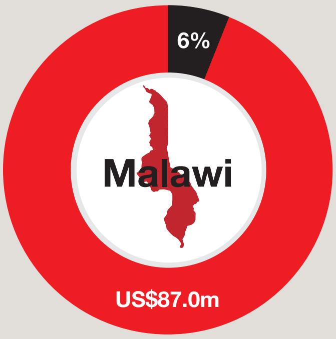
Make it Count for Girls: Why Malawi should re-invest amounts lost to tax incentives in girls' education

Policy Brief



Malawi loses an estimated **US$87.0 million** each year to tax incentives. Just **6%** of this could educate all 154,000 girls currently out of primary school.

Governments must prioritise funding for girls' education.
PHOTO: SAMANTHA REINDERS/ACTIONAID

Background

Malawi is one of the world's poorest countries in terms of GDP[1] with the IMF estimating its annual GDP per capita at US$322.[2] Government revenue is at around 15% of total GDP,[3] and the annual deficit is roughly 5% [2017 figure].[4] Meanwhile, an estimated 154,000 girls of primary school age are not in school, and the illiteracy rate among women over 15 years of age is 45%.[5] While Malawi officially spends the equivalent of 5.6% of its GDP on education,[6] it is clear that more is needed to ensure that all children can enjoy a high quality education, that more girls complete primary school and that more women become literate.

An important step towards doing that will be to mobilise more financial resources through decreased use of tax incentives, and to update its tax treaty network to ensure that international companies and investors cannot use these treaties to minimize their tax contributions in Malawi.

This briefing will examine the tax incentives and tax treaties in Malawi and what the potential revenue lost to these could have achieved if invested in girls' education. This will include looking at what the increased GDP growth resulting from more girls entering education is likely to be.

1. See https://www.cia.gov/library/publications/the-world-factbook/rankorder/2004rank.html#tz
2. See IMF data https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weorept.aspx?sy=2015&ey=2022&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=73&pr1.y=16&c=676&s=NGDPDPC&grp=0&a
3. See World Bank data https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=MW
4. See IMF data http://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weorept.aspx?sy=2015&ey=2022&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=51&pr1.y=15&c=676&s=GGXCNL_NGDP&grp=0&a=
5. See World Bank data http://datatopics.worldbank.org/education/country/malawi
6. See World Bank data http://datatopics.worldbank.org/education/country/malawi

Key figures

Number of girls not in primary education	154,000
Percentage of GDP spent on education	5.6%
Estimated revenue lost to tax incentives and tax treaties	US$87.04m
Annual cost per pupil to government	US$23.64
Annual cost per pupil to family	US$9.52
Total annual cost per pupil – government and family contributions combined	US$33.16
Percentage of total cost per pupil paid by parents	28.7%
Cost per year of educating all girls currently not in primary education	US$5.11m
Total cost of putting all girls of the relevant age not currently in school through eight years of primary school	US$40.88m
Additional GDP per year, per girl who has completed (as opposed to not completed) primary education	US$47.82
Total additional GDP per year if all girls currently not in primary education had completed primary education	US$7.36m
Total additional GDP over a 45-year working life (at current prices, not adjusted for inflation) if all girls currently in primary education had completed primary education	US$331.2m

Tax incentives

A tax incentive (also known as a tax break) is, in essence, a special tax deal given to a company to encourage it to invest. There are many kinds of tax incentives, but they can broadly be placed into two categories: ***statutory***[7] tax incentives that are open to all companies that meet certain criteria; and ***discretionary***[8] tax incentives that are bespoke deals for an individual company.

Tax exemptions in Malawi: STATUTORY

Malawi employs a number of different tax incentives. Many of these are sector specific and are listed below. Others are given to a number of sectors, such as a **10-year tax holiday on corporate income tax** in the agro-processing and electricity sectors.[9] Other statutory tax incentives include:

- Registered exporters have an income tax allowance of 25 % of taxable income derived from export sales.[10]
- Exemption from custom and excise duties on certain imported materials. PWC estimates that this exemption alone costs Malawi US$17.5m per year (using October 2017 exchange rates).[11]
- Exports are zero rated for VAT purposes.[12]

In Malawi an estimated 154,000 girls of primary school age are not in school.
PHOTO: MAKMENDE MEDIA/ACTIONAID

7. Statutory tax incentives - These apply to companies that meet certain criteria, generally because they are operating in a sector that the government wants to encourage, are producing for export, or are located in a particular area, particularly special economic zones. In addition to reductions or exemptions from corporation tax, companies are sometimes exempt from withholding taxes on payments abroad; trade taxes on imports and exports; VAT on imports etc.
8. Discretionary tax incentives - These are specific to a particular investor, and are negotiated between the company and the government, and generally only available to large multinational investors, putting domestic businesses at a distinct disadvantage. Many of the most unfair examples are found in the contracts negotiated between governments and investors in the extractive industries (oil, gas and mining).
9. See p. 75 'A Comprehensive Analysis and Review of Investment, Production and Export Incentives in Malawi' by PWC for UNDP https://info.undp.org/docs/pdc/Documents/MWI/Final_report_%20Fiscal%20Incentives%2019-12-2016.pdf
10. See Malawi Revenue Authority - http://www.mra.mw/custom-and-excise/incentives
11. See p. 78 'A Comprehensive Analysis and Review of Investment, Production and Export Incentives in Malawi' by PWC for UNDP https://info.undp.org/docs/pdc/Documents/MWI/Final_report_%20Fiscal%20Incentives%2019-12-2016.pdf
12. See p.14 'Malawi Tax Incentives Handbook', http://www.mra.mw/assets/upload/downloads/TAX_INCENTIVES_IN_MALAWI_HANDBOOK_2016.pdf

Sector-specific tax incentives

Table 1: Customs, Excise and Import Vat Tax Exemptions

<table>
<tr><th>Sector</th><th colspan="2">Type of tax</th><th>Exempted Products</th></tr>
<tr><td>Construction</td><td colspan="2">Duty and VAT</td><td>• Crane Lorries
• Concrete Mixer Lorries
• Mobile Drilling Derricks
• Track Laying Tractors</td></tr>
<tr><td>Energy (Electricity Generation)</td><td colspan="2">Duty</td><td>• Fuses, transformers, sling, ring main unit, insulators, conductors, column duplex, AAC/PVC and meters
• Energy saver bulbs, solar batteries, solar battery chargers, energy lamps, generators and inverters</td></tr>
<tr><td>Tourism</td><td colspan="2">Duty, Excise and VAT</td><td>• Cutlery
• Equipment connected with tourism industry
• Off-road game/scenery viewing motor vehicles
• 3 goods-carrying vehicles</td></tr>
<tr><td rowspan="3">Agriculture</td><td colspan="2">Duty and VAT</td><td>• Livestock imports for breeding</td></tr>
<tr><td colspan="2">Duty, Excise and VAT</td><td>• Irrigation equipment and materials
• Horticultural equipment and materials
• Fishing equipment, machinery and plant
• Poultry feeds, machinery, plant and equipment
• Farm inputs and machinery</td></tr>
<tr><td colspan="2">Duty</td><td>• Fishing vessels and factory ships</td></tr>
<tr><td rowspan="2">Transport</td><td colspan="2">Duty, Excise and VAT</td><td>• New buses and used buses of ≤5years old and ≥45 seats
• New minibuses and used minibuses of ≤5years old and ≤44 seats</td></tr>
<tr><td colspan="2">Duty and VAT</td><td>• New trucks and used trucks of ≤15years old and ≥15 tons
• Railway materials
• Aero planes and aircrafts of ≥ 2000kg unloaded weight
• In-flight equipment, appliances and materials</td></tr>
<tr><td rowspan="2">Education</td><td colspan="2">Duty, Excise and VAT</td><td>• Stationery and equipment</td></tr>
<tr><td colspan="2">Duty and VAT</td><td>• Books</td></tr>
<tr><td>Health</td><td colspan="2">Duty, Excise and VAT</td><td>• Instruments, apparatus, appliances and requisites including parts thereof
• Specialized furniture diagnostic
• Laboratory equipment and materials</td></tr>
<tr><td rowspan="2">Manufacturing</td><td rowspan="2">Industrial Rebate Scheme</td><td>Duty and Excise</td><td>• General raw materials</td></tr>
<tr><td>Duty, Excise and VAT</td><td>• Specific raw materials for the manufacture of fertilizer and pharmaceuticals</td></tr>
<tr><td>Export Processing</td><td colspan="2">Duty, Excise and VAT</td><td>• Capital machinery, equipment
• Raw materials directly used in goods for export</td></tr>
</table>

Export Processing Zone (EPZ) tax exemptions

Tax exemptions in Malawi's Export Processing Zones (EPZs) consist primarily of the following:[13]

- 100% exemption of corporate income tax
- No withholding tax on dividends
- No duty on capital equipment, machinery and raw materials
- 0% value added tax

It should be clarified that the EPZs in Malawi are not geographical locations but rather a tax regime that can be accessed by investors that meet certain criteria. The World Bank reports that only 14 companies were registered and operating under the EPZ in 2012.[14] Due to a lack of data on the profits and economic activity of the companies operating in the EPZ, it has not been possible to establish how much tax Malawi loses through this tax regime.

Tax incentives Malawi: DISCRETIONARY

Malawi has handed out a number of tax incentives to individual companies. Due to a lack of relevant data, ActionAid is not in a position to quantify the current size of the tax losses incurred as a result of these discretionary incentives, with the exception of Paladin, which is however no longer operational. It should however be noted that not being able to include discretionary tax incentives in total tax incentives losses means that this figure is likely to be an underestimation of the real scale of the problem.

Paladin Energy Ltd

As ActionAid reported in 2015, a subsidiary of the Australian mining company **Paladin Energy Ltd** secured generous tax incentives for its Kayelekera uranium mine including a reduction in the royalty payable on its production from the Malawian statutory rate of five % to between 1.5 and 3%; exemptions from a 10% resource rent tax and a 16.5% VAT on imports (for example, of mining machinery); and a cut in its corporate income tax rate from the normal 30% to 27.5%. These terms were secured by a stability clause in the contract, which prevented them from being renegotiated for ten years.[15]

ActionAid estimated that the costs to Malawi in foregone royalties alone could have been US$15.6 million over five years: the cost of the exemption on import VAT could not be estimated, due to lack of data. The tax breaks on resource rent tax and corporate income tax would not have had an effect on revenues because Paladin never reported a profit in Malawi, while shifting significant amounts of income out of the country and into the Netherlands, an offshore tax haven, in the form of payments on debt interest and management fees to related companies.[16] The mine is not currently in operation and tax losses resulting from this discretionary tax incentive will not be included in the overall estimate of tax losses.

Oil contracts in Lake Malawi

Exploration licenses for six oil blocks were awarded to four private companies between 2011 and 2013. Production-sharing agreements for three of the blocks were awarded in secret in 2014. A detailed analysis of two of the contracts by Oxfam found that (as is common with production-sharing contracts in the oil industry) the government would receive a royalty on the value of production (in this case, five %). The company would then be able to recover up to 70 % of the remaining production to cover its costs.[17]

After the deduction of "cost oil", the remaining "profit oil" would be divided between the company and the Malawian government but on a basis very favourable to the company: the government would receive only a maximum of 30 % of the profit oil, compared to up to 70 % as envisaged in a model contract drawn up by the government previously. The signed contracts seen by Oxfam also included clauses requiring the government to cut corporate income taxes for the oil companies by an unspecified percentage, within two years of the contract being signed.[18]

13. See the Malawi Investment and Trade Centre: http://mitc.mw/index.php?Itemid=572
14. See p. 44 Diagnostic Trade Integration Study (DTIS) Update (2012) http://documents.worldbank.org/curated/en/685751468302481348/pdf/AC-S75340P1336010Box385206B00PUBLIC00.pdf
15. ActionAid. An Extractive Affair. June 2015. http://actionaid.org/sites/files/actionaid/malawi_tax_report_updated_table_16_june.pdf
16. Ibid.
17. Oxfam. Malawi's troubled oil sector: licenses, contracts and their implications. January 2017. https://mininginmalawi.files.wordpress.com/2017/02/oxfam-2017-malawis-troubled-oil-sector-licenses-contracts-and-their-implications.pdf
18. Ibid.

These terms, taken together, amount to a large fiscal incentive for the companies and could mean that Malawi secures only a relatively small share of the profits from oil and gas extraction (if any is found in the blocks covered by these agreements).

ActionAid has been told by a person familiar with the issue that the government is seeking to renegotiate the fiscal terms of these production-sharing agreements.[19] However, it is not clear whether the renegotiation covers all contracts, or which of the terms might be renegotiated. Unless the final contracts and any addenda are published in full, it will be impossible to determine whether Malawi is likely to collect a fair share of the value of any oil and gas that might be produced in future. Malawi is an implementing country of the Extractive Industries Transparency Initiative (EITI), which encourages the publication of oil, gas and mining contracts, and several other EITI countries have already done so.[20] Malawi should follow their example.

Vale Logistics and the coal railway

In 2012, Malawi's government signed a concession agreement with the Brazilian mining conglomerate Vale, allowing the latter to build a railway linking its Moatize coal mine, in the interior of Mozambique, to an existing railway, which connects to the Mozambican port of Nacala on the Indian Ocean. The agreement also committed Vale to rehabilitate a section of existing track.[21]

Vale's tax breaks include a 30 % reduction in corporate income tax on profits from the project: in effect, this is a tax holiday since the Malawian headline rate is 30 %. There are also exemptions on minimum tax, VAT and customs duties and withholding taxes and extensive deductions from taxable profits, for example on management fees paid to related parties.[22]

Without access to the accounts of Vale Logistics, the subsidiary overseeing the construction, it is not possible to determine how much revenue Malawi might have foregone as a result of all these tax breaks. Malawi is said to be taking a tougher line with Central East African Railways (CEAR), a private consortium whose main shareholders include Vale and Japan's Mitsui, in negotiations of an addendum, which will spell out the tax terms of a 2013 contract between the consortium and the government covering other parts of the railway network.

For example, the government has turned down a request from the consortium for a significant reduction in the corporate income tax rate and an exemption from withholding taxes. However, it will not be possible to confirm that Malawi has indeed taken a firmer stance in the negotiations with CEAR unless the final agreement is made public in full.

Tax incentives Malawi - total estimated losses

A study by PwC for the United Nations Development Programme has estimated Malawi's tax incentives losses for 2015/16 at 1.6% of GDP.[23] With Malawi's GDP in 2016 standing at US$5.44bn,[24] annual tax losses would be US$87.04m. This estimate does however not include some tax incentives for which data was not made available to the author of the report, including tax holidays, capital allowances and export tax exemptions. It also does not include tax losses incurred from discretionary tax incentives due to a lack of relevant data. The total tax loss to incentives is therefore likely to be higher.

Estimated loss from tax incentives:
US$87.04m

19. Interview in Malawi. August 2017.
20. EITI Standard. 2.4 Contracts. Accessible at www.eiti.org
21. Reuters. Brazil's Vale to build $1bn rail lines in Malawi. 11th January 2012.
22. ActionAid analysis of the concession agreement.
23. See 'A Comprehensive Analysis and Review of Investment, Production and Export Incentives in Malawi. December 2016.' Page 87 https://info.undp.org/docs/pdc/Documents/MWI/Final_report_%20Fiscal%20Incentives%2019-12-2016.pdf
24. See World Bank data https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=MW

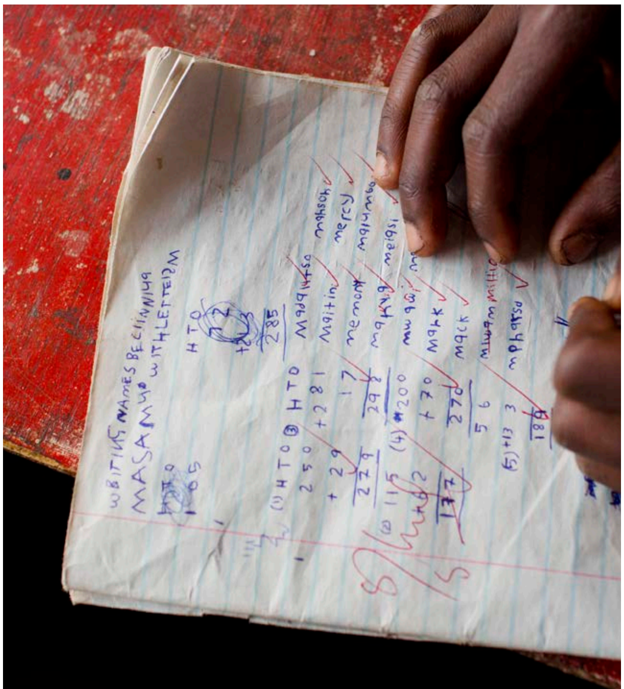
Tax treaties

Tax treaties determine how much, and even if, countries can tax multinational companies. They provide certainty to international businesses by indicating which taxes will be limited when making money overseas. This certainty is often provided through restrictions on the rights of the treaty signatories to tax different types of income. In the overwhelming majority of cases, these tax treaties override any national law. If a tax treaty rate is lower than the rate set in national law, companies that are able to use the tax treaty route will very often pay less tax than similar local companies. Tax treaties can also prevent double taxation.

Tax treaties can restrict the ability of a country like Malawi to tax multinationals in a number of ways, including the way that capital gains are taxed and when Malawi can tax the profits of a company – so-called permanent establishments. The tax loss attributable to these provisions in tax treaties can be difficult to quantify, so this briefing will concentrate on withholding taxes, i.e. the taxes applies to transactions out of Malawi, such as interest payments, dividends, royalties and management/ service fees paid out of Malawi to a company in another country.

Malawi has a relatively limited tax treaty network of six treaties. It has also signed (but at the time of writing not ratified) tax treaties with Botswana and Zambia, is in the process of renegotiating its tax treaty with the Netherlands, and a new treaty with the UK has reportedly been negotiated but not yet been signed.

This table sets out how much withholding tax rates are lowered in Malawi's current tax treaties. Due to a lack of data regarding the size of foreign direct investment stock in Malawi, it is difficult to estimate how much Malawi loses from its current lowered or removed withholding tax rates. There should be no doubt however that the lowered withholding rates alone do indeed incur a tax loss for Malawi.



Malawi loses US$87.04m to tax incentives and tax treaties.
PHOTO: KATE HOLT/ACTIONAID

Table 1: Customs, Excise and Import Vat Tax Exemptions

Country	Dividends	Interest	Royalties	Management fees
Non-resident	15	15	15	15
France	0	0	0	0
Norway	5	10	5	0
South Africa	10	15	0	15
Sweden	0	0	0	0
Switzerland	0	0	0	0
United Kingdom	0	0	0	15

Source: http://taxsummaries.pwc.com/ID/Malawi-Corporate-Withholding-taxes

Education

Everyone has a right to education. This is a right enshrined in international human rights treaties from the Universal Declaration of Human Rights (article 26)[25] through to the International Covenant on Economic Social and Cultural Rights, the Convention on the Rights of the Child and many others. To be clear – countries should invest in girls' education because girls have a right to education.

However, in addition to the rights perspective, there is also an economic argument for investing in girls' education. A more highly educated population is likely to be more productive and to generate higher economic growth. Below are some calculations of what the growth dividend of investing some of the money lost to tax incentives and tax treaties in girls' education would be.

Girls' education in Malawi

The adult literacy rate for women in Malawi is 55%.[28] Malawi spends 21.6% of its budget on education, which constitutes a decent **5.6%** of national GDP.[29] It is hard to establish exactly how many girls are not in education in Malawi. According to official government sources, less than 25% of girls actually finish primary school.[30] Meanwhile, UNESCO figures state that 10% of girls of primary school age are not in education.[31] UNESCO figures also tell us that the total number of children actually in primary education is 3.08 million.[32] Assuming half of those are girls, 1.54 million girls are of primary school age, meaning that is 10% are not actually in education, then that leaves 154,000 girls not in primary school.

There are many reasons why girls might not attend school. For the purposes of this calculation, we will assume as a starting point that with the right financial support, all of these girls would complete their primary education. This will provide us with illustrative headline figures that we can work backwards from.

According to research carried out for ActionAid, **parents spend on average US$9.52 per primary school child**[33] in order for them to attend school each year.[34] This covers items such as examination fees, school reports and other fees. Meanwhile, **the government spends on average US$23.64 per primary school child per year.**[35] That means that total current spending between parents and the government on primary education is **US$33.16 per child per year.** Based on the latest available data on girls of primary school age not in education, that would mean that the total cost of putting them through primary school would be **US$5.11m** per year. However, in order to provide quality education for all girls in Malawi much more is needed.

Most children out of school in sub-Saharan Africa are girls.
PHOTO: SAMANTHA REINDERS/ACTIONAID

25. See Universal Declaration of Human Rights http://www.un.org/en/universal-declaration-human-rights/
26. See the International Covenant on Social, Economic and Cultural Rights http://www.ohchr.org/Documents/ProfessionalInterest/cescr.pdf
27. See the Convention on the Rights of the Child http://www.ohchr.org/Documents/ProfessionalInterest/crc.pdf
28. See World Bank data http://datatopics.worldbank.org/education/country/malawi
29. See World Bank data http://datatopics.worldbank.org/education/country/malawi
30. Education Management Statistics System: Education statistics, 2013 bulletin
31. See Education Policy and Data Centre country profile https://www.epdc.org/sites/default/files/documents/EPDC%20NEP_Malawi.pdf
32. See UNESCO Institute for Statistics http://uis.unesco.org/country/MW
33. See Peter Ndilowe and Justin Dzonzi, 2017
34. This was calculated using October 2017 exchange rates.
35. See Education Budget statistics - approved 2000 - 2015

ActionAid commissioned research that shows that Malawi would need to spend an additional US$102m (based on October 2017 exchange rates) by 2018 to meet the education goals the Malawi government has set out in its Education Sector Investment Plan II 2013-18.[36] This includes expenditure on items such as educating the extra 12,953 teachers needed to meet the target teacher-pupil ratio; the 3.7 million textbooks required as well as building 5,200 new classrooms.[37]

Growth dividend of investing in girls' education

A working paper for the World Bank developed methods for estimating the growth dividend of investing in girls' education.[38] The paper looks amongst other things at the productivity of girls *with* primary school education as opposed to those without. In doing so, the paper factored in a number of variables such as the effect of productivity if there was an increase in labour supply; and also that for girls currently not completing primary education there may be factors other than lack of education preventing them from reaching the same level of productivity as girls who do complete primary school.

The study uses data from the IMF, the ILO, the World Bank and others to calculate the increased productivity per girl completing primary education in seven sub-Saharan countries (Ethiopia, Nigeria, Kenya, Tanzania, Burundi, Senegal and Uganda). The average of these seven countries is a **productivity gain of 14.85% when girls complete primary school** as opposed to when they do not. As the study does not look specifically at Malawi, for the purposes of this briefing we will use the sub-Sahara African average as a proxy for the productivity gain in Malawi. With current GDP per capita[39] in Malawi estimated at US$322 by the IMF,[40] a productivity gain of 14.85% would mean that each girl not currently in education would add **US$47.82 to the economy every year** if she completed primary school, and collectively all the girls would add **US$7.36m** to the economy during the same time-frame. Malawi's annual GDP is currently **US$6.18bn**, meaning getting all age-relevant girls currently not in education through primary school would add 0.12% each year to the economy of Malawi.

Provided a working life of 45 years, in current prices (without taking inflation into account), the added value to the economy of educating these girls would be **US$331.2m**. Meanwhile, the compound effect of the annual increase in GDP from investing in getting out of schoolgirls into the education system would be **5.45%** over a working life.[41]

Investing in girls' education boosts the economy.
PHOTO: ARJEN VAN DE MERWE/ACTIONAID

36. See the Malawi government's 2015/2016 Education Sector Performance Report http://www.csecmw.org/2015_16-EDUCATION-SECTOR-PERFO-MANCE%20REPORT.pdf
37. See Peter Ndilowe and Justin Dzonzi, 2017
38. See 'Measuring the Economic Gain of Investing in Girls: The Girl Effect Dividend' by Jad Chaaban Wendy Cunningham, 2011. Policy Research Working Paper 5753.
39. In current prices, not adjusted for PPP
40. See 2017 figures from the IMF https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/weorept.aspx?sy=2015&ey=2022&scsm=1&ss-d=1&sort=country&ds=.&br=1&pr1.x=73&pr1.y=16&c=676&s=NGDPDPC&grp=0&a=
41. In the desirable but unlikely event that all of the girls currently out of school completed not just their primary education but also their secondary education – and using the World Bank paper's (Chaaban and Cunningham, see above) calculation that completing secondary education (as opposed to completing neither primary nor secondary education) leads to a productivity gain of 32.7% per girl, which in turn – using the methodology described above – would lead to an estimated US$105.29 increase in productivity per year per girl. This would result in a collective US$16.21m or 0.26% increase in GDP per year, or a compound 12.39% over a 45-year working life.

Conclusions and recommendations

With an estimated 154,000 girls of primary school age not in education and the illiteracy rate among women over 15 at 45%, Malawi must increase its efforts to ensure that all girls receive a quality education. Based on current spending levels per primary school pupil, ActionAid has estimated that it would cost Malawi just over US$5m per year to pay for all of these girls go to school. There will of course be several non-financial factors affecting girls' school attendance as well, which the government will also need to address.

This paper concludes that Malawi loses at least US$87.04m to tax incentives and its tax treaty network. Due to a lack of data many tax giveaways could not be quantified so the real number is likely to be significantly higher. This means that the extra US$5.11m need to pay for all girls to attend primary school could easily be recovered from addressing current losses resulting from tax incentives and treaties.

This paper has also demonstrated the wider economic benefit of investing in girls' education. If all girls of relevant age currently in education were to finish primary school, they could collectively add US$7.36m per year to the Malawian economy and raise the country's GDP by US$331.2m over their working life.

While the primary reason ActionAid advocates for greater investment in girls' education is because it is a fundamental human right, this paper demonstrates that doing so is also beneficial to the economy as there is a long-term growth dividend to be had from investing in girls' education that far out-strips any costs involved.

With this in mind, ActionAid urges the government of Malawi to:

1. **Act** swiftly to reduce the amount of tax revenue forfeited to tax incentives.

2. **Stop** offering harmful tax incentives and only other incentives selectively to facilitate development. All current tax incentives – including discretionary tax incentives and those applicable to special economic zones – should be reviewed to assess whether they are fit for purpose, including undertaking a cost-benefit analysis.

3. **Review** tax treaty networks to ensure that they do not result in tax losses and renegotiate those that do. Cancel or renegotiate disadvantageous tax treaties.

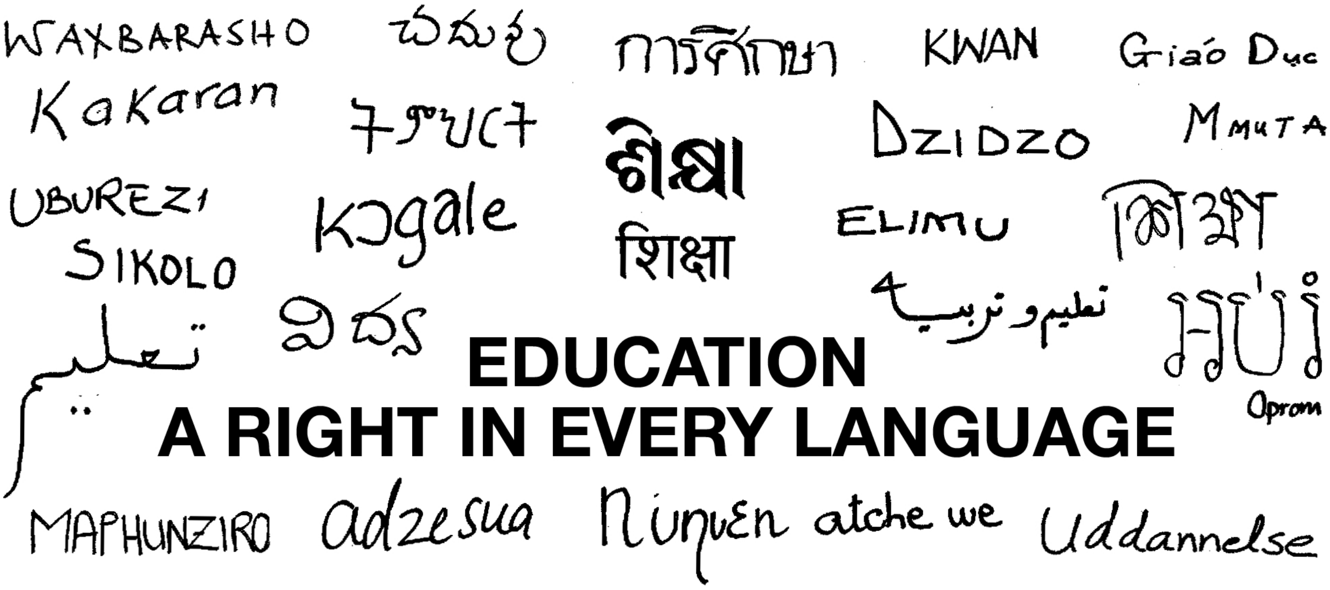
4. **Subject** all tax incentives – both statutory and discretionary – to public scrutiny, including by parliament, media, civil society and citizens. This should include publishing an annual overview of the costs of tax incentives as part of the annual budget, so the public can see the impact of corporate tax incentives.

5. **Invest** 20% of the tax revenue raised by reducing tax incentives and tax treaty regimes in education, especially girls' education.

6. **Ensure** that public education is free, compulsory and of good quality and that there are no economic barriers that might prevent families sending their girls to school.

7. **Ensure** that education budgets are gender-sensitive to ensure adequate financing for measures proven to tackle persistent barriers to girls' education.

Education budgets must be gender sensitive to promote equity.
PHOTO: SAMANTHA REINDERS/ACTIONAID



EDUCATION
A RIGHT IN EVERY LANGUAGE

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