

# **WADI EL GEMAL- HAMATA PROTECTED AREA BUSINESS PLAN**

**LIFE RED SEA PROJECT**

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## ACRONYMS

EEAA	Egyptian Environmental Affairs Agency
EEPP	Egyptian Environmental Policy Program
GEF	Global Environmental Facility
HEPCA	Hurghada Environmental Protection and Conservation Association
IUCN	Nature Conservation Union
LE	Egyptian Pound
LIFE	Livelihoods and Income from the Environment
LRS	LIFE Red Sea Project
NCS	Nature Conservation Sector
NGO	Nongovernmental Organization
PERSGA	Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden Cooperation
RSG	Red Sea Governorate
RSIF	Red Sea Integrated Fee
RSP	Red Sea Protectorate
UNDP	United Nations Development Program
WGHPA	Wadi El Gemal-Hamata Protected Area (also known as Wadi Gemal National Park)



## **SECTION 1**

### **Executive Summary**

Created in 2003, Wadi El Gemal-Hamata Protected Area (WGHPA) is one of 27 protected areas in Egypt. WGHPA is unusual among Egypt’s protected areas in that it includes terrestrial and marine components within its boundaries. The protected area — or national park, as it is often called — is rich in rare and threatened species, including a wide variety of plants, rare and endangered terrestrial mammal and bird species, and many rare and endangered marine species, including dugongs and sea turtles.

#### **Purpose of the Business Plan**

The WGHPA Five-Year Business Plan intends to provide the financial basis for effectively managing the park’s current operations and its likely expansion in subsequent years to meet increasing visitor numbers. The plan provides the structure and direction for developing more targeted one-year operational plans whose activities fall within the parameters of the business plan. The business plan responds to the immediate annual demands of the park and can be used to (a) justify the release of funds held in trust by other Government of Egypt entities like the Red Sea Governorate for park operations and development and (b) to solicit resources from private sector organizations interested in providing resources to the park.

The business plan identifies three increasingly ambitious development scenarios, with all three including operational cost components and the latter two including park development cost components. In each case, the plan specifies current operational costs and current revenue sources. It also looks at likely increases in operational costs and necessary investments in infrastructure and programs to meet visitor demands. Finally, the plan identifies potential new revenue sources to help the park meet these increases in costs.

The business plan does not intend to be the “final word” regarding current and future programs and their associated costs, or current and future revenue sources. Nor does it attempt to quantify with specificity the costs associated with future activities, or the amount of revenue that might be gained from potential future sources. The numbers provided are reasonable estimates based on analysis of past expenditures and projected future needs. They serve as an informed and reliable starting point from which programmatic discussions and decisions can proceed. Once programmatic decisions are taken by EEAA/NCS, detailed financial planning will be necessary.

The business plan also does not intend to be an operational plan for WGHPA. Should the Red Sea Protectorate decide to address any of the specific guidance and recommendations, a specific operational plan to implement those selected elements of the business plan must be developed.

Two critical aspects of the costs estimates are that (a) all estimated costs for operations and development are balanced against current and potential revenue sources — sustainable park management requires fiscal responsibility and a balanced budget — and (b) costs for all current facilities and suggested new facilities are identified in the illustrative development inventory and budget shown in Annex D (Scenarios 2 and 3 only). The Scenario 2 and 3 budgets include a maintenance component. Upkeep of existing facilities and assuring the availability of resources

to fund maintenance before committing funds for any future facilities is the only way to guarantee sustainability. Table 1(a-c) provides a summary of costs and revenue sources for each of the three business plan scenarios. The three scenarios are differentiated as follows:

- Scenario 1: Operational costs are limited to current staff salaries and operational costs (i.e., vehicle fuel, vehicle maintenance, boat maintenance). Operational costs do not include funding for long-term maintenance of any park facilities (i.e., rehabilitation of aging ranger field stations).
- Scenario 2: Operational costs include estimates for long-term maintenance of current facilities.
- Scenario 3: Operational costs include estimates for long-term maintenance of current and proposed new facilities.

It is important to recognize that the Scenario 1 funding level is based on the 2007 actual budget, which included substantial USAID financial and technical support. The support provided by USAID over the four-year period of the Livelihoods and Income from the Environment (LIFE) Red Sea Project (LRS) has been extremely valuable in terms of maintaining core park management functions, improving existing facilities, and adding new facilities. The Egyptian Environmental Affairs Agency's (EEAA) Nature Conservation Sector (NCS) and the Red Sea Protectorate (RSP) have made great strides toward making WGHPA a viable national park. However, the 2007 funding level and associated level of service falls short of what is required to sustain park operations over the long term and expand park operations to make it a viable destination for visitors, guaranteeing visitor safety and protection of the park's natural resources.

It also is important to note that all figures in all scenarios are for WGHPA only, not for the entire Red Sea Protectorate. Disaggregating WGHPA budget resources from other RSP resources was a difficult and time-consuming exercise. This exercise was necessary to develop the estimates for each line item, and in each scenario.

**Table 1a. Scenario 1 – 2007 Funding Level (all amounts in Egyptian Pounds)**

		2009	2010	2011	2012	2013
Expenditures	Operational costs	1,147,109	1,261,820	1,388,002	1,526,802	1,679,482
	Development costs	0	0	0	0	0
	Subtotal	<b>1,147,109</b>	<b>1,261,820</b>	<b>1,388,002</b>	<b>1,526,802</b>	<b>1,679,482</b>
Funding Sources	EEAA <sup>1</sup>	258,577	284,435	312,878	344,166	378,583
	Samaadi	493,778	543,156	597,471	657,219	722,940
	RSIF <sup>2</sup>	0	0	0	0	0
	Giftun Island <sup>3</sup>	0	0	0	0	0
	Moorings	72,600	79,860	87,846	96,631	106,294
	Additional Funding Required <sup>4</sup>	322,154	354,369	389,806	428,787	471,666
	Subtotal <sup>5</sup>	<b>1,147,109</b>	<b>1,261,820</b>	<b>1,388,002</b>	<b>1,526,802</b>	<b>1,679,483</b>

**Notes:**

<sup>1</sup> EEAA funds come from the Agency's annual budget allocation; the funding level is based on the actual 2007 funding level, with built-in 10% escalation year on year

<sup>2</sup> The Red Sea Integrated Fee is legally established; however the RSP current received no funding from this source

<sup>3</sup> The Giftun Islands Fee is legally established; however the RSP current receives no funding from this source

<sup>4</sup> This is the funded level required for expenditures and funding sources to balance

<sup>5</sup> All subtotals in the "out years" (2010-2013) include a 10% escalator to account for inflation

**Table 1b. Scenario 2 – Basic Funding Level (all amounts in Egyptian Pounds)**

		2009	2010	2011	2012	2013
Expenditures	Operational costs	1,664,600	1,831,060	2,014,166	2,215,582	2,437,140
	Development costs	250,000	825,000	907,500	0	0
	Subtotal	<b>1,914,600</b>	<b>2,656,060</b>	<b>2,921,666</b>	<b>2,215,582</b>	<b>2,437,140</b>
Funding Sources	EEAA <sup>1</sup>	258,577	284,435	312,878	344,166	378,583
	Samaadi	493,778	543,156	597,471	657,219	722,940
	RSIF <sup>2</sup>	0	0	0	0	0
	Giftun Island <sup>3</sup>	0	0	0	0	0
	Moorings	72,600	79,860	87,846	96,631	106,294
	Additional Funding Required <sup>4</sup>	1,089,645	1,748,609	1,923,470	1,117,567	1,229,323
	Subtotal	<b>1,914,600</b>	<b>2,656,060</b>	<b>2,921,666</b>	<b>2,215,582</b>	<b>2,437,140</b>

**Notes:**

<sup>1</sup> EEAA funds come from the Agency's annual budget allocation

<sup>2</sup> The Red Sea Integrated Fee is legally established; however the RSP current received no funding from this source

<sup>3</sup> The Giftun Islands Fee is legally established; however the RSP current receives no funding from this source

<sup>4</sup> This is the funded level required for expenditures and funding sources to balance

**Table 1c. Scenario 3 – Ideal Funding Level (all amounts in Egyptian Pounds)**

		<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Expenditures	Operational costs	2,368,561	2,605,417	2,865,958	3,152,555	3,467,810
	Development costs	1,370,000	1,507,000	1,657,700	1,823,347	2,005,817
	Subtotal	<b>3,738,561</b>	<b>4,112,417</b>	<b>4,523,658</b>	<b>4,975,902</b>	<b>5,473,627</b>
<i>Current Funding Sources</i>	EEAA <sup>1</sup>	258,577	284,435	312,878	344,166	378,583
	Samaadi	493,778	543,156	597,471	657,219	722,940
	RSIF <sup>2</sup>	0	0	0	0	0
	Giftun Island <sup>3</sup>	0	0	0	0	0
	Moorings	72,600	79,860	87,846	96,631	106,294
	Subtotal	<b>824,955</b>	<b>907,451</b>	<b>998,196</b>	<b>1,098,015</b>	<b>1,207,817</b>
<i>Prospective Funding Sources</i>	Far Island					
	CBD program					
	PERSGA					
	NGOs					
	Private sector					
	Park entry fees					
	Business concessions					
	Exclusive use fees					
	Income from visitor centers					
	Recreational user fees					
		Subtotal <sup>4</sup>	<b>2,913,606</b>	<b>3,204,966</b>	<b>3,525,462</b>	<b>3,877,887</b>
	Total	<b>3,738,561</b>	<b>4,112,417</b>	<b>4,523,658</b>	<b>4,975,902</b>	<b>5,473,627</b>

Notes:

<sup>1</sup> EEAA funds come from the Agency's annual budget allocation

<sup>2</sup> The Red Sea Integrated Fee is legally established; however the RSP current received no funding from this source

<sup>3</sup> The Giftun Islands Fee is legally established; however the RSP current receives no funding from this source

<sup>4</sup> This is the funding level required for expenditures and funding sources to balance; it is an estimate of a realistic aggregate amount from the sources listed below

## **Park Management**

WGHPA is managed as part of the RSP, which in turn is under the authority of the EEAA/NCS. Management is performed in conjunction with the Red Sea Governorate (RSG), which provides administrative assistance and partial funding allocation.

## **Funding and Expenditure**

### **Current Funding**

WGHPA is funded from a combination of sources. The principal three sources in 2007 (the last full year for which data are available) include:

- Ministry of Finance/EEAA, which covers salary costs of permanent staff
- Samadai Fund of the RSG, which meets operating costs and salary costs of casual staff
- USAID funding from the LIFE Red Sea Project

In addition the park receives in-kind support for mooring maintenance at dive sites from an Egyptian nongovernmental organization (NGO) called the Hurghada Environmental Protection and Conservation Association (HEPCA). In percentage terms the 2007 contributions are:

- Ministry of Finance/EEAA – 28 percent
- Samadai Fund – 36 percent
- USAID LIFE Red Sea Project – 28 percent
- HEPCA (in kind) – 8 percent

### **Future Funding**

A potential source of revenue is the existing Red Sea Integrated Fee (RSIF) Fund, which the RSG manages. The RSG collects fees from tour boat and diving operators (including those dive companies operating inside WGHPA) based on a charge of \$2 per person. Distribution of the collected funds, now amounting to approximately, in Egyptian pounds (LE), 23 million and running at a gross level of LE 30 million per year, has yet to commence. This fund has the potential to meet the major part of the identified development costs and future operating costs at WGHPA, once the barriers to distribution are removed. While the overall *institutional* barrier to funds flowing from the RSIF to WGHPA is a lack of political will at EEAA and RSG, the *practical* barrier to regular distribution of RSIF resources to the RSP is the lack of sufficient protocols between the RSG and the RSP (EEAA/NCS) for distributing the funds. A regular annual budgeting exercise for which the RSP developed a draft budget and presents its budget to the RSG likely will be necessary. Furthermore, a protocol for funds released by the RSG for RSP expenditures to be transferred to EEAA and subsequently transferred to the RSP must be established.

Funding, commencing in early April 2008, is also available from a similar dive fee fund related to diving activities at Giftun Island. This fund is expected to provide a further LE 600,000 to 800,000 per annum to the RSP. Giftun Island is in the northern part of the Egyptian Red Sea

(adjacent to Hurghada). Funds generated by tourist activities there should help fund a range of RSP activities. Some portion could be made available to fund activities in WGHPA.

The application and release of money from these funds is in the hands of EEAA and the RSG, and the removal of the barriers is the subject of ongoing discussion among the stakeholders. Given the urgent need to find replacement funding to cover the gap that will result from the end of the USAID LIFE Red Sea project, it is strongly recommended that the barriers to the release of funding be resolved urgently. As with the RSIF, the barrier to funds flowing from the RSG to the RSP from Giftun receipts is principally institutional, requiring (a) a working level protocol between the RSG and the RSP for the division of funds and (b) a practical mechanism for funds to be transferred from EEAA/NCS to the RSP.

In the long term, there are excellent prospects for WGHPA to earn income from a range of user fees, including entry fees for those arriving in the park by road, business concessions and guided tours. Funding could also be enhanced by the introduction of a permit system for commercial activities which would improve compliance and thus support the fee collection system. The introduction of these measures is recommended as a mid- to long-term strategy. In this regard, the EEAA/NCS may shortly begin a study using Global Environmental Facility (GEF) funding to better understand the thresholds for visitor willingness to pay entry fees and other park services.

In the context of park funding, it is critical to distinguish between income *generation* and income *retention*. While the prospects for increased generation of income from current and potential activities in and around the park are substantial, failing to address the income retention issue will result in the park remaining chronically short of funds and functionally unsustainable. Current institutional arrangements do not allow the RSP to retain funds. All funds allocated to the RSP therefore must be transferred to the RSP from EEAA/NCS. Under a previous USAID project, the Egyptian Environmental Policy Program (EEPP), a decree was enacted authorizing funds from the EEAA/NCS-managed Environmental Fund to be transferred from EEAA to Egypt's 27 protectorates. However, that decree has not been implemented to date.

An alternative approach would be granting the RSP (and other protectorates) the authority to establish a bank account, retain funds generated by its activities and to directly accept funds from external sources like the RSIF. This arrangement would require administrative action in the form of an approval by the Minister of Finance to establish the protectorates as financial entities. This idea has been explored as part of technical assistance provided during EEPP and LRS. To date, no progress has been made toward being it to fruition.

The most effective arrangement likely would be creation of financial management units in each geographical group of protectorates (e.g. Red Sea, Sinai, Upper Egypt). These units would be authorized to have bank accounts, collect revenue and manage funds under the supervision of the Finance Sector of EEAA. Unfortunately, past practice shows that the Ministry of Finance usually rejects such requests because creation of such units leads to recruitment of additional staff which is not in line with the government policy to reduce spending.

There has been much discussion among the various stakeholders in the southern Red Sea conservation community about the core obstacles to increased flow of financial resources to WGHPA. While the practical issue clearly is a failure to implement existing mechanisms for resource allocation like the EEAA-administered Environmental Fund and the RSIF, the root cause of this failure is a matter of debate. Lacking any evidence pinpointing the motivation of particular GOE officials or institutional players, it is not possible to specify the reason that existing financial mechanisms have not yet been implemented beyond stating that political will among the decision making stakeholders has thus far been insufficient.

However, there is significant evidence that perceptions within EEAA (outside of NCS) and the RSG contribute to the lack of political will to change the status quo. For example, a perception in EEAA exists that NCS receives funding from international donors that is sufficient to support the protectorates, thereby obviating the need for funds from other sources like the Environmental Fund. However, in the first place, the budget projections contained in this report indicate that even with external funding from international donors, the funding available for WGHPA is sub-optimal. Secondly, reliance of funding from international donors obviously is not a sustainable approach to management. A careful reading on the WGHPA Business Plan and its annexes should provide decision makers with the objective information required to fully understand the financial status of the park.

A priority for future engagement on the issue of fund transfer WGHPA must include (a) assuring the decision makers at EEAA and RSG have all the facts regarding park funding levels and sources of funding and (b) making sure these decision makers understand that reliable domestic sources of funding, rather than limited term and ephemeral international donor projects, are the path to park sustainability.

### **Visitation**

Significantly, tourism in the park has shown rapid expansion with a doubling of numbers since 2003. The increase is expected to continue over the life of the plan as significant additional tourist accommodations are constructed on the coastal strip to the north and south of the park. Expansion of management capacity and facilities within the park in future years will be essential to meet the demands placed on it by increased levels of visitor use. Examples of visitor activities include bird watching tours and cultural heritage site tours. Planning efforts will also need to be increased to ensure that visitation on a site by site basis is within the carrying capacity of each site. The need for expansion of park capacity is reflected in the forward estimates.

### **NGO and Private Sector Collaboration**

Significant benefits can be obtained at WGHPA through closer liaison with NGOs. While current partnerships with HEPCA and the Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden Cooperation (PERSGA) are useful, there is tremendous untapped potential. EEAA/NCS could attain better park management and extend assistance to the local communities using NGOs and the private sector, local or international. The proposal by the newly formed local NGO Ecosystem Society to offer assistance to WGHPA is strongly endorsed and recommended for uptake. The feasibility of partnering with the private

sector to undertake projects within the park or provide financial assistance in exchange for promotional and marketing benefits has high potential and should be further examined.

### **WGHPA Capacity Building**

The institutional capacity of WGHPA management is not strong when considering the low level of management systems in place. A number of recommendations and suggestions are provided aimed at enhancing the capacity of staff to effectively manage the park and to provide a safe and enriching environment for visitors and staff.

### **Disparity of Salary and Benefits Between EEAA Staff and RSG Staff**

During the course of developing the business plan it came to light that staff employed under the provisions of EEAA conditions of service enjoy a higher level of benefits and salary than those employed under the RSG arrangements. The lack of equity was identified as an unsettling factor and one that created difficulties in retaining staff at the park. Negotiations should take place between the management of EEAA/NCS and the RSG in an endeavor to resolve this issue by bringing parity to the employment arrangements for staff hired by either entity.

## SECTION 2

### The Park at a Glance

#### 2.1 Natural Features and Conservation Significance

WGHPA encompasses a great diversity of habitats in a uniquely compact setting, representing a complete terrestrial/marine ecosystem, characteristic of the Red Sea coast. The region contains phenomenal natural beauty and outstanding biological diversity. The coral reefs are among the best and most diverse in the Egyptian Red Sea, and house a great diversity of fish and marine invertebrates. They have enormous economic value, providing the basis for international tourism activities and sustaining locally important fisheries. WGHPA includes a significant proportion of the mangrove resources of Egypt. At Hamata, thickets of *Avicennia marina* extend for 12 kilometers in a semi-continuous fringe and form important nurseries for economically important fish and nesting sites for many of the region's water birds. Substantial sea grass beds provide food for the threatened Green Turtle (*Chelonia mydas*) and Dugong (*Dugong dugon*). At least two species of marine turtles nest on islands, as well as the mainland coast in the protected area, where some of the country's most important turtle nesting sites are found.

The interior of the protected area is a complex pristine mountain wilderness, inhabited by a diversity of wildlife including several endangered species, and representing an enormous resource for ecotourism activities. The Wadi el-Gemal watershed, at 1,476.7 km<sup>2</sup>, is one of the largest drainage basins in the eastern desert of Egypt. It is perhaps the best-vegetated wadi in the eastern Desert, encompassing dense groves of

*Tamarix sp.*, *Balanites aegyptiaca*, *Salvadora persica*, and *Acacia tortilis*, representing a unique relict of Sahalian vegetation. Twenty globally threatened species have been identified in WGHPA, the most significant of these species (i.e., species for which WGHPA can make an important contribution towards their global conservation) are: marine turtles, Dugong, White-eyed Gull (*Larus leucophthalmus*), Dorcas Gazelle (*Gazella dorcas*), and Barbary sheep (*Ammotragus lervia*). The area is inhabited by local pastoral peoples belonging to the Ababda Tribe, who still practice a traditional lifestyle largely in harmony with their environment. The area has many archaeological sites along important historic trade routes linking the Red Sea with the Nile Valley. Natural systems are still intact and development in the area is still in its infancy, but it is expected to pick up pace in the near future. Mining and quarrying are relatively widespread activities, and there are several old inactive gold and emerald mines scattered throughout the area.

#### Enabling Legislation

As part of Egypt's drive towards rational and sustainable use of its natural resources, the WGHPA was declared in January 2003 by Prime Ministerial Decree 143/2003 under Law 102/1983 . WGHPA was the 24th protected area to be declared.

#### 2.2 Framework for WGHPA Management

The management of WGHPA is the responsibility of the Nature Conservation Sector (NCS) of EEAA, the body responsible for the management of the National protected area system. The management of protected areas in Egypt is subject to the provisions of Law 102/1983, which outlines and identifies the basic legal framework for managing a protected area. Protected areas in Egypt have a standard management and administrative structure sanctioned by the EEAA/NCS.

The WGHPA framework takes into consideration local needs and limitations. Stakeholder consultation and participation in the WGHPA management planning process is an important component of its development.

The management provisions of EEAA/NCS do not provide for Protectorates or the individual parks to receive or handle funds. As a result, the RSP has an arrangement with the RSG for the collection and banking of fees from boat and dive operators. In addition, RSG handles expenditure in the park.

Where fees and charges are collected by Protectorate staff, they must be remitted to EEAA, going into the Environment Protection Fund. There are no arrangements in place to return these funds to the Protectorate other than in the overall agency budget context.

### 2.3 Management Priorities

The draft WGHPA Management Plan suggests priority be given to resolving potential conflicts regarding any large-scale activities being planned for development in the two “ecotourism development areas” within the park’s boundaries by the Tourism Development Agency, the Egyptian government agency charged with developing much of the country’s coastline for tourism activities. These activities have the potential to impact geographically, as well as, ecologically on the region. Good management practice demands that such conflicts be resolved at the planning stage, rather than during implementation or operation.

#### **Mission Statement from Management Plan**

To ensure that Wadi El-Gemal–Hamata Protected Area is managed within an ecologically sustainable framework, maintaining the traditional and characteristic culture of the local population, and acting as a regional planning tool to diversify land use along the Red Sea coast, thus enhancing its economic future.

The second priority identified is to control the current adverse activities that degrade the natural resource base of WGHPA, and which will continue to do so, unless management interventions are made. Such activities include tourism impacts on dive sites and the islands, as well as unauthorized excursions into the unoccupied inland areas of the park.

As part of implementing the second priority, emphasis is being placed on public awareness and education via the soon to be constructed Visitor Center.

The third priority will embrace measures to be taken to better understand and appreciate the natural and cultural heritage of the park. Through this understanding will come improved management practices, better regulation of tourism activity, and sustainable uses of the parks resources consistent with its conservation values.

Although not identified as a top priority item in the management plan, the integration and consultation of indigenous inhabitants and their values is a factor in all aspects of the management of the park and is integrated into the business plan.

## 2.4 Satellite Image



Satellite Image showing WGHPA boundary and coastal areas targeted for tourism development

## SECTION 3

### Current Situation

#### 3.1 Operating Budget

Historical records for the operating outlays at WGHPA are available only for 2006 and 2007. The figures indicate a total cost of LE 640,000 in 2006 rising to LE 920,000 in 2007. The estimated budget for 2008 is LE 1.3 million.

The budget has been the subject of detailed evaluation contained in the February 2008 draft report by Myrette Sokkari for LRS (at Annex A) and used as a working document to this report. In this report, maintenance costs for plant and equipment, tracks, and buildings have been increased to better reflect the expected costs of their long term upkeep. In addition, a modest inclusion is provided for staff training, the preparation of visitor information material, the supply of drinking water, and other minor items not currently covered. Importantly, the costs of fuel and oil are increased in line with expected higher usage associated with the acquisition of a new 10-meter patrol boats and an increased number of vehicles acquired through the LIFE Red Sea Project. Table 2 summarizes WGHPA costs for the period 2006 -2008.

**Table 2. WGHPA Operating Costs (in Egyptian Pounds)**

Cost Item	Actual 2006	Actual 2007	Estimated 2008
Salaries EEAA (12 in 2006, 14 in 2007)	203,015	213,700	536,200
Salaries RSG Samadai Fund	127,911	265,281	
Fuel and Oil Samadai	132,300	142,800	217,960
Fuel and Oil USAID LIFE Red Sea	16,763	40,000	
Maintenance Buildings and vehicles USAID LIFE Red Sea	113,399	118,649	266,578
Maintenance Tracks USAID LIFE Red Sea			40,000
Maintenance Mooring Buoys HEPCA	60,000	60,000	60,000
Office Supplies USAID LIFE Red Sea	9,404	34,375	24,000
Utilities (water) USAID LIFE Red Sea			15,000
Communication USAID LIFE Red Sea	15,579	16,500	12,000
Uniforms and Protective Clothing USAID LIFE Red Sea	30,000		45,000
Educational Materials and Brochures USAID LIFE Red Sea		3,500	20,000
Travel USAID LIFE Red Sea	20,982	23,219	12,500

<b>Cost Item</b>	<b>Actual 2006</b>	<b>Actual 2007</b>	<b>Estimated 2008</b>
Training			30,000
Contingency			34,000
Total Operating Costs	729,354	918,024	1,313,238

## **Analysis**

The major cost items are salaries, representing some 50-60 percent of total costs of operation, together with fuel and oil (15-20 percent) and maintenance (15-20 percent) of outlays. Salary costs are funded by EEAA and the RSG through the Samadai Fund.

The 2008 budget, although increased from the 2007 level, still provides for a basic level of service only. Current provisions are inadequate in terms of natural resource conservation and visitor safety. This budget also does not provide for visitor recreational needs, park interpretation and education programs or investment in institutional capacity to properly manage the park.

Asset maintenance is addressed in the 2008 budget at a level that more realistically reflects the needs. This amount is based on the estimate prepared by Ms. Sokkari in Annex A (Table 7, Appendix 2), taking into account the generic requirements of the items observed in a physical stock-taking. Separate accounting records have not been kept in relation to individual asset items within WGHPA. Without an asset register of buildings, plant and equipment, maintenance costs and expected useful life of plant and equipment cannot be accurately predicted. A further description of the assets to be provided within the park is provided in Annex F, which has been taken from the draft 2003 Management Plan.

### **3.2 Developmental/Capital Expenditure**

USAID expenditure for 2008 was LE 2.1 million for construction of a new Visitor Center and a Ranger Operations Center.

### **3.3 Red Sea Protectorate Costs**

The RSP headquarters in Hurghada, which is responsible for several parks including WGHPA, requires an estimated LE 4 million in 2008. This does not include the cost of salaries provided through EEAA to permanent staff (LE 1 million) or RSG (LE 300,000), together totaling LE 1.3 million.

EEAA, LRS, and RSG and HEPCA provided funding of LE 5.8 million in 2007 for salaries, moorings, and operational and developmental expenditure. On this basis, WGHPA, at LE 920,000 for operating costs (excluding the EEAA salaries component) in 2007, represented approximately 16 percent of the overall protectorate costs.

### **3.4 Current Operational Funding**

WGHPA is currently funded from four sources as indicated by source and amount in Table 3.

**Table 3. WGHPA Sources of Funding (in Egyptian Pounds)**

Source of Funds	2006	2007	2008 Estimate
Salaries EEAA	203,015	213,700	213,700
Salaries RSG	17,911	265,281	300,000
Moorings HEPCA	60,000	60,000	60,000
Fuel and Oil RSG Samadai Fund	132,300	142,800	200,000
USAID LIFE Red Sea	206,128	236,243	170,000
Total Funding	729,354	918,024	943,700
<b>Operating Costs</b>	729,354	918,024	1,313,238
<b>Deficit</b>	0	0	(369,538)

### Analysis

The Finance Ministry/EEAA provides funding to cover salaries of its 14 permanent staff members at WGHPA. At the present time, non-salary operating costs have not been provided by EEAA.

The RSG provides funding for the salaries of some 36 non-permanent staffers within the park, as well as certain operating costs such as fuel and oil. Funding from the RSG is sourced from the Samadai visitor fees, which are collected from dive operators on the basis of a LE 12 fee, or \$2, per person per day. The amount of gross revenue collected per annum is understood to be in the order of LE 3 million per annum before deduction of collection costs. Of the net amount collected, distribution of the proceeds is shared as follows:

- RSG – 40 percent for environmental projects in the RSG area
- HEPCA – 30 percent for provision and maintenance of mooring buoys
- RSP – 30 percent for protected area operations within the RSG area, (includes WGHPA)

Total revenue from Samadai funding provided to RSP for park work in recent years as reported by the RSG in Annex B is as follows:

- 2004/05 LE 587,000
- 2005/06 LE 465,000
- 2006/07 LE 613,000

The authority for deciding distribution of the available funding within the RSP rests with Protectorate management in Hurghada. Annual budget bids are submitted by the park and unit managers, and a decision is taken by the RSP according to needs and level of funding available. Requests for purchases or expenditure are made by RSP to the RSG, which actions them via its

internal arrangements. While this works sufficiently well for routine items, the system does not meet the need to respond to urgent expenditure requests, such as unplanned repairs of vehicles.

HEPCA undertakes on behalf of WGHPA a service at a cost of LE 60,000 per annum for the maintenance of buoys.

The projected deficit of LE 370,000 in operational funding is noted and is addressed in Section 6 of this report.

### 3.5 Developmental/Capital Budget

LE 2.1 million was provided through LRS in 2008 for the construction and furnishing of a Visitor Center and a Ranger Operations Center. No other new development projects to be funded by RSP in 2008 are planned.

### 3.6 Visitation

#### Growth Rates

Since declaration of the park in 2003, annual visitation has increased by a factor of three and continues to grow at a moderate rate.

Charts 1 and 2, which contain data provided by the RSP staff, show the following:

- Visitors 2003 to 2007 (Table 4)
- Estimated visitors 2008 to 2013 (Table 5)
- Visitor activity within the park (by method of park entry)

**Table 4. WGHPA Historical Visitation**

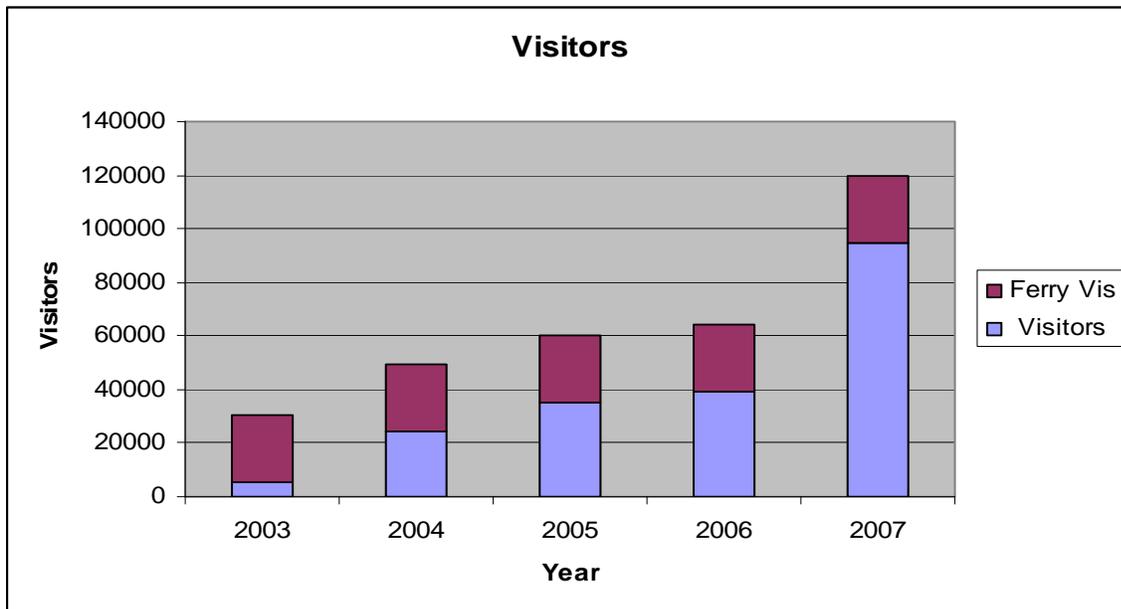
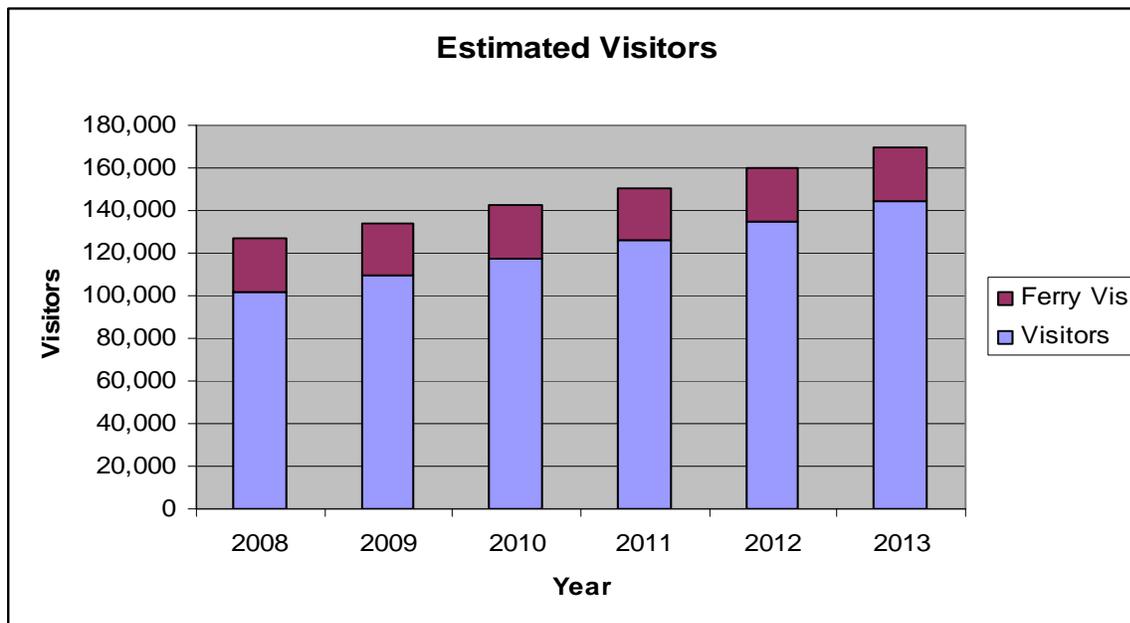


Table 4 indicates the total number of visitors to WGHPA during the period 2003 to 2007. The numbers comprise visitors entering the park to visit particular sites (marine and terrestrial) and those who enter as passengers on dive safari boats which do not make landfall within WGHPA. These visitors take advantage of dive sites within the marine boundary of the park. In 2007, WGHPA visitors paid tour companies €2,959,595, not including dive safari boat operators (RNCOS E Services PL).

The predicted increase rate for tourism in the years 2008 to 2013 as published in the Egypt Tourism Sector Analysis by RNCOS E Services PL ([www.rncos.com](http://www.rncos.com)) is 7.25 percent. Application of this growth rate to visitors to WGHPA results in visitor numbers expanding to some 170,000 in 2013. Note that the number of dive safari boat visitors is kept constant in keeping with the advice provided by RSP staff.

This growth figure is consistent with the Ministry of Tourism estimates which forecast that between 2007 and 2011 tourist numbers per year to Egypt will increase from 11 million to 14 million. (The Egyptian Gazette, April 28, 2008). This indicates an expected annual growth rate of some six percent. Table 5 indicates the anticipated position for WGHPA in the coming years.

**Table 5. WGHPA Projected Future Visitation**



This number includes both dive site visitors and visitors to the park's terrestrial locations.

### Visits to Marine Sites

The impact of this number of visitors will be substantial, particularly on the park's marine resources, given the limited number of diving sites available. Careful consideration will need to be given to prevent undesirable conservation outcomes arising from overuse. The adoption of a permit system to regulate the activities of commercial operators may be necessary for orderly use of sites.

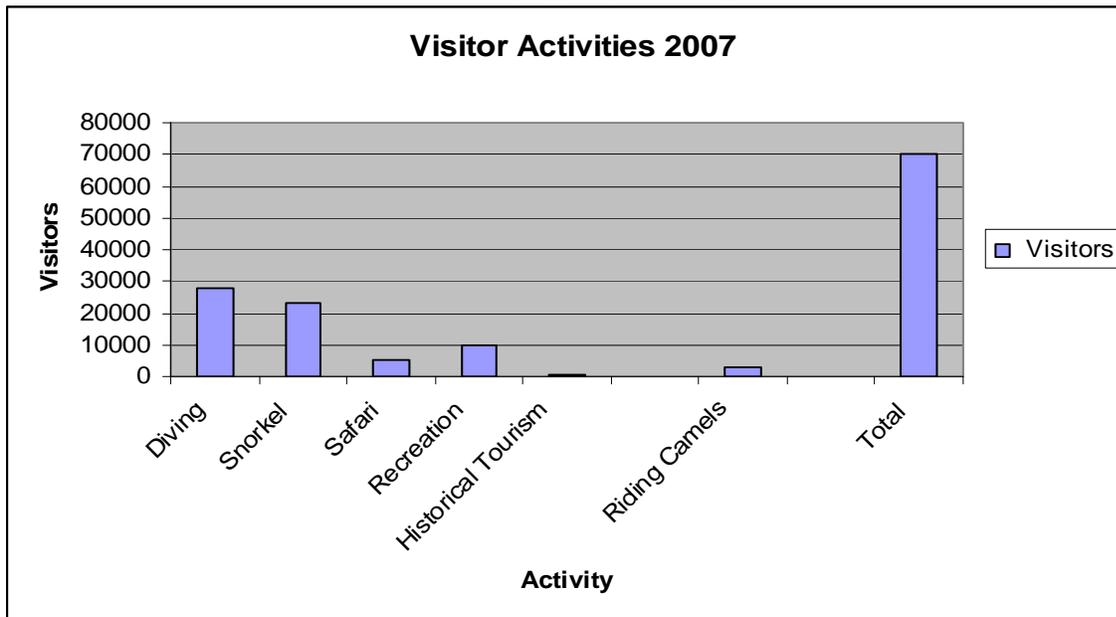
## Visits to Terrestrial Sites

The visitor numbers to the park's terrestrial cultural natural sites is currently small, amounting to less than 10 percent of total visitation. A further 10 percent are recreational visitors who enter to take advantage of the protected swimming beaches and other pursuits such as wind and kite surfing. As part of the changing profile and to spread visitation pressure, the park proposed to increase the number of guided tours available for tourists. Plans are currently in hand to enable mangrove tours to take place, as well as short walks to places of interest.

With local communities producing handicrafts for sale in greater numbers and of higher quality, it is expected that visitors to the park will see this product as an attractive feature that will add to their interest in visiting the park.

The expansion of tourist activity over the next five years is expected to result in some changes to the present four to one marine to terrestrial visitor ratio, although diving is expected to remain the dominant activity for the foreseeable future.

**Table 6. Visitor Activities by Type (Excluding Safari Dive Boat Visitors)**



## **SECTION 4**

### **WGHPA Management and Operations**

#### **4.1 Overview**

The management of WGHPA is arranged in hierarchical fashion with the park manager and his deputy at the head. Immediately below the Manager are two ranger station managers (Wadi Gemal and Hamata) who supervise the activities of their staff. The arrangement results in a very flat structure; a structure characterized by its collegial nature across the 50 staff members.

Generally, ranger staff is assigned on a day-to-day basis by the park manager to tasks that are a priority on a given day. Examples range from: boat launching, patrolling, local community assistance to sign making. Non-ranger staff have more narrowly-defined tasks in such duties as drivers, cooks, mechanical assistant and the like consistent with their level of training and skills.

The overlapping of functions and performance of duties as described reflects the low level of institutional arrangements in place below the park manager level. Accordingly, the park has no systematic program structure against which management can be identified and appraised or costs allocated.

The reporting point for the WGHPA manager is the park manager for that RSP, Yasser Saeed.

#### **4.2 Notional Program Structure**

In view of the lack of structure, work undertaken within WGHPA has been assessed to determine the following notional programmatic arrangement. The point is repeated that the established line of authority for all staff is directly to the park manager and to his two area managers. The program structure developed hereunder is not intended to subvert that arrangement but is offered to give an insight into the functions, activities and outputs produced.

The protected area program of work comprises eight units:

- Park Management and Administration
- Marine Monitoring and Research
- Terrestrial Monitoring and Research
- Visitor Management
- Local Community Support
- Park Operations
- Infrastructure Services
- Extractive Industries

The following comments are offered in explanation of the functions and activities performed with the park against the identified programs. Also indicated are the additional levels of staffing as recommended by the park manager to achieve the desired level of operation within the park.

It should be understood that this exercise does not make it possible to link the programs to actual program expenditure for the following reasons in particular:

- The overlapping of staff and resources used against a number of programs
- The lack of records and record keeping capability to measure staff time and resource usage
- The lack of defined management outputs

As a result, the line cost items developed in the Sokkari Report have been maintained as the basis for development of the future cost structure and needs

### **4.3 Notional Program Summary**

#### **Park Management and Administration**

The role of the park manager is to perform the management function and to provide leadership to the staff. In particular, the park manager is to provide guidance to the two area managers. Within the overall role of park management, there are a number of administrative duties which are performed by formally trained administrative staff. These include people trained in legal services, accounting and computer technology. Staff has been designated in the roles of transport coordination and interagency cooperation.

The number of the current staff members to perform these functions has been identified as below desirable levels. Accordingly the park manager proposes that an additional seven individuals be recruited to assist in the activities associated with this work. The absence of a training officer position is causing particular concern for the park, and the recruitment of a suitable person is included among the seven newly identified positions.

The park manager has a vital interest in the park planning function and has indicated the desire to maintain this close involvement for the duration of this plan. However, park planning represents a major workload, and to assist the park manager, an additional park planner position is proposed.

#### **Marine Monitoring and Research**

Ranger and locally recruited staff are involved in monitoring the marine environment and the condition of dive boat moorings. This role is at the heart of park management in WGHPA. It involves professionally training marine biologists and consumes a significant amount of staff time and park resources. Typically, marine patrols are performed three times per week covering the park and those areas where mooring maintenance is performed by HEPCA.

In addition to the functions now being performed, the park has embarked on a program of mangrove conservation and plantation aimed at extending the range and density of mangroves in the areas of natural habitat. In addition to mangrove loss from land development and wood gathering, camel foraging has severely damaged the mangroves. Therefore, mangrove restoration and proper enforcement of existing laws protecting mangrove stands are part of the park's agenda.

In addition, a new program has been introduced within the park to facilitate beekeeping and honey production from flowering mangrove stands. This activity focuses on WGHPA mangrove areas and is dependent on mangrove health to provide good economic returns. The honey production will be performed by local communities who have been trained by Department of Agriculture experts. The income supplement from this activity is expected to be a valuable source of income for local residents, providing a good position incentive to conserve the resource. This activity is being supported by the park Rangers. Three additional positions have been sought by the park manager to undertake the marine and mangrove functions. This recruitment will ensure that the capacity to perform all functions at the appropriate level is in place.

### **Terrestrial Monitoring and Research**

Professional staff and rangers perform a vital park management role in monitoring and researching the terrestrial environs within the park. Research functions include species population monitoring and identification and recording of new species. Monitoring functions include habit reporting and water-point condition assessment. Employed within the park is a zoologist and plant biologist. With the influx of visitors and the emerging interest in cultural heritage, it is proposed in the life of this business plan to also recruit a qualified person to focus on site protection and ensure visitor awareness of cultural sites and relics.

### **Visitor Management**

In a significant development for the park, a Visitor Center is to be constructed during 2008 at a site near the northern entry point on the coastal road, opposite the existing Wadi Gemal ranger station. The Visitor Center will considerably expand the capability of the park staff to provide information to visitors. The Visitor Center will be staffed during daylight hours year round. Maintaining this presence will require an additional four persons to manage the facility and ensure responsiveness to visitors' questions and concerns. In operating the Visitor Center, it is also expected that audio and visual presentations of a professional standard will need to be produced and maintained. The heightened awareness that the Visitor Center brings could also be expected to result in demand for presentations about the park being requested by resorts and schools in the area. In total, the need for seven additional positions has been identified.

### **Local Community Support**

WGHPA staff provides support to the local communities by providing employment opportunities and technical assistance. It is intended that this role continue and, indeed, be expanded to cover further handicraft sales development, coordination and improved access to medical treatment and access to veterinary services. These services will be coordinated by the park staff member responsible for the support program. In view of the expected increased workload, an additional position is proposed to provide for the services.

### **Park Operations**

This program covers the operational aspects of park management covering compliance with park regulations, interagency coordination with respect to search and rescue, and general patrol duties.

The activities are standard across most national parks and although demands are expected to increase, no changes to the present level of resources are suggested within the life of this plan. Any increase in functions can be expected to be dealt with by internal reorganization.

### **Infrastructure Services**

With the proposed building additions to the park, there will be quite a significant expansion of the current program. The identified additions of the Visitor Center, Operations Center, and the proposed Western Boundary Ranger Center will each require road and car parking upgrades including signage improvements as well as installations to provide power and communications. A central workshop facility for vehicle and plant maintenance and refueling is also required as is a central supply depot to handle the ordering of supplies and to provide for their safe and secure storage of goods. This increased activity should be addressed by hiring additional staff and seven extra positions are recommended. Three positions will be allocated to plant and equipment maintenance, with an additional two for buildings and road works. The remaining two positions will be allocated to the full time collection and disposal of garbage littering the park. The major source of which is material washed up from the sea and littering the coastline, thus spoiling the appearance of the park in this sensitive area.

### **Extractive Industries**

The management plan provides for a continuation of mining and quarrying in the park under regulated conditions. A qualified geologist is on staff and monitors these activities. Duties of the geologist include preparation of Environmental Impact Assessments for new proposals as well as monitoring existing operations.

## SECTION 5

### Financial Projections

#### 5.1 Operational Costs

The loss of USAID funding in 2008 leads to consideration of three possible scenarios which are illustrated in the following text and would apply over the period 2009-2013. Under each of the scenarios an inflation factor of 10 percent is used given the rapid increases in salaries and costs that Egypt is currently experiencing. Prices for food and basic commodities currently increase by 20 percent a year, and labor costs are projected to rise at a similar rate.

#### Scenario 1 – 2007 Level

In Scenario 1, the 2007 operational funding level is maintained (adjusted for inflation to LE 1,147,090). This scenario assumes that the USAID gap of LE 236,243 can be covered by EEAA and the RSG. Based on LRS consultations with EEAA/NCS and the RSG, we believe this scenario is reasonable. Table 2 – WGHPA Operating Costs shows details of the operational expenses that made up the USAID funding. The budget increases annually in line with inflation (from 2007), but provides for no actual increase in management activity beyond an additional LE 30,000 for protective clothing. The figures should be taken as indicative only to illustrate the case.

**Table 7. Scenario 1 Projected Summary Budget (in Egyptian Pounds)**

	2009	2010	2011	2012	2013
Operational Costs	1,147,090	1,261,800	1,387,900	1,526,700	1,679,400
Development Costs	0	0	0	0	0
Total	1,147,090	1,261,800	1,387,900	1,526,700	1,679,400

The basis of costs are shown below

**Table 8. Scenario 1 Projected Detailed Budget (in Egyptian Pounds)**

Cost Item	Estimated 2009
Salaries EEAA (14 in 2007)	589,820*
Salaries RSG Samadai Fund	
Fuel and Oil Samadai	221,188
Fuel and Oil USAID LIFE Red Sea Project (in 2007)	
Maintenance Buildings and vehicles	143,565

<b>Cost Item</b>	<b>Estimated 2009</b>
Maintenance Tracks	
Maintenance Mooring Buoys HEPCA (Indirect)	72,600
Office Supplies	41,593
Utilities (water)	
Communication USAID LIFE Red Sea Project	19,965
Uniforms and Protective Clothing	36,300
Educational Materials and Brochures	4,235
Travel	28,095
Training	
Contingency	
<b>Total Operating Costs</b>	<b>1,147,090</b>

\*EEAA salary component is LE 258,577

### **Likely Impact**

Scenario 1 represents the lowest possible cost option and is only expected to maintain park functions at the 2007 level. With a supplement provided by EEAA and the RSG to cover the shortfall resulting from the end of USAID funding in 2008, there would remain an operational deficit to address. This deficit arises in particular from addition of the Visitor Center and Operations Center, both due to be completed in 2008. Park management has identified the need for 10 new positions to staff these facilities. Maintenance of the buildings themselves and associated equipment would also have to be accommodated. While some capacity exists within the park to rearrange its staffing structure to meet these needs, there would still remain an overall deficit. LRS believes that the RSP will be able to secure increased funding from the RSG (i.e., Samadai fees) to cover the deficit. No minor new works or developmental projects would be funded under this scenario; however, it would be possible for park management to work with NGOs and donors to undertake work in the park, if willing parties could be found.

### **Scenario 2 – Basic Level**

In this scenario, operations are funded at a basic level consistent with increases identified for 2008 and include the further staffing and activity levels associated with the operation of the Visitor Center and Ranger Operations Center. Additional funding of approximately LE 750,000 per year is required over the Scenario 1 level to fully fund the Scenario 2 budget. An additional 10 positions are created under this scenario, including:

- Three administrative positions
- Four visitor management positions
- One community service position

- Two infrastructure maintenance positions to cover immediate needs

The 2009 budget also provides LE 100,000 for training and management capacity building and an inflation factor of 10 percent more than 2008 estimates. The significant increase in plant and equipment maintenance provided for in the 2008 budget is considered sufficient under this Scenario without supplementation.

Provision is also made for certain priority development items including:

Communications Network	LE 1.25 million
Park Signage installation	LE 0.25 million
Other new works and initiatives*	<u>LE 0.25 million</u>
Total	LE 1.75 million

\*From the list of proposed work at Annex D

Development costs have been spread over Years 2009-2011, as per Table 9, in accordance with likely lead times required. Figures increase 10 percent per year for inflation and are indicative only.

**Table 9. Scenario 2 Summary Projected Budget (in Egyptian Pounds)**

	2009	2010	2011	2012	2013
Operational Costs	1,664,600	1,831,060	2,014,166	2,215,582	2,437,140
Minor New Works and Development	250,000	825,000	907,500		
Total	1,914,600	2,565,600	2,921,666	2,215,582	2,437,140

**Table 10. Scenario 2 Detailed Projected Budget (in Egyptian Pounds)**

Cost Item	Estimated 2008	10 percent Inflation	Additional items Estimated for 2009	Total for 2009
Salaries	536,200	589,820	120,000	709,820*
Fuel	217,960	239,756		239,756
Maintenance Buildings and vehicles	266,578	293,236		293,236
Maintenance Tracks	40,000	44,000		44,000
Maintenance Mooring Buoys Indirect	60,000	66,000		66,000
Office Supplies	24,000	26,400		26,400
Utilities (water)	15,000	16,500		16,500
Communication	12,000	13,200		13,200
Uniforms and Protective Clothing	45,000	49,500		49,500
Educational Materials and Brochures	20,000	22,000		22,000
Travel	12,500	13,750		13,750
Training	30,000	33,000	100,000	133,000

Cost Item	Estimated 2008	10 percent Inflation	Additional items Estimated for 2009	Total for 2009
Contingency	34,000	37,400		37,400
Total Operating Costs	1,313,238	1,444,561	220,000	1,664,562

\*EEAA salaries component is LE 258,577

### Likely Impact

WGHPA can operate at a basic level under this scenario. At the level of funding envisaged the costs associated with the operation of the new Visitor Center and Operational Center would be met, as well as providing for identified items not currently included in the budget, such as vehicle maintenance, track maintenance, and training.

Under this scenario, the need to upgrade park management systems and operations in the face of management needs and increased visitor activity is addressed. This includes provisions of appropriate emergency responses procedures and services, medical services, regular park clean up, enhanced park planning and zoning, and cultural heritage management. This scenario includes the cost of uniforms, patrol equipment, additional fuel, communication costs, and safety equipment.

Development funding would be provided to meet the costs of identified public safety issues, such as the communications system and signage program. Again, it would be open to park management to identify NGOs and donor organizations willing to provide additional resources to further enhance park development.

### Scenario 3 – Fully Funded Level

Funding at the level desired by WGHPA management to maintain the park at a fully operational level is provided in Scenario 3. This scenario, which would require an additional LE 2.6 million more than the Scenario 1 level, includes establishing 26 additional staffing positions, as well as full provision for enhanced park training and management capacity, park maintenance, visitor materials, and minor development costs, estimated at a further LE 300,000 per annum. Inflation of 10 percent is included for the year 2009 and the out years.

In addition, the following minor new works and development projects are envisaged:

Communications network	LE 1.25 million
Park signage installation	LE 250,000
Upgrade of old Roman road from Wadi Radi to Sukait (100km)	LE 1 million
Ranger office on western park boundary	LE 550,000
All-weather patrol boat	LE 1.5 million
New roads and car parks associated with facility development	LE 1 million
Other facility development projects from Annex D (not all included)	<u>LE 1.3 million</u>
Total	LE 6.85 million

The list has been developed in discussions with the park manager, who has identified the items outlined as being needed over the next five years. The list also includes funding for a range of other facilities identified in Annex D. These projects have not yet been subject to full feasibility analysis and accordingly the list is indicative only.

For ease of calculation the development costs have been spread equally over the five years with an allowance for inflation at 10 percent.

**Table 11. Scenario 3 Summary Projected Budget (in Egyptian Pounds)**

	2009	2010	2011	2012	2013
Operational Costs	2,368,561	2,605,417	2,865,958	3,152,555	3,467,810
Development Costs	1,370,000	1,507,000	1,657,700	1,823,347	2,005,817
Total	3,738,561	4,112,417	4,523,658	4,975,902	5,473,627

### Likely Impact

The park would operate at a fully functional level with all major concerns properly addressed.

**Table 12. Scenario 3 Detailed Projected Budget (in Egyptian Pounds)**

Cost Item	Estimated 2008	10 percent Inflation	Additional items Estimated for 2009	Total for 2009
Salaries	536,200	589,820	312,000	901,820*
Fuel	217,960	239,756		239,756
Maintenance Buildings and vehicles	266,578	293,236	60,000	353,236
Maintenance Tracks	40,000	44,000	40,000	84,000
Maintenance Mooring Buoys Indirect	60,000	66,000		66,000
Office Supplies	24,000	26,400		26,400
Utilities (water)	15,000	16,500		16,500
Communication	12,000	13,200		13,200
Uniforms and Protective Clothing	45,000	49,500		49,500
Educational Materials and Brochures	20,000	22,000	100,000	122,000
Travel	12,500	13,750		13,750
Training	30,000	33,000	100,000	133,000
Contingency	34,000	37,400		37,400
Total Operating Costs	1,313,238	1,444,561	612,000	2,368,561

\* EEAA salaries component is LE 258,577

## SECTION 6

### Potential Sources of Increased Funding

For WGHPA to be sustained over time, to remain vital, for its natural and cultural resources to be conserved, and for its infrastructure and services to expand to meet anticipated levels of visitation, new and reliable funding sources must be identified and realized. A number of potential sources exist to provide additional funding to WGHPA. These are discussed below. It is assumed that EEAA funding will be maintained for the 14 permanent staff members now stationed at WGHPA, and that the increased funding likely to be available will not have an effect on this arrangement. It is important to emphasize that the entire *increased funding discussion* is moot until and unless the GOE stakeholders have the political will to provide an increased and reliable flow of financial resources to WGHPA. The mechanics of making the funds flow (i.e. agreed protocols, formal budget requests) are the relatively simple part of the equation. Tools for addressing the mechanics are contained in this business plan. The hard part remains at the policy making level.

#### 6.1 Regional Funds

##### 6.1.1 Red Sea Integrated Fee

Commencing in May 2005 a decision was taken to charge dive boat operators a fee of LE 12, or \$2, per person per day for the use of dive sites within the RSG area. The proposed fee, the RSIF, was originally equivalent to \$5 but lowered to respond to dive boat operator concerns. The fee is a composite fee and is intended to cover the costs of providing and maintaining mooring buoys and other services to divers and boat operators. In the decision taken to introduce the fee, EEAA and RSG agreed that the proceeds would be directed to a specific fund and split evenly. They also agreed that the money would be spent on environmental management and conservation activities in the Red Sea Governorate, which includes the WGHPA.

Information provided per Annex A indicates that the RSIF Fund, after two years of operation, amounts to LE 23 million, with total collections projected to be LE 30 million per year beyond 2008. This revenue figure should increase at seven percent per year, consistent with the expected increase in diver activity within the RSG, although its value in real terms will decrease with the effects of inflation.<sup>1</sup> At a minimum this arrangement would provide LE 11.5 million currently, and up to LE 14 million per year on a net share basis. Notably, however, to date no resources from the fund have been made available to the RSP.

The barriers to expenditure involve unresolved protocol issues between the RSG and EEAA. The RSG maintain that the RFIF funds should be spent in the RSG for environmental activities, including activities within the RSP. EEAA believe that their share of the funds should be transferred to the EEAA Environment Protection Fund and allocated in accordance with Agency priorities. The impasse has been the subject of a separate study by LRS. Recommended guidelines produced by LRS are provided in Annex E. Formal acceptance of the proposed procedures remains an outstanding matter between the parties. LRS believes these draft guidelines provide an excellent opportunity for the GOE parties to agreed upon and implement a

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<sup>1</sup> A fee increase is not considered a viable option at this early stage of implementation of the scheme.

workable arrangement that results in increased financial resources flowing to the RSP for use on WGHPA management. Since the RSIF Fund represents a substantial pool of money that could be applied to WGHPA, and there is a substantial deficit to be met, it is clear that resolution of the matter should be a top priority. A discussion of the protocol and relevant terms are provided in Annex E. A summary follows:

## **Red Sea Integrated Fund**

*Summary of Protocol between RSG and EEAA*

### Revenue Distribution

- EEAA: 50 percent to support the activities of the protected areas and the environmental Regional Office in Hurghada to support environmental activities in the Red Sea Governorate.
  - EEAA Distribution of Resource:
    - 60 percent (minimum) to Red Sea Parks activities for staff, moorings, vehicles and boats, and environmental awareness.
    - 20 percent (maximum) for the Regional Environmental Office in Hurghada for staff and terrestrial protection
    - 20 percent (maximum) for marine conservation activities within the Governorate
- RSG: 50 percent for support, development and incentives for the RSG General Department for Environment and for NGOs working in the Governorate of environmental activities
  - RSG Distribution of Resource:
    - 20 percent for Red Sea parks
    - 15 percent Regional Office of EEAA in Hurghada
    - 15 percent EPF in EEAA
    - 45 percent Governorate Administration to support General Administration for Environment and staff incentives, and NGOs
    - 5 percent Coast Guard in RSG

### Accessing RSIF Resources

- The RSP must submit a list of requests for items that can be funded based on the conditions of the funds and allocated by the governor at the beginning of the year or
- The RSP must submit a suggested (projected) budget for the parks to be signed by the governor
- Actual spending is subject to availability of funds, and follows the governmental expensing procedures, and is executed by the Financial Administration of the Red Sea Governorate, General Administration
- All purchases are warehoused within the Red Sea Governorate warehouses

#### **6.1.2 Giftun Island**

Agreement was reached in principle in February 2008 between EEAA and the RSG that the dive site arrangements at Giftun Island should parallel those of Samadai. The potential revenue from dive fees is expected to be in the range of LE 3.0-4.0m annually providing a 20 percent share to

the RSP of approximately LE 0.6 to 0.8m annually. A Decree by the RSG has been issued for the collection of dive fees and the scheme is understood to be operational as of April 2008. This arrangement is separate from the RSIF. LRS believes that any funds obtained by the RSP from Giftun fees ought to be divided between activities in the Northern Red Sea Zone (65 percent) and the Southern Red Sea Zone (35 percent), with WGHPA activities funded from the Southern Red Sea Zone allocation. This ratio recognizes that Giftun Island is located in the Northern Zone and that tourist activities there predominately impact the Northern Zone. Table 13 shows estimated revenue from the dive fee over the life of the WGHPA Business Plan.

### **6.1.3 Far Island**

There exists the opportunity to manage dive sites at Far Island in a similar fashion to Samadai and Giftun. However at the time of this report the discussions regarding any arrangements are at a preliminary stage and therefore cannot realistically be included as a revenue line item. Should EEAA and the RSG be able to reach an agreement, using the protocol established for Samadai, LRS believes fees obtained by the RSP should be divided between activities in the Northern Red Sea Zone (35 percent) and the Southern Red Sea Zone (65 percent), with WGHPA activities funded from the Southern Red Sea Zone allocation. This ratio recognizes that the Far Islands are located in the Southern Zone and that tourist activities there predominately impact the Southern Zone.

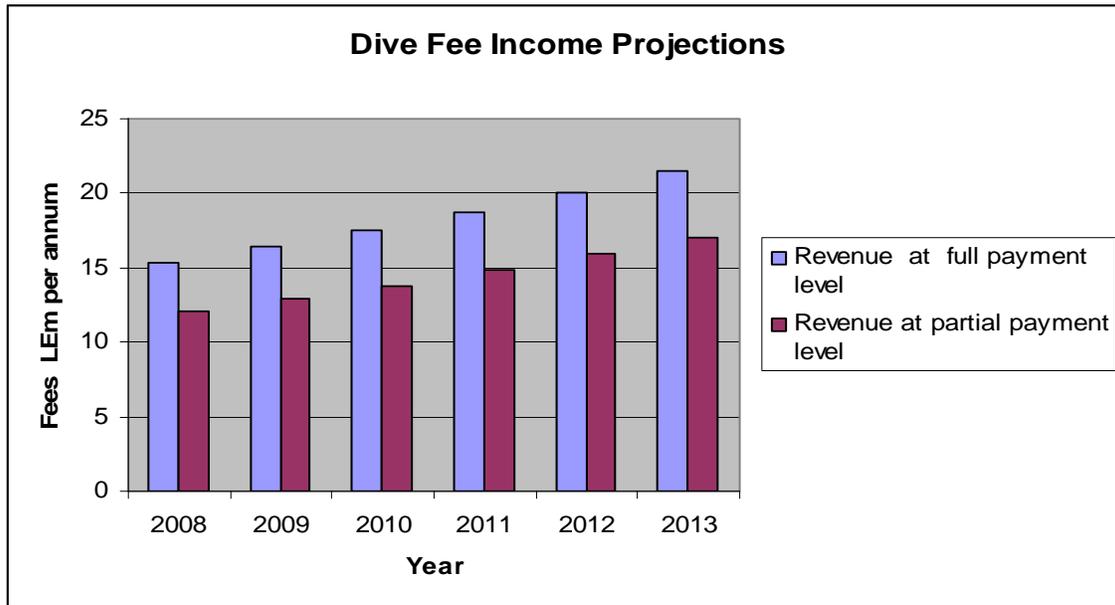
### **6.2 Notional Summary of Income**

In summary, the RSP annual share of funds available from dive site fees in 2008 is as follows. It is important to note that it is not possible to disaggregate the funds available for WGHPA within the RSP allocation:

Integrated Fee	LE 11 – 14 million
Samadai	LE 500,000
Giftun Island	LE 600,000 – 800,000

Based on this estimate, the notional total available to RSP annually is in the range of LE 12.1 to 15.3 million. This number is expected to increase at a rate of seven percent per year in line with increased tourism.

**Table 13. Dive Fee Revenue Projections**



In addition, some LE11.5m has been accumulated in the RSIF Fund and is also earmarked for the RSP.

Projected WGHPA costs under Scenario 3 at Table 11 are LE3.7m in 2009. When the EEAA salary component is deducted, this leaves LE3.5m to be met by the RSP, a figure which within the capacity to be met. As a proportion of overall RSP dive related revenue this amounts to between 23 percent and 28 percent.

While the RSP will need to determine the appropriate balance between WGHPA and the other three parks under its control, the figures indicate that sufficient cover in principal exists to meet projected costs under all scenarios.

### **6.3 Other Potential Sources of Funding**

Funding is available through a range of facilities such as the GEF administered by the United Nations Development Program (UNDP) Fund and the World Bank.

#### **6.3.1 CBD Program of Work on Protected Areas**

In particular, the Convention on Biological Diversity Program of Work on Protected Areas should be investigated and considered as a possible source of project financing.

The Conference of the Parties of the United Nations Convention on Biological Diversity, at its 7<sup>th</sup> meeting in Kuala Lumpur, Malaysia in February 2004, adopted an ambitious Program of Work on Protected Areas (decision VII/28). While the list of expected outputs is long, they all relate back to the central objective which is the establishment and maintenance of comprehensive,

effectively managed, and ecologically representative national and regional systems of protected areas by 2010 for terrestrial areas and by 2012 for marine areas. The aim is not simply to increase the number of protected areas but to ensure that as far as possible protected areas should be designed and located in the best places to conserve biodiversity and that this should be determined by a multi-stakeholder process. The full text of the Program of Work on Protected Areas can found at: [www.cbd.int/decisions](http://www.cbd.int/decisions)

The Program of Work on Protected Areas project goal is to assist eligible countries to achieve effective national systems of protected areas in accordance with their commitments under the Program of Work on Protected Areas. The project enables eligible countries such as Egypt in need of assistance to undertake critical actions in response to the Program of Work, which complement, but will not be addressed, by any other national programs and projects, other official donors or international NGOs. The project is expected to disburse up to \$9 million of GEF resources and co-financing through approximately 35 to 40 funding awards to governments with a ceiling of \$250,000 per country. The project will invite proposals from eligible countries, and an International Technical Review Committee will assess them and decide on the release of assistance.

### **6.3.2 PERSGA**

In the regional context, the Regional Organization for the Conservation of the Environment of the Red Sea and Gulf of Aden (PERSGA) provides opportunities for capacity building. PERSGA is an intergovernmental body dedicated to the conservation of the coastal and marine environments found in the Red Sea, Gulf of Aqaba, Gulf of Suez, Suez Canal, and Gulf of Aden surrounding the Socotra Archipelago and nearby waters. PERSGA's member states include: Djibouti, Egypt, Jordan, the Kingdom of Saudi Arabia, Somalia, Sudan and Yemen.

Falling under the Arab League and with GEF funding, PERSGA is recognized as one of the leading marine conservation organizations operating in the Red Sea region.

As of 2006, PERSGA has been concentrating primarily on sustainable development and institutional strengthening. Its aims being to:

- Provide technical assistance and advice for the drafting of appropriate national legislation for the effective implementation of this Convention and its protocols.
- Organize and co-ordinate training program in areas related to the implementation of this Convention, its protocols and the action plan.

Many international donors are also willing to play a role through their aid programs either on a bilateral or multi lateral basis. This should be followed up with the Foreign Affairs Department for further information the donor programs available to be accessed.

### **6.3.3 NGOs**

Partnering with NGOs represents a highly prospective source of income for the park. Not only do NGOs represent a source of funding but they also bring expertise and the direct capacity to arrange or provide services to the park.

International NGOs include the Nature Conservation Union (IUCN), The Nature Conservancy, Conservation International and World Wildlife Fund, and the Wildlife Conservation Society. Contact with their respective regional offices will indicate the programs on offer in the Red Sea area and the potential for matching the needs of WGHPA with their programs.

A local NGO the *EcoSystem Society* has been recently formed at WGHPA and the potential for joint involvement should be investigated.

Through the Convention on Biodiversity and the Global Environmental Facility small grants are available to NGOs to further their work on protected area projects. This could provide a source of funding up to \$ 50,000 and is recommended for consideration.

#### **6.3.4 Private Sector Participation**

Internationally a number of countries have entered into arrangements with the private sector which normally involves promotion of goods in exchange for some form of endorsement. For example Toyota or Ford may pay the park agency to endorse their vehicles and use this as a marketing tool in their product promotion. Manufacturers of diving equipment could be seen as examples also. An application exists to apply this mechanism in WGHPA and could be pursued as a mid- to long-term measure.

#### **6.3.5 User Fees and Charges**

As is the practice in national parks around the world, WGHPA could levy a range of fees and charges on park users as a means of generating the revenue necessary to establish and sustain the park as a viable visit destination. As discussed already, resolution of the park revenue capture is critical to the park's future. Increased transfer of funds through existing legal mechanisms (i.e., from the RSIF administered by the RSG to EEAA and then back to the RSP), and increased generation and retention of revenue through establishment of new legal authority to the protectorate, such that the RSP can legally establish a bank account and collect fees for service, must be a priority. Technical assistance provided by LRS and its predecessor, EEPP, has produced specific guidance and recommendations for enhancing revenues in the current system and for making dramatic improvements to that system.

The following subsections provide information on revenue generation mechanisms typical for national parks worldwide. These mechanisms are *in priority order* in terms of being the most easily established and maintained by parks authorities from a logistical, institutional, and legal standpoint.

##### **Priority No. 1: Park Entry Fees**

Park entry fees are a standard revenue generation mechanism for virtually every national park. In addition to being a substantial source of revenue, entry fees establish a "value" for entering the park and provide a means of controlling entry points and numbers of visitors. Establishing and maintaining a consistent and reliable park entry fee system should be the top priority for park authorities. An entry fee should be charged to all visitors to the park arriving by road. An entry

fee of LE 12 per person per day could be levied, which is similar to the costs for snorkelers and divers. At present the number of visitors to the park by road is approximately 10,000 per annum with potential gross revenue of LE 120,000 per year. At this level of visitation it would need to be determined if the fee would be cost effective to collect. However as amenities in the park improve it is suggested that a fee equating to \$5 per person per day be considered. A fee at this level is consistent with fees charged elsewhere in the world for park entry and in recognition that the majority of visitors will be foreign nationals it is recommended that it be introduced over the life of the business plan.

## **Priority No. 2: Business Concessions**

Business concessions are a well established revenue raising mechanism in national parks globally. A number of opportunities exist in the park and are discussed below, including guided walks, camel rides, sea kayaking, tours of the mangroves, bird watching tours, and the provision of services and refreshments to tourists on the beaches.

Mention has also been made of the ecolodge proposal at Ras Hankorab. While a formal proposal has yet to be submitted, it is understood that a small development with a 65-bed capacity is being considered. A project at this modest level would be consistent with park planning concepts. If approved the ecolodge would represent a source of funding at two levels. Consistent with the need for the park to provide infrastructure and amenity to the ecolodge and its patrons, it would be appropriate and consistent with international norms to seek an upfront payment from the investor to cover the costs incurred. As an alternative it may be more effective for the park management to agree with the developer on a range of services to be installed at no cost to the park while the lodge is under construction. This could include items such as access roads, boat ramps, information signs, car parks, and picnic facilities.

On the second level it would be appropriate for the developer to make an annual contribution toward the running costs of the park. The amount of such a contribution would be in proportion to the revenue of the enterprise. To be effective for WGHPA, the developer would be required to provide services in-kind rather than in cash. Potentially, this could cover regular beach clean up patrols, provision of maintenance to park buildings by the ecolodge service personnel, language training for staff, the supply of water and electricity, assistance with the community assistance program, and the provision of communication equipment. Any such arrangement should be agreed to and subject to a written contract between the parties prior to the development commencing.

To guarantee performance under this arrangement, a bond should be provided to the RSG that is equivalent in the first instance to the upfront costs. This could be reduced once operations commence to the level of the expected annual contribution. Consistent with maximizing the level of return to local communities from development projects, it is recommended strongly that guided tours provided by the eco-lodge be subcontracted to the NGO or local community guides.

## **Priority No. 3: “Exclusive Use” Charges**

An opportunity has been identified within the park to charge a premium for “exclusive use” of certain sites. Potentially this could include the two sites of Wadi Gemal Island and the Hamata

mangrove areas, where bird watching activities could be undertaken on a small scale. It is envisaged that small, escorted group tours of four to five people would be given access to these areas at a premium price. The tours could be offered by park staff or a local community NGO.

At an indicative park fee of LE 100 per person, within an inclusive fee charged by the operator of LE 500, expected revenue for the park could be in the order of LE 600,000 per annum (based on two trips per day at each site, five persons per visit to each site, operated six days per week for 50 weeks per year).

#### **Priority No. 4: Visitor Center Opportunity**

The opportunity for the sale of refreshments, souvenirs, and handicrafts at the Visitor Center is expected to arise in 2008 once construction of the facility is complete. Based on current numbers of park visitors entering by road, there is the potential for some 10,000 persons per year at a minimum to use the Visitor Center.

In the study of Comparative Economic Impact Analysis performed by Jim Phillips, it is conservatively estimated that average expenditure per person equates to LE 20 on items likely to be stocked. Annual sales on this basis could reach LE 200,000.

Over and above this expenditure, the sale of local handicrafts made in the park could be offered through an outlet in the Visitor Center. Already sales of LE 12,000 per month are being achieved at local sales points and demand is proving to be strong, with sales rising each month. Total annual sales would equate to LE 144,000.

The typical return to the park under a concession arrangement and based on sales turnover would be 10 percent. On this basis the level of revenue likely to be earned is LE 24,400 per year, making it a worthwhile contribution.

#### **Priority No. 5: Recreational Operators**

Within the WGHPA, operators provide recreational facilities for wind surfing and kite surfing. This should be treated as a business concession and 10 percent of revenue collected by the operators returned to the park.

Currently the wind surfing operator with activities in the area charges 30 Euro per hour as an introductory fee. Charges have yet to be set by the kite surf operator but could be expected to be similar. As these ventures are very recent, no figures are available on the numbers of users. Hence it is not possible at this time to calculate likely returns to the park.

#### **6.4 Improvements in “Yield”**

The current system of fee collection by the RSG tax department is not optimal due to the recycling of tickets and the lack of enforcement capability of that office. This experience is a common one in national parks and has been overcome in many cases by varying the collection arrangements for the fee so that the system is less open to exploitation.

In the longer term it may prove worthwhile to change the method of fee collection to improve yield. Many national parks, including those in developing countries, are moving toward electronic ticketing and fee collection. This method allows independent travelers/visitors to pay on-line and generate their own receipts, or for tour operators to purchase tickets for their clients. Whether park authorities opt for an improved paper ticketing and fee system or for a more sophisticated electronic system in the longer term, it is critical to bear in mind that any new system will require considerable effort and should only be introduced after full consideration of the options and stakeholder consideration. While the RSIF negotiations are continuing, any action to make sweeping changes be considered a long term option.

## **6.5 Reducing Costs**

Improvements in operating budget outlays will come about by increased investment and productivity. Foremost, the provision of more capable boats, as currently planned for delivery, will enable patrols to be undertaken in the frequent windy and choppy conditions prevailing in the area. With less down time, staff should be able to be more effectively assigned and deployed on other duties.

Vehicle maintenance costs could be lowered by investment in a vehicle fleet with ease of maintenance and more durable capacity to meet the conditions of WGHPA. While the vehicles provided under the USAID LIFE Red Sea Project are relatively new, there are no local service providers for these particular models.<sup>2</sup> While replacement may not be possible in the short term, long term cost reductions could be achieved by adoption of a strategy by which vehicles beyond their service life are replaced by vehicles more easily serviced in the local area.

Staff training and capacity building is a further area for attention. Although some training is being undertaken, there exists no park-wide training strategy or program based on individual needs. The appointment of a training officer would lay the foundation for a needs based schedule being developed. Training in the short term is particularly important in visitor management and should be accorded a high priority in vocational areas for all staff included those locally engaged.

With increased staff training and capacity there is the potential in the longer term to develop a more rigorous program structure to guide park management. When program outcomes are more clearly defined it becomes possible to more accurately match staff needs with outputs leading to more effective management and more efficient use of resources.

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<sup>2</sup> USAID procurement regulations require that American made vehicles are purchased when USAID funds are utilized for such procurement. This constraint should be considered in the future.

## SECTION 7

### Introduction of Management Strategies and Systems to WGHPA

In preparing this business plan, a notional program structure has been developed in cooperation with park staff, within which the operations of the park could be viewed. Its outputs are described and future resource needs assessed in Annex C. This was a necessary first step for the business plan to gain an understanding of the operating framework, the deployment of staff and the resourcing required. Hitherto no similar document existed.

While this was a useful start there remains an ongoing and very substantive challenge in further introducing competent management systems to the park to properly implement the work identified in the business plan and to achieve management effectiveness and accountability.

For example, the following systems would normally need to be in place to implement a business plan:

- The capacity to develop work programs, to prioritize proposed activities in accordance with stated park objectives, and to develop an annual operations plan.
- The capacity to develop work specifications, to supervise contracts, and to work with NGOs in the achievement of outcomes
- The capacity to maintain an assets register of fixed and mobile equipment and to anticipate maintenance needs based on usage rates and remaining service life
- The capacity to meet RSG reporting requirements
- The capacity to develop training for staff based on workplace and individual needs
- The capacity to cover safety issues for visitors and park staff alike, including emergency measures

In addition, the LRS evaluation of the RSIF at Annex E, suggests a range of management improvements to facilitate the flow of funds between RSG and RSP on a proper footing. A summary of recommendations for system improvement follows. These recommendations also are included in Annex E.

#### **Red Sea Integrated Fund**

##### *Recommendation for Improved Effectiveness*

##### Impediments to Expensing:

- Non application of the protocol
- No indication that involved parties intend to apply the protocol
- Lack of full understanding by both the RSP and the RSG of the nature of activities each is undertaking in the are of conservation management

## Recommendations:

1. Reassessment of the method of implementation of collection of the fees — there is a recommendation to collect the fees from the boats on a monthly, quarterly, biannual, or annual basis.
2. Implementation of the expensing procedure required by the protocol
3. Creation of a special fund to protect the Red Sea environment partially funded from the RSIF, Samadai Fund, and other donations. This fund is to be managed through a committee that will be responsible for:
  - Follow up on the fee collection system
  - Follow up on expensing
  - Reassessment of the fee value
4. Improve the procedures for expensing: need to have a more flexible but within regulations, expensing procedures, especially in cases of emergency. This is a challenge but can be achieved in the short run through:
  - Improving RSG financial unit staff awareness of environmental issues
  - Training RSP staff on the administrative and legal procedures for expensing and purchasing
  - Creating a Red Sea Parks financial unit (i.e., elevating it to a “General Department” or sector, such that it can have its own financial entity in the Red Sea, which would allow for more efficient expensing)

## SECTION 8

### Strategies and Recommendations

While this business plan has identified funding sources sufficient to meet the operational and development costs of WGHPA for the next five years, there remains a risk over the long term in relying on one source of funding. Best Practice in Funding Protected Areas, as advocated by IUCN, suggests that to minimize risk, a number of funding sources be used. Accordingly, this business plan makes a number of recommendations in a defined time sequence for adoption.

#### **8.1 Immediate Priority – Activation of Environmental Fund support to Protectorates and Release of RSIF Fund Money**

This business plan has identified a substantial source of funding that is being collected on an ongoing basis by the RSG and which is earmarked for allocation to the RSP areas, including WGHPA, which would be sufficient to meet its operational and investment needs at a fully functional level.

However, there is significant evidence that perceptions within EEAA (outside of NCS) and the RSG contribute to the lack of political will to change the status quo, thereby increasing and regularizing the flow of funds to WGHPA. For example, a perception in EEAA exists that NCS receives funding from international donors that is sufficient to support the protectorates, thereby obviating the need for funds from other sources like the Environmental Fund. However, in the first place, the budget projections contained in this report indicate that even with external funding from international donors, the funding available for WGHPA is sub-optimal. Secondly, reliance of funding from international donors obviously is not a sustainable approach to management.

A priority for future engagement on the issue of fund transfer WGHPA must include (a) assuring the decision makers at EEAA and RSG have all the facts regarding park funding levels and sources of funding and (b) making sure these decision makers understand that reliable domestic sources of funding, rather than limited term and ephemeral international donor projects, are the path to park sustainability. A careful reading on the WGHPA Business Plan and its annexes should provide decision makers with the objective information required to fully understand the financial status of the park.

**Recommendation 1:** The decree authorizing funds from the EEAA/NCS-managed Environmental Fund to be transferred from EEAA to Egypt's 27 protectorates be implemented, allowing resources from the Environmental Fund to flow to WGHPA.

**Recommendation 2:** The parties to the arrangement meet as a matter of urgency to discuss disbursements from the RSIF Fund and similar funds to ensure a timely flow of revenue to the RSP parks. LRS has provided specific guidance and recommendations to improving the effectiveness of the fund. This guidance is summarized earlier in the report and included in Annex E.

**Recommendation 3:** The RSP management prepares a 2009 Operational Plan based on the business plan for approval by competent authority and an indicative budget submission for

approval-in-principle showing how the money will be expended over the next year. An illustrative budget template is included in Annex G.

**Recommendation 4:** The RSP, in conjunction with the RSG and EEAA/NCS, determines the management systems to be introduced into park management to implement the business plan. As necessary, assistance be sought either from donors or management organizations capable of providing management support to ensure that management capability matches the increased resources and work being undertaken. It is absolutely critical to emphasize that this business plan is not a park management plan. Once the RSP, in consultation with the RSG, EEAA and other nongovernmental stakeholders, agrees on the elements of the business plan it wishes to pursue, a specific operational plan must be developed.

**Recommendation 5:** RSP develops strategies for staff productivity improvement into the operational plan.

### **8.2 Medium Priority – Introduction of New Initiatives for Fees and Charges**

In conjunction with the access to revenue from dive fees, the opportunity should be taken to consider the introduction of a range of new initiatives for fees and charges at WGHPA in the medium term. Some measures will be appropriate for early adoption while others might be delayed until a more appropriate time. It is recommended as follows:

**Recommendation 6:** RSP investigates with RSG revised methods of fee collection for diving and snorkeling fees to optimize revenue.

**Recommendation 7:** EEAA/NCS and RSP adopt formalized business concession arrangements for operators within WGHPA that encourage appropriate provision of services and provide a return to the park.

### **8.3 Benefits to Local Communities**

The practice of encouraging local communities to benefit from development of the park should be maintained and enhanced to the extent possible. Their support is vital to the successful management of the park and every opportunity should be availed to them to participate in the park programs.

**Recommendation 8:** WGHPA identify all available opportunities to encourage the participation of local communities in park programs and related training opportunities.

**Recommendation 9:** WGHPA work with local communities producing handicrafts to ensure that sales outlets, including one at the Visitor Center, are created and maintained.

### **8.4 Development of Partnerships**

Working with conservation NGOs has proven to be a successful form of collaboration globally. NGOs are often able to provide support beyond the resources or capacity of the agency and

together are able to work in partnership to achieve conservation outcomes not otherwise likely to be achieved.

In a similar way partnerships with the private sector are available that could see goods and services provided to WGHPA in exchange for product endorsement and labeling. Examples elsewhere in the world include clothing and footwear, vehicles, and camping/diving equipment.

**Recommendation 10:** WGHPA liaise with HEPCA and the EcoSystem Society to explore areas of mutual interest and collaboration.

**Recommendation 11:** EEAA/NCS and WGHPA management identify interested private sector companies that may be interested in collaboration within the RSP and develop a formal relationship aimed at directing further resources to the park.

### **8.5 Services “In-Kind”**

Globally many parks and local governments receive services in-kind rather than direct payment. This can include the provision of roads and equipment, boat hire, maintenance services and the like. In many cases it is more efficient to receive services in kind at remote areas than to receive a payment. This occurs where the investor or operator of the facility has the capacity to undertake the work using their facilities and equipment and the cost to the park is at a premium.

**Recommendation 12:** EEAA/NCS and WGHPA management assess the feasibility of formal concession agreements that include in-kind payments, as an alternative to cash, with any and all private sector operators currently providing services in WGHPA. Until revenue generation, receipt, and retention issues are addressed by the relevant GOE authorities, this is an excellent and internationally accepted means of bringing direct improvements to park services and facilities.

### **8.6 Longer-Term Measures**

**Recommendation 13:** EEAA/NCS and RSP assess the feasibility of adopting a permit system for all commercial and recreational enterprises within WGHPA in such a way to ensure greater compliance with park regulations and a benefit to the park. It may require a review of park regulations together with increased management capacity to implement this recommendation.

## **SECTION 9**

### **Other Management Issues**

#### **9.1 Disparity of Salary and Benefits**

The disparity of salary and benefits between EEAA staff and RSG staff is quite significant and is a cause of concern within WGHPA. EEAA staff enjoys significant benefits, including permanent appointment and salary/benefits advantages. Staff paid under the two-agency arrangement expressed disquiet that those on the lower benefit level feel the situation is unfair and that their services are undervalued. While this matter is beyond the scope of work of the business plan, it is nonetheless raised as a matter for consideration and to the extent possible resolution between the RSG and EEAA/NCS.

#### **9.2 Park Carrying Capacity**

Expected increasing in park visitation to the limited number of diving sites within WGHPA and to its most interesting and accessible terrestrial locations require the serious and immediate attention of park management. The sustainable carrying capacity of each site needs evaluation in the same way that Samadai was evaluated. Park management should then look for ways to either meet the demand or to limit demand using market pricing mechanisms. Such arrangements are commonly employed elsewhere in the world's parks and are usually well accepted by visitors.

#### **9.3 Emergency Response Arrangements in WGHPA**

Procedures to respond to emergency situations that could arise in the park are only very limited. Radio communication throughout the park is not available at the present time although it is recommended as a priority item to be installed. WGHPA should take steps to evaluate all aspects of its emergency procedures and develop measures that can be taken to meet such occurrences. The area is formidable and in high heat conditions a dangerous place for visitors not familiar with dehydration and exposure to the sun. Linked to emergency response is the deployment of adequate signage throughout the park to direct visitors from one site to another, away from hazardous areas and to facilities that provide emergency medical treatment and other emergency services. Comprehensive emergency plans exist in most national parks and should be considered for development and implementation at WGHPA at the earliest opportunity. Emergency response capability is primarily a park planning and park management issue. However, given that (a) it is sometimes overlooked in discussions of management planning and (b) it has substantial implications for financial resource allocation, it is mentioned briefly in the business plan.

## **SECTION 10**

### **Acknowledgements**

Project Director Chris Perine led the Chemonics team, with technical guidance from consultant Lee Thomas. Chemonics wishes to acknowledge the assistance of Mahmoud Hanafy, LRS staff member, and Yasser Saeed, RSP, for their assistance with this business plan. WGHPA Staff also provided much needed factual information and insight, which has been collated and incorporated into the business plan. The consultant particularly wishes to thank the following individuals:

- Mohamed Abass, park manager
- Mohamed Besar, senior park ranger
- Mohamed Gadd, previous park manager

Finally, Chemonics wishes to acknowledge the valuable contribution of Myrette El Sakkari, who collected and analyzed financial data associated with the business plan.

**ANNEX A**

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Wadi el-Gemal National Park Medium-term Financial Plan  
Operating Costs 2006-09

Original submission February 2008



**USAID** | **EGYPT**  
FROM THE AMERICAN PEOPLE

# LIFE Red Sea Project

Wadi el-Gemal National Park Medium-term  
Financial Plan: Operating Costs, 2006–09

FEBRUARY 2008

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# LIFE Red Sea Project

Wadi el-Gemal Medium-term Financial Plan:  
Operating Costs, 2006–09

By Myrette El-Sokkari

## Disclaimer

The Author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## ACRONYMS

EEAA	Egyptian Environmental Affairs Agency
EPPP	Egyptian Environmental Policy Project
GOE	Government of Egypt
HEPCA	Hurghada Environmental Protection and Conservation Association
LE	Egyptian Pound (currency)
LIFE	Livelihoods and Income from the Environment
LRS	LIFE Red Sea (Project)
NCS	Natural Conservation Sector (of the EEAA)
RS	Red Sea
RSG	Red Sea Governorate
RSP	Red Sea Protectorate
TDA	Tourism Development Authority
USAID	United States Agency for International Development
USD	U.S. Dollar
WGNP	Wadi el-Gemal National Park (Wadi el-Gemal-Hamata Protected Area)

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## EXECUTIVE SUMMARY

Located along the southern Red Sea Coast of Egypt Wadi El Gemal- Hamata National Park (WGHNP) is an important environmental, cultural, historical and economic area. The park is endowed with natural beauty, diverse wild and marine life, a number of which are endangered species. Additionally, the park is home to the Ababda local tribe, has historical Roman remains, as well as religiously important sites and routes. The park has aesthetic beauty and is still pristine.

The park is one of Egypt's recently declared parks, and hence there is an initiative to manage it in an environmentally and financially sustainable manner that ensures the sustainability of the park's endangered species and eco-systems, protection of its archeological ruins, and economic sustainability of the local people is crucial.

Since the declaration of the area as a park, it has been supported by NCS, RSG and USAID, for its financial and technical needs. The partners recognize the need manage the park in a "business-like" manner, and to ensure sustainability of the management activities for the coming period. Thus as part of the management plan for the future of the park, there is a need to quantify the cost of operation. This is especially critical as it is envisioned that the USAID funding will terminate with the current LIFE project in mid 2008. Thus this analysis was conducted to identify the needs and estimate the costs of operations in the medium term; 2007-09.

This document summarizes and analyzes the historical operating costs 2006-07 as well as provides detailed guidance on how to determine the operating costs of the park, and provides estimates of Operating Costs for projected 2008-09. The study also examines and discusses the funding sources, and gives some recommendations and issues for consideration.

The analysis assumes that for the next years, 2008- 2009 the park management will strive to maintain its management activities close to its current management level, with some adjustments, based on the extensive needs assessment process, reaching what has been identified as the minimum activities required for maintaining the park. This has been termed as "Adjusted Baseline" needs. These needs are based on the needs assessment and the current expenditure levels of 2006 and annualized 2007; which exemplify expenditures under the project assistance. In the years following 2009, and based on the status of the park, experience, and sources of funds the "Basic" and "Ideal" scenarios may be targeted.

Currently the Park's operating needs are being supported by EEAA 28%; (salaries), the Red Sea Governorate 36%; (salaries, and part of fuel and oils needs), the USAID LIFE Red Sea Project 28%<sup>1</sup>; (fuel and oil, communication, per diem and transport, office supplies, and infrastructure), and the NGO HEPCA, 8% (mooring).

It is assumed that the EEAA/NCS, RSG (Samadai) and HEPCA funding will continue, however, the USAID funding is expected to terminate with the end of the project in July

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<sup>1</sup> The park is still in its initial stage and hence there is substantial need for capital investments. These investments are not part of the operating costs; however impact on the operation costs in terms of fuel, staff and maintenance costs.

2008, and hence other sources of funds need to be identified to fill the gap. Currently the project is undertaking an analysis to study the impediments to the access of the Samadai funds, as well as to ensure the effective and timely utilization of this important source of funding. The project is also looking into the institutionalization of the contribution of the Integrated Red Sea Fee.

In the longer term, the other important and effective potential sources of funds are the implementation of an entrance fee for the park, and institutionalization of a vehicle for partial income retainment. These funds constitute an important and substantial source of income, especially when combined with the Samadai and Integrated Red Sea Fee funds.<sup>2</sup>

In conclusion, this Medium Term Financial Plan presents the actual operating costs of 2006 and January- August 2007, as well as the projected costs of 2007 – 2009 and combines them with the secure funds of the park. For the next two years the operational budget shows an estimated need of LE 1.3 million per year. Around LE 600,000 of this is established funding<sup>3</sup>, and hence the identified financial deficit of around LE 700,000 is the required funding for Wadi El Gemal Park. This figure is at a minimum, and may greatly increase in the case of increased tourism or threats to the park. The gap will need to be provided by the supporters of the park; NCS, Samadai funding and other sources. Thus it is important for the NCS and park management, decision makers, as well as stakeholders and donors to have clarification of the financial needs.

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<sup>2</sup> Funding and sources of funds will be analyzed and discussed in more depth in the Business Plan.

<sup>3</sup> Salaries and mooring buoy installation and maintenance is considered established funding.

## I. INTRODUCTION

Wadi el-Gemal National Park (WGNP) is located along the southern Red Sea Coast of Egypt. The park is endowed with natural beauty, diverse wild and marine life, and is the third largest wadi in the Eastern Dessert. The area protects many different bird species, mammals, reptiles and fishes. The park is home to at least 20 globally threatened species, a large proportion of Egypt's mangroves resources, and one of the most important turtle nesting sites in Egypt.

The park is known for its historical inhabitants, the Ababda tribe, who has dwelled in the park since pre-Christianity, and have a very strong economical dependence on the park. These ancient people are important for the park, and its and their sustainability, as they are also endangered.

The park has historical importance, with many archeological sites from the Roman era; roads, watering stations, outposts, residential settlements, temples, and “emerald mountain” which was the only source of emeralds within the Roman Empire.

Wadi El Gemal Park is known to the tourism sector for its virgin beaches, coral reefs, and terrestrial beauty. Additionally, the mountain and desert area represents important eco-tourism potential.

In summary, WGNP “fits the National Park criteria: is of substantial size, encompasses a unique example of a complete marine/terrestrial ecosystem not significantly altered by man and largely in pristine natural condition has outstanding landscape features, has significant recreational value, and has sites of important spiritual significance.”<sup>4</sup>

Since its declaration as a park, WGPA has been supported by NCS, RSG and USAID funding. The funding from USAID, ends July 2008, and the sustainability of the park is important, and hence quantification of the costs of operation is crucial, in order to ensure adequate finance. Thus this analysis was conducted in order to identify and estimate the future, medium term (2007-09) costs of operation of the park as part of the “exit strategy” of the LRS Project.

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<sup>4</sup> Management Plan for Wadi Gemal- Hamata. Sherif Bahae El Din. 2003.

## **2. PURPOSE**

The objective of the assignment is to estimate the cost of operation of the Park for the medium term. The report summarizes, the findings, and presents the methodology used, in order to enable the reader and user to have a clearer understanding of the results. The Methodology in this report will also serve as a guide for future estimates of operating costs for WGNP, as well as other parks.

### 3. METHODOLOGY

Estimation of the costs of operation for the coming years was conducted through two different but complimentary exercises. One is in the course of estimating the projected costs of operation for 2008-09, one needs to quantify and understand the actual operating expenses of the park 2006-07, based on the current level of expenditures (baseline). This analysis sheds light on the expenditure patterns, and facilitates the projections of the needs for 2008-09. Accordingly, this report also summarizes the results of the financial analysis undertaken to estimate the actual operating costs of 2006-2007.<sup>5</sup>

Understanding the actual costs of operation is also crucial as it sets the basis for the required analysis for the longer time line, more comprehensive strategic report: the Business Plan for 2008 – 2012.

In parallel to the actual costs, the Needs Assessment was conducted in order to assess the needs of the park, under baseline (actual), basic, and ideal levels of management. These two exercises were carried out separately, yet the costs generally converged, which shows that the Needs Assessment for the baseline management has been done in a realistic manner, and that the team has a good understanding of the needs and required resources for the park. This analysis is discussed in the section entitled ‘Needs Assessment: Baseline, Basic and Ideal’, below.<sup>6</sup>

On the funding side, this report also presents and analyzes the historical and currently existing sources of funding for 2006-07 and projected 2008-09. Accordingly, the analysis highlights the magnitude of required funding to attain the “Adjusted Baseline”; which is an adjustment on the current level of management for the park.

#### **ACTUAL COSTS OF OPERATION: 2006–2007**

In assessing the actual costs of operation of the park detailed, itemized expenditures for the period 2006-07 were obtained. These expenditures were supported by EEA, Red Sea Governorate, the LRS–USAID funded project, and HEPCA, an NGO. Thus all expenditures supported by these four sources were collected, estimated, and compiled in order to arrive at the total expenditures—i.e. operating costs for those two years, regardless of the source of funding. The inclusion of all costs is important, as it provides

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<sup>5</sup> There are actually two levels of budgeting: a budget that ensures continuation of operations at close to current levels (adjusted baseline) and an optimal (basic or ideal) budget that allows for expansion of the park services and facilities

<sup>6</sup> The terminology “baseline, and basic” has been adapted, based on the extensive work undertaken by the consultant on Business Planning, under the NCS Capacity Building Project, and based on the Report: “ Business Planning Manual”, presented by Mr. Jose Galindo in May 2006. The terminology is being used in this consultancy, in order to unify the terminology among the Protected Areas and in all the documents concerning Business Planning, to ensure common understanding, and in an effort to institutionalize Business Planning as a planning tool.

a clear picture of the Actual Total Cost of management of the park to decision makers, park management, and stakeholders.

### **January 2006–August 2007**

The costs of operation for the Park, for January 2006–August 2007 were collected from the funding sources:

**A. EEAA/NCS**

Details of all expenditures of the EEAA/NCS were obtained from NCS.<sup>7</sup>

**B. RSG (Samadai Fund)**

The contributions of the Governorate were obtained from the EEAA Red Sea Office, and the WGNP accountant.

**C. HEPCA**

The expenditures made by HEPCA<sup>8</sup> for WGMP have been estimated by the park management.

**D. LIFE Red Sea Project**

The expenditures for the Red Sea Parks were obtained from the records of the LRS for January 2006–August 2007. The WGNP expenditures were separated out from the total Red Sea parks expenditures to account only for the expenditures relevant to WGNP.<sup>9</sup>

### **January—December 2007**

In order to estimate the annual 2007 costs, the actual costs of January–August 2007 were annualized on a *pro rata* basis, and the costs of operation for 2007 were estimated. These annualized costs were also reviewed by the Park management for soundness and reasonability.<sup>10</sup>

## **PROJECTED COST OF OPERATION, 2008–2009**

### **Business Plan**

To initiate the Business Planning process, an Arabic presentation on Business Plans was made, giving a briefing on the business planning concepts, its importance, relevance, and its use. The presentation gave examples of the experience of other countries as well as the Egyptian experience in Wadi El Rayan and Ras Mohamed. This presentation was

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<sup>7</sup>Source: NCS business planning unit.

<sup>8</sup> Installation and maintenance of mooring buoys in Wadi El Gemal Park is supported by HEPCA. The cost has been estimated by the park management.

<sup>9</sup> The details of the costs included the Red Sea Parks in totality, and hence the expense entries were individually reviewed to determine those relevant to WGNP. This was done in coordination with the LRS financial officer.

<sup>10</sup> Meetings with Wadi El Gemal park management: October 23-26, and Dec. 23, 2007.

held at the WGPA office in Marsa Allam, and attended by the majority of the park management.<sup>11</sup>

In the process the business planning team discussed and clarified the importance of having long-term objectives; and hence a vision of “where the park will be in five years”, as well as a prioritization of the objectives for the short and medium term objectives to the park management and staff. This vision steers ones current operating decisions, while maintaining the long term objectives. Thus, the terminology of *baseline*, *basic* and *ideal* was introduced, defined, and discussed, and an agreement was reached on the relevance and reference to these terms. It was clarified that reaching the basic and the ideal is not specified as a defined, strict number of years, but it is the individual development of each park, depending on its status, resources, threats, and other factors. Also what is considered “basic” or “ideal” today, maybe baseline in two years. It is important to note that the scenarios are dynamic and hence the analysis must be revised regularly, according the status, experience, and management plan of the park. The planning process is continuous and evolving.

The methodology of the work was also discussed, as well as clarification of the process, time-line, key players, the required information and data, and inputs and roles of the park management, and the business planning team.

### **Needs Assessment: Baseline, Basic and Ideal**

An important component of the Business Planning process is to conduct the Needs Assessment. Thus in parallel, to the compilation of the actual historical costs of operation, and in the course of the process of preparing the Wadi El Gemal medium term operating costs (2008-09) and the 5-year Business Plan (2008-12), a Needs Assessment was conducted. The needs were assessed during a three day workshop, with the park management and staff. The purpose of this workshop was two fold. One was that through intensive discussions and presentations by the park management, of their management objectives, their activities, and hence their operations, the business planning team would have a better understanding of the park, its management objectives and annual operating plan.<sup>12</sup> Secondly, through this process of presentations, and discussion of “what we do and what we should be doing”, the team objectives are further highlighted and emphasized to the park management and staff.

The understanding of the management objectives and the operating plan is important and helps determine the related needs.

The workshop started with the presentation of the management activities of each of the activity managers. This was crucial, since the park management plan is not up to date, and the park lacks an operational plan. Thus, the presentations clarified the priorities to the business planning team, as well as asserted the objectives to the park team.

With the common agreement on the terminology and the understanding of the importance of the planning process, the Needs Assessment was conducted, over several workshops held at the Park offices in Marsa Alam. The needs in terms of required

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<sup>11</sup> See Trip Report: July 15-21, 2007.

<sup>12</sup> The Park management plan needs to be revised and updated, to be in line with the current priorities. Additionally, the Park does not have clear written action plans, and hence extensive discussions were required to determine the needs.

resources; i.e. actual number and qualification of staff, fuel and oils requirements, office supplies, communications, maintenance, and studies, i.e. all the needs for operation under three scenarios of management: “baseline (actual), basic, and ideal” were determined.<sup>13</sup>

This information was then organized and compiled into a schedule that summarized the needs for the different management activities. Additionally, the resource gap was determined. The Needs Assessment, reflecting required resources was thus completed, and presented to the park management and team, and further discussed, revised, refined, and agreed upon. This assessment helped in determining the needs for the coming two years, and the adjusted baseline.<sup>14</sup>

### **Adjusted Baseline vs. Basic Scenario**

This report is concerned with the essential and urgent estimation of the operating costs for the medium term, 2008-2009.<sup>15</sup> Accordingly, after completion of the Needs Assessment, and its presentation to the park management, and during extensive discussions and analysis and understanding of the park situation, it was agreed upon by the team and the business planning consultant that the park target for the coming period (2008-09), is to maintain its baseline management level, with some adjustments. This is reasonable, as the park is currently operating at a level where the major activities and accordingly costs are being funded. The scenario which reflects the management objectives and programs that ensure the maintenance of the current level of operation has been termed “*Adjusted Baseline*”. Thus, the costs of operation for an “Adjusted Baseline” scenario have been estimated.

### **Adjusted Baseline Scenario: Cost of Operation**

Once the needs assessment was finalized, estimations of the associated cost of each of the resources were made by the consultant, NCS business plan team member, park management and staff, and other sources, based on estimates of actual costs of items to determine costs.<sup>16</sup> Other costs, such as maintenance, and salaries which are generally not considered by management as direct cost of operation were estimated and discussed with the Park management. Thus, the total cost of operation for an adjusted baseline management was estimated.

This estimation of costs was an exercise that required extensive discussions, and verification with the park management, at the park and through other communications. These discussions are essential for more than purpose. It is important for the park management and staff to think through and have a clear understanding and awareness of the costs of the different activities, and hence it is expected that in time this will lead to prioritization of activities from a “cost-benefit” perspective which is essential in building the capacities of managers to operate the parks in a “business-like” manner. This is important as one of the objectives of this assignment, is to contribute to the capacity

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<sup>13</sup> Trip Report August 7 – 11.

<sup>14</sup> Trip Report October 23 – 28. This information will be used in the preparation of the 5-Year Business Plan.

<sup>15</sup> Estimation of the costs of operation for the coming two years, and the relevant funding is essential to the recommendations for sustainability (exit strategy) of the park after the completion of the LRS project in mid 2008.

<sup>16</sup> Trip Report October 23 – 28.

building of NCS park management staff to eventually approach the management of the parks in a business manner.<sup>17</sup>

### **Funding**

The study highlights and analyzes the historical, currently available, and future funding sources. This section is important as it clarifies the level of the funding by the various sources: government, donors, NGOs.

### **Findings and Financial Analysis**

This section is a compilation, discussion and analysis of the information, data, needs assessments, actual and projected costs, and funding. The magnitude of the resulting financial gap is presented and discussed.

### **Conclusions**

The study finally provides the financial conclusions, and highlights important issues regarding management, costs, and funding.

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<sup>17</sup> The Wadi El Gemal Needs Assessment and this report will serve as a guide to the implementation of similar analysis in other parks, and eventually lead to management in a financially sustainable manner.

## **4. STUDY RESULTS**

### **ACTUAL COSTS OF OPERATION: 2006 - 2007**

The actual costs of operation for the period 2006-07 are based on the actual expenditure for the period. The expenditures made by the contributors has been gathered, and collected and grouped under different line items in order to facilitate analysis of the expenditures, according to the line items, and hence the analysis of the financial needs. Distinguishing between the differing needs and their relevant cost is important as this facilitates decision making, and also facilitates planning and donors' solicitation.

Thus the costs have been estimated using the data from the park supporters: EEAA/NCS, Red Sea Governorate, HECPA, and LIFE Red Sea Project. The following discussion presents the financial contributions, of each of these parties, and hence provides the basis and sources of information for the estimate of Actual Operating Costs of 2006-07.

#### **Sources of Funds**

##### **A. EEAA/NCS**

Egyptian Environmental Affairs Agency (EEAA), under the Ministry of Environment is the responsible body for the national parks. The Nature Conservation Sector (NCS) is the specific sector within the EEAA responsible for the conservation and management of all the national parks and protected areas. Thus the Ministry of Environment is the ultimate responsible body for Wadi El Gemal Park.

A number of technical personnel have been assigned by NCS to the WGPA. These include the Park Manager, and other technical staff with expertise in different fields of science. The salaries and wages, and bonuses of these persons are supported by EEAA. The number of staff for 2006 totaled 12 and 14 rangers in 2007.

The total cost of the staff for 2007 has been estimated, based on a salary schedule, as well as an estimate of an additional LE 500/person/annum, to allow for special bonuses, during the year. Thus the total cost of EEAA/NCS supported staff is estimated at LE 214,000 for 2007. For 2006 the cost has been estimated at LE 203,000, based on 95% of the 2007 costs.<sup>18</sup> Appendix I: WGPA-EEAA Annual Staff Cost (2007) gives details of the number of staff, positions, expertise, and total salary costs for actual 2007.

##### **B. Red Sea Governorate: Samadai Agreement/Protocol**

The Red Sea Governorate (RSG) and NCS have an agreement to cooperate in the conservation and management of the Samadai area

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<sup>18</sup> Total salaries estimated from information provided by Park manager on Salaries and Wages, for EEAA.

which is being managed as a protected area, although technically it is not protected. Nevertheless, the Red Sea Governorate and NCS have a joint objective to protect and conserve this environmentally and economically important area.

The agreement stipulates that the NCS staff, with their technical expertise manage the area, and in return NCS will be allotted 33% of the net income.<sup>19</sup> The NCS share in the Samadai income is to be exclusively expended on the Red Sea Parks.<sup>20</sup> Thus what is here referred to as RSG expenditures, is actually NCS's allotted funds that are to be used to support NCS activities in the Red Sea Parks.

The RSG, through the Samadai fund is supporting the Wadi El Gemal Park, by assisting in the provision of staff through payment of salaries for around 22 persons in 2006 and 36 persons in 2007. The total contribution of the Governorate to salaries, reached around LE 128,000 in 2006 and LE 265,000 in 2007.

The RSG is also financially supporting the purchases of fuel and oils. The total expended from the Samadai funding is estimated at LE 132,300 for 2006, and LE 83,800 has been spent for the period January - August 2007, reaching LE 142,800 for January-December 2007.<sup>21</sup>

#### **C. HEPCA**

The mooring and buoys installation, and maintenance are supported by HEPCA. HEPCA obtains part of its funding from the Governorate, through the Samadai funding agreement. The total cost of the mooring and its maintenance has been estimated by the park staff and management at LE 60,000 per annum. The estimate is necessary in estimating total park management cost; and thus the contribution of NGO's to the Park.<sup>22</sup>

#### **D. LIFE Red Sea Project (LRS)**

The project has supported the park in the following:<sup>23</sup>

Fuel and oil expenditures totaled LE 17,000 in 2006 and LE 24,000 for the period (January – August) 2007. The total for 2007 is estimated at LE 40,000.

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<sup>19</sup> Net of all expenses related to the income of Samadai.

<sup>20</sup> This fund is managed by the Governorate, and expensing is through Governorate approvals. For more information on the agreement and the estimated available funds see El-Sokkari, Shehatta " Red Sea Integrated Revenue Report 2004, and Trip Report (July 30- August 1, 2007).

<sup>21</sup> Source: Wadi El Gemal Park Accountant.

<sup>22</sup> Discrepancies in the estimate are not problematic as this line item is fully funded by Hepca. If it is higher or lower than the estimate of LE 60,000, it will not impact on the effectiveness of the management of the mooring activity.

<sup>23</sup> LIFE project is also providing long term investments, (buildings, vehicles, equipment).

Maintenance, which includes vehicle and boats, building, furniture and equipment, totaled LE 113,000 in 2006 and LE 79,000 (January – August) 2007, and was estimated to reach LE 119,000 in 2007.

Other expenses include office supplies, communication, transport and per diem, uniforms, and educational material which have been supported by the LIFE project amounting to LE 76,000 in 2006, LE 53,000 for January to August 2007, and estimated to reach LE 78,000 in 2007.<sup>24</sup>

### Total Cost of Operation

Table 1 gives details of actual expenditures over the period January 2006 - August 07, and projections of January-December 2007. The table provides details of the total operating costs of around LE 730,000 in 2006, and LE 900,000 in 2007.

The Total Revised Operating Costs is the estimated costs excluding the salaries and mooring buoys expenses which are funded by EEAA, RSG, and HEPCA. The revised operating cost is estimated at LE 340,000 in 2006 and 2007. This amount is what is considered the “needed budget” for the Park, as the salaries and mooring buoys are established funding, and do not directly impact on the NCS budget.

In 2006, and 2007, the gaps of LE 206,000 and LE 236,000 have been funded by the LIFE project.

The identification, recognition and analysis of actual costs of operation is essential and is central in estimating the projected costs of operation. This analysis sets the basis for budgeting, as well as in seeking funding from donors and stakeholders.

**Table 1      WGNP–Hamata Operating Expenses, 2006–07**

	Actual (LE)		Projected (LE)
	Jan–Dec 2006	Jan–Aug 2007	Jan–Dec 2007 Annualized
Salaries—EEAA (12 persons in 2006, 14 in 2007)	203,015	142,467	213,700
Salaries--RSG (Samadai) (24 persons in 2006, 35 in 2007)	127,911	176,854	265,281
Fuel and oil (Samadai)	132,300	83,800	142,800
Fuel and oil (LIFE)	16,763	24,232	40,000
Maintenance (buildings, vehicles)	113,399	79,099	118,649
Maintenance Mooring Buoys (est.)	60,000	40,000	60,000
Office supplies	9,404	22,916	34,375
Communication	15,579	11,000	16,500
Uniforms	30,000	—	—
Educational Materials (Fact Sheets)		3,500	3,500
Transport and per diem	20,982	15,480	23,219
<b>Total Estimated Operating Costs</b>	<b>729,354</b>	<b>599,348</b>	<b>918,024</b>

<sup>24</sup> Source: Life Project accounts

	Actual (LE)		Projected (LE)
	Jan-Dec 2006	Jan-Aug 2007	Jan-Dec 2007 Annualized
Less salaries and mooring*			
Salaries-EEAA, RSG	(330,926)	(319,321)	(478,981)
Mooring (HEPCA)	(60,000)	(40,000)	(60,000)
<b>Total Revised Operating Costs</b>	<b>338,428</b>	<b>240,028</b>	<b>379,043</b>
Less			
Fuel and Oil by Samadai	(132,300)	(83,800)	(142,800)
<b>Total LRS expenditures</b>	<b>206,128</b>	<b>156,228</b>	<b>236,243</b>

\* Salaries and mooring buoys are subtracted to clarify the magnitude of all other costs. EEAA salaries are not considered part of the Park budget.

## PROJECTED COST OF OPERATION, 2008–09

### Needs Assessment: Baseline, Basic, and Ideal

The Needs Assessment was conducted with the WGPA staff and management under “Baseline,” “Basic,” and “Ideal” scenarios. The Basic and Ideal Scenarios would realistically be implemented in the medium or long term, depending on the funding situation.

For the medium term, the team agreed that the park is currently operating at a baseline management level that is realistic for the coming 2 years. This is a reasonable assumption as the park is currently enjoying the technical and financial support of a project, and hence its major needs are being met. However, the needs were adjusted according to the needs assessment reaching the adjusted baseline. Thus for this report the Adjusted Baseline which is the relevant projected needs for the period 2008–09 are presented, discussed and analyzed.

### Adjusted Baseline Scenario: Cost of Operation: 2008–09

The information obtained from the actual costs, and the needs assessment was compiled and the costs of the different resources were estimated. The basis of the projections is found in Appendix II; Assumptions for Projected Cost of Operation: Adjusted Baseline Cost 2008-09, providing details and explanations of the assumptions for the estimates. Table 2: Projected Operating Costs 2008-09, which is based on an adjusted baseline scenario, is a summary of the needs of the park, the relevant costs, and the total operating costs.

**Table 2      WGNP–Hamata Projected Operating Costs<sup>90</sup>  
, 2008–09**

	<b>Adjusted Baseline (LE)</b>
Salaries--EEAA	536,200
Salaries--paid by RSG (Samadai)	
Fuel and oil Samadai	217,960
Fuel and oil LIFE	
Maintenance (buildings, vehicles)	266,578
Maintenance tracks	40,000
Maintenance mooring buoys	60,000
Office supplies	24,000
Utilities (water)	15,000
Communication	12,000
Uniforms	30,000
Shoes	15,000
Educational materials/brochures	20,000
Transport and per diem	12,500
Training	30,000
Contingency	34,152
<b>Total Estimated Operating Costs</b>	<b>1,313,389</b>
Less salaries and mooring	
Salaries-EEAA, RSG	(536,200)
Mooring (HEPCA)	(60,000)
<b>Total Revised Operating Costs</b>	<b>717,189</b>

### **Sources of Funds**

Currently the WGPA is funded through several sources. EEAA/NCS, RSG Samadai fund, Life Red Sea Project (LRS) and HEPCA. The salaries expense of the staff is being paid by EEAA and the Governorate, through the Samadai funding. The mooring buoy installation and maintenance is being fully funded by the NGO HEPCA. The fuel and oil needs are being partially funded by the Governorate, and partially by the LRS. All the other operating costs: administrative, communication, travel, water, maintenance, etc. are currently being funded by LRS.

Tables 3 and 4, Significance of Sources of Finance 2006-07, and Summary of Funding Sources, show the percentage of each contributor to the total cost of operation for 2006 and estimated 2007. From the tables it is clear that the EEAA's contribution is around 25% of the total costs of operations, registering 28% in 2006, and around 23% in 2007. The importance of RSG's contribution to salaries and fuel and oil is verified, by the

contribution of around 36% of total operating costs in 2006, increasing to 45% in 2007. This increase is due to the increase in staff supported by the RSG from 24 to 35 persons in 2007, and hence the more than doubling of salaries costs.<sup>25</sup>

Table 4 shows that government funding, (EEAA and RSG) is the main supporter of the park, with its contribution of around 2/3 of costs, (67%).

The contribution of LIFE project to operating costs is important, registering around 25-30%. However what is more important is the substantial contribution of LIFE project to capital expenditures represented in the purchase of vehicles, financing of buildings, as well as numerous technical assistance expenditures. This report is however concerned with the operating costs for the next two years, and hence the discussion is mainly concerned with the operating costs.

Table 4 also clarifies the role of NGOs, in this case HEPCA, with a contribution estimated at 7%.

**Table 3 WGPN-Hamata Significance of Sources of Finance**

	Actual (Percent of Total)		Projected (Percent of Total)
	Jan-Dec 2006	Jan-Aug 2007	Jan-Dec 2007 Annualized
<b>EEAA</b>			
Salaries	27.83	23.77	23.28
<b>Total EEAA</b>	<b>27.83</b>	<b>23.77</b>	<b>23.28</b>
<b>RSG</b>			
Salaries	17.54	29.51	28.90
Fuel and oil	18.14	13.98	15.56
<b>Total RSG</b>	<b>35.68</b>	<b>43.49</b>	<b>44.45</b>
<b>HEPCA</b>			
Maintenance Mooring Buoys	8.23	6.67	6.54
<b>Total HEPCA</b>	<b>8.23</b>	<b>6.67</b>	<b>6.54</b>
<b>LIFE Project</b>			
Fuel and oil (LIFE)	2.30	4.04	4.36
Maintenance (buildings, vehicles)	15.55	13.20	12.92
Office supplies	1.29	3.82	3.74
Communication	2.14	1.84	1.80
Uniforms	4.11	0.00	0.00
Educational Materials	—	0.58	0.38
Transport and per diem	2.88	2.58	2.53

<sup>25</sup> Source: WGPA accountant

	<b>Actual</b> (Percent of Total)		<b>Projected</b> (Percent of Total)
	<b>Jan-Dec 2006</b>	<b>Jan-Aug 2007</b>	<b>Jan-Dec 2007 Annualized</b>
<b>Total LIFE Project</b>	<b>28.26</b>	<b>26.07</b>	<b>25.73</b>
<b>Total Estimated Operating Costs</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Note: Sources of funding based on actual expenditures by the different sources of funds.

**Table 4 WGNP–Hamata Summary of Funding Sources**

	<b>Actual</b> (Percent of Total)		<b>Projected</b> (Percent of Total)
	<b>Jan-Dec 2006</b>	<b>Jan-Aug 2007</b>	<b>Jan-Dec 2007 Annualized</b>
<b>Government of Egypt</b>			
Salaries-EEAA, RSG	45.37	53.28	52.18
Fuel and Oil-RSG-(Samadai)	18.14	13.98	15.56
Total GOE	63.51	67.26	67.73
<b>NGOs</b>			
Mooring (HEPCA)	8.23	6.67	6.54
Total NGOs	8.23	6.67	6.54
<b>Donors</b>			
USAID/LRS Project	28.26	26.07	25.73
Total Donors	28.26	26.07	25.73
<b>TOTAL Funds</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## **FINDINGS AND FINANCIAL ANALYSIS**

The park has been operating for the past 2.5 years with the assistance of donor funding. Thus the expenditure patterns reflect the costs of meeting the baseline needs.

Accordingly, for the purpose of this analysis which is the estimation of the operating costs for the period 2008-2009, the assumption is that the park will strive to maintain the baseline level of expenditure which is in line with the current management, with some adjustments according to the priorities of needs, as determined by the park management and staff.

The analysis considers all the costs of management, i.e. it includes the costs of salaries which are funded by EEAA and the RSG and the mooring buoys funded by HEPCA, to ensure that the full cost of operation is clear to the decision makers, and stakeholders. This is important for park management, NCS and EEAA senior management, as well as stakeholders, as the true cost of management has not previously been clarified in this manner, and generally is at times overlooked, as the park management and stakeholders

only regard other costs as the budget of the park. Clearly, it is understood that in the case of EEAA, the salaries are a separate line item, not part of the NCS budget; nevertheless, for management efficiency, and optimum placement of staff, it is important to distinguish and recognize the cost of the personnel, for the park.

It is envisioned that in the process of business planning and operating the parks as business units, the park budgets will be managed by the park manager in a “cost-benefit” manner, and thus staffing will also be rationalized according to priorities and needs. The consideration of salaries as part of the park costs is important in determining the personnel needs.

The disregard for the salary burden is extremely misleading in estimating the park management costs and in budgeting, and prioritizing management objectives.

The maintenance of the mooring buoys, which is funded by HEPCA, is also included, to show the total cost of operation of the park, and the significance of this contribution.

Table 5 shows the four years of operation of the park; actual and projected. The following section discusses the actual costs of operation and the projected costs.

**Table 5 WGPN–Hamata Actual and Projected Operating Expenditures, 2006–09**

	Actual (LE)		Projected (LE)	
	Jan–Dec 2006	Jan–Aug 2007	Jan–Dec 2007 Annualized	2008-09 Adjusted Baseline
Salaries—EEAA (12 persons in 2006, 14 in 2007)	203,015	142,467	213,700	536,200
Salaries--pd by RSG. (Samadai) 24 persons in 2006, 35 in 2007)	127,911	176,854	265,281	
Fuel and oil Samadai	132,300	83,800	142,800	217,960
Fuel and oil LIFE	16,763	24,232	40,000	
Maintenance (buildings, vehicles)	113,399	79,099	118,649	266,578
Maintenance tracks				40,000
Maintenance Mooring Buoys*	60,000	40,000	60,000	60,000
Office supplies	9,404	22,916	34,375	24,000
Utilities (water)				15,000
Communication	15,579	11,000	16,500	12,000
Uniforms	30,000			30,000
Shoes				15,000
Educational Materials/Brochures (Fact Sheets)		3,500	3,500	20,000
Transport and per diem	20,982	15,480	23,219	12,500
Training				30,000

	Actual (LE)		Projected (LE)	
	Jan-Dec 2006	Jan-Aug 2007	Jan-Dec 2007 Annualized	2008-09 Adjusted Baseline
Contingency (5 percent of total, excluding salaries and buoys)				34,152
Total Estimated Operating Costs	729,354	599,348	918,024	1,313,389
Less salaries and mooring buoys**	—	—	—	—
Salaries-EEAA, RSG	(330,926)	(319,321)	(478,981)	(536,200)
Mooring (HEPCA)	(60,000)	(40,000)	(60,000)	(60,000)
<b>Total Revised Operating Costs</b>	<b>338,428</b>	<b>240,028</b>	<b>379,043</b>	<b>717,189</b>
Less				
Fuel and Oil by Samadai	(132,300)	(83,800)	(142,800)	
<b>Total LIFE Expenditures</b>	<b>206,128</b>	<b>156,228</b>	<b>236,243</b>	

\* Estimated at LE 60,000/year. Does not impact the analysis as it is fully funded by HEPCA.

\*\* Salaries and mooring buoys are subtracted to clarify the magnitude of all other costs. EEAA salaries are not considered as part of budget of the park or NCS.

### ACTUAL COST OF OPERATIONS, 2006–07

The total cost of operation for 2006 registered LE 730,000, of which LE 331,000 (45%) represented salaries. Likewise, 2007 total cost of operation are projected to reach LE 918,000, of which around LE 480,000 are salaries. This is in line with the norms of park management and reflects the importance of the staff.

By subtracting out EEAA salaries, RSG salaries and fuel, HEPCA mooring expenses, then for 2006 and 2007, the results, are termed Total Revised Operating Costs.

The expenditures made by LIFE, are estimated at LE 206,000 and 236,000 for 2006 and 2007 respectively. This is around 60%, (2006) and 70% (2007) of costs excluding salaries and mooring buoys.

The results show that the governmental support is currently around 70% of total costs, with salaries, representing around 50% of total costs of operation. The other main cost is fuel and oil, which is currently being mainly supported by NCS' share of Samadai funding; administered by RSG.

The RSG contribution which is funds of the Samadai agreement represent around 46 % of total funding; 55% of salaries, which show the importance of the Samadai funding. Preliminary information on the available Samadai funding, show that the total park needs can be financed through the EEAA share in the Samadai income. <sup>26</sup> Thus it is recommended that procedures are put in place to further develop, and ensure the continuity and stability of this funding.

<sup>26</sup> Refer to Trip Report: July 30-August 1, 2007, providing estimates of available unused funds under Samadai agreement.

## **PROJECTED COST OF OPERATIONS, 2008–09**

As for 2008-2009, these years are based on the Needs Assessment, and on the assumption that with some adjustments to the current operating costs, based on extensive discussions with the park management as well as the staff, and revisions with them on management needs. Thus these two years will reflect management that strives to maintain the current management programs. Thus the costs are more in line with the actual costs of 2007.

The projected costs of operation for 2008-09, are LE 1.3 million, LE 536,000 of which is for salaries, representing around 40% of total costs. This cost has been diluted from the almost 50% of 2006 and 2007, as the inclusion of maintenance and contingency costs have impacted on this percentage.

Fuel and oil expenses registered LE 218,000, around 16% of the operating costs. This is close the 2006 costs of LE 150,000, contributing around 20% to total costs. The 2008 higher cost of maintenance also impacts on the percentages.

The costs of maintenance are higher than that of the actual 2006-07 costs, estimated at LE 367,000 in 2008, as compared to LE 179,000 in 2007. This estimate is higher for two reasons: one is that while currently the project does do some maintenance, however there is no major maintenance program. Secondly, historically maintenance has not been considered as part of the cost of operation of the parks; however this cost should be taken into consideration.<sup>27</sup>

The total operating costs for 2006 is LE 730,000, and estimated at LE 878,000 for 2007. The estimates for 2008 and 2009 are LE 1.3 million.

### **Total Revised Operating Costs**

The total revised operating cost was calculated in order to assess the total budget required for the park, other than the salaries, and mooring buoy maintenance. This was done in order to be in line with the budgeting methodology of the NCS, i.e. in order to know the magnitude of required budget for the WGNP exclusive of the salaries.

The total revised costs registered at around LE 340,000 in both 2006 and 2007. With the exception of salaries, the majority of the remaining costs are similar for both years; fuel and oils, maintenance, communication, and transport and per diem, costs for those two years are similar.

The cost of salaries in 2006 totaled LE 331,000, and estimated to reach LE 479,000 in 2007. Uniforms, at a cost of LE 30,000 were only in 2006, and office supplies more than tripled, from LE 10,000 in 2006, to LE 34,000 in 2007.

The revised cost for 2008 is LE 700,000. This budget would ensure the smooth operation of the park at close to its current level of operation. This is the minimal, as the park is witnessing continuous increase in visitors, and is expected to grow rapidly in the next few years, which entails, more management, and hence expense. This result is important, as it represents the actual required budget that needs to be allocated from NCS to the park, or sought in cash or in kind from donors or stakeholders.

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<sup>27</sup> See assumptions for maintenance.

## 5. CONCLUSION

The purpose of this report is to summarize and present the result of the study to determine the cost of operation of WGNP for 2008-09, under a management level similar to the current one. This analysis was conducted in an effort to determine the required funding for the sustainability of the park in the medium term—next two year, especially with the ending of the LIFE project.

The project entailed estimating the actual costs of operation, and then projecting the costs for 2008 and 2009 based on Needs Assessment. There is a need to determine and understand the cost elements of managing the park, in order to make more informed decisions concerning budgets, assets and also facilitate solicitation of support from government or non-governmental sources.

These two exercises; the compilation of the actual costs and the Needs Assessment were done separately and still the numbers generally converged. This shows that the Needs Assessment for the baseline management has been done in a realistic manner, and that the needs reflect the actual operating level. It also shows that the park staff and management have a good idea of the needs, consumption of fuel, and general costs of line items.

As the financial analysis shows, the governmental support is currently around 70% of total costs, mainly for salaries and fuel. The RSG contribution to these costs is estimated at 46% of total costs, reflecting the significance of the Samadai funds, which are administered by RSG.

The importance of the RSG-Samadai funding is clarified in the fact that for the period January 2006-August 2007, actual expenditures, the contributions represent around 45% of the costs. Thus the RSG-Samadai funding plays a major role in contributing to the cost of management of the WGPA.

Preliminary information on the available Samadai funding show that the total park needs can be financed through the EEAA share in the Samadai income.<sup>28</sup> Thus it is recommended that procedures are put in place to ensure the continuity, stability, and effective utilization of this funding.

Table 4 also clarifies the role of NGOs, in this case, HEPCA with a contribution estimated at 7%. This source of funding as well as other NGO support should be developed.

The results of this analysis are useful for the medium term budgeting and as a guide in determining future needs. Additionally, the results are crucial for the upcoming analysis of the longer term 5-year business plan, which is part of the overall Master Plan for WGNP.

The results give insights into the expenditure and funding patterns and would be useful in supporting decision making by park management and NCS senior management.

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<sup>28</sup> Refer to Trip Report: July 30-August 1, 2007, providing estimates of available unused funds under Samadai agreement, estimated at LE 700,000.

The report can be utilized as a guide for future planners to estimate operating costs using the model of this report.

## 6. ISSUES

- Management Plan (2003) needs to be updated and revised<sup>29</sup>
- Annual Operation Plan needs to be developed<sup>30</sup>
- Site management plans need to be developed for several sites
- Research Needs Assessment would be beneficial to determine research priorities<sup>31</sup>
- Training Needs Assessment is required, as there is need for training in all aspects of management, finance, language, computer skills, safety, and diving
- Organization structure and prioritization of personnel requirements needs to be conducted
- Asset maintenance program needs to be established and implemented
- Funding sources need to be developed
- Stakeholder participation needs to be developed
- Park management needs to have increased autonomy in management of resources of the park
- Business planning and financial management training is required

Finally, park management is dynamic, and hence estimation of operating costs needs to be revised annually, in parallel to the annual operating plan, which reflects the management objectives and priorities.

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<sup>29</sup>Management Plan stipulated that a complete revision is needed in 2008. WGNP Management Plan..pg. 14.

<sup>30</sup>This plan directly impacts on the needs and hence costs, and is crucial for estimating costs of operation.

<sup>31</sup> The operating costs did not take into consideration of any costs for studies, as the park staff stated that all research can be done using the existing staff and facilities.

**APPENDIX I: WGPA EEA Total Annual Staff Costs, 2007**

<b>Position</b>	<b>No.</b>	<b>Monthly Salary (LE)</b>	<b>Total Annual Salary (LE)</b>
Park Manager	1	1750	21,000
Ranger	1	1650	19,800
Ranger	1	1600	19,200
Ranger	1	1500	18,000
Ranger	5	1400	84,000
Legal Affairs/Ranger	1	1000	12,000
Ranger	3	750	27,000
Community Guard	1	475	5,700
<b>Total Salaries</b>	<b>14</b>		<b>206,700</b>
<b>Bonus (LE 500/person/annum)</b>			<b>7,000</b>
<b>Total Salaries and Bonuses</b>			<b>213,700</b>

Source: Park Accountant. Revised by Mohamed Abbas, Park Manager, December 23, 2007

## **APPENDIX II: Assumptions for Projected Cost of Operation, 2008–09 (Adjusted Baseline Scenario)**

The costs of operating the park have been estimated, regardless of the source of funding. Thus the salaries paid by EEAA, and the salaries supported by Governorate, through the Samadai funding, as well as the cost of mooring, installation and maintenance has been estimated. This is important so that decision makers, park management, and eventually stakeholders have a clear picture of the actual costs of management of the park.

The following section clarifies the assumptions for the estimates of the adjusted baseline scenario.

### **SALARIES**

The WGPA currently has 50 staff members with various expertises.<sup>32</sup> Table 6 shows the actual currently employed staff. The salaries follow the current salary levels, as provided by the Park management. Thus the total salaries are projected to be LE 536,200. The positions, number of persons and cost are presented in the table.

**Table 6      WGPA Park Staff Positions and Salary Costs**

	<b>No. of Staff</b>	<b>Cost/Person (LE)</b>	<b>Annual Cost (LE)</b>
Park Manager	1	1,750	21,000
Ranger	16	1,300	288,000
Community guard	19	500	114,000
Driver	2	500	12,000
Skipper	3	500	18,000
Mechanic	2	500	12,000
Asst. staff	4	400	19,200
Accountant	1	750	9,000
Lawyer	2	750	18,000
<b>Total</b>	<b>50</b>		<b>511,200</b>
<b>Bonuses LE 500/annum/person)</b>			<b>25,000</b>
<b>Total Cost</b>			<b>536,200</b>

<sup>32</sup> The WGPA Management Plan suggests that personnel needs would be 50 persons in 2008.

## FUEL AND OILS

The needs for fuel and oils are based on the actual number of vehicles that will be operating in the Park in 2008 and 2009, as detailed in Table 7, and the relevant estimated fuel consumption, as given in the Table 8, providing the total annual cost below. The number of vehicles that will be operating is estimated to be 14, based on the currently operating and the expected additions of vehicles. This is a 40% increase in the number of vehicles. The currently available (baseline) and the projected number vehicles are presented for reference.

The fuel consumption is estimated based on discussions with the team, and on actual expected consumption per vehicle. The total cost for fuel and oils is estimated at LE218,000 per annum, which includes an average of LE 5000/annum per vehicle for oils. This cost is comparable to the 2007 actual cost of LE 142,000 which is for 10 vehicles.

**Table 7 WGPA Vehicles, 2008–09**

<b>Vehicles</b>		
	<b>Baseline Quantity</b>	<b>Adjusted Baseline Quantity<sup>a</sup></b>
Cars-gasoline	5	7
Cars-diesel	1	1
Zodiac	3	3
Boat	0	1
Tractor-pulls water trailer	1	2
<b>Total Vehicles</b>	<b>10</b>	<b>14</b>

<sup>a</sup> Adjusted Baseline considers vehicles that will be in park in 2008. (Calls M. Abbas January 2008)

**Table 8 WGPA Estimated Fuel and Oil Needs**

<b>Fuel and Oil Consumption and Cost</b>					
	<b>Baseline Quantity</b>	<b>Adjusted Baseline Quantity</b>	<b>Consumption/ month (liters)</b>	<b>Cost/liter (LE)</b>	<b>Adjusted Baseline Total Annual Cost (LE)</b>
Cars-Gasoline	5	7	<b>800</b>	<b>1.3</b>	<b>87,360</b>
Cars-Diesel	1	1	<b>800</b>	<b>0.75</b>	<b>7,200</b>
Zodiac	3	3	<b>700</b>	<b>1.3</b>	<b>32,760</b>
Boat	0	1	<b>400</b>	<b>1.3</b>	<b>6,240</b>
Tractor-pulls water trailer	1	2	<b>800</b>	<b>0.75</b>	<b>14,400</b>
<b>Total vehicles</b>	<b>10</b>	<b>14</b>			
<b>Total Annual Cost of Vehicle Fuel (LE)</b>					<b>147,960</b>

## Fuel and Oil Consumption and Cost

	Baseline Quantity	Adjusted Baseline Quantity	Consumption/ month (liters)	Cost/liter (LE)	Adjusted Baseline Total Annual Cost (LE)
<b>Total Annual Cost of Vehicle Oils (LE)</b>		<b>70,000</b>	<b>LE 5000 /year</b>		<b>70,000</b>
<b>Total Fuel and Oils</b>					<b>217,960</b>

NOTE: Revised with Park Manager, Mohamed Abbas. January 2008

### OFFICE SUPPLIES

The actual consumption of office supplies has reached LE 24,000 (January-August 2007) and is estimated to reach around LE 34,000 for 2007. This supports 50 staff members. The high costs of 2007 may be due to stock piling of supplies, due to the presence of project funding. The park staff and management estimated actual need to be around LE 2000/month, thus the projected costs for adjusted baseline, 2008-09 is estimated at LE 2000/month.

### UTILITIES: DRINKING WATER

Drinking water needs are estimated at LE 15,000 for 50 staff, i.e. around L.E. 300/person/annum. This estimate of water consumption takes into accounts park visitors who are offered water and drinks.

### COMMUNICATION

The estimate for adjusted baseline is LE 12000/annum, to support 4 mobile phones at an average of LE 250/month per line.

### TRAVEL AND PER DIEM

The actual costs for 2007 reached LE 23,000, supported by the project. The adjusted baseline estimate is LE 12,500, based on an average of LE 250/staff member/annum.

### UNIFORMS

The uniforms are estimated at LE 600/staff member/annum. Additionally, LE 300/staff member/annum has been estimated for shoes.

### EDUCATIONAL MATERIALS (BROCHURES)

Estimated at LE 20,000..

### TRAINING

Training has been budgeted for in the projected cost as the park staff has discussed the need for a number of training courses. These include foreign languages especially, Italian, English, German. Training of staff in administering first aid, diving, safety, rescue, technical issues, and managerial issues is urgently needed. The estimate is LE 30,000

which is at the minimal and will vary according to the number of training courses, number of attendees, and type of training. The park management will need to prioritize the needs, and maximize use of the budget.

## **MAINTENANCE: BUILDINGS, VEHICLES, AND EQUIPMENT**

This cost item has been calculated based on the assets of the park, including the upcoming buildings, vehicles, and equipment<sup>33</sup> which will be in the park by mid-2008. An asset schedule has been created, and the asset value estimated, in order to estimate the maintenance costs. Table 9 lists assets and their estimated value. The table also gives the estimated maintenance budget for the assets by type. The maintenance estimate for buildings is 2% of the asset value, totaling LE 58,000/annum and equipment and furnishings is at 3% based on internationally accepted standards.

The maintenance estimates for vehicles, is LE 67,000, based on 3% of the vehicle values. In addition, an estimate of LE 130,000 has been accounted for vehicle tire replacements, based on an estimate of LE 5000/vehicle/annum. Total vehicle maintenance is estimated at LE 197,000. These estimates are conservative, as wear and tear may be higher, especially for vehicles, due to the harsh nature of the area.

The estimated maintenance costs under adjusted baseline are higher than the actual 2006-07 costs of LE 113,000 (2006) and estimated 120,000 (2007), for two reasons. One is that while currently the LIFE project does do some maintenance, however there is not an established maintenance program. Additionally the fleet for 2006-2007 totaled 10 vehicles, while for 2008-09 it is 14 vehicles. Secondly, historically maintenance has not been accounted for in parks, thus leading to high degradation of the assets.<sup>34</sup> Accordingly, maintenance is important and needs to be undertaken, and thus should be budgeted for as part of the costs of operation.

## **MAINTENANCE: TRACKS**

This has been estimated at LE 40,000 under the adjusted baseline, since currently the park has around 40 km of tracks, but this needs to increase to 100 km in the next two years and hence maintenance of 100 km of track has been accounted for, at an average cost of LE 400/km<sup>35</sup>.

## **MAINTENANCE: MOORING BUOYS**

The installation and maintenance of the mooring buoys is estimated by the park management at LE 60,000 per annum, based on an estimate of the number of buoys needing maintenance, and the cost of replacements of portions of the mooring buoys. This cost is included to reflect the total cost of operation, although this cost item is totally borne by the NGO, HEPCA.

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<sup>33</sup> Buildings, vehicles, and equipment are being provided by the LIFE Red Sea Project.

<sup>34</sup> The EEAA/NCS does not have a maintenance program, rather by specific case; there may be repair or replacement as needed and subject to availability of funds. Thus much of the assets in the parks are often rapidly degraded and destroyed, which may be more expensive than maintaining the assets.

<sup>35</sup> Estimated by Park management and staff.

**Table 9 WGPA Assets Maintenance Estimate**

Assets	Estimated Cost LE	Adjusted Baseline	
		Quantity	Total Value LE
<b>Buildings</b>			
Pre Fab HQ	170,000	2	340,000
Outposts	80,000	3	240,000
Ranger operation/accommodation (Om el-Abbas)	1,000,000	1	1,000,000
Visitor center (Shams)	1,100,000	1	1,100,000
Camp sites	20,000	1	20,000
Vehicle workshop	50,000	1	50,000
Signposts	100,000	1	100,000
Gates	20,000	2	40,000
<b>Total Buildings</b>		12	<b>2,890,000</b>
<b>Total Buildings maintenance 2%</b>			<b>57,800</b>
<b>Vehicles</b>			
Cars-gasoline	200,000	7	1,400,000
Cars-diesel	200,000	1	200,000
Zodiac	100,000	3	300,000
Boat	100,000	1	100,000
Tractor--pulls water trailer	120,000	2	240,000
<b>Total Vehicles</b>		14	<b>2,240,000</b>
<b>Total vehicles maintenance 3%</b>			<b>67,200</b>
<b>Vehicle Tires</b>			<b>130,000</b>
<b>Total Furniture and Equipment</b>			<b>231,550</b>
<b>Total FF&amp;E maintenance 3%</b>			<b>11,578</b>
<b>Tracks (km)</b>	2,000	100	200,000
<b>Total track maintenance (LE 400/km)</b>			<b>40,000</b>
<b>Mooring buoys maintenance</b>			<b>60,000</b>
<b>TOTAL MAINTENANCE</b>			<b>366,578</b>

Table 10 provides a summary of maintenance estimates.

**Table 10 Projected Maintenance Cost Summary**

<b>Asset</b>	<b>Maintenance Cost (LE)</b>
Buildings	57,800
Vehicles	67,200
Vehicle Tires	130,000
Furniture and Equipment (F&E)	11,578
<b>Total Buildings, Vehicles, F&amp;E Maintenance</b>	<b>266,578</b>
Tracks/km	40,000
Mooring Buoys	60,000
<b>Total Maintenance Costs (LE)</b>	<b>366,578</b>

## **CONTINGENCY**

This is estimated at 5% of total costs excluding salaries, and mooring buoy costs, as these are funded from different sources, and accordingly will not impact on the budget needs. The contingency has been accounted for all other costs to allow for any unforeseen expenses, or changes in costs. The contingency estimate is LE 34,000.

## **APPENDIX III: Trip Reports**

## WADI EL GEMAL BUSINESS PLAN, JULY 15–21

Myrette El –Sokkari, Business Plan Specialist

### FIELD TRIP OBJECTIVES

The purpose of this trip was to introduce the business planning approach to the Wadi El Gemal Park managers, to discuss the process, discuss the time line, identify the key players, i.e. the team, and discuss the needed cooperation, and information. The trip was also to visit a part of the park in order to better understand the conservation requirements, and activities and potential revenue generation.

As part of the introduction the business planning approach, an Arabic presentation was prepared to be presented to the staff of Wadi El Gemal. Arrangements were made with Mr. Mohamed Gad, as well as Mr. Mohamed Abbas; (current PA manager), to ensure the senior management as well as other rangers are present, since all the team needs to understand the purpose and the benefits of the business planning process and outcome.

Meetings were held on:

July 15	Dr. Mahmoud Hanafy	Hurghada Office
July 16	Mr. Mohamed Gad, team	WG office/Honkorab
July 17	Team (presentation)	WG office/
July 18	Mohamed Bisar/Gad	WG office/Desert trip
July 19	Mohamed Bisar	WG office/

The presentation was attended by Mr. Mohamed Abbas, (PA manager), Mr. Mohamed Besar (Deputy PA manager), Mr. Moussa (PA accountant) and by Dr. Khaled Fahmy. The rest of the team was unable to attend although this was clarified earlier. Although these 3 managers of the PA are an important core part of the team, however in assessing the needs and the rest of the planning process, the managers of the activities/programs must be available and in attendance. I have also explained that the presence of Mr. Gad is important since he has long experience in the park and although he is on un-paid leave still he will probably be returning to the same park and hence his participation and input in the process is very important.

The presentation and discussions was around 4 hours. There was a lot of interest and questions and enthusiasm to try to find a means of sustainability.

As part of the trip objectives-, the focal person was identified by the Park manager and the core team is thus:

Mohamed Abbas	PA manager
Mohamed Besar	PA Deputy manager-focal point
Moussa Abd El Fattah	Accountant

The PA senior management was also identified as

Mohamed Besar	Marine Life
Said Khedr	Wild Life
Moahmed Eid	Environmental Awareness
Mohamed Abbas	Geology
Mohamed Ali	Geology

These managers would need to participate in the Needs Assessment and other parts of the process.

Arrangements were made for the next meeting to be held between August 7 20, in order to ensure availability of the core team and senior management.

### **NEEDED INFORMATION**

The following information has been requested from the PA—Mr. Besar is the focal point and will arrange with the Park managers to collect the information.

Management action Plan(s)

List of existing concessions

Visitor information

Expenditures (investment, operating) up to date

List of all assets—(buildings, equipment, vehicles, boats, furniture, computers

List of staff and their capacities salaries

Any financial and economic information or studies

Pictures of PA

Mr. Besar will be providing what he can collect of these by first week of August.

Financial expenditure information will need to be collected from Hurghada office and our office as they are not informed of all expenditures.

The information has also been requested from NCS, especially staff, concessions, GOE contribution, donor contribution in order to compliment, double check and ensures correctness of information.

SAMADAI and Integrated Fee

Samadai income and procedures of expenditure

Integrated Fee Status-- Income—expenditures

These will need to be discussed with Dr. Hanafy and Mr. Ayman Afifi, and EEAA accountant in Hurghada/NCS.

### **ISSUES:**

#### **Management Plan**

The existing management plan (2003) needs work in terms of clarification of implementation. The team does not seem to have clear written action plans. Additionally management plan and action is needed for next 5 years. The staff most likely will need assistance in coming up with projected implementable action plan. This is crucial so that we can build on those action plans (in place of a management plan) and hence determine the objectives and the related costs –needs assessment should be based on a management plan.

#### **Corporate Sponsorship**

In discussions with Mr. Gad he has stated that the park may be able to benefit from corporations but there is a need for a “trade-mark” I.E he said that companies such as Toyota has shown interest in providing vehicles to the park however they have requested

a Park “trade-mark”. This needs a legal analysis to understand how the cooperation can be implemented. Mr. Gad will follow up on this in terms of understanding and requesting if possible a written document expressing the interest of the company (Toyota) in supporting the park and clarifying the legal requirements from the company’s point of view.

This option could be a good source of vehicles for the Park and more importantly it could set the precedent for cooperation by other corporations, as well as for other parks, but the legalities and the procedures between EEAA/NCS/PA and the corporation needs to be settled. Mr. Gad is going to follow up on the issue of the “brand name”.

As part of the B P strategies, the legal possibility will need to be assessed.

#### **NEXT STEPS (JULY–AUGUST)**

- Follow up on information collection from PA—(July 22-August 30)
- Follow up on information collection form NCS (July 22 – August 30)
- Arrange meeting with Dr. Hanafy/Ayman Afifi (July 25-Sept 3)
- Follow up on sponsorship issue with Gad (July 25--)
- Arrange next meeting with PA (Aug 7 – 15)
- Meet NCS director to give status (end of August)

## WADI EL GEMAL BUSINESS PLAN, JULY 30–AUG 1

Myrette El –Sokkari, Business Plan Specialist

### TRIP OBJECTIVES

The purpose of this trip was to collect data and discuss revenue and expenditure issues with Dr. Mahmoud Hanafy, and the EEAA accountants.

Meetings:

July 30	Dr. Mahmoud Hanafy	Hurghada Office
July 30	Dr. John Dorr	Hurghada Office
July 30	Mr. Wael Abd El Fatah	EEAA-Hurghada
July 31	Hurghada Office	

Historical expenditure data: project(s), EEAA (salaries, other), expenditures financed by the Samadi fund (EEAA share of Samadai income) since the inception of the system, for Wadi El Gemal has been requested from EEAA accountant.<sup>36</sup> This information is also being requested from NCS accountant, as LIFE project accounts.

### CURRENT SOURCES OF FUNDS

EEAA	Amounts are being checked
Life Project	The project is scheduled to end in July 2008.
HEPCA	Share (in-kind) contribution will be determined

### Samadai Fund

This is an important source of funding for Red Sea, around LE 8.7 million (Jan 2004–June 2007) has been collected. This amount is divided between the governorate and EEAA, after deductions of expenditures. The total EEAA has, the amount expended since inception of the system is estimated at LE 500,000 The amount remaining is LE 768,000, i.e. a total of LE 1.268 is theoretically the net share of EEAA. (I have requested details of this, to check on this data from EEAA Red Sea accountant).

One of the reasons for this low percentage of expenditure from this fund (more than 50% is still not expended) is as Dr. Mahmoud Hanafy has explained that expenditure from this fund is extremely difficult, especially for some line items, such as vehicles, or buildings. Dr. Hanafy expends huge efforts in accessing the funds.

On the positive side unexpended funds can be rolled over to the next year. Hence, the problem is not in the fund, but rather in the expensing system.

To address this, a consultant with good experience in management of government accounts, budgets, be hired to study the impediments and give recommendations how these funds can best be accessed, and how to reshuffle the budget line item as to maximize use of these funds.

### Integrated Fee

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<sup>36</sup> Data on expenditures, revenue, has been requested from NCS, (especially concessions, salaries), and expenditures by the LIFE project will also be compiled internally. The data will be checked and verified across the sources,

This integrated fee covering the entire Egyptian Red Sea has been in operation since May 2005 but EEAA has not accessed ANY of ITS SHARE OF FUNDS since inception. Additionally, the total amount of funds collected is not known by EEAA. However, Dr. Hanafy estimated that the projected funds for May – Dec. 2005 should be around LE 18 million. EEAA's share is theoretically 30%. This represents an important and crucial and sizeable source of income for the Red Sea parks.<sup>37</sup>

The inability of the EEAA to access its share in the funds of the integrated fee needs to be immediately addressed as these funds are rightfully due to EEAA, and in the absence of projects, operation and management of the parks without these funds will not only be extremely difficult, but could also be detrimental to the parks. , .Thus NCS or a consultant should work specifically on ensuring the full implementation of this income vehicle.

Another issue that emerged from the discussions is the fact that EEAA has to go through the governorate for its financial needs. EEAA does not have a “financial unit” in Red Sea. The presence of a EEAA financial unit would facilitate expenditure procedures.

For this a consultant or someone in NCS should follow up on this in order to facilitate expenditures and revenue collection, especially that the NCS has in its structure the Red Sea as a General Department (Edara Ama), and hence it should have a financial unit. (wehda hesabeya ama).

## **CONCLUSIONS**

The discussions with Dr. Hanafy, have led to the conclusion that there are two issues that are extremely important and must be addressed immediately, as they represent large amounts of funds which should be accessed for the Red Sea:

There is a need for activation of Integrated Fee and the improvement in access of Samadai funds. In discussions with Dr. Dorr he has also endorsed this need .

## **OTHER**

Management Plan: As discussed in my last trip report (July 23) and in meeting with Dr. Dorr (July 30), the management plan needs to be more specific in terms of activities for the business planning exercise. Otherwise the management issues are not well defined for the management team at the park. There is a need for an operational plan.

Corporate Sponsorship: If this corporate sponsorship is viewed as feasible and desirable by the NCS senior management then this source of in-kind contribution needs to be investigated, analyzed and implementation plan put in place. This would require a consultant to examine all financial, legal issues concerning this vehicle. As part of the business plan strategies, the legal possibility will need to be assessed.

## **INFORMATION/ DATA STATUS**

Information and data has been requested:

**Park:** (Mr. Besar,(Deputy PA manger, Mr. Moussa PA accountant)  
Management action Plan(s)

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<sup>37</sup> Discussions with Dr. Mahmoud Hanafy.

List of existing concessions  
Visitor information  
Expenditures (investment, operating) up to date  
List of all assets—(buildings, equipment, vehicles, boats, furniture, computers  
List of staff and their capacities, salaries  
Any financial and economic information or studies  
Pictures of PA

Mr. Besar will be providing what he can collect of these by first week of August.

**EEAA-Hurghada:** Mr. Wael Abd El Fatah (Accounting)

EEAA expenditures (Wadi El Gemal)  
Samadai revenue  
Samadai (EEAA) expenditure and expenditures  
Samadai expenditures on Wadi El Gemal

**NCS**

List of Existing Concession and value  
List of penalties income if any  
Visitor information  
Expenditure—GOE budget  
List of employees, salaries, capacities

**LIFE Project:**

Expenditures on WG (capital and operating)

**NEXT STEPS (AUGUST-SEPT)**

Follow up on information collection from PA—(July 22-August 30)  
Follow up on information collection form NCS (July 22 – August 30))  
Follow up on data from EEAA (Hurghada) (August)  
Follow up on data from LIFE (August-September)  
Follow up on sponsorship issue with Mohamed Gad (July 25--)  
Arrange next meeting with PA (Aug 7 – 15)  
Meet NCS director (end of August)

## **WADI EL GEMAL BUSINESS PLAN, AUG 7- AUG 11**

Myrette El –Sokkari, Business Plan Specialist

### **TRIP OBJECTIVES**

Understand the park programs and Conduct Needs Assessment for the park based on basic and ideal scenarios.

The Park management was asked to attend an interactive two day work shop in order to work together to determine the physical and personnel and operating l needs in order to conduct the business of the park. Part of the process of the business planning is the involvement of the staff and hence clearer understanding of their roles, park objectives, and how this impacts on the actual needs, in terms of buildings, equipment, vehicles, studies, staff, maintenance, etc. (Later these will be translated into monetary values) which when clear to decision makers as well as the park management, clarifies and helps determine priorities.

The presence of the team was crucial and the participation was very high with serious thought of the needs and how the business is to be run.

The following persons were in attendance:

Mohamed Bisar	Marine Biologist	(Deputy Manager)
Fahem Rizk	Marine Biologist	
Mohamed Negm	Marine Biologist	
Amgad El Shafei	Marine Biologist	
Mohamed Mansour	Quarries	
Mohamed Aly	Quarries	
Said Khodary	zoologist	
Tamer Mahmoud	Botanist	
Ayman Nasser	Environmental Awareness	
Moussa	Accountant	
Mohamed Talaat	NCS BP team-Botanist	
Myrette El-Sokkari	LIFE RS BP Specialist	

The 2-day workshop was initiated by a briefing on the business planning concepts, and its importance. This was done by a short Arabic presentation, as well as discussion and examples from the previous experience (Wadi El Rayan, Ras Mohamed).

The park managers were asked each to present their management objectives, activities, and works plans. This is important since the management plan is not up to date and is not clarifying the everyday activities.

The Park team gave a presentation and during the Needs Assessment each discussed the objectives, the programs.

The Needs Assessment was conducted based on the actual, basic, and an ideal operation. It was clarified during the workshop that the basic and ideal are phased over the next 5 years.

During the workshop data and information was requested and partially collected. The total number of staff in the park is 51. A personnel list with qualifications and an inventory of all assets, was requested and received..

The Needs Assessment was conducted with the team. This will be refined and a matrix created, which will be presented to the team mid October at which time final adjustments will be made and the needs agreed upon. Thus the physical gap can be determined. Following that costs will be attached to the needs and hence the financial gap is determined.

## **INFORMATION/ DATA STATUS**

**Park:** (Mr. Besar, (Deputy PA manger, Mr. Moussa PA accountant)

Management action Plan(s)

List of existing concessions

Visitor information---Obtained

Expenditures (investment, operating) up to date

List of all assets—(buildings, equipment, vehicles, boats, furniture, computers-obtained

List of staff and their capacities, salaries--obtained

Any financial and economic information or studies

Pictures of PA--obtained

**EEAA-Hurghada:** Mr. Wael Abd El Fatah (Accounting)

EEAA expenditures (Wadi El Gemal)

Samadai revenue

Samadai (EEAA) expenditure

Samadai expenditures on Wadi El Gemal

## **NCS**

List of Existing Concession and value

List of penalties income if any

Visitor information Expenditure—GOE budget

List of employees, salaries, capacities

## **LIFE Project:**

Expenditures on WG (capital and operating)

## **NEXT STEPS (AUGUST-SEPT)**

Prepare Needs Assessment Matrix (August)

Follow up on information collection from PA—(July 22-Sept 15)

Follow up on information collection form NCS (July 22 – Sept 15 ))

Follow up on data from EEAA (Hurghada) (August)

Follow up on data from LIFE (August-October)

Follow up on sponsorship issue with Mohamed Gad (July 25--)

Collect data on cost of operation/assets for Needs Assessment (Aug-Oct )

Meet NCS director (end of August)

## **WADI EL GEMAL BUSINESS PLAN, OCTOBER 23 - 28**

Myrette El –Sokkari, Business Plan Specialist

### **TRIP OBJECTIVES**

1. Present to the park management and business planning team the summary of the previous meetings in terms of park needs under basic and ideal scenarios, and finalize consensus on these needs.
2. Discuss operating needs, and as much as possible obtain estimates of costs.
3. Initiate discussions on the available opportunities to increase sources.

Day 1: October 24: Met with the Park management to discuss the Needs Assessment summary. This summary was sent to the park manager, focal point and the accountant and a copy for Mr. Gad in hard copy at end of September to ensure they have time to review the needs and enable them to revise or verify the collected information.

The meeting was to discuss all the items considered as needs and to ensure there is general consensus on those needs among the management. This meeting also revised the park objectives and vision in light of the stated needs.

Day 2: October 25: Meeting with park management and business planning team to discuss the operating needs. The actual needs of the park were quantified, in terms of number and qualification of staff, fuel requirements, communication, maintenance , utilities, office needs etc. These were discussed and analyzed at length, in order to estimate the operating costs in a basic scenario.

These discussions are important for more than one purpose. It is important for the decision makers to have a clear picture of the costs of operating the park, in an itemized manner, in order to facilitate prioritization of needs and ensure better informed decision making.

Additionally, it is important to have the staff think through and realize the costs of different activities, and hence in time they will think more in cost-benefit manner. This is essential in their training towards running the parks in a “business like manner”, in terms of management of the resources. Hence the participation of the park management and other rangers is crucial for this process.

Day 3: October 26: Presentation of summary of operating costs and further refinement. Discussions and further clarification on the benefits of the business plan and how it can be used to help in the management, and in measuring management effectiveness.

Initiated discussions on the opportunities for increasing sources to the park (financial and in kind), and the barriers to implementation of these opportunities. It was clarified that having determined the objectives of the park and having a clear defined business plan and understanding the related costs and having identified the gaps, then it is easier to target donors, stakeholders, senior decision makers, and request specific contributions whether financial or in kind.

These discussions highlighted the importance of having clear needs assessment, and understanding of the gap and how this will impact on decisions towards narrowing or closing the gap.

From this discussion and discussions with senior NCS staff the Opportunities Matrix will be prepared. This is important for the long term strategy.

Day 4: October 27: Travel to Hurghada.

#### **CURRENT STATUS:**

The Needs Assessment has been conducted, presented to the park management, refined and agreed upon by the team. The physical gaps have been determined, and the costs associated are currently being estimated and finalized.

The operating needs as estimated by actual operations, have been established and agreed upon by the team, and estimates for these needs are currently being finalized, taking into consideration estimates of costs which are not generally thought about by the management as direct cost of operation for the park. This includes maintenance of infrastructure, equipment and vehicles as well as salaries.

Initiated discussions and preparation of opportunities matrix.

#### **NEXT STEPS (NOVEMBER- DECEMBER)**

Finalize analysis of data on operating costs from Life (Oct 29- Nov 15)

Finalize Needs Assessment Matrix (end of November)

Meet NCS director (end of November)

Deliverable: Operating Costs 2008 (End November)

Opportunities Matrix (mid December)

Follow up on expenditures on WG from Samadai income (November -

Follow up on sponsorship issue with Mohamed Gad July--

## ANNEX B

### Samadai Income and Expenditures

#### EEAA share of Samadai Revenue and Expenditures (EGP)

2004 - 2007 (as of end of March 2008)

Year	Total Revenue	RSP 30 percent share	Actual Expenditures	Remaining funds*
2004/2005	1,956,965	587,089	154,515	432,575
2005/2006	1,551,565	465,470	186,384	279,086
2006/2007	2,044,581	613,374	162,819	450,556
2007/2008	NA	NA	700,000	NA

Source: Red Sea Protectorates Hurghada Office: Mr. Yasser Saeed, RSPs manager (April 2008)

\*Remaining funds are added to the next year's available funds

**Note:**

2007/08: the 30 percent share of EEAA has not yet been determined. Estimated expenditure for the period is LE 1 million, of which around 700,000 have already been spent.

## ANNEX C

### Notional Program Structure for WGHPA

Program	Function	Activity	Outputs and Outcomes 2008 to 2013	New/ Existing Program	Staffing Impact
	Park Management	Oversee management of WGNP	<ul style="list-style-type: none"> <li>Efficient use of staff and financial resources in accordance with relevant procedures and regulations</li> <li>Individual programs developed for the WGNP programs and managed on an effective basis</li> <li>Monthly reports provided to NSC and RSG</li> </ul>	Existing	nil
		Recruitment of staff	<ul style="list-style-type: none"> <li>Existing staffing positions filled</li> <li>New staff recruited to fill vacancies</li> </ul>	Existing	nil
		Implementation of Management Plan	<ul style="list-style-type: none"> <li>Implementation achieved in accordance with Business Plan</li> <li>Annual implementation plan prepared</li> </ul>	Existing	nil
		Financing of WGNP	<ul style="list-style-type: none"> <li>Arrangements concluded with RS Protectorate and NSC for the proper financial resourcing of the park</li> <li>Ensure expenditure contained within the budget allocated for each year</li> </ul>	New  Existing	nil  nil
	Administration	Financial accounting	<ul style="list-style-type: none"> <li>Proper maintenance of financial records and accounts</li> <li>Preparation of annual budget</li> </ul>	Existing	1 additional position sought
		Park Planning	<ul style="list-style-type: none"> <li>New facilities properly sited</li> <li>Identification of recreational opportunities within WGNP</li> <li>Management plan updated as needed</li> <li>Site management plans prepared for Roman heritage sites together with plans for Omabbas, Hankorab, and Wadi Gamel Island</li> </ul>	Existing	1 additional position sought
		Legal services	Administration of regulations performed at a high level	Existing	1 additional position sought
		Inter agency liaison	Coordination of WGNP activities with other agencies and RSG	Existing	1 additional position sought

<b>Program</b>	<b>Function</b>	<b>Activity</b>	<b>Outputs and Outcomes 2008 to 2013</b>	<b>New/ Existing Program</b>	<b>Staffing Impact</b>
	Transport	Supplementation of drivers	Provide additional driver capacity for transportation of staff and official visitors to WGNP	Existing	2 additional positions sought
	Training	Investigate staff training needs	Develop a training program for each staff member appropriate to the needs of the officer and the park  Coordinate training with officers and trainers  Enforce compliance of safety standards for park operations	New	1 additional position sought

## ANNEX D

### Summary of Illustrative Interventions for WGHPA

<b>WGHPA Current and Proposed Interventions</b>			
	<b>Cost (LE)</b>		<b>Status (August 2008)</b>
	<b>Capital</b>	<b>Operating</b>	
<b>Wadi El Gemal Activities</b>			
WG- Village Upgrading (water tank/elect/shacks)	39,000		Completed
Ras Baghdadi visitor site	17,000		Completed
Hamata Mangroves visitor site	34,000		Completed
Sartout tent	15,000		Completed
Om El Abbas greenhouse	18,000		Completed
Wildlife reserve	200,000		
Establish Roman Trail Corridor	150,000		
Train staff on SWM		80,000	Completed
Train bedouin on services support		90,000	
<b>WGNP Solid Waste Management</b>			
Establish sorting station-Hamata			Completed
Establish sorting at Shams Alam	74,000		Completed
Training: waste recovery, mgmt of business		22,000	Completed
<b>Wadi El Gemal Island</b>			
WG Island-trails			
WG Island-signs			
Birdwatching site			
Shade			
Wooden walkway			
WG Island-mooring			
WG Island-portable toilets	300,000		
Equipment: scopes, binoculars,			Completed
Training-boat operators-clean up			
Training-rangers-guiding		20,000	
Interpretative material		40,000	
<b>QULAAN</b>			
Visitor center + accommodation for two rangers	80,000		
Qulaan Village-coffee house/restaurant			Completed
Qulaan Village-Craft house			Completed
Qulaan Village -trails			Completed

<b>WGHPA Current and Proposed Interventions</b>				
Qulaan Village-Shade & Tent			Completed	
Qulaan Village signage			Completed	
Qulaan Village- vehicle way	800,000			
Board walk				
Bird observation platform				
Qulaan Village-Parking				
Qulaan Village-Toilets				
Public showers				
Fee collection kiosk				
Qulaan upgrading village housing				
2 WD pick ups		85,000		
Training -crafts, sales rest, swm	45,000		Completed	
Training-desert guiding	30,000		Completed	
Leaflets		20,000		
<b>RAS BAGHDADI</b>			Completed	
Ras Baghdadi-trail			Completed	
Ras Baghdadi-shade			Completed	
Ras Baghdadi-signs			Completed	
Ras-Baghdadi-parking			Completed	
Ras Baghdadi-benches			Completed	
<b>Torfet El Mashaiekh- Beach (Ras Baghdadi)</b>				
Torfet-coffee house				
Torfet-toilets				
<b>Sukeit and Nugrus</b>				
Walking trails	600,000			
Signage				
Sukeit-shade				
Sukeit-parking				
Solid waste dump site				
Ranger outpost upgrade				
Visitor center				
Toilet				
Gift shop				
Sukeit-coffee house		600,000		
Training for visitor management, other			20,000	
<b>Hamata Sorting station</b>				
Establish sorting station	180,000		Completed	
Training: hotel staff-sw sorting		20,000	Completed	
<b>Wadi Redi Driving Loop</b>				

<b>WGHPA Current and Proposed Interventions</b>				
Wadi Radi-signage				
<b>Om Abbas Area</b>				
Ranger op center			Completed	
Trails (40 km)			Completed	
Tracks (Om Abbas-Sukeit)				
<b>Honkorab Beach</b>				
Tracks	300,000			
SWM				
Parking				
Honkorab Beach-toilets				
Recreational activities facilities				
Honkorab Beach-coffee house				
Training-waste management	10,000			
Training-handicrafts	10,000			
Guide brochure	30,000			
<b>Sharm El Louly</b>				
Vehicle access route	300,000			
Signage				
Walking trails				
Parking area				
Shades				
Solid waste dumpsite				
Beach accommodation (two rangers)				
Louly-coffee house				
Louly-toilets				
Mooring				
Campground development		80,000		
Relocate Coast Guard station		350,000		
Zodiac		172,000		
Beach cleanups				
Training		34,000		
Environmental education materials		28,000		
Sources: LIFE Red Sea Project Reports, Draft WGHPA Management Plan, United States Forest Service Interpretative Master Plan for WGHPA				

## **ANNEX E**

### **Summary of Red Sea Integrated Fund**

#### **Summary and Recommendations on the Red Sea Integrated Fee**

General Mekshat, consultant to Chemonics International, prepared this section in Arabic. Myrette El Sökkari translated the report into English.

The system's legality is based on:

- Governor Decree No. 135 for 2004 stipulating the integration of all fees related to marine use in the Red Sea.
- Minister of Environment Decree No 114 of 2004.
- The signed Protocol of Integrated Fee for Development of financial sources and expenditures for conservation of marine life and sustainability in the Red Sea, signed April 2004 between the Ministry of Environment, and the Red Sea Governor.

#### **Collecting Agency**

Real estate tax agency of the governorate — against a fee of 1.5 percent of collected fees.

#### **Distribution of the Income**

- Fifty percent: EEAA for EPF to support the activities of the protected areas and the environmental regional office in Hurghada to support environmental activities in the Red Sea Governorate.
- Fifty percent: Governorate for the services fund to develop and support incentives for the General Department for Environment and environmentally dedicated NGOs.

#### **EEAA 50 Percent Distribution**

After the 50 percent reaches EPF the funds are to be distributed as follows:

- Sixty percent at minimum to Red Sea parks activities, especially for staff, mooring, vehicles and boats, and environmental awareness.
- Twenty percent at maximum for the Regional Environmental Office in Hurghada for staff and terrestrial protection.
- Twenty percent at maximum for marine conservation activities within the governorate.

#### **RSG Services Fund**

- Twenty percent for Red Sea parks.
- Fifteen percent for regional office of EEAA in Hurghada.
- Fifteen percent EPF in EEAA.
- Forty-five percent for governorate administration to support general administration for environment and staff incentives and NGOs
- Five percent Coast Guard in RSG

## **Expensing**

- Submit the needs/requests for items within the funds allocated by the governor at the beginning of the year.
- Submit a suggested (projected) budget for the parks to be signed by the governor.
- Actual spending is subject to availability of funds, and follows the governmental expensing procedures, executed by the Financial Administration of the Red Sea Governorate General Administration, following the governmental procedures.
- All purchases are warehoused within the Red Sea governorate warehouses.

## **EEAA Share of the Fund**

Total funds for years 2006 and 2007 is LE 23 million, and projected to be LE 30 million/year.

## **EEAA Expensing**

None as of date, due to inactivation of the protocol

## **Impediments to Expensing**

- Non application of the protocol
- No intention of the involved parties to apply the protocol
- Lack of full understanding by both the Protectorates and the Governorate of the nature of work

## **Recommendations**

1. Reassessment of the method of implementation of collection of the fees — there is a recommendation to collect the fees from the boats on a monthly, quarterly, biannual, or annual basis.
2. Implementation of the expensing based on the protocol.
3. Creation of a special fund to protect the Red Sea environment — partially funded from the Integrated Fee, Samadai fund, as well as donations. This fund is to be managed through a committee which will be responsible for:
  - Follow up on the fee collection system.
  - Follow up on expensing.
  - Reassess the fee value.
4. Improve the procedures for expensing: need to be more flexible but within regulations, especially in cases of emergency. This is difficult, but can be achieved through:
  - Improvement of awareness of the staff in the financial administration unit at RSG and of environmental issues.

- Training Parks staff on the administrative and legal procedures for expensing and purchasing.
- Consider the creation of the Red Sea parks financial unit (i.e., elevate it to a “General Department” or sector, such that it can have its own financial entity in the Red Sea, which would allow for more efficient expensing).

### **Summary on the Samadai Fee System**

The system’s legality is based on:

- Governor Decree No. 178 for year 2003 regarding the collection of a service fee for the marine activities in the Samadai area.

### **Distribution of the Income**

- Thirty percent to RSMP to support Red Sea marine parks.
- Forty percent to Red Sea Governorate to support environmental activities in the Red Sea Governorate.
- Thirty percent to NGOs for mooring operations.

### **Expensing**

Expensing procedures are slow. As of March 2008, total funds expended: LE 1.2 million.

### **RSMP Share of the Funds**

- LE 1,665,933 for the period 2004-2007.

### **Impediments to Expensing**

- Lack of full understanding by the staff of the governorate responsible for expensing of the nature of work of protectorates.
- All expensing is through the Governorate Finance Unit.
- Lack of awareness by the Protectorate Staff of the legal/financial procedures for purchases, expensing, and bids.

### **Recommendations**

1. Improve the procedures for expensing: need to be more flexible, but within regulations, especially in cases of emergency. This is difficult, but can be achieved in through:
  - Improvement of awareness of the staff in the financial administration unit at RSG, of environmental issues
  - Training Parks staff on the administrative and legal procedures for expensing and purchasing

## **ANNEX F**

### **WGHPA Basic Equipment List from Draft Management Plan**

#### **Basic Equipment for WGHPA (extracted from draft Management Plan 2003)**

##### **Transport**

4 x 4 Vehicles 7

Patrol boats 4

##### **Heavy Machinery**

Soil moving equipment 2

Truck 1

##### **Communications**

Radio network still to be provided covering WGHPA

Satellite phones 3

Mobile phones made available until radio network established

##### **Data Management**

Computers, software, statistical packages

6 work stations, 2 laptops

##### **Patrolling Equipment**

Binoculars 10

Scopes 3

Cameras, lenses 2 regular, 2 digital, 2 underwater

Camping Equipment 4 complete sets

Diving Equipment 10 complete sets

##### **Navigation Equipment**

GPS, compasses 5

Maps 3 complete 1-50,000 sets

Altimeter 3

##### **Monitoring Equipment**

Traps, camera traps, rope, measuring tapes

To be determined

##### **First Aid Kits**

3 complete kits

##### **Lab Equipment**

1 complete kit

## ANNEX G

### Illustrative Annual Budget Template

#### Illustrative Annual Budget Template; Red Sea Protectorate→Red Sea Governorate Red Sea Integrated Fee

Year: 2009<sup>1</sup>

Expense	Month												Subtotal
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Personnel													
Salaries	0	0	0	0	0	0	0	0	0	0	0	0	0
Operations													
Fuel	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
Utilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Communications	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	20,040
Maintenance													
Buildings and vehicles	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000
Tracks and Trails	0	0	0	0	0	0	0	0	0	0	0	0	0
Mooring Buoys	0	0	0	0	0	0	0	0	0	0	0	0	0
Equipment and Supplies													
Office Supplies	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
Uniforms and Protective Clothing	9,075	0	0	9,075	0	0	9,075	0	0	9,075	0	0	36,300
Visitor Interpretation													
Educational Materials and Brochures	1,060	0	0	1,060	0	0	1,060	0	0	1,060	0	0	4,240
Travel	0	0	0	0	0	0	0	0	0	0	0	0	0
Training	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	30,805	20,670	20,670	30,805	20,670	20,670	30,805	20,670	20,670	30,805	20,670	20,670	LE288,580

<sup>1</sup> This illustrative budget uses the business plan Scenario 1 2009 budget projection as an example. Some numbers are rounded up so subtotals do not exactly match Scenario 1 projections.