KENYA FACTSHEET

December 2020

Financing the future: delivering SDG 4 in Kenya

Progress on meeting SDG 4

In 2015, world leaders agreed to 17 Global Goals (officially known as the Sustainable Development Goals or SDGs). As part of that they promised **equitable, inclusive** and **quality** education for all.

The first target was to ensure that all girls and boys complete free, equitable and quality primary and secondary education. **With just a decade to go, how is Kenya doing on this commitment?**

- Kenya has attained substantial improvements in access to education, but about 850,000 children are still not in primary school.[1]
- Around 8 in 10 children complete primary school,[2] and roughly the same number transition to lower secondary.[3]
- More is required on secondary completion, only around 7 out of 10 finish lower secondary school, but less than half complete secondary school overall.[4]
- Quality remains a concern; only 38% of children in Grade 2 or 3 achieve at least a minimum proficiency level in reading.[5]

Kenya has an unequal education system, especially by poverty and region

- More than 50% of children in poor counties Mandera, Wajir and Garissa are out of school - where nearly all out of school children are concentrated - compared to Nyeri and Murang'a counties where nearly all children appear to be in primary school.
- Wealth and poverty matter:
  – 63% of the poorest children, compared to all the wealthiest, complete primary school
  – 11% of for poorest compared, compared to 70% of the wealthiest complete secondary school.
  – there is a 20-percentage-point gap between rich and poor in the share of children aged 10 to 13 years who are in school and have learned basic mathematics skills.[8]
- Efforts towards achieving greater equity in the education sector have led to near gender parity – the Gender Parity Index (GPI) scores were 0.96, 0.97 and 0.95 for the pre-primary, primary and secondary education.[9]

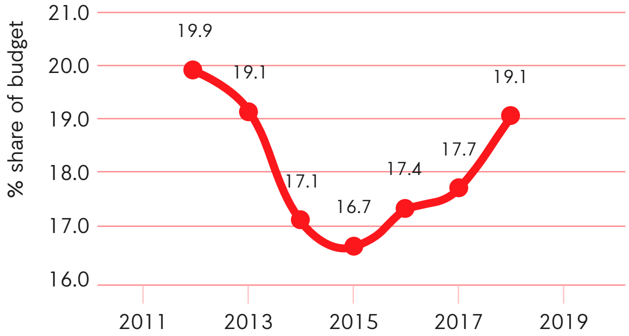
This SDG target 4.c commits substantially increasing the supply of qualified teacher, because *"teachers are a fundamental condition for guaranteeing quality education".*[10] The UN recommends a pupil-teacher ratio of 40:1 at primary school level, and Kenya takes this as a national standard. At a national level, this is slightly above t 44:1,[11] but there are severe shortages in many poorer counties.[12] In some counties such as Garissa this is 67:1, or Mandera 80:1, or even 92:1 in Turkana.[13]

Financing SDG 4 requires at least 20% of the budget

To finance SDG 4 the UN recommends that at least 15-20% of budget go to education, or 4-6% of GDP. Kenya already spends significantly on education and comes very close to these - for historical trends up to 2018, see Figure 1 and 2, this is based on UN figures **– latest figures show this to be around 22% in 2020.**[14] As such, continued investments show an ongoing commitment to education by the government. In fact, as other sectors have been cut recently, **education has continued to get new investments behind free primary and secondary education programmes However, this must be sustained in the long-term.**

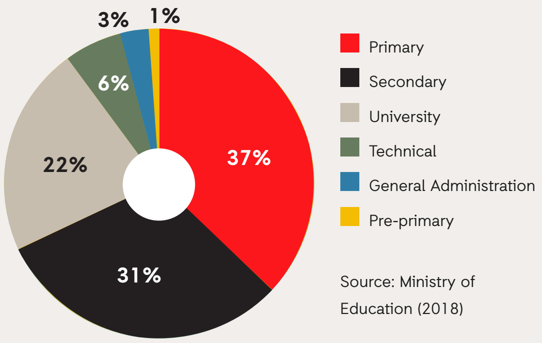
1. Reported in the Star from Ministry figures in 2018. See, accessed July 2020: https://www.the-star.co.ke/news/2018-08-14-over-850000-children-out-of-school-in-nine-counties-mandera-leading/
2. 83% in 2017. *Kenya National Bureau of Statistics (2018), Economic Survey*
3. 81% in 2017.. *Kenya National Bureau of Statistics (2018), Economic Survey*
4. This is based UNESCO Institute of Statistics (UiS) SDG 4 data (2014 data, latest available year)
5. This is based UNESCO Institute of Statistics (UiS) SDG 4 data (2014 data, latest available year)
6. UNICEF 2018 Education Budget Brief. See: https://www.unicef.org/esa/sites/unicef.org.esa/files/2019-03/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
7. This is based UNESCO Institute of Statistics (UiS) SDG 4 data (2014 data, latest available year). For primary this is 98% for wealthiest (hence "nearly all")
8. UNESCO and GEMR (2018) Handbook on Measuring Equity in Education
9. UNICEF 2018 Education Budget Brief. See: https://www.unicef.org/esa/sites/unicef.org.esa/files/2019-03/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
10. https://sdg4education2030.org/the-goal
11. *Kenya National Bureau of Statistics (2018), Economic Survey*
12. https://www.unicef.org/esaro/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
13. Republic of Kenya, Ministry of Education. 2016 Basic Education Statistical Booklet
14. AAI calculations from the 2020 budget statement: https://www.treasury.go.ke/component/jdownloads/send/212-budget-policy-statement/1510-2020-budget-policy-statement.html

Figure 1: Kenya share of the budget on education, 2012-2019, Uis data



Based on UNESCO Institute of Statistics (UiS)

Figure 3: Education sector spending by levels (or services), 2013/14-2017/18 (%)



Source: Ministry of Education (2018)

Is the spending fair or equitable?

- Kenya has tried to improve equity in education, allocating a higher per pupil spend in primary school in areas of high poverty and where there are the greatest education challenges;[15] however, while some counties (such as Wajir, Mandera and Garissa) are enacting these pro-poor measures, others with high child poverty rate are not (i.e. including Turkana, West Pokot, Tana River and Samburu counties).[16]
- Kenya has a more equitable split of spending across education sub-sectors compared with many sub-Saharan African countries **(see Figure 3).**[17]
- The World Bank has noted that poor household's benefit from spending on basic public education;[18] however, **it is estimated that Kenyan children from the poorest families receive just over 20% of total public expenditure spent on richest** as they tend to not make it to the higher levels of education.[19]
- Poor families are picking up the bill from a lack of public funding - 38% of the total cost of education is funded by out-of-pocket expenses.[20] When this comes from the pockets of the poorest it eats into more of their meagre household budgets - this is a regressive way of funding education. ActionAid's research into this shows the devastating impact this has on the poorest families **(see Box 1).**

ActionAid's work into household spending in Kenya

ActionAid's household study in Kuria, Migori County revealed that households pay an average of Kshs. 1,655 per term per child in public schools (in terms of uniforms and sport clothes, sport fees, exam fees or PTA contributions) and Kshs. 4,834 per term per child in private schools. Most children were sent back home if they failed to pay the fees, limiting access to education for the poorest. Data from the latest household survey in Kenya (Kenya National Bureau of Statistics, 2015) shows that half of the households in Kenya earn KSh. 7,000 per month or less. With a fertility rate between 4.5 and 6.5, just sending four children to school would require 23.6% of the household income for public schools and 69.2% of the household income for private schools, forcing families to prioritise among other pressing needs and very often, among members of the family, with boys often being preferred over girls.[21]

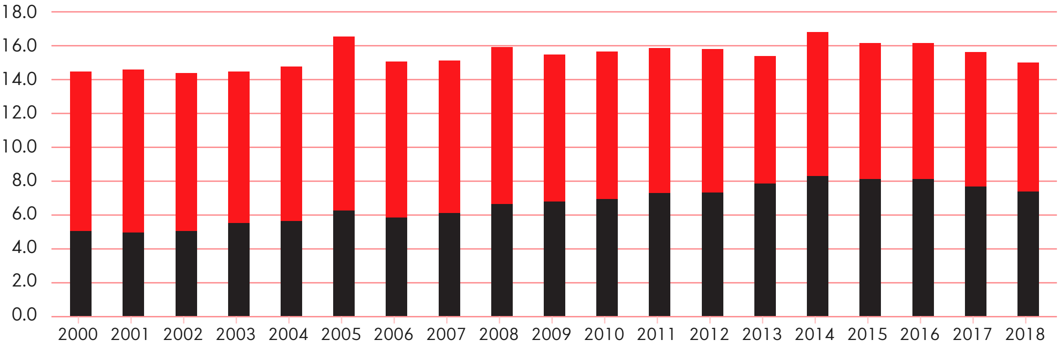
Reaching SDG4 will require governments to grow their budgets overall.

In Kenya, meeting SDG 4 requires new funds to cover the need for increased costs. This is especially difficult at a time when available government revenues are increasingly strained by debt repayments. **Kenya's debt payments as a proportion of its revenues tripled in two years,[22] in 2019 this was 36%,[23]** at the same time, government spending fell by nearly four percentage points of GDP - both trends are expected to continue.[24] This means raising new revenues become increasingly

15. Alemayehu, W., & Watkins, K. (2012, August). Financing for a Fairer, More Prosperous Kenya: A review of the public spending challenges and options for selected Arid and Semi-Arid counties.
16. UNICEF 2018 Education Budget Brief. See: https://www.unicef.org/esa/sites/unicef.org.esa/files/2019-03/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
17. Taken from UNICEF 2018 Education Budget Brief. See: https://www.unicef.org/esa/sites/unicef.org.esa/files/2019-03/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
18. https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-how-kenya-is-using-tax-revenues-to-enhance-access-to-education-and-healthcare-for-low-income-families
19. UNESCO and GEMR (2018) Handbook on Measuring Equity in Education
20. UNICEF 2018 Education Budget Brief. See: https://www.unicef.org/esa/sites/unicef.org.esa/files/2019-03/UNICEF-Kenya-2018-Education-Budget-Brief.pdf
21. ActionAid, 2017; Ron Balsera, 2018). Ron-Balsera, M. (2018). Why Should Tax Justice Be Part of the Solution to Finance Free Good Quality Education? A Multi-country Study: Pakistan, Ghana, Kenya and Uganda. *In Education Finance, Equality, and Equity* (pp. 39-49). Springer, Cham.
22. Atienza, J. Is Africa Facing Its Second Debt Crisis?, Oxfam, 2019. https://oxfamblogs.org/fp2p/is-africa-facing-its-second-debt-crisis-what-are-the-solutions/
23. Jubilee Debt Campaign. Debt services figures are % of government revenues
24. ActionAid, 2020, Who Cares?

important. According to the UN a minimum of at least 20% tax-to-GDP ratio is needed to deliver on the Sustainable Developments Goals.[25] Kenya falls below this, and slightly below similar countries (see **Figure 4). In the context of increasing debt, Kenya should focus on raising new revenues to meet SDG4.**

Figure 5: Direct to indirect taxes in total taxes over time



Note. Direct to indirect taxes can be a useful proxy for how regressive or progressive a tax system is: an overreliance on indirect taxes tends to highlight a more regressive tax regime (i.e. an overreliance on VAT, which often hits the poorest hardest), while a greater reliance on direct taxes tends to be more progressive (as this includes tax on corporate taxes or on income taxes for those in the more formalised sectors).

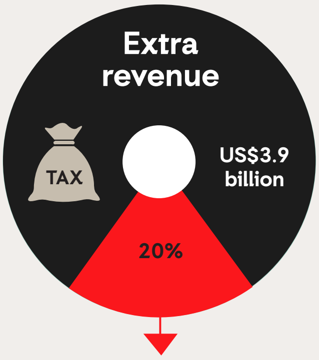
Source: ICTD/UNU-WIDER Government Revenue Dataset

Progressive or regressive tax and total tax over time

Between the ten-year period of 2007-2017 there has been next to no movement in Kenya's tax revenue collection as a percentage of GDP. At the same time there has been a marginal reduction in the overreliance in indirect taxes – which suggests that the overall tax system has become marginally less regressive.* However, Kenya scores the lowest in the East Africa region on the Commitment to Reducing Inequality Index for progressive taxation, and should do more to reduce the burden of taxation from the poorest.[26]

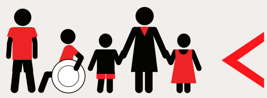
Kenya should focus on increasing revenue by 5%. International studies suggest that for many countries a goal of increasing their tax-to-GDP ratios by 5% in the medium term (3-5 years) is ambitious, but reasonable.[27] **ActionAid has estimated that if Kenya did this it could lead to an additional US$10.5 billion by 2023,**[28] of which, if the government allocated just 20% of new tax revenues, as per current spending levels and international benchmarks, this could increase the education budget by US$2.1 billion – **nearly half the 2020 education budget.**[29]

Reducing tax losses through eliminating harmful incentives is one way to raise new funds for education. Kenya gives away a very large amount of revenue through a series of generous corporate tax incentives, which have been shown to have little impact on investment decisions by corporations.[30] These come in the form of tax breaks to large corporations, including in the Economic Processing Zones, and preferential corporate income rates. In 2017, the World Bank[31] suggested that around 5% of GDP is lost to corporate tax exemptions and incentives, which ActionAid has estimated would account for around US$3.9bn."[32] **What could this have paid for? $US3.9 billion lost to tax incentives annually. 20% = $789.6 million**. This money could pay for:



= US$789.6 million

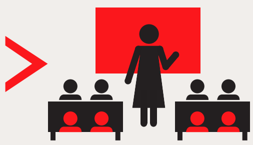
This money could pay for:



School places for the 850,000 Kenya primary school aged children still out-of-school;[33]

It could pay the salary of **337,410** newly qualified primary teachers[34] - the entire estimated[35] gap in teaching staff at primary level in 2019 in Kenya;

It could pay the salary of **10,000**[36] newly qualified secondary teachers – helping to fill an estimated gap of 60,000[37] in 2019 at secondary level in Kenya;



Free school meals for 1 year for 2 million children;[38]

Pay to build the 4,000 new secondary school classrooms, the estimated gap in schools required to scale up secondary schooling.[39]

Footnotes on page 4

from page 3

25. UNDP. What Will It Take To Achieve the Millennium Development Goals? An International Assessment. June 2010
26. DFI and Oxfam (2017). The Commitment to Reducing Inequality Index: A New Global ranking of Governments Based on What They Are Doing to Tackle the Gap between Rich and Poor
27. It is important to note this calculation does not look at the mechanisms for achieving the 5% increase (i.e. which tax reforms are pursued). For ActionAid any future revenue generation should be done with a focus on progressive and gender-responsive tax reforms, so that any new taxes do not hurt the poorest and most vulnerable, but rather fall to those most able to pay. Our analysis above shows that there are ways to achieve this 5% increase progressively.
28. ActionAid, 2020, Who Cares?
29. Total education budget in 2002 was KSH 528.4bn (taken from https://www.treasury.go.ke/component/jdownloads/send/212-budget-policy-statement/1510-2020-budget-policy-statement.html). Converted to USD$ to average 2019 prices (using WDI data) and this was 41%. See datasheet for more
30. https://www.oecd.org/tax/tax-global/options-for-low-income-countries-effective-and-efficient-use-of-tax-incentives-for-investment.pdf
31. Based on World Bank (2017). Reviving Private Sector Credit Growth and Boosting Revenue Mobilization to Support Fiscal Consolidation. Poised to Bounce Back? Edition No. 16 http://documents1.worldbank.org/curated/en/140071512474376644/pdf/121895-WP-P162368-PUBLIC-KenyaEconomicUpdateFINAL.pdf
32. The figures from 2017. Using World Bank Development Indicators: GDP 2015 US$78,965,000,000 (current), 5% is US$3,948,250,000
33. For this we have used the per pupil spend from UiS from 2015 (latest year) US$144.09.
34. Here the salary scales for primary school teachers were taken using the lower grade (using current salary scales) to represent “newly qualified”. See: https://www.tuko.co.ke/288069-tsc-allowances-job-group.html . Primary: Ksh. 77,840 to Ksh. 93,408 monthly (i.e. KSH 934,080-1,120,896 yearly). The salary was then converted using US$ annual for 2019 at average US$-KSH conversion rates.
35. Taken from the following source (based on TSC figures) https://www.academia.edu/41062236/Teacher_Shortage_in_Kenya_Trends_and_Policy_Implications
36. Here the salary scales for primary school teachers were taken using the lower grade (using current salary scales) to represent “newly qualified”. - scale Ksh. 131,380 and Ksh. 157,656 monthly (i.e. yearly for newly qualified = 1,576,560) https://www.tuko.co.ke/288069-tsc-allowances-job-group.html . The salary was then converted using US$ annual for 2019 at average US$-KSH conversion rates.
37. The salary was then converted using US$ annual for 2019 at average US$-KSH conversion rates.
38. Gelli and Daryanani (2013). Are School Feeding Programs in Low-Income Settings Sustainable? We took the figures from this 2013 study and allowed for inflation to get an estimate of school meals of US$46 per pupil annually.
39. Sources: classrooms gaps of 4,000 (based on Min Ed data: https://africacheck.org/factsheets/factsheet-cost-providing-free-secondary-education-kenya/v Cost of secondary classroom https://afritekt.wordpress.com/2011/12/31/building-classrooms-in-usalama-kenya/#:~:text=The%20typical%20classroom%20unit%2C%20accepted,is%20granted%20for%20the%20construction.

A Call to Action

ActionAid calls on the government of Kenya to take the following measures needed to fully finance quality, inclusive public education and achieve SDG 4:

1. Increasing the **SHARE** of the budget allocated to education, by continuing to exceed the UNESCO’s benchmarks of 20% of national budget and/or 6% of GDP.

2. Increasing the **SIZE** of the overall budget, maximizing the availability of resources for investment in public education by:
- Mitigating the effect of macro-economic policies that limit the amounts available for public spending (e.g. by reducing debt and borrowing, seeking reductions on debt servicing and limiting austerity policies). Improve scrutiny, to allow for a better understanding of borrowings and loans, to ensure a better understanding of the appropriateness of these.
- Setting targets to increase the tax-to-GDP ratio, including setting-out an urgent timetable to reach a tax-to-GDP ratio of at least 20%. The IMF has noted that countries should aim to meet an ambitious (but realistic target) to increase the tax-to-GDP ratio by 5% in the medium term (3-5 years). To do so, governments should focus on:
  – Ending harmful incentives;
  – Reviewing tax and royalty agreements in the natural resource / extractive sector, in particular;
  – Closing loopholes which enable tax avoidance and evasion in the private sector;
  – Promoting and enforcing fair corporate tax;
  – Promoting and enforcing progressive taxes on personal income and wealth.

3. Increasing the **SENSITIVITY** of national education budgets by:
- Focusing on equity in public expenditure to redress inequality and tackle discrimination (e.g. stipends for children with disabilities; increased investments in incentives for teacher postings in poor rural areas).
- Developing nation-wide equity funding formulae which explicitly addresses disadvantage and inequality.

4. Enhancing the **SCRUTINY** of national education budgets by:
- Actively encouraging scrutiny of education budgets and expenditure to promote transparency and accountability and improve efficiency through timely disbursement of funds and that funds are spent effectively (especially in disadvantaged areas) e.g. by enabling or formalizing community and civil society oversight.

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