



Investment in urban heritage conservation in developing countries: Concepts, methods and data



David Throsby

Department of Economics, Macquarie University, Sydney, NSW 2109, Australia

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ABSTRACT

Many towns and cities in countries of the developing world contain a historic centre comprising streets, buildings and traditional activities that have resisted the forces of modernisation. However, the inexorable pressures of population growth and urban expansion often pose a serious threat to these heritage assets which are seen as standing in the way of progress. This paper considers the application of the principles and methods of heritage economics to the evaluation of investment in the conservation of urban heritage in towns and cities in developing countries. The characteristics of cultural heritage in this environment are considered and the choices facing urban planners are discussed. The paper outlines the methodology of investment appraisal of projects aimed at adaptive re-use of urban heritage assets, with specific reference to the scarcity of appropriate data in the typical developing country situation. To illustrate the application of *ex post* investment appraisal methods to urban heritage conservation projects in Third World cities, two examples from studies in Macedonia and Jordan are discussed.

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1. Introduction

The contribution that cultural heritage makes to the economic, social and cultural life of towns and cities in countries of the Third World is widely recognised (Serageldin, 1999; Cernea, 2001; UNESCO/UNDP, 2013). In some cases the heritage is contained in a historic core of streets, buildings and traditional activities that have resisted the forces of modernisation. In other cases, a single iconic building, perhaps inscribed on UNESCO's World Heritage List, provides an item of cultural significance that may have profound effects on a city's development. Either way, public authorities at national or municipal level may recognise the importance of maintaining these items of built heritage in order to achieve economic, social and cultural objectives. But frequently in the developing world the inexorable pressures of population growth and urban expansion pose a serious threat to heritage assets which are seen as standing in the way of progress. In these circumstances policy making requires a rational and informed approach to urban planning and heritage management that recognises the linkages between the economic, architectural and cultural functions of heritage in the urban landscape (Bandarin & van Oers, 2012).

In the formulation and implementation of urban development

strategies when heritage is involved, the theories and analytical methods of heritage economics (Benhamou, 2011; Rizzo & Mignosa, 2013; Schuster et al., 1997; Throsby, 2012a) can offer a useful complement to the professional input of architects, planners and heritage experts. The economics of heritage is a growing area in the broader field of the economics of art and culture (Ginsburgh & Throsby, 2014; Towse, 2013) that provides a conceptual framework and a set of tools for analysing the impacts of intervention strategies implemented by public agencies, private individuals and corporations, and a range of other stakeholders. In this paper we consider the application of the principles and methods of heritage economics to the conservation of urban heritage in towns and cities in developing countries. We do so by interpreting interventions aimed at heritage conservation as investment projects directed at the adaptive re-use of a city's tangible and intangible cultural capital.

Two particular aspects of the role of heritage in an urban context were of interest to Walter Santagata, to whose memory this special issue is dedicated. Firstly, he and his colleagues at the University of Turin pioneered the concept of the cultural district as an agglomeration of creative enterprises producing cultural goods and services with distinct and locationally-specific characteristics that could be exploited for commercial as well as cultural motives (Santagata, 2006). In many developing countries the phenomenon of the cultural district is just as relevant as it is in the more familiar

E-mail address: david.throsby@mq.edu.au.

settings in Europe and North America. The second aspect of Santagata's interest relates to the fundamental importance of creativity as a pervasive force in cultural production and social participation (Santagata, 2010). As Walter Santagata would argue, creative activity in the past has generated the urban heritage we utilise today, and creativity is required in integrating the management of that heritage with the production of contemporary culture for the benefit of future generations.¹

The present paper is structured as follows. In section 2 we outline the characteristics of cultural heritage as it exists in towns and cities in the Third World, and discuss the choices facing urban planners in this context. Section 3 introduces the key concept of cultural capital, which enables heritage conservation to be depicted as an investment project. The methodology of investment appraisal in such projects is considered in section 4, followed by a discussion of the difficulties raised by the scarcity of appropriate data in the typical developing country situation. In section 6 we look at recent applications of *ex post* investment appraisal methods to urban heritage conservation projects in cities in two developing countries, Macedonia and Jordan. The final section draws some conclusions and points to the need for further research.

2. Heritage in urban development in the Third World

In many ancient towns and cities in developing countries the long-term processes of urban growth have by-passed a central area where the street pattern, social fabric and traditional activities have remained unchanged, often for centuries. In such cases modernisation and urban expansion have occurred elsewhere, so that the historic core comprises a more or less homogeneous agglomeration of both tangible and intangible cultural heritage. Examples include the medinas in cities in North Africa and the Middle East. These historic cores date from mediaeval times and represent the heart of Arab civilisation. They typically have fine religious and secular buildings, an ancient pattern of streets and passageways, and attractive communal spaces. They often serve as the urban location for traditional cultural and creative industries. However over many years they have suffered from social decay and neglect of the architectural fabric as population moves out and commercial activities are concentrated elsewhere (Bigio & Licciardi, 2010).

The heritage assets in these medinas and in the historic cores of villages, towns and cities in poor countries more generally are mostly small in scale. Housing and communal buildings are representative of local vernacular architectural practice, and economic activity comprises small businesses and individual tradespeople and artisans, perhaps producing creative goods and services using traditional techniques and materials. In such cases the historic core functions as a self-contained and clearly circumscribed entity, even though it may have a variety of interconnections with the modern city that surrounds it. These historic city centres present difficult problems for urban planners, especially when the city's long-term development strategy is one of increasing inner-city housing densities and expanding large-scale commercial investment. In these circumstances the most practical and cost-effective development path might appear to be to relocate the residents of the core, demolish the buildings, and replace them with modern structures.

However, an alternative to demolition is adaptive re-use. It may be possible, for example, to upgrade infrastructure in the historic core, rehabilitate the building stock, and improve service provision to local businesses and households, such that the economic, social

and cultural life of the city is not adversely affected. Indeed the welfare of the community might be greatly increased by retaining the historic urban environment in the core, conserving the heritage, and promoting the sense of community cultural identity that heritage can generate.

There are three groups of reasons why such an adaptive re-use strategy might be preferred over demolition and redevelopment. Firstly, adaptive re-use may turn out to be the most attractive proposition from a purely financial point of view. Existing building stock contains significant levels of embodied energy, which is simply wasted through demolition (Rypkema, 2008). To achieve a given outcome the costs of restoration may be less than those of demolition plus replacement (Bullen & Love, 2010; Shipley, Utz, & Parsons, 2006).

An appeal to broader economic and cultural motives underlies the second set of reasons why conservation of heritage assets in the historic centres of Third World towns and cities may be a preferred strategy. These historic cores are usually concentrations of local creative industries that supply cultural goods and services both to the resident population and to visitors. Rehabilitation of the core provides a stimulus to these industries, generating incomes and employment for local people and businesses. Tourism may be a source of significant revenue; visitors may be particularly attracted by the cultural integrity and authenticity of the restored area and may constitute an important market for the cultural products of the town, city or region. For example, traditional houses in the historic centre of Patan, Nepal, have been preserved through a significant conservation effort; they are an important attraction to tourists who seek the authentic experience of living in the style of the local people (Tiwari, 2007). These benefits would be lost if the historic core were to be demolished.

The third rationale for preservation of historic areas in cities relates to the role of heritage in maintaining the social and cultural fabric of the community. It is well established that social cohesion, community engagement and the development of social capital are greatly enhanced in urban environments that are of a human scale, that reflect traditional cultural values, and that encourage creative participation amongst the local population (Forrest & Kearns, 2001; UNESCO/UNDP, 2013). Residents of historic city cores recognise these values and can become involved in the necessary conservation activities. Such an approach has been used in the revival of the inner urban heritage in the walled city of Ahmedabad in India; in this case conservation efforts have been directed towards capacity building in the community and continuing involvement of the people, who can assume ownership of the restoration process and keep it going (Nayak, 2008). It can be argued that strategies for adaptive re-use of heritage in historic city cores are more likely to yield these sorts of social and community benefits than is some more draconian intervention.

3. Heritage conservation as an investment project

A key concept that has found application in the economics of cultural heritage is that of cultural capital.² This concept allows the integration of capital theory as it exists in mainstream economics on the one hand with the analysis of cultural phenomena as they are understood in cultural theory and related disciplines on the other. The theory of cultural capital achieves this connection by extending the range of values that are assumed to be generated by a cultural good beyond those that can be expressed in monetary

¹ Walter Santagata undertook several projects applying the theory of cultural districts in developing countries; see, for example, Santagata et al. n.d.).

² See Throsby (1999); Rizzo and Throsby (2006). The concept of cultural capital in economics is different from that defined in sociology following the writings of Pierre Bourdieu (1986).

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