



REPUBLIC OF KENYA



SAGANA EPZ - KIRINYAGA COUNTY

CONCEPT NOTE

Location:

**Kirinyaga County, Mwea East Sub location, Sagana Ward
Kiine / Thigirichi / 3747 Kirinyaga**

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Export Processing Zones Authority
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1. BACKGROUND

The Export Processing Zones programme goal is to promote and facilitate export-oriented investments and the development of an enabling environment for export-oriented investments. This is through provision of advice on the removal of impediments to investors, and creation of incentives to support export-oriented production and administration of approved activities within the Export Processing Zones.

1.1. Objectives of the EPZ Program

The EPZ program was designed to achieve the following key objectives:

- i. **Promotion and diversification of exports** away from the traditional nature of Kenyan exports which were primarily raw agricultural exports. In doing so the proceeds of value addition would accrue to the country and there would be better value for exports and thereby earning additional foreign exchange and introducing new or processed export products.
- ii. **Attracting new productive investments** so as to stimulate domestic and foreign investment in export-oriented manufacturing, commercial and service activities through construction of zones and investment in new capital equipment
- iii. **Generation of job opportunities.** EPZs were envisaged to generate new employment opportunities, directly in EPZs and indirectly through subcontracting, contract manufacturing and through sourcing of local raw materials and services.

The EPZs can be designated as either public or private zone. In the public zones, an investor can either lease land and develop their own industrial buildings or lease industrial buildings that have been built by EPZA.

The Bottom-UP Economic Transformation Agenda (BETA) 2022–2027 has identified manufacturing as key driver for economic transformation. In line with this, the government through the Ministry of Trade Investment and Industry (MITI) has identified Sagana in Kirinyaga County as a viable site to establish manufacturing hub. The identified site measures approximately 75 acres.

Kirinyaga County

Kirinyaga county has abundance of agricultural raw material that include: Tea, Coffee, Livestock products including dairy, cereals, Horticulture: fruits (mangoes, pawpaw, macadamia nuts) & vegetables (green beans, pepper), flowers, Cereals: rice, maize, Fish farming, Forestry products, Tourism & wildlife services-water rafting, Commercial businesses.

Each of these farming outputs has a potential to attract setting up a new Agro-processing industry or can be supplied to the industries as raw material for Value addition. The proposed site is adjacent to the Nairobi – Nanyuki Metre Gauge Railway.

Kirinyaga is also characterized with:

- Good road and rail network.
- Proximity to international airport (JKIA) in Nairobi.
- Ready Work force available
- Favorable weather conditions

The Industrial hub is expected to attract new Investments specializing in value addition mainly in the agricultural sector and thus contributing to the GDP. Furthermore, having a factory near the source of raw materials reduces the overall production cost thus increasing profit margins and better pay to the suppliers (farmers).

The industries within the hub will generate additional employment in the rural areas of Sagana, Kirinyaga. This will help reduce the poverty levels in the rural areas. Once developed, the manufacturing hub is expected to create approximately 50,000 direct jobs and 250,000 indirect jobs in the support sectors such as farming, logistics, and trade among others.

The areas around the proposed zones will benefit from a multiplier effect through urbanization. This will grow the local economies in real estate, trade, construction, health care, education among other areas.

2. PROBLEM STATEMENT

The Kenya Kwanza government identified manufacturing as a key pillar for economic growth and creation of employment. To achieve this, EPZA was identified as the key agency for development of the manufacturing hubs, however, EPZ Athi River has limitations in terms of provision of industrial warehouses/sheds and basic infrastructure facilities (internal roads, power, water, security fence, and sewerage) that are key in attracting and retaining investors. This created the need to decentralize the EPZ hubs to the counties where means of production are available (land and labor) at relatively lower costs.

The Bottom-up Economic Transformation Agenda 2022 – 2027 has set its priorities based on the impact on five targets, namely bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax revenue base and improving our foreign exchange balance. In line with these priorities, the Ministry of Investment, Trade and Industry (MITI) developed their vision of:

1. Raising the Manufacturing contribution to GDP from 7% to 15% in 2027 and to 20% in 2030.
2. Growing the export contribution to the GDP from 10% to 30% by 2025.
3. Raising the Foreign Direct Investment from USD 500 million to USD 10 billion by December 2023.

To realize this vision, a National Investment Council (NIC) was established. Upon review, of the benefits that came along with the establishment of the Export Processing Zones program, that is, increase the productive capital investment portfolio in the country to realize the economic objective of job creation, technology and skills transfer, diversification and value addition of exportable products from the country and the creation of backward linkages with the domestic economy.

The objective of this flagship hub is to;

- i. Expand the manufacturing sector to Kirinyaga County under the Bottom-Up Economic Transformation Agenda [BETA] and the Kenya Industrial Transformation Program which seeks to grow Kenya's export production through manufacturing
- ii. Provide Kirinyaga County an opportunity to attract and locate investments that will tap their niche markets and products.
- iii. Create and increase the number of direct jobs under the EPZ Program from the current 83,275 direct jobs and indirect jobs in the counties to reduce rural – urban migration.

The project will contribute to the achievement of the manufacturing sector objectives of promoting value addition; and broadening & diversifying the exports base. In addition, the project will contribute to the achievement of sector outcomes of employment creation, investments attractions, exports expansion and contribution to the GDP.

3. ZONE DEVELOPMENT

The steps to be followed in order to set up a Public Zones include:

- i. **Land acquisition** - Acquisition/Allocation of land either preferably public land owned by the County Government or a public institution and obtaining the title deed or long-term lease [minimum 50 years] in the name of EPZ Authority;
- ii. **Feasibility Studies** – The EPZ Authority carries out a feasibility study for the proposed project after obtaining title deed or upon registration of lease documents/instruments; this determines;
 - a. The appropriate use of the land,
 - b. Investment strengths, weaknesses, threats and opportunities,
 - c. Sustainability measures to be applied
 - d. Resources required to activate the zone
 - e. Project impacts and mitigation actions
 - f. Availability of enabling infrastructure
- iii. **Land use and physical planning** - Preparation of a part development plan or master plan by the Authority through a registered Physical Planner or through the Director of Physical Planning, Ministry of Lands and Physical Planning. This results in plots available for development or leasing to investors.
 - a. **Approvals** - Final approved development plan is forwarded to the relevant county through the County Secretary or the County Executive member in charge of Lands and Physical Planning for circulation to the County Physical Planner, County Surveyor, County Lands Officer,

County NEMA Officer, County Public Health Officer for approval in an Approvals Committee;

- b. Approval is also required from the respective County Assembly through the respective Committee or in the plenary session;
 - a. Obtain Letters of No Objection from the County Physical Planner, County Lands Officer and County Surveyor;
- iv. **Environmental Approvals** - Preparation and forwarding of an Environmental Impact Assessment Study Report for the proposed project to NEMA for final approval or a Strategic Environmental Impact Assessment Study Report depending on the scale of the project;
- v. National Lands Commission – submission of a complete set of documents namely; the approved physical development plan signed and sealed by the Chair and CEO of EPZA, letters of no objection, NEMA approval and related documents to the National Land Commission for approval;
- vi. Final approval from the NLC is forwarded to the Director of Surveys to prepare cadastral survey plans and deed plans for the individual plots for purposes of titling the parcels approved for subdivision;
- vii. Deed plans are forwarded to the National Land Commission to prepare and issue title deeds or sub leases;
- viii. **Development of basic infrastructure** to start off the zone basic infrastructure is developed i.e.
 - a. investor sheds,
 - b. internal roads,
 - c. water reticulation system,
 - d. sewer system,
 - e. electricity supply connections and
 - f. solid waste management mechanism;
- ix. Invitation to various investors to lease land or buildings to implement their enterprise projects.

4. **PROBLEM STATEMENT**

To develop Phase 1 of the project, the following are required:

1. **Main production Areas**

- i. 4No large industrial sheds each 3,750 SQM
- ii. 6No small industrial sheds each 1,875 SQM
- iii. Associated Mechanical, Electrical and civil works

2. Support Facilities

- i. Administration Block for EPZ and Customs Offices
- ii. Customs Warehouses
- iii. Canteen eating area for workers
- iv. Main Gate, gate house and Common ablution block for visitors
- v. Police post/security management offices
- vi. Commercial Centre/Business Park
- vii. Daycare/ Preparatory school
- viii. Health Clinic/Centre

3. Road works, Parking & Drainage

- i. Main Entry Road and road works within the Zone
- ii. Parking within sheds' plot boundaries
- iii. Common parking for EPZ Customs and Visitors
- iv. Trucks parking while awaiting clearance by customs
- v. Bus Park with passengers' sheds
- vi. Parking for commercial center

4. Bulk water supply, back up borehole, water pumps, storage and reticulation

5. Waste Water treatment and disposal, solid waste management

6. Landscaping works (recreation areas and general landscaping)

7. Fencing, Gates and gate houses

8. Electric Power provision/connection, external power reticulation, backup generators & solar lighting

SECTION 4: LOGICAL FRAMEWORK

Under the MTP IV, investment promotion is one of the flagship Programmes which aims at attracting and retaining both foreign direct and domestic investments in manufacturing, agriculture, housing healthcare and services sectors through various aspects of investments facilitation. This is expected to increase the level of private investment to contribute to economic growth through capital acquisition, jobs, skills and technology transfer, exports expansion and increased productivity and innovation.

In the MTPIV, EPZA is expected to continue developing industrial warehouses/sheds with associated basic infrastructure facilities to attract investors. This will increase the level of exports of textile & apparel, processed agriculture products and other products to the regional and global markets.

The indicator that will be used to measure success of the project include:

- i. Increase in value of Investments (Kshs Billion)
- ii. Number of new jobs created in EPZs (No.)
- iii. Increase in value of Exports by the EPZ enterprises (Kshs Billion).
- iv. EPZ contribution to manufacturing sector value of output (%)

To enable achievement of the manufacturing goal, manufacturing hubs are earmarked for implementation. The development of industrial clusters and SME/industrial parks to provide for necessary infrastructure for attraction of investors in manufacturing sector is one of the goals.

Therefore, development of industrial sheds is an initiative aimed at availing ready industrial space for EPZ investors from which to operate. Consequently, facilitate in achievement of manufacturing sector objectives of generation of employment, attraction of investment, value addition to local raw material and increase in contribution to GDP.

a. Project Objectives/outcomes

The overall project objective is to increase the contribution to the manufacturing sector output and increase employment opportunities in the EPZs'. The project will contribute to the achievement outcomes of employment creation, investments attractions, exports expansion and contribution to the GDP.

Currently there is only one (1) EPZ enterprise in Kirinyaga offering 105 direct jobs, the Sagana EPZ once operationalized is expected to grow the numbers in thousands.

b. Proposed Project Outputs

The project output is development of a manufacturing hub in Kirinyaga County:

The output that will accrue from this project include:

- Increase number of jobs under EPZ program by 10,000 direct jobs and 50,000 indirect jobs by 2025/26;
- Increase export earnings by KShs 1.7 billion by 2025/26;
- Increase cumulative investments from the current Kshs.124.3 billion in 2021/22 to Kshs.125.8 billion by 2025/26;
- Increase local purchases/raw materials (backward linking) by KShs 1 billion by 2025/26;

The project will contribute to overall socio-economic development of the adjacent areas where the hub is located and through spillover effects spur economic growth in the county.

Employment generation is a critical output expected as a result of coming into operation of the project.

c. Project Activities and Inputs

The project will be implemented in Five (5) phases.

1. Phase 1 – Development of enabling works

The initial phase includes feasibility studies, environmental impact assessment, fencing, gate, gate house, construction of industrial sheds (11,250M²), basic water provision, land use and physical planning, surveying and titling works at a cost of **KES 572,319,823.60 – ongoing contract**

2. Phase ii – Bulk water supply, storage and sewerage works and Power connection

- a. development of water infrastructure – waste supply shall be sourced from the mains supply in Sagana town through a distance of approximately 8,900 metres via 315mm supply pipe at an estimated cost of **KES 131,196,464.12**
- b. **Sewerage and sanitation work** – engineering design works and documentation for sewer disposal is ongoing. Common sewer treatment plant to be established on county owned land along Sagana Makutano road.
- c. Plans to reach Kenya Power Company for design of a power sub-station to serve the whole zone

3. Phase iii - Horizontal infrastructure – storm water, roads, power lines

Design and development of internal roads, storm water drains, power lines and water lines to serve each of the plots

4. Phase iv - Development of investor sheds

For the zone to be fully functional there is need to develop ready rental space for lease to investors as this shall reduce the turn around time for setting up investments within the EPZ programs. Currently there is inadequacy of approximately 300,000 SqM of space for industrial spaces.

d. Project Logical Framework Matrix

Narrative	Indicator	Source/means of verification	Assumptions
Goal (MTPIV) The goal is to increase the manufacturing sector contribution to Gross Domestic Product (GDP) by at least 15% by 2027.	i. EPZ contribution to manufacturing sector value of output (%) ii. Increase in value of Investments (Kshs Billion) iii. Number of new jobs created in EPZs (No.) iv. Increase in value of Exports by the EPZ v. Enterprises (Kshs Billion).	KNBS Economic Surveys	Government funding is availed for the project; Project components are implemented as envisaged
Project Objectives/ Outcomes The overall project	i. Percentage increase in EPZ	KNBS Economic Surveys	Government funding is availed for the project;

Narrative	Indicator	Source/means of verification	Assumptions
<p>objective is to increase the contribution to the manufacturing sector output and increase employment opportunities in the EPZ's. The project will contribute to the achievement outcomes of employment creation, investments attractions, exports expansion and contribution to the GDP</p>	<p>ii.contribution to manufacturing iii.sector value output; iv.Increase in value of new v.investments in EPZs; vi.Number of new jobs created in EPZs; vii. increase in value of exports viii.by the EPZ enterprises.</p>		<p>Project components are implemented as envisaged</p>
<p>Key Outputs</p>	<p>A total of 26,250 SqM of space of Industrial warehouse and associated infrastructure 26250 Initial phase to provide 11,250SqM o warehouse space</p>	<p>Project Progress Report Monitoring and Evaluation Report</p>	<p>Adequate Project preparations including Feasibility Studies and Designs Timely release of funds EPZ growth performance is maintained; Optimistic economy</p>
<p>Key activities</p>	<p>i.Project preparation including constitution of project implementation committee ii.Invitation and tendering for the contracts iii. iv.Implementation and supervision v.Project closure and handover</p>	<p>Detailed designs and bill of quantities Implementation roadmap Contracts signed Project completion certificates</p>	<p>Implementation of the activities as per the road map</p>

SECTION 5: INSTITUTIONAL ARRANGEMENTS

1. Institutional Mandate

The Export Processing Zones Act Cap 517 of 1990 (Section 9 (2(d))) gives power to EPZA power 'to plan the development and maintenance, and to finance the basic infrastructure up to the perimeter of the export processing zones.

2. Management of the Project

Demonstrate the technical, managerial and financial capacity of the implementing agency to deliver the project.

This can be better expressed by showing experience in handling projects of the same magnitude.

EPZA's technical staff have been selected to be part of the Project Implementation Committee. It consists of representation of procurement, finance, user department/technical services and technical staff drawn from the County Government of Kirinyaga. The EPZ team successfully managed the implementation of Athi River Textile Hub Lot I.

The Authority maintains elaborate internal control arrangements involving approval and authorization procedures, adequate segregation of functions, and internal check mechanisms in line with all the applicable government regulations and procedures.

3. Project Implementation Plan

The sequence of activities includes:

- **FY 2023/24: Phase 1**

Project Preparation, Feasibility Studies and Strategic Environment Assessment

- Project tendering, evaluation and award of contracts
- Preparation of project implementation progress report
- Commencement of construction works for
 - fencing, gate, gate house, construction of industrial sheds (11,250M²), basic water provision, land use and physical planning, surveying and titling works

2024/25: Phase 2

Bulk water supply, storage and sewerage works and Power connection

- a. development of water infrastructure – waste supply shall be sourced from the mains supply in Sagana town through a distance of approximately 8,900 metres via 315mm supply pipe at an estimated cost of **KES 131,196,464.12**
- b. **Sewerage and sanitation work** – engineering design works and documentation for sewer disposal is ongoing. Common sewer treatment plant to be established on county owned land along Sagana Makutano road.
- c. Plans to reach Kenya Power Company for design of a power sub-station to serve the whole zone

- Construction works - continuation
- Preparation of project implementation progress report

2025/26: Phase 3

- **Horizontal infrastructure** – storm water, roads, power lines
Design and development of internal roads, storm water drains, power lines and water lines to serve each of the plots
- Construction works -continuation
- Preparation of project implementation progress report

2026/27: Phase 4 & 5

- Investor sheds construction - For the zone to be fully functional there is need to develop ready rental space for lease to investors as this shall reduce the turn around time for setting up investments within the EPZ programs. Currently there is inadequacy of approximately 300,000 SqM of space for industrial spaces.
- Construction works -continuation
- Preparation of project implementation progress report
- Practical completion report and handover.

4. Monitoring and Evaluation

The EPZ/county Steering Committee, county technical team and State Department for Investments will monitor and evaluate the implementation and progress of all project components.

The project will be monitored on quarterly basis and annually to come up with project appraisal report

5. Risk and Mitigation Measures

S/No.	Risk	Mitigation
1	Insufficient allocation from Government	The National Treasury and MITI to ensure sufficient allocation to the project Engagement with development partners to attract external funding
2.	Delays in transfer of land	MITI and National Treasury and respective County to fast-track transfer / leasing of land to EPZ Authority for a minimum of 99 years.
3	Delays in obtaining approvals from other Agencies	Seek for approvals early enough during project preparation
4	Project implementation delays by the contractor	Ensure work schedules are followed Charge liquidated damages Prior planning
5	Interest rate charges on delayed payments	Timely honoring of contractor payments
6	Inadequate infrastructure	Joint planning with the county to ensure all requirements are put in place

6. Project Sustainability

With expanded provision of industrial warehouses and basic infrastructures facilities, the institution will attract and retain more investors, thus making the institution capable of generating more income to cover its operational expenses.

The development of new industrial hubs and associated infrastructure will create and enhance provision of conducive environment and thus improve on the retention of existing Investors as well as attracting new investments.

Location of the Industrial hub in the countryside is likely to lower production costs and attract more SMEs to produce for export as well as agricultural produce value addition.

Lower land values and proximity to raw materials are likely to attract more investors to Kirinyaga county due to the reduced operational costs.

7. Project Stakeholders and Collaborators

S/No.	Name	Role	Level of influence
1.	Investors in EPZs program	Investing in EPZ programme	High
2.	Ministry of Trade Investments & Industry (MITI)	Coordination and policy development Approval of capital projects Allocation of funds to the project	High
3.	National Treasury and Economic Planning (NT & EP)	Approval of capital projects Allocation of funds to the project	High
4.	EPZA and Kirinyaga county technical team	Project design and implementation Project Management	High
5.	NEMA	Approval of Environmental Assessments	High
6.	County Government of Kirinyaga	Provision of the land Approvals for building plans Coordination of the team on the ground Coordination for provision of services – water, sewerage and electricity.	High
7.	TANATHI	Provision of water to the EPZ site	Medium
8.	Contractors	Provision of services as contracted	Medium
9.	Kenya Power and Lighting (KPLC)	Provision of power	Medium
10.	State Department for Roads	Provision of access roads on sites where roads are not tarmacked	Medium
11.	State Department for Internal Security and National Administration	Coordination of relocation of occupiers of the Kirinyaga site and any other project affected persons	High

8. Project Readiness

- i. Preliminary and detailed designs – prepared pending approval by the County Government of Kirinyaga
- ii. Feasibility Studies – done by the County Government of Kirinyaga
- iii. Land acquisition – Mou signed between EPZA and the County Government of Kirinyaga, letter of consent to lease received from NLC
- iv. Regulatory Approvals – NEMA application done, master plan approved by the County Government of Kirinyaga
- v. Phase 1 – awarded and construction ongoing

- vi. Consultation with other government agencies- ongoing between EPZA and the County Government of Kirinyaga for collaboration on services improvement to the site and to avoid duplication of works.

9. Financial Analysis

a. Estimated Capital Cost to Complete the Project: (Kshs)

Consultancy and approval fees	0
Land Acquisition Costs	0
Site Access, Preparation and Utilities (roads, bulk water supply and sewerage)	1,000,000,000
Construction cost	572,319,823.60
Equipment	0
Other capital costs	0

b. Recurrent Costs (Kshs)

Labor cost (Employment)45,000,000.....
Operating Costs21,000,000.....
Maintenance Costs6,000,000.....
Others3,000,000.....

c. Estimated Total Project Cost Kshs per year (Kshs Millions)

Financial Year	FY 2023/2024	FY 2024/2025	FY 2025/2026	FY 2026/2027
Budget amount (Millions)	500	500	1,500	500
Expected output	Phase 1 - Enabling works – planning, initial warehouses	Continuation of construction works, Infrastructural Design – roads, water, sewer and power	Implementation of infrastructural works	Continuation of construction works

d. Proposed Financing Options for the Project

Government of Kenya (Kshs 3.0 billion)

e. Other cost implication to other related projects

- Development of access roads to the EPZ zone approximately 3Km
- Bulk water supply and storage infrastructure by TANATHI
- No land expropriation required but the land is owned by the county and in the process of transferring to EPZA to actualize the project.

10. Operational Cost after implementation

PCN Annex: Operational Costs (Figures in Kenya Shillings: Millions)

Export Processing Zones Authority		Budget	Projection	
Recurrent Revenue:		2023/2024	2024/2025	2025/2026
1	Internally Generated Revenue from fees, charges, levies, cost sharing etc.	-	-	25
2	Recurrent Grant	50	75	75
	Total Recurrent Revenue	50	75	100
Operating Expenses				
1	Personal Emoluments			
2	Boards Expenses	5	5	5
3	Operating/Administrative Expenses	2	2	2
4	Repairs and Maintenance	1	1	1
5	Depreciation			
6	Total Operating Expenses			
	Operating Surplus/(Deficit)	0	0	0

APPENDIX

REQUIREMENTS FOR MAKING INDUSTRIAL PARKS INVESTOR READY

S/No.	Activity	Description	Institution
1.	Land acquisition	Establish engagement framework Acquire land	EPZA NLC MITI Treasury Counties
2.	Feasibility Study	Carry out feasibility studies on the suitability of the land and viability of the EPZ program	Consultants (Private/Public)
3.	Environmental and Social Impact Assessment (ESIA)	Carry out studies on the impacts and mitigation factors on the environment because of implementing the project Seek necessary approvals from NEMA	Consultants (Private/Public)
4.	Land and Use Physical Planning	Zone and masterplan the land according various proposed usage	Consultants (Private/Public)
5.	Surveying, Beaconing and Titling	Confirm actual land size, boundaries, subdivide into various portions as planned and issuance of title deeds for each plot to facilitate leases to investors Seek necessary approvals and facilitate issuance of Title Deeds.	Private/ Public Consultants (Ministry of Lands, Housing and Public Works - Survey of Kenya)
6.	Land Valuation	Carry out land valuation for setting land rent rates	Private/ Public Consultants (Ministry of Lands, Housing and Public Works)
7.	Geotechnical investigation	Carry out subgrade investigations to guide structural designs	Private/ Public Consultants (Ministry of Transport and Infrastructure – Materials Testing & Research Division)
8.	Contract documentation	Undertake architectural, civil, structural, services designs, bills of quantities and prepare tender documents for construction works.	Consultants (Private/Public)