Europa Nostra – EIB Institute

EIB Funding for Cultural Heritage

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Presentation outline

• Cultural infrastructure – relevance for urban development
• Financing approaches
  • Investment loans
  • Framework loans
  • EU Co-financing frameworks
• Economic and Financial Analysis
• Project examples
  • Warsaw Copernicus Science Centre
  • Wroclaw National Music Forum
  • Rouen Eco-quartiers Project
  • Manchester Eastlands – Sports as an Agent for Change
  • Medinas 2030 and Tunisia Medinas Programme
Culture and urban development

Cultural infrastructure can be

A stimulus for tourism

A world symbol to attract investors

A driver for economic development
Culture and urban development (2)

- BUT…
- How do we know that renovating a theater (Lublin) or museum (Bydgoszcz) like these is really worthwhile?
- How do we go about financing it?
# EIB’s tools for financing cultural infrastructure

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Examples of financing for Cultural Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Loans</strong></td>
<td>• Loan to finance a single cultural building</td>
</tr>
<tr>
<td>Direct loan for a specific</td>
<td>• Loan to a City to finance an investment programme including cultural infrastructure</td>
</tr>
<tr>
<td>investment project or programme,</td>
<td>• Loan to a City to finance an urban regeneration programme including a cultural facility</td>
</tr>
<tr>
<td>usually &gt; EUR 100m</td>
<td></td>
</tr>
<tr>
<td><strong>Municipal Framework Loans</strong></td>
<td>• Framework loan to a city dedicated to cultural infrastructure</td>
</tr>
<tr>
<td>Loan for a programme of investments</td>
<td>• Framework loan to a city to finance a programme of small or medium investments, including cultural infrastructure</td>
</tr>
<tr>
<td>meeting defined criteria but not</td>
<td></td>
</tr>
<tr>
<td>finally prepared at time of signing</td>
<td></td>
</tr>
<tr>
<td>**Regional or National Programme</td>
<td>• National framework for financing cultural investments</td>
</tr>
<tr>
<td>Loans**</td>
<td>• Framework loan to co-finance sustainable urban investments under a structural fund operational programme,</td>
</tr>
<tr>
<td>Investment in a fund</td>
<td>including cultural infrastructure</td>
</tr>
</tbody>
</table>
The Theory: Economic benefits beyond the financial

<table>
<thead>
<tr>
<th>Benefit/cost</th>
<th>Cultural heritage</th>
<th>Performing arts</th>
<th>Confer. and sports</th>
<th>Green areas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project type</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Non-market impacts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Use benefit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer surplus</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational value</td>
<td>✓</td>
<td>(✓)</td>
<td></td>
<td></td>
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<tr>
<td>External services</td>
<td>(✓)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreational value</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Non-use benefit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Option value</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence value - local</td>
<td>✓</td>
<td>(✓)</td>
<td>(✓)</td>
<td></td>
</tr>
<tr>
<td>Existence value - natl.</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bequest value</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traffic congestion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Noise and air pollution</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td><strong>Secondary economic impacts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local user net spending</td>
<td>✓</td>
<td>✓</td>
<td>(✓)</td>
<td>(✓)</td>
</tr>
<tr>
<td>National tourism exp.</td>
<td>(✓)</td>
<td>(✓)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Foreign tourism exp.</td>
<td>(✓)</td>
<td>(✓)</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Lost turnover</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>(✓)</td>
</tr>
</tbody>
</table>
### The Theory: Economic Analysis Methods

<table>
<thead>
<tr>
<th>Benefit/cost</th>
<th>Non-market impacts</th>
<th>Valorisation methodology/method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Use benefit</strong></td>
<td>Consumer surplus</td>
<td>Contingent valuation</td>
</tr>
<tr>
<td></td>
<td>Educational value increase</td>
<td>Travel cost method</td>
</tr>
<tr>
<td></td>
<td>Conservation work increase</td>
<td>Marginal cost less sales price</td>
</tr>
<tr>
<td></td>
<td>Research increase</td>
<td>Benefits transfer (if any)</td>
</tr>
<tr>
<td></td>
<td>Recreational value</td>
<td>Travel cost method</td>
</tr>
<tr>
<td><strong>Non-use benefit</strong></td>
<td>Option value</td>
<td>Stated preference</td>
</tr>
<tr>
<td></td>
<td>Existence value - local</td>
<td>Hedonic pricing</td>
</tr>
<tr>
<td></td>
<td>Existence value - national</td>
<td>Stated preference</td>
</tr>
<tr>
<td></td>
<td>Bequest value</td>
<td>Stated preference</td>
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<tr>
<td><strong>Economic costs</strong></td>
<td>Traffic congestion</td>
<td>Benefits transfer</td>
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<tr>
<td></td>
<td>Air and noise pollution</td>
<td>Benefits transfer</td>
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<tr>
<td><strong>Secondary economic impacts</strong></td>
<td>Local user net spending</td>
<td>Benefits transfer</td>
</tr>
<tr>
<td></td>
<td>National tourism net exp.</td>
<td>Tourism statistics</td>
</tr>
<tr>
<td></td>
<td>Foreign tourism net exp.</td>
<td>Tourism statistics</td>
</tr>
<tr>
<td></td>
<td>Lost turnover</td>
<td>Tourism statistics/turnover data</td>
</tr>
</tbody>
</table>
Practical Focus - Economic Analysis

- Economic benefits – Does the project benefit society
  - Cultural benefit – events/month, diversity of user base, number of users, catchment area population, uniqueness/complementarity
  - Education – students a major contributor to user numbers and economic benefits
  - Tourism benefits
  - Stimulus to wider urban regeneration
  - Social integration benefits
  - Re-use of existing sites

- Costs – Are the project costs reasonable?
  - How was cost taken into account in the architectural design/competition
  - Value engineering applied?
  - Cost per m2 reasonable?
  - Operating costs – security, cleaning, energy efficiency, utilities, staffing, maintenance
  - Operating cost savings for refurb / amalgamations
  - Traffic congestion
  - Waste management, air pollution

- Analytical approaches: Quantitative CBA, MCA, revealed preference…
  - Value – affordability: what value do citizens attach to the existence of the facility

- State Aid
Practical Focus: Financial Sustainability

- Is the capex financing plan clear and covered?
- Risks of cost over-runs, time delays impacting costs and revenues
- Opening year vs. “steady state”
- For a refurbishment, does opex go up or down?
- Are revenues covering operating and maintenance costs, and if not, why is this justified?
- If operating subsidies are foreseen, how are these managed, how large are they, how stable are sources?
- What share of City discretionary expenditure budget do opex subsidies take?
- Opportunities for cost recovery?
- Are ticket prices affordable? Is demand assessment realistic?
Investment Loan including Culture – Rouen ecoquartiers

Rouen eco-quartiers Flaubert-Luceline

- Remediation of port/industrial brownfields
- Preparation of sites for mixed residential, commercial, public space, culture, leisure uses.
- Emphasis on sustainable mobility, near-passive energy municipal building, geothermal heating network
Manchester – sports stimulus to urban regeneration

Example of a priority area for urban regeneration: East Manchester

Note:
1. Almost the whole area is in 10% most deprived
2. Man City Etihad Stadium is in Eastlands…

*aBased on Index of Multiple Deprivation 2007
Manchester – sports Agent for Change stimulus to urban regeneration

Etihad Stadium (not funded by EIB)

- Catalyst of “sport city”
- Stimulus to medical, sports, culture, science industries
- Financial and in-kind contributions from the stadium owners

Link to Beswick Community Hub (EIB funded via Municipal Framework Loan)

- Regeneration linked to sports city
- New school, community swimming pool, community-focused retail
- Tram link
Wroclaw National Music Forum – Investment loan under a Municipal Framework Loan

- EU grant + EIB loan co-financing
- Major new music facility grouping separate existing orchestras at a single new site
- Cost savings in operation
- Re-use of former sites for economic development
- High energy efficiency, innovative design
Wroclaw National Music Forum – Investment loan under a Municipal Framework Loan

- Flood protection near Vistula important
- Major construction delays but finished close to budget

- Operating support from city and national sources considered robust and affordable
- Detailed quantitative CBA but significant urban regeneration benefits not initially included
Warsaw Copernicus Science Centre

- EU grant application prepared with JASPERS support
- Strong education and research benefits
- Critical location to expand a new axis of the centre of Warsaw linking to the River Vistula
- Linked to an EIB-EU co-financed urban regeneration of the Vistula River front.
- Visitor numbers exceeded even high initial forecasts – major success.
Medinas 2030 – Culture and Integrated Urban Development in the Mediterranean south

• Medinas 2030 – an EIB-CDC led initiative with the CMI
• Aims: (1) to save a key cultural heritage under threat (2) to improve the lives of the medina’s citizens (3) To realize the economic potential of the medinas
• Tools: (1) Workshops held at the CMI (2) TA study on investment challenges (3) Framework Loan under preparation in Tunisia for 20 medinas
What is a Medina integrated project

- An integrated project takes into account the different aspects of the medina:
  - Spatial integration with the surrounding urban area
  - Economic integration deploying the human, cultural and entrepreneurial resources
  - Social integration of the population of the medina and the wider urban area
  - Environmental integration to strengthen the medina’s resilience

- An integrated project must be inclusive
  - All stakeholders’ opinions and needs must be considered
  - The stakeholders have rights and obligations
  - Horizontal and vertical consensus

- An integrated project is sustainable
  - Spatially sustainable: it needs coherent planning
  - Economically and financially sustainable: sustainable positive benefits and externalities including financial sustainability
  - Socially sustainable: social mixture
  - Environmentally sustainable: adaptable to climate change
What is a Medina integrated project?

- Improving the accessibility to and from the medina
- Improving the accessibility within the medina so services reach everybody

- Providing sewage and drinking water
- Promoting energy efficiency
- Strengthening climate change resilience and promoting adaptation measures

- Regeneration of cultural heritage.
- Providing opportunities for local and external entrepreneurs
- Reinforcing local craftsmen by creating labelling
- Enhancing the population skills so as new business will create opportunities for the local population.

- Adequate housing for everybody
- Basic social services and facilities (education, health, etc.)
- Social mixture
- Employment opportunities
- Open spaces for everybody

Environmental integration
Spatial integration
Economic integration
Social integration
Financial sources

Framework loan/direct national financial sources/grants
- At national level for the rehabilitation and enhancement of basic infrastructures, certain listed buildings, social housing.
- Technical assistance for building up a solid Project Implementation Unit and support municipalities and ASM.

Investment loans
- Investment loans if needed for the implementation of large municipal projects: public transport national or local financed.

Micro-financing with local intermediary banks / funds
- At the municipal level for municipal small schemes, social services infrastructure, social housing.
- At the individual level: housing and SMEs’ projects.
- Technical assistance located in the municipality to support private investments in housing and business development.

Grant co-financing
- For technical assistance, training, capacity building.
- For key social and environmental components which are not revenue generating, to kick-start micro-finance lending.