

## SUPPORTING ECONOMIC GROWTH AND POVERTY REDUCTION IN DEVELOPING COUNTRIES:

### *The Contribution of Historic City Rehabilitation and Cultural Heritage Conservation*

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**1. Supporting historic city rehabilitation and cultural heritage conservation for local economic development is an integral part of the World Bank economic growth and poverty reduction agenda.** Historic cities feature a wealth of heritage assets that define their identity but also host large urban poor communities. In Fes, for instance, a Bank-financed socioeconomic survey carried out before a Bank-financed project found that the poverty incidence among the historic city population was much higher than the average urban poverty rate for the entire country: 36 percent, compared with 7.6 percent nationwide. Urban overcrowding, crumbling infrastructure, decaying buildings, and poor sanitation have condemned many inhabitants in historic cities of developing countries to low living standards and prevented the incubation of new businesses. Such decayed urban environment has also jeopardized the attractiveness of historic cities for sustainable tourism, further reducing opportunities for the economic and social development of local communities.

**2.** The Bank's current work on cultural heritage and historic cities is an integral component of the sustainable development agenda. It therefore looks at cultural heritage assets and its impact on urban, economic, social, and environmental aspects. It also draws in private sector investments in historic cities thereby driving a job creation agenda. The Bank assistance in this area is directed towards countries that feature major historic cities, protected natural and cultural heritage assets, iconic monuments, and industries carrying high creative and cultural values. Project experience shows that such investments have resulted in a positive impact on the welfare of poor population, for instance, by improving access to urban services and housing and by increasing communities' productive capacity in a creative, inclusive, and sustainable manner.

**3. Linking cultural heritage with social and economic development.** Investing in historic cities where poor and marginal communities live can bring profound change

in their self-reliance and energies, which can then be supplemented by assisting them in finding innovative ways to improve their livelihoods. The record of Bank-financed projects demonstrates that rehabilitating historic cities and conserving their cultural heritage have strengthened national and local economies, provided incentives for job creation (especially for low skilled workforce, women, disadvantaged groups, and minorities), improved the urban environment, and enhanced the quality of life of the urban poor. The positive role of cultural heritage in local economic development emerged in the 1960s as part of the discussions about the links between cultural policies and economic development. The theoretical economic underpinning for valuing heritage as an asset lies in the capital theory, which has been fundamental to the interpretation of production processes for more than two centuries. Recently, the concept of capital has been expanded to the field of culture, in recognition of the distinctive features of cultural goods as capital assets. The definition of cultural capital allows capturing ways in which heritage assets can contribute to the production of goods and services.

**4. Cultural heritage and job creation.** Cultural heritage assets can help create jobs in several sectors, tourism and creative industries being the main ones. Tourism employs more than 250 million people worldwide. In the G20 countries, tourism represents 5 percent of their GDP and 6 percent of jobs and it is growing steadily. In developing countries, especially in EAP, AFR, ECA, and LAC, tourism generates a growing contribution to their GDP, in many cases over 20 percent, it is the principal source of foreign currency revenue (in 83 percent of developing countries), and is the primary source of foreign exchange in the 49 least developed countries. Creative industries are among the most dynamic sectors in world trade. Globally, creative industries represent 7 percent of employment, more than 7 percent of the world GDP and grow on average by 10 percent annually. This positive trend is observed especially in EAP, AFR, MNA, and SAR.

**5. The Bank has a growing portfolio in historic city rehabilitation and cultural heritage conservation.** Since the 1970s, the Bank has financed about 250 projects mainstreaming the conservation and adaptive reuse of cultural heritage assets in local economic development strategies. To date, these projects amount to about US\$4 billion. Currently, there are 120 operations under implementation, totaling more than US\$2 billion of outstanding commitment, with increasing financing of stand-alone projects, mainly in EAP, MNA, and ECA. Between 1998 and 2002, the Bank also invested US\$72 million through 15 learning and innovation loans. Moreover, since 2000, the Urban Development and Local Government Unit of the Bank has managed a Cultural Heritage Trust Fund to support portfolio development, providing regional staff with about 40 grants for more than US\$6 million. Bank financed projects have focused on promoting the positive linkage between heritage and development: such approach is consistent with the new Bank Urban and Local Government Strategy, which defines heritage conservation as an asset-based approach to local economic development, integrated in the Cities and Economic Growth business line.