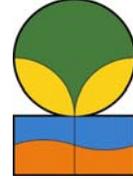




**Egyptian Environmental Policy Program**  
Egyptian Environmental Affairs Agency  
Tourism Development Authority  
Red Sea Governorate  
U.S. Agency for International Development



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**Red Sea Sustainable Development**

**D E L I V E R A B L E N o . 5**

**Report on  
The Development of  
An**

**Integrated Revenue Generation and Expenditure Plan for the  
Red Sea Marine Environment (MoVs 2.2.1 and 2.2.2)**



**INTERNATIONAL RESOURCES GROUP AND PARTNERS:**

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Environmental Quality International  
Capacity Building International

September 2004



**GOVERNMENT OF EGYPT  
MINISTRY OF STATE FOR ENVIRONMENTAL AFFAIRS**

**EGYPTIAN ENVIRONMENTAL AFFAIRS AGENCY  
Nature Conservation Sector**

**Egypt Environmental Policy Program (EPPP)  
Tranche 2 Policy Measures**

**Report on  
The Development of  
An**

**Integrated Revenue Generation and Expenditure Plan for the  
Red Sea Marine Environment (MoVs 2.2.1 and 2.2.2)**

**Egyptian Environmental Policy Program EPPP, Red Sea Sustainable  
Development Component (Tranche II)  
Prepared by Ahmed Shehata and Myrette EI- Sokkari**

**March 2004**

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## **LIST OF ACRONYMS AND SYMBOLS**

\$	US Dollar (currency)
LE	Egyptian pound (currency)
CEO	Chief Executive Officer
CY	Calendar year
EEAA	Egyptian Environmental Affairs Agency
EEAA/NCS	EEAA Nature Conservation Sector
EEPP	Egyptian Environmental Policy Program USAID-funded program with the Government of Egypt aimed at achieving a series of environmental policy reform performance objectives)
EPF	Environmental Protection Fund (established under Law 4 of 1994)
FY	Fiscal year (GoE, July through June)
GOE	Government of Egypt
HEPCA	Hurghada Environmental Protection & Conservation Association.
IRG	International Resources Group, Ltd. (a Washington DC-based consulting firm, prime contractor for EEPP).
MOEA	Ministry of State for Environmental Affairs
MOT	Ministry of Tourism
MoV	Means of Verification
NCS	Nature Conservation Sector (of EEAA)
pppd	per person, per day
PSU	Program Support Unit (USAID-funded contract providing overall coordination for EEPP, as well as provide technical assistance to EEAA)
RSMP	Red Sea Marine Protectorates
RSADW	Red Sea Association for Diving and Watersports
SCT	Supreme Council of Tourism
TDA	Tourism Development Authority (Egyptian, attached to Ministry of Tourism)
US	United States of America
USAID	U.S. Agency for International Development
WTP	Willingness to Pay

## 1. BACKGROUND AND CONTEXT FOR THE PROPOSAL

### 1.1 Relationship to Tranche 2 Policy Measures Program of EEPP.

This proposal addresses Objective 2 of the Tranche 2 Policy Measures Program of EEPP, i.e. **Enhanced management and conservation of Red Sea coral reefs, islands, and linked ecosystems of importance.** The specific Policy Measure addressed (2.2) in the proposal is: *“EEAA develops revenue generation and funding mechanisms for the Northern Zone.”* The original means of verification (MoV) for Policy Measure 2.2 was: *“Northern Zone expanded diver and snorkeler fee system proposal submitted for endorsement to the Supreme Council of Tourism by the Minister of State for Environmental Affairs”* (MoV 2.2.1). Subsequently, in early 2003, a “supplementary” MoV was added due to the collapsing of the Tranche 3 Policy program into Tranche 2. MoV 2.2.2 states: *“EEAA coordinates development, agreement and approval of a revenue generation and expenditure plan by the appropriate GoE authorities.”*

The measure of success for both MoVs and the Policy Measure itself, according to MVE is as follows: *“EEAA will have secured the approval of the implementation of a revenue and expenditure plan for the sustainable management and use of the natural resources **along the entire Red Sea Coast.** EEAA will have taken the lead in the development of this plan in coordination with other concerned GoE entities, specifically, TDA and the Red Sea Governorate, but also including others.”*

### 1.2 Investing In Environmental Management to Sustain the Tourism Economy

Managing special natural areas such as the Red Sea Marine Park (RSMP) so that they can continue to attract visitors, provide jobs, and enhance the Egyptian economy long into the future requires sustainable funding sources in order to pay for staff, operational costs, infrastructure and equipment investments, management initiatives, applied research, etc. This is especially true as tourism development rapidly expands in the region. Unfortunately, Egypt’s Marine Protectorates are currently only capturing a small portion of their potential, desperately needed revenue streams. Moreover, the RSMP is still heavily dependent upon foreign donor financing, especially from USAID to meet its budgetary needs in the RSMP. This support will come to an end in September 2004, thus requiring that a realistic revenue generation and expenditure plan be approved and operating before that time.

This draft proposal is the culmination of the analysis of a number of revenue generating alternatives and options. For details of the analyses conducted prior to selecting the proposed option see Colby, “Marine Protectorate Revenue Generation Options, February 2003”. The study analyzed a number of options and alternatives that might be implemented after further study and political discussion. This proposal has considered those options and in light of the tight time frames and the crucial need to generate revenue to support the Red Sea Marine Protectorate (RSMP) in the very short term, while protecting and sustaining existing marine and terrestrial eco-systems, it has recommended expanding the existing fee system to the entire Red Sea. This option is undoubtedly the most applicable and feasible in implementation and represents an alternative that complements the existing system, builds upon recent financing innovations in the Red Sea (notably the “Samadai” system) and makes the existing system more effective and sustainable in terms of revenues.

***The proposal presents alternatives and tools available to the Ministry of Environmental Affairs and the Red Sea Governorate now, that do not require any additional legislation or changes to existing legislation in order for them to be enacted.***

Revenue generation is the development of revenue in the short and long term to meet the requirements of expanded and more effective environment and marine eco-systems protection, which can only increase the value of tourism assets in the Red Sea. It also includes the distribution of revenue generated to the various management activities.

The proposed revenue generation plan provides the support required for the RSMP's and RSG's sustainable environmental management. In light of the need for more effective management, the finance plan is based on the assessment of the projected costs of protection compared to various revenue generating options with the aim of trying to ensure that sources of finance are able to cover required costs. This proposal, we believe, is the most feasible to implement in the short and medium term.

The financing proposals mentioned in this report are based principally on provisions in the relevant legislation, i.e. Law no. 102, of 1983, concerning national parks and protected areas, Law no. 4 of 1994, concerning environmental protection, and Law no. 43 of 1979, concerning the Local Administration System. Other relevant laws, executive regulations and decrees also have been examined.

## **2. CURRENT REVENUE GENERATION SYSTEM FOR THE MARINE ENVIRONMENTAL MANAGEMENT IN THE RED SEA.**

### **2.1 Ministry of State for Environmental Affairs:**

The RSMP includes some twenty-two (22) islands and surrounding coral reefs, in addition to the marine area of both Gebel Elba and Wadi El Gemal Protectorates. Under the authorized pilot implementation of the fee system that commenced in April 2000, entrance has only been charged at a few of these islands: the two Giftun Islands near Hurghada, where a pilot entrance fee has been in effect since 1999, and the southern group of "Far Islands" that are further offshore (Brothers, Abu El Kezan, Rocky, Zabargad) where a separate fee system is in place.

- The Giftun Islands user fees are \$5 per foreign tourist and LE5 per Egyptian tourist per day. The fees were issued by the Decree no. 92, 1999 of the State Minister for Environmental Affairs to be enforced effective April 1, 2000. The fees were reduced to \$2 and LE2 effective July 2000 and have been renewed annually in November at the reduced fee.
- The Far Islands fee system amounts to at least \$35 per foreigner (\$5/day) for a minimum of one week and LE 35 per Egyptian tourist, (LE 5/day) for a minimum of 7 days.
- Entrance to the reefs surrounding the other Protectorate islands has remained free of charge (\$0).

With averages of about 102,000 foreign and 10,000 Egyptian visitor-days reported at the Giftun Islands, plus about 45,000 days annually ascribed to the Far Islands over the 2000-2002 period, the RSMP has generated revenues averaging about \$483,000 per year (about LE 2.3 Million in 2002). These fees are denominated in U.S. dollars for foreigners; paid in U.S. dollars or in L.E. at Central Bank rate. This revenue goes to the Environmental Protection Fund (EPF) under Law 4/1994. RSMP has been receiving about 75% of this revenue back in its recent budgetary

appropriations from EAAA (data as of 2002).<sup>1</sup> Total user fee revenues from the Red Sea Marine Parks in 2003 were around LE 4.9 million (see Table I, Giftun and Far Islands Revenue 2001-2003). The tremendous increase in income in 2003 as compared to 2002, more than doubling, is actually mostly due to the depreciation of the Egyptian Pound with the exchange rate falling from L.E. 4.5: 1 U.S.\$ to L.E. 6.0:1U.S.\$ in 2003, though tourism also noticeably picked up as well.

**Table I: Giftun and Far Islands Revenues 2001-2003**

	<b>2001</b>		<b>2002</b>		<b>2003</b>	
Fees Collected	<b>LE</b>	<b>\$</b>	<b>LE</b>	<b>\$</b>	<b>LE</b>	<b>\$</b>
Giftun Island	681,054	57,283	802,761	13,257	2,379,829	16.990
Far Islands(US\$)	1,175,656	9,985	1,449,085	1,041	2,396,934	150
<b>Total</b>	<b>1,856,710</b>	<b>67,268</b>	<b>2,251,846</b>	<b>14,298</b>	<b>4,776,763</b>	<b>17,140</b>
<b>TOTAL in LE</b>	<b>2,085,421</b>		<b>2,316,187</b>		<b>4,879,603</b>	

Source: Red Sea Marine Park, Hurghada.  
Mahmoud Ismail, Mahmoud Hanafy March 3, 2004.

## 2.2 Red Sea Governorate

The RSG statistics can be compared to those of the Red Sea Governorate, about 1.2 million tourist arrivals were recorded in the RSG in 2002 while around 800,000 dive and snorkeler trips were reported for the entire Governorate in 2002 (see Table II: Tourist Visits to RSG and Diving and Snorkeling Trips 2000 - 2003). The most recent Red Sea Governorate statistics report diving and snorkeler trips amounting to around one million trips in 2003 generating an estimate of LE 2.5 million in service charges to the RSG, while RSG marine management expenditures were estimated at LE3 millions.<sup>2</sup>

The most recent addition to the RSG fee system is a service charge on Marine Park visitors to Samadai Reef (also known as Dolphin House) in the Marsa Alam area. This fee amounts to \$15 per capita for users of motor boats, and \$7 per capita for the users of sail boats. In addition, the number of visitors per day has been set at a maximum of 100 visitors. This is the first time that a visitor management system in the Red Sea Coast has employed both monetary and quota-based or visitor permits tools. The fees were issued by the RS Governor's Decree no. 178, 2003 and enforced effective January 2004. The financial regulations of the Governor's decree states that the revenue distribution from the Samadai system shall be: 30% for Marine Parks, 30% for mooring buoy placement and maintenance (mainly through HEPCA), and 40% for the RSG.

<sup>1</sup> Colby, Michael, et al., "Marine Protectorates Revenue Generation Options", February 2003. Executive Summary.

<sup>2</sup>RSG discussions Feb. 2004.

<b>Table II</b>			
<b>Tourist Visits to Red Sea Governorate and Diving and Snorkeling Trips 2001 - 2003</b>			
<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Total Number of RSG Visitors</b>	990,860	1,196,938	1,437,703
<b>Total number of diving or snorkeling trips *</b>		792,383	986,565
Note: * This total includes both RSMP (70%) and RSG (30%) dive sites			
Source: RS Governor Speech to People's Assembly. February 2004.			

### 2.3 Estimation of Costs of Needs

The total required costs for the marine environment's protection for both RSMP and RSG over the medium term are estimated to amount to LE 25 million annually. This estimate will increase as the Southern Zone develops, which will affect the needed protection and management measures. The expenditures will be developed more precisely in the forthcoming RSMP Business Plan which will be prepared after the completion and approval of the Revenue Generation and Expenditure Plan. Similarly the same type of proposed fees will be analyzed for the southern zone.

In order to estimate expenditure needs for the Red Sea marine environmental management, inflation rates in both the international markets, as well as domestic inflation need to be taken into consideration. Other factors include improvement in actual management activities, which, at present, are limited as well as continual need for adding to staff and upgrading capabilities of existing staff (both RSG and EEAA/NCS).

Other factors affecting expenditures over the short to medium term include the following:

1. With the increasing rate of tourist inflows to RSG which is estimated to be around 20%<sup>3</sup> annually, the need for greater and more efficient protection measures will increase tremendously, and current resources are quite insufficient. If this shortfall is not addressed, tourism will inevitably decline as natural resources decline in quality. The rate of increase in development (number of beds) of resorts/hotels has been around 8-10% annually and is projected to continue at that pace according to the 5-year plan of the TDA.<sup>4</sup>
2. EEPP comes to an end by September 2004 and consequently the substantial technical, financial and commodity/equipment subsidy from the USAID funded project also will terminate.

<sup>3</sup> Estimated from 2001-2003 tourist arrival statistics.

<sup>4</sup> Discussions with TDA senior official.

3. Due to the substantial fall in the exchange rate of the Egyptian Pound against the US Dollar, the cost of the commodities, services, equipment, spare parts, and operations costs have increased substantially. This further necessitates the development of additional revenue generation sources and the adjustment of the existing fees.

It is important to note that in the Red Sea it is difficult to control fee evasion, due to the large number of boats, over 1000. An even more detrimental constraint is the number of jetties which are 76 in number. These many sailing points would require a large number of rangers and coast guard personnel to check on the validity of fee payment, which is simply not feasible over the short – medium term. This issue needs to be addressed in the upcoming phases and discussions with the industry and senior officials at the governorate are fully aware that this matter should be addressed.

A final important factor to consider in the design of an effective revenue generation system is that the analysis of the statistics on the number of visitors to the Red Sea governorate, compared with the numbers of divers and snorkelers also indicates a high level of fee evasion. Given the number of visitors to the RSG at around 1.4 million, and based on research findings that estimate a distribution of 70-75% of foreigners and 20% of Egyptians are either divers or snorkelers, and assuming that at least that same proportion dive or snorkel at least 3 times during their stay (average length of stay for foreigners is 7-14 days while that of Egyptians is around 5-7 days),<sup>5</sup> the numbers of divers and snorkelers can be estimated reliably at 2.6 million for 2002, and 3 million for 2003. This figure, when compared to the actual number of snorkelers and divers reported by the governorate statistics (987,000 in 2003), is a good indication of the level of fee evasion, which is estimated at around 67% (2003). See Table III: Estimated Number of Divers and Snorkelers vs. the Reported Number (2002 - 2003).

### **3. PROPOSED EXPANDED AND UNIFIED REVENUE GENERATION SYSTEM FOR THE RED SEA**

Numerous meetings were held to discuss the most feasible options for improving revenue generation for Red Sea marine environmental protection and achieving the two MoVs for this policy measure. The RS Governor gave his advice in this regard, and Dr. Mohamed Saleh, the consultant to the Minister of Tourism and the Chairman of the Committee of Diving and Marine Activities, also gave their opinion, as well as Dr. Youssri Dawood, the President of the Egyptian Federation for Diving and Rescue.

Consultative meetings were also held with Assistant General Secretary, and the General Coordinator of Investment and Environmental Affairs, of the Red Sea Governorate, the Chairman of HEPKA, the Chairman of the Red Sea Association for Diving and Water Sports (RSADWS), RSMP managers, and other Egyptian and foreign experts and stakeholders, the Governorate Environmental Protection Consultant, Coast Guard Commander and environmental experts of RS as well as representatives of concerned agencies. These are described in detail in the “Stakeholder Consultation and Consensus Report in Support of the Red Sea Integrated Fee System Component of the Red Sea Revenue Generation and Expenditure Plan”, which is a deliverable under this MoV.

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<sup>5</sup> Discussions with Dr. Mahmoud Hanafy, others in industry.

<b>TABLE III</b>		
<b>Estimated Number of Divers and Snorkelers vs. the Number Reported ( 2002 - 2003)</b>		
	<b>2002</b>	<b>2003</b>
Number of foreign visitors	1,113,152	1,265,179
% of foreigners diving/snorkeling	0.75	0.75
Number of dives/snorkel trips/visitor	3	3
Calculated number of diving/snorkel trips	<b>2,504,593</b>	<b>2,846,652</b>
Number of Egyptian visitors	83,786	172,524
% of Egyptians diving/snorkeling	0.20	0.20
Number of dives/snorkel trips/visitor	3	3
Calculated number of diver/snorkler trips	<b>50,271</b>	<b>103,515</b>
<b>Total Calculated Number of Divers/Snorkelers</b>	<b>2,554,864</b>	<b>2,950,167</b>
Reported Number of divers and snorkelers	792,383	986,565
Estimated Number of dive/snorkel trips unaccounted	<b>1,762,481</b>	<b>1,963,602</b>
% calculated potential tickets unaccounted	69.0%	66.6%
Source: Governorate data, and calculations based on studies indicating percentage of divers/snorkelers and number of dives/trip/tourist, and discussions with different industry experts.		

### **3.1 Principles Agreed for Revenue Generation and Allocation for Red Sea Environmental Management**

The above meetings resulted in the following statement of principles:

- a- There is no objection from key stakeholders to paying user fees or service charges provided that such fees are reflected in actual services for marine environmental management in the RSG.
- b- There is no objection to increasing the levels or rates of fees or service charges, if such increases will lead to improved and expanded services. This also was the finding from the "Willingness to Pay" study conducted in June 2002.<sup>6</sup>

<sup>6</sup> Dr. Ibrahim Hegazy and Associates, "A Survey of Red Sea Tourists' and Tourism Operators' Willingness to Pay for Coral Reef Conservation", June 2002.

- c- The enforcement of any fees, or increase in fees should occur after a grace period to give tourist companies and dive centers and other concerned stakeholders enough time to integrate the new system into the cost structures in their contracts.
- d- User fees/service charges will have a positive impact on elevating the value of the tourist destination and it will also have positive implications on the type of tourism the Red Sea attracts and these rationales should be promoted to all stakeholders.

### **3.2 Proposed Structure of a New Revenue Collection System for the Red Sea Coast**

The most important problems facing the improvement of the revenue generation system for the Red Sea, as noted, is the very high level of fee evasion, and the change in pressure on different diving sites, after the application of the Giftun fees. Dr. Hanafy's study "Impact of the User Fee on the Giftuns" clearly demonstrates that the immediate effect of the introduction of the fee was the dramatic increase in pressure on the other diving sites. This was the primary criticism of the Giftuns Pilot System and the rationale for the expanded fee system MoV (2.2.1).<sup>7</sup> Given that the other sites in the Red Sea are being exploited in order to evade payments, and given that it is very difficult and costly to continuously patrol and control where dive boats actually will be mooring/diving, the expansion of the fee to the entire sea seemed to be the most practical option. Hence, this was the first priority for the consultants and stakeholders addressing this issue. This option was discussed with stakeholders and the governorate, as well as the business representatives seem to agree and in fact believe it to be necessary measure. The following structure is thus proposed to address this issue and also satisfies the MoV 2.2.2.

#### **3.2.1 The Boat List Registration System**

The creation of a "Boat List", through a Governorate Instruction or Decree in order to limit the evasion of fees payment will be enacted. Diving and snorkeling centers will be required to fill out a sailing form for each boat before departure from the marina/jetty. The form will include the number of tourists, relevant information about them and their destination(s). The boat list also will include the crew. The original form will be given to the Coast Guard, and a copy will be given to the "collection entity" (Red Sea Rangers or RSG). A third copy will be retained by the dive center and a fourth copy will remain with the boat captain. The instructions shall include penalties which are proposed to be clear deterrents of violations.

This proposed "Boat List" will have the added importance as a principal **rationale for providing better security** control for coastal authorities, as well as ensuring better security for the tourists themselves, (more accurate and complete information in case of emergencies on numbers and names of those in the sea). While the Boat List can easily be justified on security grounds alone, it also provides a convenient list of divers and snorkelers which will be the principal tool to decrease fee evasion, and thus lead to more efficient fee collection.

An inspection entity made up of representatives of the RSG, RSMP, Coast Guard, and RSADWS will be formed to monitor the implementation of the proposed Boat List system,

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<sup>7</sup>Hanafy, Mahmoud. "Environmental Impact of the User Fee at Giftun Islands," March 2003.

through spot checks and inspections of the boats and centers, in order to ensure they are following the instructions and fee payment. A report in this regard shall be submitted to the RS Governor requesting his directives.

### **3.2.2 Modifications to the Existing Fee System for Red Sea Revenue Generation**

An integrated user fee structure for visiting parks and service charges for all diving and snorkelling activities in the Red Sea will be enacted. This part of the proposal satisfies MoV 2.2.2 regarding a comprehensive revenue generation and expenditure plan for the whole Red Sea coast. This means that the RSG fee system will be merged with the RSMP fee system. It should be noted that the protected areas diving sites represent around 70% of the total Red Sea diving sites. The integrated fee revenues will be distributed in the ratio of 2:1, between the Ministry of State for Environmental Affairs and the RSG.<sup>8</sup> This integrated fee system however, will **exclude** certain special protected areas such as the Far Islands, Samadai Island and possibly other similar areas, in the future, that have specially designed fee and management systems that are not easily integrated into the proposed system, at this time.

The proposed initial unified rate is \$3 per foreign visitor and LE5 per Egyptian visitor. Pending an evaluation of the success of the new system and the use of the fees, this rate may increase over time. These fees will be reconsidered periodically to adjust them upward to account for visitor pressure, inflation and possibly additional management needs. This proposal suggests revisiting levels every 3 years but the periodicity should be left flexible and to be decided by a management committee. The integrated fee system will be important as a new direction for revenue generation in the Red Sea.

### **3.2.3 Advantages of the New Proposal**

The proposed modification to the current fee system offers the following advantages:

1. It enables tight controls on fee collection in light of the sailing form—Boat List, and the effectiveness of inspection teams.
2. It facilitates collection by fixed offices of the RSMP and the periodic (weekly/monthly) distribution of fees between the Ministry and the Governorate.
3. Diving centers only have to deal with one entity in a way that will not impede tourism activities.
4. The proposed system enables fee integration between EEAA/NCS and the RSG which will improve overall marine environment protection, services and sustainability.
5. Diving and snorkeling activities will be treated equally, in terms of fees, since they are enjoying the same marine resource and requiring essentially the same services. Snorkelers' impact on coral reef eco-system is higher than that of divers, due to their usually limited experience with safe practices regarding the conservation of marine life.<sup>9</sup>

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<sup>8</sup> The governorate currently receives L.E. 3.5 for divers and L.E. 2 for snorkelers; i.e. around \$0.5 or less.

<sup>9</sup> Technical Committee for Diving, Ministry of Tourism.

6. The new system offers the prospect of a tremendous increase in revenues, for both EEAA/NCS and the RSG. On the one hand, the integrated system will provide a substantial increase in revenues for EEAA/NCS since the unified fee is for all Red Sea users. On the other hand, the fees collected by the RSG will be established at the prevalent exchange rate of the dollar, and the \$1 will be for all activities in the sea without the unnecessary differentiation between snorkelers and divers. Overall revenues for both parties will be increased greatly due to the tightening of control on the collection process and periodic exchange rate/inflation adjustments.
7. The "Boat List" will help in the protection of the marine ecosystem, by limiting visitors based on site capacities. This will help organize diving and snorkeling activities more sustainably.

### **3.2.4 Possible Disadvantages of the New Proposal**

The consultant team evaluated possible disadvantages or problems with the new system as well. The main one is the reaction of the existing fee evaders. Specifically, possible objections to the new system may come from currently non-complying and unlicensed diving centers. However, such objections could backfire on these centers/operators since the current trends at least in international tourism are clearly towards a) guarantees for greater security and safety for tourists, especially in the Middle East and b) international certification of dive and tour operators for service quality and environmental management ("Green Globe" and others). Clearly, the new system contributes to both goals and non-compliers would be exposed as providing relatively greater risks to tourists than compliers.

The other disadvantage is the same as that which applies to all of the options examined for fee systems and that is the relatively large number of staff required to monitor and collect the fees, given the large area of coast and numbers of boats involved (as noted above). The only option that avoids this problem is the unified air and seaport landing fee, which was judged to be politically unacceptable at the Hurghada Meeting in January 2004.

### **3.3 Required Implementation Measures for the Integrated Revenue Generation System for the Red Sea**

A joint memo of the Minister of State for Environmental Affairs and the Red Sea Governor will be submitted simultaneously to the Prime Minister in his capacity as chairman of the Supreme Council for Tourism. The reason for the joint memo is that the two MoVs have different submission requirements. MoV 2.2.1 requires submission of the plan to the SCT while 2.2.2 requires approval of concerned agencies and submission from EEAA directly to MVE.

This memo will describe the distribution of revenues and their use on the expenditure side as follows:

1. The Ministry of State for Environmental Affairs is to reconsider the revenue distribution of the RSMP integrated fee to be 35% for RSMP, 15% for the RSG for its environmental protection activities, and 50% for the Environmental Protection Fund (EPF).
2. RSG is to consider the distribution of its revenues from marine activities to be 20% for mooring buoy placement and maintenance, 20% for the RSMP, and 20% to

support RS environmental management associations (as HEPCA) and 40% for the RSG.

#### **4. ACTION PLAN FOR THE FINAL MOV PHASE:**

- a. RSSD Consultants will discuss this draft report with the concerned agencies under EEPP, mainly the Ministry of State for Environmental Affairs – RSG – TDA – HEPCA – Egyptian Federation for Tourist Chambers, etc. during the second week of March.
- b. RSSD Consultants will present the unified system for revenue generation and expenditures in a two-day workshop, to be attended by EEPP stakeholders and other interested parties (Technical Committee of Diving, NGOs, Investors, Coast Guard, etc). By the end of the workshop, the ideal and agreed revenue generation method and expenditure priorities will be agreed and signed off by the concerned agencies representatives.
- c. RSSD Consultants will develop the joint memo, and the letter to the Prime Minister, including the fee expansion system attached with the proposed system and implementation mechanisms; in addition to an assessment of the protection needs and the expected positive impacts of the new system.
- d. RSSD Consultants will develop and submit a letter that will then be submitted by the CEO of EEAA to MVE including the documents of the revenue generation studies attached with the agreed plan and the approvals of the concerned agencies and a report of preparation and implementation phases.

## REFERENCES

(In alphabetical order)

The following reports were consulted during our research:

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