Cultural Assets in Support of Transition in the Europe and Central Asia Region:
An Operational Perspective
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CULTURAL ASSETS IN SUPPORT OF TRANSITION IN THE EUROPE AND CENTRAL ASIA REGION: AN OPERATIONAL PERSPECTIVE

INTRODUCTION

1. The purpose of this report is to provide guidance to the staff of the World Bank’s Europe and Central Asia (ECA) Region with respect to mobilizing cultural assets to support socioeconomic development in our country and regional work programs. To this end it seeks to demonstrate how and when it makes sense for us to get involved in activities related to cultural asset mobilization. Equally important, it also indicates how and when we should leave cultural heritage activities to others. In particular, this report addresses the following questions:

- What do we mean by integrating culture and cultural assets into our work?
- Why may cultural assets be of importance for a development institution like the World Bank?
- What is particular about the cultural assets of the ECA Region?
- What lessons can be drawn from ECA’s experience with interventions focused on cultural assets to date?
- How should ECA staff address issues of cultural assets in the future?

2. This report is intended as an adjunct to the ECA Region’s Social Development Strategy. That strategy is all about promoting socially and culturally sustainable development. This paper provides greater detail and focus on a specific part of the Bank’s cultural agenda, the mobilization of cultural assets in support of sustainable development.

3. What do we mean by integrating culture and cultural assets? There are two principal ways in which cultural considerations may be incorporated into our development work. The first is to ensure that our country programs, projects, and interactions with clients are informed by sensitivity to culture. Experienced shows that development activities are more likely to be effective and sustainable if they reflect the interests and values of beneficiaries. In effect this approach to culture is synonymous with saying that we want development to be socially sustainable. While culturally

Definitions:

**Culture:** the whole complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or social group. It includes not only arts and letters but also modes of life, the fundamental rights of human beings, value systems, traditions and beliefs.

**Cultural Heritage:** consists of those aspects of the past that people preserve, cultivate, study, and pass on to the next generation. Those achievements are embodied in material forms such as buildings and in non-material forms such as the performing arts. Cultural assets are those which has been valued in the past and are expected to be valued in the future. Since valuations and expectations change over time, that which constitutes cultural assets can be subject to dynamic change.
sensitive development is critical to the Bank’s mission, it is not the primary focus of this paper. It is one of the focuses of the Region’s Social Development Strategy.

4. The second approach is to view some aspects of culture as assets or resources for promoting poverty reduction and development. Cultural heritage, both built and living cultural expression, can be viewed as a distinctive national patrimony worthy of preservation or development as assets integral to a wider development strategy that aims to alleviate poverty. In fact they can be regarded as both a stock and a flow which, if properly managed, can generate a sustainable flow of income. The primary focus of this paper is thus to assist ECA regional staff in bringing such assets to bear on our development agendas.

5. Why are cultural assets of importance for development? Culture, treated as an asset for development can:

- promote new economic activities, especially for marginal or vulnerable groups, in labor intensive conservation works, tourism, handicrafts, and other cultural industries;
- promote social (and cultural) capital formation, giving a sense of pride and belonging to a particular community;
- increase social inclusion through community-based assistance, employment opportunities, and urban regeneration;
- promote tolerance – in situations of internal and external migration, armed conflict and forced displacement; as well as
- encourage participation in local level decision making and the accountability of local level institutions.

6. At the same time it must be recognized that culture and cultural assets can also play a negative role in socioeconomic development. One risk is that cultural assets may be exploited in ways that do not create opportunities for raising living standards or that damage cultural assets and the environment. For example, “enclave” tourism is unlikely to provide much benefit to local communities. Similarly, poorly planned development around cultural sites and their overexploitation may weaken local social cohesion, produce tensions by, e.g., attracting labor from outside the community, as well as limit future potential by degrading the sites and producing environmental damage.

7. Perhaps more important in many parts of the ECA Region is the relationship between cultural heritage and ethnic conflict. The search for identity among many new states in the region, which is often very exclusive and ethnically based, and their search for founding myths, can have a strong influence on their interest in cultural heritage. Hence cultural icons are often mobilized to instigate social separation, and in extreme cases to promote social exclusion. The famous bridge over the Neretva River in Mostar, Bosnia, destroyed in 1993 as a result of ethnic confrontation, illustrates the hazards of culturally significant interventions. Reconstruction has been advocated by those who see it as a symbol of tolerance for ethnic/religious diversity\(^1\) and has the support of the

\(^1\) Reconstruction is to be financed under the Bank-financed Bosnia (Mostar) Pilot Cultural Heritage Project.
municipal government and much of the population. However, social assessment in Mostar found that some Croats view the bridge as a symbol of Ottoman domination. Therefore, we must be sensitive to the possibility that our cultural interventions may contribute to tensions under certain conditions.

**CULTURAL ASSETS IN THE ECA REGION**

8. **What is particular about cultural assets in the ECA Region?** With its roots in centuries of dynamic contact between European and Asian peoples, the cultural assets of the 27 countries of the ECA Region remain varied and rich, encompassing both built and living culture. Examples of built culture in the region may be found in the adjacent box. It should be noted that in this region of considerable religious diversity, sacred or religious heritage is particularly important encompassing churches, mosques, synagogues, monasteries, madrasa (Islamic schools), and mausoleums.

**Built culture in the ECA Region** encompasses:
- the monumental - the mosques of Uzbekistan and the cathedrals of the Ukraine;
- the formerly commonplace - the vernacular architecture of rural towns in Romania and mountain villages of Georgia;
- archaeological sites - Uplistsikhe in Georgia and Butrint in Albania;
- cultural landscapes combining natural beauty with man’s creative talent - the island of Cres in Croatia, the hillsides of Orhid in Macedonia, and the Abbey of Tatev in Armenia;
- historic towns and urban areas - St. Petersburg, Vilnius, Prague, Riga, Cracow among many others.

9. The production of cultural goods and handicrafts is long standing in the region. Most of the countries in the region have produced, and continue to do so, a range of both utilitarian and luxury goods that transform local materials into objects of added value. The carpets of Turkey and Armenia, silks of Uzbekistan and Azerbaijan, glass of the Czech Republic, and musical instruments of many countries are all examples, representing sources of employment and revenue for communities as well as civic and national pride.

10. Culture plays an important role in the overall economy of the region. Cultural assets are the springboard for cultural industries that in certain areas surpass traditional industry in job creation and positive environmental impacts, spur tourism development, and encourage overall community-based development. There are many examples of success stories in the region: Prague trades on its art and architecture as unique selling points; Turkey has maintained its handmade carpet and textile production; Poland exports its traditional building skills; and St. Petersburg maximizes its imperial collections and monumental urban features. At the same time, the collapse of the Soviet Union led to the collapse of some cultural industries. Thus tourism and crafts production in the Caucasus, albeit on the increase, remain well below the levels of a decade or two ago.

11. However, culture and economic development do not always go together. Through the accidents of history, cultural patrimony is now often situated in areas of low income, such as remote rural areas, old town centers, and areas of high biodiversity. This means that there is considerable potential for mobilizing such assets to improve living standards in such depressed areas.
12. Nonetheless, since the dissolution of the Soviet Union and Yugoslavia, the development potential of cultural assets faces severe institutional constraints. The most striking consequence of the collapse is the extent of the decentralization that has taken place. Ownership has often been transferred to municipalities resulting in a hiatus between local and national government and the commensurate distribution of funds and responsibilities. In the constrained fiscal environments of much of the region, funds for the maintenance and development of cultural heritage have dramatically shrunk. Often neither Ministries of culture or tourism nor municipalities have appropriate management skills suitable for market economies. Furthermore, the collapse of the Soviet tourism industry has meant significant declines in revenues for cultural activities.\(^2\)

13. Today the cultural assets of the region have lost neither their vitality nor meaning. They therefore have considerable potential for galvanizing people in support of community improvement programs, enhancing civic responsibility, and facilitating efforts to help the poor and disadvantaged. However, in many ECA countries the cultural sector is experiencing a ruinous lack of support that threatens permanent damage to cultural assets and serious economic hardship to those working in the sector. The fact that cultural assets were and still often are public goods in the ECA region and that they are often non-divisible, provides an explanation as to why the market does not function properly in setting the value of cultural assets at a socially efficient level. Therefore, to address this challenge, management and utilization of cultural assets need a new vision, one that encompasses public sector management/efficiency where cultural assets are public goods, and one that transforms them from a liability and cost to productive assets.

**THE BANK AND CULTURAL ASSETS IN ECA**

14. Cultural asset protection and conservation are not new to the Bank. As early as the 1970s, World Bank projects, particularly tourism projects, began to improve access to cultural heritage sites in Egypt, Jordan, and elsewhere. Among the first project activities in what is now ECA were those carried out in Turkey and the former Yugoslavia as part of infrastructure, urban or environmental projects.

15. Within the last few years, there has been renewed interest in cultural development in the ECA region. This has been inspired to a large extent by the realization among many national leaders that greater respect and appreciation for culture are essential for future social and economic development and thus should be integrated into country development programs. Also, there is growing concern that unless decisive measures are taken to preserve truly distinctive cultural assets, they could be seriously jeopardized or lost in the economic transition, thus depriving the nation of important legacies of national identity as well as potential sources of tourism revenue. This has produced significant client demand for projects to realize the development potential of cultural assets.

16. These developments coincided with renewed interest on the part of the Bank’s senior management in culture as an integral part of the development process. Initially, the focus was mainly on conservation of global patrimony through assistance, with

\(^2\) Of course decentralization can also bring benefits, notably since it means that more initiative can be taken at the local level.
experienced partners, to Bank member countries where cultural assets of regional or international importance exist. In that spirit, the Bank convened a meeting with potential partners in January 1998; participants included mainly organizations involved in physical conservation of heritage sites as well as those concerned with museum management. Subsequently, a focal group for culture was established in a new Vice-Presidency for Special Programs. This group initiated work on a cultural framework paper, which was discussed in 1999 by the Board's Committee on Developmental Effectiveness and later by the full Board. The paper helped clarify the Bank's role in the sector, emphasizing the need for assistance efforts to be designed so as to improve the institution's overall effectiveness consistent with individual country strategies and to help enhance poverty reduction strategies and programs. Throughout this period, several projects were initiated, prepared or approved in the sector; this effort was supplemented by a series of workshops, conferences and special arrangements with partners. The Board expressed concern that some of this work was not consistent with the emerging operational parameters for the sector; new guidelines were thus included in the framework paper and endorsed by the Board in April 1999 (see Annex II), and some projects that had been initiated prior to these are currently being retrofitted to comply with them. The Board also asked that a status report on the work Bank-wide be prepared for its review in about 18 months (from April, 1999).

Areas of Intervention

17. Since the establishment of the ECA Region in the Bank, regional staff, at the request of borrowing governments, have been active in building a small portfolio of cultural heritage assistance activities. The first Institutional Development Fund (IDF) grant for cultural heritage institution building was awarded to Albania in December 1993. This was followed by other IDF grants and lending operations. To date, the region has approved a total of almost $24 million for 11 separate assistance operations in the sector including five investment projects or components of projects, six IDF grants (3 of which - Vilnius, Georgia, Albania - are completed), and two small grants from the Development Grant Facility for Culture. Annex I provides details on ongoing operations. In addition, new lending activities in support of culture or cultural/environmental development objectives are currently under preparation in Croatia, Macedonia, Turkey, and the Caucasus.

18. A perusal of the region's cultural assets portfolio and activities under preparation reveals that interventions tend to concentrate in the following six general areas (although a few activities fall outside these categories):

19. Conservation of Cultural Heritage Sites. A majority of ECA's cultural assets interventions involved the rehabilitation and/or restoration of cultural monuments. Many of these activities were prepared prior to the adoption of criteria for Bank intervention by the Bank's Board of Executive Directors in April 1999 (see Annex II). Thus they do not always respect the injunction that, "When the World Bank supports conservation of monuments and heritage sites it is to achieve economic and social objectives." Where this is a problem (as in the Azerbaijan Cultural Heritage Project), efforts are under way to

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3 The World Bank (1999), Culture and Sustainable Development; A Framework for Action.
retrofit such objectives into the activities. In contrast, the activities in Georgia, Romania, and Mostar involve significant amounts of social assessment work, community consultation, neighborhood renewal, and support for crafts development and rural tourism. As of now the focus has shifted from the restoration of monuments to the conservation and rehabilitation of cultural heritage sites/assets as a vehicle to promote poverty reduction.

20. **Culturally Sensitive Urban Redevelopment.** A significant portion of ECA’s cultural assets assistance is being provided to historic cities such as Vilnius, Tbilisi, Mostar, and St. Petersburg. Conserving a city’s historic environment enhances the quality of life for residents by preserving traditions, protecting areas of architecture and natural beauty, and generating civic pride. Such interventions involve a wide range of activities: a site development plan to help conserve the historic section of Vilnius; assistance for upgrading of historic structures and neighborhoods in Tbilisi’s old town; upgrading of historic structures and neighborhoods in Mostar; as well as provision of grants for revenue-generating support activities – videos, catalogues, new ticketing systems – for museums, theatres, and a library in St. Petersburg.

21. **Institutional Strengthening.** Much of the assistance activities to date also contain a noteworthy complement of help for institution building or strengthening. This focus is understandable in the IDF grants since this is their basic purpose. However, the pattern emerges forcibly in the lending operations where the emphasis is mainly on helping to establish new project management entities but also on strengthening management of national cultural assets and cultural support programs more generally. One aim here is to help fiscally constrained governments establish realistic criteria by which to judge priorities in the sector and to explore new institutional mechanisms to help ensure sustainable future support. For example, in the Bosnia and Herzegovina Pilot Cultural Heritage project, the possibility of reorganizing the existing Stari Mostar Foundation as an international foundation is being explored with the aim of attracting international donors.

22. **Planning/Policymaking for Cultural Assets.** Notorious underfunding and weakness in cultural asset management result in a need to address a variety of systemic management issues. These include *(inter alia)*:

- knowledge of the extent and significance of resources and their condition;
- efficacy of existing inventories as planning tools;
- planning and land use regulations to protect historic areas;
- concepts of area conservation planning;
- contested ownership claims;
- fiscal and financing issues;
- preventive conservation;
- introduction of economic analysis into project concepts;
- complacent publics and weak community participation;
- cultural heritage in school curricula;
- recruitment and staffing.

To date such issues have received inadequate attention in our portfolio. Nonetheless, they are being addressed in some activities, and staff are increasingly aware of the need
to understand these issues when preparing projects. A case in point is the Vilnius (Lithuania) IDF grant, which was used in part to update the legal framework governing management of historic property with a view to encouraging more private support. As a consequence of the IDF program, the Government of Lithuania has allocated a grant of $3.7 million equivalent to fund follow-up revitalization works in the city.

23. **Cultural Assets as a Vehicle for Community Development.** Community-based approaches to cultural assets show particular promise for "building on the cultures of poor and marginalized groups", as called for in the framework adopted by the Board in April 1999 (see Annex II). Thus increased community involvement in cultural asset management and development is increasingly being encouraged in some of the assistance operations – i.e. the four Saxon villages pilot component in the Romania project, the Tbilisi and Signaghi (eastern Georgia) components of the Georgia project, and the Tatev pilot component in the Armenia IDF grant. This is also the logic behind the proposed Community Based Trans-Caucasus Tourism Initiative.4

24. **Tourism Promotion.** Many of the countries in the ECA Region were significant tourist destinations prior to the breakup of the Soviet Union and Yugoslavia. In the former case the Soviet tourism infrastructure collapsed; in the latter European tourists were driven away by conflict. Nonetheless, this means that there is considerable potential that could be revived.5 Doing so, in ways that promote income generation and community development, is thus increasingly an objective of our cultural interventions, as in Armenia, Romania, and Georgia. In addition, a project is being planned in Turkey to enhance archeological and historic sites for economic growth through cultural tourism.

**An Assessment of Cultural Asset Interventions in ECA to Date**

25. Most of the approved cultural asset interventions in the region are still in the early stages of implementation and thus it is too soon to assess their full impact. The only completed activities are three IDF grants – for Vilnius, Georgia, and Albania. However, the design and preparation of these various activities, as well as the early implementation results, can be instructive. The following paragraphs assess this experience from two perspectives: processing on the Bank side and maximizing effectiveness on the country side. From both perspectives, one of the general lessons that emerge is the need for selectivity.

**The Bank Side – Project Preparation**

26. **Impact on People, Particularly the Poor.** The early assistance activities in the ECA region generally were not explicitly designed to help alleviate poverty – the overarching development objective of the Bank. It can be argued that assistance operations focusing on, e.g., conservation of heritage sites will have an impact on people generally through community engagement (social assessment work), site improvements

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4 This is a proposal to leverage and create synergies with on-going cultural asset work in Armenia, Azerbaijan, and Georgia to promote community-based eco-cultural tourism.

5 The Czech Republic and Hungary, which reap considerable economic benefits from cultural tourism, are good examples of this potential being realized at a national level.
and resultant jobs (even though temporary), competitive bidding, transparent decision making, and public awareness campaigns. However, cultural assets activities could be designed to explicitly address poverty reduction. Certain components in at least two of the operations – pilot Saxon villages in Romania and the historic districts of Tbilisi and Signaghi in eastern Georgia – provide financing for pilot income-generating activities involving poor people and designed to preserve cultural assets. The recently approved IDF grant for Armenia also has a similar objective.

27. **Lesson.** Much more can be done to ensure that when we engage in our cultural assets activities, they contribute to the objective of reducing poverty. Cultural assets may be viewed as opportunities to provide catalytic support to promote community development and improve the living standards of the poor. Where such possibilities do not exist, we should leave support to other agencies for which support for cultural heritage is an end in itself.

28. **Ad Hoc Approaches.** The experience thus far reveals that while the assistance has been in response to client requests – mainly for the conservation of cultural sites or institution strengthening – it has tended to be somewhat ad hoc. It has not been informed by any strategic direction (indeed this paper is intended to help provide such direction). Furthermore, for the most part, it has neither benefited from the sort of detailed economic/sector work nor the detailed preparation work normally associated with Bank lending operations. Moreover, none of the operations was mentioned explicitly in the country assistance strategies, with the exception of the Bosnia and Herzegovina Pilot Cultural Heritage project. Nonetheless, all of the assistance operations, in the objectives sections of their respective documents, claim that the interventions would help support key CAS goals in one way or another. A critical factor contributing to this ad hoc approach is that virtually all of the assistance operations to date have been seriously underfunded through all stages of processing. The result is that task teams have had to cope by various combinations of cutting corners and mobilizing trust funds. This often has an adverse effect on the quality of preparation.

29. **Lesson:** We need a more strategic approach to the mobilization of cultural assets in support of socioeconomic development. To provide such an approach at the regional level is the purpose of this paper. At the country level, cultural considerations in long-term development strategies need to be explicitly addressed in the preparation of country assistance strategies, comprehensive development frameworks, and poverty reduction strategy papers. This does not mean that such strategies should necessarily include cultural assets activities. It does mean that the cultural dimension should be considered in all of our work and, where cultural assets related activities are deemed appropriate, they should be mentioned explicitly. This would provide the necessary framework for both more adequate budget support for future cultural assets operations and a stronger likelihood that they will reinforce strategic objectives. Without country

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6 This operation is noted in the CAS progress report of July 1998 (discussed by the Board in August 1998) as an effort to promote “mutual respect for common cultural heritage as an important way to enhance reconciliation and strengthen the basis for sustainable development.”

7 The same may also be said for other areas of work such as National Environmental Action Plans and City Development Strategies.
department support from early in the project concept stage, cultural interventions should not be undertaken.

30. **Economic, Social, and Institutional Assessment.** One consequence of limited funding has been a lack of resources for analytical work during project preparation. Thus economic, social, and institutional analysis, as a part of design activities, has tended to be quite weak. This is made worse by the fact that we have not had resources to carry out economic and sector work in the cultural field. Consequently it often remains unclear why certain activities were given priority over other possible activities. This also raises questions about the sustainability of these activities.

31. **Lesson:** Economic, social, and institutional assessment appropriate to the planned activity needs to be undertaken as part of project preparation. However, given resource constraints, judgement will need to be exercised to determine the appropriate amount and scope of such assessment.

32. **Partnerships.** It is Bank policy that cultural assets work should be carried out in close partnership with organizations that have demonstrated expertise in the sector since the Bank has no plans to recruit staff specialists in these areas. However, in ECA’s experience to date, the development of partnerships with external agencies (and internal or in-country partnerships) has proven to be quite difficult. Indeed, partnership arrangements exist formally in only two operations: (i) Bosnia and Herzegovina with UNESCO, the Aga Khan Trust for Culture and the World Monuments Fund and (ii) Romania with the World Monuments Fund. While the partnership arrangement has worked well in Romania, the experience in other countries is that it requires a lot of extra effort and time (including frustration) on the part of Bank teams and country project units. Furthermore a number of other conditions - scant financial resources/budgetary constraints, different mandates and standards of analysis – affecting external partners may not necessarily be complementary to ECA’s agenda.

33. With respect to in-country or project partnerships, the effort here has generally been to try to facilitate more effective project implementation by nurturing: (i) closer coordination between concerned ministries and (ii) public-private institutional arrangements between Government, project entities, local communities, non-governmental organizations, and sometimes religious groups. The experience thus far is very uncertain, but it is almost certain to take much more time and effort than envisioned at the time of project preparation.

34. **Lesson:** The Bank has neither the skills nor resources to appropriately prepare cultural assets interventions on its own. Indeed its comparative advantage lies rather in the ability to link cultural asset interventions to the broader agenda of socioeconomic development and poverty reduction. It follows that partnership in the design and implementation of such activities makes good sense. However, we must keep in mind that partnership bears a cost in terms of the time necessary to cultivate the relationship and this must be planned for in our administrative

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8 E.g., UNESCO, World Monuments Fund, Council of Europe, and the Getty Foundation, among others.
budget allocations. Thus partnerships need to be selective and identified to be as operational as possible.

35. **Summary.** From the perspective of our preparation of cultural assets activities, the fundamental lesson that emerges is that of the need for selectivity. Cultural heritage in its own right is not our comparative advantage. We may support cultural assets activities when they can be reasonably expected to: (i) have a positive impact on socioeconomic development, (ii) contribute to attaining the objectives of our country strategies, and (iii) be adequately conceived and prepared. Under these circumstances we should selectively seek appropriate operational partners both in country and externally.

**The Country Side – Enhancing Effectiveness**

36. **Client Ownership.** Client ownership in our cultural asset operations has been generally strong, particularly at the national government level. In the cases of Georgia and Azerbaijan, the respective heads of state took a particular interest in the cultural operations and continue to provide support, publicly and privately. The Romania loan was supported enthusiastically by the Ministry of Culture and key members of parliamentary committees. There have been some exceptions. Thus, while there was, and is, some support at the local level for the St. Petersburg operation, the support of the national government has been less consistent. And in the case of Bosnia and Herzegovina (Mostar bridge reconstruction and conservation of adjacent historic neighborhoods), local (city) level political and administrative support has sometimes been intermittent, in part because of Mostar’s unusual administrative structure as a city divided along ethnic lines. Indeed a major objective of the project and other Bank efforts in Mostar is to start bridging this divide, which hinders economic growth and social regeneration.

37. Client ownership at the project site level has also been strong when participatory mechanisms are built into project preparation and implementation. In some cases, notably Georgia, Romania, and Bosnia, social assessments and stakeholder workshops have successfully fostered broader public understanding and support/ownership. However, our weak record on institutional assessment suggests that more could be done to foster local community ownership.

38. Changes of administration have on occasion had an adverse impact on client ownership. In Vilnius, Lithuania, enthusiasm for an IDF grant to help provide an action plan for conservation and restoration of the historic part of the city waned after local and municipal elections resulted in changed administrations. In Albania, a national strategy for heritage management failed to materialize under the 1993 IDF grant, partly because of flagging enthusiasm, or ownership, in the Ministry of Culture.

39. In sum, ownership has been relatively strong at the national level in recipient countries, reflecting a sense of the importance of paying more attention to culture in

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9 The case of St. Petersburg exemplifies the type of institutional complexities resulting from decentralization, and the ensuing problems stemming from sometimes unclear or overlapping ownership (national/municipal). In this case the issues were addressed, consensus achieved and consequently work proceeded.
development assistance strategies and programs. However, ownership has been intermittent or weak in some projects at the local and community levels. This is, in part, a function of the fact that ownership at this level often requires careful and time-consuming preparation work through stakeholder analysis and social assessments, something which has often been precluded by the inadequate budgets allocated for preparation to date.

40. **Lesson:** Processes to cultivate beneficiary ownership need to be deployed systematically, both during project preparation and under implementation. Furthermore, sites should be selected in part as a function of local community commitment to project activities.

41. **Demonstration of Socioeconomic Return.** In some cases the requests for assistance from the Bank for the preservation of cultural patrimony have held mixed messages from the clients themselves. Ministers of Finance have been reluctant to borrow for cultural projects, in part because of concerns or skepticism about the financial and economic returns; moreover, they often have higher investment priorities in more traditional sectors where returns can more easily be calculated. Ministers of Culture, on the other hand, argue forcefully for investments to safeguard cultural assets but face a handicap in making the financial/economic case since assessment methodology in the sector has not been developed adequately. Clearly, anecdotal evidence suggests that financial returns from culture investments can be substantial. However, the absence of reliable financial and economic assessment methodology remains an obstacle in mobilizing greater public support for cultural asset preservation programs, particularly in resource-constrained transition economies.

42. **Lesson:** We need a better understanding of the social and economic returns on investment related to cultural assets at two levels. First, we need a generic understanding to be able to convince policymakers that it is worthwhile investing in activities related to cultural assets. And second, as part of project preparation we need to be able to demonstrate the likely impact of those activities that we propose to finance. Furthermore, cultural asset activities need to be designed to foster income generating activities and to have reasonable returns (e.g., restoration of monuments without attention to the development of related services is unlikely to contribute to socioeconomic development).

43. **Sustainability.** Broadly, sustainability issues in the sector relate to physical concerns, institutional framework and, above all, financial support. Physical sustainability rests largely on maintenance or lack thereof. Throughout the ECA region there has been a notable lack of maintenance of cultural assets (with some exceptions)

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10 In Canada, for example, “governments spend over $6 billion per year on culture with the federal government’s share representing only 2 percent of federal spending... In 1994-95, the cultural sector contributed over $20 billion to the gross domestic product. In that same year, there were more than 600,000 people employed in our cultural labor force, a figure that grows by leaps and bounds.” Sheila Copps, Minister of Canadian Culture, from her speech at the September 28-29, 1998 conference on Culture in Sustainable Development, held at the World Bank in Washington D.C.

11 N.B. The Georgia and Romania cultural heritage projects have set aside funds to test the financial and economic impact of cultural investments in collaboration with local economic institutes. This should help develop our understanding of this issue.
largely because of the public fiscal and financial constraints growing out of the economic transition and because of other priority claims on scarce resources. *Institutional sustainability* concerns the overall stewardship or management of cultural assets. Traditionally in ECA countries this has been provided mainly by the state, which, given the structural changes emanating from the transition, is not likely to be able to serve that role in the future. Religious institutions have also played this role in many countries since much cultural patrimony in the region is of religious origin or owned by religious groups. However, religious institutions are also strapped financially, and often lack management (including conservation) skills, which impinges adversely on institutional sustainability. *Financial support* traditionally has been provided through state revenues since public fee mechanisms are largely undeveloped or non-existent.

44. Although most of the Bank operations make (sometimes heroic) assumptions about project sustainability, it is still too early to draw definitive conclusions about relative success. Two fundamental assumptions seem to be present in most of the ongoing operations and will require close monitoring during project execution: (i) new public-private partnerships can be nurtured to complement or even replace existing state-centered systems for improved management of cultural assets (with an accent on preventive measures) and thus achieve greater institutional sustainability over time (for example on the model of the UK National Trust); (ii) varied financing mechanisms can be put in place over time to help achieve greater financial sustainability, such as visitor fees, special charges associated with cultural tourism, tax incentives for private investments (i.e. small hotels, museums) associated with cultural sites, and establishment of special cultural trusts, among others. Yet the small scale of our cultural assets operations is unlikely to provide the leverage to make significant changes in the fiscal treatment of cultural assets.

45. The prevailing climate of resource scarcity in the region raises another concern related to sustainability. This is the issue of priorities. Which cultural assets are so clearly all-important – socially and economically - that they must be saved or conserved? What criteria should be employed to make this decision and by whom? Most of the Bank assistance operations (with the exception perhaps of Mostar) seem to be groping for answers to these questions without any clear blueprint for appropriate decision making.

46. **Lesson.** Sustainability is a critical issue. Since none of the Bank assistance operations in ECA are mature enough yet to verify the validity of these assumptions they make regarding sustainability, monitoring is needed to allow for corrections as appropriate. Meanwhile, attention to stakeholder participation can enhance the prospects for sustainability and provide a means for addressing the issue of prioritization. Furthermore, the issue of public fiscal and financial constraints needs to be brought up at the broader policy level where fiscal change can actually happen and integrated into our dialogue on fiscal reform.

47. **Summary.** From the perspective of enhancing effectiveness in country, the fundamental conclusion is the need for appropriate participatory processes coupled with an adequate demonstration of expected benefits. This too has a selectivity dimension. We should only engage in cultural assets activities where such benefits can be demonstrated and where participatory processes are feasible.
THE WAY FORWARD – A STRATEGIC APPROACH

48. Although many of the cultural assets in the region are at risk due to lack of investments and poor maintenance, they have potential for contributing to socioeconomic development and poverty reduction in the ECA Region. The question then is what should the Region do to realize this potential. Of course, the flip side of this question is that of what we shouldn’t do. The following paragraphs will start by laying out a series of assumptions and constraints. They will then continue by providing a series of guidelines for intervention in this area.

Assumptions and Constraints

49. In attempting to answer the question of what is to be done, we start with a set of assumptions and the recognition of certain constraints:

- While conservation of cultural heritage can justifiably be seen as a worthy objective in its own right, this is not the objective of the World Bank. The Bank’s comparative advantage with respect to cultural heritage lies at the nexus of socioeconomic development and cultural assets.

- Indeed, activities revolving around cultural assets possess considerable potential for contributing to socioeconomic development and environmental protection. This potential should be explicitly considered in the preparation of Country Assistance Strategies, Comprehensive Development Frameworks, Poverty Reduction Strategy Papers, and other analytical work. To this end the social assessments and participatory processes feeding into these documents should give attention to cultural elements. This does not mean that explicit cultural assets interventions are needed or desirable in all countries. It does mean that the potential for synergies should be sought out.

- The inclusion of cultural assets activities in an assistance strategy is not enough to make it culturally sensitive, nor to ensure culturally sustainable development. Cultural sensitivity has less to do with supporting culture for its own sake, and more to do with making sure projects and programs reflect the lives and interests of the people they serve.

- Given the current (and anticipated) environment of very scarce Bank resources, with priority claims for those scarce resources from other assistance activities, support for cultural assets should be pursued in a focused, cost effective and selective manner in response to clients’ demands, and in collaboration with more experienced partners in the sector. Our interventions need to be designed as springboards giving our clients the incentive and the possibilities to achieve appropriate objectives in the long term even if further Bank support is not envisaged. We should seek to be catalysts, rather than major providers of financial support.

- It follows that our support for cultural assets must be qualitatively different from our support to our traditional sectors of intervention. Policy dialogue
and sustained support will be more feasible to the extent they can be linked to work and operations done in other sectors (e.g., urban or environment).

- Stand-alone cultural assets projects (financed either through lending or through grant mechanisms such as the Institutional Development Fund) are clearly justified under some circumstances. However, there are also other ways of approaching the mobilization of cultural assets for socioeconomic development. Components under sectoral projects or programs may well carry greater potential for mainstreaming concern for culture (for example, environmental assessment is a very important tool for valuing cultural assets and encouraging adequate safeguarding). They may also be more feasible where lending resources are scarce and where limitations on the Bank’s administrative budget rule out stand-alone activities. This is particularly true in the case of urban development, infrastructure, environment, and emergency reconstruction projects.

- Including heritage conservation as an element of a larger project risks creating projects in which the heritage component is not integral to the overall project design (which suggests it may get short shrift) or that are overly complex (e.g., through the involvement of multiple ministries). The Bank’s experience with such projects suggests several lessons for dealing with this risk. First, taking into account heritage assets and opportunities at an early stage in project design usually leads to the best results. Second, institutional coordination issues are paramount and if not addressed early on, can cause delays and obstacles. And third, adequate analysis of causes of deterioration, community interest (by means of social assessment), and reuse options leads to better outcomes.

- At the same time, there is significant potential for the Bank to play a catalytic role in promoting the integration of cultural assets activities into other socioeconomic development activities without necessarily lending for such activities, for example in regional seas programs or NEAPs. In other words, as a “knowledge bank”, we can have an impact in promoting such linkages. However, it must be recognized that such activities bear costs, just as do project preparation and supervision, that need to be budgeted.

**Guidelines and Recommendations for Intervention**

50. In light of the constraints discussed above, and with a view to promoting a more coherent approach to cultural heritage in the ECA Region, this paper proposes the following set of guidelines and recommendations. In so doing we return briefly to the broader issue of cultural sensibility, which is more thoroughly addressed in the Regional Social Development Strategy.

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12 If consistent with the CAS objectives, specifically requested by the client, and designed in such a manner as to help reduce or alleviate poverty through strong community-based support.
Cultural Sensitivity

- Culture is inextricably part of any comprehensive and sustainable development effort. Therefore, **attention to culture needs to be mainstreamed into the preparation and substance of country assistance strategies, comprehensive development frameworks, and poverty reduction strategies.** This does not mean that cultural assets activities should necessarily be included in our lending programs. Rather, it means (i) that sociocultural analyses should be brought into the substance of the strategy and program and (ii) that the potential for mobilizing cultural assets in the promotion of development and poverty reduction should be considered. This can best be achieved through explicit consideration in the design of the social assessment and participatory processes that feed into the preparation of these strategy documents. To ensure that this is not overlooked, the social reviews carried out by ECA’s social team will specifically look for evidence that culture has been appropriately addressed.

- In addition, **the Bank’s work and the programs and projects we support need to be designed to be culturally sensitive.** To this end appropriate social assessment should be built into all project preparation. This is already subject to systematic review by ECA’s social team.

- Furthermore, as with all social safeguard policies, **the policy on cultural property (OP 4.11) must be scrupulously respected.** This is a “do no harm” policy which calls for the Bank to decline to finance projects which will significantly damage cultural property and to actively assist in the protection and enhancement of cultural properties encountered in Bank-financed projects.

- **The cultural sensitivity of ECA staff should also be strengthened.** To this end staff should be encouraged to become knowledgeable about the history, politics, and cultural development of the countries in which they work. Gaining such knowledge is a legitimate use of our training budgets.

Mobilization of Cultural Assets

- Cultural assets interventions must focus on the area of our comparative advantage – the nexus between socioeconomic development and cultural assets. **Bank-financed activities revolving around cultural assets should substantially contribute to socioeconomic development and poverty reduction.**

- Areas that have particular potential for creating synergies between socioeconomic development and cultural assets include (but are not necessarily limited to): community-based eco-cultural tourism; crafts development; renewal of historic urban centers; and environmental preservation.
• When **stand-alone cultural assets projects** are considered, special attention is needed to ensure that they are consistent with CAS objectives, specifically requested by the client, and designed in such a manner as to help reduce or alleviate poverty through strong community-based support. In particular, we need to ensure at a very early stage that there is strong ownership from the government.

• **Cultural assets components of broader projects** should respond to the same criteria. In addition, they need to be designed in such a manner that they do not render the project overly complex or create unsustainable supervision burdens. Adequate funding for project preparation and supervision needs to be assured.

• For all cultural assets activities, it will be necessary to determine the **minimum package of institution building components needed to ensure sustainability**. This would include attention **inter-alia** to: overall administrative systems and staff recruitment; interagency coordination; project management skills; strategic planning; financing and budgeting; and identification of training needs. In other words, there is a need to identify critical institutional bottlenecks that are amenable to the scale of intervention feasible in our cultural assets activities. This should be a key function of institutional analysis as part of project preparation.

• **Increased quality control on cultural assistance efforts should be exercised at the earliest concept stage.** Three measures are envisaged to assure quality: First, it is expected that the initial PCDs (or equivalent documents) should reflect the above guidelines and focus particularly on (i) strategies to achieve financial sustainability through income-generating activities related to tourism, crafts development, small-scale enterprise development, etc.; (ii) realistic partnership arrangements; and (iii) realistic project preparation programs and Bank budget support. Second, members of the Regional cultural heritage steering group should be invited to comment on such documents. And third, these guidelines will be reflected in the social reviews carried out by ECA’s social team.
## Matrix of Assistance Operations in the ECA Region - June 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Bank/IDA Amount</th>
<th>FY (approval)</th>
<th>Managing Unit</th>
<th>Status</th>
<th>TTL</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALBANIA</td>
<td>Albania Butrint National Park Management (IDF)</td>
<td>$225,000</td>
<td>2000</td>
<td>ECSSD</td>
<td>Launching implementation</td>
<td>Adriana Damianova Ext. 32159</td>
<td></td>
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<td>ARMENIA</td>
<td>Cultural Heritage Initiative (IDF)</td>
<td>$371,000</td>
<td>2000</td>
<td>ECSSD</td>
<td>Launching implementation</td>
<td>Mark Woodward Ext. 38112</td>
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<tr>
<td>AZERBAIJAN</td>
<td>Cultural Heritage Support (LIL)</td>
<td>$7.5 mil. (IDA)</td>
<td>1999</td>
<td>ECSSD</td>
<td>Launching Implementation</td>
<td>Mark Woodward Ext. 38112</td>
<td></td>
</tr>
<tr>
<td>BOSNIA</td>
<td>Mostar Bridge Project (LIL)</td>
<td>$4 mil. (IDA)</td>
<td>1999</td>
<td>ECSPE</td>
<td>Implementation</td>
<td>Lawrence Hannah Ext. 33623</td>
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<tr>
<td>CROATIA</td>
<td>Kastela Bay Conservation</td>
<td>$12 mil.</td>
<td></td>
<td>ECSIN</td>
<td>Preparation</td>
<td>Maha Armaly Ext. 37057</td>
<td></td>
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<tr>
<td>GEORGIA</td>
<td>Cultural Heritage (LIL)</td>
<td>$4.5 mil. (IDA)</td>
<td>1998</td>
<td>ECSHD</td>
<td>Implementation</td>
<td>Eric Peterson Ext. 36911</td>
<td></td>
</tr>
<tr>
<td>KAZAKHSTAN</td>
<td>Silk Road Development Project (IDF)</td>
<td>$450,000</td>
<td></td>
<td>ECSSD</td>
<td>Preparation</td>
<td>Thomas Blinkhorn Ext. 80282</td>
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<tr>
<td>MACEDONIA</td>
<td>Community Development &amp; Culture Project</td>
<td>$5 mil.</td>
<td></td>
<td>ECSSD</td>
<td>Preparation</td>
<td>Emilia Battaglini/Mark Woodward Ext. 33232/38112</td>
<td></td>
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<tr>
<td>ROMANIA</td>
<td>Cultural Heritage Project (LIL)</td>
<td>$5 mil.</td>
<td>1999</td>
<td>ECSSD</td>
<td>Implementation</td>
<td>Thomas Blinkhorn Ext. 80282</td>
<td></td>
</tr>
<tr>
<td>RUSSIA</td>
<td>St. Petersburg Rehabilitation Project</td>
<td>Urban Development Project with $1 mil. allocation to cultural activities</td>
<td>1998</td>
<td>ECSIN</td>
<td>Implementation</td>
<td>Felix A. Jakob Ext. 37073</td>
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<tr>
<td>TURKEY</td>
<td>Turkey Cultural Heritage Project</td>
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<td></td>
<td>ECSSD</td>
<td>Preparation</td>
<td>Eric Peterson Ext. 36911</td>
<td></td>
</tr>
<tr>
<td>ARMENIA/AZERBAIJAN/GEORGIA</td>
<td>Trans-Caucasus Tourism Initiative</td>
<td>$500,000</td>
<td></td>
<td>ECSSD</td>
<td>Preparation</td>
<td>Mark Woodward Ext. 38112</td>
<td></td>
</tr>
</tbody>
</table>

**Legends:**

- Monuments
- Urban Development
- Community Development
- Planning/Policymaking
- Tourism
- Institutional Strengthening
- Other

* Additional very limited funds from DGF have been made available for Albania (radio station) and Ukraine-Crimea (community based tourism).
Because culture underlies development and development work, mainstreaming attention to culture into Country Assistance Strategies (CASs), sector strategies, projects, economic and sector work will increase the Bank’s effectiveness. This is especially true in education, health, targeted poverty programs, and urban and rural development.

Building on the cultures of poor and marginalized groups is part of the World Bank’s poverty agenda. Within that framework, the World Bank has begun to develop strategies to support social inclusion and strengthen locally relevant institutions for development purposes. This includes helping poor groups to create employment and income opportunities on the basis of their traditions. The World Bank also supports cultural activities in countries concerned about the cultural survival of poor and marginalized groups, to assist in strengthening the social cohesion, identity, and capacity of these groups. While such projects are heavily culture-oriented, they explicitly support the World Bank’s development goals of social inclusion and poverty reduction.

When the World Bank supports conservation of monuments and heritage sites it is to achieve economic and social objectives. Most World Bank projects that include site conservation are justified on tourism grounds. However, it must be kept in mind that tourism can itself degrade the environment and culture. A key issue in World Bank support for site conservation linked to tourism will be to determine how the World Bank Group, including the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), can work with governments, the private sector, and nongovernmental organizations to stimulate and regulate tourism development in such a way as to prevent deterioration of the natural environment, sites, and community life, while enhancing local employment and revenues.

Lending Criteria

Although all the World Bank’s work needs to be culturally sensitive, Bank support for cultural projects as such will depend on their impact and on whether the Bank has a comparative advantage. Financing culture-based activities is justified when it responds to needs expressed by client governments and supports CAS diagnoses and priorities. In particular, it is justified when it:

- reinforces sectoral or project objectives; or core development activities;
- reduces poverty and stimulates enterprise development by the poor;
- contributes to poor groups’ social capital and capacity, or
- leverages private direct investment that generates local employment benefiting the poor, yields tax revenues, and contributes to environmental and cultural conservation.

In any case, the Bank should be involved only when it can add value to the assistance of others by integrating the work of specialized organizations into the social and economic development context. The World Bank does not finance culture-based activities when there is no
demonstrable socioeconomic benefit consistent with the Bank’s development mandate, when alternative financing is or could be available, or when the activity contravenes the CAS or is not in response to effective client demand.

Overall, the World Bank’s work in this arena should be pluralistic and should not seek to promote one culture or another. The program’s success will depend on the World Bank’s ability to leverage not only its own capacities but also the skills of expert organizations and the insights of grass-roots organizations to produce significant, sustained social and economic impacts.


*Culture and Sustainable Development: A Framework for Action*
The text presented here is adapted from Stefano Pagiola (June 1996), *Economic Analysis of Investments in Cultural Heritage: Insights from Environmental Economics*, Environment Department, World Bank.

When we ask what the value of a cultural heritage site is, we are generally asking one of two related but different questions. First, we might be asking what the value of the entire site is, as an asset. Implicitly, we are asking how much worse off we would be if the site vanished tomorrow. This is the question we would ask if we were primarily interested in estimating our ‘wealth’, of which cultural heritage is one component. Second, we might be asking what are the benefits or costs of actions that change the cultural heritage site in specified ways. This is the question we would ask if we were considering undertaking a project which would improve (or which might damage) the site. In this context, the key issue is not the overall value of the site but the change in that value resulting from the project. While both questions are interesting and important, the second is more directly relevant to the evaluation of projects such as the World Bank might undertake.

**Types of Values.** Cultural heritage projects will have a wide range of effects. Some of these will be directly related to the cultural heritage dimension of the site, others will not, while yet others will be a mix of both. In similar circumstances, environmental economists generally take a comprehensive look at value, using the concept of total economic value. Total economic value is usually decomposed into use value and non-use value. Use value derives from the services, such as tourism, which a site provides. Non-use value derives from the benefits that a site may provide which do not involve using the site in any way, such as the knowledge of its existence.

**Types of Impacts.** In addition to use and non-use value, cultural heritage projects are also likely to have impacts that may be only indirectly related to the cultural heritage nature of a site. For example, improving roads will make access for residents and visitors to a site easier, but is unlikely to either enhance or detract from cultural heritage *per se*. The benefits (or costs) of these indirect impacts should definitely be considered in the economic analysis of cultural heritage projects and standard techniques can be used to evaluate them.

**Who Benefits.** It is very important to establish which groups would be affected by the project, and in what ways. At a minimum, the analysis generally needs to distinguish three groups:

(a) Residents. Since residents live on the site, they are able to benefit from any use value year-round. They may also experience increased incomes from tourist spending at the site. (b) Visitors. Since they visit the site, visitors also receive use benefits, although not necessarily the same ones as residents. (c) Others. To the extent that they might visit the site, they have option value on its continued existence. To the extent that they do not, they only have existence value. A finer breakdown is often useful. It may be useful to distinguish poor from rich residents, for example, or residents working at the site from those working elsewhere.

**Methods.** The analyst should have a list of expected project impacts, classified according to the type of value they are likely to affect and the beneficiary group. Many different methods can be used evaluate the benefits provided by a project. These include market-based methods and non-market-based methods. Market based methods require information on actual transactions. An
example is when visitors pay a fee to enter the site. The revenue generated from such fees provides a direct measure of the value people place on being able to visit the site. Cultural heritage sites might also induce a variety of economic activities, again most obviously in the tourism industry (hotels, restaurants, shops). Standard techniques can be used to value these benefits. The difficulty generally arises in predicting the impact that changes in the cultural heritage site will have on the quantity of such services, not in estimating their value. Non-market methods include travel cost method, contingent valuation, hedonic methods, and benefits transfer. These methods can be controversial and expensive, and should only be undertaken when necessary.

The process of evaluating the benefits of the project then begins by estimating the value of the benefits that are easiest to measure—usually various kinds of extractive use values, or any benefit that is measured primarily with market-based techniques. If these benefits alone are sufficient to justify the project costs (according to some agreed criteria for what constitutes ‘sufficient’), then the analysis can stop. There would be little point in spending further effort to measure things that are difficult to measure, since the decision to undertake the project would not change. Any additional benefits are noted qualitatively, but not measured. If the benefits that are easy to measure are insufficient to justify the project by themselves, then efforts are made to measure the next-hardest category of value—usually various kinds of non-extractive use values. Again, the process stops as soon as sufficient benefits are found to justify the project. If all categories of benefits have been measured as well as possible and the project is still not justified, then the project is abandoned or modified so as to be cheaper or more effective.


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