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SUPPLEMENTARY REPORT ON

EXPLORATORY MISSION TO

BELIZE ¹

UNIDO PROJECT IS/BEE/75/009

by

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1. Introduction

(1) Reason for supplementary report

The mission was curtailed from a planned 15 to 8 working days due to a temporary financial freeze in November 1975. Further data has been made available since the report was produced in December 1975.

(2) Terms of Reference

These did not include the function of assessing bids made by consulting engineering firms, but a request was made by the Belize office of the Development Finance Corporation, to the consultant on arrival.

The evaluation was done by combining the normal construction industry parameters with the United Nations Sub-Contract evaluation system which produces a clear indication of actual costs of professional time on site and at home office.

The factor of Caribbean Regional man hour input was not considered.

2. Recommendations

To give maximum effect, a Preliminary Report was compiled after only 3 working days in Belize so that some feedback could be obtained on the spot.

The main policy points from this report which could not be discussed in any depth, have been commented on since, except for two which are now dealt with first.

- A. No land should be sold on the proposed estate, but only leased on a 99 year lease basis. Buildings could be sold on a basis of a 5 year open option, with deduction for rent paid and addition of land and infrastructure value.
- B. The 8-acre site is very small and has no provision for expansion. On the contrary the adjoining 12-acre plot is fully scheduled for 110 houses, of which at least 50 will soon be built. As there is no shortage of land in Belize this is regarded as a very undesirable proposal, since land for housing is available on plots adjoining this 20 acre area.

Furthermore, whereas the Development Finance Corporation are supervising the Industrial Estate, another organization RECONDEV (Reconstruction and Development Corporation) is supervising the adjoining housing project.

A joint development committee or Board is strongly recommended to ensure co-operation of both projects.

C. Expansion:

Once an industrial estate is under development, it should become the focus of planning attention and be supported fully with services or at least with maximum budgetary resources for phased expansion as soon as feasible.

In Belize it seemed that the Ladyville Estate was considered as a limited, temporary exercise whereby 6 plots would be rented to investors with a factory "shell" on each plot.

The consultant got the impression that the main effort to establish such an estate would be made together with the Port Development and thus expenditure of Ladyville would be restricted.

This would, however, give a strange impression to those investors who occupied factories at Ladyville, and act as a disincentive.

It is strongly recommended that if the Ladyville Industrial Estate is to start it should be fully backed with adequate and continuing finance.

The possible second estate in the port area will need separate planning later, during the port construction period.

The provision of a bank, post office, restaurant and other facilities is understood to be planned for the low cost housing estate, and of course these should not be duplicated.

However, to run any industrial estate, some representative of the host organization or government simply has to be on site, as otherwise impossible situations would arise, and there would be no real control of the estate at all.

A small office at the site is considered absolutely essential, and would cost less than B\$ 4,000. See below under Para. 4 Administration. This office would have to be expanded as funds became available. In the event that the three factory shells were rented, and another one or two then under construction, it would be highly advisable to extend the offices and staff without delay.

Staff should be at least a site supervisor or senior clerk to start, who would be in constant telephone contact with the DFC and would also act as counterpart to the construction contractors site supervisor.

3. Finance

- A. The existence and extent of a separate 'vote' for administrative and investment promotion expense was not known to the consultant, and was not mentioned in any of the documents given or shown to him.
- B. Cash Flow Forecast:

The principle of recovering all operating costs and loan interest from the rent of factory premises on industrial estates is a source of much dispute.

Land should definitely not be sold to produce income, as it can lead to legislative and political complications.

A premium has to be paid to enter the industrial field by those who unfortunately did not do so earlier. This premium consists of subsidising such estates, to cover costs until they are fully developed and may pay for themselves. In other words the jobs created are subsidised.

C. Maintenance:

The Preliminary Report was prepared in Belize in order to provide some written comments for the Development Finance Corporation to discuss before the award of the Ladyville construction contract and the arrival of the contractor in Belize.

These comments were therefore preliminary and not intended to form a final and considered view.

Since the mission's length was curtailed for financial reasons, it was not possible to obtain more than initial verbal comments.

Maintenance of buildings on industrial estates is usually carried out as follows:

Internal: Lessee is required by lease to maintain, paint annually and end of lease, return in original condition. Insurance to cover total destruction paid by lessee.

External: Estimated: first class buildings - steel frame, cement walls, steel or heavy tile roof: maintenance 2 $\frac{1}{2}$ % p.a.
(offices only)
Second class buildings - factories: maintenance 5% p.a.

D. Depreciation

Although not strictly cash flow, depreciation is usually provided for at a fixed rate on original cost of buildings in order to provide for repairs and for replacements.

However, it is not usual to include depreciation as a charge to an exporting industrial estate (which increases costs considerably) but to create a capital development fund by Government Grant, which contains an element for depreciation of buildings at standard rates.

4. Administration Costs

Administration is estimated to require funding as follows: (Please refer to item 5 in the Preliminary Report).

Phase I To be planned by the contractor who constructs the three factory shells, and constructed as soon as funds permit.

1. Administrative Office:

A. Manager's Office - 180 sq.ft.	=	B\$ 3,600	BASIS
Secretary's Office 100 "	=	2,000	B\$ 20 PSF
Visitors Reception 100 "	=	<u>2,000</u>	
		7,600	
B. Customs Post 100 sq.ft.	=	<u>B\$ 2,000</u>	
		9,600	
Estimate for furnishings :		<u>4,400</u>	
TOTAL :		<u>B\$14,000</u>	

2. Phase II (two years from factory completion).

A. As some security patrol is necessary, some provision must be made for shelter for personnel, and in Phase I the Customs Post can be used, particularly at night. As soon as possible a separate room should be built adjoining the Customs Post.

Also, a room for those enquiring for employment entering the estate and a Labour Enquiry Office is necessary, adjoining the main gate and customs post.

Security Guards Room, 150 sq.ft.	- B\$ 3,450	BASIS
Labour Enquiry Office 150 sq.ft.	- <u>B\$ 3,450</u>	B\$25 PSF
Total:	B\$ 6,900	

B. BANK to be provided by Banking Company.

Phase III

As the occupation of the site increases after three years, tenants will expect services to be provided on the Estate, and not be prepared to use facilities 10 miles away in Belize City. This will require provision of a Post Office which would also be an amenity to local residents and be financed from the normal development budget for the Ladyville Area.

A maintenance workshop where investor companies can repair machinery, trucks, and other equipment is provided as an amenity on most industrial estates, and provides an additional incentive to invest. It is not usual to put it out to tender on a commercial basis, but to provide both building and equipment (lathes, tools, hydraulic vehicle ramp) as a service to the estate, and control it through the Estate Administration. Operation could however be contracted out, on a commercial basis, but the building itself, plus office would still have to be built by the Estate Administration.

1. Workshop - 1,000 sq.ft.	- B\$ 25,000	BASIS
Offices - 150 sq.ft.	- <u>B\$ 3,750</u>	B\$ 25 PSF
Total:	B\$ 28,750	

This assumes that the contractor would provide equipment

2. Contractor's Planning Office and Tool Store.

To avoid the permanent presence of temporary (unsightly) contractor's premises, an office should be provided to harmonize with the other Estate buildings. When all construction ceases, it can be rented out to a service industry, e.g. transport or packing company.

Cost: 300 sq. ft. - B\$ 7,500

Phase IV. After five years when the Estate is established and rate of growth is known, the Administration Office should be extended to provide:

BASIS	Canteen	1000 sq.ft.	=	B\$ 30,000
B\$ 30 PSF	Insurance/Freight Forwarder's Office	200 sq.ft.	=	B\$ 6,000
	Lorry Drivers Rest Room	300 sq.ft.	=	<u>B\$ 9,000</u>
				B\$ 45,000

5. Promotion Costs

This can be divided, ideally into:

1. Press and Public Relations

In conjunction with the Tourist Board. The British Government could be approached to assist in the selective distribution of brochures.

The usual articles should be sent to leading trade magazines.

Overseas visits to prospective investors who have shown real interest should also be made by DFC staff when possible.

2. Advertising

At first, obviously funds must be used very sparingly. Careful selection of specialized publications is necessary at all times.

Direct mail to selected addresses is probably the cheapest and most effective method.

3. Printing Costs

A. For leaflets for general distribution - illustrated. Cost shared by Tourist Board if possible.

About 6,000 for each of first two years.

B. A detailed brochure including Government policy statement to be sent out only in reply to specific enquiries, or as direct mail to selected targets.

About 2,000 per year.

Translate into German and Japanese.

4. Salaries

Cost of staff involved in above 1 - 3

5. Budget

A budget of less than B\$ 20,000 for 1978-79 would be the minimum to have any significant effect. (Excludes travel).

Other costs.

6. Effluent Disposal

There appears to be no provision made for this, which will be necessary due to the low lying area and impossibility of allowing industrial effluent into the river.

This would of course be included under "water", but B\$ 100,000 is not enough to provide for roads, power lines and transmissions, and both drinking water and industrial water supplies plus a suitable treatment plant.

Hence the suggestion that if only factory shells are provided, then the current cost for the three factories, totalling 32,000 sq.ft. is B\$ 576,000, whereas B\$ 780,000 is budgeted.

The excess of 204,000 can be added to the services budget to increase it to B\$ 984,000.

7. Industrial Estate Costing

Attached as Annex I is an example of a typical estate costing proforma.

This shows that the minimum estimated cost of a properly laid out, i.e. not partially prepared site would be at least B\$ 425,000. This assumes that all power lines and transformers are not charged to the estate, since the power line crosses the site towards the residential estate.

It is also assumed that telephone and street lighting would be covered by other budgets.

It is assumed that water mains under suitable pressure are not available to supply the minimum of 50 gals/day required by each worker, and that a separate system is needed. Possibly half this cost of B\$ 245,000 (Items 7 and 9 estimated) could be charged to the residential estate. It should be noted that industrial effluent needs chemical not mechanical treatment.

Summary:	Item		
	1	Land	40,000
	2-6	Site	60,000
	7	Water supply	120,000
	8	Drainage	15,000
	9	Sewage	125,000
	10-12	PWD	-
	13	3 Factories	576,000
	14	Admin.	5,600
			<hr/>
			941,600
			<hr/>

ANNEX 1

<u>DESCRIPTION</u>	<u>INITIAL QUANTITY</u>	<u>UNIT COST</u>	<u>B\$</u>	<u>INITIAL COST</u>	<u>QUANTITIES FOR FULL DEVELOPMENT</u>	<u>FULL COST</u>
1. Land	8 acres	5,000		40,000		80,000
2. Improve Public Road				FWD?	Repeat	
Provides entrance to estate with acceleration, deceleration lanes, bollards, etc.						
3. Construct Estate Road around site				10,000	Repeat	20,000
4. Boundary Fence	Complete or partial			15,000		
5. Site and Roads				10,000		
5.1 Site Preparation				5,000		
Remove scrub	Whole area ?			2,000		
5.2 Roads to plots	All 8?			15,000		
6. Parking Areas				3,000		
7. Water Supply and Treatment						
6 inch main						
4 inch main						
1.5 inch main						
20,000 gal. water tower				30,000		
60,000 gal. w/g storage tank				90,000		
8. Storm Water Drainage						
Drainage of factory units taken in cost of each unit				-		
8.1 Main drain from site to river				10,000		
8.2 On-site drainage				<u>5,000</u>		
						235,000

<u>DESCRIPTION</u>	<u>INITIAL QUANTITY</u>	<u>UNIT COST</u>	<u>INITIAL COST</u>	<u>QUANTITIES FOR FULL DEVELOPMENT</u>	<u>FULL COST</u>
9. Sewage and Effluent treatment			50,000		
9.1 Main drain to river			15,000		
9.2 On site drainage			10,000		
9.3 Treatment plant			50,000		
10. Power Supply	By FWD?				
Provide connection to					
10.1 33 KV Line	Distance?				
10.2 Cost of 500? KVA 33 KV					
Hook up station to start Estate	Same				
10.3 Excavate trenches	FWD				
10.4 Cost of initial trans-formers					
11? KV and cabling	FWD				
11.0 Telephones	FWD				
12.0 Street lighting	FWD				
13.0 Factory buildings	A. 20,000 sq.ft. B. 6,000 sq.ft.	360,000 108	360,000 216,000		
14.0 Admin. Office				1. 235,000	
14.1 DFC site			3,600	2. 706,600	
14.2 Custom Post			<u>2,000</u>		
			706,600		<u>941,600</u>

ANNEX 2

Rentals

On a discounted cash flow analysis basis the economic rental of purpose built factory space would be about US\$40. per square metre in 1975. Therefore a subsidy is necessary, as the true cost plus maintenance and depreciation can never be recovered from industrial tenants. Rentals over US\$1.00 per square metre will not attract investors.

RENTALS IN EXPORT PROCESSING ZONES

(Per square metre land only)

PHILIPPINES

To	1977	US\$0.57
	1980	0.71
	1983	0.86
	1986	1.00

JURONG, SINGAPORE

Land value US\$2.30 - \$3.00 per square foot - February 1975
Lease rental calculated as 6% of above

KAOHSIUNG

1973 - US\$0.68 per square metre of land - buildings sold. No buildings leased.

IRELAND

Shannon, 1974 - Factory buildings leased on 99 year lease. No land leased.
£0.90 pence per square foot
US\$23.25 per square metre

SENEGAL

Dakar - France 200 (French) 1 square metre lease of land.