

**Italian Cooperation Project**  
**First Report Business Planning Consultant**  
**Deliverable 1: Review, comment, advice on WRBP report;**  
**Deliverable 3: Review and comment on individual PA Business**  
**Plan model.**  
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**1 Objectives**

Provide comments and suggestions to improve Wadi El-Rayan Business Plan, based on a peer review of the document prepared by the Project.

Provide comments based on the framework and outline developed for the WRBP

**2 General Comments**

It must be acknowledge that this document is an important effort to gather information related to Wadi El - Rayan, and relate it with a financial analysis. The document can be viewed as a first step in a process that pursues the use of Business Plans as a powerful tool to improve the financial situation of protected areas in Egypt. Many different circumstances that will be described in this report, may have led to a document that does not meet the general objectives of this specific management tool. It is important to acknowledge that Business Plans for Protected Areas are relatively new as a management tool, and that its development and implementation must be considered as learning processes. Therefore it is strongly suggested that the same team responsible for this plan, continues the efforts to improve the document according to this, as well as other suggestions and comments received from different actors.

On the other hand, the original description of Deliverable 3 was supposed to provide comments on a document describing a framework or outline for Business Plans in Egypt. In the absence of such document, I was asked to comment on the outline and framework proposed for Wadi El – Rayan Business Plan. Therefore this report integrates both deliverables into one single document, which makes more sense according to the circumstances, and makes it more useful for understanding the current status and general challenges for Business Planning for Protected Areas in Egypt.

The first impression is that there is no clarity in regard to the purpose, objective, scope, and use of the BP as a management tool in Egypt. In general terms the outline proposed responds to the model used by North American protected areas. The model and framework for BPs must consider that protected areas in Egypt do not face the same institutional framework, threats, and opportunities as the North American PA's. Therefore Business Plan (BP) must respond to the national and local context, if they want to be a useful tool for improving its financial sustainability.

The target group for which the document was prepared must be clearly specified. After interviewing the consultants responsible for the document, it is clear that the document was prepared on a "one size fits all" approach, intending to address the corporate sector, NCS, park managers, rangers and other interested stakeholders. This broad approach generated a document that is not properly addressing any of the targets mentioned. I suggest this BP must be targeted to PA managers and NCS first, with emphasis in becoming a useful management tool that complements and further

strengthens the existing Management Plan. A more focused and short version can be developed later to seek for corporate donations and support, stating clear opportunities for donations and the mechanisms in place to ensure effectiveness and accountability.

Although the basic components from the North American BP model are in place, there is a need to improve its accuracy and quality, as well as to integrate them into a comprehensive management tool. The link between the BP and existing management tools for WR is weak. At the moment the current BP does not respond to the Management Plan (MP), although programs and certain information are mentioned, they are not linked to the financial analysis and projections. Another key tool that has not been considered at all is the Management Effectiveness Assessment, probably because it was performed after the first BP draft was finished.

The document does not reflect a participative process involving consultants and park staff. The interaction and feedback between these two actors is fundamental for the success and appropriation of the BP, and specially for ensuring its implementation at local level. The information was not gathered in a structured manner; instead bits and pieces of information were gathered informally, according to the availability of time and the priority given by WR staff. As a result of these, the document was prepared in Cairo almost independently from the staff and rangers from WR.

After a field visit to Wadi El Rayan (WR), I see a very important field for financial opportunities for the PA, based on five major opportunities: i) the number of economic activities that are currently in place (oil, fishing, agriculture); ii) the amount of revenues that are currently contributing to the environmental authority budget; iii) the enormous potential of Wadi El - Hitan as a major international attraction and destination; iv) the proximity to a 17 Million people market; v) the infrastructure and capacities developed by the Italian Cooperation Project (ICP). These opportunities are not reflected in the BP, and need to be analyzed for the design of a revenue generation portfolio. On the other hand WR initiated a parallel analysis of potential revenue generating mechanisms that is not reflected in the current BP. It is strongly recommended that both efforts are converged into one single process in order to avoid duplication.

It is important to mention the concern of WR staff in regard to the use and integration of BP with the management tools that were previously developed for WR, such as the Management Effectiveness Assessment (MEA). I have the perception that WR staff is overexposed to workshops and related activities, and that they are running with a very tight schedule, therefore any improvement to the current BP must not be time consuming, and should elaborate on previous work done, avoiding unnecessary duplication.

In order to clarify the objectives of a BP, and land the concept into a comprehensive communication and management tool, the comments above will be organized according to a new structure criteria proposed to present the WRBP. In general terms, the essence of a BP must answer four basic questions: i) What is WR current financial situation? ; ii) What are WR financial needs? ; iii) What opportunities are there to improve WR financial sustainability?; iv) By who and how will the BP be implemented ?

At the moment, the BP does not meet the necessary conditions to be considered a useful tool for PA managers, or to inform about the PA financial situation, and revenue generation opportunities. Chapter 4 presents some suggestions on how the different improvements can be developed considering the time pressure and the availability of resources. Current updates of the WR Management Plan provides an important opportunity to integrate the existing management tools. It is recommended that the BP

will be considered as an integral part of the new MP, and included as a chapter of this document.

### **3 Specific comments**

According to the four basic questions proposed for BP in Egypt, the following chapter presents specific comments to the information presented in the current BP. It also describes the necessary information needed to answer and strengthen each element of the BP.

#### **3.1 Current financial situation: Financial analysis, budgeting and planning process, programs and activities, stakeholders and opportunities.**

Historic information about PA expenditure and sources of funding must consider at least the years of 2002, 2003, 2004. Currently the BP only presents years 2005 and 2006, these two years do not allow the identification of any financial trend, especially because of the distortion generated by the Italian Cooperation Programme (ICP) investments. I suggest the team proceeds to gather financial information prior to the arrival of the ICP. According to the consultants, this information is available and relatively easy to access from NCS.

I suggest to separate WRPA cost from Italian Cooperation project, or at least make it more clear which institution is covering what costs. I also suggest considering the separation of direct and indirect expenses, for example leaving UNDP overhead as an indirect cost.

BP must also include the current value, state and number of items from the inventory of equipment, vehicles and infrastructure. They are important assets of WRPA and should be considered in the baseline.

Description of the current revenues generated by the PA, such as concessions, is not described. These are particularly important since they represent the current economic value of the PA and the potential for future interventions for revenue generation.

There is a need to explain the flow of resources into WRPA, stating the different actors and roles related to financial and administrative management of self generating income, state allocations, and international projects. As presented, it does not give a clear idea of how are these resources managed, what accounting systems are in place, and if there is a difference between the management of the Italian Cooperation project budgets and the NCS resources. This will introduce an idea of the current planning and budgeting process, and its relation to management programs and management plans.

BP must present the current percentage of income to NCS generated by WR. This needs to be reflected as a tool to increase public awareness and priority towards the area. If public funding is the second source of funding for WR, and in general terms the more stable and long term oriented, it is important to develop a set of messages that relate the importance of WRPA into the NCS budget.

The results of MEA should be presented as an improvement in the WR management, as an indication of the results accomplished through the additional investments allocated by ICP. The BP must communicate that additional resources allocated in the PA generate an increase in the efficiency and move the PA forward in meeting its goals and objectives. On the other hand, this is a useful tool to promote quality investments and align sources of funding into investments that reflect the real needs of the PA.

### **3.2 Financial needs: Separating expenditure per program, and proposing 3 possible scenarios linked to the implementation of the management plan.**

The resources and budget presented must respond to the major management objectives and programs of WR which according to the Management Plan are:

1. Natural Resources Management
  - Biodiversity
  - Water resources
  - Geological formations and fossil sites
2. Human and economic activities
3. Public awareness and environmental education programs

These programs and the necessary resources to accomplish them are perhaps the heart of any BP. The financial projection developed, does not divide the expenditure by program, therefore it does not reflect the linkage between financial needs and management programs and goals. On the other hand, this situation does not reveal the true cost that the NCS incurs to manage the problems caused by the different concessions in place. It is very possible that WR is subsidizing the concessionaries by taking responsibility for costs such as the garbage collection that is generated by the cafeterias.

There is no relation between BP and management effectiveness assessment, therefore it is not clear how additional investments will lead to the improvement of the overall management of the PA. Moreover which critical investments are expected to respond to the most challenging problems reflected in the MEA. This is an important opportunity to link funding with concrete results that could be measured.

Budgeting followed a "practical approach" based on what is expected to be received from the government, but not a real approach, based on the real needs and necessities of the PA, that are clearly expressed in the MP and MEA. This approach is dangerous because it does underestimate the real financial needs, and sends the wrong message to decision makers and donors. Some of the resources that might jump up directly from reviewing the management plan, such as water monitoring supplies, signs, garbage collection system, material for environmental education, or studies for the appropriate management of geological sites, are therefore not included.

In order to solve this limitation I suggest that both, the financial needs and projected revenues should present different scenarios, in order to provide alternatives for decision making and resource allocation in WR. I suggest the consultants to prepare three scenarios: baseline, basic, ideal. Each should be related to a certain level of activity and implementation of actions and programs of the Management Plan.

The 5 year period envisioned for financial projections need to be reviewed, since it does not reflect the actual replenishment costs, as well as future needs that might arise within a realistic time frame for the life of a PA. I suggest the consultants consider a 10 year horizon for the financial projection.

### **3.3 Opportunities to improve WR financial sustainability: financial strategy, sources of funding, portfolio of products, major opportunities.**

The most important concern about the activities for improving the financial status of WR, is that they are not market oriented. The process to arrive at the alternatives presented did exclusively consider park managers perceptions about what could be a

good business idea. This approach is supply oriented, and does not consider the needs and perception of the demand side of the equation. Although park manager's experience and perception are extremely important to define a preliminary portfolio of alternatives, the final test of its potential for success is the market.

I do not suggest gathering or acquiring time consuming and expensive information about market trends. Simple data generated by the Ministry of Tourism can make a big difference, such as the annual growth of tourism in Egypt, average expenditure per day for nationals and foreigners, nature of the tourism in Egypt, etc. Dan mentioned that they have some surveys and general information about visitors to Wadi El Hitan that can be very useful for this. Another important and not expensive source of information to validate and improve the accuracy of revenue projections could be a limited amount of surveys to be applied by rangers in specific sites of WR. Focus groups and interviews with expert in tourism might also be a valuable source of information, to validate and improve assumptions about the potential success of the portfolio.

Wadi El Hitan alone has an enormous potential to become a premium destination in Egypt, therefore a careful and professional approach should be pursued in order to ensure its proper development as both a tourist product and a protected area. A partnership with a local university could generate interesting and useful information, as well as long term commitment to the continuous improvement of the facilities and services provided, especially after the end of ICP.

The tourist alternatives presented need also to assess the cost associated to its implementation and further operation, as well as the systems and arrangements that need to be in place to ensure that WR does not assume additional costs and responsibilities. At a first glance, increasing the number of concessions might also increase the costs associated to its impacts and monitoring. After a very quick visit to WR, it seems that local stakeholders are free riding on the WR resources, but the costs of managing their impacts are assumed by WR. The BP does not take full account of the potential business opportunities from local stakeholders.

However it must be considered that tourism is not a stable source of funding, though it is important. International cooperation is neither stable, so the BP should stress the need to diversify income sources to ensure long term and stable financing of WRPA. Since there are systemic barriers for revenue reinvestment and retention at PA level, I encourage preparing alternatives for in kind contributions, that take advantage of the economic activities generated in the area, as well as the popularity of the site. Some of these might already be taking place, such as the contribution of the Farm Fish Association for road maintenance.

More than 6000 people are benefiting directly from WRPA, according to the MEA, this is an important political capital to increase the understanding of the benefits this PA is generating for poverty alleviation and employment. Opportunities for improvement of economic conditions for local populations are not mentioned, as well as mechanisms for its potential operation.

The current BP is also not considering other local, national, and international stakeholders that are currently and/or potentially interested in the long term sustainability of WR. A number of universities are already partnering with WR, generating information that adds value and projects WR internationally. Dan mentioned that WR is frequently visited by ambassadors and VIP profiles, this is a critical "symbolic capital" that should be consider for revenue generating purposes.

The assumptions to support the revenues projection are not explained, and there is no market information supporting them. "Interviews with management" are not enough justifications for a sound business approach. The BP does not present scenarios or options for operating new alternatives, or an economic assessment of the investment needed for such operations. Is it a good business for concessionaires to open a cafeteria, what amount of revenues will they generate, and how much can be reasonable to charge them for the concession?.

### **3.4 Operation and implementation: By who and how will the BP be implemented.**

Major trends, opportunities, barriers and weaknesses for implementing each product or strategy should be considered, as well as the specific plans to achieve them, should be prepared. It must be clearly stated which of these are systemic and therefore out of the control of WR staff, and which are internal and depend on the ability of WR staff to be achieved.

The BP must reflect how the proposed activities be implemented, what systems should be in place, and what capacities and resources are needed. Based on a stakeholders analysis, the BP must suggest which partners should be engaged to generate a promoters group, or a supporting partner such as the "friends of WRPA" that can solve the legal vacuum regarding corporate donations or private contributions to WRPA.

There is no indication on who will be responsible for marketing, fundraising, and overall implementation of the BP, nor a description of the human capital available in WR to undertake this task. A small and functional unit should be proposed to follow up the BP, and to link it with the NCS BP.

## **4 Comments about format and presentation**

It is necessary to perform a general edition of the document, some parts of it are very difficult to understand, especially when it comes to the financial analysis. There are parts of the text that have been repeated several times in different chapters making it difficult to follow. Some important information and affirmations presented need a bibliographic reference, in order to provide a formal character to the document. A glossary is needed to explain concepts and abbreviations. There is an excess of pictures, but they need to communicate or support something rather than make the document look more attractive. Graphics and tables are not homogenous and in some cases do not clearly speak for themselves, or are not easy to understand.

Financial information should be presented in a homogenous manner, specially tables and figures, where formats should be consistent.

There is no chapter for the methodology followed to arrive at the financial data analysis. This is important, because it will allow further update of the information, as well as to understand the logic behind this planning process.