

CAPACITY BUILDING DAYS
on the occasion of the 5th ANNIVERSARY
of the 7 MOST ENDANGERED Programme



**TOWARDS AN INTEGRATED APPROACH TO
CULTURAL HERITAGE FOR EUROPE**
(from a financial point of view)

2018 
EUROPEAN YEAR
OF CULTURAL
HERITAGE
#EuropeForCulture

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The EIB Institute



Raison d' être

- The EIB Institute was set up within the EIB Group (European Investment Bank and European Investment Fund) to promote initiatives for the common good in Europe, mostly in EU Member States.
- This includes reducing inequalities, enhancing knowledge, innovation and competitiveness and ensuring cohesion throughout Europe. This is implemented via three strategic programmes: the Knowledge Programme, the Social Programme and the Arts and Culture Programme.
- With the support of its network of partners, the Institute is a catalyst for social, cultural, educational and research activities directed towards economic and social development.

Collaboration with Europa Nostra (EN)

- Since 2013, the EIBI (and the CEB) carries out the appraisal of “ The 7 most endangered sites” EN identifies yearly. The result consists of a technical report to be submitted to financial institutions and public administration for financing the projects.
- In 2015, the document “TOWARDS AN INTEGRATED APPROACH TO FUNDING CULTURAL HERITAGE FOR EUROPE. Contribution by the European Investment Bank to funding Cultural Heritage”, by M Aymerich, was made public through the websites of EN and the EIBI. In 2016, 7 new sites (plus the safeguarding of the Venice Lagoon) have been identified.



Valuating CH sites/routes

In brief, the total value of a cultural heritage good may be divided into a number of categories, meaning that the total value of a CH good can:

- Generate tangible monetary flows due to its use-value (tourism, visits to museums, land/property price, related business and/or employment, social tangible capital). It is worth noting in this context that the assessment of populations potentially being attracted by the site needs to be done considering both its relative competitiveness compared with other neighbor sites (or their complementariness) and its actual capacity to attract medium/long distance visitors.
- Produce external beneficial effects for the community (image, environmental sustainability, attractiveness). Air and water pollution, for example, will affect the health of residents. To some extent, the benefits of actions to address these problems can be valued separately, just as they would if the site did not have cultural significance, but integrating them into the analysis is always positive.
- Take a non-use value. Within this category the non-monetary value is associated to the sustainability of the asset to be transferred to the next generation (bequest value) or is considered as having an “existence value” related to the uniqueness of the asset (aesthetic, spiritual, historical, symbolic, authentic, identity)
- Hold an intrinsic value related to its existence, which derives from the uniqueness and/or historic significance of the site, even not producing revenues or other material income at present. Or, hold an option value for its potential future use, which derives from the possibility that although a site appears un-important now, information received later might lead us to re-evaluate it.





Funding projects (4 alternatives)

- Internal own funds (corporates, public administration budget)
- “Free of cost” funds
 - Donations (private/public sources)
 - EU Cohesion Policy Funds (grants)
- Standard financial products (banks, other IFIs)
 - Loans / Investment funds
 - Blending (loan + grant)
 - Risk sharing facilities
- Financial instruments (mixed = EIB + EC)
 - Holding funds (e.g. JESSICA)
 - Equity, Guarantees (e.g. JEREMIE, EIF)
 - Leasing
 - Project Bonds



An overview on sources providing funds for financing Cultural Heritage related issues

- **EU Commission funds for research**
- **EU Commission grants for financing projects under the Cohesion, Agricultural, Maritime and External Policies**
- **Other EU funds, namely promoting sustainable tourism**
- **International grants for Cultural Heritage preservation**
- **National funds (e.g. Italy, Spain)**
- **Public-private financial instruments, for Cultural Heritage conservation**
- **EIB lending products and advisory services supporting Cultural Heritage investments**



EU Commission grants under the Cohesion Policy



COHESION POLICY

The EU's cohesion and rural development policies can be instrumental in promoting the restoration of cultural heritage, supporting cultural and creative industries and financing the training and upgrading of skills of cultural professionals.

- **General Regulation on Structural and Investment Funds**

Cultural heritage investments are possible under the specific regulations of cohesion policy (overall budget € 325 bn)

- **Regional Development Fund** (at least 5% must be dedicated to the urban sector)

ERDF should contribute to the thematic objectives of fostering high employment that results in social and territorial cohesion, including activities supporting sustainable tourism, cultural and natural heritage.

- **Social Fund**

This fund can give support to SMEs with activities related to the cultural heritage sector.

EU Commission grants under the Agricultural and Maritime Policies



COMMON AGRICULTURAL POLICY

European Agricultural Fund for Rural Development

One of the instruments of the CAP, the European Agricultural Fund for Rural Development aims to promote social inclusion, poverty reduction and economic development in rural areas. It will continue to support restoration, maintenance, and upgrading of cultural and natural heritage of villages, rural landscapes and high nature value sites.

MARITIME POLICY

European Maritime and Fisheries Funds

Growth and Jobs in Coastal and Maritime Tourism encourages the diversification and integration of coastal and inland attractors, including through transnational thematic itineraries like cultural, religious or ancient trade routes; and suggests Member States to develop cultural heritage based tourism, underwater archaeological parks (based on work done by UNESCO), and nature and health tourism in coastal destinations.



CANDIDATE AND POTENTIAL CANDIDATE COUNTRIES

In the enlargement context, bilateral and regional cultural cooperation activities are recognized as making a fundamental contribution to the promotion of European values and intercultural dialogue; in particular in the Western Balkans.

- ✓ **IPA II (2014-2020) will build on the results already achieved, including for cultural heritage projects. In addition, funding for heritage purposes is also provided through bilateral Actions.**
- ✓ **The Integrated Rehabilitation Project Plan/Survey of the Architectural and Archaeological Heritage (IRPP/SAAH), better known as "Ljubljana Process I", developed a methodology to rehabilitate sites and contribute to economic development and reconciliation.**



EUROPEAN NEIGHBOURHOOD POLICY

Eastern Neighbourhood

- **Cooperation in the cultural field, including heritage, is promoted in the context of the Eastern Partnership**
- **Within this context, the "Tbilisi declaration" (2013) provides confirmation from the Eastern Partners of their intention to pursue the reform and modernization of their cultural policies and to fully implement the 2005 UNESCO Convention.**

Southern Neighbourhood

- **The Strategy for the development of Euro-Mediterranean cultural heritage has been destined to be a reference for regional, bilateral or cross-border cultural cooperation in the Mediterranean area.**
- **The Euromed Heritage program has represented a milestone in the process of recognizing culture as a catalyst for mutual understanding between the people of the Mediterranean region.**

|| National funding of Cultural Heritage (the Spanish example)



The Spanish National Conservation Plans are referred to in the Decree establishing the Spanish Cultural Heritage Institute ('Instituto del Patrimonio Cultural de España')

Since 1980, in agreement with Regional authorities, several plans have been developed, dealing with the restoration of:

- ❖ Cathedrals
- ❖ Defensive Architecture (castles, highlight ramparts, watchtowers, etc)
- ❖ Abbeys, Monasteries and Convents
- ❖ Traditional Architecture (namely rural assets)
- ❖ Industrial Heritage (in particular from the XIX Century)
- ❖ Works of the XX Century

The Ministry of Public Works (Ministerio de Fomento) dedicates 1.5% of major projects' budget to funding these Plans through an agreement with the Ministry of Culture.



Non EU public funds



NORWAY GRANTS / ICELAND, LIECHTENSTEIN (EEA)

Norway provides grants to support cultural heritage. EEA also support programs in 14 beneficiary countries in Europe, which aim at conserving and revitalizing cultural and natural heritage and improving public accessibility.

SWITZERLAND GRANTS FOR THE PRESERVATION OF (MOVABLE) CULTURAL HERITAGE OF OTHER STATES

In exceptional cases, state authorities and international organizations can apply for financial assistance to ease the restitution of cultural heritage of States party to the 1970 UNESCO Convention.

JAPANESE FUNDS-IN-TRUST FOR THE PRESERVATION OF WORLD CULTURAL HERITAGE

This Fund finances projects aimed at preserving and restoring monuments, sites and archaeological remains of a great historical or artistic value, in particular in developing countries

THE USA AMBASSADORS FUND FOR CULTURAL PRESERVATION

Supported projects include, among others, the restoration of ancient and historic buildings and protection of important archaeological sites.

Private funds potentially providing support to Cultural Heritage



REVOLVING FUNDS are structures frequently acting in cultural heritage preservation. They can be described as pools of capitals from which the revenues are reinvested into a specific activity and can be compared to the French “fonds de dotation”. A Fonds de Dotation is a non-profit moral person that receives and capitalizes goods and rights that are brought to him in a free and irrevocable way. It uses the revenues of the capitalization in order to achieve a mission of public interest or redistribute them to assist a non-profit moral person in its general interest activities.

BUILDING PRESERVATION TRUSTS are another form of revolving funds that are mostly present in Great Britain, Ireland but also Switzerland. The Landmark Trust (Great Britain) is a charity created in 1965 that manages pools of capital. Thanks to its revenues, it rescued more than 200 historic and architecturally interesting buildings and their surroundings from neglect. Once they have been restored, the buildings are turned into places to stay for holidays, which gives a new functionality to the unused building.

Investing in CH projects



International financial institutions (IFI) need to take funding decisions based on objective data and analysis.

For the purpose of deciding whether or not to invest in a CH project, it is crucial to establish an economic value to CH goods, although in general, they are formed of mixed components, showing both public and private characteristics, as well as quantifiable and non-monetized values.



|| Taking funding decisions for CH projects



Although nowadays CH goods are considered something intrinsically valuable, it must be recognised that assessing material values embodies very subjective appreciations. This is due to the fact that socio-cultural characteristics (historic, symbolic, spiritual, aesthetic, etc), as well as non-use characteristics, imply that a lot of non-monetized elements intervene in its valuation.

In summary, it is not possible to recommend a unique method for carrying out the economic assessment of a CH good. Nevertheless, there are a lot of different methods (each one with intrinsic requirements and characteristics, producing different types of results). Depending on the available data (in many occasions only qualitative or mixed) and the final purpose of the investment, the expert will be confronted to select/apply the method (or combination of methods) he considers the most appropriate for the project.





The contents of an Appraisal Report



1. Summary
 2. Purpose, location
 3. Context
 4. Description
 5. Technical aspects
 6. Implementation
 7. Procurement
 8. Environment, sustainability, social
 9. Investment costs
 10. Operation and maintenance
 11. Business Plan
 12. Financing possibilities
 13. Conclusions: Proposed actions and recommendations
- Annexes (indicative):
- A. Location and pictures
 - B. Brief (recent) history of the Buzludzha Peak
 - C. The initial restoration project
 - D. Costs estimation
 - E. The National Historic and Natural Park, « Bulgarka »
 - F. Mission details...





Business plan (an example, I)



Object and planning

The object of the project is the recovery of the xxx Monument. The intention is... Steps to be carried out are as follows:

- Clarification of the ownership of the project (if needs be).
- Assessment of the current conditions of the Monument in order to define in detail and assess the costs of the actions to be carried out urgently (in principle, by the Government under an urgent declaration):
 - (i) cleaning of the interior and management of the existing waste
 - (ii) demolition of elements at risk or unnecessary in the future
 - (iii) urgent measures to put the building under safe conditions, including temporary protection against bad weather situations
- Stakeholder discussions (including professionals, students and the civil society) in order to identify the potential future uses of the Monument



Business plan (an example, II)



Feasibility studies

- ❖ Preparation of a technical Feasibility Study and full design of the main works to be carried out (the project), including a risks assessment and identification of major measures to mitigate them
- ❖ Assessment of the necessary investment costs for the construction of the project.
- ❖ Preparation of an environmental impact analysis, including mitigation measures during construction and best practice actions during operation
- ❖ Procurement of the main works
- ❖ Implementation of the project, following the specifications of the final design and the environmental impact conditions
- ❖ Assessment of the annual costs for the operation and maintenance of the Monument, including the identification of all required personnel
- ❖ Preparation of a marketing study, containing:
 - ❖ Analysis of potential demand, both including tourist and local visitors
 - ❖ Definition of tariffs and identification of potential subsidies
 - ❖ Characterization of main types of potential events to be organized
 - ❖ Preparation of dissemination materials using different physical or electronic support, and media
 - ❖ Insertion of the Monument into national and international cultural circuits
 - ❖ Marketing campaign
- ❖ Fund raising possibilities for financing the project



Business plan (an example, III)



Economic and Financial analysis

In order to assess the economic/financial viability of the project, it is necessary to carry out a cost/benefit (or multi-criteria) and financial analysis, which should result in the preparation of a cash-flow model covering at least 25 years (5 for preparation and implementation; and 20 for operation).

The main costs to be considered (per each year) are:

- ✦ Preparation costs (project design) and project management
- ✦ Investment costs related to urgent intervention
- ✦ Investment costs for the main works (the core of the project)
- ✦ Annual operation and maintenance costs
- ✦ Major repairs, renewals and/or improvements over the asset's life
- ✦ Reimbursement of loans and other financial products (interest and capital; guarantees)

The main tangible benefits the project would generate are: (i) revenues from tariffs and other activities related incomes; and (ii) subsidies and grants.

Other intangible benefits (not to be included into the financial model) are related to: (i) the generation of employment (both during construction and during operation) (ii) environmental aspects or incomes; and (iii) tourism attraction to the region and related business.

 Thank you



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