural heritage are especially expensive to manage or conserve. The example of Slovenia is certainly not isolated:

> *One of the major problems for the monument protection service relates to castles and manors… Since these are large architectural complexes, their renovation require enormous funds, as well as a clear concept of future function and a vision of development (e.g. marketing). Many castles in Slovenia are still waiting to be restored. At present they can only be maintained, since only 20 per cent of the entire fund is available for this purpose.*[6]

However, in the literature we can find significative examples of successful PPP in cultural heritage: Ireland (Cooke, 2006), Australia (Macdonald & Cheong, 2014), Tatarstan (Absalyamov, 2015), Herculaneum (Ferri & Zan, 2017), Uncastillo (Khorassani et al., 2019), Buzet (Croatia),[7] Nowy Dwór Mazowiecki (Poland),8 Rihemberk (Slovenia),[8] etc.

5 Source: https://resources.riches-project.eu/wp-content/uploads/2016/04/rch_thinkpapers_07.pdf (last access: 26. 6. 2020).
6 Ministry of Culture: https://www.culture.si/en/Heritage_preservation_and_restoration_in_Slovenia (last access: 26. 6. 2020).
7 Source: https://www.interreg-central.eu/Content.Node/RESTAURA.html (last access: 26. 6. 2020).
8 Source: https://financial-dictionary.thefreedictionary.com/Economic+risk (last access: 26. 6. 2020).

Risk Management and Country Risk

The academic research which deals with international project management and risk assessment is extensive. For example, Williams (1995) proposes a bibliography of research relating to project risk management, Raz and Michael (2001) present a study concerning identification of the most widely used tools in project management and risk management in particular, Raz et al. (2002) focus on the relationship between the project types and the application of risk management practices, Soederlund (2004) discusses the emerging perspectives within the project field, Kwak and Anbari (2009) examine project management research from the perspective of its relationship to allied disciplines in the management field, Fang et al. (2012) present an approach based on network theory, as a complement to classical project risk analysis, to deal with risk in large engineering projects, Rodney et al. (2015) demonstrate the need to develop an integrated approach to project risk management, Carvalho and Rabechini Junior (2015) focus on the relationship between risk management and project success, considering the contingent effect of project complexity, Cagliano et al. (2015) discuss approaches for choosing project risk management techniques and Aven (2016) presents the advances in general principles and methods about how to conceptualise, assess and manage risk.

The general conclusion based on the research presented is that risk management should be understood and used as a constitutive part of project management and not as a separate discipline. The use of an appropriate method or tool is crucial and depends mostly on the type of information available (qualitative or quantitative), but also on the nature, complexity, level of innovation, size and phases of the life cycle of a project. According to Chapman and Ward (2003) risk management is crucial in the planning stage, then its scope and depth increase towards the execution phase and decrease in the project finalisation phase.

From the perspective of (potential) foreign investors, a specific area of risk management exists: evaluation of country risk. According to McGowan and Moeller (2009) the country risk analysis to be conducted by foreign investors consists of two main components: political risk and economic risk. The political risk can be defined "as the risk that a sovereign host government will unexpectedly change the 'rules of the game' under which businesses operate" (Butler & Joaquin, 1998, 599) and economic risk as "*the possibility that an economic downturn will negatively impact an investment.*"

Two types of economic factors must be considered by foreign investors: macroeconomic (inflation, taxes, interest, and exchange rates) and micro-economic factors (local demand, wages, educational levels…). One of the first widely used tools for measuring country risk has been proposed by Bhalla (1983) who created a two-dimensional matrix with four variables for each dimension of political risk and economic risk called FIRM (foreign investment risk matrix). This approach has later been further developed by several authors (Madura, 2000; McGowan & Moeller, 2009) but the basic importance of political and economic dimensions of country risk remained in use to differentiate countries according to their level of acceptability for FDI.

Risk Management and Public-Private Partnership

We continue our research with a review of research concerning risk management in PPP. As presented, this topic attracted the important attention of academics, especially in the last decade.

Chan et al. (2014) analyze Critical Risk Factors (CRF) for PPP projects in China in connection to water. They conclude that out of 37 factors initially taken into consideration, the completion risk, inflation, and price change risk have a higher impact on Chinese water PPP projects.

Next, Osei-Kyei and Chan (2015) propose a review of worldwide studies from some selected academic journals concerning the Critical Success Factors (CSF)[9] for PPP projects in the period 1990–2013. Their main conclusion is that the five most reported CSFs in the mentioned period were: risk allocation and sharing, strong private consortium, political support, community/public support, and transparent procurement.

Also in 2015, Wang (2015) argues that PPP models evolve when some of the critical success CSFs for PPP are changed/improved over time based on the project sponsors' risk management in the American toll road development. The results confirm the theoretical framework and find that public institutions' risk management can effectively explain the PPP evolution.

The same year, Chou and Pramudawardhani (2015) publish research where they compare the categories of key drivers, CSFs, and preferred risk allocation in PPPs established in Taiwan, Singapore, China, the UK, and Indonesia. The results revealed that Indonesia and Taiwan share certain similar key drivers, Indonesian CSFs were very similar to those of China, and Indonesia and Singapore present the highest similarity of risk allocation preferences.

In 2016, Liu et al. (2016) conducted a comparative analysis of CSFs affecting the effectiveness and efficiency of PPP tendering in Australia and China. The research identified 14 CSFs underpinning the implementation of PPP tendering, under 7 dimensions. The analysis suggested that there were statisti-

9 The CSFs are defined by Rockart (1982, 4) as the *"few key areas of activity where favorable results are absolutely necessary for a manager to reach his/her goals"*. The CSFs *"facilitate achievement of organizational goals and objectives including risk management"* (Kikwasi, 2018, 7).

Table 1: Selected cases of foreign investments with implications on cultural heritage.[10]

Location	Description	Cultural heritage issues	Outcome
Noto Valley (Italy)	Local authorities granted a Texan investor a concession to drill gas in the Noto Valley.	The site is considered in permanent danger of earthquakes and Etna's eruptions, if investor made use of this authorization the area would risk an environmental collapse.	The government has declared its willingness to override Sicily's autonomy and to stop the project, investor has thus decided to cut the number of wells planned in the region and to avoid the Val di Noto.
Heuersdorf (Germany)	An American investor acquired a concession over a coal mine close to the village.	The conservation of the 750-year-old Emmaus Church was in danger.	The investor agreed to relocate the church to a nearby town and then had a chance to exploit the investment.
Imperial County (USA)	A Canadian corporation engaging in the extraction of gold acquired full ownership of federal mining sites in California to create a large open-pit gold mine.	Open-pit cyanide mining is hazardous to health and has a negative environmental effect, the project was connected to the area which includes sacred and ancestral sites of the American natives.	In 2001, the Interior Department denied the project but in 2002 the denial was revoked, however, the Californian authorities adopted a regulation requiring the backfilling of all future open-pit mines in the state to achieve the approximate contours of the land prior to mining and to reserve funding to ensure the coverage of clean-up costs, the investor applied for an arbitration proceeding, in 2009, the Tribunal released the Award, dismissing the investor's claim.
Vilnius (Lithuania)	The city of Vilnius signed an agreement with Egapris Consortium to design, build and operate an integrated parking system in the City.	The project extended significantly into the Old Town, defined as cultural heritage, the historical and archaeological preservation and environmental protection were justification for the refusal of the project.	Due to various key activities contemplated by the Agreement, the parties attempted to renegotiate the deal, after more than a year of negotiations, the City decided to terminate the Agreement, the investor has initiated request for arbitration, but his claims have been rejected.

cally significant differences in 8 CSF between the two countries.

When we focus on the use of PPP in cultural heritage, it relates to several types of risks. According to Rypkema and Cheong (2016) the risks connected to cultural heritage projects can be categorized into six categories: design/development risk (design defects, failure to meet heritage conservation standards…); revenue and operating risk (cost overruns; failure or delay in obtaining permission, consents, approval…); financial risk (unpredicted changes in exchange and interest rates); unexpected event risk (riots, strikes…); unexpected political events (breach or cancellation of contract expropriation, failure to obtain or renew approval…) and environmental risk (destructive environmental events).

SELECTED CASES OF FDI IN CONNECTION WITH CULTURAL HERITAGE

In Table 1 we present four cases of foreign investments with influences on different types of cultural heritage, as presented in the literature or accessed in other publicly available sources. For every business case we propose a short description of the investment project, connected problems concerning the cultural heritage, and the project's outcome.

The four cases presented in Table 1 include several characteristics that can be observed. First, the cultural heritage implications described were not of the same type. We can list tangible (Noto Valley, Heuersdorf and Vilnius) and intangible type of cultural heritage implications (Imperial County). Three investment

10 Source: Vadi (2008); https://2009-2017.state.gov/s/l/c10986.htm (last access: 26. 6. 2020); Bernasconi-Osterwalder & Johnson (2011).

Image 1: Cathedral in Noto, Sicily (Photo: Sabrina Mazzeo, Unsplash).

projects were in the domain of mining (Noto Valley, Heuersdorf and Imperial County) and one in construction (Vilnius). For two cases the problems have been resolved by additional agreements made between the local authorities and foreign investors (Noto Valley and Heuersdorf). Both agreements resulted in the successful continuation of the projects. The other two cases (Imperial County and Vilnius) have not been resolved locally and the claims of the investors have been considered in the process of international arbitration. The alleged treaty violations of the latter projects were:

Imperial County:[11] (1) certain federal government actions and California measures with respect to open-pit mining operations resulted in the expropriation of its investments and (2) denied its investments the minimum standard of treatment under international law,

Vilnius:[12] (1) equitable and reasonable treatment/fair and equitable treatment, (2) expropriation, (3) most favoured nation treatment and (4) protection/full protection and security.

In both cases all foreign investors' claims have been rejected by the arbitration court.

RESULTS AND DISCUSSION

Based on the literature review and case analysis we propose several conclusions concerning the relationship between the topics of FDI, cultural heritage, risk management and PPP.

Foreign direct investments are not welcome in every country or at least not in every sector, although in the last decades there is a clear worldwide trend in trade and investment liberalization. This phenomenon is formally enabled by the growing number of international agreements (formal institutions). However, these general agreements cannot define how to resolve all possible obstacles which may occur in connection to specific projects. Besides that, the numerous obstacles to international investments also remain in the form of informal institutions which cannot be addressed either easily, quickly or directly by changes in the legislation. In such cases especially, the importance of a strategic management approach from the investor's side, which includes efficient project risk management, is crucial for the success of the FDI project.

11 Source: https://2009-2017.state.gov/s/l/c10986.htm (last access: 26. 6. 2020).

12 Source: https://www.iisd.org/itn/2018/10/18/parkerings-v-lithuania/ (last access: 26. 6. 2020).

Image 2: Emmaus church in Heuersdorf, Germany (Wikimedia Commons).

Image 3: Example of the open-pit gold mine (Photo: Curioso Photography, Unsplash).

The analysis of the four presented cases from the risk management perspective reveals that the claims of both investors in front of arbitration court have been rejected. The logical question linked to the project risk management issue and which rises from all four cases presented is: what could have been done differently in connection to the cultural heritage issues of the projects? In other words, were the cultural heritage issues unpredictable for the foreign investors so they were incapable to evaluate the connected project risk? Or they have just been badly managed and their (potentially) negative influence underestimated in the risk assessment phase?

On the basis of publicly available information we claim the answer concerning unpredictability is mostly negative. The Noto Valley's natural characteristic (prone to earthquakes and volcanoes eruptions) was known environmental fact. The Emmaus Church was there already for 750 years. The sites of American natives were ancestral cultural heritage. Finally, the Vilnius Historic Centre has been included on the World Heritage List since 1994.

It seems that the effort invested in risk management was insufficient during the projects' preparation phases. However, investors' reactions to the problems that occurred in the Noto Valley and Emmaus project could be evaluated as appropriate. This was not the case for the last two presented projects where the ar-

Image 4: Old town of Vilnius, Lithuania (Photo: Courtesy of Vilnius Tourist Information Centre).

bitration procedure has been followed by the investors with equally negative results for the claimants.

As we have already argued, most of the information about the four projects' potential problems concerning cultural heritage issues had been publicly available. There are basically two most probable reasons they weren't considered appropriately: insufficient risk assessment in the project preparation phase and absence of general cross-cultural sensitivity from the investor's side; the latter should already have been included since the first project phase. For the purpose of evaluating investors' behaviour in all presented cases we may also use the information flow about decision-making on risks as proposed by Hanson and Aven (2014, 1178). Using this model, it seems that investors either did not consult the appropriate 'knowledge base' or the 'broad risk evaluation' phase was not conducted properly.

As also proposed by the analysis of the four case studies, the FDI projects in direct or indirect connection to cultural heritage may be strongly influenced by both types of obstacles based on formal and informal institutions. When the obstacle appears, the appropriate reaction of investors can save the project's outcome although it may suffer from lower efficiency. In the case of wrong, delayed or even absent reaction of investors, the project itself may be endangered and the outcome strongly differentiated from what was initially desired.

Still, the real question is not about how to resolve the problems when they appear but rather what approach and risk-management connected activities in the crucial, project planning phase, should be used in order to first avoid the predictable obstacles but also to more effectively and efficiently manage the non-expected events in the project execution and finalization phase.

In verifying the risk management topic for PPP projects, we conclude that it is under the attention of academics especially in the last decade. However, based on the literature reviewed we may observe that the project management risks in connection to cultural heritage issues are not listed explicitly. Certainly, they may be included within other listed types of CRF or CSF, such as: government intervention, political/public opposition, legislation changes, etc. But, also in these cases, the appropriate management of risks within the PPP indirectly suggests having a positive impact on the risks connected to the cultural heritage issues.

This overview of literature and case analysis brings us back to the basic research question of our contribution: can the use of PPP in FDI projects connected to cultural heritage positively influence the expected project's outcome? We argue there are several arguments that support a positive answer. Using the well-known CAGE framework (Ghemawat, 2001) the main differences in shifting from domestic to international business can be classified within four types of distance between domestic and foreign country: cultural; administrative and political; geographic and economic distance.

Using PPP in FDI projects can have a positive impact on diminishing the importance of the beforementioned distances since the local (public) partner would serve as the perfect source of information for the foreign investor.

This can be especially true for FDI projects in cultural heritage since the public sector is normally considered a protector of the country's culture and heritage (Macdonald, 2011) and, by consequence, public opinion (informal institution) can be quickly negatively manipulated when foreign investors alone might negatively impact any kind of national cultural heritage. The role of domestic (public) partner is thus also to be the partner who guarantees that the cultural heritage remains unharmed.

Besides that, the investment projects in cultural heritage are generally considered as relatively low profitable, so the partnership can be seen by both parties also as a cost-sharing approach.

When cultural heritage is only indirectly connected with the main FDI project, the situation is not so obvious for any of the potential PPP partners. The issues about protection of cultural heritage may only appear in the advanced project phase (e.g. in the area of mining) when the legal base of the project has already been well defined. The renegotiation or potential change of the legal framework of the PPP would require serious effort without a necessarily fruitful result for both the contractual parties. We argue that it is thus crucial that the potential cultural heritage issues are resolved previously, maybe as a separate (smaller) project in the scope of PPP with the local partner which may create a healthy foundation for the 'normal' (bigger) investment project in the second phase. This kind of first, separate project, not necessarily cost-intensive, could also serve as an 'entry ticket' to the foreign market and a toll to effectively manage potential issues with local authorities and public opinion but also as an appropriate strategic approach to international expansion where country risk is well managed.

CONCLUSION

FDI projects often lack a cultural sensitivity dimension even in cases without any connection to cultural heritage. When cultural heritage is directly or indirectly connected to the investment project, then additional CRF/CSF may appear. Certainly, the investment should ensure its information sources on the country are the most informative and up to date, so they can be managed well and early enough to avoid any unexpected barriers to the project.

By its very basic reason for existence, local authorities play a double role from the foreign investor's perspective. First, they define the 'rules of the game', the legal framework which must be considered by the investor. And secondly, the local authorities are also interested in successful projects. However, the PPP approach may not only be proposed by the local authorities but also by the potential foreign investor whose project is directly or indirectly connected to local heritage. In creating a partnership with local partners, the project risk management gains are obvious since both project parties will take all necessary steps to avoid possible problems which might endanger the project in its execution phase.

We hope that we proposed a comprehensive qualitative explanation of the potentially positive role of a PPP framework in FDI projects connected to cultural heritage. The next step in our research could represent an empirical evaluation of a real FDI project realised within the proposed framework.

TUJE NEPOSREDNE NALOŽBE, KULTURNA DEDIŠČINA IN JAVNO-ZASEBNO PARTNERSTVO: BOLJŠI PRISTOP ZA VLAGATELJE?

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POVZETEK

Vse od osemdesetih let prejšnjega stoletja dalje beležimo rast obsega tujih neposrednih naložb (TNN) v svetovnem merilu. Velika večina znanstvenih raziskav jasno potrjuje pozitiven neto vpliv TNN za države prejemnice. Toda vsaj v nekaterih državah so v preteklosti že obstajale formalne ali neformalne ovire za tuje vlagatelje in to velja tudi v današnjih časih. Kulturna dediščina je še posebej občutljivo območje za tovrstne naložbe. Zato tuji vlagatelji zlahka najdejo svoje projekte, neposredno ali posredno povezane s kulturno dediščino, pod negativnimi vplivi strogih lokalnih oblasti in nasprotujočega javnega mnenja. Oboji lahko ogrozijo želeni rezultat projekta. V naši raziskavi poskušamo odgovoriti, ali bi uporaba pristopa javno-zasebnega partnerstva (JZP) za projekte TNN, ki so neposredno ali posredno povezani s kulturno dediščino, lahko zagotovila boljše obvladovanje projektnega tveganja in posledično želeni rezultat projekta. Ugotovitve pregleda literature, povezane z dejavniki in ovirami za TNN, odnosi med TNN, kulturno dediščino, JZP, projektnim in državnim tveganjem so uporabljene pri analizi štirih poslovnih primerov TNN v povezavi s kulturno dediščino. Splošna ugotovitev je, da lahko uporaba JZP v projektih TNN, povezanimi s kulturno dediščino, vpliva pozitivno.

Ključne besede: tuje neposredne naložbe (TNN), kulturna dediščina, obvladovanje tveganj, javno-zasebno partnerstvo (JZP)

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