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on International Markets, Banking,  
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# The cultural arbitrage: new frontiers in heritage and tourism management

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Bernardo Bortolotti - Giovanna Segre



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*In copertina: Castel del Monte, Apulia, Italy*

# **The cultural arbitrage: new frontiers in heritage and tourism management**

Bernardo Bortolotti (Sovereign Investment Lab, Università Bocconi,  
and Università di Torino) and Giovanna Segre (Università di Torino)



# Contents

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7	<i>Foreword</i>
9	Part I <b>A conceptual framework</b>
9	1. Cultural heritage: an economic approach
12	2. Heritage and cultural tourism: a symbiotic relation
14	3. Heritage investments and sustainable development
18	4. Heritage assets and portfolio choice: the perspective of long-term investors
21	5. Cultural arbitrage for real: what's going on?
25	Part II <b>HerITAge: opportunities and challenges</b>
25	1. Background
27	2. Players, policies, and projects
30	3. Making sense of cultural arbitrage in Italy
32	4. Potential pilot cases
36	Conclusions
38	<i>Appendix: International Case Studies of Heritage Investments</i>
46	<i>References</i>



ar • bi • trage: \’är-be-’träzh\ n. the simultaneous purchase and sale of the same commodity in different markets in order to profit from price discrepancies.  
*Webster’s Dictionary*

## Foreword

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*Italy hosts a huge and broadly diversified wealth of heritage and a significant amount of cultural assets requiring investments for preservation. In this paper, we tentatively explore new avenues to provide stable, long-term funding in heritage assets and tourism thanks to cross-border collaboration between cultural and financial institutions, based on the rationale of heritage assets’ capacity to generate both socio-economic benefits and financial returns.*

*Culture and cultural expressions are taking a new meaning in the context of economic globalization, as witnessed by their key role attributed in the achievement of the UN 2030 Sustainable Development Agenda. They are also gaining relevance in the current international geopolitical climate, assuming a more critical role in connection with migration, security, peace building, intercultural dialogue and diplomacy. The need to develop suitable instruments to address culture on such challenging issues, finding a balance between social and economic objectives, and defining appropriate rules for successful cross-border operations and projects becomes thus crucial.*

*From an economic standpoint, cultural heritage consists of goods (heritage assets) incorporating, preserving and providing cultural value over and above the intrinsic economic value, helping to generate a broad ecosystem of economic activities that revolve around its protection, conservation and “consumption” by the public. For such reasons, promoting innovative finance, investment, governance, management and business models to increase the effectiveness of cultural heritage as an economic production factor is one of the most pressing issues currently faced by the public and private sector at the international level for its contribution to economic growth and sustainable development.*



*Our starting point is the fact that a large share of world cultural heritage is located in countries, including Italy, experiencing a prolonged economic stagnation, tight budgetary constraints, high public debt and, consequently, a progressive contraction of public resources devoted to the protection and management of heritage assets broadly defined (museum collections, archaeological sites and findings, historic palaces, etc.). On the other hand, an equally important share of financial resources had been accumulating in regions such as the Gulf or in other emerging economies that due to economic progress are now beginning to evaluate international heritage assets to diversify their portfolios, but also to promote tourism and to embrace cultural exchange.*

*Thanks to an endowment of different but complementary assets (heritage vs financial) opportunities for mutually advantageous, win-win, cross-border trades in heritage assets may materialize. This is essence of “cultural arbitrage”: cross-border alliances between governments, financial institutions and firms enabling countries with limited resources to protect, preserve and promote cultural heritage and share the economic and non-economic benefits with investing countries.*

*In this venture, we are fully aware that we are exploring partly uncharted territories. While the economic approach to heritage asset’s valuation is widely adopted and no longer controversial, the effects of international investment flows in heritage are still largely unexplored. The issue of cultural globalization, i.e the reduction in cultural diversity through the diffusion of dominant or standardized cultural symbols or models of intervention on heritage and the consequent loss of authenticity and value, should be taken into account. However, we firmly believe that the potential benefits stemming from suitably regulated cultural arbitrage opportunities has the capability of promoting long-term investment and sustainable development in Italy.*

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# Part I

## A conceptual framework

### *1. Cultural heritage: an economic approach*

The economics of heritage is by now a well-established field of study addressing the **social and economic value associated to heritage assets**, broadly defined. Heritage may exist in the tangible form of buildings, sites, museums, collections, historic city centres, or as intangible cultural phenomena, such as music, traditions, rituals, etc. According to that literature, culture is a sector of activity generating significant economic impacts and social benefits by creating, producing and distributing goods and services in different cultural areas.

To properly assess the value of cultural heritage as an asset, reference should be made to **capital theory**, which defines capital as a fundamental input to produce, in combination with labour and other factors, a series of goods and services, which can be sold in the market place and generate a stream of cash flows.

Conventional capital theory should however be adapted to consider the special characteristics of cultural heritage in the production of private goods, and public, non-marketable goods and services, and the related distinction between **use and non-use values of heritage**. Market or use value of culture can be expressed in terms of prices that are charged for cultural goods and services (rents, fees, tickets, sale, etc.).

The concept of non-use values denotes instead values that individuals associate with cultural goods or services, which tend to be non-rival and non-excludable, and can be further classified into option, bequest, existence, prestige and educational values (Frey and Pommerehne, 1989).

#### WHAT IS A HERITAGE ASSET?

A "heritage asset" is shorthand for any component of historic environment. It is defined in the National Planning Policy Framework of the United Kingdom as "a building, monument, site, place, area or landscape identified as having a degree of significance meriting consideration in planning decisions, because of its heritage interest". They are usually physical assets, but some countries also use the term in relation to intangible social and spiritual inheritance. (Historic England, 2013).

According to this view, cultural heritage contributes to the existing capital stock of a country, region, city, or individual: durable assets embedding and potentially producing economic returns, when properly and efficiently managed, an investable asset class which can generate

**direct, and indirect economic benefit and cash flows.** A series of studies using hedonic price methodologies have shown that the designation of listed heritage to a given property has a significant positive impact on real estate prices of 15 percent. But the ambience of the neighborhood seems to matter even more, with a 25 percent premium attached to dwellings in protected historical-cultural areas compared to those outside the area (Nijkamp, 2015).

In addition to the positive impact on real estate prices of property and of the surrounding areas, the economic value from cultural heritage stems from job creation, income growth in the activities related to heritage, attraction of residents, tourists, entrepreneurs, and other forms of business, generally seeking distinctive places for their activities.

Heritage assets potentially create a large ecosystem of firms producing **goods and services** related to the presence and functioning of cultural heritage, contributing to the economic sustainability for the neighborhood community. **Museums** are generally taken as glaring examples of cultural heritage as a catalyst for local development. A well-managed museum is potentially an activator of services for its direct operation (restoration, conservation, information technology and web design, legal advice, etc.) and also of services related to complementary activities such as catering, merchandising, use of space for events and exhibitions, and the like. The estimation of the economic impact of the Louvre Museum (Greffé, 2011) demonstrate that, since the Louvre became an autonomous “*Etablissement Public Administratif*” (public administrative establishment) by government decree in 1992, it is often considered the world’s leading museum, with more than 8.5 million visitors, exceptional collections, and unrivaled location at the heart of Paris. The study highlights that the museum generates a gross value of € 938 million, between 12,738 and 18,090 jobs, and a net tax gain of € 39 million for the government resulting from the increased revenue in terms of VAT, individual income tax receipts, and corporate income tax receipts.

**Table 1: Top ten most visited museums in the world, 2015**

Museum	City	Number of visitors
Louvre	Paris	8,600,000
British Museum	London	6,820,686
Metropolitan Museum of Art	New York	6,533,106
Vatican museums	Vatican city	6,002,251
National Gallery	London	5,908,254
National Palace Museum	Taipei City	5,291,797
Tate Modern	London	4,712,581
National Gallery of Art	Washington	4,104,331
State Hermitage Museum	Saint Petersburg	3,668,031
Musee d’Orsay	Paris	3,440,000

Source: *The Art Newspaper*, 2016

Finally, enhancing heritage also generates **social benefits**, in terms of quality of life and of the living environment, improving well-being and the sense of identity of individuals and of the local communities, as well as their involvement and participation in the life of the city in which they lives. However, impacts generated by cultural heritage are not always positive. The cultural heritage-led regeneration of a given area may cause gentrification, exclusion, and displacement, as well as a sharp increase in tourism which may result in larger traffic, noise, pollution and degradation of the heritage site itself (CHCfE Consortium, 2015).





*Louvre Museum, Paris, France*



## 2. *Heritage and cultural tourism:* *a symbiotic relation*

Cultural tourism, and heritage tourism in particular, is a vibrant and growing industry at the world scale. This fact is broadly related to the general expansion and diversification taking place over the past six decades in the tourism industry, one of the largest and fastest-growing sectors in the world. Despite occasional shocks, the sector proved strength and resilience, with international tourist arrivals constantly increasing from 25 million in 1950 to 1,186 million in 2015 (UNWTO, 2016). This last value almost doubled in only 15 years (674 million in 2000) and it is expected to reach 1.8 billion by 2030, according to UNWTO's long-term forecast. Expenditure by international visitors on accommodation, food and drink, entertainment, shopping and other services and goods in the destinations reached US\$ 1,260 billion (€ 1,136 billion) in 2015, representing a 4.4% increase of over 2014. The 10 world's top international tourism destinations ranked according to the international tourist arrivals are presented below.

### WHAT IS CULTURAL TOURISM?

According to ICOMOS (International Council on Monuments and Sites) cultural tourism can be defined as "that activity which enables people to experience the different ways of life of other people, thereby gaining at first hand an understanding of their customs, traditions, the physical environment, the intellectual ideas and those places of architectural, historic, archaeological or other cultural significance which remain from earlier times. Cultural tourism differs from recreational tourism in that it seeks to gain an understanding or appreciation of the nature of the place being visited." (ICOMOS Charter for Cultural Tourism, 1999)

**Table 2: World's top ten countries as international tourism destinations, 2014 and 2015**

Rank	Country	<i>Million of tourist</i>		<i>Change (%)</i>	
		2014	2015	14/13	15/14
1	France	83.7	84.5	0.1	0.9
2	United States	75.0	77.5	7.2	3.3
3	Spain	64.9	68.2	7.0	5.0
4	China	55.6	56.9	-0.1	2.3
5	Italy	48.6	50.7	1.8	4.4
6	Turkey	39.8	39.5	5.3	-0.8
7	Germany	33.0	35.0	4.6	6.0
8	United Kingdom	32.6	34.4	5.0	5.6
9	Mexico	29.3	32.1	21.5	9.4
10	Russian Federation	29.8	31.3	5.3	5.0

Source: World Tourism Organization (UNWTO, 2016)

Against this backdrop, the positive trend in heritage and cultural tourism is due to several phenomena: (i) higher education level of the population driving an increase in demand for cultural travels and visit to heritage sites; (ii) higher standards of living in emerging countries (notably China, Brasil, and India) increasing tourism flows abroad, with special reference to heritage; (iii) enhanced communication and media exposure of heritage tourism and genuine cultural experiences in travels.

Empirical analyses have shown that **cultural tourism in particular has strong, positive effects on local economic growth**, due to the higher willingness to spend of this segment, and higher average duration of stays than other forms of tourism. Heritage assets, and their related cultural ecosystems of creative industries, are increasingly used as magnets to promote attractiveness in an increasingly competitive tourism marketplace, leveraging on local uniqueness in the face of globalisation. In addition to creating new jobs, new businesses, higher property values, increasing infrastructure investments, increasing tax revenues, and diversifying the local economy, well-managed cultural tourism improves the quality of life, builds pride in the community and is a vehicle of intercultural exchange.

According to a recent account (Oxford Economics, 2013), cultural heritage - built and natural - tourism in the United Kingdom in 2011 represented 2% of the UK's GDP, equal to € 31.6 billion (€ 16.8 billion considering only built heritage). Moreover, UNESCO estimates that the financial benefit of World Heritage Sites to the UK can be valued over € 73 million per year. The picture is completed by the analysis of the leading commercial property data source of the Investment Property Databank, which shows that investing in heritage has positive returns. Between 1980 and 2011, listed retail, office, and industrial properties have generated total returns equal to or higher than their non-listed counterparts.



*Edinburgh Castle, UK*

### *3. Heritage investments and sustainable development*

The above-mentioned trends are pointing in a new direction, suggesting that a significant change in policy is underway. Cultural heritage is no longer object of pure conservation, but a critical input for a production process of a vast array of goods and services, with a significant impact on local sustainable development. In order to unlock a process of value creation based on heritage, a professional managerial approach is needed, along with adequate resources for investment. The funding issue needs thus to be addressed in earnest.

This priority is stressed in the 2002 Budapest Declaration by UNESCO, requiring for the properties designated as World Heritage Sites the adoption of a **management plan** to balance conservation with value creation and development. Thus the narrow approach of cultural investment for the sake of preservation belongs to the past. Heritage investment has a much wider policy remit, and a burgeoning literature of case studies has documented the role of cultural heritage investment in fostering urban development, the tourist sector and the creative industries, using different financing schemes, including PPP, trusts, and project financing, in some cases with cross-border engagement and cooperation.

The first significant experiences of intervention on cultural heritage according to a logic of economic investment started in the '80s, under the leadership of the **World Bank**, the United Nations agency that invests resources in order to reduce poverty in the poorest countries of the world. These pioneering projects, mainly aimed at the recovery and reuse of the historic built heritage, have found application in particular in the Middle East and North Africa: Jordan, Lebanon, Morocco, Tunisia, West Bank-Gaza.

#### WHAT IS HISTORIC URBAN LANDSCAPE?

As defined by the Recommendation, "the historic urban landscape is the urban area understood as the result of a historic layering of cultural and natural values and attributes, extending beyond the notion of 'historic centre' or 'ensemble' to include the broader urban context and its geographical setting. This wider context includes notably the site's topography, geomorphology, hydrology and natural features, its built environment, both historic and contemporary, its infrastructures above and below ground, its open spaces and gardens, its land use patterns and spatial organization, perceptions and visual relationships, as well as all other elements of the urban structure. It also includes social and cultural practices and values, economic processes and the intangible dimensions of heritage as related to diversity and identity." (UNESCO Recommendation on Historic Urban Landscape, 2011)



The overall **World Bank strategy in lending for cultural heritage support** was evaluated especially in terms of strengthening institutional and managerial capacities in the cultural sector, leveraging private direct investments, and promote revenue-generating cultural tourism.

All these cases represent pionnering projects for **urban regeneration**, mainly focused on accessibility measures, the improvement of tourism, the increase of the values of the relevant areas of new tourist routes, mobilizing private resources as a result of investments by the public sector, and who later inspired other more recent operations, including: Albania (Albania Institutional Development Fund (IDF) Grant for Cultural Heritage), Baku (Azerbaijan), Skopje (Macedonia), Tbilisi (Georgia), Varanasi (India), Vilnius (Lithuania) to mention some.

In many places, conservation has played an integral role in urban regeneration schemes, based on the goal of capitalizing the character and quality of heritage elements in order to create a unique identity that can be of great benefit to the project. The rationale of using cultural heritage for generating social and economic benefits was normally based in setting wider targets than just physycal restoration including, employment, training, business development as well as housing.

The close relationship between public and private targets has led **Oporto World Heritage Site** (Portugal) to combine EU funds with private funds in the Management Plan of the Historic Centre of Oporto aimed at the recovery and rehabilitation of the built historic fabric, but also including the installation of new commercial activities, new tourist accommodation units and restaurants. Physical regeneration of private and public buildings, refurbishment of the public space, setting up of new commercial activities, leverage of private investments are the main tangible outcomes of these interventions.



*Ribeira of Oporto, Portugal*



Other significant international experiences of investment in the recovery of cultural heritage to generate economic returns are represented by private initiatives (for-profit and not-for-profit). A relevant case in the international scene is represented by **Stadsherstel operating in Amsterdam** (The Netherlands), based on the participation of local private funds in the acquisition, recovery, reuse and income generation of the built heritage of the historic districts of the city. Stadsherstel was founded in 1957 in the context of the countermovement against the plans of the city to demolish historic buildings, which deteriorated because of neglect and lack of maintenance within the modernization process of the inner city. A limited liability company was created, and in 2010 the total value of shares was valued € 62 million. Stadsherstel currently owns: 500 buildings, 15 churches, 1000 residences, and 220 offices and shop spaces (from which 35 cafés and restaurants). It is of interest to highlight that Stadsherstel's statutes indicate a fixed level for dividends at 5%, and requires that any profit made after taxes and dividend must be used exclusively for the purpose of saving historic Amsterdam.

Another comparable case worth to mention is the **Landmark Trust**, a British building conservation charity that rescues buildings of historic interest or architectural merit and makes them available for holiday rental. The Trust is registered in England & Wales and in Scotland. Those who rent "Landmarks" provide a source of funds to support restoration costs and building maintenance. The Trust has in care nearly 200 buildings in Britain and several in Belgium, Italy and France. American sites are owned by an independent sister charity, Landmark Trust USA. There is also an Irish Landmark Trust.

Starting from this pilot experience, similar cases are currently taking place based on similar schemes but with the involvement of cross national funding sources: Hifadhi Zanzibar (Tanzania) and Paramaribo (Suriname), both declared World Heritage Sites by UNESCO. A large part of the described experiences are based on forms of cross-border cooperation schemes. Comparably, the milestone Convention for the protection of world cultural and natural heritage by **UNESCO** (listing the heritage places morally belonging to the whole humanity) was born from the need to save the Abu Simble temples in Egypt from the building of the Aswan dam, for which an international campaign to mobilize funds (US\$ 80 million) was launched.

More recently UNESCO promoted, with the 2011 Recommendation on the Historic Urban Landscape, an instrument to support a more sustainable process of urban development that integrates environmental, social and cultural concerns into the planning, design and implementation of urban management programs. This Recommendation does not replace existing doctrines or conservation approaches; rather, it is an additional tool providing us with a road map to integrate policies and practices of conservation of the built environment into the wider international goals of urban development, whilst respecting the values of different cultural contexts (UNESCO, 2011). While in most of cases of application of the HUL approach the focus was on regulatory, planning and community engagement (see HUL Guidebook, 2016) other ongoing experiences are focusing on the economic and financial tools needed to revive urban heritage and make it profitable.

In the historic city (Stone Town) of **Zanzibar** (Tanzania) an important interventions from World Bank (valued US\$ 38 million) and from private subjects, inspired by the Amsterdam case, started in 2011 with the goal of investing in the rehabilitation of the historic city properties and create revenues for their maintenance, also improving liveability and tourism. Local private investors launched the Hifadhi company and identified a number of attractive development projects to undertake, projecting to invest an initial capital of US\$ 600,000 in the first year, and grow to

a portfolio with a total value of 4-5 million in 5 years, after which a steady annual growth of 10-20% was foreseen. Other pilot experiences in approaching the management of historic areas of the city as economic resources object to investments are ongoing in **Port Louis** (Mauritius), where the government is drafting a Local Economic Development plan for the historic city centre.

Investment in heritage, through regeneration, reuse, creation of new assets, demonstrate to have pervasive impact on other sectors, not directly connected with culture.

Summarizing, from an **economic standpoint**, investment in culture, heritage and tourism can:

- create employment and local development,
- generate territorial regeneration,
- promote sustainable development,
- support companies' research, turnover, repositioning and start up,
- product, service and process innovation,
- create new tourism products and services,
- favour changes in local tax schemes,
- attract other capitals or funds (philanthropy),
- reduce abandon, disuse and replacement costs.

In addition, from the strictly **cultural value point of view** heritage related projects, such as historic district rehabilitation, have a high capacity to impact on other factors on individuals and communities, which are not monetarily quantifiable but equally important in the overall framework, including the capacity of enhancing the civic pride and the participation of people, interaction and cohesion of residents; contributing to people's personal development and wellbeing; boosting the image of a city or a region.



*Figure 1. The cultural heritage value chain*

## 4. Heritage assets and portfolio choice: the perspective of long-term investors

Global long-term investors (pension funds, insurers, and sovereign wealth funds (henceforth SWFs)) are progressively allocating an increasing share of equity investments to “safe assets”. SWFs are the fastest growing class of asset owners in the last decade (see Figure 2). In 2015, SWF investment in real estate, hotels and tourism facilities, infrastructure, and utilities accounted for 57 per cent of investment value and 28.5 per cent of total investments. As Figure 3 shows, the share of acquisitions in safe assets has steadily increased during the last decade to become the sector of choice.

Figure 2. SWF Assets under Management by Type, 2006–2015

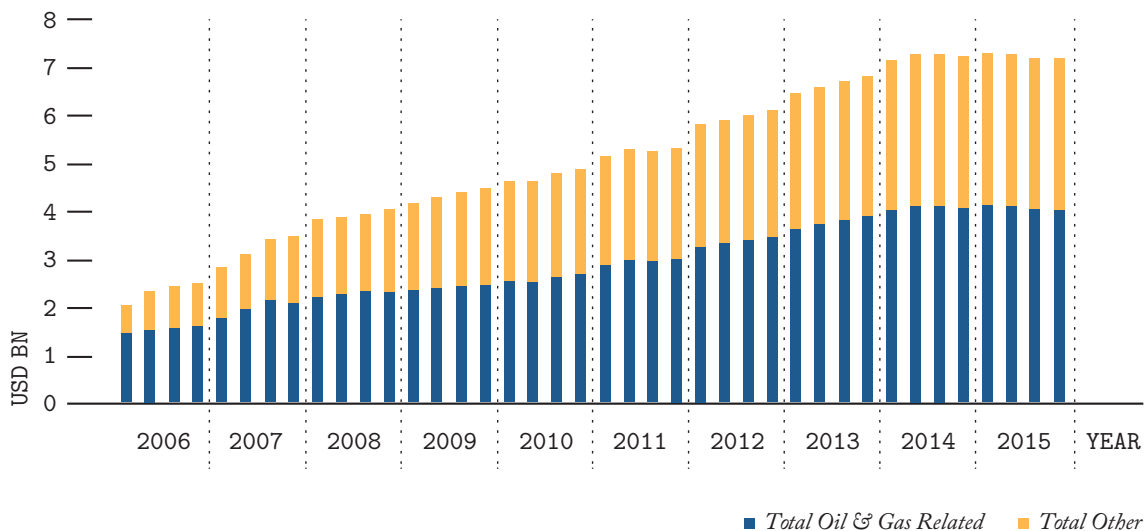
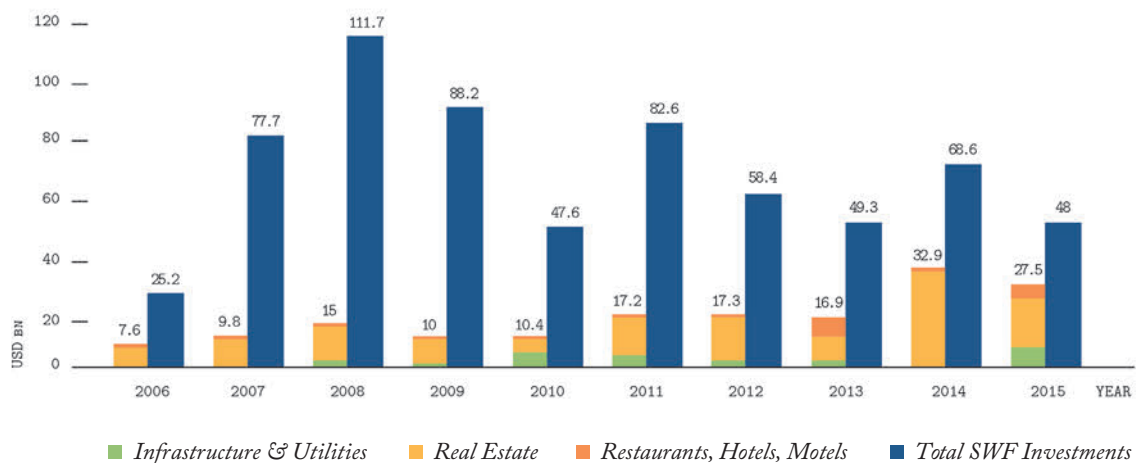


Figure 3. SWF Direct Equity Investment in Safe Assets, 2006–2015



Source: Sovereign Investment Lab

Lower valuation in developed economies, the desire to substitute zero-yield sovereign debt with low risk assets, inflation hedging in a QE environment, and simply portfolio diversification are all contributing factors, with special reference to **real estate**.

Exposure to real estate has been a widely researched topic recently and most academic studies conclude that adding real estate improves the risk-return profile of a mixed-asset portfolio. Real estate returns are also a natural inflation hedge, as rents tend to be linked to inflation. Even if estimates of optimal allocations vary strongly, a consensus is pointing at an optimal allocation around 15 percent of total portfolio value, with a preference afforded to direct ownership of buildings, and non-listed real estate funds, displaying lower correlation with returns of equities and bonds. The diversification potential of real estate is therefore large, and several SWF's are gradually adjusting their exposure to this asset class.

We claim that **heritage and tourism, under certain conditions, could represent the next frontier of safe assets** and a financially viable target for long-term investors.

As forcefully stated by Rozanov (2015), there are at least three reasons why involving SWFs (or another type of financial institution) can make sense in the context of long-term investment in, and management of, heritage assets. First, by introducing the rigorous commercial logic and long-term financial discipline inherent in institutional fund management, the process of a investing in heritage will no longer be constrained by the bureaucratic logic and the usual pitfalls of annual budgetary allocations and spending. Secondly, when one considers the size of a typical art acquisition budget allocated to museums by governments in Western countries one cannot help but feel sorry for the extremely limited resources that curators at these museums have at their disposal. Compared to the multibillion-dollar reserves available to their Middle Eastern counterparts, they simply lack the necessary 'firepower'.

However, if catalyst-type financial institutions (banking foundations, sovereign development funds, etc.) in these countries were to partner up with cash-rich SWFs in the Gulf or in Singapore, one can easily imagine a situation where they could pool their resources to bid collectively to acquire, renovate and relaunch a major heritage asset in **a joint-venture basis**. Thirdly, by looking at heritage as long-term portfolio investment in an environment of ultra-low (quasi zero) yields, one should consider the positive impact of this strategy in expanding the investable set in a bunch of heritage-related activities such as tourism, hospitality, entertainment, etc. boosting the value of the asset in combination with the positive impact on the local economy. This **'unlocking' of cultural values** would not only enrich the lives of people around the world, but would also earn much needed new revenues for cash-strapped museums and heritage centres in the Old World, while helping SWFs in cash-rich countries enhance the provenance of their growing heritage portfolios, while also attracting high-end tourist flows to their newly established cultural centres.

# WHAT IS CULTURAL ARBITRAGE?

Cultural arbitrage is a cross-border collaboration between a cultural institution, a private party, or association and a foreign private, or sovereign investor involving the ownership and/or management or control of a heritage asset, based on the rationale of heritage asset's capacity to generate socio-economic benefits, and financial returns.

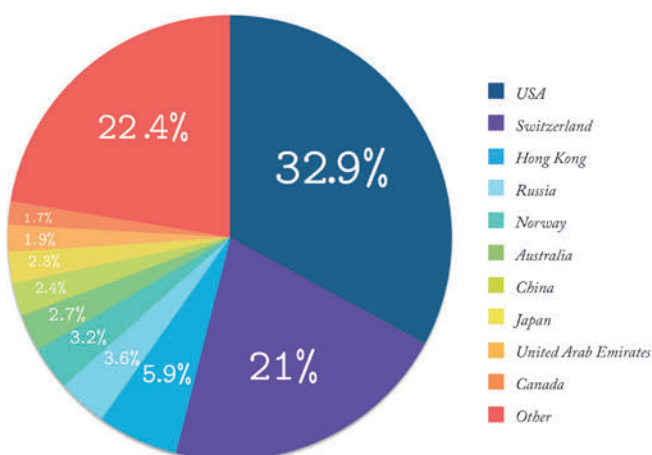
## 5. Cultural arbitrage for real: what's going on?

The feasibility of cultural arbitrage in the realm of heritage assets should be evaluated in the context of cross-border flows in the cultural market, broadly defined. Indeed, the most recent trends suggest an increased in the number of international transactions involving cultural goods, such as antiques, paintings, engravings, sculpture, books, newspapers, photos, films, music, and video games.

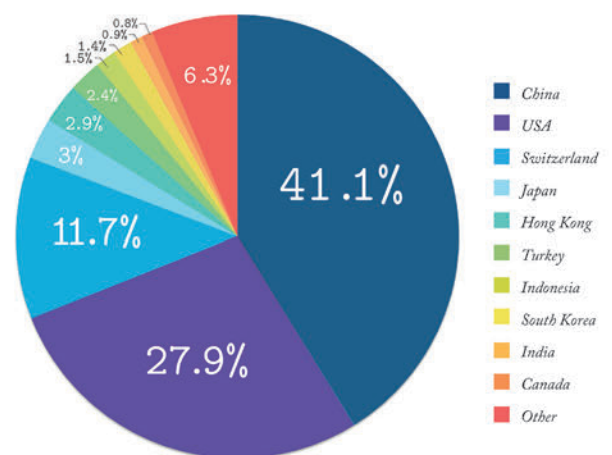
First, **international trade** of art pieces or collections has boomed, in the last years, especially due to the spending spree in China and Hong Kong, countries joining the group of largest world importers including the United States, United Kingdom and Switzerland.

At the **European level**, in 2014 53% of the Member States' cultural exports and 55% of cultural imports were intra-EU (EUROSTAT, 2015). Extra-EU trade was predominant in only two EU Member States: the Netherlands (84%) and the United Kingdom (79%). The main categories of EU imports of cultural products from non-EU countries were 'films, video games and consoles' (31%), 'works of art' (24%) and 'books' (16%). These three categories made up 70% of the total extra-EU imports. in 2014, the largest extra-EU importer of European cultural good was the United States, while the largest exporter was China (Figure 4).

**Figure 4:**  
*The ten main EU-28 trading partners for exports  
of cultural goods, 2014*



*The ten main EU-28 trading partners for imports  
of cultural goods, 2014*



Source: EUROSTAT



The general trend between 2008 and 2014 is positive for extra-EU export and negative for extra-EU import. However, when focusing on the two categories better related to the idea of cultural heritage (Works of art and Antiquities, which are the leading category of extra-EU exports involving 43% of it) a positive trend is detectable both in export and import (Table 3).

**Table 3: Extra EU trade in cultural goods, 2008 and 2014 (mln of €)**

	2008 Exports	2014 Exports	2008 Imports	2014 Imports
Total volume	10,535	12,725	12,603	10,868
Works of art	3,336	5,452	2,031	2,550
Antiques	999	1,476	789	1,177

*Source: EUROSTAT*

More generally, the **international demand for culture worldwide is significantly increasing**, mainly thanks to the emerging middle class especially in Asia and Latin America. The supply of cultural goods followed suit, reaching a new equilibrium. Just to provide a rough but illustrative figure, in 1996, around the world the total number of museums in operations was 22,000, a figure that is now estimated close to 80,000 (Guerzoni, 2014).

Against this backdrop of increased flows in the cultural market, in the last years a few landmark, cross-border projects involving cultural heritage have seen light.

Probably most famous and relevant case is represented by the joint-venture between **Louvre Museum and Abu Dhabi**, implemented by Agence France Museums with the aim to branching in the Emirate, exploiting the collection and the brand, and opening the Louvre Abu Dhabi Museum in late 2016.

This project is part of a thirty-year agreement between the city of Abu Dhabi and the French government, to create the new museum, designed by the architect Jean Nouvel, of approximately 24,000 square metres on the Saadiyat Island Cultural District, an area measuring 64 sqm fully dedicated to art, with the aim to attract international tourism. The island will host also the Sheikh Zayed National Museum, designed by Foster and Partners; the Guggenheim Abu Dhabi, the biggest Guggenheim in the world, designed by Frank Gehry; a performing arts centre by Zaha Hadid, and a maritime museum by Tadao Ando. In addition, US\$ 525 million was paid by Abu Dhabi to be associated with the Louvre name, and an additional US\$ 747 million will be paid in exchange for art loans, special exhibitions and management advice.

The Abu Dhabi case, which follows a precise positioning strategy based on arts and culture, is not isolated. In France, Beaubourg has signed a protocol for a new opening in Shanghai; the Rodin Museum licenced San Salvador in Brazil to produce new statues using the existing molds. In the United Kingdom, the British Museum signed an agreement with Beijing and the Victoria and Albert Museum did with other regional museums in China.

The same Louvre, besides the operation with the Abu Dhabi, is teaming up with other cultural entities worldwide such as the High Museum of Art di Atlanta (USA), lending a number of paintings for € 5 million deployed to restore exposition space of the Museum in Paris.

Particular interest was concentrated around the pioneering initiative by David W. Packard,

president of the Packard Humanities Institute (a philanthropic foundation), with the **Herculaneum Conservation Project** in Italy. The aim of this project is to support the Italian State, through the “Soprintendenza Speciale per i Beni Archeologici di Napoli e Pompei” (the local heritage authority), in preserving the archaeological site and involving the local community in conserving Herculaneum’s past, by developing partnerships, facilitating physical and intellectual access to the historic environment, and by stimulating responses to Herculaneum’s archaeological and cultural heritage.

From Amsterdam to Abu Dhabi, case studies are piling up, supporting the view that in different forms, **investments in arts, culture and heritage are feasible and economically sustainable, especially where they blend financial return with social impact and local economic development.**

The **complementary endowment of different assets (financial and cultural) in different countries** allow exploring the possibilities to set up cross-boundary operations among governments, financial institutions and companies to find operative resources to conserve and valorize cultural heritage as real investment operations. The **cross-border** component of cultural arbitrage approach also emphasize other relevant factors (values) of returns, for instance in terms of international cooperation, intercultural dialogue, cross border institutional engagement, cultural diplomacy and, not least, touristic positioning.

Obviously, a fundamental distinction should be made between operations involving **tangible heritage**, such as historic buildings, historic districts or archaeological sites, historic landmarks, monuments, that being immovable pose limits in the physical exchange of the good, and those regarding the **movable heritage**, such as repositories, museums, archives, libraries, archaeological findings that can offer also the possibility of a physical exchange of the goods (collections) and thus the possibility to create new cultural assets and foresee economic returns directly in the investing country, as in the case of Louvre operation in Abu Dhabi. In spite of possible synergies, between the two, the physical characteristics of the latter category broaden the scope of international trade in heritage assets and cultural arbitrage opportunities.





*House of Neptune and Amphitrite in Herculaneum, Naples, Italy*



# Part II

## HerITAge:

### opportunities and challenges

#### *1. Background*

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Italy is placed prominently in all the world rankings of availability of heritage, and globally known for the **universal value** of its beauty, art, history, and culture. It hosts a huge and broadly diversified wealth of heritage, including world-class museums and cultural institutions, but also a significant amount of unexploited, badly preserved, historical, and cultural assets requiring large investments for preservation and exposure to the public.

According to a recent account (MiBACT, 2014), in 2011 **4,588** sites including museums (3,847), archaeological areas (240), monumental complexes (501), were open to the public and attracted 103,888,764 visitors (of which 54,876,648 fee-paying visitors). Around 9% of them are directly managed by the central administration, while the rest is under the responsibility of local governments, foundations, companies, NGOs, and religious entities (data do not include the privately managed sites). Much more relevant is the role of the State in the management of archaeological areas, 63% of which are under its responsibility. Italy also boasts 17,000 libraries (80% managed by the public) and 5,600 archives. Although far from being fully exploited in all its potential, the **cultural touristic demand for heritage** expressed by the number of visitors to the 441 State cultural sites is growing. In 2015 the number of visitors (43,288,366) increased by more than 6% from 2014 and generated revenues for more than € 155 million (increased by € 20 million from 2014).

The following table presents the information about the 10 most visited cultural institutions owned by the Italian Ministry of Culture (MiBACT).

**Table 4: The top ten most visited MiBACT assets, 2015**

Institution	Number of visitors	Comparison with 2014	Revenues	Comparison with 2014
Colosseo	6,551,046	+6,0%	44,613.000	+7,7%
Pompei	2,934,010	+11,9%	23,634,989	+12,1%
Uffizi	1,971,596	+1,8%	11,862,988	+23,4%
Gallerie dell'Accademia di Firenze	1,415,397	+6,0%	8,723,007	+26,2%
Castel S. Angelo	1,047,326	+2,5%	5,553,337	+7,9%
Circuito Museale Boboli e Argenti	863,535	+4,9%	3,261,066	+8,7%
Museo Egizio di Torino	757,961	+33,5%	5,789,473	+205,3%
Venaria Reale	580,786	+1,3%	3,774,601	+9,4%
Galleria Borghese	506,442	-0,5%	3,355,542	+4,2%
Reggia di Caserta	497,197	+16,1%	2,739,601	+19,7%

*Source: MiBACT*

Importantly, Italy hosts the highest number of **World Heritage sites** recognized by UNESCO (51), highly attractive tourist destinations, for which specific budget and management plans are required in order to balance conservation with sustainable (economic) development.

## WHAT ARE WORLD HERITAGE SITES?

Those heritage places recorded in the UNESCO World Heritage List, in the frame of the "Convention concerning the protection of the World's Cultural and Natural Heritage" adopted by UNESCO in 1972, and its Operational Guidelines. Being since now ratified by 192 States Parties across the globe, and including at present (july 2016) 1052 sites, the Convention can be probably considered as the most significant representation of heritage conservation and management policies at the global level. World Heritage status implies the moral belonging, and responsibility to the whole humanity.

Beside the physical assets, the Italian context also displays **vitality in the cultural supply chain with the production of goods and services broadly related to heritage**, thanks to a diffuse presence of SMEs constantly able to combine innovation with traditions. The same presence of highly qualified human capital specialized in heritage disciplines and activities (e.g. conservation, restoration, tourist services, etc.) represent another key input for a successful development of a vibrant heritage sector.

While the potential for development is large, we are observing a significant reduction in the public funds available for the sector. From 2000, the budget of MiBACT has been significantly reduced, reaching a record low of 0,20 percent of GDP in 2013, even if in the last two years, we have been observing a reversion in the trend (Casini, 2016).

## 2. *Players, policies, and projects*

The **protection and promotion of heritage is Italy's cornerstone cultural policy**, and is under the responsibility of the Italian Ministry of Culture (MiBACT). Other related policy objectives are supporting creativity, urban and architectural culture, higher training in all cultural disciplines (especially conservation) and the diffusion of Italian culture and art abroad. While the state is the principal responsible for supporting culture, a wide array of incentives schemes are actually in place for **encouraging external support of culture**, especially from the private sector.

Since the 1990s, the Italian landscape of cultural institutions experienced a continuous evolution and the transformation. Cultural bodies previously under exclusive State ownership have gradually been transformed into public-private and/or private organisations. Consequently, several of the most prominent public cultural institutions (such as opera houses, Biennale di Venezia, Triennale di Milano, Quadriennale di Roma, Centro sperimentale di cinematografia, etc.) were converted into “foundations”, entities with a private legal status and a governance engaging private and public stakeholders.

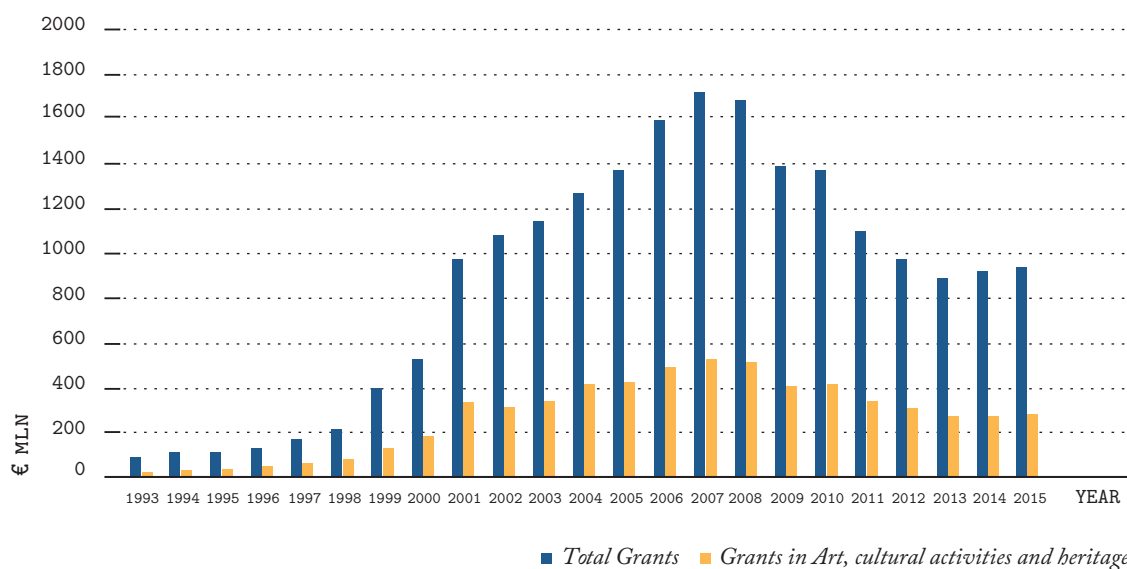


*La Triennale di Milano, Milan, Italy*

The aim of this privatization process was to improve managerial incentives, enhance efficiency, and relieve the public budget. One of the most notable and successful examples of this new public-private partnerships was the transformation of the **National Egyptian Museum in Turin**, which is now under the shared responsibility of the Piedmont Region and the Turin Province and Municipality, on the one hand, and the banking foundations Compagnia di San Paolo and Cassa di Risparmio di Torino Foundation, on the other.

Indeed, the Italian banking **foundations** in the last decades have been the principal providers of financial support to the heritage system. Differing in provenance, size and local activity, the foundations play the role of promoting development as institutions that provide philanthropic resources both to non profit entities and to local beneficiaries and also as important institutional investors. In 2015 the foundations financed altogether 21,564 initiatives, destinating 34.2% of them to the sector “Art, cultural activities and heritage”, the main collector. Based on the amount of the funds allocated, this sector received € 280 million (29.9% of the total). Within this sector, funding was provided mainly to the sub-sectors labelled “Conservation and enhancement of historic buildings and archaeological sites” (33.5%) and “Initiatives to support artistic and literary productions” (32%). “Museum activities” received 11.6%; “Promotion and Enhancement of Visual arts” 10.6%; “Library and archives” 3.7% and “Publishing and other communication media” 3.5%.

*Figure 5. Total and 'Art and Culture' Grants of Italian Banking Foundations, 1993-2015*



*Source: Own calculations on ACRI Annual Reports*

Several initiatives have been put in place in order to diversify the sources of financing in times of tight budget constraints and lower returns on capital for banking foundations, for instance tax deductions and incentives, VAT reductions, favourable tax treatment of listed buildings, sponsorship, cash donations, mecenatism.

Important incentives to foster private support to heritage are contained in the **Art bonus scheme**, a tax exemption of 65% for donations towards heritage conservation projects, introduced in 2014 by the MiBACT. This measure allowed to raise as to date € 121 million for interventions in the field of cultural heritage. This measure is part of a very large process of structural reforms launched by MiBACT in 2014, which includes the adoption of a new Code on Government Procurement (including a chapter on cultural heritage), and the adoption of new guidelines on the strategic national plan for tourism.

Before the introduction of this fiscal measure in the Italian law, for the renovation of Rome's **Colosseum** an investment of € 25 million was financed by the Italian luxury entrepreneur Diego della Valle.





*Colosseum, Rome, Italy*



### 3. *Making sense of cultural arbitrage in Italy*

The successful examples highlighted above suggest that there is scope for an extended role of private players as stakeholders in the Italian cultural heritage system. The new regulatory framework reflects a *zeitgeist* more in favor of market-oriented, financially viable solutions, combining preservation with economic sustainability. The next step is to evaluate the feasibility of cross-border, cultural arbitrage operations and deals.

The Italian heritage sector has seldom been considered from the standpoint of an international, return seeking, global institutional investor. A significant effort has to be exerted in Italy to prove and document the positive net present value of investments in cultural heritage, a sector so prominently affected by regulation, red tape, in some cases burdened by a legacy of inefficient management and waste. So first and foremost, in order for cultural arbitrage to happen, a fundamental paradigm shift in heritage policy should take place.

In a nutshell, the key principle is that there is **no conservation without utilization**, and consequently a wider, carefully designed exposure of heritage assets to domestic visitors and international tourist flows is beneficial for the cultural heritage system as a whole. The other key principle is that there is **no utilization without investment**, which today is in short supply, and dramatically shrinking from the public side. Cultural arbitrage deals make available untapped source of financing, introducing also new incentives for better management and value generation from heritage assets. At the same time, it is important to take into account risks that challenge its effective implementability.

From the standpoint of Italy as a target country, the usual concern is that foreign direct investments could jeopardize **strategic interest** embedded in heritage assets' outright ownership and management, quintessential for the preservation of our national cultural identity. From the foreign investor point of view, instead, the principal risk is that the economic and financial logic driving investments could be overturned under **pressure by local stakeholders**, bureaucratic delays and inefficiencies. With some obvious qualifications, this framework is not very different than the case of foreign acquisitions in strategic sectors, such as utilities, or network industries providing services of general interest. In this case, the usual solution is providing the government special powers to protect national interests.

Regulation could certainly be a viable solution, but we claim that more effective strategy to mitigate those investment or regulatory risk is to **engage local stakeholders in co-investments**. A particularly effective tool is the equity partnership with other sovereign-related investors. Being ultimately owned by the government, this co-investment strategy gives "skin in the game" to politically connected players, reducing regulatory interference and opportunism. Ideal partners for these cultural arbitrage opportunities are Italian banking foundations, with a long-standing experience in heritage financing and management, and **Cdp Equity**, a holding company for equity investments, which is co-owned by the Cassa Depositi e Prestiti Group (CDP), the state-owned promotional bank, and Banca d'Italia, with 80% and 20% shares, respectively. Interestingly, the company has already entered joint ventures and agreements with primary SWFs such as Qatar Investment Authority, Kuwait Investment Authority, and its stated objective is to acquire primarily minority holdings in companies of "significant national interest", which cover various sectors of the Italian economy including "management of cultural and artistic heritage."

The definition of adequate and **specific governance models** - based on fixed collaborative partnerships - are crucial to maximise the benefits for generating positive externalities in the long term and in different sectors (tourism, commerce, education, society, ...) and to leverage additional resources through co-financing and co-responsibility schemes.

Another relevant factor is represented by the **responsance to an ethical mandate**. A part from being a property, cultural heritage has an intrinsic value as collective good, having non-renewable, non-replaceable or non-interchangeable characteristics. Every operation on its exploitation should properly consider the social implications generated; it would be important to safeguard the public dimension of the asset and a sense of responsibility in front of the present and future generations in the possible use of the good itself. To highlight this aspect, it appears for instance important to drive possible investment prioritarilly to threatened or bad conserved monuments (see Stædsherstel) or historic buildings, hidden collections, etc. whose fruition would otherwise not be possible from the public.

From a social sustainability point of view, investing in cultural heritage operations imply long-term vision and pose the need to follow adequate measures of **cultural mediation** both in terms of creating positive conditions of intercultural dialogue, and in relation to the local communities and stakeholders.

Clarity and transparency of the whole process, through adequate and qualified informative campaigns are essential steps to raise general awareness and facilitate community support. Even in terms of tourism, which is one of the most important economic sector connected to heritage assets returns, e and originality of places is largely emerging as a sensitive issue from consumers; differntly from mass tourism destination or standard touristic products, one of the most important trend and development of cultural tourism emerged in the recent years is the one of **creative and experience tourism** (eg in relation to food industry) which serves the needs of a more sustainability oriented offer.

Cooperation between the business world, the government institutions, and the citizens is another critical issue. While investors can enjoy returns and government fulfill their public mandate, citizens can actively support the heritage rehabilitation as well its full functioning throughout. **Public engagement** appear thus a fundamental pillars of such kind of projects, especially in urban areas, where their numeric concentration is more relevant. This dimension, stricly linked with the ethical mandate of the rehilitation of historic building and environemnt, is particulrally clear in initiatives such as the Landmark Trust or FAI (Fondo Ambiente Italiano), in which it is clear how volunteering is one way in which people can feel connected to their community.



## 4. *Potential pilot cases*

Italy owns a **vast amount of heritage assets in need of restoration, conservation and/or promotion operations**. They include movable assets, such as museums hidden collections, and immovable assets, such as monumental complexes, disused architecture, and abandoned historic villages. According to such categories, some single case studies are identified as possible pilot cases to explore the possibility to set up **cross-border investment schemes**.

Keeping in mind the overall assumptions and constraints identified above, the purpose of this section is to tentatively highlight opportunities for cultural arbitrage in Italy.

### Movable heritage

- 1) Hidden collections or archaeological findings

### Immovable heritage

- 2) Disused monumental complexes
- 3) Dismissed historic buildings and military premises
- 4) Abandoned historic artistic villages

#### 1) “Hidden” collections

Hidden collections in museums and heritage repositories (meaning pieces stored and not accessible to public) actually represent an attractive investment target. In 2011 the “Corte dei Conti” stated that, despite the reiterated attempts by MiBACT, still complete inventory of Italian cultural heritage is still not available. Knowledge gaps are especially relevant in regards to movable heritage. Even if we limit our attention to the big State museums, there is no full assessment of the extent and value of the collections. And much more difficult is to assess the value of archaeological sites, where there is an issue of controlling illicit traffic. In 2011, the police rescued more than 300,000 pieces coming from illegal excavations. So a first significant effort should be targeted towards discovery and appreciation of the actual extent of heritage wealth.

A second related issue is that a very large fraction of heritage is stored and not visible. In 2006 ISTAT stated that 30% of the 370 non state museums, displayed less than a half of their collections, and less than 60% more than 75% of their collections.

The **Uffizi Gallery** in Florence, one of the most famous cultural institutions in the world, represents a revealing sample. It is the third most visited museum in Italy, and currently exhibits 1835 pieces, while other 2,300 are in its stores, meaning that only 44% of the entire collection is visible. In 2014, the possibility of establishing a cooperation between the Uffizi and the city of Shanghai has been explored, with the idea of opening a Chinese branch of the museum, inspired by Louvre Abu Dhabi, in the frame of a urban regeneration project of the Yu Garden, an historic area of the city expected to attract 36 mln of visitors per year.

## 2) Disused monumental complexes

Italy owns many historic monumental assets presently facing functional redundancy: churches no longer used for worship, farm buildings no longer used for agriculture, factories no longer used for manufacture. Despite their high potential to generating social and economic benefits, in most cases the scale and riskiness of investments for recovering and converting is such to discourage private parties. New governance models and legal frameworks are needed to allow collaboration of different sources of capital investment.

The **Palazzina di Caccia di Stupinigi** and its rural compounds, part of the Residences of the Savoy house world heritage site in Piedmont, and one of the most important architectural jewels of the Baroque period in Italy, represents an interesting case study. The palace is managed by Fondazione Ordine Mauriziano, and operating as a museum (with 80,000 visitors per year), connected with the circuit of the Royal Houses in Piedmont. The rural compounds and the rural area surrounding the palace, owned by the regional public authority, could represent a potential target for additional investment in order to boost the complex as a whole. The Piedmont Region has already allocated financial resources for the restoration, and is searching for additional funds of financing for launching an adaptive reuse overall plan. The links with already successful startups activities (high quality biological agriculture and “slow-food” production), the easy accessibility and proximity with the city of Torino – one of fastest growing touristic destinations in Italy – are potential value drivers for the project.



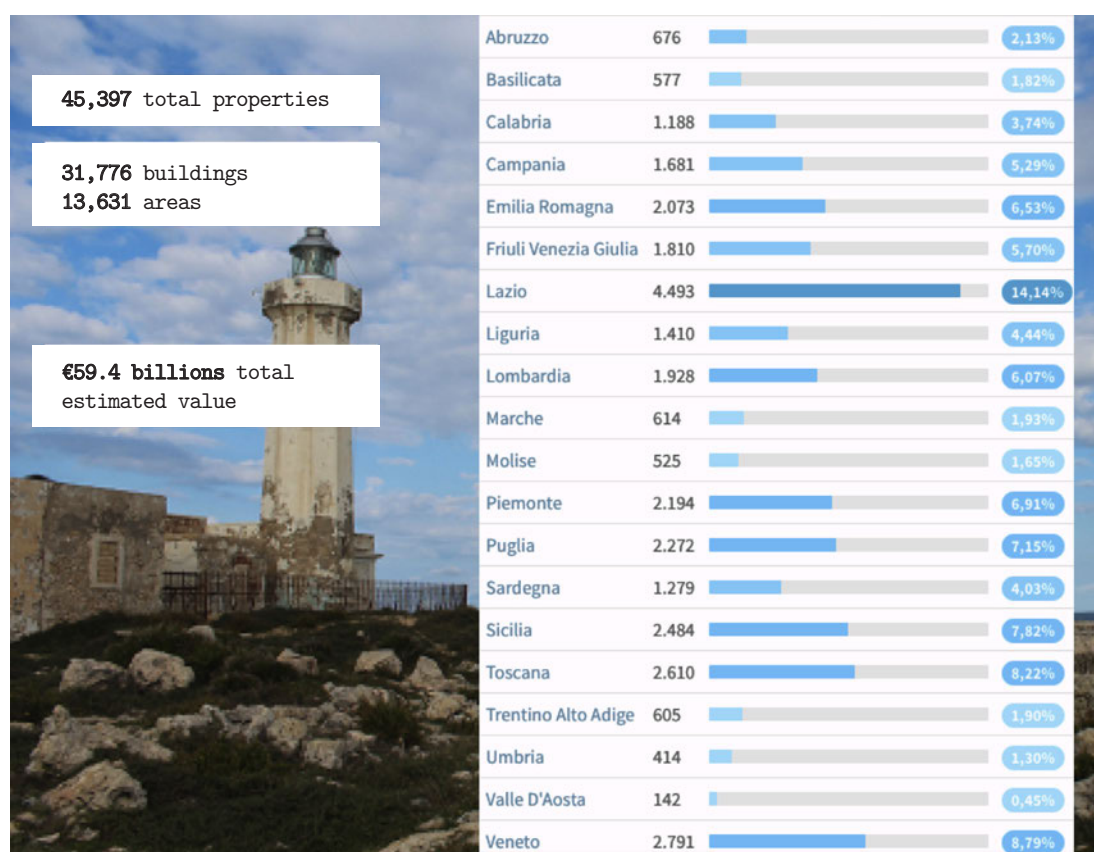
*Stupinigi royal palace complex UNESCO WH site*

### 3) Dismissed historic buildings and military premises

An interesting array of assets (e.g. military structures) are owned by the **Demanio of the State**. A total of 45,397 properties (31,776 buildings and 13,631 areas) are urgently in need of restoration.

A complete inventory and mapping (available at [www.opendemanio.it](http://www.opendemanio.it)) of these assets is not available to slate them for privatization. Immediate availability, big size of the complexes, their architectural peculiarity and originality, strategic location are the most important strengths embedded by these assets, averagely speaking, while the high expenditures for their restoration and adaptive reuse seem to be the most relevant issue.

*Figure 6: Italy State's properties, 2015*



Specific projects are related to single categories of assets. It is the case of the program “**Valore Paese Dimore**”, aimed at enhancing single buildings for improving accommodation services, and “**Valore Paese Fari**” aimed at recovering lighthouses, settled in unique scenarios along the Italian coasts.

Both these programs are in line with the newly approved national strategic plan for tourism. Current open public consultation for expression of interest regards the Ex SMOM in Pozzuoli, Campi Flegrei (Campania) and some public buildings in Palmanova fortified complex (Friuli Venezia Giulia).



#### 4) Abandoned historic artistic villages and historic infrastructures

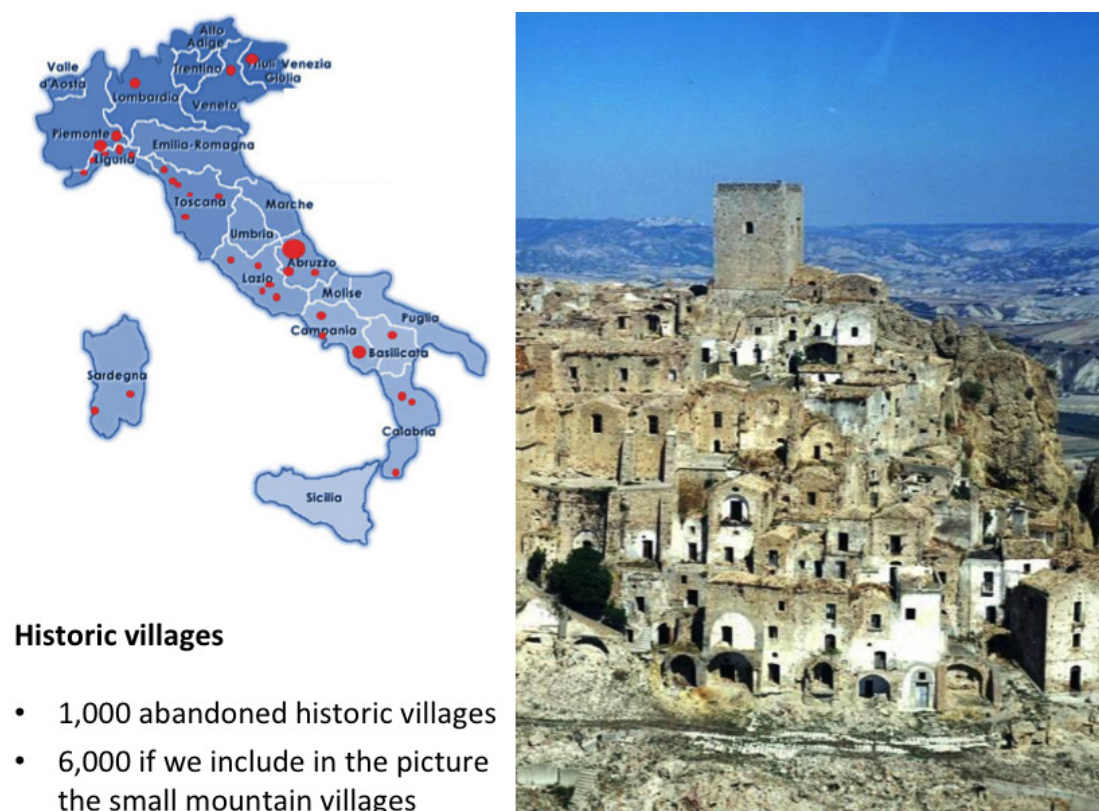
Italy counts more than 1,000 abandoned historic villages, especially in the South of the country, becoming 6,000 if we include in the picture the small mountain villages according to the evaluations of INU-Istituto Nazionale di Urbanistica.

In this framework, a recent survey by Legambiente stated around 3,000 Italian municipalities, covering a total surface of 100,000 sqKm are at risk to disappear in near future. The overwhelming majority of the abandoned villages are located in the South of Italy, and in mountain areas, where emigration - and consequently abandon - was particularly intensive.

With the exception of the well known “Santo Stefano di Sessanio” case in Abruzzo Region, hosting a diffuse hotel facility (Sextantio), a few promising recovery and revitalization operations have been implemented in the last years, for instance in Colletta di Castelbianco (Liguria) or Craco, close to Matera. The same Matera, UNESCO World Heritage site and European Capital for Culture in 2019, has still a large part of the “sassi” (the typical dwellings curved in the rock) not restored and used. Among the most attractive and significant places still in abandon conditions we may mention Campomaggiore Vecchia (Basilicata), Civita di Bagnoregio (Lazio), while in the North, Consonno and Codera (Lombardia), Balestrino (Liguria).

Another critical factor to be considered for such cases, is represented by accessibility: historical infrastructures such as abandoned railways constitute a relevant element for improving the touristic offer and the enhancement of historical vernacular villages.

*Figure 7: Abandoned historic villages in Italy, 2015*



## *Conclusions*

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The insights presented in this paper tentatively suggest that there is an economic case for investing in cultural heritage and tourism. A country like Italy, host of the largest heritage wealth of the world, but limited resources for its proper management and enhancement, should carefully consider implementing cultural arbitrage.

The application of economic and financial logic should boost efficiency in management of heritage assets, yield a reasonable risk-adjusted returns, and materialize a bunch of economic benefits for the local community by fostering sustainable development and cultural dialogue. Successful implementation would require, however, the consolidation of a new paradigm based on the principle that no conservation is possible without open access and wide utilization, at home and abroad.





*Matera, Italy*

## *Appendix:*

### *International Case Studies of Heritage Investments*

#### **The Landmark Trust (UK)**

**Interested country/ies:** UK, other countries

**Type of heritage:** single listed buildings

**Year:** 1965-now

**Implementing subject:** Landmark Trust

**Sources of funding:** private

**Cross border dimension:** yes

#### **Description:**

Since 1965 the Landmark Trust has been saving historic buildings that are at risk and giving them a new and secure future. The Landmark Trust is a British building conservation charity that rescues buildings of historic interest or architectural merit and then makes them available for holiday rental. The Trust is a charity registered in England & Wales and in Scotland. The American sites are owned by an independent sister charity, Landmark Trust USA. There is also an Irish Landmark Trust.

Those who rent “Landmarks” provide a source of funds to support restoration costs and building maintenance. The Trust have in care nearly 200 buildings in Britain and several in Belgium, Italy and France. Landmark sites include forts, farmhouses, manor houses, mills, cottages, castles, gatehouses, follies and towers and represent historic periods from medieval to the 20th century.

**References:** *Annual Review 2015. The Landmark Trust, 20 April 2016*



## Stadsherstel, Amsterdam

**Interested country/ies:** The Netherlands

**Type of heritage:** built heritage

**Year:** 1957-now

**Implementing subject:** Staedherstel

**Partners:** local governments

**Sources of funding:** private

**Investment value:** € 62 million (2010)

**Cross border dimension:** no

### Description:

Stadsherstel was founded in the context of the countermovement against the plans of the city to demolish historic buildings which deteriorated because of neglect and lack of maintenance and the modernization of the inner city (already UNESCO WH site), a plan that included also the filling up of the canals.

Against this plans, a committee was founded, named De Stad Amsterdam (The City of Amsterdam), to save the city landscape of Amsterdam, and it was decided to establish a limited liability company. The members of the Amsterdamse Kring (including banks) were asked to buy shares in the new company. In 1957, Stadsherstel was granted the legal status of a public housing corporation by the Ministry of Housing and Planning. This gave it certain important advantages: it was exempt from both corporation tax (35% of profits) and transfer duties (6% of the purchase price). In 1968 the city of Amsterdam embraced the ideas and goals of Stadsherstel and became a shareholder; today, the city owns a 13% share. In this passage, it was decided that the annual dividend should not be more than a reasonable interest on the capital invested in shares (since the beginning, the dividend has been fixed at 5%) and in the case of the company's dissolution, the shareholders would receive no more than their capital and the dividend; the surplus would go to the Central Fund for Public Housing or to an institution for restoring listed monuments. Later, the government agreed that the 5% dividend would be free of tax for commercial organisations but not for private persons. Stadsherstel's statutes stipulate that any profit it makes after taxes, dividend, etc. must be used for the purpose of saving historic Amsterdam. Moreover, to prevent the disappearance of large monuments like churches and industrial buildings the Amsterdam Monument Fund (NV Amsterdams Monumenten Fonds, AMF) was founded in 1992. It was, like Stadsherstel, a limited liability company. At the beginning of 1999 negotiations concerning a merger between Stadsherstel and the AMF were begun, and, since 1999 it started to take over churches and industrial monuments (factories, warehouses, etc).

### Functioning:

Stadsherstel currently own:

- 500 buildings
- 15 churches
- 1000 residences
- 220 offices and shop spaces (from which 35 cafés and restaurants)
- 7% of 6000 monuments in Amsterdam

### Methods of finance (initially):

Restorations are done largely with own capitals and partly with subsidies from the government.

- Per year between 5 to 10 buildings are restored
- Private capital (donations - shareholders) – 60 to 70%
- Loans (30 to 40%)
- Solvability is 60 to 70%
- Governmental involvement: subsidies (social housing and restoration)
- Tax benefits (National Restoration Fund)

### References:

<http://www.stadsherstel.nl/ul/cms/fck-uploaded/StadsherstelEngels2011.pdf>



## Zanzibar

**Interested country/ies:** Tanzania

**Type of heritage:** built heritage

**Year:** 2011 (start)

**Implementing subject:** World Bank; Hifadhi

**Partners:** local governments

**Sources of funding:** Bank; private

**Cross border dimension:** yes

**Description:**

The historic city (Stone Town) of Zanzibar has been in the recent years interested by an investment project (Zanzibar Urban Services Project) of 38mln of USS from World Bank, started in 2011, acting on improve access to urban services and to conserve the Stone Town's traditional seafront, with the goal of improving liveability and tourism. Starting from this investment, since 2012, a team of local private investors has launched the Hifadhi company, with the scope of invest in heritage for its rehabilitation and reuse. The private sector has formed a coalition with government-related organisations like Stone Town Conservation and Development Authority, the Department of Urban and Rural Planning and with the Zanzibar Chamber of Commerce to prepare the first steps. Hifadhi identified a number of attractive development projects to undertake in the first years. With an initial capital of 600,000 usd in the first year, it aims to grow to a portfolio with a total value of 4-5 million usd in 5 years, after which a steady annual growth of 10-20% is foreseen.

The experiences ongoing for the preservation and valorization of Zanzibar are also falling in the framework for applying UNESCO Recommendation on HUL. Other heritage cities in the area, namely Dar es Salaam, are exploring similar schemes to revive their historic heritage.

**References:** UNESCO (2013), *Swahili Historic Urban Landscape*  
<http://www.hifadhizanzibar.com/>

## Port Louis Local Economic Development Plan (Mauritius)

**Interested country/ies:** Mauritius

**Type of heritage:** built heritage

**Year:** 2016 (in preparation)

**Implementing subject:** Government

**Partners:** private sector

**Sources of funding:** mixed

**Cross border dimension:** no

**Description:**

The city of Port Louis, capital of the Republic of Mauritius, is drafting a Local Economic Development plan based on the need to protect and enhance the historic buildings composing the city centre, and coinciding with the Aapravasi Ghat world hertiage site buffer zone. Scope of the plan is to recoincile urban development with the preservation of the hitoric features of the city, investing in the economic values it express in terms of tangible and intangible factors. Drafted in the frame of the UNESCO HUL guidelines, a consistent part of the LED plan is dedicated to understand the economical dynamics regarding the historic city and the financial and governance (public and private sectors) instruments to use and manage heritage assets (residential, commercial and former industrial buildings) to generate conomic returns.

**References:** Aapravasi Ghat Trust Fund (2016), *Port Louis 2030 Local Economic Development plan investing in the city cultural capital*

## World Bank investments in MENA countries, par. 5

**Interested country/ies:** MENA countries

**Type of heritage:** historic districts

**Year:** 1997-2000

**Implementing subject:** World Bank

**Partners:** local governments

**Sources of funding:** World Bank

**Cross border dimension:** yes

### Description:

The World Bank's Middle East and North Africa region developed a pioneering set of investment projects in the cultural heritage sectors of Jordan, Lebanon, Morocco, Tunisia, West Bank–Gaza, and other areas with a strong increase of investments from 1975 on. The approach supporting cultural heritage was varied; it consisted of investment projects for heritage management, inventories, small-scale community activities, studies, and other initiatives. Direct investments in cultural infrastructure were channeled through four projects approved during 1997–2000: Jordan Tourism Development II, which includes cultural heritage preservation and management; Morocco Fès-Medina Rehabilitation, an urban rehabilitation project with considerable support for CH conservation; West Bank– Gaza Bethlehem 2000; and Yemen Second Social Fund for Development, designed to support small-scale community-based projects of various types, including CH-related projects. The MENA region has committed about US\$80 million for these projects. Of this, about US\$39 million, or 48 percent, was allocated directly for CH protection, management, and enhancement.

• Fes Medina (Morocco) main results in brief:

The Fes medina was one of the more interesting projects taken in the MENA area:

- An initial cost-benefit analysis was done on investments for improved medina access, resulting in an economic rate of return (ERR) of 17 percent.
- In addition, a specific cost-benefit analysis was conducted, in two stages, for the proposed tourism development program. The result was an ERR of 17.3 percent. An overall economic assessment of the project was also made to estimate the mobilization of private resources as a result of investments by the public sector. The result was a robust leverage ratio of 1:3 after 15 years from project start, increasing to 1:5 in subsequent years.
- The increased land values attributable to new tourist itineraries were found to be sufficient to fully recover costs within a 10-year period with a 10 percent discount rate, even assuming a cost increase of 20 percent.

**References:** *Cultural heritage and development: a framework for action in the Middle East and North Africa*

<http://documents.worldbank.org/curated/en/2001/01/11054847/cultural-heritage-development-framework-action-middle-east-north-africa>

### Oporto World Heritage site

**Interested country/ies:** Portugal

**Type of heritage:** historic district

**Year:** 2004-2014

**Implementing subject:** Porto Vivo sru

**Partners:** local governments

**Sources of funding:** PPP (EU funds + private funds)

**Cross border dimension:** yes

**Description:**

The Action Programme for the Urban Rehabilitation of the Mouzinho/ Flores Axis\_CH.2 is one of the 10 operations that constitute the territorial strategy of the Management Plan of the Historic Centre of Oporto World Heritage. Along with Morro da Sé, it is a territorial unit already changing, either through public-driven interventions supported by a contribution from EU funds, either by private-driven interventions that mirror the recovery and rehabilitation of the built fabric, either also with the installation of new commercial activities, of new tourist accommodation units and restaurants.

Physical regeneration of private and public buildings, refurbishment of the public space, setting up of new commercial activities, leverage of private investments are the main tangible outcomes of these interventions.

**References:** <http://www.portovivosru.pt/mouzinho/flores/>

### Louvre, Paris - High Museum of Art, Atlanta

**Interested country/ies:** France, USA

**Type of heritage:** museum collections

**Year:** 2006-2009

**Implementing subject:** Louvre

**Partners:** High Museum of Art in Atlanta

**Investment amount:** 6,4 mln USS

**Sources of funding:** private sponsors

**Cross border dimension:** yes (France-USA)

**Description:**

Louvre Atlanta was an art cross border collaboration showing exhibits from the Louvre in Paris at the High Museum of Art in Atlanta from October 2006 to 2009. The High Museum also held related programs including lectures and art-making workshops.

Three major sponsors included Coca-Cola, Delta Air Lines, and United Parcel Service, all based in or immediately outside of Atlanta. The total budget for Louvre Atlanta was estimated at US\$ 18 million. This included a US\$ 6.4 million payment by the High which will go towards the restoration of the Louvre's 18th-century French decorative arts galleries.

**References:** <http://www.high.org/louvre>

## Louvre in Abu Dhabi (UAE)

**Interested country/ies:** UAE

**Type of heritage:** museum collections

**Year:** 2007 (ongoing)

**Implementing subject:** Agence France Museums/Abu Dhabi government

**Sources of funding:** UAE government

**Cross border dimension:** yes (UAE-France)

### Description:

Abu Dhabi (in United Arab Emirates) looks for a new positioning in the worldwide scenario as global cultural showcase. In this frame, the Louvre Abu Dhabi is a planned museum, to be opened in late 2016. This project is part of a thirty-year agreement between the city of Abu Dhabi and the French government, to create a new museum, designed by the architect Jean Nouvel, of approximately 24,000 square metres on the Saadiyat Island Cultural District, an area measuring 64 sqm fully dedicated to art, with the scope of attract international tourism. The island will host also the Sheikh Zayed National Museum, designed by Foster and Partners; the Guggenheim Abu Dhabi, the biggest Guggenheim in the world, designed by Frank Gehry; a performing arts centre by Zaha Hadid, and a maritime museum by Tadao Ando. The final cost of the construction is expected to be between €83 million and €108 million. In addition, US\$525 million was paid by Abu Dhabi to be associated with the Louvre name, and an additional US\$747 million will be paid in exchange for art loans, special exhibitions and management advice. Artwork from around the world will be showcased at the museum, with particular focus placed upon bridging the gap between Eastern and Western art, having the aim to enhance cultural exchange, and not the comparison between cultures. However, the construction of the museum has caused much controversy in the art world, as many objections have been raised as to the motives of the Louvre in this deal.

**References:** <http://louvreabudhabi.ae/en/Pages/home.aspx>  
[https://en.wikipedia.org/wiki/Louvre\\_Abu\\_Dhabi](https://en.wikipedia.org/wiki/Louvre_Abu_Dhabi)



### **“Zecca” of the State building, Rome**

**Interested country/ies:** Italy

**Type of heritage:** historical building

**Year:** 2011 (start)

**Implementing subject:** Residential Real Estate (private company)

**Sources of funding:** private

**Cross border dimension:** yes (Italy-China)

**Description:**

The owner of the complex, Residential Real Estate 2004 (75% owned by Cassa Depositi CDP Real Estate Group and 25% by the Finprema Fratini group) signed an agreement with Rosewood Hotel, a subsidiary of New World China Land, listed holding company the Stock Exchange of Hong Kong. The enhancement project provides for the exploitation of 30 thousand square meters for the construction of a hotel of about 200 rooms, a conference center, restaurants, pool and spa, as well as about 50 private residences managed by the hotel operator. In further 28 thousand square meters of available area CDP Real Estate is realizing private residences and offices.

**References:** [http://www.repubblica.it/economia/2015/11/24/news/cdp\\_la\\_zecca\\_dello\\_stato\\_sara\\_un\\_hotel\\_della\\_cinese\\_rosewood-128041736/](http://www.repubblica.it/economia/2015/11/24/news/cdp_la_zecca_dello_stato_sara_un_hotel_della_cinese_rosewood-128041736/)

### **Herculaneum Conservation Project**

**Interested country/ies:** Italy

**Type of heritage:** archaeological site

**Year:** 2011-ongoing

**Sources of funding:** private

**Cross border dimension:** yes

**Description:**

The Herculaneum Conservation Project is a PPP set up by David W. Packard, president of the Packard Humanities Institute (a philanthropic foundation), with the aim of supporting the Italian State, through the “Soprintendenza Speciale per i Beni Archeologici di Napoli e Pompei” (the local heritage authority), in preserving the archaeological site. The main focus of interventions has been on infrastructural problems and on the regular maintenance of the ancient structures.

It tries to involve the local community closely in its activities, has undertaken joint projects with the town council, and helped set up (2007) the Herculaneum Centre, with the mission to become a point of reference for the inclusion of the local and international communities in conserving Herculaneum’s past, by developing partnerships, facilitating physical and intellectual access to the historic environment, and by stimulating responses to Herculaneum’s archaeological and cultural heritage.

**References:** <http://www.herculaneum.org/hcp-home/eng/index.html>

## FAI (Fondo Ambiente Italiano)

**Interested country/ies:** Italy

**Type of heritage:** cultural heritage

**Year:** 1975-ongoing

**Sources of funding:** private

**Cross border dimension:** no

### Description:

FAI (Fondo Ambiente Italiano, usually referred to in English as the Italian National Trust) is a national, not-for-profit trust that was set up in 1975 and has since gone on to save, restore and open to the public numerous fine examples of Italy's artistic and natural heritage. In recent years, FAI International was established to broaden FAI's notoriety outside national boundaries in order to increase awareness of Italy's extraordinary but endangered cultural, artistic and environmental heritage. FAI operates throughout Italy in restoration, education, events and participations, from its headquarters in Milan and its office in Rome, and also through an extensive network of volunteers organised into 116 Delegations, which are managed by 20 Regional Executives. Through direct donations (mainly) and acquisitions, FAI includes in its trust cultural heritage goods, particularly buildings and complexes. Once in their "portfolio" FAI takes care of their valorisation through a set of specific activities from restoration to visitors opening, renting and organizing events. FAI is supported by a large number of institutions, companies and small donors.

### In brief:

- 120.000 active members;
- 116 Delegations, managed by 20 Regional Executives
- 50 restored buildings and complexes managed by FAI, 32 opened to public
- more than 100 events organized per year
- 7.000.000 visitors in FAI history (580.000 in 2014)
- 30.000 ancient books 19.000 art pieces
- 2.634.000 square meter of protected landscape
- 87 million € collected and invested into restoration works
- more than 500 companies contributing every year
- more than 1 million students involved into activities
- 8.500 place opened to public during 22 years of "Spring Days" with over 7.500.000 total visitors

**References:** <http://www.fondoambiente.it/Chi-siamo/Index.aspx?q=la-nostra-storia#sthash.YyTE0xMU.dpuf>

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