

Case Study 2

Economic Analysis of Conservation of the Historic Center of Split, Croatia

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The historic city of Split is a UNESCO World Heritage site. Built on the site of the Palace of Roman Emperor Diocletian, it juxtaposes Roman, Medieval, and Baroque architectures.

Unfortunately, many parts of the historic core of Split have deteriorated and are in urgent need of repair. Many historic buildings within the core are in poor conditions and in danger of collapse, including the Temple of Jupiter and buildings on the Peristile. Others are closed to the public. Still others require reconstruction and rehabilitation to reveal their historic and artistic importance or to increase accessibility to visitors. If nothing is done, many valuable historical and architectural monuments will be lost to future generations and become inaccessible to visitors.

The World Bank is helping the Government of Croatia and the Municipality of Split prepare a project to conserve and rehabilitate the historic center of Split, as well as other sites in the Kastela Bay area. Project activities in Split will include

- Conservation works in Diocletian's Palace, including major infrastructure investments such as drainage and humidity control and provision of basic services, restoration of the Palace's southern façade, and restoration of newly recovered areas of the Palace;
- Rehabilitation of selected historic buildings within the old town, including structural work on the peristile and Jupiter's Temple;
- Rehabilitation of the public walkway along the city wall; and
- Construction of an Ethnographic Museum, which will make accessible to visitors its valuable collections (which are currently in storage).

Cultural heritage plays an important role in Croatia's tourism industry. Traditionally, tourism (excluding small crafts and trades) provided about 4-5% of employment in Croatia, and at its height provided 6.2% of GDP. Tourism accounted for a particularly large share of economic activity along the Dalmatian coast, where Split is located. Tourism dropped to 0.6% of GDP in 1992, and recovered to 4.4% in 1996, though much of Dalmatia remains well below pre-war levels. Conserving and restoring Croatia's cultural heritage is likely to play an important role in attracting, and the material and human losses from the war, if not redressed, could severely damage Croatia's ability to safeguard its cultural heritage resources, which would have long term negative effects on the contribution of tourism to economic growth and development in the country.

In order to evaluate the benefits of investments in conservation of cultural heritage at Split, contingent valuation surveys are being carried out of both tourists and residents. The tourist survey was undertaken during August 1998. 400 interviews were carried out, equally divided between West European and East European visitors. After first asking a number of questions designed to elicit the visitor's preferences and knowledge about the site, the conditions experienced at the site and the planned project are described. Photographs of the site are shown to ensure that respondents were aware of current conditions, and overlays on top of these photographs were then used to illustrate concretely how the project would change conditions. The results of this survey will be analyzed in the next few months. A similar, though smaller-scale, survey of residents is also planned.

Undertaking a hedonic analysis of property prices was considered as a possible means of valuing the benefits of cultural heritage to residents. This option was not pursued for several reasons. First, there is a limited number of properties in and near the historic center. Since only a small fraction of these properties is likely to be bought or sold in any given year, the number of transactions would be too small to allow the necessary statistical analysis to be undertaken. Moreover, until recently there were strong restrictions on the operation of real estate markets in the city, restrictions which have not completely disappeared. These restrictions affect the operation of the markets and hence the valuation of properties.