

## BANKABILITY CONSIDERATIONS FOR THE FINANCING OF URBAN HERITAGE PROJECTS

### Some Considerations in Financial Set-ups and **Bankability**

The following considerations are essential for determining to what extent a built heritage project is bankable at a particular time:

- I. **Macro-economic considerations:** overall macro-economic considerations of the country, debt level, etc.
- II. **Sectoral considerations:**
  - Intersectoral (priority of the particular project vs. another project such as a power plant.
  - Intrasectoral (priority of the particular project vs. another project, such as a given rehabilitation or “restoration of shanty towns” nationwide).
- III. **Budgetary considerations:** availability of funds by potential international financiers, programmed for the period of project implementation.
- IV. **Policy considerations:** affordability by beneficiaries, extent and mechanism of cost recovery, voluntary displacement and resettlement of population, land tenure, rent control, etc.
- V. **Technical considerations:** appropriateness of standards, consistency with level and type of demand, procurement procedures and practices, etc.
- VI. **Institutional considerations:** planning, implementation and supervisory capacity and authority of responsible institutions, coordination and agreement between relevant agencies with different responsibilities, etc.
- VII. **Financial considerations:** availability of counterpart funds, sufficient and timely budgetary provisions, balanced programming and allocation of funds among relevant ministries/ agencies/institutions, etc.

Given the preceding considerations, the decision on whether to pursue financing for the “bankable” elements of the proposed programme by an international development organization (such as The World Bank) is up to the authorities responsible for the restoration and preservation of the site. Once this has been determined, the following steps are recommended:

- a) Ensure the support and commitment of the corresponding national financial bodies (Ministry of Finance, etc.)
- b) Include the project in the agenda of the organization in charge of international cooperation (Planning Institutes, Ministry of Foreign Affairs, etc.)
- c) Discussion of the project concept and the scope during the dialogue with the international development agencies.
- d) Prepare in parallel, a project proposal document which will synthesize the different works carried out to date and will present the project’s objectives, feature priorities, approach and a preliminary analysis of its technical, economic, financial, administrative and social aspects in view of the considerations of the previous sections.
- e) Involve any interested international development agency(ies) in the review and follow-up of the project proposal document so that it (they) may include the proposal in its

(their) work programme(s).

- f) Present the project proposal document to the above and other financing sources as the basis for obtaining financing for detailed feasibility studies under ongoing projects or as advances for project preparation.
- g) Discuss and agree with one (or more) such entity(ies) on the financing of the project as appraised on the basis of detailed feasibility studies.

Lastly, we must underline that grants, loans, may they be national or international, are not necessarily the only ways of resource mobilization.

Municipal financing, site protection programmes entailing financial and economic considerations and basic reforms for financial management are of importance.

***It is not a question “to sell” a historic site to donors, banks, foundations or philanthropists; it is a matter of also looking at the financial management dimension of the safeguard of historic cities.***

Here are some views on this subject:

### **1. Problematic**

In a city like Havana Vieja, Panama, Willemstad, Cartagena, or to that matter the historic center of Bahia, Quito, Lima, Cairo, Istanbul, Samarkand, Vilnius, Fes, there is a financial reality attached to the historic political, urban, social and economic conditions of such historic centers.

These, no doubt, determine to a great extent, the philosophy and the actual dimension of the safeguard of the historic city.

Well organized historic cities with traditions, commercial activities and habitat require, in financial terms, more and more revenues as these cities are facing ever increasing expenditures which cannot be controlled.

The dilemma is that the fiscal puncture (to tap resources) at the Municipal and/or Regional level is extremely weak. The Central Budgetary Allocations are also very limited. **What should one do to achieve a budgetary equilibrium?**

### **2. Tools**

The local public finances constitute the central pillar of all efforts for urban reform and restructuring.

These finances find themselves at the intersection of big Political choices (decentralization and deconcentration) Economic choices (municipal services and commercial activities, industries, visitation, tourism, etc.); and Social choices (city suburb, urban segmentation, zoning, etc.)

The safeguard of a historic city must be analyzed in terms of programmes in search of finance. The tools which a historic city has, would have to be examined very carefully.

These tools are:

- Local tax and annex punctures
- Budgetary allocations from the State
- Revenues emanating from activities and services
- Multilateral and bilateral contributions

- Private contributions (fund raising and sponsoring)
- Possible financial loans at the local or regional level

### 3. Approach

It would be judicious to start a meticulous study of unengaged tools and to identify the priority and conditions of intervention.

In this context, it is absolutely essential to put into light the possible financial resources and to evaluate the efficiency and the grade thereof.

It is only when this identification process has taken place from bottom-up that enterprise becomes possible in order to undertake the work of communication, education, and consciousness. There can be no fund raising or communication and marketing if there is no freedom of a corporation dealing with the financial facet. ***One cannot sell the safeguarding of a city. One can safeguard financial investments leading to a self-sustained safeguard programme.***

### Environmental Considerations

Both municipal and national authorities are showing concern for environmental problems with an increasing awareness of the link between the environment and conservation.

This is particularly true in mixed sites and the archaeological sites which have a close interaction with the natural environment, and the mutually destructive position could be reverted to a mutually constructive situation when both aspects are taken into consideration in conservation policies and programmes. This needs an institutional approach by pragmatic actions and not merely the creation of complex institutional bodies miles away from the WHS.

The concept of urban heritage is a new approach to conservation of historical areas and their environment. ***It implies an increasing need to involve its inhabitants, at all levels, in the design and execution of projects and opening new ways for obtaining credit for housing and basic urban services.***

Environmental problems afflicting cities and specially historical areas, constitute a new variable in the new century and should be taken into consideration in the conservation of buildings and as regards the quality of life of its residents.

Environmental problems affecting historical cities are divided into two basic sources:

- Those caused by forces of nature among which the most salient are earthquakes, hurricanes, tsunamis, volcanic eruptions, etc.

Based on the last tragic experiences which affected the world, we should consider the need for taking preventive actions regarding earthquakes or other disasters, as well as corrective measures which will allow the preservation of the urban cultural heritage.

Both actions refer to construction standards suitable to the seismological characteristics of each city and to restoration techniques which in many cases are archaic and obsolete. Emphasis is given to the application of scientific methods for the conservation of monuments and urban complexes in order to ensure that rehabilitation work is appropriate to geological and natural conditions. **This includes the use of suitable materials, foundations, etc.**

- Environmental problems which result from atmospheric conditions and refer to particles suspended in the atmosphere as a consequence of transformation processes such as **carbon monoxide, sulphurdioxide, the ozone**, etc.

These problems, as well as those derived from transportation, trash accumulation, faulty road system, street vendors, etc., require municipal management policies which take into consideration environmental variables with special emphasis on historical cities.

For this purpose, there is a need to establish recovery programmes for the inner city through urban plans which contemplate re-utilization of empty lots occupancy, of underutilized buildings, improvement and efficient use of infrastructure, equipment and services contained in these consolidated areas.

In relation to atmospheric aspects and with the purpose of establishing policies and programmes according to the characteristics of each locality, the following problems should be addressed as they afflict the urban environment specially in historic areas:

- The volume of contaminating emissions;
- The quality and type of fuel utilized;
- The type, condition and operation of fuel-using equipment and of industrial operations;
- Fuel and emission control technology assistance for operation of vehicles and industrial plants;
- Knowledge of the condition of local vegetation, soil texture and composition in suburban areas surrounding the cities;
- Location and meteorological conditions of areas which encircle the city.

The proximity of some polluting factories or plants near to archaeological sites is a threat which must be controlled in accordance with the circumstances of the given sites. Protective measures for mural paintings and rock paintings in some sites are indispensable using simple and yet high-tech protective systems and if necessary the actual closure of the sites or parts thereof.

**Most monitoring reports have identified the lack of global master plans and the insertion on those of conservation master plans.**

**Master plans for conservation seem to be a prerequisite for adequate management of a given site, may it be archaeological, historic city or mixed site.**

Nonetheless, we should be cautious in recommending medium and long-term master plans which bring about in the best of scenarios an accumulated set of studies, research work and plans with no tangible immediate results for the actual conservation of the totality of the site and/or parts of it in an operational way. **Open-ended master plans are needed.**

Recommendations to that effect, therefore, should be looked upon as legal and institutional frameworks within which specific projects could be built in for conservation management work in all facets of its terminology.