

Italian Cooperation Project
Second Report Business Planning Consultant
Deliverable 2: Propose an alternative Business Plan model.
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1 Objectives

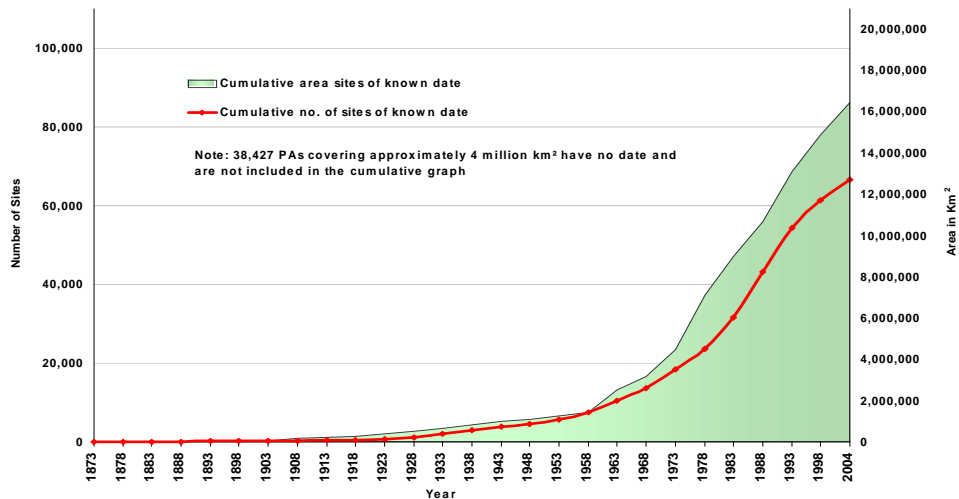
Propose a framework for future Protected Area Business Plan in Egypt. This includes strategic approach, objectives, audiences, and outline.

2 Context of Business Plans for Protected Areas

Financing is one of the key pillars of all conservation efforts. Unfortunately for protected areas around the world, the resources available do generally cover only a very small percentage of the financial needs necessary to ensure a proper conservation and management of the valuable resources they protect.

This financial shortfall has an effect on the quality and extent of conservation actions and programs, affecting the state of the natural resources and their sustainability. Moreover, it limits the capacity to generate well-being for poor people, which have proved to depend directly on the goods and services provided by protected areas.

During the past 30 years the increase in both, the number of PA and the area they cover has almost quadrupled. However, during the same period the resources allocated to protected areas has not grown accordingly, stretching funding to the limit. Current funding for PA is mostly public and philanthropic; while the second is not stable and long term oriented, in countries where the majority of the population lives in poverty, governments are often forced to cut their environmental budgets in favor of other priorities. Competition for scarce financial resources is fierce and the immediate financial future of most protected areas in developing countries is still in doubt. Alternative strategies to finance conservation are urgently needed to reduce or stop the current rate of biodiversity loss.



Source: www.uicn.org

Egypt is not an exception to this trend; in fact its current expenditure in protected areas proves to be only 11% of the average expenditure for developing countries. During the past ten years, nine new protected areas were established, increasing the protected area estate from 74.095 Km² to 94.183 Km².¹ On the other hand expenditure in protected areas show an important decreased at a rate of 64% during the past five years.²

One important finding after several years of projects aimed to improve the financial sustainability for protected areas internationally is the recognition that the lack of resources is usually capacity driven. The current tools and human resources available for PA management are fundamentally science oriented. They are not enough to realize the potential of current income generating activities, as well as to promote new opportunities to expand and diversify the sources of funding, and attract non traditional investors such as the private sector.

This configures a need to create the knowledge, skills, and attitudes to promote a business approach towards PA's financial sustainability. It is important to acknowledge that Business Plans for Protected Areas are relatively new conservation management tools, and that their development and implementation must be considered as learning processes, compatible with the adaptive management principle.

During the last few years, a number of models were developed to implement Business Plans (BP) for PAs, starting with the pioneering PAs in North America. The model and framework for BPs for Egypt must consider that protected areas in Egypt do not face the same institutional framework, threats, and opportunities as the North American system. It's necessary to consider that failure at planning is planning for failure; therefore Business Plans must respond to the national and local context, if they want to be useful tools for improving financial sustainability. This document presents a proposal to land the Business Planning concept into Egypt's context and reality

These critical issues and their immediate consequences for Egypt's Protected Areas System prompted the Italian Cooperation Project to include business planning as an

¹ Management Effectiveness Evaluation of Egypt's Protected Area System, 2006

² Nature Conservation Sector Financial Analysis.

integral element of the capacity building efforts towards the Nature Conservation Sector. This document, as well as the process to be followed during this consultancy, is intended as a contribution to the development of a general framework and basic capacities for protected areas business planning in Egypt.

3 Definition of Business Plans for Protected Areas

Business planning is a tool “borrowed” from the private sector, which has been adapted and applied as a means for improving protected areas’ financial sustainability. It is the most commonly used tool to educate and attract investors in the private sector. A quick internet search provides a number of business oriented definitions, such as the following:

- A document that spells out a company's expected course of action for a specified period, usually including a detailed listing and analysis of risks and uncertainties. It should examine the proposed products, the market, the industry, the management policies, the marketing policies, production needs and financial needs. Frequently, it is used as a prospectus for potential investors and lenders.³
- A plan identifying markets, customers, expenditures and finances required to carry out the identified business, based on projected revenues and costs over a specific period of time.⁴
- In a nutshell, the business plan should clearly explain the what, why, when, who and how of the project. It should be a comprehensive explanation of the opportunity, the people involved, the money required to implement the plan, where it will come from and what financial results the opportunity is likely to produce.⁵
- A business plan is a planning document that summarizes the activities of a business for a given period of time. The plan communicates the business elements to lenders and others, provides the basis for managing the business, and provides a yardstick by which progress may be measured and changes evaluated.⁶
- A document that describes an organization's current status and plans for several years into the future. It generally projects future opportunities for the organization and maps the financial, operations, marketing and organizational strategies that will enable the organization to achieve its goals.⁷

Although we are using a private sector tool, it is important to remember that NCS’s core business is PA management and natural resources conservation. This means that PAs should not be run purely as profit making enterprises, and so a business plan's major purpose is to support PA managers meet their financial needs through activities compatible with biodiversity conservation.

This business approach is based on the idea that protected areas provide real economic benefits to individuals and society as a whole. These contributions are often neither fully recognized, nor compensated. By identifying what are the environmental goods and services provided by a PA (such as clean air, clean water, hydro-electricity,

³ www.acceleratoronline.com/viewpage.asp

⁴ www.woodlot.bc.ca/swp/myw/html/21_Glossary.htm

⁵ www.gov.mb.ca/agriculture/financial/farm/caf01s05.html

⁶ www.delawarecountybrc.com/glossaryterms.htm

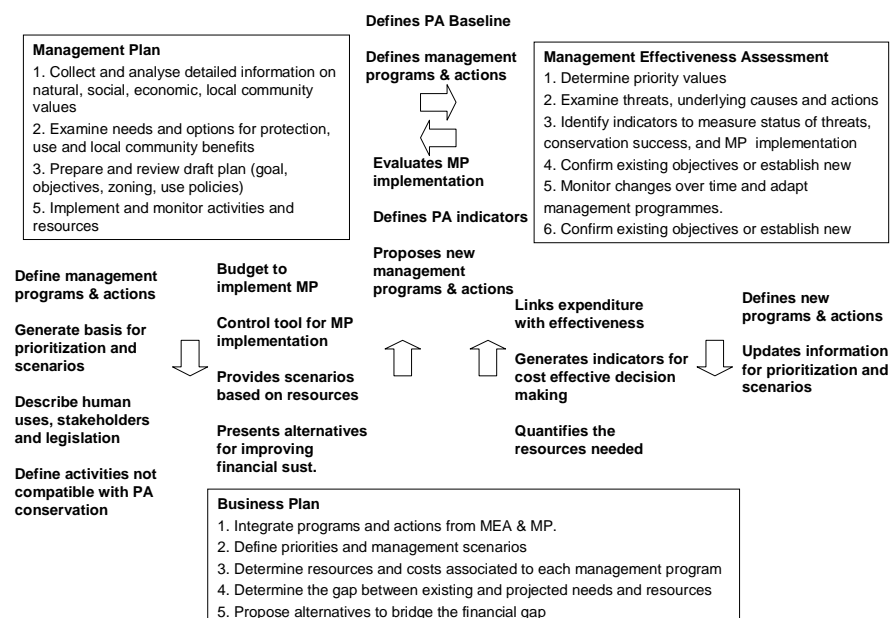
⁷ www.secured--loan.co.uk/glossary-loans2.html

wildlife, tourist areas, etc.) and who are the customers or beneficiaries of the PA, its possible to quantify the monetary value of these benefits and generate payments for them.

With this intention in mind the definition that will guide this document is the following: A Business Plan is a tool used as a part of an integrated effort to ensure long term and stable funding to meet PA management objectives. This management tool pursues to “land” the complexity of a management plan into a comprehensive sequence of programs and activities, identifying necessary resources, and potential alternatives to achieve them. The document must answer the following four questions:

- Why is this PA important and what are we doing for its conservation?
- What is the PA’s current financial situation and future needs?
- What opportunities are there for improving PA’s current financial situation?
- By who and how will the business plan be implemented?

A Business Plan MUST be fully supported and developed in a participative manner involving at least the key management staff. It MUST be considered as a dynamic tool, subject to continuous improvement and review, flexible enough to promote PA adaptive management. It MUST be compatible and articulated with other management tools such as the management plan, management effectiveness assessment, annual operative plans, and official budgets. Therefore it is strongly recommended the BP to be considered as an additional chapter of the Management Plan, and subject to review under the Management Effectiveness Assessment. The next figure presents some of the main relationships and feedback between these management tools.



4 Objectives of Business Plans for Protected Areas

Improve managerial capacities, effectiveness and control over PA activities.

Attract, retain and increase investments by public, non governmental and private actors.

Complement and facilitate the operation of current management tools, such as management plans and effectiveness assessments.

Guide investments and prioritize resource allocation to PA.

5 Components of Business Plans for Protected Areas

The four components of a Business Plan for PA follow a logical flow that responds to the basic questions posed in the definition of a Business Plan:

- Why is this PA important and what are we doing for its conservation?
- What is the PA's current financial situation and future needs?
- What opportunities are there for improving the current financial situation?
- By who and how will implement this business plan?

5.1 General description of the PA

This introductory part of the document has the objective to communicate the PA's importance and relevance, its key resources, and the programs and activities currently undertaken by the PA staff. This component should be brief and not over elaborated with detailed information; it presents the context and raises awareness for the financial analysis. The information should include:

Mission statement
Enabling legislation
Major programs, priorities and actions
Natural, cultural, and historic features
Facilities
Threatened & Endangered Species
PA map
Contact information

5.2 Financial analysis

This component links current Management Plan's programs and key activities, with an analysis of both current and future financial performance. The financial analysis combines an overview of expenditures and sources of income divided into three time frames: past or historical, current, and future.

Financial information should clearly reflect all sources of funding that were available for the PA during the past five years (government, international cooperation, concessions, visitation fees, etc). This information should be further analysed presenting the uses of funding according to the PA's management programs, and expenditure categories

(salaries, maintenance, etc). All current self generating revenues must be considered, not only those that are accountable to NCS. It is important to present clearly which sources were covering what expenditures. Several key analyses should be performed according to this information:

- Historical trends
- PA's capacity to leverage additional funding to the government investments
- Sustainability of the current sources of funding
- Uses of funding according to management programs and expenditure categories
- Recurrent costs vs. investment costs
- Current budget as a percentage of PA total self generating revenues

Based on this baseline scenario, the financial projections for the PA's future, must reflect the real needs and resources necessary to accomplish management goals and programs in three different scenarios, the actual, a basic and an ideal.. Financial needs assessment must be accurate and transparent the totality of costs and resources that will be used to reach major management goals and objectives. Scenarios are useful to reflect management priorities and segregate which programs and activities are considered fundamental in the short and medium term, and which can be expected to add value and complement current practices in the long term.

The difference between the baseline and the financial targets for basic and ideal scenarios is the financial gap. The gap information should be presented per management program and per expenditure category if possible, and indicates the amount of resources and effort needed to reach the scenarios identified. It must communicate where we are now as a percentage of where we need to be in the future.

5.3 Financial Strategy

Once we know our financial goals for each scenario, this component presents the different alternatives of the PA to reach these goals. It describes the potential sources for additional income to the PA, considering both, improvements and adjustments to current self generating activities, as well as new opportunities that might be available to improve a PA's financial situation. This component must reflect the relative composition of the PA's funding sources, looking at its diversification in a way that ensures long term and stable sources, avoiding the dependence of a single source.

This general statement leads to a menu of options to the PA, considering its feasibility in terms of political, legal and capacity constraints and barriers. Three steps need to be taken in order to provide coherence and order to this component.

As a first step this component must present a comprehensive list of all sources and financial alternatives possible, according to PA manager's experience, data available, and interviews with key stakeholders. In cases where tourism is a current or potential important source, it is strongly suggested to apply surveys or focus groups for visitors to assess the market perceptions and visitor experience in the area. This exercise will have as an output a menu of potential financial alternatives available for the PA.

The second step consists on a brief barrier analysis and context review according to the menu and based on the experience and visions of both, PA managers and NCS staff. This exercise can take the form of a barrier analysis or a SWOT analysis (strengths, weaknesses, opportunities, and threats). It allows providing a general context and a base for decision making in terms of which activities can be considered

feasible and realistic to be achieved. This information should lead into prioritizing the menu according to its legal, political and capacity related feasibility, as well as the expected return of each alternative. We should also consider a number of alternatives that can provide results in the short and mid term, in order to maintain staff motivation and further institute the business planning concept among staff and rangers. At the end of this step, a reasonable number of alternatives will arise to start the process, and some others will still be dependant on the creation of the enabling environment to implement them.

Finally, during the third step, the prioritized alternatives must further assess their market opportunities, mode of operation, legal arrangements, and operative costs. According to this base, financial projections can be prepared, considering a start up period and the full operation of the alternative. This information is needed in order to move from a menu to the actual planning of the necessary steps to implement these alternatives.

5.4 Business Plan implementation

Up to this point, the process has assessed current and future financial needs of the PA. It also describes the potential sources of income, and a plan to achieve them. With this information in mind, the key question is who will be charged with the overall implementation and supervision of this business plan.

Major trends, opportunities, barriers and weaknesses for implementing each product or strategy should be considered, including the preparation of specific plans to achieve them. It must be clearly stated which of these are systemic and therefore out of the control of WRPA staff, and which are internal and depend on the ability of WRPA staff to be achieved. The BP must reflect how the proposed activities will be implemented, what systems should be in place, and what capacities and resources are needed.

The starting point for answering the question is that at the moment there is no formal capacity and experience in implementing such a tool, either at the PA or the NCS level. This indicates the practical need to start attracting, and retaining key people with expertise in business and economics in order to complement the current profiles available for Egypt's PA conservation efforts. While this process takes place, three important steps could be taken in parallel:

- Appoint a specific person responsible for Business Plan implementation in the protected area, as well as a support team to carry out activities. Activities under the Business Plan must be included in the annual work plan, and people should be evaluated under the basis of BP implementation. It is strongly recommended that the person responsible for the BP does not have to share its time with other tasks inside the PA. This should be considered as the first level of implementation and support needed to successfully implement the Business Plan.
- This PA team should seek close coordination and support from NCS Business Plan Unit, as well as the Italian Cooperation Project in order to consolidate a second level of support. This second level has the purpose of acquiring initial funding and capacity building that might be needed for the start-up process, as well as to further increase the commitment and priority at the NCS level. An additional reason behind this second level is the fact that the actors are based in Cairo, therefore closer to influencing the decision making processes at EEAA, and closer to international cooperation and other opportunities for the PA.

- A third level should consider the expansion of the implementing players into a broad arrange of local and national stakeholders. This approach is based on the need to generate a social base for the achievement of the different financial goals and alternatives, through the active involvement of those actors that either benefit from the PA resources (tourist operators, fish farmers, etc), or share a concern and long term commitment towards the sustainable development of the PA such as national and local NGO's and universities.

6 Proposed outline for Business Plans for Protected Areas

The following outline responds to a specific target of readers but prioritizing PA managers, NCS staff, and technical cooperation partners. Its intention is to become a navigation guideline for the PA staff, with enough information to feed local and national decision making processes, as well as to guide intelligent investments from international projects and NGO's. 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.

Outline		Suggested Content	Sources of information/ responsibles	# Pages
I	Manager's Foreword	Introduction to document's purpose and objectives	To be prepared by RM Manager	1
li	Executive Summary	Resumes PA relevance, financial needs and opportunities.	Last task of BP Team to be prepared at the end.	2
1	Protected Area Overview	General description of PA and its features. PA facilities; PA map; Contact and travel info.	Management Plan Natural, cultural, and historic features; Conservation category. Personnel PA map and zoning. Contact and travel info. Photos	3
1.1	PA uniqueness/relevance	One page description highlighting its uniqueness, the most important values for nature conservation and human development.	Threatened and endangered species, fragile ecosystems; Benefits to local people and economy. PA Economic valuations Number of beneficiaries/ visitors, employment, benefits to national economy	1
1.2	PA Programs and actions	Mission statement; Enabling Legislation; MP programs, priorities and projects.	Mission statement. PA strategies, programs and major actions. Functional area charts Operational and investment priorities. Management Plan, Management Effectiveness Assessment	2

2	Financial analysis	Resume the most important findings of the component. Present the financial gap.	To be prepared by BP team at the end of the chapter	1
2.1	Expenditure	Historic funding & budgets Inventory of equipment, infrastructure and vehicles.	Base budget (2002-2006) Park inventory (buildings, vehicles, equipment, etc). Funding sources history (2002-2006). Expenditure history (2002-2006).	2
2.2	Revenues	All current sources of revenue, and how are they used.	Total revenues from all current funding sources (entrance fees, international cooperation, concessions, penalties, etc). Visitation trend (# of visitors nationals and foreigners)	2
2.3	Financial Needs Assessment	Three scenarios (baseline, basic, ideal) for each management program.	PA workshop Management plan Management effectiveness assessment	4
3	Financial Strategy	Business opportunities overview	To be developed by BP team	1
3.1	Portfolio of alternatives and priorities.	All financial alternatives identified in the process, a barrier analysis and its prioritization.	Description of all current sources of funding Mechanisms in place to operate funding sources, and ideas on how to improve them. Potential new sources assessed or proposed by PA staff or others. Economic valuations prepared for the PA (Coral reef valuation); number of beneficiaries, employment, benefits to national economy	2
3.2	Product analysis	Concept & Market description, market share, price, services, distribution, promotion channels, operative structure, financial projections	Market intelligence and research Selected products and alternatives Tourist surveys, profiles. Interviews with major stakeholders Operation needs and costs Financial projections	8
3.3	Marketing Plan	Strategic approach towards PA and product marketing.	Target groups, prices, product, and promotion.	3

4	Business plan implementation	Implementation team; operational arrangements, critical success factors and timeframe.	To be developed by BP team	1
4.1	Operational arrangements	Structure and means to accomplish the desired goals; Promoter's group, partners, and other support to BP; Implementation schedule	Operational functioning, team in charge, and staff support him. Barrier analysis Formal arrangements with key stakeholders and implementation partners	1

7 Actors and roles

The first step is to make a commitment to develop a business plan. This may seem obvious but should not be under-estimated. The preparation of a business plan requires qualified staff time and financial resources. Like the management planning exercise, it should be conducted by a group of key stakeholders who are familiar with the protected area. It is an investment, and as with all investments, the decision to proceed should be weighed carefully.⁸ The team should include a representative of each stakeholder group that affects the success or failure of the plan; this suggestion however is subject to further consideration, since involving a stakeholder without a previous relationship and exploration of common interest could be counterproductive. The next table proposes a core group of organizations and roles for the start up of BP process.

Actor	Responsible	Proposed roles
EEAA	NCS	<ul style="list-style-type: none"> - Leadership of the BP process at national level. - Creates and strengthen NCS BP Unit. - Attract and retain specific profiles for BP. - Standardize guidelines to link BP to current PA management tools - Generate an enabling environment for BP preparation and implementation in PA level. - Lead approaches and relationships with key stakeholders as requested by PA BP teams.
PA	Park Manager	<ul style="list-style-type: none"> - Designate and supervise the BP team. - Link BP with Management Plan, Management Effectiveness Assessment and Annual Plans. - Ensure PA's full participation and support for BP planning and implementation. - Link BP with decision makers at EEAA, Governorates and other Ministries.
	BP Team	<ul style="list-style-type: none"> - Facilitate the incorporation of the concept and the enabling conditions for its operation. - Final responsible for BP's preparation and implementation with External Consultant's support. - Facilitate the creation of a local Promoters Group to support BP implementation. - Lead the implementation of the PA financial portfolio - Compile information and prepares reports and

⁸ www.conservationfinance.org

		<p>presentations as needed.</p> <ul style="list-style-type: none"> - Prepare annual planning and budget.
Italian Cooperation	Capacity Building Project	<ul style="list-style-type: none"> - Integrate BP into current management tools and other capacity building initiatives. - Provide external advice and consultants as needed. - Support capacity building for NCS BP Unit and PA BP Teams.
	External Consultant	<ul style="list-style-type: none"> - Participates in BP's preparation, follow up and implementation in coordination with PABP Team and NCS BP Unit. - Operate as a resource center for BP facilitating Information, partnerships and economic resources for BP preparation and implementation. - Ensures close interaction between PA, NCS, ICP.
	International Consultants	<ul style="list-style-type: none"> - Advise, feedback and review the overall BP process at PA and NCS level. - Generate the framework, models, guidelines and methodologies for BP implementation. - Generate local capacities for BP. - Prepare consultancies and documents to feed the process
Other stakeholders	Local communities	<ul style="list-style-type: none"> - Participate in the BP process both during its preparation and through acquiring responsibilities. - Integrate the BP Promoters Group. - Ensure BP also reflects local needs and opportunities
	Private sector	<ul style="list-style-type: none"> - Participate and feed information for BP process - Integrate the BP Promoters Group. - If it benefits from the PA, acquire an active role to share responsibilities and costs. - Sponsor and actively promote PA financial needs
	NGO's	<ul style="list-style-type: none"> - Participate in the BP process - Provide technical and financial support - Integrate the BP Promoters Group