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PRE-FEASIBILITY STUDY- TOURISM/HERITAGE PROJECTS IN HISTORIC EGYPT

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PRE-FEASIBILITY STUDY FINAL REPORT

EGYPT TOURISM

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ACRONYMS

AKTC	Aga Khan Trust for Culture
EGP	Egyptian Pound
F&B	Food and Beverage
GEM	Grand Egyptian Museum
GOE	Government of Egypt
IGO	International Government Organization
MGMT	Management Company
MoA	Egyptian Ministry of Antiquities
NGO	Non-Governmental Organization
NPV	Net Present Value
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
RFP	Request for Proposal
EU	European Union

EXECUTIVE SUMMARY

“Tucked away amid the modern urban area of Cairo lies one of the world's oldest Islamic cities, with its famous mosques, madrasas, hammams, and fountains. Founded in the 10th century, it became the new centre of the Islamic world, reaching its golden age in the 14th century.” Historic Cairo was recognized by UNESCO in 1978 as a World Heritage Site for its “absolutely unquestionable historical, archaeological and urban importance.”¹

This report, which was prepared at the request of USAID/Egypt, details the findings of a pre-feasibility study of three potential heritage projects under consideration by USAID/Egypt. Each proposed potential project involves the adaptive reuse² of the following historical assets, all of which are located in Historic Cairo.

1. **The Jewel Palace (Palace)**, a residence built by the sultan Mohamed Ali for his wife in the Cairo Citadel. Currently inaccessible to visitors, it could be restored and opened to Citadel visitors as a museum.
2. **Bab al-Azab (Gate)**, a large gate that allows access between the Citadel and the Darb al-Ahmar neighborhood. The gate and the area it opens to are both currently inaccessible. However, with proper restoration, pedestrians could access or exit the Citadel via the gate, and the area behind it could host shops, food vendors and events.
3. **Bab al-Wazir Street (Street)**, a main route through the Darb al-Ahmar neighborhood, is the site of numerous mosques, monuments, and other antiquities.

All three sites are at different phases of restoration and may require additional work as a prerequisite for adaptive reuse. Once restored, these sites might be operated by private partnerships under a management or incubator contract. As part of the feasibility assessment, this study models the financial performance of the repurposed three sites so as to better understand the conditions under which a public-private partnership would be conducive for the stakeholders involved. Logistical issues associated with the three sites are also briefly treated.

The integrated model constructed for this analysis computes the net financial impact of activities over both five- and thirty-year time horizons. The net financial impact is reported by the model from the perspectives of each of the key stakeholders—including the Ministry of Antiquities (MoA), the manager of the repurposed site (MGMT), and various service-providing tenants (shops, restaurants, etc.) — so as to better understand the feasibility of public and private sector collaboration at each site. Furthermore, the model reports the aggregate net financial impact for each project as a whole over its assumed thirty year lifetime, which provides a sense of the financial justification for investing in the restoration of that site (total investment perspective).

Given the relatively limited data supporting many of the inputs, the model aims to assist USAID and its partners by facilitating a more informed approach to the design, advocacy, partnership, procurement, and

¹ <http://whc.unesco.org/en/list/89>

² Adaptive reuse refers to the process of reusing an existing building for a purpose other than which it was originally built or designed. For example, the Khedive Ismail's historic Palace Al-Gezira is now part of the Cairo Marriott hotel in Zamalek.

deal negotiation. The results presented below are preliminary in nature due to the limited information available on project costs and revenues, especially for Bab al-Azab and Bab al-Wazir Street. The inputs of the financial model can be updated as more relevant data becomes available.

For completeness, the study also includes brief descriptions of the three project site, and an annotated bibliography of relevant background documents. See Annexes for more details.

The cost of restoration plays a critical role in the feasibility of the investment at each site from the total investment perspective. However, due to procurement sensitivity, the team was unable to obtain accurate estimates for the restoration cost. The study therefore, calculates the “justified investment” as a feasibility criteria for each site. The justified investment is the maximum cost of restoration at which the project is still financially viable (i.e. has a non-negative NPV) from the total investment point of view. The justified investments for each site are presented below.

TABLE 1: INVESTMENT JUSTIFIED BY FUTURE BENEFITS - (ASSUMES 30 YEARS OF OPERATION)			
SITE	PALACE	GATE	STREET
Justified Investment³	£185,709,988 EGP	£234,935,794 EGP	£17,452,534 EGP
	\$11,385,567 USD	\$14,403,519 USD	\$1,069,986 USD

The absolute measures of feasibility reported here assume a restoration cost of £100,000,000 (\$6,130,832 USD) per site. Furthermore, it is assumed that USAID will pay for 80% of the restoration cost for while MoA would pay the balance. To account for the crude assumption about the restoration cost, the reader is encouraged to interpret the conclusion for each site with caution. The table below summarizes the finding for 5 and 30 years of operation.

TABLE 2: SUMMARY OF FINANCIAL PERFORMANCE OVER 5 AND 30 YEARS						
£: EGP and \$: USD	30 YEARS OF OPERATION			5 YEARS OF OPERATION		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£12,352,340	£9,111,460	-£5,868,651	£2,494,408	-£3,091,384	-£4,317,590
Tenant NPV	£35,492,054	£75,148,559	-£5,001,798	£5,245,367	£14,449,055	-£3,954,778
MOA NPV	£117,865,595	£130,675,775	£4,037,268	£29,146,380	£31,447,817	-£10,403,541
USAID NPV	-£80,000,000	-£80,000,000	-£75,714,286	-£80,000,000	-£80,000,000	-£75,714,286
Investment NPV	£85,709,988	£134,935,794	-£82,547,466	-£43,113,844	-£37,194,512	-£94,390,195
Payback Period	10 Years	8 Years	Never	Never	Never	Never

³ Conversion from EGP to USD based on the data provided by Morningstar on October 3, 2019

CONCLUSIONS BY SITE

JEWEL PALACE

- 1. The study team sees reasonable potential for adaptive reuse of the Jewel Palace using a public-private partnership approach, conditional on restoration. That is, modeling results under conservative baseline assumptions suggest that the Jewel Palace can be managed by a financially sustainable public-private partnership that benefits all major stakeholders. From the thirty-year perspective, the Jewel Palace project generates a positive net project financial impact for key stakeholders. For shorter time horizons (e.g. five years), the private sector cash flows could be viable (or positive) under conservative assumptions.
- 2. The Jewel Palace should be the easiest area to implement new adaptive reuse activities.⁴ It is self-contained, solely under the control of the MoA, and located in the ticketed Citadel area (thus effectively guaranteeing a steady stream of visitors), and is smaller/simpler in scale/scope than the other two sites.
- 3. Given the relative novelty of the types of adaptive reuse partnerships described in this report, starting with the smallest site could reduce risks and act as a proof of concept before attempting more ambitious activities such as the renewal of Bab al-Azab or Bab al-Wazir Street.
- 4. The partnership model presented in this report assumes that the management company (MGMT) and the ministry of antiquity (MoA) will enter into a revenue sharing agreement. Furthermore, the model assumes that the MoA covers the restoration cost with or without support from USAID or other donors. The alternative to the revenue sharing model is a rental model which is applied in most other sites in Cairo.

BAB AL-AZAB

- 1. The risks and uncertainties associated with implementing activities at Bab al-Azab and the lower Citadel are significant. The area of the lower Citadel is large, in very poor condition, and if used in full, would likely require much more investment than the Jewel Palace.
- 2. Under the baseline modeling scenario, which would use only a fraction of the total space available, commercial operations might be sustainable in this area. However, the prospect of partnership with a management company (MGMT) is less attractive compared to the Palace, in the short-term (5 years).
- 3. Security considerations may also act as a barrier to the development of the Gate since the GoE may be reluctant to allow the opening of a second point of entry/exit for the Citadel.
- 4. Overall, the level of uncertainty associated with the analysis of Gate development is extremely high. Even the base case modeling scenario is based on what can be charitably described as

⁴ Shops, restaurants, events, incubator programs, etc.

informed guesses. In the team's view, a meaningful assessment of the project's financial viability can be carried out only after more reliable data and information on the Gate project become available.

BAB AL-WAZIR STREET

1. The street does have appeal, and the development of a successful cultural tourism activity along it would likely produce far greater benefits for the local community than would the palace or gate activities.
2. The activity along Bab al-Wazir street is likely the most challenging to implement utilizing a private public partnership approach. The street is long and has many stakeholders (including many people currently living and working along it). Any work on the street would require negotiation with multiple government entities.
3. Given the scope of the project and the scale of the site, options for either partnering with other entities and/or focusing on a part of the street⁵ might be considered.
4. Since the the street does not share a similar monumental status as the palace or the gate, it is expected that the number of visitors to the street to be a fraction of the total visitors to the Citadel. Thus the street's revenue generation potential through tickets and/or related services is likely to be significantly less than the other two sites. Unlike the other two sites, the model assumes that only 10% of the Citadel's visitors would include the Street in their visit. This assumption is 100% in the base case scenario for the other sites. The results for the five- and thirty-year modeling are, therefore, unattractive compared to the other sites.
5. The model highlights important considerations related to planned developments at the Street. The final recommendation, however, suffers from lack of reliable data and must not be considered as the final basis for judgement.

OTHER NOTES AND CONCLUSIONS

1. There appears to be strong political will on the part of the Government of Egypt (GoE) to drive tourism, including heritage tourism. Toward this end, the Government has taken steps to enhance collaboration between ministries, and to adopt new business models and processes to encourage closer partnering between the MoA and private sector so as to promote the more effective and sustainable delivery of tourism services.⁶
2. The NPV of financial benefits associated with the proposed projects is estimated in this report as the aggregate of net financial impacts for the various financial stakeholders. Except under

⁵ For example, one expert suggested to the team that efforts focus initially on the areas around the "Street of the Tentmakers" (Khan Khayamiya) which is of cultural and historical interest and in close proximity to the many tourists who visit Khan Khalili.

⁶ The fact that the pre-feasibility team was not able to meet with MoA officials is considered to be the result of broader GoE concerns that do not relate specifically to the projects or approaches considered in this study.

restrictive assumptions, the NPV of financial benefits is not the same as the NPV of economic benefits.

3. The market for cultural tourism activities in Cairo does not appear to be “zero-sum”. That is, the development of any of the three activities under consideration by USAID should not significantly divert tourists from other existing tourism sites.

TABLE 3: SUMMARY TABLE- PROJECT PROS AND CONS

	PALACE	GATE	STREET
PROS	<ul style="list-style-type: none"> -Relatively straightforward and uncomplicated—few stakeholders -Cost studies already underway by USAID engineers mean better data availability -A relatively small investment can act as a proof of concept for a more ambitious project (street, gate, etc.) 	<ul style="list-style-type: none"> -Can link Citadel to historic Cairo -Large area means high potential for scale-up if the initial pilot is successful -Large potential customer base 	<ul style="list-style-type: none"> -Can positively impact the citizens in Darb al-Ahmar -Can fill a gap: Provides “authentic” taste of Cairo that might be lacking in more traditional tourist sites -Potentially good night time attraction, which tour agencies are looking for -Opportunities for productive partnerships with other entities may exist
CONS	<ul style="list-style-type: none"> -Not likely to significantly impact stakeholders outside the Citadel 	<ul style="list-style-type: none"> -Level of MoA support is unclear -Large area means high potential costs, long implementation time, and generally undefined project -Second Citadel access point poses security and logistics challenges -Numerous failed attempts indicate the challenges of work in the area 	<ul style="list-style-type: none"> -A highly complex implementation that would require the support of many stakeholders—consider forming a steering committee or equivalent made up of high-level officials from key Government entities -May be redundant if AKCT/EU project moves beyond the pilot -Potential to impact residents of the street negatively via gentrification or vehicle ban

I. INTRODUCTION

I.1 PURPOSE OF THIS PRE-FEASIBILITY STUDY

USAID is considering an investment in Cairo's Historic District for the purpose of improving diverse cultural tourism offerings in the area, and ultimately enhancing economic activity at the local and national levels. In that context, the LEAP III project was contracted by USAID/Egypt to carry out a pre-feasibility study focusing mainly on the financial prospects of three proposed project sites. This study looks at the financial potential of activities at each of three possible cultural tourism sites:

1. The Jewel Palace (the Palace)⁷
2. Bab al-Azab (the Gate)
3. Bab al-Wazir Street and the Darb al-Amar area (the Street)

Specifically, it investigates the conditions under which private firms could establish sustainable commercial operations at each of the sites.

OBJECTIVES OF THE STUDY:

1. Consider the general nature of projects at each of the three sites and attempt to quantify the scale of their potential costs and benefits using a financial model.
2. Examine cash flows from alternative points of view to evaluate financial viability for each stakeholder under different operational arrangements.
3. Compare and prioritize alternative subsets of sites to be considered in combination or in isolation.
4. Provide USAID and other interested parties with a financial model to help the design and engagement process. The model can be further refined by USAID as more data and concrete evidence about each site and its stakeholders become available through the program cycle, from design through procurement to implementation and completion.
5. Identify logistical and institutional barriers and enablers for the proposed activities.

I.2 METHODOLOGY

Prior to traveling to Cairo, the team conducting this pre-feasibility study carried out relevant desk research and conferred with key staff from the Mission and the Middle East Bureau. The team then met in Cairo in

⁷ Al-Gawhara Palace

June and early July of 2019 to confer with USAID staff, conduct visits to each site, and interview stakeholders.

As part of the desk research, a library of relevant documents was collected (see Annex 2 for an annotated bibliography). The team also began to develop a financial model, which was further refined based on the information and data collected during the team's work in Cairo (see Annex 3).

During fieldwork, the team had meetings with stakeholders from a variety of backgrounds, including:⁸

- NGOs
- Architects
- Tourism Agencies (Local and International)
- Tour Guides
- Hotel Operators
- Property Agents

The analysis included a range of operational models for the included sites, which are described in Section 3.2.

The study's main methodological contribution is the construction of a financial model that is capable of illustrating the causal links between various key project inputs and each project's financial viability from the perspective of multiple stakeholders. The model also provides insight into the sensitivity of a project's financial performance to various assumptions and allows users to identify the possible combinations of factors that are most likely to lead to a project's success (or failure). The model can facilitate a more informed approach to the design, advocacy, partnership, procurement, and deal negotiation for restoration and operation of these three historical sites.

1.3 LIMITATIONS

The recommendations and analysis found in this report are subject to some significant limitations.

1. The Ministry of Antiquities (MoA) did not make itself available for consultations during this study, significantly increasing the number of assumptions necessary throughout this analysis. Also as a result, the study team was unable to enter both the Jewel Palace and the lower Citadel. However, one member of the study team has previously worked with the MoA, mitigating this issue.
2. The projects considered at each site were highly generalized in order to keep the analysis relevant to a broad range of potential operational and procurement models.
3. The appropriate values of a number of key parameters that underpin the financial model are unknown at present. Many of the model's calculations rely on assumptions or forecasts related to pricing, visitor numbers, restoration costs, and other parameters. Data to estimate some of these parameters either does not exist or, if data does exist, future values may vary significantly

⁸ For a full list of stakeholders consulted, please see appendix 4.

from current or historical estimates. As a general rule, the assumptions of the model aspire to be conservative.

4. Due to procurement sensitivity issues, the team did not have access to the detailed USAID scope of work for the upcoming project, and assumptions concerning future activities were based on the information available in the Request for Information (RFI). The team also did not have access to detailed estimates of restoration costs for the three sites.

2. BACKGROUND

2.1 TOURISM IN EGYPT

Egypt's antiquities and culture have long fascinated the outside world and attracted visitors eager to see its wonders. But organized tourism began to develop on a significant scale only in the 1840s, with Thomas Cook ("the founder of modern tourism") organizing excursions to Egypt for the lower and middle classes and establishing a fleet of luxurious steamers to cruise the Nile. Yet as recently as 1950 only 100,000 tourists visited Egypt. It was only after 1975 that the GoE eased visa restrictions for most European and North American countries and began to upgrade needed infrastructure and hotels. As a result, tourism visits rose from 1.8 million in 1981 to 5.5 million in 2000 before peaking 14.7 million arrivals in 2010.⁹

In recent years, tourism in Egypt has been impacted by security events and concerns—including the Gulf War in 1990, the 1997 Luxor massacre, the September 11 attacks in the United States in 2001, terror attacks in Cairo and the Sinai in the mid-2000s, the 2011 Arab Spring which saw the toppling of President Mubarak, followed two years later by the ouster of President Morsi and subsequent unrest and violence. As a result of recent turmoil, tourist arrivals declined to less than 10 million in 2011 and to less than 6 million in 2017 before rebounding to nearly 11 million visits in 2018.¹⁰

Israel's return of the Sinai Peninsula to Egypt in 1982 set off a boom in sand and surf tourism supported largely by private sector investment in the Sinai and along the Red Sea coast.¹¹ With its natural resource endowment and low labor costs, Egypt proved to be well-positioned to compete for budget tourists. Such tourism, however, has also raised concerns about environmental degradation and the lack of broad-based economic impacts. At a minimum, Egypt faces the need to complement this low-cost tourism, and its antiquities-based tourism, with efforts to develop a more diverse cultural tourism opportunities which tend to attract repeat visitors who pay more for chances to experience authentic cultures and locales. Cultural tourism, when done well, can generate a virtuous cycle of impacts and benefits that sustain and preserve the local communities and lifestyles of interest.

Finally, about eighty percent of foreign tourists visiting Egypt take part in package tours run by companies that determine itineraries, and provide lodging, meals, transport, and guides. Many package tours in Cairo include a brief visit to the Citadel, focusing mainly on the Mosque of Muhammed Ali, while there is currently little in the way of organized tours of Bab al-Wazir Street.¹² In this context, the success of the efforts to develop enhanced cultural tourism opportunities in Historic Cairo will hinge largely on the willingness of tour operators to include cultural tourism sites in their itineraries. The operators must perceive that these sites offer value for money and time for tourists, adequate access, and a safe environment.

⁹ World Bank Data, 2019

¹⁰ Central Bank, "External Position of Egyptian Economy", 2019/19, Vol. 64, p. 62.

¹¹ USAID, "Request for Information, Cultural Tourism in Egypt", 2018

¹² The partial tour of the street starting and ending at Al-Azhar park, and organized by the Aga Khan Trust for Culture, is an exception.

3. PRIVATE SECTOR ENGAGEMENT

3.1 INTRODUCTION

Through support of new cultural tourism activities, USAID/Egypt hopes, among other things, to enhance both Egypt's competitiveness as a tourism destination and its cultural heritage assets. Given the magnitude of the challenges involved, USAID would like to explore opportunities for partnering with the private sector to achieve these objectives. A partnership between GOE entities and the private sector could take advantage of the private sector's entrepreneurial skills and expertise to promote the adaptive reuse and protection of cultural resources in ways that benefit both the public and private sectors.

The LEAP III team was requested by USAID/Egypt to assess the feasibility of the public and private sectors working together to develop and sustain cultural tourism assets associated with three specific sites: the Jewel Palace, Bab Al-Azab, and Bab al-Wazir St. The remainder of this section first briefly discusses different business models of public and private sector collaboration to advance the objective of preserving and sustaining cultural heritage assets. Then, the suitability of these various business models for the specific sites identified by USAID is then discussed. Finally, simple modeling techniques are used to roughly estimate the financial returns to the private sector from partnering with the MoA at the three USAID sites.

3.2 POSSIBLE BUSINESS MODELS

Until recently, the most common business model applied by the MoA was that of space rental. In 2015, new business models and governance models were suggested to and embraced by the MoA. These models--such as the management contract--allowed the private sector to participate in managing retail and entertainment activities in the archaeological sites and museums, without their intervention with the monuments, collection or excavation sites (being the property of the MoA). This model was adopted in 2018 by awarding Orascom Investment Holding the management contract of the visitors' center at the Great Pyramids of Giza site.

Moreover, in June 2018, the MoA released a pre-qualification document for bidders who are interested to apply for the management of the Grand Egyptian Museum (GEM). A shortlist of five bidders was announced in early 2019 and an RFP is expected to be launched in July 2019. Accordingly, the MoA is now adopting a mixture of two models: a rental model in the majority of the sites (Cairo Museum, Karnak temple, Valley of the Kings, etc.) and management contract model for two sites so far (GEM and Pyramids of Giza), with more sites expected to utilize this newly adopted management contract model in the future.

The adoption of the management contract as a recognized business model by the MoA is a positive sign that the ministry is more receptive to creative ideas and business models that will improve its operating model as well as potentially increase the MoA's revenue. The MoA's receptiveness also opens the door for further involvement of the private sector and the reduction of the ministry's role to its core.

competences, which include restoration, maintenance, excavation, and management of scientific missions in Egypt.¹³

3.2.1 RENT

As noted above, the most common business model applied by the Ministry of Antiquities (MoA) has been the space rental model. In most of its museums and archaeological sites, such as the Cairo Museum, Karnak Temple, and the Valley of the Kings, the MoA rents space for shops, bazaars, and cafeterias. The renters of such spaces are free to exhibit and sell whatever they want, in whichever way they find adequate, without any regulations or standards being imposed by the MoA (which owns this rented space). Space rental rates tend to be low since the spaces themselves are usually unimproved and offer little retail appeal. As a result, these rents typically do not provide the MoA with significant revenues. Moreover, the general nature of the rental contract means that the MoA has little ability or incentive to influence the type or quality of goods and services offered by the renters since there is no sharing with the MoA of revenues or profits captured by the renter. The pros and cons of the rent model are summarized below.

PROS

- Guaranteed revenue to the MoA; and
- Relatively simple to administer.

CONS

- Low rents and little revenue yield to MoA; and
- Encourages a business-as-usual approach, with little incentive to upgrade/professionalize retail outlets to maximize revenue potential.

3.2.2 MANAGEMENT CONTRACT

After the Arab Spring events in 2011, tourism collapsed in Egypt and by 2013 the MoA had lost a significant amount of its income derived from antiquity sites.¹⁴ In 2014, the MoA requested assistance to find alternative sources of revenue to help it overcome the significant revenue loss it had incurred in recent years.

By 2015, new business models, revenue streams, and governance models were being discussed and embraced by the MoA. These models allowed for the participation of the private sector in managing retail and entertainment spaces and activities in the archaeological sites and museums, without their intervention with the monuments, collection or excavation sites themselves (which remain the property and under the control of the MoA). Typically, this type of contract involves a revenue-sharing agreement between the government entity and the private sector. Under this model, non-core functions such as facility operations and management are outsourced for a given period of time to a private sector entity, who may be better

¹³ Another possible business model is a concession agreement, which typically covers a longer 15- to 50-year period and gives the private sector owner-like responsibilities during the period in question for nearly all aspects of site management, operation, investment and revenue generation. Both the GOE and the Egyptian public have expressed skepticism concerning concession agreements since they are frequently seen as ceding too much control to the private sector for too long. They have not been widely utilized in Egypt and are not considered in this report.

¹⁴ Unlike most other GOE ministries, the MoA does not receive a regular budget allocation.

suited than the government to serve these functions.¹⁵ However, this model still preserves government control over the site. The pros and cons of the management contract model are summarized below.

PROS

- Substantial involvement of the private sector;
- Outsources (from the MoA) non-core functions to more experienced entities;
- Better quality of operator compared to individual renters; and
- Likely a more lucrative model for the MoA--since it has little experience in modern management, sales, and marketing.

CONS

- High risk to the operator since tourist traffic is not guaranteed, and overall site quality not ensured;
- The contract may not be awarded in a competitive and transparent manner; and
- The private sector may face high investment costs, especially for larger sites.

As noted above, in 2018 Orascom Investment Holding was awarded the management contract of the visitors' center of the Great Pyramids of Giza site. Moreover, in June 2018, the MoA released a pre-qualification document for bidders who are interested to apply for the management of the Grand Egyptian Museum (GEM). A shortlist of five bidders was announced early 2019 and an RFP is expected to be launched in summer 2019.

Thus the MoA is currently employing a mixture of two models: a rental model in the majority of the sites and management contract model for only two sites so far (GEM and Pyramids of Giza), with more sites expected to be on-boarded to this newly adopted model.

The adoption of the management contract as a recognized business model by the MoA is a positive sign that the ministry is receptive to creative ideas and business models that can improve the effectiveness with which its historic sites are managed and operated, as well as potentially increase MoA's revenues. The MoA's receptiveness to this approach opens the door for further involvement of the private sector and a reduction of the ministry's role to its core competencies, namely the restoration, maintenance, excavation, and management of scientific missions in Egypt.

3.2.3 INCUBATOR MODEL

Given the increasing interest on the part of the GOE in community development and preservation of intangible heritage (particularly crafts), the MoA has been investigating means of community inclusion in projects related to restoration of archaeological sites, especially in Historical Cairo. In this context, the application of an incubator model may make sense even though it has not been utilized by the MoA to date.

¹⁵ Resulting efficiency gains from application of the management contract model are based on the assumption that such contracts are awarded based on a competitive and transparent process.

To a certain extent, the incubator model resembles the management contract. That is, a private sector entity is contracted to manage a tourism facility and carry out non-core MoA functions. But in addition, the holder of the award has additional responsibilities for the vocational and sustainable development objectives associated with the site. Such an approach might be appropriate for some areas, such as along Bab al-Wazir Street and Darb al-Ahmar district more broadly.

A variation of the incubation model would be a management contract that includes incubation activities. The main advantages of this option are to avoid going back to the MoA to approve and legalize new business models, to avoid any additional overheads should the management company subcontract an incubator, and facilitate financial transactions between the management company's different departments/activities (commercial and incubator, in this case). Another major advantage of the incubation model/activity is that it would ideally provide a constant flow of guaranteed high-quality products and highly skilled craftsmen to the management company and the space it manages. This would provide a sustainable development dimension to the project and enhance its positive economic impact on the local community.

PROS

- More lucrative model (compared to rental) to MoA;
- Includes sustainable development and vocational training;
- Involves the community; and
- Provides social, economic and heritage benefits.

CONS

- More complicated than the management contract model and requires a wider range of private sector skills;
- Solid and regular funding for incubator function needed, since incubator activities aimed at fostering and developing local activities (e.g. traditional workshops or coffee shops) may cost more than the extra revenues they yield in the near term;
- High bet on the revenue-sharing model;
- Cannot be relied on as an independent revenue stream; and
- Must be combined with other business models to maximize revenue.

3.3 SITE CHARACTERISTICS AND IMPLICATIONS FOR PRIVATE SECTOR PARTNERING

There are numerous aspects of site complexity, which affect the financial return and risks/uncertainties associated with a site—and thus its appeal to the private sector. The size of the venue or site is one aspect, and the type and number of stakeholders is another. These two aspects have a significant impact not only on the cost of the project and its required investment but also on the duration of the project to be fully functional and the ease of getting business done.

For example, the small size of the Jewel Palace and the fact that it lies within the precinct of the Citadel (and hence under the authority of only one stakeholder, the MoA) make the proposed activity there less complex. It is much easier to get approvals and business done since there is only one stakeholder.

The Bab al-Azab site is much bigger in scale than the Jewel Palace, thus the required investment is likely to be much greater than for the Jewel Palace, and will most probably have to be phased in over several years. However, the site is located entirely within the Citadel and it falls entirely under the authority of the MoA—therefore reducing at least some of the risks and complexities.

Conversely, Bab al-Wazir is the most complex site out of all three for many reasons. First, the site is spread over a one-kilometer long street, which is part of the city of Cairo. Thus there are numerous stakeholders to deal with for different aspects of the project. These include, but are not limited to Cairo Governorate, MoA, Tourism Police, local administration for civil work and related permits, Ministry of Endowments (Waqf), local residents and businesses, etc. Accordingly, the administrative requirements associated with this site are likely to be relatively high, which translates into higher costs and risks faced by the private sector.

From the private sector perspective, another important aspect of any project is how fast a company can go to market and be fully functional from an operational perspective. In the case of the Jewel Palace, this time to market is likely relatively short due to the nature of the restoration work needed and the limited infrastructure work required. Since this is a standalone venue, and to a large extent an autonomous one too, thus one can expect the time required to restore, prepare required infrastructure works, design and implement shops and cafeterias to be relatively short.

On the other hand, Bab al-Azab is a much more difficult site for the private sector to deal with as it is significantly larger and in a much worse state. There are also security concerns that do not exist for the other two sites and which have the potential to significantly delay implementation. The site requires major restoration work, which likely cannot be completed in a year. In fact, restoration work could extend over multiple years depending on the scale of the restoration effort within the overall Bab al-Azab site. This would significantly delay the site reaching its full potential, hence limiting the potential financial return, and obviously extending the payback period.

As noted above, Bab al-Wazir is the most complex site. However, it has a major advantage in that most of the restoration work is complete and some of the required civil work has already been done for a section of the street. Going forward, efforts will need to focus on the sustainable development and urban rehabilitation activities at the site so as to promote community impact and acceptance along the street and more broadly within the Darb el Amar area.

Another factor that differentiates the three sites and has implications for project financial performance, payback, and risk is the size and certainty level associated with the customer base. For example, the number of visitors to the Citadel—both foreign and domestic—is well documented and can be projected

going forward with a relatively high degree of certainty¹⁶. Virtually all of these visitors walk directly in front of the Jewel Palace and are at least potential customers for the Jewel Palace.¹⁷

In contrast, the customer base for Bab al-Azab is much less certain. While the venue is still part of the overall Citadel complex, it is removed from the main visiting area, there is no clear access route, and there are massive uncertainties and unknowns associated with the site.

Similarly, the potential visitor pool for Bab al-Wazir Street is highly uncertain. It depends in part on the status of Bab al-Azab. If that gate was opened, then visitors to the Citadel could readily exit through it and walk to the street nearby. But if the gate remains closed, Citadel visitors would need to be transported by vehicle to Bab al-Wazir Street, a much less appealing option. In this case, access to parking for buses would be an important issue. As mentioned previously, the behavior of tour operators would be critical. Accessing Bab al-Wazir Street via Al-Azhar Park would be another option.

¹⁶ At least in the absence of global or regional economic disruptions, or terrorism events.

¹⁷ In addition to the appeal of the restored Jewel Palace itself, MoA ticketing policies may have an important impact on the number of visitors to the Palace. Requiring visitors to purchase a separate ticket for the Palace may discourage attendance as compared with simply folding the cost of a Jewel Palace visit into the cost of the Citadel “general admission” ticket. Of course, most foreign visitors come to the Citadel via organized tours, and thus tour operators will have a significant “say” concerning how many people visit the Jewel Palace.

4. MODELING PRIVATE SECTOR ENGAGEMENT

For the purpose of this pre-feasibility study, an integrated financial model was constructed for each of the three proposed USAID sites: the Jewel Palace, Bab al-Azab, and Bab al-Wazir Street. Results are reported for a 30-year and a 5-year operational period. Each site is assumed to develop and operate via a specific business model within which the public and private sectors collaborate to maintain cultural tourism destinations and related support services. The Jewel Palace site is assumed to utilize a management contract, while Bab al-Azab and Bab al-Wazir Street could employ an incubator model.

The five year financial reports focus on the attractiveness of the partnership for the management company and the tenants, summarizing the financial flows between the key partners at each site. The stakeholders include the GOE (as represented by the MoA), a private sector company with lead responsibility for managing/administering the site and delivering cultural tourism services, and smaller private sector entities that operate shops, restaurants, galleries and the like under the auspices of the private sector company. The model includes USAID as a donor that contributes to the restoration costs through a grant. Modeling results will indicate whether or not partnering with the private sector at these sites is a viable approach under what the team judges to be the most reasonable base-case assumptions. In this case, a viable approach is one that is profitable (i.e. with a positive net present value) for all participants. The thirty year results provide a better measure of feasibility from the total investment point of view.¹⁸

As noted above, it is important to keep in mind that the financial modeling results presented here are preliminary in nature and necessarily reflect a large number of assumptions. Every effort has been made to make these assumptions as “realistic” as possible. But uncertainties and unknowns abound, and as a general rule, model assumptions were kept conservative so as to avoid coming up with overly positive financial results. The restoration costs, in particular, were not available to the team due to procurement sensitivity. The study, therefore, calculates the “justified investment” as a feasibility criteria for each site. The justified investment is the maximum cost of restoration at which the project is still financially viable from the total investment point of view.

4.1 MODELING CALCULATIONS

To assess the financial feasibility of utilizing a public-private partnership to promote the adaptive reuse of each of the three project sites, an integrated pre-feasibility model was constructed and run for each project to forecast the costs and revenues for each stakeholder. The models include a range of costs, benefits, and transfers. Transfers are payments paid from one stakeholder in the financial model to another. The table below lists the costs, benefits, transfers, and stakeholders that are included in the integrated financial model.

¹⁸ More details on the financial models used in this study can be found in the spreadsheet that accompanies this report.

TABLE 4: COST, BENEFITS, AND TRANSFERS IN THE FINANCIAL MODEL

	IMPACT	MGMT	MOA	USAID	TENANT
Benefits	Ticket Sales Revenue		✓		
	Retail Revenue				✓
	F&B Revenue				✓
	Events Revenue	✓			
	Other Revenue (Sponsorship, Licensing, etc.)	✓			
	Residual Value of Investments	✓			
Costs	Restoration Cost		✓		
	Retail Cost	✓			✓
	Food & Beverage Cost	✓			✓
	Events Cost	✓			
	Other Cost	✓			
Transfers	Revenue Sharing (Tenant to MGMT)	+			-
	Revenue Sharing (MGMT to MoA)	-	+		
	Rental Payments	+			-
	Grant			+	-

The integrated approach to the construction of the pre-feasibility models enables the team to capture the complex relationship among different project stakeholders and quantify the trade-offs under alternative scenarios. The pre-feasibility models reports the following criteria:

- Ministry of Antiquities Net Present Value (NPV)¹⁹;
- Management Company NPV;
- Tenant NPV;
- Project NPV (Combination of all project stakeholders).
- Payback Period (Project)²⁰
- “Justified” Investment (Project)²¹

These criteria, where required, are calculated and reported by the team using a 12% real discount rate. The model uses the Egyptian Pound (EGP) as the currency. Historical data on inflation rate are used for forecasting market prices over the analysis period. The analysis typically calculates outputs in “current” terms, which means that the value of future costs and benefits are calculated under the assumption that the nominal price of cost and benefits year by year in the future will rise and fall in proportion to the price index. The final cash flow statements are converted to real prices before applying the real discount rate for the estimation of NPV and other investment criteria. More details on the methodology and calculations can be found in the spreadsheet that accompanies this report.

4.2 BASELINE SCENARIO ASSUMPTIONS

TICKET PRICE

Ticket price is a key determinant of revenue for the sites considered in our pre-feasibility model. However, the value of ticket prices could vary significantly depending on how the project is implemented and the expectations around demand. It is helpful therefore to consider a number of possible scenarios for price to account for a range of likely outcomes. In our baseline calculations for the Jewel Palace and Bab al-Azab projects, we assume that additional charges of 20 EGP for the Palace and 20 EGP for the Gate will be added to the Citadel admission fee for all foreign visitors. For local visitors, the addition to the local ticket price will be 10 EGP for each site. This is roughly 25% increase to the current foreign ticket price of 160 EGP (daytime), which is unlikely to significantly reduce the number of tickets purchased, especially if a new attraction is added to the citadel visit.²²

¹⁹In general, NPV = present value of discounted revenues - present value of discounted costs over the relevant project lifetime. A positive NPV indicates that an activity or investment is “profitable” from a specific stakeholder’s perspective.

²⁰ The number of years required for the discounted benefits of the project to exceed the discounted costs.

²¹ The highest investment cost that still generates a non-negative Net Present Value.

²² Price Elasticity of demand should be further studied to during the planning of any of these projects in order to optimize the net benefits.

ANNUAL VISITORS (CITADEL)

When it comes to modeling the three proposed USAID sites, the most important assumption relates to the number of visitors since the economic activity at a site and resulting revenues are positively related to visits. The number of foreign and local visitors to the Citadel can be estimated for recent years--amounting to roughly 205,000 and 595,000 respectively in 2018.²³ It is, therefore, relatively straightforward to estimate the number of potential visitors to the Jewel Palace, but less so for the Bab al-Azab due to its remoteness from the upper level of the Citadel where virtually all tourists arrive, and the many uncertainties associated with the Gate. There is little available data on current tourist visits to Bab al-Wazir Street. If Bab al-Azab is opened, then there will be a direct path from the upper Citadel to the street and one can make a reasonable assumption that some small to moderate fraction of Citadel visitors continue onto the street. If the gate is not open, then the assumption concerning visitors to the street becomes more arbitrary.

RESTORATION COSTS AND GRANT

The cost of restoration for the Jewel Palace is currently being studied by an engineering team contracted by USAID. In our model, we have used 100,000,000 EGP as an estimate (approximately 6.1 million USD in 2019). However this is mainly a placeholder until more accurate values can be estimated. Obviously, with inaccurate cost numbers, NPV calculations are directly affected. For this reason we also consider the “Justified” Investment (Project) criterion, which is unaffected by our estimate for the restoration cost. The same restoration cost of 100,000,000 EGP is assumed for all sites. It also assumed that USAID will pay 80% of the restoration cost to MoA as a grant.

CITADEL TO SITE CONVERSION RATE

The percentage of Citadel visitors who attend each site will define the number of tickets purchased, as well as determine revenue for retail, food, and beverage sales. In the baseline scenario, we have assumed that the cost of admission to the Palace is non-optionally added to the price of admission for the Citadel. The conversion rate between Citadel to the Palace is therefore assumed equal to 100 percent in the starting scenario, although the model can calculate outputs for lower conversion rates as well if necessary. The conversion rate might be much lower in scenarios where visitors have the option to buy a ticket to the palace separately from their Citadel ticket, which is considered in the sensitivity analysis. Similarly for the Bab al-Azab Gate, we assume the cost will be added to the cost of a Citadel ticket, meaning that a 100% conversion rate between the Citadel in general and the Gate is assumed. However, for the Bab al-Wazir street project, it does not make sense to assume all Citadel visitors would purchase a ticket to visit the monuments on the street. We have assumed a much smaller percentage, 10%, for Bab al-Wazir in the model.

²³ Based on recent historical data, the annual number of tourists (both foreign and local) visiting the Citadel in a given year typically equals about seven percent of total foreign tourist arrivals in Egypt in that year. According to Ministry of Tourism data, there were approximately 11.376 million tourist arrivals in Egypt in 2018. Thus there were an estimated 800,000 tourist visits to the Citadel in 2018. Roughly 75 percent of visitors to the Citadel were Egyptian, while the remaining 25 percent were foreign.

REAL DISCOUNT RATE

The real discount rate is meant to account for investor's time preference for money, as well as a risk premium for the project. In our calculations, we use a real discount rate of 12%, as is typical for USAID cost benefit analyses.

REVENUE SHARING

In our model, we assume that the management company pays a percentage of its revenue to the Ministry of Antiquities and that the tenants of the shops and eating establishments pay a percentage of their revenue to the management company. The percentage of revenue paid by the management company to the Ministry is set at 50% in the baseline scenario. We further assume that the tenants will pay 20% of their revenue to the management company in the baseline scenario, though other values are conceivable, and sensitivity analysis of revenue shares will be used to improve our understanding of the incentives for each stakeholder.

NUMBER OF TENANT BUSINESSES EMBEDDED

The number of businesses that will operate in each site will directly impact investment costs, as it will cost more to add additional commercial space. In a less direct sense, more businesses could mean more revenue, though this relationship is not reflected in the model. The model assumes that the total purchases from tenants is a function of the number of visitors, not the number of tenants. When a site has been chosen for a more thorough feasibility study, it will be necessary to conduct a more detailed study of the optimal numbers for both.

CUSTOMERS/ SPENDING ASSUMPTIONS

The revenue of (Shops, Cafes, Restaurants) is a function of both the number of site visitors who patronize a business, and the average spending of each customer. These are difficult parameters to estimate, given that they will depend on the overall quality of the establishments and their foods/merchandise, the spending habits of visitors, and the way businesses are integrated into the adaptive reuse of each site. For baseline calculations, we assume that there could be one shop and one cafe installed into the Jewel Palace and Bab al-Azab Sites. Bab al-Azab could also have a larger restaurant for seated meals. The street would likely have more facilities

The baseline assumptions for key parameters are shown below in Figure 12 and 13.

TABLE 5: GENERAL ASSUMPTIONS (ALL SITES BASELINE)	
Egyptian Citadel Visitors , Y0	550,000
Foreign Citadel Visitors , Y0	250,000
Visitation Increase Per Year	3%
Real Discount Rate	12%
% of Revenue Kept by Tenant	80%
% of Revenue kept by MGMT	50%

TABLE 6: KEY ASSUMPTIONS BY SITE - BASE SCENARIOS

INPUT/ASSUMPTION	JEWEL PALACE	BAB EL AZAB (GATE)	BAB EL WAZIR (STREET)
Length of investment (years)	1	1	2
Length of operation (years)	30	30	30
Tickets sold (% of Citadel Traffic)	100%	100%	10%
USAID Grant	£80,000,000	£80,000,000	£80,000,000
Restoration Cost	£100,000,000	£100,000,000	£100,000,000
Price (Foreigners)	£20	£20	£20
Price (Egyptians)	£10	£10	£10
# of Shops	1	1	4
# of Cafes	1	1	2
# of Restaurants	0	1	1

4.3 BASELINE RESULTS

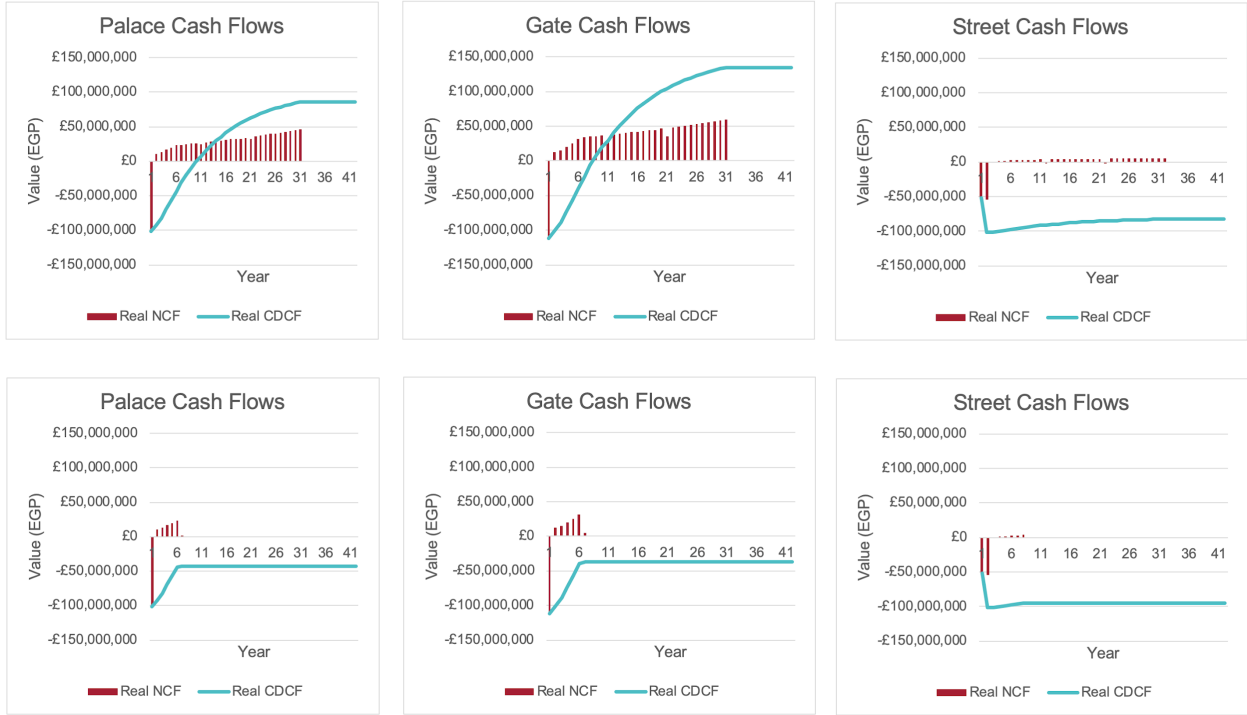
TABLE 7: BASELINE RESULTS

£: EGP	30 YEARS OF OPERATION			5 YEARS OF OPERATION		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£12,352,340	£9,111,460	-£5,868,651	£2,494,408	-£3,091,384	-£4,317,590
Tenant NPV	£35,492,054	£75,148,559	-£5,001,798	£5,245,367	£14,449,055	-£3,954,778
MOA NPV	£117,865,595	£130,675,775	£4,037,268	£29,146,380	£31,447,817	-£10,403,541
USAID NPV	-£80,000,000	-£80,000,000	-£75,714,286 ²⁴	-£80,000,000	-£80,000,000	-£75,714,286
Investment NPV	£85,709,988	£134,935,794	-£82,547,466	-£43,113,844	-£37,194,512	-£94,390,195
Payback Period	10 Years	8 Years	Never	Never	Never	Never
Justified Investment	£185,709,988	£234,935,794	£17,452,534	£56,886,156	£62,805,488	£5,609,805

²⁴ Assuming that the grant will be paid in equal installments over two years

The real net cash flow (NCF) and cumulative discounted cash flow (CDCF) from the investment point of view for each site under the 30-year and 5-year time horizons are presented in the figures below.

Figure I: NCF and CDCF from Investment Point of View (30-year and 5-year time horizons)



4.3.1 JEWEL PALACE BASELINE RESULTS

The NPV for both Management and Tenant is positive over the 30 year timespan, as well as the 5 year span. This indicates that the private sector stakeholders have the correct financial incentives to participate, under the assumptions of the model.

The other NPVs should be considered slightly differently. The model currently uses an assumed restoration cost of 100,000,000 EGP as a placeholder until more accurate numbers are known. This has a significant impact on the MoA and project NPV calculation, which is why we consider the slightly more informative metric of “justified” investment. The justified investment metric allows us to assess what investment value leads to the project “breaking even”, so that the discounted net benefits are zero. Investment costs above this will lead to negative net benefits and values below this will lead to positive benefits. The justified investment criteria under the basic assumption is roughly 185 million EGP, which means any investment greater than this would not be justified by our model with the same basic assumption in place. If investment exceeds this amount, other revenues will need to increase (or costs decrease) for the net present value of the project to be non-negative.

With an assumed 100,000,000 EGP investment, the payback period for the overall project is roughly ten years. All decision criteria are calculated in the dashboard of the model, so that users can adjust inputs and see how the corresponding calculations update.

The ministry enjoys the majority of the benefits, primarily because they receive 100 percent of ticket revenue and a share of management revenue without paying most of the costs associated with the operation of the palace. The management company and the tenants also earn positive net benefits (or revenues). However, these are significantly lower. If stakeholders are not satisfied with this division of benefits, it may be possible to modify the shares of revenue transferred between stakeholders so as to create a more equitable distribution of the NPV benefits among the various stakeholders—especially since the private sector is incurring most of the investment risk.

The following table provides more details concerning the value of costs, benefits, and transfers associated with the base case Jewel Palace project. Notice that for the MoA, the primary source of benefits is ticket sales. Even when taking a 50 percent share of the management company's revenue, the MoA still obtains more than 75 percent of its revenue from the sale of tickets. The largest benefits for the Management company are the event revenue and the transfer from tenants. The largest costs are the transfer to the MoA and “Other Costs” which is primarily composed of sales team salaries.

TABLE 8: JEWEL PALACE COSTS, BENEFITS, AND TRANSFERS BY STAKEHOLDER - BASE SCENARIO 30-YEAR

	ALL	MOA	MGMT	TENANTS	USAID
Benefits					
B1. Jewel Palace Ticket Revenue	£109,674,607	£109,674,607	£0	£0	£0
B2. Jewel Palace Retail Revenue	£73,104,100	£0	£0	£73,104,100	£0
B3. Jewel Palace F&B Revenue	£16,825,800	£0	£0	£16,825,800	£0
B4. Jewel Palace Event Revenue	£30,340,813	£0	£30,340,813	£0	£0
B5. Jewel Palace Other Revenue	£8,055,184	£0	£8,055,184	£0	£0
B6. Residual Value of Depreciated Assets	£0	£0	£0	£0	£0
Costs					
C0. Jewel Palace Restoration Cost	£100,000,000	£100,000,000	£0	£0	£0
C1a. Jewel Palace Retail Cost (MGMT)	£1,911,477	£0	£1,911,477	£0	£0
C1b. Jewel Palace Retail Cost (Tenant)	£22,511,203	£0	£0	£22,511,203	£0
C2a. Jewel Palace F&B Cost (MGMT)	£1,618,964	£0	£1,618,964	£0	£0
C2b. Jewel Palace F&B Cost (Tenant)	£6,207,687	£0	£0	£6,207,687	£0
C3. Jewel Palace Event Cost	£9,102,244	£0	£9,102,244	£0	£0
C4. Jewel Palace Other Costs	£10,938,940	£0	£10,938,940	£0	£0
Transfers					
T1. Revenue Sharing Tenant and Management	£17,985,980	£0	£17,985,980	-£17,985,980	£0
T2. Revenue Sharing Management and MoA	£28,190,988	£28,190,988	-£28,190,988	£0	£0
T3. Rent	£7,732,977	£0	£7,732,977	-£7,732,977	£0
T4. USAID Grant	£80,000,000	£80,000,000	£0	£0	-£80,000,000
TOTAL	£85,709,988	£117,865,595	£12,352,340	£35,492,054	-£80,000,000

4.3.2 BAB AL-AZAB BASELINE RESULTS

For the 30-year analysis, the NPVs for private partners are positive, which would justify activities at the gate if the assumptions of the baseline scenario are deemed to be generally accurate.²⁵ The management share of benefits is, however, quite low. A long time horizon is needed for the management company to recoup its investment. This concept is illustrated by comparing the management NPV for the 30-year analysis with 5-year analysis. The NPV for management is negative for the shorter time horizon. This is an important consideration when designing the partnership models for the gate since it suggests that from the management company's perspective the investment in the Gate may not be appealing.

TABLE 9: BAB EL AZAB COSTS, BENEFITS, AND TRANSFERS BY STAKEHOLDER - BASE SCENARIO 30-YEAR

	ALL	MOA	MGMT	TENANTS	USAID
Benefits					
B1n. Bab al-Azab Ticket Revenue	£109,674,607	£109,674,607	£0	£0	£0
B2. Bab al-Azab Retail Revenue	£100,544,920	£0	£0	£100,544,920	£0
B3. Bab al-Azab F&B Revenue	£71,317,295	£0	£0	£71,317,295	£0
B4. Event Revenue	£31,358,316	£0	£31,358,316	£0	£0
B5. Bab al-Azab Incubator Revenue	£161,209	£0	£161,209	£0	£0
B6. Bab al-Azab Commercial Rental Revenue	£0	£0	£0	£0	£0
B7. Bab al-Azab Other Revenue	£16,110,368	£0	£16,110,368	£0	£0
B8. Residual Value of Depreciated Assets	£0	£0	£0	£0	£0
Costs					
C0. Bab al-Azab Restoration Cost	£100,000,000	£100,000,000	£0	£0	£0
C1a. Bab al-Azab Retail Cost (MGMT)	£1,618,964	£0	£1,618,964	£0	£0
C1b. Bab al-Azab Retail Cost (Tenant)	£30,743,449	£0	£0	£30,743,449	£0
C2a. Bab al-Azab F&B Cost (MGMT)	£14,570,680	£0	£14,570,680	£0	£0

²⁵ As mentioned previously, there is a very high degree of uncertainty associated with many of the assumptions that go into the Bab al-Azab models. The site is currently largely in ruins, its potential for adaptive reuse is unclear, as is the number of potential visitors.

C2b. Bab al-Azab F&B Cost (Tenant)	£31,597,764	£0	£0	£31,597,764	£0
C3. Bab al-Azab Events Cost	£9,407,495	£0	£9,407,495	£0	£0
C4. Bab al-Azab Other Costs	£2,983,756	£0	£2,983,756	£0	£0
C5. Incubator Costs	£3,308,813	£0	£3,308,813	£0	£0
C6. Commercial Rental Costs	£0	£0	£0	£0	£0
Transfers					
T1. Revenue Sharing Tenant and Management	£34,372,443	£0	£34,372,443	-£34,372,443	£0
T2. Revenue Sharing Management and MoA	£41,001,168	£41,001,168	-£41,001,168	£0	£0
T3. Rent	£0	£0	£0	£0	£0
T4. USAID Grant	£80,000,000	£80,000,000	£0	£0	-£80,000,000
Total (Costs-Benefits+Transfers)	£134,935,794	£130,675,775	£9,111,460	£75,148,559	-£80,000,000

4.3.3 BAB AL-WAZIR BASELINE RESULTS

The baseline scenario results for Ba al-Wazir are not very encouraging, primarily as a result of the low numbers of visitors, which impacts ticket revenue, retail revenue, and food and beverage revenue. With an assumed investment cost of 100,000,000 EGP all stakeholders see negative NPVs for the 30 year timeframe, as do private sector stakeholders for the 5 year timeframe mainly because customer levels are not sufficient to recoup investments. The justified investment calculation indicates that only a small investment would break even, which seems unlikely to cover the necessary work on the street.

TABLE 10: BAB EL WAZIR COSTS, BENEFITS, AND TRANSFERS BY STAKEHOLDER - BASE SCENARIO 30-YEAR

	ALL	MOA	MGMT	TENANTS	USAID
Benefits					
B1. Bab al-Wazir Ticket Revenue	£10,160,005	£10,160,005	£0	£0	£0
B2. Bab al-Wazir Retail Revenue	£10,828,715	£0	£0	£10,828,715	£0
B3. Bab al-Wazir F&B Revenue	£7,130,685	£0	£0	£7,130,685	£0
B4. Bab al-Wazir Event Revenue	£14,560,284	£0	£14,560,284	£0	£0
B5. Bab al-Wazir Other Revenue Sources	£7,192,129	£0	£7,192,129	£0	£0

B6. Bab al-Wazir Incubator Revenue	£35,163	£0	£35,163	£0	£0
B7. Bab al-Wazir Rental Revenue	£232,213	£0	£232,213	£0	£0
B8. Residual Value of Depreciated Assets	£0	£0	£0	£0	£0
Costs					
C0. Bab al-Wazir Restoration Cost	£94,642,857	£94,642,857	£0	£0	£0
C1a. Bab al-Wazir Shop Cost (MGMT)	£2,085,874	£0	£2,085,874	£0	£0
C1b. Bab al-Wazir Shop Cost (Tenant)	£5,319,948	£0	£0	£5,319,948	£0
C2a. Bab al-Wazir F&B Cost (MGMT)	£5,264,183	£0	£5,264,183	£0	£0
C2b. Bab al-Wazir F&B Cost (Tenants)	£6,799,705	£0	£0	£6,799,705	£0
C3. Bab al-Wazir Event Cost	£4,368,085	£0	£4,368,085	£0	£0
C4. Other Cost	£10,079,965	£0	£10,079,965	£0	£0
C5. Incubator Costs	£3,744,176	£0	£3,744,176	£0	£0
C6. Commercial Rental Costs	£381,868	£0	£381,868	£0	£0
Transfers					
T1. Revenue Sharing Tenant and Management	£3,591,880	£0	£3,591,880	-£3,591,880	£0
T2. Revenue Sharing Management and MoA	£12,805,834	£12,805,834	-£12,805,834	£0	£0
T3. Rent	£7,249,666	£0	£7,249,666	-£7,249,666	£0
T4. USAID Grant	£75,714,286	£75,714,286	£0	£0	-£75,714,286
Total (Costs-Benefits+Transfers)	-£82,547,466	£4,037,268	-£5,868,651	-£5,001,798	-£75,714,286

4.4 SENSITIVITY ANALYSIS

4.4.1 VISITOR CONVERSION FROM CITADEL

In the base case, the model assumes that 100% of the visitors to the citadel will purchase a ticket that includes the Palace and the Gate. For the Street, the model assumes that only 10% of the citadel visitors will purchase a ticket to visit the street. The sensitivity of the results to these assumptions are illustrated in the table below, where the conversion changes from 100% for the Palace and the Gate, and 10% for the Street, to 50% across all sites. These results assume a 30 year operational life.

TABLE 11: SENSITIVITY ANALYSIS FOR VISITOR CONVERSION RATES (30 YEARS)						
£: EGP	30 YEARS OF OPERATION - CONVERSION: 100% PALACE & GATE - 10% STREET			30 YEARS OF OPERATION - CONVERSION: 50% ALL SITES		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£12,352,340	£9,111,460	-£5,868,651	£7,855,845	£518,349	£1,315,109
Tenant NPV	£35,492,054	£75,148,559	-£5,001,798	£13,009,579	£32,183,005	£30,917,003
MOA NPV	£117,865,595	£130,675,775	£4,037,268	£58,531,796	£67,245,361	£51,861,048
USAID NPV	-£80,000,000	-£80,000,000	-£75,714,286	-£80,000,000	-£80,000,000	-£75,714,286
Investment NPV	£85,709,988	£134,935,794	-£82,547,466	-£602,780	£19,946,716	£8,378,875
Payback Period	10 Years	8 Years	Never	Never	18 Years	25 Years
Justified Investment	£185,709,988	£234,935,794	£17,452,534	£99,397,220	£119,946,716	£108,378,875

The same test is conducted in the table below for a 5-year operational window.

TABLE 12: SENSITIVITY ANALYSIS FOR VISITOR CONVERSION RATES (5 YEARS)						
£: EGP	5 YEARS OF OPERATION - CONVERSION: 100% PALACE & GATE - 10% STREET			5 YEARS OF OPERATION - CONVERSION: 50% ALL SITES		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£2,494,408	-£3,091,384	-£4,317,590	£1,545,950	-£4,794,703	-£2,475,923
Tenant NPV	£5,245,367	£14,449,055	-£3,954,778	£503,075	£5,932,462	£5,253,554
MOA NPV	£29,146,380	£31,447,817	-£10,403,541	£7,874,862	£9,421,439	£6,605,812
USAID NPV	-£80,000,000	-£80,000,000	-£75,714,286	-£80,000,000	-£80,000,000	-£75,714,286
Investment NPV	-£43,113,844	-£37,194,512	-£94,390,195	-£70,076,113	-£69,440,803	-£66,330,843
Payback Period	Never	Never	Never	Never	Never	Never
Justified Investment	£56,886,156	£62,805,488	£5,609,805	£29,923,887	£30,559,197	£33,669,157

The results presented above demonstrate that changes in visitor conversion rates can have significant impacts of the financial results that various stakeholders experience.

4.4.2 SHARE OF REVENUE KEPT BY MGMT

The share of management revenue passed to MoA is a transfer and does not affect the NPV from the total investment perspective. However, this revenue share percentage can affect the viability of the investment from the perspective of the management company or the MoA. This sensitivity is tested for each site in the table below. Please note that this test is only illustrated for 5 years of operation.

TABLE 13: SENSITIVITY ANALYSIS FOR REVENUE SHARE (5 YEARS)						
£: EGP	5-YEAR OF OPERATION - % OF MGMT REVENUE TO MOA: 50%			5-YEAR OF OPERATION - % OF MGMT REVENUE TO MOA: 20%		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£2,494,408	-£3,091,384	-£4,317,590	£7,594,565	£3,389,635	-£1,716,727
MOA NPV	£29,146,380	£31,447,817	-£10,403,541	£24,046,224	£24,966,798	-£13,004,404

4.4.3 VISITATION INCREASE PER YEAR

The model assumes a 3% annual increase in the number of Citadel visitors. The sensitivity of the results to this assumption is illustrated in the table below. As expected, if the number of Citadel visitors increases more rapidly or less rapidly than assumed in the base case then the financial returns to the various stakeholders improve or worsen respectively.

TABLE 14: SENSITIVITY ANALYSIS FOR GROWTH OF CITADEL VISITORS (30 YEARS)						
£: EGP	30 YEARS OF OPERATION - 3% ANNUAL INCREASE IN VISITORS			30 YEARS OF OPERATION - 0% ANNUAL INCREASE IN VISITORS		
	PALACE	GATE	STREET	PALACE	GATE	STREET
MGMT NPV	£12,352,340	£9,111,460	-£5,868,651	£9,838,903	£4,257,299	-£6,387,708
Tenant NPV	£35,492,054	£75,148,559	-£5,001,798	£22,924,870	£50,877,752	-£7,597,083
MOA NPV	£117,865,595	£130,675,775	£4,037,268	£89,556,218	£100,025,674	£917,355
USAID NPV	-£80,000,000	-£80,000,000	-£75,714,286	-£80,000,000	-£80,000,000	-£75,714,286
Investment NPV	£85,709,988	£134,935,794	-£82,547,466	£42,319,992	£75,160,724	-£88,781,721
Payback Period	10 Years	8 Years	Never	12 Years	9 Years	Never
Justified Investment	£185,709,988	£234,935,794	£17,452,534	£142,319,992	£175,160,724	£11,218,279

4.5 MODELING NOTES AND CONCLUSIONS

- Modeling results under conservative baseline assumptions suggest that the Jewel Palace can be managed by a financially sustainable public-private partnership that benefits all major stakeholders.

From the thirty year perspective, the Jewel Palace project generates a positive net project financial impact for key stakeholders. For shorter time horizons (e.g. 5 years), the private sector cash flows could be viable (or positive) under conservative assumptions.

- For the Gate and under the baseline modeling scenario, which would use only a fraction of the total space available, commercial operations might be sustainable in this area. However, the prospect of partnership with a management company (MGMT) is less attractive compared to the Palace, in the short-run (5 years).
- Since the street does not share a similar monumental status as the palace or the gate, it is expected that the number of visitors to the street to be a fraction of the total visitors to the Citadel. Thus the street's revenue generation potential through tickets and/or related services is likely to be significantly less than the other two sites. Unlike the other two sites, the model assumes that only 10% of the Citadel's visitors would include the Street in their visit. The results for the five and thirty year modeling are, therefore, unattractive compared to the other sites.
- The model highlights important considerations related to planned developments at the three sites. The final recommendations, however, suffers from lack of reliable data and must not be considered as the final basis for judgement.
- The NPV of financial benefits associated with the proposed projects is estimated in this report as the aggregate of net financial impacts for the various financial stakeholders. Except under restrictive assumptions, the NPV of financial benefits is not the same as the NPV of economic benefits.
- The market for cultural tourism activities in Cairo does appear to be "zero-sum". That is, the development of any of the three activities under consideration by USAID should not significantly divert tourists from other existing tourism sites.

5. OTHER FACTORS

5.1 SITE PROS AND CONS

There are a number of other factors that should be considered beyond the financial feasibility results when deciding whether to invest in any of the sites. The following table lists some of the pros and cons of investments at each site that are not captured in our model.

TABLE 15: PROS AND CONS OF EACH SITE CHOICE			
	PALACE	GATE	STREET
Pros	<ul style="list-style-type: none"> -Relatively straightforward and uncomplicated—few stakeholders -Cost studies already underway by USAID engineers mean better data availability -A relatively small investment can act as a proof of concept for a more ambitious project (street, gate, etc.) -Asset already exists, simply need to restore it and charge for tickets 	<ul style="list-style-type: none"> -Can link Citadel to historic Cairo -Large area means high potential for scale-up if an initial pilot is successful -Large potential customer base 	<ul style="list-style-type: none"> -Can significantly impact the lives of citizens in Darb al-Ahmar -Can fill a gap: Provides “authentic” taste of Cairo that might be lacking in more traditional tourist sites -Potentially good night time attraction, which tour agencies are looking for -Productive partnership opportunity with other institutions may exist
Cons	<ul style="list-style-type: none"> -Not likely to significantly impact stakeholders outside the Citadel 	<ul style="list-style-type: none"> -Level of MoA support is unclear -Large area means high potential costs, long implementation time, and generally undefined project -Second access point to Citadel poses security and logistics challenges -Numerous failed attempts indicate the challenges of work in the area 	<ul style="list-style-type: none"> -A highly complex implementation that would require the support of many stakeholders—consider forming a steering committee or equivalent made up of officials from key Government entities -May be redundant if other donor funded projects move beyond the pilot phase -Potential to impact residents of the street negatively via gentrification or vehicle ban

5.2 ECONOMIC CONSIDERATIONS

The modeling results presented above suggest that, under the 30-year and 5-year base case assumptions, the Jewel Palace project demonstrate positive financial NPVs from all perspectives. However, the base case NPV for the management company under a 5-year horizon is negative for the Gate. At Bab al-Wazir Street, based on very conservative assumptions, NPVs are negative for all stakeholders under both time horizons.²⁶

²⁶ The team would like to emphasize once more that the uncertainties and risks associated with the Bab al-Azab project are extremely high at this point.

But what about the economic justifications for the three proposed activities? While the team was not formally tasked with addressing this issue, it can provide some informed observations. First, it is clear that the financial revenues estimated for the three projects do not provide a reasonable estimate of the full economic benefits resulting from the projects. In many cases, project visitors buying tickets might actually be willing to pay more if required to gain access to the sites. This difference between what one is required to pay for a good or service and what one is willing to pay is called consumer surplus, and in theory, one would need to add such consumer surplus benefits to ticket revenues to come up with a fuller measure of the economic benefits associated with actual visits to the sites. There may also be other types of economic benefits associated with the restored sites. For example, it is often argued that people not actually visiting the restored site at present may benefit from it since the restoration keeps open their option to visit it at some point in the future—the so-called option value. Others may simply benefit from the knowledge that the restored site exists even if they have no immediate plan to visit it. While some of these concepts may seem esoteric, the fact remains that the economic benefits associated with the three projects are virtually certain to exceed the estimates of the financial revenues coming out of the modeling exercise.

Another approach to estimating economic benefits involves looking at what happens to property values in the vicinity of a project. For example, if the Bab al-Wazir project makes the street a more desirable place to live, work, or run a business then rents and property values along the street and in surrounding areas would likely rise. When aggregated, these rising values could provide a proxy for the total economic benefits associated with the Bab al-Wazir project. In fact, there is considerable evidence that cultural preservation activities do significantly enhance neighboring property values.²⁷ Anecdotal data and information collected by the team suggest that property prices and rents in the areas near al-Moezz Street and Al-Azhar Park, both of which are recently developed/restored tourist attractions, have increased significantly relative to prices and rents in other comparable areas.

5.3 SUBSTITUTE OR ADDITIVE

Another issue that the pre-feasibility study team grappled with is whether the proposed activities might divert tourists from other already existing activities or if they would result in net additional tourist visits and spending. That is, would the new tourism activities substitute for existing ones or be additive to them? This question was posed to a number of tour operators and their responses strongly suggested that the proposed new activities should be considered as additions to existing tourist activities. Specifically, operators were consistent in saying that they needed more high quality tourist activities in Cairo—especially those suitable for evening hours. Thus the economic and financial benefits associated with the palace, gate, and street are considered as additional to those generated by other already existing tourism activities in Cairo.

²⁷ See the World Bank's "The Economics of Uniqueness: Investing in Historic City Cores and Cultural Heritage Assets for Sustainable Development" for a more detailed discussion of both methodologies estimating the economic benefits associated with cultural tourism activities and empirical results.

6. CONCLUSION AND RECOMMENDATIONS

This document has detailed the results of a pre-feasibility study of three sites in Historic Cairo, which offer the potential for the adaptive re-use of historical monuments and to expand cultural tourism opportunities that are both sustainable and contribute to local communities.

The private sector is more likely to have the vision, expertise, and resources needed to redevelop these sites. However, it will willingly partner with the GoE towards this end only if the returns it can expect to earn are adequate. For this reason, the Mission requested a pre-feasibility study (this report) aimed at better understanding the financial feasibility of partnerships to develop the three proposed cultural tourism sites.

The key conclusions and recommendations reached in this pre-feasibility study are as follows:

- All three sites offer significant cultural tourism potential but are characterized by differing degrees of complexity, uncertainty, community impact, and financial risk.
- While there is no single site that is superior in all aspects, the Jewel Palace does benefit from what are assumed to be relatively simple restoration requirements, a close-to-guaranteed customer base, and the fact that there is a single key Government stakeholder. Modeling results suggest that adaptive reuse activities overseen by a management contract have the potential to generate positive financial returns for all key parties.
- The other two sites, Bab al-Azab and Bab al-Wazir Street, have tremendous cultural tourism potential—likely exceeding that of the Palace—but are characterized by significantly larger scope, more stakeholders, and greater uncertainty that make private-sector investments in either site highly risky. There are a huge number of unknowns associated with Bab al-Azab, and the financial returns to private investments in Bab al-Wazir Street appear to be negative under baseline assumptions.
- The most important single factor impacting the financial viability of private investment in the three sites is the number of visitors. Some factors that influence the potential number of visitors at the three sites are exogenous to any efforts to develop these three sites. For example, the Jewel Palace is located close to the main entrance to the Citadel. That is good for attendance at the Palace. In contrast, Bab al-Wazir Street is currently not conveniently reached from the Citadel, which discourages tourists' visits²⁸. But other factors that are likely to affect the number of tourist visits can be influenced more by the projects themselves. For example, if the Jewel Palace becomes a museum then the quality of the exhibits in the museum will likely have a significant impact on attendance. The same is true for the quality and convenience of Bab al-Wazir Street's infrastructure and the appeal of shops located along it. Ticketing strategies and specific prices will also be important. Finally, an important factor that projects can influence to some extent is their relationship with tour operators. These operators control the visits of most foreign tourists, and

²⁸ Opening Bab al-Azab or actively partnering with Al-Azhar Park could help mitigate this problem.

it will be important to engage with them early on to make sure that their needs and preferences are accounted for during site development.

- Finally, the preliminary modeling results presented in this study suggest that there likely are opportunities for the public and private sector to work together towards the development of new cultural tourism sites in Historic Cairo. However, making such partnerships actually work in practice will require careful efforts to ensure that policies and incentives align so that stakeholders work collaboratively and effectively towards this common goal.

ANNEX I: ACTORS

AI.1 USAID MISSION

“USAID programs are designed in coordination with Egyptians to create sustainable prosperity.”²⁹

Tourism is a key cornerstone of the Egyptian economy, in most years accounting for 10 percent or more of GDP and employment and serving as a major source of foreign exchange earnings. Over the past 25 years, USAID/Egypt has programmed more than \$100 million to support the conservation of important sites and monuments. These antiquities are not only the crown jewels of Egypt’s cultural heritage, but also constitute a good part of its cultural capital which, under the right circumstances, can be leveraged to create sustainable growth and jobs. To date, USAID/Egypt’s tourism-related activities have focused on:

1. Conservation and preservation activities relating to antiquities (including capacity building);
2. Promotion of sustainable tourism and improved management of natural resources along Egypt’s Red Sea coast—the site of much of Egypt’s “sun and surf” tourism, and;
3. Groundwater lowering activities aimed at protecting ancient monuments.

Going forward, USAID/Egypt’s tourism activities will likely focus on enhancing Egypt’s competitiveness as a tourism destination by, among other things, working with the GOE and other stakeholders to develop high quality and yield cultural tourism destinations and products—especially by partnering with the private sector. See Annex 5 (Cultural Tourism Development in Egypt RFI) for more details.

AI.2 GOVERNMENT ENTITIES

The Ministry of Antiquity: MoA has jurisdiction over the citadel and the various monuments found throughout Historic Cairo. Any plans moving forward would require their approval. The MoA does not receive a budget from the Ministry of Finance, instead it funds its operations from grants (from international organizations and governments) as well as revenue generated from tourist activity at sites under their purview.

The Ministry of Tourism: Responsible for developing a national tourism strategy. They may be interested in any projects that move forward.

Cairo Governorate: In charge of all service and infrastructure in the city of Cairo.

AI.3 DONORS/NGOS/IGOS

The Aga Khan Trust for Culture (AKTC): Since 2000, AKTC and its partners have developed a series of projects on the eastern edge of Darb al-Ahmar as part of social and economic initiatives with

²⁹ <https://www.usaid.gov/egypt>

physical improvements. Such projects include: “micro-credit for business development and housing rehabilitation, employment-generation, as well as direct investment in the restoration of monuments, the re-use of historic buildings, and the improvement of small-scale infrastructure and open spaces”.³⁰ Darb al-Ahmar includes all three proposed USAID sites. The Aga Khan Trust for Culture is also piloting a walking tour through the Darb al-Ahmar

UNESCO’s Urban Regeneration project for Historic Cairo (URHC): URHC been working with Egyptian authorities since 2010 with the aim of preparing the planning and management tools necessary for the conservation of the heritage values in addition to the socio-economic revitalization and environmental upgrading of the World Heritage Site of Historic Cairo.

³⁰ Aga Khan Trust for Culture. (2010). Urban Regeneration in the Darb al-Ahmar District.

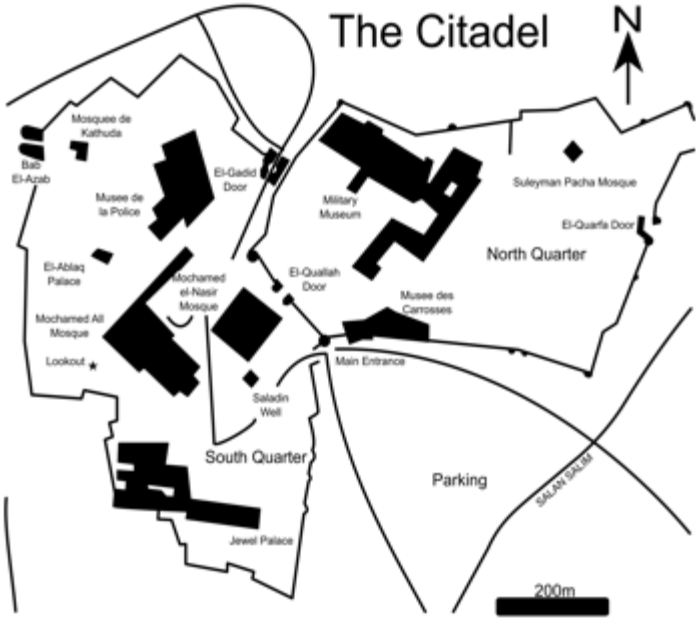
ANNEX 2: PROJECT AREAS

A2.1 THE SALADIN CITADEL

The Saladin citadel was built in 1176 by its namesake ruler. The Citadel was, for almost seven centuries the seat of government for the Ayyubids, Mamluks, Ottomans, and the Muhammad Ali dynasty.

The citadel is a massive complex that sits at the top of the Mokattam hill overlooking historic Cairo. Today, the citadel is operated by the ministry of antiquities as a ticketed tourist attraction that is a typical visit for tourists in Cairo. Visitors pay 160 Egyptian Pounds (EGP) to enter from a southern access point and are able to visit the various museums, mosques and other monuments within the citadel walls. There are a few small shops and restaurants scattered throughout the area, although these leave significant room for improvement given the impressive architectural and historical context of the Citadel itself. Data from the Ministry of Antiquities suggests that in 2018, the citadel received roughly 800,000 visitors, with roughly a third of visits coming from international tourists, and two-thirds of visits from Egyptian. Before the 2010 political activity, it is estimated that almost twice as many foreign visitors attended the citadel, suggesting significant potential for an increase in the future if Egyptian tourism is able to recover from tourism drop in the wake of the 2011 revolution.³¹

FIGURE A2.1 - MAP OF THE SALADIN CITADEL³²



³¹ Karim Ibrahim. (2014). Valorization and Adaptive Reuse Bab Al-Azab Area: Final Report.

³² Based on a drawing by Gérard Ducher

A2.2 AL-GAWHARA (JEWEL) PALACE

Within the citadel lies a number of detached buildings. Near the southern point of the citadel, visitors will see al-Gawhara Palace, which is also known as the “Jewel” Palace (see Figure 3). The palace was constructed by Mohammed Ali in 1812 for his wife, the namesake of the palace. However, in its current state —covered in scaffolding and inaccessible to visitors— it fails to convey the romantic nature of its origin. The palace has both historical and architectural significance and could someday be a central part of any citadel visit, assuming proper restoration work is completed.

It is not hard to imagine the appeal of the palace as an event space. A 2017 Egypt Today article notes that despite its original purpose as a residence, the palace was used “for receiving royal delegates and kings.” If properly restored, one can imagine that many would be thrilled to be received in a similar manner to royalty in past ages. The palace also has a terrace garden that overlooks the city to the west, which would seem an ideal location for concerts, reception, and other social gatherings.

The palace is currently covered in scaffolding and inaccessible to citadel visitors. It has been closed for many years. According to one 2009 Supreme Council of Antiquities report: “The surviving palace is of very little architectural interest.”³³

FIGURE. A2.2 AL-GAWHARA PALACE ³⁴



³³ Nasser O Rabbat. (2009). *The Citadel of Cairo*. Supreme Council of Antiquities.

³⁴ Olaf Tausch, Creative Commons Attribution 3.0

A2.3 BAB AL-AZAB (GATE) AND LOWER CITADEL

Visitors to the citadel looking down from the northernmost accessible section will observe a large unused portion of the citadel that is filled with ruined buildings and rubble. This lower section of the citadel has more than fifty thousand square meters (almost 22 percent of the area of the whole citadel) of mostly unused land that has not been accessible to visitors for decades. Most of its buildings are in ruins, including Qasr al-Abla, a palace that dates back to the Mamluk era. This area at first glance appears to hold a great deal of untapped potential for expansion of the citadel experience.

At the north-western tip of the lower citadel, one will find a great gate known as Bab al-Azab that, if opened, would lead out to Rumayla square, and historic Cairo beyond. This gate, if opened as a new access point to the citadel, could allow traffic to flow in and out of the citadel to the Darb al-Ahmar neighborhood to the north, the area of our third project site. Such linkage could significantly increase the traffic both ways and make the citadel visit more than an isolated attraction.

The lower area of the citadel has been a target for development for some time. In a comprehensive 2014 study³⁵, reference is made to a number of failed restoration proposals, including:

- The Bab el-Azab Area Upgrading Project, Ministry of Culture, 1989-2006
- Investing in Historic Cairo: the Citadel and Bab el-Azab, Ministry of Culture, mid-2000s
- Development of the area of Salah al-Din Citadel in Cairo Project, National
- Reviving the Culture of Historic Cairo Project, Industries Modernization Center, 2009
- Adaptive Reuse and Development of the area of Bab el-Azab Project, Private Investors, 2009
- The Darb el-Labbanah Sustainable Development Initiative, Private Investors, 2010

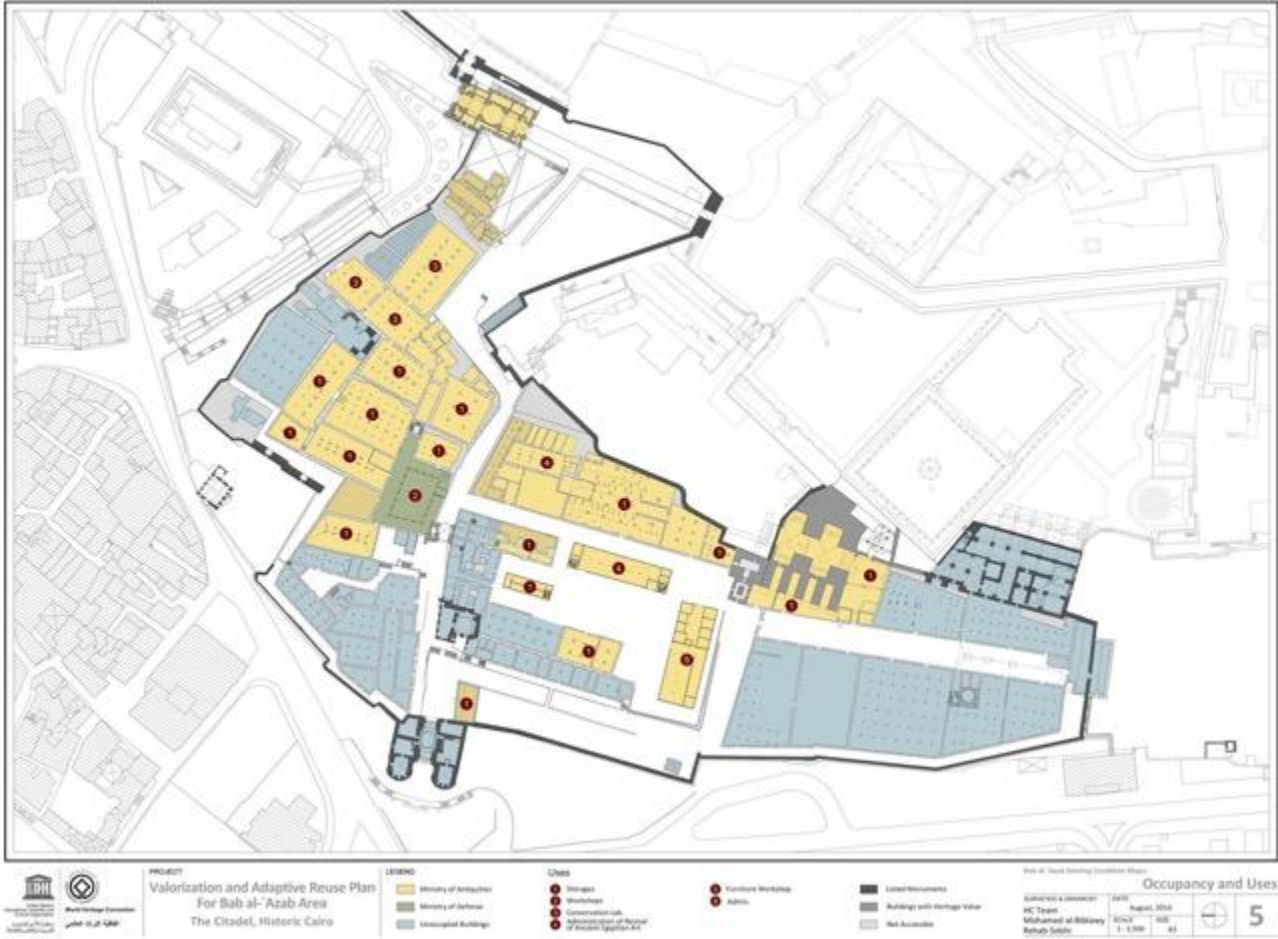
Nothing has yet come of these plans. Since the revolution, there has been little movement towards restoring the area. At least one interviewee stated that “*the area was so large that any activities would carry significant political risk, and therefore many were reluctant to push proposals forward, instead preferring to maintain the status quo of inaction.*” Since the revolution, there have also been security concerns regarding additional access points to the citadel which might also limit institutional interest in opening Bab al-Azab.

³⁵ Karim Ibrahim. (2014). Valorization and Adaptive Reuse Bab Al-Azab Area: Final Report.

FIGURE A2.3. BAB AL-AZAB (VIEW FROM STREET)



FIGURE A2.4 MAP OF BAB AL-AZAB AND LOWER CITADEL 36



36 Karim Ibrahim. (2014). Valorization and Adaptive Reuse Bab Al-Azab Area: Final Report.

A2.4 BAB AL-WAZIR STREET AND DARB AL-AHMAR

Running north from the citadel is a narrow street known as Bab al-Wazir. Bab al-Wazir street could be easily accessed by tourists exiting the citadel through Bab al-Azab (assuming it could be opened). A walk down Bab al-Wazir could be sold to tourists as a continuation of a visit to the citadel for those interested in seeing authentic Cairo street life. The street is host to a number of mosques, monuments, and historic architecture.

The street and surrounding area are densely populated, contain a number of small shops and workshops, and are highly trafficked—all of which presents opportunities and challenges when it comes to attracting tourists. Safety for tourists would be an immediate concern. There are many fast-moving vehicles on the street and no sidewalks.

The street is also not maintained to the standard of other pedestrian areas (like the Khan or el Moezz Street). Potholes and other imperfections on the road might make the route less accessible for visitors with mobility impairments. The street's tourist appeal would also be improved with better waste collection. During visits, it was common to see trash piled in the street.

A2.4.1 AREAS/FEATURES AROUND BAB AL-WAZIR

There are a number of attractive mosques, hammams, fountains, and old houses along Bab al-Wazir Street. Many of these sites have had restoration work done by donors like the AKCT. These sites should attract tourists interested in architecture or Islamic heritage. Additionally, there are a few key focal areas at the periphery of the street that could anchor tours and might be strategic locations for service provision.

AL-AZHAR PARK

In 2005, the AKTC opened the 300,000 m² al-Azhar park in the heart of Cairo. The park borders the Darb al-Ahmar district, and residents of the neighborhood are able to access the park through gates in the Ayyubid wall that separates the two areas.

In discussions with the AKTC, the estimated annual number of visitors to the park was two million—the vast majority of whom are local residents of Cairo.

BAB ZUWAYLA

Constructed in 1092, Bab Zuwayla is one of three surviving gates that provided entry into the fortified medieval city of Cairo—the other two being Bab al-Nasr and Ban al-Futuh (see Figure 6). Founded by the Fatimids in 969, al-Qahirah, or Cairo, was a contained nucleus protected by a towering mudbrick wall (reinforced with stone in the 15th century). The Mamluk Sultan al-Mu'ayyad Shaykh constructed a mosque adjacent to the gate in 1415, as well as two elongated minarets on top of the existing watchtowers that flank either side of the gate. This unique architectural feature sets Bab Zuwayla apart from two other surviving gates and makes it a distinctive monument within Historic Cairo.³⁷

³⁷ American Research Center in Egypt, "Conservation of Bab Zuwayla" <https://www.arce.org/project/conservation-bab-zuwayla>

Starting in 1998, USAID supported an extensive conservation project for the gate, which concentrated on, among other things, its massive wood and iron doors.

FIGURE A2.5 BAB ZUWAYLA



KHAYAMIYA (TENTMAKERS)

South of Bab Zuwayla, and not far by foot from the Khan al-Khalili, is a dense commercial area where a number of tentmakers operate workshops and sell their crafts. This area could be promoted as a stop on any tour through the area.

FIGURE A2.6. COMPARING WALKING ROUTES THROUGH BAB AL-WAZIR STREET

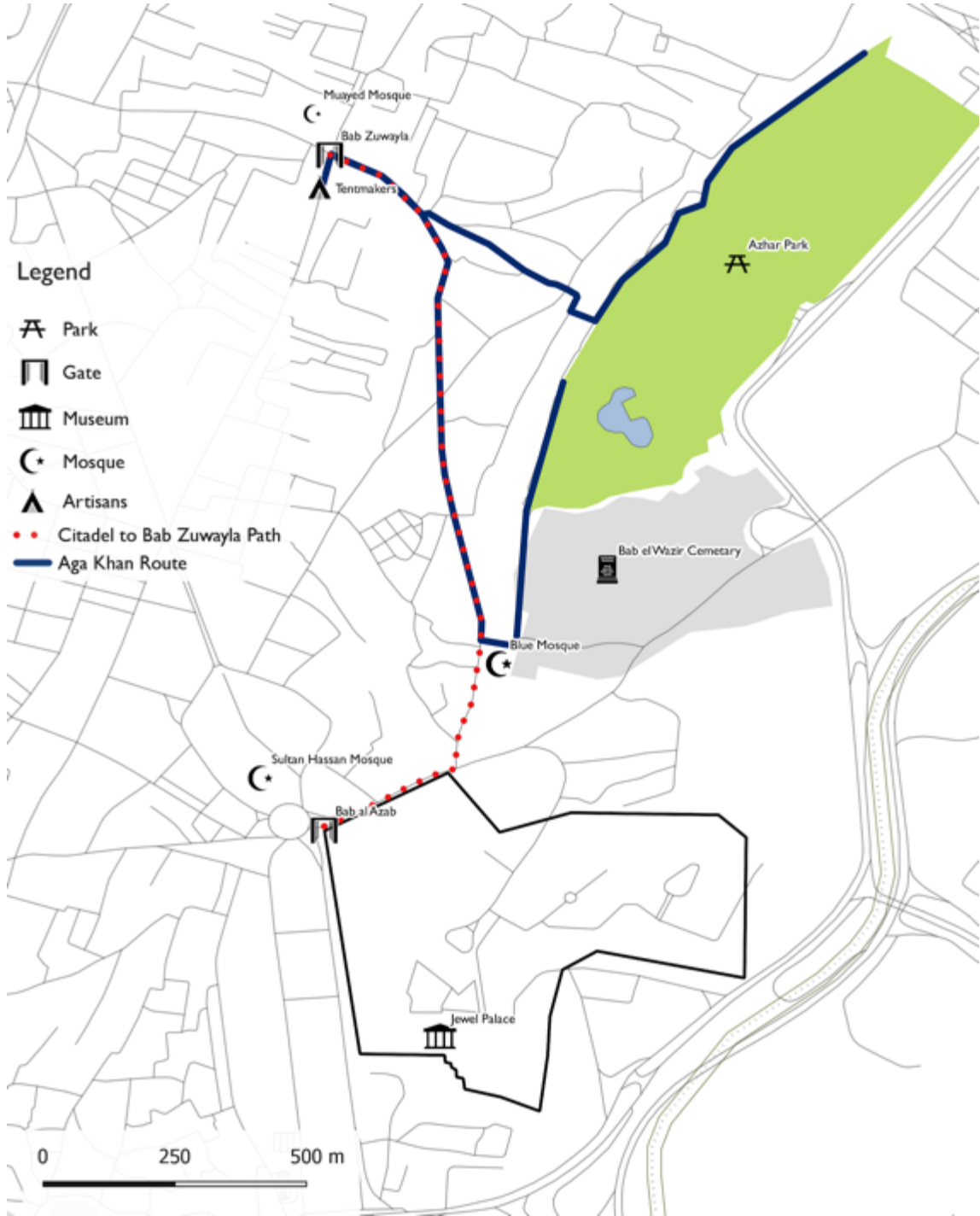


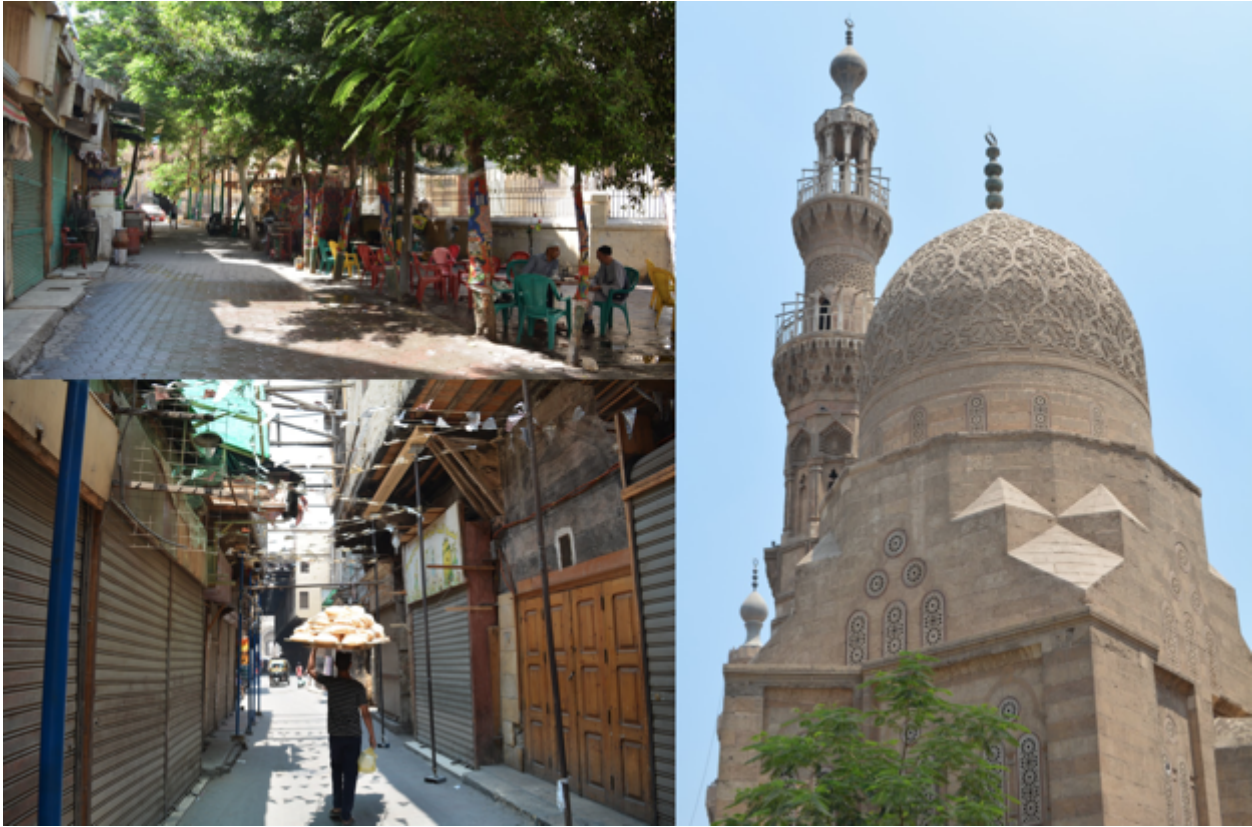
FIGURE A2.7 IMAGES FROM BAB AL-WAZIR STREET WALK



A2.5.2 TRANSFORMING BAB AL-WAZIR INTO AN ATTRACTION

This section considers what Bab al-Wazir might look like as a cultural tourism attraction that entices tourists who want to experience something different from the current Cairo itinerary. While the street currently has an appeal as an authentic slice of urban Egyptian life in Historic Cairo, there are a number of improvements that could make the street even more appealing to visitors and tour operators and allow it to become a must-see destination.

FIGURE A2.8. SIGHTS IN BAB AL-WAZIR



MAINTAINING MONUMENTS AND CULTURE

Bab al-Wazir Street possesses a number of beautiful monuments, including mosques and Islamic houses that can provide the foundation for a tour (guided or otherwise). However, the lively culture of the street with its many shops, teahouses, and workshops may be its most important draw for visitors interested in Cairo's cultural heritage. Whereas the monuments can be restored, maintained, and revenue can be generated from ticket sales or special events, the culture of the streets is intangible, making it both hard to improve via investment and difficult to monetize without destroying its authenticity. Making Bab al-Wazir into a successful tourist site would require creativity, sensitivity to the existing culture, and a strong relationship with the local community.

FACILITIES

In order to make the walk through the street accessible and appealing to tourist groups, certain facilities should be made available adjacent to or along the walking route. Some of these facilities include adequate and conveniently located parking, clean and accessible washrooms, benches, and shaded areas.³⁸ Restaurants and shops geared to the expectations and standards of foreigners could be either opened and managed by private-sector partnerships. Many tourists will crave the authenticity of Bab al-Wazir, but will also want to be able to access air-conditioned eateries and clean washrooms. Striking a balance between promoting the existing charm of the street, while simultaneously adding the creature comforts that draw tourists will be a unique challenge for any future implementation.

ACCESSIBILITY

Bab al-Wazir is not currently an easy location to access, especially with a large tour group. As a dense, active commercial area, traffic is significant, and parking—especially for the buses/vans that typically transport tour groups—is not easy to find. The easiest ways to access the street with a large group would most likely be to park a bus at Al-Azhar Park to the northeast and walk south along the Ayyubid Wall. Alternatively, if Bab al-Azab were to be restored and opened, it could act as an exit from the Citadel, and tourists could access Bab al-Wazir Street from the gate. But if the gate is not opened, there is not an obvious connection between Bab al-Wazir and the Citadel, making the park the best starting location for any tour (exactly what is being piloted by the AKCT/EU).

Other challenges for accessibility in Bab al-Wazir are posed by the street itself. Both its uneven paving, lack of sidewalks and numerous potholes would make the route challenging for mobility-impaired tourists, especially when paired with the often oppressive heat. To improve the tourist experience, repaving could be done for some parts of the street.

Traffic is perhaps the greatest danger in the street. As noted above, there are few sidewalks and commercial vehicles speed by in both directions. In order to truly make Bab al-Wazir a tourist site, a pedestrian-only section would almost certainly need to be implemented—at least during relevant times of the day (as is the case for al-Moezz Street).

AESTHETICS (BUILDINGS AND CLEANLINESS)

Many of the buildings in the area are crumbling and reduce the overall presentation of the street (see photos below). Work could be done to update the facades in the area.

There is also the issue of solid waste in the streets which significantly detracts for the overall charm of a walk down Bab al-Wazir. Given the relative narrowness of the street, it is difficult to avoid walking near any garbage piles found on the street in a given day. A management contract could address garbage problems, but in order to keep the street clean sustainably, local residents should be engaged and encouraged to take ownership of the condition of the street.

³⁸ In conversations, the chair of the AKTC indicated that improvements were already underway, including cleaning streets, and adding in some areas ramps/accessibility accommodations, washrooms, signage lighting, tiling, and benches. Additionally, they were offering training to residents in areas like crafts, hospitality, English and hygiene. The extent and effectiveness of such activities are not known at present.

FIGURE A2.9. UNSIGHTLY GARBAGE AND RUINS IN BAB AL-WAZIR



AL-MOEZZ AS AN EXAMPLE

To the north of Bab Zuwayla is al-Moezz Street, which operates as a pedestrian-only zone between the hours of 8 am and 11 pm.³⁹ The street underwent 23 million EGP worth of major renovations in 2009, which included:⁴⁰

1. The restoration of monuments, houses and shop facades overlooking both sides of the street.
2. Paving the street
3. Street and monument lighting
4. Electronic gates leading to the street close during the day.

The MoA sells a ticket, with which visitors to al-Moezz Street are able to visit six restored monuments along the street. Approximately 10,000 tickets were sold in 2017. The street is now a popular destination for tourists and local residents, especially in the evening. A popular food market was removed from the street as part of the restoration efforts, leading to critiques that the restored space is somewhat sterile and largely devoid of “real life.”

³⁹ <https://www.egypttoday.com/Article/4/68680/Secrets-of-Al-Muizz-Street>

⁴⁰ <https://www.arabcont.com/English/project-447>

ANNEX 3: SCOPE OF WORK

USAID is taking into consideration an investment in Historic Cairo; an area that contains hundreds of mosques, tombs, fortifications and the Citadel. While the area is rich in history and contains incredible architecture, there are few tourists relative to other sites, such as the Great Pyramids. The Government of Egypt (GOE) and USAID would like to increase tourist demand for the area by a targeted investment that includes historic restoration, as well as mechanisms to improve the tourism business enabling environment, small and medium enterprise (SME) support, and marketing to tourism operators.

As currently envisioned, the plan calls for an investment of \$5-\$7 million for the Jewel Palace that would restore the building to attract tourists who are visiting the Citadel. USAID would work with the GOE to open the Bab al-Azab gate, which would allow tourists to visit the Citadel, exit through the newly opened gate, and continue to Bab al-Wazir Street. USAID would work with the private sector, the GOE, and other donors and relevant stakeholders to transform Bab al-Wazir street into a tourist destination, complete with not only stunning renovated structure but also artisan shops, restaurants, boutique hotels and other SMEs that would increase tourists' appreciation of Egyptian culture and a renewed desire to visit the area. It is anticipated that up to \$11 million would be allocated to improving the business-enabling environment and assisting existing or new SMEs that offer goods and services to tourists.

USAID seeks a net present value (NPV) analysis to determine whether the above potential investment is a net benefit for the U.S. taxpayer. While USAID welcomes any proposal, it is envisioned that the analysis begin with historical foreign tourist revenue (foreign tourist and foreign student tourist revenue) at Khan al-Khalili sites, where the Ministry of Antiquities has made a concerted effort and investment to successfully increase tourism traffic in the area. Using this data as well as the increase in the number of shops, restaurants and hotels (and the approximate number of additional employees) should give the analyst a general approximation of increased revenue generated, as well as trends in the changes in tourism revenue.

In addition to increased revenue derived from businesses, the analyst should incorporate potential concession revenue at select sites within the Jewel Palace - Bab al-Azub - Bab al-Wazir route. For example, parts of the Jewel Palace, with a stunning view of Cairo, could be transformed into a restaurant, gift and/or coffee shop, with concession revenues flowing to the Ministry of Antiquities.

The analysis is free to choose an appropriate discount rate for the NPV analysis; however, a detailed explanation should be included to justify the chosen rate.

For simplicity's sake, the following is illustrative of factors to use in the NPV analysis:

Revenue:

- Estimated increase in foreign tourist and foreign student ticket revenue
- Estimated increase in foreign tourist revenue from increased ticket prices after renovation of the Jewel Palace
- Estimated increase in revenue from additional SMEs at Bab al-Wazir Street and surrounding areas
- Estimated increase in employment income from additional SMEs at Bab al-Wazir Street and surrounding areas
- Estimated concession revenue at sites within the Jewel Palace - Bab al-Azub - Bab al-Wazir area.

Discount Rate:

As determined and justified by Analyst

Cost: \$18 million

Time Period: 5- and 10-year period

ANNEX 4: ANNOTATED BIBLIOGRAPHY

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Provides a great deal of background information on Historic Cairo, including the Al-Darb al Ahmar district.

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This book proves a thorough (but sometimes rather academic) discussion of the economics of investing in cultural heritage projects and the implications such investments can have for local economic development. Interesting discussion of the benefits (and their distribution) that are likely to result from heritage related projects. For economists, there is an interesting discussion of methods for valuing the benefits resulting from the preservation of heritage assets.

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A dense but relatively thorough discussion of Egyptian laws and regulations (through 2013) relevant to conservation activities in Historic Cairo.

Hemeda, S., & Atalaa, T. A. E. M. (2019). Intervention Retrofitting and Rehabilitation of al-Gawhara Palace at the Saladin Citadel, Cairo, Egypt. *Open Journal of Geology, 09*(03), 109–141. <https://doi.org/10.4236/ojg.2019.93009>

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A high level overview of tourism trends and data.

ANNEX 5: STAKEHOLDERS INTERVIEWED

Name	Position
Sylvia Atalla	USAID
Brinton Bohling	USAID
Mark Gizzi	USAID
Mohammed Abdel Aziz	Ministry of Antiquities
Dr. Mona Zakaria	Architect
Seifalla Hassanein	Development Consultant
Hany Adly	Director of Operations, Abercrombie & Kent/Egypt
Heba Ahmed Farqhaly	Manager, Abercrombie & Kent
Sherif Erian	CEO, Aga Khan Cultural Services - Egypt
Heba Faroqk	Architect
Kareem Ibrahim	CEO, Takween Integrated Community Development
Alaa Berzi	Assistant General Manager, Tourism, TRAVCO
Laila Imam	Department Head, Excel Travel
Manala Helaly	Head of Marketing, Excel Travel
Hanafy Mohamed	Realtor
Al-Darb Al-Ahmar*	Realtor
Basil Ahmed Kamel	Professor of Architecture, AUC

ANNEX 6: CULTURAL TOURISM DEVELOPMENT IN EGYPT RFI



REQUEST FOR INFORMATION (RFI)

RFI Number: RFI-263-19-00001
Activity Title: Cultural Tourism Development in Egypt
Issuance Date: October 23, 2018
Response Due Date: November 13, 2018
Response Email Address: sbiblawy@usaid.gov and blawrence@usaid.gov

The United States Agency for International Development (USAID) Mission in Cairo, Egypt posts this RFI to inform interested parties of an anticipated four-year, \$15-18 million cultural tourism development Activity designed to enhance Egypt's competitiveness as a tourism destination and generate more tourism revenue and local economic benefits.

While a full draft description of the activity will not be provided with this Request for Information (RFI), a broad description of the activity is attached to provide public information to parties interested in USAID's support in Egypt, as well as to collect any information and suggestions to support the activity design in support of the Cultural Tourism Development in Egypt.

This is a Request for Information. This is not a Request for Proposals or Request for Applications and is not to be construed as a commitment by the U.S. Government to issue a solicitation or notice of funding opportunity, or ultimately award a contract or assistance agreement on the basis of this RFI, or to pay for any information voluntarily submitted as a result of this request. Responses to this notice are not offers and cannot be accepted by the U.S. Government to form a binding award.

If a solicitation or notice of funding opportunity is issued, it will be announced on the Federal Business Opportunities website at <http://www.fbo.gov> or on the Grants website at <https://www.grants.gov> as applicable at a later date, and all interested parties must respond to that solicitation or notice of funding opportunity announcement separately from any response to this announcement. This RFI does not restrict USAID's approach to a future solicitation or notice of funding opportunity. If USAID/Egypt decides to proceed with a solicitation or notice of funding opportunity, then a four-year award is anticipated through full and open competition, subject to availability of funds.

Response Requirements

Responses to this RFI must be limited to five (5) pages total and include the following:

1. Comments on the draft description of the activity. Please ensure that comments are concise and specific to the information included within the draft description of the activity. Please ensure that comments make specific reference to page and section numbers.
2. In addition to general feedback on the draft description of the activity, please give special consideration to the following questions:
 - a. Are there any major areas not covered in the draft activity description that are essential to achieving the purpose of the activity?
 - b. Do the proposed interventions strike the right balance between tourism revenue generation and cultural heritage preservation? Do they provide feasible mechanisms for involving stakeholders, including community members?

- c. The Activity will require monitoring and evaluation of the different interventions please suggest or comment on possible approaches on how the Activity might measure the economic benefits.
- d. Given your ideas towards interventions in cultural tourism, how would you best engage the private sector as a partner for economically viable commitments between the GOE and the tourism industry operating in Egypt? We welcome feedback, or examples of specific shared interest in the private sector such as adaptive reuse of historic structures
- e. Feedback on how to establish a Public Private Partnership fund and managing institution, in the area of cultural tourism, to be sustained beyond the life of a project.
- f. USAID may fund all or parts of the below results, please comment on areas to prioritize that are most feasible and impactful to the Activity's purpose.
- g. Are there other considerations or issues that have not been taken into account within the mentioned operating environment, and would they have financial or time implications on the Activity?

Instructions for Submitting Responses/Comments

Please send all responses to this RFI via email to Sherry Biblawy, Acquisition Specialist at sbiblawy@usaid.gov with a copy to Benjamin Lawrence at blawrence@usaid.gov by the date indicated above with the subject "Cultural Tourism Development in Egypt." Responses must include the organization's name, address, and point of contact, phone number and e-mail address. You will receive a confirmation acknowledging receipt of your response, but will not receive individualized feedback on any suggestions.

Thank you for your assistance and interest in USAID programs.

Sincerely,



Jarrod Z. Simpson

Contracting / Agreement Officer

Attachment: 1- Draft Activity Description

DRAFT ACTIVITY DESCRIPTION
Title: Cultural Tourism Development in Egypt

Purpose of Potential Activity:

USAID/Egypt is designing an activity (Cultural Tourism Development in Egypt) that would assist the Government of Egypt to sustainably and inclusively develop and expand culture-based tourism in Egypt. The purpose of this four-year, approximately \$15-18 million activity, would be to enhance Egypt's cultural heritage assets and competitiveness as a tourism destination and generate more tourism revenue and local economic benefits.

Background:

Egypt holds unique assets as a tourism destination as it owns approximately one-third of the world's antiquities, an assured climate, and a diversity of landscapes and special places. The travel and tourism sector is an important part of Egypt's economy because of its contribution to GDP, employment, and foreign currency revenues. Egypt's tourism industry has demonstrated its potential as a driver of economic growth and poverty alleviation. Unfortunately, the tourism sector has suffered from a number of security-related shocks in the past seven years.

Since 1995, USAID has provided assistance valued at over \$100 million to protect, conserve, and restore Egypt's cultural heritage assets, including monuments and masterpieces from prehistoric times to the late Ottoman period. These activities have included groundwater lowering projects as well as conservation activities and field school training (in archaeology, conservation, restoration, and site management) for government staff at key heritage sites. USAID has also supported projects to promote sustainable tourism development and improved natural resource management on Egypt's Red Sea Coast since 2000.

Beginning in the 1980s, tourism in Egypt has been primarily based on the increasing popularity of beachside resorts, mostly attracting budget tourists, especially along the Red Sea Coast and in the Sinai Peninsula. As the World Economic Forum has pointed out, Egypt needs to rethink its competitive position and prepare for short- and long-term demand shocks and shifts in traveler flows. A narrow focus on attracting a maximum number of budget tourists did drive strong growth at one point, but with it comes extensive risks, notably breakneck competition, environmental exploitation, and unhealthy investment bubbles; policies that drive stable inbound tourism growth are needed.

More needs to be invested in the conservation and maintenance of Egypt's unparalleled cultural heritage assets, as well as the diversification of cultural tourism experiences and destinations. Cultural tourists generally spend more money and consume more domestic services, as they most often use multiple hotels, tour guides, and domestic transportation, and interact more directly with local populations, all in pursuit of a unique travel experience. Policymakers and tourism industry leaders need to take advantage of Egypt's competitive advantage and identify and leverage the cultural attributes that make Egyptian destinations distinctive. Solutions such as site bundling/clustering or promoting "multi-destination tourism" to provide the more complete "Egypt experience" that visitors are seeking have been proposed. The key for Egypt will be to better segment the market for lower-value beach tourism and higher-value forms of tourism (including cultural tourism) in order to capture increasing shares of both. The

sustainable development of cultural heritage tourism has the potential to contribute to accelerated economic growth and job creation, as well as the rejuvenation of local communities.

Egypt faces several challenges in managing the vast and diverse cultural assets it holds, including a lack of effective and sustainable management plans for many cultural heritage sites and conflicting policies and priorities among authorities that limit not only effective protection/conservation of the sites, but also the extent to which people in surrounding communities can benefit economically from cultural tourism. Many potential destinations are not included on Egypt's tourism development map due to required infrastructure upgrades, limited private investment, and inadequate public sector capacity and resources to protect and present cultural heritage sites. Another issue is the sharp division between public services that are provided for community development and public investments that are made to protect cultural heritage sites, which separate the sites from local communities and their local contexts. Modern urbanization often results in a loss of unique traditional architecture and expression. Other challenges include limited public awareness of the potential economic value of cultural assets and a general lack of stakeholder involvement in the planning and managing of cultural tourism destinations. Although there is substantial will to address these and other challenges, government institutions lack appropriate systems, qualified personnel, and the processes needed to effectively and efficiently capitalize on the available resources.

The private sector has invested heavily in beach and mass tourism, but opportunities for private investment in and adaptive reuse of cultural heritage assets is limited. Several successful models have offered learning opportunities but they remain experimental and donor supported. Creative and locally driven solutions are needed to take advantage of the opportunities that Egypt's cultural assets provide.

Sustainable Investment in Tourism in Egypt (SITE):

The Sustainable Investment in Tourism in Egypt (SITE) is a USAID project established in a bilateral agreement between USAID and the Government of Egypt (represented through the Ministries of Tourism and Antiquities) which addresses the need to increase the competitiveness of the Egyptian tourism sector by promoting more diverse offerings and sustainable practices in the cultural heritage area.

SITE Objectives:

The overall objective of the SITE Project is to enhance Egypt's competitiveness as a tourism destination through protecting and preserving cultural heritage assets and linking them to tourism development activities at selected destinations aimed at generating more tourism revenue and local economic benefits including increased employment and business opportunities in the tourism sector. SITE will contribute to the Economic Growth Development Objective of "A more competitive and inclusive Egyptian economy through growth in selected sectors". The SITE Project contributes to enhancing Egypt's competitiveness as a tourism destination via two main components:

Component 1 - Improve selected cultural heritage sites that tourists visit. USAID will help protect and preserve several sites of historical and cultural value, including lowering the groundwater level at several sites.

Component 2 - Increase tourism revenue and local economic benefits at selected cultural tourism destinations. USAID will work with the GOE and community stakeholders to develop high-yield tourism

destinations and products. Tourism development activities will improve the skills of tourism-sector workers and the quality of services and products provided to tourists and increase linkages between local small and medium-sized enterprises (SMEs) and the tourism supply chain.

Illustrative Indicators related to Component 2 include:

- Number of persons receiving new employment or better employment (including better self-employment) as a result of participation in USG-funded workforce development programs.
- Number of tourism-related enterprises (restaurants, tour operators, etc.) created or expanded as a result of USG assistance.
- Number of tourist visits to selected destinations.
- Tourist expenditures per night at selected destinations.
- Number of new or improved itineraries at selected destinations, marketed and adopted by international and domestic tourists.

This RFI presents an anticipated Activity, describing illustrative tasks that will primarily contribute to achieving Component 2 of the SITE Project, complementing and building on previous and current activities associated with Component 1.

Previous projects under SITE, and past USAID investments in cultural heritage, have primarily focused on protection and preservation of sites. To support Egypt's competitiveness, a broader and multidimensional value chain approach is envisioned to primarily focus on increasing the economic benefits and revenue from cultural tourism. Future activities may benefit from partnerships among a consortium of expertise from different associated and complementing disciplines to reach sustainable results.

Geographic Focus of Potential Activity:

Destinations identified in part due to their potential to generate additional tourism revenue and local economic benefits and the opportunity to build on past investments by USAID/Egypt, as well as priorities of the Government of Egypt include sites within Historic Cairo, Saladin's Citadel, Luxor and Aswan.

Cultural Tourism Development in Egypt (i.e. Activity) Results:

The following results are anticipated in association with the targeted destinations and initiatives:

1. Skills developed to meet today's growing cultural tourism demands;
2. Economically viable models for private sector engagement integrated into adaptive reuse and protection of cultural resources;
3. Diverse cultural tourism products and services offered within the Egyptian market;
4. Promotion and marketing of cultural heritage destinations improved;
5. Effective and efficient management of cultural heritage assets achieved through collaborative, integrated, and sustainable systems;
6. Improved conservation management, maintenance, and use of cultural heritage assets.

Result 1: Skills developed to meet today's growing cultural tourism demands

Tourism is a labor intensive industry with a focus on service provision. In a service-based industry – and in a country like Egypt that is not fully prepared for individual, self-guided tourism – the development of human capacities and skills is critically important to improving the quality of the sector. Meeting international standards is necessary to improve the competitiveness of Egypt's tourism industry. A market-led workforce development approach that meets the needs of the tourism sector and complementary sectors, pays special attention to creating equitable opportunities for women, and includes the development of skills necessary to create a unique cultural experience for tourists, is necessary. Focusing on institutional capacity building and the training of GOE stakeholders to support and facilitate tourism sector development is also important.

Illustrative Tasks:

- Training to GOE staff in conservation, restoration, site management, site marketing, community involvement, site documentation, site interpretation, tourism policy planning is institutionalized.
- Workforce development/skills training is provided to community members in areas affecting the cultural tourism experience (such as training for local/community guides on how to interact with tourists, improve safety and security, and increase knowledge of cultural heritage).
- Other workforce development needs for tourism-related businesses (including hotels and restaurants) are identified and relevant training provided, creating equitable opportunities for women.
- The producers of handicrafts and other tourism products and services related to the selected destinations' unique traditions, customs, and intangible cultural heritage are trained in quality control, marketing, branding, and business planning and management.

Result 2: Economically viable models for private sector engagement integrated into adaptive reuse and protection of cultural resources

Partnerships with the private sector, including the adaptive reuse of historic structures, have the potential to preserve cultural heritage assets in a sustainable way. The private sector has the entrepreneurial skills and expertise to develop, promote, package and market tourism products, including unique and culturally authentic products, to a wide range of potential tourists, both domestically and internationally.

Illustrative Tasks:

- Establish Public Private Partnership (PPP) fund and managing institution to manage and maintain heritage destinations.
- Provide technical assistance to GOE counterparts to enable legal and contractual requirements to establish successful long-term partnerships with the private sector, based on a shared vision and an understanding of different priorities.
- Innovative partnership models associated with cultural tourism – including models of adaptive reuse of historic structures that leverage private investment for cultural preservation – are developed and implemented.
- Public awareness of the economic and social benefits of protecting and preserving cultural heritage assets is increased among private sector and local communities.

Result 3: Diversify cultural tourism products and services offered within the Egyptian market

To enhance the economic benefits associated with Egypt's cultural heritage resources and improve visitors' experiences, Egypt's tourism industry needs to diversify the products and services offered to tourists as a way to produce higher economic returns. Entrepreneurs and micro, small and medium-sized enterprises (MSMEs) need assistance to establish, improve, or expand tourism products and services in the selected destination(s) to fit evolving trends in global tourism and help businesses meet future international and domestic market needs. Local MSMEs would benefit by participating in the tourism supply chain and from increased tourism spending. Egypt's model for cultural heritage tourism is gradually changing, but it is still focused around ancient Egyptian sites. While other historical periods are part of the tourist experience, they are insufficiently utilized, in part because of inadequate infrastructure. Egypt has an abundance of historically and architecturally significant structures that can be better protected through adaptive reuse to generate economic revenue. Diversification can be achieved through private sector investments that result in a mix of economic uses in a historic area that meets the needs of the local community and visitors, while respecting the character of the area.

Illustrative Tasks:

- Entrepreneurs and existing MSMEs are assisted to establish, improve, or expand tourism products and services in the selected destination(s).
- The full cultural heritage tourism value chain in the selected destination(s) is mapped and business opportunities are identified for local MSMEs (suppliers and service providers).
- Tools are developed to inform MSMEs and investors of evolving trends in global tourism and help businesses meet future international and domestic market needs.
- GOE officials are trained to support and facilitate tourism sector development in the selected destination(s) and establish communication networks.
- Members of the local community are educated on the cultural and economic value of heritage sites.

Result 4: Promotion and marketing of cultural heritage destinations improved

Destination marketing, defined as "a proactive, strategic, visitor-centered approach to the economic and cultural development of a location, which balances and integrates the interests of visitors, service providers, and the community," is needed to promote the selected destination(s) in Egypt. Objectives include increasing the number of visitors, increasing visitors' length of stay, increasing spending, and ensuring that positive visitor experiences are magnified through different types of media.

Illustrative Tasks:

- Stakeholders are involved in building a new brand for the selected destinations centered on cultural heritage assets.
- A comprehensive destination marketing strategy (including determining target markets, developing messages, etc.) is developed with stakeholder engagement and linked to the Ministry of Tourism's marketing efforts.
- Local and international travel agencies and tour operators develop and test new packages and itineraries at selected destinations (and develop tourist itineraries that link cultural heritage sites within the destination(s)).
- Market research is conducted on price bundling (travel packages) and market segmentation.

- GOE and other stakeholders develop destination and site management plans for selected destination(s) and sites.
- The digital marketing capabilities of private sector stakeholders and MSMEs operating in the selected destination(s) are improved.

Result 5: Effective and efficient management of cultural heritage assets achieved through collaborative, integrated, and sustainable systems

The traditional, uncoordinated mono-sectoral approach to site management cannot accommodate the concerns of multiple stakeholders or catalyze the private investment that is needed to grow a successful cultural tourism industry. An integrated approach that involves all stakeholders in the development of management systems is needed, one that is locally developed and capable of meeting the demands of various stakeholders, such as safeguarding cultural heritage assets while meeting the needs of the private sector and different community groups. Coordination among various agencies of the GOE is critical. Cultural heritage assets in most cases fall under the jurisdiction of the Ministry of Antiquities, but depending on the nature of a given cultural asset, other ministries (such as Culture, Housing, or Endowments) or governorates are key stakeholders, with missions and policies that sometimes conflict.

Illustrative Tasks:

- A detailed analysis of the formal and informal public systems currently governing the management of cultural heritage sites at the selected destination(s), highlighting strengths and weaknesses, is completed.
- A fully participatory process is carried out to tackle systemic challenges currently preventing cross-management and to identify new incentives and means to ensure efficient use of resources.
- Different organizational and operational structures and procedures for safeguarding and investing in cultural heritage assets are proposed and tested.
- Changes in regulatory or procedural frameworks, feasible at different regional or ministerial levels, are proposed and approved – with resources allocated for implementation.
- Scientific, economic and financial tools and analyses are used to determine pricing, carrying capacity and other elements associated with the cultural heritage sites, in order to mitigate adverse impacts and ensure positive outcomes on cultural resources and the visitor experience.

Result 6: Improved conservation management, maintenance, and use of cultural heritage assets

To enhance the visitor experience at cultural heritage sites, elements such as the carrying capacity of the sites, visitors' routes, modes of accessibility, impact on and integrations with the surrounding communities, the pricing of tickets, and other factors need to be studied and implemented in coordination with the GOE. To mitigate adverse impacts and ensure positive outcomes, the probable effects of proposed actions on cultural heritage resources and the visitor experience should be considered throughout the planning and decision-making process. Many cultural heritage resources are damaged due to physical deterioration brought about over time by pollution, excessive use, exposure to adverse environmental conditions, inadequate maintenance, or simple neglect. The lack of adequate site management plans at tourism destinations decreases the ability of stakeholders to protect the sites and diminishes the overall tourist experience.

Illustrative Tasks:

- Cultural heritage sites are made more structurally sound, safely accessible, and ecstatically pleasing to visitors.
- International standards in conservation, restoration and engineering are utilized to provide solutions to problems that threaten the structural integrity and safety of heritage sites.
- Employees of public and private sector institutions are trained in appropriate scientific methods of restoration, conservation and engineering applying sustainable management concepts.
- All stakeholders participate in the development of a clear vision and actionable strategies for cultural heritage site management and maintenance.
- Challenges preventing the implementation of proper management and maintenance of cultural heritage sites are investigated and addressed in an actionable management and maintenance plans.
- Local infrastructure – such as visitor centers, tourist paths, and signage – is developed, and maps and other tools that enhance the visitor experience are improved.
- Cultural heritage tourism assets are integrated into urban and infrastructure planning.