

# Financing Italy's Cultural Heritage Sites

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**Abstract:** With fifty World Heritage sites, Italy is fiscally responsible for more World Heritage sites than any other country in the world. The country has seen many years of economic uncertainty, and the need for heritage site maintenance continues. In recent years, unique funding strategies such as fee structures, tax incentives, and public-private partnerships have been utilized to counteract the deteriorating culture budget and support Italy's architectural assets. Through case studies of World Heritage Sites in Italy, the research for this paper examined ways the country has balanced this monetary responsibility through these strategies. These projects are on-going and ever-changing, thus making them particularly relevant for the most current cases to explore. The research results in a recommendation of how to finance lesser-known sites and how the financing tools utilized in Italy can be applied elsewhere.

**Key words:** public-private partnerships, world heritage, Italy, conservation, restoration.

## Financiación del Patrimonio Cultural de Italia

**Resumen:** Con cincuenta sitios declarados Patrimonio de la Humanidad, Italia es fiscalmente responsable de más sitios declarados Patrimonio de la Humanidad que cualquier otro país en el mundo. El país ha experimentado muchos años de incertidumbre económica, y la necesidad de mantenimiento de los sitios patrimoniales continúa. En los últimos años se han utilizado estrategias de financiación únicas, como estructuras de tarifas, incentivos fiscales y asociaciones público-privadas, para contrarrestar el deterioro del presupuesto cultural y apoyar los bienes arquitectónicos de Italia. A través de casos de estudio italianos catalogados como Patrimonio de la Humanidad, la investigación llevada a cabo en este artículo examina las formas en que el país ha equilibrado esta responsabilidad monetaria a través de estas estrategias. Estos proyectos están en curso y en constante cambio, por lo que son particularmente relevantes para explorar los casos más actuales. Este trabajo da como resultado una recomendación de cómo financiar sitios menos conocidos y cómo los instrumentos de financiación utilizados en Italia pueden aplicarse en otros lugares.

**Palabras clave:** asociaciones público-privadas, Patrimonio de la Humanidad, Italia, conservación, restauración.

## Introduction

Italy's management of heritage sites, and specifically its funding strategies, have been attracting media attention quite a bit in the last decade. From Nero's Dome crumbling to the ground, to Pompeii caving in, parts of the Trevi fountain deteriorating, and sites being closed indefinitely, Italy has sparked some attention with people questioning who is stepping in to help and how does Italy manage it all?

With 46 cultural World Heritage sites and four natural World Heritage sites, Italy is responsible for more World Heritage sites than any other country. This is only a fraction of the over 50,000 documented architectural assets that Italy recognizes and maintains (Compagna, 2013). Unfortunately,

due to the economic state of Italy, the country has cut its culture budget by a third since 2010. With this decrease in funding and overwhelming responsibility to its sites, Italy needs to be evaluated by scholars in terms of its state role and diversified funding mechanisms such as private donations, fee structures, and public-private partnerships to counteract the deteriorating culture budget.

## Methodology

Italy has seen many years of economic uncertainty, yet the need for heritage site maintenance continues. This continued fiscal responsibility is worthy of research in hopes that Italy's unique funding strategies such as private

donations, tax incentives, fee structures, and public-private partnerships to counteract the deteriorating culture budget can be an example for other nations facing or nearing similar economic issues.

I have gathered my information through literature reviews published in either Italian or English focused on Italian heritage sites, UNESCO sites, financing culture, visitor behavior, museum studies, tourism management, archaeology, and nonprofit funding. The literature consists of peer-reviewed journals, government documents, and conference papers. I have also gathered much of the case study information from newspapers and magazines since these are all projects that are in progress or recently completed and in current discussion. A less traditional way I gathered information on these case studies was through reputable social media accounts on Instagram, Twitter, and Facebook, as well as creating Google alerts with keywords related to my research and case studies. These resources allowed me to have consistent access to any updates on the projects or new Italian legislation related to cultural heritage. With the case studies and funding strategies organized in this research, future researchers and conservationists have a comprehensive evaluation of Italy and MiBACT's financing capabilities. As the case study projects continue to unfold in the future, this research can be built upon and enhanced by others.

### The Role of the Italian Government

Italian cultural heritage is managed at a national level by the Ministry of Cultural Heritage and Activities and Tourism (also known as the Italian abbreviation MiBACT), which oversees heritage protection throughout the state. MiBACT operates at a local level through its organizational units known as *soprintendenze*, which manage cultural policies and work with local governments on issues related to conservation. Italy's economic and political issues have affected the *soprintendenze* and weakened their centralization within the state.

A series of Italian laws have recently been implemented to address its cultural heritage. In 2002, legislation was passed that enabled the sale of state-owned cultural property, under Law Jun 15, 2002, n. 112 Art. 7. "Patrimonio dello Stato S.p.a.". The legislation was passed as a way to authorize the liquidation of some of Italy's cultural properties to help reduce its oppressive public debt and allowed for the option to lease or sell art, historical monuments, and even natural resources (Benedikter, 2004). In the following year, several monuments were auctioned off to private investors (Waterhouse, 2009). In 2004, Italy passed the Code of Cultural Heritage and Landscape or "Codice Urbani." Since then, it has been modified by two other ministers in 2006 and 2008, resulting in a bipartisan endeavor towards culture (Council of Europe, 2015). The code essentially applied more stringent requirements to the privatization of public services in cultural heritage to prevent improper alienation

of public property. This was, in part, a response to the public's disapproval to the selling of historic *palazzi* in 2003.

The government realized the gap in resources needed to maintain heritage sites and turned its attention to private donors by implementing what is known as the Culture Decree that was entered into effect as Law No. 106 in July 2014. The Culture Decree mandated the creation of a Strategic Plan for "Major Cultural Patrimony Projects" and appropriated funds for it in the sum of €5 million for 2014, €30 million for 2015, and €50 million for 2016 (Figuroa, 2014). Within the law lies the most attractive piece for private investors, known as the Art Bonus. It grants a tax credit of 65% of the contributions towards cultural heritage and tourism made in 2014 and 2015 and a credit of 50% of the contributions made toward the sector in 2016 (Foglia & d'Ayala Valva, 2014). These credits must be for financial contributions that aid in the maintenance, protection, and restoration of public heritage sites, or to support cultural institutions. In order for the government to accommodate these credits, the tax credit will be equally spread over three fiscal years. Furthermore, there is a tax credit cap depending on the contributor. Non-commercial entities as well as individuals cannot exceed 15% of their taxable income. For companies, the tax credit caps at 0.5% of their annual revenues. This law incentivizes companies to enter partnerships with MiBACT.

### Private Individual Giving

Most sites of cultural significance around the world welcome private donations to support the site and its future. Italy is no different. These donations can help the site as well as directly involve visitors in its success. However, it is important to look at private individual giving in a cultural context.

In 2009, professors from the University of Torino and the University of Catania designed a survey that evaluated the motivations for Italians to donate to local sites of cultural significance. They first asked the individuals to state their willingness to donate to a cultural heritage institution in a neutral scenario. In the second set of questions, they asked if respondents would modify their first answer based on three new independent scenarios—tax rebates, reputational incentives, and transparency of the destination and the use of the funds given.

The result of the first question was that 32.7% of the respondents were willing to donate to a cultural heritage site. When given the second set of questions based on independent scenarios, transparency and accountability overwhelmingly attracted those surveyed who originally would not donate to a cultural heritage institution (see Table 1) (Bertacchini, 2010). This result makes sense culturally when one considers the Italian government and the history of corruption and the mafia that the country has lived with through its political history. Most recently, the deputy for the regional culture ministry for L'Aquila was

**Table 1.-** Donors' behavior according to the best choice variable with new contexts (Bertacchini, 2010).

Choice	Average Donation (in Euros)	Total Donors	% Initial Non-Donors in the group	Total Amount Donated (in Euros)
No Donation	0	473	100%	0
Fiscal Incentives 19%	68.12	32	56.25%	2,180
Fiscal Incentives 50%	146.40	166	36.75%	24,302
Reputational Incentives	542.62	16	31.25%	8,682
Transparency/Accountability	123.48	191	60.73%	23,585
Pure Prosocial	60.16	122	0%	7,340

arrested for corruption along with four other officials for alleged mishandling of restoration funds in June of 2014. In January of that same year, the vice-mayor of L'Aquila was forced to resign after being accused of bribery in exchange for building contracts (Nadeau, 2014).

### Tax Incentives

The data displayed in Table 1 also notes fiscal incentives (tax credits) for donors to cultural heritage. Italian law at the time of the study allowed tax rebates for donations to cultural heritage at a rate of 19% of the amount donated (Bertacchini, 2010). The survey added an additional scenario of a hypothetical 50% tax rebate to understand how appealing tax incentives are to individuals which resulted in attracting 36.75% of the initial non-donors. This option received the second highest number of donors after those incentivized by transparency and accountability.

As discussed earlier, the Italian government has recently enacted a new tax credit policy. The Art Bonus that was recently enacted, should encourage private donations. According to the study, this should mean that there should be a 36.75% increase in private donations. As for corporate donations, this new tax policy should prove to be an incentive for increased partnerships and private donations.

### Visitor Fees

Charging entrance fees to cultural heritage sites sparks debate across multiple disciplines. Depending on the type of site, for example a church, it may not be appropriate to charge a visitor fee. In other instances, requiring visitors to pay can help with costs and also regulate how many visitors are at a site at a time in order to better maintain the site. Recent studies of Italian state-run museums have found that revenue generated by ticket sales and additional services such as bookstores and gift shops only cover 12-15% of the overall operating costs of a site (Trupiano, 2005). In addition,

MiBACT collects ticket proceeds and distributes them amongst all the heritage sites it oversees. Therefore, one site does not receive ticket revenue in proportion to its visitors. Furthermore, there are many sites that cannot implement visitor fees due to an inability to limit access, such as the Rialto Bridge in Venice. So while it may appear that the funds are distributed disproportionately, this system does allow for funds to reach sites that cannot regulate visitor fees.

Recently, the Italian government passed legislation to end the practice of allowing EU citizens ages 65 and over free admission to state-owned heritage sites including museums and galleries. This new legislation was implemented on July 1, 2014 and should aid in site funding through fee collection because age 65 and over EU citizens accounted for 26% of the visitors in 2013 (Hanley, 2014). While this is not a solution to tight funding at individual sites, it does demonstrate that the government is devoting attention to its visitor demographic and the impact they have on site revenue.

### Public-Private Partnerships

The most promising strategy for heritage preservation in Italy is the concept of a public-private partnership funding maintenance and restoration of a site.

In order to create a partnership, the public sector, in this case the Italian government, initiates a request for proposals. This helps it gauge the private sector interest and the feasibility to secure the necessary funding. The government will then discuss the risks and responsibilities of each party as well as agree upon the expected benefits to each party. Once this has all been addressed, each entity signs a partnership contract and work can begin (Macdonald & Cheong, 2014). This relationship between public and private sectors has become the current trend in Italian restoration efforts. It has allowed for sites to receive assistance from the private sector without becoming privatized. A successful heritage preservation partnership agreement will ensure that public access as well as conservation practice standards are not sacrificed for the sake of financial assistance. There are growing numbers of notable partnerships in Italy that provide insight to scholars on how this concept is being implemented in reality.

### The Colosseum

The Colosseum is a quintessential site for Italy. It receives over 8,000 visitors a day and while it brings in over €32 million a year through its entrance fees, the Colosseum is only allocated €500,000 of it from MiBACT to put toward maintenance (Xinhua, 2010). The remaining profits are disbursed to other cultural sites by MiBACT. While this nest egg of euros may be fine for small projects, it certainly cannot sustain all maintenance needs, much less a full restoration. In July of 2010, MiBACT announced that it was seeking sponsors for an extensive restoration of the Colosseum.

This is where luxury goods company Tod's comes in. Diego Della Valle, chief executive at Tod's, understands that if his company's pride comes from the 'Made in Italy' stamped on each product, then Italy's image must be maintained in order for him to succeed. This is why Tod's offered to fund a €25 million restoration of the Colosseum with the promise that it will be completed in three years (Nadeau, 2011). In return, Tod's has the rights to the Colosseum logo for fifteen years and can put its own logo on all Colosseum tickets (McKenna, 2012). The partnership between MiBACT and Tod's is an excellent example of how a public-private partnership can reap significant rewards for the site, the city, and the investor.

### Trevi Fountain

Tod's initiative has sparked other partnerships between Italy's fashion industry and the state. Fendi agreed to a \$2.93 million investment towards the Trevi Fountain in January of 2013. This is part of its larger "Fendi for Fountains" campaign that is committed to restoring Rome's fountains. While its mission is vague, the Trevi Fountain as well as the Le Quattro Fontane complex are their flagship projects for the campaign.

The Trevi Fountain celebrated its 250<sup>th</sup> anniversary in 2012 and has been inscribed on the World Heritage List since 1980 as part of the historic center of Rome. In recent years, the baroque façade began crumbling, with pieces even falling into the public right of way. In addition, weather issues resulted in parts of the façade becoming detached. Fendi's commitment to the fountain ensured the cleaning of the façade and statues, maintenance of the steel supports, the installation of new pumps and electric works, the replacement of the gilded Latin inscriptions, and waterproofing of the water basin (Johanson, 2013).

In return for the work completed on the Trevi Fountain, Fendi's logo was up during the restoration period, and, upon completion, a small plaque of appreciation for Fendi will be displayed for four years on the fountain (CNN Travel, 2013). The site's largest challenge was accommodating visitors during restoration. The fountain was drained and an elevated catwalk was installed to take visitors up close to the fountain's statues. Unfortunately, the tradition to toss a coin into the fountain upon visiting to ensure a return to Rome has proven an issue. Visitors have been throwing coins in close range to the statues from the catwalk and incidentally damaging the statues as well as hitting restoration workers. To alleviate this problem, MiBACT developed a mobile app for the Trevi Fountain, which contains historical information, restoration work updates, as well as a feature that allows visitors to virtually throw a coin into the fountain if within 100 meters of the site. MiBACT also installed a small temporary replica in front of the fountain filled with water to better articulate how the site normally appears to visitors.

Ironically, despite ongoing funding needed for this highly visited site, since 2006 any coins thrown into the fountain

are collected and donated to Caritas, a Catholic charity which subsidizes a supermarket for Romans in need. An estimated €3,000 are thrown in to the fountain each day, collected nightly, and dispersed into Caritas' account (BBC News, 2006). While an excellent and noble use of funds, it can be argued that since 2006 an estimated €1.4 million has been thrown into the fountain. This could certainly benefit the historic fountain and ensure funding for a site which is free to the public.

### Pompeii

Not all projects have easily found the funds needed to successfully continue. Lately, the most troublesome site for the country is the archaeological site of Pompeii. As the second most visited site in Italy and attracting 10,000 visitors per day, tourism demand is taking its toll on the site. This 66-hectare site has witnessed the culture budget crisis through reduction in its staffing as well as lack of restoration financing. In 1997 when the site was inscribed as a World Heritage site, there were 279 employees running the site. By 2013, there were only 197 due to tight budgets and retiring staff not being replaced (Euronews, 2013). That is a 30% cut in staffing at a site that is certainly in need of full staffing. Due to the lack of staff as well as minimal funds to keep up with restoration, there are currently only five individual sites open within Pompeii compared to 64 sites that were once open for visitors in 1956. Conservation efforts have been the primary need for the site. UNESCO reported 13 domus, or houses, at risk on the site and in 2010, a section known as the House of the Gladiators collapsed due to water infiltration, neglect, and poor restoration completed in the 1950s (Viggiano, 2011). This is only one of many houses within the complex that have collapsed or fallen into disrepair. At this point, the World Heritage Committee declared its deep concern for the site and urged the state to address the conditions that contributed to the collapse.

Coincidentally, Herculaneum, which is listed as part of Pompeii on the World Heritage list, played a significant role in the future of public-private partnerships. In 2004, the site partnered with the American-based Packard Humanities Institute (PHI) for support and PHI started small pilot projects at Herculaneum to better understand the overall project needs. After the pilot projects, PHI brought on the British School at Rome as a third sponsor for operational support. An innovative sponsorship agreement was drafted as a result and was the first site to utilize the new Codice Urbani legislation that allowed private partners to directly intervene on a public site to carry out conservation efforts at their own cost and management. This partnership paved the way for future public-private partnership models to exist at other publicly run heritage sites (Thompson, 2012). It has now been over ten years since this opening of legislation to private sponsorship at Pompeii. Hopefully management can refer back to its recent past and open its doors for private aid or risk further losing historic areas of Pompeii and being called out by the World Heritage Committee.

## Recommendations

With the recent adoptions of increased tax credits, adjustments to visitor fees, and a focus on public-private partnerships, it seems that Italy is focused on improving its cultural heritage budget crisis while maintaining state ownership of sites. Public-private partnerships have been responsible for the latest large influx of funds, but there needs to be restraint to not begin the commodification of Italian culture that will lead to sites such as the “Fendi Fountain” or “Tod’s Colosseum.” These partnerships are a positive alternative to Italy’s 2002 legislation that allows MiBACT to sell cultural properties. If MiBACT can continue to establish partnerships that prioritize the site over commodification, then this can be a successful option for heritage management funding.

While well-known sites are being financed and attracting public attention, what happens when all of the ‘renowned’ sites are claimed by private companies to sponsor? Will companies with a focus on corporate social responsibility look to sites less frequented by tourists and identified with Italian culture to invest their money? Italy cannot depend on these partnerships, but it can prepare a better system that utilizes these partnerships to ensure the viability of other equally important heritage sites.

One concept I have developed is ‘Sister Sites’. For every public-private partnership that is established, a percentage of the funds will go towards a lesser-known heritage site in need of restoration. The corresponding site could be chosen from the list of sites curated through the Italian not-for-profit organization Fondo Ambiente Italiano (FAI). FAI began a program entitled ‘I Luoghi del Cuore,’ or ‘Your Beloved Sites,’ in which individual donors identify a building or site they appreciate and is in need of restoration. In the ‘Sister Sites’ concept, we can look at the Colosseum partnership as an example. Tod’s would agree to fund the Colosseum restoration for €25 million and it would choose the percentage it would like to contribute to the Sister Site program. For this example, Tod’s chooses to commit 2% of the funds to a Sister Site and would use FAI’s curated list of sites voted for in 2014 to select a beneficiary. In this example, the Convent of the Capuchin Friars in Monterosso al Mare would be the recipient of the Sister Site funding since it received the highest percentage of votes in FAI’s 2014 ‘I Luoghi del Cuore’ program. With this Sister Sites program, the Convent would receive €500,000 that would otherwise be difficult to secure. There would be no guarantee that the percentage of funds given to the Sister Site would cover the total cost of work needed, but it would serve as assistance towards overall conservation financing needs. The Art Bonus would also make the contribution to the Sister Site even more attractive since the sponsor would receive a tax credit equal to 50%-60% of its contribution in the next two years. Of course the Sister Sites program would be folded into the partnership at the discretion of the private investor, but it would provide another site to demonstrate its philanthropic efforts.

## Conclusion

Given the recent examples of investors coming forward in the name of Italy’s cultural heritage, it seems that public-private partnerships are a strategy worth pursuing more diligently. With further research on the current projects initiated by the state jointly with private investors, there can be a more thoughtful evaluation of how effective these partnerships are. The newly enacted laws relating to the Art Bonus and the new admission fee regulation should be monitored as well, especially since the Art Bonus ends in 2016 and the rule of having aged 65 and over EU citizens pay full visitor fees has not been tested long. Researchers should be observant of any future legislation changes, if the Art Bonus will be reinstated after 2016, and the public response to these new laws.

These projects may be the beginning of a restoration renaissance for Italy and set an example for other countries facing austerity issues such as Greece, but this can only be done if there is transparency regarding the projects, their challenges, and the outcomes. Furthermore, the government must enact tax credits and set up a system that welcomes investment in cultural heritage as Italy has done. While Italy by no means has a perfect system or even a completed strategy, it does lead by example for other countries to learn from. With the revised tax credit policies, the establishment of successful public-private partnerships, and continual attention to the public and visitor behavior, Italy can regain financial stability for its rich cultural assets and invest in conserving heritage.

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