16 FINANCING URBAN HERITAGE CONSERVATION IN LATIN AMERICA

The deteriorated urban heritage of Latin America

Latin America has a rich and varied urban heritage contained in distinctive historic centers that are fine examples of the urbanism and architecture of the sixteenth, seventeenth, eighteenth, and nineteenth centuries. This heritage forms part of the countries' history and is representative of the different phases in the evolution of national culture. It has received international recognition as the historic centers of several cities, Cartagena de Indias (Colombia), Quito (Ecuador), Olinda, Salvador and Ouro Preto (Brazil) are UNESCO World Heritage Sites. Many other cities of Latin America—like Antigua (Guatemala), Coro (Venezuela) Popayan (Colombia), Lima (Peru), San Luis (Brazil) to name but a few—also have central areas containing monuments with historic and cultural significance. These centers are threatened by the pressures exercised on the traditional pattern of streets and public spaces by contemporary urban development and by the obsolescence of historic buildings. The conservation of the historic centers not only will preserve a repository of the countries' history and cultural memory but also will recuperate for contemporary use a valuable and centrally located stock of buildings and infrastructures.

The stressed urban structure of the historic centers

The foundational layout inherited by Latin American cities is still present in its historic centers and provided the models upon which more modern quarters of the cities were structured. In the cities established by the Spaniards, this urban structure—dating from the late Fifteenth and early Sixteenth centuries—is based on a strict gridiron pattern (Photo 1). Portuguese cities, for the most part, inherited a traditional organic pattern of streets and public spaces that evolved over the years according to the growth of the settlement, the needs of defense and the topography (Photo 2). In both cases, this inherited structure of streets, squares and residential lots—that accommodated urban activities for more than four hundred years—is showing signs of stress and is increasingly incapable of absorbing the demands of urban life in the turn of the Century. The narrow streets are congested and polluted by vehicular traffic, the public spaces are invaded by informal street vendors, the land subdivision constrains the redevelopment of the parcels and often the infrastructure put in place over the history of the city is insufficient (Photo 3). The reduced accessibility and public amenities expel urban economic activities from the historic center, discouraging private real estate investment in the area.
City, Space, and Globalization

Photo 1 Quito, Ecuador. An Example of Gridiron pattern.

Photo 2 Quro Presto, Brazil. An Example of Organic Pattern of Streets.

Patterns of obsolescence in the historic buildings.

The architectural heritage in the historic centers includes a vast array of historically and architecturally significant structures. Government buildings, churches and convents, hospitals, military installations and defense walls are often fine examples of baroque and neoclassical architecture and of colonial military engineering while railway stations and port facilities are examples of late nineteenth century industrial architecture. Their existence is threatened by functional and physical obsolescence.

Functional obsolescence occurs when the buildings no longer satisfy the requirements of the original activities (or when their original functions are no longer needed). Examples include old hospital buildings that become obsolete as a result of new medical technologies, historic government office buildings overpassed by the growth of the public service and new office technologies, convents and churches that communities can no longer support, old libraries incapable of accommodating modern-sized book stocks or new information technologies, or railway stations no longer used. The traditional houses of high-income families in the historic centers of cities of Spanish origin are a classic example.2 These buildings accommodated the domestic activities of extended families well into the twentieth century when changes in fashion and the desire for modern amenities made suburban dwellings more desirable. Once their upper-income homeowners left the historic core of the city, the abandoned houses were used to accommodate commercial and service activities that benefited from the availability of space, central location and low rents. Service activities gradually gave way to low-income families when the space and accessibility requirements of these businesses caused them to move to the second growth ring of the city (areas developed during the 1930s and 1940s). The houses in the historic centers were then turned into slum dwellings with many low-income families occupying a room each and sharing inadequate sanitary facilities. This arrangement served the interests of both low-income families and landlords. The former benefiting from the centrally located though substandard accommodations and the latter by extracting rental income from otherwise useless real estate.

Physical obsolescence—the deterioration of the structure, installations or finishing of buildings—turns them incapable of accommodating the functions they house. Usually the result of poor maintenance, physical obsolescence may also result from natural disasters (like earthquakes or floods) or from the effects of urban development (for instance, heavy traffic that produces vibrations and pollution). Independent of its origins, physical obsolescence turns buildings incapable of accommodating economic, cultural or residential activities leading to their abandonment. Historic buildings and sites are often among the most deteriorated structures in cities, making them extreme examples of physical obsolescence that can only be turned around with significant investments.

Issues confronting the conservation of urban heritage

Reversing the process of deterioration that affects historic centers in Latin America is a difficult undertaking that requires significant changes in the social valuation of urban heritage, in government policies and practices, and in the prevalent trends and fashions in the real estate industry that promote the abandonment and degradation of these assets. Implementing these changes raises several issues including some related to urban policy, like the political and economic rationale for intervention; technical issues, including defining priorities and the more efficient types of interventions, and financial issues, including determining who should pay for the interventions and identifying viable means of cost recovery. Underlaying these issues is the broader question of the division of responsibilities between the private and the public sector.

Rationale for intervention

The market allocates very few resources to the preservation of cultural heritage including the urban heritage. However, communities invest in conservation for a variety of reasons. In Latin America these include the lobbying activities of enlightened individuals or groups, international concerns for the conservation of cultural artifacts and lately, a growing
realization by the communities about the social benefits of heritage conservation. Tourism promotion is often invoked to justify public investment in urban heritage conservation.3

Interventions in urban heritage conservation to be effective and useful must not only rehabilitate the physical fabric of the historic centers (public spaces and emblematic buildings) but also revitalize the social and economic processes that can make efficient use of the stock of buildings and infrastructures and maintain them properly. Lessons drawn from past practice indicate that accomplishing these goals require significant changes in the social valuation of the urban heritage. Further, they require putting in place institutional mechanisms capable of promoting collaboration among social actors. Some changes in the social valuation of the urban heritage. Further, they require putting in place institutional mechanisms capable of promoting collaboration among social actors. Some progress has taken place in Latin America in this direction. A staged progress toward socially shared and more sustainable forms of urban heritage conservation is becoming apparent although still plagued with inefficiencies and impaired by many obstacles.

Urban heritage conservation a limited concern of the elites

In the early stages of the urban heritage conservation effort in Latin America and the Caribbean, the process was led by enlightened cultural elites concerned with the preservation of specific buildings or monumental areas in danger of disappearance due to real estate development pressures (the notable exception is Mexico, where the State was the early leader.) Typical of this phase of conservation are projects oriented to preserve individual buildings of historic or architectural significance. Funding comes from a variety of sources, private and public, the scope of the conservation effort is limited, and the conserved monument is usually devoted to some public use. In this stage, the sustainability of conservation efforts rests mostly on the dynamism of the concerned elites and investments are often lost due to lack of continuity.4

This phase often sees the enactment of historic preservation legislation. Severely limiting the owners’ development options in historic buildings, and lacking incentives to promote the proper maintenance by owners and tenants, preservation ordinances usually end up having the opposite effect than the intended. Confronted with more profitable uses for the land (even as parking lots) owners of historic properties often left them without maintenance in the expectation that physical obsolesce will force local authorities to order their demolition, thus allowing more profitable uses for the land. While waiting for physical deterioration to run its course, land owners obtain rents subdividing large buildings according to market demands (low income housing, warehousing, repair shops) contributing to the decay of historic buildings and the deterioration of the area.

Even at this early phase in the conservation movement, more comprehensive approaches to preservation regulation may yield better results. The municipality of Cartagena de Indias (Colombia) implemented a detailed plan for the conservation of historic domestic architecture within the walled city. The plan, geared at regulating private investment, was complemented with public investment for the rehabilitation of the walls and the conservation of public spaces. As Cartagena turned into a fashionable resort, the combination of public investment and private demand for historic buildings as vacation homes or tourism facilities attracted unsubsidized private investment to restore many buildings in the historic center. Private investors complain that the rigid building regulations—based on a restricted menu of allowed interventions by building type—unduly restrict the development potential of historic buildings. It is unclear whether the constraints imposed by the conservation plan effectively discouraged private investment in the more fashionable sections of the walled city however, the regulations so far have preserved the character of all areas, including those housing middle-income local families. Professional management of the plan has weakened in later years undermining its capacity to continue preserving the character and monuments of the historic center.

Unsustainable government interventions

A second phase emerges when governments adopt more proactive approaches to conservation passing legislation and creating heritage conservation boards and specialized institutions. However, confronted with pressing social needs, most governments find it difficult to mobilize taxpayer funds to pay for the rehabilitation and upkeep of urban heritage sites. Lack of funds is often compounded by weak institutions and lack of technical skills.

The conservation efforts of Santo Domingo (Dominican Republic), (Box 1) and Salvador (Bahía, Brazil), (Box 2) are representative of the programs developed in this phase of evolution of the conservation effort. These programs, based on direct public sector intervention and financing, not only encountered difficulties securing the large volume of public resources required to maintain the sites, but did not contribute significantly to revitalize the economy of the historic districts to ensure the long term sustainability of the conservation effort. They attracted but a limited range of private economic activities mostly related to cultural tourism or recreation. In the case of Santo Domingo, excessive public intervention and overregulation in the historic center discourage private investment while in Salvador recreation and tourism activities expelled residents and craftsmen that used to live in the historic center. It is doubtful whether historic centers can survive only on the basis of tourism and recreational activities whose demand is volatile and may, in economic recessions induce the abandonment of the center by merchants and entrepreneurs. Conservation efforts must strive to promote a wider variety of economic activities (residential, services, commerce and government) to ensure stable demand for space.

These cases did not solve efficiently one of the most difficult issues confronting urban heritage conservation in Latin America and the Caribbean, that is to achieve an efficient balance between the roles played by the public and private sectors. Public interventions narrowed the scope left to the private sector to assume its role in conducting business and making real estate investments in the historic centers. The
proactive public sector not only crowded out potential private investments but undertook the impossible task of conserving a vast array of buildings and public spaces with its limited resources.

**Urban heritage conservation as a widespread social concern.**

In a third, and more advanced phase of the process—still to be achieved in Latin America—urban heritage conservation becomes a concern and responsibility of a wide variety of social actors and derives momentum and dynamism from the interplay of different interest groups and the real estate market. Private philanthropy, civil society organizations and local communities all become involved in the process with clear and complementary roles. The public sector provides the regulatory environment for the other actors and invest in public spaces and infrastructures that create the externality that attract other investors. As communities increase their appreciation for the urban heritage, the commercial value of some buildings and historic districts increases and their conservation also becomes relevant for commercial concerns attracting private investors that rehabilitate buildings to satisfy the demand for space of a variety of economic activities. At this stage of development of the conservation effort, the most critical issues confronting urban heritage conservation are solved through the fruitful collaboration of the different actors. Key in attaining this stage of development is the consensus in the community about the social and economic value of the heritage, in turn a process that can be assisted by education and dissemination campaigns.

**Gentrification**

Successful rehabilitation of historic districts attracts new residents and economic activities boosting land and building prices. This process, commonly known as gentrification, benefits municipal income and land owners, and boosts economic activities. However, it tends to expel low-income families and less profitable economic activities from the area. There are strong market forces involved in gentrification as buildings are turned into their best and highest use by owners and developers. Further, gentrification generates positive externalities for economic activities interested in locating in
historic centers (for instance commerce, recreation and tourism) contributing to expand demand for space in the historic center, thus to the long-term sustainability of the conservation effort.

Gentrification affects the poorest members of the community that lose access to cheap housing and to the economic and social opportunities offered by the downtown location. Equity considerations require mitigation of the social ill-effects of gentrification, an undertaking that is greatly facilitated by the availability of national or local public programs supporting low-income housing and micro enterprises. Side effects of gentrification may be so significant as to jeopardize political support for conservation. There are but a handful of cases where this problem has been mitigated to the satisfaction of local residents (Bologna in Italy, Barcelona in Spain). In all successful cases, interventions involved significant central government subsidies, a price not many countries can afford.

Urban heritage conservation strategies for Latin America

The Inter-American Development Bank (the Bank) pioneered the support to urban heritage conservation. In accordance with its mandates, the Bank is currently supporting programs and projects that have clear and significant impacts on the acceleration of economic and social development and propel urban heritage conservation activities into the third stage of development described, that is the establishment of sustainable heritage conservation process based on the contributions of all relevant social actors.

The projects are framed within one of the three strategies that the Bank considers appropriate at this stage of its involvement in the conservation effort. These strategies are, the conservation of historic areas with ample involvement of the private sector, urban heritage conservation as a trigger of wider urban rehabilitation processes and the promotion of conservation through incentives and regulation.

Conservation of Historic Areas with private sector participation

This strategy, an approach much favored in Europe, focuses on the conservation of several buildings and public spaces that make up a coherent functional or historic set. The economic rationale for investing in this type of projects is justified on the basis of the existence or option value of the site and its monuments although the impact on tourism is also considered. The cases of Salvador and Santo Domingo suggest that projects to preserve historic areas, when based solely on government resources, are difficult to sustain in the long term. Realization of this shortcoming leads the Bank to promote extensive involvement of the private sector in the financing and operation and maintenance of the conservation works.

The Municipality of Recife (Brazil) achieved some success in attracting private investment to the rehabilitation and conservation of the historic center of the city. Municipal resources were used to improve the public spaces (streets resurfacing, lighting and equipment, infrastructure improvements) and in the rehabilitation of selected buildings (previously acquired by the Municipality). The rehabilitated buildings were lent to private investors that turned the area (the Rua Bon Jesus) into a fashionable entertainment area for the whole metropolitan region. The success of the early entrepreneurs attracted more private investment to the rehabilitation of other buildings in the area. To date, the original public investment is less than one third of the total investment in the area. The Municipality is currently seeking Bank support to undertake another section of the historic center, the Polo Alfandega. It is expected that this new effort will avoid the excessive concentration in recreation and tourism activities that showed the early stages of rehabilitation of the Rua Bon Jesus.

With Bank assistance, the Municipality of Quito (Ecuador) is attempting to forge effective public-private partnerships to rehabilitate the central section of the city's extensive historic center. A mixed capital society operates with resources provided by the municipality, private investors and a Bank loan, to undertake projects that are intended to be sold in the market (see Box 2). The effective implementation of this approach requires long-term commitments on the part of the public and private investors, and the construction of effective private-public partnerships. Cofinancing of investments requires changes in traditional approaches to public financing including the acceptance of a private sector style of decision-making and risk-taking in the use of public funds.

In a project for the financing of urban historic conservation investments in seven cities of Brazil (San Luis, Olinda, Recife, Salvador, Ouro Preto, Rio de Janeiro, Sao Paulo), the Bank is promoting partnerships at different levels. These include collaboration between entities of the public sector (State and Municipal Governments) and between the public and private sectors for financing, operating and maintaining investments in the historic centers for the conservation, rehabilitation or recycling of emblematic buildings for commercial, office, institutional or residential uses. In keeping with the objective of incorporating the different actors into the process in their most efficient capacity, the project promotes public investment in public spaces and in the public component of building rehabilitation and conservation, leaving to the private sector to undertake the rest of the investment. Departing from a widespread practice in Brazil and other countries of Latin America, public investments in buildings devoted to private uses are contemplated only as demonstration cases and not as the main component. Public resources will also be used to subsidize the rehabilitation of residential buildings owned by low income households. This component attempt at retaining the traditional residents of the historic centers taking advantage of the fact that many still live and work there, although they lack resources to maintain their homes at the standards required by urban heritage conservation plans. However, the project does not propose a solution for low income tenants that probably will be displaced by the gentrification process.
Box 3 IDB-Financed Rehabilitation of a Historic Center. The Case of Quito (Ecuador)

With Bank assistance, the Municipality of Quito is attempting an approach similar to Barcelona’s to rehabilitate the central section of the extended historic center of the city. Based on a Master Plan for the Rehabilitation of the Historic Center, the municipality embarked on the implementation of a first phase of investments to turn around the deterioration of the physical and economic fabric of a section of the historic center comprising 72 blocks around Independence Square. The activities under execution include public investment to improve accessibility to the area (restructuring of traffic patterns and provision of parking space), the quality of urban services (using historic buildings to house them) and the quality of public spaces (lighting, signaling and equipment). The investments are complemented with regulations to organize the use of public spaces by informal activities. Actions in the public space are complementary to joint ventures with private capital to rehabilitate historic buildings. A mixed capital company operates with resources provided by the municipality, private investors and a Bank loan, to undertake projects that are intended to be sold in the market. It is expected that the company will be self-sustaining in the future, however, the municipality is prepared to shoulder losses in order to trigger the rehabilitation process. The project under execution, centered on Garcia Moreno Street and Independence Square, is expected to displace only a handful of low-income families who will be housed in previously rehabilitated buildings in the historic center. Future stages of the rehabilitation process may have more significant impacts that are currently under study. The absence of a national low-income housing policy and finance mechanisms is a major limitation for the design of viable solutions to the social ill-effects of gentrification.

Figure 1 Historic Center, Quito Metropolitan Area
Conservation as a Catalyst for Urban Rehabilitation

Urban heritage conservation, when used as a catalyst for urban rehabilitation, offers the potential of generating bankable projects. Experience shows that in historic centers synergies do exist among these processes, involving a dual effect. On the one hand, investments in the conservation of urban heritage buildings and in the rehabilitation of infrastructure and public urban services, generates externalities that attract private investors that perceive profit opportunities in taking advantage of the area’s location and attractiveness for certain segments of the real estate market. On the other hand, private investments and the reactivation of residential and economic activities in the centrally located historic areas—a re­centralization process—result in the more efficient utilization of available capital (buildings and infrastructure) with the corresponding positive impacts on the efficiency of cities (for instance, reductions in transportation costs). The economic benefits of re-centralization help justify the investment in heritage conservation, and the revitalized centers contribute to the sustainability of the conservation effort. Heritage-based urban rehabilitation programs offer the potential for productive cooperation between the public and private sectors in achieving development goals that neither of them can accomplish independently. This approach still requires the careful management of the social impacts gentrification.

Implementation of this approach requires close collaboration between public and private actors. Public-private partnership to plan and execute the projects provides the mutual assurances required for the conservation and urban rehabilitation process to get started and be sustained in the long-term. Adoption of a master plan by the regulatory authority (drawn with the involvement of private investors and the community), provides assurances about the long-term future of the area while private sector participation brings commercial expertise and knowledge of local markets to improve the long-term sustainability of the undertakings. Community involvement in the design and administration of the master plan reduces the chances of conflict. Success in this approach to heritage conservation also requires a strong and sustained political commitment, which results from the strong commitment of the local community to invest in urban heritage conservation and rehabilitation. Success of the strategy also requires an adventurous private sector willing to invest in risky undertakings lured by the expectation of high returns.

One example of this approach is the Urban Rehabilitation Program of Uruguay. As part of this Program, the Bank will support the recycling of the Central Railway Station of Montevideo. The unused facility—that includes the Nineteenth Century terminal building (a registered historic landmark) and the railway yards—is a major source of blight preventing the redevelopment of a neighborhood located less than a mile away from Montevideo’s central business district. Bank financing will contribute to investments in the public space and for the preparation of the land for development. It is expected that the private sector will develop a mixed-use (cultural, entertainment and commercial) project in the terminal building and will provide office, commerce, entertainment and residential space in the railway yards. Public investments financed by the Bank will be initiated only after private developers are secured for the station building and the yards.

The Preservation of Existing Heritage Buildings or Sites Through Regulation and Incentives

Of particular interest for the long-term sustainability of urban heritage conservation is the promotion of strategies that prevent the deterioration of buildings and public spaces by inducing conservation and maintenance by private owners, developers or users through a properly coordinated system of regulations and incentives. The social impact of this strategy is significant in terms of community ownership of the conservation effort and the permanence of economic and residential activities in the historic areas. The economic development impact of this approach arises from the conservation and use of existing physical capital and from the prevention of costly rehabilitation works. However, this strategy places the burden of financing on the institutions sponsoring the incentives out of the public treasure. This approach, which can be complementary to other direct public interventions, is more feasible in countries with strong local governments capable of designing, executing and paying for the complex array of tax exemptions, land use and building regulations, and direct subsidies involved in this type of
conservation program. There is no ongoing Bank experience based on this approach.

**Final remarks**

The conservation of the urban heritage is gaining priority in the political agenda of central and local governments of Latin America, a result of the growing awareness of social actors about its cultural and economic value. Experience shows that this effort will be sustainable in the long term only if all social actors interested in the city actively participate in its most efficient capacity. This requires a well-balanced distribution of roles between public and private actors. Achieving this balance is a central goal of the Inter-American Development Bank in its involvement with this relatively new sector of financing. To that effect the Bank is promoting the involvement of the private sector, individuals, community organizations, firms and trade associations and real estate developers. To prosper, this effort requires deepening the embryonic change in the outlook that is taking place in the Region and promote public-private partnerships to undertake tasks that none of the sectors can accomplish independently.

Given the public objectives embodied of this type of projects, and the risk profile of their private investment component, governments will not be able to transfer all responsibilities to the private sector. The government will have to continue participating in the conservation effort providing a stable regulatory environment, financing the public component of the projects and providing the additional guarantees required by private investors to participate. An important goal of the Bank is to put in place institutional mechanisms that ensure these outcomes. In the final analysis, the success or failure of the Bank’s effort will be measured more by the lasting institutions and practices it leaves in the countries than by the actual number of buildings or historic centers whose conservation it contributes to finance. The magnitude of the task makes any Bank financial contribution small but enlarges the importance of its institutional development effort.

Finally, the long-term financing in foreign exchange that the Bank contributes should gradually diminish in importance as local capital markets develop and assume the financing of these programs. The Bank is actively promoting the development of capital markets in the region and expects that they will be capable, in the near future, of financing investments with the return-risk profile of urban heritage conservation and urban rehabilitation programs.

**Notes**

1. This practice—later codified in the “Leyes de Indias”—produced what some authors consider the only true Renaissance cities ever built. According to urban historians, the regular pattern of square blocks centrally organized around the main square and the regular placement of the main buildings in the square reflex the ideals of the Renaissance where beauty was achieved through a geometry of regular forms and classic proportions. Another interpretation traces the origins of this practice to the military settlements established in Spain in the fifteenth century to consolidate the territory gained to the Arabs in the “Reconquista” wars, in turn a practice that traces its origins to the Roman Acastrum.

2. In cities like Quito, Lima or Bogota, the combination of domestic and business activities that dwellings had to accommodate in the seventeenth and eighteenth centuries, led to the construction of large three-courtyard houses. The prosperity of Republican years led to the construction of large French-style two-story town homes.

3. Another motivation can be found in certain cities of Europe and the United States, where historic centers often become fashionable addresses attracting the interest of high-income residents who restore buildings as permanent or temporary residences. A business rationale also motivates private investment. The heritage condition of buildings is sometimes used as a marketing device for commercial developments.

4. An operational definition of sustainability states that the conservation effort is sustainable when the buildings permanently retain their structural, stylistic and functional characteristics without requiring new investment. This outcome is usually the result of devoting the building to activities and uses capable of undertaking the proper routine and preventive maintenance.

5. See Vandell, Kerry D., Market Factors Affecting Spatial Heterogeneity among Urban Neighborhoods in Housing Policy Debate, Vol. 6 No 1, 1995 (pp.103-139).

6. In 1974, the Bank approved a loan for US$26.5 million to partially finance an Integrated Tourism Development Project (Plan Copesco) that included conservation and rehabilitation works on several buildings in Cuzco, Peru, considered part of the city’s cultural heritage. In 1977, the IADB approved a loan for US$24 million to the government of Panama, parts of which (US$14 million) was to rehabilitate and conserve several structures in the historic center of Panama City and the ruins of the first city founded in Panama.

7. Under this approach, the Bank does not support the conservation of individual buildings. The conservation of these monuments for cultural purposes, in as much as it represents the desire of the society to preserve an artifact for its testimonial value, would be better financed through taxes or private donations, mechanisms that better express the community’s preference for allocating resources to this purpose. If called upon to finance this type of undertaking, the only rationale for direct Bank involvement, and as an exception, would be as a financial outlet for a government seeking to anticipate a stream of taxes or private
contributions to undertake urgent preservation works for very significant monuments. As lender of last resort, the Bank may use its leverage to promote long term sustainability of the heritage conservation activities. Areas of concern include: the promotion of legal reforms to set up sustainable institutional mechanisms for the conservation of cultural and historic monuments, encourage private involvement in the financing and execution of rehabilitation and conservation activities and foster local ownership of the urban heritage conservation effort. Recognizing the role of this type of undertakings in the early stages of development of the conservation movement, the Bank may support, by means of indirect interventions (technical cooperation), the passage of legislation and regulations, and the establishment of technical boards to protect significant monuments. These measures will serve while more advanced stages in social awareness concerning conservation are achieved making more comprehensive interventions possible.

8 Existence value is the willingness of the population to devote resources to make sure that the site can be seen by others (in some cases future generations) and option value is the willingness to use resources for the option to see or use the site in the future. These concepts are borrowed from environmental economics and they have been found useful for the evaluation of cultural heritage investments. See Pagiola, S. “Economic analysis of investments in cultural heritage” (Draft), Washington, D.C., The World Bank, June 1996.


10 Estimating the correct incentives poses a significant technical problem, particularly in areas under pressure from real estate developers. The question whether the incentives should compensate land owners for the lost rents or simply be sufficient to promote conservation by retaining current uses in the buildings needs further investigation. The conservation impact of tools like the transfer of development rights in the context of urban development in Latin America and the Caribbean, is also worth exploring.

11 The information and opinion included in this article are those of the author and do not represent the policies and opinion of the Inter-American Development Bank.