FINANCING BASIC EDUCATION IN KENYA:

Is capitation adequate, sustainable and equitable?

Annual National Shadow Budget 2027/2028

IPF
INSTITUTE OF PUBLIC FINANCE

Kenya's free basic education promise depends not only on allocating resources, but also on ensuring that funding is adequate, predictable and reaches the learners who need it most.

Sector-Specific Background and Context

Current Capitation Rates

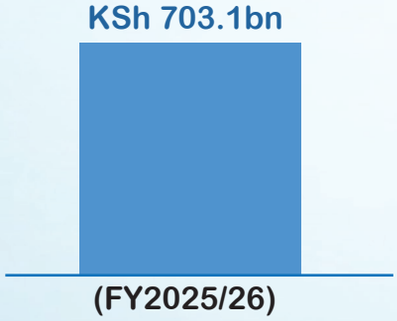
Free Primary Education (FPE)	Junior Secondary School (JSS)	Senior Secondary Education.
		
KSh 1,420,	KSh 15,042	KSh 22,244

Budget reductions, inflation, and changing learner distribution have weakened funding adequacy, while irregular disbursements and a uniform allocation formula undermine predictability and equity. Schools in poorer and remote counties face additional costs that the current financing model does not adequately recognise.

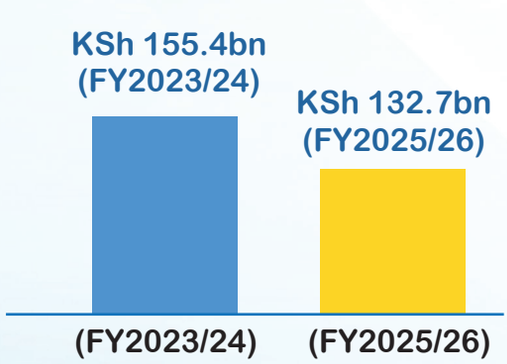
Key findings: What does the evidence tell us?

1. Capitation Funding Is Inadequate and Losing Purchasing Power.

Education Sector Allocation



Basic Education Budget



- Education -service costs rose **10.7%** (2020-2025).
- Unchanged FPE & FDSE rates lost **~9.6%** purchasing power.
- Inflation-adjusted FDSE capitation need: **KSh 164,258** million VS **KSh 127,248** million.

Implication: Schools are increasingly expected to deliver education with funding that cannot adequately meet the rising cost of essential inputs.

2. Irregular Disbursements And Weak Enrolment Verification Undermine Accountability.

Required Termly Release

50%	30%	20%

Actual 2023:

JSS: 63:24:12 | **FPE: 33:50:18**

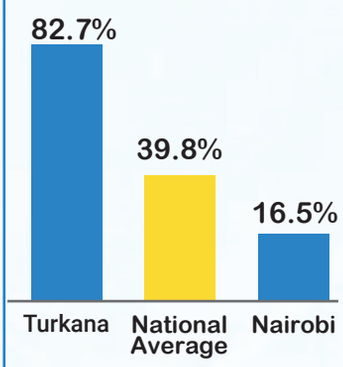
OVERFUNDED		UNDERFUNDED	
Seconday	354	Seconday	334
JSS	99	JSS	244
Primary	270	Primary	230
Total Schools	723	Total Schools	808
Amount (KSh)	3,702,886,203	Amount (KSh)	2,145,001,872

Overfunding can reflect payments for non-existent learners; underfunding means aloocations below actual enrolment. Inaccurate records and unpredictable release weeken accountability.

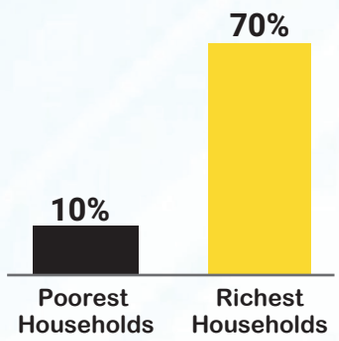
Implication: Inaccurate learner records and unpredictable releases weaken the link between approved allocations and resources reaching intended schools.

3. Uniform Capitation Does Not Address Inequalities In Education Financing.

Poverty Rates



Secondary Completion Rate (UNESCO)



- Remote and ASAL schools face higher transprot, supply and staffing costs.
- No ASAL schools' development allocation funds were disbursed FY2020/21 FY2023/24.
- Households finance 31% of education-sector expenditure.
- Equal allocations do not guarantee equal learning opportunites.

Five Policy Actions

1 Protect Purchasing Power	2 Predictable Transparent Releases	3 Verify Enrolment	4 Needs-Based Capitation	5 Consolidate Bursaries into Capitation
National Treasury and Ministry of Education should adjust per-learner rates annually using KNBS education-services CPI, and budget against verified enrolment and changing learner distribution.	Adhere to 50:30:20 publish school-level entitlements, transfer dates and amounts received.	Reconcile school registers with national learner register every term, independent verification and audits; NEMIS-to-KEMIS transition preserves historical data and corrects inconsistencies	Retain standard base rate plus additional funding based on poverty, remoteness and development levels, using CRA methodology; release undisbursed ASAL development allocation.	2026 Annual National shadow Budget estimates KSh 26.5bn could be available covering more than 91% of the KSh 29bn FY2027/28 project gap.

Conclusion: Equal funding is not necessarily equitable financing

Kenya's basic education financing challenge is not simply about increasing allocations, but ensuring that resources maintain their purchasing power, reach schools on time and reflect actual enrolment and differing needs. Inflation, irregular disbursements, inaccurate learner records and unequal service-delivery costs continue to undermine the effectiveness of the current capitation model.

The government must move beyond equal per-learner allocations towards a financing system that accounts for verified enrolment, actual education costs and levels of need. Protecting capitation is essential to safeguarding equal learning opportunities and the constitutional commitment to accessible and quality basic education.