



Dalhousie University

International Ocean  
Institute



I.O.I. - Malta

Draft Proposal  
Alternative Modes  
of Financing  
the UNEP Trust Fund

I. Executive Summary

1. The Mediterranean States have agreed on a Mediterranean Action Plan, including a Priority Action Plan with the following main components:
  - a)
  - b)
  - c)
  - ...
2. The total cost for the fulfilment of this plan is estimated at \$15 billion over a ten year period (Researchers: Please check this figure, and give more specifics)
3. The States Signatories to the Barcelona Convention and its Protocols have agreed to fund these activities and large sums have been invested in the countries on the Northern shores of the

Mediterranean in fulfilment of these pledges.  
(Researchers: Please illustrate). New technologies are being developed to control and combat pollution within the framework of EUROMAR, among others.

4. The developing countries on the southern and Eastern shores, in developing their industries, are aware, e.g., of mercury and cadmium emissions; they know that technologies are available in the North to prevent these emissions, but they do not have the foreign exchange to acquire the technologies (Syria; Egypt). Nor do they have the financial possibilities for the construction of necessary sewage treatment or sludge reception facilities. And yet, the Mediterranean is an enclosed sea, and all these emissions may affect wide areas or the system as a whole.
5. UNEP's annual budget of \$5 million is totally inadequate to cope with this situation. The trust fund, consisting of voluntary contribution, presently has a balance of \$...
6. Clearly other means to finance the Action Plan, including the Priority Action Plan, have to be devised if these plans are not to remain paper plans and the degradation of the Mediterranean environment is not to proceed unchecked, with the trillions of dollars of damage this would

entail.

7. The Blue Plan contains the following suggestion:

[Tourism management] could involve the concerted appeal to tourism outside the Mediterranean. Finally, if it were recognized that foreign tourists are willing to contribute to the protection of the Mediterranean, and that \$5 per oneweek stay would bring in more than \$250 million, the establishment of a voluntary contribution, which could only be set up at the Mediterranean level, could have a considerable impact, especially if it were supplemented by a parallel contribution from the countries involved. Generally speaking tourists, who benefit greatly from the quality of life and the Mediterranean landscape, must be invited to make a tangible contribution to their protection.

8. But no attempt has been made to implement this suggestion, and it is difficult to see how it could be implemented effectively on a voluntary basis.

9. This paper suggests that the time has come for the States Signatories to the Barcelona Convention to adopt a new Protocol under which each State would raise a tourist tax of one percent of the cost (a) of air or train tickets to any of the Signatory States or between Signatory States;

(b) on hotel bills, rentals on vacation apartments,

etc.,

(c) package tour tickets;

(d) car rentals

(e) a fee of \$5 to be paid by foreign cars entering any of the Signatory States or crossing any boundary between them.

Note: Researchers should investigate whether it is possible and worthwhile to distinguish between travellers to any of the Mediterranean countries as a whole, and travellers within the vicinity to the shore. This might create a lot of complications, and considering that the "environment tax" is going to be very low, it probably is not worth while.

10. Considering the present number of tourists in the Mediterranean area about 100 million annually, this would yield an income of several hundred million dollars annually. It would not weigh on the budget of any State and being such a very low tax, it certainly would not deter, or unduly weigh on, the tourists themselves. The tourists must be made aware insofar as they are not yet aware of it that clean air, clean water, and clean beaches are not free goods but have to be paid for, and if we pay for them collectively, and we start it now, the price is not heavy indeed. Tourists, who, according to the Blue Plan, may number 380 or even 760

million annually by the year 2025, occupy about 8,000 square km of space along the coast, produce 812 million tonnes of solid waste and produce 1.5 billion cube metres of sewage annually, and require four times more water than today, should instead be pleased and proud to contribute this tiny bit to the conservation of the common heritage of the Mediterranean sea and the natural and cultural treasures of its countries and its peoples: for themselves and for future generations.

## II. Precedents:

- . tourist taxes;
- . airport taxes;
- . road taxes; bridge tolls; freeways;
- . others. (Researchers: A number of studies have been made on international taxation as a means of ensuring "automaticity of transfers": UNEP (to combat desertification); World Bank; Brandt Commission: Pacem in Maribus An Ocean Development Tax, as early as 1969!; the L.o.S. Convention: See Ocean Yearbook, I think Vol.5. But I am not sure whether this generalisation would scare people and it might be safer to stick strictly to the tourist argument: Point to be discussed.)b

III. Modes of collection, computerization; modes of payment to UNEP Trust Fund;

IV. Calculation of amount to be collected;

(Researchers: it could be pointed out that here is an example of the interaction between regional development and global cooperation.)

V. Calculation of administrative cost.

VI. Net benefit.

VII. Draft Protocol



# International Ocean Institute

P.O. Box 524  
VALLETA, MALTA

Telephone: 236596  
Telefax: 247594  
Cables: INTEROCEAN  
Telex: 1946 OCEANS MW

## PROJECT ON ALTERNATIVE MODES OF FUNDING THE UNEP TRUST FUND FOR THE PROTECTION OF THE MEDITERRANEAN MARINE ENVIRONMENT

### Purpose

- . To find the easiest, most cost-effective way of raising, over the next ten years, \$15 billion needed to make the changes in the coastal management and industrial production systems of States bordering the Mediterranean Sea, to restore and maintain the quality of the Mediterranean environment
- . To study precedents and, set new ones, for funding other activities of the international community essential to human survival, such as the struggle against desertification, coping with climate change, or peace keeping.

### Background

The Mediterranean Sea is an endangered sea. Its semi-enclosed geographic parameters, combined with very special hydrographic conditions, slow down the process of water renewal which takes about eighty years.

In 1976 the 17 States bordering the Mediterranean Sea adopted a Convention -- the Barcelona Convention for the Protection of the Marine Environment. This framework Convention has been further developed and strengthened through a series of Protocols, among which the Athens Protocol for the prevention of pollution from land-based sources is the most demanding and costly one, and the establishment of a Trust Fund, administered by UNEP, for the financing of the necessary activities.

The cost of restoring and maintaining the quality of the Mediterranean marine environment has been estimated by

UNEP as roughly \$15 billion over the next ten years.

The UNEP Trust Fund is permanently underfunded. It is unlikely that the situation can be corrected either through very large assessments on States or through voluntary contributions of the needed magnitude. If the protection of the Mediterranean environment is to be pursued in earnest and sustainable development is to be introduced, other ways of financing the operations must be found.

At present, the Mediterranean basin is visited annually by one hundred million tourists. UNEP's Blue plan anticipates, on the basis of major trends, that by the year 2025, there will be:

. 380 million tourists for the Mediterranean countries as a whole in the case of weak economic growth;

. 760 million, in the case of strong growth. The number of guest-nights corresponding to these 760 million tourists would be about 11 billion.

In terms of direct land coverage, UNEP estimated that currently site coverage of all tourist lodgings is in the order of 4,000 square km and that this would double by 2000, to reach 8,000 square km, mostly on the coast. Solid waste produced by tourists, currently 2.8 million tonnes per year for the region as a whole, would reach between 8-12 million tonnes in 2025. Sewage discharges would rise from 0.4 billion cubic metres to somewhere around 1.5 billion.

Tourism is an industry which, if unregulated, kills its own resource. It is in the vital interest of each and every tourist that this resource, the environment, be maintained.

Tourism, furthermore, is not a primary or "basic" need like food and housing. Tourism is paid for by income



surpluses and, like all leisure activities, has a certain margin of financial flexibility. On the basis of information with regard to the environmental burden imposed by tourism as a whole, no tourist would refuse the payment of a modest \$1 to \$5 to be applied to the protection of the environment as a tourist resource. On the contrary, every tourist would be happy to make this very small contribution which would not weigh at all on his over-all travel budget.

For the trust fund, however, this would bring in the needed 15 billion dollars over the next ten years, or at least a very substantial part of it.

In the wake of a Conference held in Cairo under the auspices of the Aspen Institute, Italia, the Government of Egypt recently launched an appeal to all countries to levy a tax of \$1 on any foreign travel worldwide. This should be paid to a Fund for Environmental Maintenance and Development which should be established by the United Nations.

Egypt based its proposal on its own internal experience. In 1985, Egypt adopted a law 101, putting a tax of 10 percent on the cost of any plane, train, or bus ticket travelling in Egypt. This revenue has been applied to the protection of the environment. In 1986, this tax was raised to 25 percent, but the allocation to the protection of the environment remained the same, at 10 percent.

Egypt's global proposal is of the highest interest. An alternative would be to decentralise the protection of the environment on a regional basis. This is the direction already taken by UNEP through its Regional Seas Programmes, of which the Mediterranean Action Plan and the Barcelona Convention is the first, and most developed. Decentralisation to the regional level has three advantages: A regional tax system can utilize already existing infrastructure. It is responsive to the very great differences in developmental/environmental

conditions between different regions; and it keeps the taxation scheme closer to those who have to pay -- to the "grass roots," so to speak -- and experience shows that this is more effective.

We therefore propose, to start with, and on an experimental basis, the imposition of a tax of \$1 to \$5 on every tourist in the Mediterranean Basin, to be paid to the UNEP Trust Fund.

#### Methodology

We propose to undertake a research project to be carried out by a small team consisting of a geographer, an economist, a statistician, and a political scientist and/or an international lawyer.

The duration of the project is expected to be six months. The project would be carried out at the IOI in Malta, in cooperation with the University of Malta and UNEP, and it would have the following components:

- I. Identification and cost/benefit analysis of existing or past international taxation schemes: e.g., airport taxes, road taxes, the tax on shipping to clean up the Suez Canal, etc.
  - (a) methods and costs of collection;
  - (b) impact on tax payer;
  - (c) impact on purpose to be achieved.
  
- II. Identification and critical analysis of proposed schemes for international taxation (e.g., anti-desertification tax proposed by UNEP; taxes to be levied by the International Seabed Authority under the 1982 United Nations Convention on the Law of the Sea; various proposals for the establishment of a tax on international arms sales; Ocean Development Tax as proposed by the International Ocean Institute in 1969; creation of a "Common Heritage Fund" as proposed by the

Delegation of Nepal to UNCLOS III, etc. (A study on the potential of the Law of the Sea Convention for the generation of international revenue was undertaken by the IOI for the World Bank in 1982. It is attached as Annex 1. A study on applying an ocean development tax to commercial fisheries was also undertaken by the IOI in 1971, through a team of economists at Cambridge University. This is attached as Annex 2.)

III. Cost/benefit analysis of various methods of collecting, monitoring and transferring payment of tourist tax in the Mediterranean.

- . collection on air, train, bus tickets;
- . Road tax
- . tax on hotel bills and vacation home rentals
- . etc.

Identification of taxes already paid by tourists in the Mediterranean ("tassa di soggiorno," etc.) and use made of this revenue.

IV. Questionnaire to be submitted to 5,000 tourists and analysis of results.

V. Conclusions and recommendations.

VI. Applicability of system to other regions and to other areas of activities (anti-desertification; coping with climate change; peace-keeping).

BUDGET

I. Fees for primary investigator and four additional researchers	US\$13,000.00
II. Questionnaire (compiling, mailing, analysing, computerizing)	8,000.00
III. Communications	3,000.00
IV. Printing & distribution of final report	5,000.00
V. Miscellaneous	1,000.00
GRAND TOTAL	US\$30,000.00

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