

SOME FURTHER REMARKS ON FUNDING

Cultural Heritage started becoming a sign and feeling of pride not only for restorers and conservators, but also for other parts of the community, such as local Governments, central Governments, Universities and tourism organizations.

We should bear in mind that increasingly so, there is consensus that the prime objective of conservation of heritage landmarks in Historic Cities and their enhancement, maintenance, reuse, recovery, etc., have to go hand in hand with all elements of Sustainable Urban Development which addresses itself to the human face of the city, the urban poor and obviously issues of infrastructure, water sanitation, waste disposal management etc.

The concept of urban heritage is a new approach to the conservation of historical areas and their environment.

Politicians are sending messages towards **livable** and **visitable** places. The conservation community, who has been very active in the 60's, 70's and part of the 80's, has played a major role, and it now corresponds to this group and new generations to integrate themselves to current trends of integral conservation, and thus have much more of a **practical** approach to the problem, as opposed to conservation and regressive attitude to restoration in function of **merely a present for the past**. It is the **present of the future which is at stake**.

It implies an increasing need to involve the inhabitants at all levels in the design and execution of projects.

This attitude, if it were to be shared and taken as a political will by authorities concerned, would shed new lights onto the whole question of funding projects of rehabilitation and conservation.

Funding in the past has been for monuments in the form of grants (national, private, international). In historic cities, the isolated approach has not been positive in terms of the sustainability of the monuments and their environment. It has been a good training ground for professionals.

Funding has been looked upon as grant receiving, particularly from international organizations and private foundations. There have been very successful technical assistance programmes for training, equipment, consulting services from International Donors, including the elaboration of **Master Plans for Historical Cities Finances** and other elements inherent to project design.

Project finance has been looked upon in the past as a phenomenon of “selling a historic site” to donors, banks, foundations or philanthropists.

The rehabilitation of a Historic City goes beyond selling.

It refers to establishing a **solid financial** base for the management at the municipal level of the Historic Cities/Centers with a clear **dimension of safeguard and development**.

In a city like Quito or Fez or Havana, Bahia, Zanzibar, there is a financial reality attached to the historical, political, urban, social and economic conditions of the historic centers/cities. These, no doubt, determine to a great extent the philosophy and the operational and financial dimensions and the management thereof, of the historic compounds.

Organized historic cities with traditions and habitat, require in financial terms, more and more revenues as these cities are facing ever-increasing expenditures, due to **new phenomena of urbanization, population growth, security, violence etc.**, which can not easily be controlled.

The dilemma is that the fiscal puncture (to tap resources) at the Municipal level, is extremely weak in developing countries.

The central budgetary allocations are also very limited. There are at times political differences between the central and local Governments, and hence, **conflicts of interest, and hence, of funds**.

What should we do to achieve a budgetary equilibrium for adequate funding?

A number of Brazilian Historic Cities included in a major 800 million dollar loan of IDB (with 10% allocated to historic cities), for tourism and municipal services did not get off the ground when it came down to Historic Cities, simply because their municipalities did not have neither

the funds nor the know-how to prepare projects for the Northeastern Brazil Bank managing the IDB loan.

Other examples show various pros and cons.

This is very serious. Municipal Governments should be supported to have the financial basis to become partners with loans and grants for urban rehabilitation.

Local public finances constitute therefore the central pillar of all efforts for urban reform and restructuring, and in the case of Historic Cities, urban heritage management.

These finances find themselves at the intersection of enormous political choices (decentralization and de-concentration); economic choices (municipal services, commercial activities, industries, visitation, tourism, etc.); and the social choices (city, suburb, urban segmentation, social exclusion, zoning, etc.).

The safeguard and rehabilitation of a Historic City need to 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
- Private contributions, fund raising/sponsoring
- Private/public partnerships
- Possible financial loans at the local and/or regional level
- Multilateral and bilateral technical assistance grants
- Multilateral bank loans
- National loans

It would be judicious for historic city managers at the municipal level to initiate a meticulous survey 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.**

We cannot sell the safeguarding of a city. **We could safeguard financial investments leading to a self-sustained safeguard programme.**

There are innovative forms of financial inputs from the national and international levels benefiting directly the conservation of historical elements and the welfare of the inhabitants along with the physical, environmental and human surroundings of a Historic City.

It is becoming more and more evident that whereas in the past Technical Assistance in various areas has been useful and opportune from UNDP, UNESCO and bilateral sources, etc., that large-scale **funding sources must be sought, based on the economic energy of Historic Cities.**

The services provided, the improvement of concepts of municipal finance, the reutilization of historic buildings for adequate new services, both social and economic, as well as the interrelationship to so-called modern areas of the city, have to be attractive elements for investors to participate in Historic Cities rehabilitation.

Institutional set-up for project design and implementation, a major bottleneck for mobilizing resources and adequate financial management, should be looked upon right from the beginning. This is a must.

The World Bank, for example, is encouraging borrowers to incorporate into their environmental action, plans and major cross-sectoral issues, including cultural heritage. Where cultural property conservation is determined to be a priority, environmental action plan can analyze and may include data on environmental or human-induced risks to the preservation of specific cultural property sites, and **investment requirements associated institution-building needs.**

The World Bank and the IADB consider the conservation of cultural property to be a part of the Sustainable Development process as the society's or social group's important cultural values are often reflected in cultural property. Moreover, activities stemming from sound culture property conservation programmes may provide opportunities to generate local employment, as well as local/regional revenues.

Tourism and other income generating forces need to be put together. Tourism cannot be the magic key for investment.

The international banking community is now supporting and seeking further participation in development projects of sustainable order with cultural property conservation components. There is an analogy with **environmental considerations which have been incorporated** in the programmes of loans of the international banking community over the last decade.

As one of the aspects of Historic City life is urban poverty and social exclusion, there is a trend to improve the quality of life of inhabitants of cities through Historic City programmes in ways that at the same time improve the urban environmental context and preserve and enhance cultural values, conserving adequately the built urban cultural heritage.

But this is not all. Heritage is an economic resource. It can serve for visitation and tourism. It can only be sustainable if it addresses itself simultaneously on **poverty alleviation** within the SHD context.

The following is now of relevance.

Preservation of Historic Cities is essential to the very well-being of our urban agglomeration, as the old city centers often function as the very heart and soul of these agglomerations.

Decay in the center of a human settlement ripples disregard and disrepair.

As Historic Centers are often the places where the people of low income reside (a fall from splendor to squalor), to preserve the Historic City is to improve the living conditions of the **poor by reducing poverty and upgrading the urban environment and infrastructure.**

In the past, full-scale feasibility studies were undertaken by banks to assess the financial participation in heritage and/or Historic City rehabilitation. Presently there seem to be criteria which go beyond economic considerations.

Nonetheless, investments need returns to be reinvested hopefully in socially and economically viable programmes.

The case of Havana in Cuba is worthwhile noting. With no international investments or loans, but simply bilateral joint public/private partnerships, a comprehensive work has been done with revenues sufficing not only for monuments and sites, but also some social, educational, health services in Old Havana, and funds flowing from the local to the central level. This is a sui generic case for reasons well-known, but the management of the financial resources and their use for the city rehabilitation is a unique case, which in a way, under other circumstances, could well be called a typical private/public partnership. An evaluation of this **model is in place to see its replicability in market economy conditions.**

Loans for rehabilitation of Historic Cities and/or built heritage as such, and including integral projects of multi-sectoral nature in Historic Cities, need to be justified in terms of what we would call their bankability.

While we accept and advocate that integral rehabilitation is bankable in principle, the following considerations are essential for determining to what extent a 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, and other government bodies. 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.