



From Ancient Ruins to Modern Profits: Cultural Heritage as an Asset Class

Tuesday, April 27

4:00 – 5:15 pm

From Ancient Ruins to Modern Profits: Cultural Heritage as an Asset Class

Larry Coben, Founder and Executive Director, Sustainable Preservation Initiative

Maureen Miskovic, Former Chief Risk Officer, State Street Corp.

Charles Stanish, Director, Cotsen Institute of Archaeology, University of California, Los Angeles

Moderator:

Glenn Yago, Director of Capital Studies, Milken Institute



Milken Institute Financial Innovations Labs

The Milken Institute held two Financial Innovations Labs on preserving cultural assets. Participants included archaeologists, economists, government officials, lawyers, foundation directors and academics.



In 2008, we published a report documenting the findings from the first session.

The second report, due out in July, will use Israel as a case study for the suggested models.

The problem

- Systematic destruction of archaeological artifacts strips the world of its cultural heritage.
- Local communities see virtually no economic return from the valuable resources just under the ground.

Holes in the ground

Looting in Cambodia



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Source: Neil Brodie.

Can market and financial innovations...



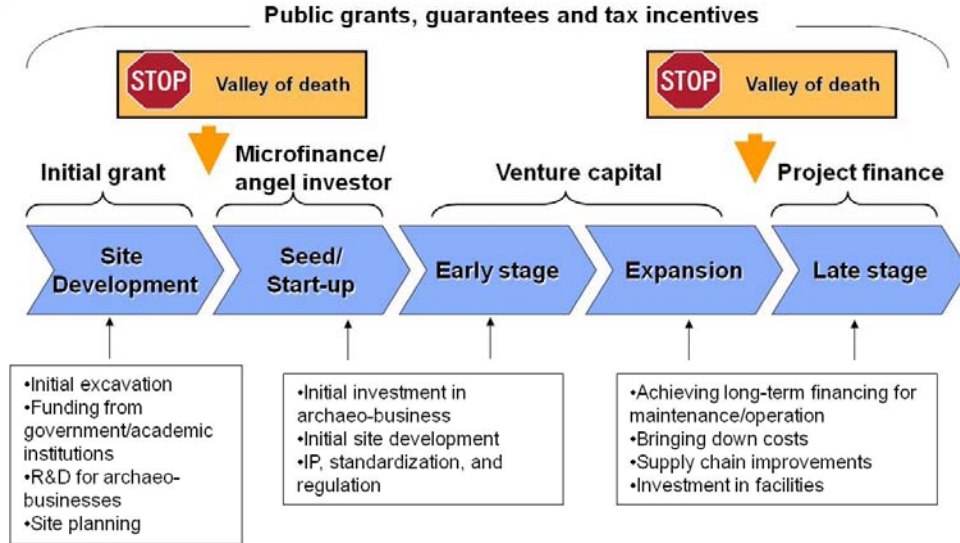
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- preserve artifacts and cultural assets?
- expand archaeological conservation and protection?
- generate local economic growth?

The goal

To generate local economic growth and preserve cultural heritage through appropriately valuing archaeology as an asset class

Funding challenges across the archaeological value chain

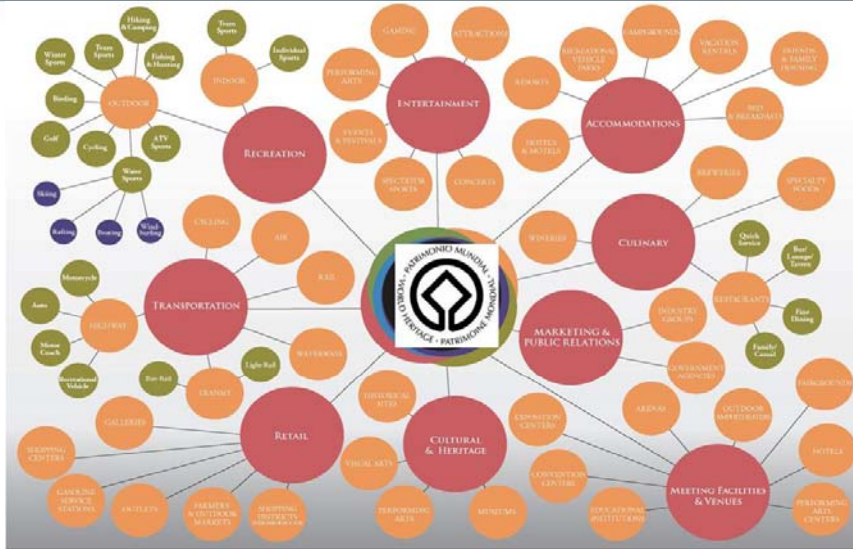




Potential solutions

- Microloans: Sustainable Preservation Initiative
- Venture capital clusters
- Project finance: archaeological development bonds

Venture capital clusters



Source: Brent Lane, University of North Carolina

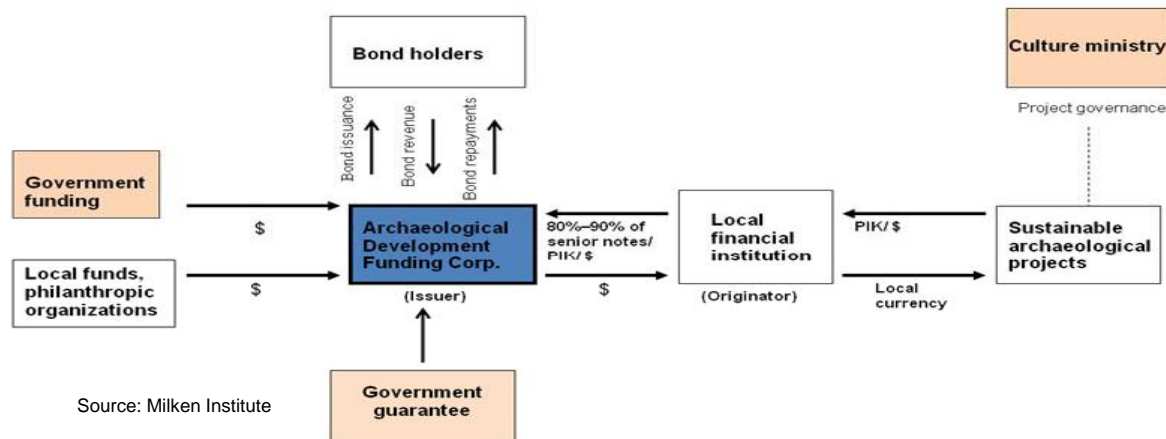
Archaeological financing structure

Archaeological development bonds



Source: Milken Institute.

Simplified plans to get ADBs started



Source: Milken Institute

Panelists' Slides

Sustainable Preservation Initiative (SPI):

Saving sites by transforming lives



SPI: 2 for 1

SPI believes the best way to preserve cultural heritage is by creating local jobs and businesses whose success is tied to that preservation.



Save and preserve world's cultural heritage Provide economic possibilities for local communities

SPI About us

Saving Sites by Transforming Lives

SPI seeks to save and preserve the world's cultural heritage by providing transformative and sustainable economic opportunities to poor communities in which archaeological sites are located.

Two for One benefit: SPI believes the best way to preserve cultural heritage is to make **micro-investments** in existing or start-up local businesses such as tourism, guides, hostels, artisans, site museums, and other projects whose continued economic support is **tied to successful preservation** efforts.

SPI: The challenge



Rampant looting and uncontrolled development have devastated archaeological sites throughout the world. The short-term economic benefits of looting pale in comparison to the benefits those communities could derive by keeping those sites intact and artifacts in place.

SPI: The challenge

SPI's investments in local businesses that preserve archaeological sites serve to **create opportunities** for local families by seeding projects that:

1. Maximize **job creation** at preservation sites
2. **Support local business**
3. **Attract tourism** to increase revenues to the community.

SPI: The opportunity

Less than \$50 million a year is spent worldwide on archaeological site conservation, and few resources are dedicated to sustainable economic development of the local communities. SPI's model changes this.

- **SPI** is well positioned to identify and support sites in areas where globalization and the rise of “extreme tourism” are creating **new demand** for **local tourism** and a **market for artisans**.
- **SPI's investment discipline** creates significant opportunity to **better preserve** sites in a **sustainable** manner while **improving the economic circumstances** of local residents.

SPI: The opportunity



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SPI: The advantage



SPI: The advantage

Focus on people, not stones.

By investing in local people and businesses tied to the preservation of sites, SPI creates opportunities for individuals to better their lives and provides economic incentive to preserve our shared heritage.

SPI's model is focused on **economic** sustainability for the **local community**.

The model includes:

1. **Scalability** – replication in multiple sites, multiple countries
2. Measurement for **social returns** – both financial sustainability of the project and site preservation
3. Focus on undervalued sites – embedded archaeologists who have **expert knowledge** of their local communities

SPI: Selection criteria

- Preference toward **NON-OECD COUNTRIES** outside Mexico, Greece and Turkey
- **FIELDWORK ALREADY TAKING PLACE**, use of embedded archaeologists
- Strong **LOCAL SUPPORT**; local ownership of proposed businesses
- Likelihood of **ECONOMIC SUCCESS**; availability of local resources
- Access/ability to obtain **REGULATORY APPROVALS** if needed
- **ESTABLISHED METRICS** for success
- Potential for **DIGITAL PRESERVATION**

SPI: Launch sites 2010



SPI: Growth



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- **50** SPI projects in **5** years
- **\$5 MILLION** in funding for sustainable preservation

SPI: Get involved

- Strong, committed board
- Access to archaeologists
- Regional events in major cities
- Site sponsorship
- Special investor trips to visit sites

Mission

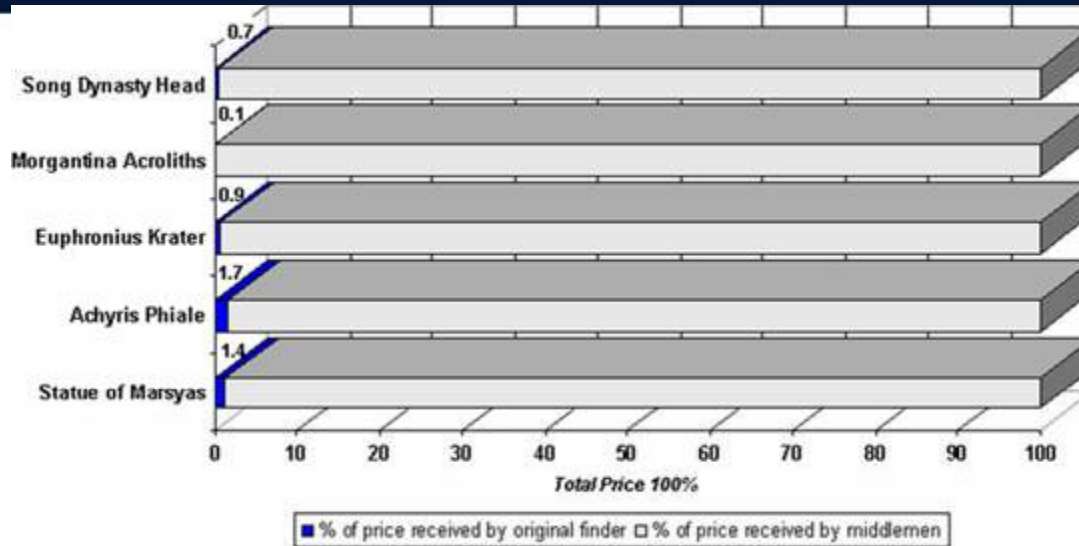


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- To save and preserve the world's cultural heritage by providing transformative economic opportunities for local communities
- To provide transformative economic possibilities for local communities where cultural heritage sites are located



Local is most effective and least expensive



Source: N. Brodie, "Pity the Poor Middlemen," *Culture Without Context*, Issue 3, Autumn 1998.

Why SPI?

- Focus on sustainability: while some other organizations are talking the talk, they are not walking the walk.
- Scalability: those few who have achieved sustainable successes have not created a replicable model or an organization that can repeat the success.
- Focus outside of the “Top 100” famous sites:
 - Top 100 frequently have access to finance and resources, and the problem is control and allocation of said resources
 - Much knowledge in sites outside the top 100
 - No organization dedicated to these sites
- **Focus on people:** most organizations focus on stones
- **2 for the price of one:** transform lives and preserve sites with the same funding
- **Demonstrable metrics of success** for both project economics and preservation

What are successful project-metrics?

- Most projects to date do not utilize meaningful metrics nor collect appropriate data
- We need discernible metrics of evaluation, both economic and preservation-based
 - Quantitative: direct jobs created, revenue generated, profitability (the last will be difficult to calculate)
 - Qualitative and Quantitative: additional economic activity in the region-new businesses, more tourists (quantitative data might be hard to obtain)
 - Qualitative observations about the state of preservation from a variety of sources, including site deterioration, absence of destructive activities at a site (agricultural activities, grazing, looting to name a few) or preservation measures taken by local community in order to preserve “their asset.”

Regional approach

- SPI will initially seek to focus on particular countries or regions
- Initial regions/countries will be selected based upon project criteria
- Number of regions/countries will be determined by economic and staff resources as well as knowledge and contacts in those areas.

Advantages to regional approach

- Leverage local knowledge and relationships
- Economies of scale in staffing
- Enhanced scalability through reuse of locally-based schemes
- Potential for multi-site regional tourism plans
- Avoid biting off more than we can chew

Funding paradigm

- Initial projects will be funded solely by SPI equity
 - Most expeditious
 - Allows us to create, tweak and evaluate the structure without interference
- As SPI becomes more established and its projects generate results, we will seek financing from micro or SME (small medium enterprise) lenders at reasonable debt/equity ratios.
 - Leverage our capital
 - Another local stakeholder
 - Utilize lender oversight and data collection capability
 - Many areas will not have SME lenders; we may need to create them, or seek out other forms of capital
 - We are unlikely to have usable projections

Funding paradigm

- Equity partners, particularly local ones, are welcome, so long as they share our goals.
 - Suggests that in general, local partners will be minority ones or primarily interested in social rather than economic returns
- We will attempt to maintain or claw back equity or withhold some funding in order to maintain our “seat at the table.”
 - This will not always be practicable and may ultimately be unenforceable.
 - May keep legal equity while having economic equity owner locally











War and looting



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Neglect and erosion



Tourism

