KENYA'S INEQUALITY CRISIS: THE GREAT ECONOMIC DIVIDE

OXFAM

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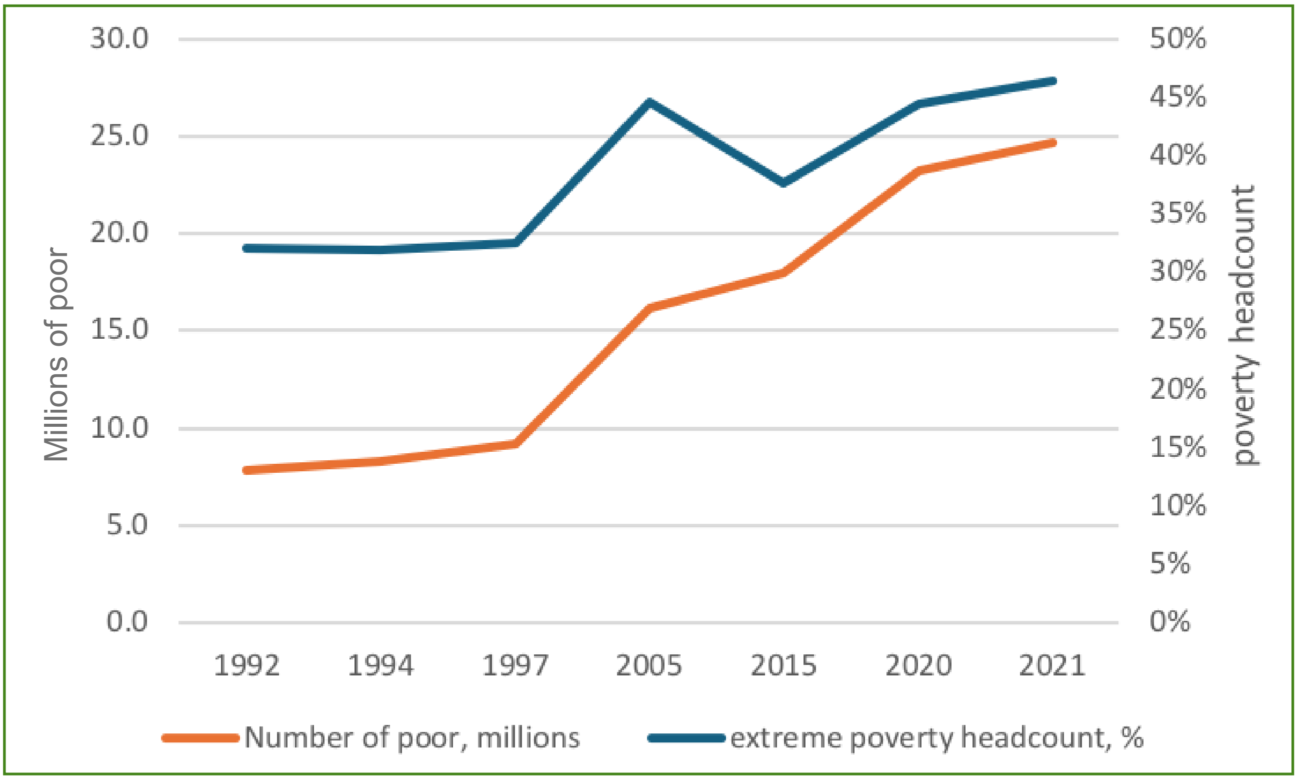
GROWING INEQUALITY BETWEEN THE RICHEST AND THE REST

Kenya has the 15th highest extreme poverty rate in the world at 46%.[1] Since 2015, an additional seven million Kenyans have fallen into extreme poverty, an increase of 37%. However, this rising poverty has been accompanied by impressive economic growth. Over the past decade (excluding 2020), the economy has expanded by an average of 5% per year in real terms. The richest 125 Kenyans hold more wealth than 77% of the population, equivalent to 42.6 million people. This clearly shows that without redistribution; growth alone will continue to enrich the richest while deepening poverty for the majority.

The protests over the Finance Bill in 2024 showed that continuing this path risks undoing the social contract between the state and citizens and is no longer sustainable. Progressive taxation, investment in essential universal public services like education and healthcare, quality jobs and land justice could make Kenya a more equal and fair country.

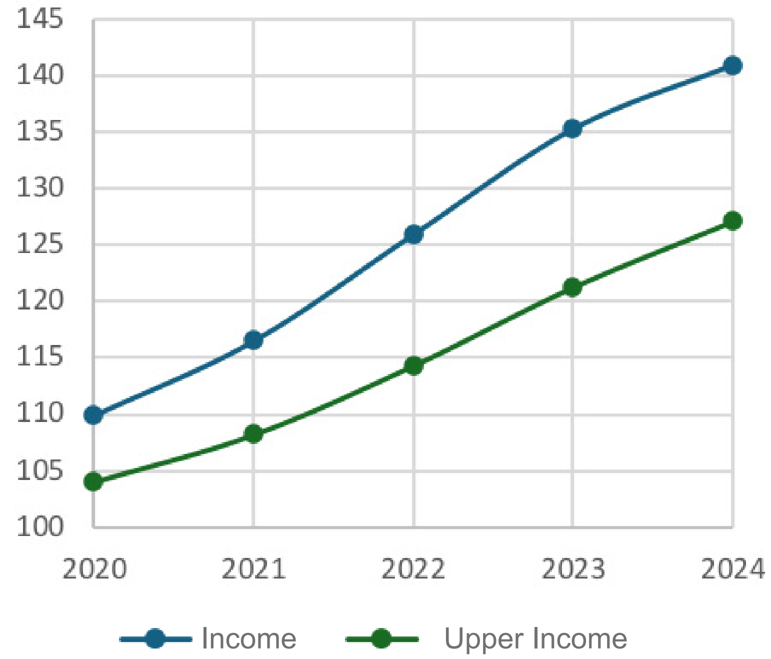
Figure A: Extreme poverty as proportion (%) and number (millions), 1992–2021



Source: World Bank. (2024). *Poverty and Inequality Platform* (version 20240627_2017_01_02_PROD). [Data set]. https://pip.worldbank.org/.

Food insecurity has also risen sharply over the past decade. The number of Kenyans facing severe and moderate food insecurity rose by 17 million between 2014 and 2024, an increase of 71%. The cost of food is 50% higher than it was in 2020. Those with the least money are hit harder. In Nairobi, the inflation rate for low-income earners was 27% higher than that of upper-income earners in 2020–24, as shown in **Figure B**.

Figure B: Inflation rate in Nairobi by income, 2019 = 100



Source: Author's calculations based on KNBS 2025 Economic Survey.

Women in all their diversity are also the most affected by Kenya's widening inequality, especially those living in poverty or in rural areas, and arid and semi-arid lands (ASALs). Consequently:

- Asset ownership in male-headed households is three times greater than in female headed households.
- For every KES 100 that a man earns, a woman earns KES 65.
- Women are five times more likely to be undertaking unpaid work than men.
- A woman from a household in the poorest 20% has a one in two chance of being unemployed, compared to one in five for a man in the richest 20%.
- Only 13% of women have legal ownership of agricultural land; this falls to just 4% for the poorest 20% of households, compared to 33% for the richest 20%.

GROWING INEQUALITY IN PUBLIC SERVICES

EDUCATION

The education sector is facing a funding crisis that is impacting low-income families. The children of the richest families receive expensive and high-quality education from private providers, while children from the poorest 20% of households receive almost five fewer years of schooling than those from the richest 20%. When adjusted for inflation, the amount of money per pupil that the government spends on primary schools is equivalent to just 18% of what it was worth in 2003. A new higher education funding model is making higher education unaffordable to students from poor families, while the transition to competency-based curriculum has faced several implementation challenges for learners in public schools.

HEALTH

Chronic underfunding and fragmentation in the public healthcare system are reinforcing limited and uneven access, impoverishing millions and contributing to avoidable deaths and illnesses. In contrast, the richest rely on private healthcare, and many have private insurance coverage, although often this fails to cover everything resulting to out of pocket spending.

Kenya introduced a new compulsory contributory Social Health Insurance Fund (SHIF) in 2024, but for many, and especially the poorest, this is not affordable, and it will take many years to reach universal coverage. Due to the scale of the informal sector, the number of people making active contributions is only 4 million. Private health providers benefit the most from this contributory health insurance; in 2022, only 20% of National Health Insurance money went to public health facilities.

Systemic challenges undermine SHIF's effectiveness which make it unjustifiable to continue allocating additional budgetary resources to the SHIF without implementing comprehensive structural reforms in the public healthcare system.

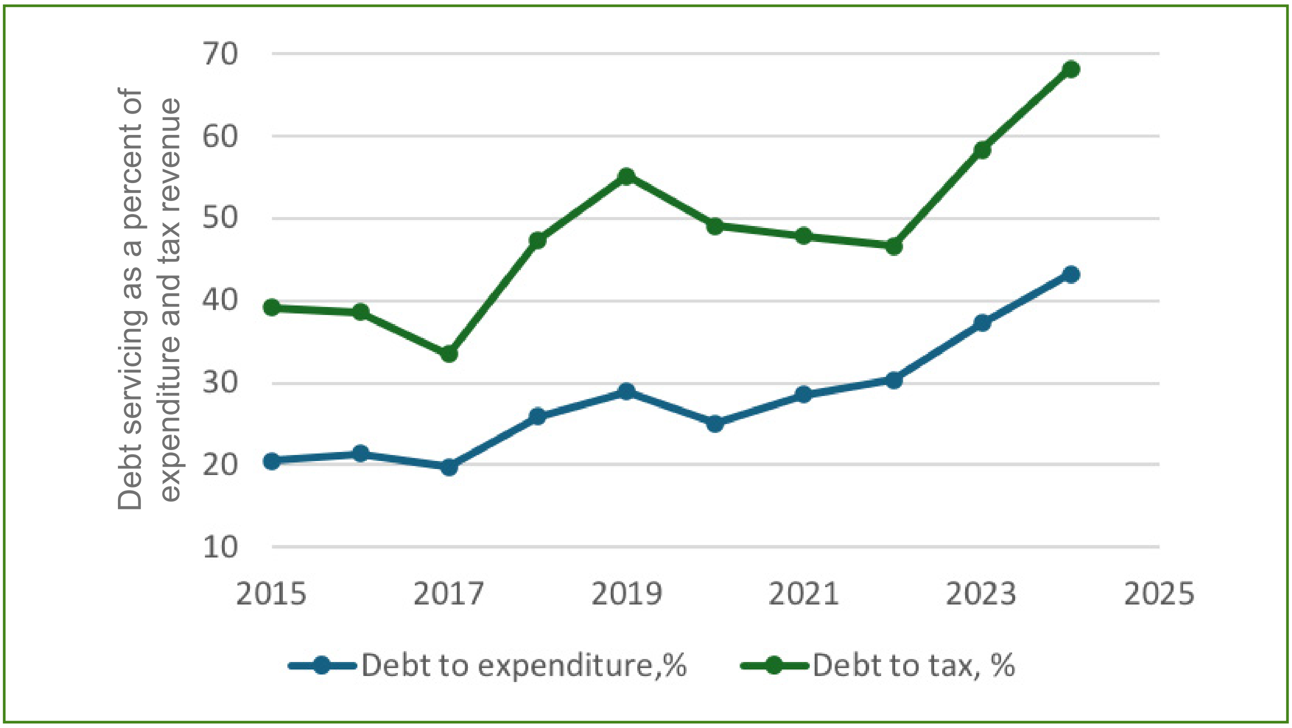
SOCIAL PROTECTION

While the SDGs bind Kenya to make social protection universal by 2030, only 9% of Kenyans are covered by at least one form of social protection. Among the poorest, only a fifth receive social assistance. *Inua Jamii*, which now reaches about 1.9 million people, is the biggest state-funded social assistance programme. While it has expanded over the last decade, the amount per beneficiary has not changed, while inflation has rocketed. With extreme poverty at nearly half of the population, the coverage is dismally low.

DEBT SERVICING CROWDING OUT SOCIAL SPENDING

In 2024, out of every 100 shillings collected in taxes, 68 shillings were used to repay debt. This is double the amount in 2017. Debt repayment is twice the education budget and nearly 15 times the national health budget.

Figure C: Debt servicing compared to tax revenue and total expenditure (%)



Source: KNBS Economic Surveys (Various). https://www.knbs.or.ke/economic-surveys/

TAX FALLS DISPROPORTIONATELY ON LOW-INCOME EARNERS AND PEOPLE LIVING IN POVERTY

While taxation has a positive impact on inequality in Kenya, reducing the Gini coefficient - which measures economic inequality - by 9%, it could be more effective. Over-reliance on regressive VAT/sales taxes means that people who spend nearly all their income on basic items are paying more in taxes as a share of their income than their wealthier counterparts. Recent tax changes and payroll levies fall disproportionately on low paid workers in the formal sector, eroding their purchasing power. Meanwhile, the richest generally benefit much more from wealth ownership and capital income, both of which are severely undertaxed and subject to low enforcement.

WIDENING INEQUALITY IN THE JOB MARKET

The Kenyan job market is a key contributor to the economic inequality because of extreme informality (85%), wide pay and gender gaps and declining wages. The likelihood of securing well-paying jobs is highly dependent on family backgrounds. Women are disproportionately contracted in low paid jobs in the informal sector, and they face barriers in entry to the paid labour force due to unpaid care workload and social norms. Women's total labour income share is just 62% that of men, and they account for 38% of formal workers, in large part due to unpaid care workloads and social norms.

LAND INEQUALITY

Land is the most important source of wealth in Kenya, particularly for small-scale farmers and pastoralists. However, the most productive land is in the hands of a few, while those who need it the most are congested in small pieces or are landless. While land reform was the most pressing issue for Kenyans for independence, those in power reconsolidated the structures of privilege and inequality after independence. Consequently, land inequality has been worsening over time. In Nairobi, virtually all land belongs to a handful of rich individuals.

PERSISTENCE OF COLONIAL LEGACY

Kenya's present realities are deeply rooted in the unfinished work of dismantling colonial power structures. Independence in the 1960s did not usher in a truly emancipatory vision for the majority. Instead, political and economic systems designed to privilege a few were repurposed by the local elite, who seized vast resources once controlled by white settlers. This elite capture entrenched extractive governance, corruption, and patriarchal cronyism - structures that continue to marginalize women, Indigenous communities, and those historically excluded from decision-making spaces. Its legacy is seen in regional disparities between areas deemed productive and those neglected, where poverty is highly concentrated today.

Today, neo-colonial systems of domination reproduce these injustices. The dominance of the IMF in shaping the country's economic policy, exploitative practices, including on trade and tax avoidance by Multinational Corporations, and the dominance of debtor interest in the global financial architecture continue to shape inequality in Kenya, in addition to elite capture.

POLICY SOLUTIONS

Economic inequality has catastrophic consequences for everyone. As well as undermining poverty reduction, it hampers growth, job creation, democracy and mobility, while worsening corruption and social ills such as crime.

The Government of Kenya needs to develop timebound targets to reduce economic inequality that can be easily tracked. For instance, it should aim to reduce the Gini of income to below 0.3 and a Palma ratio, i.e. income of the richest 10% divided by the poorest 40%, to no greater than 1. To achieve this, and reduce other forms of inequality, we propose the following recommendations.

PUBLIC SERVICES

Improved delivery of public services starts with the need for political will. The government needs to commit to guaranteeing inequality-busting public services such as healthcare, education and care services; deliver universal, rights-based social protection, including for those working in the informal economy, for all residents of Kenya. This includes universal, fee-free education from pre-primary to secondary, universal health coverage and Universal Social protection in line with SDG commitments. In so doing, it should also commit to supporting the poor and marginalised with extra help to redress disadvantage.

At the same time, it is critical for the government to commit to delivering more equality. It should introduce a structured review to assess inequality in terms of income, gender, region, disability and other bases of exclusion. It should also introduce costed national plans for these sectors that focus coherently and comprehensively on identifying and addressing pre-existing inequalities, producing data on gaps and needs, and developing appropriate strategies.

On spending, the government should:

- **Raise the education budget to at least 20% of government expenditure.** Capitation per student should be increased every year in line with inflation.
- **Increase the health budget to 15% of total government expenditure as a minimum.** Health financing policies should also be aligned to progressively achieve UHC, focusing on population-wide access to quality essential health services without financial hardship.
- **Transition away from SHIF.** The 15% health budget allocation should be redirected towards enhancing public hospitals and primary healthcare services, funded through general taxation rather than reliance on insurance premiums or reimbursement mechanisms.
- **Raise the budget for the State Department for Social Protection and Senior Citizen Affairs to 1% of GDP.** The *Inua Jamii* benefit per beneficiary should be increased to KES 3,900 per month, which is equivalent to the extreme poverty line.
- **Enhance equity.** This means implementing equitable budget distribution formulas that allocate more resources to regions and facilities with higher needs.

TAXATION

- **Restructuring personal income tax (PIT) bands to lessen the tax burden on low paid workers.** The rate of the first level should be reduced from 25%, and the top marginal rate for the highest-paid earners should be increased.
- **Revise the capital gains tax to match personal income tax rates.** The top rate of capital gains tax should be a similar rate to the top marginal personal income tax rate.
- **Collect more tax from property.** Immediate reforms should include reverting to the previous rental income tax of 10%; low-value properties should be exempt.

- **Take measures to make value added/sales taxes less regressive.** One method would be to increase the threshold for turnover tax from the current KES 1m to KES 5m (i.e., the same as the VAT registration threshold) to cushion small businesses, and exempt all essential basic goods, such as food and sanitary products.
- **Introduce a progressive tax on inheritance at a rate that targets Kenya's wealthiest families.** The threshold could be set at KES 12.2m – the minimum wealth needed to be in the richest 1% as of 2023.
- **Create a net wealth tax for ultra-high-net-worth individuals.** Even a tax rate of 5% on Kenya's dollar millionaires could generate nearly 3% of GDP in tax revenue.
- **Eliminate all corporate tax exemptions.** All companies operating in Kenya should be treated the same with regards to tax. This will also avoid a situation where the richest move their companies to special economic zones to avoid paying taxes.
- **Establish a dedicated ultra-high-net-worth tax unit within the Kenyan Revenue Authority.** This would strengthen the enforcement of tax obligations on this group of the population that, in particular, has the means to avoid and/or evade paying taxes.

FIX THE JOB MARKET

- **Reintroduce and expand public works to absorb many of Kenya's unemployed youth.** While the government in mid-2025 revived the *Kazi Mtaani* initiative as a short-term approach to tackle unemployment, it could be enhanced by increasing the number of young people involved.
- **Create an enabling environment for small and medium-sized businesses to create jobs and formalize.** Business registration requirements need to be streamlined and made affordable for all.
- **The state should support training and retraining courses.** In a fast-changing job market, workers need constant refreshment to be more productive.
- **Regulation and enforcement to close the pay and gender gaps.** Every corporation should ensure that the CEO receives no more than 20 times the median pay of their employees, and that men and women receive the same pay for work of equal value. Companies should be mandated to publish data on their gender pay gap. Paid maternal leave should be increased from the current three months to 26 weeks per International Labour Organization recommendations, among other measures.
- **Use labour laws to protect all workers from harm.** Ensure that every worker – not just those in formal employment – are protected from exploitation, injury and unfair dismissal in their workplace.

PUBLIC DEBT AND INTERNATIONAL SUPPORT

- **Tackling debt crisis.** The international community should provide debt restructuring, forgiveness and a fair credit rating system. Only by clearing up the existing debt will developing countries like Kenya be able to spend their budgets effectively on supporting their people.
- **The Government must borrow responsibly.** This requires oversight from the parliament and transparency, so that citizens can scrutinize budget documents.
- **International financial institutions should support inequality reduction.** For instance, the IMF's loan programme should support progressive taxation, while the World Bank and IMF programmes, projects and technical advice should include inequality indicators.

1 INTRODUCTION

Inequality has been recognized as one of the most severe risks facing the world.[2] Kenya is no exception. The gap between the richest and the rest has widened dramatically over the last decade, hampering the progress against poverty, ignorance and diseases. While the country has seen a solid economic growth since 2015, a majority of Kenyans are poorer today than they were then. But a few have amassed enormous amounts of wealth. This shows that the problem is not growth but lack of redistribution policies and political will to ensure that those at the bottom are lifted.

Nearly half of Kenyans live in extreme poverty, i.e., on less than KES 130 per day. Yet a few have amassed enormous wealth. The richest 125 Kenyans have more wealth than more than three-quarters of Kenyans, about 43 million people.

With shrinking fiscal space, unsustainable debt levels, high inflation, high cost of living, high unemployment, growing poverty, and climate vulnerability, the future of Kenya's economy is precarious without urgent action from the government. Public services are increasingly out of reach for many Kenyans, driven by diminishing government investments in education and health.

Although the government has implemented various reforms over time such as free education, social protection schemes, and tried universal health coverage, their impact would have been greater had they been accompanied by adequate spending and proper implementation. Devolution, once hailed as a harbinger of Kenya's economic and governance transformation with a promise to bring services closer to the people, address historical marginalization, and empower counties to drive regional development, has ultimately fallen short of expectations.

But there is still hope. With a strong political commitment and radical policy reforms, a more equal and prosperous Kenya is within reach. This report unpacks existing inequalities and their structural, historical and political causes, and provides a vision and recommendations that could set Kenya on course to be a more prosperous, equal and fair society.

1.1 REPORT STRUCTURE

Chapter 2 considers economic inequality in Kenya and why it matters. **Chapter 3** looks at the key drivers of inequality. **Chapter 4** the role of publicly funded education in reducing inequality. **Chapter 5** considers the role of quality healthcare. **Chapter 6** provides policy recommendations that are urgently needed to address the growing inequality gap.

2 KENYA'S INEQUALITY CRISIS

Kenya is home to extreme and widening economic inequality. Beyond disparities in income, wealth, gender, and geographic location, other significant forms of inequality persist, including those based on ethnicity, language, age, disability, migrant and refugee status, as well as social exclusion faced by LGBTQ communities.

Millions of Kenyans face hunger, poverty and preventable suffering. A crisis in public education is leaving millions of children behind, while patients are denied access to healthcare because of unaffordable medical bills. Cuts in real wages are severely straining workers.

Economic elites are using their economic power to concentrate political power, acquiring more wealth. IMF-imposed austerity measures, such as tax hikes that affect people on lower incomes and government budget cuts, are further widening the gap between the rich and the rest. Inequality was at the heart of the nationwide protests in June 2024.[3]

The richest 125 Kenyans hold more wealth than 77% of the population, equivalent to 42.6 million people,[4] and on average a CEO in the ten largest companies earns 214 times more than a teacher.[5] At the same time, poverty is increasing, with 7 million more Kenyans living in extreme poverty than in 2015.[6] The cost of food is 50% higher than in 2020, but an average worker is 11% poorer in real terms.[7]

This economic inequality is widening gender inequality. On average:

- women's earnings are less than a third that of men.
- women are five times more likely to be doing unpaid jobs than men; and
- less than a third of women own a house either alone or jointly.

Meanwhile, healthcare and education – two sectors critical for women's economic justice as both employer and service provider – are facing crises due to chronic underfunding, mismanagement and rushed reforms.

Inequality is not inevitable. It is created and sustained by regressive policy choices and a lack of political will. With the right policy mix and political commitments, Kenya can and should drastically reduce inequality. Progressive taxation; investment in essential universal public services like education and healthcare; quality jobs; and land justice would make it a more equal and fair country that is free of poverty.

The rest of this chapter examines economic inequality in Kenya since 2003, its impacts and why reducing it matters.

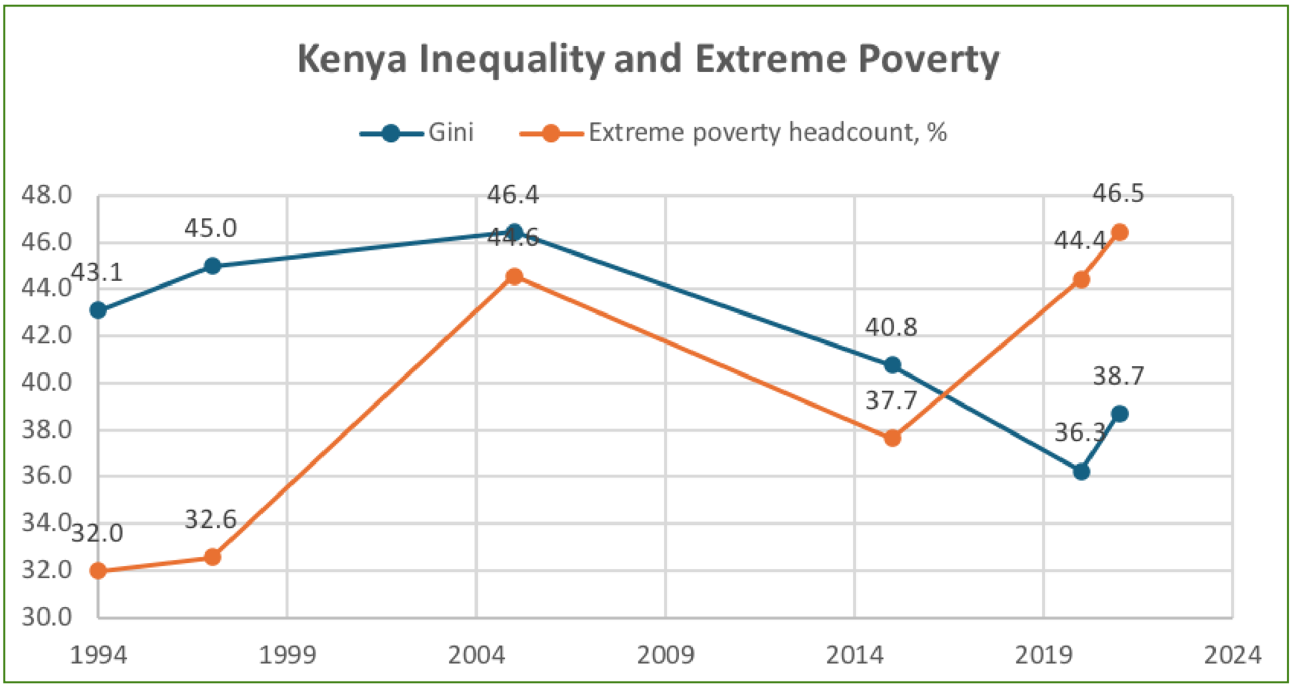
Box 1: Kenya's inequality in numbers

1. The richest 125 individuals have more wealth than 42.6 million Kenyans (bottom 77%).[8]
2. The richest 1% took nearly two fifths of the total new wealth created between 2019 and 2023, which is more than the new wealth taken by the bottom 90%, and 13 times more than that of the bottom 50%.[9]
3. The richest 1% grew their wealth nearly two times faster than the bottom 99% between 2019 and 2023.[10]
4. Since 2019, the average net wealth of a person in the richest 1% has increased by 22%, while that of a person in the bottom 50% has dropped by 4%.[11]
5. Reducing inequality at a rate of 2% annually, accompanied by 2% annual growth rate would triple the rate of extreme poverty reduction compared to 2% economic growth alone.[12]
6. The richest 1% own 78% of Kenya's total financial wealth.[13]
7. A CEO in the ten biggest companies earns on average 214 times more than a teacher.[14]
8. The average increase in pay for CEOs in the top ten listed companies between 2023 and 2024 is equivalent to six years' pay for a teacher in a public school.[15]
9. The number of people living in extreme poverty has increased by 7 million (37%) since 2015.[16]
10. If the wealth held by the richest 125 Kenyans were converted to 100 shillings notes, it would be enough to cover almost the entirety of Nairobi County.[17]
11. The share of Kenyans facing food insecurity rose by 71% between 2014 and 2024.[18]

2.1 THE SHAPE OF INEQUALITY IN KENYA

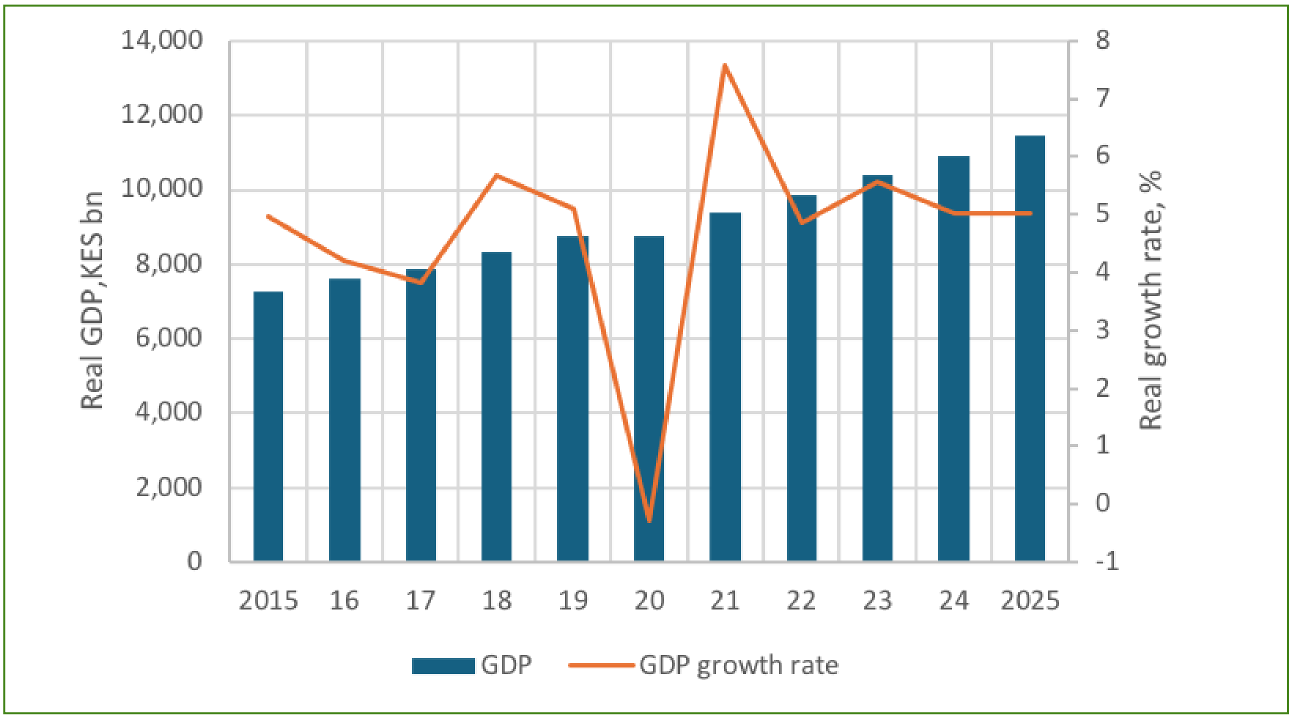
Kenya is becoming wealthy, but a vast majority of its citizens do not feel this. Over the past decade, the Kenyan economy has expanded by an average of 5% per year in real terms, as shown in **Figure 2**.[19] However, this has not been felt by ordinary Kenyans, who are worse off. The wealth generated is flowing to the richest, and the gap between the richest and the rest has widened, as shown in **Figure 1**. Even the World Bank and the Government of Kenya acknowledge that high inequality is hampering economic growth and poverty alleviation.[20]

Figure 1: Inequality and poverty trends in Kenya, 1994–2024



Source: World Bank. (2024). Poverty and Inequality Platform (version 20240627_2017_01_02_PROD). [Data set]. https://pip.worldbank.org/

Figure 2: Real GDP growth in Kenya, 2015–25



Source: International Monetary Fund (IMF). (2024). *World Economic Outlook Database*, October 2024: *Kenya*.

And citizens are expressing dissatisfaction with worsening living conditions. A May 2025 survey by Afrobarometer revealed that 61% of Kenyans believe the country's economic conditions are bad for them. This is a 42% increase on a similar survey in 2014.[21] While the current government rode into power promising to support those with the least, 76% of Kenyans believe that the government is doing a bad job at addressing the plight of the poor.[22]

The country is facing an inequality crisis due to policy choices that have often favoured the rich and elites at the expense of women and marginalized communities. This is in addition to shocks such as the COVID-19 pandemic and the impacts of climate change, which disproportionately affect those with the least resources.

Access to quality public services like education and healthcare is worsening, impoverishing families. When adjusted for inflation, government student capitation has dropped sharply over the past decade.[23] This places a strain on low-income families, which must pay extra school fees. Recent reforms in the health sector are excluding people who lack the means to contribute to the new social health insurance fund (SHIF). In contrast, wealthy people attend expensive schools and private hospitals and are thus insulated when public services falter.

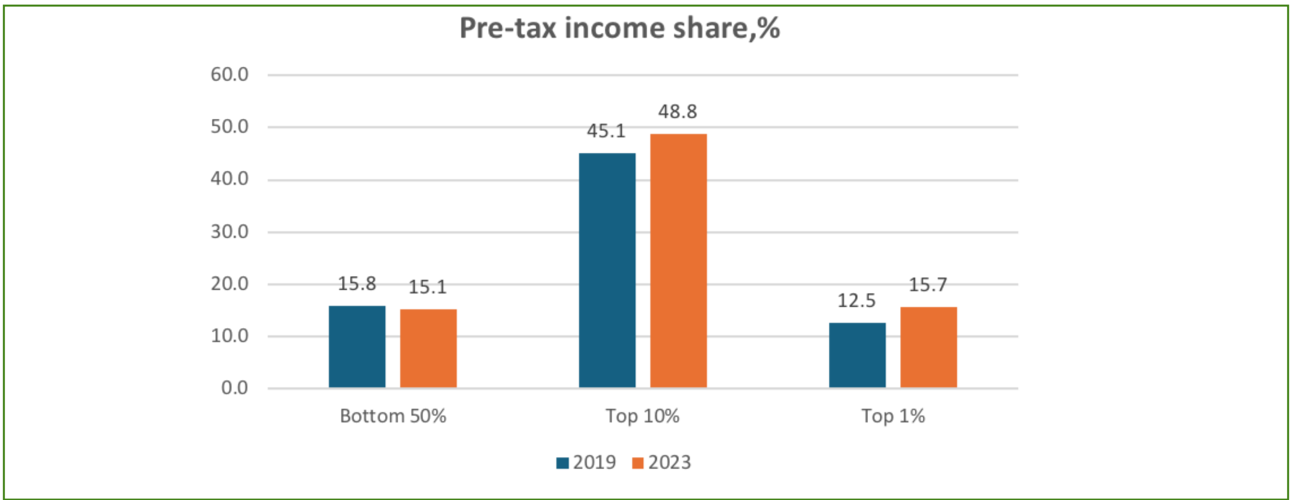
Tax reforms, such as those in 2023[24] that cut the rental income tax rate by 2.5 percentage points and introduced new levies on housing and health at flat rates, hitting low-income earners the most, have favoured the richest while burdening the rest. Furthermore, consumption taxes such as VAT, which disproportionately affect people who live hand to mouth, account for more than half of tax revenues.[25] Large-scale corruption by rich and politically connected individuals is alleged to have diverted billions of shillings from people living in poverty, amounting to as much as a third of the government budget.[26] As the system is designed to protect the richest people with no strong accountability mechanisms, those with the least pay the price through poor service delivery.

In addition, expensive infrastructure projects, a significant share of which are never completed, such as a total of 437 stalled projects at an estimated cost of KES 600 billion,[27] constrain resources available for investing in equalising sectors. Government tenders are, furthermore, predominantly captured by the biggest players. For instance, in the 12 months to June 2024, ten firms secured 28% of the total value of public contracts, despite the number of contracts awarded to them being less than 0.1% of all the contracts.[28]

INCOME INEQUALITY

Income inequality[29] increased from a Gini coefficient[30] of 0.36 to 0.39 between 2019 and 2021, as shown in **Figure 1** (note: the figure is reindexed to 100).[31] The income share of the richest 1% has increased by a quarter since 2019, while that of the poorest half has fallen by 5%, as shown in **Figure 3**.[32] The richest 10% of income earners takes home nearly half of the total income, and their proportion of income has grown by 8.2% over the period.

Figure 3: Pre-tax income distribution in Kenya, 2019 and 2023 (%)

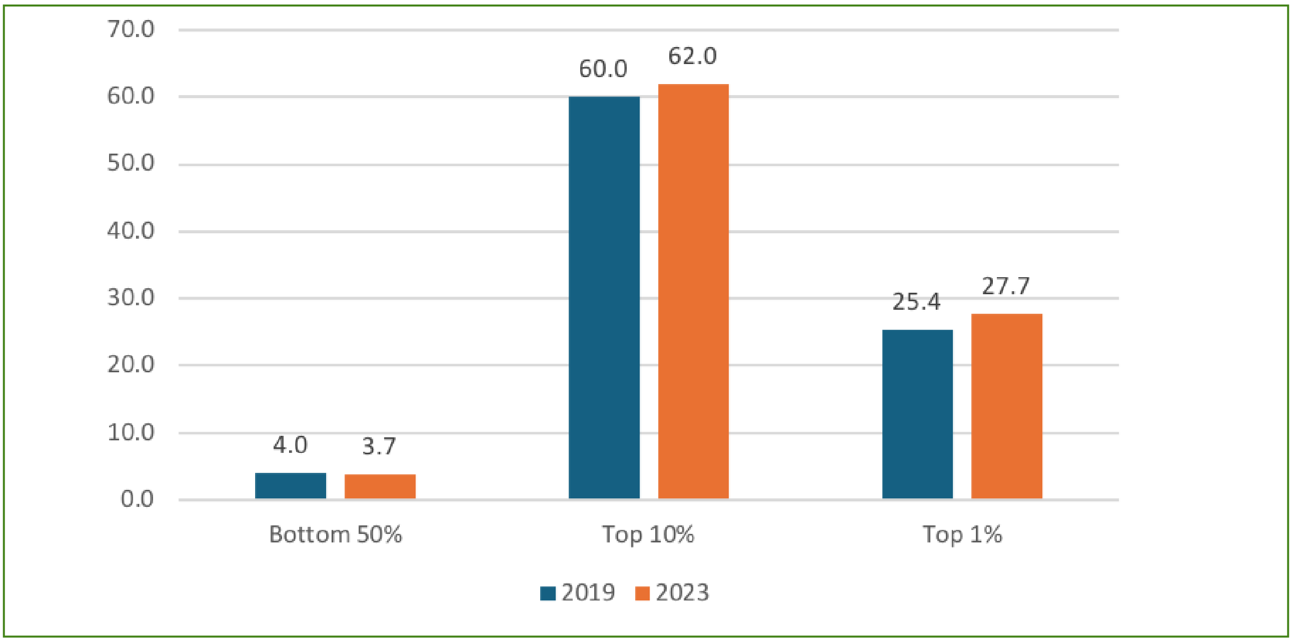


Source: World Inequality Database. (n.d). https://wid.world/country/kenya/

WEALTH INEQUALITY

Wealth is even more concentrated than income.[33] The richest 10% hold 62% of the total wealth, while the poorest 50% have less than 4% (see **Figure 4**).[34]

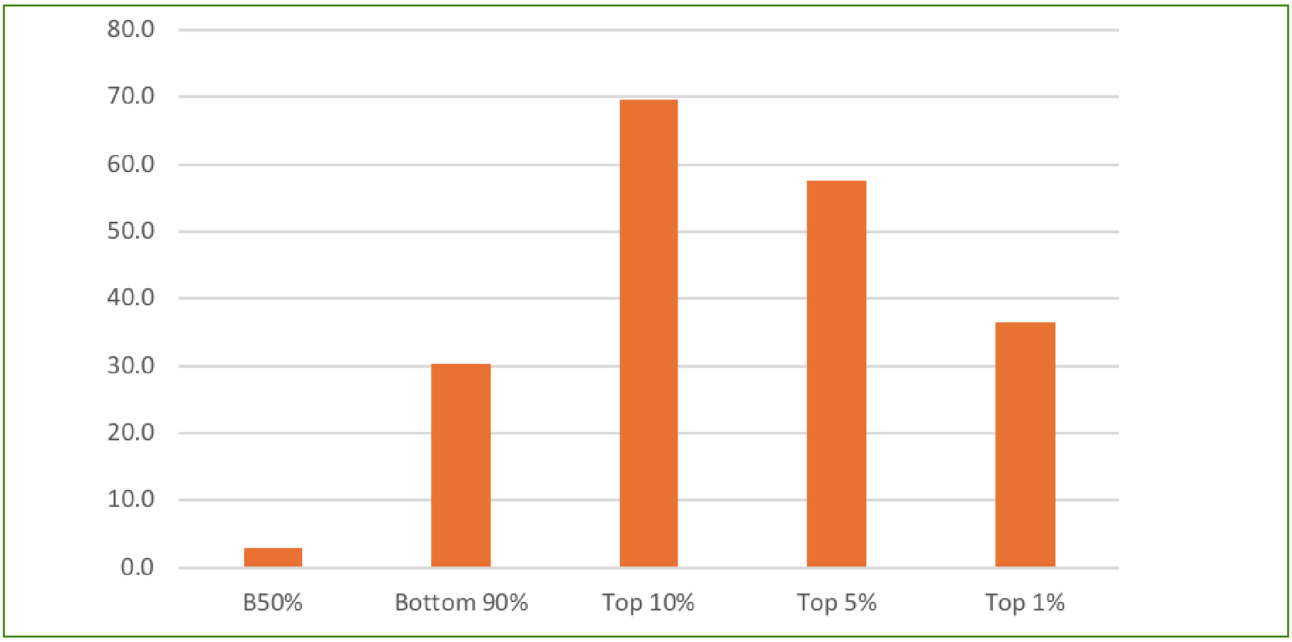
Figure 4: Wealth distribution 2019, and 2023 (%)



Source: World Inequality Database. (n.d). https://wid.world/country/kenya/

The wealth gap is increasing. Between 2019 and 2023, the richest 5% took nearly 60% of the total new wealth created, equivalent to KES 4.5tn, while the poorest half took less than 3%, or KES 222bn (see **Figure 5**).[35]

Figure 5: New wealth gained as proportion of total new wealth by proportion of population, 2019–23 (%)



Source: Author's calculations based on data from World Inequality Database. (n.d). https://wid.world/country/kenya/

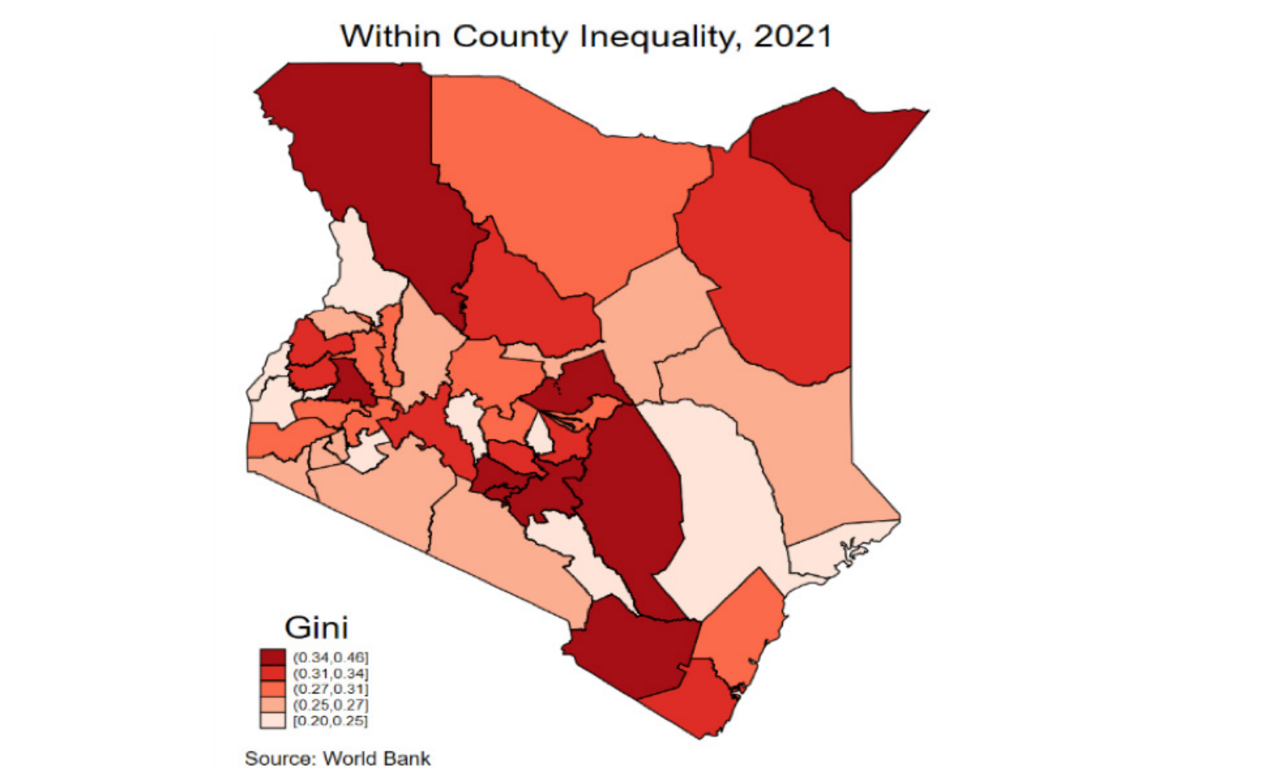
Rich people hold the most productive assets, such as real estate and financial products. For instance, the richest 1% of the population accounts for 78% of financial wealth in Kenya.[36]

INEQUALITY AT COUNTY LEVEL

Inequality varies markedly between Kenya's counties (see **Figure 6**), reflecting historical, structural and climatic factors.[37]

Nairobi is the most unequal region: informal settlements for tens of thousands of Kenyans are adjacent to leafy suburbs; between them are golf courses for the rich. Extreme land inequality, as well as high rates of informal employment, means that most of the city's wealth is in the hands of a few. Turkana County is one of the poorest regions in Kenya – and the second most unequal. Four in five people report that they lack food or the money to buy food; 6% of children there do not see their fifth birthday.[38]

Figure 6: Inequality by county, 2021



Source: World Bank. (n.d.). *Subnational Poverty and Inequality Database (SPID).* https://datacatalog.worldbank.org/search/dataset/0064796/Subnational-Poverty-and-Inequality-Database--SPID-

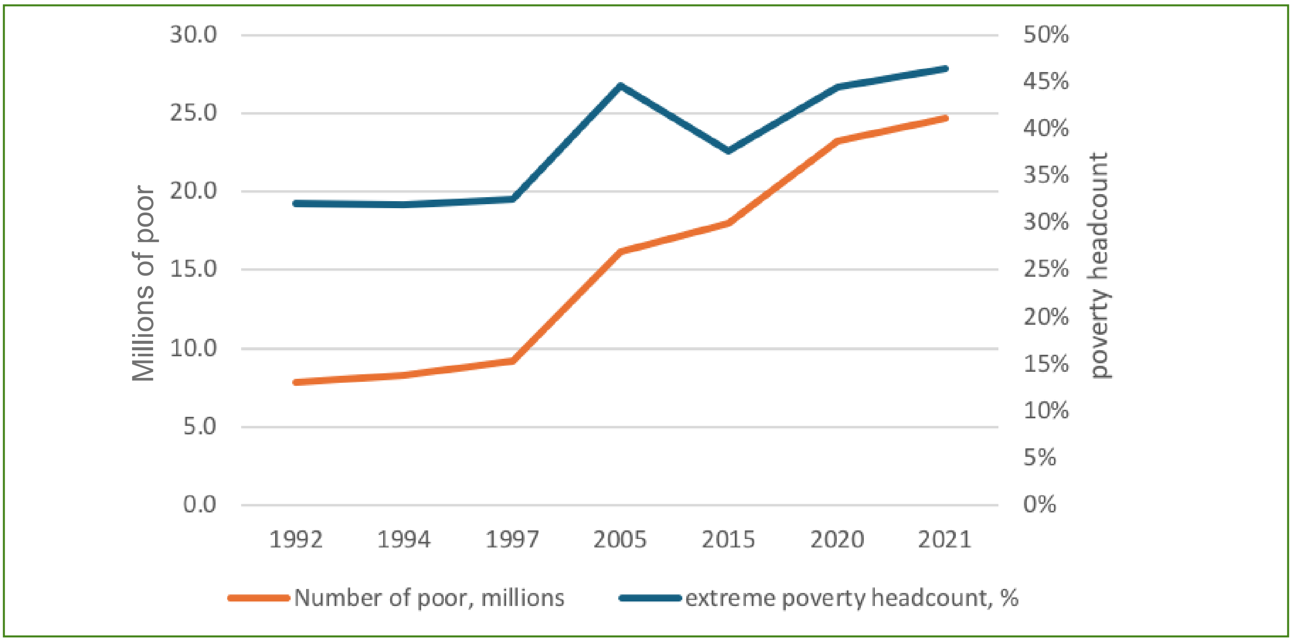
2.2 THE IMPACT OF INEQUALITY ON POVERTY AND THE COST OF LIVING

Inequality and poverty reinforce each other. When economic resources and opportunities are concentrated in fewer hands, it worsens poverty for those at the bottom who also must pay to access essential public services due to the state's failure to provide these services.

Through the UN Sustainable Development Goals (SDGs), to which Kenya is a signatory, the world aims to end extreme poverty by 2030.

Sadly, Kenya is off track. With half of Kenyans living in extreme poverty (less than KES 130 per day),[39] the country has the 16th highest extreme poverty rate in the world. It is getting worse: since 2015, an additional seven million Kenyans have fallen into extreme poverty, an increase of 37% (see **Figure 7**).[40] Reducing inequality would end poverty faster(see **Section 2.5**).

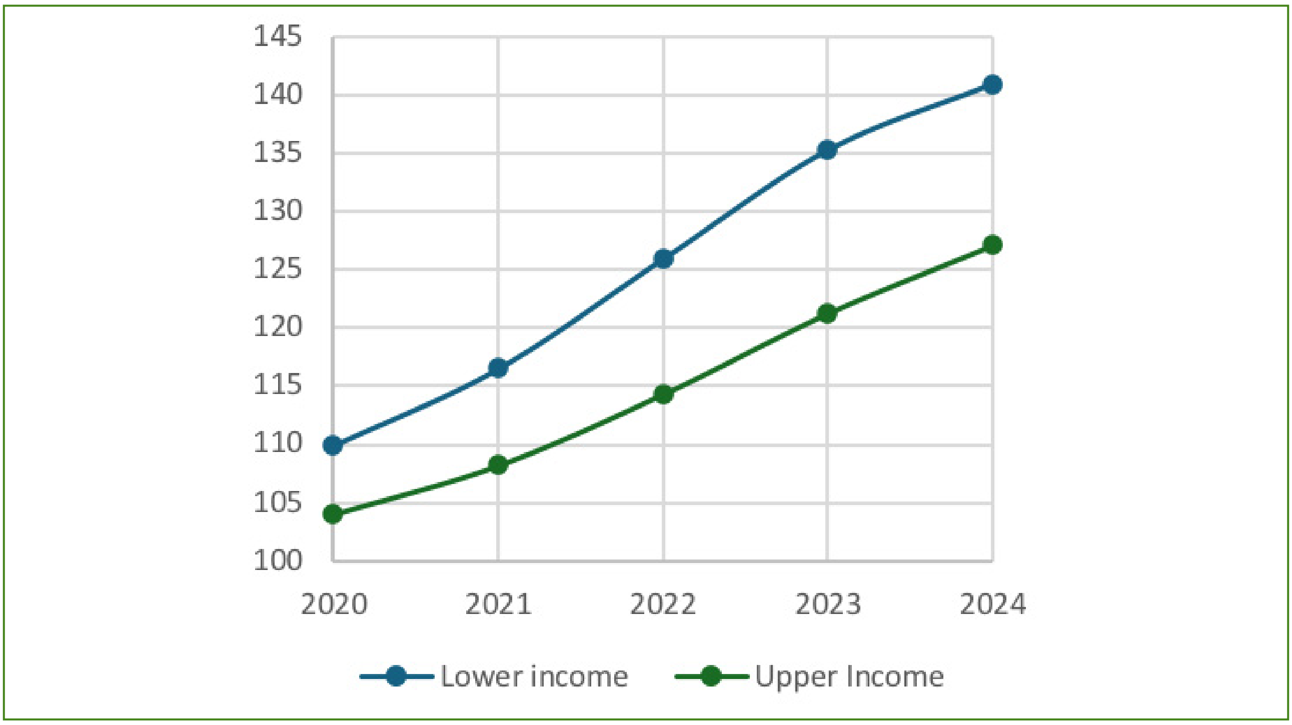
Figure 7: Extreme poverty as proportion (%) and number (millions), 1992–2021



Source: World Bank. (2024). *Poverty and Inequality Platform* (version 20240627_2017_01_02_PROD). [Data set]. https://pip.worldbank.org/.

The cost of living crisis is making it hard for families to put food on the table. The number of Kenyans facing severe or moderate food insecurity rose by 17 million (71%) between 2014 and 2024.[41] Inflation has hit those with the least money the worst because they spend most of their income on food. In Nairobi, the inflation rate for low-income earners (70.9% of the population) was 27% higher than that of upper-income earners (3.5% of the population) in 2020–24, as shown in **Figure 8**.[42] The rising cost of living is one of the key issues that Kenyans want the government to address; however, 76% believe that the government is doing badly at this.[43]

Figure 8: Inflation rate in Nairobi by income, 2019 = 100

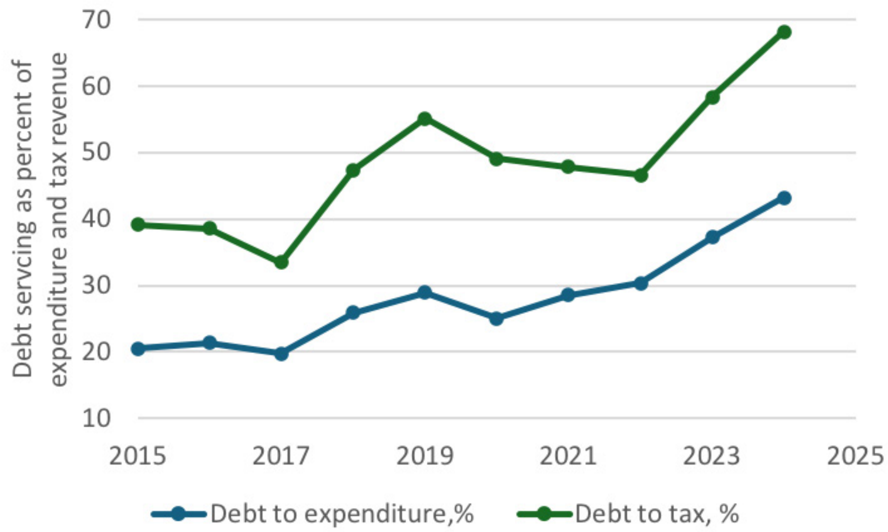


Source: Author's calculations based on KNBS. (2025). 2025 Economic Survey. https://www.knbs.or.ke/reports/2025-economic-survey/

Box 2: How the debt crisis is crowding out public spending and widening inequality

Government spending on servicing debt is undermining spending on critical areas such as education and healthcare. In 2024, out of every 100 shillings taken in taxes, 68 were used to repay debt.[44] This is double the amount eight years ago. Debt repayment is twice the education budget and nearly 15 times the national health budget.[45]

Figure 9: Debt servicing as a proportion of tax revenue and total expenditure (%)



Source: KNBS Economic Surveys (Various). https://www.knbs.or.ke/economic-surveys/

People living in poverty are suffering the most from the debt crisis: from the tax burden to the underfunded essential services. On the other hand, rich creditors are milking the government with high interest rates. For instance, the interest rate on the 2014 Eurobond that was reissued in 2024 was 42% higher than the initial one.[46]

Interest rates on domestic debt also reached sky high levels in 2024, with one-year treasury bills hitting 17%.[47] This created a powerful constituency of rentiers in favour of austerity measures, which triggered political unrest that year. It has also diverted money away from small and medium-sized enterprises, as banks have been lending to the government instead.[48]

2.3 WOMEN AND GIRLS HIT HARDEST BY INEQUALITY

Patriarchal capitalism places women at the sharpest end of exploitation, as they are left to cope in the most precarious and unprotected low-income work, while their unpaid care work remains invisible. These have severe consequences, as elite decision makers disregard the needs of women, reduce the already inadequate services that they rely on, and deprioritize their safety and wellbeing.[49]

Women in all their diversity are also the most affected by Kenya's widening inequality, especially those living in poverty or in rural areas and arid and semi-arid lands (ASALs):

- Asset ownership in male-headed households is nearly three times greater than in female headed households (72.3% vs 27.7%).[50]
- For every KES 100 that a man earns, a woman earns KES 65.[51]
- Women are five times more likely to be doing unpaid work than men.[52]
- A woman from a household in the poorest 20% has a one in two chance of being unemployed, compared to one in five for a man in the richest 20%.[53]
- While agricultural land is primarily tilled by women, only 13% of them have legal ownership; this falls to just 4% for the poorest quintile, compared to 33% for the richest quintile.[54]

The lack of protective, preventative and inclusive laws has led to horrifying numbers of women suffering gender-based violence. This limits women's ability to access economic opportunities and resources, including education, employment and finances.[55] This often confines women to the domestic domain or forces them to take on insecure and underpaid work, trapping them at the bottom of the economy with exposure to further gender-based violence. This is economic violence.

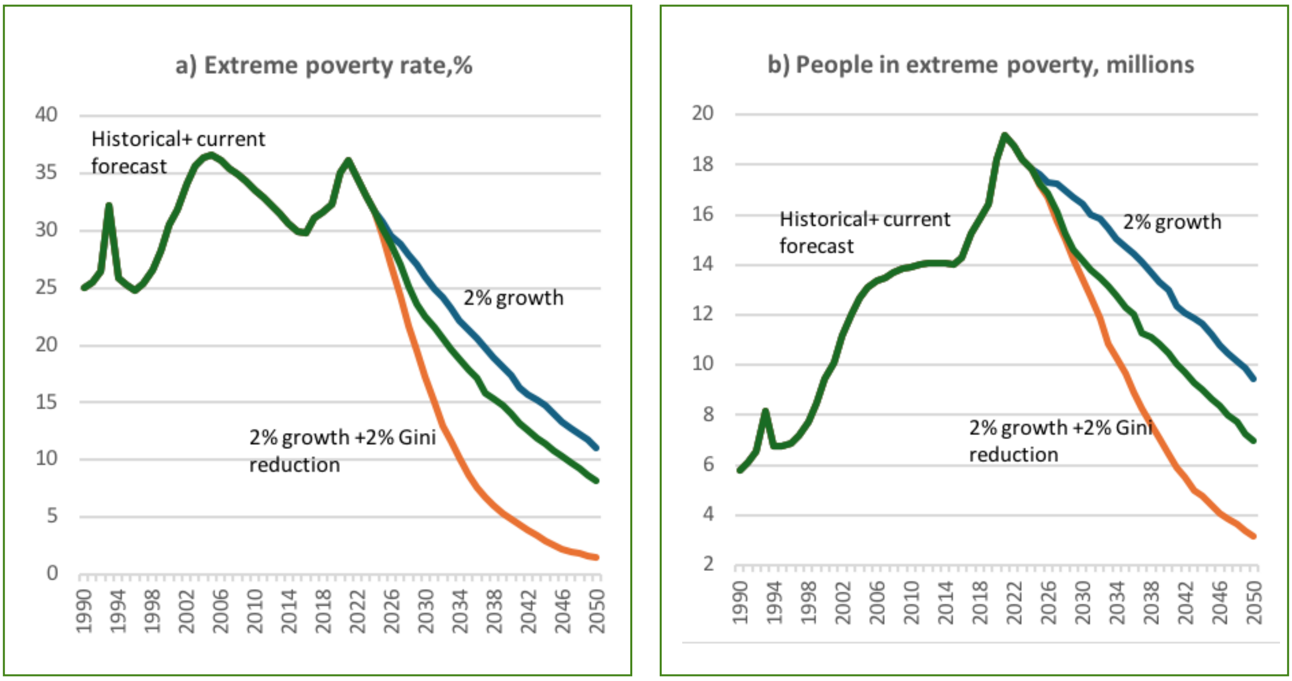
2.4 WHY REDUCING INEQUALITY MATTERS

Reducing inequality drastically would deliver great social, economic and political benefits to families and the country.

POVERTY REDUCTION

Studies show that reducing inequality would lead to a faster rate of poverty reduction.[56,57] Oxfam's calculations using World Bank data show that a 2% annual inequality reduction accompanied by a 2% growth rate would end extreme poverty three times faster than 2% growth alone (see **Figure 10**).[58]

Figure 10: The impact of inequality on extreme poverty



Source: World Bank

ECONOMIC GROWTH AND QUALITY JOBS

Extreme inequality derails economic growth. IMF research suggests that a Gini above 0.27 is harmful for long-term economic growth.[59] Kenya's Gini is 0.39.[60] When economic resources are concentrated in fewer hands, overall consumption decreases, not least because wealthier people are able to save more of their income. This dampens growth and makes quality jobs scarce, as businesses depend on consumer spending to expand and hire. Reducing inequality would thus help Kenya tackle its severe unemployment and informal employment levels.

FIGHTING CORRUPTION

Corruption thrives when economic and political power is in the hands of only a few people,[61] and when there is intense competition for resources and opportunities.[62,63] This is especially true in Kenya, which is grappling with both mega and petty corruption. Instances have emerged of money meant to fund social development, including healthcare and education, being diverted into the pockets of wealthy people.[64,65] By the government's own admission, about a third of its budget is lost to corruption.[66]

The problem also comes down to the local level when public officials ask for bribes to offer services they are already paid to do.[67] This affects people with the fewest resources the most, as they rely on public services – and bribes cost them more as a proportion of their money. Thus, addressing corruption would curtail the concentration of economic and political power, and reduce inequality.

SOCIAL ILLS AND POOR OUTCOMES

High inequality is associated with higher rates of crime[68,69] and poor health outcomes.[70] People living in poverty are most likely to suffer from malnutrition and are more likely to drop out of school than their richer counterparts.[71] In Kenya, crimes are most likely to thrive in areas with high rates of inequality and poverty.[72]

SOCIAL MOBILITY

Low inequality is associated with higher social and intergenerational mobility.[73,74] Unless there are greater equalizing opportunities, children born in poor families are more likely to remain poor, while those born in rich families are more likely to become richer. In Kenya, limited access to quality education, healthcare and jobs is a hindrance to social mobility.[75]

DEMOCRACY, PEACE AND EFFECTIVE PUBLIC INSTITUTIONS

High inequality creates a conducive environment for economic elites to seize control of public and governance institutions for their own gain.[76] When certain groups feel excluded, this can contribute to conflicts.[77] In Kenya, unequal access to resources such as pasture and water, have resulted in considerable unrest and political violence. More broadly, reducing the concentration of economic power should reduce the concentration of political power, enhance the effectiveness of the public institutions and contribute to a thriving and peaceful democracy.

3 ROOT CAUSES AND DRIVERS OF INEQUALITY

Kenya's massive wealth accumulation exists because of a rigged system. The rules are made by and for those who are already rich, helping them to accumulate wealth and power. This chapter will explore four key ways in which the majority are locked in poverty and suffering, while a tiny few thrive at their expense:

- Colonial legacy;
- Land inequality;
- Tax and public services spending; and
- The labour market.

3.1 COLONIALISM AND TODAY'S INEQUALITY

Colonialism and its persistent legacies have contributed to high inequality in Kenya. Colonialism concentrated economic and political power in the hands of a few white settlers while systematically excluding and disempowering local communities. Kenyans were brutally dispossessed of their land and forced to work on white settlers' plantations for free or poor pay.[78] Taxes were imposed to pay for public services like education and healthcare that they were not allowed to access.

The white settlers took the most fertile land, particularly in the central highlands and part of the Rift Valley. A third of the fertile land in the Kenyan highlands was owned by settlers by 1934, even though they accounted for only 0.25% of the population.[79] Economic inequality widened sharply along racial lines throughout the colonial period. In 1927, the richest 1% of the Kenyan colony received 31.7% of the income.[80] Colonialism also created two tiers of black Kenyans: an emerging middle class lucky enough to acquire education, skills or opportunities as business owners, and the disempowered landless majority.[81]

Kenya's present realities are deeply rooted in the unfinished work of dismantling colonial power structures. Independence in the 1960s did not usher in a truly emancipatory vision for the majority. Instead, political and economic systems designed to privilege a few were repurposed by the local elite, who seized vast resources once controlled by white settlers. This elite capture entrenched extractive governance, corruption, cronyism and patriarchal cronyism - structures that continue to marginalize women, Indigenous communities, and those historically excluded from decision-making spaces.[82]

Colonial logics of "productive" versus "unproductive" regions institutionalized deep spatial and economic inequalities.[83] Areas such as ASALs, home to pastoralist and nomadic communities, were systematically underdeveloped and abandoned. Post-independence governments perpetuated these hierarchies, leaving these regions in chronic poverty, with women bearing unequal care workload and survival in contexts of resource scarcity. For example, a child born in Mandera can expect to live nine years less than the one born in Kericho.[84] In Marsabit, 62% of women have no formal education, compared to less than one percent in Nakuru.[85]

Today, neo-colonial systems of domination reproduce these injustices. Global financial institutions like the IMF dictate economic policies in ways that prioritize debt repayment over social justice, eroding sovereignty and undermining public services critical to gender equality.

Multinational corporations engage in exploitative trade, resource extraction, and tax evasion, while the global financial architecture remains skewed toward the interests of wealthy nations and creditors. These intersecting systems of coloniality, capitalism, and patriarchy fuel Kenya's structural inequalities, limiting transformative possibilities for feminist economic justice and self-determined development.

Box 3: The IMF's 2021–25 loan programme

In April 2021, the IMF approved a US$2.34bn loan programme for Kenya under the Extended Credit Facility and Extended Fund Facility,[86] and a further US$551.4m under the Resilience and Sustainability Facility in July 2023.[87] The programme was to end in April 2025.[88] However, in March 2025, Kenya walked away with higher debt, deeper inequality and worse poverty, more pain on ordinary Kenyans and US$800m of undisbursed money. What went wrong?

The programme aimed to reduce debt vulnerability via fiscal consolidation and structural reforms (i.e., increased tax revenue, spending cuts and the privatization of state-owned enterprises), all while ostensibly protecting social and development spending.[89]

The programme left Kenya more vulnerable

These measures led to significant tax hikes, increased levies and charges for access to some public services, and the removal of fuel subsidies. This has added an additional burden for struggling Kenyans who can barely afford to put food on the table while making essential public services inaccessible to the neediest. The IMF acknowledges that tax hikes triggered the June 2024 protests, but it avoids responsibility for having prescribed them.[90]

The programme did not meet some key targets. Only one of the ten structural targets were met in the first half of 2024;[91] tax-to-GDP increased only by 0.3 percentage points between 2021 and 2024; and the debt-to-GDP ratio increased by eight percentage points over the same period.[92]

The IMF mentioned the need to protect social spending.[93] However, its loan conditionalities, targets and advice contradicted this, making it difficult for the government to spend on critical public services, thus deepening inequality.

Doing better in future

As the IMF and the government negotiate for a new programme, they should learn from the failure of this programme. There are some encouraging signs of a change in emphasis in the IMF's seventh and eighth reviews.[94] However, without concrete proposals – and financial and technical support to the government – Kenyans will continue to suffer.

All relevant stakeholders, not just economists from the National Treasury, should be included in discussions. Loan programmes should be contingent upon the government enhancing social spending and taxing the richest more. Future programmes should include measures to increase the quantity and quality of jobs. Every IMF programme, conditionality and piece of policy should be anchored in an inequality analysis, including during periodic reviews. Short-term macroeconomics should not be at the expense of people's lives and livelihoods.

3.2 LAND INEQUALITY

Land is the most important source of wealth in Kenya, particularly for the small-scale farmers and pastoralists who live on and from it. However, the country faces extreme land inequality, with the most productive land in the hands of a few, while those who need it the most are congested in small pieces or are even landless. Many community lands have been grabbed by the rich and politically connected.[95] Some of the wealthiest Kenyans are the country's largest landowners, and the richest people hold a significant share of their wealth in real estate.

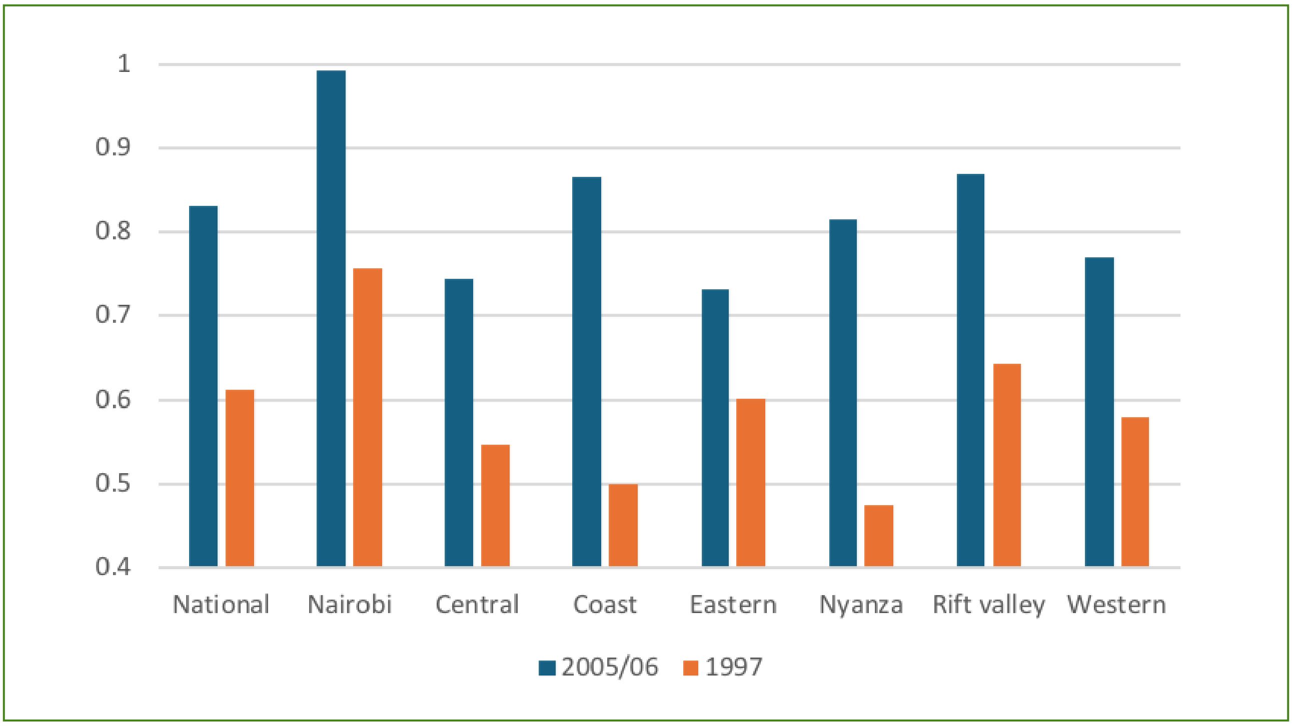
During the colonial era, a dual system was enforced in which the colonizers disproportionately owned large and fertile estates governed by one set of principles, while the colonized were pushed onto increasingly smaller plots of less fertile land governed by another set of principles.[96] This locked out most women, who constitute a large part of the people who depend on land managed through customary, community-based tenure systems and commons.[97]

While land reform was the most pressing issue for Kenyans for independence, those in power reconsolidated the structures of privilege and inequality. From the start, government land distribution schemes were largely based on patronage, nepotism, political loyalty and the ability to buy.[98,99] This left out the neediest people, as well as those whose land had already been stolen. Prominent politicians took land that was intended for redistribution to landless and displaced populations.[100]

This unfairness has continued, putting huge swathes of the most productive land into the hands of a wealthy few. Consequently, land inequality has been worsening over time (see Figure 11). In Nairobi, virtually all land belongs to a handful of rich individuals.[101]

Unfair land distribution is a cause and enabler of inequality, poverty, food insecurity, conflict and the concentration of political power. Addressing land injustice is thus much needed. As well as land reforms, progressive taxes on property could ensure that the rich do not hold land they do not need while the majority have nothing.

Figure 11: Gini coefficient for land ownership at national and regional levels, 1997 vs 2005/06

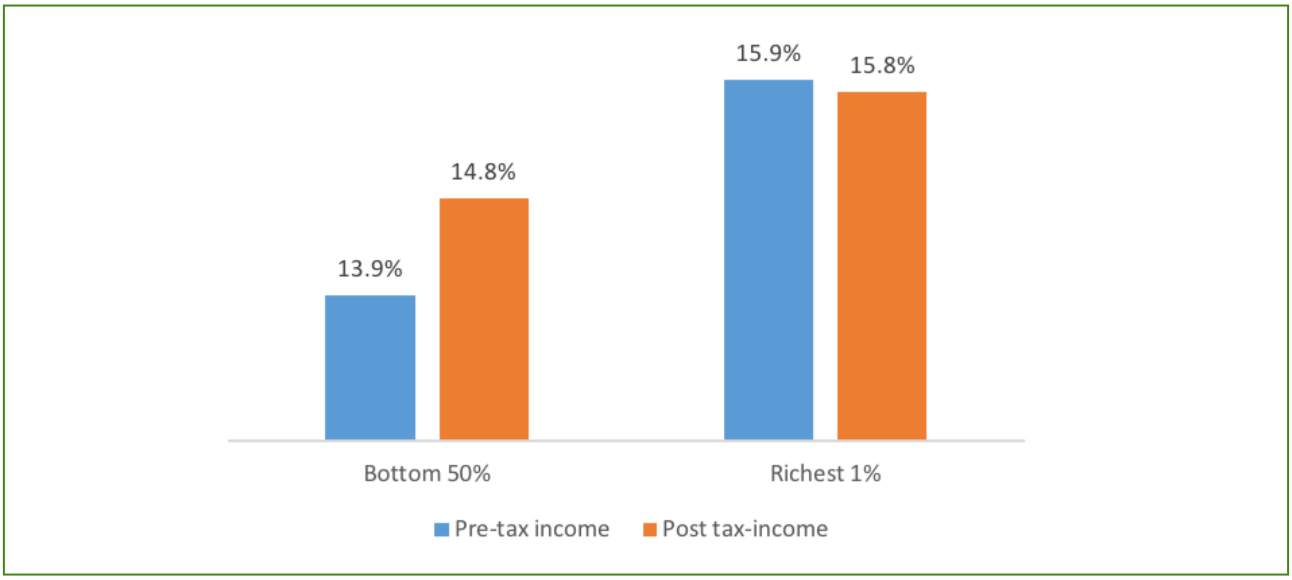


Source: KNBS and ACEIR. (2020). *Inequality Trends and Diagnostics in Kenya 2020*. https://www.knbs.or.ke/wp-content/uploads/2021/07/Inequality-Trends-and-Diagnostics-in-Kenya-Report.pdf

3.3 REGRESSIVE TAXATION

Kenya's tax burden is disproportionately falling on people living in poverty. Oxfam's calculations (**Figure 12**) show that tax and government spending increase the income of the poorest 50% by a meagre one percentage point and have neutral impact on the richest 1%.[102] Overall, tax and spending reduces Gini of income inequality by only 17%, with education spending accounting for half of this.[103]

Figure 12: Pre- and post-tax income of the richest 1% and poorest 50%, 2023



Source: World Inequality database. (n.d). https://wid.world/country/kenya/

While taxation has a positive impact on inequality in Kenya, reducing the Gini coefficient by 9%,[104] it could have a much greater effect if rich people were made to pay their fair share. Kenya collects only a quarter of the potential tax revenue, below the average for Africa.[105]

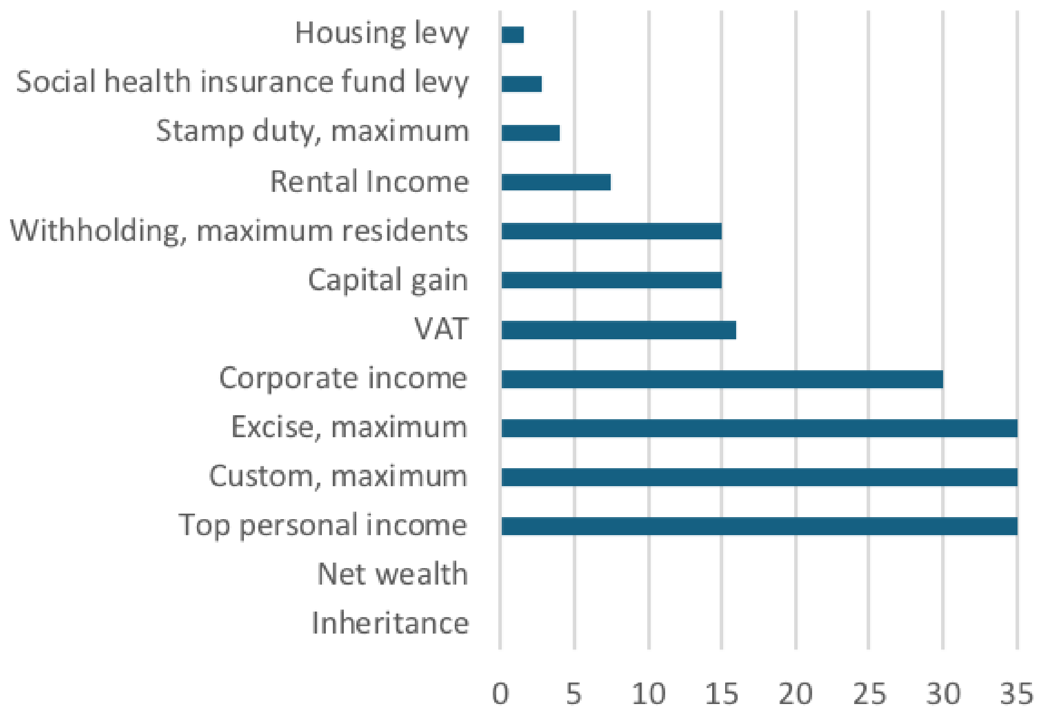
A recent survey by Afrobarometer revealed that two thirds of Kenyans believe that ordinary people are overtaxed, while half believe the rich pay fewer taxes than they should.[106]

Alarmingly, Kenya is increasingly relying on regressive indirect taxes, i.e., taxes on goods and services, such as value added tax (VAT) and excise taxes. They are paid by everyone who consumes the taxed goods and services. Because people living in poverty spend most of their income on essentials such as food, they are affected the most. In rural areas, food accounts for two thirds of total expenditure.[107] Indirect taxes accounted for 54% of total tax revenues in 2022/23.[108] VAT revenue as a proportion of total tax revenue is estimated to have increased by 12% between 2020 and 2024. Increases in VAT on basic goods and services affect women most, as they struggle to balance household budgets and feed their families.[109]

Pay-as-you-earn income tax is overall progressive, with five bands (10%, 25%, 30%, 32.5% and 35%). However, the jump from the lowest bracket (10%) to the next (25%) is steeper than those faced by workers passing thresholds higher up the pay scale. In addition, salaried workers are charged a housing levy at 1.5% and social health insurance at 2.75%. These deductions are at flat rates and thus not progressive, further burdening low earners.

Income from labour is taxed at higher rates than income from wealth. As Figure 13 shows, taxes on capital gains and property attract lower rates than labour income; Kenya has no inheritance or gift taxes.

Figure 13: Key taxes and levies in Kenya in 2025, %



Source: PwC. (2025). Kenya: Corporate – Other taxes. https://taxsummaries.pwc.com/kenya/corporate/other-taxes (accessed 9 July 2025); and Deloitte. (2024). International Tax: Kenya Highlights 2024. https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-kenyahighlights-2024.pdf (accessed 9 July 2025).

Major corporations enjoy numerous tax exemptions.[110] For example, firms based in Export Processing Zones firms pay no corporate income tax (CIT) for their first 10 years and 25% for the next 10.

A range of policy decisions place tax burdens on lower earners and reduce them for richer people. For example, a 2023 law cut rental income tax by 2.5 percentage points to 7.5%.[111] The turnover tax of 1.5% for micro and small businesses has a threshold of KES 1 million (gross revenue), which is well below the VAT registration threshold of KES 5 million.[112] Many Kenyans depend on micro and small businesses for their livelihoods or to access goods and services.

Kenya has the tools to make the tax system more progressive, reduce inequality and raise money for social spending. Our analysis shows that:[113]

- Increasing the productivity (actual collection compared to potential collectable revenue) of personal income and corporate income taxes to match the VAT productivity level of 34% would yield an additional KES 705bn in revenue, equivalent to 4.3% of GDP. This is enough to fill the funding gap in education, universal heath, universal clean water and social protection.
- A 2% wealth tax on net wealth above US$1m, 3% above US$5m and 5% above US$50m would generate KES 453bn in additional revenue, equivalent to 2.8% of GDP. This would be enough to fund universal health care.
- If Kenya increased its property tax revenue as a share of GDP to the same as that of Morocco, it would collect KES 244bn in additional revenue, from the current low of KES 1.2bn. This is sufficient to fill the estimated funding gap in the education and universal clean water budgets.

However, due to the current low tax revenues, public education (see **Chapter 4**), health (see **Chapter 5**), social protection, and water and sanitation face significant financing gaps. They have also been impacted by poorly implemented reforms and corruption.[114] This leads to unnecessary suffering and reduced opportunities for the many who depend on publicly funded services. Three in five Kenyans have no problem with the government raising taxes if they can be used to benefit ordinary people.[115]

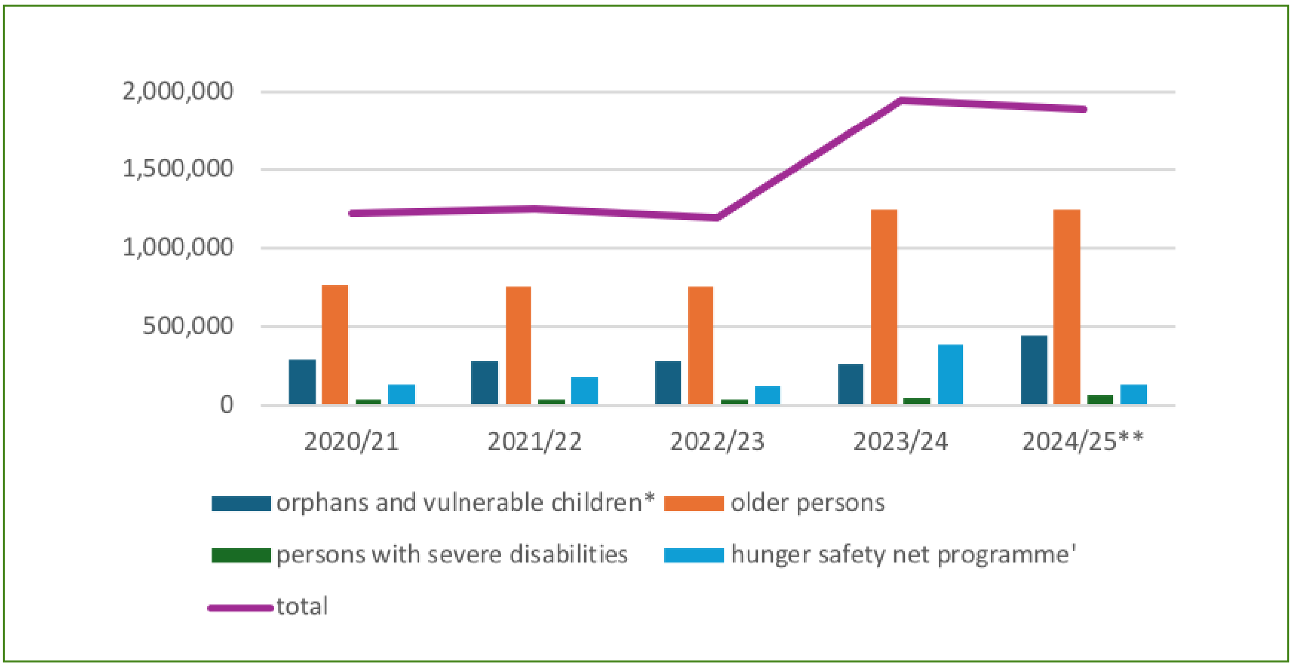
3.4 LIMITED SOCIAL PROTECTION

Empirical studies in Sub-Saharan Africa show that greater coverage of social protection leads to a reduction in inequality[116] and contributes to inclusive growth.[117] An increase in spending or coverage, even if moderate, correlates with a tangible drop in income inequality.[118] Evidence from low-and middle-income countries suggest greater gains for women from social protection programmes.[119]

Kenya's Constitution states that "every person has the right to Social Security" and its 2023 Social Protection policy commits it to Income Security, Social health protection, Shock Responsive Social Protection and Complementary Programmes.[120] In practice Kenya's social protection penetration remains dismally low.[121] Only 9% of Kenyans are covered by at least one form of social protection; this includes 3.2% of children under the age of 15, 19.8% of older people, and just 3.6% of vulnerable people.[122] Among the poorest 20%, only a fifth receive social assistance, a third of whom are elderly.[123] This is despite the SDGs committing Kenya to ensuring social protection for all by 2030.

The Inua Jamii programme, which now reaches about 1.9 million people, is the biggest state-funded social protection programme in Kenya (see Figure 14), outside of civil service pensions. It provides KES 2,000 to beneficiaries each month. While this programme has expanded over the last decade, the amount per beneficiary has not changed, and it remains well below the extreme poverty line of KES 130/day. To cover current beneficiaries to this level, an additional KES 43bn would be needed.[124]

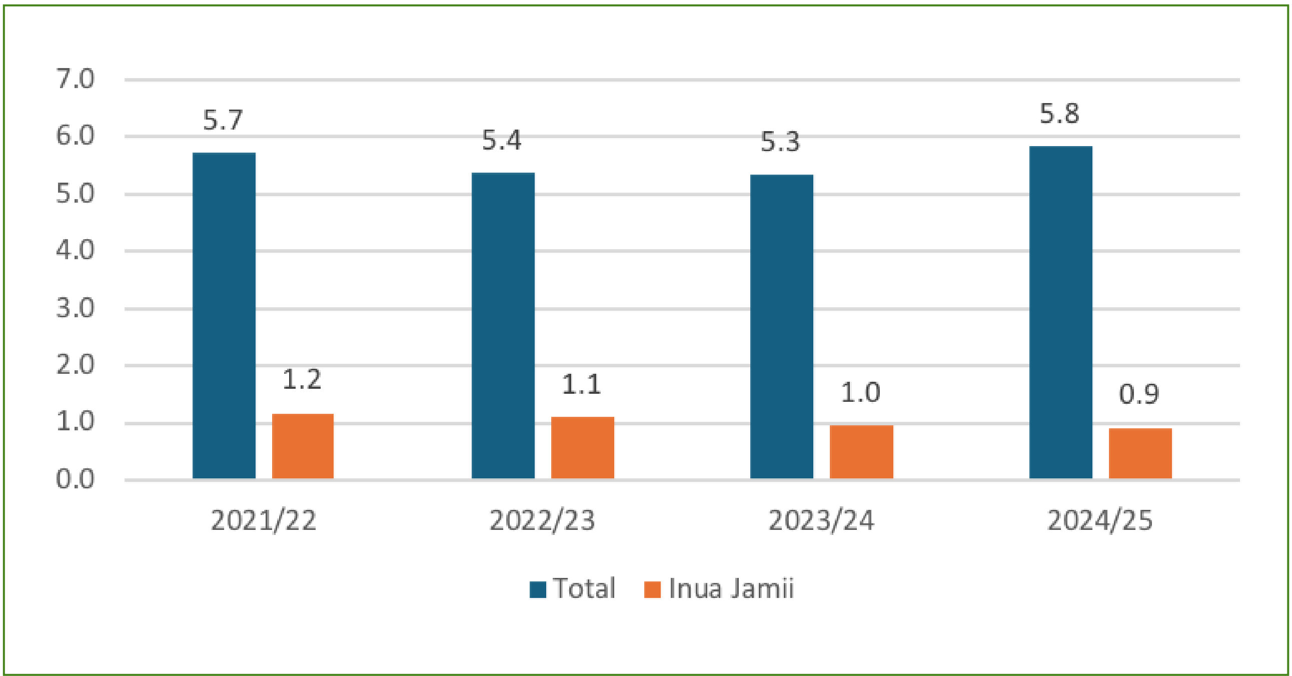
Figure 14: Inua Jamii beneficiaries, 2020–25 (population)



Source: KNBS 2025 Economic Survey. https://www.knbs.or.ke/reports/2025-economic-survey/

The low penetration of social protection coverage is largely because of limited public spending, exacerbated by the requirement of means testing which often risks excluding many of those most in need in a range of contexts. Excluding civil service pensions, Kenya's social protection spending is below the benchmark for lower-middle-income countries of 1% of GDP.[125] Reaching this level would require an additional KES 128bn,[126] a 4.5 times increase of the Inua Jamii budget. This would allow an almost doubling of the number of Inua Jamii beneficiaries to 3.5 million at KES 3,900/month.

Figure 15: Social protection spending, 2021–25 (% national government spending)



Source: KNBS 2025 economic Survey. https://www.knbs.or.ke/reports/2025-economic-survey/.
Note: 2023/24 are provisional estimates, while 2024/25 are revised estimates.

3.5 THE JOB MARKET

Labour income is the primary source of income for the majority, and thus a root cause of inequality. Job creation is one of the key areas Kenyans want the government to address; however, four in five believe that the government is doing poorly at it.[127]

Family background significantly influences one's lifetime earnings. Children from higher-income families have better access to quality education and other services, which increases their likelihood of securing a better job. About 72% of the workers from the poorest quintile are either in agriculture and related occupations or elementary occupations, compared to 24% in the richest quintile.[128]

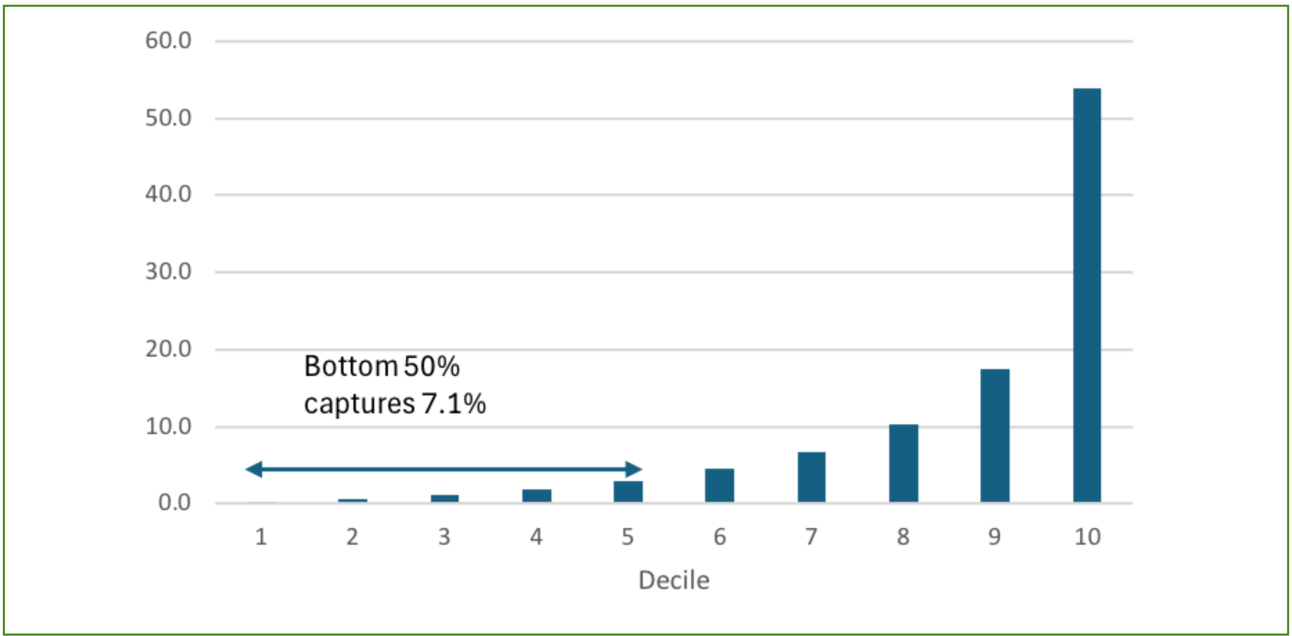
Millions of Kenyans are in low-quality jobs, underemployed or jobless. Low earners are concentrated in the informal sector with no employment contracts, which means they can be fired at any time for any reason. Working conditions are poor and their long hours are rewarded with meagre pay. Of the nearly 20.8 million-strong labour force, only 3.2 million are formally employed.[129] Women account for just 38% of formal workers.[130]

This systemic inequality is rooted in the 'gendering of work'.[131] Women receive less pay for the same work as men, unfavourable treatment around parental leave and little representation when in formal employment.[132] While the contribution of women's unpaid care work to the economy is huge, it is invisible and recognized.[133]

As discussed in **Section 2.1**, Kenya's richest earners capture most of the labour earnings.

- The labour income share of the 10% highest-paid workers is more than that of the other 90% combined (see **Figure 16**).[134]
- Women's total labour income share is just 62% that of men.[135]

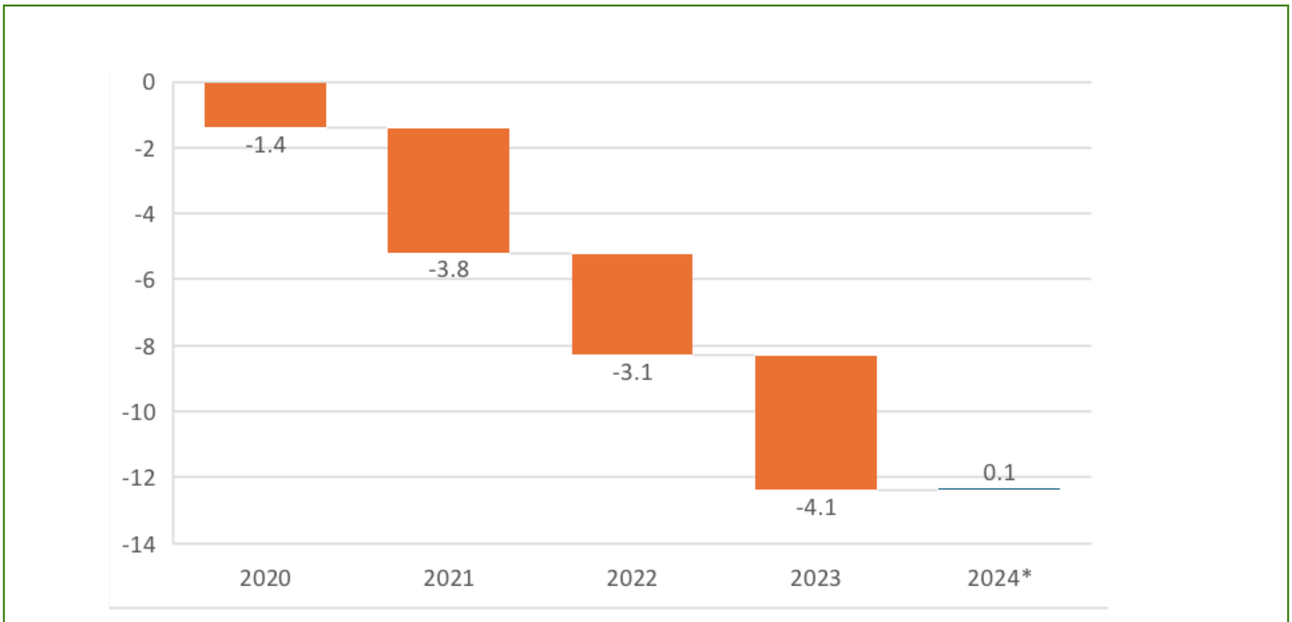
Figure 16: Labour income share distribution by decile, 2020 (%)



Source: ILO. (n.d.). Statistics on labour income and inequality. https://ilostat.ilo.org/topics/labour-income/

In a worrying trend, the average wage of workers has been declining. Between 2020 and 2024, the average real wage dropped by 11% (see **Figure 17**).[136] This is in addition to the aforementioned mandatory deductions for housing and health introduced over the last two years. The lowest-paid workers are the worst hit, as the minimum wage has failed to keep up with economic growth and inflation.[137]

Figure 17: Real wage average earnings, 2020–24 (% change)

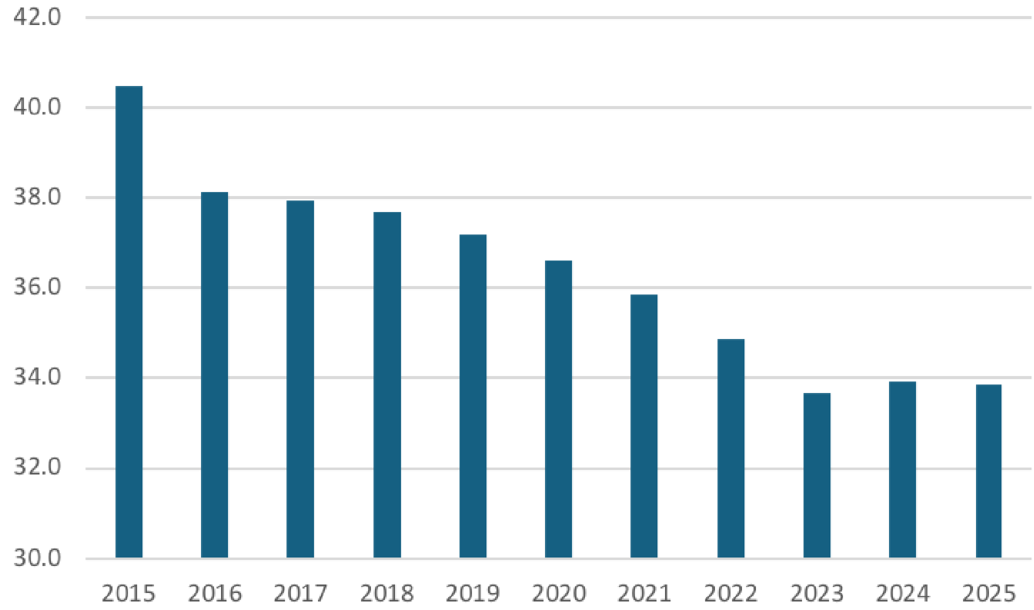


* Provisional

Source: KNBS. (2024). Economic Survey 2024. https://www.knbs.or.ke/reports/2024-economic-survey/.

Over the past two decades, labour income as a share of GDP has been declining, as shown in **Figure 18**.[138] This demonstrates that workers are losing out to the owners of capital.

Figure 18: Labour income as share of GDP, 2015–25 (%)



Source: ILO. (n.d.). Statistics on labour income and inequality. https://ilostat.ilo.org/topics/labour-income/

4 | INEQUALITY IN EDUCATION

Free, high-quality publicly funded education benefits society as a whole, but has the greatest impact on people with the least resources.[139] Kenya's constitution guarantees every Kenyan compulsory basic education.[140,141]

It improves social mobility, productivity and leads to better health outcomes. It shifts household care responsibilities and allows more women to take on paid work. It also enhances democratic governance and empowers people to demand their rights. However, when access to education becomes a privilege for a small group, it amplifies inequality, holds families in perpetual poverty and costs a country and communities a great deal.

4.1 EDUCATION EXPANDS, BUT INEQUALITIES REMAIN

Kenya has made impressive progress in ensuring access to the public education system over the past two decades. The abolition of school fees for primary schools in 2003 and day secondary schools in 2008 has led to massive increases in enrolment, particularly among historically underrepresented groups, and has resulted in the closure of the gender gap.[142,143] It has also contributed to other changes in the economy and society, including delayed childbirth and a shift from agriculture towards skilled work.[144]

However, over a million children - mostly from poor families - are out of school, and underfunding has overwhelmed schools. Children from families in poverty continue to face a range of barriers to their education, including:

- regressive social and cultural norms;
- nomadic lifestyles;
- teenage pregnancy;
- early marriage;
- child labour;
- a lack of school meals; and
- the failure of schools to make the necessary adaptations to ensure schools are ready for children with disabilities.

As a result:

- Approximately 1.13 million children of primary school age are out of school,[145] and nearly half of secondary school-going students are not accessing secondary education at the appropriate age.[146]
- A secondary school-age child from the poorest quintile has a seven-in-ten chance of not being in school, while this is only three-in-ten for a child from the richest quintile.[147]
- Children from the poorest families, on average, get almost five fewer years of schooling than those in rich families.[148]
- Pastoralists in ASALs have some of the highest levels of out-of-school children. Children in Nairobi have an average of 11.2 years of schooling; in Turkana, they have 5.4 years.[149]

Gender gaps in education are primarily based on wealth. A boy in the poorest quintile has a 30% higher chance of attending secondary school than a girl in the same category. Intersectional inequalities are a problem. While there are deeply rooted gender challenges to school attendance among children in poorer families, there is no gender gap in attendance in the richest quintile. About one million girls miss out on school each month due to a lack of sanitary towels, adding up to an average of two weeks of lost learning each year.[150]

4.3 INADEQUATE FOCUS ON QUALITY

School quality has not kept up with the increasing enrolment.[151] Public schools, especially those serving low-income students in rural and informal settlements, struggle with resource shortages or delayed disbursements of capitation needed for buying learning materials or paying non-teaching staff, unqualified teachers, infrequent quality inspections and less community support.

A good teacher is one of the most critical determinants of the quality of education. However, the pupil-to-teacher ratios in Kenya are higher than for other countries in Eastern and Southern Africa.[152] The country is currently facing a teacher shortage of nearly 100,000 across primary and secondary schools, and this is expected to go up.[153] Filling this gap alone would require KES 72.8bn in annual funding.[154]

Box 4: Early childhood education

The Education 2030 SDG 4 agenda commits countries to delivering 12 years of free, publicly funded, equitable, and high-quality primary and secondary education, of which at least nine years are compulsory. This also includes at least one year of free compulsory pre-primary education.[156]

The right to early childhood education is part of Article 53 of the Kenyan Constitution, and the Early Childhood Education Act (2021) further clarifies the state's obligations to promote and ensure this right. Publicly provided childcare is critical for reducing women's unpaid care responsibilities and for laying strong foundations for students' learning.

However, children from low-income families face limited access to high-quality early childhood education. Early childhood development and education is a devolved function. However, county governments are spending just 7% of their budgets on education.[157] This is forcing many to rely on informal childcare arrangements, untrained personnel and inadequate facilities. A study in Nairobi's informal settlements highlighted that most centre-based care options have an unaffordable fee for many families.[158]

Avoiding malnutrition, particularly during children's first 1,000 days, can significantly improve learning outcomes. Children who receive optimal nutrition are more likely to achieve their full cognitive potential, perform better in school, and attain higher levels of education.153 Child malnutrition disproportionately affects low-income households.[159] Some 28% of children in the poorest quintile are stunted compared to 9% in the richest quintile.[160]

4.4 INADEQUATE PUBLIC SPENDING

Improving access and quality requires adequately funded public education. The total education budget – including both national and county – as a proportion of government expenditure has averaged 17% over the past ten years, which is within the international recommended bounds of 15-20%.[161] Nonetheless, the sector is facing a serious funding crisis.

Capitation per learner – i.e., money sent to schools to cater for such things like learning materials, non-teaching staff, sanitation, among others - has declined dramatically, and disbursement is often late and incomplete.[162] The Free Primary Education capitation per learner has stagnated at KES 1,420 since 2003.[163] When adjusted for inflation, it is equivalent to about KES 250 in 2024.[164] On the other hand, secondary school capitation per learner has remained unchanged since 2018 at KES 22, 244. This results in a lack of books and other learning materials, meals and proper sanitation.

A report from the auditor general shows that between 2020 and 2024, public schools faced a funding gap in capitation to the tune of KES 117bn,[165] with special needs secondary schools facing a 50% gap. Inadequate and declining funding is forcing many schools to enter into costly debts,[166] compromising learning and closing schools early. Sadly, the government now says that free primary and secondary education is unsustainable.[167] There is also inequality in how resources are distributed. Urban schools generally receive more resources. Urgent action is needed to enhance allocations to regions with lower outcomes and to support students from marginalized communities.

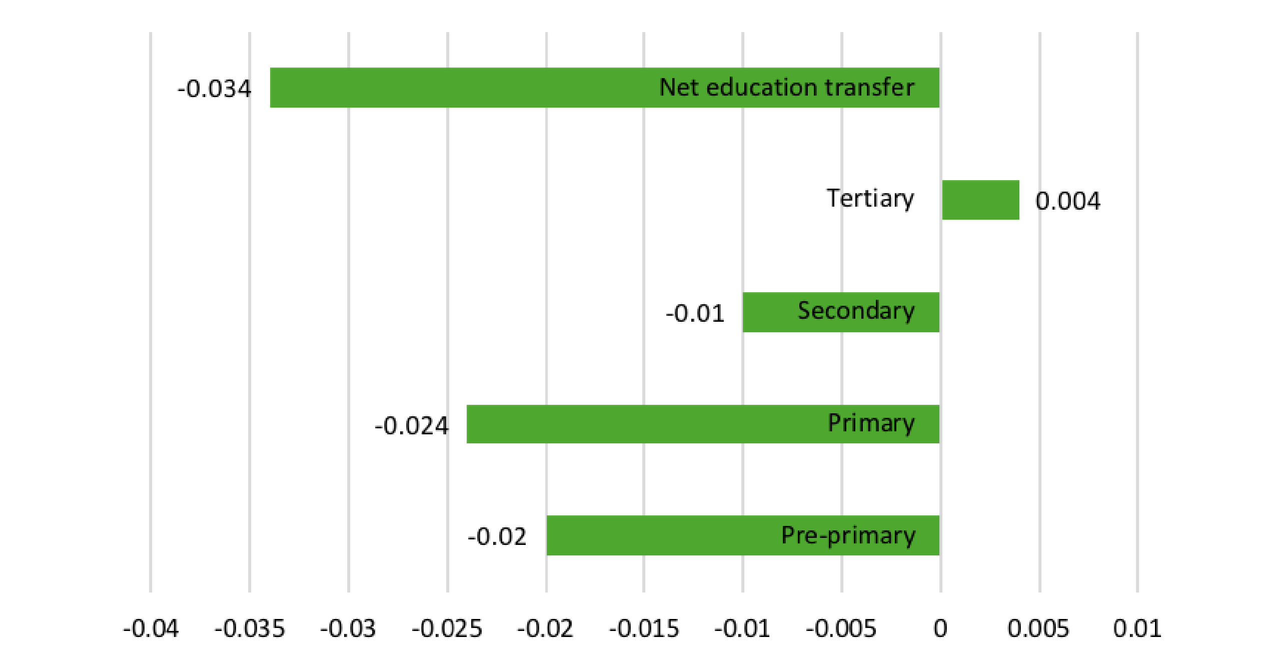
Box 5: Higher education

IInadequate funding has led to a new higher education funding model.[168] The model aims to provide funding to higher education institutions through a combination of scholarships, loans and household contributions. Students are means tested to determine the grants and scholarships; the latter can cover up to 70% of costs, with the rest covered by loans and households' contributions. However, this new model is facing significant challenges and still excludes the neediest, while burdening students with out-of-pocket costs and huge loans.[169] A report from the Office of the Auditor General reveals problems with inaccurate data, exclusion of the neediest, the heavy burden of loan repayments and delays with the disbursement of scholarships and loans.[170]

Even academically high-achieving students from poor families often cannot afford higher education, leading to continued under-representation in universities. Students from wealthy families benefited the most from the previously highly subsidized university education. Only 1% of people from the poorest quintile have a form of tertiary education compared to 45% of their richest counterparts.[171]

Despite these challenges, spending on public education has been relatively pro-poor and progressive overall, reducing inequality by 0.034 Gini points, as shown in **Figure 19**. Most of this is due to early childhood, primary and secondary education.[172] Public spending on tertiary education increases inequality, which is unsurprising, as only a fraction of the poorest students make it to higher education (see **Box 5**).

Figure 19: Impact of public education spending on Gini of income (Gini coefficient)



Source: D.K. Manda, R. Mutegi, S. Kipruto, M. Murithi, P. Samoei, M. Oleche, G. Mwabu and S.D. Younger. (2020). Fiscal Incidence, Inequality and Poverty in Kenya: A CEQ assessment. Commitment to Equity Institute, Tulane University. https://repec.tulane.edu/RePEc/ceq/ceq101.pdf

THE BURDEN OF SCHOOL FEES

Despite the introduction of Free Primary Education in 2003 (see **Section 2.1**) and Free Day Secondary Education in 2008, various direct and indirect costs continue to exclude children from education. It is estimated that households contribute almost 27% of direct education costs.[173]

Parents are often forced to pay illegal fees to cover things like admission, tuition, lockers, toilets and exams. A recent survey of 370 schools across the country revealed that, while public primary and junior schools should be completely free, over 90% are charging admission fees of up to KES25,000; almost 55% of them charge students for textbooks.[174] Almost a fifth of the Kenyan population, or 10 million people, earn less than KES 25,000 annually.[175]

THE GROWTH OF PRIVATE SCHOOLING

Inadequately funded and resourced public schools have been unable to meet the increased demand for schooling, leading to the proliferation of low-fee private schools, especially in urban informal settlements.[176,177]

Some low-fee private school groups[178] have been accused of offering sub-standard education and paying teachers poorly.[179] Meanwhile, wealthy families can enrol their children in prestigious private schools. These schools typically offer high-quality education, modern facilities, highly qualified teachers and smaller class sizes. They often follow international curricula designed to prepare students for higher education opportunities abroad and provide a more global perspective.

The proliferation of private schooling is deepening socioeconomic divides, with those who attend privileged private schools gaining access to better opportunities, while public school graduates are left with fewer prospects.[180] Education inequality perpetuates broader social inequality, as an inferior education limits opportunities for social mobility, and future employment and income opportunities.

4.5 THE IMPACT OF CLIMATE CHANGE

The climate crisis impacts Kenya's education sector through school closures, infrastructure damage, population displacement and food insecurity. All of these can lead to lost learning time, poorer academic outcomes and increased dropout rates:

- Climate-related disasters, such as floods, have directly led to widespread school closures and disruptions.[181]
- Schools are vulnerable to extreme weather events, which can destroy buildings, teaching materials and sanitation facilities.[182]
- Climate-induced displacement and migration, particularly among pastoralist communities, directly affect educational continuity.[183,184] Families on the move struggle to maintain children in school, leading to frequent interruptions or complete withdrawal from education. This contributes to a cycle of vulnerability, as education is a key pathway out of poverty and a driver of resilience.
- Girls are more vulnerable than normal to forced marriage and transactional sex, which can be used as coping mechanisms during periods of extreme climate stress, further hindering their access to and retention in education.[185]

5 INEQUALITY IN HEALTHCARE

Quality, accessible and publicly funded healthcare is a great equalizer. It reduces inequality at birth, helps redistribute care responsibilities, saves lives and lessens suffering. The Constitution of Kenya guarantees every Kenyan the best attainable healthcare standard; it also requires that the state establish affirmative action programmes to guarantee reasonable access to health for marginalized groups.[186]

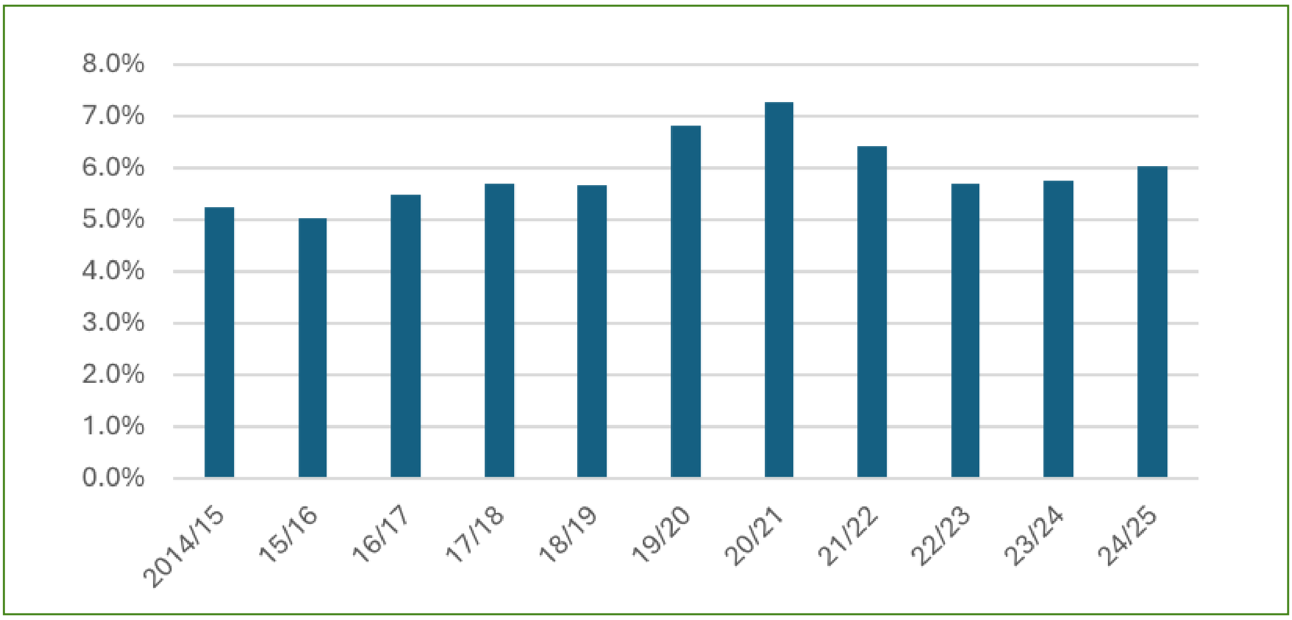
Since the devolution of healthcare in 2010, the government has tried to introduce a series of reforms with a focus on increasing healthcare access, but these have largely failed. They have included commitments to implement Universal Health Coverage (UHC) to ensure all Kenyans have access to healthcare without experiencing financial hardship.[187] The initial rollout of UHC at both national and county government levels demonstrated early success - including providing free access to primary health services, free maternity services in public health facilities across the country from 2013, devolving service delivery at the county level, increasing the number of healthcare workers, and expanding equipment and infrastructure within health facilities.[188]

However, these did not tackle the fundamental issues of chronic underfunding within a fragmented and struggling healthcare system. Consequently, the state of healthcare is reinforcing limited and uneven access to healthcare services. Unless conscious measures are taken to address inequality, quality healthcare will remain out of reach for millions of people, pushing many deeper into poverty and contributing to avoidable deaths and illnesses.

5.1 SYSTEMIC UNDERFUNDING IS DRIVING HEALTHCARE INEQUALITY

At the heart of the problem is the inadequacy of financing for healthcare. Since the 2020/21 fiscal year, the health budget has consistently fallen short of the Abuja Declaration's recommended benchmark of 15% of total government expenditure. Since 2014, health budgets have averaged 5.9% (see **Figure 20**).[189] In 2024/25, it stood at 6%. This insufficient funding has resulted in a shortage of doctors, nurses and essential medical supplies in many public hospitals and health facilities.[190]

Figure 20: Health spending as a share of total government spending, i.e., combined national and county (%)



Source: KNBS Various Economic Surveys. https://www.knbs.or.ke/economic-surveys/

At 30.14 medical staff per 10,000 people, Kenya's health worker density is below the World Health Organization's (WHO) guideline level of 44.5.[191] Budget cuts have impacted healthcare workers' working conditions, sparking protests.[192] In 2024, doctors went on strike for 56 days.[193] There are also persistent shortages of essential medicines in health facilities,[194] forcing patients to incur out-of-pocket costs or forgo healthcare services. Those with the lowest incomes bear the heaviest burden, while the rich have the means, especially through the purchase of health insurance, to cover their medical bills.

Box 6: Water and sanitation

Water is a universal basic right, and states have the responsibility of ensuring that everyone has clean water and sanitation. However, over half of Kenyans lack drinking water in their homes, correlating with poverty. Nine in ten from the poorest quintile do not have clean drinking water in their homes, compared to one in five for the richest.[195] According to the 2022 Kenya Demographic Health Survey, 68% of Kenyan's have access to at least basic drinking water services, with coverage of 91% in urban areas but only 56% in rural areas.[196] The county with the lowest coverage is Kitui, at just 21%. A lack of clean water, sanitation and hygiene services disproportionately affects women and girls. Under outdated social norms, they are expected to walk for long distances to collect water for households that lack a piped supply. This increases both their care workload and vulnerability to sexual violence. Women also require water for menstrual sanitation and reproductive health needs. Nearly 70% of water used by families is collected by women and girls, which rises to 83% in the poorest families, compared to 47% in the richest.[197]

The privatization of water supplies deepens inequality because people living in poverty spend a bigger share of their income on water than the wealthy.[198] In Kenya, privatization of water services has often led to increased inequalities, as it tends to prioritize efficiency and profit over equitable access, resulting in higher costs and reduced affordability for low-income and marginalized communities.[199]

5.2 UNEQUAL HEALTHCARE ACCESS AND OUTCOMES

There is significant inequality in healthcare use across all care types – outpatient, inpatient, and preventive services.[200] It spans specialisms: from reproductive, maternal and childcare, to preventive care and immunisation, and urgent care. Inequalities are evident in access to care, whereby wealthy individuals receive care in privately owned facilities, while individuals from lower-income backgrounds typically rely on under-resourced public health facilities.[201]

There is also a difference in the quality of the facilities available. Higher-level facilities (Levels 4-6) have more resources and specialized staff than primary care units (Levels 1-3). The latter tend to serve poorer communities, leading to unequal service quality.[202] Wealthier communities often have access to numerous, well-equipped healthcare facilities, including specialized centres with preventive, curative and diagnostic services, which are often located in affluent urban areas.[203] Poorer communities primarily rely on basic or under-resourced facilities.[204]

Wealthy individuals have access to private hospitals, which remain out of reach for poor households (see **Box 7**). [205] The private healthcare sector mainly caters to wealthier individuals, while poorer households tend to depend on public providers or lower-quality, often unlicensed, private facilities.[206] Some 49% of Level 4 and 44% of Level 5 facilities are privately owned.[207]

Primary healthcare is compromised by regional disparities in access. For example, there are over 4.7 facilities per 10,000 people in Siaya, but less than 0.03 facilities per 10,000 in densely populated areas like Nyamira.[208] Over 40% of counties have less than one Level 2 or 3 facility per 10,000 people.[209]

There is also inequality in preventive care. For example, there are glaring disparities in the screening and treatment of hypertension and other non-communicable diseases (NCDs) whereby 73% of those in the poorest quintile have never been screened for hypertension, in comparison to just 38% of those in the richest quintile.[210] People living in poverty, therefore, face a higher burden of non-communicable diseases, which require timely detection, prevention and treatment.[211]

Box 7: The manifestations of inequality in healthcare

Rich and poor communities experience significant differences in healthcare across a number of parameters:

- **Type of services available.** Less than half of health facilities provide maternity services, with only a third offering emergency obstetric care.[212]
- **Affordability.** Poorer communities can be excluded from accessing formal healthcare, limiting them to unqualified informal providers, self-medication, and/or traditional healers.[213]
- **Awareness.** Poor health-seeking behaviours due to misinformation or a lack of education on available services hinder healthcare access among poorer groups.[214]

Maternal health provides a useful example. Kenya has one of the highest maternal mortality rates in the world: it is 2.5 times the global average.[215] In Kenya, every mother in the richest quintile can expect to give birth with the help of a skilled birth attendant, like a midwife.[216] For a mother in the bottom quintile, one in three has to give birth with no professional assistance at all.[217]

5.3 OUT-OF-POCKET HEALTHCARE COSTS FALL ON LOWER-INCOME HOUSEHOLDS

'Out-of-pocket (OOP) expenditure' refers to direct payments made by individuals to healthcare providers without reimbursement by insurance or government schemes. OOP payments can become 'catastrophic health expenditures' if they force families to sacrifice other basic needs, which may push them into poverty.

Due to Kenya's insufficient public funding of healthcare, low-income households are often forced to rely on catastrophic OOP payments for health-related costs. Some 5.2% of households in Kenya face catastrophic OOP spending on healthcare.[218,219] Households with elderly members, chronic illnesses or larger families are particularly vulnerable.[220]

While quantifying direct mortality effects of OOP expenditure is complex, there is some evidence linking financial hardship to poor health outcomes and even increased mortality.[221]

5.4 THE ROLE OF HEALTH INSURANCE

Health insurance penetration in Kenya in 2021 was 26.3%, of which 90% was under the National Health Insurance Fund (NHIF). Only 4.9% of the households from the poorest quintile were covered, compared to 57.8% of the richest. The richest 20% accounted for 43% of the total NHIF coverage, while the poorest 40% accounted for only 13%. Three-quarters of people reported that they could not afford the premiums.[223]

To tackle this problem, in 2024, the government shifted from the NHIF to the Social Health Insurance Fund (SHIF). This required registration for all citizens, with a flat 2.75% contribution rate for salaried employees,[224] and a commitment to fully subsidize contributions for poor and vulnerable' people identified through proxy means testing and integration with existing social protection registries.[225]

As of May 2025, an estimated 22 million Kenyans had registered with the new Social Health Authority. However, the number of those making active contributions to SHIF is only about 4 million,[226] or about 7% of the population. With 3.2 million people in formal employment making mandatory monthly contributions via automatic payroll deductions, this means that only a negligible fraction of those in informal employment are currently covered by SHIF.

Substantial structural challenges impair the SHIF's ability to finance the attainment of universal healthcare:

a) **Uneven access to facilities.** Four fifths of Kenyans live within an hour of a contracted medical facility. In marginalized counties, access drops dramatically (e.g., 28% in Wajir). Only four counties have 100% population living within an hour of an SHIF-contracted facility.[227]

b) **Technical challenges.** Early implementation of the SHIF has seen delays and irregular reimbursements, compromising the quality of care in the poorer areas that rely upon them.[228] Penalties for defaulting on premiums have disproportionately affected low-income and informal workers, who struggle to pay premiums and OOP costs.[229]

c) **Low uptake among informal workers.** Low participation in the SHIF within the 15 million-strong informal labour market[230] (see **Section 3.5**) has limited its reach. Despite SHIF's universal mandate, the informal sector, which comprises 80% of the country's workforce, contributes minimally to the SHIF, placing a higher burden on those in formal employment whose contributions are automatically deducted from their payslips.[231] In addition, the Government has not developed a concrete strategy for including the informal sector. Surveys show public confusion: only 28% see SHIF as 'affordable' for all, while 22% expect free universal healthcare.[232]

d) **Means testing.** The Government has indicated that it will cover people who cannot afford the minimum contribution of KES 300. They plan to identify these individuals through means testing,[233] a methodology frequently prone to flaws. International evidence suggests that means testing of those not in formal employment is likely to exclude some of the people living in poverty due to imperfect information, measurement errors, inappropriate indicators, the dynamic nature of poverty and the inflexibility of the testing tool.[234]

e) **Healthcare infrastructure and workforce shortages.** The introduction of insurance does not address the underlying shortage of staff or equipment (see Section 5.1). The introduction of the SHIF does not constitute a foundational investment in enhancing the health sector's capacity, but offers primarily a financial restructuring.[235]

f) **Out-of-pocket payments.** There is evidence that those enrolled and paying for SHIF are still facing unacceptable OOP costs due to a limited and confusing benefits package that particularly excludes many out-patient care services, including those for chronic conditions. There are also reports that many Kenyans, particularly the unemployed and those on low incomes, are being turned away from public hospitals unless they first settle their full-year SHIF contributions in advance – with some being directed to interest-bearing loan facilities.[236]

Given these fundamental flaws, the Government should halt allocation of additional budgetary resources to SHIF.[237] The government should transition from the SHIF model and instead channel the health budget allocations toward strengthening public hospitals and primary healthcare services, funded through general taxation instead of insurance premiums or reimbursements. This approach has the potential to offer more inclusive, efficient, and sustainable health coverage, consistent with Kenya's UHC objectives.

In short, health insurance in Kenya risks excluding the majority and reinforces inequality by prioritizing – and charging – the 3.2 million people who are formally employed, while excluding the poorest and marginalized who cannot afford to pay premiums.[238] In addition, the richest people are not in salaried employment and are, therefore, not impacted by the deductions. Therefore, there is a pressing need for both national and county governments to ensure that all citizens have access to a functional healthcare system, free at the point of use, regardless of financial status or geographic location.

Box 8: Health insurance is the slow route to universal health coverage

International evidence shows that contributory health insurance is not an effective route towards health equity or inclusion. Countries that transition from OOP payments to government-funded healthcare are likely to improve on various health indicators, including improved life expectancy, reduced under-five mortality and providing improved financial security compared to those using social health insurance.[239] It is posited that social health insurance schemes may reduce governments' incentives to increase health spending and do not lead to substantial reductions in OOP payments or dependence on them.[240] Those rich countries that achieved UHC via an insurance model took a long time to do so, e.g., Germany's first social health insurance system was introduced in 1883, but universal health coverage was only finally achieved in 2007 – over 100 years later.[241]

To ensure that health insurance is universally accessible and serves all populations, contributions must, in the first instance, be voluntary for the majority due to the presence of a large informal sector in Kenya (estimated at 85%).[242] Most informal, low-paid precarious workers are women,[243] and they are the most likely to be excluded from health insurance schemes.[244]

The World Bank Group has recommended that the Kenyan Government consider removing SHIF contributions for low-wage formal workers and covering SHIF services for them, as well as poor and informal workers.[245] A different expert analysis modelling the costs of universal health coverage in Kenya concluded that, while all schemes require significant government spending commitments for success, given the size and limited financial capacity of the informal sector in Kenya, a tax-funded non-contributory scheme would be less costly and more sustainable in the long-term.[246]

SHIF coverage currently extends to only 17% of Kenyans.[247] It is difficult to justify allocation of additional health financing from the budget if the funds are directed toward a system that benefits such a limited portion of the population.

5.5 PRIVATIZATION IS UNDERMINING PATIENT CARE

For many years, policymakers in Kenya have been actively encouraging a greater role for profit-making healthcare providers. This includes public–private partnerships, controversial medical equipment contracts, the expansion of national programmes to include private providers, and tax incentives.[248] The financial support of private sector growth while simultaneously underfunding the public healthcare system amounts to de facto privatization. This approach has led to the neglect of public health priorities and contributed to the rise of low-quality, lower-cost providers and unsafe care in areas with low-income households.[249]

Kenya has 9,696 licensed health facilities, of which 42.9% are public, 37.8% are commercial/private, and 14.3% are faith-based, NGO-run or community-based.[250] Despite the prevalence of public health facilities, some low-income families may choose to go to private hospitals rather than public ones for several reasons. These include the lack of specialist staff and/or resources in public facilities, longer waiting lists in government hospitals, and issues with patient education, such as being unaware of the potential financial risks before starting treatment. The presence or availability of different types of hospitals in an area can also influence this choice.

The SHIF (and the NHIF before it) have contracted extensively with private providers – payments to private contractors rose 30-fold between 2010 and 2021. By 2022, 64% of NHIF expenditure went to private providers, compared with just 20% to public facilities serving the majority of people.[251] Private providers received significantly higher reimbursement rates and the most expensive private hospitals were allowed to negotiate bespoke rates, which the NHIF for the most part did not disclose.[252]

The quest for profits can even result in patients' rights being abused. For instance, Nairobi Women's Hospital, a prominent private hospital chain in Kenya has been repeatedly in the news for detaining patients until they settled their bills.[253]

Box 9: How IFC-funded hospitals are violating patient rights in Kenya

The International Finance Corporation (IFC), a key arm of the World Bank Group that seeks to reduce poverty by investing in the private sector, has been investing in private hospitals reported to be violating patients' basic rights. Several of these for-profit hospitals have been reported to charge exceedingly high rates for treatment, require patients to pay large deposits upfront as a condition of admission, deny sick people emergency treatment due to them lacking money for fees, and have been reported to even detain patients for being unable to cover medical fees.

While the private hospitals are inherently driven by profit, their behaviour contradicts the IFC's mission to eradicate poverty and promote sustainable development. The obscure nature of the operations of financial intermediaries on which the IFC relies to channel its investments, further diminishes transparency, oversight and accountability over these financial intermediaries. Instead, the World Bank and IFC should invest more in the public health facilities that are critical for poor and vulnerable people.

Source: International Consortium of Investigative Journalists. (2025). https://www.icij.org/investigations/2025/07/the-world-bank-set-out-to-transform-health-care-for-the-poor-in-africa-it-drove-patients-deeper-into-poverty/

Development finance institutions, alongside government deregulation, have encouraged the takeover of a number of Kenyan private hospitals by private equity funds, usually domiciled in tax havens.[254] A growing body of international evidence shows that private equity ownership of healthcare and nursing care facilities is associated with increased costs for patients, government and insurance schemes, and mixed impacts on quality and patient outcomes.[255] Over 70 organizations, including those from Kenya, have signed a statement calling on development finance institutions to halt investments in for-profit hospitals across the Global South, including these indirect investments via private equity funds.[256]

5.6 THE IMPACT OF CLIMATE CHANGE

Climate change worsens health risks and creates new challenges, hitting poor communities hardest because they lack the resources to recover. Climate change leads to an increased disease burden, heightened food insecurity, infrastructure disruption, and reduced access to healthcare.

Altered storm and drought patterns have impacted water availability and mosquito breeding grounds, leading to an increase in cholera outbreaks and the emergence of new malaria hotspots.[257] For pastoralist communities, these disease outbreaks can be particularly devastating, affecting both human and livestock health.[258]

Climate-induced droughts and unpredictable rainfall patterns undermine food security, leading to worsening malnutrition and negative coping mechanisms among poorer families, including transactional sex.[259, 260]

Extreme weather events frequently damage roads and healthcare facilities, hindering the delivery and accessibility of healthcare services.[261] Damaged water, sanitation, and hygiene facilities also pose significant health risks, contributing to the spread of waterborne diseases.[262]

6 POLICY SOLUTIONS

The government has the right tools to reduce inequality and spur inclusive development. However, it also needs international cooperation and solidarity. Below we outline some practical recommendations that the government can take to reduce inequality. We also call for international support that is pro-poor and not extractive.

1. SET AMBITIOUS TARGETS TO REDUCE INEQUALITY

The Government of Kenya needs to develop timebound targets to reduce economic inequality that can be easily tracked. For instance, it should aim to reduce the Gini of income to below 0.3 and a Palma ratio, i.e. income of the richest 10% divided by the poorest 40%, to no greater than 1. The African Union has a target of reducing inequality by 15% over the next ten years, and the government of Kenya should align with this.

To achieve this, and reduce other forms of inequality, we propose the following recommendations.

2. COMMIT TO DELIVERING UNIVERSAL, FREE PUBLIC SERVICES FOR ALL AND ADDRESS INEQUALITY IN EDUCATION, HEALTH AND SOCIAL PROTECTION

Improved delivery of public services starts with the need for political will. The government needs to commit to guaranteeing inequality-busting public services such as healthcare, education and care services; deliver universal, rights-based social protection, including for those working in the informal economy, for all residents of Kenya. This includes universal, fee-free education from pre-primary to secondary, universal health coverage and Universal Social protection in line with SDG commitments. In so doing, it should also commit to supporting the poor and marginalised with extra help to redress disadvantage.

At the same time, it is critical for the government to commit to delivering more equality. It should introduce a structured review to assess inequality in terms of income, gender, region, disability and other bases of exclusion. It should also introduce costed national plans for these sectors that focus coherently and comprehensively on identifying and addressing pre-existing inequalities, producing data on gaps and needs, and developing appropriate strategies.

a) Drastically increase spending on education, health and social protection to meet global benchmarks of spending to ensure universal and publicly funded services

As this report has shown, public spending on education and, in particular, the money governments send to schools per learner has declined significantly, while health and social protection spending have remained at dismal levels for years, putting the realisation of these rights at risk by impacting both access and quality. The government must immediately scale up spending on these three critical sectors and reverse recent budget cuts.

The **education budget needs to be raised to at least 20%** of government expenditure in line with global commitments. Capitation per student should be increased sharply to at least be in line with inflation. In addition, the new higher education funding model should be revisited to ensure that poor students are not excluded, and families are not forced to incur huge out-of-pocket education costs.

Similarly, in line with the standard global benchmark, the health budget should be increased to 15% of total expenditure as the bare minimum. This requires more than doubling the current spending at both levels of government. Health financing policies should also enable Kenya to achieve universal health coverage (UHC), ensuring that every resident can access quality essential health services without financial hardship. Higher public spending will also remove or reduce user fees and out-of-pocket costs for essential health services to improve affordability.

The Government should invest in public healthcare as a key step toward achieving equitable health access for all Kenyans, instead of channelling additional resources to SHIF which is only benefitting a handful of the population.

Kenya has made significant progress in building a nationally owned social protection system, expanding coverage of regular and predictable social transfer schemes through tax-financing. The budget for the State Department for Social Protection and Senior Citizen Affairs should be raised to 1% of GDP, which means quadrupling the current budget to KES 164 billion, in line with the benchmark for lower-middle-income countries. Social protection coverage should also be urgently increased to at least cover half of Kenya's population, i.e. those living in extreme poverty. To help in the fight against extreme poverty, the Inua Jamii old age pension benefit per beneficiary should be increased to at least KES 3,900 per month, which is equivalent to the extreme poverty line, and expanded to everyone over the age of 60. This can be achieved by, for example, reducing the age threshold for old-age cash transfers to 60, which is the age of retirement, providing a universal primary school feeding programme, and including all pregnant and lactating mothers in the social protection schemes.

The Government should ensure spending supports quality and equity. The government needs to invest in ensuring that all health centres and schools are of high quality and services are delivered by an adequate number of trained, qualified and well-supported workforce. This means implementing equitable budget distribution formulas that allocate more resources to regions and facilities with higher needs. This includes more health personnel, teachers, and health and education infrastructure in underserved communities. Timely disbursement is also critical, and parliament should step in and ensure that this is done. Further, spending should be rooted in gender-transformative budgeting, such as integrating gender equality into health spending, curricula, textbooks, teacher training and gender-sensitive infrastructure (toilets, menstrual hygiene facilities).

b) Reforms in education, health and social protection.

Higher spending alone will not remove barriers to access to essential public services without accompanying supportive reforms. However, supportive reforms will only be successful if accompanied by higher spending.

In the education sector, the current new higher education reforms need to be revisited as it excludes the poorest from accessing higher education. The early childhood care and education should be integrated into the mainstream basic education policy, with increased funding, trained teachers and adequate infrastructure.

Reforms in the healthcare should focus on making healthcare truly free at the point of use. UHC should be anchored on tax-based financing as is the case for moist of other public services, and not on the current contributory health insurance schemes. Kenya can learn from countries such as Thailand that has managed to achieve UHC with less. In addition, the country is increasingly facing the burden of noncommunicable diseases such as cancer. As well as financing, reforms are needed to strengthen the country's capacity to face these new emerging patterns of diseases that are claiming the lives of thousands of Kenyans. Further, there is a need to develop robust, climate-resilient healthcare infrastructure that can withstand extreme weather events.

Across these sectors, move to **end the for-profit provision of public goods sectors such as education and health.** Ensure robust regulation of for-profit health providers and hold them accountable for violations of patients' rights, including through legal means. Devote the maximum available resources to public education provision, to ensure adequately and equitably financed public schools; do not direct public funds to commercial or for-profit private schools, or market-oriented PPPs. Ensure adequate regulation of private education providers, especially commercial schools, to ensure educational quality and standards are being upheld.

In social protection, there is a need to address the fragmentation of social protection programmes by bringing them under a single department. This will streamline service delivery, monitoring and reducing duplication and administrative costs. To increase coverage, the Inua Jamii programme needs reforms to reach more vulnerable people in the programme.

3. MAKE TAX SYSTEM MORE PROGRESSIVE

Financing the above requires increased tax revenue. Taxation has a dual effect in reducing inequality. First it reduces market produced inequality when those with higher wealth or income pay more in taxes than those with little or nothing. Secondly when this money is used to fund public services, more money is put into the pockets of those at the bottom through in-kind transfer in education, healthcare, social protection among others, without which the poor would have to pay for these services from out of pockets.

c) Increasing the progressivity of the tax system.

As we have shown in this report, the current personal income tax (PIT) favours high income earners but affect low paid workers disproportionately. As such, the PIT bands require restructuring, for instance by cutting the rate of first taxable income from 25% to a lower rate (the first band of 10% is absorbed by personal relief that benefits all formally employed workers) to lessen the tax burden on low-income earners and increasing the top marginal rate on the highest paid earners. Further, the government should end extra deductions or lessen taxes on employees earning low incomes, such as the housing levy and health insurance payments.

The capital gains income tax should be revised to match the PIT rates, with the top rate of capital gains tax at the similar rate as the top marginal PIT rate. This will ensure equity in the tax system with similar individual incomes taxed at the same rate regardless of their sources. And since the richest derive most of their income and wealth from capital sources, this will also reduce wealth concentration.

There is plenty of space to expand tax collection from property, as the current collection and tax rates are too low. Immediate reforms should include reverting to the previous rental income tax of 10%. Reforms should include excluding property of low value from property tax, while increasing the rate on property of higher values at progressive rates instead of a flat rate. Kenya can learn from Sierra Leone, which has managed to increase property tax revenue by cutting the rates on low property value while increasing the rate on properties of higher value. This requires regularly mapping and valuation of properties to create a comprehensive digital record so that properties can be entered into tax registers.

Value added/sales taxes are generally regressive taxes. The government can take a few measures to make the VAT/sales taxes more neutral on inequality or less regressive. One is to increase the threshold for turnover tax from the current KES 1m to KES 5m (i.e., the same as the VAT registration threshold) to cushion small-business and the consumers who depend on them for goods and services. Secondly, exempt all essential basic goods such as food, sanitary products, among others, from VAT/sales taxes. Further, there is a need to increase the current VAT registration threshold of KES 5 million, which was first introduced in 2013, to be in line with inflation.

d) Introduce inheritance and net wealth taxes

Reforms are needed to introduce a progressive tax on inheritance. The tax rate should be such that it targets the super-rich or the richest 1%. This means that the minimum threshold could apply to all wealth above KES 12.2 million- the minimum wealth to be in the richest 1% in 2023. The tax bands should also be progressive instead of flat rates.

e) With the rising number of ultra-high net worth individuals (UHNWIs), the government should introduce a net wealth tax on these individuals. Our calculations show that even a low tax rate of 2% on wealth above $1 million but below $5 million, 3% on net wealth of between $5 million and $50 million and 5% for all wealth above $50 million could generate nearly 3% of GDP in tax revenue. That is a colossal amount of money from a small but growing group of ultra wealthy Kenyans.

f) Eliminate all corporate tax exemptions. The government should scrap tax exemptions on big corporations, especially those operating in the special economic zones. Studies have shown that taxation is not one of the key things that investors look at when making investment decisions. All companies operating in the country should get the same tax treatment. This will also avoid a situation where the richest move their companies to special economic zones to avoid paying taxes.

g) Strengthen enforcement of tax obligations of the super-rich through the establishment of a dedicated ultra-high net worth individuals (UHNWIs) tax unit within the Kenyan Revenue Authority. This group has the means to avoid and or evade paying taxes, so having a specific unit will help in enforcing tax collection and eliminating avoidance and evasion.

4. JOB MARKET

Kenya is facing unemployment and precarious job crises that are disproportionately falling on people from low-income households. There are several steps that can be taken to tackle the current crisis and narrow the inequality gap.

h) Public works to absorb many of Kenya's unemployed youth. Public works, such as Kazi Mtaani can be one of the short-terms ways of alleviating the unemployment crisis. While the government has in mid-2025 revived this initiative, it could be enhanced by increasing the number of youth in the programme. County governments should come up with their own public works programmes.

i) Creating an enabling environment for the small and medium-sized businesses to create jobs and formalise. For example, streamlining business registration requirements to make the process simple and affordable for all, raising the VAT registration threshold from the current KES 5 million to match the inflation, and increasing the turnover tax threshold to match the VAT registration threshold could all potentially support small businesses create more jobs and aid in their growth to bigger businesses. To encourage business formalisation, the national and county governments can offer incentives such as social protection in case of emergencies, reimbursements for maternal leave, affordable business loans, and scrapping statutory deductions for small businesses.

j) The government should support training and retraining of workers. In a fast-changing job market, workers need constant reskilling to be more productive. The state should support technical short training courses that can allow more Kenyans to find work.

k) Enforce regulation to close the pay and gender gaps. Every corporation should ensure that the CEO receives no more than 20 times the median pay of their employees. In addition, every business should ensure that men and women receive the same pay for work of equal value. Companies should be mandated to publish gender pay gap. To increase the number of women in the paid labour force, paid maternal leave should be increased from the current three months to 26 weeks per ILO recommendations, among other measures.

l) Strengthen labour rights and protections. Ensure that all workers – not just those in formal employment –are protected from exploitation, injury and unfair dismissal in their workplace.

5. INTERNATIONAL SUPPORT TO TACKLE THE DEBT CHALLENGE

m) The international community should prioritise the debt crisis in developing countries like Kenya to allow governments to spend on their people. This includes debt restructuring, forgiveness and a fair credit rating system.

n) The government should borrow and spend responsibly. This also requires quality oversight from the parliament and transparency so that citizens can scrutinise budget documents. Borrowed money should strictly use as intended.

o) The IMF loan program should be aimed at providing tangible support to increase progressive tax by taxing the richest while also increasing social spending. Further, the World Bank and the IMF program, projects and technical advice should include inequality indicators.

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