The Economics of Uniqueness

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Take Home Messages

- Cities are engines of economic growth.
- Cities can prosper if they attract not only investment, but also talent.
- To be appealing to talent, cities should be livable and vibrant.
- Downtowns are prime assets for livability and vibrancy.
- Downtowns can brand cities and differentiate them from competing locations.
Presentation Overview

- The World Bank
- Vision
- Analytical framework
- Getting into business
The World Bank - Yesterday

- Established in **1944** at **Bretton Woods** (together with the **International Monetary Fund**), the World Bank aimed at financing the **reconstruction of Europe after WWII**.

- The **Marshall Plan** of **1947** caused lending by the World Bank to change as many **European countries received aid** that competed with World Bank loans. **Emphasis was shifted to developing countries.**
The World Bank - Today

- The World Bank is a vital source of financial and technical assistance to developing countries. Its mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.

- The World Bank provides low-interest loans, interest-free credits, and grants to developing countries for a wide array of purposes that include investments in infrastructure, urban development, education, health, public administration, financial and private sector development, agriculture, environment, and natural resource management.
Urban Development Data: Facts

- Urban settlements are home to more than 50 percent of the world population;
- 2 billion new urban residents expected by 2030;
- 90 percent of urban growth takes place in developing countries;
- Urban population in Africa and Asia will double in the next 20 years; and
- Small and medium cities are growing the fastest.

What is happening to their downtowns?
Allegory of Bad Governance, Ambrogio Lorenzetti, XIV century, Siena (Italy)
Regenerate Downtowns: a Reactive Approach

- Downtowns in developing countries are usually surrounded by fast growing neighborhoods and are under pressure of demolition.
- What were “the cities” in the past, today have become only marginal portions of much larger human settlements.
- They lost the income mix of their residents, the basis of their social sustainability.
- They lack conservation policies and their heritage is disappearing.
- They host poor communities, and the middle and high class have left them due to lack of services and standards.
Regenerate Downtowns: A Proactive Approach

- Over the long term, places with strong, distinctive identities are more likely to prosper than places without them.
- Every place must identify its strongest most distinctive features and develop them or run the risk of being all things to all persons and nothing special to any.
- Livability is not a middle-class luxury. It is an economic imperative.

Robert Merton Solow
Nobel Prize in Economics
In 1987

Downtown in Yemen regenerated with World Bank financing
Downtown Regeneration for World Bankers

- Regenerating downtowns is an **asset-based approach** to **local economic development** (heritage as a means, not as an end).

- Regeneration has two main objectives:
  
  a) Leverage downtowns as **service hubs** for “city internal users”—the communities living in downtowns and the modern neighborhoods surrounding them.

  b) Leverage them as **destinations** for “city external users,” such as people from other cities, other regions, and other countries.
Downtown Regeneration for Mayors

- Regeneration can **expand the fiscal base**, thus generating revenues.
- **Healthy downtowns** can boost the quality of life of the whole city.
- Regeneration can **conserve urban character and heritage**, while creating **jobs**, helping small **businesses**, reducing urban **sprawl**, increasing property **values**, **attracting investment**, and enhancing a community’s **access** to goods and services in a **walkable, low-carbon** built environment.

Fez Downtown (Morocco) regenerated with World Bank financing
Downtown Regeneration for Investors

- Livable downtown as a **differentiator**: attract investment to the city as a whole, leveraging the downtown as a branding tool.
- Increase in **asset value** in the downtown following the regeneration.
- **Leisure and tourism** for local and international users.

Pingyao Downtown (China)
Benefits: Heritage as a Differentiator

Dublin Downtown (Ireland)
Benefits: Increase in Asset Value

Figure 1. Financial Characteristics of DOWNTOWNS with Critical Mass (Blue) versus Suburban Development (Red)

Source: Christopher B. Leinberger, Arcadia Land Co. and Robert Charles Lesser & Co.
Downtown Regeneration for Practitioners

- A system for conservation and upgrading of public space and major heritage assets (usually **public property**) should be well in place when dealing with downtown regeneration.

- To move forward and tackle the urban fabric (usually **private property**), the following are needed:
  a) Clarify **property titles**.
  b) Establish a framework for **adaptive reuse**, acceptable degree of change, and **mitigate gentrification**.
  c) Define institutional and financial mechanisms to **engage businesses** and **homeowners**, e.g., regulation and incentives –fiscal and financial–, revolving funds, transferable development rights, and microcredit.
The Economics of Uniqueness in a Nutshell

- **Balance conservation with an acceptable degree of change.** Stakeholders should weigh the different values and trade-offs between conservation and development, identifying the acceptable level of change, and the extent of adaptive reuse.

- **Promote a blend of regulation and incentives.** Measures to conserve historic city cores and heritage assets are not limited to rules and regulation that restrict activities. Incentives are also essential for achieving “integrated conservation.”

- **Ensure a dialogue between public and private sectors.** Heritage is a public good and the economic justification for public sector investment is well established. But, it is unreasonable to expect the public sector to be the sole investor, and the solution is to have a combination of public and private investment, with a balance between the two, varying depending on the project scheme and context.
Getting into Business: Georgia
Getting into Business: Haiti
Getting into Business: Russia and China

❖ Video
THE ECONOMICS OF UNIQUENESS
Investing in Historic City Cores and Cultural Heritage Assets for Sustainable Development
Guido Licciardi and Rana Amirtahmasabi, Editors
Thank You! For more information:

To purchase the book:
Amazon.com

To learn more about it:
www.worldbank.org/urban
-> topics -> cultural heritage and sustainable tourism

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