Funding sources for preserving Cultural Heritage Monuments and Sites

The specific case of the "7 Most Endangered" Initiative by EIB-I and Europa Nostra

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Summary and Conclusions

This text was written to provide to individuals and associations interested in heritage preservation, and notably in the "7 Most Endangered" initiative, a non-technical overview on possible funding sources to support their projects. The text will need to be updated as the details for future schemes unfold, notably as the EU support in the 2014-2020 period is increasingly put into place.

The basic conclusions can be summarised as follows:

- While the need to preserve cultural heritage is widely recognized, the availability of the financial resources to do so is often deficient. This is particularly the case in the poorer regions in Europe (but see chapter on EU grants further below); moreover, the economic crisis has often reduced the budgetary allocations for culture in general and heritage conservation in particular. It has also made it more difficult to mobilize private funding sources.
- Contrary to what the presence of banking institutions in the "7 Most Endangered" cooperation may suggest, the desirable funding of most of the selected monuments should NOT be simply based on (repayable) loans, but rather on a combination with grants, guarantees, donations, revenues and other non-repayable funding streams.
- The funding of the investment cost represents only one part of the overall funding need for preserving cultural heritage. The larger part over time are the regular operating and maintenance (O&M) costs; unfortunately these tend to be too often forgotten at the outset, perhaps also because the funding sources and the donors may be different for the investment and the O&M costs.
- EU grants which could inter alia support heritage projects are a priori available in the EU's poorer "convergence regions"; the richer regions in the EU have less access to such grants, but may be more able to come up with some funding from own resources, given their higher income level. The candidate countries, which are often even less developed than the convergence regions, have clearly less access to EU grants, or indeed to other substantial international grants, though some bilateral sources may exist. At the same time, they will on average have a lower capacity to generate own resources for heritage conservation.

[1] Previous drafts have benefitted from discussions with and comments from a number of colleagues, notably from EIB and EIBI. Any remaining errors are obviously of my own responsibility

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1. Introduction: Heritage funding under tight budgetary conditions

While the need to preserve cultural heritage is widely recognized, the availability of the financial resources to do so is often equally deficient. This is particularly the case in the poorer regions in Europe (but see EU grants further below); moreover, the economic crisis has often reduced the budgetary allocations for culture in general and heritage conservation in particular. It has also made it more difficult to mobilize private funding sources.

There is thus an urgent need to use available resources as efficiently as possible and to assess ways to tap into new funding sources (e.g. private capital, foundations etc.) in order to complement the traditional but all too often scarce and irregular budgetary funds. The issue is even more pressing if we go beyond the case of well-established cultural monuments and turn instead to sites which have so far been rather neglected and risk to become irremediably lost unless action is taken soon – and funded – to preserve and restore them.

At the same time, a successful restoration and valorization of cultural heritage can have both significant cultural and economic benefits at the local, regional and even national levels, in terms of improving a region's standing for investments, increasing or redirecting tourism flows and spending, creating and upgrading local employment, etc.

This overview has been drafted in the context of the "**7 Most Endangered**" cooperation initiative between the EIB Institute and Europa Nostra, also associating the Council of Europe Development Bank. The "7 Most Endangered" programme was launched in 2012; in June 2013 the first cohort of "most endangered" sites and monuments was publicly announced and the site visits in order to sketch a credible action plan for each of the seven sites are currently ongoing.

The selected projects in 2013 are:

- Roman Amphitheatre of Durres in Albania
- Buffer Zone in the Historic Centre of Nicosia in Cyprus
- Vauban's 17th Century fortifications in Briançon in France
- Renaissance Monastery of San Benedetto Po in Italy
- 15th Century Monastery in Setubal in Portugal
- Historic Mining Landscape of Rosia Montana in Romania
- Armenian Church of St. George in Mardin in Turkey.

Once the technical assessment of these sites and of the priority preservation measures (possibly phased over time) has been established, costs have been estimated and the basic economic rationale of the investments has been analysed, the issue of the **funding** of the necessary investments will come up prominently. This overview can also be helpful when it comes to fund the investment cost of heritage projects other than the annual cohort of the "7 Most Endangered".

Contrary to what the presence of two banking institutions in the cooperation initiative may suggest, the desirable funding for most of the selected monuments should NOT be simply based on (repayable) **loans**, but rather on a **combination with grants, donations, revenues and other non-repayable funding streams**. Accordingly, this document aims at providing such an overview of available funding sources, at a public and private as well as at a national and international level. The "**optimal" funding mix** for each project will vary, but it will generally consist of a combination of the funding sources discussed below in some further detail. Such combination of various funding sources is all the more necessary as most individual sources will not be able to finance the entire cost of the conservation measures. For instance grants from EU Structural Funds do not exceed a maximum of 85% of so-called public cost, and will often be lower than that, EIB or other loans tend to be limited at 50% etc. Such limitations may be related to budgetary constraints, but they also reflect the more philosophical approach that a grant should support, but not fully replace the efforts by the owner or promoter of the project.

Another point to keep in mind is that few if any funding sources have been set up specifically or even exclusively to support heritage preservation. Rather, in most cases funding sources will aim at a wider spectrum of objectives and activities, including, inter alia and sometimes even only marginally, heritage projects. It is important to screen and understand such **"eligibility" considerations** before approaching the funding sources and also to keep in mind that the own project does not only compete with alternative heritage projects, but also with project ideas from other origins and sectors for ultimately the same funding. It also implies that the attribution criteria will often be based less on a project's intrinsic cultural and heritage value, but rather on its expected contribution to e.g. regional development, employment and competitiveness (e.g. through tourism), and that the planned restoration investment will need to satisfy a series of relatively strict conditions relating to such aspects as **environmental protection, social standards or procurement rules**.

Last but by no way least, it should also be underlined that the funding of the **investment cost** represents only one part of the overall funding need for preserving cultural heritage. The other part, which over time even stands to become the largest one, is the regular **operating and maintenance (O&M) costs**. Unfortunately these tend to be too often forgotten at the outset, perhaps also because the funding sources and the donors may be different for the investment and the O&M costs.[2]

2. Public funding from national/regional/local sources

Most funding for heritage preservation stems from national or regional/local sources. The break down between these levels will vary according to the national organization of a country: in centralist countries the national budget will be the most important source, whereas federal states are more likely to attribute such funding responsibilities and decision power to the regional or local level. At the same time, the more local the funding source, the better it may cater to specific local needs and preferences; however, this can also work at the expense of the overall rationality and cross-regional comparability of the funding decisions. Moreover, the national or regional funding capabilities will often be correlated with the economic conditions and wellbeing; accordingly, the poorer a given nation, region or commune is, the less funding resources it will generally be able to allocate to heritage preservation – as indeed also to other types of expenditure.

Given the multiplicity of possible constellations, this overview cannot deal with them in detail. It is however important to underline the importance of public funding sources within each individual country, and to stress the need for their systematic exploration; this should be the first "port of call" for any initiative aiming at heritage preservation. De facto, it will also be important even if international funding sources are being primarily targeted, as they will often become accessible only if the national or regional authorities signal their active support or at least give a green light.

Moreover, it is important again to underline that in particular O&M costs will frequently need to be supported by national/regional/local sources, in addition to any own revenues generated on the sites. Thus, while investment support may move "upwards" to national or even international sources, the coverage of O&M costs will most frequently move "downwards" to regional or local sources. This also means that in periods of economic instability, the O&M costs may well become the first ones not be covered anymore; hence the need to dimension heritage investment in a way to ensure a sufficient O&M coverage thereafter.

3. Private funding sources

In many countries heritage preservation is seen as primarily or exclusively a public task (apart from efforts by the possibly private owners of the monuments and sites). But this attitude may conceal the possibility for wider private funding which could complement and in some cases replace public funding. While Anglo-Saxon countries have developed a stronger tradition of also mobilizing private funding, impressive cases of mécénat can also be found in other countries[3].

[2] Reference should also be made to a similar guide book which focuses specifically on forestry projects, but many parts of which could also be consulted by people interested in heritage-related projects, as the financing challenges and options are often parallel: "The little forest finance book", published by GCP/Global Canopy Programme (www.globalcanopy.org)

[3] An interesting overview with a lot of practical examples is provided for the specific case of Israel in the report "Cultural Heritage as an Economic Development Resource in Israel" published in 2011 by the Milken Institute.

In principle, five types of mainly private funding sources can be distinguished (though they will in practice overlap to some degree). Defining what could be the “optimal mix” between them and with public sources will depend a lot on the specificities of the site or monument

a) **Funding by private owner’s resources:** If the site or monument is owned privately then its preservation costs should also be (largely) borne by the owner. This is in particular the case if the monument is to be used privately, as is the case e.g. for certain historic town or farm houses, castles, etc. However, it may well be that the owners cannot support all the cost for a monument whose preservation is also considered in the public cultural interest. Such may in particular be the case for the exterior of historic buildings (e.g. facades), or for the corresponding gardens and parks, but it can also apply to interiors. In such case the complementary support by public or third-party private funding sources can be justified; however it should be accompanied and normally indeed conditional upon making the supported site or monument accessible to the public, at least to a degree which reasonably balances the private owners’ privacy with the public interest in acceding to subsidized heritage. For instance parts of castles or palaces may be opened to the public, and so can be parks at certain times, etc. A similar approach should be used e.g. for churches/worship places of heritage value, monasteries, etc.
b) **Funding by third-party private sources:** In a number of countries private or semi-private institutions or foundations exist which support heritage-related expenditure. Such is the case e.g. for the UK or the Irish National Trusts, as well as for their continental equivalents or for cultural foundations, such as the well-known Calouste Gulbenkian Foundation in Portugal, or the Fondazione Cariplo in Italy. Some major private companies also have their own foundation or support programme, which often includes heritage/cultural or artistic activities, notably if there is some geographical or thematic link to the company’s activities; admittedly, the current economic and financial situation may weight on the generosity of some of these schemes. Other support can be mobilized at the specific local level, e.g. through donations by local business or through a call for donations or sponsorships to the local population or to local charities. The new technique of “cloud financing” may further open new perspectives, on the condition that the promoters are technically sophisticated and transparent to make their case well known. In some countries, the emigrant population living in diaspora and possibly with higher incomes than in their country of origin can be mobilized to support heritage related investment; this could also be tried with (repeat) tourist visitors or with cities maintaining twinning arrangement ties. Some tourism destinations also levy specific tourism taxes (e.g. the German concept of Kurtaxe on overnight stays) which may support heritage activities.
c) **In-kind contributions from third-party sources:** It can be easier for some companies to support a project not by a financial grant, but instead by directly providing relevant goods or services needed in the preservation effort. For instance a local architect office may help in planning the restoration, a local building company may provide for part of the works, or a printing company may contribute to the catalogues for an exhibition. While the potential of such in-kind support should not be underestimated, it needs to be accompanied by a good quality control of the works and by keeping product placement ambitions within reasonable limits.
d) **Private funding sources for O&M costs:** Ideally, all O&M costs should be paid by the users of the sites or monuments, like the owners and visitors of museums, castles etc. However, this is not always feasible if the number of visitors is insufficient over the year, or if cost-covering entrance fees would become prohibitive for less well-to-do visitors. Accordingly, an approach similar to the one used for most public transport schemes needs to be undertaken, i.e. that a sizeable part of the O&M costs is provided from sources other than conventional user fees. In particular for heritage-related monuments, this may first of all consist in finding new uses for the heritage sites, which permit to levy non-conventional user fees from new customer groups. Museums e.g. can develop their

book/souvenir shops or catering facilities (including through outsourcing them via rental contracts), historic buildings can rent out part of the facilities for parties, marriage ceremonies or other appropriate social events. Various concepts mentioned in b) and c) above (sponsorships, in-kind contributions) can also be used in this context. While there may exist an inherent danger of "over-commercialisation" of heritage sites, it is probably also fair to say that the potential for developing a reasonable degree of revenue-generating activities remains more often underexploited.

e) **Use of heritage sites and monuments for new private use:** In appropriate cases the investment and/or the O&M costs of a heritage site can be largely or fully covered by new owners or users of the site, if it can be dedicated to a new use. Indeed, not all heritage buildings need to serve as museums or quasi-museums. In appropriate cases they can be transformed e.g. into hotels, office buildings or apartments. The Spanish Paradores or Portuguese Pousadas hotel chains are examples, so are the transformation of industrial heritage, harbour granaries or military barracks into office or apartment buildings. In appropriate cases this can be implemented through PPP-type structures (public-private-partnerships).

There is thus a wide array of private funding possibilities and their concrete use will depend on the specific monument, its heritage value, national legislation – but also on the imagination and innovation of the respective owners and interested associations. There is an increasing body of case-studies on when the use made of private funding sources in heritage monuments and sites has been successfully implemented – but also in some cases failed. The diversity of outcomes provides good rationale to further analyse and document such case studies, to distill the "dos and don'ts" and thus to provide a targeted body of evidence to the owners and managers of other heritage sites, and in particular to those of sites so far under neglect.

4. European Grant Funding sources within the EU

Introduction

Most European Funding Sources are only available for beneficiaries within the EU Member States, even though some resources are also made available to other countries, notably Candidate and Neighbourhood countries (see chapter 5.). It should also be recalled that article 3.3 of the Lisbon Treaty states that "*The Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced*". Despite this clear if new commitment, it is also true that subsidiarity considerations leave to the EU only limited decision making power in cultural heritage policy; on the other hand, the EU has a number of instruments to at least encourage such policy.

EU funding is typically programmed within multiannual periods; the current period covers 2007-2013, and a new planning period 2014-2020 is under negotiation. Accordingly, most figures and other details given below still refer to the 2007-2013 period and need to be updated to include the new programming period and any possible major changes thereto. Moreover it is important to recall that disbursement of EU grants given under the 2007-2013 period can take place until the end of 2015. This is all the more relevant as a number of (notably convergence) countries and regions currently experience **absorption problems** and will need to double their efforts to spend the grants originally earmarked until 2013 until end 2015 latest; incidentally, this also means that it could be relatively "cheap" for these countries to insert "last minute" heritage projects to replace delayed projects, as the alternative might consist in losing the corresponding grant amount from the EU Structural Funds.

The funding sources discussed below are considered as the main ones for heritage purposes. As already stated, none of them supports exclusively heritage projects; on the other hand, certain heritage related costs could also be supported through other EU funding mechanisms; for instance, heritage-related research could qualify under the current 7th Research Framework Programme (which e.g. has a ”Joint Programming Initiative Cultural Heritage”, or grants oriented at improving energy efficiency of buildings can also benefit to historic buildings. Also, DGEntreprise has recently invited proposals for cooperation projects to support transnational tourism based on European cultural and industrial heritage.

Each EU programme is framed by a more or less complex set of legal texts (EU directives and regulations). These texts are publicly available but can be difficult to interpret for the layman. The EU furthermore produces a series of explanatory brochures and also maintains in its Member States, as well as abroad, representative bureaus where further advice can be sought. The detailed management of these programmes is often entrusted to national bodies (often referred to as “managing authorities”) that set deadlines for receiving grant applications and, within certain limits, decide upon them autonomously. Institutions and NGOs involved in heritage issues should typically have one or several of their members following the relevant developments with such EU programmes, as well as their implementation at national level, and know in particular where and when to get additional information.

The European Structural Funds (ERDF, ESF and Cohesion Fund)

The situation for 2007-2013:

The EU Structural Funds, and notably the **European Regional Development Fund (ERDF),** support investment with primarily grants and throughout all Member States and their regions, with a special focus on the less developed “convergence regions”. The overall pluri-annual programming and prioritisation exercise at the national level is called “National Strategic Reference Framework (NSRF)”; it currently covers 2007-2013 and has been agreed between the EU-Commission and the Member State concerned. It was then broken down into several sector and/or region-specific “Operational Programmes” (OPs).

The OPs are further subdivided into a series of chapters or lines of actions, which reflect the various sector or regional priorities and which will over time be filled by a large number of individual projects and actions to be supported by the available grants; depending upon their nature, the projects can vary from a few thousand EUR to over one billion EUR for large infrastructure projects. An important feature of the EU Structural Funds is that their support is administered according to the “shared management” formula, i.e. that the overall priorities are agreed between the national/regional authorities and the EU Commission, but most follow-up decisions, like whether to include a specific project request or not under the funding, is taken at the national/regional level, with “Brussels” being informed within a programme monitoring committee process. Only “large projects” (defined as with an investment cost exceeding 50 million EUR) are individually decided upon at Commission level. Most heritage-related projects do not qualify under the “large projects” threshold and are thus decided upon at the national/regional level. The ERDF programmes typically also set aside a certain percentage of the grant volumes for technical assistance measures, in order to support the regions in identifying and preparing the project proposals; such support can e.g. also cover the cost of preparing the feasibility analysis for heritage projects. In some countries there is moreover a special advisory programme available for mainly “large projects”; it is called JASPERS and it mainly draws on sector experts managed by EIB.

Total Support through the EU Structural Funds over 2007-2013 amounts to as much as 347 billion EUR (in current prices); about 2/3 of this amount is reserved for the ERDF. It is subdivided into country envelopes, which are calculated based on indicators like the country’s population and development level; accordingly Poland benefits from the largest amount (67 bn EUR), followed by Spain (35 bn EUR) and Italy (29 bn EUR), but countries like Greece, Portugal or Greece can each count with some 20 bn EUR, and France with 14 bn EUR.

The Commission (DGCulture) estimates that the EU Structural Funds allocate some 6 bn EUR for culture-based projects during 2007-2013, of which some 1.8 bn for heritage projects. Heritage preservation mainly falls under the priorities of the ERDF, managed by DGRegio in the EU Commission. In the specific case of Italy, a dedicated Operational Programme has been created to support "Cultural and natural attractors and tourism" in Italian Convergence Regions (i.e. in the Mezzogiorno, but excluding e.g. the S Benedetto Po location); it seems now that part (up to 105 million EUR) of the therefore set aside 1 bn EUR of EU grants will fund the urgent preservation works in Pompeii. In the other countries no such dedicated Operational Programme exists, but heritage projects typically fall under specific chapters in the OP specific for each region; sometimes it may be the so-called "Regional Employment and Competitiveness OP".

The **European Social Fund (ESF)** mainly funds training measures to improve the workforce productivity or to support the labour market integration of disadvantaged groups. ESF may thus be important for heritage related projects to the extent that their implementation requires specific training and job qualification measures.

The Cohesion Fund supports mainly large transport and environmental infrastructure in the less developed countries; it is thus of limited direct importance for heritage-related investment[4].

As the EU grants cover only part of the total investment cost (up to 80-85% in convergence regions, but only 50-65% in other regions and 53% in the case of the dedicated Italian OP), the respective Member State has to provide a complementary funding from its (budget) resources; private sector contributions may also be needed. The **national contribution** can, within certain limits, be covered by a long term loan from the European Investment Bank (EIB); the loan amount is then to be amortised over a number of years.

The specific case of the Former Royal Estate of Tatoi near Athens (one of the shortlisted projects under the 2013 "7 Most Endangered" initiative) may serve as an **illustration**: various partial restoration works have been undertaken over the past decade, with funding provided through ERDF grants and/or national budget resources. This decision to use ERDF grants was taken by the Greek authorities under the "shared management" mode, they have informed "Brussels" on it, and it reflects their commitment towards this part of the national heritage, even though the amounts mobilised may be considered insufficient to guarantee a rapid and sustained restoration. More specifically, on-going restoration works are funded within the 2007-2013 Regional Operational Programme for the Attica region under the title "Preventive maintenance and Storage of all Objects of Historical Importance and Pieces of Art of the Interiors of the Palace at Tatoi". The estimated cost of the project is of 1.194 605 EUR, out of which 85 % stem from ERDF grants. The EIB also provides financial assistance to this project through its "EU Funds Co-financing" framework loan that supports the Greek national financing contribution. It is expected that the Greek authorities will decide to support more restoration works on the Tatoi site in the next round of Operational Programmes, which will cover the period 2014-2020 and are currently being negotiated.

The situation for 2014-2020:

The negotiations between the EU Commission and the Member States on the Multi-Annual Financial Framework for the period 2014-2020 are ongoing; EIB is involved for most key countries and sectors. The basic allocation structure will remain relatively stable: The country envelopes for the individual countries under the EU Structural Funds are expected to remain roughly the same and in any case largely exceed any reasonable amount which could be targeted at heritage preservation. Each country will negotiate a

[4] Overviews of the OPs per country exist, including contact and information points in the country; they are bundled e.g. in the brochure "Cohesion Policy 2007-13: National Strategic Reference Frameworks" edited by DGRegio in 2008

Partnership Agreement (so far called NSRF) and further break it down into a series of Operational Programmes. The first draft Partnership Agreements and OPs have been sent to Brussels and an ambitious timetable plans to finalise most of these documents before the end of 2013, though some overflow into 2014 seems likely.

Depending upon the internal set-up in the Member States, the government will involve regional authorities, social partners or NGOs into the negotiation process of the Operational Programmes; in such case it will be important to voice the needs for including heritage considerations under the ERDF (or LEADER, see next chapter) programmes. Support for technical assistance will continue to be part of most OPs. Renewed emphasis is being put on the "**increased use of financial instruments**", as an alternative to traditional grants. They have already been of some relevance in the past, e.g. when it comes to urban renewal programmes (Jessica), but they are unlikely to play a major role for heritage projects of the type of the "7 Most Endangered".

As was the case in the past, the ERDF grants in 2014-2020 will in priority, but not exclusively, go to projects located in the less developed convergence regions. This map of priority regions is to shrink somewhat in comparison to the 2007-2013 period; however, there may still be adaptations due to the on-going economic and financial crisis . In practical terms, it is easier for a heritage project located in a convergence region to benefit from ERDF support than for a site located outside – however, most EU sites selected under the "7 Most Endangered" initiative this year fall outside convergence regions. Still, such sites can also benefit from some ERDF support; as an example, ERDF has recently announced a 10 million EUR grant to support the restoration works concerning the Mont Saint Michel in France, thus covering 30% of total cost on a site in a non-convergence region. The fact that the selected sites are not located in convergence regions implies, however, that the maximum ERDF grant rate will be limited at 50%, which markedly increases the need for simultaneous co-financing from other sources. Also, the available ERDF grant resources will be subject to a more targeted allocation due to the so-called "thematic concentration"; accordingly heritage projects can only be presented for support if they fit into one of the selected themes, such as e.g. contributing to regional competitiveness.[5]

The European Agricultural Fund for Rural Development (EAFRD), including the LEADER programme

The situation for 2007-2013:

The Common Agricultural Policy finances, apart from its "Guarantee Fund", also the "Rural Development Fund" which in many respects echoes what ERDF does, all while being restricted to rural areas. The dotation of this EAFRD is substantial: 88 bn EUR in 2007-2013, broken down in national envelopes. As the EU's rural development policy aims at helping rural areas to raise their competitiveness and to achieve a sustainable development through unlocking their potential, it would appear that the preservation of cultural heritage, if and where it can contribute to rural development, eco-tourism etc, falls under the eligible investment categories for EAFRD.

Such is all the more the case for the interventions under LEADER, a special Community Initiative under the EAFRD. It aims at "*individual projects designed and executed by local partnerships to address specific local problems*". The initiative exists since 1991 and has more recently been reinforced under the label **LEADER+.** Its interventions are based on a number of "Local Action Groups", made up of public and private partners from the rural territory and one of its priority themes consists in "*Making the best use of natural and cultural resources*". Accordingly, projects supported by LEADER in a number of European regions include heritage

5 An early overview of the interim situation is given in the 2011 brochure provided on the DGRegio website: "Cohesion Policy 2014-2020 – Investing in growth and jobs."

projects in view of promoting rural tourism. Examples include the restoration of historic trails for hiking purposes in the Canary Islands, the renovation of the German Steam Engine Museum in Oberfranken in Germany, or a specific "LEADER Kultur" programme in the Austrian region of Steiermark.

The situation for 2014-2020:

LEADER+ will continue along basically similar lines in the future. Moreover, its importance for rural development is bound to increase since the support under the EAFRD will henceforth be programmed together with the EU Structural Funds and within the same Partnership Agreement. Special emphasis will be laid on "Community-led Local Development" initiatives, which reinforces the LEADER+ approach, including in such areas as village renewal, rural tourism, etc., and could thus also cater to the needs of certain heritage-related projects.

Support by DG Culture

Such support is typically of a promotional more than of a financial type, as DG Education and Culture has a budget limited to 400 million EUR for projects over 2007-2013. Accordingly its own initiatives relate to selected events such as the European Heritage Days, permitting to visit rarely opened sites on a specific day in September, the selection of sites for the European Heritage Label, or the well-known support given to Europa Nostra in the context of the European Union Prize for Cultural Heritage/Europa Nostra Awards. Beyond such in-house initiatives, DG Culture can play a supportive role through capacity development, including by encouraging and possibly coaching heritage site owners and associations to draw on EU Structural Funds in a more substantial way than in the past[6].

5. European Grant Funding sources outside the EU: IPA

EU grant funding in European countries outside the EU is less generous than inside the Union. The main dedicated programme - **Instrument for Pre-Accession Assistance (IPA) –** was created in 2007 to replace predecessors like ISPA, PHARE, SAPARD etc. IPA funding amounts to 11.5 billion EUR over 2007-2013 and supports officially recognized candidate or potential candidate countries, all while making a clear distinction between the two categories when it comes to defining the scope, and accordingly the amount, of support:

The EU indeed differentiates between "Candidate countries" (Turkey, Macedonia/FYROM, Montenegro, Serbia, as well as Iceland) and "Potential Candidates" (Albania, Bosnia and Herzegovina as well as Kosovo). Within the first group, membership negotiations have started with some, but not all countries. Accordingly the assistance from IPA is differentiated both in terms of volume and of objectives/sectors covered:

Albania (95 million in 2013), Bosnia-Herzegovina, Serbia and Kosovo only benefit from assistance for institution building and for cross-border cooperation; de facto, this excludes support for heritage related projects.

[6] Reference should here also be made to the report by a working group supported by DGCulture: "Policy Handbook on How to strategically use the EU support programmes, including Structural Funds, to foster the potential of culture for local, regional and national development and the spill-over effects on the wider economy" (April 2012), describing a number of case studies, notably from Northern and Western Member States

Turkey, Macedonia/FYROM and Montenegro in addition benefit from support under the wider regional development, human resources and rural development chapters. The funding allocation for Turkey in 2013 amounts to 903 million EUR and includes objectives such as regional competitiveness, rural areas and rural tourism development; they do not a priori exclude heritage components, though it may be unlikely for the latter to enjoy a priority status. Technical assistance support is equally included.

As an overall result it appears that substantial EU grants which could support heritage projects are potentially available in the EU's poorer "convergence regions", whereas the richer regions in the EU have less access to such grants, but may be able to come up with more funding from own resources, given their higher income level. The candidate and potential candidate countries, which are often even less developed than the convergence regions, tend to have less access to EU grants, nor indeed to other substantial international grants, though some bilateral sources may exist. At the same time, they will on average have a lower capacity to generate own resources for heritage conservation. Such overall statement needs, however, to be differentiated to some degree: Turkey e.g. can more easily generate funding from public or from private sources, given its income level and growth performance, than e.g. Albania. Also, dedicated funding sources may exist for specific types of heritage projects; e.g. Christian organisations may support the restoration of churches in countries like Turkey, and Islamic funds may support the restoration of mosques in the Balkans.

6. The EEA and Norway Grants as well as the Swiss Financial Mechanism

These specific funds were set up in the context of the European Economic Area Agreement, respectively of the relations between the EU and Switzerland. To some extent they emulate the model of the EU Structural Funds and they represent an act of solidarity of the donor countries (Norway, Iceland and Liechtenstein for the EEA, plus Switzerland) towards the less developed beneficiary countries in the EU.

The main mechanism is the **EEA Grants**. Its history goes back to 1994 ("EEA Financial Mechanism"); originally EIB was involved in the mechanism's administration and heritage projects then supported included several historic cathedrals in Spain and monasteries on Mount Athos in Greece. The current programing period 2009-2014 (hence one year longer than in the case of the EU Structural Funds) provides for grants worth 988.5 million EUR in favour of the 12 "new Member States", plus Portugal and Greece. Poland is the main beneficiary (267 million EUR), whereas Romania is entitled to 191 million and Portugal and Greece to some 60 million each. The grants shall not exceed 85% of the respective programme cost and while the priority sectors relate to environmental protection, climate change and renewable energy, the specific area of "protecting cultural heritage" is to benefit from at least 10% of total grants; another 10% is reserved for "civil society", i.e. mainly support to NGOs. The Beneficiary States shall submit programme proposals, and there is a Memorandum of Understanding between the EEA Grants and each partner country.

More concretely the cultural heritage objective is broken down into two sub-programmes: a) "Conservation and Revitalisation of Cultural and Natural Heritage", which specifically includes restoration and documentation of cultural heritage, as well as making it accessible to the public and b) "Promotion of Diversity in Culture and Arts within European Cultural Heritage". Depending upon the country, the available funding until end 2014 for heritage has already been all approved (e.g. in the case of Portugal or Cyprus), or part of it may yet be available (e.g. in Romania, where an open call for proposals may take place in 2014). While the EEA grants work a bit along similar line than the EU Structural Funds, it should be kept in mind that the same project cannot cumulate both ERDF and EEA grants; however, a complex heritage project could, within reasonable limits, be divided up such that one part benefits from ERDF and the other one from EEA support.

The **Norway grants** work in parallel to the EEA grants. They amount to another 800 million for 2009-2014, but they exclude Greece and Portugal, as well as heritage from their priority sectors list. It thus appears that heritage or NGO-related activities could qualify for support from the Norway grants only marginally (e.g. under the Bilateral Research Cooperation programme)[7].

There is also a **Swiss Financial Mechanism** which is managed separately by the Swiss Agency for Development and Cooperation. Switzerland has pledged grants worth 1257 million CHF in favour of the 12 new Member States, including civil society and the protection of the environment among its priorities. Supported projects are implemented in cooperation with National Coordination Units in the partner countries[8].

In sum, for heritage conservation projects the EEA Grants represent another interesting funding source; estimates put their total value at 220 million EUR for 2009-2014[9]. Moreover, both the EEA Grants and the Swiss Financial Mechanism can support NGOs, including those active in the heritage field. It is to be supposed that all the three funds will be renewed beyond the year 2014, though the details need still to be negotiated between the donor and the beneficiary countries. Therefore it has to be seen if the allocation modalities will remain the same, e.g. if Portugal and Greece continue to benefit from EEA grants or if the grant allocation might follow a more restrictive thematic concentration (which potentially could exclude cultural heritage projects) than in the past. It is to be expected that Croatia will join the beneficiary countries and that the focus of future support will be on the "new Member States".

7. Loans by EIB or other IFIs/BFIs

European Investment Bank (EIB)

Loans from the **European Investment Bank** – or indeed other similar banks, see below – can be an interesting complement to grants in order to cover the investment costs related to heritage restoration measures. In comparison to grants, loans are more generally available, in the sense that they are not limited by pre-determined annual, national or regional funding envelopes which can be made available. However, contrary to grants, **loans must be paid back**, even if over a lengthy period, which could typically be between 10-20 years in the case of heritage projects. This implies that a potential borrower must be legally capable of contracting a loan, have a sufficient debt servicing capacity and be acceptable as a borrower to the banking institution.

These conditions should not be taken for granted from the outset. The owner of a heritage site might be an association or foundation not legally enabled to take loans. It might also be a commune or a private entity which under risk considerations is not acceptable as a borrower to the bank, either because it does not have a sufficiently proven debt servicing capacity, or because its existing level of debts exceeds the exposure ceiling judged as prudent by the bank. Moreover, in countries like Portugal the public authorities monitoring

[7] More information on both schemes, which are essentially handled by the same office in Brussels (fmo@efta.int), can be found under http://eeagrants.org/

[8] Lists of supported projects can be found on the website http://www.swiss-contribution.admin.ch/ ; for Poland e.g., two related projects concern an "NGO Block Grant" (24.7 million CHF) and a "Natura 2000 species diversity" project (2.4 million CHF).

[9] A 2012 Evaluation Report for the Financial Mechanism Office (by Pitija/Ljubljana) states that EEA and Norway grants provided more than 250 million EUR for cultural heritage projects during 2004-2009. A consultancy report published in 2009 states that between 2004 and 2008 37 cultural heritage projects in the Czech Republic benefited from 23 million EUR of grants from the EEA/Norway grants (CrossCzech and Nordic Consulting Group).

the financial soundness of local bodies have established rather strict criteria to verify if a municipality can contract loans for its investment plans.

This being said, an institution such as EIB has a continuous flow of loans which finance heritage restoration and urban renewal measures. Typically they fall under one of two main loan products:

a) Relatively large heritage projects can be financed by stand-alone loans, directly negotiated between the EIB and the borrower; the latter will then often be identical to the site owner and will typically be a national, regional or possibly also local entity, e.g. a national ministry, the regional government, or the city government. Past examples include loans for the reconstruction of La Fenice Opera in Venice, or for the Paradores hotel chain in Spain.
b) Smaller heritage projects are more often funded under a programme structure whereby a number of small operations in the same city or region are bundled together and funded as a package through a framework loan to the corresponding national/regional or local authority. Heritage operations will thus be often part of a larger framework operation covering e.g. urban renewal, or municipal infrastructure, or the improvement of regional tourism-related infrastructure. In some cases such loan may be co-financing an existing Operational Programme by the ERDF, as was illustrated above in the case of EIB lending for the Tatoi Royal Estate in Athens. In other cases a heritage component could also fall under an EIB credit line extended to a local bank which breaks up the loan amount into a series of smaller loans to individual borrowers, within a set of rules agreed with EIB.

Regardless of the concrete structure, the access of a specific heritage investment to EIB loan funding should satisfy certain conditions:

- The funding is made available for investment and not for O&M purposes. Hence the need to develop a revenue base to cover O&M (see above chapter 1.), and the debt service.
- The funding requires the support (and indeed often the guarantee) of the borrower, which in the case of small investments may not be the owner of the site, but rather a public body like a national or regional ministry, a city council, etc. Accordingly the relationship and contractual arrangements between the owner and the borrower take a high importance.
- The heritage site must qualify under the specific policy objective ("eligibility") pursued by the loan operation. Heritage projects may qualify e.g. under objectives like regional development, urban renewal, tourism development, or also represent a sufficient cultural importance per se to qualify under a pure heritage objective.
- Geographically, EIB loans are available in most countries in Europe and indeed in the world. The focus of EIB lending is on the Member States and the Candidate countries; other countries can also benefit from EIB loans, but within lower quantitative limits; accordingly, loans for heritage related projects then need to range high within the lending priorities established with the corresponding countries.

Other banks

Other banks have similar characteristics as those of EIB, though their annual loan amounts will be smaller. This is notably the case of the other **multilateral funding institutions (MFI)** such as the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the World Bank (IBRD), the Black Sea Development Bank or the Nordic Investment Bank (NIB). Basically, their banking requirements will be similar to those for EIB, and indeed a number of projects have been co-financed between EIB and other MFIs. The sector or geographic focus of the various MFIs may however vary; e.g. **CEB**, which is a cooperation partner of the "7 Most Endangered" initiative, has a standing lending programme in the public housing/urban renewal field, whereas **EBRD** focuses more on private sector related investments. All MFIs, including EIB, also have specific technical assistance/project preparation facilities.

In addition to MFIs it is also worth mentioning **bilateral funding institutions (BFIs),** as some countries have own development banks which under certain circumstances fund investment projects abroad. The main one to be mentioned here is the German Kreditanstalt für Wiederaufbau (**KfW**), which has a large external lending programme and is in particular very active in the Western Balkans region.

Moreover, many countries have their own national or regional public development banks which will often have heritage related investment among their funding spectrum. The ongoing financial crisis may have curtailed the lending capacity of some of them, but it will be important for heritage associations to keep an eye on those banks and their respective funding priorities. In some specific cases banks may also command about some **"soft loans",** i.e. loans with a lower since subsidized interest rate.

Last but not least it should again be emphasized that the alternative is not **grants <u>or</u> loans**. More often, a financing plan for a given project will need to consist of various components, drawing on national and international funds and on grants, where available, and on loans, where still needed. Hence **co-financing** is the most likely solution.

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Annex: Overview Table: Funding sources for the 2013 "7 Most Endangered" sites

	Durres (AL)	Nicosia (CY)	Briançon (FR)	San Benedetto Po (IT)	Setubal (PT)	Rosia Montana (RO)	Mardin (TR)
Public funding: national, regional, local	Important to fully explore; probably poor	Important to fully explore, despite crisis	Very important to fully explore, past experience	Important to fully explore	Important to fully explore	Important to fully explore; probably poor	Important to fully explore, potential for national show-case project?
Private funding	Important to fully explore; probably poor	Important to fully explore, despite crisis	Important to fully explore	Important to fully explore	Important to fully explore	Important to fully explore	Important to fully explore
EU grants	IPA, but unlikely to be substantial	ERDF available, also ESF	ERDF available, also ESF	ERDF available, also ESF	ERDF available, also ESF	ERDF + EAGGF available, also ESF	IPA, but difficult (priority investment?)
EEA/ Norway grants	no	Probable to fully explore for 2015ff	no	no	Probable, to fully explore for 2015ff	Yes, still available for 2014	no
EIB loans	possible	possible	possible	possible	possible	Possible, if in co-financing with ERDF	Difficult, if future use as church
Other bank loans	Possible, notably CEB?	Possible, notably CEB?	possible	possible	possible	possible	Difficult, if future use as church
Comments	CEB to make detailed analysis Italian funding sources ?	Special interest by EEA? by UN?		National post-earthquake support? (Revised) EU solidarity fund??	Outside convergence since mixed with Lisboa, but adjacent to convergence region (Alentejo)	Good access to EU grants, if clear concept; clarify role for mining company	Access to funding sources depends on whether future use is public/municipal or religious