Socio-economic impacts of cultural heritage development projects
Executive Summary

Commissioned by the Forster Centre (Gyula Forster National Centre for Cultural Heritage Management) within the framework of the project *Revealing the socio-economic potentials of cultural heritage*, funded by the Norwegian Grant, Budapest Institute has developed a quasi-experimental (counterfactual) evaluation strategy to measure the social-economic impact of investment projects directed to the restoration of cultural heritage (CH) funded by European Union sources. The methodology builds on publicly available settlement-level data and can be used to measure the effects of cultural heritage restoration investments following their completion. In the second phase of the study we have applied the methodology to measure the effects of CH projects launched between 2004-2013.

Keeping in mind the availability of data, we recommend measuring the social-economic impacts of cultural heritage restoration projects in the following manner. We suggest that the future evaluator aggregates all the outcome variables into one index in order to simplify statistical testing. We suggest that the identification strategy should be based on the timing of CH investment projects in a way that projects from the first section of the observed period form the treatment group and the remaining projects from the second section are assigned to the control group. Thus, the identification assumption is that while the fact of whether a settlement receives financial support for a CH project is not random, the timing of such a project is random. To deal with the time-invariant differences between settlements we suggest using differences in differences or fixed effect models.

As these CH projects have been most probably finished only during the last few years (in our dataset we see only the date of the decision on the launch of the projects, which is later than 2009 in most of the cases) we have not found any causal effects of the projects on settlement-level social and economic indicators. However, repeating the measurement in a few years' time using our proposed methodology might lead to different results showing the long-term effects of the projects.

When we applied the methodology to the 2004-2013 period, our difference in differences and fixed effect models resulted in insignificant coefficients near zero. We have tested several other model specifications when we checked if the impact varies based on who gets the financial support (government, NGO, enterprise, other state budgetary body) and on the kind of services developed in the project (restoration of heritage site only, restoration together with developing new tourist facilities or additional services – e.g. hotel, wellness). We have checked if the impacts vary based on the size of the settlements and the number of heritage sights nearby. With the latter, we tried to capture the general attractiveness of a settlement. All our model specifications reassured that up until now no visible impacts can be identified.

The lack of available data posed substantial difficulties during the course of our work. We missed especially some 'finer' indicators that potentially react to investment projects in the short run (e.g. number of guest nights or the amount of income of tourist accommodation establishments). We listed some suggestions below that might help a more precise assessment of the impacts of cultural heritage investments in the future.

- We suggest to build incentives in the data collection process of the T-Star database that would enhance the reliability of the collected data. At the moment, most indicators are compiled by the local governments. The quality of the data is thus largely corrupted by non-compliance with data reporting duties and incomplete data recording (e.g. the numbers

reported under guest nights at different kinds of tourist accommodation establishments show inconsistent patterns; based on our local fieldwork the data on the number of NGOs does not reflect reality). Besides, local actors that have reporting duties are also not motivated to do it properly (e.g. accommodation establishments often underreport the number of guest nights to avoid tax duties).

- We suggest to build and make publicly available a yearly settlement-level database that would include indicators calculated from the obligatorily reported balance sheets in the firm registry. Information should be available by geographic location, sectors and firm size. Problem raises during the analysis of the performance of enterprises, because the database related to firms contains the headquarters of the firms. Therefore the turnover of the firm appears in the headquarters where the firms are registered – which are in many cases differ from the locality/settlement where the firms carry out their activities. Such a database, which indicated the location of the activities of the company could serve as a basic input for a wide range of studies. The one-off compilation of such a database today would take months.

- We suggest designing the evaluation criteria for the tenders for European Union sources in a way that supports the conduct of impact evaluations later on. Such elements as summarizing all evaluation criteria in one index for each applicant that would be publicly available; making available data about those who have applied but did not win; and collecting, cleaning and make publicly available the end date of the investment projects.

Based on this analysis, partly due to lack of reliable data, we cannot yet identify any quantifiable social or economic impacts of cultural heritage. Nevertheless, our qualitative settlement level analyses based on in-depth interviews and stakeholder workshops reveal the existence of impacts and the fields in which they appear indicating that such impacts should be explored by other means beyond indicators and statistical data. Settlement level qualitative analyses also allow us to identify heritage protection practices that can result in positive impacts for most stakeholders. In other words, these can highlight the best ways to carry out heritage investments maximizing their positive effects.