KENYA ECONOMIC UPDATE

June 2022 | Edition No. 25

Aiming High: Securing Education to Sustain the Recovery

WORLD BANK GROUP

Aiming High: Securing Education to Sustain the Recovery

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ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
ASAL	Arid and Semi-Arid Lands
CDF	Constituency Development Fund
CBC	Competency Based Curriculum
CBK	Central Bank of Kenya
COVID-19	Coronavirus Disease of 2019
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EGMA	Early Grade Mathematics Assessment
EPRA	Energy and Petroleum Regulatory Authority
EYS	Expected Years of School
FDI	Foreign Direct Investment
FY	Financial Year
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
GoK	Government of Kenya
H1	First Half
H2	Second Half
HCI	Human Capital Index
HIV	Human Immunodeficiency Virus
ICT	Information and Communications Technology
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPC	Integrated food security Phase Classification
KCSE	Kenya Certificate of Secondary Education
KEU	Kenya Economic Update
KES	Kenyan Shilling
KNBS	Kenya National Bureau of Statistics
LAYS	Learning Adjusted Years of Education
MLA	Monitoring Learner Achievement
MoE	Ministry of Education
MPC	Monetary Policy Committee
NASMLA	National Assessment System for Monitoring Learning Achievement
NER	Net Enrolment Rate
NPLs	Non-Performing Loans
PER	Public Expenditure Review
PFM	Public Financial Management
PIM	Public Investment Management
PMI	Purchasing Managers' Index
RBF	Results Based Financing
SAGA	Semi-Autonomous Government Agencies
SDR	Special Drawing Rights
STEM	Science, Technology, Engineering and Math
STR	Student Teacher Ratio
TARL	Teaching at the Right Level
TGE	Total Government Expenditure
TSC	Teachers Service Commission
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
SSA	Sub-Saharan Africa
TVET	Technical and Vocation Education and Training
US	United States
USD	United States dollar
WTI	West Texas Intermediate
VAT	Value-added tax
y/y	Year-on-Year

ACKNOWLEDGEMENTS

The Kenya Economic Update (KEU) is a World Bank report series produced twice a year that assesses recent economic and social developments and prospects in Kenya, and places these in a longer-term and global context. Through special topics, the KEU also examines selected policy issues and medium-term development challenges in Kenya. It is intended for a wide audience, including policymakers, business leaders, financial market participants, and the community of analysts and professionals engaged in Kenya's changing economy.

The production of the KEU is led by the Macroeconomics, Trade and Investment (MTI) Global Practice team for Kenya. Part 1 (Recent Economic Developments and Outlook) was produced by Naomi Mathenge, Tasneem Alam Ghauri, Celina Mutie, Alex Sienaert and Angélique Umutesi (all MTI) with inputs from Alastair Haynes (EAEPV). Part 2 (Special Topic on Education) was produced by Pedro Cerdan-Infantes (Senior Economist, HAEE2), and Natasha De Andrade Falcao (Economist, HAEE2). The special topic includes analysis and materials from the forthcoming report "Module 2 Public Expenditure Review in Kenya". Anne Khatimba provided logistical support, Keziah Muthembwa and Vera Rosauer managed communication and dissemination, and Robert Waiharo designed the report. The report benefited from peer reviews by Nobuyuki Tanaka (Economist, HEDGE) and Sergiy Kasyanenko (Economist, EPGDR).

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The report benefited from valuable regular discussions with officials at the National Treasury, Central Bank of Kenya, and the Kenya National Bureau of Statistics. The team also thanks Tobias Rasmussen (Resident Representative for Kenya), and the full International Monetary Fund staff team for Kenya for their excellent ongoing collaboration.

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EXECUTIVE SUMMARY

Kenya managed to contain the health and economic impacts of multiple COVID-19 waves in 2021, helped by targeted containment measures and progress on vaccination, but is now facing a potentially large economic shock from the war in Ukraine.

Kenya's economy has staged a remarkable recovery from the worst economic effects of the pandemic. Real GDP increased by 7.5 percent in 2021, higher than the estimated growth in Sub-Saharan Africa of 4 percent. This growth was driven by the recovery of the services sector and expansion in industrial output. By contrast, the agriculture sector's output contracted by 0.2 percent in 2021, affected by drought conditions in the arid and semi-arid lands (ASAL).

Kenya's economic performance remained strong in the early months of 2022 but external challenges have mounted. Kenya's exposure to the war in Ukraine through direct trade linkages is moderate, with Russia and Ukraine accounting for only 2.1 percent of total goods trade between 2015 and 2020. Similarly, tourists from Ukraine and Russia do not account for a significant share of Kenya's tourism market. However, the economy is vulnerable to the commodity price shocks resulting from the war, particularly through fuel, fertilizer, wheat and other food imports. Global financial conditions have also tightened sharply, increasing external financing costs.

The Central Bank of Kenya reoriented its accommodative monetary policy in view of elevated risks to the inflation outlook. The Central Bank Rate has been raised by 50 basis points (bps) to 7.5 percent in response to emerging inflationary pressures from the surge in global commodity prices and supply chain disruptions. Headline inflation eased from Q4 2021 through February 2022 (5.1 percent y/y), helped by a 15 percent electricity tariff cut. However, inflation subsequently increased sharply to 7.1 percent y/y in May 2022 as domestic food prices, and fuel prices (in March to May), increased following the surge in global commodity prices due to the war in Ukraine. The impact of the global oil price shock on domestic prices has been cushioned by government subsidies.

A strong recovery in revenues has supported fiscal performance but this is now being countered by the cost of subsidizing fuel. The rebound in economic activity and ongoing tax reforms and revenue administration improvements have boosted revenue collection. Revenue in the current fiscal year through Q3 remained on target and performed above the previous year's outturn (12.3 percent of GDP in Q3 2021/22 against a target of 11.2 percent of GDP in Q3 2020/21). As a result, the fiscal deficit in Q3 FY2021/22 shrank to 3.9 percent of full-year GDP from 4.4 percent a year earlier. However, the limited passthrough of higher international oil prices to consumers is generating fiscal costs, with the total monthly cost of subsidizing fuel estimated to be approximately US$66 million.

Looking ahead, economic growth is expected to moderate in 2022 with real GDP projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24. Offsetting the continued recovery from the pandemic is the impact of the war in Ukraine, which has clouded the outlook for the global economic recovery. Domestically, a key risk to the outlook is a further worsening of the current drought, which is having a devastating effect on food security and livelihoods in affected parts of the country and is necessitating increased social spending on food assistance. For example, using the Integrated Food Security Phase Classification (IPC), it is estimated that 3.1 million Kenyans (out of 13.6 million) living in ASAL counties are food insecure. The baseline projections assume that the country will receive below average rains that will negatively affect agricultural performance and also account for the downside effects of the ongoing war in Ukraine through increased global commodity prices.

One sector is critical to achieving Kenya's development goals, accounts for a large share of government spending, and was hit hard by the COVID-19 pandemic: education. Accordingly, the special topic of this Kenya Economic Update (KEU) is the performance and financing of the education sector, drawing on a forthcoming World Bank Public Expenditure Review (PER) on education. It examines the impressive improvements which Kenya has achieved in education outcomes, the remaining challenges in the sector including charting a successful recovery from the pandemic, and how the allocation of resources can contribute to resolving these.

Kenya has significantly improved education outcomes. Gross enrollment rates have increased to 78 percent in early-childhood education and 70 percent in secondary education (whilst remaining above 100 percent in primary). Combining access and learning into Learning-Adjusted Years of Education (LAYS) shows that Kenya is above what is expected by its level of income; a child in Kenya completes, on average, 11.6 years of education, which, when adjusted by the level of learning relative to other countries, results in 8.4 effective years of schooling. This is the highest LAYS in Africa. While Kenya does well for its level of income, this does not mean that Kenya should not aim to further improve both access and, especially, quality of education in order to improve the LAYS and the World Bank's Human Capital Index (HCI), which measures the level of development of human capital in a country. The HCI has shown strong correlation with both economic growth and equity.

The COVID-19 pandemic has resulted in learning losses and deepened inequalities in the education sector. Around 17 million students and more than 320,000 teachers were affected by the closure of 30,000 primary and secondary schools during 2020. The partial reopening of schools began in October 2020, for students in grades 4, 8 and 12. In January 2021, all basic and tertiary education institutions fully reopened. Efforts to provide remote learning revealed a significant digital divide, with over 50 percent of students not being able to engage in remote learning opportunities mainly due to lack of devices, electricity and internet connectivity. There was significant disruption to capital spending and to preparations for the new Competency Based Curriculum (CBC).

The government now faces the challenge of ensuring that the pandemic does not leave lasting scars through its education effects, and to tackle the remaining medium-term challenges. Key structural challenges include increasing the enrollment in post-primary education, improving learning outcomes, and reducing deep inequalities. As Kenya already spends a comparatively high share of resources on education, meeting these challenges will require ensuring that resource allocations remain adequate, and improving equity and efficiency in the use of resources. In particular, continuing and accelerating the improvements in the sector will depend on providing adequate resources to achieve sector objectives and implement ambitious reforms; equitable allocation of resources where they are most needed and are likely to have the most impact; and efficiency through improvements in management practices at the school level, improving the management at the local level and providing extra support for regions with the most difficulties.

With continued efforts, Kenya can build on the strong foundations of its education system by continuing to improve access to and the quality of education, equipping it to be a driver of growth towards becoming an upper middle-income country, and reducing inequalities.

Photo: © Billy Kipyegon Mutai | World Bank

A strong recovery in revenues has supported fiscal performance but this is now being countered by the cost of subsidizing fuel

The State of Kenya's Economy

Photo: © Billy Kipyegon Mutai | World Bank

1. Recent Economic Developments and Outlook

1.1. The global and regional economic recovery from the pandemic is slowing in the face of multiple pressures, including the invasion of Ukraine[1]

The global economy's recovery from the COVID-19 pandemic is losing steam as it faces a series of shocks. The global economy is estimated to have rebounded by 5.5 percent in 2021 and prior to the Russian invasion of Ukraine was projected to grow by 4.1 percent. Pent-up demand for goods and constrained supply responses due to the lingering effects of the pandemic led to a broad-based increase in the prices of commodities and other input prices. Given the strong recovery in demand, major central banks started to gradually withdraw the unprecedented monetary policy stimulus deployed at the onset of the pandemic. Russia's invasion of Ukraine in February 2022 adds new headwinds through rising commodity prices, tighter financing conditions, trade and travel disruptions, new movements of migrants and refugees, and generally increased economic volatility. These forces are weighing on economic activity and leading to additional inflation and fiscal pressures, thus posing challenges to policymakers worldwide. Weighed down by the war in Ukraine and China's recent COVID-related lockdowns, global growth is projected to fall to 3.2 percent in 2022. The global outlook remains highly uncertain and will depend on the duration and severity of the war. New coronavirus variants and outbreaks of COVID-19 also pose continuing risks to global economic activity.

The economic recovery in Sub-Saharan Africa (SSA) has decelerated amid high volatility and uncertainty of external economic and financial conditions. In Sub-Saharan Africa, many countries' economies are struggling to gain momentum amid the slowdown in global economic activity, continued supply constraints, high inflation, and rising fiscal risks due to high debt levels. The pace of economic growth in the region is expected to moderate in 2022, expanding by 3.6 percent, down from 4 percent in 2021.

Kenya faces a potentially large economic shock from the war in Ukraine. Kenya's exposure through direct trade linkages appears moderate, with Russia and Ukraine accounting for 2.1 percent of Kenya's total goods trade between 2015 and 2020. Similarly, tourists from Ukraine and Russia do not account for a significant share of Kenya's tourism market. However, the economy is vulnerable to commodity price shocks resulting from the war in Ukraine. Kenya is a net oil importer; imports of refined fuel products amounted to $3.2 billion in 2021 (15% of total imports). Increased global prices are putting upward pressure on headline CPI, increasing the fiscal costs of fuel subsidies, and leading to a deterioration of the current account balance. The latter is also likely to be adversely affected by weaker global demand and tourism from advanced and developing countries. The impact of higher oil prices is not only limited to a rise in the import bill but would also extend to increased cost of production and transportation impacting the utilities, manufacturing and services sectors. Increased world prices for wheat products (2.3 percent of total imports) and spillovers to other food products could have adverse effects on inflation and food security. Higher prices for fertilizer (1.2 percent of total imports) could weigh on agricultural output.

1.2. The Kenyan economy rebounded in 2021 despite a contraction in agricultural output

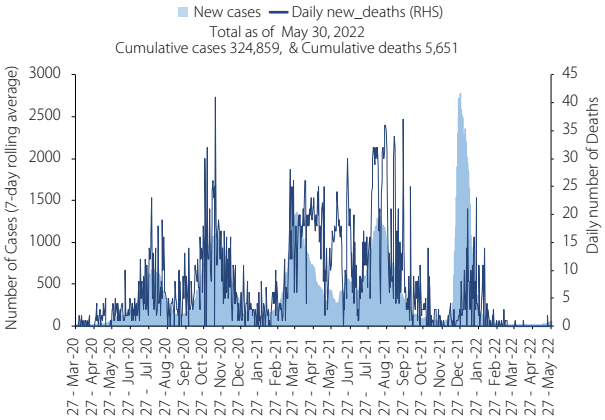
Kenya managed to contain the health and economic impacts of multiple COVID-19 waves in 2021, helped by targeted containment measures and progress on vaccination. The Delta and Omicron COVID-19 variant waves of the pandemic had only a relatively modest impact on economic activity. Mobility levels remained above the pre-pandemic baseline for most of the year. While the number of daily confirmed COVID-19 cases jumped with the onset of each wave (reaching a record high of 3,749 in late December 2021 during the Omicron wave), the number of daily new deaths remained relatively low and has sharply declined since September 2021, with just four deaths reported since mid-March 2022 (Figure 1). This was supported by a pickup in the vaccine rollout following improvement in vaccine availability since September 2021. As of May 30, 2022, Kenya had received a total of 35.1 million vaccines (sufficient to cover about 58 percent of the adult population), with 18.2 million doses administered. However, the dramatic recent declines in confirmed cases

[1] *This section draws on World Bank, Africa's Pulse, April 2022.*

[2] *World Bank, Global Economic Prospects, January 2022.*

[3] *Spring Meetings 2022 Media Roundtable Opening Remarks by World Bank Group President David Malpass.*

Figure 1: Confirmed new cases and deaths have plummeted since the end of the Omicron wave



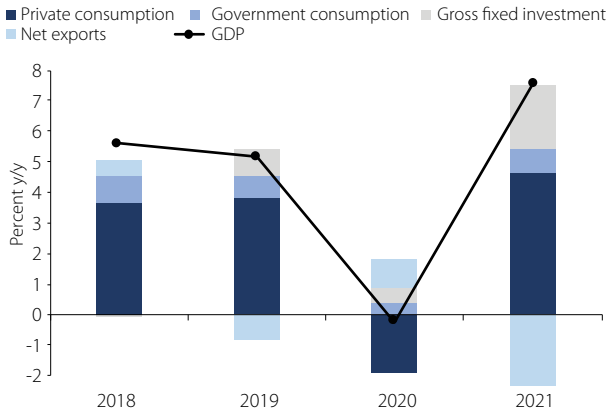
Source: Our World in Data

and deaths may be contributing to vaccine complacency, and the vaccination rollout has slowed down in recent weeks. According to a recent global survey, the share of unvaccinated people in Kenya willing to get vaccinated decreased from about 56 percent in December 2021 to 40 percent in March 2022.[4] With roughly 30 percent of adults (8.4 million people) having been fully vaccinated as of May 30, 2022, it is important to maintain vaccination momentum to achieve the government's target of fully inoculating the adult population of about 30 million by the end of 2022.

The economy staged a strong rebound in 2021 and output is now well above pre-pandemic levels, but the performances of the agriculture and non-agriculture sectors have diverged. Real GDP increased by 7.5 percent in 2021, driven by a particularly strong recovery of the services sector and expansion in industrial output (Figure 2). Following a strong performance in 2020, the agriculture sector's output fell by 0.2 percent in 2021 affected by drought conditions in the arid and semi-arid lands. On the expenditure side, improving employment conditions and household incomes against the backdrop of resilient remittances and a strong recovery in services and industry increased household consumption by 6.2 percent in 2021 against a contraction of 2.5 percent a year earlier. Growth in gross investment increased to 10.1 percent in 2021 from 2.5 percent in 2020, benefiting from improving business confidence, accommodative monetary policy, pent-up transport investment and government's continued focus on infrastructure and affordable housing, lifting investment's contribution to economic growth from 16.6 percent in 2019 to 28.1 percent in 2021. With the increase in imports significantly outpacing exports growth, net exports subtracted 2.4 percentage points from GDP growth in 2021.

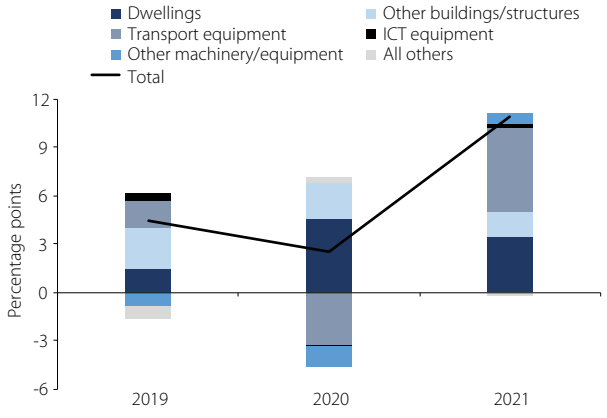
Services rebounded strongly overall but the recovery in tourism and related activities has been partial. (Figure 5). Services sector value-added increased by 9.8 percent in 2021 compared to a contraction of 1.8 percent in 2020. A major factor in this strong rebound is the impact on the national accounts of measured education sector output normalizing.[5] Beneath the overall buoyancy of the services sector lies a mixed picture across sub-sectors, ranging from a strong rebound to well above pre-crisis output in the education subsector, to only a partial recovery in tourism (as reflected by food and accommodation still being about

Figure 2: Private consumption and investment were the major contributors to growth



Source: KNBS

Figure 3: Transport equipment led the surge in investment (contribution to investment growth)

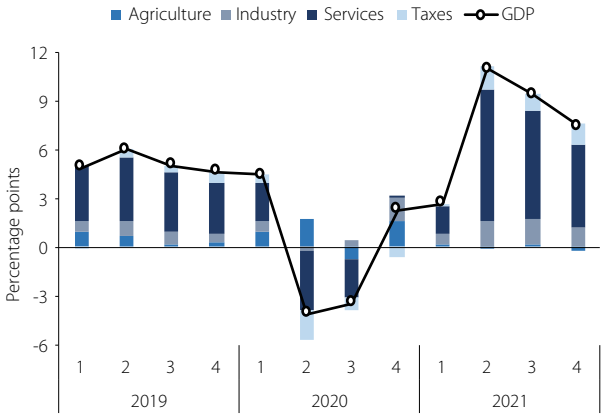


Source: KNBS

[4] *COVID Behaviors Dashboard. Johns Hopkins Center for Communication Programs https://covidbehaviors.org/*

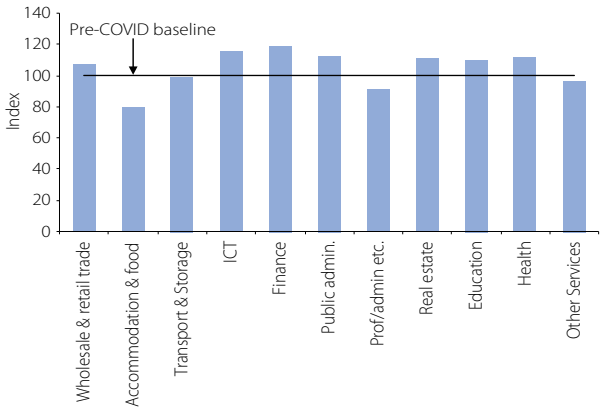
[5] *Education is largely provided by the public sector (mostly a non-market output) and hence gross value added (GVA) of the sector is derived using the cost approach (compensation of employees + intermediate consumption + consumption of fixed capital). In 2020, education GVA at current prices plunged as many of the private schools (that operate as businesses) were shut down and therefore produced no output. However, for the public sector the GVA was derived as usual since the teachers had a contractual agreement with the government and therefore were being paid and available for work. Given that fewer students were being taught while the government spent the same amount, KNBS adjusted the deflator accordingly, resulting in a large contraction in education GVA at constant prices. The recovery in 2021 (hence the spike) was the result of normalization where the number of students increased (due to resumption of normalcy in the sector as well as increases due to the natural increase of the learner population).*

Figure 4: Services drove the economic recovery in 2021 (contribution to real GDP growth, percentage points)...



Source: KNBS

Figure 5: …but with dispersion within subsectors (real value added in 2021 indexed at 2019=100)



Source: World Bank calculations based on KNBS data

50 percent below the pre-pandemic levels). A Central Bank of Kenya (CBK) survey of hotels conducted in mid-March 2022 showed that all the sampled hotels were open, with employment in the sector increasing to about 83 percent of the pre-COVID-19 levels from the low of 37 percent in May 2020, and average bed occupancy rising to 57 percent from its low of 10 percent in May 2020 (though it remains below pre-COVID levels).[6] International visitor arrivals to Kenya were on a recovery path during most of 2021, increasing to 692,938 in 2021 from 431,763 a year earlier. However, this is still about 55 percent lower than the pre-pandemic level recorded in 2019, and the Omicron variant of COVID-19 subsequently caused additional travel disruptions in January–February 2022.

The industrial sector also staged a recovery, supported by the easing of mobility restrictions and the policy focus on infrastructure and affordable housing. Value-added in the manufacturing subsector increased by 6.8 percent in 2021 compared to a 0.4 percent decline a year earlier. Activity in the construction subsector remained buoyant, increasing by 6.6 percent, supported by ongoing infrastructure projects and the implementation of the affordable housing program. Utilities (electricity, gas and water supply) expanded by 5.0 percent in 2021 compared to an increase of 0.6 percent a year earlier.

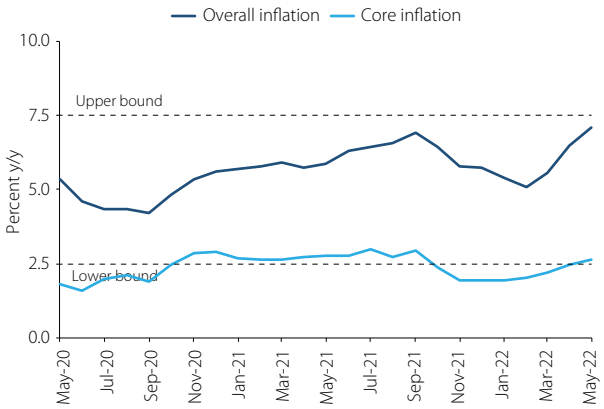
Poor rains led to a contraction in agriculture output, exhibiting climate-related risks and the need to increase resilience to climate change. With the agriculture sector being predominantly rain-dependent, the sector has been impacted by the below-average long and short rains in 2021 following a particularly strong performance in 2020. Agriculture output contracted by 0.2 percent in 2021, leading the sector to slightly pull back GDP growth (compared to a 0.9 percentage point contribution to GDP growth in 2020). The 2021 production estimates indicate that poor rains reduced maize output by 3 percent, wheat by 28 percent and beans by 13 percent below 2020 levels. Food security outcomes deteriorated in 2021 driven by the three consecutive below-average rainy seasons resulting in poor crop and livestock production, resource-based conflicts, and increased livestock disease and mortality. The government declared the drought a national emergency in September 2021 and an assessment of the October-December 2021 short rains indicated that the drought has left 3.1 million Kenyans food insecure in the pastoral and marginal agricultural areas. Food insecurity is rising in Kenya and up to 5.0 million people will need food assistance by September 2022. Addressing the challenges of climate change is key to achieving long-term food security and sustainable agriculture.

1.3. Monetary policy has been tightened in response to emerging inflationary pressures

Inflation remains within the central bank's target range, but has trended upward due to higher food and fuel prices. Headline inflation eased from Q4 of 2021 through February 2022, helped by a 15 percent electricity tariff cut. Inflation subsequently accelerated to 7.1 percent y/y in May 2022 as domestic food prices, and fuel prices (in March to May), increased following the surge in global commodity prices due to the war in Ukraine. The overall inflation rate remained within the central bank's target range of 2.5–7.5 percent (Figure 6). Products experiencing significant price increases in May 2022 included fortified maize flour (23.8

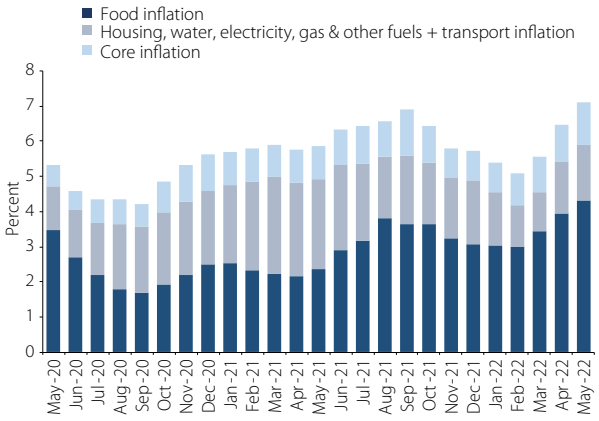
[6] *Central Bank of Kenya, Monetary Policy Committee Hotels Survey, March 2022.*

Figure 6: Headline inflation remains within the CBK band



Source: KNBS

Figure 7: Food inflation has picked up



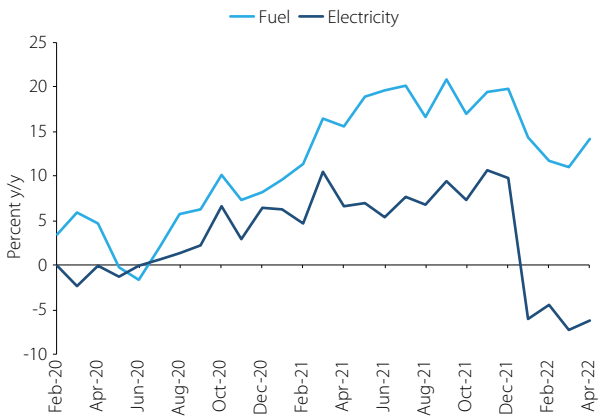
Source: KNBS

percent y/y), cooking fat (44.6 percent y/y), cooking oil-salad (47.1 percent y/y), wheat flour-white (28.4 percent y/y), kerosene (21.3 percent y/y), petrol (18.7 percent y/y), and diesel (21.5 percent y/y). Core inflation, which excludes often volatile food and energy prices, remained little-changed at 2.6 percent y/y in May 2022 (Figure 7).

The impact of the global oil price shock on domestic prices has been cushioned by government subsidies, generating fiscal costs. International energy prices were already elevated since H2 of 2021 on the back of the global recovery from the pandemic and supply bottlenecks. World prices of commodities, particularly oil, wheat, and fertilizer rose sharply in March 2022 as the war in Ukraine intensified and consequent international sanctions on Russia resulted in severe supply disruptions. Global energy prices surged by 24.1 percent in March 2022, led by crude oil (20.2 percent m/m), coal (49.9 percent m/m), and natural gas (38.3 percent m/m). The government has partially blocked the passthrough of international oil prices to domestic fuel prices and electricity generation costs by maintaining below-market retail price caps on fuels and paying compensation to distributors for the loss. This subsidization of fuels has helped to reduce inflation pressure from higher global oil prices (see Box 1) but at a significant fiscal cost (see Section 1.5 below).

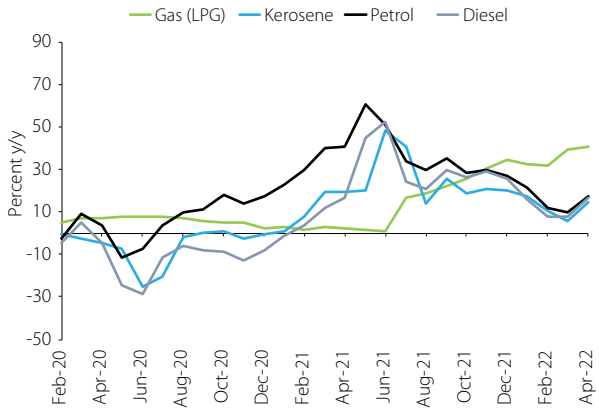
In March 2022, the Energy and Petroleum Regulatory Authority (EPRA) increased the price of petrol and diesel by 4.0 percent and 4.5 percent, and in April and May increased petrol, diesel and kerosene prices by a further KES 9.90 and KES 5.50 respectively. Consequently, fuel price inflation increased by 2.5 percentage points from February 2022 to 14.2 percent y/y in April 2022 (Figure 8 and Figure 9). However, prices still remain on the order of 20 percent below cost-recovery levels, as the government continues to significantly subsidize fuel prices. Conversely, the 15 percent electricity tariff cut in December 2021 has lowered electricity prices (Figure 8).

Figure 8: Domestic fuel prices inflation has picked up in recent months…



Note: Fuel inflation includes (Gas-LPG, Kerosene, Petrol & Diesel)
Source: KNBS

Figure 9: …as domestic retail fuel prices have recently been increased due to higher global market prices



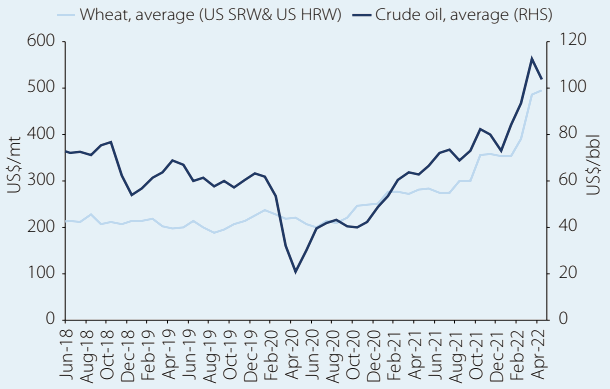
Source: KNBS

Box 1: The impact of global commodity price shocks on Kenya's inflation rate

Kenya's inflation rate faces a potentially large shock from the Russia-Ukraine war. To illustrate, this Box discusses the direct impacts of global oil and wheat prices on inflation rate given Kenya's significant net fuel and wheat imports.

Global commodity prices have been trending higher since mid-2020 and recently accelerated sharply due to the ongoing war in Ukraine. The average price of Brent, WTI and Dubai crude oil breached the $110 per barrel threshold in March 2022, last seen over a decade ago—before easing to $103/bbl in April 2022. Average wheat prices reached $503.7 per metric tonne in March 2022 and rose to $583.9 in April 2022. As of March 2022, the average oil price and wheat price had risen to well above the pre-pandemic level (Figure B1). Similarly, the average price of fertilizers increased by 9.7 percent (m/m) in April 2022. These price increases and the possibility of prices remaining elevated in the medium-term have drawn attention to the threat they pose to price stability and the policy space to continue an accommodative monetary stance.

Figure B1: The average prices of oil and wheat have surged



Source: World Bank (Pink sheet)
Note: US SRW denotes United States Soft Red Winter & US HRW denotes United States Hard Red Winter

Potential global price shock impacts on inflation: Fuels- and directly related prices (e.g., taxi fares) have about a 5 percent weight in the CPI, and would also be expected to filter into a wide range of other prices in the economy by increasing transport costs. Wheat and bread-related items account for 3.2 percent of the CPI. Econometric estimates of inflation impact in Kenya from global crude oil prices tend to show only modest pass-through but are likely underestimated due to data constraints and past periods of retail price suppression. For policymakers, the key risk is that transient and product-specific price increases due to higher global oil prices feed into higher generalized inflation expectations, which would merit a monetary policy response to maintain overall price stability.

The Central Bank of Kenya (CBK) raised the central bank rate (CBR) from 7.0 percent to 7.5 percent. At its May 2022 meeting, the Monetary Policy Committee (MPC) raised the policy rate to 7.5 percent in response to inflationary pressures posed by the surge in global commodity prices and supply chain disruptions. The decision was predicated on the MPC's view on the elevated risks to the inflation outlook and aimed at further anchoring inflation expectations.

Credit to the private sector has picked up in recent months but remains low in real terms. Credit to the private sector rose by 11.5 percent y/y in April 2022. The market segments recording the strongest credit growth were transport and communication (up 28.9 percent y/y), manufacturing (12.0 percent y/y), trade (10.7 percent y/y), consumer durables (16.1 percent y/y), and business services (12.2 percent y/y).[7] In real terms, however, private sector credit growth has remained modest. Progress towards implementing a risk-based pricing framework should over time support more lending including to micro, small and medium-sized enterprises.

The banking sector remains adequately capitalized. The sector has weathered the COVID-19 shock, helped by the CBK's emergency relief measures in response to the pandemic. As of end-December 2021, banks' capital adequacy ratio stood at 19.6 percent, well above the statutory requirements. With an ample capital position and strong deposit growth, the banking sector as a whole remains well-positioned to meet the economy's credit needs and support the recovery, including by helping to meet the government's financing requirements. The gross non-performing loans (NPLs) ratio subsided to 13.1 percent in December 2021 (after peaking at 14.6 percent in March 2021) but since then has risen to 14.1 percent in April 2022, as a result of specific challenges in the manufacturing, trade, transport and communication, and building and construction sectors. Banking sector profitability improved in 2021, with the return on assets and return on equity increasing to 3.3 percent and 22.9 percent.

[7] *CBK, Press Release: Monetary Policy Committee, May 30, 2022.*

1.4. The current account deficit is widening following the surge in commodity prices

The current account deficit widened in 2021, driven by a larger trade deficit. Kenya's deficit in trade of goods and services increased to 10.0 percent of GDP in 2021, from 8.3 percent in 2020, as the increase in imports more than outweighed increases in exports. Merchandise exports increased by 0.1 percentage point to 6.3 percent of GDP 2021, owing in part to improved external demand, while services exports have continued to strengthen as tourism and travel recover (Figure 10). Merchandise imports were driven up by a strong rebound in domestic demand and uptick in international oil prices from mid-2021. Consequently, oil and non-oil imports increased by 59.2 percent and 19.4 percent in 2021 (compared to a contraction of 34.0 percent and 7.1 percent in 2020). Moving into 2022, these trends have continued, with export receipts growing by 24.5 percent y/y in the first 2 months of 2022 and import payments increasing by 27.6 percent y/y. The larger trade deficit was mitigated by buoyant diaspora remittances, reaching a record US$3,718 million in 2021, equivalent to about 3 percent of Kenya's GDP. In the first two months of 2022, diaspora remittances increased by 22.6 percent y/y to reach $660.3 million. Overall, the current account deficit stood at approximately 5.6 percent of GDP in the 12 months to February 2022.

Kenya's current account deficit is likely to increase in 2022 as the war in Ukraine pushes up import prices. Kenya imports significant amount of fuel, wheat and fertilizer. In 2019 (latest available data), about 25 percent of wheat imports came from Russia and 10 percent from Ukraine. Domestic wheat production is significant but fluctuates and is well below domestic needs (in 2019, for example, Kenya produced 366,200 tonnes of wheat and imported nearly 2 million tonnes). In addition, Kenya imported $259 million worth of fertilizers in 2020, or 1.2 percent of total imports. Kenya thus faces a balance of payments shock from higher fuel, wheat and fertilizer import prices, although the magnitude and duration of the shock is highly uncertain.

Figure 10: Tourist arrivals have increased considerably but remain below pre-COVID levels (number)

Source: KNBS

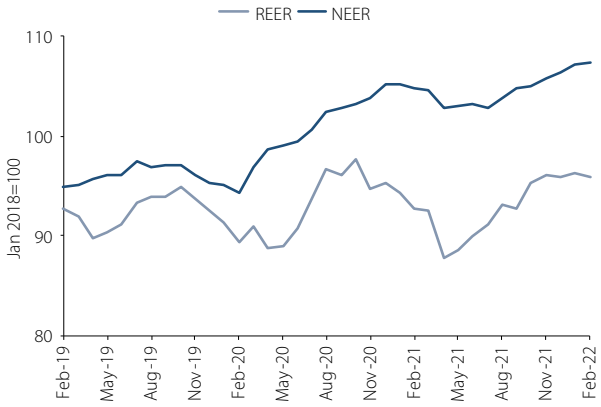
Official sector inflows have helped finance the current account deficit and maintain international reserve coverage (Table 3). The capital and financial accounts recorded net inflows in 2021, mainly on account of significant inflows from international financial institutions including under the IMF's ECF/EFF arrangements ($565.6 million in 2021)[8], the IMF's Special Drawing Rights (SDR) general allocation ($725.7 million, August 2021), and World Bank development policy financing ($750m in June 2021). In 2022, official sector inflows include World Bank development policy financing ($750 million, March 2022) and US$244 million from the third ECF/EFF review once this is approved by the IMF Board. Foreign exchange reserves stood at US$ 8,179 million (about five months of imports) as at May 30, 2022. Foreign direct investment in Kenya was low in the year to February 2022 (gross inflows of $463.4 million on a 12-month cumulative basis and just $1.6 million net of outbound FDI). Portfolio investment registered a small net inflow equivalent to 0.1 percent of GDP in 2021, following significant net outflows in 2020 as global investor risk appetite fell due to the pandemic.

Kenya participated in the G20 DSSI from January 2021. This reduced gross external financing needs, lowered external liquidity risks, and freed fiscal space to sustain social and COVID-19 response spending. The deferred debt service amounted to approximately US$514 million (equivalent to about 0.5 percent of GDP) and helped to preserve space for priority social expenditures.

The Kenyan shilling (KES) has depreciated gradually against the US dollar since H2 2021. In nominal terms, the shilling depreciated by 3.5 percent against the US dollar (USD) in 2021. The KES has continued its gradual depreciation trend against the USD so far in 2022, trading at 116.7 per USD as on May 31, 2022, to be lower by a further 3.2 percent. Against a trade-weighted basket of foreign currencies, the KES has also depreciated modestly during the review period on both a nominal basis and, to a lesser degree, real (domestic price-adjusted) basis. This currency adjustment helps to absorb the global shocks affecting Kenya's external balances and terms of trade (Figure 11).

[8] *$307.5 million under the IMF's ECF/EFF arrangements was disbursed in April 2021 and $258.1 million was disbursed in December 2021.*

Figure 11: The nominal and real effective exchange rates have recently been on a depreciating trend, facilitating economic adjustment to global shocks (an increase indicates depreciation)



Source: Central Bank of Kenya

1.5. A rebalance in government expenditure and a recovery in revenue enabled continued response to the pandemic

The rebound in economic activity and ongoing tax reforms have boosted revenue collection. Revenue in the current fiscal year through Q3 remained on target and performed above the previous year's outturn (12.3 percent of GDP in Q3 2021/22 against a target of 11.2 percent of GDP in Q3 2020/21). This strong revenue performance has been broad-based, with income tax and VAT increasing the most as tax relief measures introduced at the onset of the COVID-19 pandemic were unwound and tax expenditures were reduced by harmonizing exemptions. Additional tax administration measures such as the Voluntary Tax Disclosure Program also increased revenue collection, generating KES 5.9 billion in 2021.[9]

Government expenditure has been reorganized to continue to support economic recovery. Government expenditure in Q3 2021/22 remained at 16.4 percent of GDP, about the same as in Q3 2020/21, with an increase in recurrent spending being offset by reduced development spending and below-target transfers to county governments. The rise in recurrent expenditure has been driven by economic stimulus program-related spending (KES 23.1 billion or 0.2 percent of GDP allocated for FY2021/22), COVID-19 management including procurement and administering vaccines, preparations for general elections scheduled in August 2022, and fuel subsidy spending. Coupled with the revenue outperformance, this resulted in the fiscal deficit in Q3 FY2021/22 shrinking to 3.9 percent of full-year GDP from 4.4 percent a year earlier (Table 4).

The limited passthrough of higher international energy prices to consumers is generating fiscal costs. The government introduced a fuel subsidy in October 2021 through the petroleum development levy fund, with total allocations to fuel price stabilization for FY2021/22 amounting to KES 25.0 billion (0.2 percent of GDP).[10] In Q3 FY2021/22, before the further surge in global energy prices due to the war in Ukraine, total expenses on fuel subsidies had already reached KES 34.1 billion (0.3 percent of GDP). Fuel prices were kept unchanged from October 2021 to February 2022, followed by increases in March and April 2022, for example, the applicable retail price of super petrol in Nairobi rose by 3.9 percent in March 2022 and 7.3 percent in April 2022. At the prevailing prices at the time of the April price increase, petrol is being subsidized by KES 20.4 per liter, diesel by KES 27.6 per liter and kerosene by KES 26.9 per liter, and the total monthly cost of subsidizing fuel is estimated to be approximately $66 million.[11]

Sustained accumulation of pending bills remains a substantial challenge to businesses' cash flow and liquidity. Pending bills have accumulated both at the national and county level, despite the government's policy of prioritizing payments of pending bills at the beginning of every financial year. Pending bills rose from KES 64.7 billion (0.7 percent of GDP) in June 2019 to KES 359.5 billion (3.2 percent of GDP) in June 2021 and further to KES 434.5.7 billion (3.4 percent of GDP) in March 2022. At county level, pending bills stood at KES 10.8 billion (0.1 percent of GDP) in June 2021. The large stock of arrears reduces government suppliers' liquidity and ability to plan and finance expansion, and introduces greater uncertainty in the business environment. This highlights the urgency of ongoing public financial management (PFM) reforms to reduce the challenges of over-commitment of budgets and the low or late disbursement of funds that often result in delayed payments of government's suppliers.

The government is making greater use of concessional borrowing to finance deficits amid elevated debt vulnerabilities. Persistently large budget deficits and, more recently, the pandemic and government actions to mitigate its effects, increased Kenya's public debt to 67.8 percent of GDP as of March 2022, up from 50 percent of GDP in June 2016. The rapid accumulation of debt, combined with increased reliance on financing

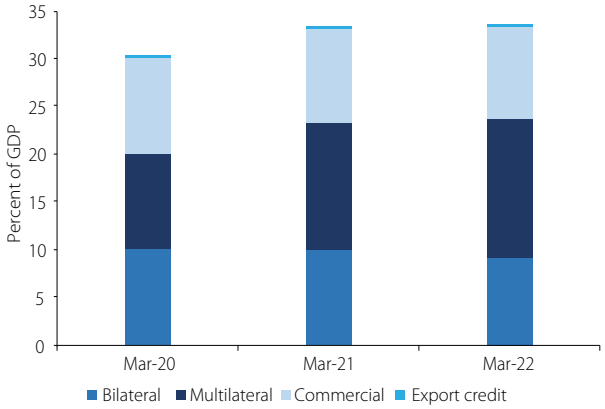
[9] *Effective from January 2021, the Voluntary Tax Disclosure Program allows a person to disclose undeclared tax liabilities for the period of 1 July 2015 to 30 June 2020 and obtain full or partial relief of penalties and interest on the tax disclosed under the program (Source: KRA).*

[10] *National Treasury, 2021/22 Supplementary Budget Estimates.*

[11] *Energy and Petroleum regulatory Authority (EPRA), Maximum retail petroleum prices in Kenya for the period 15th March to 14th April 2022.*

at commercial terms (prior to the pandemic), have increased Kenya's debt-related vulnerabilities, resulting in a rating of a high risk of debt distress as assessed by the joint IMF/World Bank DSA.[12] The government's renewed prioritization of concessional borrowing (Figure 12) has begun to reduce external debt service costs, and debt management reforms are ongoing.[13] The government is also working to lengthen the maturity profile of domestic debt and reduce refinancing risk by relying more on T-bonds instead of short-term T-bills, increasing the bonds to 28.0 percent of GDP in April 2022 from 25.2 percent of GDP in April 2021, while bills declined by 1.4 percentage points to 5.1 percent of GDP in April 2022 from 6.7 percent of GDP in April 2021.

Figure 12: The recent increased uptake of concessional borrowing has reduced the share of commercial debt



Source: The National Treasury (Quarterly Economic and Budgetary Review, Q3 FY2021/22)

2. Outlook and Risks

2.1. The economic outlook remains highly uncertain and risks to the forecasts are elevated

Continuing the momentum on vaccination remains a key factor in the outlook. Although confirmed new cases are currently very low in Kenya, the future course of the pandemic remains uncertain, including the possibility of disruptive future waves of infections from any new variants of the coronavirus. This makes it important to achieve the government's target of inoculating Kenya's entire adult population against COVID-19 by end-2022. With vaccinations slowing down recently, a concerted effort is needed to maintain the momentum in the vaccination rollout and to counter vaccine hesitancy.

The war in Ukraine affects the Kenyan economy through several, mainly indirect channels and exacerbates uncertainty as to the economic outlook. Though Kenya has limited direct trade and financial links with Russia and Ukraine, the war is expected to impact the Kenyan economy through higher global commodity prices, tighter global financial conditions, and slower global growth. The baseline scenario assumes about 50 percent increase in global energy prices from 2021. This sharp rise in global energy prices significantly increases annual import costs, adds to inflation, and could undermine fiscal consolidation efforts depending on the government's approach to passing the price increases on to retail fuel consumers. In addition, increased world prices for wheat products and fertilizer are likely to have adverse effects on inflation, agricultural productivity and food security. The economy is also exposed to broad-based global investor risk aversion and broad-based dollar appreciation, due to significant external debt.

Growth will moderate in 2022, as pandemic rebound effects fade and the war in Ukraine increases economic headwinds. Kenya's real GDP is projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24, a robust pace but lower than the 7.5 percent rate in 2021, which reflected a strong bounce-back from COVID-19. Offsetting the strong economic momentum generated by the pandemic recovery is the impact of the war in Ukraine, which has clouded the outlook for the global economic recovery. High commodity prices will increase import costs, while the projected slowdown in global growth will soften the demand for Kenyan exports. The war in Ukraine and consequent sanctions are expected to subtract about 0.5 percentage points of GDP growth in 2022 and 0.3 percentage points in 2023 compared to the baseline prior to the war, largely through indirect terms of trade losses. Notwithstanding the more adverse external economic

[12] *IMF Country Report No. 20/156.*

[13] *In addition to the 2022 Budget Statement, the government has proposed to replace the current nominal debt ceiling with a debt anchor capping debt at 55 percent of GDP in net present value (NPV) terms. However, the debt can surpass the ceiling with a requirement that the Cabinet Secretary reports to Parliament when this happens, with time-bound remedial actions in pursuit of debt sustainability.*

Table 1: Medium term growth projections

	2019	2020	2021 e	2022 f	2023 f	2024 f
Real GDP growth, at constant market prices	5.2	-0.3	7.5	5.5	5.0	5.3
Private consumption	3.8	-1.9	4.6	4.0	3.7	3.9
Government consumption	5.6	3.0	5.7	6.6	5.3	5.2
Gross fixed capital investment	4.5	2.5	10.9	7.0	7.5	8.1
Exports (goods and services)	-3.2	-8.8	12.9	6.2	7.4	7.8
Imports (goods and services)	1.8	-9.2	18.9	6.8	8.3	8.3
Real GDP growth, at constant factor prices	5.4	0.4	7.1	5.5	5.0	5.3
Agriculture	2.7	4.6	-0.2	1.3	3.8	4.2
Industry	4.0	3.3	7.2	3.5	3.6	4.3
Services	6.7	-1.8	9.5	7.4	5.8	5.9
Inflation (consumer price index)	5.2	5.3	6.1	7.0	5.5	5.0
Current account balance (% of GDP)	-5.2	-4.8	-5.5	-6.0	-5.5	-5.0
Net foreign direct investment (% of GDP)	0.9	0.5	0.2	0.6	0.8	0.9
Fiscal balance (% of GDP)/1	-7.3	-7.5	-8.2	-8.1	-6.0	-4.4
Debt (% of GDP)/1	59.6	63.0	67.8	68.0	67.5	64.9
Primary balance (% of GDP)/1	-3.4	-3.4	-3.9	-3.3	-1.1	0.2

Source: World Bank computation and the National Treasury
Note: e=estimate, f=forecast, /1 2019 = FY2018/19

environment, the growth projection for 2022 has still been upgraded since the last KEU (4.9 percent), to take into account the stronger than expected recovery in 2021, feeding through to the annual growth comparison in 2022.

The government remains committed to the task of reducing the fiscal deficit, which faces renewed challenges. The government plans to implement fiscal consolidation, which is needed to reduce debt risks, restore fiscal space for more development and social spending, and free up resources for private investment and sustainable job creation. The fiscal deficit is budgeted in the medium-term to narrow to 4.3 percent of GDP by FY2023/24 through a balanced mix of expenditure restraint and revenue enhancement. Measures on the revenue side, including further reducing tax expenditures, introducing a digital tax, and strengthening tax administration to expand the tax base and improve compliance, are expected to raise revenue from 16.3 percent of GDP in FY2021/22 to 18.1 percent of GDP in FY2023/24. On the expenditure side, measures including tight recurrent spending control and reducing inefficiencies in public investment (including through the implementation of public investment management (PIM) regulations and rationalization of the public investment portfolio) will progressively lower expenditure from 25 percent of GDP in FY2021/22 to 22.8 percent by FY2023/24. Public debt is projected to decline to 64.9 percent of GDP in FY2023/24, benefiting from economic growth, fiscal consolidation and reduced borrowing costs due to increases in concessional debt in the financing mix. However, fiscal consolidation faces rising challenges and risks, including from the increased spending pressures from measures to contain the economic impact of the war in Ukraine (such as the recent spending to subsidize fuels), potential election-related fiscal slippages, and the prospect of more expensive financing costs on the back of tighter global financial conditions.

The current account deficit is projected to widen in 2022 amid terms of trade losses. The upheaval in commodity prices caused by the war in Ukraine will have an immediate and direct impact on the trade balance and in turn on the current account balance in 2022. Imports are expected to accelerate, partly due to recovering domestic demand, but the commodity price surge will play a dominant role in the higher import bill expected through most of 2022. Growth in exports of tea, coffee, and cut flowers will slow down as the outlook for Kenya's major export markets weakens, and tourism and transport are also expected to see a more sluggish recovery due to added headwinds for global tourism. Consequently, the current account deficit is projected to widen to 6.0 percent in 2022.

2.2. Uncertainty as to the outlook is elevated by existing and new downside risks

Key domestic risks include a more virulent pandemic, election-related disruptions to fiscal consolidation and investment (general elections will take place in August 2022), and adverse environmental and weather developments (including if the severe drought currently affecting north-eastern Kenya were to spread, or armyworm infestations were to worsen).

As the agricultural sector is a cornerstone of the Kenyan economy and crops are primarily rain-fed, adverse weather conditions constitute the major domestic risk to the economic outlook. There was a delay in the start of the March – May 2022 long rains, which are expected to be below average.[14] The baseline projections therefore assume that the country will receive below average rains that will negatively affect agricultural performance this year. A more widespread drought, coupled with higher than anticipated input costs due to the war in Ukraine, could further reduce yields and increase food insecurity. This will increase poverty levels as a large proportion of the population relies on the sector for their livelihoods. For example, using the Integrated Food Security Phase Classification (IPC), It is estimated that 3.1 million Kenyans (out of 13.6 million) living in ASAL counties are food insecure.[15]

Key sources of external uncertainty include any re-intensification of the pandemic, sustained increases in commodities prices due to prolonged supply disruptions from the war in Ukraine, increasing financial stress, and a larger than projected weakening of global growth. Prior to the war in Ukraine, fertilizer prices were already increasing and, with Kenya importing all fertilizers, a further rise in fertilizer prices could worsen already volatile food inflation and generate new food supply stresses. While the baseline projections account for the downside effects of the ongoing war in Ukraine through increased commodity prices, a prolonged war and the associated sanctions, could raise commodity prices further, resulting in higher domestic inflationary pressures. This could generate more fiscal costs, such as from the need for increased social protection spending, including food assistance.

The global economy is projected to weaken as policy accommodation is withdrawn to combat inflation, which has been compounded by higher food and energy prices due to the war in Ukraine. This is likely to lead to a reduction in tourist flows, notably from some of Kenya's key European tourist markets that were yet to recover fully from the effects of the COVID-19 pandemic, negatively affecting Kenya's external position.

Table 2: Gross domestic product by activity, growth rates

	2019	2020	2021	2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Agriculture	2.7	4.6	-0.2	4.5	8.0	-4.3	9.8	0.4	-0.5	0.6	-1.2
Mining & quarrying	4.3	5.5	18.1	6.5	3.9	5.6	6.0	10.7	10.9	16.4	34.5
Manufacturing	2.6	-0.4	6.9	1.4	-5.4	-2.2	4.3	2.1	11.3	10.2	4.9
Utilities	1.7	0.6	5.0	1.5	-4.5	0.8	4.6	3.6	7.2	6.4	2.8
Construction	7.2	10.1	6.6	8.9	6.0	10.2	15.2	6.8	6.8	6.7	6.0
Wholesale & retail trade	5.3	-0.5	7.9	5.5	-3.8	-5.1	1.4	7.5	9.2	6.4	8.4
Accommodation & food services	14.3	-47.7	52.5	-14.1	-57.2	-62.0	-57.7	-33.0	90.1	127.5	118.6
Transport & Storage	6.3	-7.8	7.2	2.1	-16.8	-10.2	-6.2	-7.9	18.6	14.2	6.5
ICT	7.0	6.3	8.8	7.8	4.9	4.9	7.5	10.1	17.1	4.1	5.3
Finance	8.1	5.9	12.5	6.2	3.2	3.3	10.6	11.8	17.3	11.8	9.9
Public admin.	8.4	7.0	5.6	4.7	4.5	8.3	10.2	6.8	7.6	4.8	3.3
Prof/admin/support services	6.8	-13.7	5.7	2.7	-25.5	-18.4	-12.5	-13.0	18.3	13.4	8.1
Real estate	6.7	4.1	6.7	4.1	3.6	3.8	4.8	6.7	7.4	7.1	5.7
Education	5.7	-9.3	21.4	4.8	-21.1	-16.1	-4.8	11.5	31.6	28.3	18.0
Health	5.5	5.7	6.0	7.1	9.0	4.4	2.9	5.8	6.2	4.1	7.8
Other services	4.3	-14.6	12.6	-3.6	-23.9	-13.9	-17.2	-8.4	28.8	17.7	16.8
FISIM	9.5	-1.8	5.5	-3.8	-0.2	-2.2	-1.1	4.9	2.8	5.1	8.7
Taxes	3.9	-8.1	11.9	5.5	-20.5	-8.5	-7.4	1.8	18.5	12.5	15.7
Total GDP	5.1	-0.3	7.5	4.4	-4.1	-3.5	2.3	2.7	11.0	9.3	7.4

[14] *https://fews.net/east-africa/kenya*

[15] *FEWSNET KENYA Food Security Outlook report, 2022.*

Overall, while Kenya's economy has been performing well, it continues to face elevated uncertainty and downside risks, including from mounting external headwinds. The challenging outlook underscores the importance of rapid, equitable vaccine distribution to maximize resilience against any possible re-intensification of the pandemic. In addition, the inclusive and resilient growth needed to benefit households, especially those at the lower end of the income distribution can be accelerated (see Box 2 for a summary of recent survey-based evidence on households' pandemic recovery and ongoing challenges, including food insecurity). Key measures in this regard include implementing reforms conducive to a more efficient public sector and increased private sector investment, furthering the governance agenda, and maintaining progress on fiscal consolidation to reduce debt-related vulnerabilities and progressively open more fiscal space for development spending over the medium-term.

Table 3: 12-month Cumulative Balance of Payments
(BPM6 presentation, in millions of U.S. dollars, unless otherwise indicated)

	2017	2018	2019	2020	2021e
	Actual	Actual	Actual	Actual	Estimate
A. Current account	-5,685	-5,048	-5,541	-4,619	-6,027
Trade balance	-8,630	-8,605	-8,912	-8,075	-10,699
Total exports (good & services)	10,449	11,565	11,493	9,794	11,589
Merchandise exports	5,801	6,088	5,872	6,062	6,730
Tea	1,424	1370	1115	1226	1193
Horticulture	829	1055	991	950	1129
Manufactured Goods	393	377	403	380	507
Services exports	4,648	5,477	5,621	3,732	4,859
Total imports (good & services)	19,079	20,170	20,406	17,869	22,288
Merchandise imports	15,987	16,289	16,551	14,492	18,169
Oil products	2,728	3,386	3,310	2,185	3,480
Services imports	3,092	3,881	3,854	3,377	4,120
Primary and Secondary Incomes	2,944.91	3,556.87	3,370.92	3,456.33	4,672.55
Credit	4,650.40	5,252.81	5,569.31	5,169.72	6,399.62
Remittances	1,962	2,721	2,839	3,102	3,783
Debit	1,705	1,696	2,198	1,713	1,727
B. Capital account	184	263	208	131	195
C. Financial Account	-5,563	-6547	-6233	-3023	-5331
Foreign Direct Investment ;net	-1,010	-1463	-1132	-499	4
Portfolio investment ;net	789	-627	-1312	1279	-135
Financial derivatives: net	4	11.5	-5.4	-72.7	-35.0
Government borrowing	23667	27214	30044	32867	37106
D. Net Errors and Omissions	-166	-720	154	38	1288
E. Overall Balance	108	-1030	-1059	1427	-788

Source: Central Bank of Kenya

Table 4: Kenya - Fiscal operations (percent of GDP)

	2020/21	2021/22	July-March 2020/21	July-March 2021/22
	Actual	Budget		
Revenues and grants	**16.1**	**16.9**	**11.2**	**12.3**
Revenue	**15.8**	**16.4**	**11**	**12.1**
Tax revenue	12.6	13.3	8.7	9.8
Income tax	6.1	6.5	4	4.6
Import duty	1.0	0.9	0.7	0.7
Excise duty	1.9	2.1	1.4	1.5
Value added tax	3.6	3.8	2.6	3.0
Non-tax revenue	3.2	3.1	2.3	2.3
Investment income	0.4	0.3	0.4	0.2
Other	0.8	0.7	0.7	0.6
Ministerial and departmental fees (AIA)	2	2.1	1.2	1.5
Grants	**0.3**	**0.5**	**0.2**	**0.2**
Expenditure and net lending	**24.2**	**25.4**	**16**	**16.4**
Recurrent expenditure	**15.8**	**17.1**	**10.9**	**11.8**
Interest payments	4.3	4.8	3.2	3.3
Domestic interest	3.4	3.8	2.5	2.6
Foreign interest	0.9	1	0.7	0.7
Wages and salaries	4.3	4.2	3.1	3.1
Civil service reform	0.0	0.0		
Pensions and other consolidated fund services	1.0	1.1	0.7	0.7
Other	5.7	6.7	3.9	4.6
Transfer to counties	3.5	3.2	1.8	1.7
Development and net lending	**4.9**	**5.1**	**3.3**	**2.9**
Domestically financed	3	4.3	1.5	1.4
Foreign financed	1.9	0.7	0.8	0.5
Adjustments to cash basis	0	0	0.5	0.3
Overall balance (cash basis, including grants)	**-8.2**	**-8.1**	**-4.4**	**-3.9**
Financing	**8.4**	**8.1**	**4.3**	**3.6**
Net domestic financing	2.9	2.8	0.2	-0.2
Net foreign financing	5.5	5.3	4.2	3.7
Total gross public debt	**67.8**	**68.0**	**67.9**	**67.8**
Domestic debt	35.2	33.9	35.1	34.0
External debt	32.6	34.1	32.8	33.8

Source: The National Treasury and Central Bank of Kenya

Box 2: Households' continued recovery from the COVID-19 pandemic and coping mechanisms

The share of working-aged individuals in employment has returned to pre-pandemic levels. The share of the working-age population in employment has returned to the same level as before the pandemic (Figure B2-1). The employment share dipped from 80 to 71 percent between July-October 2021 and November 2021-March 2022, likely driven by fewer households having to temporarily engage in additional income generating activities to cope with the pandemic (Figure B2-2). Overall, there has been broad reversion towards pre-pandemic employment rates, and this has occurred across educational, geographical and gender groups.

A large share of households continues to use coping mechanisms.[16] Just under 90 percent of households reported using one or more strategies to cope in November 2021-March 2022, with no improvement across the second half of 2021 (Figure B2-2). The most common approaches are relying on savings (32 percent), and seeking additional income generating activities (31 percent), however, the share of households who engaged these strategies has declined. Fewer households reduced their food and non-food consumption compared to July-October 2021, yet the strategy remains among one of the most frequently used ones, pointing towards food insecurity. The continued reliance on coping mechanisms suggests households still lack disposable income, for instance, the use of credit remains at its highest level since the start of the pandemic (27 percent of households). Finally, 11 percent of households relied on government assistance, nearly twice as many as in and July-October 2021, following an increase in government assistance in 23 counties affected by drought.[17]

Figure B2-1: Labor force statistics (18-64)

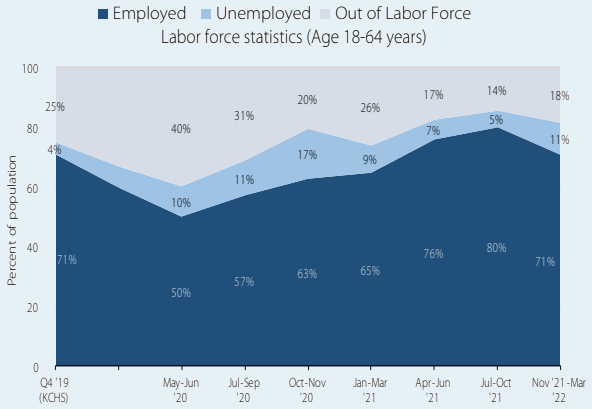
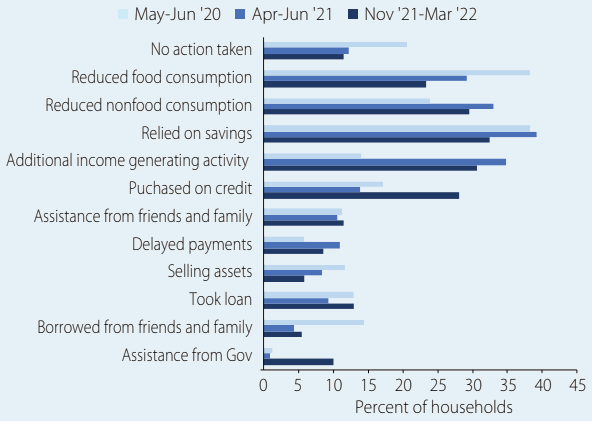


Figure B2-2: Coping mechanisms



Food insecurity continues to affect one-third of households. One-third of households continue to go hungry due to a lack of food. Further, the share of households unable to access staple food has increased to 36 percent, with higher rates in rural households (38 percent versus 33 percent in urban households) (Figure B2-3). The proportion of households which are unable to access staple food due to increases in prices has increased sharply to over 50 percent (Figure B2-4).

Figure B2-3: Share of households that could not access staple food

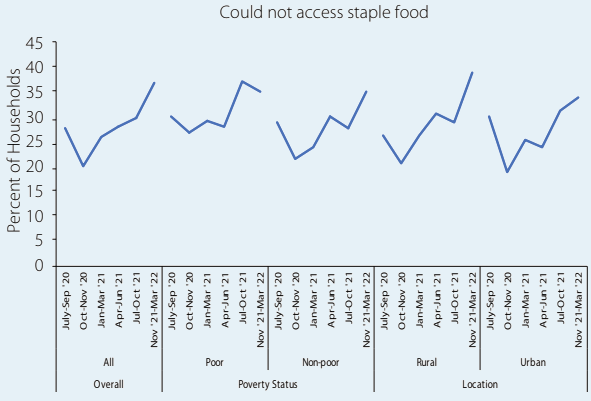
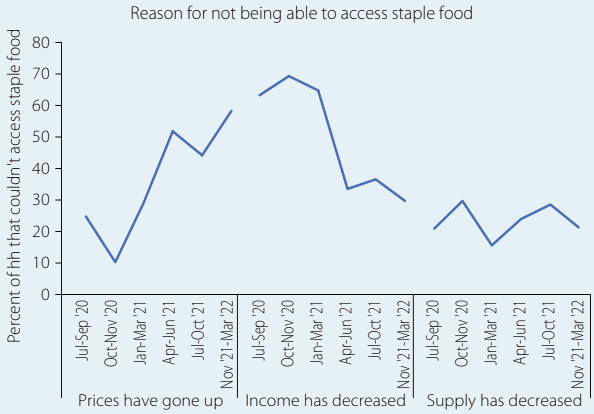


Figure B2-4: Reason for not being able to access staple food



[16] *Coping mechanisms refer to actions that the household has taken in the last 30 days that could be considered actions that help mitigate income losses, for example, reducing food consumption.*

[17] *See for reference the announcement of a new emergency relief cash transfer program, starting in December 2021, to target 2.5 million Kenyans in the 23 ASAL counties affected by droughts in 2021.*

SPECIAL FOCUS

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3. Education Spending and Priorities after COVID-19

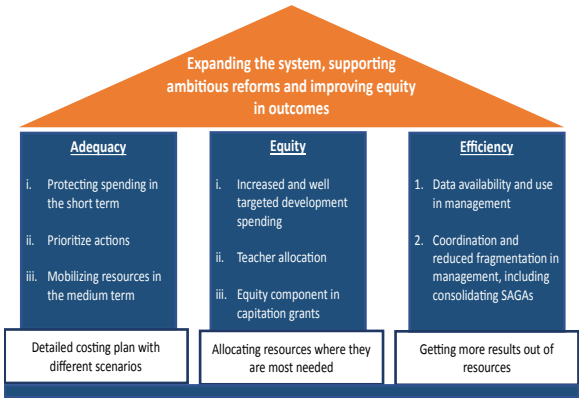
The education sector in Kenya provides education services for over 16 million children and youth, with almost 500,000 teachers distributed in close to 90,000 pre-primary, primary and secondary education institutions. The education system is expanding to accommodate more students, especially in pre-school and post-primary education. Between 2017 and 2019, the number of pre-primary schools increased by 11 percent and the number of secondary schools by 17 percent, while the number of primary schools only increased marginally. The number of Technical and Vocational Education and Training (TVET) and tertiary education institutions doubled, as did enrollment numbers in tertiary. Provision is mostly public; enrollment in public institutions accounts for 70 percent of total enrollment in pre-primary, 84 percent in primary, 93 percent in secondary and 82 percent in tertiary education.

This is a crucial time for the education sector in Kenya. The sector is recovering from the COVID-19 crisis after years of impressive improvements in outcomes, while implementing ambitious reforms that started before the pandemic. The system has expanded significantly but education spending has kept up with increased enrollments. The country has also embarked on very ambitious reforms aimed at improving quality of education, including the implementation of a Competency Based Curriculum, reforming teacher professional development, textbook policy and improving management practices at the local level.

The World Bank recently completed a review of public expenditure in education, focused on basic education, which aims to provide recommendations on how to use resources to sustain and accelerate improvements in the sector. The report highlights Kenya's impressive achievements in education, explores remaining challenges in the sector, and proposes ways in which education financing can contribute to achieving ambitious sector objectives. This KEU special topic provides an overview of the main messages of the forthcoming report.

The recommendations of the report focus on ensuring *adequacy, equity* and *efficiency* in the use of resources. In particular, continuing and accelerating the improvements in the sector will depend on (i) providing adequate resources to achieve sector objectives and implement ambitious reforms by protecting spending in the short term, prioritizing actions and mobilizing additional resources in the medium term; (ii) ***allocating resources more equitably***, particularly development spending, teachers and school capitation grants; and (iii) ***using resources efficiently*** by exploiting data more effectively in management, particularly at the local level, as well as improving coordination and reducing fragmentation in the management of the sector.

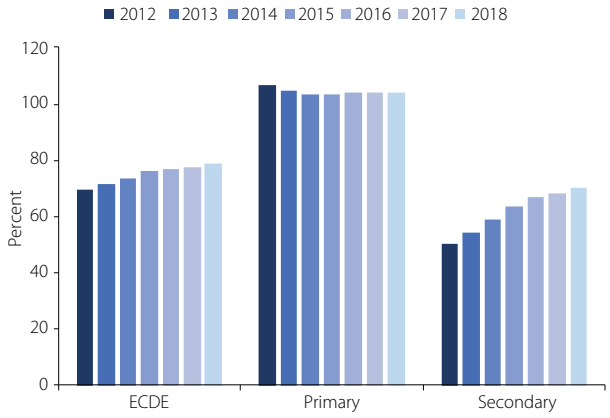
Figure 13: Summary of recommendations



Education Outcomes Have Improved Significantly

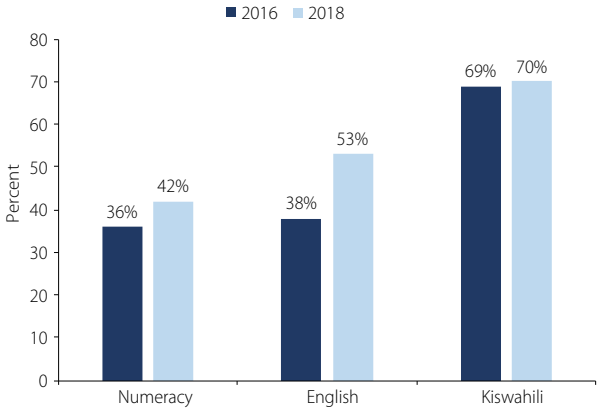
Kenya has made impressive efforts in education: increasing spending, increasing enrollments at all levels of education, and consistently improving learning outcomes before the pandemic, making it one of the top performers in education in the region. Primary education is almost universal and secondary enrollment increased by more than 50 percent in the seven years before the pandemic. Recently, the country has emphasized improvements in quality, embarking on very ambitious reforms to modify the curriculum, teacher professional development, textbook policy and local management practices.

Figure 14: Trends in gross enrollment rates, 2012-2019



Source: Basic Education Statistical Booklet (2015-2019)
ECED means Early Childhood Development and Education

Figure 15: Pupils passing minimum proficiency threshold scores in class 3, 2016-18

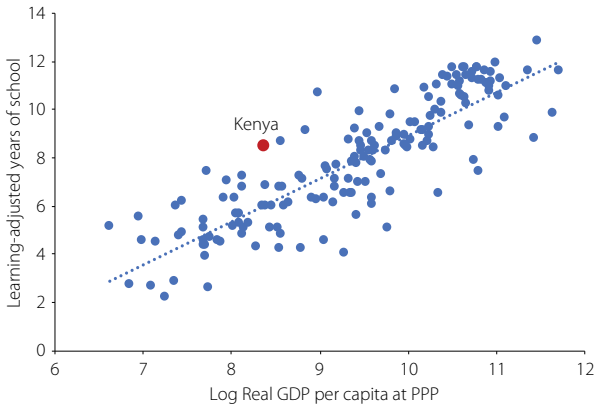


Source: Basic Education Statistical Booklet (2015-2019) Note: Proportion of pupils attaining the 50 percent benchmark in test scores for each subject.

Learning outcomes have also improved in recent years, both in numeracy and languages, and Kenya is a good performer among countries in the region. Testing in class three for mathematics, English and Kiswahili learning reveals that between 2016 and 2018, learning improved in all three subjects. The share of students meeting minimum requirements increased by six percentage points in numeracy, by 16 points in English, and by one point in Kiswahili. Regionally, Kenya performs well in reading outcomes. Numeracy learning was lower in 2018 than in comparable countries, however, more recently, early grade mathematics assessments (EGMA) taken between 2015 and 2021 show that the proportion of children meeting minimum proficiency in mathematics is improving rapidly, increasing from 71 percent in 2016 to 80 percent in 2021. At the secondary level, while end of secondary exam (KCSE) passing rates are still low, they have improved since 2017, increasing from 11 to 18 percent.

Combining access and learning into Learning-Adjusted Years of Schooling (LAYS) shows that Kenya is above what is expected by its level of income.[18] A child in Kenya completes, on average, 11.6 years of education, which, when adjusted by the level of learning relative to other countries, results in 8.4 effective years of schooling. This is the highest LAYS in Africa. While Kenya does well for its level of income, this does not mean that Kenya should not aim to further improve both access and, especially, quality of education in order to improve the LAYS and the World Bank's Human Capital Index (HCI), which aims to measure the level of development of human capital in a country. The HCI has shown strong correlation with both economic growth and equity. If Kenya aims to continue to grow and become a more equitable upper middle-income country, it will need to continue to improve access and quality of education.

Figure 16: Learning adjusted years of schooling and GDP per capita, 2020

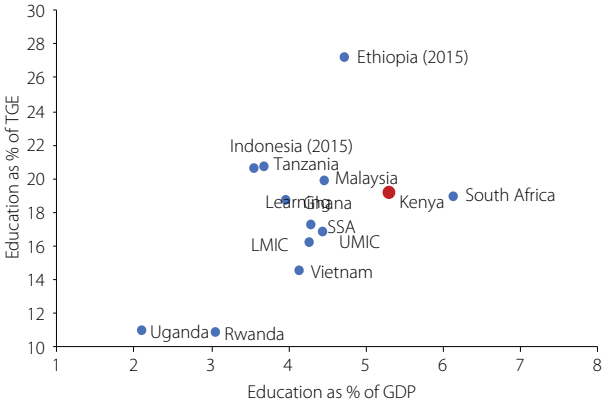


Source: World Bank (2020) and EFW (2021)

These improvements in outcomes are in large part due to continuously high spending in education, which has reached established international benchmarks both as a share of total government expenditure (TGE) and as a share of GDP. The share of government expenditure on education as a share of GDP reached 5.3 percent in 2018, higher than the average for other lower middle-income and upper middle-income countries, except for South Africa. The share of the government budget going to education has also increased, reaching 19 percent in 2020. Education spending per capita is also relatively high. Compared to its regional peers, education spending per capita is higher

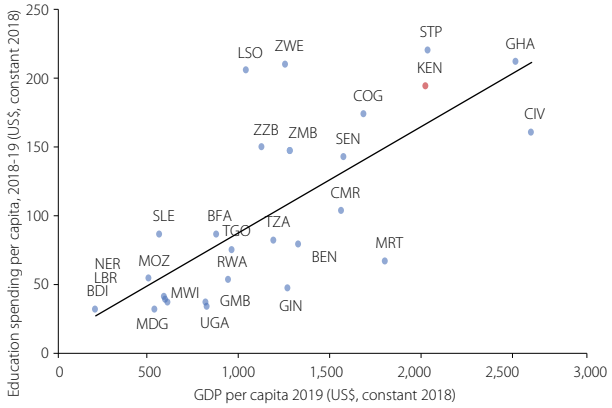
[18] *Learning adjusted years of schooling is a measure developed by the World Bank which adjusts the expected years of schooling by the learning levels relative to other countries. It is calculated as the expected years of schooling, multiplied by the ratio of harmonized test scores to a benchmark of 625. If the country performs as high as the benchmark on harmonized test scores, then the LAYS will be equal to the expected years of school (EYS). However, in most cases, countries' harmonized test scores are below the benchmark, thereby multiplying the EYS by a number less than 1, and consequently LAYS tends to be lower than EYS.*

Figure 17: Government expenditure on education as a share of GDP and TGE, 2020



Source: Education Finance Watch database (October 2020)
Note: LMIC: Lower Middle-Income Country; UMIC: Upper Middle-Income Country

Figure 18: Government expenditure on education, total (% of GDP), 2019



Source: Calculated from UIS-UNESCO and World Bank Education Finance Watch.
Note: Education spending per capita refers to countries in Sub-Saharan Africa with GDP per capita below USD 4,000 and per capita is the pre-primary to tertiary aged population

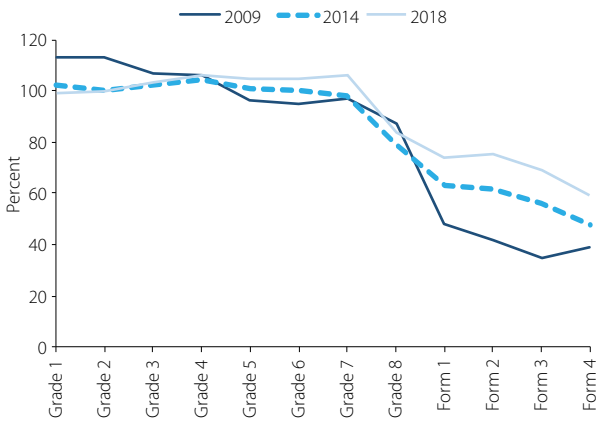
than expected for Kenya's GDP per capita. Increasing per capita spending in education is a key factor in improving quality. This level of spending is high compared to most countries, highlighting Kenya's commitment to education.

While the high level of spending in education is a sign of the commitment to the sector, it also means that these shares are unlikely to increase further in the future, limiting the ability of the education budget to grow beyond economic growth.[19] While economic growth has rebounded from the COVID-19 shock (as discussed in Part 1), the pace of growth may nonetheless prove insufficient relative to increasing budget pressures. Having embarked in ambitious reforms that imply, among others, a significant expansion in secondary education, Kenya will therefore need to ensure that resources are used effectively to address sector challenges in an efficient and sustainable way.

3.1. Main challenges remaining in the education sector

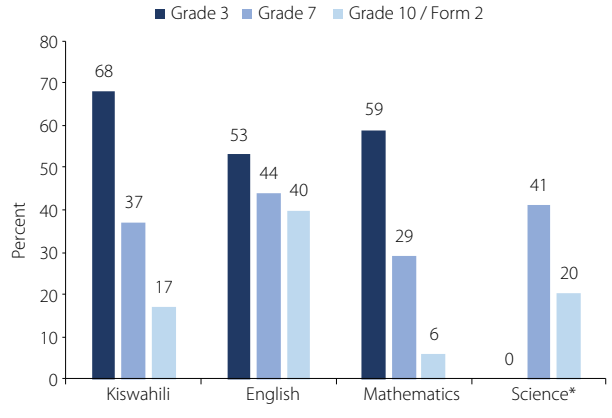
The main challenges remaining in the education sector are increasing the enrollment in post-primary education, improving learning outcomes and reducing deep inequalities. Enrollment in primary is almost universal but falls sharply when transitioning to secondary education. Fourteen percent of the students who complete grade 8 of primary education do not enroll in form 1 of secondary and about 40 percent of students who begin grade 1 do not complete form 4 (grade 12). Sharp drops observed in promotion rates between grades 7 and 8 and between form 3 and 4 coincide with the national examinations, which determine progress from primary to secondary and from secondary to upper education levels in many SSA countries (MoE, 2018).

Figure 19: Survival rates in primary and secondary education, 2020



Source: KNBS (2020)

Figure 20: Students reaching minimum competency level, by subject and grade, 2018-19



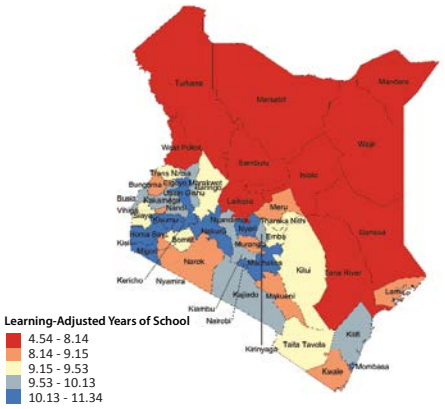
Source: NASMLA Grade 3 (2018), Grade 7 (2019) and MLA Form 2 (2018)
Note: Science is not included in Grade 3 as a subject. The graph presents the average for science as the average of Chemistry (24%), Physics (29%) and Biology (8%) in Form 2/ Grade 10.

[19] *Al-Samarrai, Cerdan-Infantes and Lehe, 2019.*

Learning has improved but the share the share of students achieving minimum performance levels is still low, decreasing sharply after grade 3. The National Assessment System for Monitoring Learner Achievement (NASMLA) assesses students in grades 3 and 7 of primary education. The Monitoring Learner Achievement (MLA) assesses students in form 2 of secondary education. In grade 3, approximately 68, 53 and 59 percent of students attained the 50 percent benchmark in each of the achievement tests for Kiswahili, English and Mathematics. The problem of low learning achievement in SSA emerges in the early grades and the teaching of reading is crucial to children's progress through school.[20] As evidenced in Figure 20, as students progress through the system, the share of those who attain at least the 50 percent benchmark in the subjects tested decreases significantly. For instance, only 29 and 6 percent achieve minimum competency levels in mathematics in grade 7 and form 2 respectively.

There are very large regional inequalities in all education outcomes, with very low outcomes concentrated in a few counties in the north and northeast of the country, in arid and semi-arid areas. Figure 21 shows the expected years of schooling (EYS) and LAYS, which adjusts the EYS by the relative learning outcomes in each county. The figure shows that EYS range from almost 14 years in Nyeri to 6.5 in Garissa, with most counties exceeding 12 EYS, meaning that an average student in those counties is expected to complete secondary education. Ten counties have less than 12 EYS. Adjusting for learning reduces effective years of education by 2 years (about 40 percent) across counties and only Nairobi is near completing 12 years of LAYS. Importantly, counties with low EYS also experience the largest reductions when adjusting for learning, meaning that in addition to low access, low learning is also concentrated in those counties. Figure 22 maps the LAYS by county, showing the regional concentration in low outcomes.

Figure 22: Map of Learning Adjusted Years of Education by county, 2020

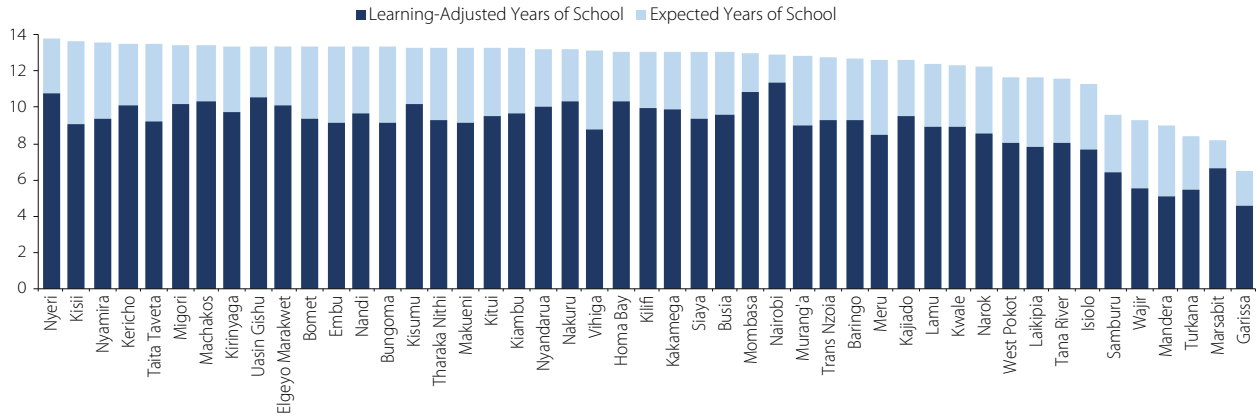


Source: World Bank calculations on sub-national Human Capital Index (2020)

Learning outcomes in reading are particularly concerning. Nationwide, less than 50 percent of students achieve the minimum high order proficiency level in reading. In 21 out of the 47 counties, the share is less than a third. Reading and comprehension are a foundational skill that is required to absorb any curriculum, and thus very low reading outcomes are a severe limitation for students in progressing adequately through the system. This shortcoming in reading needs to be addressed urgently if both enrollment and learning outcomes in higher grades are going to continue to increase.

In addition to differences in learning levels across counties, students' performance differs across schools within counties, and within schools. More than half of the difference in learning performance is attributable to the students within the same schools, which has important

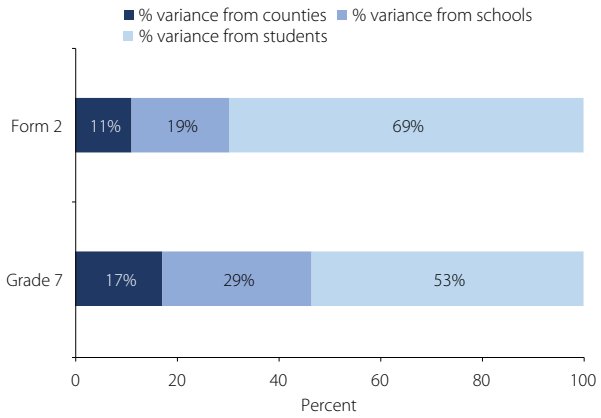
Figure 21: Learning Adjusted Years of Education by county, 2020



Source: World Bank calculations on sub-national Human Capital Index (2020)

[20] *Bashir, Sajitha, Marlaine Lockheed, Elizabeth Ninan, and Jee-Peng Tan. 2018. Facing Forward: Schooling for Learning in Africa. Africa Development Forum series. Washington, DC.*

Figure 23: Learning outcomes decomposition for Grade 7 and Form 2



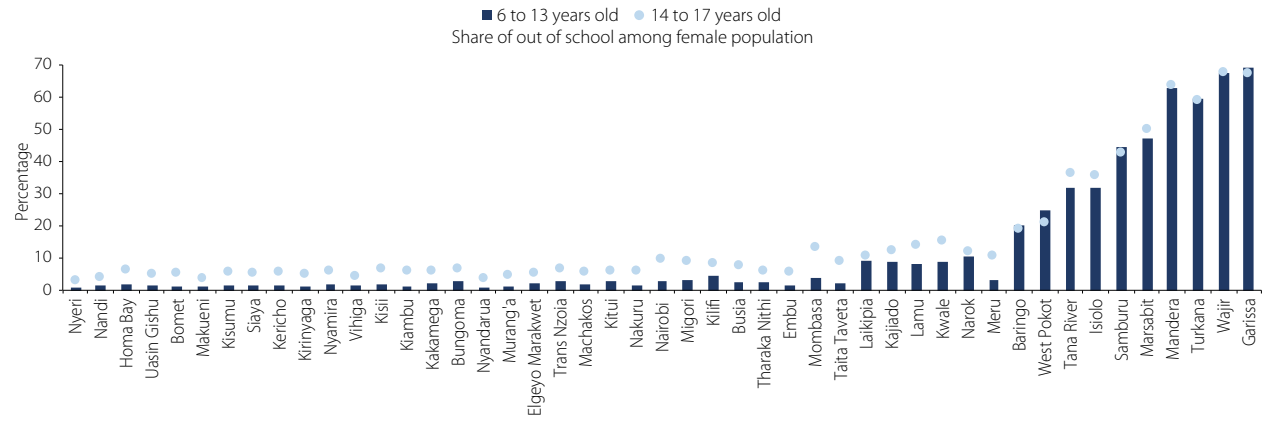
Source: NASMLA Grade 7 (2019) and MLA Form 2 (2018)

policy implications. Targeting of specific counties or schools for support is relatively simple but addressing inequalities within schools requires a different pedagogical approach, one that targets instruction to the different levels of learning of students. These are generally referred to as "teaching at the right level" (TARL) and can involve a range of practices (tutoring, grouping of students by level, use of technology).[21] Importantly, as shown in (Figure 23), the share of the variance attributed to within school differences is higher for form 2 than for grade 7. This shows that if these within school differences are not addressed early on, they continue to grow; students who are falling behind fall farther. Implementing TARL strategies requires measuring learning through formative assessments and implementing differential strategies in the classroom and school, implying holistic on-site support for teachers and school principals.

While gender differences have been reduced in recent years in primary education, girls still drop out earlier than boys. Gender disparities in school participation are concentrated in the most educationally disadvantaged counties, mainly in the north-eastern and coastal regions. Barriers to girls' school participation and retention include poverty and high school fees, poor infrastructure and long distances to schools, insecure learning environments and increased exposure to violence and sexual harassment or abuse. Early pregnancy contributes to girls' higher dropout rates in secondary school (averaging 80.5 births per 1,000 girls under the age of 18). Reasons include poverty and educational attainment (33 percent of girls 15 to 19 years old with no education have begun childbearing), while teenagers from the poorest households (26 percent) are more likely to have begun childbearing than those from the wealthiest (10 percent). Ensuring adequate access to water and sanitation in schools can improve education outcomes, especially for girls.

Differences in learning outcomes by gender paint a mixed picture, with girls performing better than boys in language (Swahili and English) and worse in mathematics and science at all levels of education. In third grade, girls outperform boys in all subjects. However, in higher grades, boys outperform girls in mathematics and science, while girls continue to perform better in English and Kiswahili. The gender gap in mathematics and science grows as students progress through the system, indicating that early actions to correct these gaps are fundamental to address future gender inequities. Returns to education for science, technology, engineering and math (STEM) programs are also higher, so these differences can lead to life-long wage gaps.

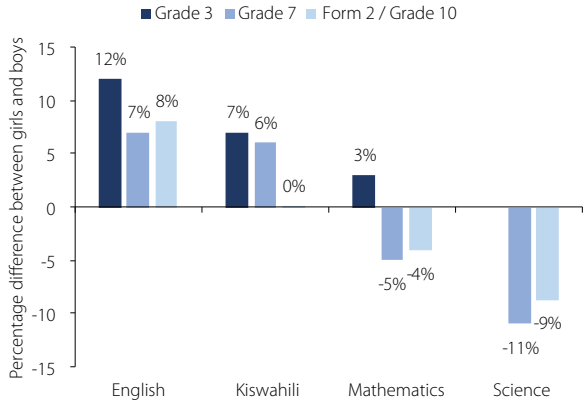
Figure 24: Rate of non-enrollment by age and gender



Source: Census 2019

[21] *See https://www.teachingattherightlevel.org/ for more information on the evidence and the approach.*

Figure 25: Percentage difference in the share of students meeting minimum learning standards by gender, subject and grade



Source: NASMLA Grade 3 (2018), Grade 7 (2019) and MLA Form 2 (2018)

Education outcomes are much lower in rural areas and for lower income populations. Net enrollment rates (NER) are significantly higher in pre-primary, primary and secondary education for those children from households in the top 20 percent of the income distribution when compared to those in the bottom 20 percent. At the tertiary level, while the gross enrollment rate (GER) for youth from non-poor families is 22 percent, it is as low as 3 percent for those from the poorest households. Inequities at the start of the education cycle, whether across gender, income, or urban/rural setting, consistently grow to large gaps by post-secondary, and hence must be addressed at their inception.

Distribution of Resources and Outcomes in Education

Addressing the remaining challenges in the sector and reducing inequalities in outcomes will require more resources, particularly in development spending, distributed more equitably, with a focus on teachers and school grants. The education budget has not increased significantly in the past two years and development spending is low, limiting the ability to improve infrastructure and quality in lagging regions and schools. Teacher shortages are particularly concentrated in some areas, which tend to be in low performing counties, increasing inequalities. In 2018, the Teacher Service Commission (TSC) issued a plan to address teacher shortages, which is under implementation.[22] School capitation grants could contribute to greater equity by establishing a minimum amount for small schools and, to the extent possible, differentiation by socioeconomic characteristics of the population.

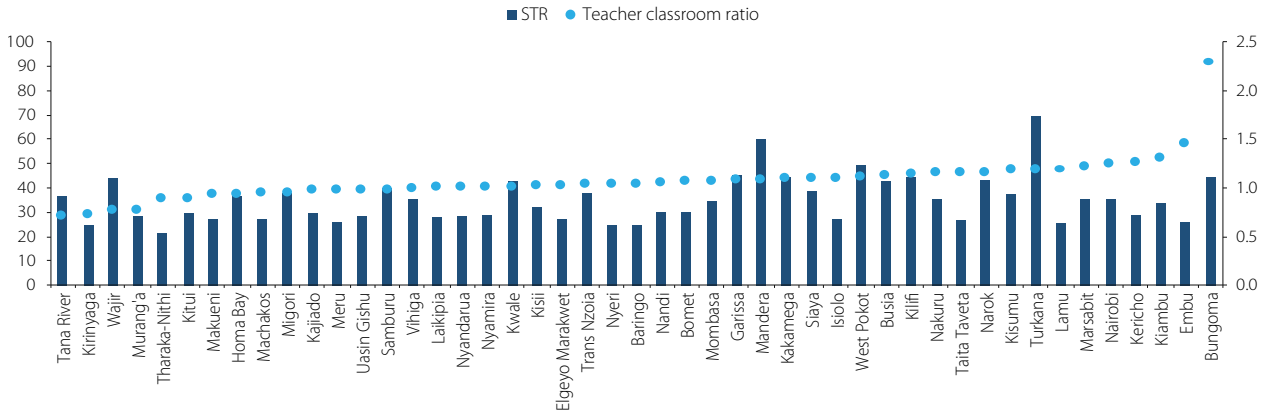
Development spending accounts for only 6 percent of the total education budget (KNBS, 2020). The share of the budget that goes to development has remained relatively constant, except for a notable increase in fiscal year 2016/17. Over 94 percent of spending covers the recurrent costs of education provision. The State Department for Early Learning and Basic Education, together with the TSC, account for 69 percent of the total recurrent expenditure, while University education and TVET account for 22 and 3 percent of the total. Development spending is shared almost equally across primary, secondary and tertiary education. In order to expand the system, increase enrollments and provide adequate infrastructure, the country will need additional development spending.

There are inequalities in the allocation of teachers. While the ratio of teachers to classrooms is relatively equal across counties, the ratio of teachers to students varies significantly. According to national staffing norms, one teacher is assigned per primary classroom, irrespective of the number of students. Nonetheless, for those grade 7 students assessed in 2019, that ratio varied between 0.7 teachers per classroom in Tana River and 2.3 in Bungoma counties. In secondary, the number of teachers is determined by the subjects taught and administrative duties for each school. When accounting for the number of students, however, there are very large disparities. The student to teacher ratios (STR) range across counties from 23 to 80 in public primary schools, while in public secondary schools they are lower, ranging from 19 to 43 (Figure 26).

Despite higher needs, arid and semi-arid counties have a smaller allocation of teachers and lower enrollment rates overall. In primary education, schools in the most disadvantaged counties have higher STRs since teacher allocation is lower. In secondary education, given lower student progression and higher dropout rates, the number of students and teachers are among the lowest in the country. These are the counties with the lowest results in terms of access and learning. The TSC has an ambitious plan to reduce teacher shortages and to try innovative approaches for areas where teacher shortages are hardest to solve (for example, those with conflict), using live streaming lessons.

[22] *Teacher Service Commission, 2018, "Detailed and Costed Strategy for Addressing Teacher Shortage", Nairobi, Kenya.*

Figure 26: Average student to teacher ratios and teacher to classroom ratio by county, 2019

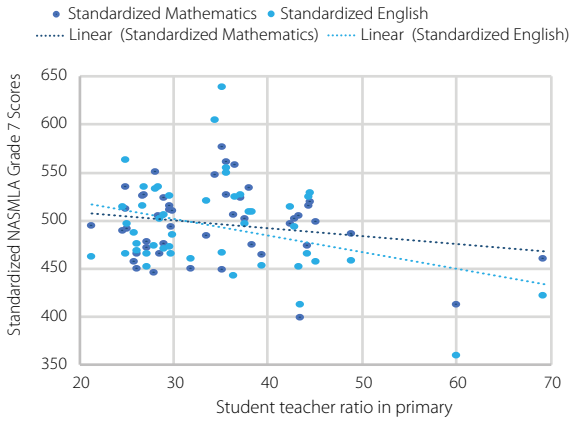


Sources: NASMLA (2019) and Ministry of Education (2019)

Capitation grants play a crucial role in promoting access to education by eliminating fees and in quality of education by providing funding directly to schools. Capitation grants are a significant and reliable source of funding for schools and have been a key contributor to the increase in access at primary and secondary. Transfers to schools are divided into two accounts with different amounts: the general services account (to cover the cost of electricity, phone, transportation, and non-teaching staff wages) and the school instructional materials account (to cover the cost of textbooks, notebooks, and teacher guides). The amount is provided on a per student basis, based on an average cost of each component of each type of transfer, and schools receive three tranches a year at the beginning of each term (50 percent in the first term, 30 percent in the second and 20 percent for the third term).

There is room to improve the equity of the allocation of capitation grants. The per student amount is the same for all schools and it is considerably larger in secondary schools than in primary schools. In 2021, schools received a per student amount of KES 1,420 (approximately USD 12) per year in primary school and KES 22,244 (approximately USD 188) in secondary school, with a top-up of KES 2,300 and KES 35,000 for learners with special needs and disabilities in primary and secondary schools. This is a limitation for small schools, since the fixed cost of operating a school is likely to surpass the amount provided, especially for the general purposes grant. The cost of transportation, non-teaching staff, electricity, sanitation, and various other components have important fixed costs and are not directly proportional to the number of students, especially for small schools. A school with 100 students, for example, would receive approximately KES 68,900 per year for operating the school through the general purpose account, which is not likely to cover the actual cost. Establishing a minimum amount for small schools would increase the equity of the capitation grants.

Figure 27: Student to teacher ratios and learning outcomes, 2019

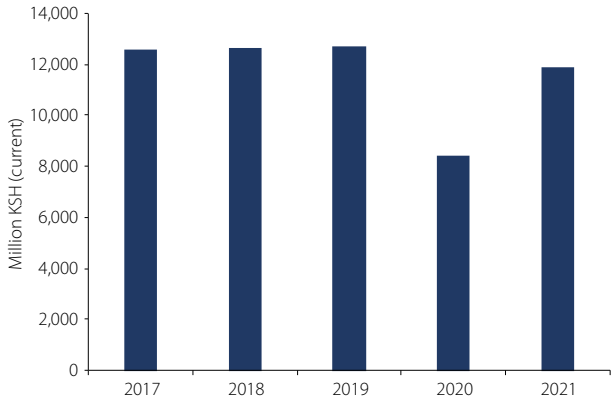


Sources: NASMLA (2019) and MoE (2019)

The socioeconomic characteristics of the students and the conditions at the school also determine the cost of provision, especially to achieve the same outcomes. Increasing the capitation amount for schools that start from worse conditions, have a shortage of teachers, or serve more disadvantaged students, would also contribute to reducing gaps and inequities in outcomes. This is true both for the general purposes account and the student instructional materials accounts. It is especially relevant in cases where parental contributions for accessory materials are limited or may prevent students from accessing schools. Children from poorer backgrounds need additional support to achieve the same results as better off students. Because smaller schools tend to be in rural areas and serve disadvantaged students, it is important that the criteria for capitation grants are revised to increase the amount for these disadvantaged schools.

The contribution of households to education spending is high despite existing capitation grants for schools. In 2018, household spending represented 33 percent of total education spending in the country.[23] Although more recent data on household spending are not available, contributions likely continue to be high, especially in secondary education. The median households were paying less than one tenth of the poverty line for items associated with primary enrollment (e.g., books, uniforms, and tuition), and 50 percent of the poverty line in secondary enrollment. Since the amount of capitation grants has not grown in nominal terms in recent years (Figure 28), it is likely that households continue to contribute significantly to education spending.

Figure 28: Total amount of capitation grants, 2017-2021



Source: Ministry of Education (2021)

There are opportunities to improve efficiency in spending by reducing fragmentation, particularly in semi-Autonomous Government Agencies (SAGA). Twenty-nine SAGAs housed within all state departments play a central role in education management.[24] SAGAs undertake specific development and strategic activities and have administrative and financial independence. They receive funding from the government, as well from as their own income generating activities. SAGAs do not transact via the financial management system (IFMIS) so their financials are not tracked. The proliferation of SAGAs and the fact that they are outside the regular IFMIS presents a management challenge in the sector.

3.2. COVID-19 impact

The COVID-19 pandemic has resulted in learning losses and deepened inequalities in the education sector. Around 17 million students and more than 320,000 teachers were affected by the closure of 30,000 primary and secondary schools during 2020. The partial reopening of schools began in October 2020, for students in grades 4, 8 and 12. In January 2021, all education institutions (in primary, secondary and tertiary education) fully reopened. Efforts to provide remote learning have revealed a significant digital divide, with over 50 percent of students not being able to engage in remote learning opportunities, mainly due to the lack of appropriate electronic devices, access to electricity and internet connectivity.[25]

Resource allocation to education stagnated while there was a shift from important development spending to the fight against the pandemic. Between the 2018/19 and 2019/20 fiscal years, the budget allocated to education increased by 11 percent. However, the allocation only grew by 2 percent the following year, to KES 505 billion, before slightly decreasing to KES 504 billion in 2021/22. In addition, the restrictions related to the COVID-19 pandemic caused delays in the completion of ongoing capital projects intended to expand and equip learning institutions, and also impacted the implementation of the CBC and the training of teachers on the new curriculum.

Assessments carried out after school closures show significant learning losses, especially for those at the bottom of the learning distribution.[26] Basic skills like listening, speaking and reading out loud saw large increases in the share of students not meeting expectations (Figure 29), suggesting those at the bottom of the distribution fell further behind on achieving functional literacy. For more advanced skills like reading comprehension, the share of students achieving or exceeding expectations decreased from 51 percent to 37 percent, a sharp drop of 14 percentage points. Learning losses were observed among top performers but were much greater at the bottom of the learning achievement distribution. While

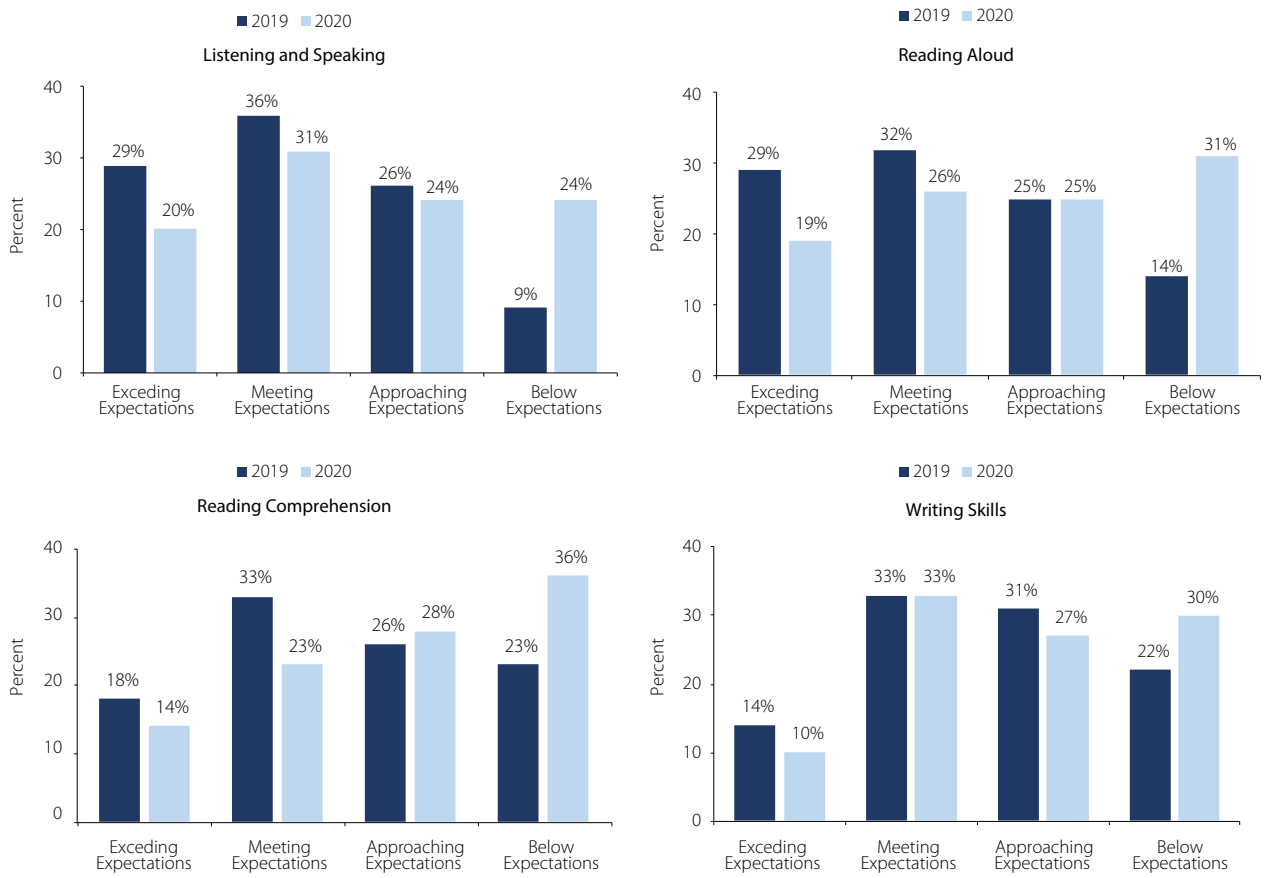
[23] *Ministry of Education (2019), Basic Education Statistical Booklet.*

[24] *Education sector SAGAs include: Education Standards and Quality Assurance Council; Kenya Institute of Curriculum Development (KICD); Kenya National Examinations Council (KNEC); Kenya Education Management Institute (KEMI); Kenya Institute of Special Education (KISE); Jomo Kenyatta Foundation (JKF); Kenya Literature Bureau (KLB); Centre for Mathematics, Science and Technology in Africa (CEMASTEA); Kenya National Commission for UNESCO; National Council for Nomadic Education in Kenya (NACONEK); National Education Board; Technical and Vocational Education and Training Authority (TVETA); TVET Funding Board (TVETFB); TVET Curriculum Development, Assessment and Certification Council (TVET CDACC); Kenya National Qualifications Authority (KNQA); National Commission for Science, Technology and Innovation (NACOSTI); Kenya National Innovation Agency (KENIA); National Research Fund (NRF); Biosafety Appeals Board (BAB); Higher Education Loans Board (HELB); Commission for University Education (CUE); Universities Funding Board (UFB); Kenya Universities and Colleges Central Placement Service Board (KUCCPS); Universities and Constituent Colleges; and The Pan African University of Science, Technology and Innovation (PAUSTI).*

[25] *The high-frequency phone survey on the socio-economic impacts of COVID-19 in Kenya is implemented by the World Bank, in collaboration with the Kenyan National Bureau of Statistics (KNBS) and the United Nations High Commissioner for Refugees (UNHCR) as well as the University of California, Berkeley.*

[26] *The National Assessment Monitoring Learning Achievement (NASMLA) 2019 for Grade 3 English Literacy and the Learning Continuity in Basic Education (LCBE) 2020 for Grade 4 English Literacy were the two most comparable assessments conducted closest to school closures before and after. In fact, they were conducted with the same cohort and measured similar domains.*

Figure 29: Share of students by level of proficiency, 2019-20



Source: National Assessment Monitoring Learning Achievement (NASMLA) 2019 for Grade 3 English Literacy; Learning Continuity in Basic Education (LCBE) 2020

there are drops of up to 10 percentage points in the share of students exceeding expectations, the increase in the share of students below expectations for each type of skill is 1.5 to 2 times as large.

Teenage girls are among the most vulnerable populations when considering the impacts of Covid-19 school closures.[27] Recent evidence shows that girls were disproportionately affected by the pandemic. Girls experiencing COVID-19 containment measures had twice the risk of falling pregnant prior to completing secondary school, three times the risk of dropping out of school, and 3.4 times the risk of school transfer prior to examinations relative to pre-COVID-19 learners. Girls in the COVID-19 cohort were more likely to be sexually active and less likely to report their first sex as desired. These girls reported increased hours of non-school-related work. Girl-focused interventions are critical to reverse these impacts.

3.3. Improving education financing to support reforms and address remaining challenges

The recommendations of the report focus on ensuring adequacy, equity and efficiency in the use of resources. In particular, continuing and accelerating the improvements in the sector will depend on (i) providing ***adequate resources*** to achieve sector objectives and implement ambitious reforms; (ii) resources being ***allocated equitably*** where they are most needed and are likely to have the most impact; and (iii) ***used efficiently*** through improvements in management practices at the school level, improving the management at the local level and providing extra support for regions with the most difficulties.

[27] *Zulaika G, Bulbarelli M, Nyothach E, et al. Impact of COVID-19 lockdowns on adolescent pregnancy and school dropout among secondary schoolgirls in Kenya. BMJ Global Health 2022.*

(i) Ensuring an Adequate Level of Financing:

a. ***Protecting education spending in the short term and mobilizing resources to increase spending in the medium term.*** Reforms cannot be implemented without adequate resources and there is a risk that the rapid expansion of the student population will result in worse quality of education services if the resources do not keep up with enrollment. The GoK has not reduced spending in recent years and continuing to protect education spending will be important. *A detailed costing of different reform scenarios would help prioritize and sequence reforms to adjust the implementation to available resources.*

b. ***Prioritizing public spending on expanding access and improving retention in basic education, especially development spending, and on increasing the school grant amount.*** A realistic and detailed financing strategy for the sector would help prioritize and identify trade-offs and actions in the short and medium term, but some priorities identified include:

   i. ***Development spending***. Resources are required for development expenditures, with a focus on availability of electricity, water and sanitation, and textbooks in order to improve students' retention and performance.

   ii. ***Basic education, particularly secondary education.*** The reform plans are ambitious and will need to be matched by additional resources for infrastructure, equipment and capitation grants, among others. This is particularly true for secondary, where the 100 percent transition rate target requires resources to enroll and retain students through secondary, especially the most vulnerable ones.

   iii. ***ICT and resilience of the system.*** The COVID-19 pandemic evidenced the need to ensure that the education system is resilient to face increased uncertainties of crisis, including those from climate change. There already over two million devices in schools but less than a third of devices are regularly used. Digital content was developed for all grades 1-12 (available at https://kec.ac.ke) but it is still not widely used. Prioritizing connectivity and teacher training on ICT is critical to get returns from these investments in devices and content. In order to support students broadly in the recovery phase of the crisis, school feeding and school health programs (addressing HIV/AIDs, mental health and early pregnancies) are critical for the retention and well-being of students and teachers, especially the most disadvantaged.

Protecting education spending in the short term and mobilizing resources to increase spending in the medium term.

Photo: © Billy Kipyegon Mutai | World Bank

[28] *See Evans and Acosta (2021), How to Recruit Teachers for Hard-to-Staff Schools: A Systematic Review of Evidence from Low- and Middle Income Countries, Center for Global Development. https://www.cgdev.org/sites/default/files/how-recruit-teachers-hard-staff-schools-systematic-review-evidence_0.pdf*

[29] *See Peter Barrett, Alberto Treves, Tigran Shmis, Diego Ambasz, and Maria Ustinova (2019). The Impact of School Infrastructure on Learning A Synthesis of the Evidence, World Bank.*

(ii) Improving Equity in Financing for more Equitable Education Outcomes. In order to close gaps in education outcomes, the availability of both physical and human resources needs to improve in regions that are lagging in access and learning. In addition, schools with worse infrastructure, fewer teachers and more vulnerable populations need more resources per student, as both their needs and the cost of serving disadvantaged population groups are larger.

a. ***Improving equity in teacher deployment / allocation.*** Since the deployment of teachers is formally related to the number of classrooms, where infrastructure is insufficient, so is teacher allocation. There is a need to reduce student-teacher ratios in counties with extremely high ratios. Salary allowances, hardship payments or career rewards have proven effective in some contexts but in regions affected by insecurity, threats of violence and living conditions tend to limit the pool of teachers willing to move to these areas despite the allowances.[28] Significant efforts are under way by the TSC to reduce teacher shortages and implementing innovative approaches like live streaming classes in hard to staff areas.

b. ***Targeting infrastructure investments to areas with growing demand and those most in need, with adequate standards.*** Infrastructure matters for both access and learning,[29] but both the targeting (where infrastructure is built), the quality (adequate learning environments, WASH facilities, inclusive infrastructure) and proper maintenance are key to maximize the return of infrastructure investment. The GOK has carried out an assessment of infrastructure needs in the country. Addressing those needs is crucial to ensure access and improve equity in the sector.

c. ***Consolidating bursary and scholarship programs and expanding coverage (including a school kit), and a structured mentorship program could support the retention and transition from primary to secondary schools, particularly for those girls from the poorest households.*** Different bursary and scholarships programs could be consolidated and implemented under a single targeting scheme to reduce fragmentation and implementation costs.

d. I***ntroducing equity aspects in formula funding at the school level.*** An effective capitation grants program should have three components: (i) covering the cost of basic provision of services in a reliable and systematic manner; (ii) accounting for equity considerations of providing services in small schools, in rural areas and for disadvantaged populations and (iii) providing incentives to improve results at the school level. Kenya has made impressive progress in the basic cost provision, establishing reliable and consistent financing for all schools in both primary and secondary. Building on this system, Kenya could consider introducing equity aspects in the formula and introducing results-based mechanisms in the financing of schools linked to achieving milestones in their School Improvement Plans.

i. ***Adjusting grants to the higher cost of provision for small schools, schools with poor infrastructure and serving poorer students.*** Rural schools, especially in semi-arid and arid regions, tend to have higher cost of provision, as schools are small and distances necessary to acquire inputs are longer. Minimum amounts for small schools should be established to enable them to cover their fixed costs. For increased equity, Kenya could adjust the current financing formula to better support schools and learners with the lowest school participation and learning outcomes, and schools for special needs learners.

ii. ***Introducing results in the allocation of school capitation grants.*** While existing evidence on the impact of results-based financing (RBF) in school financing is scarce, it suggests that the use of RBF in school financing can lead to improvements in results especially when it is accompanied by complementary interventions such as supporting school management.[30] The design of the results also matters; results should be verifiable, emphasizing the importance of reliable data, and be under the control of schools.

[30] *Lee and Medina (2020). Results-Based Financing in Education: Learning from What Works. REACH, World Bank.*

(iii) Increase efficiency in spending. While adequacy and equity in financing are two crucial objectives, since resources are limited, there is a need to increase efficiency, prioritize actions and increase the impact of current funding, especially school grants.

a. ***Improve data availability and use in management. Kenya needs to complete the harmonization of the different education data for improved sectoral planning***. At present there is no data harmonization for pre-school, primary, secondary, TVET and university levels, as well as across different areas such as financing and learning outcomes. This affects planning and policy implementation. Increased data availability, however, is not enough to elicit change if data are not used effectively across the sector. The evidence on the importance of management practices to achieve education results is growing.[31] There is a need to improve the use of data at all levels, starting with school planning.[32] At the central level, using information about the needs of schools is crucial in the implementation of policies.

b. ***Improving coordination among state departments, TSC and SAGAs.*** There is a need to strengthen coordination for effective implementation of the National Educational Sector Support Program (NESSP) and for collaboration with county governments, the private sector, development partners and other stakeholders implementing various programs. Kenya lacks a national education account system that could improve the practice of public financial management at all levels. This should be a priority to ensure coordination of resources from government, non-government and constituency development funds (CDFs).

c. ***Streamlining SAGAs.*** There is also scope for improved efficiency and better coordination of SAGAs by streamlining their functions. Consolidation of SAGAs into three main areas could take place according to their backgrounds and mandates: innovation and research, funding for university education, and vocational education qualifications and frameworks.

Photo: © Billy Kipyegon Mutai | World Bank

Improve data availability and use in management. Kenya needs to complete the harmonization of the different education data for improved sectoral planning

[31] *Adelman, Melissa; Lemos, Renata. 2021. Managing for Learning: Measuring and Strengthening Education Management in Latin America and the Caribbean. International Development in Focus. Washington, DC: World Bank.*

[32] *Cerdán-Infantes, P., & Zavala, F. 2017. Reporte del Monitor Escolar. Bogotá: World Bank; de Hoyos, Rafael; Ganimian, Alejandro J.; Holland, Peter. 2017. Teaching with the Test: Experimental Evidence on Diagnostic Feedback and Capacity Building for Public Schools in Argentina. Policy Research Working Paper; No. 8261. World Bank, Washington, DC.*

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ANNEX TABLES

Table A1: Selected economic indicators, 2019-2024

	2019	2020	2021	2022	2023	2024
	Act.	Act.	Act.	Proj.	Proj.	Proj.
Output and prices	(Annual percentage change, unless otherwise indicated)					
Real GDP	5.2	-0.3	7.5	5.5	5.0	5.3
Agriculture	2.7	4.6	-0.2	1.3	3.8	4.2
Industry	4.0	3.3	7.2	3.5	3.6	4.3
Services	6.7	-1.8	9.5	7.4	5.8	5.9
Private consumption	3.8	-1.9	4.6	4.0	3.7	3.9
Government consumption	5.6	3.0	5.7	6.6	5.3	5.2
Gross fixed capital investment	4.5	2.5	10.9	7.0	7.5	8.1
Exports, goods and services	-3.2	-8.8	12.9	6.2	7.4	7.8
Imports, good and services	1.8	-9.2	18.9	6.8	8.3	8.3
GDP deflator	3.1	3.5	3.7	4.0	4.2	4.5
CPI (period average)	5.2	5.3	6.1	7.0	5.5	5.0
Money and credit	(Annual percentage change, unless otherwise indicated)					
Broad money (M3)	5.6	13.2	6.1	..	..	..
Credit to non-government sector	7.1	8.4	8.6	..	..	..
Policy rate (CBR)	8.9	7.2	7.0	..	..	..
NPLs (percent of total loans)	12.0	14.1	13.9	..	..	..
Central government (fiscal year i.e 2019 = 2019/20)	(Percent of GDP, unless otherwise indicated)					
Total revenue & grants	16.5	16.0	17.3	17.7	18.4	18.4
Tax revenues	16.4	15.7	16.8	17.4	18.1	18.1
Non-tax revenues	3.3	3.6	3.5	2.9	2.8	2.9
Grants	0.2	0.3	0.5	0.3	0.3	0.3
Expenditure	24.2	24.2	25.4	23.7	22.8	22.2
Current	15.5	15.8	17.1	15.7	15.1	14.8
Capital	5.6	4.9	5.1	5.1	5.0	5.0
Primary balance	-3.4	-3.8	-3.3	-1.1	0.2	0.5
Overall balance including grants	-7.5	-8.2	-8.1	-6.0	-4.4	-3.9
Financing	4.2	5.5	5.3	4.1	3.1	3.3
Net domestic borrowing	3.2	2.8	2.8	2.0	1.2	0.5
Foreign financing	3.2	2.9	3.3	2.0	1.2	0.5
Public debt stock (fiscal year i.e 2019 = 2019/20)	(Percent of GDP, unless otherwise indicated)					
Public gross nominal debt	63.0	68.2	68.1	67.5	64.9	62.1
External debt	33.1	35.4	33.9	32.6	30.5	27.9
Domestic debt	29.9	32.7	34.2	34.9	34.4	34.2
Memo:						
GDP at current market prices (KES billion)	10,238	10,716	12,098	13,760	15,373	15,374

Source: World Bank, based on data from Kenya National Bureau of Statistics, National Treasury and Central Bank of Kenya

Table A2: GDP growth rates for Kenya and EAC (2015-2021)

	2015	2016	2017	2018	2019	2020	2021e
Kenya	5.7	4.2	3.8	5.6	5.2	-0.3	7.5
Uganda	5.2	4.8	3.8	6.3	6.4	3.0	3.2
Tanzania	6.2	6.9	6.8	5.4	5.8	2.0	4.3
Rwanda	8.9	6.0	4.0	8.6	9.5	-3.4	10.1
Burundi	-3.9	-0.6	0.5	1.6	1.8	0.3	2.0
EAC	4.4	5.5	4.6	6.5	6.7	0.3	6.3

Source: World Bank
Note: "e" denotes an estimate
EAC Average excludes South Sudan

Table A3: Kenya annual GDP (2010-2021)

Years	GDP, current prices	GDP, 2016 constant prices	GDP/capita, current prices	GDP growth
	KSh Millions	KSh Millions	US$	Percent
2010	3,598,000	5,794,000	952	8.1
2011	4,163,000	6,090,000	972	5.1
2012	4,767,000	6,368,000	1,137	4.6
2013	5,311,000	6,610,000	1,210	3.8
2014	6,004,000	6,942,000	1,316	5.0
2015	6,884,318	7,287,024	1,337	5.0
2016	7,594,064	7,594,064	1,411	4.2
2017	8,483,396	7,885,521	1,811	3.8
2018	9,340,307	8,330,891	1,987	5.6
2019	10,237,727	8,756,946	2,110	5.1
2020	10,716,034	8,735,040	2,068	(0.3)
2021	12,098,200	9,391,684	2,236	7.5

Source: Kenya National Bureau of Statistics and World Development Indicators

Table A4: Contribution by sub-sectors (percentage points)

Year	Quarterly	Agriculture	Industry by sub sector contribution				Industries	Services by subsector contribution							Services
			Mining and quarrying	Manufacturing	Electricity and water supply	Construction		Accommo-dation and restaurant	Transport and storage	Real estate	Information and communi-cation	Education	Financial and insurance	Other	
2015	Q1	0.8	0.0	0.6	0.1	0.2	0.9	0.0	0.5	0.4	0.2	0.1	0.9	1.0	3.1
	Q2	1.0	-0.2	0.6	0.1	0.4	0.9	0.0	0.5	0.4	0.2	0.1	0.9	0.7	2.8
	Q3	0.8	-0.3	0.7	0.1	0.5	0.9	0.1	0.5	0.5	0.4	0.1	0.8	0.9	3.2
	Q4	1.1	-0.5	0.3	0.0	0.5	0.4	0.1	0.8	0.6	0.3	0.0	0.9	0.7	3.5
2016	Q1	0.3	-0.2	0.3	0.1	0.3	0.6	0.1	0.8	0.8	0.2	0.1	0.2	0.6	2.8
	Q2	0.4	-0.1	0.3	0.1	0.2	0.4	0.0	0.7	0.9	0.2	0.1	0.1	0.9	2.8
	Q3	0.2	-0.1	0.0	0.1	0.3	0.3	0.1	0.9	0.9	0.3	0.1	0.4	1.1	3.8
	Q4	0.2	0.0	0.1	0.1	0.4	0.6	0.1	0.8	0.9	0.3	0.1	0.4	1.1	3.6
2017	Q1	0.0	0.0	0.3	0.1	0.5	0.9	0.0	0.8	0.7	0.2	0.4	0.2	1.1	3.5
	Q2	-0.5	0.1	0.0	0.1	0.2	0.4	0.1	0.5	0.6	0.2	0.4	0.4	1.1	3.3
	Q3	-0.1	0.0	-0.1	0.1	0.3	0.3	0.1	-0.2	0.6	0.2	0.4	0.3	1.2	2.7
	Q4	-0.4	0.0	0.1	0.1	0.3	0.4	0.2	0.3	0.6	0.2	0.4	0.3	1.0	3.0
2018	Q1	0.9	0.0	0.5	0.1	0.3	1.0	0.2	0.4	0.6	0.2	0.4	0.2	0.9	2.9
	Q2	1.1	0.0	0.3	0.1	0.4	0.7	0.1	0.7	0.6	0.2	0.3	0.1	1.2	3.2
	Q3	1.1	-0.1	0.2	0.1	0.4	0.6	0.1	0.6	0.6	0.2	0.3	0.1	1.3	3.2
	Q4	1.3	-0.1	0.3	0.1	0.2	0.5	0.2	0.8	0.7	0.3	0.3	0.5	1.4	4.1
2019	Q1	1.0	0.0	0.2	0.1	0.3	0.6	0.2	0.7	0.7	0.2	0.2	0.5	0.9	3.4
	Q2	0.7	0.1	0.4	0.0	0.4	0.9	0.1	0.9	0.7	0.2	0.2	0.7	1.3	4.0
	Q3	0.2	0.0	0.2	0.0	0.4	0.8	0.1	0.5	0.7	0.2	0.3	0.8	1.1	3.7
	Q4	0.2	0.1	0.1	0.0	0.4	0.5	0.2	0.5	0.6	0.2	0.4	0.4	0.9	3.2
2020	Q1	0.9	0.1	0.1	0.0	0.5	0.7	-0.2	0.2	0.4	0.2	0.2	0.4	0.9	2.3
	Q2	1.6	0.0	-0.5	-0.1	0.3	-0.2	-0.6	-1.7	0.3	0.1	-1.0	0.2	-1.2	-3.7
	Q3	-0.7	0.0	-0.2	0.0	0.6	0.5	-0.7	-1.1	0.4	0.2	-0.8	0.3	-0.7	-2.4
	Q4	1.6	0.1	0.4	0.1	0.8	1.4	-0.8	-0.6	0.5	0.2	-0.2	0.9	0.0	0.0
2021	Q1	0.1	0.1	0.2	0.1	0.4	0.8	-0.3	-0.8	0.6	0.3	0.5	0.9	0.4	1.7
	Q2	-0.1	0.1	0.9	0.2	0.4	1.6	0.4	1.6	0.8	0.5	1.2	1.4	2.2	8.1
	Q3	0.1	0.2	0.9	0.2	0.4	1.6	0.5	1.4	0.8	0.1	1.2	1.0	1.5	6.6
	Q4	-0.2	0.3	0.4	0.1	0.4	1.2	0.6	0.6	0.6	0.2	0.8	0.9	1.4	5.1

Source: World Bank, based on data from Kenya National Bureau of Statistics
Note: Other = Wholesale and retail trade + Public admistration + Proffessional, admistration and support services + Education + Health +Other services + FISIM

Table A5: National fiscal position

Actual (percent of GDP)	2017/18	2018/19	2019/20	2020/21	2021/22**
Revenue and grants	17.4	17.7	16.5	16.0	17.3
Total revenue	17.1	17.5	16.4	15.7	16.8
Tax revenue	15.3	15.4	14.8	13.8	14.3
Income tax	7.2	7.0	6.7	6.1	6.5
VAT	4.0	4.2	3.6	3.6	3.8
Import duty	1.1	1.1	0.9	1.0	0.9
Excise duty	1.9	2.0	1.8	1.9	2.1
Other revenues	1.2	1.0	1.8	1.2	1.1
Railway levy	0.0	0.0	0.0	0.0	0.0
Appropriation in aid	1.8	2.1	1.5	2.0	2.5
Grants	0.3	0.2	0.2	0.3	0.5
Expenditure and net lending	24.1	25.0	24.2	24.2	25.4
Recurrent	15.1	15.7	15.5	15.8	17.1
Wages and salaries	4.4	4.3	4.2	4.3	4.2
Interest payments	3.6	3.9	4.1	4.4	4.8
Other recurrent	7.1	7.6	7.2	7.1	8.1
Development and net lending	5.3	5.6	5.6	4.9	5.1
County allocation	3.7	3.7	3.1	3.5	3.2
Parliamentary service	0.3	0.3	0.3	0.3	0.3
Judicial service	0.1	0.1	0.1	0.1	0.1
Equalization of funds	-	0.1	-	-	0.1
Fiscal balance					
Deficit including grants (cash basis)	-7.0	-7.3	-7.5	-8.2	-8.1
Financing	**7.1**	**7.4**	**7.4**	**8.4**	**8.1**
Foreign financing	4.0	4.3	3.2	2.8	2.8
Domestic financing	3.1	3.1	4.2	5.5	5.3
Total public debt (gross)	56.5	59.6	63.0	68.2	68.1
External debt	28.7	31.0	33.1	35.4	33.9
Domestic debt	27.8	28.6	29.9	32.7	34.2
Memo:					
GDP (Fiscal year current market prices, Ksh bn)	8,922	9,746	10,621	11,353	12,646

Source: 2022 Draft Budget Policy Statement (BPS) and Quarterly Budgetary Economic Review (first quarter, Financial Year 2021/2021), National Treasury
*Note: *indicate Preliminary results; ** projection*

Table A6: 12-months cumulative balance of payments

BPM6 Concept (US$ million)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
A. Current Account, n.i.e.	(1,701)	(2,423)	(3,921)	(4,391)	(5,427)	(6,442)	(4,415)	(4,036)	(5,685)	(5,048)	(5,541)	(4619)	(6027)
Merchandise A/C	(4,948)	(6,234)	(8,354)	(9,314)	(10,220)	(10,775)	(8,368)	(7,692)	(10,186)	(10,201)	(10,679)	(8430)	(11439)
Goods: exports f.o.b.	4,530	5,230	5,835	6,213	5,870	6,155	5,963	5,746	5,801	6,088	5,872	6,062	6,730
Goods: imports f.o.b.	9,479	11,464	14,189	15,527	16,089	16,929	14,331	13,437	15,987	16,289	16,551	14,492	18,169
Oil	2,192	2,673	4,082	4,081	3,838	4,026	2,500	2,086	2,728	3,386	3,310	2,185	3,480
Services	1,091	1,710	1,893	2,429	2,318	1,676	1,315	1,432	1,556	1,596	1,767	355	740
Services: credit	2,914	3,789	4,131	4,990	5,130	5,023	4,633	4,164	4,648	5,477	5,621	3,732	4,859
Services: debit	1,822	2,079	2,239	2,561	2,813	3,347	3,319	2,732	3,092	3,881	3,854	3,377	4,120
Income	2,156	2,101	2,540	2,494	2,475	2,657	2,638	2,223	2,945	3,557	3,371	3,456	4,673
B. Capital Account, n.i.e.	261	240	235	235	158	275	262	205	184	263	208	131	195
C. Financial Account, n.i.e.	(3,782)	(3,252)	(3,425)	(5,565)	(5,204)	(7,398)	(3,826)	(5,186)	(5,563)	(6,547)	(6,233)	(3,023)	(5,331)
Direct investment: net	(1,452)	(1,117)	(1,364)	(1,142)	(920)	(746)	(379)	(523)	(1,010)	(1,463)	(1,132)	(499)	4
Portfolio investment: net	(81)	(156)	1	(218)	(273)	(3,716)	155	350	789	(627)	(1,312)	1,279	(135)
Financial derivatives: net	-	-	-	-	-	-	(16)	11	4	11	(5)	(73)	(35)
Other investment: net	(2,249)	(1,979)	(2,062)	(4,205)	(4,011)	(2,936)	(3,603)	(5,012)	(5,342)	(4,457)	(3,789)	(3,730)	(5,166)
D. Net Errors and Omissions	(1,227)	(894)	(635)	(186)	434	221	18	(1,238)	(166)	(720)	154	38	1288
E. Overall Balance	(1,115)	(174)	896	(1,223)	(369)	(1,453)	293	(106)	108	(1,030)	(1,059)	1,427	-788
F. Reserves and Related Items	1,115	174	(896)	1,223	369	1,453	(293)	106	(108)	1,030	1,059	(1,426.8)	787.7
Reserve assets	1,322	154	246	1,455	859	1,333	(360)	39	(228)	885	905	(818.5)	1,127.5
Credit and loans from the IMF	199	(34)	284	193	177	(119)	(66)	(67)	(120)	(145)	(154)	608.3	846.7
Exceptional financing	8	13	858	38	312	-	-	-	-	-	-	-	(507)
Gross Reserves (US$ million)	5,064	5,123	6,045	7,160	8,483	9,738	9,794	9,588	9,646	11,516	12,851	12,992	14,199
Official	3,847	4,002	4,248	5,702	6,560	7,895	7,534	7,573	7,332	8,231	9,116	8,297	9,491
Commercial Banks	1,217	1,121	1,797	1,458	1,923	1,843	2,259	2,015	2,314	3,286	3,735	4,695	4,708
Imports cover (36 months import)	3.9	3.9	3.7	4.3	4.5	5.1	4.8	5.0	5	5	6	5	6
Memo:													
Annual GDP at Current prices (US$ million)	**37,022**	**45,410**	**46,874**	**56,394**	**61,667**	**68,287**	**70,120**	**74,815**	**82,036**	**92,203**	**100,418**	**100,667**	**110,347**

Source: Central Bank of Kenya

Table A7: Inflation

Year	Month	Overall Inflation	Food Inflation	Energy Inflation	Core Inflation
2019	January	4.7	1.6	12.1	3.4
	February	4.1	1.1	11.4	3.1
	March	4.4	2.8	8.8	3.1
	April	6.6	8.2	7.5	3.1
	May	5.5	6.3	6.7	3.0
	June	5.7	7.0	6.3	2.9
	July	6.3	8.5	6.2	2.7
	August	5.0	7.1	4.0	2.3
	September	3.8	6.3	1.3	2.1
	October	5.0	8.7	1.5	1.9
	November	5.6	9.6	2.3	1.9
	December	5.8	10.0	2.5	1.8
2020	January	5.8	14.9	4.7	2.2
	February	6.4	9.6	5.5	2.3
	March	5.5	11.9	4.5	1.9
	April	5.6	11.6	4.9	2.0
	May	5.3	10.6	5.0	1.8
	June	4.6	8.2	5.4	1.6
	July	4.4	6.6	6.1	2.0
	August	4.4	5.4	7.6	2.1
	September	4.2	5.2	7.6	1.9
	October	4.8	5.8	8.2	2.5
	November	5.3	6.1	7.8	2.9
	December	5.6	7.2	8.1	2.9
2021	January	5.7	7.4	8.7	2.7
	February	5.8	6.9	10.1	2.7
	March	5.9	6.7	11.1	2.7
	April	5.8	6.4	10.5	2.7
	May	5.9	7.0	10.0	2.8
	June	6.3	8.5	9.5	2.8
	July	6.4	8.8	8.2	3.0
	August	6.6	10.7	6.5	2.7
	September	6.9	10.6	7.6	2.9
	October	6.5	10.6	7.0	2.4
	November	5.8	9.9	7.2	2.0
	December	5.7	9.1	7.2	1.9
2022	January	5.4	8.9	6.0	1.9
	February	5.1	8.7	4.7	2.0
	March	5.6	9.9	4.3	2.2
	April	6.5	12.2	6.2	2.4
	May	7.1	12.4	6.2	2.6

Source: World Bank, based on data from Kenya National Bureau of Statistics

Table A8: Credit to private sector growth (%)

Year	Month	Total Private sector annual growth rates	Agriculture	Manufacturing	Trade	Building and construction	Transport and communication	Finance and insurance	Real estate	Mining and quarrying	Private house-holds	Consumer durables	Business services	Other activities
2019	January	3.0	-0.2	6.5	6.6	1.4	-6.5	15.4	-2.6	-14.5	5.6	15.4	0.0	-27.2
	February	3.4	-2.6	7.7	6.4	2.6	-0.7	13.1	-2.9	-13.4	6.6	16.1	0.3	-33.1
	March	4.3	0.2	7.2	8.7	-7.0	5.7	10.2	-0.1	-11.4	8.0	13.9	-0.4	-31.7
	April	4.9	2.5	7.9	8.4	-6.5	6.4	13.3	-0.7	-12.5	7.9	16.4	1.1	-29.6
	May	4.4	2.7	6.5	7.6	-4.1	6.2	6.7	-0.5	-7.9	7.8	18.0	-1.2	-32.0
	June	5.2	3.9	11.4	5.5	-6.3	5.8	4.7	1.0	-4.3	7.6	21.3	-3.2	-22.6
	July	6.1	7.6	10.3	8.0	-5.4	6.4	5.3	0.5	-13.5	7.1	23.6	1.6	-17.2
	August	6.3	6.6	7.5	8.4	-6.0	5.8	8.2	2.4	-10.8	8.6	23.0	-0.1	-14.4
	September	7.0	5.5	7.5	7.6	-5.3	5.0	14.5	2.2	-5.1	8.8	28.4	3.2	-13.6
	October	6.6	-5.2	6.4	10.2	-5.5	4.8	15.1	0.4	0.1	5.3	28.6	-0.4	12.7
	November	7.3	-6.1	7.5	8.8	-6.1	9.8	15.8	1.9	-3.2	6.1	25.9	-0.3	30.9
	December	7.1	-2.4	9.2	8.9	1.6	8.1	0.4	1.5	-5.8	5.6	26.0	2.4	16.0
2020	January	7.3	-4.8	12.7	6.0	4.0	9.9	-1.1	3.5	-9.4	5.6	21.4	1.5	24.4
	February	7.7	0.2	10.4	9.5	-0.5	7.4	1.9	3.4	-14.6	5.9	20.6	2.4	33.4
	March	8.9	1.4	15.3	9.4	9.5	7.1	6.6	2.2	3.9	3.4	24.1	3.3	36.8
	April	9.0	2.8	20.1	10.3	7.7	9.1	3.1	4.8	11.0	2.2	19.6	1.2	14.3
	May	8.2	2.6	18.2	8.0	5.7	5.7	8.4	4.4	5.8	3.2	16.7	2.7	16.9
	June	7.7	2.2	11.1	9.4	4.6	14.9	3.2	4.9	10.0	3.6	15.2	5.3	-3.7
	July	7.9	1.1	10.0	9.1	5.5	20.7	3.5	5.0	11.3	5.4	13.8	3.2	-6.7
	August	8.3	0.9	13.1	8.1	5.2	19.0	4.6	6.8	12.0	5.1	13.7	3.4	-7.6
	September	7.6	1.7	12.6	6.6	4.1	20.6	-3.3	6.6	8.2	3.5	15.6	4.1	-5.8
	October	7.7	17.0	7.8	2.5	8.2	21.1	-2.2	7.6	-14.2	7.3	15.7	5.9	-10.4
	November	8.3	19.3	10.0	4.0	7.4	17.5	0.2	9.1	-15.4	6.2	18.8	2.7	-14.5
	December	8.3	15.3	12.0	3.8	3.4	13.6	7.1	8.7	-12.9	4.3	18.1	4.0	14.0
2021	January	9.3	15.6	12.6	5.5	2.5	14.4	14.0	8.8	-6.1	4.7	18.7	6.5	5.8
	February	9.6	13.4	15.8	3.9	5.2	19.0	9.0	8.8	21.6	4.2	20.3	5.0	3.8
	March	7.7	12.3	10.7	2.1	2.9	17.4	7.5	7.7	-3.6	2.9	17.6	5.7	5.2
	April	6.7	10.0	4.0	0.9	3.4	13.3	7.6	5.8	-8.8	4.5	19.3	7.2	24.3
	May	7.1	4.3	1.5	3.8	4.5	16.3	6.7	5.7	-18.1	3.1	22.0	6.9	39.8
	June	7.7	3.7	8.1	1.9	2.0	11.8	11.5	4.0	-13.0	3.2	23.4	5.2	65.2
	July	6.1	2.8	9.4	1.3	0.4	0.2	8.9	3.2	-22.1	2.4	21.7	4.9	58.0
	August	7.0	1.4	9.3	2.7	1.7	11.8	7.7	2.8	-23.1	2.0	20.1	5.8	56.0
	September	7.7	3.3	9.8	4.7	0.5	10.9	11.7	2.9	-8.4	2.6	17.6	7.6	59.5
	October	7.8	2.7	10.9	5.5	-0.5	9.6	8.9	2.4	6.2	2.7	16.5	8.2	64.1
	November	7.7	1.3	11.5	6.1	2.8	8.3	7.1	1.1	8.3	3.3	15.3	10.8	55.2
	December	8.6	0.5	13.1	8.5	1.9	14.3	5.8	0.6	42.9	3.7	15.0	9.5	38.9
2022	January	8.8	1.3	9.7	9.6	2.9	20.7	3.5	0.5	24.9	4.3	14.6	8.4	46.8
	February	9.1	3.0	7.6	8.9	7.9	24.1	3.6	0.7	-10.7	5.0	14.0	11.6	49.7

Source: Central Bank of Kenya

Table A9: Mobile payments

Year	Month	Number of agents	Number of customers (Millions)	Number of transactions (Millions)	Value of transactions (Billions)
2019	January	201,336	40.3	154.2	368.0
	February	212,252	50.0	144.5	328.2
	March	226,957	50.4	161.4	368.4
	April	230,220	52.0	155.8	360.2
	May	224,825	52.2	153.3	364.3
	June	222,484	46.8	149.7	346.8
	July	222,087	53.9	153.0	366.4
	August	222,479	54.8	151.8	368.5
	September	224,959	55.7	151.2	365.9
	October	223,176	56.3	156.1	366.9
	November	222,211	58.0	153.1	359.3
	December	224,108	58.4	155.0	382.9
2020	January	231,292	59.2	150.2	371.9
	February	235,543	58.7	148.5	350.5
	March	240,261	58.7	150.7	364.5
	April	242,275	59.4	125.0	308.0
	May	243,118	60.2	135.9	357.4
	June	237,637	61.7	143.1	392.2
	July	234,747	62.1	157.8	451.0
	August	252,703	62.8	163.2	473.5
	September	263,200	64.0	163.3	483.2
	October	273,531	65.3	174.1	528.9
	November	275,960	65.8	170.0	526.8
	December	282,929	66.0	181.4	605.7
2021	January	287,410	66.6	173.9	590.4
	February	294,111	67.2	164.2	568.0
	March	293,403	65.9	182.3	537.8
	April	294,706	67.1	173.4	502.2
	May	298,883	67.8	180.8	536.7
	June	301,457	67.8	175.8	532.6
	July	303,718	68.5	184.0	588.0
	August	304,822	68.1	184.5	586.5
	September	305,831	67.7	180.9	585.4
	October	295,105	66.9	190.1	618.1
	November	299,053	67.2	186.0	601.0
	December	298,272	68.0	189.8	622.1
2022	January	299,860	68.28	181.8	585.8
	February	301,108	67.94	171.4	568.7
	March	302,837	68.62	195.8	664.3
	April	295,237	68.72	188.2	663.5

Source: Central Bank of Kenya

Table A10: Exchange rate

Year	Month	USD	UK Pound	Euro
2019	January	101.6	130.8	116.0
	February	100.2	130.3	113.8
	March	100.4	132.3	113.5
	April	101.1	131.8	113.6
	May	101.2	130.1	113.2
	June	101.7	128.8	114.7
	July	103.2	128.8	115.8
	August	103.3	125.6	115.0
	September	103.8	128.2	114.4
	October	103.7	133.7	114.4
	November	102.4	132.0	113.2
	December	101.0	132.9	112.7
2020	January	101.1	132.1	112.3
	February	100.8	130.8	109.9
	March	103.7	128.5	114.7
	April	106.4	131.9	115.6
	May	106.7	131.3	116.1
	June	106.4	133.4	119.8
	July	107.3	135.3	122.5
	August	108.1	141.9	127.8
	September	108.4	140.9	128.0
	October	108.6	140.9	127.9
	November	109.2	144.1	129.1
	December	110.6	148.4	134.3
2021	January	109.8	149.7	133.8
	February	109.7	151.8	132.6
	March	109.7	152.2	130.9
	April	107.9	149.3	129.1
	May	107.4	151.1	130.4
	June	107.8	151.4	130.1
	July	108.1	149.4	127.9
	August	109.2	150.9	128.6
	September	110.2	151.5	129.8
	October	110.9	151.6	128.6
	November	111.9	151.0	127.9
	December	112.9	150.2	127.6
2022	January	113.4	153.6	128.4
	February	113.7	153.7	128.8
	March	114.3	151.0	126.2
	April	115.4	150.1	125.5
	May	116.3	145.1	122.9

Source: Central Bank of Kenya

Table A11: Nairobi securities exchange
(NSE 20 Share Index, Jan 1966=100, End - month)

Year	Month	NSE 20 share index
2019	January	2,958
	February	2,894
	March	2,846
	April	2,797
	May	2,677
	June	2,633
	July	2,628
	August	2,468
	September	2,432
	October	2,643
	November	2,619
	December	2,654
2020	January	2,600
	February	2,338
	March	1,966
	April	1,958
	May	1,938
	June	1,942
	July	1,804
	August	1,795
	September	1,852
	October	1,784
	November	1,760
	December	1,868
2021	January	1,882
	February	1,916
	March	1,846
	April	1,867
	May	1,872
	June	1,928
	July	1,974
	August	2,021
	September	2,031
	October	1,961
	November	1,871
	December	1,903
2022	January	1,889
	February	1,887
	March	1,847
	April	1,801

Source: Central Bank of Kenya

Table A12: Central bank rate and Treasury bills

Year	Month	Central Bank Rate	91-Treasury Bill	182-Treasury Bill	364-Treasury Bill
2019	January	9.0	7.6	8.9	10.0
	February	9.0	7.0	8.6	9.6
	March	9.0	7.1	8.3	9.4
	April	9.0	7.4	8.1	9.4
	May	9.0	7.2	7.9	9.3
	June	9.0	6.9	7.6	9.2
	July	9.0	6.6	7.4	8.8
	August	9.0	6.4	7.1	9.2
	September	9.0	6.4	7.1	9.6
	October	9.0	6.4	7.2	9.8
	November	8.5	6.6	7.6	9.8
	December	8.5	7.2	8.2	9.8
2020	January	8.3	7.2	8.2	9.8
	February	8.3	7.3	8.2	9.9
	March	7.3	7.3	8.1	9.2
	April	7.0	7.2	8.1	9.1
	May	7.0	7.3	8.2	9.2
	June	7.0	7.1	7.9	8.9
	July	7.0	6.2	6.7	7.6
	August	7.0	6.2	6.6	7.5
	September	7.0	6.3	6.7	7.6
	October	7.0	6.5	6.9	7.8
	November	7.0	6.7	7.1	8.0
	December	7.0	6.9	7.4	8.3
2021	January	7.0	6.9	7.5	8.4
	February	7.0	6.9	7.6	8.8
	March	7.0	7.0	7.8	9.1
	April	7.0	7.1	7.9	9.4
	May	7.0	7.1	8.0	9.3
	June	7.0	7.0	7.6	8.4
	July	7.0	6.6	7.1	7.5
	August	7.0	6.6	7.1	7.4
	September	7.0	6.8	7.3	7.8
	October	7.0	7.0	7.4	8.1
	November	7.0	7.1	7.7	8.7
	December	7.0	7.3	7.9	9.1
2022	January	7.0	7.3	8.1	9.5
	February	7.0	7.3	8.1	9.7
	March	7.0	7.3	8.1	9.8
	April	7.0	7.4	8.3	9.7
	May	7.5	7.7	8.7	9.8

Source: Central Bank of Kenya

Table A13: Interest rates

Year	Month	Short-term			Long-term			
		Interbank	91-Treasury Bill	Central Bank Rate	Average deposit rate	Savings	Overall weighted lending rate	Interest Rate Spread
2019	January	3.3	7.6	9.0	7.3	5.1	12.5	5.2
	February	2.5	7.0	9.0	7.3	5.2	12.5	5.2
	March	3.7	7.1	9.0	7.2	5.1	12.5	5.3
	April	4.2	7.4	9.0	7.2	4.7	12.5	5.3
	May	5.6	7.2	9.0	7.2	4.7	12.5	5.3
	June	3.0	6.9	9.0	7.2	4.8	12.5	5.3
	July	2.3	6.6	9.0	7.0	4.8	12.4	5.4
	August	3.7	6.4	9.0	6.9	4.5	12.5	5.6
	September	6.9	6.4	9.0	7.0	4.6	12.5	5.5
	October	6.9	6.4	9.0	7.0	4.4	12.4	5.5
	November	4.2	6.6	8.5	6.6	4.5	12.4	5.8
	December	6.0	7.2	8.5	7.1	4.0	12.2	5.1
2020	January	4.4	7.2	8.3	7.1	4.3	12.3	5.2
	February	4.3	7.3	8.3	7.1	4.2	12.2	5.1
	March	4.4	7.3	7.3	7.1	4.2	12.1	5.0
	April	5.1	7.2	7.0	7.0	4.2	11.9	4.9
	May	3.9	7.3	7.0	7.0	4.2	11.9	5.0
	June	3.3	7.1	7.0	6.9	4.2	11.9	5.0
	July	2.1	6.2	7.0	6.8	4.1	11.9	5.2
	August	2.6	6.2	7.0	6.6	4.1	12.0	5.3
	September	2.9	6.3	7.0	6.4	3.8	11.8	5.3
	October	2.7	6.5	7.0	6.3	3.4	12.0	5.7
	November	3.3	6.7	7.0	6.3	3.4	12.0	5.7
	December	5.3	6.9	7.0	6.3	2.7	12.0	5.7
2021	January	5.1	6.9	7.0	6.3	2.7	12.0	5.7
	February	4.5	6.9	7.0	6.5	3.4	12.0	5.6
	March	5.2	7.0	7.0	6.5	3.5	12.0	5.6
	April	5.1	7.1	7.0	6.3	2.7	12.1	5.8
	May	4.6	7.1	7.0	6.3	2.5	12.1	5.8
	June	4.6	7.0	7.0	6.4	2.5	12.0	5.6
	July	4.2	6.6	7.0	6.3	2.5	12.1	5.8
	August	3.1	6.6	7.0	6.3	2.6	12.1	5.8
	September	4.7	6.8	7.0	6.3	2.6	12.1	5.8
	October	5.3	7.0	7.0	6.4	2.6	12.1	5.7
	November	5.0	7.1	7.0	6.4	2.6	12.1	5.7
	December	5.2	7.3	7.0	6.5	2.6	12.2	5.7
2022	January	4.3	7.3	7.0	6.5	2.6	12.1	5.6
	February	4.7	7.3	7.0	6.6	2.6	12.2	5.6
	March	4.8	7.3	7.0	6.5	2.5	12.2	5.7
	April	4.7	7.4	7.0				
	May	4.6	7.7	7.5				

Source: Central Bank of Kenya

Table A14: Money aggregate (Growth rate y-o-y)

Year	Growth rates (yoy)	Money supply, M1	Money supply, M2	Money supply, M3
2019	January	7.4	8.4	10.5
	February	5.6	7.3	10.3
	March	11.7	10.8	12.5
	April	6.8	8.7	10.7
	May	6.7	8.3	8.7
	June	10.5	9.8	9.2
	July	5.3	6.9	7.0
	August	6.0	6.1	6.3
	September	5.8	6.7	6.5
	October	3.0	6.3	7.5
	November	3.6	5.6	5.9
	December	3.2	5.4	5.6
2020	January	4.1	5.7	5.5
	February	7.3	8.1	7.9
	March	4.9	6.4	7.2
	April	6.2	7.5	8.6
	May	7.2	8.5	9.9
	June	5.8	9.6	9.1
	July	11.4	11.9	11.3
	August	12.1	11.1	10.8
	September	14.1	11.0	10.7
	October	17.8	11.5	11.5
	November	20.5	13.6	14.2
	December	12.8	11.9	13.2
2021	January	12.6	11.0	13.2
	February	10.6	9.9	12.4
	March	7.6	7.7	10.1
	April	7.7	7.9	9.3
	May	7.8	6.9	7.6
	June	5.1	4.6	6.4
	July	6.3	5.6	6.9
	August	10.0	8.8	10.0
	September	6.3	7.2	8.7
	October	4.9	6.6	7.3
	November	3.5	6.1	7.1
	December	7.4	5.6	6.1
2022	January	4.5	4.6	4.7
	February	5.6	4.7	4.4
	March	4.6	4.9	4.7

Source: Central Bank of Kenya and World Bank

Table A15: Coffee production and exports

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2019	January	4,167	453	3,469	1,499
	February	5,724	449	4,567	1,903
	March	4,057	298	4,351	2,256
	April	5,307	203	4,552	2,501
	May	4,084	201	5,490	2,700
	June	2,021	192	4,549	1,964
	July	672	197	5,115	1,713
	August	1,647	217	3,932	1,462
	September	1,522	233	3,145	1,113
	October	2,541	260	3,986	1,390
	November	1,117	332	3,664	1,176
	December	771	435	1,906	634
2020	January	3,049	439	2,639	985
	February	4,410	427	3,169	1,687
	March	4,845	422	4,604	2,410
	April	2,242	295	4,396	2,590
	May	1,125	276	4,313	2,279
	June	-	-	5,414	2,956
	July	1,310	358	3,546	1,799
	August	1,209	525	3,182	1,484
	September	1,913	484	3,391	1,607
	October	1,329	527	2,732	1,322
	November	1,318	568	3,594	1,837
	December	1,667	660	2,405	1,285
2021	January	3,824	697	2,129	1,342
	February	5,325	664	3,481	2,161
	March	4,318	544	6,065	4,557
	April	2,196	436	3,337	2,307
	May			4,430	3,010
	June	502	551	3,437	2,272
	July	1,278	674	2,696	1,764
	August	1,479	684	2,504	1,658
	September	1,889	664	2,480	1,735
	October	999.1	671	2432.2	1674.37
	November	3538.5	775	2170.19	1740.12
	December	2815.88	789	2314.35	1918.64
2022	January			3238.6	2633.51

Source: Kenya National Bureau of Statistics

Table A16: Tea production and exports

Year	Month	Production MT	Price KSh/Kg	Exports MT	Exports value KSh Million
2019	January	48,386	234	48,623	11,831
	February	31,445	216	41,027	9,638
	March	26,462	214	42,457	9,910
	April	26,131	228	36,884	8,631
	May	37,759	242	36,994	9,293
	June	42,425	219	29,355	7,154
	July	31,458	205	33,657	7,788
	August	37,200	218	41,276	9,458
	September	35,533	229	36,325	8,463
	October	46,305	242	45,374	11,065
	November	45,087	235	43,650	10,735
	December	50,660	225	39,312	9,484
2020	January	53,636	232	48,770	11,452
	February	49,201	214	47,570	11,022
	March	55,733	207	51,441	11,665
	April	49,656	225	57,722	13,193
	May	47,004	210	48,594	11,289
	June	46,378	198	46,399	10,293
	July	36,554	194	46,851	10,014
	August	38,525	217	47,035	10,269
	September	43,413	220	44,725	10,200
	October	48,275	215	43,656	9,937
	November	47,680	218	46,353	10,611
	December	54,412	215	46,167	10,301
2021	January	48,896.13	223	48,812	11,379
	February	43,398.65	230	50,390	11,726
	March	48,692.71	219	53,432	12,673
	April	44,299.46	207	51,899	11,576
	May	45,321.64	205	50,042	11,071
	June	43,468.95	196	43,993	9,548
	July	34,732.37	189	43,844	9,204
	August	33,635.04	230	44,421	9,874
	September	43,185.49	244	36,308	8,566
	October	48,956.89	268	40,078	10,316
	November	50,719.16	278	45,318	12,181
	December	50,526.36	296	47,922	12,725
2022	January			45,585	12,629

Source: Kenya National Bureau of Statistics

Table A17: Local electricity generation by source

Year	Month	Hydro KWh Million	Geo-thermal KWh Million	Thermal KWh Million	Wind KWh Million	Total KWh Million
2019	January	279	417	114	148	966
	February	254	374	99	146	880
	March	283	445	99	144	979
	April	192	398	181	142	921
	May	243	427	110	164	952
	June	272	413	146	92	932
	July	269	440	133	125	975
	August	251	425	132	151	968
	September	234	454	105	153	953
	October	268	494	70	137	977
	November	299	482	62	114	965
	December	361	464	62	46	940
2020	January	358	477	55	90	986
	February	342	431	54	100	934
	March	359	460	56	86	969
	April	298	412	36	88	841
	May	319	392	56	106	881
	June	334	421	62	88	913
	July	358	433	61	110	969
	August	358	424	71	119	977
	September	356	381	89	140	973
	October	373	440	80	122	1023
	November	385	397	60	148	997
	December	400	393	77	135	1012
2021	January	330	465	75	138	1015
	February	281	422	106	110	926
	March	305	461	63	200	1037
	April	308	425	60	165	964
	May	369	385	116	130	1008
	June	318	409	84	185	1003
	July	286	463	123	153	1037
	August	274	453	109	190	1043
	September	262	440	107	187	1014
	October	309	388	118	201	1039
	November	293	378	135	196	1025
	December	339	349	167	131	1014
2022	January	320	311	206	156	1026

Source: Kenya National Bureau of Statistics

Table A18: Soft drinks, sugar, galvanized sheets and cement production

Year	Month	Soft drinks litres (thousands)	Sugar MT	Galvanized sheets MT	Cement MT
2019	January	53,585	53,060	20,124	485,178
	February	55,218	46,139	22,749	470,146
	March	61,413	45,463	26,313	507,037
	April	58,230	35,312	23,214	501,921
	May	53,086	36,307	22,501	486,301
	June	46,074	28,545	24,667	477,432
	July	47,149	25,097	23,260	527,115
	August	49,248	32,835	21,918	512,470
	September	53,234	33,356	22,641	519,370
	October	47,586	35,259	22,619	504,615
	November	50,715	30,898	21,871	479,085
	December	55,398	38,325	22,547	496,517
2020	January	52,654	53,155	23,397	530,404
	February	49,406	51,083	21,989	548,818
	March	49,494	52,699	18,527	559,424
	April	46,015	45,468	12,469	509,197
	May	34,129	46,350	18,042	511,961
	June	44,829	49,681	23,730	594,421
	July	44,394	53,131	24,493	666,341
	August	39,290	53,532	23,226	712,701
	September	52,436	54,873	20,801	707,033
	October	47,215	54,830	22,868	731,253
	November	42,916	50,227	23,268	668,507
	December	64,707	38,834	20,854	666,855
2021	January	52,537	58,044	17,788	652,883
	February	44,421	61,508	19,716	612,980
	March	53,498	66,194	20,676	721,444
	April	51,749	58,404	21,056	695,953
	May	51,201	57,796	22,017	717,669
	June	51,954	58,968	21,505	698,424
	July	35,980	57,513	19,519	876,998
	August	42,744	64,134	18,838	896,825
	September	50,983	45,347	16,655	853,688
	October		49,899	17,041	892,975
	November		60,022	22,856	848,198
	December				802,564
2022	January				855,393

Source: Kenya National Bureau of Statistics

Table A19: Tourism arrivals

Year	Month	JKIA	MIA	TOTAL
2019	January	113,362	15,727	129,089
	February	107,058	12,864	119,922
	March	106,001	9,732	115,733
	April	104,418	5,096	109,514
	May	98,788	3,689	102,477
	June	126,822	2,454	129,276
	July	150,286	8,663	158,949
	August	150,723	11,000	161,723
	September	124,001	9,208	133,209
	October	115,828	10,940	126,768
	November	111,548	12,339	123,887
	December	121,912	12,391	134,303
2020	January	114,873	12,214	127,087
	February	108,578	11,092	119,670
	March	43,346	3,950	47,296
	April	12	-	12
	May	1,229	-	1,229
	June	534	2	536
	July	617	1	618
	August	13,371	548	13,919
	September	19,403	761	20,164
	October	28,451	1,184	29,635
	November	30,719	1,156	31,875
	December	44,279	3,127	47,406
2021	January	43,234	3,045	46,279
	February	32,047	3,005	35,052
	March	37,214	3,194	40,408
	April	27,850	3,037	30,887
	May	32,153	1,735	33,888
	June	46,494	2,038	108,102
	July	64,498	4,532	147,122
	August	72,291	6,257	167,278
	September	66,667	3,633	154,658
	October	67,608	5,201	159,407
	November	71,271	5,435	165,589
	December	82,867	7,637	195,978
2022	January	62,585	6,651	152,770
	February	67,560	6,390	160,888
	March	76,336	5,073	179,905
	April	77,379	3,949	181,891

Source: Kenya National Bureau of Statistics
Note: JKIA (Jomo Kenyatta International Airport, MIA (Moi International Airport)

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