



State of the Economy:

Focus on the impact of COVID on women and education



February 2021



Contents

- 
- 01 Executive Summary
 - 02 Macroeconomic Update
 - 03 Household and MSME Update
 - 04 Gendered Impact of COVID
 - 05 Impact of COVID on education

Executive Summary

- In 2020 it became clear that the economic impact of COVID-19 has had diverse and specific effects on demographic groups and sectors. On one hand **macroeconomically Kenya has demonstrated resilience** compared to peer economies in particular. This is linked to Kenya's diversified economy, robust agricultural production, recovery in key export items, robust diaspora remittances, little reliance on the export of energy and metal commodities, as well as government interventions to mitigate the impact of the pandemic.
- National Treasury expects the economy to grow at 6.4% in 2021, more optimistic than the IMF's, the World Bank's and African Development Bank's forecast of 4.5%, 5.2% and 6.1% respectively.
- At the same time, **the sectoral impact of COVID has been pronounced**, particularly on the tourism, accommodation and food services; education; wholesale and retail trade; and manufacturing. The bulk of these sectors are labour intensive with the manufacturing sector being an important source of formal employment. As a result, 2021 will likely be defined by **job losses in the formal sector not necessarily being reinstated**, leading to growing numbers of Kenyans shifting to informal and 'gig' economic activity.
- 2021 will also be defined by **income divergence and economic dualism** with short term resilience at the middle- and upper-income layers juxtaposed with an increasingly vulnerable swathe at the bottom of the income pyramid. For lower-middle- and lower-income populations, there will continue to be longer term vulnerabilities due to eroded assets, savings and social networks. **Low-income Kenyans will face heightened social and economic insecurity** including food insecurity for the poorest and most vulnerable populations.
- On the other hand, there will be **a thinning layer of upper and upper-middle income Kenyans** able to retain jobs and business activity due to sectoral exposure that will show stronger signs of recovery. However, they will likely continue to **exhibit limited appetite for spending** due to increased requests for financial support from their social network, economic uncertainty and choosing to save rather than spend or make new investments.
- This divergence is seen digitisation trends where **internet usage during COVID is strongly correlated with income level.**

Executive Summary

- The result will be increasing **economic divergence**, deepening income inequality, growing informality and rising levels of poverty in relative and absolute terms. The World Bank estimates that COVID-19 has already **pushed about 2 million Kenyans into poverty**.
- We continue to see **the gendered impact of COVID** with economic pressure leading women to sell assets, forgo meals and work more to generate income. Domestic conflict remains elevated and women and girls remain victims of physical and sexual violence, resulting in unwanted pregnancies especially among girls.
- There is also **geographical divergence**, for example with respect to food security and income. However, our main source of data to enable a more granular view of COVID-19 impacts on households is the *KNBS Survey On Socio-Economic impact of COVID-19 on Households*. Unfortunately, this has been halted and much of the data from the first two rounds has not yet been published.
- In terms of fiscal policy, **the COVID-19 shock and fiscal responses have halted planned fiscal consolidation** and led to an accumulation of public debt. Kenya's debt position is officially sustainable but on a trajectory towards unsustainability as the government has agreed to include KShs 3.4 trillion of parastatal and county loans as part of the country's national debt. This will push the country's debt to over KShs 10 trillion, **well above the KShs 9 trillion ceiling set by Parliament**.
- **Debt distress is now high and facing upward pressure** from the COVID-19 crisis weakening real GDP growth, poor revenue generation prospects, and delayed fiscal consolidation. Kenya has **secured debt payment postponement** from China and the Paris Club.
- 2021 sees the risks of Kenya's political economy volatility being far above the usual due to the upcoming election; this will further dissuade business activity, and mute investor interest and appetite. Sadly, **as the economy starts to stand a chance to fully recover from COVID-19 (perhaps in late 2021), this will likely be countered out by the negative economic effects of election activity** in 2021-22.

Executive Summary: Policy Recommendations

1. Support and finance measures to boost **demand** and **provide safety nets** for the lower income majority, and mitigate the likelihood of a demand-driven recession.
2. Develop a joint plan to provide support to the **education** sector through partnerships with development financiers in particular.
3. Develop a **coordinated strategy to address the impacts on women and girls** and support their economic participation and resumption of education as part of the recovery effort. This can include:
 - Scaling up social welfare payments to women
 - Second chance programmes for girls to go back to school post-pregnancy or dropout
4. Develop a stronger **enabling environment for MSEs** including reform of revenue collection and supporting services, infrastructure and digitisation.
5. Support the KNBS and other partners to provide **timely and relevant data** to support strategy and policy.

Creating Value through Financial Inclusion

FSD Kenya.



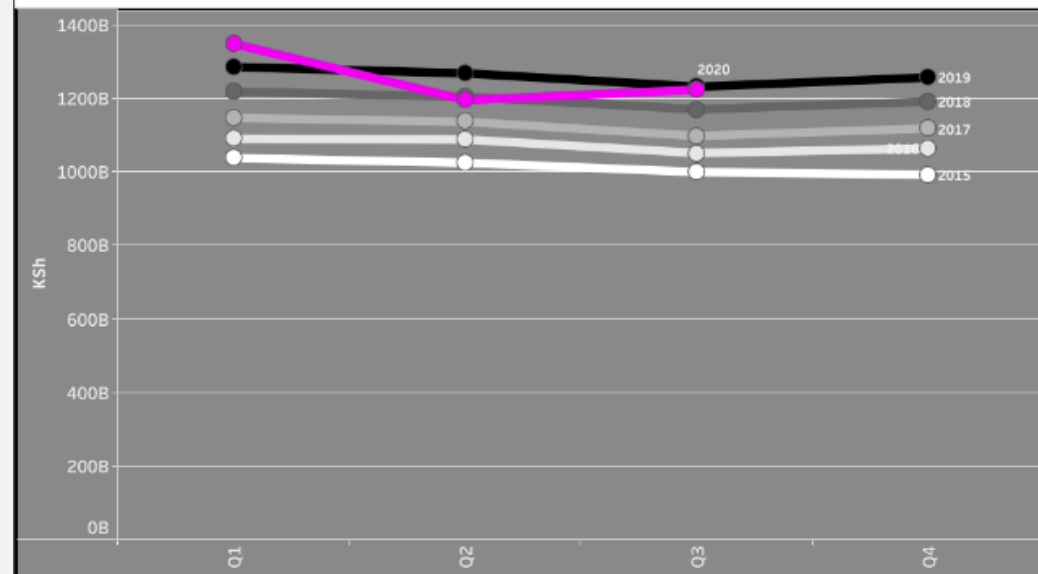
Macroeconomic Update

- GDP Growth
- Employment
- Inflation
- Forex and remittances
- Financial sector analysis
- Fiscal analysis
- Fiscal risks and opportunities

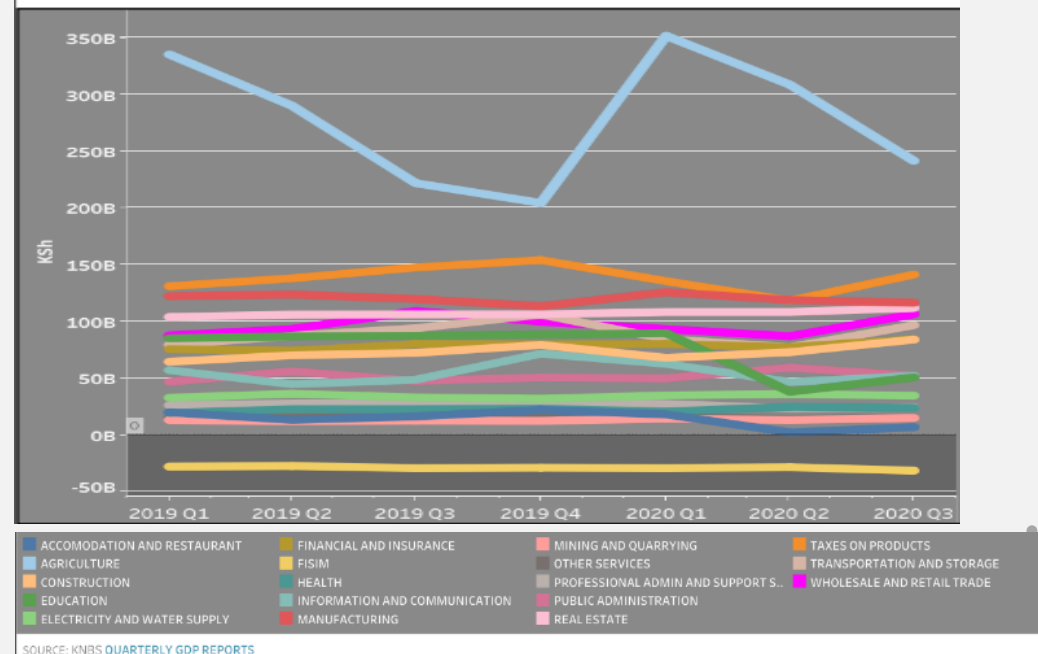
GDP Growth

- Real GDP growth **contracted by 5.7% in Q2 and by 1.1% in Q3** compared to an expansion of 5.3% in Q2 and 5.8% in 2019.
- The Q2 and Q3 slowdown was due to COVID lockdown measures although the Q3 contraction was much lower than Q2 due to the partial easing of these measures.
- Growth Laggards:**
 - Q2:** Poor performance was driven by contractions in accommodation & food services (-83.3%); education (-56.2); taxes on products (-14.2); transportation and storage (-11.6); wholesale & retail trade (-6.9%); manufacturing (-3.9%).
 - Q3:** Poor performance driven by accommodation & food services (-57.9%), education (-41.9%), taxes on products (-4.2%) manufacturing (-3.2%), wholesale and retail trade (-2.5%),
 - Consistent growth laggards:** Accommodation & food services, education, wholesale and retail trade, taxes on products, and manufacturing
- Growth Drivers:**
 - Q2:** Sectors that emerged as resilient growth engines were health services (10.3%); mining and quarrying (10%), agriculture (6.4%); public administration (5.7%); ICT (4.3%); financial and insurance activities (4.2%); and construction (3.9%).
 - Q3:** Growth driven by mining and quarrying (18.2%); construction (16.2%); public administration (9.6%); ICT (7.3%); agriculture (6.3%); health (5.6%); finance and insurance (5.3%); real estate (5.3%); transport and storage (2.9%).
 - Consistent growth drivers:** Mining and quarrying, public administration, health, agriculture, ICT, finance and insurance, and construction

QUARTERLY GDP VALUE - CONSTANT PRICES 2009 KSh (AT MARKET PRICES)



GDP VALUE BY ACTIVITY - CONSTANT PRICES 2009 KSh

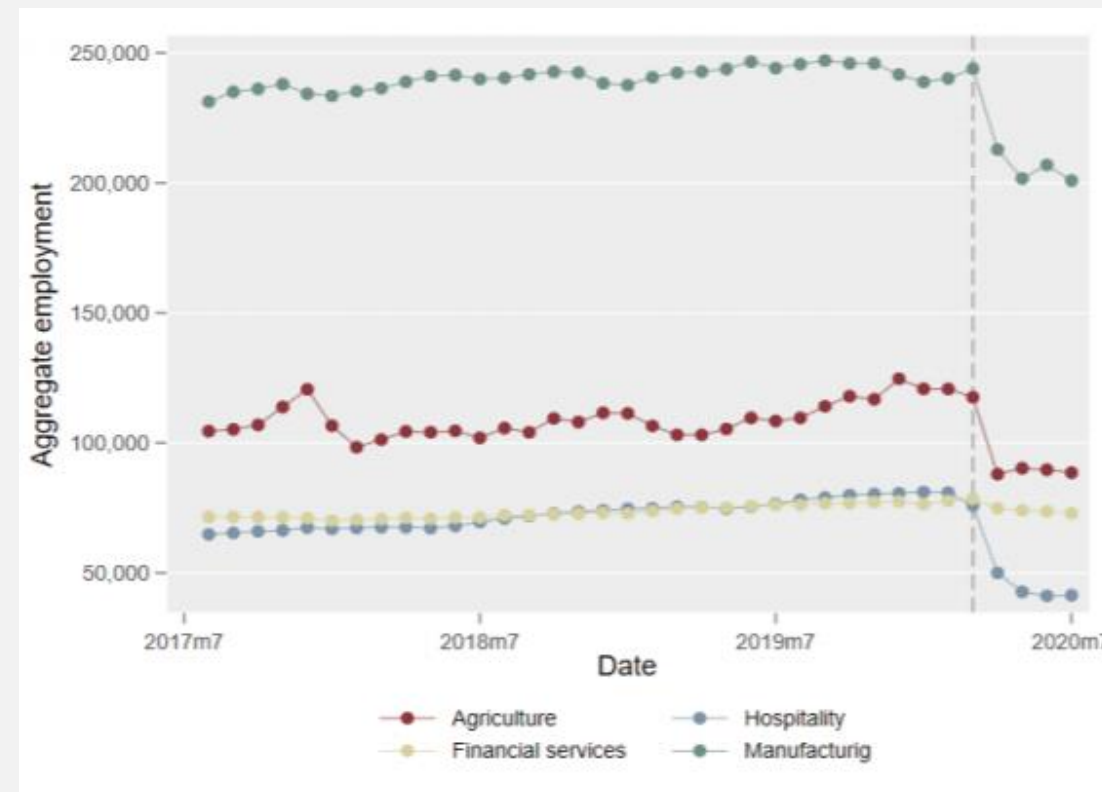


SOURCE: KNBS QUARTERLY GDP REPORTS

GDP Growth Outlook, Jobs and Poverty

- **Poverty:** The World Bank estimates that COVID-19 has **pushed about 2 million Kenyans into poverty**; the pandemic increased poverty by 4 percentage points through serious impacts on livelihoods and sharp decreases in incomes and employment.
- **High job loss prospects:** The [World Bank](#) states that **one in three Kenyan workers are employed by firms facing high risk of temporary or permanent closure** and reduced revenues due to COVID-19, highlighting the vulnerability of household incomes.
- **2021 outlook:** National Treasury expects the economy to grow at 6.4% in 2021, more optimistic than the IMF's, the World Bank's and African Development Bank's forecast of 4.5%, 5.2% and 6.1% respectively.
- NT expects growth to be supported by **stable macroeconomic environment**, ongoing **investments in strategic priorities by government** under the Big Four agenda, **turn around in trade** as economies recover from Covid-19 Pandemic and **expected favourable weather** that will support agricultural output.
- The World Bank expects the strong rebound in 2021 to be the due to the **education sector output normalizing**, which is projected to add 2.2 percentage points to real GDP growth next year; the global economy is tipped for a deep recession in 2020, with significant **and potentially more prolonged negative spillovers on Kenya**.

Number of formal employees in the private sector



Source: [World Bank](#), 2020

Employment

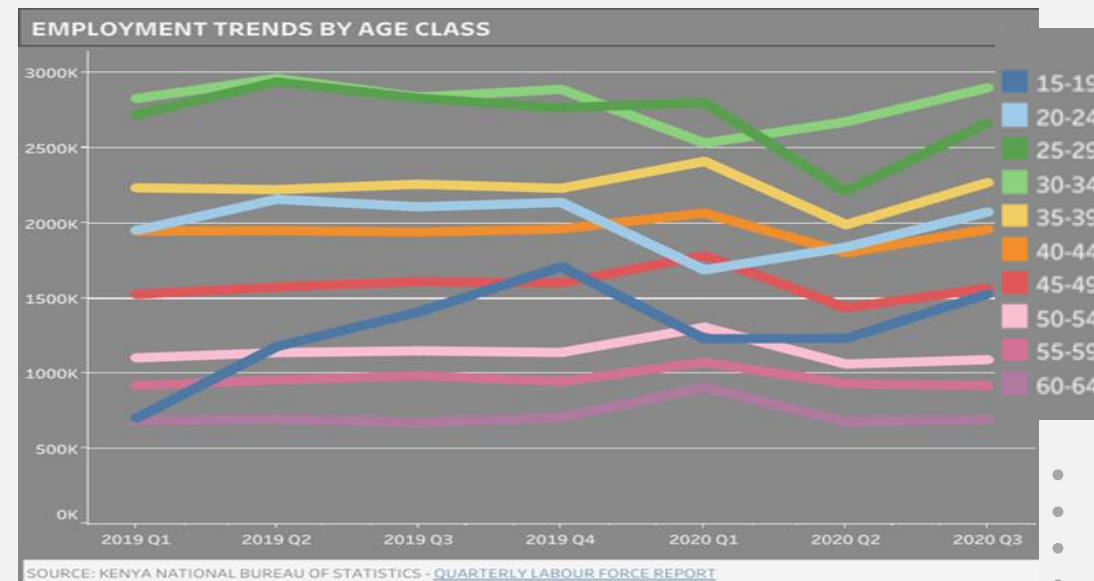
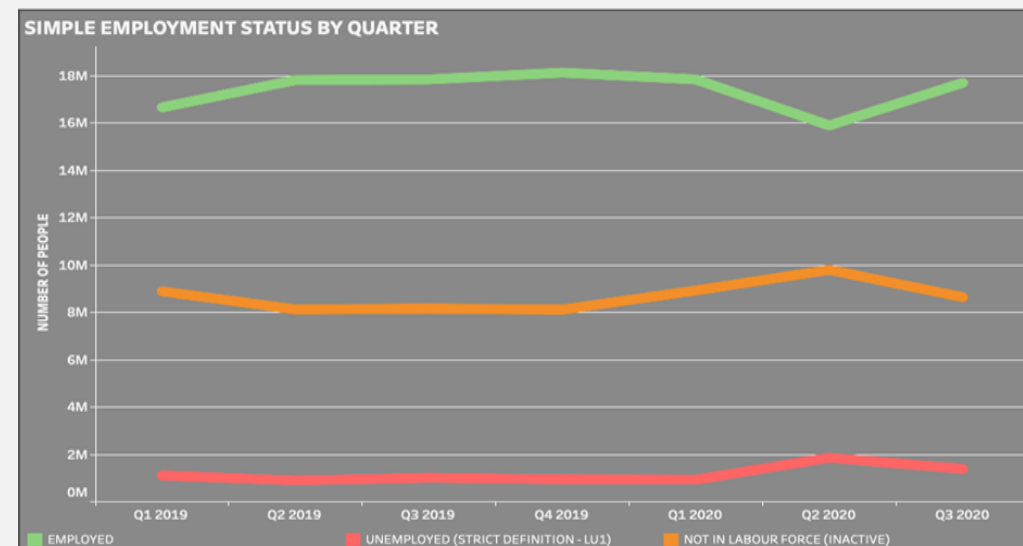
Employment rate in Q3 almost equal to Q1:

- In Q3, overall employment increased to 63.9%, almost the same as 64.4% in Q1 and an 11.4% increase from the Q2 low.
- In Q3 the number of people classified as employed increased by over 1.8 million (11%); equivalent to 7% of the total working age population

Concerns with employment trends:

- Quality of work:** Whilst this is good news, it is highly likely that many of those returning to work are returning to less stable employment, working less and for lower pay than before the pandemic.
- In Q2 **the number of people not in the labour force increased by 1.2 million (12%)**. It is likely that this increase was driven by business owners who were reclassified as 'Not in Labour Force' when their businesses shut.
- Business owners returning to labour force but in what form:** Q3 has seen those 'Not in the Labour Force' drop by over 1.1 million and suggests that those who shut or lost businesses are now returning to 'employment' in some form. This is far higher than the 473,000 who moved from unemployed to employed.
- It is unclear whether these people, who most likely owned businesses, are reopening or starting new businesses or if they are being forced to take low paying work to survive, which would indicate a significant **destruction of productive capital** and closure of possibly hundreds of thousands of small businesses

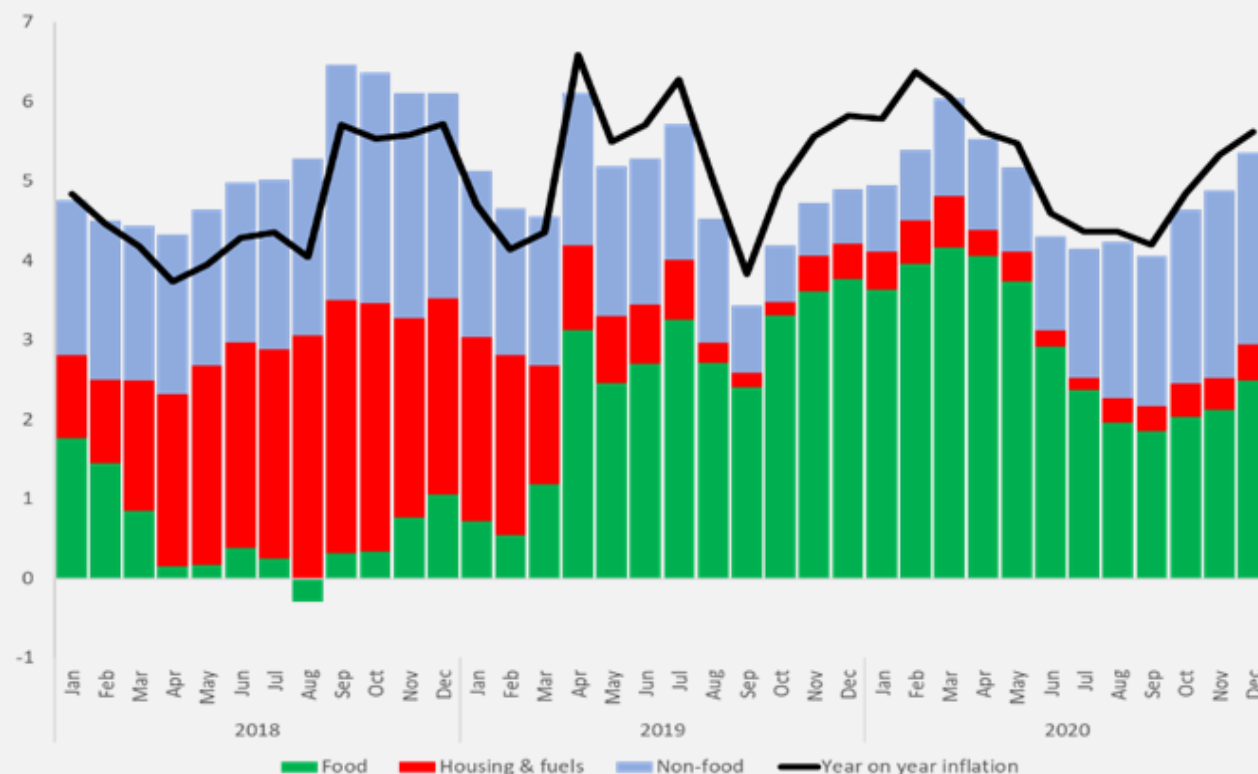
Employment status and trends (2019-2020)



Inflation

- Urban inflation rates **remained relatively low in 2020** with the average monthly urban inflation rate coming in at 5.2%.
- The major driver of the overall urban inflation has been **food inflation**, but its contribution to overall inflation declined from 4.5% in December 2019 to 2.9% in December 2020 due to a reduction in food prices.
- Kenya's rate of inflation was **stronger compared to the rest of Africa**; in December 2020, Kenya recorded a lower inflation rate than Burundi, Ghana, Nigeria, Zambia and Ethiopia
- The low urban inflation can be attributed to the low fuel prices experienced during the first half of the year, and favourable weather conditions
- In 2021 the urban inflation rate will likely remain within the government's range with the key **risks** being **drought** in the first quarter of the year, **high fuel costs** due to increased crude prices globally as economies recover and further **depreciation of the currency**.

Inflation rate (2018 – 2020)



(source: KNBS)

Inflation

- Inflation pressures consistently **concentrate on lower income populations**
- It is important to remember that Kenya's inflation rate is currently calculated based on urban spending patterns and prices. This means that whilst we have detailed data on inflation in the Lower, Middle and Upper Income segments in Nairobi and in Other Urban Areas, the inflation figures do not represent rural spending patterns or price increases in rural areas.
- In the current basket of goods that make up the CPI food only accounts for 32.91% of presumed household spending. This figure would likely be a much higher % in rural households making them more vulnerable to price shocks caused by localised disruption in supply chains as had been seen in 2020.
- Data from early in the pandemic suggested that rural areas were experiencing pockets of hyperinflation for certain goods as supply chains were interrupted.

Kenya Inflation rate

Period	Inflation Rates					
	Nairobi				Rest of Urban Areas	Kenya CPI
	Lower Income	Middle Income	Upper Income	Combined		
2020						
February.....	8.36	3.34	3.41	6.16	7.89	7.17
March.....	6.90	3.29	2.89	5.28	6.24	5.84
April.....	6.77	3.40	2.90	5.25	6.55	6.01
May.....	6.08	2.68	2.67	4.61	5.84	5.33
June.....	5.42	2.79	2.29	4.23	4.84	4.59
July.....	5.44	1.84	2.01	3.90	4.68	4.36
August.....	5.30	1.79	2.68	3.88	4.69	4.36
September....	5.26	1.67	2.29	3.77	4.50	4.20

KNBS defines lower income groups as households spending KShs. 46,355 or less per month in February 2015 (70.89% of households)

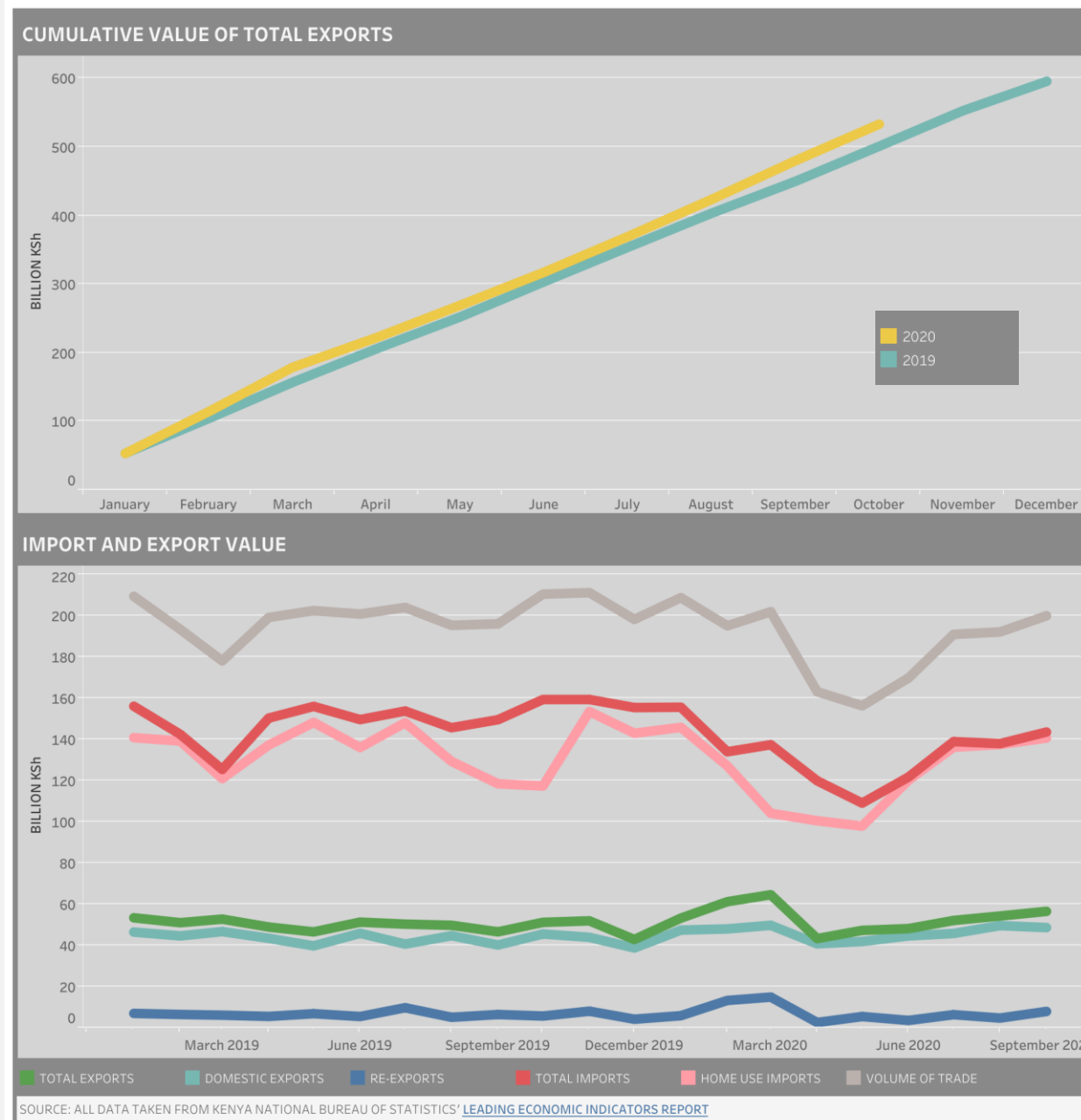
Source: KNBS 2020

Exports and Imports

Exports have generally been resilient: In the year to October 2020, exports **grew, year on year, by 6.4%**

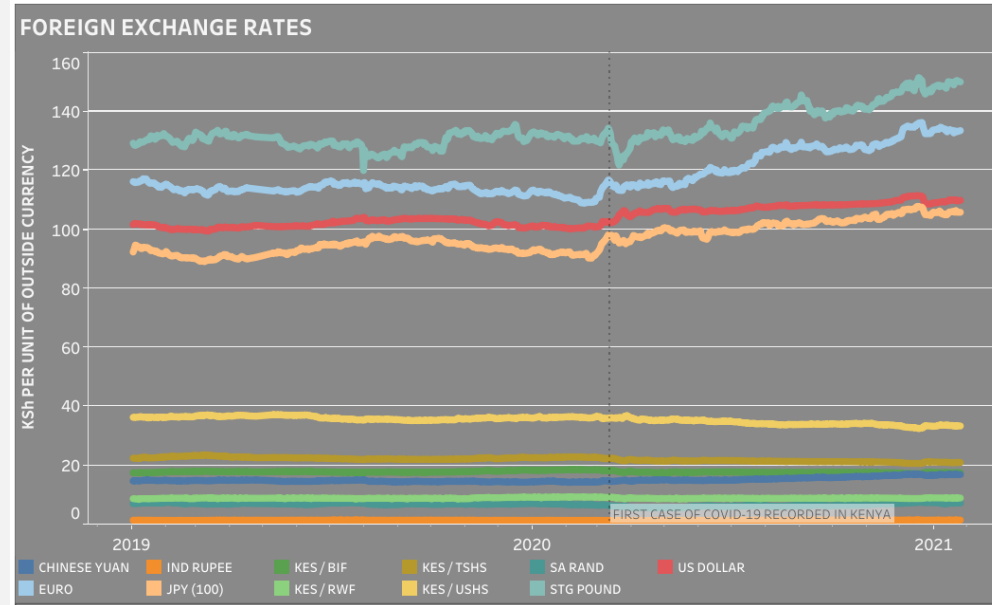
- This was primarily driven by tea exports due to increased production, increased demand for tea from the UK and supply chain disruptions caused by COVID in India, a leading tea exporter.
- Horticultural exports were up 9.4%
- Cut flowers 9.7%
- Fruit 48.1%
- Vegetables -11.4%
- Tea and coffee exports were up 15%
 - Tea 17.3%
 - Coffee 3.4%

During the same period, the cumulative value of **imports fell by 9.7%** year on year



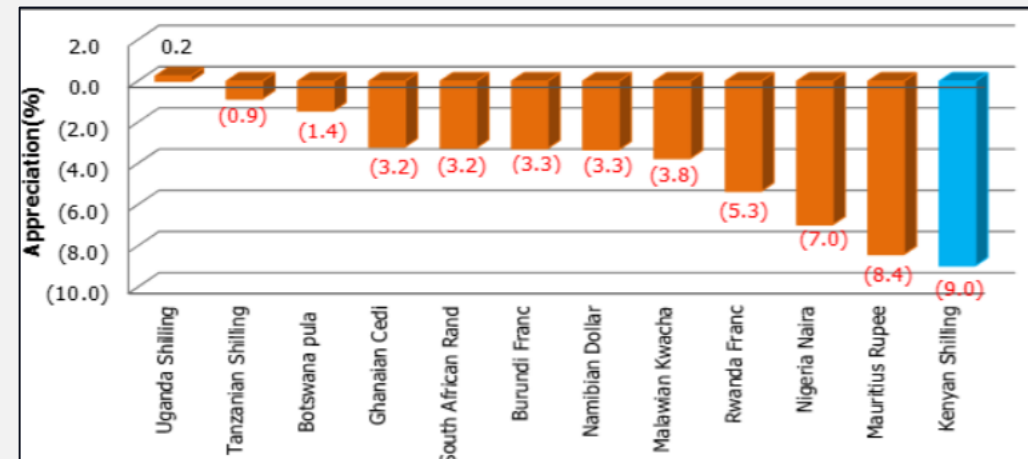
Exchange Rate

- The **Kenya Shilling** has remained relatively **stable** but depreciated by 7.7% in 2020 to close at 110.6 in December 2020 compared to KShs 101.5 in December 2019.
- Depreciation was driven by the **decline in dollar receipts** from dollar-earning sectors such as tourism and horticulture in addition to high demand for hard currency from investors.
- Depreciation pressure will emerge from continued **global uncertainty** leading to the holding of dollars and other hard currencies; a deteriorating current account position; decline in dollar receipts from tourism in particular; and **demand from importers** as they bolster their hard currency positions amid a slowdown in foreign dollar currency inflows.
- The exchange rate will continue to be supported by **strong diaspora remittances** and reasonable levels of **forex reserves**.



Source: CBK

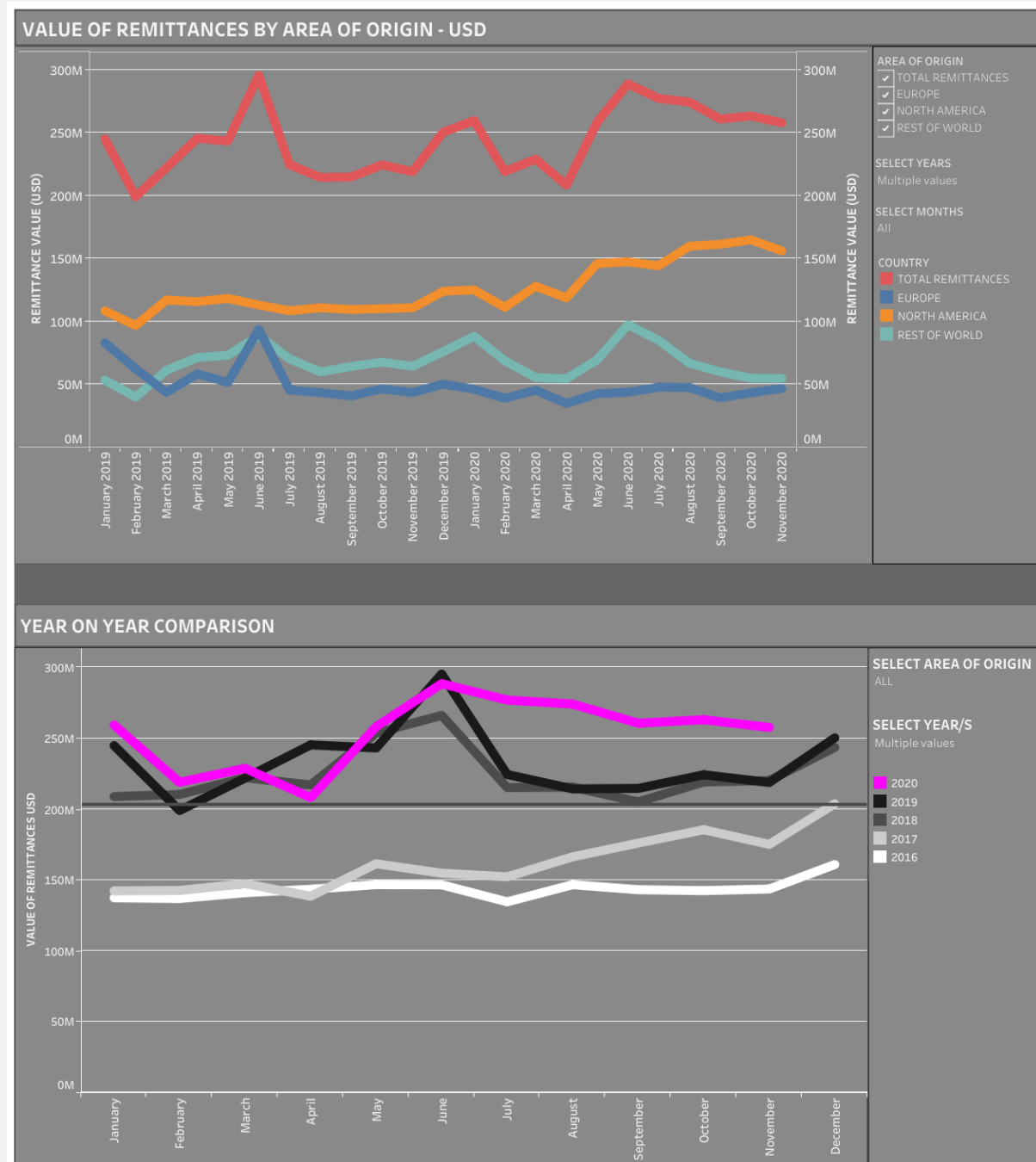
Performance of selected currencies against the US Dollar (December 2019 to December 2020)



Source: [National Treasury](#)

Remittances

- **Remittance inflows were strong in 2020** despite the devastation of COVID-19 in the source countries. Remittances rose to a record high of US\$3,094 million in 2020, from US\$2,796 million in 2019, an increase of 10.7%.
- In Q3 2020 the value of remittances equated to **7% of the value of GDP**. Well above the 3-year average of 5.5%. In Nigeria, this figure was less than 1% in Q3 2020.
- In December 2020 alone, remittances reached a **historical peak of US\$299 million**. Kenya's remittances performance has been exceptionally strong compared to performance in other African countries. The value of remittances from North America now stand at their highest ever levels.
- Research from 2015 shows that the profile of Kenyans living and working in the US are highly employed (93% of those in the labour force were employed), **62%** are either **professionals or work in managerial positions**, **27%** of the workforce are working as **registered nurses or nursing aides**.
- This profile paints a picture of skilled, essential workers who are likely to be in high demand during this pandemic.



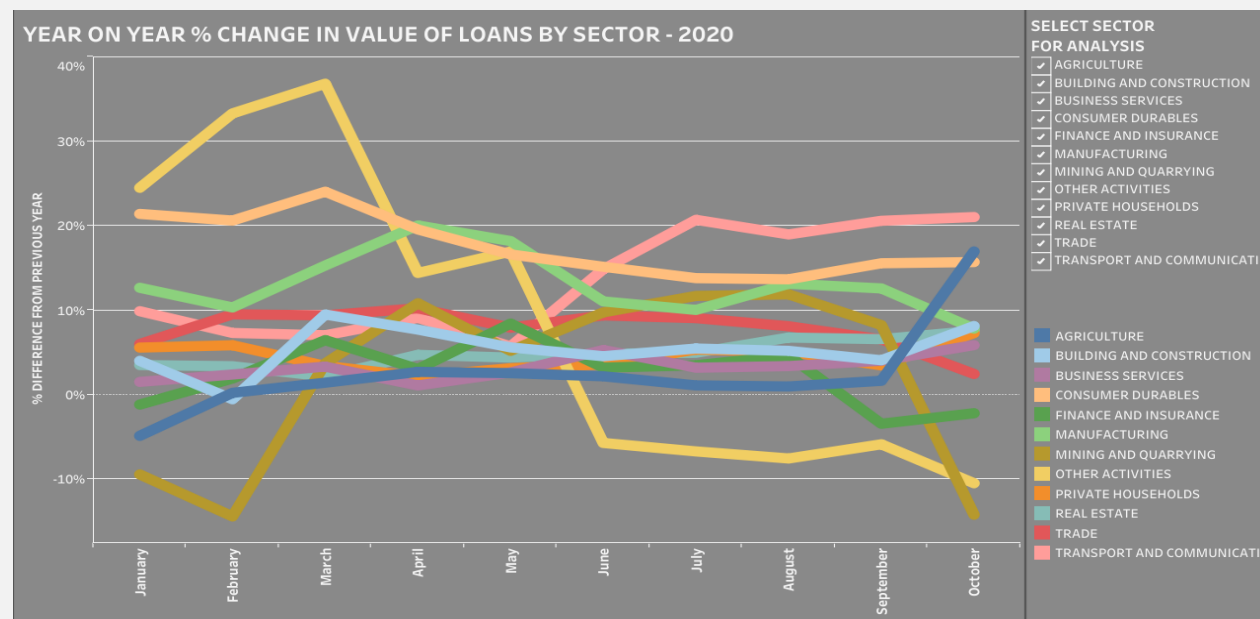
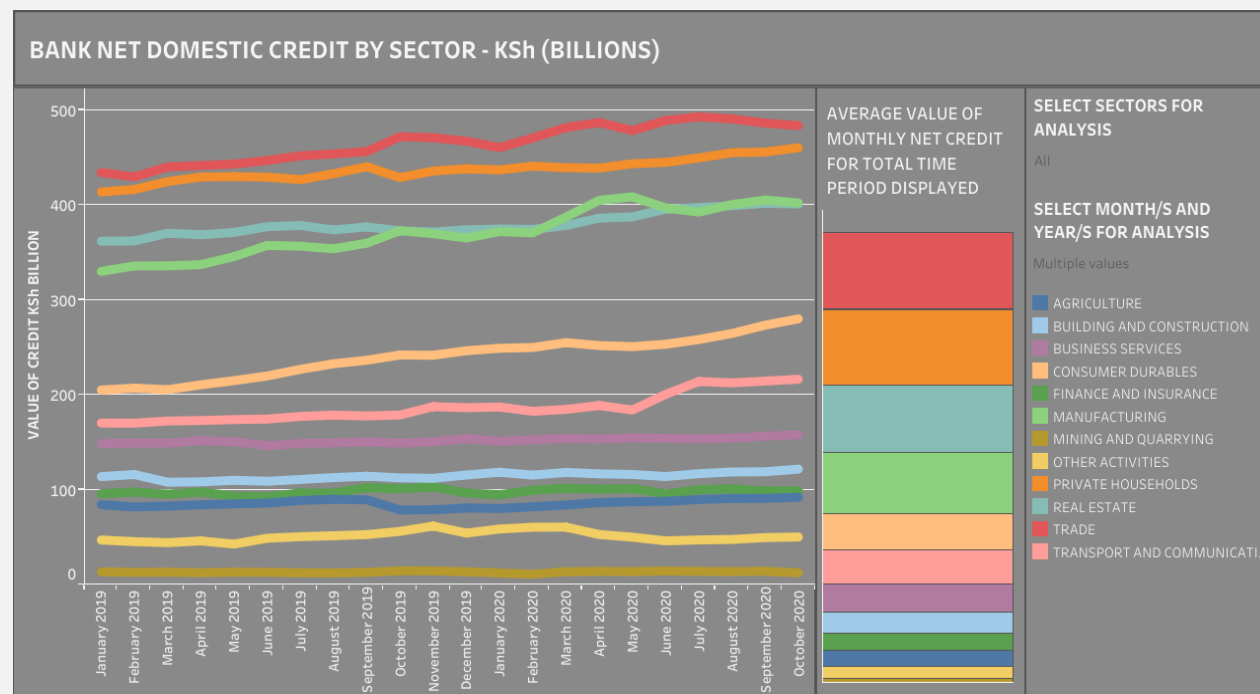
Remittances

- **Recipients of Remittances:** According to FinAccess 2019, only 4% of adults (1 million adults) receive international remittances, compared with 87% (21 million) who rely on domestic sources. This means that international remittances are not **translating into a stimulus or safety net for low-income households**
- **COVID-19 and the 'silence' of remittances:** The selectivity of remittance recipients may explain why the effect of this liquidity in the market is not being broadly experienced.
- **Deposit growth:** Individuals and households not necessarily hit by dire income shocks are choosing to reduce spending by choice:
 - H1 2020: Banks with half year results recorded a deposit growth of 24.2%, more than double the 8.6% growth recorded in H1 '2019.
 - Q3 2020: Deposit growth stood at 23.1%, more than double Q3 2019 at 11%
- **It is possible that those receiving remittances are choosing to hold onto the money rather than spend it.**



Financial Sector Developments

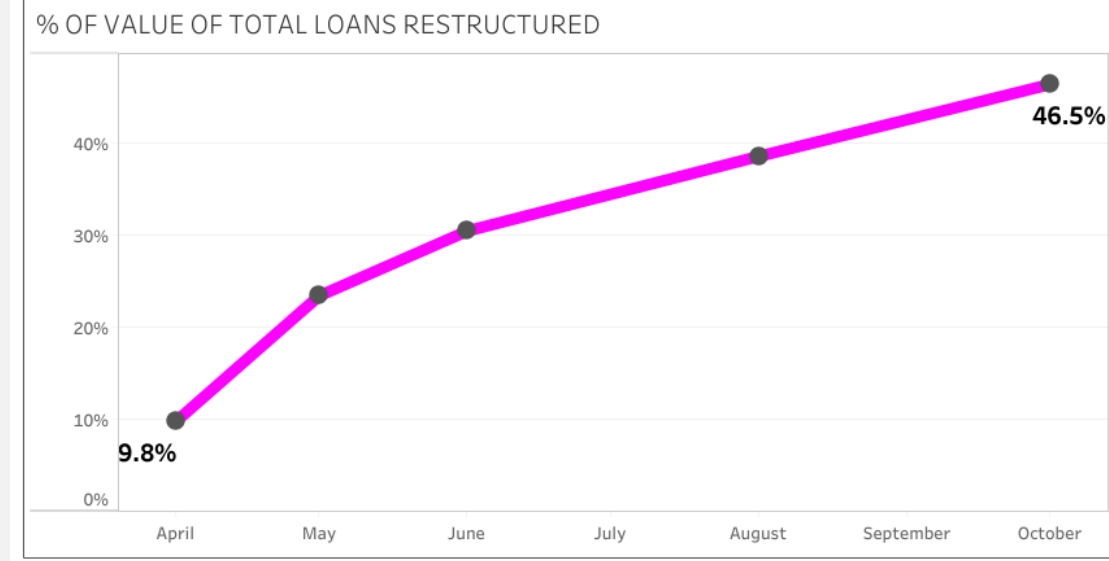
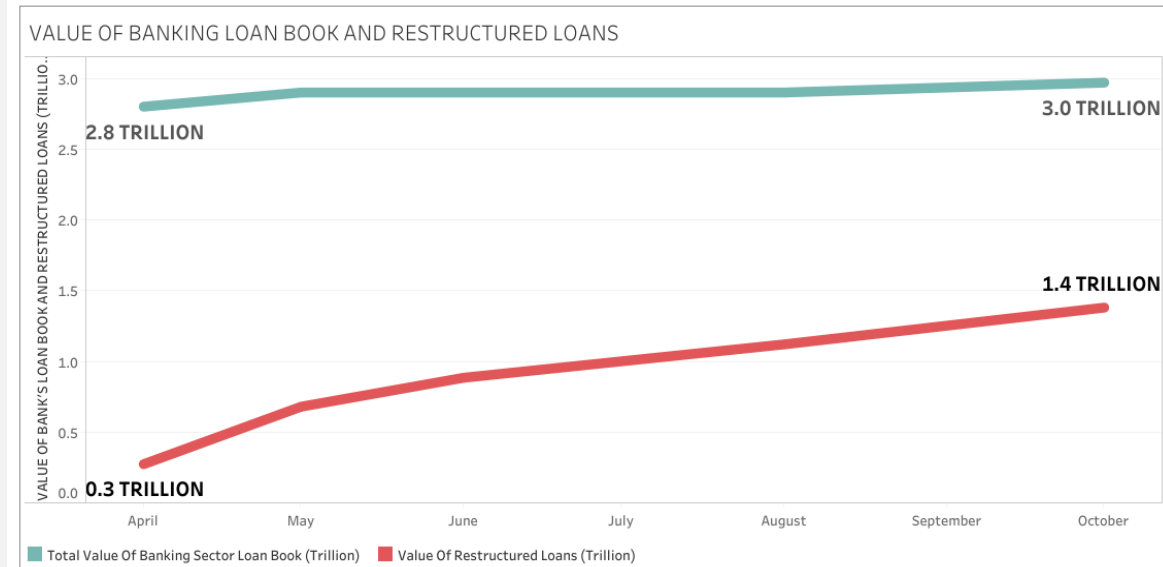
- **Domestic credit:** Private sector credit grew by 8.1% in the 12 months to November 2020 compared to a growth of 7.3% in the year to November 2019 supported by slight recovery in demand with the improved economic activity.
- There was strong growth in lending in agriculture (19.3%), consumer durables (18.8%), transport & communication (17.5%), manufacturing (10%), and real estate (9.1%).
- **NPLs:** The ratio of gross non-performing loans (NPLs) to gross loans stood at **13.7%** in October, its highest ever level. (The average ratio between January 2017 and Dec 2019 stood at 11.6%). NPL increases were noted in the real estate, personal and, transport and communication sectors.
- **Concern with NPL figures:** The NPL figures will have been depressed by the significant number of loans that have been restructured since the pandemic began and the real impact will not be seen until 2021.
- **Stawi:** Uptake of mobile loans for small businesses via Stawi declined during to COVID-19; demand for loans reduced significantly because of a lack of demand for capital investments which is what Stawi was supposed to meet for MSMEs.



SOURCE: CENTRAL BANK OF KENYA - TABLE 2.2 IN LEADING ECONOMIC INDICATORS

Loan Restructuring

- The **value of restructured loans continued to rise** following the CBK directive in March 2020 that provided commercial banks and mortgage finance companies guidelines on loan reclassification, and provisioning of extended and restructured loans.
- Loans accounting for more than **46% of the total value of the loan book had been restructured** by October 2020 (this doesn't include NPLs), this is a substantial increase from the end of April when it was 9.8%
- The value of restructured loans (**1.38 trillion KShs**) in October was greater than the highest ever single Quarter GDP value.
- The sector with the **highest value of restructured loans is Personal and Household Loans**, which account for **22%** (300 billion KShs) of the total value of restructured loans. **36%** of household loans had been restructured by October.
- Sectors with the **highest % change in the value** of restructured loans since April are:
 - Manufacturing** (954% increase) and
 - Real estate** (835% increase)



source: CBK

Only loans in good standing before the pandemic were eligible for restructuring so these figures do not represent the full % of loans in default

Financial Sector Stability

- **Blacklisted borrowers**

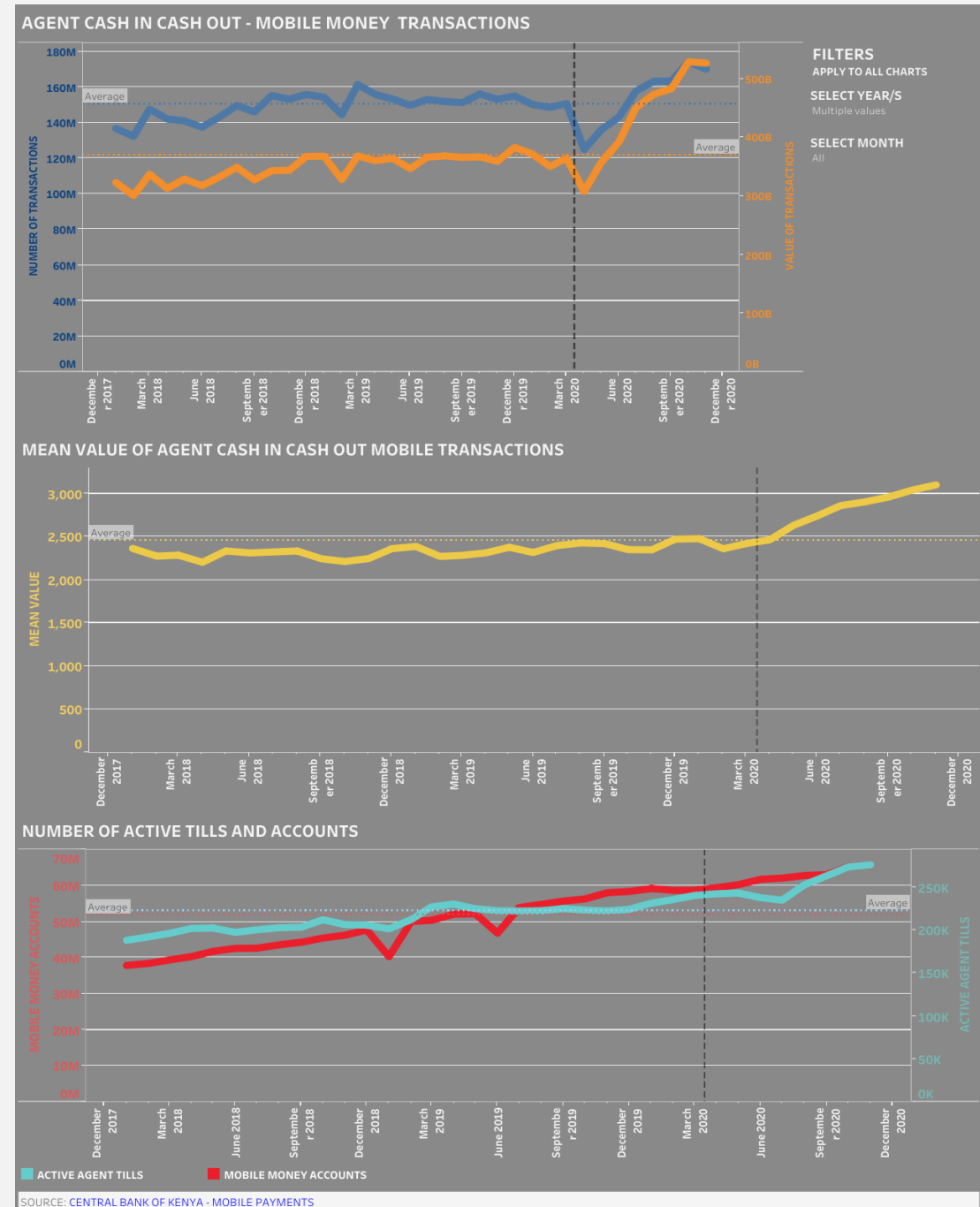
- Data by Metropol , one of the three licensed CRBs alongside TransUnion and Creditinfo International, shows that the number of loans accounts in arrears for more than 90 days has **jumped 45% between August 2020 and January 2021**, from 9.6 million to 14 million accounts. Note this may include previously exempted negative listings below KShs 1000 that have now been listed.
- This is despite the fact that CBK revoked approval for 337 digital lenders to share data and exempted those who had defaulted on amounts less than KShs 1,000 from being negatively listed.
- CBK data shows that the value of loans defaulted hit KShs 423 billion or 14.1% of the total KShs 3 trillion loan book - a sharp rise from KShs 351.73 billion that was in default by the end of March 2020.

- **Implications for financial sector stability**

- The convergence of **increases in restructured loans (which may become defaults), rising NPLs, and increases in blacklisted borrowers** indicates heightened risks to financial sector stability. If trend patterns continue, this will lead to tightened credit markets in the short and medium term and have a negative impact on the ability of the financial sector to finance real economy recovery and growth.
- This could be particularly severe if high levels of defaults are experienced in manufacturing which has the highest average value of restructured loans and so is more reliant on a smaller number of debtors to be able to repay. An inability to repay manufacturing loans would also likely indicate a significant drop in employment in that sector, which would likely trigger higher defaults in personal and household loans. This may trigger a vicious circle of contracting credit and lower economic growth.

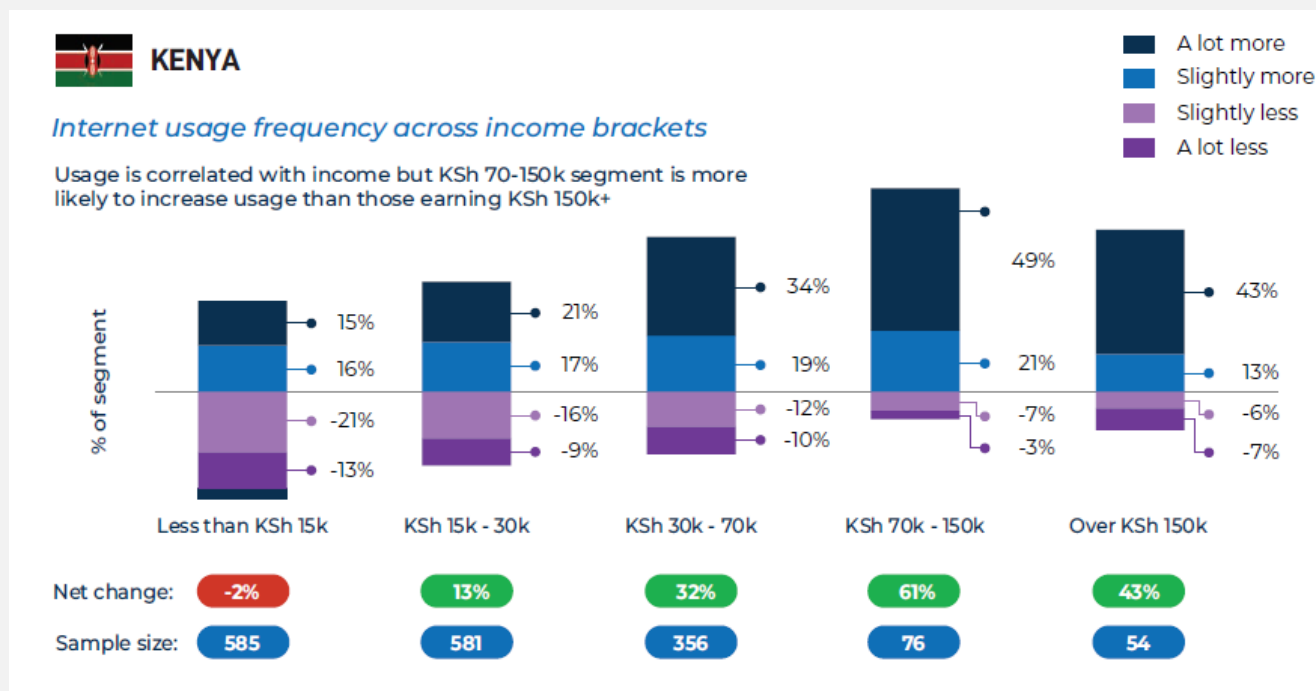
Mobile Money

- In 2020, there was a **significant increase of mobile money usage** particularly over the period when CBK instituted emergency measures for mobile money.
- Monthly volumes of person-to-person transactions **increased by 87% between February and October 2020**; the volume of transactions below Kshs1,000 increased by 114%; and while 2.8 million additional customers were using mobile money. Business-related transactions also recorded significant growth over the same period.
- Between April and September, the number of accounts **increased by more than 6%** or 3.6 million new accounts
- This is likely informed by a combination of:
 - Individuals and firms **pivoting away from cash to mobile money** due to COVID-19
 - Tariff reductions** on p2p transfers increasing liquidity in the ecosystem
 - Signs of **slight economic recovery** from Q2
 - People **cashing out any savings** they had built up in digital wallets
- These regulations led to the listed banking sector record a decline in their Non-Funded Income in Q3'2020, growing by a weighted average of 2.1%, slower than the 15.8% growth recorded in Q3'2019.



Divergence in digital uptake

- Internet usage during COVID is **strongly correlated with income level**.
- Significant increases in internet usage is reported in higher income groups, but **lower income groups are more likely to reduce usage** due to economic constraints.
- Higher income urban consumers have increased internet usage during the pandemic.
- But in the lowest income bracket (i.e. monthly household income below KShs 15,000), the percentage of consumers who reduced internet usage exceeds the percentage of those who increased their usage.



Source: [JICA 2021](#)

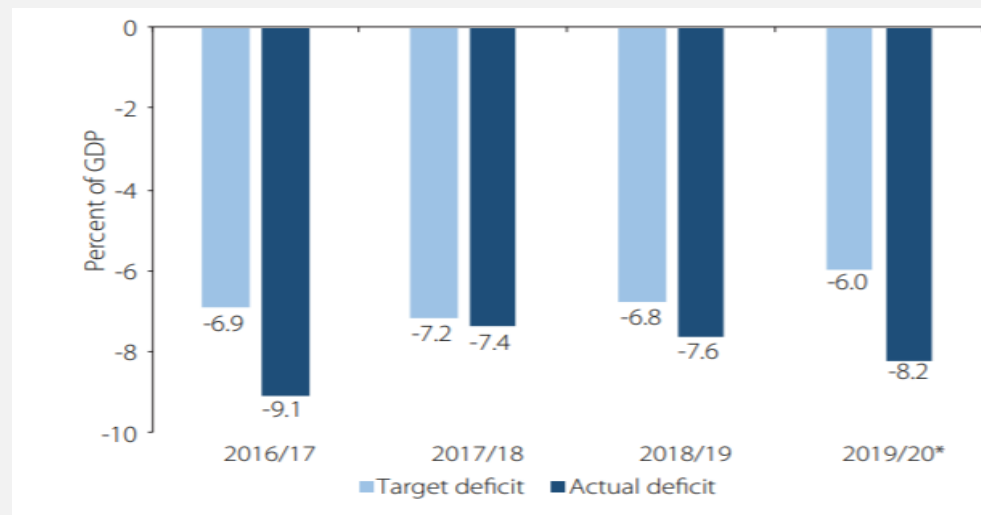
Fiscal Policy

- **Fiscal Path:** The COVID-19 shock and fiscal responses have halted planned fiscal consolidation and led to an accumulation of public debt
- **Debt position:** While the latest IMF/WB LIC DSA (May 2020) finds that Kenya's debt position remains sustainable with high debt distress, due to developments in January 2021 Kenya's debt position is on a path to unsustainability:
 - The government agreed to include KShs 3.4 trillion parastatal and county loans as part of the country's national debt which will push the country's debt to over KShs 10 trillion, well above the KShs 9 trillion ceiling set by Parliament.
 - This will be done gradually beginning with foreign currency debts by parastatals before including loans from private public partnerships (PPPs), pension and county governments.
- **Debt suspension:** Given the government's debt position, the following are developments on debt relief and suspension:
 - **Paris Club:** The Paris Club of international creditors accepted a request from Kenya for a debt-servicing suspension to delay \$300 million in payments from January to the end of June 2021
 - **China:** China postponed Kenyan debt repayments due over the next six months, a week after the Paris Club of creditors offered Kenya similar relief. Kenya had been scheduled to pay 27 billion shillings (\$245 million) to China from January through June. The delayed payments were agreed to after talks with the Chinese government.

Sources of Debt Stress

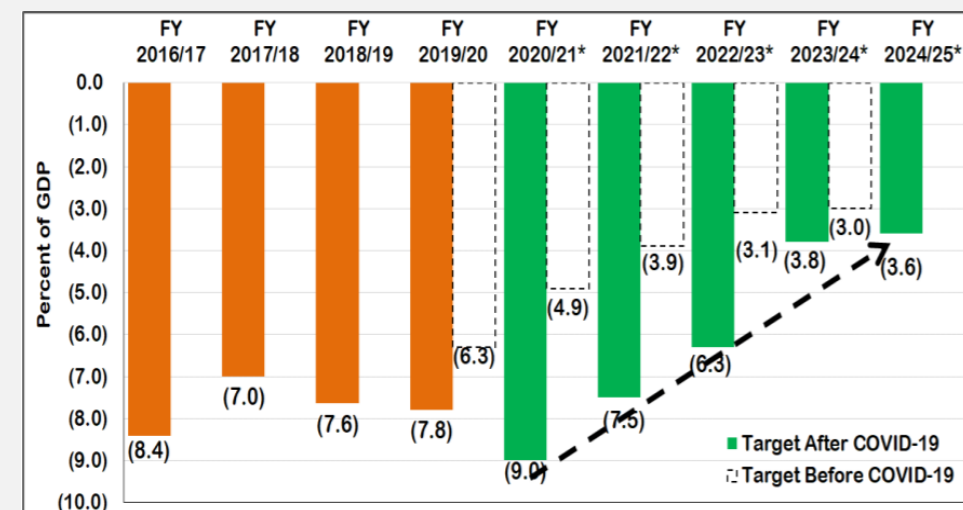
- **Debt disclosure to include county and parastatal debt:** KShs 3.4 trillion in parastatal and county loans to be on-boarded to national debt figures.
- **Increase in public debt:** This stood at KShs 6,500.5 billion by end of September 2020, comprised of 51.4% external debt and 48.6% domestic debt. The increase in the public debt is due external loan disbursements and the uptake of domestic debt.
- **Dollar and foreign denominated debt:** 51.4% of the country's debt is held in external currencies; 67.3% of this external debt is denominated in US dollars which has led to an increase in the debt service burden in local currency; Kenya's cost of external debt service obligations is vulnerable to US Dollar appreciation in particular.
- **Fiscal deficit:** The fiscal deficit inclusive of grants is projected to increase from KShs 796.8 billion (7.8% percent of GDP) in FY 2019/20 to KShs 1,000.2 billion (9.0% of GDP) in the FY 2020/21. A larger fiscal deficit has been budgeted for FY20/21, reflecting slower growth and COVID-19 responses.
- **Debt repayments:** Debt service obligations are large and growing, which constrains fiscal space for COVID-19 related spending and job-creating investments. The rising expenditure on interest payments leaves limited room for public spending on priority areas and emergency COVID-19 expenditures.

Fiscal deficit 2016-2020



Source: [World Bank](#), 2020

Fiscal Consolidation Path, Fiscal Deficit a percent of GDP



Source: [National Treasury](#), 2021

Fiscal Performance

- **Under Expenditure**

- Total expenditure and net lending for the period ending December 2020 amounted to KShs 1,191.0 billion which was **below the projected amount by KShs 67.9 billion**.
- The under expenditure is mainly due to lower spending in both recurrent and development expenditures:
 - **Recurrent spending** was below the projected target by KShs 44.3 billion mainly due to lower than targeted expenditure on operation and maintenance, attributed to scaled down operations of the National Government due to Covid-19 Pandemic; and lower than projected payments in compensation of employees, pension and foreign interest.
 - **Development expenditure** was below target by KShs 6.8 billion due to below target disbursement of foreign financed payments
- Government expenditure as a share of GDP for FY 2021/22 is projected to decline to 23.7%, the overall nominal expenditure and net lending is projected at KShs 2,968.9 billion from the estimated KShs 2,878.1 billion (25.9% of GDP) in the FY 2020/21 budget.

Fiscal Performance

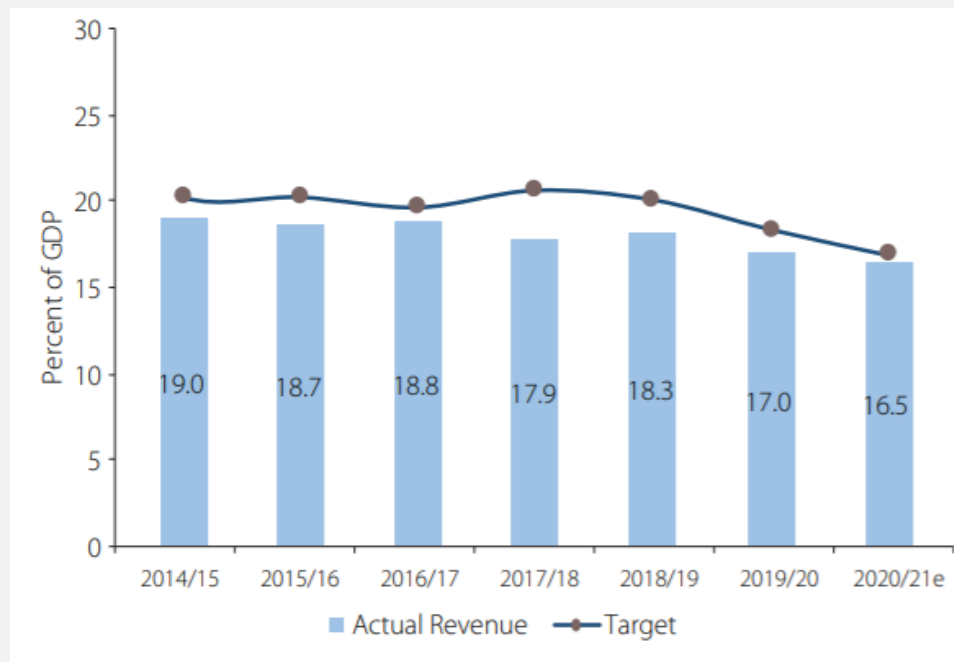
• Poor Revenue Generation

- Revenue collection to December 2020 **declined by 14%** compared to a growth of 17.1% in December 2019.
- Poor performance in ordinary revenue collection was driven by Income tax (declined by 15.8%), VAT (declined by 15.3%) and Excise taxes (declined by 0.6%).
- A decline in income tax collection is expected to be among the major drivers of the expected decline in revenue due to a loss of formal jobs, and income loss by workers across most sectors.

• Pending bills

- Pending bills accumulated in the second half of FY2019/20 due to delayed payments by the national government, and low disbursements to county governments.
- Pending bills at the national level stood at KShs 334.2 billion (3.3% of GDP) in June 2020; county governments owe KShs 12.22 billion in pending bills as of Nov 2020.
- Reducing this substantial stock of payments due would support the recovery of the economy, including by boosting firm cashflows and strengthening the quality of assets in the banking system (by affecting the servicing of commercial loans by suppliers).

Actual revenue vs target (% of GDP)



Source: [World Bank](#), 2020

Fiscal Risks and Opportunities

Key Fiscal Risks	Key Fiscal Opportunities
Fiscal policy does not meet intended outcomes and beneficiaries due to a lack of fiscal accountability and diversion of funds	- Leverage political economy appetite for increased fiscal accountability due to COVID-19
Fiscal allocations do not meet objectives due to under expenditure	<ul style="list-style-type: none"> - Make use of under expenditure and redirect saved funds to other fiscal priorities where possible - Reprioritization of the development budget to create fiscal space for more impactful and job-creating COVID-19 recovery projects
Counterproductive revenue generation measures, such as increasing taxation on domestic individuals and firms already in the tax net, dampen economic recovery	<ul style="list-style-type: none"> - Pay pending bills and boost recovery of the economy, including by boosting firm cashflows, and strengthening the quality of assets in the banking system - Target revenue generation efforts on MNCs by participating in the initiative supported by the UN Tax Committee of Experts to assist developing nations in the taxation of big tech and large digital companies



Household and MSME Update

- A diverging economy
- Income shifts
- MSME coping strategies
- Changes in credit markets
- Government assistance
- Coping strategies
- Food insecurity
- Health issues

A diverging economy: FSD Kenya Diaries Update

30% say it's getting better...

*'The tools of resilience are not spread equally and **those starting with more are likely to recover faster, some, even at the expense of those who continue to struggle.** In Mombasa, for example, a glut of casual workers means it has never been cheaper to hire workers to build a house or rental properties...'*

J. decided to start a new business in Nairobi. She took KES 30,000 from her savings and borrowed KES 20,000 from her chama to start an M-PESA agency.

C. got a good deal on cowpeas, borrowed 70k on Timiza to buy and store until prices rise

B. started a poultry project with KES 100,000 from his bank savings. In the past he had been trading in livestock and decided to diversify.

Savings, credit, capital and connections are enabling some to invest in new opportunities...

But in the absence of safety nets, their obligations to others keep pulling them back

*'.....suddenly extended family members were all **desperate for help.** Since April, he says he and his wife have lent out goods worth about KES 100,000, of which about KES 34,000 is still outstanding and he suspects will be a loss. He has depleted KES 175,000 of his savings, bringing him virtually to zero savings.'*

We are seeing a stark difference between those able to invest right now and those backsliding

A diverging economy: FSD Kenya Diaries Update

...but **33%** say it's getting worse

- In **rural areas**, we heard that **purchasing power remained low**, making it hard for businesses to recover. We found that **having low investment food crops were a major source of resilience** for rural households when incomes fell short.

In **urban areas**—particularly Mombasa—**many workers remained on forced leave** or reduced shifts.

- A number of our least resilient households had lost formal jobs**- even if they were from relatively high income before. They had savings, but not enough to last 10+ months and they didn't have sufficient footholds in the informal economy to compete and generate some replacement income. **Some of these households are experiencing hunger for the very first time in their lives.**

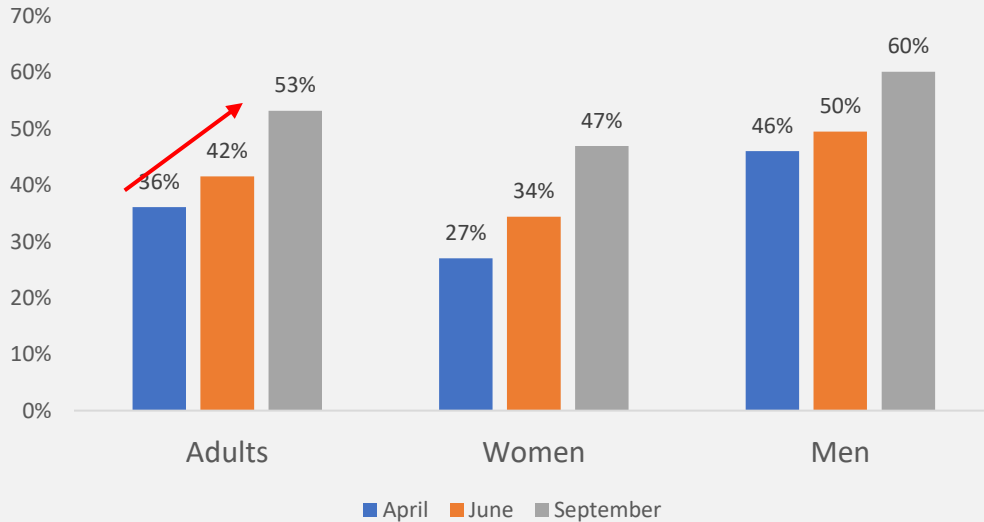
*Foreign employers departed suddenly. R accumulated debt of KES 1800 at shop, and shopkeeper took him to chief. It was agreed that he has to work off the debt at shopkeeper's shamba. Since he has no cash income, he had to sell cow and calf. **Got only KES 19,000 instead of the KES 35,000 they were worth pre-COVID.***

***P has sold nearly all her livestock to pay the local moneylender. She now has debts "left, right, and center." Husband and daughter were in an accident and needed urgent treatment.** Meanwhile the son who helps out was sent home from work and just went back, but with a **huge pay cut**. Her **food store is running out**. She regrets sharing with neighbors, since now very little is left. Her husband will be on crutches for life after the accident, leaving all the earning up to P.*

When work opportunities vanish, savings are quickly depleted and assets have lost their worth in the crisis economy; without the means to reciprocate, social networks fade away. Shocks- especially health shocks -can have devastating consequences.

More people were working by Q3, especially women....

% Adults who 'earned money in the past 7 days'

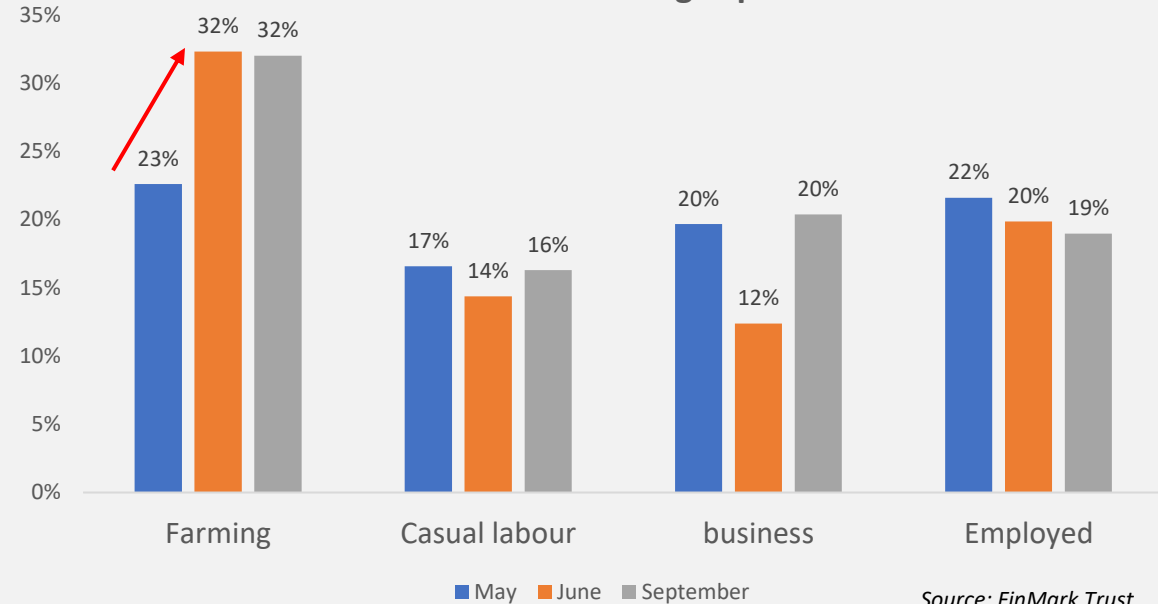


Source: FinMark Trust

More adults are working in September than in April or June. Since April, the % of **women** earning money has nearly **doubled**.

25% of adults have lost or changed jobs since the start of the crisis

Main sources of living expenses

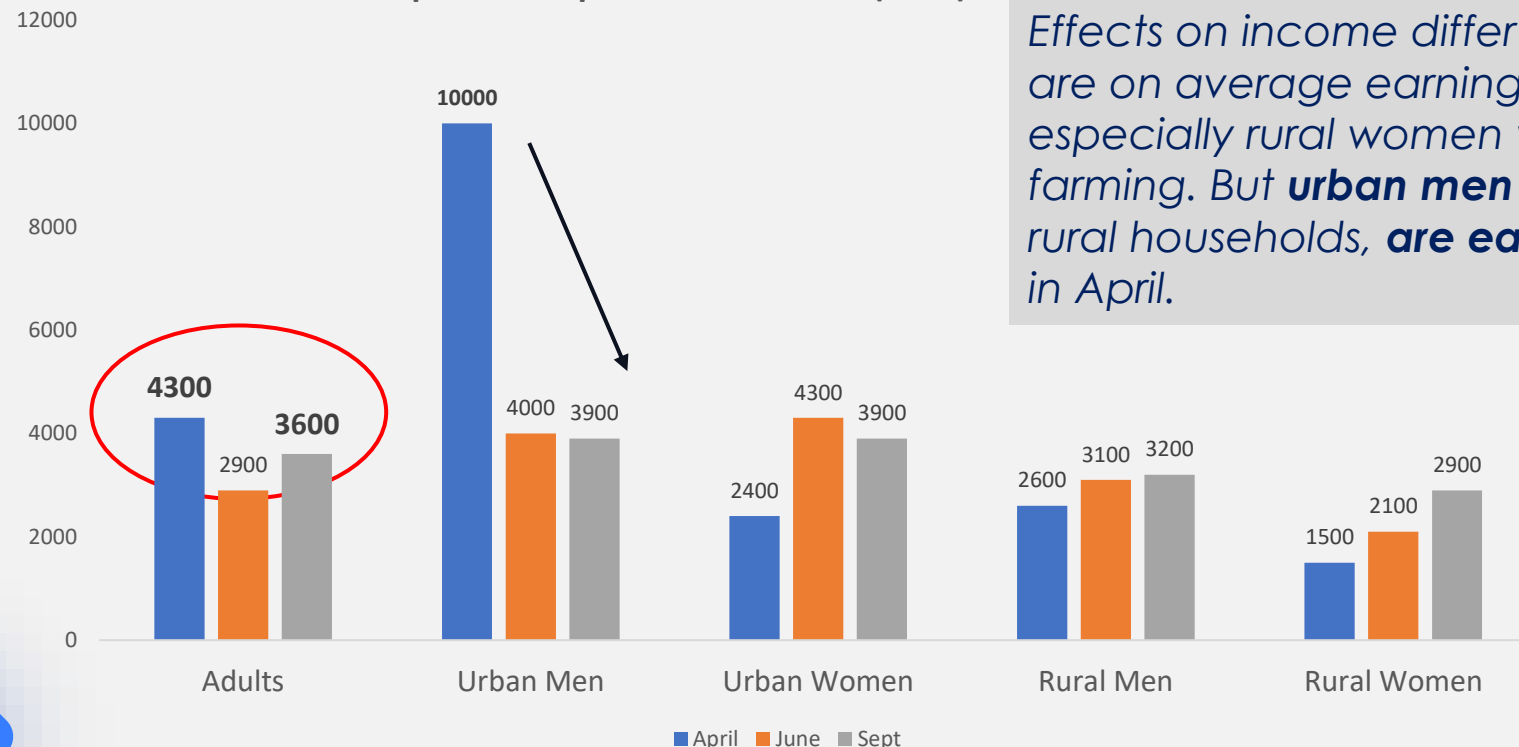


Source: FinMark Trust

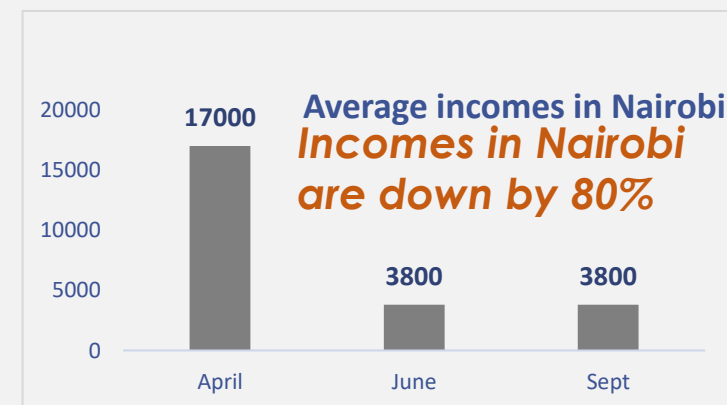
- **Self employment** has picked up in Q3; there is an increasing gulf between those profiting from new opportunities, and those who resort to survivalist occupations such as hawking
- **Many more people are relying on farming for a living**
- **Casual labour has NOT seen a substantive shift:** with the economy still in depression, casual work is often not available

But average incomes remained lower than pre-COVID levels

Amount earned in the past week per income earner (KShs)



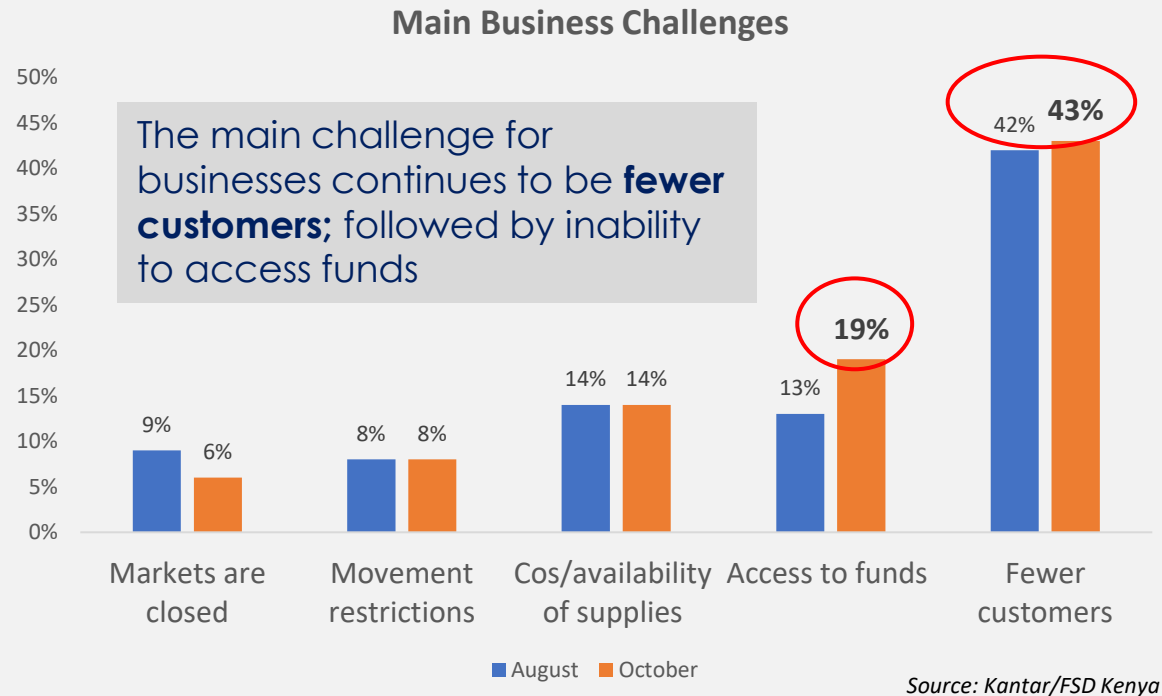
Effects on income differ with gender and residence: Women are on average earning more than they were in April, especially rural women which may relate to an increase in farming. But **urban men** who are a mainstay of urban and rural households, **are earning less than half** of what they were in April.



Source: FinMark Trust

More working adults are competing for a smaller slice of the pie, indicating a 'race to the bottom' in labour markets. Pressure on jobs is particularly acute in Nairobi, and urban men are especially hard hit.

Businesses continue to face a squeeze in demand, dampening prospects for recovery



Despite the fact that more people are working, lower wages, depleted safety nets and ongoing liabilities, mean that this is not yet translating into increased demand for goods and services, dampening recovery in the business sector

65% of business owners have had to **liquidate business assets** or stock to meet their daily needs

- **Substantial drop in sales**
- **Closure/downgrading of business:** e.g. from stall to hawking
- **Supply shortages and increased cost:** Some sectors affected more (e.g. agri-traders reliant on cross-county or cross-border supplies)
- **Sale of business assets:** - e.g sewing machinery
- **Changes in employment terms** - moving from daily wage to commission; replacement of employees with household members
- **Compliance postponement**
- **Pausing/reduced SACCO and chama contributions**
- **Holding savings in cash**
- **Adoption of E-commerce**
- **Opening outlets outside Nairobi**
- **Uncertainty**

Some businesses have managed to adapt; those with access to capital and connections are finding new investment opportunities in the 'crisis economy'

New product offering using existing skills

Rose, 38, makes uniforms and baby and children's wear in Gikomba market, started making and selling face masks

“ We started making masks; it was good business and I would make 2-3k profit in a day. When I started doing masks I posted on my Facebook page and I got orders; I had so many customers, hawkers would come and buy in bulk; I had orders from as far as Mombasa and other counties. Business was good until the scandal about Covid funds was exposed. People suddenly stopped using masks since the corruption allegations were made

New product offering, new skills

Gerald, 30, operates a barber shop in Gikomba, started selling shoes because it does not require close contact

“ Due to restriction on movement and the social distance, barbershops have been hit hard and so I decided to start a side hustle that did not involve close contact - selling plastic shoes; I used my savings to buy the shoes and that is how I have been coping with effects of Covid

New digital marketing channels

Elias, 38, owns an electronics store, started advertising online to reach more customers

“ The online advertisements through Facebook, 'Pigia Me' and 'Jiji online' have been working well for us during this time as we are able to get customers who need our services. We just take a photo and post then wait for customers. Before Covid 19 we were not so much into the online marketing but now we have been pushed to do it more. So this has been our way of coping with Covid19 as a business

New service offering

Joe, 33, owns an electronics store, got a motorcycle from his mom and uses this to operate a pickup and delivery service for phone repairs

“ When Covid 19 came, it was difficult for customers to come because maybe they don't have the time or maybe due to fear. I thought since I have the ability to repair that phone I need to look for a way to reach such customers. So I started a pickup and delivery service for the phones...it is something new I am trying to venture into and see if it will work for me

As informal credit markets weaken, people are turning to digital loans, often as a way to cope with falling incomes

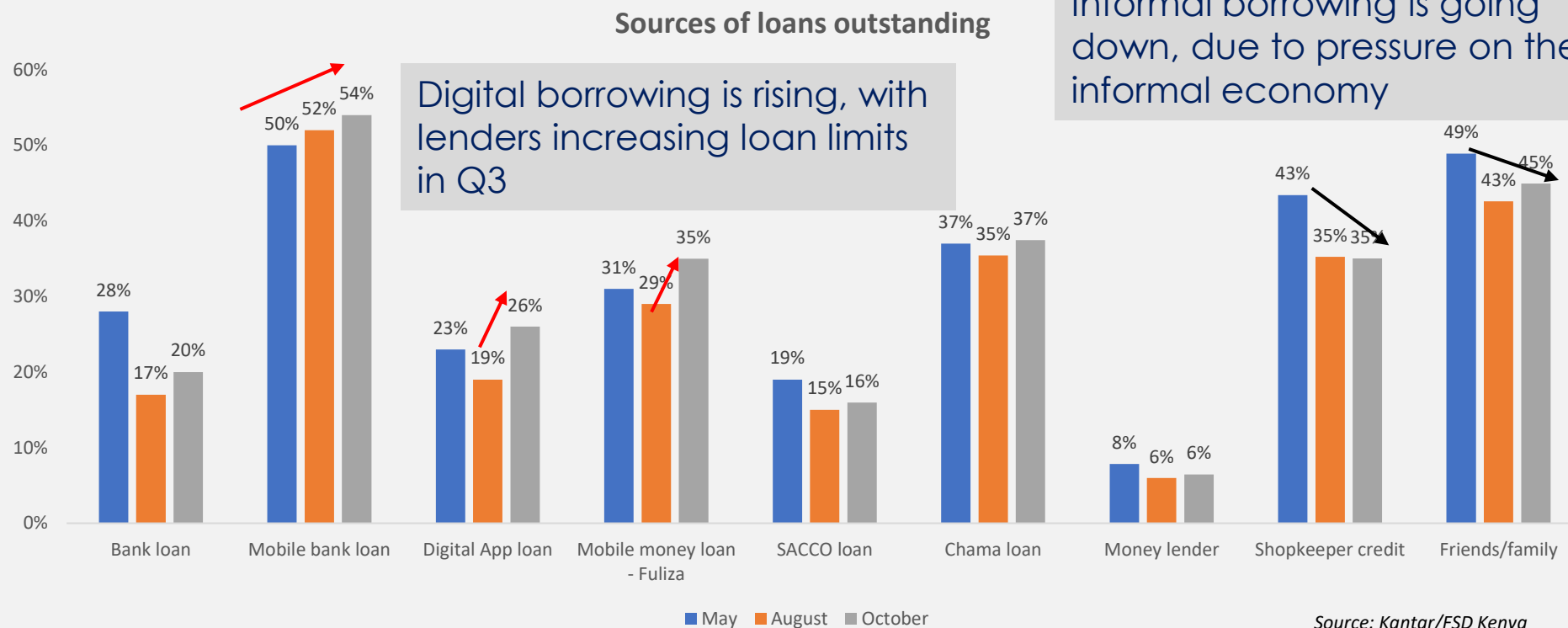
Over **70%** of adults have loans outstanding

40% have borrowed in the 'past two weeks'

80% have missed a loan payment or paid less in the past month

Nearly **60%** of those with lower incomes mention borrowing as a coping strategy

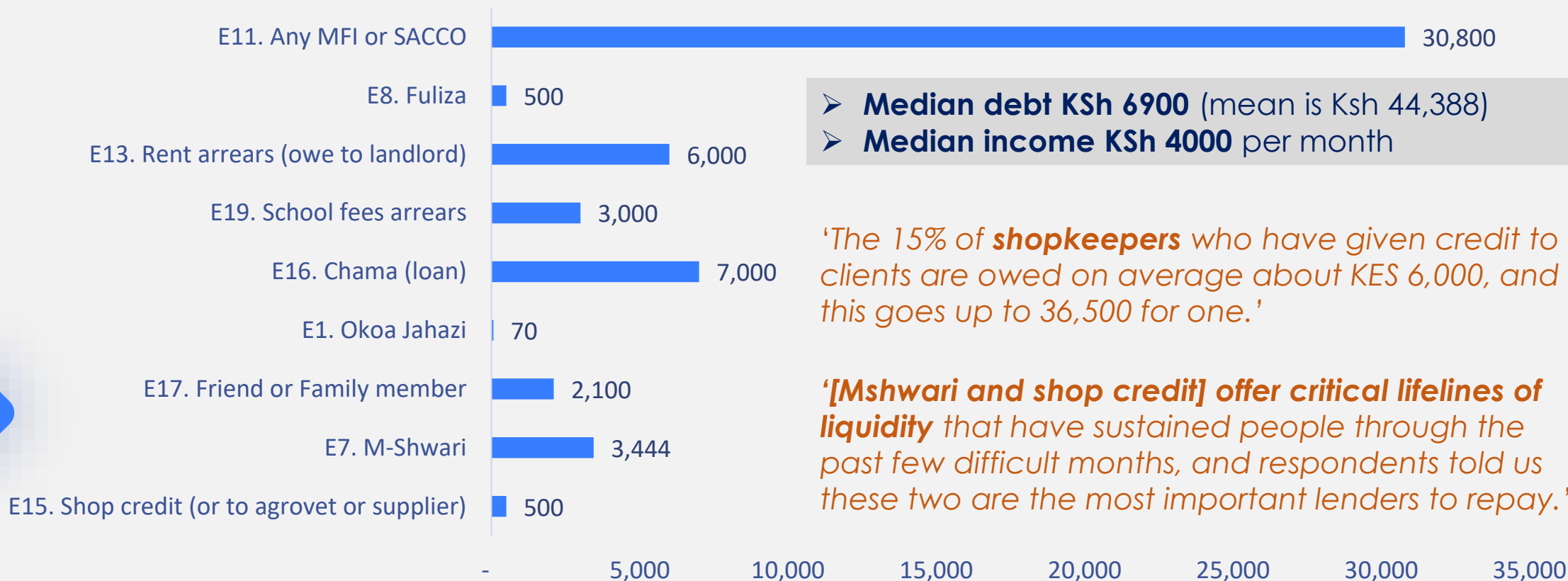
Source: Kantar/FSD Kenya



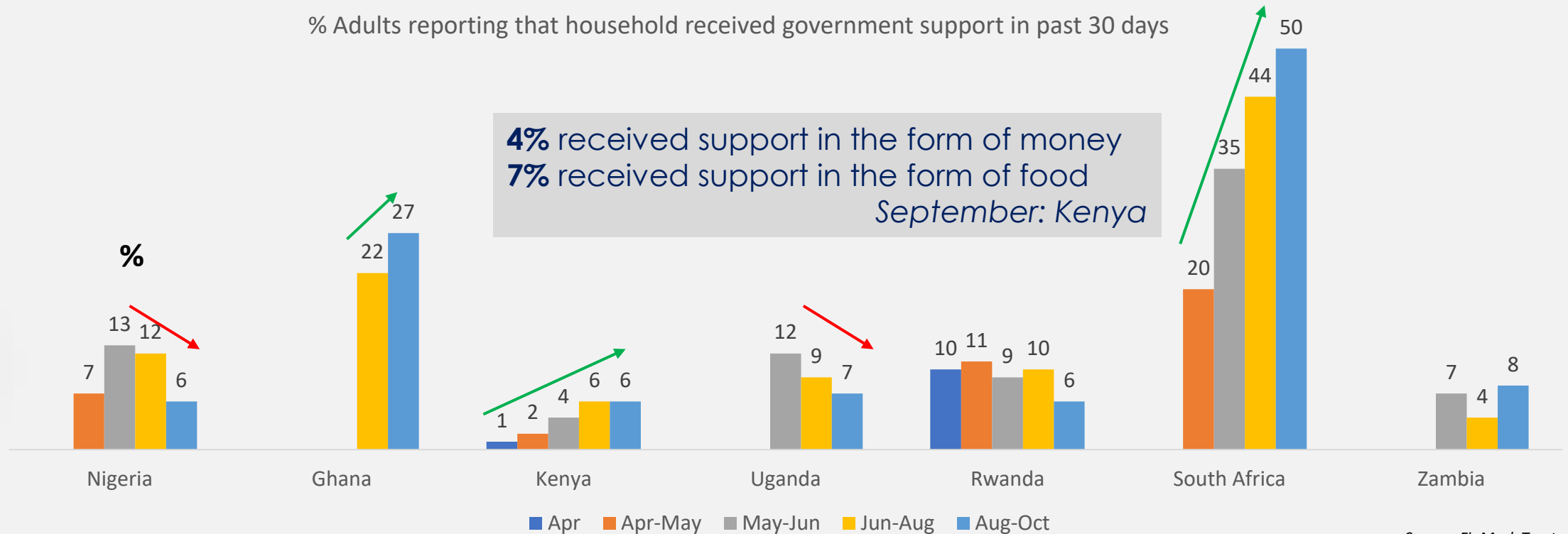
Mobile banking loans continue to be the most prevalent, but **digital app loans** (branch, tala etc.) and mobile money loans (fuliza) have seen a **steeper uptake in the last quarter**. Lenders have increased loan limits, but are halving their portfolios, funneling credit to the more 'creditworthy' and fueling the divergence we are seeing. At the same time, higher income, more credit worthy individuals are under increasing pressure from social networks, which will put these liabilities at risk.

Diaries data shows that larger sources of debt come from SACCOs/ MFIs, chamas and rent arrears (COVID-19 Diaries)

Median value loans outstanding for credit sources with >10% usage (KSh)

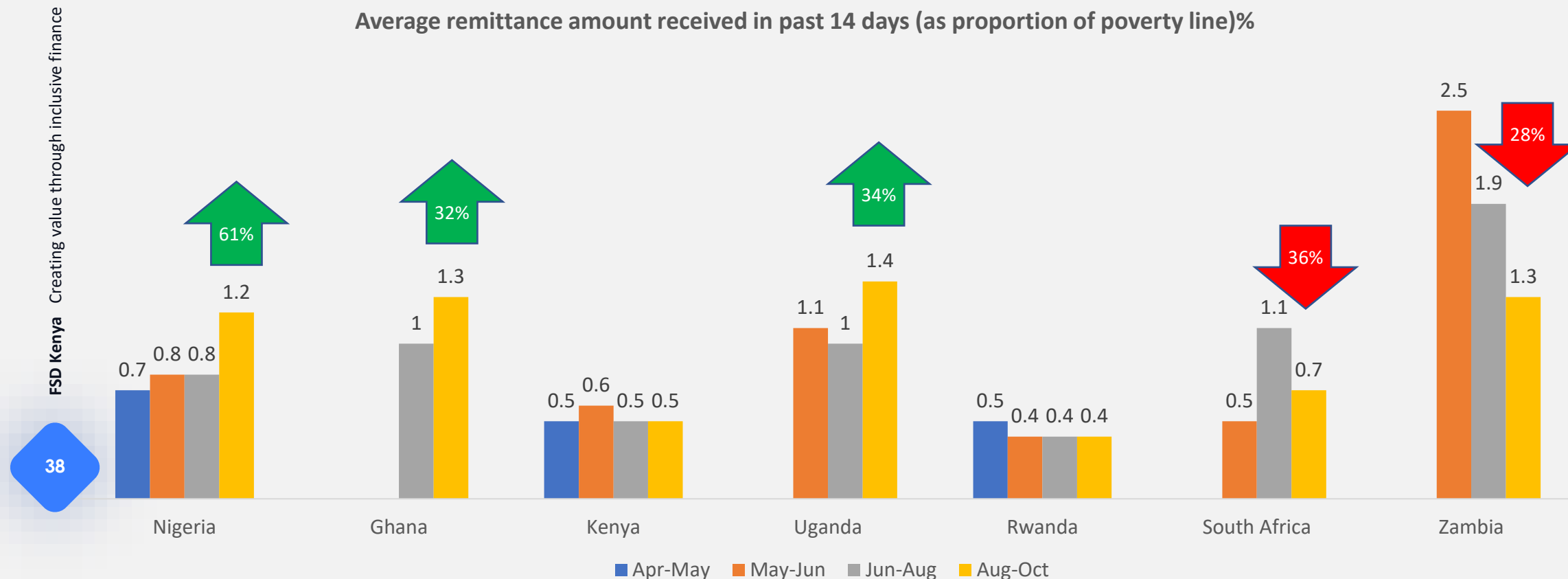


Kenya has relatively low proportion of households receiving government support compared with other countries in Africa, but this is increasing slightly in Q3



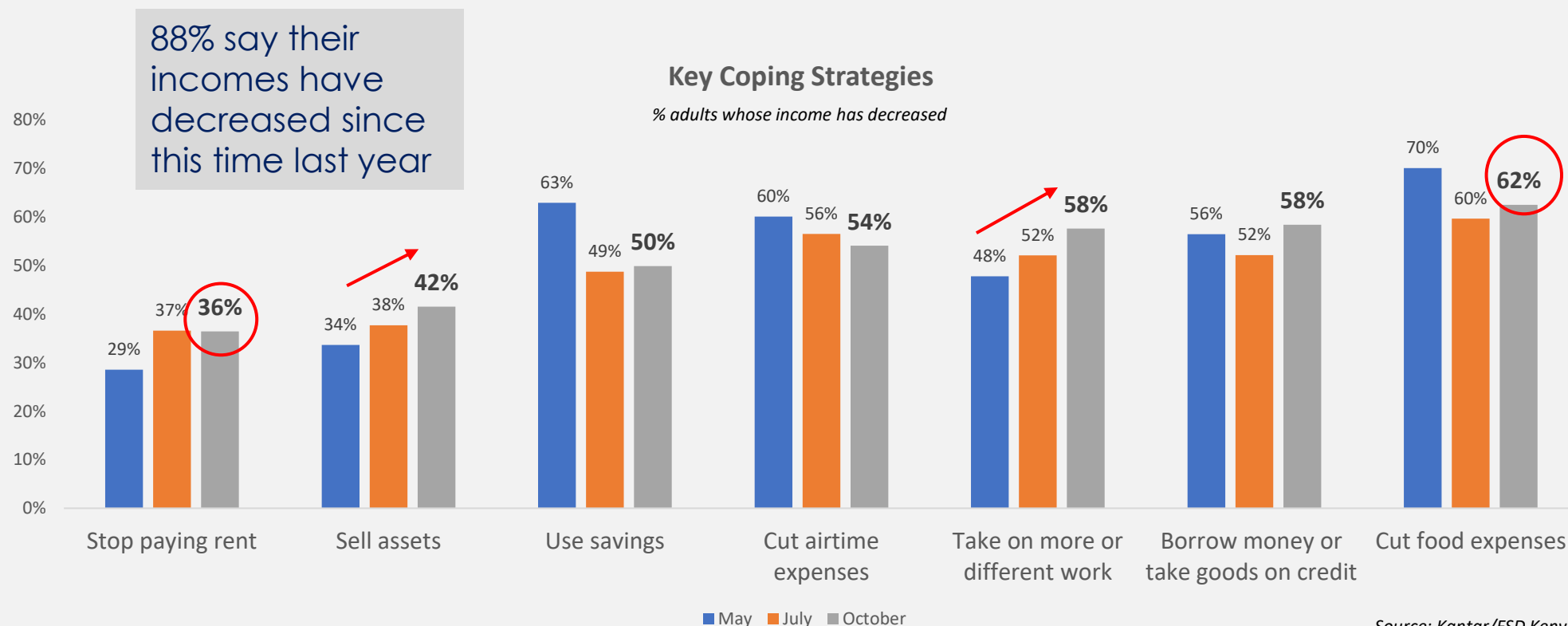
Source: FinMark Trust

Kenyan households receive with relatively low levels of remittances compared with other countries



Question: What is the total value of money and goods, in (local currency), received by you or anyone in your household from people outside your household in the past 14 days?

With relatively low levels of remittances and safety nets, how are people coping with decreased incomes?

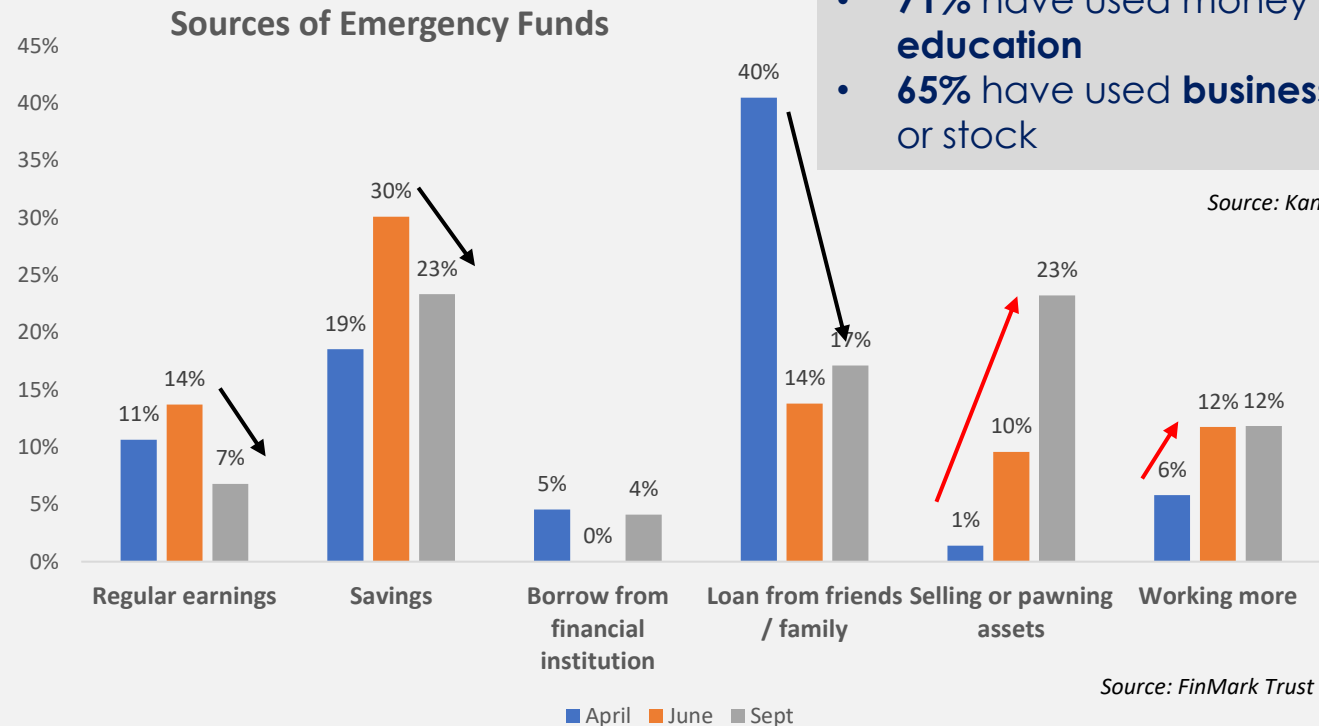
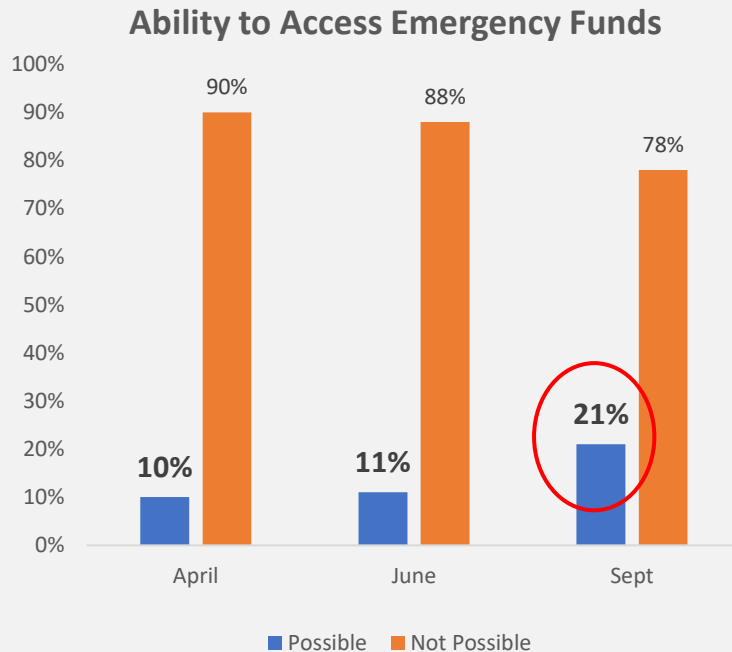


Source: Kantar/FSD Kenya

For those whose incomes have decreased, **cutting food expenses** is still the most prevalent coping strategy, while over a third of those whose incomes have decreased state that they have **stopped paying rent**. Increasingly, with savings eroding, people are relying on **asset sales** and **finding more work** to cope. Nearly **60% have borrowed** to cope with income shortfalls

As key sources of resilience wear thin, people are selling assets and finding scarce work to survive

What are the long-term implications of asset depletion for households?



Have you had to sell assets to instead meet your household needs?

- **73%** have used **farming** inputs
- **71%** have used money saved for **education**
- **65%** have used **business** assets or stock

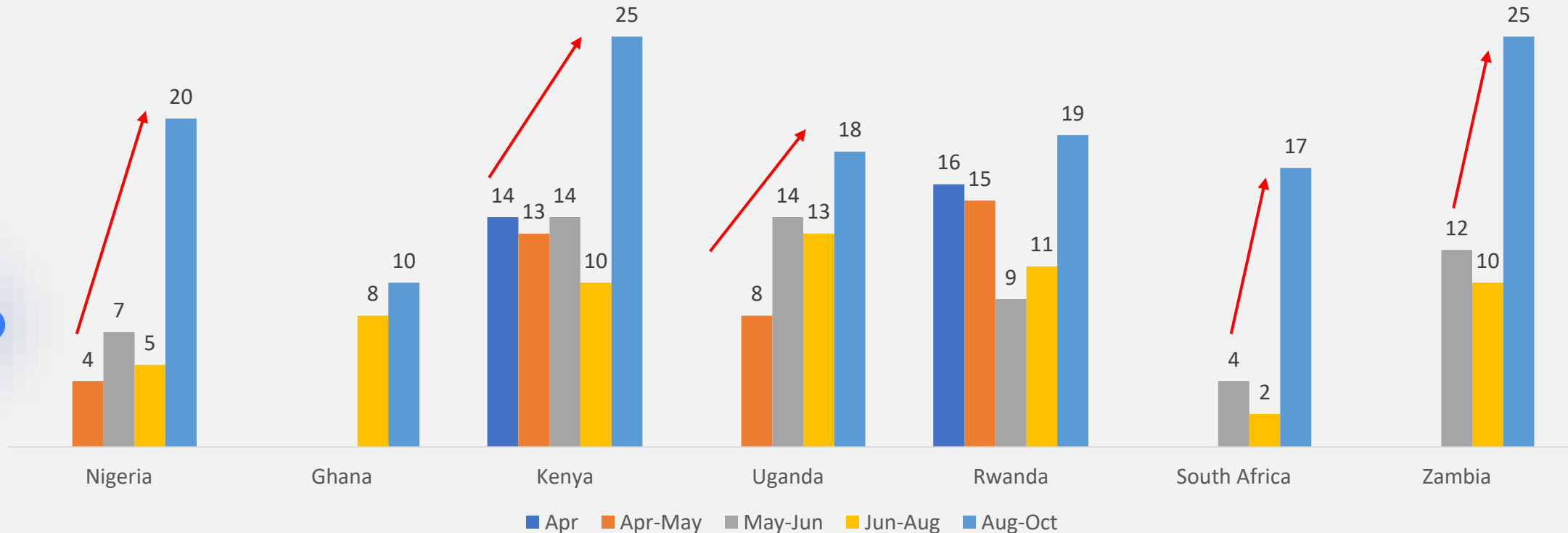
Source: Kantar/FSD Kenya

More people say they can access **emergency funds** (a key measure of resilience), but strategies to achieve this are more extreme....

....as **sources of resilience diminish** (social networks, savings, regular earnings, access to finance) people are turning to selling precious assets and finding scarce work to survive.

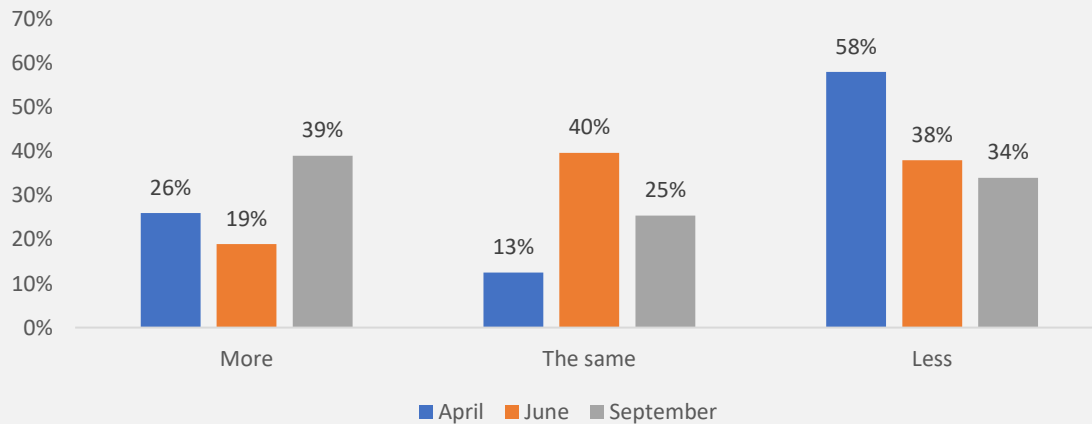
There has been a marked increase in sale of household assets across the continent, including among Kenyans

% Adults reporting sale or disposal of household assets



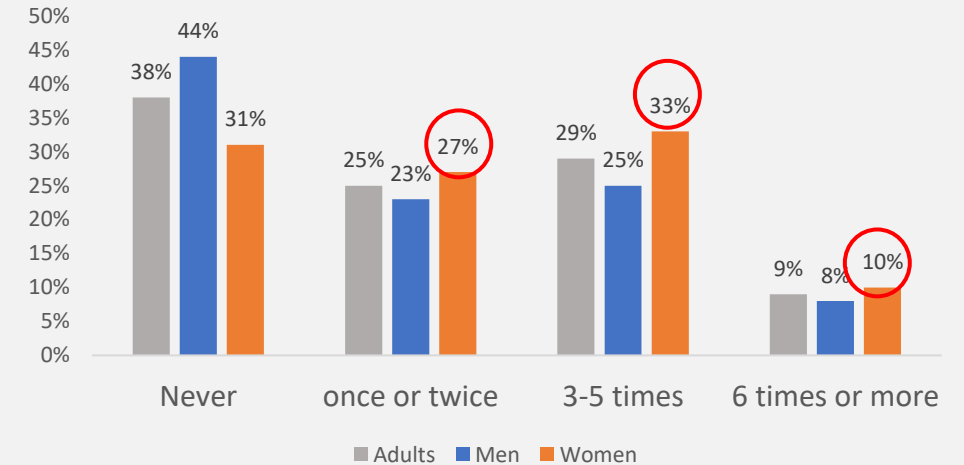
Food insecurity persists despite increased availability of food in local markets

Reported food availability in local markets compared with the same time last year



63% of households have skipped meals but nearly **65%** say that food available in local markets is the same or more compared with this time last year, suggesting that the main driver of food insecurity is lack of money

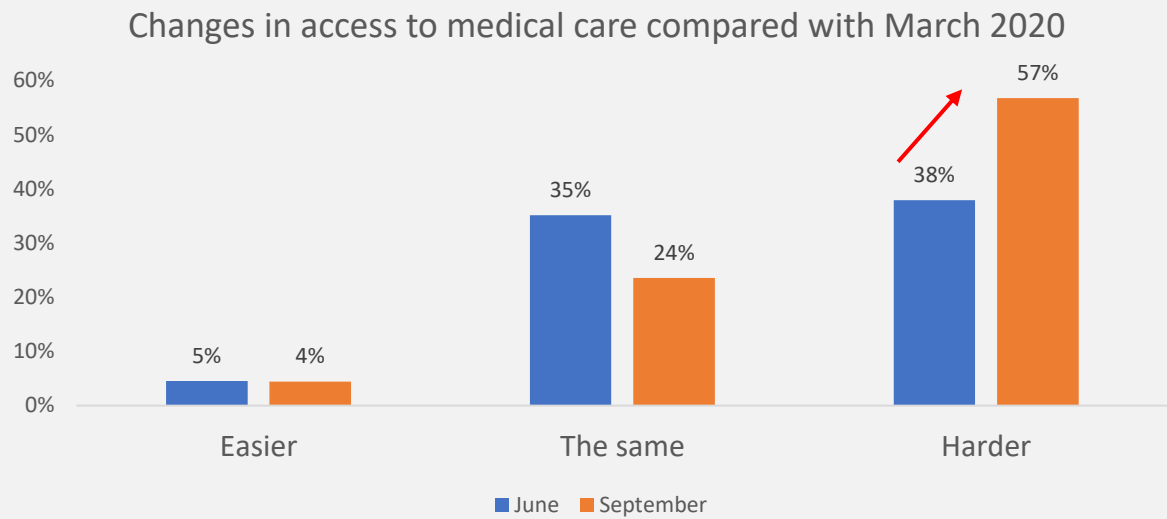
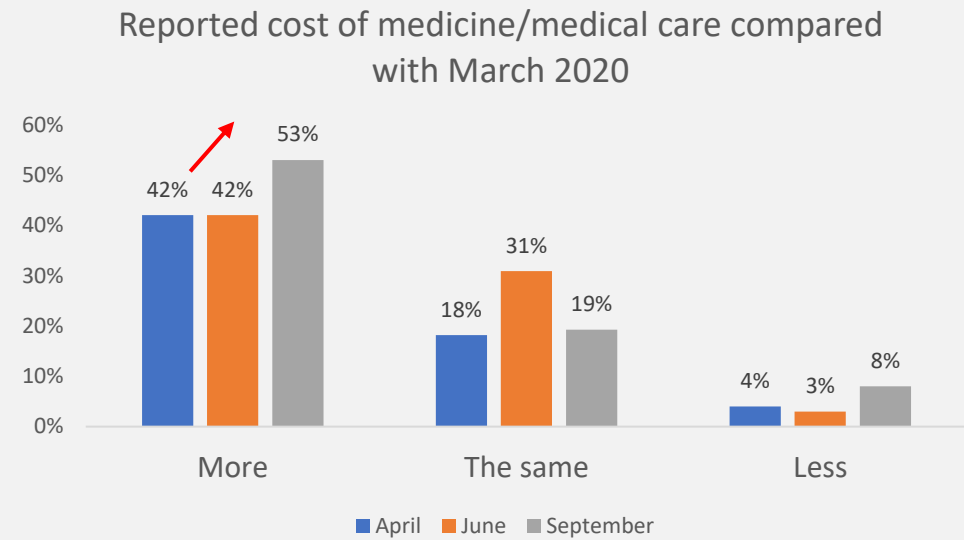
Missed Meals



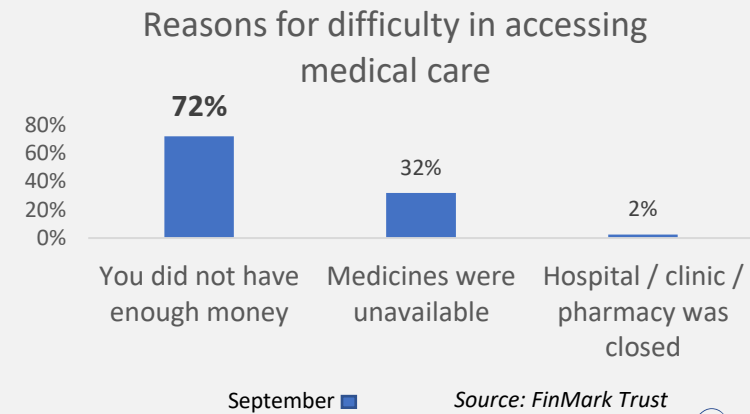
Women are more likely to report that they or their household have skipped meals; nearly **70%** of women report skipping meals in the past week compared with **56%** of men

"I pray our children get work to support us back home. The food we have won't be enough." COVID-19 Diaries

Access to medicine is getting harder, mainly due to cost and lack of funds



People are finding it harder to access medicines in quarter 3, mainly due to lack of money. Diaries data found that people were forgoing care for acute conditions. Aside from depleted incomes, this may also be related to reported high cost of medicines compared with pre-COVID levels. This suggests the need to continue to improve access to *general* healthcare as well as addressing COVID-related health care provisions. Recent diaries data finds growing evidence for prevalence of COVID-19 in local communities

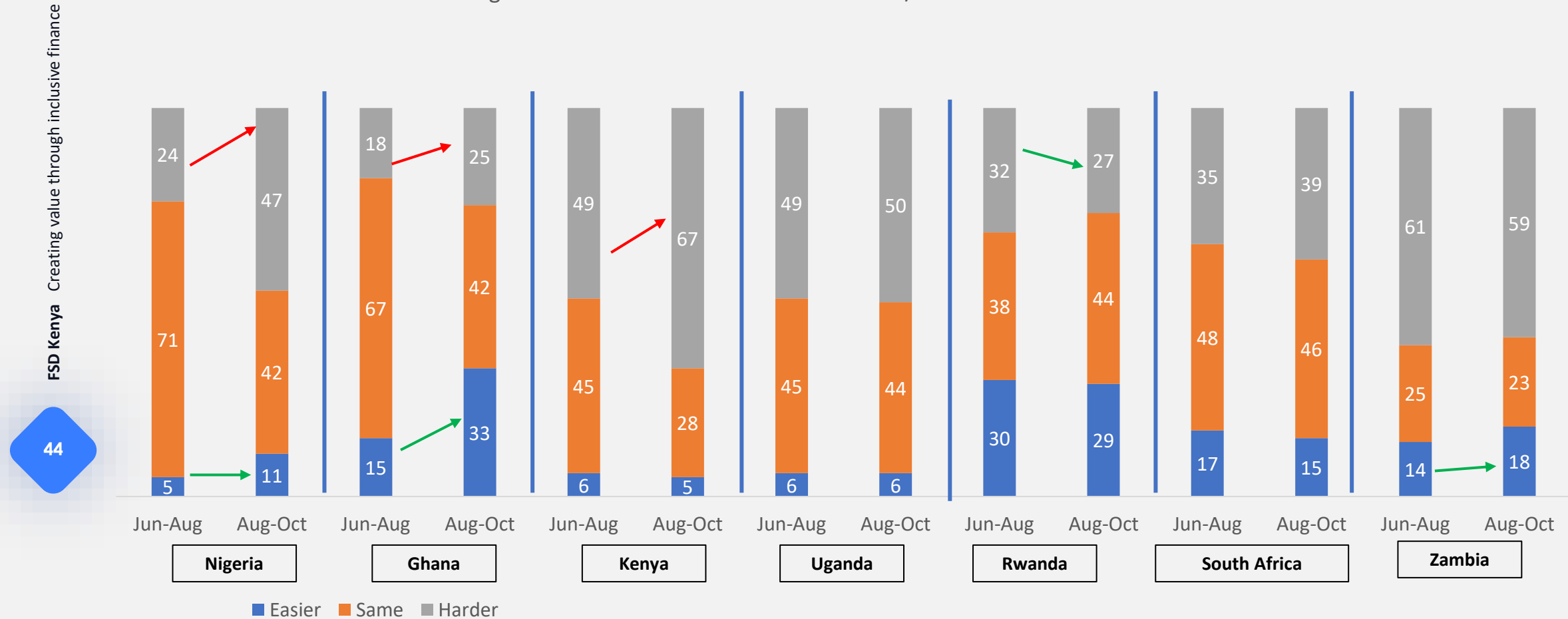


Source: FinMark Trust

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Kenya and Nigeria have seen a big jump in those who say it is harder to access medicine or medical care since March

Changes in access to medical care since March/onset of COVID-19



The interplay between economic stress and health stress creates a vicious spiral (COVID-19 Diaries)

*I needed KES 2000 to take my wife to hospital, and I need KES 7000 to settle my rent arrears. **I just don't have this money, so I haven't met these expenses.** My wife will wait while I keep speaking to the landlord asking him to wait.*

*G's wife and children contracted malaria. The kids were treated, but the wife was told she has a problem with her stomach and needs an x-ray. **That would cost KES 3000, and they don't have this.** They had gone to an NGO-run hospital, which they think is already the cheapest option. Both are trying to raise the money.*

*R has sold all his chickens. He can no longer borrow from family and friends who tell him, "sina kitu" (we have nothing). "I don't know what to do anymore. Nothing I try works."
Meanwhile, his wife has diabetes, which is deteriorating from their poor diet.*

*Respondent's daughter-in-law lost one of her infant twins in delivery. **They wanted to bring the corpse home for burial. But, they didn't have money for special transport.** They had to bury the baby in Nairobi.*

"I feel so bad about it but there was nothing we could do. Everyone we turned to said they didn't have money. If it were not for corona, we could have put the corpse in a box and just boarded a matatu like other people. But, now everything is being checked. There is no way they could not have noticed"

The burden of health care is often the straw that breaks the camel's back

Creating Value through Financial Inclusion
FSD Kenya.



Gendered impact of COVID-19

- Socio-economic impact
- Conflict and lack of safety
- Increased domestic responsibilities
- Growing economic pressure
- Recommendations

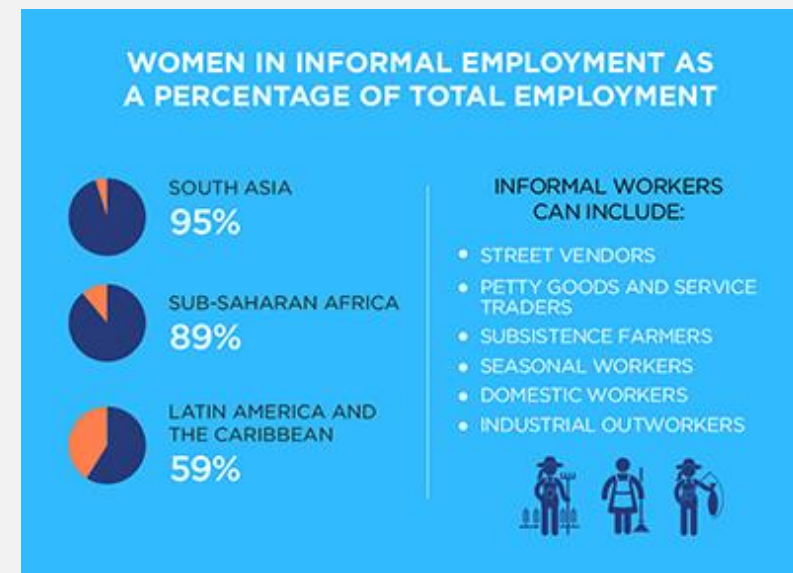
Gendered impact of COVID-19

- **Feminised sectors tend to be high-contact** economic sectors that have been subject to lockdown restrictions and with higher exposure risk such as trade, education, accommodation and food services, and healthcare.
- In many countries, Kenya included, the **first round of layoffs** has been particularly acute in sectors such as hospitality and tourism, where women are overrepresented.
- At the same time, women have **higher responsibility for household consumption** adding to their pressure to provide under COVID-19 conditions
- Women have **fewer and lower value assets**. Their assets are also more liquid and under more household consumption pressure, which means women were more likely to take a wealth hit during COVID.



Gender and Informality

- Women are **highly informal in their economic activity** which locks them into lower paying and lower productivity activities.
- Because of this, women in the informal sector are not protected through labour laws and social benefits.
- Interestingly, because of the relative resilience of the informal economy, women **have been able to keep earning through the COVID-19 crisis**.
- There was a steep rise in women earning in Q3, even compared with pre-COVID levels, likely because of **a race to the bottom in labour markets where women (who are paid less) can compete with men for scarce work**.
- BUT women in the informal sector have NOT benefitted from the bulk of COVID intervention strategies.



Source: [UN Women](#)

Women dominate informal business ownership in Kenya

Segments by gender of business owner/s

Note: The MSME survey does not include an 'Age of business owners' variable

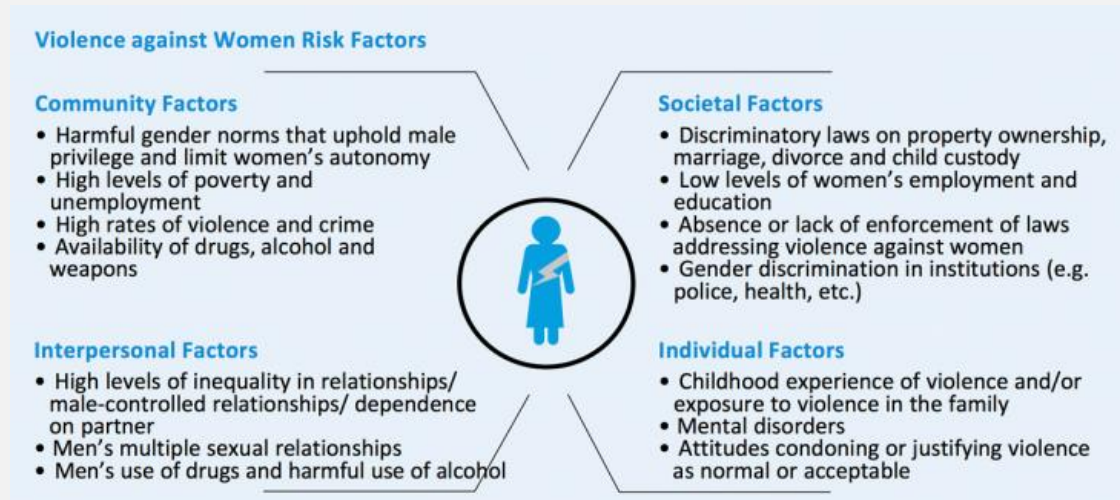
	MOSTLY INFORMAL 770,000 enterprises	IN-BETWEENS 200,000 enterprises	MOSTLY FORMAL 80,000 enterprises
Female only	65%	38%	13%
Male only	29%	47%	34%
At least one male and one female partner	4%	11%	40%
Only female partners	2%	1%	2%
Only male partners	0%	3%	10%

Source: FSD Kenya 2020

Gendered impact of COVID-19

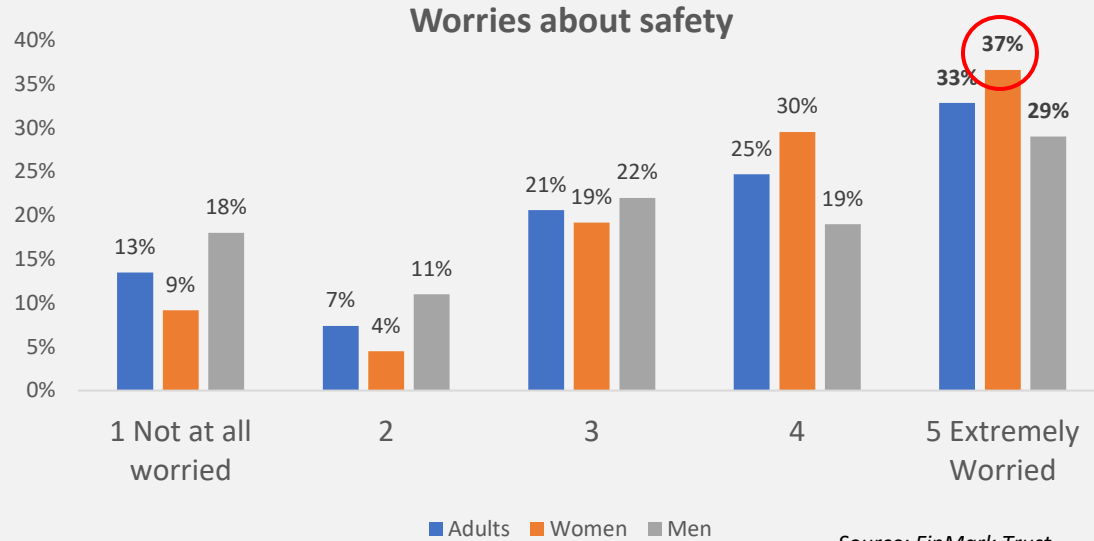
- UN Women also reports an increase in violence against women and girls including domestic violence, sexual violence, femicide, sex trafficking, sexual harassment, coercion by landlords to vacate the houses, denial of access to Gender Based Violence and reproductive health services, stigma, and attacks on health care workers.
- Despite this, there is reluctance by many survivors in Kenya to officially report violations citing fear of repeated violence.
- **Access to justice** has been a challenge for women as the court system is not operating fully.
- **Inadequate access to sanitary wear** for over 1.2 million girls has been pronounced especially in rural locations and urban informal settlements.
- Women have seen **increases in unpaid care and domestic responsibilities** due to extended school closure and cultural norms that consider children to be the responsibility of women.
- A study by **PASU** (2020), reveals that adolescents reported spending more time on **chores including cooking, cleaning, collecting water or firewood, or washing clothes**.
- Overall, **females spent more time on chores than males**; older adolescent girls reportedly spent 3.6 hours/day on average on chores.

Intersection of COVID-19 and Violence against Women and Girls

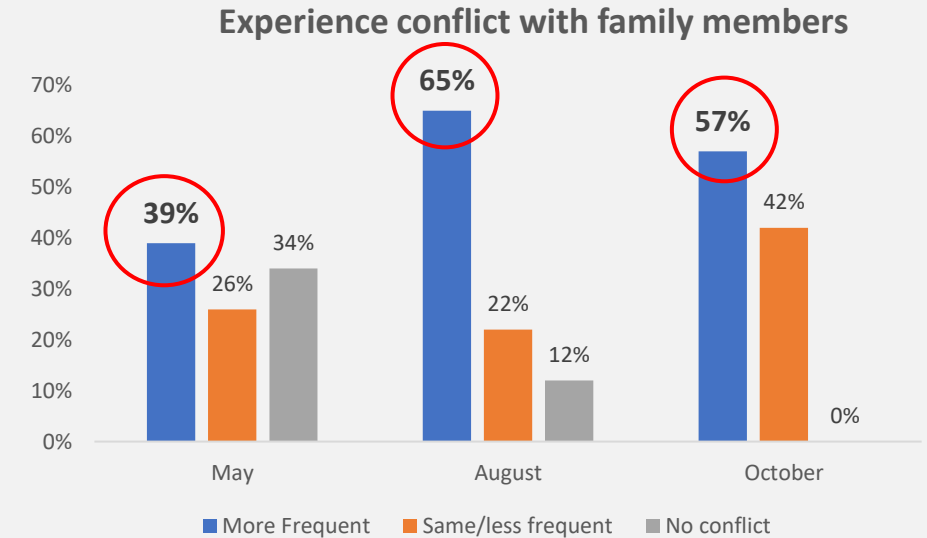


Fears over safety are 'extreme'; domestic conflict is still elevated

Over half of those who experience conflict say this involved violence



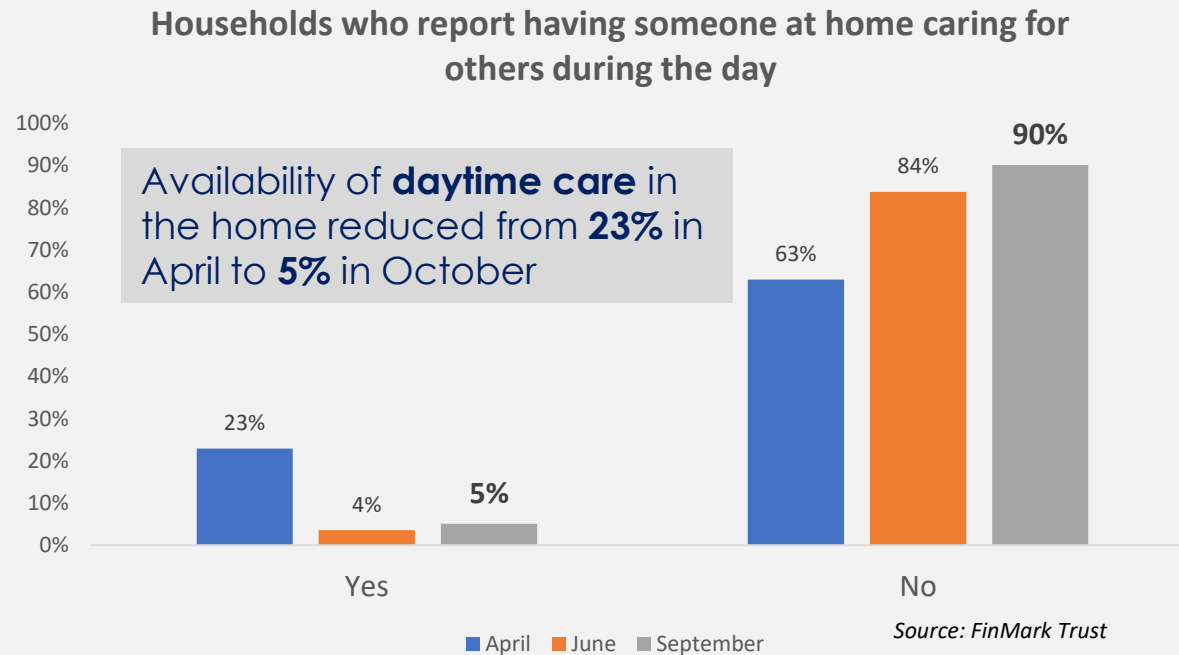
A third of adults are 'extremely' worried about the safety of themselves and their families. These fears are especially strong for women.



Conflict within the home peaked in August. This has gone down in October, but is still substantially higher than April levels. Conflict in the home is often targeted to women and girls

N's husband beat her and was arrested. When her older son intervened in the beating, he was also arrested. N bailed out her husband and expected he would get the son released, but he did not. The husband has not paid N back the KES 5000 it cost for bail. (Covid-19 Diaries)

Economic pressures (especially for women) are affecting household wellbeing



The percentage of women working has nearly doubled. Implications include increased workload for women alongside domestic responsibilities and reduced provisions for care in the home e.g. for children, many of whom are still not in school.

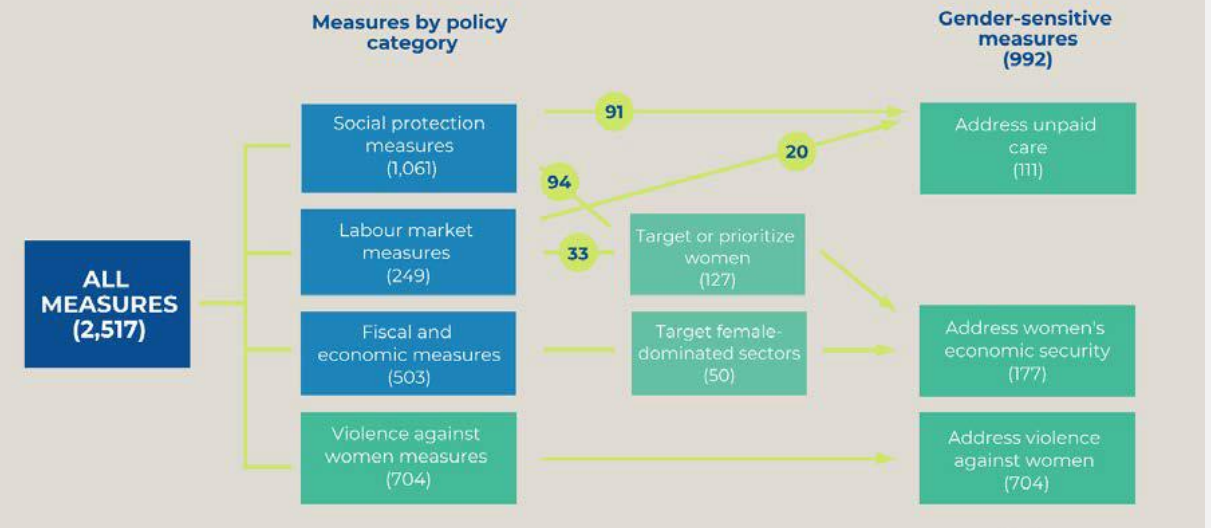
Vihenda is busy drying maize that she harvested. "My husband is not helping me with the work. You know how men behave, once they have had breakfast they leave the house." She was also struggling to repay the loan she took for farming inputs, and for months he just ignored her struggles to repay. (Covid-19 Diaries)

S was distraught on our call. Last month her husband came from Nairobi empty handed. He hadn't been supporting the family for long, and she came to learn that he had been taking casual jobs and drinking in Nairobi while neglecting them. What's more, she learned he had been taking mistresses and spending money on them while they were suffering at home. She is devastated and would like to leave and start afresh, but she is an orphan and has no place to go. (Covid-19 Diaries)

Gendered responses to COVID-19 in Kenya

- **Address violence against women:**
 - Gender-based violence hotline (1195): Staffed 24 hours a day by trained counselors; call volume is four times than pre-COVID (Oct 2020)
 - The President ordered an investigation into rising reports of violence against women and girls – including rape, domestic violence, female genital mutilation and child marriage as a result of COVID-19 restrictions.
- **Address women's economic security:**
 - The National Safety Net Programme prioritizes giving cash to women in beneficiary households.
 - Launch of the Gender Sector Statistics Plan (GSSP)
- **No evidence of measures in the following areas:**
 - Unpaid care
 - Labour market and jobs: *Kazi Mtaani* is not explicitly gendered
 - Focus on feminised sectors: Not clear what targeting was used in relief to tourism sector for example
 - Fiscal measures: Not clear if a percentage of funds in MSME Credit Guarantee Scheme will be earmarked for women

Figure 1. Structure of the global COVID-19 gender response database



Source: [UNDP](#)

Gendered Impact of COVID-19

COVID-19 impact on Women

- Women are concentrated in **high-contact economic sectors** and activities subject to high exposure risk, and lockdown, layoffs and/or restrictions such as: health (frontline workers such as nurses); wholesale/retail trade; education; hospitality/restaurant (food kiosks, catering, event management)
- Women are **highly informal** in their economic engagement: [60.7%](#) of unlicensed establishments are solely female-owned and therefore more economically vulnerable
- **Informal finance impact:** There was a period when informal finance groups were unable to meet and make decisions due to social distancing rules; women are the majority users of [informal groups](#)
- **Lower asset base:** Women have a lower and more liquid asset base that is also under more household consumption pressure which means women were more likely to take a wealth hit during COVID.
- **Increased domestic responsibilities:** Children home from school are considered the responsibility of women who face increased costs linked to children being home; less time/energy to focus on livelihood activities
- **Increase in violence against women and girls:** Increases in physical, sexual, economic, mental and emotional abuse
- **Unintended pregnancy for girls and older women:** Pulls them out of their educational paths and workforce

Limitations of COVID-19 Policy Reach to Women

- **Fiscal response:** Women businesses are largely informal and thus outside the tax net and therefore cannot benefit from tax incentives
- **Monetary policy response:** Limited effect of reduction in interest rates because only 5% of MSMEs (of which the informal are dominated by women) get financing from banks/MFIs
- **Liquidity/Relief targeting:** Women are dominant in the informal sector which has limited visibility in terms of data; MSMEs already above the radar (with regards to licensing, level of formalisation, credit history etc.) will be easier to target and finance which risks locking out women and may lead to favouring male-run MSMEs
- **Limited gender-sensitive policy responses:** The UNDP and UN Women's COVID-19 Global Gender Response Tracker found that in Africa, in terms of social protection and labour market measures, only 16% are gender-sensitive and only 2% address unpaid care; only 19% aimed to strengthen women's economic security by channelling resources to feminised sectors.

Recommendations to address the gendered impact of COVID-19

- **Fund allocation:** Structure fund allocation with amounts earmarked for women and feminised sectors.
- **Data:** Generate gender-disaggregated data on COVID; implement the Gender Sector Statistics Plan.
- **Shelter and safe houses:** Ensure women and girls who are survivors of abuse and violence have access to safe and alternative shelter and temporary accommodation that offers protection.
- **Medical care and treatment:** Ensure that survivors of abuse access medical treatment at all government facilities for free as part of a GBV referral network to ensure uninterrupted access of emergency services for survivors.
- **Legal aid provision:** Ensure Provision of free legal aid and representation for GBV survivors in all counties and that access to justice for survivors of violence is prioritised by the courts.
- **Address child pregnancies:** Provide clear direction on how pregnant women and girls should continue safely accessing their natal care and seek out assisted deliveries to avert child and mortality rates during this pandemic, institute Second Chance programmes for girls to go back to school post-pregnancy or dropout.
- **Cash transfer, food distribution and sanitary towels:** Provision of cash to vulnerable households to ease economic stress should prioritise females, persons with disabilities and children headed households as they face exacerbated vulnerability.
- **Access to water:** Installation and supply of WASH resources to promote hygiene especially the informal settlements must consider safety and protection concerns for women and girls. Safe locations should be mapped and which are accessible to all especially to older women, women and girls with disabilities, to reduce risk of GBV in accessing these facilities.

Source: Advisory note to protect women and girls from violence during the COVID-19 pandemic, Consortium of Women Rights Organizations of Kenya



Impact of COVID on Education

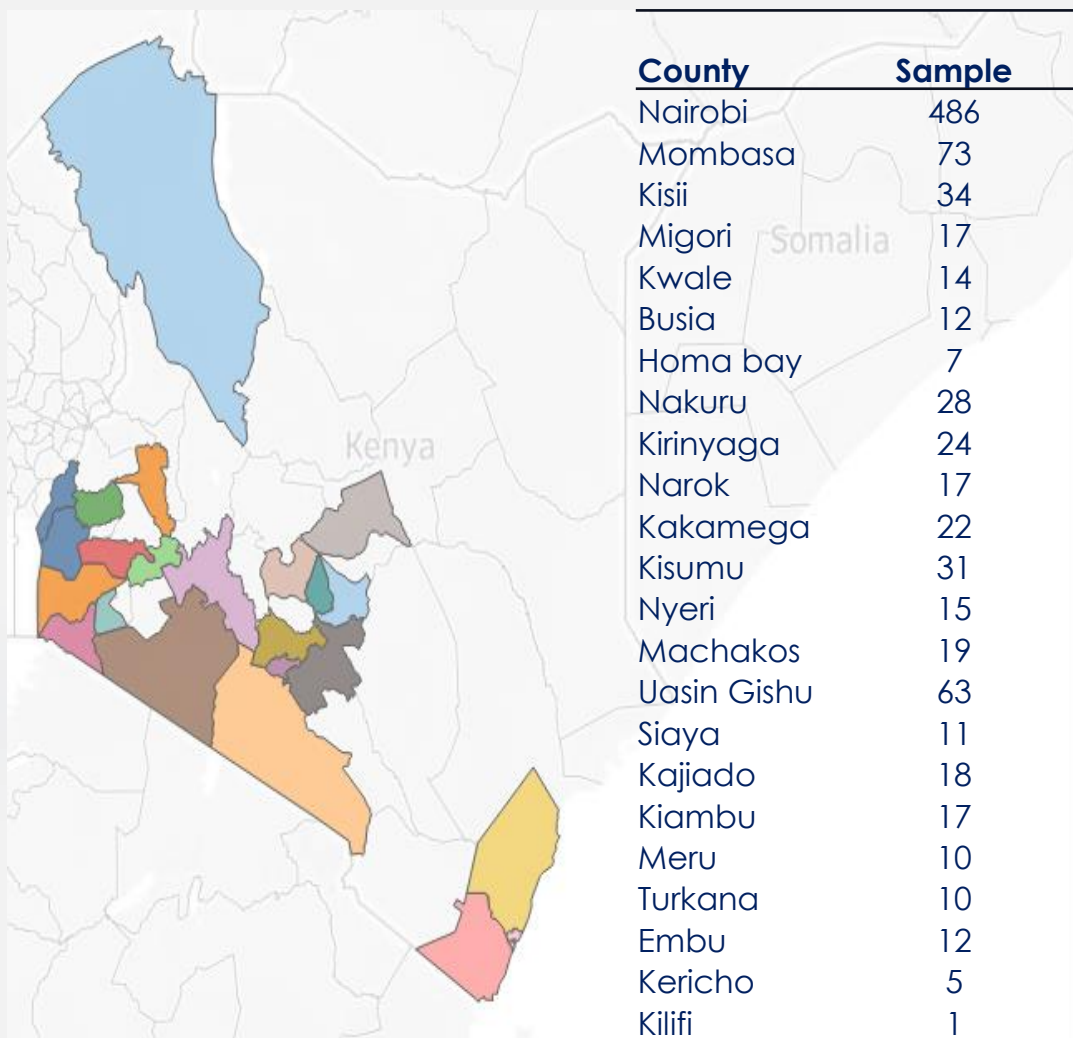
- Findings of research on low-cost schools
- Impact of the closure of schools on girls
- The reality of schools re-opening
- Recommendations

Education: Focus on low-cost schools

- Official estimates reveal that over 60% of education in Nairobi happens in the low-cost private schools located in informal settlements. This indicates the important role low-cost schools play in providing education especially in urbanised centres in the country.
- To better understand the impact of COVID on these schools, we conducted research on low-cost schools. The definition of a **low-cost private school** in our research is:
 - A non-public school that charges a fee of not more than KES 30,000 annually per child.
 - The school is not a member of Kenya Private Schools Association.
 - A school identified by the owner as non-formal, complementary, low cost private, alternative school, or Alternative Provision Basic Education and Training (APBET) centre
- The **development of low-cost private schools** is driven by:
 - **Limited space in public schools** due to increasing numbers of children in need of admission.
 - **Lack of public schools in certain areas** especially informal settlements in urban areas. This affects informal settlement areas where the limited schools can't absorb the high numbers of children in need of admission
 - **Perceived and real quality concerns** in the existing public schools



Low-Cost Schools: Profile of Counties and Participants reached



PROFILE OF RESEARCH PARTICIPANTS

OWNERS/HEADS

- 946 interviews across 23 counties
- 58% of the interviewees were owners, 38% heads and 2% other managerial roles

TEACHERS

- 302 interviews across 3 counties (Nairobi, Kisii and Busia)

PARENTS

- 324 interviews in 3 counties (Nairobi, Kisii and Busia)
- 15 schools visited

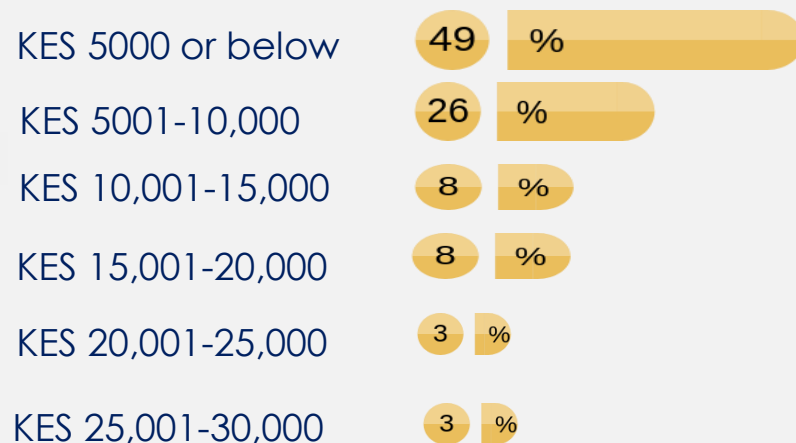
FINANCIAL PROVIDERS

- 2 financial service providers with a track record in financing MSMEs

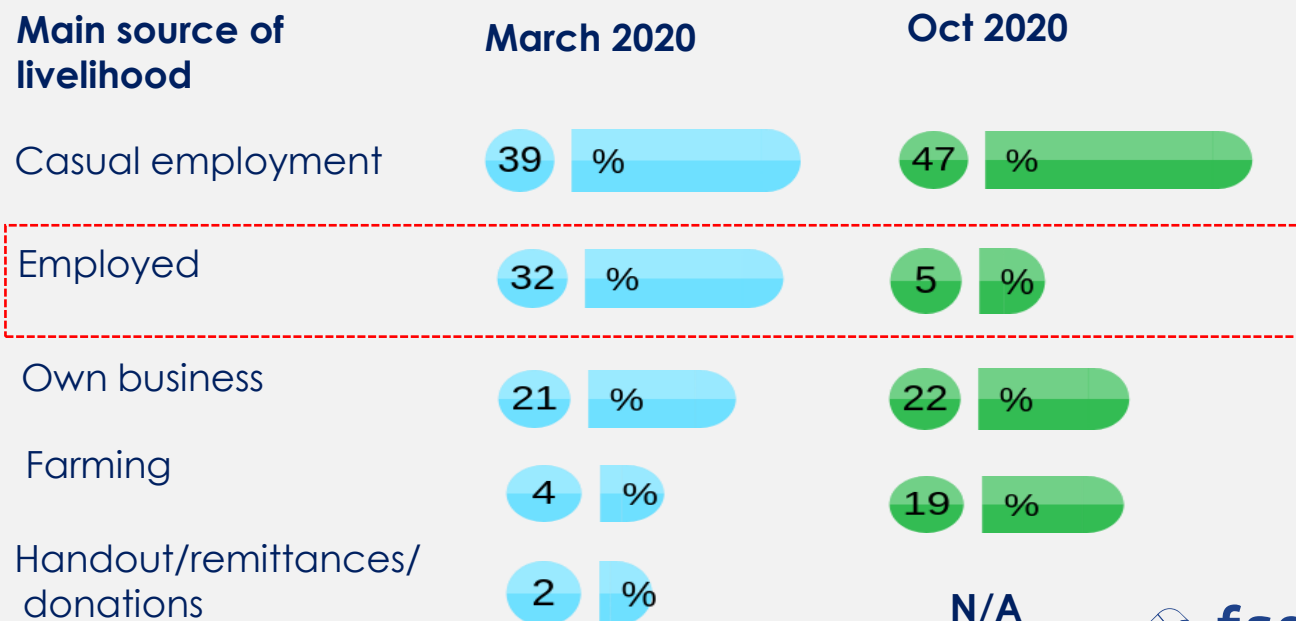
Low-Cost Schools: Profile of households

- 75% of the households that use low-cost schools recorded a monthly income of KShs 10,000 or less in Nov 2020
- Almost 50% of the households live on a monthly income of KShs 5,000 or less
- Only 22% of the households live on an income of over KShs 10,000 per month
- Since COVID started the proportion of the households with an employed member has reduced to 5%
- There has been an increase in households dependent on agriculture and casual employment

Monthly household income (Nov 2020)



Main source of livelihood




Low-Cost Schools: Profile of Schools

- 95% of low-cost schools **finance their operations from school fees**
- This poses a challenge to schools given the significant reduced income earning capacity of parents/guardians


"Here in Kibera the challenge that we have is if you send children home for school fees, they do not come back the next term, they go to other schools." (school owner)

Profile of schools surveyed


Student population

	Less than 200 students	47%
	201-400 students	40%
	400+students	13%






Type of School

	Day school only	93%
	Day and Boarding school	7%

Premises

	Fully rented	46%
	Owned /family owned	40%
	Part owned/ part rented	10%

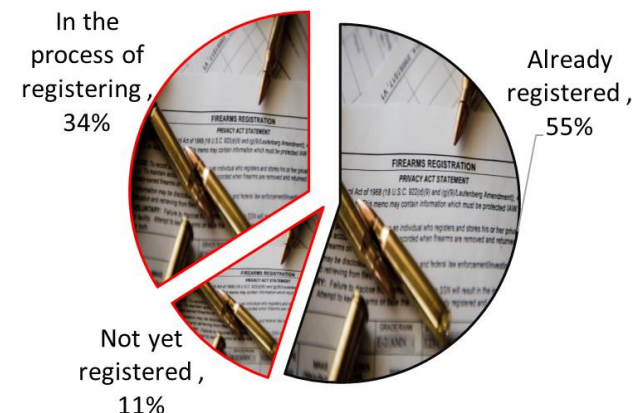
School ownership

	An individual female	31%
	A group e.g. CBO or church	24%
	An individual male	21%
	Partners: Mixture of females & males	11%
	Family business	9%

Average number of Teachers

Micro Schools (Less than 200 Students)	8
Small Schools (200 - 400 Students)	13
Medium and large Schools (400+ Students)	21

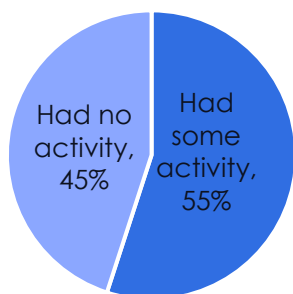
Registration status



Education: Impact of COVID on low-cost schools

Learning during COVID-19

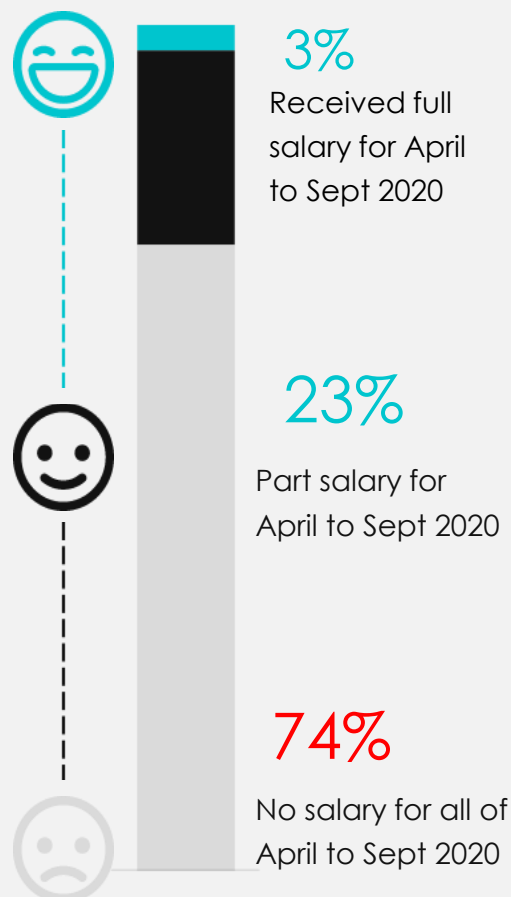
Learning activities when schools were closed



Learning activity consisted mainly of sending questions to students on **WhatsApp and SMS**

Educational support activities have been put on hold due to COVID such as feeding programs; distributing sanitary towels; psychosocial support; fostering; and sensitization campaigns

Teachers who received salaries April-Sept 2020



School reopening

Only **2%** of the sample indicated they will NOT reopen

Number of teachers expected to resume

- Owners estimate that **86% of their teachers will resume**
- They will hire replacements or increase workload to cope with the deficit

Number of students expected to resume

- Of schools that will reopen, **6 in every 10 schools will have less students** than they had when they closed
- 72% indicate this is because households have moved to another location/outside this catchment
- 40% state it is because parents are unable to pay school fees

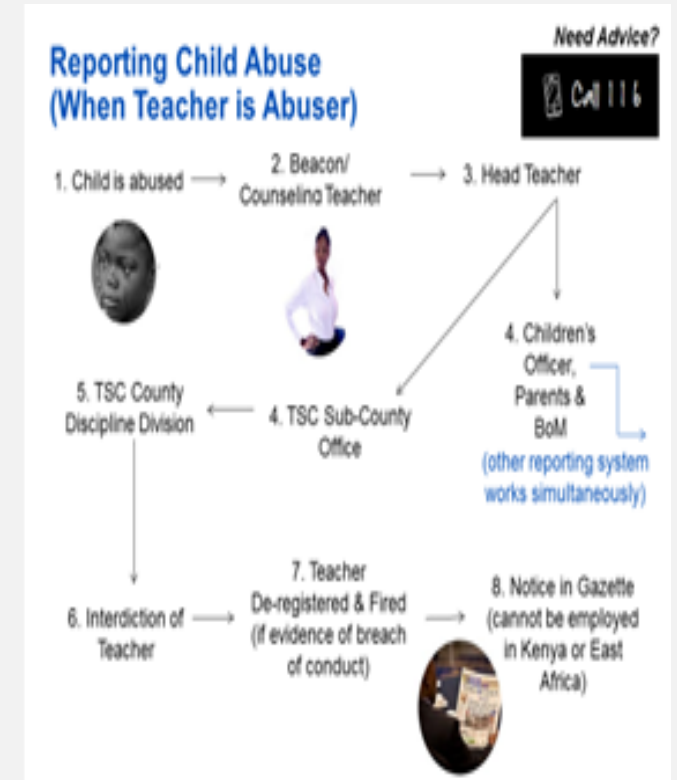
Financial and non-financial concerns and expectations

- 88% of schools are concerned with financial issues on re-opening
- 57% of low-cost schools will require financial support
- **47% expect government support**
- The main area of non-financial worry is COVID-19 management protocols (38%)

Impact of closure of schools on girls

- Due to school closure, girls from low-income homes no longer have access to **school meal programmes** or the provision of **sanitary products** through schools.
- Girls are also unable to report cases of child abuse as these reporting services are often domiciled in school.
- For girls who are victims of sexual and physical abuse, school closure means:
 - Extended periods of stay in an **abusive domestic spaces with limited freedom of movement** which provides long-term exposure to physical abusers and sexual predators
 - **Inability to access the beacon system** to report abuse and seek redress

Lack of access to the Beacon Movement in addressing child abuse



Source: CREAM Kenya

In Nairobi, J's daughter in Form 3 became pregnant during COVID. J is so worried about her future, particularly given all the sacrifices she made to get her through secondary school. The daughter was considering a DIY abortion.

A village elder told us she is very worried about the young people "idle" for so long. She said she has had several cases of school-aged girls getting pregnant during the crisis and hoped the schools would open soon, at least in rural areas "where there is no corona."

Source: COVID-19 Dairies

School re-opening: Concerns for School Owners and Managers

- The main concern for school owners and managers is the **inability of parents to pay fees** because:
 - The proportion of households with an employed member was reduced with the pandemic. There has been an increase in those dependent on agriculture and casual employment
 - Most households report a **reduction in monthly income**; 83% of the households have more debt than before COVID
- **Reducing fees is not considered viable** although there is the possibility of allowing smaller staggered payments
- Reopening schools presents significant financial demands for meeting the safety needs and funding normal operations
- With parents' inability to pay fees, more than half of the schools (57%) indicate they will require financial assistance. 47% of these schools would like the government to help.
- **Owners cannot afford to borrow to meet operational costs** because they are not assured of income (collection of fees) to service loans



School re-opening: Concerns for Teachers

- Teachers' greatest concern is **safety and the ability of students to catch up**.
- They generally feel that the government should offer some support
- Financial health of teachers:** 8 out of 10 teachers have accumulated more debt; 85% indicate their incomes have dropped due to no/ reduced salaries, and the other options they have taken cannot compensate for their salaries

What is your greatest concern

Safety concerns of students & teachers regarding COVID

42 %

Making students catch up with syllabus

18 %

Schools should be opened as soon as possible

17 %

Payment of teachers salaries

10 %



Schools re-opening: Concerns for parents

- 84% of parents say they plan to send their children back to school, their main concern is not safety but **paying school fees** but 48% state that paying school fees will be their greatest challenge
- Income hits:** Households have already been struggling financially due to COVID; 83% of parents have more debts than in March 2020 (pre-COVID); 52% of the households turned to savings (now depleted) and 43% had to get another income source (mainly casual work) to cope with reduced income
- 2 in every 5 households estimate that **it will take more than 6 months for them to recover financially** once 'normalcy' resumes.
- Coping mechanism:** Parents are considering getting their children to **take turns to attend school** where one child goes to school for one term and another one goes the next term, but even keeping one child in school is not assured.
- Fees payment:** 55% of the parents would be willing to borrow to pay fees but they lack the capacity to repay loans. Under the current circumstances they are only able to repay a median of KShs 1,500 per month which is less than half of what is required for school fees (KShs 10,000 per term or KShs 3,333 per month per child)
- Digital e-learning:**
 - According to a study by PASU (2020), **less than a third of students used a mobile phone for remote learning** and within this group there was a difference by gender (except in Nairobi); mobile phone ownership was almost exclusively among 15-19 year olds, and was higher for males than females (33% vs 29%).
 - Some parents like the idea but are concerned about the **cost of internet** and monitoring/managing their children given their limited experience and skills in technology

Greatest challenge for parents on school re-opening

- | | | |
|---------------------------------|-----|----|
| ○ Paying school fees | 48% | |
| ○ Health safety of the children | 32% | |
| ○ Buying uniform & stationery | | 8% |

Greatest challenge to parents during COVID period

- | | |
|-----------------------------|-----|
| ○ Unable to feed the family | 45% |
| ○ Lack of rent | 35% |
| ○ Lack of an income | 11% |
| ○ Lack of money | 8% |
| ○ Education expenses | 6% |

The reality of re-opening

- For schools that are re-opening, they **lack working capital** to:
 - Purchase **personal protective equipment** such as masks, sanitizers, water storage, thermometers, hand-washing point, and securing regular water supply.
 - **Clear rent arrears and confront the expansion dilemma:** For schools on rented premises, they have accrued arrears and it is unrealistic to ask landlords to invest in more buildings when there are outstanding bills. Expansion is required to increase the toilets, handwash facilities etc. Landlords have been fairly accommodating by differing payments or giving discounts.
 - **Maintain the existing infrastructure:** After several months of closure, there is an urgent need for resources to restore structures and compounds to their pre-COVID state
 - **Financial institutions** may be willing to fund affordable schools but deem the risks too high; those willing to develop facilities to fund the school will do so based on appraisal and assessment costs; risk sharing etc. Schools main source of income is fees which is not guaranteed due to reduced household incomes.



The reality of re-opening

- Reopening presents significant financial demands for meeting the safety needs and funding normal operations
- **Schools are struggling to realise social distancing protocols:** Children share books and desks; managing play time/area; increased risk with students going home for lunch and back; difficulties in maintaining physical distance for younger learners who need support expressed through hugs.
- **Changes in the family interactions/structure:** Stressed home environment with parents out of work; increase in families living apart; increase in single households; children facing extended hours of unsupervised time; and defilement and youth pregnancies etc.
- There is concern about the ease with which children will slide back into the school routine



Recommendations

- Develop a joint plan to provide support to the education sector, including low-cost private schools, through partnerships with development financiers in particular.
- Partner with private and development sector players to upgrade safety facilities and equipment in schools (toilets, washing stations, etc)
- Provide education welfare grants/cash transfers to students in affordable private schools as these play a crucial role in universal education
- Subsidise tuition fees in affordable private schools – similar to public schools – during the recovery period
- Pay close attention to girls at risk of drop-out and older adolescents that have started working during COVID-19 to ensure that they re-enroll in school and complete secondary school; facilitate and support this return, potentially waiving or reducing school fees (PASU, 2020)
- Create a facility/credit guarantee to provide subsidised and long grace period loans to school owners to sustain operations
- Explore ways of addressing digital access (devices, infrastructure, cost of data) and ability constraints to virtual learning