



# MCIDC Investment Plan



— MERU COUNTY —  
**INVESTMENT &  
DEVELOPMENT**  
CORPORATION

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## 1.0 Preface

Meru county investment and Development Corporation is a Meru County Government Corporation established vide the Meru County Investment & Development Corporation Act, 2014 to provide for the establishment of legal and institutional framework for promotion and co-ordination of investment and development and for connected purposes in Meru County.

As per Section (3) of the Act, the corporation was established to offer a legal and structural framework for the county investment and development in order to;

- i. enhance financial and economic prudence in county government investments;
- ii. establish an efficient and effective instrument for managing county government investments;
- iii. enhance competitiveness of county government investments;
- iv. promote local investment and economic development;
- v. enhance county revenue base
- vi. provide for mobilization of finances for investments;
- vii. provide for investment in socially beneficial projects;
- viii. facilitate investments by county residents;
- ix. Coordinate and facilitate investments in the county and, enable the county government to undertake public private partnerships and joint ventures in areas that are beneficial to the county.

Section 4 (2) of the Meru county Investment and development corporation empowers the corporation to be capable of:

- i. Taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property;
- ii. Borrowing money or making investments;
- iii. entering into contracts; and
- iv. Doing or performing all other acts or things for the proper performance of functions under this Act which may lawfully be done or performed by a body corporate.

The responsibilities vested on the corporation as provided for by section 5 of the Act includes:

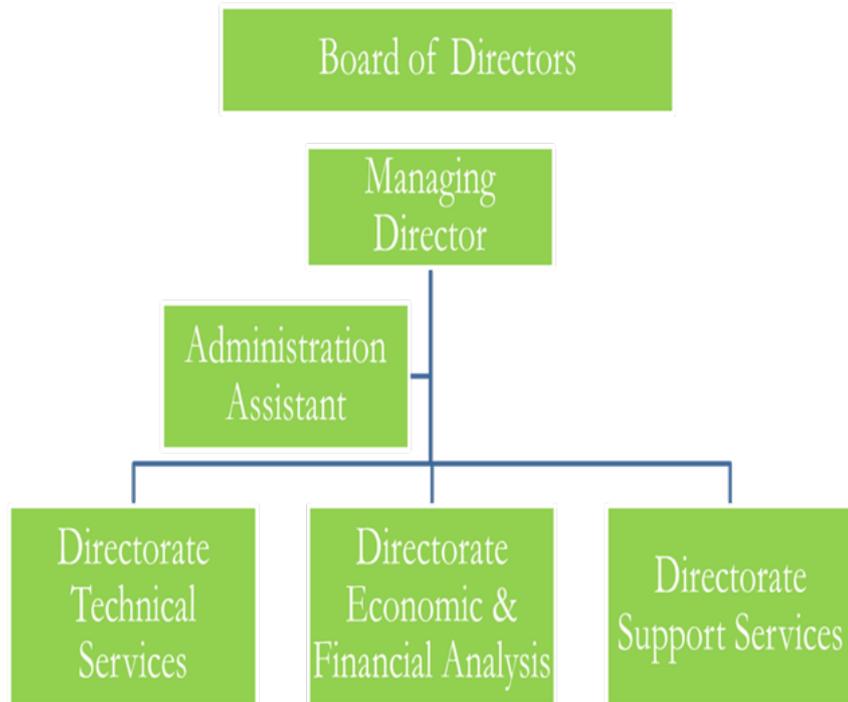
- v. Holding property and assets on behalf of the county government for the purposes of investment and development;
- vi. Undertaking investments on behalf of the county government for the purposes of generating revenue;
- vii. Undertaking any development initiative for the county with a business or social purpose;
- viii. Identifying strategic investment opportunities for the benefit of the county;
- ix. Undertaking business ventures solely or in partnership with other entities or persons for the benefit of the county;
- x. Promoting local economic growth and job creation;



- xi. Advising and facilitating the county government and county residents on investment opportunities within and outside the county;
- xii. Assisting and facilitating investors from within or outside the county to establish investments in the county;
- xiii. Promoting and facilitating investment in the county;
- xiv. Acting as the focal agency for investment promotion and facilitation in the county;
- xv. Advising Executive Member and the county executive committee on necessary policies, programs and plans to be adopted in order to attract investments in the county;
- xvi. Carrying out such other roles necessary for the implementation of the objects and purpose of this Act;
- xvii. Perform such other functions as may, from time to time; be assigned by the county executive committee.



## 2.0 The organisational Structure





## 3.0 OBJECTIVES

The objective of this plan is to provide a long term policy guidance on investment opportunities in Meru County, available financing opportunities for these opportunities and appropriate engagement models between the corporation and the private sectors. This plan seeks to profile investment opportunities in Meru County by sectors and by specific industries and define a package of incentives to investors, assist the corporation in effectively supervising, monitoring and evaluating their investment assets. Those assets are held by the corporation as a steward for the sake of carrying out its mission and purposes.

The Meru County Investment & Development Corporation Act section 25 (3) states that the Corporation shall prepare an Investment Plan that shall among other things provide for;

- i. Source of investment capital.
- ii. Targeted investment opportunities.
- iii. Investment portfolio.
- iv. Expected return on capital or investment.
- v. Specific investment projects and their respective projects appraisals including rate of return on investment or capital employed.
- vi. estimated cost of the investments

This plan is consistent with the Public Finance Management Act (2012) and the Meru

County Investment & Development Corporation Act (2014) with the purpose to:

### **Define and assign the responsibilities of all involved parties;**

Establish a clear understanding for all involved parties of the investment goals and

Objectives including the various asset classes, investment management styles, asset

Allocations, acceptable risk and total long term investment return.

- i. Provide guidance and limitations to all investment decisions that, in total, are expected to produce sufficient levels of overall diversification, risk, and liquidity within the portfolio, so that all assets are managed in accordance with the long-term objectives;
- ii. Establish a basis for evaluating investment results;
- iii. Ensure compliance with all fiduciary, prudence and due diligence requirements that experienced professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the investments;
- iv. Outline procedures and criteria to monitor, evaluate and compare the performance achieved on a regular basis, and report the performance to the Board of Directors;
- v. Manage the corporate assets according to prudent standards; and
- vi. Establish the relevant investment horizon for which the corporate's assets will be managed



## 4.0 DELEGATION OF AUTHORITY

MCIDC and its Board of Directors hold all assets as a fiduciary. The Board of Directors has delegated authority over its investment affairs to the management, who are further authorized to delegate certain responsibilities to professional experts in various fields. These include but are not limited to:

- a) Investment Manager – With discretion to purchase, sell, or hold the specific investment vehicles authorized by the management to meet the plan’s investment objectives;
- b) A Custodian– To physically maintain possession of investments owned by the organization, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased or sold; and,
- c) Additional specialists -such as attorneys, auditors, analysts, transaction advisors and others may be employed by the corporation to assist in meeting its responsibilities and obligations to administer investment assets prudently.



## 5.0 REPORTING REQUIREMENTS

### 5.1 Quarterly

The Corporation shall provide the board with detailed information about asset allocation, investment performance, future investment strategies, and other matters of interest to the board every quarter. Such a report shall include but not limited to;

- a) Then amend quantity of each security or asset purchased or sold, with the price and transaction date;
- b) An analysis is for each security or asset of its description, percentage of total portfolio, purchase date, quantity, average cost basis, current market value, unrealized gain or loss, and indicated annual income and yield at market.
- c) An analysis for the entire portfolio of the current asset allocation by investment category (equities, fixed income, cash, alternatives).
- d) Any other information that the board require for this purpose.

### 5.2 Annually

Section 16.(1) of the MCIDC states that "The Corporation shall, within three months after the end of each financial year, prepare and submit to the executive member a report of the operations of the Corporation for the immediate preceding year"

Section (2) further provides that the annual report shall provide information regarding the activities and plans of the Corporation during the year to which it relates sufficient to impart an accurate understanding of the nature and scope of its activities and its plans and priorities and, without limitation, shall include among other things—

- (a) Details of the performance of the Corporation against its key performance indicators; and
- (b) Report on the overall status of the investment portfolio and profitability of each investment venture including the Corporation's projections for the following year.

All portfolios held in all assets classes shall without any limitation be reported in such a manner as required by this Act.

The corporation will provide an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year by portfolio, to the full Board of Directors. Investment objectives will be reviewed to determine if they are being met.



## 6.0 General Investment Principles

Introduction: The corporation shall consider and apply the following principles in all investment ventures and undertakings either solely or in partnership with other parties.

### 6.1 Portfolio Diversification

Refers to investing in different assets classes in order to reduce principle overall investment risks and to avoid damaging a portfolio's performance on account of poor performance of a single industry. Through diversification, we shall minimize or eliminate our exposure to company specific risks minimize or reduce systematic risk and moderate the short term effects of individual assets class performance or portfolio

The Corporation shall seek optimal allocation of investment assets and resources to spread out the risk and maximize returns. Such diversification shall be across not only asset classes but geographical parameters as well.

### 6.2 Investment Strategy-

This shall inform the rules, criteria and principles of portfolio selection to tailor our investment objectives. The corporation shall employ a blend of active and passive strategies for both short term investment gains and arbitrage opportunities and long term appreciation in value respectively. This shall as well depend on the venture

in question and the prevailing economic circumstances. The corporation shall employ all possible means to hedge its portfolios against determinable risks and market downturns.

### 6.3 Risk and return play out

The management shall exercise due care in dealing with risky investments, to safeguard the interests of the public resources and ensuring that the risk exposure is commensurate enough with the returns pay off. The approach shall neither be too averse to antagonize its objectives, nor too much appetite for risk to result into massive financial loss.

### 6.4 Investment Analysis

The corporation shall seek to evaluate all investments to establish their risk profiles and returns payout, Capital commitment shall only be done once a thorough investment financial analysis has been done and a proven business case established and at the discretion of the management.



# 7.0 ASSET ALLOCATION

This the implementation of an investment strategy that attempts to balance risks vs. rewards by adjusting the percentage of each assets in an investment portfolio according to the investors risk tolerance, goals and investment horizon.

Section 23 of The MCIDC Act states that; Subject to any written law on governance of public investments, the Corporation shall have powers to—

- a) Establish subsidiaries, holding entities or joint ventures for undertaking any business venture for the purposes of realizing its objectives;
- b) Invest in property or real assets, bonds, securities, bank deposits, trust funds, Treasury Bills or any investment venture approved by the County Treasury

The purpose of this asset allocation is to accomplish the organization's investment objectives, based on its time horizon, risk tolerances, performance expectations, and asset class preferences for purpose of this p, an optimal portfolio shall be as below.

- a) What are traditional markets
- b) Can we elaborate in prose each of the asset classes and why they are important to before the table

## 7.1 Traditional Markets

Traditional markets ideally include equities and fixed incomes, a proper balance between both the former and the latter is important to help tame a

segment's volatility and offsetting of losses.

Equities historically have had more volatility than fixed incomes and recommended for an investor or strategy that embraces appetite for risk since they have a high upside potential. Fixed incomes by their nature have a lower risk profile and so their returns are as well moderate. Fixed incomes can either be issued by corporates – Corporate bonds or the treasury that ideally consist of short term securities-treasury bills, and long term instruments-treasury bonds.

Equities in the long run tend to outperform bills and bonds including potential for capital gains. Holding substantive cash again presents huge opportunity cost and risk of value erosion. Once ideal liquidity preference has been established then surplus should be held in interest bearing securities.

Further guidelines with regards to assets quality are as below;

**Equity Securities** – may invest in any unrestricted, publicly traded or privately placed or listed on a major exchange or a national, over-the-counter market that is appropriate for the portfolio objectives, asset class, and/or investment style. Fixed Income Securities– This refers to the quality rating of bonds and notes must be "A" or better, as rated by Standard Poor's or Moody's. The portfolio may consist of only traditional principal and



interest obligations (no derivatives) with maturities of seven years or less.

A-, as rated by Standard & Poor's, as rated by Moody's, or better. The assets of any money market mutual funds must comply with this standard and/or the quality provisions for fixed-income securities.

**Cash and Equivalents**– This refers to the quality rating of commercial paper must be

Asset Class	Lower Limit	Strategic Allocation	Upper Limit
a)Equities	45%	65%	75%
Large Cap	25%	30%	45%
Small Cap	15%	20%	25%
International	10%	15%	20%
b)Fixed Income	20%	30%	40%
c)Cash and Equivalents	0%	5%	10%

**7.2 Prohibited investments**

These portfolios shall be avoided in the near run as the markets are not well developed locally, their disclosure requirements are not at the moment imposed by a statutory body making it not easy to profile them in terms of risk and returns making them not ideal for investing public resources too.

They shall include, but are not limited to;

- Commodities
- Futures and forwards contracts and all forms of derivatives
- Options
- Swaps
- Hedge funds

The management shall have the discretion of reclassifying any asset class from prohibited to allowable or otherwise based on a prudent premise.

**7.3 Private placements & Non-registered securities**

Strategic buy-The management shall, on identification of such an opportunity carry

out a thorough financial analysis .If a valid investment case shall be confirmed, general social welfare affirmed and resource allocation available then a decision shall be made to acquire not more than 75 % of outstanding shares or additional issue. The corporation being a public entity shall see to it that industries within the county of Meru that have got potential of growth supported both technically and financially. In such a situation or circumstances of financial distress the corporation shall have not less than one third of the total available seats in the board of the distressed entity to safeguard the interests of the corporation and the investing public

**Asset Diversification** – This refers to the Corporation will maintain reasonable diversification at all times, no equity securities of anyone company should exceed 5 percent of the total equities portfolio nor the total securities position (debt and equity)in any one company to exceed 10% of the portfolio. Reasonable sector allocations and diversification must



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also be maintained. No more than 20% of the portfolio may be invested in the securities of any one sector.

**Rebalancing of Strategic Allocation** – should be adopted as a risk-management strategy. Once an asset allocation is implemented that matches the portfolio’s risk tolerance, rebalancing approximately semi-annually should allow the maintenance of risk exposure at an appropriate level.



## 8.0 Agricultural Sector

The corporation shall profile investment opportunities by sectors and specific industries in those sectors. This shall be guided by the comparative advantages including natural resource base and raw materials in those sectors.

We have identified the following sectors as areas of focus: - agriculture and livestock, renewable energy, tourism and hospitality and real estate sectors. These sectors are investment opportunities in

### 8.1 Potatoes

Demand for potatoes is growing annually at a rate of 3.1% globally. Largely being consumed in urban centres. Increasing urbanization also increases demand for potatoes and their processed products.

Meru is among the 14 chief potato producing counties with Meru potatoes attracting premium prices in major urban centers.

Globally potato production stands at approximately 350 Metric Tones and FAOSTAT projects this number to be approximately 400 Metric Tonnes by 2021.

Investment opportunities exist in

- Cold storages
- Processing – Chips, crisp, starch, animal foods

**Opportunity** – Demand for chips, crisp, starch and animal feeds is growing locally, regionally, internationally.

Potato processing shall solve the problems of post-harvest losses, farm prices, jobs creation, and capacity building through the factory

The informal value chains that currently market potatoes add no value at all and is dominated by multiplicity of intermediaries with little co-operation and regulation.

#### 8.1.1 Investment & Return Measures

Item	Estimated Capital Investment	Funding	Timelines	IRR Preference	NPM
Potatoes	\$2,304,231	Internal Funds + Private Investors	2017	34.00%	24%



### 8.1.2 Capital Recovery

Weighted Average Cost of Capital	21.7%
Years (n)	10
Capital Recovery Factor	0.25
Initial Investment	Kes.145,329,997.00
Desirable Annual Cashflow	Kes.36,683,776.29

### 8.2 Banana processing

The main fruit crops in Kenya include Bananas (37.6%), fruits contribute approximately Kshs 60 billion to the national output which translates to approximately 33% of the total horticultural produce.

Fruits production as well as the total area under fruits plantation is annually increasing at the rate of 6% and 15% respectively.

Kenyan highlands account for over 70% of all fruits in Kenya’s fruits basket. Meru County accounts for over 50% of this production from the highland region. The domestic market continues to absorb 7-8 times of the export produce despite the rapid growth of export market in the last three decades. The domestic demand for fruits is growing at the rate of 5% annually on estimate. The processing sub sector has not been fully exploited. Most processors import concentrates for juice processing. Annually Less than 10% of the total horticulture produce is processed for domestic and export market, just about 450,000 metric tons. Approximately there are about 30 medium and large companies

involved in fruits and vegetables processing in the country. Meru is one of the major fruits producing counties and currently No. 1 producer of bananas, No. 5 producer of mangoes, No. 4 producer of pawpaw and no.4 producer of passion fruit due to good soils and climate. The country has been experiencing increased fruits production in the recent years.

Increase in production is due to

- More land under irrigation
- Adoption of superior varieties
- Availability of clean planting materials from tissue culture technology.
- Farmers exposure to better agronomic practices
- Packaging and standardization

The main varieties grown in Meru County are: GrandNain, Gross Mitchel, and Chinese Cavendish, Giant Cavendish, Dwarf Cavendish, Grand, Shisikame, Uganda Green, Ngómbe and Gold Finger. They are also available in culture technology packaging. Meru County is, currently, the number one banana producer in the country. The table below shows production figures.



Year	Area (Ha)	Production	Value (Kshs) Million
2011	6,112.00	272,844.00	2,827.00
2012	6,194.00	288,803.00	2,676.00
2013	6,493.00	307,013.00	3,422.00
2014	6,426.00	215,580.00	2,475.00

Bananas hardly go for any processing in this country. A large percentage of bananas is consumed as fresh fruit. There is, therefore, potential for processing the products that can be made from bananas include

- Crisps
- Flour
- Starch

There is, currently, no banana processing facility in Meru County. The corporation shall adopt the model below and gradually scaling up to build and operationalize a banana processing plant in the county.

### 8.3 Mangoes

Mangoes production has been on the rise gradually, and so is the value, however

#### 8.2.1 Investment & Return Measures

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector
\$1,453,300	Internal Funds + Private Investor	Joint Ventures	2017-2020	23%	Agro-Processing

#### 8.2.3 Capital Recovery

Weighted Average Cost of Capital	23.33%
Years (n)	10
Capital Recovery Factor	0.27
Initial Investment	Kes.145,329,997.00
Desirable Annual Cashflow	Kes.38,653,372.00

little value addition has been done and this presents a business opportunity for value addition hence fetching better market prices. Meru is the 5th ranked highest mango producer at 6.5% behind Machakos, Migori, Kilifi and Kwale at 8.4%, 9.9%, 14.7%

and 18.3% respectively. This presents a huge potential with the only large scale processor being Del Monte in Thika.

The production statistics support an investment case. The corporation plans



YEAR	AREA (HA)	QUANTITY "000"	VALUE "000 000"
2011	39,367	452.94	112.72
2012	43,777	520.43	6,176.93
2013	46,980	581.29	7,458.56

to partner with the private sector and other public entities with the sole aim of processing mangoes to juice and tinned salads.

The resource need, parameters of measure and form of engagement are below summarized.

### 8.3.1 Investment & Return Measures

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector
\$5,000,000	Internal Funds + Private Investor	Joint Ventures	2016-2020	22%	Agro-Processing

### 8.3.2 Capital Recovery

Weighted Average Cost of Capital	23.33%
Years (n)	10
Capital Recovery Factor	0.27
Initial Investment	Kes.50,000,000.00
Desirable Annual Cashflow	Kes.13,500,000.00

### 8.4 Macadamia

A brief outlook of the macadamia sector

gives motivation and incentive to focus resources on processing the product.

The below table summarizes the key indicative figures

Indicative Figures	Parameter of Measure
27,000 Tonnes	Average Annual Macadamia production in Kenya
Ksh.92	Average on farm price per kg for macadamia
America, USA, China, Australia, Asia	Main exports destination for macadamia (84%)
1,100,000	Population of macadamia trees nationally
60%	Macadamia oil content
20%	Approximate waste in processing
5000 Tonnes	Annual processing capacity for an average normal factory
Sh.3, 000	Price per kg for Macadamia Oil Extractor
Sh.1, 276	Price per kg for Macadamia nut roasted



#### 8.4.1 Investment & Return Measures

The capital requirements

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector
\$2,500,000.	Internal Funds + Private Investor	Joint Ventures	2016-2020	130%	Agro-Processing

#### 8.4.2 Capital Recovery

Weighted Average Cost of Capital	23.33%
Years (n)	10
Capital Recovery Factor	0.27
Initial Investment	Kes.50,000,000.00
Desirable Annual Cashflow	Kes.13,500,000.00

#### 8.4.3 Macadamia and its by-products.



### 8.5 Honey

The strengths of Honey Production and processing in Meru include;

- Great diversity and availability of bee flora
- Large honey product and honey production potential
- Beekeepers are receptive to the new technologies

- Availability of honey procurement, processing and marketing facilities by both the government and private entities
- Easy loan facilities from banks
- Existence of hive manufacturing organization among many more

The facts in the table below support our business case.

Indicative Figures	Parameter of Measure
46	No of clusters to be set across the county
1.9 MnTonnes	International market for honey
80%	Kenya land suitable for bee keeping
\$12Bn	Global honey market (2015)
700 Metric Tonnes	Estimated annual honey production in Kenya

MCIDC Intends to employ the clustered industries model, to establish mini processing centers on the entire 46 ward in the county.

We intend to organize groups of farmers to consolidate production and ensure consistence of supply and quality controls. We shall employ common packaging and

branding as well as push the products to the market.

Our main collaborators are both public and private entities among them Kenya Industrial Research & Development Institute and International Centre of Insect Physiology and Ecology ICIPE among others.

#### 8.5.2 Investment & Return Measures

Below are the investments parameters.

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector	No.of Mini-processors
\$500,000.	Internal Funds + Private Investor	Joint Ventures	2016-2019	55%	Agro-Processing	46

#### 8.5.3 Capital Recovery

Weighted Average Cost of Capital	23.33%
Years (n)	10
Capital Recovery Factor	0.27
Initial Investment	Kes.50,000,000.00
Desirable Annual Cashflow	Kes.13,500,000.00



### 8.6 Other fruits

The corporation, through support from KIRDI shall seek to add value to among others.

- **Grapes**-Accounts for 0.7% of total fruits production
- **Passion fruits**-Accounts for 3.7% of total fruits production.
- **Avocado**-Accounts for 9.6% of total fruits production.

95% of the fruits are consumed are locally consumed with little processing and brings to the economy approximately 60Bn shillings annually which is slightly above 34% of the gross horticultural produce.

Nationally, there are approximately 30 firms carrying out the business of fruits processing majority on very small scale.

Meru is one of the major fruits producing counties in Kenya. It is currently No. 1 producer of bananas, No. 5 producer of mangoes, No. 4 producer of pawpaw and No. 4 producer of passion fruit. The county has huge potential for fruit production given its good climate, good soils and large fruit production zone.

Meru produces between 4500-5000 metric Tonnes annually worth 60 Mn shillings in value.

The corporation intends to add value to these fruits through a wide strategy ranging from cottages, mini wineries to large scale processing plants. Fruits can share common processing and cheap technology is available in the market to implement this.

#### 8.6.1 Investment & Return Measures

The matrix of this engagement shall look as below.

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector	No.of Mini-processors
\$1,500,000	Internal Funds + Private Investor	Joint Ventures	2016-2019	25%	Agro-Processing	46

#### 8.6.2 Capital Recovery

Weighted Average Cost of Capital	23.33%
Years (n)	10
Capital Recovery Factor	0.27
Initial Investment	Kes.150,000,000.00
Desirable Annual Cashflow	Kes.40,500,000.00



## 8.7 Leather

### 8.7.1 Sector Snapshot

The raw materials outlook

Parameter	Measure
Population of cows (Nationally)	17.5 Mn
Population of goats (Nationally)	27.7 Mn
Population of sheep (Nationally)	17.1 Mn
Population of camels (Nationally)	3.0 Mn
<b>Meru</b>	
Population of beef cattle	250,000
Population of dairy cattle	180,000

### Indicative Facts

Indicative Figures	Parameter of Measure
10.6 Bn	Sector contribution to GDP
22,540	Individuals employed by the sector
14	No.of existing tanneries nationally
22	Expected No of tanneries by 2016
85	Leather goods cottages nationally
0	No.of tanneries located in Meru
60%	Wet-blue production of the total local capacity
25%	Crust leather production of the total local capacity
15%	Finished leather production of the total local capacity
25	Enterprises involved in formal production of leather goods nationally
10,000	Hides & skins produced monthly in Meru County

### 8.7.2 Export Tax Incentives

Type	KRA Levies of (FOB Vaue)	Dep.Veterinary Services (FOB Value)
Raw hides & Skins	80%	2%
Wet blue leather	0 %	1%
Crust Leather	0%	0.5%
Finished Leather	0%	0%



With such sure numbers and government incentives, MCIDC plans to inject cash into two mini tanneries over the next five years at a cost of 50 Million to be executed

as a joint venture with strategic partners on locations to be determined based on further study.

### 8.7.3 Investment & Return Measures

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector	No. of Mini-processors
\$1,735,234	Internal Funds + Private Investor	Joint Ventures	2016-2017	26%	Agro-Processing	46

### 8.7.4 Capital Recovery

Weighted Average Cost of Capital	21.70%
Years (n)	10
Capital Recovery Factor	0.25
Initial Investment	KES 173,523,436.00
Annual Desirable Cashflow	KES 43,800,282.38

### 8.8 Real Estate.

Housing is key to a revitalized economy. Decent housing is a key pillar of vision 2030 with approximately 206,000 units being required annually against a supply of 50,000.

On estimate, a total of 4.3 Million units will be produced between 2008-2030 of which 52% will be for low income urban households. Annually urban housing production will increase from the current 35,000 units to 343,232 by 2030.

Strengths of the sector include;

- Land reforms by NLC expected to spur growth.

- Introduction of a 100% full value of the house financing
- RBA allowing up to 60% of the pension contribution to secure a mortgage
- Introduction of fixed rate mortgages by some financial institutions.

These statistics present supports our investment case. The corporation intends to focus on this segment guided by the below investment parameters and as it shall be reviewed case on case by the management.



**8.8.1 Investment & Return Measures**

Segment	Yields	Investments Structure	Funding
Industrial	14.0%	PPP,	Internal Funds + Private Investor
Office	10.0%	PPP,BOT	Internal Funds + Private Investor
Retail	12.0%	PPP,BOT	Internal Funds + Private Investor
Residential	9.0%	PPP	Internal Funds + Private Investor
Educational Facilities	11.0%	ppp	Internal Funds + Private Investor

**8.9 Hospitality & Catering**

Vision 2030 vision for tourism is to “become top ten long-haul tourism destination in the world that offers a high value, diverse and distinctive visitor experience, strongly anchored on quality and diversity of tourism products.

Three of the four products envisioned to achieve this, that the corporation shall focus are;

- The safari products-Aimed at improving the quality of premium safari parks and opening resorts in underutilized parks
- Conference and business tourism products-Investing in new and upgrading existing hotel facilities to boost revenue from conference and business tourism
- Niche Products-Nurturing and expanding high net value niche products such as cultural tourism, eco-tourism, conference tourism and sport tourism.

The County Integrated Development Plan has on it 3 objectives enhancement of hospitality facilities.

The hotel industry has approximately 2,500 bed occupancy capacity comprising one to three star ratings.

The county comparative advantages are;

- Geographically strategic on the slopes of Mt.Kenya
- Proximity to Isiolo resort city & International airport
- 80km of Lapsset passing through the county
- Mt.Kenya National park
- Lewa down
- Buffalo Springs
- Shaba National reserve
- Nyambene Conservancy
- Meru National Park

The need gap that exists

- Insufficient bed space.
- Need for Inns & Hotels.
- Need for Holliday & entertainment joints.
- Tour & sightseeing joints.



**8.9.1 Investment & Return Measures**

Project nature	Returns Measure (IRR)	Investments structure	Cost Estimate-3Year Strategy	Funding
Up-grading existing hospitality facilities& Acquistions e.g Meru County Hotel	13%	PPP	\$3,000,000	Internal Funds + Private Investor

**8.9.2 Capital Recovery**

Weighted Average Cost of Capital	21.70%
Years (n)	10
Capital Recovery Factor	0.25
Initial Investment	Kes 300,000,000.00
Annual Desirable Cashflow	Kes 75,725,129.80

**8.10Energy**

In the Vision 2030 blue print, the Government commits to continued institutional reforms in the energy sector, including a strong regulatory framework, encouraging more private generators of power, and separating generation from distribution. New sources of energy will be found through exploitation of geothermal Power, coal, renewable energy sources, and connecting Kenya to energy-surplus countries in the region

Generation of Energy for Industries such as Tea Estates is a key goal of the

Meru County Integrated Development plan 2013-2017. The four sub-sectors of concern in the MCIDP 2013-2017 blue print is Energy, Roads, Transport and public works, with the vision being to develop and promote use of renewable energy sources like wind and solar.

Meru County can harness atleast 665MW of renewable energyresource. Which includes solar, hydro, wind and biomass? Good support infrastructure including grids and road networks make project development convenient.



Indicative Figures	Parameter of Measure	TIME FRAME
665 MW	Total renewable energy production target by MCIDC	2016-2020
145 MW	Total mini-hydro production target	2016-2020
5.5%	County Electrification rate	
95	Total electricity transformers	
2,177 MW	Total Installed Capacity nationally (2015)	
1,512 MW	National Peak Demand	
18	No. of mini hydro sites targeted by MCIDC for development	2016-2020
2	No of petrol stations the corporation plans to put up	2016-2017
50,000,000	Amount required to put up 2 petrol stations in the county	2016-2017

The corporation shall engage players both in the private and public sector in harnessing this potential under the below parameters.

#### 8.10.1 Investment & Return Measures

Capital Gap	Funding	Business Vehicle	Timeline	IRR	Sector
To be determined	Internal Funds + Private Investor + Govt. appropriation	Joint Ventures, Lease & back transfer, Preference Shareholding	2016-2020	14%	Energy



## 9.0 Revision of this Plan

This plan is a dynamic document, the management shall have the mandate to adjust it annually to reflect the changing market conditions, adjust for new risks, rebalance the asset classes as well as take advantage of emerging opportunities in the market.

No venture, viable and feasible shall be disregarded by nature of it not being conceptualized in this document as long as a proven business case is ascertained.



# 10. INVESTMENT INCENTIVES

## County Level

- 1) Land on long term lease agreements commensurate with capital recovery requirements for specific investment projects
- 2) Flexible and attractive investment models on BOO, BOIT, and such other arrangements.
- 3) Waiver of land rates for investments in agricultural and plant approval for agro livestock processing plants worth at least US \$ 500,000 IN COPEX
- 4) Grading of roads to motorable standard to link there factory with themainroads whereapplicable.
- 5) Connection to water supply mains where technically feasible.

## National Level

- 6) Investment Deduction Allowances (IDA) - introduced in 1991 to encourage new investment,

- 7) Industrial Building Allowance- granted on cost of construction of buildings used for manufacturing purposes and also hotel premises,
- 8) Capital Expenditure on agricultural land- targeted at farmers who incur capital expenditure in the course of their operations
- 9) Import duty set off- allows import duty paid on import of capital equipment to be set off against income tax payable
- 10) Rate of VAT- Input for health care, education and exports of goods and services 0%
- 11) Manufacture under bond- also allow for duty and VAT free importation but require that corporation tax be paid,
- 12) Manufacture under bond- Allow for duty and VAT free importation but require that corporation tax be paid,
- 13) Tax Remissions Export Office-VAT refunds since duty on most of their inputs is already at 0%.



## MCIDC Investment Plan



— MERU COUNTY —  
**INVESTMENT &  
DEVELOPMENT**  
CORPORATION

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