



Twinning Project MD 13 ENPI OT 01 16 (MD/26)  
Support to promote cultural heritage in the Republic  
of Moldova through its preservation and protection

## *Measuring the economic impact of the heritage*

(Paola Puglisi)

If the positive impact of culture as a driver of development and growth factor is no longer questioned in the wider political discourse, potential beneficiaries as well as decision-makers often need facts and figures to prove that impact and possibly quantify it. In this perspective, last decades have seen a marked increase in the quantity of studies attempting to quantify the role of heritage in economic development, both academic and institutional – the second ones as a prerequisite for evidence-based cultural policies.

On the other hand, if quantification of the impact of culture is a major prerequisite for evidence-based cultural policies, the methodological approach to data is equally important. It is worth highlighting that EU documents repeatedly call for quality, comparable statistics on culture. Economic impact surveys must be reliable and repeatable, to consistently support the implementation of cultural policies.

### ✓ *Cultural Heritage counts for Europe: the four pillars of sustainable development*

Among studies and projects supported by the EU, the *Cultural Heritage counts for Europe (CHCfE)* project was especially aimed at demonstrating the positive impact of the heritage as a driver of sustainable development in a framework of integrated approach. *CHCfE* identifies as impact domains the “four pillars” of sustainable development considered in the 2013 *Hangzhou Declaration*, equal to the traditional economic, social and environmental pillars, plus the cultural one. Through various case-studies the analysis is aimed at illustrating that investment in cultural heritage can be seen in terms of an “upstream investment” which has the potential to deliver important “downstream benefits” to the considered domains. According to the project’s results, **the economic domain has shown the most positive impact (81%)**, followed by the social (51%) and cultural (46%) domains and by the environmental one (16%).

### ✓ *Italy: the Symbola - Unioncamere Report*

In Italy, according to the annual *Symbola - Unioncamere Report*, in 2016 the cultural and creative sector reached almost **€ 90 billion, 6% of GDP**, and employed about **1.5 million people**. The report identifies five productive macro-domains related to cultural and creative industries, and tries to quantify the economic contribution of all activities not strictly related to the cultural dimension, but characterized by close synergies with the creative-driven sector. **For every euro produced by sectors such as architecture, communication or protection of monuments, € 1.8 are generated in other fields**. Cultural production has a multiplier effect for other economic sectors and becomes a fundamental component for growth and employment. An obvious example is given by the close interaction between **cultural heritage and tourism**: in that case the entire cultural services supply chain produces **250 billion, equal to 16.7% of the Italian national GDP**.



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It is worth noting that in general, according to such studies and focusing on Europe, tourism alone is a limited view of the positive economic contribution of cultural heritage. **Renovation and maintenance represents more than a quarter of the value of Europe's construction industry.** The property values of residences in historic districts out-perform comparable properties in modern developments. Businesses tend to locate in these areas, as it is easier to attract specialists and expats to live and work in such places. The example of knowledge-intensive companies who congregate in culturally rich areas of historic cities is a telling one. These businesses, and others, often seek out historic buildings that can be converted into office space for their headquarters. Cultural heritage thus also enables innovation and enhances the long-term competitiveness of the European economy.

✓ *France: the General Inspectorate of Cultural Affairs and the General Inspectorate of Finance joint mission on economic aggregates of culture*

Elaborating a specific methodology, in 2013 France promoted an institutional research at the highest levels, aimed at measuring the value of the heritage. The *General Inspectorate of Cultural Affairs* and the *General Inspectorate of Finance* were entrusted with a joint mission on the economic aggregates of culture. Noting that cultural statistics do not fully measure the place of the cultural sector in the economy nor comprehensively and coherently apprehend the issues of the sector, the two Ministers intended measure the weight of culture in the economy and determine the levers of action to fully utilize its growth potential.

The mission chose to rely on national accounts data produced by the *National Institute of Statistics and Economic Studies (INSEE)*, also in the conceptual and statistical frameworks of the cultural economy of Unesco and EU. So, the mission based its “cultural perimeter” with reference to the French nomenclature of activities (NAF), and to the nomenclature of activities of the European Community (NACE). Indirectly cultural activities were also considered (activities not cultural in themselves but inextricably linked to the existence of cultural activities, for example, the construction sector specializing in the rehabilitation of historic monuments). Finally, the cultural activities were classified in eleven economically coherent sectors: live performance, heritage, visual arts, press, book, audiovisual, advertising, architecture, cinema, image and sound industries, access to knowledge and culture.

The work of the institutional mission makes it possible to obtain **an objective assessment of the macroeconomic contribution of culture.** Relying on a coherent cultural scope, it should allow in the future, through a regular update, to ensure a consistent follow-up.

As for quantitative results (related to 2011 statistics): **the added value of cultural activities in France amounted to € 57.8 billion** (€ 44.5 billion in specifically cultural activities and € 13.3 billion in indirect cultural activities). This sum, which defines the “added value of culture in France”, represents 3.2% of the sum of the added value of the French economy. This is the closest assessment to what might be called “Cultural GDP”. This added value of cultural activities in France is **equivalent to the added value of agriculture and food industries (€ 60.4 billion)**; it represents **seven times the automobile industry (€ 8.6 billion)**, **four times the chemical industry (€ 14.8 billion)** or **insurance (€ 15.5 billion)** and **more than twice the telecommunications sector (€ 25.5 billion)**. Afterwards, to measure the overall contribution of culture to the economy, the mission has added to the perimeter defined above (€ 57.8



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billion), the effects “induced” by cultural activities (the only “specifically” ones): the contribution of culture to the economy thus defined by the mission represents a **total of € 104.5 billion**.

Further, at the level of regional figures, the mission was able to demonstrate that territories benefited from cultural implantation were on average more efficient in terms of socio-economic data than other comparable territories. So, the mission has positively correlated the presence of a cultural settlement with the socio-economic development of a territory.

#### ✓ *UK: the Historic England impact assessment*

*Historic England*, a British Governments’ public body tasked with protecting the historical environment of England, in 2016 commissioned an impact assessment to estimate the national and regional economic impact of the heritage sector. The analysis, focused on areas subject to recent interventions, used measures of economic impact evaluation such as: heritage-related tourism, the role of heritage in the regeneration of towns and cities, commercial activity within historic buildings especially in the creative industries, the demand from the construction sector to repair and maintain historic buildings, the market for historic properties, investment in research and display of archaeological sites and education.

Proving that heritage draws millions of visitors each year, is a source of employment, provides premises for businesses, homes for residents and helps reverse decline in town centres, the major findings of the study are the following: **in 2014, heritage directly generated £ 11.9 billion in gross value added (GVA) in England**. If indirect and induced effects are considered, heritage sectors’ contribution to GVA increases to **£ 22 billion**. This is equivalent to **2% of national GVA**. Heritage tourism generated **£ 16.4 billion** in spending by domestic and international visitors; repair and maintenance of historic buildings directly generated **£ 9.6 billion** in construction sector output. **278,000 people** are employed in heritage, and the tourism combined direct, indirect and induced impact provided **742,000 jobs**.

#### ✓ *US: the Advisory Council on Historic Preservation Report*

A 2011 Report commissioned by the *Advisory Council on Historic Preservation*, an independent agency of the US Government, was aimed at identifying a finite number of indicators that could be used to regularly and credibly measure the economic impact of historic preservation over time. Five areas of research demonstrating (directly or indirectly) the link between historic preservation and economics are recommended in this report, namely: **jobs, property values, heritage tourism, environmental measurements, and downtown revitalization**. In turn, systematic analysis of economic impacts took into account how regional economies responded to project and program changes through a method for estimating regional Input-Output multipliers known as RIMS-II (Regional Industrial Multiplier System-II), developed by the US Bureau of Economic Analysis.

#### ✓ *A Survey in Colorado*

Such indicators have long been widespread in US surveys. A 2005 report by Clarion Associates on the economic benefits of historic preservation in **Colorado** examines statewide economic



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impacts associated with the rehabilitation of historic buildings and heritage tourism. It focuses on economic issues especially important to owners and users of historic properties, such as the availability of affordable housing in older neighbourhoods, and property value trends in residential historic districts. The authors find historic preservation is not only about protecting and appreciating the past, it is a key strategy for successful community planning and economic development. **Since 1981, rehabilitation activities in Colorado have created almost 29,000 jobs and generated a total of over \$ 2 billion** in direct and indirect economic impacts. In a single recent year, **heritage tourism in Colorado created \$ 3.4 billion** in direct and indirect economic impacts and another **60,964 jobs throughout the state**, being really perceived as a key industry.

#### ✓ *A Survey in Florida*

According to the **Florida** Department of State, **the total impact of historic preservation in Florida is \$ 4.2 billion a year**. This encompasses the impact of job creation, generated income, increased gross state product, and increased state and local taxes. **123,242 jobs were created in 2000** from historic preservation activities in the sectors of manufacturing, retail trade, services and construction. State officials estimate that between 60-70 percent of the budget for a historic rehabilitation project is expended on labour, which firstly benefits local workers. Approximately 42.9 million tourists visited historic sites, historic museums, state parks and archeological sites, spending a total of \$ 3.7 billion.

Florida figures also confirm that historic preservation activities help to maintain property values in historic districts. In a survey of 18 historic and 25 non-historic residential districts across Florida, historic preservation was never found to depress property values. In fact, it contributed to greater appreciation of property value in at least 15 cases. An example of this can be found in Jacksonville's Springfield Historic District where **property values have doubled** due to rehabilitation efforts.

#### ✓ *An Australian Workshop: cost-benefit analysis and the WTP indicator for non-market goods*

The Australian Department of Environment and Water Resources Workshop *The Economics of Heritage: integrating costs and benefits of the heritage into government decision making* (Canberra, October 2007) has shown the Australian Government to acknowledge the importance of assessing the heritage's contribute to society through economic analysis. Some of the Workshop's communications focused on **cost-benefit analysis**, as a logical sequence of steps: identify policy options, setting out their costs and benefits, **measuring these costs and benefits and then ranking the policy options in terms of net benefits to the community**.

As normal market valuation techniques cannot be used in that field, economists also try to express the value of non-market goods in terms of **consumers' willingness to pay (WTP)** for provision of such goods. Such non-market valuation techniques are classified as "revealed preference techniques" and "stated preference techniques". The two most common revealed preference techniques are "hedonic pricing" and "travel-cost".



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Hedonic pricing is based on the idea that the value of, for instance, real estates, also depends by a number of attributes including non-market goods: so, house pricing is the most commonly used “proxy market” for this method. The travel-cost method is based on the consumer’s WTP from travel costs to a given site.

Stated preference techniques hypothesize future consumer behavior towards the non-market good itself. The two most common stated preference techniques are “contingent valuation” and “choice modelling”. Contingent valuation surveys ask consumers to state their WTP for provision of a public good. Choice modelling studies ask consumers to choose between various hypothetical descriptions of goods.

Though application of non-market valuation technique to cultural heritage has been very limited to date, the authors report that economic analysis of the heritage can provide a number of valuable insights into heritage policies. **By using the above indicators for non-market goods, scarce conservation resources are more likely to be directed towards those historic heritage places the community values most highly.**



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