

Inter American Development Bank

## Urban Sector Dissemination Note

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# HERITAGE CONSERVATION IN LATIN AMERICA AND THE CARIBBEAN

## Recent Bank Experience

A note prepared by  
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*The Bank is leading the involvement of development banks in financing urban heritage conservation projects in Latin America and the Caribbean. This is a new area of work for the Bank and emerged in response to requests from borrowing member governments for assistance in their efforts to preserve sites and monuments valued as important components of their heritage. The Bank has been reluctant to commit itself too openly to expand its activities in this field. Currently it does not have a policy framework for this type of operations nor much experience in this type of projects. However, out of the experience gained in processing several operations a practice is emerging in which lessons are learned and new questions arise. This note provides a glimpse into this complex field of Bank intervention and lays out some of the emerging issues and questions.*

## The conservation of cultural heritage

The market allocates very few resources to the preservation of cultural heritage (including urban heritage). However, communities invest in its conservation for a variety of reasons. In Latin America these include the lobbying activities of enlightened individuals or groups, and international concerns for the conservation of cultural artifacts. Lately, there has been a growing realization of the social benefits of heritage conservation. Tourism promotion is also invoked to justify the use of public funds for these purposes.

Effective interventions in urban heritage conservation must not only be able to rehabilitate the physical fabric of the historic centers (public spaces and emblematic buildings) but also to revitalize the social and economic processes that can make efficient use of the stock of buildings and infrastructure and maintain them properly. Lessons drawn from past practice indicate that accomplishing these goals require significant changes in the social valuation of urban heritage. Further, they require putting in place institutional mechanisms capable of promoting collaboration among social actors.

### IDB experience in heritage conservation

*The Early Years. Heritage Conservation and Tourism Development.*

The initial incursions of the IDB into heritage conservation were concerned mostly with the promotion of international tourism to earn foreign exchange. In 1974 a Bank loan (Plan COPESCO) assisted the government of Peru in the rehabilitation of several colonial buildings in Cuzco, a centerpiece. The institutional structure for the project was based on the successful experience of Barcelona, which

of the country's international tourism industry. Similarly, in 1984 the Bank lent support to the government of Panama for the rehabilitation of the historic center of Panama City, and to conduct archeological research and protection activities in the site of the first settlement in that country. A recent loan to promote tourism in the Northeast of Brazil (PRODETUR) has a component to finance rehabilitation works in historic centers.

*The Recent Experience. Urban heritage Conservation and Urban Development. The case of Quito.*

The conservation-tourism linkage was prominent in the initial conceptualization of the loan request submitted to the Bank by the government of Ecuador to preserve the historic center of Quito. Shortly into the project preparation process it became clear that tourism development would justify but a minimum part of the investment required to properly conserve the historic center of the city, which was declared a world heritage site by UNESCO. The conservation of the historic center was, in fact, a vast urban rehabilitation undertaking requiring careful planning and full involvement of the private sector in its implementation.

With assistance from bilateral technical cooperation agencies (Spain, Italy) and the Getty Foundation, the municipality of Quito prepared a master plan for the preservation of the historic center. In parallel, the Central Government created a Fund for the Conservation of the Historic Center financed with the proceeds of a national tax and entrusted with the mandate to invest its resources in the conservation of the main public buildings. What was missing was the involvement of the private sector and civil society in the process. The Bank loan was designed to set this process in motion.

rehabilitated a large section of its historic center through the activities of a mixed capital society.

The society invested public funds in the rehabilitation of public spaces and contributed to the rehabilitation of buildings for private use through joint ventures with owners and private investors. The municipality of Quito created a mixed capital company and contributed land, buildings and cash. The Bank loan finances investments in public spaces for which the municipality is responsible, and provides risk capital for the company. The company is currently executing investments in public spaces (under contract with the municipality), and it is engaged in a variety of rehabilitation projects for its own buildings. It is also attempting to forge partnerships with private owners and investors. The real estate owned by the company as a result of its activities is to be sold in the market and the proceeds of the sales used to finance new ventures. Total investment programmed in this phase of the project is US\$50 million, with US\$15 millions allocated for joint ventures with the private sector.

### **The Road Ahead. Financing Urban Heritage Conservation**

Project preparation of the Quito Historic Center Rehabilitation Program took four years and the first results started to be noticeable in the second year of execution, a full six years after the initial loan request to the Bank. However, the Quito project is now well known in the region and has prompted several requests for financing. Currently, the Bank is working on five projects involving urban heritage rehabilitation and conservation. Each case has unique characteristics but raises similar issues concerning the allocation of public resources, the sharing of responsibilities and benefits between public and private actors, and the most efficient way to establish a sustainable urban heritage conservation process.

*Heritage Conservation Regulation and Private Investment in Santo Domingo, Dominican Republic*  
The government of Uruguay is committed to rehabilitate public real estate assets located in or

*Republic.*

This is a technical cooperation granted to the government of the Dominican Republic to assist in reviewing current institutional arrangements and historic preservation regulations in the historic center of Santo Domingo. An early assessment of the barriers for private involvement in heritage conservation singled out the strict conservation ordinances and complex institutional arrangements for development control as hampering private investment in the historic center. Consultants are being hired with funds from the Spanish Fund for Consultants (US\$0.13 million) to undertake an assessment of the situation and recommend solutions.

*Heritage Conservation and Rehabilitation as Part of Infrastructure Development. The case of La Boca in Buenos Aires, Argentina. (AR-0136)*

The Bank will contribute to finance the environmental cleanup and flood control infrastructure in the Riachuelo River in Buenos Aires. Among many benefits, these investments will make possible the rehabilitation of public spaces in the La Boca, Isla Maciel and Barracas neighborhoods, currently deteriorated as a result of the frequent floods and poor environmental conditions of the Riachuelo. The project incorporates an urban community heritage rehabilitation component (US\$18 million) that will finance improvements in the public spaces of these neighborhoods, regarded as part of the heritage of the city since it was the site of the original port of Buenos Aires and the reputed birth place of the tango. In this case, heritage conservation piggybacked on a large infrastructure operation (US\$500 million) approved in 1997.

*National Urban Revitalization Program in Uruguay. (UR-0112)*

near the historic centers of several cities, and whose abandonment contributes to urban decay. The lands

and buildings belong to the public railway and electricity generation companies and are no longer required for operations. The program seeks to attract private investors to develop these assets and to preserve the historic buildings (among them the General Artigas Central Station in Montevideo, a National Heritage Building). Under the Program's approach, public investments in the historic buildings (beyond minimal conservation) and their surrounding areas are tied to the concrete interest of private developers to take responsibility for the buildings for commercial uses (retail, office, entertainment). Cultural activities financed by the government are also included but tied to commercial developments capable of ensuring the long-term sustainability of the preservation effort. The Program (US\$40 million) is in its final approval stage.

*Urban Heritage Rehabilitation Program in Brazil.  
(BR-0261)*

Faced with the challenge of protecting more than 16,000 National Heritage Sites, the Ministry of Culture is committed to introduce reforms in the way the federal government finances urban heritage conservation. The objective is to use federal funds (US\$50 million) to leverage municipal and private funds (for at least an additional US\$50 million) for the rehabilitation and conservation of key historic centers under the protection of the federal government. Projects are being prepared in four cities, San Luis de Maranhao, Olinda, Recife, and Ouro Preto, as a sample of the projects that the program aims at financing by promoting public-private partnerships for heritage conservation. Under these partnerships, the public sector will act as a catalyst for private investment that should provide long-term sustainability to the preservation effort.

*National Heritage Conservation Program of  
Argentina. (AR-0199)*

The National Commission of Museums, Monuments and Historic Sites of Argentina is seeking Bank

financing for the preservation of several priority heritage sites located in economically depressed areas, the provinces of Salta, Jujuy, Misiones and Corrientes. These are some of the oldest heritage sites in Argentina, however, they are located in rather remote areas making linkages with economic activities (other than tourism) difficult. Even with full tourism development the preservation of the sites may turn out to be only marginally viable in economic terms forcing the promoters and the Bank to justify the investment mostly on the existence value of the heritage sites. The project is in its early stages of preparation and no definitive approach has been adopted yet.

### **Issues and opportunities for international cooperation**

It is hard to tell at this point if heritage conservation will be one of the Bank's investment priorities in the future. Public commitment to invest in heritage conservation is rising and there is room for improving efficiency and targeting in this sphere of public expenditure. This may be a reason for Bank participation, but still falls short of a full investment rationale for the sector. What is missing is a clear demonstration of the economic benefits of heritage conservation.

Communities value urban heritage. Recent economic studies based on the willingness to pay methodology suggest that individuals place heritage in high regard and are prepared to commit resources to its upkeep. Visitors were quite prepared to pay for the rehabilitation of the Medina in Fez, Morocco, as shown by a recent World Bank study. The citizens of Montevideo also valued highly the construction of a new opera house to replace the old one that burned down two decades ago. Are the results of willingness to pay studies a sufficient justification for public investment in this sector? If so, what is the most efficient use for the scarce public resources devoted to heritage conservation?

In terms of financing heritage conservation, several questions remain as to the sources of funds and the most efficient allocation mechanisms. Are tax exceptions to private investors or donors, the preferred mechanism in the United States, the most efficient resource allocation mechanism? Is direct public investment, common in Europe, the most effective way to achieve preservation goals? Should public investment be financed from general revenues or through special taxes charged to the direct beneficiaries?

The need for effective public-private partnerships in urban heritage conservation is undeniable in view of recent successful experiences in Europe, the United States and Latin America. Which is the most effective mechanism for forging long lasting partnerships, mixed capital societies, tax increment districts, or private development corporations with

a public charter? Effective models may vary between countries and even cities, but basic principles of good entrepreneurship in the sector may be fairly similar and need to be developed.

To answer these questions, further research is needed, as is the exchange of experiences and lessons from successful cases. The Bank is in a privileged position to assist in this effort, this can be a fruitful role that it can play. The Bank can also use its institutional experience to assist in the creation of efficient financial mechanisms to channel private contributions for heritage preservation. Finally, the Bank can offer borrowing and nonborrowing countries a unique forum to exchange experiences and create new approaches to financing and executing heritage conservation activities.

## Resources

For further information about the projects mentioned in this note you can contact:

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