THE REPORT
Meru County 2014
Kenya

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Meru County Government
Meru County Information Office
Tel: 020381720
E-mail: communication@meru.go.ke
P.O Box 120 Meru 60200
Web: www.meru.go.ke
Meru National Park. The scene from the famous 'Born Free' movie.

Fertile lands

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The agricultural landscape comprises many smallholder farms – 98.6% of farms are small scale and the national average farm size is two acres. The total area of Meru being cultivated for staples, cash crops and horticulture is 700,000 acres, 40,000 acres, and 50,000 acres, respectively. Staples yield 1m tonnes annually with tea dominating the cash crops, with roughly 45m kg produced each year.

At a junction

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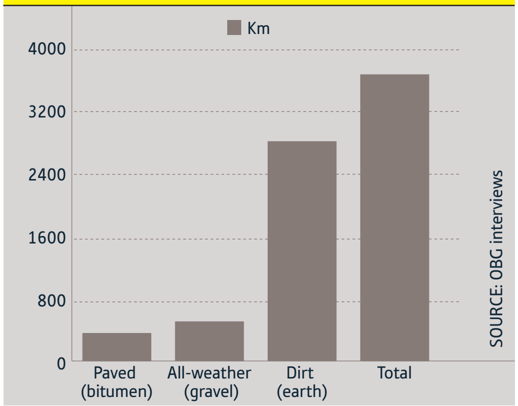
Meru's roads cover 3640 km, but only 350 km are paved, while 500 km are all-weather (gravel) roads and the remaining are dirt roads, but less than a quarter are usable year-round and air options are key to Meru's export growth. The Isiolo airport project is at an advanced stage, with a runway and passenger terminal finished. The runway will be extended for larger aircraft as well, making it Kenya's fifth international airport.

Meru in figures

County road network by type (km)



Key budgetary figures 2013/14 (KSh m)

Revenues	
Central allocation	4749
Local sources	658
Other	275
Total	5682
Expenses	
Personnel	1318
Operations	1161
Development (new & recurrent)	3033
Total	5682

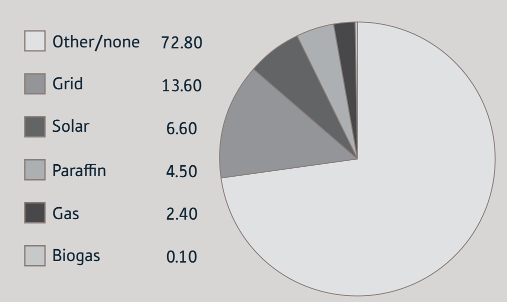
SOURCE: Revised Meru County Budget 2013/14

Cash crops, 2012*

	Area (ha)	Production (tonnes)	Value (KSh m)
Coffee	8077	83,764	713
Tea	3781	44,569,114	4345
Cotton	1216	1181	40
Miraa	419	181,254	55
Macadamia	1203	2618	176

SOURCE: Ministry of Agriculture, Livestock & Fisheries
*Selected crops only

Sources of household electricity (%)



SOURCE: OBG interviews

Basic education indicators, 2013

	Primary	Secondary
No. of schools	961	347
No. of teachers	5,520	1,825
Teacher/student ratio	1:61	1:30
Enrolment	335,879	54,682
Drop out rate	3%	5%
Average years of attendance	8	4
Access indicators		
0 - 1 km	28.1%	2.0%
1 - 5 km	11.6%	35.5%
> 5 km	60.3%	62.5%

SOURCE: Meru County Development Profile

Devolution is seeing power cascade down to the local level

Centre stage

Despite its rural scale, Meru County plays a key role in the region

Located at the heart of Kenya, Meru has a rich history dating back many centuries. The name of the region is derived from *mie-ru* – "quiet forests" – and was coined by the Masai people in reference to Meru's forested regions of Imenti and Tigania.

Since the 17th century, Meru was governed by a council of elders (*Njuri Ncheke*), who made laws and settled disputes. Even since more formal governing systems were adopted, the council retains its traditional importance and is frequently consulted by officials and ordinary citizens on a range of issues.

In a more formal sense, the administrative region of Meru was established in 1911. In 1992 it was divided into three smaller administrative units, with one being later split and defined as Meru and Tharaka-Nithi counties, in accordance with the 2010 constitution, which devolved certain powers from the national government to 47 newly created counties.

The constitution also carved out several smaller administrative units within Meru. There are nine subcounties (also known as constituencies), and each subcounty has further smaller divisions called wards. The nine subcounties are Igembe South, Igembe Central, Igembe North, Tigania West, Tigania East, Imenti, Central Imenti, South Imenti and Buuri. There are 45 wards and each subcounty has five wards, with the exception of South Imenti and Central Imenti, which have six and four, respectively.

DEVOLUTION: In accordance with the devolution of power, in March 2013 county-level officials were elected to run subnational governments for the first time in Kenya's history. Under the devolved system of government, a number of specified functions remain with the national government while others were transferred to the county level.

Certain administrative, fiscal, and political functions were handed over to the counties, including the maintenance of basic health care, infrastructure and preschool and vocational education services. Among the key objectives of decentralising powers was a fulfilment of demands, from around the country, for greater self-governance. Devolution was also undertaken to enhance the efficiency of public service provision, and increase governmental transparency and accountability. Although revenues rely in large part – like for all counties – on transfers from the central government, Meru now manages its own county budget and development agenda, and county officials are seeking to use decentralisation as an opportunity to entice private sector actors to move out of Nairobi and invest in county development projects ranging from infrastructure to agribusiness.

According to Jacob Kirera, the county executive for treasury, "Service delivery is closer to the people and response times are faster with power in the hands of the county." County officials are on the ground closer to home and can address challenges including an inadequate road network, human settlement issues, biodiversity threats, and others. Kirera added that being closer to the source also allows leakages in revenue collection to be sealed, citing draft legislation such as the County Finance Bill and new institutions, such as a county revenue board.

GOVERNMENT: Meru's government has two branches: executive and legislative. The executive branch is in charge of county administration and is led by the governor and his team of 10 county executives, each in charge of sector portfolios.

The legislative branch, known as the County Assembly, has 69 members and is charged with debating and passing bills. In addition, each of Meru's nine subcounties are represented by a Member of Parliament (MP), and one senator (*Kiraitu Murungi*) represents the county on the national stage.

Peter Munya became Meru's first governor after Kenya's first subnational elections were held on March 4, 2013, although a protracted legal battle followed over the validity of the elections and led to the temporary removal and subsequent reinstatement of Governor Munya. The dispute was settled

Meru has been formally recognised as an administrative district since 1911; however, its regional history and name have roots in the Masai people, who governed the area starting in the 17th century.

The government of Meru has two main components, the executive (with a governor and 10 leaders) and a legislative branch (comprising an assembly of 69 members).

The population of Meru is relatively young, with 26% of people under the age of 20 and 35% under 30

The county's altitude ranges from 300 metres above sea level to 5199 metres above, owing to the summit of Mount Kenya falling within the county borders.

in summer 2014, and policy programmes and investment plans have continued to move ahead accordingly. In August 2013 local media listed Munya among 15 governors lobbying the central government to increase funding for the counties and increase their role in security matters.

Additionally, the county has been looking into projects that would increase interaction between civil society and the private sector. The Meru Rising Conference in June 2013 – an investor conference – and the Meru Stakeholders Forum in January 2014 were two such opportunities for the government to engage Meru citizens based in Nairobi, and similar efforts are expected in coming years.

GEOGRAPHY & CLIMATE: If the map of Kenya were a dartboard, Meru would be the bull's-eye. The county is geographically situated in the centre of Kenya, and it also straddles the equator. Meru borders Isiolo to the north and northeast, Tharaka-Nithi and Nyeri to the southwest, and Laikipia to the west. Mount Kenya, 56% of which is in Meru, also borders Meru County in the southwest.

Given that Mount Kenya's peak to its eastern base lies within Meru, the county's altitude varies from 300 metres to 5199 metres above sea level. This variation allows for both agricultural and ecological diversity, and the topography greatly affects economic activity. The highland zones cover most of the county's area, with seven out of nine subcounties in the higher altitudes. Buuri and Tigania are in the midland zones, close to Isiolo County in the north.

Meru's land area covers 6936 sq km, of which 26% is protected forests. Despite Meru's relatively small size, the county's climate varies considerably. On the rainy side of Mount Kenya, south and southwest Meru receive moderate to high rainfall of around 2500 mm annually while the lower midlands in the north and northeast are dry and receive 300 mm annually. Other parts of Meru average 1200 mm per year. The county experiences two rainy seasons, the first, with longer rains, happens from March to May, while the second with shorter bursts of rain runs from October to December. Temperatures in the county range between 8°C and 32°C.

The county is also home to a number of national parks and conservation areas, including the massive Meru National Park, the Nyambene National Reserve, in addition to other extensive wildlife areas around Mount Kenya, such as Lake Alice, which is well known for trout fishing.

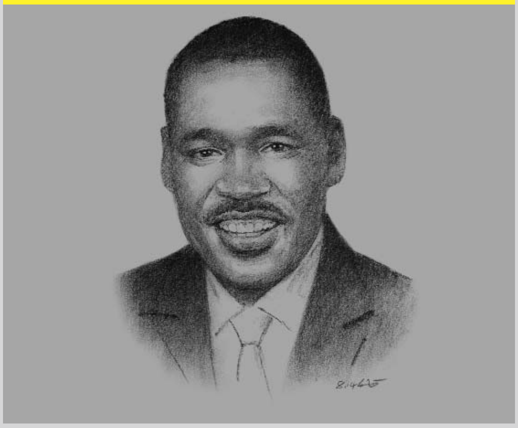
POPULATION: Meru County has 1.5m inhabitants, with a stable population growth rate of just over 2%. The population is projected to rise to 1.6m by 2017. Eligible voters at the end of 2012 were 672,984, of whom 489,515 were registered.

Agriculture is the backbone of Meru's economy, and most of Meru's population lives in rural areas. According to national government portal Kenya Open Data, 12% of Meru's population lives in urban areas, compared to the national average of 32%. The population is relatively young, with 26% aged 20 and below and 35% aged 30 and below. Gender distribution is relatively even, although it is worth noting that for people above the age of 60 women outnumber men by a factor of 1.15.

The major towns in the county include Meru, Maua, Nkubu, Timau and Laare. The city of Meru, the largest city in the county, has a current population of approximately 74,000. The collective population of the four major urban centres is projected to grow in line with the county average of 2.1%, to reach 135,840 by 2017. The population density varies across the subcounties, with the lowest in Buuri and the highest in Igembe South, with higher density in more fertile areas. Igembe South is a suitable area in Meru for farming while Buuri is semi-arid but suitable for certain types of large-scale farming.

CULTURE & SOCIETY: Although the dominant tribe in the county is the Ameru, the population comprises several ethnicities and religions. Meru people are predominantly Christian, but there are also sizable populations of Hindus and Muslims. Methodists form the majority of Christians, but there are also Catholics, Presbyterians and Anglicans. The Methodists have been very active in Meru's education system, building schools and higher learning institutions. Notably, the Methodist Training Institute was established in 1958, and later became the Kenya Methodist University – the largest private university in Kenya.

LANGUAGE: The population of Meru is largely homogeneous and their language, Kĩmĩĩrú and its dialects, are spoken among 1.9m people in Kenya. The dialects include Igembe, Igoji, Imenti, Meru (Beik), Miutini and Tigania. Kĩmĩĩrú has a lexical similarity of 85% with the dialects of Imenti and Tigania, 67% with Chuka, 63% with Embu and Gikuyu, and 57% with Kamba. As a result, the language is spoken widely in homes and throughout the communities of Meru. Other languages spoken in the county include English and Swahili, however, literacy rates are quite low, at only 5-10% for Kĩmĩĩrú and 25-50% for second languages.



Peter Munya

Open for business

OBG talks to Peter Munya, Governor, Meru County

What do you see as Meru County's economic competitive advantages relative to the rest of Kenya?

MUNYA: Devolution is, in my opinion, the most important change that has taken place in Kenya's recent history. Devolving resources and power to the regions has allowed individual counties to determine their own economic path, their own destiny and their own plans. Now, Meru is one of the key counties in Kenya, with a population of 1.5m people. It is a very rich agricultural area, growing virtually any crop in the country.

We grow tea, coffee, tobacco and flowers, and we are also the biggest banana producing county and the fastest growing for horticulture. We also have a very diverse climate; you can go to Mount Kenya and grow all the crops for wet, cold regions; then you can descend to areas that are a bit warmer for coffee; then there are drier areas for cotton and cattle. In this sense, for any investor aiming to invest in agro-based value addition, Meru County would be the right place to begin.

Furthermore, with its position at the centre of the country, Meru is in a strategic location for logistics operators and related service providers. The creation of the Lapsset Corridor will further enhance this advantage by improving connections between Meru, Lamu Port, South Sudan and Ethiopia.

How do you strike a balance between collaboration and competition with neighbouring counties?

MUNYA: One of the great things about our new constitution is that it creates opportunities to compete. Competition is healthy in that counties will benchmark and learn from one another. If you see a best practice being adopted in a particular county, you can borrow it and make your county better. This pulls us closer and makes everyone develop at a faster rate.

There are also many ways to collaborate, especially between those counties that share a border. We have been meeting with our neighbours and have created various forums intended to help us work with one another, resolve conflicts and deal with insecurity.

What would you consider to be Meru's immediate development agenda in terms of infrastructure?

MUNYA: Considering that Meru is largely an agricultural region, and given the expansion of agriculture that we want to encourage, the biggest challenge for farmers is roads. Farmers are not able to transport their goods to the market or to storage facilities, especially during the rainy season. We think if we build good roads, we can make a big difference and transform their lives. This is why we have explored more affordable technology for road building, specifically with strategic investors from Malaysia.

The cost of the new methods is one-third of what is typically spent here in Kenya, at KSh22m ($250,800) per km versus the normal KSh80m ($912,000) per km. We can now pay for 300 km of roads in two years, with a 10-year loan at a 3% interest rate through Exim Bank. It has taken 50 years to do 350 km, and now it will take two years to do 300 km. This is revolutionary, and will have a multiplier effect on the economy of Meru.

What protocols are in place to ensure ethical business practices are followed?

MUNYA: Meru is a county, so all national protocols relating to good business practices are part of our protocol too. However, we have a lot of challenges at the local level. The counties are inheriting structures from the local authorities that used to exist before. These authorities were very poorly run. We are inheriting a culture that did not take accountability seriously. We are even inheriting staff that are used to such structures. Slowly we are trying to change this.

We have partnered with the Ethics and Anti-Corruption Committee to develop a code of conduct for our staff, using performance contracting as a management tool. This way the work plan is clear and there is supervision. This has been adopted at the national level and has produced very good results, recognised by the UN. Our key message to the global community is Meru is open for business and we are ready to support investors.

Agriculture generates approximately 80% of the county's income

New economic planning

Supported by strong fundamentals, the current government is steering the economy toward ambitious goals

Currently in the midst of a county-wide development strategy, Meru has risen to nation-wide prominence, thanks to its solid fundamentals. Located right in the centre of Kenya, Meru is the country's junction county, a status bolstered by its role as the prime recipient of a Kenya Vision 2030 flagship infrastructure project that is set to connect Kenya's coast to two of its international borders. The county government has been outlining much-needed infrastructure improvements in order to help consolidate Meru's position on the map, while centring the focus on the county's road network.

The county currently relies heavily on the primary sector, with agriculture generating approximately 80% of the county's income. Meru's fertile soil, favourable climate and altitudinal variation means that various crops can be grown; including tea, coffee, *miraa* (khat), horticulture (mainly flowers, fruits and vegetables) and grains (wheat and maize). Industrial activity, while limited, is ripe with potential. Investments are being made to propel the county up the agricultural value chain into processing industries. The main components of the tertiary sector are banking, trading and hospitality.

AMBITIOUS PLANS: The County Integrated Development Plan 2013-17, which guides the county's economic planning policy, states the government's primary objective for the coming three years: "To facilitate sustainable development and wealth creation in the county through commerce, technological innovations and industrialisation that leverages on our skilled human resources, agriculture, wildlife, biodiversity and cultural heritage." To achieve this, the government is aiming to support large gross county product (GCP) contributors like agriculture; rehabilitate smaller sectors, such as tourism and manufacturing; and build infrastructure to support demand.

Indeed, the county is setting aside funds for investment in a number of flagship projects, most of which are open to private capital. They include KSh8bn ($91.2m) to build five to seven dams in Mount Kenya and Nyambene forests; a teaching hospital at Meru University of Technology, estimated to cost KSh6bn ($68.4m); KSh4bn ($45.6m) for large-scale water harvesting facilities in Nyambene; and KSh3bn ($34.2m) for the design and construction of the Meru County special economic zone and an accompanying city in the northern part of the county. Other large projects include new sewerage infrastructure for Meru Town (KSh3bn, $34.2m) and Maua Town (KSh1.5bn, $17.1m). Two new five-star hotels, one in in Mount Kenya National Park and one in Meru Town, are each estimated to cost KSh1.5bn ($17.1m).

One hindrance to planning – common to many Kenyan counties – is the lack of county level data, such as GCP and investment levels. Where data is available, the most recent figures are often from the last national census in 2009. Since then, officials have had to plan based on educated guesses.

In order to resolve this, Meru's administrators are planning to set up a county bureau of statistics. Martin Gikunda, chief officer for lands, economic and physical planning, explained that the county government is in the process of procuring a contractor to conduct a baseline survey in order to build county economic data components, such as an appropriate basket of goods to measure inflation.

HUMAN DEVELOPMENT: Meru's Human Development Index score is 0.5622, higher than the national average of 0.505. Nairobi scores the highest with 0.6533 while Mandera County has the lowest score, at 0.3592. Meru has among the lowest poverty rates in Kenya – 28.3% – with small-scale farmers holding large cash reserves, according to John Angaine, a boardmember on the County Public Service Board.

The officially cited figure for the size of the labour force is 800,000 or half of Meru's population, translating to one working age citizen for every non-worker. However, it is estimated that around 65% of the labour force is unemployed, a contrast which is

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likely due to the fact that – as in many regions of East Africa – informal activity plays a significant role.

That said, unemployment is rising: Meru's youth have a preference for white collar jobs, but there are too few to go around in this predominantly agriculture-based economy. Addressing youth labour is another priority for the government, given that figures from the County Development Profile 2013 estimate that 35% of Meru's children are actively working. In fact, according to the report, there are over 22,000 households for which youth or children are employed, mostly in agricultural jobs.

To tackle the high rate of unemployment, the county government has proposed several policy interventions, for example, upgrading infrastructure through large, labour-intensive projects, such as constructing rural roads, building dams, and restoring the county's airstrips. The County Assembly is also pushing for fair recruitment policies based on merit, as well as anti-discrimination rules.

For the longer term, programmes are under way to provide professional development from an early age, promote vocational education, support value addition industries, and explore alternative careers through sports and arts. The literacy rate has risen to 80% over the last few years through a concerted government initiative that saw 74 adult learning centres set up. In 2012, 910 adults enrolled in these centres and they were staffed with 312 teachers. There has been a much higher uptake by women than men, at a ratio of 62 to 38 per 100.

FISCAL OVERSIGHT: With decentralisation, county governments are responsible for managing their own budgets. However, the revenues side is tightly regulated, with the national government allocating the bulk of county budgets through a complex formula and strictly governing what fees county governments can levy. Meru received some KSh4.8bn ($54.7m) from the national government during fiscal year 2013/14, the first year since devolution. The county aimed to raise KSh800m ($9.12m) from local sources, however, the county treasury department has revised its estimates on revenue down to KSh600m ($6.84m). By comparison, only KSh300m ($3.42m) was raised locally during fiscal year 2012/13. The county government had initially planned to spend KSh10bn ($114m) on Meru programmes in the 2013/14 budget, which had to be scaled down to match the funding reality.

One way the government aims to tackle unemployment is through projects such as road construction

The national government provided Meru with $54.7m during fiscal year 2013/14 and the country estimated it would collect another $6.84m from local sources.

According to the World Bank, Meru ran a budget surplus before decentralisation, but with fiscal responsibility shifted to the county, authorities are looking to trim costs. Meru's payroll costs are high and the county treasury plans to reduce the wage bill by downsizing staff and by linking wage increases to productivity rather than giving automatic increments over time. Broadly speaking, however, the budget ratios are in good health. The Public Finance Act of 2012 requires that at least 30% of each county's resources are devoted to development through new capital expenditures. While many counties are struggling to meet this ratio, Meru plans to exceed the minimum requirement in the next fiscal year and spend 40% of the county budget on new development expenditures. Meru is expecting a 15% increase in the national allocation for fiscal year 2014/15, to KSh5.5bn ($6.2m), while county revenue collection is expected to be KSh800m ($9.12m). An additional KSh1.8bn ($20.5m) will come from loans and grants, adding up to total budget of KSh7.8bn ($89m) for 2014/15, up 37% from the previous fiscal year.

According to the county's Fiscal Strategy Paper of February 2014, which sets out county budgetary goals for the next fiscal year, resources will be used to address challenges including low productivity and lack of value addition in the agriculture sector, poor infrastructure hampering movement of goods and efficiency of business, inadequate access to health and sanitation services, and inequality in education. Economic risks identified in the Fiscal Strategy Paper include external factors such as weakening global economic growth adversely affecting Meru's exports and tourist arrivals, drier weather conditions harming the county's agricultural mainstay, and geopolitical uncertainty affecting energy prices, which could hurt industrial development. Internal risks include wage pressures, getting staff on board with

New legislation in 2012 requires that 30% of a county's resources be directed to development projects through capital expenditure.

Key budgetary figures 2013/14 (KSh m)

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SOURCE: Revised Meru County Budget 2013/14

Given limitations funding and local revenue sources, the government is diversifying its revenue base

newly devolved systems, and potential shortfalls in the national revenue allocation to Meru.

REVENUE COLLECTION: Given the limitations on funding and local revenue sources, the county government is getting creative with diversifying the revenue base. The Meru County Revenue Board is being established in 2014, with the objective of simplifying payment procedures and minimising leakages through integrated management systems. The idea is to ensure that monies collected reach the government, and that leakages are minimised through automated revenue collection systems. For example, when people in Meru pay for parking, they will be issued receipts and their payment electronically registered in the bank, reducing opportunities for skimming. In terms of new revenue sources, counties have no constitutional taxation power, but they can charge fees and levies for certain services. Meru's county government is able to collect fees from property, business permit issuance, tourist attractions, market vendors and public services such as waste collection, sewage, and parking, among others. Through the County Finance Bill, which is expected to pass in 2014, Meru will see increases for liquor licence fees, parking fees and market access fees.

The need to harmonise fees was one of the big issues raised by investors at the governors' meeting held in Mombasa in April 2014. Counties charging fees that mimic taxation is a contentious issue on the national stage. The Senate Finance Committee's January 2014 ruling that new levies charged by counties were unconstitutional was welcomed by investors, who tended to perceive levies as double taxation and argued that it produced an unfriendly business environment. A simple rule of thumb is that fees that correlate directly to services provided by the county are allowed, but blanket levies are not.

Mobile network coverage across Meru was 95% at time of print; however, new ICT projects in the coming five years will extend coverage to the unserved parts of Tigania.

Meru is also looking towards partnerships, borrowing, and investment promotion as vehicles to raise more resources. As public-private partnerships are allowed to be concluded at both the national and local levels, Meru has sought national guarantees to fund projects such as road construction with private sector partners. The county government has also sought assistance from official multilateral and bilateral agencies, and has several existing projects funded by organisations ranging from the UN to the US Agency for International Development.

More creatively, a Meru County Infrastructure and Diaspora Bond has been proposed, and bankers in Meru's diaspora are looking to establish county credit ratings to facilitate lower lending rates.

ATTRACTING INVESTMENT: In January 2014, Governor Peter Munya told local media the Meru County Investment and Development Agency would be established by the end of the year. The agency will work with the private sector on strategic investments. In addition, Meru is pushing for consistency in service delivery, through avenues such as gaining ISO certification in order to standardise processes.

To help interested investors, the county is setting up one-stop shops known as *huduma* (service) centres. Meru will set up five huduma centres per sub-county by June 2016, at a cost of KSh260m ($3m). The objective is to bring government services closer to citizens. These centres will serve as an information hub for investors and make it easier to do business. The longer term plan is to transform the huduma centres into one stop shops for business needs. Meru benefits from a comparatively high level of digital infrastructure, with mobile network coverage reaching 95% of the county. Only some parts of Tigania lack coverage. The county government has budgeted KSh2.5bn ($28.5m) over the five-year County Integrated Development Plan through 2017 to build 17 projects related to ICT improvements, including improving the county's internet connectivity, establishing a county data centre, automating revenue collection processes, and ICT education.

CASH-RICH COUNTY: "There is lots of money in Meru," said Charles Kiara, County Branch Manager of Kenya Commercial Bank. "It has one of the highest incomes per capita in the country," he adds. Meru residents have a relatively high disposable income. A strong banking system supports cash-rich Meru, which has the highest concentration of financial institutions outside Nairobi and Mombasa – 18 banks operate in Meru across a 32 branch network. Meru also has the third-highest cash circulation nationally and is home to a Central Bank of Kenya branch.

Statistics on cooperatives, 2013

	Coffee	Dairy	Transport	Housing
No. of active societies	43	22	54	6
Membership	64,333	10,422	151,887	9614
Share capital (KSh m)	10	25	339	30
Turnover (KSh m)	908	299	3497	107
Production (kg m)	11.2	8.3	n/a	n/a
No. of staff	332	93	463	n/a

SOURCE: Meru County Government

Savings and credit cooperatives offer an alternative to conventional banking in the county

The major commercial banks operating in Meru are a mix of foreign and national firms, including Barclays Bank, Cooperative Bank, Equity Bank, Kenya Commercial Bank, National Bank of Kenya, and Standard Chartered Bank. A number of microfinance institutions provide credit to micro and small enterprises. Some examples of these are Faulu Kenya, Kenya Women Finance Trust, and Small and Medium Enterprises programme. Several insurance firms also operate in Meru, including APA, CIC and UAP.

Despite the cash richness of the county, there are concerns that Meru's conservative and risk-averse culture means that money is saved rather than invested. This is reflected by a low loan-to-deposit ratio of less than 50% among almost all the banks – a not uncommon trend in many emerging markets in Africa. "We want to encourage risk-taking in business," Kiara told OBG. "If it is viable, we can finance it." While Meru's banks have a high capacity to lend and do not generally have caps on loan sizes, the culture imposes some limits on residents' borrowing. With only 60% of Meru residents banked, both in conventional banks and cooperatives, the banking sector is ripe with potential for further expansion and some banks are looking to take advantage of this, such as Fidelity Bank who recently announced that they would launch a new branch in Meru.

COOPERATIVE POWER: Savings and credit cooperatives (SACCOs) offer an alternative to conventional banking. SACCOs have existed for more than half a century in Kenya, and were the source of spurred development in the agricultural sector as small-scale farmers were able pool resources to access affordable credit. In Meru, SACCOs lend at 12%, compared with rates of up to 20% through banks.

Besides financing, SACCOs also offer the opportunity for farmers to consolidate fragmented land, invest in mechanisation and irrigation technologies, exercise collective bargaining power to buy cheaper inputs such as seeds and fertilisers, push up selling prices, and benefit from economies of scale by using common storage facilities.

While SACCOs began as coffee, tea and dairy cooperatives, today they have expanded into cooperatives for water, transport, cotton, housing, tourism and other sectors. Meru Central Dairy Farmers Cooperative Union is the largest SACCO in Meru, but may soon be rivalled by a reinvigorated coffee industry.

According to a 2013 county government report, there are 140 SACCOs in Meru with over 200,000 members. The collective share of capital of these SACCOs exceeds KSh400m ($4.6m), while turnover reached KSh5bn ($57m) in 2012.

The county is also pushing for the establishment of new SACCOs for other products, such as bananas, for which Meru leads the country. The county government allocated KSh3m ($34,000) in each ward for SACCO development in fiscal year 2013/14.

LAND STRUGGLES: The lion's share of land use in Meru is for agricultural. However, land distribution is uneven, with large-scale farmers concentrated in the north of the county, owning plots in the hundreds of acres, while smaller-scale farmers have one to five acre plots and tend to be located in the south. Among the smaller landholders, plots tend to be further subdivided across generations of the owning family, resulting in economically unviable holdings. The county Lands, Economic and Physical Planning Department (LEPPD) believes that this trend will result in higher rates of rural-urban migration in the future, which will result in a range of employment and infrastructural challenges to Meru's towns.

Land registration in Meru stood at only 60% in mid-2014, according to Martin Gikunda, the chief officer for the LEPPD. However, registration is even less common in the Tigania and Igembe subcounties, he said, where the rate drops to as low as 20% at times. While low registration is presenting serious problems, unresolved land disputes are also a major concern among Meru's inhabitants and administrators. Some residents have waited over a decade for verdicts in land dispute cases, according to the local press. The north of the county has seen the slowest case resolution, due to a backlog of numerous court cases concerning disputes both within Meru and also between Meru and the bordering county of Isiolo.

Inadequate staffing has been blamed for the backlog in the past, but now – with more staff and the launch of a programme to fast track title deeds and settle land disputes – the LEPPD is aiming for an ambitious 100% land registration by 2017. In the first year in office, the county government processed 62,000 title deeds, while the plan was to issue 200,000 titles for two to five acre plots by June 2014.

Allegations of corruption among members of some village committees caused efforts to stall somewhat in mid-2014. Administrators' goals for deed issuance were amended, and Martin Odhiambo, land officer of Tigania West told local media in July that his office was in the process of finalising field inquiries and preparing to issue title deeds by the end of 2014.

There were 140 SACCOs in Meru in 2013, with approximately 200,000 members, capital of over $4.6m and turnover of over $57m in 2012.

The varied climate of the county makes it ideal for a variety of crops

Fertile lands

A diversified agricultural sector continues to drive Meru's economy

With fertile soil and a favourable climate, it is little wonder that farming dominates Meru's economic activity. The sector accounts for 80% of Meru's income and 90% of the county's population is directly or indirectly dependent on agriculture for livelihoods. According to the World Bank, despite rapid urbanisation in Kenya, Meru's rural population still exceeds 80%.

DIVERSE ZONES: The county's varied climatic and ecological zones allow for a range of agricultural production. Average rainfall ranges from 300 mm to 2500 mm annually, and the county's altitude spans from low hills of 300 metres above sea level to the peak of Mount Kenya above 5000 metres. The county's Agriculture, Livestock and Fisheries Department divides the county into 11 agro-ecological zones, ranging from the cold and wet upper highlands, to the cool upper midlands, to the hot and dry lower midlands. These natural factors dictate agricultural activity. For example, the county grows wheat and barley in the upper highlands, tea and coffee in the upper midlands and cotton and millets in the lower highlands.

The total area under cultivation for staple (food) and cash (commercial and export) crops is 439,000 acres, about half of Meru's total area. The main staple crops are maize, sorghum, various beans, various peas and green grams. The main cash crops grown are coffee, tea, wheat, cotton, *miraa* (khat) and flowers. Horticulture is a major enterprise, and includes vegetables like snow peas and French beans; fruits such as bananas, mangoes, avocados, passion fruit; and watermelon; nuts; and cut flowers.

From among these crops, vegetables and fruits are mainly sold for national consumption, while flowers and nuts are almost exclusively sold as exports. Some fruits, such as avocados, are processed into oils outside of Meru and are then exported.

Tea is Meru's single-largest earner of revenue, having reached $45.6m for 45m kg of tea produced annually over the past several years, fetching between $1-2 per kg.

Europe is the biggest market for flowers, while tea and coffee is auctioned in the exchanges of Mombasa and Nairobi, respectively. The county is fed through the production of bananas, maize, beans, cow peas, pigeon peas and coffee. Meru is the nation's leader in banana and other horticultural production.

CROP DATA: The agricultural landscape consists of mainly smallholder farms. 98.6% of farms are small scale, according to the Ministry of Agriculture's Meru County Profile 2013 – not unusual for Kenya or indeed African agricultural markets in general. The national average farm size is two acres, but size varies according to population density: More sparsely populated areas see farm sizes up to five acres while densely populated areas have farms averaging one acre.

The total area under cultivation for staples, cash crops and horticulture is 700,000 acres, 40,000 acres, and 50,000 acres, respectively. Staples yield is around 1m tonnes annually. Tea is the largest cash crop, with around 45m kg produced annually. Correspondingly, tea is Meru's biggest revenue earner, bringing in $1-2 per kg to fetch some KSh4bn ($45.6m) per year over the past few years. A recent price slump will likely result in significantly lower revenues in 2014. Banana production of 200,000 to 300,000 tonnes annually leads horticulture. The most lucrative product among all of Meru's agricultural products is cut flowers, which earn KSh200-250 ($2.28-2.95) per kg.

THE BIG PLAYERS: While most Meru farmers have small plots, large farms also exist. In the northern ward of Timau in Buuri subcounty a half dozen large farms produce horticulture, wheat and livestock. The largest three are Marania, Oldonyo and Kisima, each around 10,000 acres. Marania's major products are wheat and dairy, Oldonyo focuses on wheat, and Kisima's main produce is horticulture (largely flowers) and dairy. Protea, Lobelia, and Ibis are other large-scale farms, each with around 3000 acres or less, and growing a range of horticultural products including flowers, garden peas and French beans.

Some of these larger farms are venturing into value addition. Kisima, for example, is setting up a processing plant to make cooking oil and potato crisps. The Horticultural Association of Kenya, established in

1999, meets regularly to share best practices. Horticulture farmers agree that the future is promising for Meru. "Investors keep coming looking for agricultural land," said John Angaine, a boardmember on the County Public Service Board and an investor in Meru horticulture. He said that investors come looking for 500-plus acres but are unable to find such large plots. Investor appetite is expected to continue to rise as farms will benefit from a newly expanded Isiolo airport and a railway line for exports, through a Vision 2030 national megaproject. Greenhouses are commonplace among the larger commercial farms, averaging 100 metre by 25-metre tunnels, but costs of KSh34m ($387,000) tend to limit their popularity, although the cost can typically be recovered from two years of production according to Angaine.

COUNTY ASSISTANCE: As is the case throughout the continent, farmers in Meru rarely realise their full earning potential because they are engaged in agriculture, rather than agribusiness. Farmers sell their produce raw at low prices while brokers (middlemen) take the profits. Efforts are under way to promote agribusiness as an industry by setting up agro-processing facilities run by farmer cooperatives.

The agriculture sector also faces challenges related to an increase in crop pests and the price and quality of agricultural inputs. To address this, the county government is looking to provide local support throughout the entire agriculture value chain. "We are collaborating with input suppliers for fertilisers and pesticides, financiers such as microfinance institutions, farmers associations to market products, regulators, health inspectors, and exporters," said Kinge Manene, county chief officer for agriculture.

Funding of an additional 11% is being allocated to the agriculture sector's budget for fiscal year 2014/15. The County Fiscal Paper, which sets out the budget for the fiscal year ending June 2015, identified the following as priorities: input supply support, increasing production and productivity, strengthening the use of modern technology, reducing the losses from disease and pests, and improving marketing and branding. The County Integrated Development Plan has also earmarked KSh2.1bn ($24m) to promote the sector through June 2018. Activities will include improving

Agricultural investments, FY2013/14 (KSh m)

Crop management	60
Commodity marketing	20
Input supply support	45
Botanical garden	1
Bee farming	10
Livestock management	15
Animal disease management	5
Value addition & agro-processing	20
Forestry & nurseries	10
Fish ponds	25.2
Irrigation development	200
TOTAL	411.2

SOURCE: Meru County Budget 2013/14

The county has identified increasing agricultural production and use of technology as priorities

storage facilities; promoting value addition through food processing; rehabilitation of the coffee and cotton sectors; soil conservation and management programmes; input supply provision; as well as extension services support. Some examples of the other budgeted programmes through June 2018 are the KSh50m ($570,000) farmers' empowerment programme and the KSh1.5m ($17,000) capacity building programme. These initiatives include post-production technology transfers, extension services, and grants.

Farmers are also offered subsidised equipment leases, tax breaks and low-cost land as incentives. Farmers already have access to subsidised fertiliser via the National Cereals and Produce Board, under the Ministry of Agriculture. Through this programme, the county receives fertilisers at 50% of market price, and the fertilisers are offered to local farmers through the county agricultural board.

RECENT DEVELOPMENTS: Coffee was a leading sector in Meru 20 years ago. The 1995 production level was 63m kg compared to 19m kg in 2013. Coffee production slumped because of a variety of factors that adversely impacted growers, including unpredictable global prices, erratic weather, expensive farm inputs, payment delays and poor sector management. Given the apparent lack of a ceiling on global coffee demand, the county government is offering incentives for farmers to return to coffee. The government procured 2800 bags of fertiliser (each 90 kg) and 200,000 seedlings to be distributed. This is part of a wider county goal of pushing farmers up the value chain. Since February 2014, Meru has started milling, branding and marketing its own coffee.

The government is also looking to directly invest a total of KSh1m ($11,000) for coffee rehabilitation and cotton development through 2017. Cotton has high export potential under the U.S. African Growth and Opportunity Act. Recognizing the opportunity, Meru's county government bought 60 tonnes of cotton seed in fiscal year 2013/14. This purchase was

The expense of greenhouse infrastructure, which costs approximately $387,000, has been a limiting factor in their use, though efforts to improve irrigation could boost output.

Coffee was once a leading product in Meru. In 1995 the county produced 63m kg, however, this had declined to only 19m by 2013. Still, new branding efforts could see production increase.

Farmers are usually paid a monthly fixed fee of $0.16 per kg of tea

Miraa is regarded as the county's "green gold", and has earned as much as $11.40 per kg in previous years, though revenues have declined from $16m in 2011 to $11.4m in 2013.

made in partnership with Stanley Munga, the chairman of Equity Bank, through Gaitu Cotton Ginnery, a county quasi-governmental organisation. The ginnery will assure farmers of a minimum price upon delivery.

Rice is also a focal point, particularly a crop known as New Rice for Africa (Nerica) which does not require wet paddies and can grow in normal soil. Nerica is a hybrid rice that produces a higher yield per acre than the maize and beans that are traditionally grown by Meru's small-scale farmers. Meru has bought 2 tonnes for a trial in Tigania West and Imenti South subcounties. While coffee, cotton and rice are on the rise as Meru's upcoming cash crops, long bread winners, such as tea and miraa are going through a rough patch. Tea earnings are usually smooth, as all tea is sold at the Mombasa auction.

Farmers ordinarily get paid a fixed fee of KSh14 ($0.16) per kg on a monthly basis by the Kenya Tea Development Agency (KTDA), and twice yearly bonuses – a mini bonus in April and a larger one in October. The bonuses are essential to tea growers' livelihoods because the monthly payments alone are insufficient to make ends meet. In 2014, however, KTDA, announced that the April bonus would not be paid to farmers because of low international prices The lost April bonus was expected to be KSh5 ($0.057) per kg and farmers were told in mid-2014 to also expect a lower-than-usual bonus in October.

GREEN GOLD: Despite its importance to farmers, tea at the Mombasa auction was being bought for $2.5 per kg in the 2013/14 season, as opposed to $3 in the previous season. January 2014 was particularly bad, with tea prices down 50% year-on-year. Supply and demand side reasons have been cited for reduced prices – favourable weather conditions in major tea-growing countries led to an oversupply, while demand from large buyers such as Egypt, Sudan and Pakistan has been subdued because of instability in those countries. KTDA is seeking to diversify to markets in East Asia to reduce future price instability.

Known as the county's green gold, miraa has been known to fetch up to KSh1000 ($11.40) per kg. This lucrative plant is coming under increased international scrutiny and trade bans are on the rise. The latest European counties to ban miraa were the UK in June 2014 and the Netherlands in January of the same year. The UK has also classified miraa as a Class C drug, in the same category as steroids.

Efforts to overturn the ban have gone to the highest levels, with even Kenyan President Uhuru Kenyatta having intervened. Miraa revenues fell from KSh1.4bn ($16m) in 2011 to KSh1bn ($11.4m) in 2013. However, another threat to Meru's miraa industry is competition from other counties.

Meru has traditionally been one of the only counties in Kenya with the right soil and climate to grow miraa, and it had a virtual monopoly. Now, tea farmers in Rift Valley counties are planting a hybrid miraa. Seedlings are a pricey KSh500 ($5.70) and trees have a three-year lifespan, but farmers expect returns of KSh500 ($5.70) per kg. Falling earnings in 2014 have sparked this product substitution and farmers who are already growing the hybrid miraa earn between KSh4m-10m ($45,600-114,000) per acre annually.

STORAGE: A lack of adequate storage facilities has traditionally led to significant wastage and farmers sell perishing produce at throwaway prices, exacerbating price instability. Farmers use storage facilities of traders and the National Cereals and Produce Board (NCPB) depots. There are two NCPB depots in the county, in Meru Town and Maua. Apart from these, there are approximately 32,000 cribs that farmers use to store their products as well as 1600 trader stores. Three new grain silos were completed in the fiscal year ending June 2014, each with capacity of 100,000 bags (each 90 kg).

A county flagship project will spend KSh400m ($4.6m) to develop one model grain cleaning, sorting and warehousing store in each subcounty. Given the poor road network and lack of rural infrastructure, farmers without access to grain silos have traditionally stored their harvest in sacks. To combat infestation due to low-quality sacks, in fiscal year 2013/14 the county government procured 18,000 Purdue

Agricultural area, production & value of staples, 2012*

	Area (ha)	Production (tonnes)	Value (KSh m)
Staples			
Maize	95,101	444,103	3985
Beans	80,531	131,895	4354
Pigeon peas	14,962	36,662	507
Dolichos	4282	8144	127
Cow peas	6,926	19,687	150
Green grams	5470	9626	178
Sorghum	14,592	26,150	307
Millet	6019	4703	200
Wheat	15,265	60,022	1262
Sweet potato	1106	6315	182
Irish potato	21,245	235,978	5296

SOURCE: Ministry of Agriculture, Livestock & Fisheries *Selected crops only

Improved Crop (PIC) storage sacks (400 per ward) for grain storage. PIC sacks allow for grain storage up to one year without contamination from weevils and other infestations. The sacks are being distributed among small-scale farmers at no cost to them.

The county is additionally looking to procure 18 weighing scales in 2014, while plans are also under way to build new cereal stores for both inputs and harvests. Even when farmers do have access to storage facilities, excessive moisture is a major cause of post-harvest crop losses in Meru. To combat this problem, the county government has procured 45 moisture metres (one per ward) in the fiscal year ending June 2014. These moisture metres will serve to ensure there is less than 15% moisture content in grain, thus preventing mould and crop loss in storage.

As further measures to prevent crop loss, the government is looking to set up more market centres for fresh produce and is also in the process of building 10 cooling facilities, spread across the county and two have been completed so far, under this national government-funded project. The remaining eight are expected to be completed by the end of 2014. These facilities will enable farmers to avoid transporting goods to Nairobi for cold storage, and with Isiolo airport expected to serve as an export base, cold storage units in the County have high demand potential.

IRRIGATION & SOIL: Eleven rivers flow through Meru County, originating from Mount Kenya and the Nyambene mountain range in the north. There are also 12 shallow wells, 30 protected springs, two water pans, 16 dams and 105 boreholes serving the county.

While much of Meru County benefits from abundant rainfall, efforts are under way to excavate water pans in the drier areas where water can be stored for up to three months. There is little modern irrigation in Meru, although the larger farms are adopting drip irrigation and greenhouse technologies. The county government has set an aspirational goal to irrigate 100,000 acres by 2017. The County Integrated Development Report 2013-17 finds that 200,000 acres have irrigation potential, and only 5266 acres are currently under irrigation in the county.

The Japan International Cooperation Agency is also funding a KSh71m ($809,000) irrigation scheme covering 1100 acres in the Igembe subcounty. KSh50m ($570,000) will be given through a grant and the remainder will be covered through farmers' labour.

Water cooperatives, such as Thuura-Giaki, are community-centred water schemes that manage water supply for both irrigation and farming, and for domestic use. Such organisations also work to ensure the safe use or water, as some agricultural chemicals have been contaminating the water supply, which is then used further downstream for drinking.

Soil fertility initiatives, like training on crop rotation techniques, are being promoted by the county government, which is spending KSh2m ($22,800) on soil conservation efforts. The goal is to have 80% of arable farmland under soil conservation initiatives by 2017. A reforestation programme is also currently under way to mitigate the effects of climate change. Meru is compliant with national natural resource conservation laws, such as the Environment Management and Coordination Act and the Kenya Forest Service Act. The county also spent KSh2m ($22,800) in the fiscal year ending June 2014 on drought resistant crops such as Irish potatoes and snow peas. There is a Kenya Agricultural Research Institute substation in Meru County, which conducts research on dry crops such as sorghum, millets and cassava.

Water management and protection is a key consideration in Meru

There is little modern irrigation in Meru, although the larger farms are adopting drip irrigation and greenhouse technologies. The county government has set a goal to irrigate 100,000 acres by 2017.

LIVESTOCK & HERDS: While most land is used for crop farming, there is some livestock rearing in the drier parts of the county including Tigania and Igembe. The main livestock raised are cattle (Friesian, Zebu, and Jersey), goats (Toggenburg), sheep (Merino), pigs, poultry and some rabbits. While most people use their livestock for domestic purposes, some industries, like dairy production, are growing. Beef and milk production have been the biggest revenue takers, each earning KSh2bn ($22.8m) annually.

There are eight large ranches each averaging 240 acres. One of them, Lewa, doubles as a wildlife conservancy and attracts tourism. Lewa Conservancy even hosts an annual marathon which is renowned for runners encountering game animals during the race. The organisers additionally provide air support during the race to track animals to ensure enough separation between runners and wildlife. Animal feed is generally produced on a small-scale or is procured from

Agricultural area, production & value of cash crops, 2012*

	Area (ha)	Production (tonnes)	Value (KSh m)
Cash crops			
Coffee	8077	83,764	713
Tea	3781	44,569,114	4345
Cotton	1216	1181	40
Miraa	419	181,254	55
Macadamia	1203	2618	176

SOURCE: Ministry of Agriculture, Livestock & Fisheries *Selected crops only

By 2017 it is hoped that livestock capacity can be bolstered, primarily through an effort to improve accessibility, but also through the development of value-added products.

outside Meru, but a handful of suppliers also produce it commercially. Kisima is the only farm doing large-scale animal feed production, both supplying their own daily production needs and selling surplus. Meanwhile, Mwonyo Quality Feeds is a standalone factory that exclusively produces animal feeds and sells it to farmers at prices that are cheaper than feeds from outside the county.

However, to scale up support for animal husbandry, more input is needed and a KSh1bn ($11.4m) budget expenditure has been earmarked for livestock support programmes during the five-year County Integrated Development Plan period. The programmes will include dairy cattle promotion, livestock marketing, bee keeping, rabbit production, and veterinary projects such as disease control. Vaccines worth KSh6.4m ($73,000) were procured and 7000 animals were vaccinated each month in the first quarter of 2014.

A KSh6m ($68,400) project aims to reduce the incidence of tick-borne diseases by 2017. Efforts are also under way to issue slaughter house licences and improve meat inspection, while a KSh38m ($433,000) livestock marketing project will train farmers and set up information centres, aiming to increase market accessibility by 20% by 2017. Eventually, merino wool and Meru cheese will also be developed.

FISHY BUSINESS: At the end of 2013, there were approximately 2000 small-scale fish ponds, distributed relatively evenly across all of Meru's nine subcounties. Meru's 2500 fish farmers raise tilapia, mudfish and trout mainly, and most of them grow agricultural crops as well. In 2012, the fish harvest was 15,000 kg bringing in turnover of KSh3.45m ($40,000).

Meru's County Integrated Development Plan has budgeted KSh1.7bn ($19.4m) for fisheries from 2013 to 2017. Three projects will each take KSh500m ($5.7m) of this. One will create hatcheries for fingerlings in five subcounties, another will provide fish farm input supplies such as lining and fish feeds in all nine subcounties, and the last one will see the construction of new fishponds in all nine subcounties. Some 140 new fishponds had been constructed by June 2014. The construction was managed by farmer groups, but the county provided the polythene lining material to prevent seepage, as well as the initial feed prior to the first harvest. The fish ponds are expected to be sustainable by end-2014. The fisheries department wants to have the whole value chain, from hatchery to fish ponds to processing plants. A hatchery in Buuri subcounty will serve to supply fishponds with fingerlings, and two processing plants will be built in South Imenti, with cold storage in Kanyakine and Maua.

Agro-ecological zones

Zone	Area covered	Size (sq km)	Suitable crops
Wheat-barley zone	Timau, Kibirichia	227.5	Wheat, barley, potatoes, cabbages, snow peas, canola
Tea-dairy zone	Abo West, Nkuene, Abogeta, Igoji, Abo Central	133.5	Tea, dairy, cabbages, carrots, kale, peas, pyrethrum, plums
Wheat-barley, cattle-sheep zone	Timau	207	Wheat, barley, peas, kale, green onions, sheep, dairy/beef cattle
Tea-coffee zone	Various	100	Tea, coffee, cabbages, kale, yams, sweet potatoes
Main coffee zone	MM East, Abo Central, Abogeta	196	Coffee, millets, beans, sweet potatoes, avocadoes, macadamia, bananas
Marginal coffee zone	MM East, Nkuene, Abogeta, Tigania Central, Uringu, Mutuati	191	Coffee, maize, bananas, macadamia, mangoes, sunflower
Ranching zone	Timau, Buuri, Igembe North, Mutuati, Kibirichia	261	Not suitable for rain-fed agriculture
Cotton zone	MM East, Abo East, Nkuene, Abogeta, Mitunguu	314.5	Cotton, mangoes, cowpeas, pigeon peas, green grams, groundnuts, millets, sorghum, sunflower, pawpaw
Marginal cotton zone	Ntolele, Igembe South, Igembe South-east	226	Millets, sunflower, cowpeas, chickpeas, groundnuts, green grams, cotton, mangoes, moth beans
Livestock-millet zone	Akithi, Tigania West, Tigania North, Mutuati, Ntolele	747	Green grams, cowpeas, chickpeas, cassava, mangoes, pawpaw
Ranching zone	Mutuati, Igembe North	842	Ranching, crops can only be grown under irrigation

SOURCE: Ministry of Agriculture, Livestock & Fisheries