

# Financing the future: delivering SDG 4 in Malawi

## ➤➤ Progress on meeting SDG 4

In 2015, world leaders agreed to 17 Global Goals (officially known as the Sustainable Development Goals or SDGs) by 2030. In doing so, they also committed to ensure **inclusive and equitable quality education for all**.

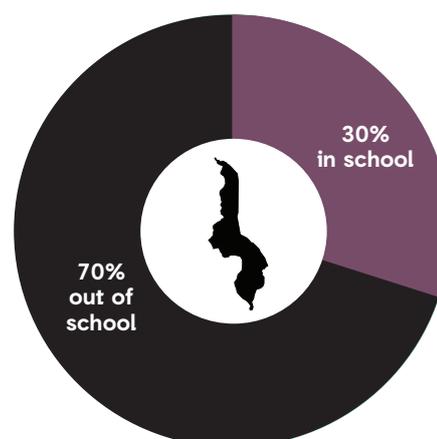
The first target under SDG4 was to **ensure that all girls and boys complete free, equitable and quality primary and secondary education**. With just a decade to go, how is Malawi doing on this commitment?

- Around 8% of Malawian children (i.e. around 256,787 children)<sup>1</sup> are out of primary school at any time.
- More than half of all children do not complete education. Only around 1 in 5 children complete lower secondary and about 15% complete upper secondary.<sup>2</sup>

### Malawi has an unequal education system.

- Efforts towards achieving greater equity in the education sector have led to near gender parity on the Gender Parity Index (GPI) for primary schooling, although girls are less likely to complete secondary education.<sup>3</sup>
- However, gaps based on wealth are huge:
  - Only 25% of the poorest quintile, versus 75% of the wealthiest quintile complete primary school;
  - Only 6% of the poorest finish lower secondary, compared to nearly half the wealthiest;
  - Only 2.6% of the poorest finish secondary school, compared to 38% of the wealthiest.<sup>4</sup>
- Children with disabilities are among the most disadvantaged. Census data indicates that there are 612,749 children with disabilities between 5 and 19 years of age in Malawi, however children with special educational needs make up only 3.3% of enrolments at primary school and 2.4% at secondary school.<sup>5</sup>  
**In other words, roughly 70% of all children with disabilities remain out of school in Malawi.**

### Children with disabilities in/out of school.



*“Malawi’s rapidly increasing population is putting pressure on education. Currently, there are a lot of challenges, including high student numbers in classrooms, high student teacher ratios, high numbers of students repeating years, high dropout rates and critically low learning outcomes...many children don’t attend school at all.” UNICEF*

**Source:** UNICEF (2018). The Basic Education and Youth Development Programme in Malawi.

**SDG target 4.c commits to substantially increasing the supply of qualified teachers, because “teachers are a fundamental condition for guaranteeing quality education”.**<sup>6</sup> The Malawian Government sets a benchmark of a pupil-teacher ratio of 60; however, it should be noted that the UN recommends a pupil-teacher ratio of only 40:1 at primary school level.

- The average pupil/teacher ratio in primary schools was 66:1 in 2018.<sup>7</sup>

1. AAI calculations using the 8% taken from UNICEF (2017) 2016/17 Education Budget Brief, relative to the total primary school age population (taken from UIS) of 3,209,835 (2018)

2. Based on UNESCO Institute of Statistics (UIS) data for 2016 (latest available year). Accessed 10/07/2020. Around 46% complete primary school. Only 21% of children complete lower secondary (i.e. 1 in 5 children) and 14%

3. UNESCO Institute of Statistics and Global Education Monitoring Report (2019). SDG 4 Databook 2019. The gender parity index (GPI) is the ratio of female to male values of a given indicator. If the female value is less than or equal to the male value, adjusted gender parity index (GPIA) = GPI. If the female value is greater than the male value, GPIA = 2 - 1/GPI. This ensures the GPIA is symmetrical around 1 and limited to a range between 0 and 2. A GPIA equal to 1 indicates parity between females and males. In 2016, in Malawi this is very close to equal at primary, and lower secondary, with this rising at upper secondary completion where girls do less well (primary completion is 1.2; at lower secondary completion, 0.9; and, upper secondary completion is, 0.8).

4. Figures taken from the UNESCO Institute of Statistics and Global Education Monitoring Report (2019). SDG 4 Databook 2019.

5. Government of Malawi, Ministry of Education Science and Technology (2019), Education Sector Performance Report 2018/2019

6. See: <https://sdg4education2030.org/the-goal> (accessed 10/07/2020)

7. Government of Malawi, Education Management. Information System (EMIS) 2017-18.

- The most remote and rural schools often struggle to attract qualified teachers; for instance, according to one World Bank study, in the remote Mangochi district there was a pupil-teacher ratio of 152:1.<sup>8</sup>
- The average pupil/qualified teacher ratio at primary level stands at 76.9:1.<sup>9</sup>

Overall, Malawi has one of the greatest teacher shortages in the world. An additional 82,461 teachers (44,205 at primary and 38 256 at secondary level) are needed just to reduce pupil-teacher ratios to 60:1.<sup>10</sup>

### Financing SDG 4 requires allocating a SHARE of at least 20% of the budget and 6% of GDP to education

To finance SDG 4 the UN recommends that at least 15-20% of budget or 4-6% of GDP be allocated to education. **Malawi has been spending close to the upper end of these benchmarks for a number of years, exceeding both in 2019 (see Figure 1 and 2).**<sup>11</sup> These levels must be maintained because, despite allocating

a very high SHARE of the budget to education the amounts in real terms are still woefully insufficient to meet the huge and growing demands. Indeed, a UN SDG4 costing model noted that in order to meet the twin targets of improving equity and quality, while managing a huge expansion up to secondary by 2030, with a large and growing young population, Malawi needs to spend above the 6% GDP on education to meet the twin targets of improving equity and quality.<sup>12</sup> At present, Malawi spends well above most low-income countries – which is commendable. According to UNICEF, whilst the sub-Saharan African average spending on education as a percentage of GDP is approximately 5% over the last five years, Malawi allocated an average of 6%.<sup>13</sup> But Malawi must continue to allocate over 6% of GDP on education to meet the SDG 4 targets on time. This is particularly important as currently (in spite of spending above the UN recommended levels) the vast majority of the budget on wages and benefits, with very little left for spending on development/capital budgets (see Box 1 below).

**Figure 1:** Malawi share of the budget on education, 2012-2019



Source: UNESCO Institute of Statistics

**Figure 2:** Malawi share of the GDP on education, 2012-2019



Source: UNESCO Institute of Statistics

8. Asim, Salman; Chimombo, Joseph P. G.; Chugunov, Dmitry; Gera, Ravinder Madron Casley (2017). *Moving teachers to Malawi's remote communities: a data-driven approach to teacher deployment*. Policy Research working paper; no.# WPS 8253. World Bank Group.

9. UNICEF (2020). 2019/20 Education Budget Brief, Investing in Quality Education: Breaking the intergenerational cycle of poverty in Malawi <https://www.unicef.org/esa/media/6181/file/UNICEF-Malawi-2019-Education-Budget-Brief.pdf>

10. Government of Malawi, MoEST (2020) National Education Sector Investment Plan, 2020-30

11. UNICEF (2019). National Budget Brief 2018/19. Making Government Budgets Work for Children in Malawi.

12. EFA Global Monitoring Report (2015) Pricing the Right to Education: The Cost of Reaching New Targets By 2030. Background Paper: "Wils A. (2015) Reaching education targets in low and lower middle income countries: Costs and finance gaps to 2030" Available. <http://unesdoc.unesco.org/images/0023/002325/232560e.pdf>. As noted in the paper: "In ten low income countries [including Malawi], the projected education expenditures in 2030 would take 10 percent or more of GDP".

13. UNICEF 2019/20 Education Budget Brief. Investing in Quality Education: Breaking the Intergenerational Cycle of Poverty in Malawi. According to the budget brief, Malawi is spending 25% of budget share and 7.4% of GDP, when including Appropriations in Aid (AiA). This falls when AiA is excluded, to, i.e. 18.5% in 2019-20. The figures used for this brief use the international statistics from the UNESCO Institute of Statistics Database, and also vary slightly from the UNICEF quoted figures. Regardless, Malawi is consistently high compared to other similar countries, and is above both UN spending benchmarks in 2020.

## Box 1. Does recurrent and capital spending allow for equity and quality?

To achieve SDG4, budgets need to expand to pay for one-off capital projects, such as school construction, and increase recurrent (or operating) costs, which cover teacher-related costs and therefore constitute the largest budget component. A UN SDG 4 costing<sup>14</sup> breakdown noted that to achieve quality and equity, roughly 84% should be spent on recurrent/operating costs - with 75% of that going to wages and salaries - and 14% on capital/development projects.<sup>15</sup> But in Malawi, in 2017, although around 74% of the education budget was set aside for personnel costs and 13% for capital investment the government contributed only 1.7% of the development/capital budget.<sup>16</sup> This was due to serious fiscal restraints requiring cuts to non-wage related operating costs and capital projects, as teacher salaries are difficult to cut and can only be frozen.<sup>17</sup>

With a severe lack of classrooms (especially in rural areas) there is currently an average of 111 pupils to each classroom, meaning that more capital spending is required to address these shortages. In fact, according to the World Bank, requires 6,000 new classrooms and 6,000 new teachers annually to cope with the increase.<sup>18</sup> Malawi is estimated also to have one of the most dramatic teacher shortages in the world<sup>19</sup> meaning that more recurrent spending is required too. However, with the government already struggling to pay salaries and recruit additional trained teachers due to recurrent budget constraints<sup>20</sup> **more efforts will be required to boost vital investments into necessary developments, and paying for more teachers.**

## Spending must be SENSITIVE to achieve SDG 4 targets on quality and equity

**Is the spending fair or equitable? Malawi has a highly inequitable spending pattern on education:**

- Across the country there are considerable variations in per-capita allocations to District Councils. In 2019/20 per capita allocations ranged from per capita allocations ranged from MK236 in Lilongwe City to MK1,173 in Rumphu. Wealthier urban areas were shown to have less allocated than the poorest remote districts within this range. The National Local Government Finance Committee (NLGFC) and other education stakeholders agree that the education formula needs to be revised given changing context.<sup>21</sup>
- Nevertheless, Malawi shows a pro-rich distribution, with children in the wealthiest 10% of households receiving the same amount of government spending as children in the poorest 80% of the population. Moreover, children in the richest 10% of households alone received 44% of total public resources for education.<sup>22</sup>
- Spending on education has historically been highly skewed towards tertiary education.<sup>23</sup> This has improved in recent years,<sup>24</sup> however, given that more than 90% of students at tertiary level are from the wealthiest 20%<sup>25</sup> subsidizing of higher education in Malawi perpetuates wider inequalities.
- The Civil Society Education Coalition in Malawi estimated that whilst MK260 million (around USD\$18 million) was allocated to special needs education in the 2018-19 budget, to target the needs of 131,135 learners with special needs, what this actually means in practice is that the Government is providing “a meagre per capita MK1, 982.69 (US\$2.64)” for each child with a disability.<sup>26</sup>

14. See background paper for the SDG 4 costing model, Global Education Monitoring report (2015). Reaching education targets in low and lower middle-income countries: Costs and finance gaps to 2030 for pre-primary, primary, lower- and upper secondary schooling. Background paper by Annababette Wils. Available: <https://en.unesco.org/gem-report/node/819>

15. IBID. This suggests that the recurrent to capital split should be 84% to 11%, respectively, and within that the recurrent needs to have 25% for non-salary items to ensure quality (text books etc) equity (extra per pupil recurrent costs for poorest), as well as cover teachers' salaries

16. Moreover, it should be noted that most capital/development budget came from donor funds.

17. UNICEF (2019). Education Budget Brief 2018/19. Towards Improved Education for all in Malawi.

18. World Bank, Project Appraisal Document on the Malawi Education Sector Improvement Project (MESIP) (2016)

19. EFA Global Monitoring Report (2013). Teaching and learning: Achieving quality for all Malawi: Fact Sheet Monitoring global education targets after 2015

20. UNICEF (2017). Education Budget Brief 2016-17. According to this brief, the rate of teacher graduation has exceeded the ability of the Government to hire in recent years - after introducing free teacher training to keep up with enrolments - due to budgetary constraints. In 2015-16, 10,500 teachers were hired against a backlog of 19,000 graduates.

21. UNICEF (2020). 2019/20 Education Budget Brief, Investing in Quality Education: Breaking the intergenerational cycle of poverty in Malawi <https://www.unicef.org/esa/media/6181/file/UNICEF-Malawi-2019-Education-Budget-Brief.pdf>

22. UNESCO and Global Education Monitoring Report (2018). Handbook on Measuring Equity in Education

23. UNESCO and Global Education Monitoring Report (2018). Handbook on Measuring Equity in Education

24. The latest budget figures show this to be split as 47% to basic education (primary); 11.5% to secondary and 36% to higher education. From UNICEF (2019). National Budget Brief 2018/19.

25. Global Campaign for Education (2016). Financing Matters. A toolkit on domestic financing for education.

26. Civil Society Education Coalition in Malawi (2019). Analysis of the 2019/20 National Budget Focusing on Education Sector

## To achieve SDG4 governments must increase the SIZE of their overall budgets

**Figure 3:** Tax % GDP in Malawi, 2011-17



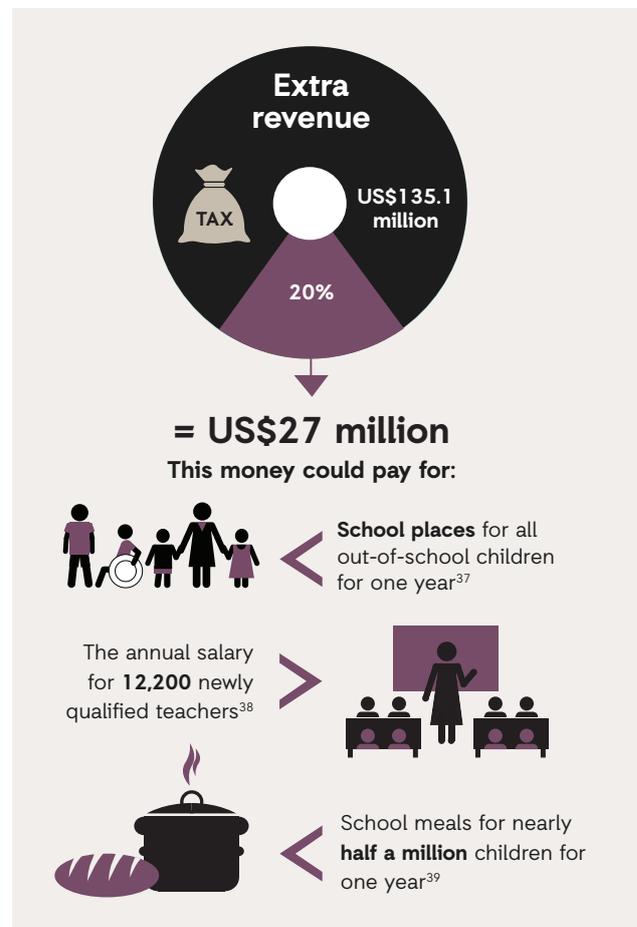
Source: ICTD/UNU-WIDER Government Revenue Dataset

In 2010, the UN estimated that a minimum of 20% tax-to-GDP ratio would be needed to deliver on the MDGs.<sup>27</sup> More recently, research from the IMF and World Bank<sup>28</sup> indicates that tax-to-GDP ratios lower than 15% are insufficient to finance even the most basic state functions.<sup>29</sup> Whilst Malawi's tax-to-GDP ratio of 17.2% in 2018 was in line with the average range for sub-Saharan Africa,<sup>30</sup> the country will still require additional public funds to achieve SDG 4. Unfortunately, **with debt servicing (external and domestic) consuming around 20%<sup>31</sup> of Malawi's revenue**, increasing fiscal pressures on the budget, raising new revenues become increasingly important.

**Malawi should focus on increasing revenue by 5%.** Recent studies<sup>32</sup> suggest that increasing tax-to-GDP ratios by 5% in the medium term (3-5 years) is an ambitious, but reasonable target.<sup>33</sup> **ActionAid has estimated that if Malawi did this it could generate an additional US\$732.7 million by 2023.<sup>34</sup>** At current spending levels, just 20% of new tax revenues generated in this way could increase the education budget by

US\$146.5 million – around two-thirds of the 2018 education budget.<sup>35</sup>

Any tax reforms must be fair and progressive in nature. ActionAid's new research into six progressive tax reforms in Malawi has shown there is the potential to generate significant new revenues (progressively).<sup>36</sup> The proposed reforms, focusing on personal income tax, corporate income tax incentives, property taxes and luxury goods, could have translated into a 2% increase in Malawi's tax-to-GDP ratio in 2017. ActionAid, has then calculated what this could pay for, with a 20% allocation (as per UN recommendations of % budget share to education). **What could this pay for?**



27. UNDP (2010) What will it take to achieve the Millennium Development Goals? An International Assessment  
28. <https://blogs.worldbank.org/governance/getting-15-percent-addressing-largest-tax-gaps>  
29. <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa>  
30. OECD (2019) Revenue Statistics in Africa 2019  
31. ActionAid (2020). *Who Cares? Paying for care work through transforming the financing of gender responsive public services*. The data used in this report was based on debt (external and domestic) taken from the Jubilee Debt Coalition database, which is based on IMF Article VI Country Report data.  
32. See a discussion of this and the relevant background studies in ActionAid (2020) *Who Cares for the Future* (Op Cit)  
33. It is important to note this calculation does not look at the mechanisms for achieving the 5% increase (i.e. which tax reforms are pursued). For ActionAid any future revenue generation should be done with a focus on progressive and gender-responsive tax reforms, so that any new taxes do not hurt the poorest and most vulnerable, but rather fall to those most able to pay. ActionAid's analysis shows that there are ways to achieve this 5% increase progressively.  
34. ActionAid, 2020, *Who Cares for the Future: finance gender responsive public services*.  
35. Total education budget in 2018 was 345bn Kwacha, around US\$466 million (converted WDI 2018 average) of which 20% amounts to US\$93 million. From UNICEF 2018/19 Education Budget Brief. *Towards Improved Education for all in Malawi* (using 2018/19 Program Based Budget and Appropriation Bill).  
36. ActionAid (2020). *Who Cares for the Future: Finance gender responsive public services*. See Table 8. Or detailed methodological note available: <https://actionaid.org/publications/2020/who-cares-future-finance-gender-responsive-public-services#downloads>  
37. ActionAid has estimated this to be a total of 256,787 children (see footnote 1 above). We have taken this figure and combined with the most recent data on per pupil spend of US\$85 (2013). Taken from UNICEF (2017) Education Budget Brief, 2016/17. This was slightly under the revenue losses at US\$22 million (i.e. it comfortably covered these costs).  
38. Taken from the Teachers Union of Malawi (TUM) salary scales. We took the lowest grade to indicate "newly qualified" teachers (Net Annual Salary Grade L1. 1,632,936 Malawi Kwacha), for the average 2020 US\$ exchange rate of US\$1 to MWK737. Overall US\$27m could comfortably cover 12 200 salaries at this rate.  
39. Gelli and Daryanani (2013). *Are School Feeding Programs in Low-Income Settings Sustainable? We took the figures from this 2013 study (which was a 2008 figure, US\$48.03) and allowed for inflation to get an estimate of school meals in 2017 (tax incentive losses estimate) to US\$58.6 per pupil annually. Multiplying this by 461,000 comes to just over US\$27m, which is why we have said 'nearly half a million children'.*

<b>Personal Income tax compliance on High Net Worth Individuals (HNWI)</b>	Improved compliance from setting up a HNWI unit	\$2,273,652
<b>Property tax</b>	Improving property taxation, based on Malawi's REMOP model	\$26,616,434
<b>Personal Income Tax (PIT) – top earners</b>	Increasing the tax rate on the top income bracket	\$6,111,912
<b>Excise on luxury items</b>	Introducing an extra 10% excise on imported luxury items	\$9,655,000
<b>Corporate tax incentives (CIT)</b>	Removing select CIT incentives	\$88,759,517
<b>Tax treaties</b>	Addressing losses to limitations on withholding tax (WHT) on dividends and interests in tax treaties	\$1,715,259
<b>TOTAL</b>		<b>\$135,131,775</b>
<b>Revenue increase relative to GDP:</b>		<b>2%</b>

## A Call to Action

With only 10 years to go before 2030 and with the increasing pressure on public spending due to the global economic downturn resulting from the Covid-19 pandemic, spending on education must be prioritized. ActionAid calls on the government of Malawi to safeguard education spending and take the following measures needed to fully finance quality, inclusive public education and achieve SDG 4:

1. Increasing the **SHARE** of the budget allocated to education, by continuing to exceed the UNESCO's benchmarks of 20% of national budget and/or 6% of GDP.
2. Increasing the **SIZE** of the overall budget, maximising the availability of resources for investment in public education by:
  - Mitigating the effect of macro-economic policies that limit the amounts available for public spending (e.g. by reducing debt and borrowing, seeking reductions on debt servicing and limiting austerity policies).
  - Setting targets to increase the tax-to-GDP ratio. The IMF has noted that countries should aim to meet an ambitious (but realistic target) to increase the tax-to-GDP ratio by 5% in the medium term (3-5 years). To do so, governments should focus on:
    - Ending harmful incentives;
    - Reviewing tax and royalty agreements in the natural resource / extractive sector, in particular;
    - Closing loopholes which enable tax avoidance and evasion in the private sector;
    - Promoting and enforcing fair corporate tax;
    - Promoting and enforcing progressive taxes on personal income and wealth.
3. Increasing the **SENSITIVITY** of national education budgets by:
  - Focusing on equity in public expenditure to redress inequality and tackle discrimination (e.g. stipends for children with disabilities; increased investments in incentives for teacher postings in poor rural areas).
  - Developing nation-wide equity funding formulae which explicitly addresses disadvantage and inequality.
4. Enhancing the **SCRUTINY** of national education budgets by:
  - Actively encouraging scrutiny of education budgets and expenditure to promote transparency and accountability and improve efficiency through timely disbursement of funds and that funds are spent effectively (especially in disadvantaged areas) e.g. by enabling community and civil society oversight.

## Contact Us

**Address:** ART Business Park Unit 3-5 | Behind Kaunda-Puma Filling Station | P.O. Box 30735 | Lilongwe 3

**Tel:** +265 (0) 1 759 861 **Cell:** +265 (0) 1 759 865 **Fax:** +265 (0) 1 755963

**http://malawi.actionaid.org** **Email:** aamalawi@actionaid.org



@actionaidmalawi