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PUBLIC-PRIVATE PARTNERSHIPS BRIEFS

Kenya: Konza Technology City (KMIP)



Overview

As part of its Vision 2030, the Government of Kenya (GOK) sought to cultivate its business-process outsourcing (BPO) sector and related IT-enabled services (ITES) and looked to develop a multimedia ITC park to attract and nurture local and international ITES firms. On June 30, 2014, the Government of Kenya, through the Konza Technology City Development Authority (KOTDA), signed a 5-year Master Delivery Partner Agreement (MDP2) with a consortium led by major international civil engineering firm Tetra Tech (Denver, USA) to develop the 400-acre Phase 1 of Konza Technology City. Konza City will be developed in four phases over 20 years on a 5,000-acre green-field site located 60 km south of Nairobi. The new city has been designed as a technology hub with multi-use office space and city amenities to meet demand in Kenya and in East Africa. MDP2 will assist KOTDA with the roll-out of on-site public infrastructure and the leasing of serviced land to developers and tenants. MDP2 will also create a strong brand for the project and enhance KOTDA's management capacity.

Twenty-six consortia submitted EOIs for the MDP2 role; six were pre-qualified and two submitted bids in May 2013. The Tetra Tech consortium emerged as the winner with a \$25.6 million offer. The project is expected to mobilize at least \$500 million in private investment and generate 15,000 jobs in the first five years and serve as a catalyst for the full development of a 35,000-person city on a private basis over 20 years.

This series showcases how the World Bank Group supports the development and implementation of public-private partnerships. This support comes in the form of public sector loans, private sector finance, sector and transaction advice, guarantees, and output-based aid.

Background

KMIP (Kenya Multimedia ICT Park) was initially conceived by GOK in 2008 as an up to 1000-acre ICT Park near the Athi River Export Processing Zone just outside of Nairobi. GOK sought to exploit its emerging comparative advantage in low-cost band-width from the landing of multiple international submarine cables in Kenya. Also, it wanted to foster a business-process outsourcing (BPO) sector and related IT-enabled services (ITES) by providing a location for clustering and incubation for local and international ITES firms. KMIP was a signature project under Kenya's Vision 2030 which seeks to achieve double-digit growth and middle income country status.

Project Description

In November 2011, IFC presented the transaction structure options to GOK, as well as the risks of moving forward with a new city project. This included the upfront risk of nearly \$700 million in required public on-site infrastructure investment costs without definitive guarantees of follow-on private sector demand and vertical development (a common risk in real estate projects).

GOK decided to move forward as it considered Konza a nation-building project and added it to its Kenya Vision 2030 projects. GOK created the Konza Technocity Development Authority (KOTDA) to lead Phase 1 together with a Master Delivery Partner (MDP). This partner would be procured in two stages – an MDP1 of six months to help fine-tune Phase 1 demand and design, and an MDP2 to help KOTDA in the implementation of Phase 1 over five years.

IFC assisted GOK to competitively procure MDP1 during the first half of 2012. IFC worked together with MDP1 from August 2012 until June 2013 to prepare a detailed master plan and business plan for the initial 5-year Phase of the project. In the later stages of the MDP1 work, IFC began the bidding process for MDP2 to ensure a seamless transition.

The MDP2 contract was formally awarded to Tetra Tech and was signed on June 30, 2014. Tetra Tech leads a consortium that includes partners such as HR & A Real Estate (New York, USA), and local Kenyan partners, Scanad/Hill&Knowlton for branding and communications, and Gauff Ingenieure for local engineering services.

World Bank Group Role

IFC signed a mandate with GOK in October 2009 as lead advisor to evaluate the feasibility of private participation in the development of the ICT Park at Athi River, and, in the event of a viable opportunity, to assist GOK to select a private developer partner. IFC led a team for the feasibility study and business case for the park, including demand, master plan, infrastructure, and legal/SEZ considerations.

The project concept changed significantly just a few months into IFC's mandate in early 2010 when GOK purchased the 5,000 acre Konza green-field site, 60 km south of Nairobi. Because of the green-field nature of the site and large distance from existing infrastructure, the ICT Park could no longer be viable unless integrated into the long-term development of a full-fledged new city of about 35,000 people. The GOK thus re-branded the project as Konza Technology City in 2010.

IFC shifted the feasibility study to the new site and conducted visits with over 20 major developers in USA, Europe, Middle East, and India. What emerged from the study in mid-2011 was that a smaller 400-acre phase 1 of 5-years should be considered. This should plan for at least 1.5 million m2 of real estate build-out to allow the minimal critical mass for retail, residential, IT educational facilities, and office space to come together.

Also, the Phase 1 on-site and connectivity infrastructure on the green-field site would have to be publicly-funded before private developers could be attracted, and a Public Development Authority would be needed to lead the first phase of development before yielding to fully private-led investment thereafter.

Outcomes

- Mobilization of \$500 million to \$1.5 billion of private investments in vertical construction in Phase 1 (catalyzed by \$700 million public on-site infrastructure investment).
- Creation of 10,000 jobs in Phase 1 and over 50,000 jobs during the project's 20 years.
- Development of a 35,000-person new city in 20 years.
- Transformation of Kenya as a prime location in Africa for IT Enabled Services (ITES) firms.



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