

31 MARS 2014

Designing Investment Funds for UNESCO
sites: demand, governance and structure
STAREBEI RESEARCH
Sorbonne Economic Center



African Cultural Heritage and Economic Growth: Financial Solutions for Port Cities

Francesca Medda
UCL QASER Lab
University College London

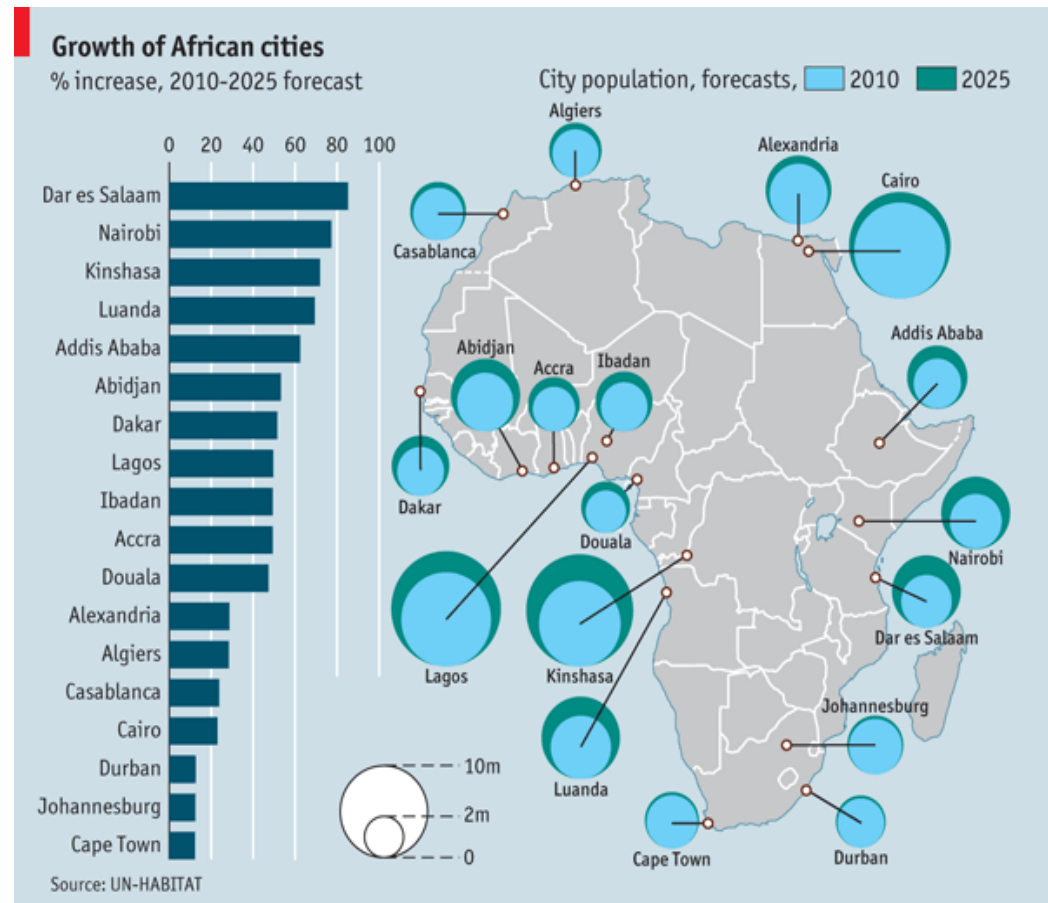
CONTENTS

- I. Africa Maritime Activity
- II. Lamu Mega-Port Development
- III. Lamu Old Town
- IV. Investment Strategies
- V. Investment Strategies, Case 1: Porto
- VI. Investment Strategies, Case 2: Recife
- VII. Conclusions

Port cities as symbols of interdependence between society and environment

“It is sometimes remarkable the way in which both urban and rural contexts in Africa persist so full of life, integrity and a sense of calm despite their availability to a multiplicity of often near-catastrophic intersections between themselves and a large world.”

AbdouMalig Somone (2004)



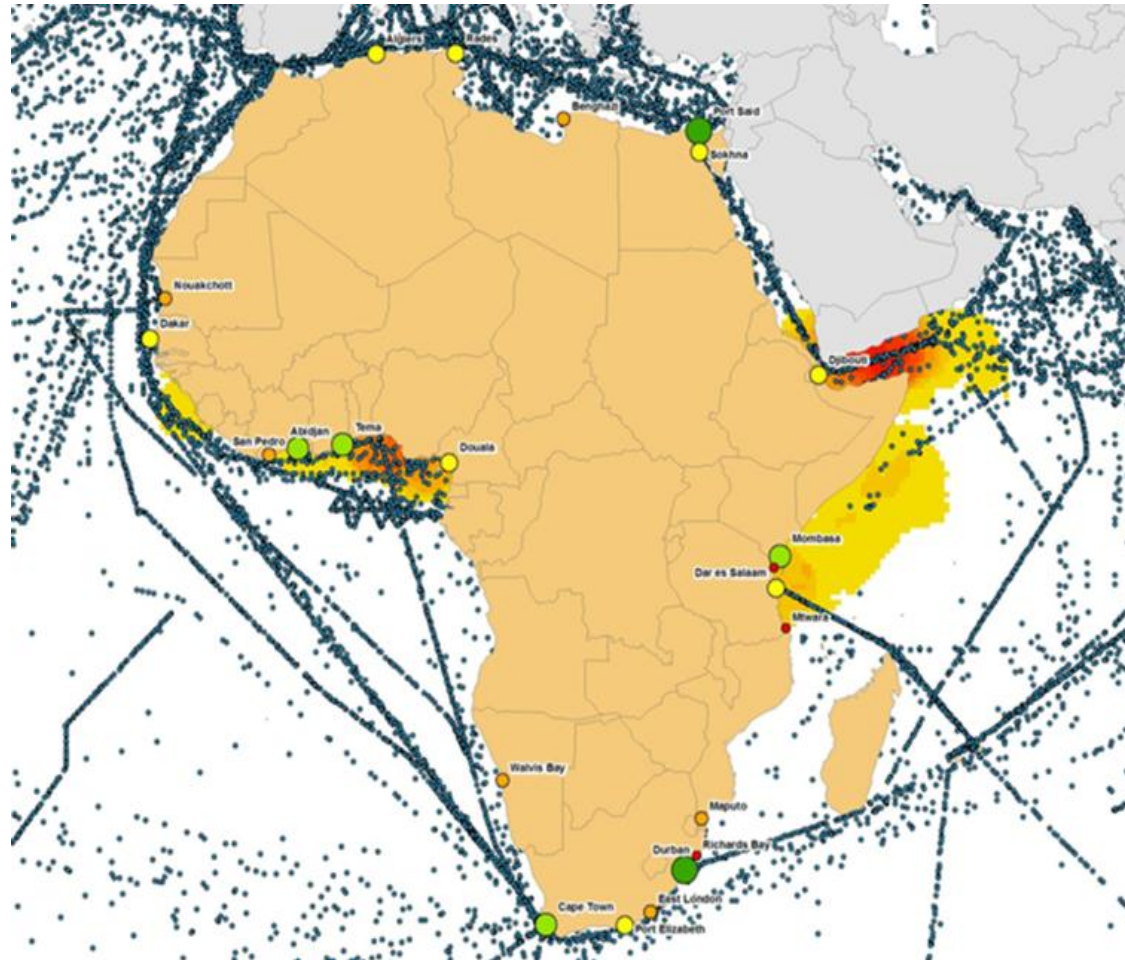
Africa Maritime Activities

Africa accounts for 6% of global container trade. China plays a leading role as the major commercial partner for countries such as the Republic of Congo (40%) and Nigeria (50%). Asia-Africa trade climbed to \$304 billion in 2010.

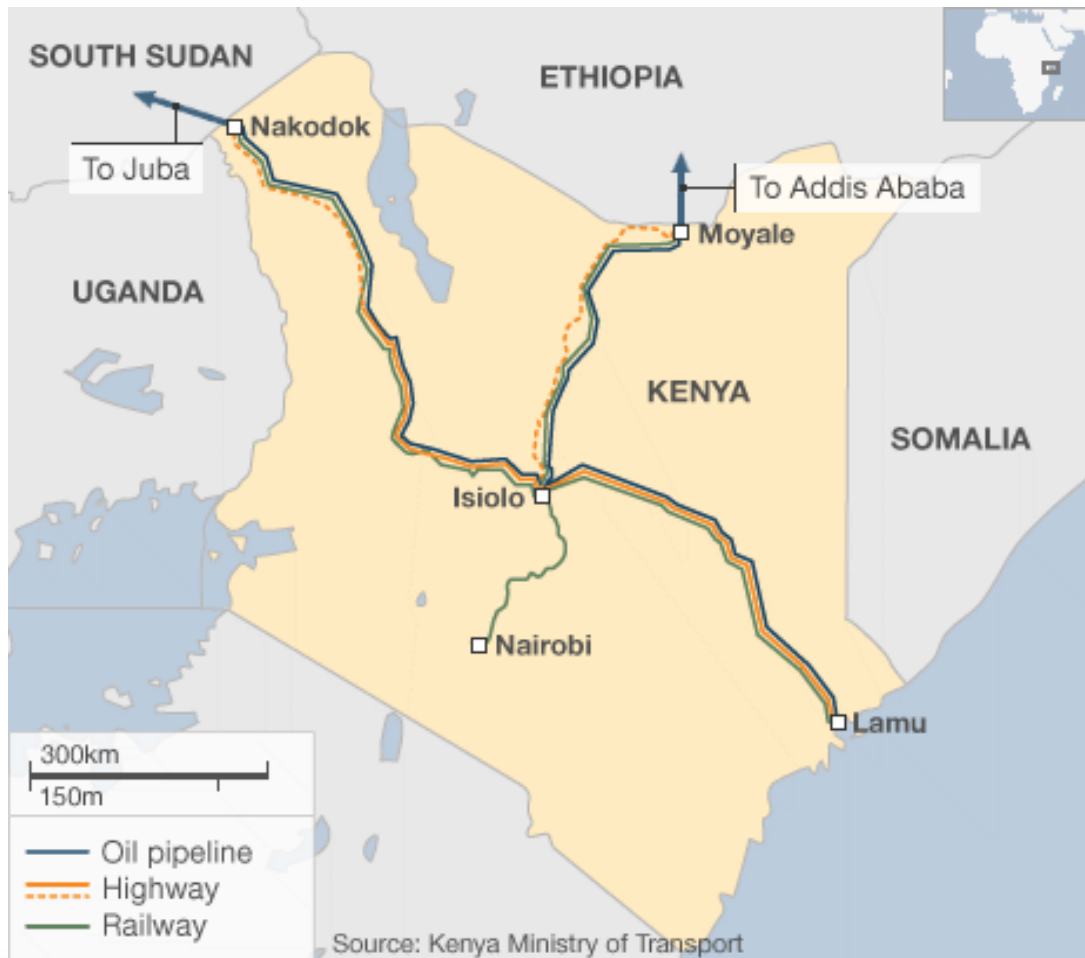
Trade between the Asian and African continents is forecast to soar to over \$1.5 billion by 2020.

60% of West Africa economies such as Ethiopia, Mozambique, Tanzania, Ghana, Zambia, and Nigeria are expected to grow at a rate of between 7% and 8% within the next 5 years.

(IMF, 2011)



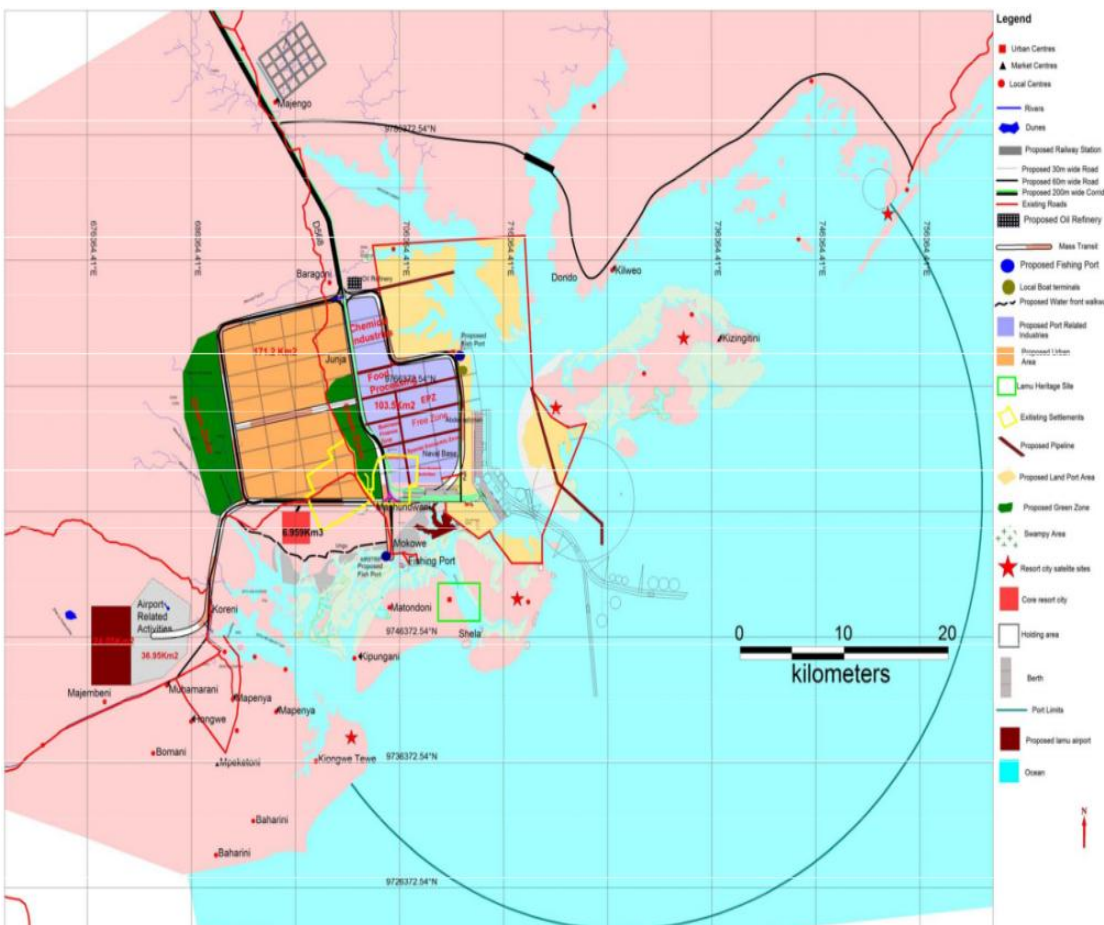
Lamu Mega Port South Sudan and Ethiopia Transport and Economic Corridor



- Total Investment \$ 32bn
- Bilateral support by China \$ 509 M
- 32 Berth Port
- Highway 880 Km
- Railway line 1,710 Km
- Airports at Lamu, Isiolo, Turkana
- Oil pipeline: 1,260 Km crude oil, 980 Km oil products

Ministry of Transport
(Republic of Kenya)

Lamu Mega Port South Sudan and Ethiopia Transport and Economic Corridor



Total Port Cargo (Million tonnes/year)	2020	2030
Containerized Cargo	8.0	14.0
Non-Containerized Cargo	5.5	9.9
TOTAL	13.5	23.9

Lamu Old Town

The Lamu Archipelago covers 480Km of coastline
Estimated District population 80.000

Lamu Town is the oldest and best-preserved living settlement among the Swahili towns in Africa

UNESCO World Heritage Site since 2001



Lamu Old Town

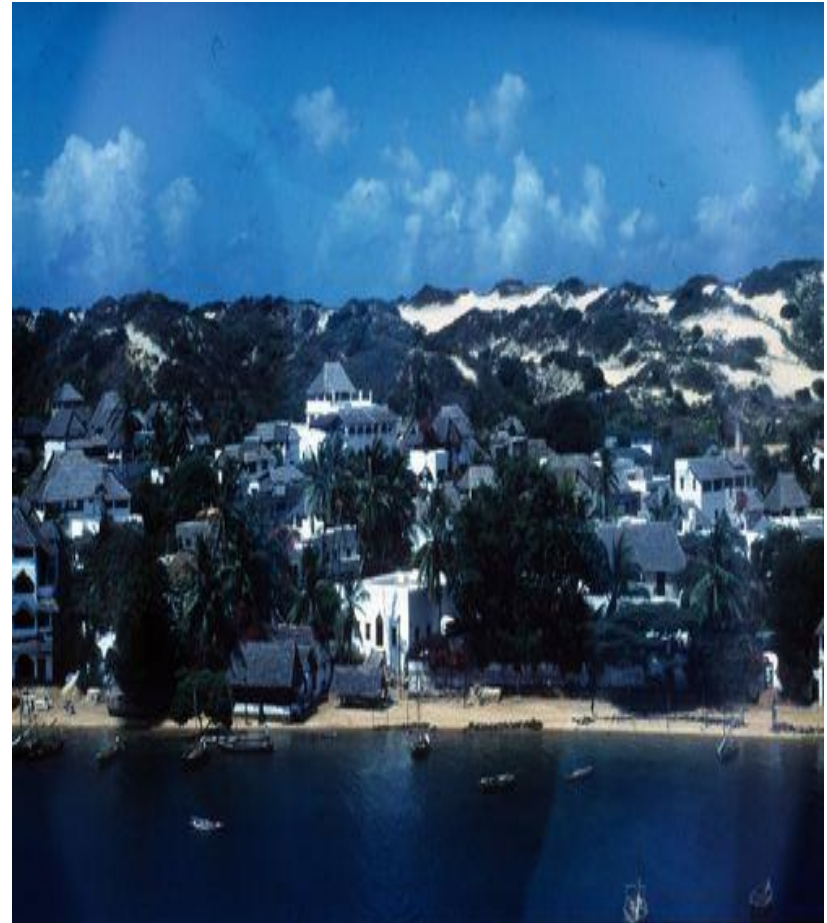


The Global Heritage Fund has identified Lamu as one of 12 globally recognized sites “on the verge” of irreparable loss and damage.



- ❑ **Land Ownership**: land has been encroached on by numerous individuals and companies (Hotels, Resorts and Private villas).
- ❑ **Residential displacement**: informal developments have been built on land that was used for farming; these lack electricity and clean water access.
- ❑ **Inadequate infrastructures**: open drainage system, lack of any kind of waste disposal system and sewer system.
- ❑ **Water and Energy Supply**: unreliable diesel powered generators at the Lamu Power plant, the source of water from Shella wells comprised of 30 shallow wells, the over-exploitation of the fresh groundwater, and unregulated development has contaminated the water with saline.

Lack of Public Financing



Investment Strategies

Lamu estimated
cargo traffic = 60%
containerized
cargo



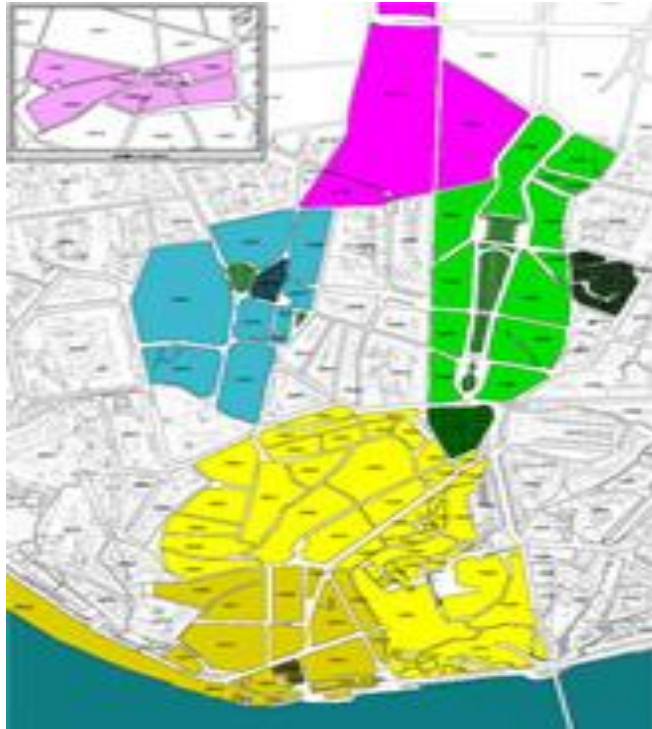
The Lamu Cultural Heritage Site is a fundamental asset

To decrease the financial risks of the infrastructure investments

To ensure greater stability and widespread territorial development

To foster private investment intervention

Private Intervention 1: PORTO VIVO SRU



Porto Vivo SRU public company vested with authority and administrative power such as expropriation, licencing, relocation

11/04/2014

- Historic centre was listed as World Heritage by UNESCO in 1996.
- Between 1991-2001 population in the central area of Porto decreased by 40.000 inhabitants, other municipalities increased by 133.000.
- Baixa area had a profoundly degraded urban fabric.



Private Intervention 1: PORTO VIVO SRU



Porto Vivo Action Programme Public and Private Partnership launched in 2007, estimated investment € 40M: public sector 36%, private sector 45%, Structural Funds 19%

The balance between investment and revenue for Porto Vivo SRU represents an **IRR of 2.2%**

Private partners:

- Student Residence (17 year payback period) **IRR of 6.7%**
- Tourist Accommodation (18 year payback period) **IRR of 7.1%**

Private Intervention 2: Port of Recife



The Port of Recife is the capital of the State of Pernambuco in northeastern Brazil.

“Venice of Brazil” due to the many waterways that cross the city and divide it into separate parts linked by bridges. The Port of Recife is Brazil’s fifth biggest metropolitan area, with about 1.6 million population in 2007.

The port contains 16 berths (3 berths have terminals for sugar and grains, 2 berths are dedicated to containerized cargo, and 8 berths handle general cargo, 2 berths handle dry bulk, and 2 berths are dedicated to reefer cargo).

An area of 75.5 thousand square metres is reserved for heavy and containerized cargo, and the Port of Recife offers a backland area of 180 thousand square metres for storage and handling of additional cargo.



Private Intervention 2: Port of Recife



Introduction of land-based financing instruments to pay for infrastructure

Betterment Compensation: to capture capitalized benefits by public investments

Development Charges: to recover the cost of off-site infrastructure costs

LAND VALUE GAINS AND INFRASTRUCTURE COSTS: RECIFE

	Increase in land value by distance to the centre (US\$ per square metre)			
	5-10 Km	15-20 Km	25-30 Km	Ratio of gain in land value to investment cost
WATER SUPPLY	11.1	5.1	3.2	1.02
ROAD PAVEMENT	9.1	4.8	3.4	2.58
WASTE REMOVAL	8.5	1.8	0.3	3.03



Conclusions

Two relevant points must be addressed in the case of Africa ports and cities:

- ❖ the contextual element; that is, what city and what type of port investment is under consideration;
- ❖ the economic relationship between the investment(s) and the market must be understood by all players.

From this perspective, the main potential benefit of private intervention methodologies is their flexibility in adapting the structure of incentives and risk-sharing to specific features of an integrated port-city project and to the economic and institutional environment.

Conclusions

Policies for LAMU should be explicitly designed to:

- Broaden the scope of the port project to include natural and cultural heritage;
- Introduce a legal framework to protect heritage site redevelopment and indigenous people;
- Provide direct and indirect financial incentives to encourage heritage development and discourage development of satellite towns;
- Introduce land registry and tax on its development.

Thank you



University College London
Chadwick Building, Gower Street
London WC1E 6BT, UK