

Financing the future: delivering SDG 4 in Mozambique

➤➤ Progress on meeting SDG 4

In 2015, world leaders agreed to achieve 17 Sustainable Development Goals (SDGs) by 2030, including SDG4, aimed at ensuring **inclusive and equitable quality education for all**.

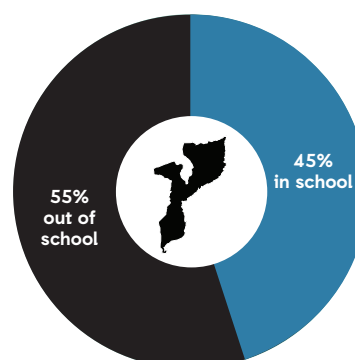
The first target under SDG4 is to **ensure that all girls and boys complete free, equitable and quality primary and secondary education. With just a decade to go, how is Mozambique doing against this commitment?**

- Around 353,839 (or 6%) of children are still out of primary school.¹
- Less than half of all Mozambican children complete primary school and less than a quarter finish secondary school.²

Mozambique has an unequal education system.

- Efforts towards achieving greater equity in the education sector have led to near parity on the Gender Parity Index (GPI) for primary and secondary education.³
- However, gaps based on wealth are huge:
 - Only 11% of the poorest quintile, versus 78% of the wealthiest quintile complete primary school;
 - Only 0.8% of the poorest finish lower secondary, compared to 40% of the wealthiest.⁴
- Children with a disability are among the most disadvantaged. Recent census data indicates there are a total of 171,164 children aged between 5-19 with some form of disability across the country.⁵ According to the Ministry of Education around 76,843 children with a disability (i.e. 45% of the total) were enrolled in school in 2019 making up just 0.9% of the total school-going population.

Children with disabilities in/out of school.



SDG target 4.c commits countries to substantially increase the supply of qualified teachers, because “teachers are a fundamental condition for guaranteeing quality education”.⁶ The UN recommends a pupil-teacher ratio of only 40:1 at primary school level.

- Overall, according to the Ministry of Education there is a pupil-teacher ratio (PTR) of 65:1 in Mozambique but plans to recruit an additional 62,515 teachers by the end of 2029 will still only reduce this to 55:1.
- Zambézia and Nampula, the two largest provinces have much higher ratios: in Nampula this is 75:1, and Zambézia 70:1.⁷ But within provinces some districts have even higher ratios. In 2019, there were 16 districts with pupil-teacher ratios above 80.⁸

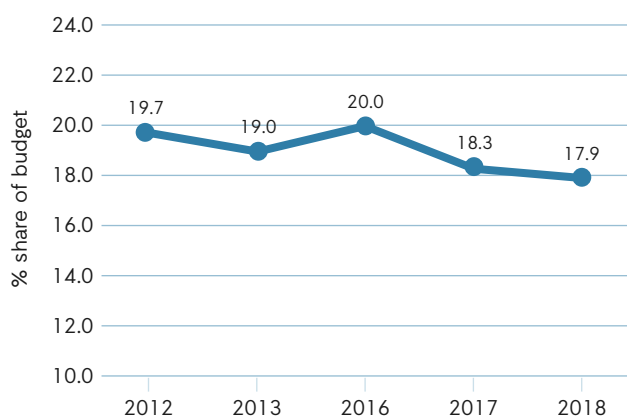
Financing SDG 4 requires allocating a SHARE of at least 20% of the budget and 6% of GDP to education

To finance SDG 4 the UN recommends that at least 15-20% of budget or 4-6% of GDP be allocated to education. **Mozambique has been allocating close to the upper end**

1. Based on UNESCO Institute of Statistics (UIS) data for 2018 (latest available year). Accessed 27/07/2020
 2. See UNICEF (2018) Education Sector budget brief <https://www.unicef.org/mozambique/sites/unicef.org/mozambique/files/2019-04/2018-Budget-Brief-Education.pdf> (data is based 2015 and 2014 for primary and secondary, respectively)
 3. UNESCO Institute of Statistics and Global Education Monitoring Report, 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.
 4. Based on UNESCO Institute of Statistics (UIS) data for SDG 4 tracking, it is based on 2011 data from the last relevant household survey (latest available year, and this has no doubt improved since but there is no more up to date data). Accessed 27/07/2020
 5. Government of Mozambique, Instituto Nacional de Estatística (2019) IV Recenseamento Geral da População e Habitação 2017 <https://sdg4education2030.org/the-goal>
 6. MINEDH - Escolas públicas, Levantamento Escolar 2018#
 7. REPÚBLICA DE MOÇAMBIQUE, MINISTÉRIO DA EDUCAÇÃO E DESENVOLVIMENTO HUMANO (2020) PLANO ESTRATÉGICO DE EDUCAÇÃO. 21ª Reunião Anual de Revisão, 2020. The districts are: Ciúre, Marroneu, Mandimba, Ile, Angoche, Mocuba, Mecanhelas, Mogovolas, Meconta. Pebane, Molumbo, Chiure, Gurué, Marroneu, Mecanhelas, Milange.
 9. See UNICEF (2018) Education Sector budget brief <https://www.unicef.org/mozambique/sites/unicef.org/mozambique/files/2019-04/2018-Budget-Brief-Education.pdf>

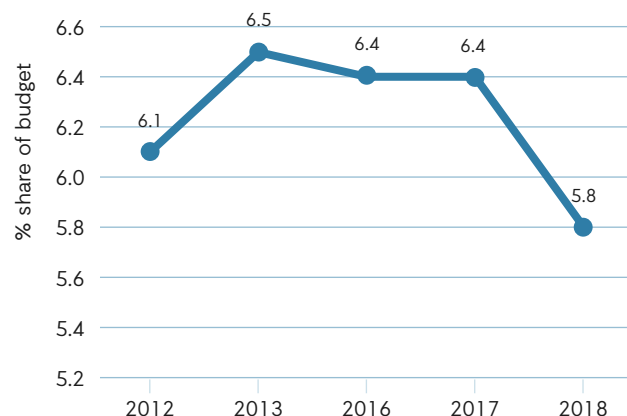
of these benchmarks (see Fig. 1 and 2).⁹ However, the UN SDG4 costing model notes that for most low-income countries, meeting the twin targets of improving equity and quality by 2030 while managing a huge expansion in secondary education, these targets may need to be met, and possibly exceeded.¹⁰ Unfortunately, in Mozambique this trend has recently been decreasing and is currently under threat from budget constraints due to a huge debt burden (see page 3).¹¹

Figure 1: Mozambique share of the budget on education, 2012-2018*



Source: UNESCO Institute of Statistics (latest years)* please note, no data for 2014 & 15

Figure 2: Mozambique share of GDP to education, 2012-2018*



Source: UNESCO Institute of Statistics (latest years)* please note, no data for 2014 & 15

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

Is the spending fair or equitable?

- Spending benefit on boys and girls is nearly equal at primary and secondary education level; however, boys benefit from spending on tertiary education much more than girls.¹²
- The distribution of education resources by province is inequitable: the province with the lowest allocation (Zambézia), receives nearly half the allocation of the province with the highest allocation (Inhambane). Yet Zambézia has some of the worst education indicators (i.e. more than 50% of classrooms are of “precarious construction”, and pupil teacher ratios are 70:1).¹³
- Less funds are spent on the poor: at primary level, the poorest receive only 30% of public expenditure spent on richest. Spending at tertiary level is also highly pro-rich, due to the low rates of completion and progression of poorer children in the public education system.¹⁴

The schools are few in the urban areas, and very few in the rural territories. In some cases, there are no actual school buildings, and classes are literally held under the trees... classrooms are overcrowded: 50–60 pupils in urban areas, 120–150 pupils in rural areas.

Source: Viviana Langher, Maria E. Ricci, Flaminia

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 include teacher-related payments and therefore constitute the largest budget component.

10. This is because there is much to do to expand education (to a very young population) up to secondary school, and deal with equity and quality. See: <https://en.unesco.org/gem-report/sites/gem-report/files/background%20paper%20-%20costing%20education.pdf> “In ten low income countries, the projected education expenditures in 2030 would take 10 percent or more of GDP”.

11. This is because there is much to do to expand education (to a very young population) up to secondary school, and deal with equity and quality. See: <https://en.unesco.org/gem-report/sites/gem-report/files/background%20paper%20-%20costing%20education.pdf> “In ten low income countries, the projected education expenditures in 2030 would take 10 percent or more of GDP”.

12. Overall, boys absorb a 52 percent share of public education spending for primary and secondary education compared to a 48 percent share for girls. UNICEF, Budget Brief 2017: Education

13. MINEDH - Escolas públicas, Levantamento Escolar 2018#

14. UNESCO and GEMR (2018). Handbook on Measuring Equity in Education

A UN SDG 4 costing¹⁵ 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.¹⁶ In Mozambique, in 2019, the government allocated 88% to recurrent and 12% to capital.¹⁷ The capital share of the budget has been reducing in recent years - with a sharp decline from around 40% in 2008¹⁸ - mainly due to reduced donor activity in the sector. But recurrent spending has also had to keep pace with teaching requirements, especially given increasing fiscal restraints.

Despite recent government commitments to overcome chronic teacher shortages recent efforts to reduce spending on personnel has led to led to reduction in annual recruitments with a 35% decrease in 2018 relative to the number of new hires in 2017.¹⁹

Moreover, with an overall shortfall of 28,000 classrooms at primary level and 7,000 at secondary level and only 700 classrooms per year being built in the last decade, at the current pace,²⁰ it will take half a century to fill the gap. Thus, more efforts will be required to boost the education budget overall and ensure sufficient funds are available to cover both capital *and* recurrent costs.

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

In 2010, the UN estimated that a minimum of 20% tax-to-GDP ratio would be needed to deliver on the

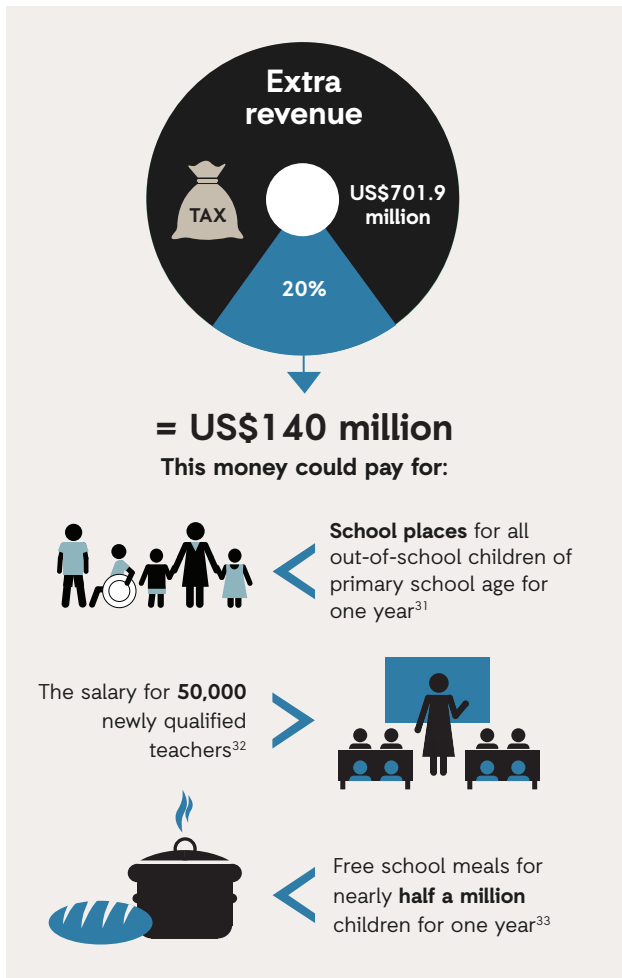
MDGs.²¹ More recently, research from the IMF and World Bank ²² indicates that tax-to-GDP ratios lower than 15% are insufficient to finance even the most basic state functions.²³

In 2018, Mozambique achieved a tax-GDP ratio 18%,²⁴ which is just above the average ratio of 17.2% in sub-Saharan Africa.²⁵ Unfortunately, **with debt servicing currently consuming around 27% of Mozambique's revenue**²⁶ and placing increasing fiscal pressures on the budget, financing the education sector is likely to constitute an ongoing challenge unless new revenues are raised.

Mozambique should focus on increasing revenue by 5%. Recent studies²⁷ suggest that increasing tax-to-GDP ratios by 5% in the medium term (3-5 years) is an ambitious, but reasonable target.²⁸ **ActionAid has estimated that if Mozambique did this it could lead to an additional US\$1.3 billion by 2023.** At current spending levels, just 20% of new tax revenues generated in this way could increase the education budget by US\$275 million – **around one third of the 2018 education budget.**²⁹

However, it is crucial that any tax reforms be fair and progressive in nature. ActionAid's new research shows that just six progressive tax reforms in Mozambique have the potential to generate significant revenue.³⁰ The proposed reforms, focusing on taxing the wealthiest, personal income tax (PIT), corporate income tax incentives, property taxes and luxury goods, could translate into an increase in the tax-to-GDP ratio of 6% in Mozambique. This adds up to around US\$701 million, roughly equivalent to the share of GDP currently being allocated to education. **What could this pay for?**

15. 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. Available: <https://en.unesco.org/gem-report/node/819>
16. 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
17. UNICEF (2019) Budget Brief 2019 Education: Mozambique https://www.unicef.org/mozambique/media/2751/file/Budget_Brief_2019_-_Education.pdf
18. UNICEF (2018) Budget Brief 2018 Education Sector
19. Idem
20. <https://www.bbc.com/portuguese/42533107>
21. UNDP (2010). What will it take to achieve the Millennium Development Goals? An International Assessment <http://www.oecd.org/dac/gender-development/45604012.pdf>
22. <https://blogs.worldbank.org/governance/getting-15-percent-addressing-largest-tax-gaps>
23. <https://www.worldbank.org/en/results/2019/09/09/mobilizing-tax-resources-to-boost-growth-and-prosperity-in-sub-saharan-africa>
24. Based on 2017 data from UNU-WIDER database
25. OECD (2019) Revenue Statistics in Africa 2019
26. 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. See: <https://jubileedebt.org.uk/countries>
27. See a discussion of this and the relevant background studies in ActionAid (2020) *Who Cares for the Future: finance gender responsive public services*. <https://actionaid.org/publications/2020/who-cares-future-finance-gender-responsive-public-services>
28. ActionAid (2020). *Who Cares? Paying for care work through transforming the financing of gender responsive public services*. 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. Our analysis above shows that there are ways to achieve this 5% increase progressively.
29. The total budget in 2019 (in US\$) is US\$938,542,452, which was taken from Government Spending Watch. See excel sheet
30. 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>

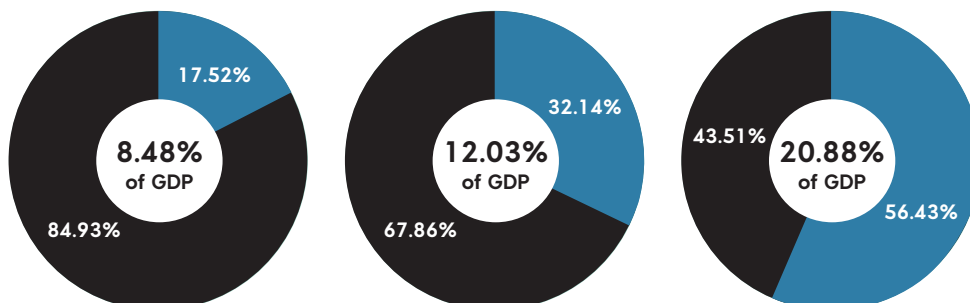


PIT – High Net Worth Individuals (HNWI) compliance	Improved compliance from setting up a HNWI unit	\$4,200,321
Property tax	Improving property taxation	\$54,489,217
Personal Income Tax – top earners	Increasing the tax rate on the top income bracket	\$1,736,538
Excise on luxury items	Introducing an extra 10% excise on imported luxury items	\$12,891,000
Corporate tax incentives	Removing CIT incentives	\$621,780,200
Tax treaties	Addressing losses to limitations on WHTs on dividends and interests in tax treaties	\$6,100,400
TOTAL		\$701,197,676
Revenue increase relative to GDP:		6%

Progressive and regressive taxes in Mozambique

Between 2007 and 2017, Mozambique made huge strides in expanding its overall tax revenue, while also reducing a reliance on indirect taxes, versus direct taxes, suggesting an increasingly progressive system.*

Figure 3: Tax over time (2000-2017) and by direct and indirect ratio.



**Note: The direct to indirect tax ratio can be a useful proxy for how regressive or progressive a tax system is. An overreliance on indirect taxes tends to highlight a more regressive tax regime (i.e. an overreliance on VAT, which often hits the poorest hardest), while a greater reliance on direct taxes tends to be more progressive (as this includes tax on corporate taxes or on income taxes for those in the more formalized sectors).*

31. Uis data shows this to be 353,839 in 2018 (latest year), per pupil spending is US\$137 from 2013 (latest year – see <http://uis.unesco.org/en/country/mz> Uis data shows OOS primary student as 353,839, primary school per capita spending varies by district, the allocation per primary school student in 2018 is MT 171 in Zambezia, but is MT 4,821 in Maputo City for primary school. We took the highest per pupil spend for Zambézia and converted to US\$ (US\$68) given how disastrously low some of these are.

32. The figure is taken from MEPT (2020) Policy Brief: Taxation of mega-projects as an alternative to finance the improvement of teacher’s working conditions in Mozambique (based on source Decreto no 39/2019 De 20 de maio). According to the brief, 86% of teachers fall within category N3, with a monthly remuneration package ranging from MT8,908 to MT15,055. We have used the lower rate here to indicate entry level teachers. They receive 13 monthly payments each year, so a total annual salary would be between US\$1,641 using the average MT/US\$ exchange rate for 2020 of MT67.51 to US\$1

33. Gelli and Daryanani (2013). Are School Feeding Programs in Low-Income Settings Sustainable? We took the figures from this 2013 study and allowed for inflation to get an estimate of school meals of US\$61 per pupil annually. Multiplying this by 497 000 allows us to stay comfortably within the overall amount of US\$140 m, which is why we say ‘nearly ½ a million children’.

A Call to Action

With only 10 years to go before 2030 and with 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 Mozambique to safeguard education spending and take the following measures needed to fully finance quality, inclusive public education and achieve SDG 4:

1. Increase the **SHARE** of the budget allocated to education, by either meeting or exceeding UNESCO's benchmarks of 20% of national budget and/or 6% of GDP.
2. Increase 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 servicing and limiting austerity policies)
 - Setting an ambitious (but realistic target) to increase the tax-to-GDP ratio by 5% in the medium term (3-5 years) and 20% in the long term through progressive domestic resource mobilisation including:
 - 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. Increase the **SENSITIVITY** of national education budgets by:
 - Focussing on equity in public expenditure to redress inequality and tackle discrimination (e.g. stipends 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. Enhance the **SCRUTINY** of national education budgets by:
 - Actively encouraging scrutiny of education budgets and expenditure to promote transparency and accountability and ensure funds arrive on time and are spent effectively (especially in disadvantaged areas).

Contact Us

Address: Rua Coronel Aurélio Benete Manave n° 208 Maputo – Moçambique.

Tel: +233(0) 30 254 4714/5 **Cell:** +233 (0) 24 431 6392 **Fax:** + 233 (0) 30 276 4930

http://mozambique.actionaid.org **Email:** aamozambique@actionaid.org



@actionaidmozambique