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

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LIFE Red Sea Project

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

By Myrette El-Sokkari

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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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Business Plan Consultant

Myrette El-Sokkari, LRS Financial Consultant

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%¹; (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

¹ 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.²

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 funding³, 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.

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

³ 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.”⁴

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.

⁴ 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 2006-2007.⁵

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.⁶

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

⁵ 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

⁶ 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.⁷

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 HEPCA⁸ 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.⁹

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.¹⁰

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

⁷Source: NCS business planning unit.

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

⁹ 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.

¹⁰ 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.¹¹

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.¹² 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

¹¹ See Trip Report: July 15-21, 2007.

¹² 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.¹³

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.¹⁴

Adjusted Baseline vs. Basic Scenario

This report is concerned with the essential and urgent estimation of the operating costs for the medium term, 2008-2009.¹⁵ 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.¹⁶ 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

¹³ Trip Report August 7 – 11.

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

¹⁵ 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.

¹⁶ Trip Report October 23 – 28.

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

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.

¹⁷ 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.¹⁸ 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

¹⁸ 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.¹⁹ The NCS share in the Samadai income is to be exclusively expended on the Red Sea Parks.²⁰ 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 2007.²¹

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.²²

D. LIFE Red Sea Project (LRS)

The project has supported the park in the following:²³

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.

¹⁹ Net of all expenses related to the income of Samadai.

²⁰ 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).

²¹ Source: Wadi El Gemal Park Accountant.

²² 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.

²³ 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 2007.²⁴

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
Total Estimated Operating Costs	729,354	599,348	918,024

²⁴ 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)
Total Revised Operating Costs	338,428	240,028	379,043
Less			
Fuel and Oil by Samadai	(132,300)	(83,800)	(142,800)
Total LRS expenditures	206,128	156,228	236,243

* 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 Costs⁹⁰
, 2008–09**

	Adjusted Baseline (LE)
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
Total Estimated Operating Costs	1,313,389
Less salaries and mooring	
Salaries-EEAA, RSG	(536,200)
Mooring (HEPCA)	(60,000)
Total Revised Operating Costs	717,189

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.²⁵

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 WGNP–Hamata Significance of Sources of Finance

	Actual (Percent of Total)		Projected (Percent of Total)
	Jan–Dec 2006	Jan–Aug 2007	Jan–Dec 2007 Annualized
EEAA			
Salaries	27.83	23.77	23.28
Total EEAA	27.83	23.77	23.28
RSG			
Salaries	17.54	29.51	28.90
Fuel and oil	18.14	13.98	15.56
Total RSG	35.68	43.49	44.45
HEPCA			
Maintenance Mooring Buoys	8.23	6.67	6.54
Total HEPCA	8.23	6.67	6.54
LIFE Project			
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

²⁵ Source: WGPA accountant

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

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

Table 4 WGNP–Hamata Summary of Funding Sources

	Actual (Percent of Total)		Projected (Percent of Total)
	Jan-Dec 2006	Jan-Aug 2007	Jan-Dec 2007 Annualized
Government of Egypt			
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
NGOs			
Mooring (HEPCA)	8.23	6.67	6.54
Total NGOs	8.23	6.67	6.54
Donors			
USAID/LRS Project	28.26	26.07	25.73
Total Donors	28.26	26.07	25.73
TOTAL Funds	100.00	100.00	100.00

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 WGNP–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)
Total Revised Operating Costs	338,428	240,028	379,043	717,189
Less				
Fuel and Oil by Samadai	(132,300)	(83,800)	(142,800)	
Total LIFE Expenditures	206,128	156,228	236,243	

* 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. ²⁶ Thus it is recommended that procedures are put in place to further develop, and ensure the continuity and stability of this funding.

²⁶ 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.²⁷

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.

²⁷ 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.²⁸ 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.

²⁸ 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 revised²⁹
- Annual Operation Plan needs to be developed³⁰
- Site management plans need to be developed for several sites
- Research Needs Assessment would be beneficial to determine research priorities³¹
- 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.

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

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

³¹ 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

Position	No.	Monthly Salary (LE)	Total Annual Salary (LE)
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
Total Salaries	14		206,700
Bonus (LE 500/person/annum)			7,000
Total Salaries and Bonuses			213,700

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 EAAA, 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.³² 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

	No. of Staff	Cost/Person (LE)	Annual Cost (LE)
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
Total	50		511,200
Bonuses LE 500/annum/person)			25,000
Total Cost			536,200

³² 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

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

^a Adjusted Baseline considers vehicles that will be in park in 2008.(Calls M. Abbas January 2008)

Table 8 WGPA Estimated Fuel and Oil Needs

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

Fuel and Oil Consumption and Cost

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

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 equipment³³ 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.³⁴ 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/km³⁵.

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.

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

³⁴ 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.

³⁵ Estimated by Park management and staff.

Table 9 WGPA Assets Maintenance Estimate

Assets	Estimated Cost LE	Adjusted Baseline	
		Quantity	Total Value LE
Buildings			
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
Total Buildings		12	2,890,000
Total Buildings maintenance 2%			57,800
Vehicles			
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
Total Vehicles		14	2,240,000
Total vehicles maintenance 3%			67,200
Vehicle Tires			130,000
Total Furniture and Equipment			231,550
Total FF&E maintenance 3%			11,578
Tracks (km)	2,000	100	200,000
Total track maintenance (LE 400/km)			40,000
Mooring buoys maintenance			60,000
TOTAL MAINTENANCE			366,578

Table 10 provides a summary of maintenance estimates.

Table 10 Projected Maintenance Cost Summary

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

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.³⁶ 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

³⁶ 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.³⁷

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)

³⁷ 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--