

**Financing Post-Primary Education in Kenya:  
A Review of Structure, Trends and Challenges**

By

Aloys B. Ayako  
The Catholic University of Eastern Africa (CUEA)  
Nairobi, Kenya

## Abstract

*The paper attempted a comprehensive review of the funding system for post-secondary education in Kenya. The review included such parameters as funding structure, trends challenges and reforms. The paper was based on the mix of desk research and interviews with select key informants. Among the key findings of the paper include: i) funding for post-primary education derives from both public and private sources; ii) public funding for post-primary education is pegged to the National Budget Cycle; iii) amounts of public funding for are partial (i.e.do not cover total learning costs including uniforms, food and accommodation); funding does not match growing demand for infrastructure and hiring of additional teachers and sustainability of funding for post-primary education is relatively due to difficulties of sustaining past economic performance levels, revenue collection levels, declining donor funding and entrenched poverty. The sustainability of the financing of tertiary and higher education through the Higher Education Loans Board appear threatened by two key factors, namely, high default rate of loans and incessant demand for tertiary and higher education.*

**Keywords:** Post-primary Education, Financing Structure, Sustainability of Funding, Medium Term Expenditure Framework (MTEF), Millennium Development Goals (MDGs), Access

## I Introduction

Unlike many low-income countries, Kenya has achieved significant progress in its post-primary education in the last decade and half (MoE, 2008, 2012a; KNBS, 2012, 2013; UNESCO, 2010; Unterhalter, 2012). The progress in the level of the country's education system is reflected in significant gains in almost all key indicators of education performance including gross enrolment ratio (GER), school life expectancy, and gender equity (measured both in term gender parity index and the numbers of boys and girls completing post-primary education). Among the key drivers of this progress is the significant domestic and, to a certain extent, international resources targeted at education, with elements of these supporting post-primary levels. However, the role of financing in this progress has not been systematically analysed and documented. Hence, there is limited evidence on the contribution, effectiveness, efficiency, sustainability and challenges of the financing education, in general, and post-primary education, in particular. This review paper attempts to partially fill this gap paper by drawing on the large body of available information on the sub-sector. In the paper we focus structure, trends, and challenges of financing post-primary education in Kenya.

The remainder of this paper is divided into four sections. The methodology for the paper is presented in section two. In section three, we provide a review of the structure and trends of the funding of post-primary education. In section four, we highlight the key challenges of sustained funding to the sector. In section five, we highlight key conclusions of the study.

## 2. Methodology

The desk research entailed review of relevant policy documents, grey literature and peer-reviewed articles. Data on education outputs and financing was analysed from cross-country comparable sources (UNESCO Institute for Statistics and World Bank World Development Indicators). The field research, on the other hand, entailed a two-week interviews with selected key informants – both by reputational and snowball sampling – in the education sector and education financing. Semi-structured interviews were held with approximately 40 stakeholders including senior

government officials (MoE, MoHEST, Ministry of Youth and Sport, Ministry of Labour, Ministry of Planning, National Development and Vision 2030, Ministry of Finance), development partners, NGOs and CSOs, academia, education policy experts, head teachers/principals and students. At the end of the interviews, preliminary findings emerging from the desk-based review and interviews were discussed at a half-day workshop to solicit further primary data.

### **3.0 Post-primary Financing Structure and Trends**

Higher education is expensive enterprise-knowledge creation, dissemination and innovation does not come cheap (Mualuko et al., 2013). It requires high-end expertise, expensive equipment and instruments, extensive infrastructure (such as labs, classrooms, libraries, and dormitories) and the accompanying logistics (such as information technology) and complex academic culture. Consistent with the structure of its provision, post-primary education is financed from a mix of sources including public sector, donor community, private sector and community sources.

#### **3.1 Public Financing**

##### **3.1.1 Overall Trends**

As already been observed, one of the most striking drivers of education progress across the entirety of the country's education system has been the role of political will, particularly in the form of election promises and high level policy pronouncements. The country's political commitment to the education sector, in general, and post-primary education, in particular, has been reflected in the large budgetary outlays to the sector. First, the education sector has been receiving the highest allocation of public spending (Nwagare et al., 2007; GoK, 2010), generally above 20% of total budget outlays, translating the priority attributed to social sector spending and education in particular (Colclough & Webb, 2010) stated in policies such as the Economic Recovery Stimulus (ERS) and *Vision 2030*.

According to Nwagare et al., (2007) the share of education expenditure to total expenditure was 27% and 26% in 2004-05 and 2005-06, respectively. These figures are higher than the SSA average recorded in 2009 (18.3% see UNESCO, 2011), which is, in turn, larger than other developing regions (UNESCO, 2011).<sup>1</sup> Second, in the 1990s during the cost-sharing policy and fiscal austerity in the context of the structural adjustment programmes (SAPs) (see KNBS, 1995) and economic downturn (World Bank 2004 p.49), the government did not scale down resources to education, at least in relative terms. In addition, in more recent years in the aftermath of the 2008-09 global financial and economic crises, the primary and secondary education budgets have been ring-fenced (so was the case of support to poor students at university level).

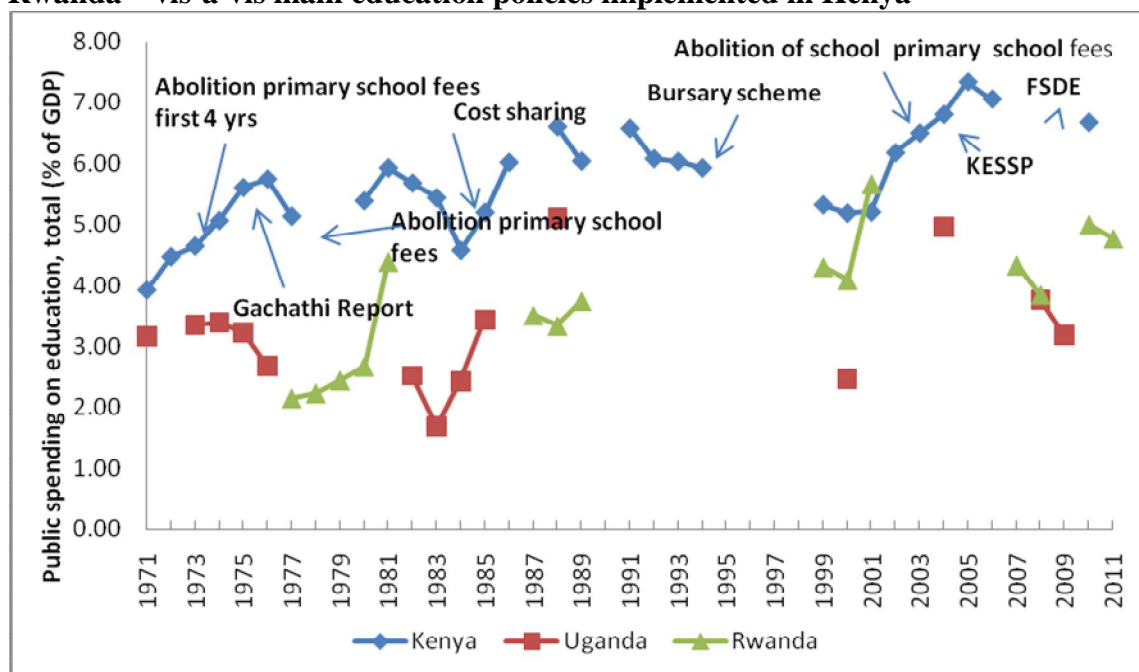
Public finance supported and enabled progress in the education sector by removing demand-side barriers and supply-side bottlenecks through the expansion of total resources to the education sector as well as the introduction of new mechanisms (i.e. notably burden sharing again shifted back toward the public sector). While a robust assessment of a direct causality link between public resources to the education sector and enrolment goes beyond the scope of this case study, we can however point out that the expansion in public finance to the education sector has been a necessary – though perhaps not sufficient – condition to expand access to post-primary education in Kenya. Information on public spending by level of education is rather scattered.

---

<sup>1</sup> The share of public finance allocated to education ranges from 11% to 28% of total budget (UNESCO, 2011)

We can identify at least 5 main elements characterising education financing in Kenya in particular over the last ten years. First, the remarkable improvement in collection of fiscal revenues<sup>2</sup> was associated with expanding tax base; tax collection improved with the strengthening of the role of the Kenyan Revenue Authority; greater fiscal revenues expanded fiscal space allowing a strong increase in government spending since 2003 – in real terms (Watkins & Alemayehu, 2012) – including public expenditure to education (also in real terms). Public spending on education has risen by 31% in real terms between 2003-04 and 2008-09 (GoK, 2010). Figure 4-1 outlines the evolution of public spending to education in Kenya as a proportion to GDP since the implementation of the first wave of fee abolition in early 1970s. Bearing in mind data is rather patchy; Kenya has allocated a greater share of resources to the education sector once than some its neighbours (notably Rwanda and Uganda). Unsurprisingly, the share increased once the new programmes have been implemented shifting the burden towards public resources.

**Figure 4-1: Evolution in public spending on education (share of GDP) – Kenya, Uganda and Rwanda – vis-à-vis main education policies implemented in Kenya**



Source: World Development Indicators 2012 Accessed 6 June 2014

Second, most of our interviewees pointed out that resources channelled through the Constituency Development Funds (CDFs) played a pivotal role in education infrastructure development as well as for bursaries<sup>3</sup>, especially at secondary level even though relatively minor compared to the overall education budget (2.73% in 2008/09) but ring-fenced vis-à-vis other budget items. CDFs have been introduced in 2003 and allocated to each MP for their respective constituency on the basis of a poverty index across the country; the share spent on education grew by 30% between 2003 and 2009/10. The allocation of these funds is determined by the Constituency Development Committee - with the possibility of up to 50% of the fund to be spent for education purposes – so the allocation to education is not uniform across constituencies. Based on data analysed Watkins and Alemayehu

<sup>2</sup> From 372 KhS bln in 2006/07 to 651 KHS bln in 2010/11 – Table 6.4 KNBS (2011).

<sup>3</sup> 8.3% of their spending on average is channelled to secondary school bursaries (CfBT, 2007)

(2012), it emerged that in the constituencies surveyed nearly half of CDFs resources have been spent on the education sector over the period 2003/09 (with a minimum of 30% and a maximum of 65%), which is a twice as much as the government budget allocation to the education sector.

Resources channelled to local authorities will probably further increase in the years to come in the context of the decentralization process. With the new government and the full implementation of the devolution process initiated with the 2010 constitution, 47 counties will receive 15% of total government resources following the principles of 'equitable development' and 'special provision for marginalized groups and areas'.<sup>4</sup>

Third, while the upsurge in per capita public expenditure both at primary and, more visibly, at secondary level (where public per capita expenditure nearly doubled in 5 years) reflects government's capitation grants<sup>5</sup>, public resources per student at university level have declined over time. We understand this is a consequence of the government's strategy to expand resources for basic education and the Module II/parallel system has been seen as an innovative way for tapping resources at university level.<sup>6</sup>

**Table 1: Per capita public expenditure to education by level**

Per capita expenditure 2003 Constant prices	2003/4	2004/5	2005/6	2006/7	2008/9	2009/10
Primary	4,945	5,425	5,563	5,665	5,858	5,405
Secondary	20,112	18,736	18,494	20,571	23,164	40,699
Technical	18,283	19,137	21,936	26,667	34,154	38,430
University	98,317	98,319	101,327	118,347	108,744	95,666

Source: KNBS (2011)

Fourth, to address infrastructure capacity constraints, a larger share of public finance to the education sector has been allocated to capital expenditure. For example in 2004-05 most of the public education expenditure was recurrent (93.5% recurrent expenditure in secondary education (Nwagare et al., 2007); of which 99% of recurrent expenditure absorbed by teachers' salaries in primary school and 95% in secondary school (World Bank, 2004)). Most of the 31% increase in public education spending between 2003-04 and 2008-09 has been on the development budget (see also UNESCO, 2011). The 2012 Public Finance Management Law set at least 30% of budget has to be allocated to development expenditure.

Fifth, even though some challenges remain (see Section 4), public expenditure to the education sector became more efficient, as the result of a series of measures introduced over the last decade.

First, a medium-term budget, strategic and planning process has been introduced in FY 2000/01 (the MTEF, medium term economic and financial framework). Second, commitment to

<sup>4</sup> Nonetheless, some basic services, including education, will not initially be devolved to county-level governments (Watkins and Alemayehu 2012).

<sup>5</sup> A similar trend characterizes technical education, where the rise in per capita expenditure levels denotes a shift in government's priorities towards technical education (see Section XXX). Unsurprisingly, per capita expenditure rises the higher the level (See UNESCO, 2011).

<sup>6</sup> In the Sessional paper No.14, (MoE and MoHEST, 2012) the GoK proposes to replace the current funding structure for government-sponsored students in public universities which is uniform across courses with a Differentiated Unit Cost (DUC) adjusting it on the basis of resource requirements for each course.

implementation of national strategies and greater orientation to results became more visible. National development plans are monitored against objectives on a quarterly basis; a performance- and programme-based contracting system has been introduced in 2005. Third, procurement has been streamlined with every public institution monitored by a public procurement oversight body. Fourth, the education sector was one of the sectors targeted by the Public Expenditure Reform in FY 2002/03 introducing, among other measures, the use of a single account for schools and auditing of expenditure. Finally, both absorption capacity and budget execution in the education sector have substantially improved since mid-2000s. The absorption capacity of the education sector increased from 63.6 in 2004/05 to 92.4% in 2007/08 (p. 54 World Bank, 2010 PER). Budget execution in the education sector was 99% in 2008/09 for MoE and 98% for MoHEST, starting from an average 65% until 2005/06. This compares to an average 70% execution rate for the rest of the budget (World Bank, 2010 PER).

The public budgetary outlay accompanying the political commitment to the education sector has also been reflected in the political pronouncement and implementation of direct financing mechanisms, aimed somehow to lower financial barriers and increase affordability across all levels of the public education system. While the first of these – FPE – did not have direct impact on post-primary education, it did, however, have major knock-on effects. In addition, it set a precedent and legacy, taken up five years later through the implementation of Free Day Secondary Education (FDSE). Moreover, policy decisions at tertiary level creating a parallel track opened up higher education access to significantly higher numbers. This series of bold moves was underpinned by a steady process of policy analysis and advancing legal frameworks.

The FPE programme in 2003 has been successful in achieving its primary objective: enrolment at primary level expanded from 7.2 million in 2003 to 8.5 million in 2008 (KNBS, 2011: Table 3.6). Following the growth in enrolment at primary level spurred on by FPE, additional pressure was being put on entry to the secondary system from primary school leavers (Wanja, 2014). This pressure of demand alongside political motives to shift the news away from the December 2007 post-election violence served as motivations to implement the next stage of fee abolition, the Free Day Secondary Education (FDSE), in early 2008 (MoE, 2012c).

### **3.1.2 Public Secondary School Financing**

As per the case of the FPE programme, government subsidies for secondary education were a manifesto of the presidential campaign (Ohba, 2009) and they were implemented as soon as the coalition government took power. In early 2008 President Kibaki announced the introduction of a capitation grant of KHS 10,265 per student to cover tuition fees and other expenses – not boarding – disbursed in the form of a capitation grant to public secondary schools in three tranches (50% in December, 30% in April and 20% in August) (Mualuko and Lucy, 2013). Teachers' salaries in public institutions were already covered by public resources and they continued to be so after 2008.

**Table 2: Composition Capitation Grant and Guidelines for Capitation Grant**

Item	Day school (Khs)	Boarding schools (Khs)		
	GoK subsidy	GoK subsidy	Parent Fee	Total
<b>Tuition o/w</b>	3,600	3,600	0	3,600
Textbooks/instruction material	2195			
Lab Equipment	300			
Exercise books	720			
Chalk	72			
Internal examinations	190			
<b>Boarding, equipment and stores</b>	0	0	13,034	13,034
<b>Repair, maintenance and improvement</b>	400	400	400	800
<b>Local travel and Transport</b>	400	400	500	900
<b>Administration cost</b>	500	500	350	850
<b>Electricity, water and conservancy</b>	500	500	1,500	2,000
<b>Activity fees</b>	600	600	0	600
<b>Personal emoluments</b>	3,965	3,965	2,743	6,708
<b>Medical</b>	300	300	100	400
<b>Total school fees</b>	<b>10,265</b>	<b>10,265</b>	<b>18,635</b>	<b>28,892</b>

Source: MoE (2008) Government Guidelines and MoE Free Day Secondary Education Programme

The introduction of the capitation grant is the response to the heavy burden imposed on households (as we have seen in the previous section before the introduction of the capitation grant households' contribution to costs associated with secondary school attendance amounted to 60% of total costs) making secondary day school more affordable (see also Obha (2009, 2011) and Jagero (2011)). The capitation grant, however, does not cover all the direct costs associated with school attendance. While several recurrent costs are included, the capitation grant first excludes development expenditure (better known as capital expenditure). Second the capitation grant essentially covers direct costs for attending day school but it does not cover add-on costs such as boarding costs. Therefore it is more appropriate to define the capitation grant as a form of public subsidy to education including FDSE rather than a school fee abolition programme.

The MoE has defined a series of guidelines indicating maximum fees to be charged to parents: the school can apply for an exception at the District Education Board and agreement with the PTA. Furthermore, the capitation grant was calculated in 2008 and it has not been updated to reflect price increases since then; in the interviews it emerged that breaching these limits is far from being an exception. The MoE Task Force in 2012 made a recommendation to raise the capitation grant up to at least for Khs. 19,238 for boys and Khs. 20,413 for girls (more than Khs. 58,000 reflecting the full public unit cost of secondary education) increasing provisions for each item described in Table 2 and extending the type of costs covered (notably assessment and examination costs). However, the proposal has not been implemented yet (MoE 2012c).

The capitation grant as a transfer mechanism aims to distribute resources in a fair and equitable way across school, making a more efficient use of resources. However, compared to other countries, the capitation grant formula in Kenya does not include any specific correction to target vulnerable groups (e.g. special needs students, pastoralist areas) (MoE, 2012c); several interviewees also expressed concern on public expenditure tracking at school level.

The rationale behind the FDSE programme was the need to address the pressure on the system from those pupils who benefited from FPE in time for the first cohort to complete primary education in 2011. As such, the programme had the aim of continuing to increase transition rates from primary to secondary education, which it seems to have been done successfully.

### **3.1.3 Public Tertiary and Higher Education Financing**

In higher education, expanding enrolment started to be supported in 1995, when a loan programme for university students was introduced, administered by the Higher Education Loan Board (HELB) (Ngolovoi, 2008) with the scope of providing affordable loans, bursaries and scholarships to Kenyans pursuing higher education (GoK, 1995). This began to expand enrolment, which continued to increase in 1998 with the introduction of a parallel track of private non-subsidized education offered by universities, known as Module II (Colclough & Webb, 2010). This self-sponsored system has been one of the biggest drivers of the expansion in higher education enrolment rates (Oketch, 2003).

The parallel track system, or Module II, allows private students to enrol in public universities and attend classes in the evenings or on weekends (Colclough & Webb, 2010). Pre-dating the implementation of FPE and FDSE, the scheme was established in 1998 and enabled public universities to expand enrolment while generating their own funds to supplement diminishing state support (Otieno, 2009, 2010). While the push for this policy from the universities perspective was partly financial, demand side factors and the currency of a university education in the job market also played a role.

### **3.1.4 Public Education financing through Bursaries**

Despite the introduction of free secondary day school, education at this and higher levels is not entirely free. While the government capitation grants cover tuition fees and some of the add-on costs, financial barriers remain for many. In Kenya, the response has been extensive provision of bursaries by both the government and private sectors. Information to gauge the relative importance of bursaries and scholarships in financing and supporting secondary education is rather patchy. In the main study available, which took place before the implementation of FDSE, roughly 40% of secondary schools surveyed had at least 20 students receiving bursaries, with a further 15% of the schools having more than 50 students on a bursary. This same study found through interviews with school principals that 83.8% of the bursaries covered school fees while 18.6% covered boarding fees. Other areas were uniforms (8.2%), textbooks (9.4%), food (7.8%) and sports equipment (3.4%).

Some of these bursaries are provided by government, disbursed through the Constituent Development Fund (CDF). Bursaries are limited to 8.6% of total CDFs funding (GoK, 2010) and 0.9% of total resources for LATFs. Disbursement of these funds to each constituency is based on total student enrolment compared to national enrolment and the constituency poverty index vis-à-vis the national poverty index; the amount per student varies in each constituency as well as the allocation criteria. The increased availability of bursaries has helped ease the financial burden of secondary schools (see Glennerster et al., 2011), but there have been recent recommendations that these should be better targeted to poor and vulnerable students (GoK, 2012b).



## 3.2 Community and private sector Financing

### 3.2.1 Community Financing

The role of non-state actors has also been significant in driving forward education opportunities in Kenya at the post-primary level. To a certain extent, this stems from a history of community involvement in development prior to Kenya's independence. During this time, partly due to British colonial policies, the self-help movement called *Harambee* and church groups together established and supported independent schools throughout the country (Onsomu, et al., 2004). This heritage of this community involvement in education has continued to evolve, with the private sector also increasingly playing an important role.

### 3.2.2 Private sector Financing

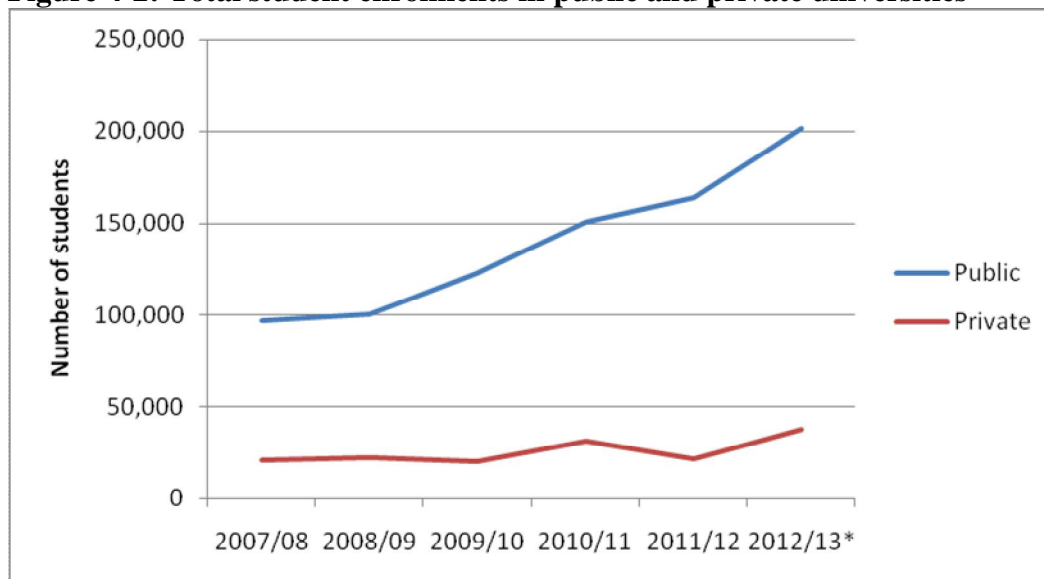
Private sector financing of education in Kenya has taken form of direct provision and, indirectly, through provision of scholarships. A number of private actors have established secondary schools, amounting to between 15-20% of the total (Ohba, 2009). While there is significant private sector provision at primary level, secondary education is predominantly provided by the state with the private sector only accounting for 12% of students (2008) in general secondary programmes. The private sector does account for over 30% of secondary students in TVET programmes, however the TVET at secondary level accounts for less than 1% of students.

**Table 3: Percentage of private enrolment, Kenya**

	1999	2001	2003	2004	2005	2006	2007	2008	2009
<b>Pre-primary</b>	10.4		32.0	37.6	31.5	35.3	35.3	35.3	37.7
<b>Primary</b>					4.5	4.9	9.6	10.8	10.6
<b>Lower secondary. General</b>					4.5		9.6	10.8	13.2
<b>Secondary</b>							11.3	11.7	12.7
<b>Upper secondary. General</b>					8.8	12.3	13.0	12.4	12.1
<b>Upper secondary. Technical/vocational</b>						32.0	39.4	32.0	
<b>Tertiary</b>		30.7		13.5					13.2

Source: UNESCO Institute for Statistics (2014). Accessed June 2014

At the tertiary level, the private university system has also played a role in expanding provision. According to informants at the Ministry of Higher Education, Science and Technology (MoHEST), the number of private universities has more than doubled in the last decade from 13 in 2003 to 29 in 2012. However, while total enrolment in public universities more than doubled since 2007/08, enrolments for private universities have only grown by 44% over the same time period (see Figure 2.2.3) (Oketch, 2004), meaning university education is increasingly dominated by state provision.

**Figure 4-2: Total student enrolments in public and private universities**

Source: Kenya National Bureau of Statistics (2013), \* = provisional

Indirect financing support from the private sector has taken form of scholarships – based both on a needs-assessment and merit – has also expanded in recent years. A notable example is the programme Wings to Fly managed by the Equity Group Foundation which is aiming to reach 10,000 scholarships at secondary level targeting ‘high achieving students from needy families’ (Equity Group Foundation, 2014) with the support of MasterCard Foundation, BMZ, DFID and UsAid (See Section X on scholarships). While overall information is piecemeal, this type of support has become more visible through the establishment of a Scholarship Forum to coordinate efforts and share experiences across 6 different actors – JKF, Equity Group Foundation, KCB, Cooperative Bank, Heidleberg and Palmhouse. In addition, private scholarships do not only target needy students with good potential, but their selection process is also gauged to be more transparent compared to public sector bursaries, and their support to be more comprehensive (also covering indirect costs beyond boarding such transportation and personal expenses).

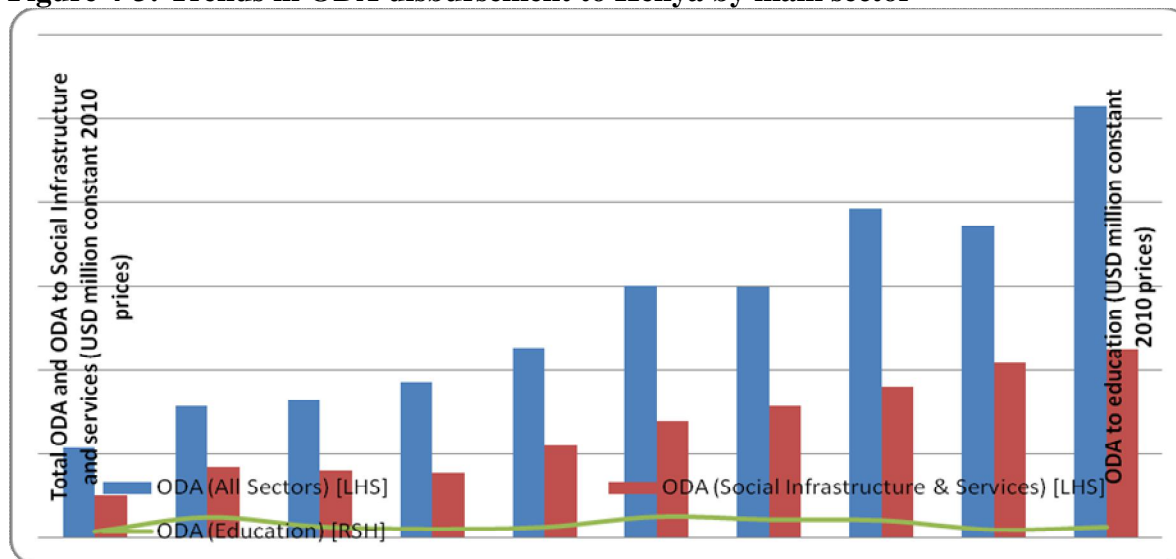
### 3.3 Donor Financing

Despite limited volumes of development assistance in Kenya in comparison to other partner countries and their modest contribution to the education budget, donors supported the improvement in teaching quality and learning materials (Colclough & Webb, 2010). The two largest donors supporting secondary education are the AfDB (support to the enhancement of quality and relevance in higher education, science and technology project programme, mainly focusing on infrastructure development) and JICA (Program on Improvement of the Quality of primary and Secondary Education (Mathematics and Science Education on in-service training)).

When it comes to higher education, several interviewees pointed out that expansion of university education happened without strong donor financing support. The largest programme ended in 1993-94 and was the University Investment Project which imposed a maximum of 10,000 new students as one of the conditions of the World Bank Education Sector Adjustment Credit (Colclough & Webb, 2010).

At the time of writing, the relationship between development partners and the government have improved, following the restitution of missed funds to donors. The government – under consultation with development partners – has been currently developing a new education strategy – the National Education Sector Support Programme (NESSP).

**Figure 4-3: Trends in ODA disbursement to Kenya by main sector**



Source: OECD. Stats (2012)

While aid to education in Kenya remained modest relative to the government's education expenditure, it has nevertheless played an influential role at particular times (see Colclough and Webb, 2010: 12; World Bank, 2000). The relationship between development partners and Kenya in the education sector fluctuated over time (see also Colclough & Webb, 2010: 64), also as the result of donors relations with the ruling government.

External aid as a share of the Kenyan education budget to was 0.02% in mid 1990s (Otieno & Colclough, 2009) and increased up to 6.20% in 2002/03 (Colclough & Webb, 2010: 65) as the result of the election of a new government which addressed some donors concerns on the fight against corruption and economic and development strategy as well as which committed to reach international goals on education and improve education planning which facilitate donors' relation (Colclough & Webb, 2010). Donors' contribution to KESSP has been relatively minor, approximately 5% of total resources. However, despite the upsurge in development assistance associated with the implementation of the KESSP, its contribution is lower than other partner countries at the same income level. According to UNESCO (2011), in 2008 aid per capita to the education sector in Kenya was estimated at \$4, the lowest in her income group.

A fall in development assistance to the education sector in 2010 is first motivated by the phasing-out of the KESSP programme; second it reflects several donors withdrawing – notably World Bank, DFID, CIDA and UNICEF who joined the funding pool in 2005 – or suspending their assistance – for example UsAid - following a corruption scandal in Autumn 2009 with funds embezzled from the education budget.

#### 4. Financing Challenges

While acknowledging strong progress in expanding access to post-primary education, there are some challenges ahead if the government is aiming – as stated in the Sessional Paper No.14 (MoE and MoHEST, 2012) - to achieve a 100% transition rate from primary to secondary education in the near future and to guarantee provision for all of full and free basic education (which includes secondary education in Kenya) in line with becoming a right under the 2010 Constitution. Two major constraints limit further expansion of education services at secondary level apply and may comprise learning achievements. For instance more than 100,000 primary school leavers who scored more than 250 in the 2013 KCPE exam session could not be accommodated in secondary school in early 2013.

First, despite the rise in school infrastructure fuelled by CDFs funding, the expansion in demand for secondary education has not yet been fully matched with increased service provision. One of the flagship projects of the Vision 2030 strategy includes the *construction and equipping of 560 secondary schools as well as expanding and rehabilitating facilities* together with the transformation of 355 centres of excellence. In FY 2010/2011 less than Kshs. 1 billion and Kshs. 750 million in 2011/12 have been disbursed to support this flagship project. This is however a limited amount once compared with the education budget: the last figure from the *Economic Survey* indicates total education expenditure being more than Kshs 140 billion.

At the same time, to accommodate the growing demand for secondary education by rising efficiency in service delivery, the government is currently reviewing policies on secondary school size such as introducing a minimum 150 pupil-size for each school with at least 25 pupils per class or 150 pupils per school within the first year of establishment; at least three streams, class size of 45 students and pupil-teacher ratio of at least 35 students per teacher at secondary level with all school principals required to sign performance contracts (GoK, 2012 education law policy paper).

Second, also addressing shortage of teachers requires a combination of supply expansion and efficiency measures. On the one hand, some of our interviewees pointed that there are plans to hire new teachers for primary and secondary education – with 29,000 previously contracted teachers being recently hired. A shortage of personnel exists at various levels. In the Medium-term plan (2008-12) the government envisages employing 28,000 additional teachers. In 2008 contract-teachers have been hired to cover the rapid rise in demand by the new classes; temporary staff has been subsequently absorbed after the 2012/2013 strikes. Managing teachers' performance is key factor as their salaries are estimated at approximately 59% of total education spending in 2008/09 - even though decreasing over time (GoK, 2010, p. 59) as we have seen in Section 3.3.<sup>7</sup>

On the other hand, as discussed in the previous section, albeit increasing, pupil-teacher ratios in Kenya at secondary level are one of the lowest in SSAs and there would be scope to improve efficiency in service provision. There are currently plans to revise teaching work load and teachers' allocation across schools with a more efficient use of teachers across schools for each subject. Teachers' unions have claimed salary increases leading to strikes in 2012 delaying the KCPE and the beginning of the school year for Form 1 students in late February 2013 (rather than January).

---

<sup>7</sup> Average spending across SSA countries to teachers' salaries is more than half of the education budget with data showing that the proportion of teachers' salaries on the total budget decreases with the education level (UNESCO Institute for Statistics 2011): 69% in primary, 55% in secondary, 38% in TVET and 26% in higher education.

Major issues are teachers' absenteeism and lack of motivation, mentioned by most of the interviewees as two of the major concerns in the improvement of learning outcomes. Teachers' salaries lack an incentive structure such as performance-related pay.

Teachers' shortage in ASALs is further aggravated by the lack of financial and professional incentives to take up duty in those areas. In managing resource mobilisation for infrastructure development and teachers' hiring the large role played by local government funds (CDFs and LATFs notably) added another layer of complexity, in particular when it comes to coordination of resources in the sector. According to MoE (2012d), these funds *are not clearly linked to central government spending and recurrent sector spending resulting in the emergence of small and unviable schools in some localities many without qualified teachers or with limited numbers of teachers* (MoE, 2012d).

Demographic pressure from new cohorts together with the policy target of universal provision of basic education (which includes secondary education) and 10% gross enrolment ratio in tertiary education will put the national budget under stress. While there is some margin to improve efficiency both in terms of infrastructure and teachers' utilisation, Kenya's tax ratio (tax revenue as a share of GDP) is close to 20% and it is already as twice as much the low-income and lower-middle income average: there may be limited scope to further improve tax collection. Without considering any revisions in the capitation grant to secondary education and excluding further infrastructure development and teachers' hiring, a constant unit cost at secondary level of 40,699 Kshs (2009/10 figures), assuming 100,000 new intake on average in the next years, this conservative scenario would still imply additional financial requirements of approximately 4 billion Kshs, 3% of total education budget each year.

Finally, public universities have already suffered from re-prioritization of public finance towards basic education. The introduction of a privately-financed parallel system within public universities (Module II) was one of the answers to address financial sustainability in higher education. While HELB loans have been extended also to students enrolled in private institutions, their financial viability strongly hinges upon loan repayment rates, given its nature of a revolving fund, repayment of HELB loans conditioned upon lender being employed.

While the implementation of the FDSE programme has reduced financial barriers for households of those students attending day schools, we have stressed that attending secondary school is far from being free. We have outlined in Section 3.2 that government guidelines for boarding costs and other fees not included in the capitation grant cannot exceed roughly annual 29,000 Kshs, which is nearly three times the current capitation grant. These costs make attendance of boarding schools unaffordable for those students coming from the poorest and most vulnerable background. And these costs do not reflect the rise in inflation which hit food prices in particular. It is worth noting that the full annual costs of secondary education correspond to 14% of the GDP per capita (\$117 total costs see section 3.2 divided by \$862 per capita income as measured in 2012) and that the total costs for boarding schools within the guidelines is 38% of GDP per capita (\$330 total fees / \$862).

The sustainability of the financing of tertiary and higher education through the Higher Education Loans Board appear threatened by two key factors. First, though declining over time due to strict enforcement of the HELB Act (Cap. 213, Laws of Kenya) and the Finance Act 2006, the default rate in the HELB loans reduces access to its loans. This is because HELB lends through a revolving

loan scheme, meaning that money paid to students must be repaid so that the fund is replenished so that others in need may be able to obtain a loan. The default rates in the revolving loan scheme have been significantly reduced since the introduction of the Credit Reference Bureau (CRB), mandating financial institutions to share loan repayment information of their clients. Second, with the successful implementation of the FDSE, the transition rates to tertiary and higher education have increased tremendously, increasing the demand for this level of education. The demand has, in turn, led to phenomenal growth of both public and private providers of tertiary and higher education in the country. The extension of the revolving loan fund to private students and all levels of tertiary education already appear unsustainable due to the sheer numbers involved. In recent times, HELB has failed to disburse on time due to inadequacy of funds.

## 5. Conclusions

Financing of education, in general, and post-primary education, in particular, faces myriad challenges including inadequacy and sustainability of funding for the sub-sector at both public and private/community levels. Consequently, the government may not achieve a 100% transition rate from primary to secondary education in the near future and to guarantee provision for all of full and free basic education (which includes secondary education in Kenya) in line with becoming a right under the 2010 Constitution as stated in *Sessional Paper No.14* (MoE and MoHEST, 2012). The funding to the sub-sector during 2010/2011 and 2011/2012 was not matched to the expansion in demand for secondary education. Specifically, the funding was inadequate to achieve one of the flagship projects of the *Vision 2030* strategy including the *construction and equipping of 560 secondary schools as well as expanding and rehabilitating facilities* together with the transformation of 355 centres of excellence. The funding also seems inadequate to address the existing personnel shortages at various levels of the sub-sector. In the Medium-term plan (2008-12) the government envisaged to employ 28,000 additional teachers but this was not realized due to shortages of funds. Instead, in 2008, the government hired contract-teachers to partially cover the shortfall.

Demographic pressure from new cohorts together with the policy target of universal provision of basic education (which includes secondary education) and 10% gross enrolment ratio in tertiary education will put the national budget under stress. While there is some margin to improve efficiency both in terms of infrastructure and teachers' utilisation, Kenya's tax ratio (tax revenue as a share of GDP) is close to 20% and it is already as much as twice as much the low-income and lower-middle income average: there may be limited scope to further improve tax collection. Without considering any revisions in the capitation grant to secondary education and excluding further infrastructure development and teachers' hiring, a constant unit cost at secondary level of 40,699 Kshs (2009/10 figures), assuming 100,000 new intake on average in the next years, this conservative scenario would still imply additional financial requirements of approximately 4 billion Kshs, 3% of total education budget each year.

Finally, public universities have already suffered from re-prioritization of public finance towards basic education. The introduction of a privately-financed parallel system within public universities (Module II) was one of the answers to address financial sustainability in higher education. While HELB loans have been extended also to students enrolled in private institutions, their financial viability strongly hinges upon loan repayment rates, given its nature of a revolving fund, repayment of HELB loans conditioned upon lender being employed.

While the implementation of the FDSE programme has reduced financial barriers for households of those students attending day schools, we have stressed that attending secondary school is far from being free. We have already indicated that government guidelines for boarding costs and other fees not included in the capitation grant cannot exceed roughly annual 29,000 Kshs, which is nearly three times the current capitation grant. These costs make attendance of boarding schools unaffordable for those students coming from the poorest and most vulnerable background. And these costs do not reflect the rise in inflation which hit food prices in particular. It is worth noting that the full annual costs of secondary education correspond to 14% of the GDP per capita (\$117 total costs see section 3.2 divided by \$862 per capita income as measured in 2012) and that the total costs for boarding schools within the guidelines is 38% of GDP per capita (\$330 total fees / \$862). The sustainability of the financing of tertiary and higher education through the Higher Education Loans Board appear threatened by two key factors, namely, high default rate of loans and incessant demand for tertiary and higher education.

### References

- Colclough, C. and Webb, A. (2010) 'The Impact of Aid on Education Policy in Kenya' *RECOUP Working Paper Series*, No. 36, Cambridge, UK.
- Equity Group Foundation (2014), *Wings to Fly Program*. Available at: <http://equitygroupfoundation.com/index.php/our-pillars/education-leadership/wings-to-fly-program> [Accessed 5th June 2014].
- Glennerster, R., Kremer, M., Mbiti, I. and Takavarasha, K. (2011), *Access and Quality in the Kenyan Education System: A Review of the Progress, Challenges and Potential Solutions: Prepared for Office of the Prime Minister of Kenya*, The Abdul Latif Poverty Action Lab at MIT (J-PAL) and Innovations for Poverty Action (IPA).
- GoK (1995) *The Higher Education Loans Board Act*, Nairobi.
- GoK (2010) *Public Expenditure Review, Policy for Prosperity*, Minister of State for Planning, National Development and Vision 2030, Nairobi.
- GoK (2013). *Laws of Kenya: Higher Education Loans Board Act, Chapter 213*, Nairobi, Government Press
- Jagero, N. (2011) 'An analysis of social costs of secondary education in Kenya after the introduction of subsidised secondary education in 2008', *International Journal of Education Economics and Development*, 2:3, September 2011, 213-224
- KNBS (Kenya National Bureau of Statistics) (1995), *Economic Survey 1995*, Nairobi.
- KNBS (2007) *Kenya Integrated Household Budget Survey 2005-2006*, Nairobi.
- KNBS (2011), *Economic Survey 2011*, Nairobi.
- KNBS (2012), *Kenya facts and figures*. Available at <http://knbs.or.ke/downloads/pdf/Kenyafacts2012.pdf> [Accessed April 2013]
- KNBS (2013) *Statistical Abstract 2013*, Nairobi
- MoE (Ministry of Education) (2008), *Education Statistical Booklet – 2003-07*, Nairobi.
- MoE (2012a) *Education for All: End Decade Assessment (2001-2010)*, Nairobi.
- MoE and MoHEST (Ministry of Higher Education, Science and Technology) (2012), *Sessional Paper No.14 of 2012: A Policy Framework for Education And Training: Reforming Education and Training in Kenya*, Nairobi.
- MoEST (Ministry of Education Science and Technology) (2004a) *Unit Cost of Basic Education – Kenya*, Nairobi.
- MoEST (2005a) *Public expenditure review and medium term expenditure framework 2005/06—2007/08: Delivering the economic recovery strategy priorities*, Nairobi.

- MoEST (2005b), *Kenya Education Sector Support Programme 2005-2010: Delivering quality education and training to all Kenyans*, Nairobi.
- Mualuko, N. J. and Lucy, M. S. (2013) 'Government funding on access to secondary education in Kenya: Challenges and prospects', *Journal of Educational Administration and Management* 1:1, 1-6.
- Ngolovoi, M. S. (2008), 'Financing Higher Education in Kenya: Student Perceptions and Experiences', *Tertiary Education and Management*, Vol. 14 No. 2, p141-150, Jun 2008.
- Nwagare, M. W., Onsumo, E. N., Muthaka, D.I. (2007), 'Financing Secondary Education in Kenya: Cost Reduction and Financing Options', *Education Policy Analysis Archives* Vol. 15, No. 24. December 2007.
- Ogle, M. A. and Wambua R. M. (2011), *Progress in Gender Equality in Education: Kenya*, SACMEQ Policy Brief No. 6, September 2011.
- Ohba, A. (2009) 'Does free secondary education enable the poor to gain access? A study from rural Kenya', *CREATE Working Paper*, Research Monograph No. 21, Sussex University, May 2009.
- Ohba, A. (2011), 'The abolition of secondary school fees in Kenya: Responses by the poor' *International Journal of Educational Development* 31:4, May 2011, 402–408.
- Oketch, M. O.. (2003). 'Market Model for Financing Higher Education in Sub-Saharan Africa: Examples from Kenya', *Higher Education Policy*, Vol. 16, PP. 313-332
- Oketch, M. (2004) 'The emergence of private university education in Kenya: trends, prospects, and challenges', *International Journal of Educational Development*, Volume 24, Issue 2, March 2004, Pages 119–136.
- Onsomu, E.N., Muthaka, D. I., Ngware, M. I. and Manda, D. K. (2006) 'Determinants and Strategies for Expanding Access to Secondary Education in Kenya', *Kenya Institute for Public Policy Research and Analysis KIPPRA Discussion Paper* No. 63 December 2006.
- Otieno, W. and Colclough, C. (2009) 'Financing Education in Kenya: Expenditures, Outcomes and the Role of International Aid', *RECOUP Working Paper Series*, No. 25, Cambridge, UK.
- Otieno, W. (2010) 'Kenya' in Pillay, P. (2010) *Higher Education Financing in East and Southern Africa*, Centre for Higher Education Transformation, Cape Town.
- Owino, E., (2003). 'Financing Higher Education in Kenya: The Case of Student Loans', A Thesis Submitted to the School of Graduate Studies, Addis Ababa University, in Partial Fulfillment of the Requirements for the Degree of Master of Science in Human Resource Economics.
- UNESCO (2010) *World Data on Education VII Ed. 2010/11*, UNESCO, Paris.
- UNESCO Institute for Statistics (2011) *Financing Education in Sub-Saharan Africa: Meeting the Challenges of Expansion, Equity and Quality*, UNESCO, Paris
- Unterhalter, E. (2012) 'Mutable Meanings: Gender Equality in Education and International Rights Frameworks', *The Equal Rights Review*, Vol. Eight (2012), London.
- Wanja, H. N. (2014) 'An Understanding of the Trends in the Free Secondary Education Funding Policy and Transition Rates from Primary to Secondary Education in Kenya', *Journal of Educational and Social Research* 4:1, 133-142.
- Watkins, K. and Alemayehu, W. (2012) 'Financing for a Faire, More Prosperous Kenya – A review of the public spending challenges and options for selected arid and semi-arid countries', Center for Universal Education, Working Paper 6, August, Washington D.C.
- World Bank (2000), *Kenya: Country Assistance Evaluation (Report No. 21409)*, World Bank, Washington D.C.
- World Bank (2010), *Kenya Public Expenditure Review 2010*, World Bank, Washington D.C.