

KONZA
TECHNO CITY, KENYA

Frequently Asked Questions

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Thematic areas

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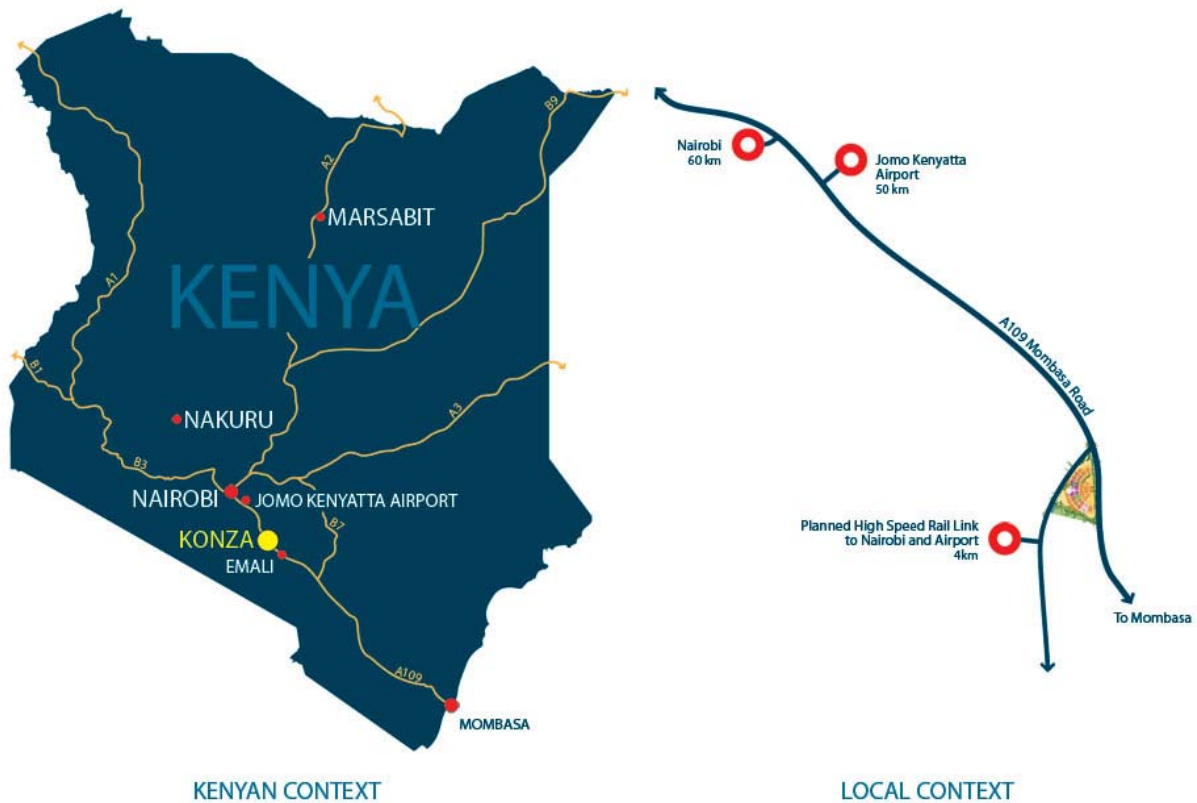
Background

1. What is Konza Techno City?

Konza Techno City will be a smart city. It derives its name from a small settlement named Konza, which is 4km to the south of the proposed city. This settlement has a railway station on the main Nairobi-Mombasa rail route.

2. Where is Konza Techno City

Konza Techno City at the former Malili Ranch – in Machakos and Makueni Districts – is located in the eastern part of Kenya. It is 60km from Nairobi, on the Nairobi-Mombasa road A109. It is 50km from Jomo Kenyatta International airport; and 500Km from Mombasa and its ports.



3. Why Konza Techno City?

Konza Techno City offers one of the best locations to do business in Africa. It is a masterplanned city with one of the most sought after international commercial investment opportunities. It provides some of the most valuable and sought after real estate in the Kenya, served by excellent information and communication technology (ICT) infrastructure. The Masterplan is based on successful ‘new town projects’ around the world – put together by an international team of experts. It is modeled in line with best practice from countries all over the world to ensure global competitiveness.

4. Why does Kenya need Konza Techno City?

It is a strategic opportunity for Kenya to spur the growth of economic activities that fuel higher value employment generation and growth. The vision for the city includes a strong emphasis on Information Technology and Information Technology Enabled Services (ITES); and a wide range of commercial and support activities. In addition, the government of Kenya has taken advantage of its geographical position, its status as the

trade hub of the region and its competitive production costs to develop the Business Process Outsourcing (BPO) industry; and by extension Konza Techno City which will house major BPO companies. The city provides a great opportunity to leverage Kenya into the Knowledge Economy.

5. How big is Konza Techno City?

The greenfield site area extends to 2,011.9 hectares (ha), the equivalent of about 5000 acres. It was bought by the Ministry of Information and Communications on behalf of the government of Kenya. Therefore, it is under Public Ownership with Title LR No. 9918/13.

6. What is the timeline for the development of Konza Techno City?

The City will be developed in four phases over 20 years. This will enable rapid growth whilst ensuring that the civic amenities and infrastructure grow with the population's needs. The initial phase is in progress.

a) Phase 1

- Ready-built structures for Business Process Outsourcing/Information Technology Enabled Services (BPO/ITES);
- Commercial office space and hotels;
- Real Estate residential properties;
- Large scale commercial shopping malls;
- Recreation and entertainment venues;
- Film and Media Centre;
- Financial District;
- Community support services, including health, clinics, green space, educational institutions, houses of worship etc.;
- University, research and convention centre;
- Transportation infrastructure, for example, the new Konza Techno City Highway;
- World class ICT infrastructure including fibre optic networks;
- Offsite Power Substation, cabling for generation and street lighting;
- Utilities, roads and other infrastructure.

b) Phase 2

- 2nd BPO/ ITES Parks
- Commercial and Residential Houses
- Completion of the CBD

c) Phase 3

- Commercial and Residential Houses
- Sewage Treatment Plant
- Water Supply

d) Phase 4

- Completion of Commercial and Residential Houses

Infrastructure development will be a continuous process in all the four phases; this will include, transport corridor and primary routes, secondary and local routes, railway line, airport strip and general telecommunications infrastructure.

7. Can I buy land in Konza Techno City?

No, nobody can buy land in Konza Techno City.

However, the Master Developer will construct the structures and these will be leased to investors. This approach aims to prevent a situation where speculative investors hold back land and delay the development of the city. This model has been benchmarked on other countries like India, Egypt and Malaysia.

There are 3 proposed investor approaches:

- Single Private Master Developer undertakes the master planning of the entire property under Master Development Agreement and finances its development directly or through sub-developers. Government finances backbone infrastructure fully or partially.
- Government Authority finances backbone infrastructure and undertakes the master planning of the property, including attracting developers for specific land uses.
- Government contributes land to a Special Purpose Vehicle (SPV) to be established jointly with private Master Developer. Terms and responsibilities of each party to be determined.

8. How will land be allocated?

Attribute	Option 1 - Grid	Option 2 - Corridor	Option 3 - Radial Corridor
BPO/ITES Technopark area, ha	162.00	163.00 0	163.00
CBD area, ha	99.20	99.20	99.20
Hospital/ University area, ha	21.90	21.90	21.90
Residential community, ha	969.10	947.20	955.80
Water/ Sewage infrastructure, ha	74.60	74.60	74.60
Strategic reserve	42.00	48.80	25.30
Central park, ha	18.90	36.10	20.40

- A BPO Techno Park will deliver almost 82,000 jobs.
- A Central Business District (CBD), easily accessible to all residents and workers by public transport, walking, cycling and by car. This CBD will contain commercial offices, shops, market, a district hospital, hotels, restaurants, leisure and entertainment facilities and other facilities of this nature.

- A university campus, capable of accommodating 1,500 students.
- A residential community occupying almost 920 ha, providing almost 37000 homes and accommodating a resident population of 185,000 people. This includes space for the provision of schools, primary health care facilities, churches and other religious facilities, local recreation space and play space, and local shops.
- Parks and strategic green corridors occupying 624 ha.
- Other Infrastructure, such as distributor roads and water treatment facilities occupying 170 ha.

9. What is the estimated cost of building Konza Techno City?

It is roughly estimated to cost US\$ 7 billion. This is divided as follows:

Phase1 (Year 1-5): Part of 1st Section of ICT Park, Residential and some amenities:

Investment:

- Infrastructure: \$1.0 B
- Development: \$1.3 B

Of which:

- BPO: \$200 M
- Residential: \$975 M
- CBD: \$125 M

Phase 2 (Year 6-10): More ICT Park, part of CBD, University and more amenities:

Investment:

- Infrastructure: \$400 M
- Development: \$ 1.3 B

Of which:

- BPO: \$300 M
- Residential: \$850 M
- CBD: \$100 M
- University: \$50 M

Phase 3 (Year 11-15): 2nd section ICT Park, completed CBD and amenities, Science Park, Residential:

Investment:

- Infrastructure: \$600 M

- Development: \$ 1.5 B
- Of which:
- BPO: \$400 M
 - Residential: \$700 M
 - CBD: \$300 M
 - Science Park: \$100 M

Phase 4 (Year 16 - 20): Final Phase ICT Park and Residential:

Investment:

- Infrastructure: \$150 M
 - Development: \$ 800 M
- Of which:
- BPO: \$450 M
 - Residential: \$250 M
 - Science Park: \$100 M

The following is the investment summary:

Infrastructure development	\$ 2.1 B
▪ On-site	\$ 1.9 B
▪ Off-site	\$ 200 M
 Site real estate development	 \$ 4.8 B
Total project cost	\$ 6.9 B

10. What is the estimated Average Expected Return?

Based on real market in Kenya is:

- 12-15% per annum for lease income
- 20% capital gains per annum (straight line)

INVESTMENT OPPORTUNITIES

1. What are the investment opportunities in Konza Techno City?

- Ready-built structures for BPO and IT Enabled Services (ITES)
- Commercial office space and hotels

- Real Estate residential properties
- Large scale commercial shopping malls
- Recreation and entertainment venues
- Film and Media Centre
- Financial District
- Community support services, including health clinics, educational institutions, houses of worship etc.
- University, research centre and convention centre
- Transportation infrastructure incl. utilities and roads
- World class ICT infrastructure

2. Who can invest in Konza Techno City?

Anybody. It will be easier if people form groups ('chamas') to invest in the various opportunities through Public Private Partnerships (PPP). The Master Delivery Partner (MDP) will advise on investment opportunities and models in the initial phase.

The role of the MDP will be step down the Local Physical Development Plan (LPDP), also known as the Masterplan for implementation. This will include the infrastructure plan and overall costing plan for Phase 1. The implementation plan will include the required funding and risk allocation to public and private sources which is currently expected to be mainly public investment in the initial years given the green-field nature of the site and need for start-up infrastructure.

3. How much do I need to invest in Konza Techno City? Is there a minimum amount?

No, but it would be advisable to develop some kind of fund to help invest in Konza Techno City because more emphasis will be given to those investments that are able to generate sustainable employment and inject significant impact on the Gross Domestic Product (GDP). A standard criteria for shortlisted the interested investors will be made available.

4. How do I communicate my interest to invest in Konza Techno City?

Submit a letter documenting the nature of business, its employment capacity and the financial capital available for investment to:

Permanent Secretary,

Ministry of Information and Communications,
 Telposta Towers,
 P.O. BOX 30025-00100,
 Nairobi, Kenya

You can also email info@konzacity.co.ke

5. What incentives are there to invest in Konza Techno City?

(a) For Locals? (b) For Foreigners

Konza Techno City is part of a designated geographical area (Special Economic Zone Area) with liberal economic laws and with highly developed infrastructure which has the potential to be developed as per the activities listed under section 23(1) of the Draft Kenya Special Economic Zone (SEZ) Bill. This means that any goods introduced and services provided are outside the customs territory but are duly restricted by controlled access and wherein the benefits provided under Draft Kenya SEZ Bill apply. This is with reference to import duties and taxes.

6. What are the incentives packages?

Group	Scheme/Activity	Income Tax Rate	Withholding Tax	Investment Deductions	Import Duty/VAT	% Stamp Duty Reduction	% Work Permits Allowed	% Domestic Market Access
A	ICT Park & ICT Tower ICT Services	10 year exempt t 20% there after	10 Years exempt	100% after tax holiday	Perpetually exempt	100% reduction	20%	100%
B	Science and technology park	10 year exempt t 20% there after	10 Years exempt	100% on new investment after tax holiday	Perpetually exempt on all inputs	100% reduction	20%	100%
C	Manufacturing and other services for export	10 year exempt t 20% there	10 Years exempt	100% on machinery and buildings after end	Perpetually exempt on all input	100% reduction	20%	70% for logistic good 50% for non

		after		of holiday				strategic goods
D	Incubator manufacturing and other services	10 year exempt 20% there after	10 Years exempt	100% on machinery and buildings after end of holiday	Perpetually exempt on all inputs	100% reduction	10%	70% for logistic good 50% for non strategic goods
E	Regional headquarters	20% throughout	100% on dividends	100% deduction on building	Perpetually exempt on all office equipment furniture and telecommunication	50% reduction	10%	Restricted to regional affiliates
F	Zone developer and operator	10 year exempt 20% there after	10 Years exempt	100% on new investment & buildings after end of holiday	Perpetually exempt on all inputs	100% reduction	Class A: for managerial technical & supervisory cadre 5% of employees in drainage, telecommunication, roads, schools, health clinics, accommodation industrial go down, workshops offices, docks, yards, and related amenities granted	

7. What are the benefits of investing in Konza Techno City?

The City will create about 200,000 jobs in Business Process Outsourcing and Information Technology Enabled Services (BPO/ITES) and related sectors over a 20 year period. More specifically the aim is to create at least 82,000 jobs in the BPO sector as this is a key area for the Vision 2030. This implies that the City has a potential of generating 8,000 jobs per year. In general there are both social and economic benefits:

Social Benefits: These include world class mixed urban development, class residential and working environment. Konza Techno City will also enhance local Research and Development (R&D), Entrepreneurship and Information Technology enterprise formation culture.

Economic Benefits: Apart from job creation, there is world class infrastructure and technology to facilitate research, education and business.

Other Information:

1. Where can I get more information on Konza Techno City?

Please visit the website <http://www.konzacity.co.ke> and email info@konzacity.co.ke

The website is in the process of being upgraded but there is still relevant information therein.

2. When will the ground breaking take place for Konza Techno City?

This is temporarily scheduled for August 2012; however any fundamental changes will be communicated to the relevant parties and the general public.

3. When will the Investor's Conference be held?

The dates will be communicated but it is proposed to be in August 2012.

4. I hear there is a 10km buffer zone, what does this mean?

The buffer zone covers land in parts of Makueni, Masaku and Olkejuado counties on a site extending approximately 52665 ha (130137 acres). Konza Techno City borders Kiamutheke hill to the North, Kiamutwa market centre to the North East, Muumando market centre to the East and Ulu market centre to the South.

The purpose of this buffer zone is to regulate development and use of land in the 10km land around the 5000 acre park; to protect the investments envisaged in the Konza Techno City. In addition, it will provide for orderly and progressive development of human settlements to promote sustainability. There is linkage with the Kenya wildlife Conservancy to ensure that the new City makes a contribution to wildlife conservation, safeguarding the unique ecology of the savannah whilst promoting accessibility to Kenya's special environmental habitats.

Land will be classified and zoned in this buffer zone. There will be guidelines on land use, plot coverage, plot ration, setbacks and densities. Development and use of buildings will also be guided by set standards.