

BDC

Università degli Studi di Napoli Federico II

13

numero 1 anno 2013



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**Towards
a Circular
Regenerative
Urban Model**



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BDC - Bollettino del Centro Calza Bini - Università degli Studi di Napoli Federico II
Registrazione: Cancelleria del Tribunale di Napoli, n. 5144, 06.09.2000
BDC è pubblicato da FedOAPress (Federico II Open Access Press) e realizzato con Open Journal System

Print ISSN 1121-2918, electronic ISSN 2284-4732

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HISTORIC CITIES IN EMERGING COUNTRIES. ECONOMICS OF CONSERVATION REVISITED

Christian Ost

Abstract

In 2012, UNESCO celebrated the 40th anniversary of the adoption of the Convention for the Conservation of the Architectural Heritage. The protection and preservation of the world built heritage has been since so successful that we face today a new challenge in managing the heritage in a context of threatening macroeconomic factors: mass-tourism, urban development, restructuring, market dominance, climate changes, etc. The paper aims to revisit economics of conservation in the framework of historic cities in emerging countries. That entails the need for the sound assessment of economic values, the development of new monitoring tools, and decision-making process. It also put emphasis on new partnerships between public and private initiatives in historic cities.

Keywords: historic cities, macroeconomics, historic urban landscape

LE CITTÀ STORICHE NEI PAESI EMERGENTI. UNA RIVISITAZIONE DELL'ECONOMIA DELLA CONSERVAZIONE

Sommario

Nel 2012, l'UNESCO ha celebrato il 40° anniversario dell'adozione della Convenzione per la Conservazione del Patrimonio Architettonico. La tutela e la conservazione del patrimonio costruito nel mondo ha avuto da allora tanto successo che oggi si deve affrontare una nuova sfida nella gestione del patrimonio, continuamente minacciato da fattori macroeconomici quali: turismo di massa, sviluppo urbano, ristrutturazione, predominanza del mercato, cambiamenti climatici, ecc. Lo scopo dell'articolo è di rivisitare l'economia della conservazione nel quadro delle città storiche dei Paesi emergenti. Questo comporta la necessità di una stima precisa dei valori economici, di elaborare nuovi strumenti di monitoraggio e processi decisionali. L'articolo pone, inoltre, l'accento sulle nuove partnership tra iniziative pubbliche e private nelle città storiche.

Parole chiave: città storiche, macroeconomia, paesaggio storico urbano

1. The current challenge for historic cities

In 2013 – for the first time in the human history – the majority of the world population lives in urban settlements. Rural exodus and urban development are the most powerful trends in accompanying the demographic increase of the world population. Emphasis has been put in the recent decades on the cultural, social and economic implications of this challenging movement. To list a few issues: poverty alleviation, sustainable development, urbanization, transportation issues, immigration, industrial restructuring, gentrification, have all been associated to the debate of cities and welfare. The discussion is also embedded within the UN System Task Team for the Post-2015 Development Agenda *Realizing the future we want for all* (United Nations, 2012), and within the UN-Habitat (1986-2013) initiatives for a better urban future *Global reports on human settlements*.

In this regard, historic cities are considered to possess cultural capital as a promising source of income and welfare in a globalized and highly competitive world economy. They present also the most exemplary and challenging issue in heritage conservation. The forces of changes that prevail in the framework of historic cities are mainly economically driven, and can be handled only with similar and consistent principles both from conservation and economics. This has been acknowledged by UNESCO in promoting the concept of Historic Urban Landscape that could be addressed in a macroeconomic perspective, embedding adequately the systemic and collective dimensions of the urban heritage. The ability to match the cost of preserving the past with the benefit of balanced development will eventually determine the future of the heritage.

Any city in the world is historic. There are ordinary cities with a couple of monuments people cherish, and World Heritage Cities with strong commitment for protection. There are nation's capitals and small towns, rich and poor cities, but all of them face the common challenge of preserving their cultural heritage along with fostering economic development. Historic cities address the challenge of achieving the best trade-off between the past and the future.

2. Four decades of successes and failures

In 2012 UNESCO celebrated also the 40th anniversary of the adoption of the *Convention for conservation*. And the world is struck by a major economic downturn as a follow-up of a long and structural cumulative process that started several decades ago. Public debt, financial imbalances, and high unemployment are symptoms of the decline of the industrial development located initially in the West, and redistributed today in a global economy. At the same time, emerging countries (BRICS for Brazil, Russia, India, China and South Africa) face huge development needs for which the cities will have a dominant role to play. Heritage cities are at the front line of this debate. In addition mass-tourism has never been to such a high level. Some historic cities face a threatening flow of visitors which disrupts the urban fabric, as well as the social and economic traditional network of activities and trade.

The cities with an astounding growth rate of their population face conflicting issues between historic preservation and economic development. Together with social conflicts, political turmoil, wars, and natural disasters, the economic development can be identified as a factor of risk for the cultural built heritage. The lack of public funding and protection, as a result of an unprecedented rise of free-market initiatives, becomes a major concern for the world of conservation.

That story has started after World War II. Post-war reconstruction (especially in Europe) emphasized the need to preserve our common and universal architectural heritage. Many monuments had been destroyed, or badly damaged. Time had come to set modern principles of conservation for the cultural built heritage throughout the world. The background was favorable, with high economic growth, the increase in private and public funding, full-employment, and rising disposable income. In the Western countries the background was also challenging, with the baby boom and the subsequent expanding population. This was a time for new architectural schemes and modern urban-planning settings, sometimes not compatible with the preservation of monuments and sites.

The Fifties had set the stage for the upcoming Golden Sixties. Principles of conservation start to emerge, culminating with the adoption of the *UNESCO Convention for conservation* in 1972. Countries start to list their monuments, architectural sites, and historic centers as a world heritage with outstanding cultural value. There were economic resources available for preservation, and additional revenues from cultural tourism which grew at an expanding rate. Then came the Seventies. Economic growth started to shiver. Shocks and aftershocks occurred in such various fields as economics, money, energy, trade, employment. The uninterrupted rise in income and consumption was no more the rule. Social and cultural behavior changed sharply. Environmental concern for more sustainable growth on the planet gathered full momentum. Historic conservation partially benefited from this evolution.

With lower growth and industrial challenges the Western world faced a global loss of competitiveness. Globalization was on the rise and economic welfare was redistributed among the Nations, to the benefit of emerging countries. Globalization really started during the Eighties, bringing new opportunities to the world of conservation. But it brings also new challenges, particularly in terms of governance and decision-making. Unable to sustain globalization and the aftermath of a decade of economic crisis, the Soviet Union collapsed, providing the free-market system with an undisputed hegemony. Meanwhile, the world heritage list extended, boosted by huge expected benefits from mass tourism, and despite the financial burden that the protection of cultural heritage would inevitably bring along. In particular in a context of lower economic growth, and lack of private and public funding.

3. Economic of conservation revisited

The process of economics applied to conservation starts, and ends with economic values. Environmental and natural resource economics that emerged as a distinct branch of economics in the Sixties proposed a distinction between use and non use values. Use and non use values express the tangible as well as the non tangible aspects of the built heritage. In economic terms, the distinction between use and non use values refer to marketable and non marketable aspects of the heritage. The measurement of use and non use values aims to develop simultaneously quantitative and qualitative approaches to heritage conservation.

In the process of assessing economic values the use of indicators aims to reveal both the features of the cultural built heritage, and the robustness of the economic environment. Indicators aim to identify and measure three categories of factors, market-related factors, resources-related factors, and values-related factors. Market factors emphasize the higher economic risk that is related to totally free market mechanisms (existence of regulations, heritage protection rules, fiscal incentives, public/private partnership). Resources emphasize the higher economic risk in an adverse macroeconomic background (indicators

for GNP/capita, unemployment, business innovations, real estate market). Values emphasize the higher economic related to a weak identification of economic values (balance of non use and use values, direct and indirect, carrying capacity accommodations, local jobs).

The discipline of economics of conservation has been enhanced by a growing need for tools to cope with the issues of managing and financing heritage in a context of crippling economic resources. Economics of conservation never aimed to challenge the principles of conservation, but just to help decision-makers in assessing and measuring impacts of projects. Modern principles of heritage conservation have shifted from single monuments and sites with explicit universally recognized outstanding value, to integrated conservation, and to a more holistic perspective, best illustrated by the concept of the Historic Urban Landscape. Once again, conservation and economics have crossed paths. Methodological concern for economics when applied to conservation emphasizes a comprehensive approach, or a macroeconomic perspective, which is perfectly consistent with the concept of Historic Urban Landscape. The new paradigm, based on the historic urban landscape, implies an intrinsic coupling of conservation and economics. Conservation economics is no more merely providing a toolkit to achieve cultural goals, but aims to decide with conservation specialists and urban planners which resources are to be allocated, and how.

Today, the protection of cultural heritage has earned global recognition and legitimacy. But it is also a time to ask whether the problems stemming from the current economic crisis may challenge some of the protection principles originally adopted:

- governments face the challenge of their financial commitment *vis-à-vis* the heritage. The debate between advocates of a free-market and those of government-backed intervention in cultural activities is stronger than ever;
- globalization has increased mobility and created a mass cultural tourism that sometimes threatens the monuments and sites;
- historic cities face the challenge of rural exodus and urbanization: the shift of consumption and production schemes throughout the world has brought the cultural assets into the agenda for poverty alleviation and sustainable development;
- cultural capital is acknowledged as a powerful economic force in attracting investors and new business. The economic paradigm for development has been reversed: while economic factors used to bring welfare, today livability and urban amenities generate economic benefits.

Accordingly, economics of conservation has come today to the front stage of the debate between historic preservation and economic development. It is time to bring economic criteria into the protection and the management of historic sites for the sake of survival of the cultural built heritage. As Raymond Lemaire, co-writer of the *Venice Charter* and co-founder of ICOMOS, declared in 1982: «In the coming years so much will be protected, but it will be increasingly difficult to manage it. Hence the decision of what remains protected and how, will partly become an economic decision. I just hope that conservation economists will then be ready».

4. The case for emerging countries

Emerging countries are now experiencing significant growth. The determinants of growth are both cyclical and structural. Of course, urban development is a key factor in this surging demand for housing, space for business, transportation, services to businesses and

individuals. In this regard the pressure on the cultural built heritage in cities gathers momentum, as more and more urban development initiatives are taken by the public and private sectors.

A strategic assessment of the threats and the opportunities which derived from this current situation can be made in accordance to the UNESCO's *Recommendation on the historic urban landscape*: «1) Undertake a full assessment of the city's natural, cultural and human resources; 2) use participatory planning and stakeholder consultations to decide on conservation aims and actions; 3) assess the vulnerability of urban heritage to socio-economic pressures and impacts of climate change; 4) integrate urban heritage values and their vulnerability status into a wider framework of city development; 5) prioritize policies and actions for conservation and development, including good stewardship; 6) establish the appropriate (public-private) partnerships and local management frameworks; 7) develop mechanisms for the coordination of the various activities between different actors» (UNESCO, 2013).

In particular the vulnerability of urban heritage is high, given the macroeconomic factors underpinning the development of the urban form:

- climate change and natural risk factors, as well as environmental challenges;
- mass-tourism;
- urban development in terms of the transformation of urban infrastructures;
- social and economic impact of urbanization: keeping accessibility and diversity in the urban form;
- restructuring, industrial regeneration, innovation, creative industries;
- changes in consumer behavior in the context of global urbanization.

The focus must be on identifying and measuring the economic value of heritage with the use of quantitative and qualitative data, indicators and maps, as per current UNESCO recommendations guidelines for city managers in a perspective of cultural policies and urban strategies compatible with heritage conservation. In emerging countries, city managers need more accurate information about the economic benefit of heritage and its conservation, as they are in charge of transforming cities confronted with globalization, urban development, climate changes and revitalization.

In this regard, one of the main objectives is to monitor historic cities to identify the most vulnerable spots, and how to prevent a further deterioration of the cultural urban environment. Monitoring world historic cities is part of UNESCO's initiative for promoting the role of culture for development, and in particular the integration of heritage conservation in a sustainable development perspective, as documented in the Kyoto vision of the 40th Anniversary of the World Heritage Convention celebrated in 2012. The conclusions of the preparatory meeting held in Ouro Preto in February 2012, called «for the practice of conservation to incorporate a new multi-disciplinary and inter-sectoral approach, which would be based on a fully participatory approach and integrate a consideration of social and economic dimensions through appropriate methodologies and indicators». (UNESCO, 2012).

Economics of conservation revisited entails to bring new monitoring tools and indicators into the process of protection, follow-up, and reassessment of the cultural built heritage in historic cities.

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