

**CONSULTANCY SERVICES FOR THE DEVELOPMENT OF A
MARKETING & PRICING STRATEGY FOR THE KAMPALA
INDUSTRIAL BUSINESS PARK**

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**FINAL REPORT PRICING POLICY &
PRICING COMPUTER MODEL**

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JURUTERA PERUNDING PELANGI SDN BHD

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A. BACKGROUND

Uganda intends to develop a well diversified portfolio of industrial Parks which will be embedded in specific sector strategies such as agro-processing, ICT or logistics, taking advantage of the regional comparative advantages. The business parks will form the platform for special economic zones, export processing zones, free ports, etc.

Uganda has identified a key strategic location near to Kampala the nation's capital as the first location for this ambitious strategy. To be known as the Kampala Industrial and Business Park (KIBP) this 900 ha site is located 11 km east of Kampala at Namanve and adjacent to the Kampala-Mombassa Railway line.

The Government of the Republic of Uganda (GoU) has received a credit from the International Development Association (IDA) towards the cost of the Second Private Sector Competitiveness Project (PSCP II). It intends to apply part of the proceeds of this credit to finance the development of Phase 1-South A (an initial 127 ha) of the KIBP.

It is intended that the KIBP will be promoted as a controlled business environment that will not only provide the park users with the essential facilities for efficiently conducting their business, but also generating the following substantial benefits to the national economy:

- a) Generate new employment opportunities in newly targeted sectors
- b) Generate more value-added in traditional sectors of the economy and adding value to Uganda natural resources
- c) Generate more revenue for government because of better control within the KIBP on dutiable goods and customs bonded warehouses

- e) Develop the KIBP into a focal point for road-rail operations and transshipment operations to regional markets.
- f) Allow the development of export-oriented manufacturing projects through the setting up of EPZ's
- g) Provide the necessary legal, institutional framework and the adequate physical infrastructural facilities to develop a Ugandan regional warehousing and distribution platform
- h) Enhance the competitiveness of Uganda in the new ICT sector namely BPO-ITES activities through the provision of an intelligent office park in the KIBP
- i) Introduce an entrepreneurship development component in the KIBP with the setting up of an incubator park for new and growing business
- j) Create an opportunity to solve traffic congestion problems by relocating traffic-intensive activities away from the City of Kampala.

The Government has appointed the Uganda Investment Authority to manage and to promote this development. It is intended that other developments in different Ugandan regions will follow. It was the intention that UIA manage KIBP as a commercial venture that will enable recovery of the sums invested in the first phase. This in turn would enable development of further phases and indeed, further locations over time.

However, the Government has recently considered the possibility of providing free or highly subsidized land to investors in the industrial sector with an objective of attracting the investors to KIBP despite the shortfalls of being a land locked country with high transportation cost.

B. EXECUTIVE SUMMARY

The Government of Uganda desires to have an indicative pricing policy and computer model to be developed with a high level of transparency and fairness that can be applied to all potential Investors across the board.

Contract for the consultant services for the development of a Pricing Strategy has been awarded to Jurutera Perunding Pelangi Sdn Bhd (“JPPSB”) on the 16th May 2008.

The overall purpose of the consultancy is the development of a comprehensive pricing model and a pricing strategy to enable UIA to set terms and conditions for occupancy of the park to maximise Uganda’s economic gain from this key strategic infrastructure investment.

During the 1st meeting held with the UIA on the 5th May 2008, it was agreed that the 6 comparator locations that will be used for international benchmarking studies for the development of the pricing policies for KIBP shall be Malaysia and Thailand (Asia), Ireland (Europe), Dubai (Middle East), Kenya and Mauritius (African Region).

The inception report was submitted to UIA on the 19th May 2008. Thereafter, the 1st draft report on the pricing policy was submitted to UIA on the 6th July 2008 followed by a presentation to the Board of Directors, UIA on the 12th July 2008. The 2nd draft report was submitted in August 2008 incorporating issues discussed during the presentation and the issue of free land for Investors in the Preferred sectors. The 3rd draft report incorporating the latest estimates for the infrastructure was submitted to UIA on the 18th Feb 2009 followed by a workshop session at Africana Hotel on the 23rd Feb 2009. Amongst some of the main issues raised and discussed during the workshop which was attended by the stakeholders and investors are as follows:-

- a) Lease price of land at USD 80,000 per acre being too high.
- b) Offer of free land for Preferred sectors and the selection criteria to be imposed.
- c) Lease period of 30 years being too short.
- d) Cost of development being too high.
- e) Incentives for transport industry to be considered
- f) Incentives for Import substitution products to be included in addition to export products.

The pricing policy and the computer model for the pricing of plots in KIBP have been developed to meet the following objectives:-

- 1 To attract investments in specific preferred sectors such as ICT, Agro based and mineral industries where local resources are utilised.
- 2 To ensure pricing of land in KIBP remains competitive within the region.
- 3 To generate long term benefits to the economy and GoU through business activities in KIBP.
- 4 To recover the cost of development from the 1st phase for completion of the remaining phases in KIBP.
- 5 Development of a pricing computer model that would be user friendly and flexible with a high level of transparency and fairness that would be used to ascertain leasing prices of plots in KIBP.

The pricing policy that has been developed focuses on adjustments to be made to the average lease price for industrial plots as follows:

1. Adjustment factors to be applied based on investors business profile and investors contribution towards achieving the objectives of KIBP and the GoU.

2. Adjustments to be made to the lease prices of plots based on the intended land use such as, industrial, commercial, residential, institutional and recreational.
3. The extent of government subsidy, if needed, to be applied to industrial land based on market sentiments and regional competition for investors.

The adjustment factors to be applied to the price of industrial land based on the investor's business profile shall take the following into consideration:-

- 1 Size of plots required
- 2 Percentage of exports or import substitution of products by value.
- 3 Type of business activities to be carried out in KIBP.
- 4 Distance of plots from the main transportation hubs.
- 5 Total monetary investment value brought into KIBP.
- 6 Number of locals of various skill levels to be employed in KIBP.
- 7 Demand on utilities

Investors with preferred activities that are favourable towards meeting the objectives of the GoU would be offered discounts on the lease prices of the plots by applying certain adjustment factors to the lease prices based on agreed pricing policies as incentives towards their contributions. The adjustment factors to be applied based on the investor's business profile could range between 0.7 and 1.2. The average adjustment factor shall ultimately be applied to the lease price of the plots.

Adjustment factors ranging from 1.0 to 1.75 would also be applied to the lease price of plots with different land use such as industrial, commercial, residential, recreational and institutions.

In addition to the above mentioned adjustments to the lease prices, a government subsidy depending on the availability of additional funds, should be considered to ensure that the plots remain attractive to potential investors in comparison to prices offered by competing countries within the region.

In order to ascertain the lease price of land within each phase of KIBP, it would be necessary to determine the total cost of development of each phase of KIBP. This is essential to ensure sufficient revenue is generated from the sale of the land within each phase to sustain the self funded development of the remaining phase.

The estimated cost of providing services to the plots in each of the phases in KIBP can be separated into 2 categories.

The first category shall comprise of infrastructure required to service the whole of KIBP such as off site road upgrading works, water tanks and pipelines, main power intake, central sewerage treatment plant (STP), flyover interchange across Jinja road etc. This category of services shall be referred to as “Off Site Infrastructure”.

The second category shall comprise of services to the individual plots in each phase such as water pipes, sewerage pipes, electrical distribution system, telecommunication services, roads and drains, consultancy services etc required and provided in the respective phases. This category of services shall be referred to as “On Site Infrastructure”.

The “Off Site Infrastructural” services shall be apportioned to all the 4 phases of the KIBP based on the percentage of saleable land area of the plots in each phase with respect to the overall saleable area in KIBP as these services are provided essentially for the whole development of KIBP. This apportioned cost shall be added to the cost of “On Site Infrastructural” services for each phase in order to determine the overall cost of development for each phase.

The cost of providing services to KIBP, based on preliminary estimates, ranges from approximately USD 138,500 per acre (Ushs 66,750/m²) of saleable land for South C to USD 172,567 per acre (Ushs 83,170/m²) of saleable land for North as shown in the table below.

Saleable Area PHASE	(m2)	Apportionment of "Off site" infrastructure services (Ushs ' 000)	Cost of "On site" infrastructure services (Ushs ' 000)	Total Cost of Development (Ushs ' 000)	Cost of Services / acre of Saleable Land (Ushs ' 000)	Cost of Services / acre of Saleable Land (USD)
SOUTH A	914,365.10	4,063,449	64,730,584	68,794,033	304,408	156,107
SOUTH B	1,155,922.17	5,137,422	82,964,908	88,102,330	308,386	158,147
SOUTH C	2,232,769.46	9,924,027	139,120,546	149,044,574	270,070	138,497
NORTH	539,710.78	2,397,607	42,492,606	44,890,214	336,505	172,567
TOTAL	4,842,767.51	21,522,505	329,308,647	350,831,153	293,092 (av)	150,303 (av)

Note: South A, South B – estimated by TYPSA based on completed infrastructural designs
 South C and North – estimated by TYPSA based on preliminary infrastructural designs
 USD=1,950 Ushs

A government evaluation of the property in along Jinja Road and KIBP was carried out in 2007. Based on the evaluation industrial lots (non-serviced) would be valued at approx. USD 30,770 per acre, commercial lots (serviced) at approx. USD 76,920 per acre and residential land (non-serviced) at approx. USD 20,510 per acre.

The cost of services could be reduced if some of the services to be provided in KIBP such as water supply, power supply and distribution, central sewerage treatment plant (STP) and telecommunication services could be undertaken by private service providers or through Private Public Partnership (PPP) arrangements to offset some of the cost of providing the services by UIA. These service providers could charge the investors directly for the services based on the usage of the services and agreed terms of services..

A study on the industrial land lease prices of 6 countries throughout Asia, Middle East, Africa and Europe can be summarised in the table below. Comparison of Industrial Plot Pricings (USD/acre)

MALAYSIA

	THAILAND	IRELAND	KENYA	MAURITIUS	U.A.E
North \$ 140,000.00	Bangkok \$ 250,000.00 Freehold	Shanon FZ \$ 650,000.00 20 Year Lease	ATHI River \$ 60,750.00 30 Year Lease	\$ 60,000.00 20 Year Lease	JAFZA \$ 664,500.00 60 Year Lease
Central \$ 175,000.00	Central \$ 125,000.00 Freehold	Waterford Air Port Busi. 25 Year Lease \$ 1,045,000.00			RAK \$ 272,500.00 60 Year Lease
South \$ 200,000.00	South \$ 110,000.00 Freehold				SAIFZ \$ 1,112,500.00 60 Year Lease 25 Year Lease
					Hamriyah/Fuja irah/Ajman FZ \$ 277,500.00 25 Year Lease

The closest competitors within the region would be Kenya and Mauritius when the industrial land is being leased at approx USD 60,000 to USD 75,000 for an equivalent of 30 year lease period.

Besides generating revenue from the sale of land in KIBP, the other long term benefits to the GoU that would be generated from the development of KIBP would be:-

- An increase in personal and corporate tax revenue to the GoU that would be collected within a controlled business environment.
- Increase in exports would tip the trade balance of the country.

- Increased business activities in KIBP would result in an increase in long term sustainable employment of locals.
- The successful implementation of KIBP would result in development of Incubator and other small supporting industries.
- The influx of business activities and investments into KIBP would eventually spill over to development of other industries such as the commercial, residential and tourism industry in Namanve and Kampala.

These long term benefits would justify a Government subsidy in the leasing price of industrial land, should it be required, to maintain a competitive edge in attracting the investors that would contribute towards meeting the objectives of the Government in developing KIBP.

These subsidies in the lease price of plots would contribute towards offsetting some of the disadvantages KIBP currently has in comparison to well established industrial parks in other parts of Africa. Some of the setbacks KIBP has in its infancy stage against established competitors are:-

- KIBP is still in the development stage compared with completed industrial parks which already have all the infrastructural services available in the park. The due completion of KIBP and the infrastructural services would be a risk factor that investors may consider when assessing the KIBP.
- KIBP at the current stage has yet to develop the support services sectors such as SMEs, financial, commercial, residential, transportation and logistics hub etc which are essential for investors to carry out their business activities. These services are already available in and around other established industrial parks.

- Since KIBP is a new industrial and business park, the management and services offered by the park managers have yet to be tested in comparison to other parks which may have good reputable and efficient park managers.
- Investors in KIBP would have to bear a higher transportation costs for incoming and outgoing goods and products since Uganda is a land locked country.
- KIBP would be developed as a modern industrial and business park and would have to provide facilities which are better than that being provided in some of the industrial parks within the region.
- The competitive range of lease prices being offered for industrial plots by countries within the region such as Mauritius and Kenya.

In order to attract the much needed investments in the preferred sectors, such as, ICT/BPO, agro based/food processing and minerals industries using local resources, the GoU is considering that 60% of industrial land be allocated to qualified investors in the preferred sector for free.

The offer of free plots to selective qualified investors would be attractive as it would reduce the initial capital costs incurred by the investors in setting up and operating their business activities in KIBP during the initial development stage.

However, not all investors within the preferred sectors should be offered free land. Only investors who contributes substantially to the objectives and generate long term benefits to the GoU should be considered to qualify for the free land.

Amongst any one of the criteria to be met by the investors in the preferred sectors shall be as follows:-

- Total investment/acre – exceeding USD 1 million/acre of land

- Local employment/acre – semi skilled (min 30), skilled (min 15)
- % of Export of Value Added Products – min 80% (monetary value of total products)

The offer of free land would certainly result in a loss of revenue from the sale of industrial land in KIBP although there would be long term benefits to the GoU.

The additional losses in revenue due to offer of free industrial land ranges from Ushs 38.3 Billion to Ushs 110.7 Billion depending on the level of subsidy offered to industrial land in general. These amounts of funds would need to be injected into KIBP, either directly by the GoU or through financial institutions, to enable KIBP to have sufficient financial resources to complete all the phases in KIBP.

The financial institutions providing credit facilities could be concerned about the ability of the borrower to service and repay the credit provided for the completion of KIBP. The shortfall in revenue generated from the sale of land would be of much concern to the creditors and they may require some guarantees from acceptable 3rd parties or the GoU for the repayment for the credit facilities.

The other options available to UIA for consideration that would result in a similar reduction of initial capital costs and risk in setting up business to investors in the preferred would be as follows:-

1. Equity in exchange for land lease

The unsubsidised lease price of the plot can be ascertained based on the pricing policy adopted. This price of the plot can be used to negotiate an acceptable and agreeable equity or preferential shares for UIA that is in proportion to the overall investment required for the intended business activity.

The terms of the joint venture agreement should be carefully studied to ensure the subsidiary would not need to make further cash injections for the operation or expansion of the joint venture firm.

The liabilities of the subsidiary in terms of guarantees for financial borrowings and other undertakings should also be limited within the laws and regulations in the country.

The exchange of land for equity would reduce the start up capital required to be injected by the investor.

The disadvantage of this option would be the lack of immediate revenue from the lease of the plots that would be required for the development of the remaining phases of KIBP. As a result of this, an external source of fund, either from financial institutions or the GoU, would be needed to maintain a healthy cash flow for the completion of the remaining phases of KIBP until the equity is liquidated.

2. Deferred Payment Schedule

The payment terms for the lease of plots can be offered based on a deferred schedule of payment.

Alternatively, UIA should consider making arrangements with financial institutions to facilitate credit to investors for accelerated payment schedule which would benefit UIA in its cash flow.

A deferred payment schedule of say, after 5 or 10 years depending on the period of recovery of initial investment, would be suitable to attract investors facing difficulties in raising the funds for the business facilities. In a deferred payment schedule, the total payment for the lease of the land would be higher than the initial lease price of the land as the final payment to UIA would include the financial cost incurred by UIA during the deferred period. Transfer of the land lease should be deferred until receiving full payment for the land.

A deferred payment schedule would be advantages to certain investors as it would reduce the initial capital required to be injected by the investor.

Due to the deferment in payment for the land lease for a period ranging from 5 to 10 years, UIA would face a shortage of funds for the completion of the other phases of KIBP. As a result of this,

an external source of fund, either from financial institutions or the GoU, would be needed for the completion of the remaining phases of KIBP until the payments are recovered.

3. Payment by Yearly Instalments

A 5-15 year annual instalment scheme can be offered to the investor to reduce the initial cost of setting up and operating the business. This will also reduce the risk of carrying out the business due to the lower level of investment incurred. Transfer of the plots should only take place after completion of all the instalment payments.

This option would also result in a shortfall in the UIA cash flow due to the slow annual returns. Some form of external funding would be required to enable UIA to complete the remaining phases in KIBP.

All the options above including the option of offering free land to investors in preferred sectors would be attractive to the investors in lieu of the present setbacks in setting up business investments in KIBP. However, there would be a need for an external source of funds, either from financial institutions or the GoU to UIA to meet the financial requirements to complete the remaining phases of the KIBP.

The pricing policy to be adopted must strike a balance between meeting the objective of recovering the cost of development and maintaining KIBP's competitiveness in attracting investors within the global market.

Considering the above of adjusting factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans.

- Adoption of adjustment factors for different land uses based on prevailing market values.

OPTION A – Subsidize Industrial land prices

- Adoption of adjustment factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans.
- Adoption of adjustment factors for different land uses based on prevailing market values.
- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. The lease prices offered in Kenya and Mauritius are approximated USD 60,000 to USD 75,000 per acre. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered subject to availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP.

OPTION B – Subsidize Industrial land prices and offer free land to qualified investors

- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered for non preferred sectors, subject to

availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP. Offer of free land (max 60% of industrial plots) to qualified investors in the preferred sectors. This is subject to the ability of the GoU or other financial institutions to inject additional funds amounting to Ushs 76.5 billion to compensate for the loss of revenue resulting from the offer of free land to enable sufficient funding for the completion of KIBP.

OPTION C - Subsidize Industrial land prices and offer flexible modes of payment to qualified investors

- Adoption of adjustment factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans.
- Adoption of adjustment factors for different land uses based on prevailing market values.
- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered for non preferred sectors, subject to availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP.
- Offer of alternative modes of payments to qualified investors in the preferred sectors (max 60% of industrial plots). This is subject to the ability of the GoU or other financial institutions to provide credit facilities amounting to Ushs 56 billion to compensate for the shortfall of immediate revenue and cash flow to be generated from the lease of the land.

A reduction in the cost of developing KIBP would have a positive impact on any of the 3 options above. The long term tangible and non tangible benefits to the GoU as a result of successful

implementation of KIBP should be given due consideration when selecting any of the options above.

The lease periods for commercial, recreational and institutional plots should be 60 years. Residential plots could be leased for 90 years. Industrial land should be leased for 30 years with options of extensions of lease.

The terms of payments should not be prolonged as this will attract interest by non committed investors. The schedule of payment proposed is as follows:-

- Initial payment of 10% of lease price of the plot upon signing lease agreement.
- Second payment of 30% of the lease price of the plot, within four (4) months from the date of signing of lease agreement.
- Third payment of 30% of the lease price of the plot, within eight (8) months from the date of signing of lease agreement.
- Final payment of 30% of the lease price of the plot, within twelve (12) months from the date of signing of lease agreement.

This accelerated payment schedule would generate a healthy cash flow for the completion of the remaining phases of KIBP. The flexibility of the payment schedule would depend on the availability of external source of funds for the completion of KIBP.

A 5 year to 15 year annual instalment payment schedule could be offered to investors who face difficulties in securing credit facilities from financial institutions, especially for SMEs and incubator businesses.

A computer model has been developed to simplify the process of ascertaining the lease prices to be offered to investors based on their profile and activities. This will also ensure that the same rules apply to all the investors.

The computer model enables input of data related to the investors activities, costs of “off site” infrastructure, cost of “on site” infrastructure to each phase of the development and adjustments to be applied to each investors based on agreed policies. The model shall also provide proper records of transactions and input of data. Login passwords have been provided for security reasons and to ensure control of data entry.

The model is flexible and would allow changes to be made to the data entries based on changing market conditions and construction costs.

Level 1 ‘Administrator’ would only have access to the entry of investor’s information. Level 2 ‘Administrator’ would have access to Level 1 and entry of costs of “off site” infrastructure and other services. Level 3 ‘Administrator’ would have access to Level 1 & 2 and entry of adjustment factors based on the agreed policies. All changes that needs to be made by Level 2 and Level 3 ‘Administrators’ shall be subject to the approval of a selected committee to be determined by UIA or the GOU.

C. PRICING POLICY

Industrial and business parks have been developed in many countries all over the world with the intention of providing facilities that would attract both local and foreign investors to carry out business activities in the parks that would bring countless benefits to the people and the country.

Some countries are positioned to have an added advantage to attract certain sectors of the industries, such as the development of the petroleum industry in oil rich countries. KIBP is positioned to take advantage of the abundant resources in the Agro based sector to develop the industry.

The types of industries and business activities that could be attracted would very much depend on the availability of the types of facilities, material resources, type of government, human resources, geographical position etc.

Due to the development of new industrial and business parks throughout the world, investors today have a wider choice of selection of locations for their business activities. The increasing competition in the global markets has often lead investors to relocating their businesses to countries where there are favourable incentives that would result in a reduction in the cost of conducting their business. This would enable the investors to maintain and improve their profitability.

The cost and availability of modern serviced industrial and business plots are not the only decisive factors for relocation or setting up of a business activity. There are many other factors that are considered in the selection process of a location for business activity. Amongst some of these factors are:-

- Business and tax incentives
- Reliability on high standards of infrastructures
- Human resources
- Stability of Government

- Living standards
- Costs of utilities
- Land cost
- Accessibility to market
- Transportation cost

In some locations, investors would be willing to pay a higher price for a plot of land if the other factors are very much in their favour eg. in the UAE where good tax incentives are offered. The benefits of the site that often results in a reduction in the cost of doing business would offset the high cost of the land. On the contrary, investors will not be willing to pay a high price for the plot of land if the cost of utilities, incentive package, standard of infrastructures etc., is not favourable to the investor. The cost of acquiring a serviced plot is only part of the investments that would be required to ensure a successful business activity in a selected location.

Hence, in addition to competitive pricing of plots, the other factors such as tax incentives, cost of utilities, cost of labour, ease of doing business etc must also be given careful consideration to make it attractive for investors to locate their businesses in KIBP.

The initial funds required for the development of the 1st phase of the KIBP has been sourced from credit facilities offered by the World Bank and contributions from the Government of Uganda. The completion of the remaining phases of the development will depend largely on the revenue generated from the leasing of plots and perhaps, continuous contributions from the Government of Uganda, should the revenue fall short of the cost of developing KIBP.

Ideally, the leasing price of a plot of land should be not less than the sum of the cost of acquiring the land and the cost of providing services to the land. This shall be referred to as the cost of development of plots in KIBP. This would ensure self sufficient funding for the development of the KIBP. For land that belongs to the government, the current value of the land is added to the cost of providing services to the plots to determine the value of the plots. However, this would not necessarily equate to the actual cost of preparing the plots. Neither would it reflect the true market

value of the plots which would be driven by the demand and supply factors and the competition in the real estate industry.

It is a common and accepted practise to lease plots within the industrial and business parks at different prices. Likewise, the leasing prices for subsequent phases would normally be higher than the leasing prices for earlier phases as the value of property starts increasing due to the business activities in the KIBP. The cost of providing services could also increase for subsequent phases due to inflation.

The development of the KIBP is scheduled to be implemented in different phases namely South A, South B, South C and the North phase.

The cost of providing “on site” infrastructural services to each of the phases of development has to be ascertained. In addition, the cost of “off site” infrastructural services that would be required for the proper functioning of all the phases such as water tanks, main power intake, sewerage treatment plants(STP), upgrading of existing roads etc would also need to be calculated.

The cost of off site infrastructural cost shall be apportioned to the respective phases and the total cost of development of each phase shall be determined. The lease price per sq.m. can be ascertained by dividing the total development cost of each phase by the net saleable area in the respective phases.

The pricing policy that has been developed shall require adjustments to be made to the average lease price for industrial plots as follows:-

1. Adjustment factors to be applied based on investors business profile and investors contribution towards achieving the prevailing objectives of KIBP and the GoU.
2. Adjustments to be made to the cost of development of plots based on the intended land use such as, commercial, residential, institutional and recreational.

3. The extent of government subsidy, if needed, to be applied to industrial land based on market sentiments and regional competition for investors.

The pricing framework incorporating the adjustments shall be applied to all investors based on their business profiles. This will ensure a fair and transparent application of adjustments to the leasing prices to the types and profiles of investors rather than to an individual investor.

In order to facilitate the application of the pricing policy, a computer based model has been developed to generate lease prices of plots based on investor's business profile data input into the model.

ADJUSTMENT FACTORS BASED ON INVESTOR'S BUSINESS PROFILE

1. Type of Activity or Industry

There are many different types of activities and industries that would eventually locate in the KIBP. Some of these activities would compliment the facilities provided to the end users of the park. These activities would add value and efficiency towards conducting the business activities and also enhance the image in the park. Activities and services provided such as warehousing, logistics, truck parking yards and container yards would help reduce space requirements by investors in KIBP making it more attractive and cost effective to investors. The setting up of recreational facilities, health clubs, sports centres etc. would compliment the lifestyles and facilities offered to investors as well.

These types of industries and activities should be encouraged and be attracted to KIBP by providing a discount on the lease price of plots.

Similarly, preferred industries that the government is strongly promoting such as Agro-based and Food processing industries, ICT and minerals industries should be given a discount on the lease prices.

Residential and commercial plots with higher permitted floor area ratios should be priced higher than those plots with lower permitted floor area ratios. Adjustments should be made to the lease prices to reflect on the floor area ratios accordingly.

Some of the adjustment factors recommended to be applied to the leasing price of the plots based on its activities is tabulated below:-

TYPE OF ACTIVITY	ADJ. FACTOR	TYPE OF ACTIVITY	ADJ. FACTOR
Logistics	0.80	Institutional	1.00
Warehousing	0.80	Heavy Manufacturing	1.10
Container Yard	0.80	With railway sidings	1.20
Truck Parking Yard	0.80	Residential (Detached/Semi-D)	1.00
ICT	0.70	Residential (30 units/acre)	1.20
Electronics/Elect. Manuf.	0.85	Commercial (F.A.R =1)	1.00
Food / Agriculture Processing	0.70	Commercial (F.A.R =2)	1.20
Recreational	0.80	Minerals industry	0.70

These adjustment factors can be reviewed and varied depending on the market trends and objectives of the government in future. The preferred sectors have been given adjustment factors of 0.7 in the table above.

2. Proximity to Freight Village

Industrial plots that are closer to the Freight village should be priced higher than industrial plots which are further away from these facilities and transport hub. Plots with activities that require higher interaction with the Freight village should be located closer to the Freight village. This would help alleviate unnecessary traffic congestion and reduce transportation costs for the investors.

The adjustment to be applied to the lease prices of industrial plots based on the distance of the plots from the Freight village is tabulated below:-

DISTANCE FROM FREIGHT VILLAGE (m)	ADJ. FACTOR
< 1,000	1.20
1,001 – 2,000	1.10
2,001 – 3,000	1.00
> 3,000	0.90

These adjustment factors would not be applied to residential, institutional, commercial and recreational land use plots as these developments do not rely on the Freight village.

3. Planned Investment into KIBP

Investors who invest heavily in the development of the plots should be encouraged and be given a reduction in the leasing price to offset some of their initial set up cost. The high investments into the KIBP would help boost the economy and add value to the KIBP.

The adjustment to be applied to the lease prices based on the total planned investment over a 5-year period per acre of land is tabulated below:-

TOTAL INVESTMENT (USD) /ACRE –	ADJ. FACTOR 5 YEAR PERIOD
< 1,000,000.00	1.20
1,000,001.00 – 5,000,000.00	1.10
5,000,001.00 –10,000,000.00	1.00
> 10,000,000.00	0.80

4. Local Employment

One of the main objectives of developing the KIBP is to generate jobs for the people of Uganda. An increase in earnings for the local population would eventually relate to an increase in spending power which is essential for economic growth and improvements in the standard of living. It would also increase the revenue from personal tax collections within a controlled environment.

In countries facing labour shortage, labour intensive investments are not encouraged as it results in a need for foreign labour. This often results in social economic problems for the country if the foreign labour is not regulated properly.

Price reductions for plots should be given to investors who employ large numbers of local employees. Local employment shall be categorised as unskilled, semi skilled and skilled labour. Unskilled labour shall be locals with school level education. Semi skilled labour shall include locals with certificate and diploma level qualifications whereas skilled labour shall include locals with a minimum of a degree qualification.

Adjustment factors to be applied to the lease prices shall depend on the number of unskilled, semi skilled and skilled local employees per acre engaged in the business activities.

The suggested adjustment factors to the leasing price based on the number of local employees per acre is as follows:-

NO. OF LOCAL EMPLOYEES/ACRE (UNSKILLED)	ADJ. FACTOR
--	--------------------

< 30	1.20
31 - 50	1.10
51 - 100	1.00
101 – 200	0.90
> 200	0.80

NO. OF LOCAL EMPLOYEES/ACRE (SEMI SKILLED)	ADJ. FACTOR
---	--------------------

< 10	1.20
11 - 20	1.10
21 - 30	1.00
31 – 40	0.90
> 40	0.80

NO. OF LOCAL EMPLOYEES/ACRE (SKILLED)	ADJ. FACTOR
--	--------------------

< 5	1.20
6 - 10	1.10
11 - 15	1.00
16 – 20	0.90
> 20	0.80

The **average** of the factors above shall be applied to the lease price of the plot.

5. Utilities

Some of the investors would require extensive usage of utilities such as water and electricity. These investors would see an increase in the lease prices as a contribution towards the overall cost of providing such services to the KIBP. Although the investor would be paying for the utilities based on the tariffs to be applied in the park, there should be some contribution towards the initial infrastructural cost of providing these utilities. In the SIDC Industrial Park in Egypt, the lease prices increases with an increase in usage of utilities.

The suggested adjustment factors to the average leasing price based on the usage of utilities per acre is as follows:-

UTILITIES REQUIRED	ADJ. FACTOR
Water (< 10,001 lpd per acre)	
1.00 Water (> 30,001 lpd per acre)	
1.10 Electricity (0 – 1,000 kW/acre)	
1.00 Electricity (1,001 – 5,000 kW/acre)	
1.00 Electricity (> 5,001 kW/acre)	
	1.10

6. Size of Plot

Variations in lease prices would also be considered for plots of different sizes.

The cost of servicing larger plots is less than that required to service small plots. Hence, larger plots are sold cheaper than smaller plots. This would be advantageous to site developers especially in the commercial and residential sectors to lease large plots for development which can then be sub leased to investors in the commercial sector such as banks, convenient stores, health clinics etc.

It is common practice to sell larger plots at a lower price. The leasing price of plots in the SIDC Industrial Park (Egypt) and in U.A.E. reduces as the size of plots increases.

SIZE OF PLOT (m2)	ADJ. FACTOR
< 4,046 (< 1 acre)	1.20
4,047 – 20,230 (1 - 5 acres)	1.10
20,230 – 40,460 (5 – 10 acres)	1.00
40,460 – 80,920 (10 – 20 acres)	0.90
> 80,920 (> 20 acres)	0.80

7. % Export of Products

In order to encourage export orientated business activities into KIBP, Investors who manufacture or develop products for the export market or reduces imports should be encouraged. It would justify to grant a subsidy to the selling price of the plots depending on the % value of products that would be exported from KIBP.

% Export of Products (monetary value)	ADJ. FACTOR
0-75	1.20
75-74	1.10
0.8 25-49	1.00
0.85 0-24	0.90

The **average** of all the above 7 adjustment factors should be applied to the lease prices determined for a plot in the respective phases in KIBP. The resulting variation in the lease prices would, in the extreme cases, be in the region of + / - 40% of the lease price.

ADJUSTMENTS MADE BASED ON LAND USE

Generally, there are 5 types of land uses in KIBP, namely, industrial, residential, commercial, institutional and recreational.

The price of commercial property is normally the highest followed by residential, institutional, recreational and industrial. The government valuation of commercial property along Jinja road at USD 76,920 per acre is 1.5 times higher than the valuation of industrial land (Coca Cola Plant) at USD 51,282 per acre along Jinja road. The government valuation of non-serviced residential plots in Namanve is USD 30,770 per acre, which is similar to that of non-serviced industrial plots.

It is very common to find prices of residential plots within the vicinity of industrial parks to be almost twice that of the industrial lots itself.

It is recommended that further adjustment factors to be applied to the plots based on land usage as follows:- Industrial : 1.00 Recreational : 1.15 Institutional : 1.30 Residential : 1.50 Commercial : 1.75

GOVERNMENT SUBSIDY TO MAINTAIN COMPETITIVENESS

A government **subsidy** or **premium** shall be finally applied to the adjusted lease prices based on the competitiveness of the lease price and market values. Later phases could see a premium added to the leasing price as market value increases. This final adjustment to the leasing price should take into consideration the competitiveness of KIBP and the need for price incentives to attract investors

to KIBP. The availability of funds for the completion of KIBP would also be a factor to be considered when applying the subsidy or premium to the lease price

DEVELOPMENT COST

The cost of development of each phase of KIBP would need to be ascertained in order to derive an average lease price of land within each phase of KIBP. This is essential to ensure sufficient revenue is generated from the sale of the land within each phase to sustain the self funded development of the remaining phase. It is imperative that the development of KIBP does not cease midway due to lack of funds as this would cast a negative image to the development of the park and discourage potential investors from locating in the park.

The estimated cost of providing services to the plots in each of the phases in KIBP can be separated into 2 categories.

The first category shall comprise of infrastructure required to service the whole of KIBP such as off site road upgrading works, water tanks and pipelines, main power intake, central sewerage treatment plant (STP), flyover interchange across Jinja road etc. This category of services shall be referred to as “Off Site Infrastructure”.

The second category shall comprise of services to the individual plots in each phase such as water pipes, sewerage pipes, electrical distribution system, telecommunication services, roads and drains, consultancy services etc required and provided in the respective phases. This category of services shall be referred to as “On Site Infrastructure”.

The “Off Site Infrastructural” services shall be apportioned to all the 4 phases of the KIBP based on the percentage of saleable land area of the plots in each phase with respect to the overall saleable area in KIBP as these services are provided essentially for the whole development of KIBP. This apportioned cost shall be added to the cost of “On Site Infrastructural” services for each phase in

order to determine the overall cost of services for each phase. The “On Site Infrastructural” cost shall include project management cost for each phase.

The cost of providing services to KIBP, based on preliminary estimates, ranges from approximately USD 138,500 per acre (Ushs 66,750/m²) of saleable land for South C to USD 172,567 per acre (Ushs 83,170/m²) of saleable land for North. This shall be subject to actual cost of construction to be determined at a later stage. It is assumed that there is no cost incurred in acquiring the land, which would have to be added to the cost of servicing the plots, in order to determine the actual cost of development of plots.

Saleable Area PHASE	(m2)	Apportionment of “Off site” infrastructure services (Ushs ‘ 000)	Cost of “On site” infrastructure services (Ushs ‘ 000)	Total Cost of Development (Ushs ‘ 000)	Cost of Services / acre of Saleable Land (Ushs ‘ 000)	Cost of Services / acre of Saleable Land (USD)
SOUTH A	914,365.10	4,063,449	64,730,584	68,794,033	304,408	156,107
SOUTH B	1,155,922.17	5,137,422	82,964,908	88,102,330	308,386	158,147
SOUTH C	2,232,769.46	9,924,027	139,120,546	149,044,574	270,070	138,497
NORTH	539,710.78	2,397,607	42,492,606	44,890,214	336,505	172,567
TOTAL	4,842,767.51	21,522,505	329,308,647	350,831,153	293,092 (av)	150,303 (av)

Note: South A, South B – estimated by TYPSA based on completed infrastructural designs. South C and North – estimated by TYPSA based on preliminary infrastructural designs. 1 USD=1,950 Ushs

A government evaluation of the property in KIBP was carried out in 2007. It was based on the assumption that the plots were not fully serviced, i.e. on a ‘status quo’ basis. The summary of the evaluation is as follows:

VALUE PER ACRE (USD)

(1USD = 1,950 Ushs)

NAMANVE NORTH

Prime Industrial Land (Cokecola area) - serviced	51,282
Rest of Industrial Land	30,770
Residential Land	30,770

NAMANVE SOUTH

Commercial plots along Jinja Road -serviced	76,920
Prime Land (Industrial) behind Commercial lots	51,282
Land along proposed railway siding	30,770
Housing estate near Namilyango	20,510

Based on the above, it can be concluded that industrial lots (non-serviced) would be valued at approx. USD 30,770 per acre, commercial lots (serviced) at approx. USD 76,920 per acre and residential land (non-serviced) at approx. USD 20,510 per acre.

The 'status quo' value of non-serviced industrial lots based on the government evaluation is USD 30,770 per acre. Hence, the value of the serviced plots would range from USD 169,267 to USD 203,337 per acre of saleable land. The cost of development of the plots should be updated as the actual cost of services and acquisition costs are ascertained during the implementation of the KIBP.

The cost of development of serviced plots in the other phases can be determined on the same basis. Initially, the estimated cost of services based on preliminary infrastructural designs can be determined to ascertain the cost of development. The 'status quo' value of the plots at the time of implementation of sales can be determined based on updated government evaluation of the plots. It is envisaged that the value of plots within the vicinity of KIBP would appreciate in view of the development of KIBP and the influx of investors and the business community to Namanve.

Some of the services to be provided in KIBP such as water supply, power supply and distribution, central sewerage treatment plant (STP) and telecommunication services could be undertaken by private service providers or through Private Public Partnership (PPP) arrangements to offset some of the cost of providing the services. These service providers could charge the investors directly for the services based on the usage of the services. These parties would also be responsible to maintain and upgrade the services within KIBP to meet the needs and demands of the investors.

The legal framework for such partnerships could be time consuming and could take up to 18 months before finalization of the partnerships. Special attention should be given to the intended charge rates for the utilities so that it would be attractive to investors and profitable to the service providers. The experience and financial strength of the service providers should also be carefully considered as provision of efficient and competitive services in KIBP is vital to its image as a modern industrial and business park. In view of the long periods of time taken to establish PPP, UIA could undertake the cost of providing these services initially with the options of selling the assets to the PPP to recover the cost of the services for use in subsequent phases of KIBP or future industrial parks in Uganda.

COMPARATIVE BENCHMARKING

In **Malaysia**, most fully serviced industrial parks are developed, either directly or indirectly, by the respective State Economic Development Corporations (SEDC). This is carried out under the guidance and approval of the central agency, Malaysian Industrial Development Authority (MIDA).

The plots in these parks are leased to investors for a period of between 30 years to 60 years. Plots in high technology parks are leased at a slightly higher price due to the higher investment in the infrastructures and facilities provided. Adjustments are made to the lease price of plots that are close to transport hubs. These are normally priced higher. The actual lease prices offered in the respective industrial parks across the country are subject to key factors such as size of plots, employment needs, magnitude of investment, distance to transport hubs and type of activities.

The average prices of plots in the southern, central and northern regions of Malaysia are tabulated below:-

Region Leasing Price Terms of Lease Type of Industries (USD/acre)

Southern Region – JOHOR Pasir Gudang Ind. Park 190,500.00 30 yrs + 30 yrs
 Light/Medium/Heavy 238,125.00 60 yrs Johor Tech Park 224,500.00 30 yrs + 30 yrs Hi-Tech/R &
 D/Gen 285,750.00 60 yrs Tanjung Langsat Ind. Park 170,000.00 30 yrs + 30 yrs
 Light/Medium/Heavy 204,100.00 60 yrs Tanjung Pelepas Port FZ 342,000.00 30 yrs + 30 yrs
 Light/Medium/Heavy

Region	Leasing Price (USD/acre)	Terms of Lease	Type of Industries
Central Region -			
NEGERI SEMBILAN			
Seremban Ind. Park	200,000.00	60 yrs	Light/Medium/Heavy
PERAK			
Pengkalan II Ind. Park	110,000.00	60 yrs	Light/Medium/Heavy
SELANGOR			
Selangor Science Park	304,920.00	60 yrs	Hi Tech/R & D
SEDC Ind. Park	175,000.00	60 yrs	Light/Medium/Heavy

Region	Leasing Price (USD/acre)	Terms of Lease	Type of Industries
Northern Region –			
PENANG			
Bayan Lepas Ind. Park (Closer to airport)	229,000.00	60 yrs	Light/Medium
Bayan Lepas Technopark (Closer to airport)	240,880.00	60 yrs	Hi Tech/R & D
Bukit Minyak Ind. Park	139,850.00	60 yrs	Light/Medium/Heavy

Sources: State Economic Planning Units, PDC, MIDA, CH Williams,

Colliers

The price of plots in the PERAK (central region) is low compared with that in the central and northern regions due to the absence of transport hubs in PERAK. The higher cost of transportation from PERAK's Inland Container Port to the seaports in PENANG (Northern region) and KLANG (Central region) is offset by the lower leasing price to ensure investors are able to maintain their competitiveness and profitability in conducting their business activities in the region. These indicative leasing prices are subject to price adjustments by the respective SEDC upon receiving applications from potential investors.

Where most of the transportation hubs are within the industrial parks, ready built factories, warehouses and office space are also made available for investors.

The infrastructure for services such as sewerage, water, telecommunications and electrical distribution system are normally provided by the park developer at their own cost and later handed over to the respective service providers. The maintenance of the services is undertaken by the respective service providers. These services are provided by private utility companies and Government linked companies. The consumer pays for the usage of the services directly to the service providers. Often, some very large developments prove to be viable for the service providers to invest partially into providing the services to the developments.

The local Government undertakes the maintenance of roads, drains, street lighting, disposal of garbage etc within the industrial parks. The local Government charges an assessment rate, which is a form of service tax, on a yearly basis. The annual rate for industrial property is approx. 13% of the annual rental value of the property. Different assessment rates are imposed on different types of properties such as residential, commercial etc.

The park managers impose a service fee of approx. USD 0.15/sq.m/year to investors in the park for services related to management and security of the park.

In **Thailand**, the government's industrial development policy is undertaken by the Industrial Estate Authority of Thailand (IEAT). Generally, the industrial estates are divided into General Industrial Zones (GIZ) and Export Processing Zones (EPZ). The EPZ is reserved for industries that manufacture for export of products. IEAT also enters into joint venture agreements with private developers to develop industrial estates. An example would be the joint venture with Mahachai Land Development Ltd to develop the Ratchaburi Industrial Estate and Samut Sakhon Industrial Estate (GIZ) in the outskirts of Bangkok. Most of the industrial plots are sold rather than being offered on lease terms.

The Thai government provides better incentives and more favourable pricing for plots that are away from city of Bangkok. This is to limit the migration into the city and to achieve the objectives of spreading development throughout the country. Plots that are closer to airports and the city are priced higher. Prices in the EPZ are also prices slightly higher than those in the GIZ due to the better incentives and privileges enjoyed by businesses in the EPZ.

The average price of plots in different regions of Thailand is tabulated below:-

Region	Selling Price (USD/acre)
BANGKOK Samut Sakhon Ind. Est.	
(GIZ) Bangpoo Ind. Est. (EPZ) Nava	263,000.00 309,500.00
Nakorn Ind. Est. (GIZ/EPZ) Hi Tech	425,000.00 270,000.00
Ind. Est. (GIZ/EPZ) Rojana Ind. Park	247,600.00 / 263,100.00
(GIZ/EPZ) Ratchaburi Ind. Est. (GIZ)	131,100.00 185,750.00 /
Plaeng Yao Ind. Est.(GIZ/EPZ) Amata	201,200.00 309,600.00 /
Nakorn Ind. Est (GIZ/EPZ)	340,500.00

Region	Selling Price (USD/acre)
BANGKOK Amata City Ind. Est	
(GIZ/EPZ) Kabinburi Ind. Zone	178,000.00 / 201,000.00
(GIZ)	110,000.00
CENTRAL & WESTERN THAILAND	
Indra Ind. Park (GIZ)	125,000.00
EASTERN THAILAND Bor-	
Thong Ind. Zone (GIZ) Saha	93,000.00
Group Ind. Park	155,000.00
NORTHERN THAILAND Saha	
Group Ind. Park SOUTHERN	155,000.00
THAILAND Southern Ind. Est	
(GIZ/EPZ)	108,000.00 / 131,000.00

Sources : IEAT, BOI, MOI

The maintenance of parks in Thailand is quite similar to that in Malaysia. Instead of an assessment rate, a Structure Usage Tax amounting to approx. 12.5% of the annual rental value of property is imposed onto investors. In addition, park managers impose a service fee ranging from USD 0.13 to USD 0.16/sq.m/year onto investors in the park. All parks are fully serviced with infrastructures.

In the **U.A.E**, most of the industrial parks are well serviced and provided with ready built buildings for warehousing, office or small scale industries. The free zones that are within the airports are marketed at a much higher price than zones elsewhere. Most of the serviced lots are from 2,500 sq. m. in area onwards up to 50,000 sq. m. The smaller lots are leased at more than double the lease prices for largest plots. Invariably, the lease of industrial serviced plots in the U.A.E is on an annual basis. Most of the lease period starts from a minimum period of 5 years with options for renewal up to a total of 50 years. The lease price is reviewed prior to extensions granted.

In the Dubai Industrial City, land lease periods vary from 25 to 49 yrs and the lease price of plots depends on factors such as the amount of investment in the business, value added activities, the export values and the employment generated by the investor. These factors are considered in the pricing of the plots. Generally, in the **U.A.E**, the lease of land is on an annual payment basis as follows:-

Based on the average lease price of USD 12,000.00 per acre per annum for large plots, the total paid over a 30 year lease would exceed USD 360,000.00.

Region	Leasing Price (USD/acre/yr)	Terms of Lease
RAK Industrial Park	6,900.00 – 14,970.00 (50,000 m2 – 5,000 m2)	25 yrs + 25 yrs
Dubai Airport FZ (DAFZA)	332,500.00	15 yrs + 15 yrs
Sharjah Airport International FZ (SAIFZ)	44,500.00 (Min)	25 yrs + 25 yrs
Jebel Ali FZ (JAFZA)	22,150.00 (Min)	5yrs to 30 yrs
Hamriyah FZ	8,860.00 – 22,170.00 (50,000 m2 – 5,000 m2)	25 yrs + 25 yrs

Fujairah FZ	11,100.00 (Min)	25 yrs + 25 yrs
Ajman FZ	11,100.00 (Min)	25 yrs + 25 yrs

Source : DDIA

In **Mauritius**, fully serviced industrial plots are being leased on an annual lease term basis with lease rates in the region of USD 2,200.00 to USD 2,950.00/acre/year, i.e, approximately a total of USD 75,000.00 for a 30 year period. Lease of industrial plots are initially granted for a 20 year lease period with options of extending the period up to a maximum of 60 years in multiples of 10 year extension. The rates are reviewed prior to each extension of lease period. Readily available building are also offered for lease at USD 1.90 to USD 2.70 / sq. m./ month.

The maintenance of parks is undertaken by the municipality. Taxation for services in the form of General Rates and Rental Tax are imposed onto tenants and occupiers of property. The general rate varies from 0% to 25% of the annual rental value of the property.

In **Kenya**, the Athi River EPZ has several fully serviced plots available for lease. The plots are in sizes of 1 hectare and go for a minimum 30 year lease with an annual lease of USD 2,025.00 per acre. Over a period of 30 years, the total lease amount would be USD 60,750.00. Investors have an option to lease the plot for 60 years upon payment of a one-time fee of USD 40,485.00 per acre.

However, this lease price is being offered subject to obtaining approval from the EPZ Authority. Amongst some of the factors that are considered for approval are the level of investment, the employment required, type of technology to be used, minimum of 80% exports and type of activities intended on the plot. A 7 acres industrial plots in Athi River (behind London Distillers) is being leased at USD 46,100.00 per acre. These plots are not serviced with sewers thus requiring investors to build their own sewerage treatment plants.

Ready built industrial buildings are being rented at USD 30.00/sq. m. per annum with lease periods being offered for 6 years.

A service charge of 10% of the annual lease value is imposed onto investors in the EPZ on a yearly basis.

In **Ireland**, fully serviced industrial plots are available at the Shanon Free Zone at a cost ranging from Euro 300,000.00 to 400,000.00 per acre depending on the location and profile of the site. These plots can be leased over a period of 20 years or longer. However, the lease is subject to reviews at intervals of 5 years in line with prevailing market conditions. At the Waterford Airport Business Park, the price of serviced industrial plots is approximately Euro 650,000.00 per acre.

In **China**, fully serviced industrial plots in the Guangdong area within the Guangzhou Economic and Technological Development District are being leased at USD 180,000.00 per acre for a 10-year lease period, USD 196,000.00 per acre for a 20-year lease period and USD 220,000.00 per acre for a 30-year lease period.

A summary of cost of land lease in various countries is in **Appendix A**.

PRICING ANALYSIS

The KIBP, being a Government initiated project, should not be driven entirely as a commercial entity whose sole short term benefits would be to generate profits from the development although it would be the ideal approach to recover the cost of development. There are other intangible long term benefits that would be generated from the successful development and implementation of KIBP.

Amongst some of the long term benefits that would be generated from the development of KIBP would be:-

- An increase in personal and corporate tax revenue to the GoU that would be collected within a controlled business environment.
- Increase in exports and a reduction of imports would tip the trade balance of the country.
- Increased business activities in KIBP would result in an increase in long term sustainable employment of locals.
- The successful implementation of KIBP would result in development of Incubator and other small supporting industries.
- The influx of business activities and investments into KIBP would eventually spill over to development of other industries such as the commercial, residential and tourism industry in Namanve and Kampala.

These long term benefits would justify a Government subsidy in the leasing price of industrial land, should it be required, to maintain a competitive edge in attracting the investors that would contribute towards meeting the objectives of the Government in developing KIBP.

The level of subsidy offered to potential investors for industrial land would depend on the availability of alternative source of funds for the completion of KIBP. A comparative analysis with other countries to maintain the competitiveness of KIBP should also be considered. .

The tangible and intangible values of the benefits to the Government and the impact onto the economy can be very substantial and would compensate for the loss of revenue due to the subsidies offered to attract investors to KIBP.

The successful development of KIBP as a modern industrial and business park is very crucial to the survival of industrial parks in Uganda. It is the first industrial and business park of its kind in

Uganda and would be the role model for the development of subsequent industrial and business parks in other parts of the country. In most countries, special privileges and terms are offered to Investors to locate their business activities in the industrial parks during the infancy stage of industrialization in the country. These privileges and terms are subsequently withdrawn in stages as more investors start locating their business activities in the parks. The current approach being considered by the GoU to offer free plots to qualified investors locating in KIBP could open the gates to inflow of high quality foreign investors into the park. However, this noble approach must be taken with precaution to avoid attracting non committed investors who would like to take advantage of the subsidies offered. This offer should also be limited to investors within the preferred sectors that would generate optimum long term benefits to the GoU and contribute towards achieving the objectives of the KIBP

Additional subsidies in the form of agreed adjustment factors should be offered to investors based on the investor's business profiles. Some of the criteria that should be considered would be as follows:-

- Preferred sectors such as Agro-based and food processing industry utilising locally available agricultural resources, ICT, and minerals industry.
- Activities that would draw a high investment value to the KIBP
- Activities that would generate a high level of local employment, especially skilled labour.
- Export or import substitution activities with high percentage of export or import substitution product value
- Investors who promote technology transfer

These subsidies in the lease price of plots would contribute towards offsetting some of the disadvantages KIBP currently has in comparison to well established industrial parks in other parts of Africa. Some of the setbacks KIBP has in its infancy stage against established competitors are:-

- KIBP is still in the development stage compared with completed industrial parks which already have all the infrastructural services available in the park. The due completion of KIBP and the infrastructural services would be a risk factor that investors may consider when assessing the KIBP.
- KIBP at the current stage has yet to develop the support services sectors such as SMEs, financial, commercial, residential, transportation and logistics hub etc which are essential for investors to carry out their business activities. These services are already available in and around other established industrial parks.
- Since KIBP is a new industrial and business park, the management and services offered by the park managers have yet to be tested in comparison to other parks which may have good reputable and efficient park managers.
- Investors in KIBP would have to bear a higher transportation costs for incoming and outgoing goods and products since Uganda is a land locked country.
- KIBP would be developed as a modern industrial and business park and would have to provide facilities which are better than that being provided in some of the industrial parks within the region.
- The range of lease prices being offered for industrial plots by countries within the region such as Mauritius and Kenya.

These setbacks are not just peculiar to KIBP but to any new initial industrial park that is developed in any country. Once past the infancy stage, these factors would no longer be setbacks. The level of

subsidy offered to investors should be reduced in stages as the KIBP matures into a full fledged industrial and business park with all the supporting services essential to investors.

In order to attract the much needed investments in the preferred sectors, such as, ICT/BPO, agro based/food processing and minerals industries using local resources, the GoU has suggested that 60% of industrial land be allocated to qualified investors in the preferred sector for free.

The offer of free plots to selective investors would be attractive as it would reduce the initial capital costs incurred by the investors in setting up and operating their business activities in KIBP during the initial development stage. The reduction in initial capital cost would also relate to a reduction in the risk undertaken in setting up the business in the preferred sectors.

However, not all investors within the preferred sectors should be offered free land. Only investors who contributes substantially to the objectives and generate long term benefits to the GoU should be considered to qualify for the free land.

Amongst any one of the criteria to be met by the investors in the preferred sectors shall be as follows:-

- Total investment/acre – exceeding USD 5 million/acre of land
- Local employment/acre – semi skilled (min 30), skilled (min 15)
- % of Export of Value Added Products or Import substitution – min 75% (monetary value of total products)

Whilst the GoU would very certainly be successful in attracting investors in the preferred sectors with this offer, there would be a loss of revenue from the overall sale of land in KIBP due to the free land offered. The loss of revenue to be expected is tabulated below:-

REVENUE BASED ON SUBSIDIZED INDUSTRIAL LEASE PRICE

Av. Lease Price (Ushs ' 000 /acre)	Govt Subsidy for Ind Land (Ushs ' 000)	Cost of Development 78,000.00	Total Revenue (Ushs ' 000)	Deficit / Surplus
	74%	350,831,152.79	230,321,501.67	-120,509,651.13
97,500.00	68%	350,831,152.79	246,272,831.62	-104,558,321.17
117,000.00	61%	350,831,152.79	262,224,161.57	-88,606,991.22
136,500.00	55%	350,831,152.79	278,175,491.53	-72,655,661.27
156,000.00	49%	350,831,152.79	294,126,821.48	-56,704,331.31
175,500.00	42%	350,831,152.79	310,078,151.44	-40,753,001.36
195,000.00	36%	350,831,152.79	326,029,481.39	-24,801,671.40
225,615.00	26%	350,831,152.79	351,073,069.42	241,916.62

REVENUE BASED ON SUBSIDIZED INDUSTRIAL LEASE PRICE WITH 60% INDUSTRIAL LAND ALLOCATED FOR PREFERRED SECTOR AND OFFERED FOR FREE

Av. Lease Price (Ushs ' 000/acre)	Govt Subsidy for Ind Land (Ushs ' 000)	Cost of Development 78,000.00	Total Revenue (Ushs ' 000)	Deficit / Surplus
	74%	350,831,152.79	192,038,309.78	-158,792,843.02
97,500.00	68%	350,831,152.79	198,418,841.76	-152,412,311.04
117,000.00	61%	350,831,152.79	204,799,373.74	-146,031,779.05
136,500.00	55%	350,831,152.79	211,179,905.72	-139,651,247.07
156,000.00	49%	350,831,152.79	217,560,437.70	-133,270,715.09
175,500.00	42%	350,831,152.79	223,940,969.69	-126,890,183.11
195,000.00	36%	350,831,152.79	230,321,501.67	-120,509,651.13
225,615.00	26%	350,831,152.79	240,338,936.88	-110,492,215.92

The additional losses in revenue due to offer of free industrial land ranges from Ushs 38.3 Billion to Ushs 110.7 Billion depending on the level of subsidy offered to industrial land in general. This

approach to attract investors may likely require additional injection of funds into KIBP to compensate for the additional loss of revenue from the free land offered in the range of Ushs 38.3B to Ushs 110.7B to enable KIBP to have sufficient financial resources to complete all the phases in KIBP.

The additional funds required could be injected directly by the GoU or sourced through credit facilities from the World Bank or other financial institutions. The financial institutions providing credit facilities could be concerned about the ability of the borrower to service and repay the credit provided for the completion of KIBP. The shortfall in revenue generated from the sale of land would be of much concern to the creditors and they may require some backing or guarantees from acceptable 3rd parties or the GoU for the repayment for the credit facilities.

Alternatively, there are other options available to UIA for consideration that would result in a similar reduction of initial capital costs and risk in setting up business to investors in the preferred sectors. Amongst some of the options that can be considered are:-

1. Equity in exchange for land lease

The unsubsidised lease price of the plot can be ascertained based on the pricing policy adopted. This price of the plot can be used to negotiate an acceptable and agreeable equity for UIA that is in proportion to the overall investment required for the intended business activity. For example, assuming that the total investment required for the land lease, setting up and operating the business facility is USD 10,000,000.00 and the lease price for the plot is USD 1,000,000.00. This would equate to 10% of the total investment. The final equity or preferential shares can be negotiated based on the terms of the joint venture agreement.

This option may require UIA or the GoU to set up an investment arm or subsidiary that would meet the legal and regulatory requirements to take up the equity stake in the joint ventures with the Investors. The terms of the joint venture agreement should be carefully studied to ensure the subsidiary would not need to make further cash injections for the operation or expansion of the joint

venture firm. The liabilities of the subsidiary in terms of guarantees for financial borrowings and other undertakings should also be limited within the laws and regulations in the country. There should be some form of representation by UIA or GoU in the Board of Directors of the joint venture firm. A final equity can be negotiated based on the terms of the joint venture agreement. This option may require a detailed study by the Finance Ministry to ascertain the pros and cons of the option.

UIA or its subsidiary stands to benefit from these long term investments. The success of the investment would guarantee long term income which can be used for development and management of industrial parks in Uganda. UIA also has the option of disposing the equity or shares for immediate returns of its investment in the firm when required.

The exchange of land for equity would reduce the start up capital required to be injected by the investor. This would relate to an advantage of a lower risk taken by the investor in setting up the business. With the UIA as its partner, the investor would be confident that UIA or the GoU would provide all the cooperation and assistance required for the completion and operation of the business activities.

The minimal involvement of UIA at the managerial level of the firm would enable some transfer of technology and managerial skills in the operation of the business activities. The skills and experience developed from this involvement would auger well for UIA and the GoU.

The disadvantage of this option would be the lack of immediate revenue from the lease of the plots that would be required for the development of the remaining phases of KIBP. As a result of this, an external source of fund, either from financial institutions or the GoU, would be needed to maintain a healthy cash flow for the completion of the remaining phases of KIBP.

2. Deferred Payment Schedule

The payment terms for the lease of plots can be offered based on an accelerated or deferred schedule of payment.

An accelerated schedule of payment of 1 year would be suitable for investors with good cash reserves and investors who have good credit terms with financial institutions. The total lease price paid based on an accelerated payment schedule would normally be lower than the total paid based on a deferred payment schedule. However, there would be financial cost incurred in servicing the credit facilities obtained from financial institutions by the investors. An accelerated payment schedule would provide KIBP with the much needed cash flow to finance the completion of the other phases in KIBP. Alternatively, UIA should consider making arrangements with financial institutions to facilitate credit to investors for accelerated payment schedule which would benefit UIA in its cash flow.

A deferred payment schedule of say, after 5 or 10 years depending on the period of recovery of initial investment, would be suitable to attract investors facing difficulties in raising the funds for the business facilities. In a deferred payment schedule, UIA eventually plays the role of a financier until full payment for the land lease. The total payment for the lease of the land would be higher than the initial lease price of the land as the final payment to UIA would include the financial cost incurred by UIA during the deferred period. The period of deferment can be negotiated and agreed before the signing of the lease agreement based on the estimated period of recovery of initial investment. Transfer of the land lease should be deferred until receiving full payment for the land.

A deferred payment schedule would be advantages to certain investors as it would reduce the initial capital required to be injected by the investor. This would also lower the risk taken by the investor in setting up the business. The payments would be made once the initial cost of investment is recovered enabling the firm to be in a strong financial position to pay for the land lease.

Due to the deferment in payment for the land lease for a period ranging from 5 to 10 years, UIA would face a shortage of funds for the completion of the other phases of KIBP. As a result of this, an external source of fund, either from financial institutions or the GoU, would be needed for the completion of the remaining phases of KIBP. There is also a risk that the business fails due to unforeseen circumstances during the initial period which would result in failure to make payments

for the plot. It would not be a loss to UIA as the ownership of the plot would still be with UIA and can be leased to other investors. In addition, the GoU would already have reaped some of the benefits from the business activities and there would be some assets in the form of the facilities erected on the plot which would have a financial value to UIA.

3. Payment by Yearly Instalments

A 5-15 year annual instalment scheme can be offered to the investor to reduce the initial cost of setting up and operating the business. This will also reduce the risk of carrying out the business due to the lower level of investment incurred.

Based on the lease price of the plot, an agreed 5-15 year instalment schedule can be offered to the investor and included in the lease agreement. Transfer of the plots should only take place after completion of all the instalment payments.

UIA would again play the role of a financier in this option. The total amount paid for the land lease would be higher than the initial price of the plots due to the additional financial costs incurred by UIA in this scheme of payment. The immediate effect would be the shortfall in the UIA cash flow due to the slow annual returns. Some form of external credit facilities would be required to enable UIA to complete the remaining phases in KIBP. A sample of a table for a 5, 10 and 15 year instalment payment is attached in the Appendix A.

All the options above including the option of offering free land to investors in preferred sectors would be attractive to the investors in lieu of the present setbacks in setting up business investments in KIBP. It will help to “jump start” the crucial initial flow of investors into KIBP. The successful flow of high quality investors into KIBP would generate both tangible and intangible benefits to the GOU. However, there would be a need for an external source of funds, either from financial institutions or the GoU, in the form of cash injection or credit facilities to UIA to meet the financial requirements to complete the remaining phases of the KIBP.

The pricing Addition of adjustment factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans. Adoption of adjustment factors for different land uses based on prevailing market values.

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Considering the above, the pricing framework that can be adopted in KIBP could be any of the following subject to it's implications and fulfilment of it's conditions:-

OPTION A – Subsidize Industrial land prices

- Adoption of adjustment factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans.
- Adoption of adjustment factors for different land uses based on prevailing market values.
- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of cost of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. The lease prices offered in Kenya and Mauritius are approximated USD 60,000 to USD 75,000 per acre. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered subject to availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP.

OPTION B – Subsidize Industrial land prices and offer free land to qualified investors

- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial

land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered for non preferred sectors, subject to availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP. Offer of free land (max 60% of industrial plots) to qualified investors in the preferred sectors. This is subject to the ability of the GoU or other financial institutions to inject additional funds amounting to Ushs 76.5 billion to compensate for the loss of revenue resulting from the offer of free land to enable sufficient funding for the completion of KIBP.

OPTION C - Subsidize Industrial land prices and offer flexible modes of payment to qualified investors

- Adoption of adjustment factors based on investor's business profile subject to review of factors periodically in tandem with the GoU's objectives and industrialisation plans.
- Adoption of adjustment factors for different land uses based on prevailing market values.
- Offer of government subsidy for industrial land to maintain regional competitiveness to attract investors to KIBP. With a government subsidy of 26%, the lease price for industrial land shall be Ushs 225,615,000 per acre (USD 115,700 per acre) based on the current preliminary estimates of development of KIBP. At this price, the revenue generated would be sufficient to recover the cost of development. A 49% subsidized lease price of USD 80,000 per acre of industrial land should be considered for non preferred sectors, subject to availability of additional funds amounting to Ushs 56 billion to be injected into KIBP. Any subsidy exceeding 49% should be subject to the availability of additional funds to be injected for the completion of KIBP.
- Offer of alternative modes of payments to qualified investors in the preferred sectors (max 60% of industrial plots). This is subject to the ability of the GoU or other financial

institutions to provide credit facilities amounting to Ushs 56 billion to compensate for the shortfall of immediate revenue and cash flow to be generated from the lease of the land.

A reduction in the cost of developing KIBP would have a positive impact on any of the 3 options above. The long term tangible and non tangible benefits to the GoU as a result of successful implementation of KIBP should be given due consideration when selecting any of the options above.

TERMS OF LEASE

It is common practice to lease industrial plots for a period of time than to sell the plots outrightly. Most of the industrial plots in other countries are leased over a period of 25 to 30 years with an option for an extension of lease. A lease period that is too short would create uncertainties amongst investors, especially those who have high financial investments. In U.A.E, the lease prices may be short but it is fixed for the 1st 5 years with a cap on the percentage of price variation for extensions of lease periods. In Malaysia, most plots are leased over a period of 30 years. In Mauritius, the government lease for plots is for an initial period of 20 years with options to extend by 10 year periods subsequently.

It is recommended that the lease period for the KIBP be 30 years with an option of another 30 years extension. Some of the factors that have been considered in making this recommendation are:-

- Financial institutions offering business credit facilities would expect a business plan with a repayment period not exceeding an average of 10 years for a viable project. Hence, the use of a 30 year lease land title as collateral would be more than sufficient in addition to other guarantees required by the financial institutions.
- Almost all investors would have recovered the initial cost of investment over a business period of 30 years.

- Changes in technology and market trends often results in the business activity being outdated or obsolete over a long period of time. Whilst some investors would revise their business activities to keep up with changes, most investors would turn to some other business activity elsewhere leaving the plots idle.
- New and emerging markets tend to attract investors to relocate their businesses to take advantage of new and better incentives in order to maintain their profitability and competitiveness in the market.
- Most facilities and services provided in KIBP would require replacements in 30 years. Hence, funds would be needed for these upgrading works and could be raised from the revenue generated from the extension of leases.

There has always been a problem with real estate speculators especially in newly developed areas. In order to eradicate potential land speculators, terms should be incorporated into the lease agreements disallowing sub-lease of land over an initial period of 2 years. Terms should also be included to ensure building construction on the plots within 2 years from date of lease agreement. Any change in major ownership of the company should also be prohibited until the buildings are constructed to prevent sub-lease of land using the company as a vehicle for lease transaction.

The lease agreements should also incorporate the factors considered in deriving the lease price and the contract should be subject to a variation should the investors fail to meet the level of performance as committed during the application for the plot. An acceptable time period of perhaps, 2-5 years, should be set for review of the business performance of the investor.

Clauses should be inserted in the lease agreements to allow for either rebates or penalties based on the performance review every 2-5 years. This will also enable UIA to maintain a record of the business activities of the investors.

An example of expressed terms that should be considered for inclusion in the lease agreement to discourage speculators and to ensure proper conduct of business is as follows:-

- 1 The registered proprietor shall within two (2) years of the date signing the lease agreement, start erecting on the land hereby alienated such factory building or buildings in accordance with a plan approved by the local authority and shall maintain such building or buildings so erected to the satisfaction of the local authority. UIA reserves the right to review the lease agreement and impose any additional charges to the registered proprietor should the proprietor fail to erect on the land hereby alienated such factory building or buildings in accordance with a plan approved within two (2) years of the date of lease agreement.
- 2 The registered proprietor shall not be permitted to change ownership of the proprietor by more than 30% of shareholdings within two (2) years of the date of lease agreement without UIA's consent. UIA reserves the right to review the lease agreement and impose any additional charges to the registered proprietor should there be a change in ownership exceeding 30% of shareholding.
- 3 The registered proprietor shall not be permitted to sub-lease the property to third parties within two (2) years of the date of lease agreement. Any subsequent sub lease of the property shall be subject to the written approval of UIA. UIA reserves the right to review the lease agreement and impose any additional charges to the registered proprietor should there
- 4 The registered proprietor shall pay and discharge all taxes, rates, assessments and charges whatsoever which may be payable for the time being in respect of the land hereby alienated or any part thereof, levied by the relevant local authorities.
- 5 The registered proprietor shall treat and dispose of or cause to be treated and disposed of all trade effluents in a manner to the satisfaction of NEMA.

The terms of payments should not be prolonged as this will attract interest by non committed investors.

The schedule of payment proposed is as follows:-

- Initial payment of 10% of lease price of the plot upon signing lease agreement. This amount shall be forfeitable should the investor fail to fulfil his obligations in the agreement.
- Second payment of 30% of the lease price of the plot, within four (4) months from the date of signing of lease agreement.
- Third payment of 30% of the lease price of the plot, within eight (8) months from the date of signing of lease agreement.
- Final payment of 30% of the lease price of the plot, within twelve (12) months from the date of signing of lease agreement.

This accelerated payment schedule would generate a health cash flow for the completion of the remaining phases of KIBP.

A 10 year and 15 year annual instalment payment schedule could be offered to investors who have difficulties in securing credit facilities from financial institutions, especially for SMEs and small start up businesses. A sample of the repayment schedule for periods of 5, 10 and 15 years are shown in Appendix A.

The GoU imposes a property tax onto owners of property for services provided such garbage disposal, maintenance of services, street light etc. Considering the services that would be expected to be provided to investors in KIBP by the GoU, the KIBP park managers should impose an additional fee of US 0.15/sq. m/year to cover the operational cost of providing park management and security to investors in KIBP. The KIBP park managers should take the lead in coordinating

with the relevant ministries of the GoU and private service providers for the upkeep and maintenance of services in the park.

D. PRICING COMPUTER MODEL

In order to ensure application of a fair and transparent pricing policy that would be equally applied to all potential investors, a computer pricing model has been developed to generate the recommended lease price for a particular plot of land based on the adjustment factors that apply to each investor.

The computer model is accessible to 3 different levels of “Administrators” by incorporating login passwords for each level of usage.

The 1st level of “Administrator” has been limited to entry of Investor’s profile. All data related to the factors such as size of plot, percentage of exports, type of activities, no. of local employment, etc, that would be considered for price adjustments, will be logged into the model. The recommended leasing price would appear automatically after taking into account the adjustment factors to the cost of development for the respective phase. All sales and particulars of investors will be recorded in a separate table that can be viewed and printed for records.

The 2nd level of “Administrator” would have access to the input of cost of providing “on site” services for the **individual phases** of the KIBP. Allocations have been made for additional items to be added as new items and costs surface during the implementation stage of KIBP.

In addition to the cost of providing “on site” services for each phase, the “Administrator” would also provide input of cost of providing “off site” infrastructure that would be required for the whole development of KIBP, such as, water tanks, central sewerage treatment plant, Jinja road interchange etc. This cost of “off site” infrastructure shall be apportioned to the respective phases based on the ratio of net saleable land for each phase.

The total development cost of each phase in KIBP shall be a summation of the cost of providing “on site” infrastructural services to the phase and the apportionment of “off site” infrastructural services to the phase. The total development cost shall also include the cost of land acquisition for each phase in KIBP.

These costs should be updated as the actual costs are ascertained from tender exercises. As a measure of control, the costs inputs should be updated upon the approval of a ‘pre-selected committee’ determined by the UIA Board of Directors.

The 2nd level of “Administrator” will also have access to the 1st level of the module. All data at this level can be printed for records. This average cost of development for each phase will subsequently be subjected to the adjustment factors in order to determine the recommended lease price.

The 3rd level of “Administrator” would have access to the “adjustment factors” to be applied to the cost of development of the plots for each of the phases. The percentage of subsidy or premium, if any, that is to be applied to the leasing price would be included in this level. A summary of all sales to investors, adjustment factors applied, the average adjustment factor, government subsidies or premiums, leasing prices, development cost of plots and the profit/loss on each plot would be tabulated for ease of reference.

The summary of sales and particulars of investors will be recorded in a separate table that can be viewed and printed.

The “adjustment factors” and subsidy or premium could be reviewed periodically by UIA Board of Directors. Revisions can be made to the “adjustment factors” and subsidies or premiums based on the objectives of the Government, the status of the funding and the type of investors to be targeted during each phase of the development of KIBP.

The computer model would permit revisions to the “adjustment factors” to be made without affecting the leasing prices of plots that were sold prior to the revisions. The tabulated records of previous sales will also not be affected.