Written evidence submitted by Dr Bernadette O’Hare

First do no harm – UK Policy Coherence for Development

1. Introduction – why I am submitting evidence to this inquiry
I am a paediatrician working in Sub Saharan Africa (SSA) currently and I have worked in several SSA countries over the last eight years. Over this time, I have personally witnessed many thousands of children die; almost without fail, as a result of poverty, mostly poverty at the household level, exacerbated by lack of resources at the health facility level. Tackling the fundamental reasons behind this poverty in Africa must be the subject of the future UK approach to development, with special emphasis on those instances where there is policy incoherence and where the UK may contribute to this poverty. Therefore the title of this submission is taken from the Hippocratic Oath; first we must do no harm. My comments are as a result of personal experience and many years of trying to understand why there is poverty and suffering in SSA.

2. Focus of this evidence
In my evidence, I focus on the first two bullet points which the committee has identified as of particular interest to your inquiry, namely: the coherence of policies which affect development (including aid, security, prosperity, and climate), and the impact of the UK’s non-aid policies on developing countries; In paragraph 6-9, I outline what I perceive as the impact of some of UK’s non-aid policies on developing countries, specifically SSA, and in paragraphs 11-14, some possible ways forward.

3. Why I focus on SSA
SSA suffers the highest rates under-five mortality (U5M) in the world, with mean child mortality rate at 98 per 1000 live births in 2012 (1) and it has been estimated that only five out of 35 countries in this region will achieve their target for Millennium Development Goal (MDG) number four by 2015 (2). The majority of child deaths are attributable to preventable causes for which low-cost interventions are available (WHO; UN). Most of these child deaths can therefore be seen as a consequence of abject poverty. Children and their families in SSA live in severely deprived conditions: sixty percent live in homes which are non-permanent, one or two rooms, with no flooring and more than 5 people per room; fifty percent have a more than 200 metre walk to get water or drink unsafe water; forty percent have no sanitation in or near the home (3).

4. The impact of income on health and wellbeing
As Pritchett and Summer show in their landmark paper ‘Wealthier is Healthier’, the relationship between income per capita (an indicator of the level of economic development or, more specifically, economic growth) and health is not only associative but also causative(4). Increased income improves health through expenditure on goods which improve health or action on the socioeconomic determinants of health. Most of the child deaths in SSA are poverty-driven, being a consequence of preventable causes for which low cost interventions are available and could easily be avoided by increasing incomes commanded by households through reducing poverty and accelerating development.

5. Constraints to Development in Sub Saharan Africa
Development in SSA is partly constrained by the volume of resources, not coming into a country or leaving a country, which in turn depends on many factors both national and international. At the international level, examples of missed opportunities for or constraints to development include trade policies and the many ways in which resources leak out of government envelopes, such as tax evasion in the form of Illicit Financial Flight (IFF), corruption and the repayment of debt which is not legitimate. These prevent resources from coming into, or facilitate resources illegally leaving, a country. Therefore, the available resource envelope at the disposal of a government is reduced as is the amount available to provide social services. These drains on development are explained below.
6. Trade policies which are missed opportunities for development

Many African countries are highly dependent on commodities such as cotton, coffee, cocoa, bananas and sugar as well as oil and minerals. Unfortunately, the bulk of trade barriers by the UK are in the agricultural sector, especially on value-added agricultural products, through tariffs on imports and subsidies. The UK, as part of the EU, puts large tariffs on processed agricultural goods from SSA; for example, unprocessed cocoa has an import tax of 0.5% while processed cocoa has an import tax of 30% (5). Other barriers to trade are agricultural subsidies. Cotton is an important cash crop and contributes significantly to food security of cotton dependent countries (6). In 18 African countries, cotton accounts for more than 20% of the total agricultural export revenue (7). Between 1997 and 2002 the average world market price of cotton declined by 50%, largely due to the subsidies by the US and the EU. This adversely affected the income of the smallholder cotton growers in the SSA countries. In 2010, Brazil won a dispute with the US at the WTO where they argued that world cotton prices would be 12.6% higher than current in the absence of US subsidies (8).

7. Tax avoidance which are missed opportunities for development

Much more money flows out of Africa than into it through foreign direct investment, aid or remittance (9). One of the major outflows is IFF, mostly as a result of multinational enterprises (MNE) using a variety of tax avoiding and evading techniques. The region has been a “net creditor” to the rest of the world as a result of IFF (10). IFF are defined as funds that are illegally earned, transferred or utilized and cover all unrecorded private financial outflows that drive the accumulation of foreign assets by residents in contravention of applicable laws (Global Financial Integrity). With few exceptions, most of these funds would be taxed or increase the national output. By draining the much needed resources, IFF severely compromises poverty reduction and development efforts and prospects (11). It is estimated that Africa has lost twice as much money in IFF (about US$1.4 trillion) than it has gained in aid over the past decades (10,12). This amount would have been more than enough to meet the estimated cost of financing all the MDGs. Tax evasion, a major form of IFF, occurs in a number of ways including profit shifting (10,13). Globalisation has enabled MNE, which account for more than 50% global trade, to greatly minimize their tax burden. Profit shifting by MNE in developing countries undermines governments abilities to fund public investment which would drive economic growth (14).

8. Corruption which are missed opportunities for development

Corruption is defined as the abuse of public office for private gain and slows economic growth (Ugur & Dasgupta, 2011). The effects of corruption have been widely studied: it slows economic growth, reduces government spending, lower tax revenues, lowers the quality of publicly provided services, and leads to poor health outcomes. Corruption has also been shown to reduce tax revenues. Gupta et al find that child mortality is one third higher in corrupt versus less corrupt countries, infant mortality and low birth weight is twice as high and school drop put is five times higher in corrupt countries (16), while Dreher shows corruption to have a significant negative impact on life expectancy (17). Corruption results in weak public service delivery which disproportionately affects the poor as it is they who rely on it the most (16,18). The allocation of government contracts through a corrupt system results in poor quality infrastructure and services, including health and education (19). Kauffman and colleagues found a strong causal effect between improved governance and better developmental outcomes, including child mortality and per capita income (20). They found that a standard deviation increase in corruption was associated with a 2.5 fold increase in per capita GDP, a fourfold decrease in infant mortality and a 15-25% increase in literacy (21). In 2004 the World Bank estimated that countries which tackle corruption can increase their per capita incomes by 400% (22). Corruption is very widespread in African although there are no accurate estimates of resources lost through corruption. The available quantitative estimates of losses of resources to corruption vary from 60% of GDP for all Sub Saharan African countries (22) to the most widely quoted but unsubstantiated estimate of 25% of GDP per year (about
$148 billion) by the African Union (23). There are individual examples which highlight the cost to development. For example between 1993-1998 the Abacha regime in Nigeria stole 3-5 billion of Nigeria’s public assets which were laundered through banks in Switzerland, France, UK and the Cayman Islands. These amounts could have paid for both the health and education budget in Nigeria for a year. Corruptly acquired assets have been banked in the UK (5).

9. Debt repayment which are missed opportunities for development
Some loans to African countries have funded development but some have not; Ndikumana and Boyce have analysed the relationships between debts and capital flight and found that 50% of capital loaned to African countries left those countries the same year. Debts which did not benefit the population, about which they had no knowledge and in situations where the creditors were aware of the circumstances are defined as odious in international law (24). Since the 1970s, African public debt has piled up, as foreign loans were diverted into private assets abroad. In 2010, African debt stood at $300 billion with an annual debt service of $22 billion (25). What is unclear is the proportion of Africa’s debt that can be described as odious. Discriminating between odious and legitimate debts requires auditing.

10. Policy incoherence
The decision of the UK to ring-fence aid and aim for a target set 46 years ago of 0.7% Gross National Product while not implementing policies which curtail drains on development such as illicit financial flight and corruption is incoherent. An example of policy incoherence is where a UK company can deprive the Zambian public purse of $27 million over five years from 2007-2012 in a country where one third of children’s deaths in are due to malnutrition (26). This is equivalent to half of all UKs bilateral aid to Zambia for 2011/2012 (27). The sums that could be raised by evaded and avoided taxation far exceeds the sums that could be met by development aid (28). There are questions why the UK prioritises foreign aid over domestic needs, when there is sparse evidence of aid effectiveness particularly when it comes to health interventions (29). This is when these extra funds could have been used to reduce the cuts to education in the UK by one third (27), and some of the 27 priority countries have significant problems with drains on development such as IFF and corruption.

11. Trade policies which are incoherent
With regard to trade policies, the UK should advocate at the EU level to remove trade distorting agricultural subsidies, to allow SSA countries to establish regional markets among neighbouring countries and be flexible with regards to trade barriers against world competition, in order to allow infant industry protection which developed countries have benefited from (30). UK aid could be used to build capacity among SSA negotiators at trade negotiations.

12. Tax avoidance by UK registered companies
There are several ways in which the UK non-aid policies be used to help unlock the latent wealth in SSA for development. In order to curtail IFF, the UK needs to have transparent exchange of information for tax purposes (31), and all UK MNEs should report profits country by country and have known beneficial ownership. MNEs working in countries receiving UK aid should ensure they are paying tax in those countries as merely complying with the law may not be sufficient if there is a violation of economic human rights (32).

13. UK corruption services
UK banks, accountants and legal services which provide “corruption services” for the evasion of tax and theft of state assets should be liable to penalties (28), including penalties for the violation of economic human rights (32). These professions must exercise due diligence on politically exposed persons (31) and in order to avoid incoherent policies the UK should legislate to curtail corruption services being provided in the UK. The UK could inspire a global change in accountability by UK banks returning stolen state assets (5). UK aid could support transparent e-government in SSA e.g. Guinea recently placed all mining
contracts on line. Aid could be used to strengthen tax collection abilities and support community monitoring and decentralisation which has been shown to reduce corruption (33).

14. Odious debt in UK banks
In respect of odious debt, African countries are likely to benefit from debt audits and repudiation of odious debts but leaders who have benefited personally from irresponsible borrowing are unlikely to initiate such audits. Given that half of African loans left in the form of capital flight it is likely that some of African debt is odious but this requires auditing and repudiation at national level (24). UK aid should support debt audits and the repudiation of odious debt and UK banks should facilitate the timely return of monies found to be odious.

15. Potential for domestic resource mobilisation
There is a huge potential for African countries to mobilise their own resources and finance development. This can only happen if leakages through IFF, corruption and servicing odious debt can be stopped and if African countries can benefit fully from trade liberalisation, especially in the agricultural sector. As IFF and corrupt monies are mostly concealed in developed countries, the UK has a major role to play. The UK should aim to systematically address the policies which facilitate the drainage of resources. Continued aid without addressing these problems will not bring about real development and in fact may, in some cases exacerbate problems of corruption and IFF. Aid is no longer seen as an essential component of the development process by many (34) and all aid should be with the aim of helping SSA realise their full potential for domestic resource mobilisation.

16. Policy coherence for development
The impact of UK non-aid policies significantly influences poverty in SSA. Policy coherence for development is increasingly being recognised and discussed at national (35) and regional level (36). Policy coherence is being reviewed in the context of the factors which drive poverty such as tax avoidance (31) and the European Union (EU) Common Agricultural Policy (CAP) (37). Our colleagues in Africa remind us that OECD countries cannot suggest increased transparency, openness in trade and tackling corruption, while not practising what we preach; this makes it difficult for reformers in SSA countries to lead the way (18). UK could be at the forefront and push for real solutions to the causes of poverty by addressing conditions which facilitate tax avoidance and corruption, advocating against uneven trading conditions and the for the return of debt found to be odious, thereby assisting countries to domestically mobilise their own resources to meet their development needs. In order to achieve this there will need to be representation in all Whitehall departments in order to promote and audit policy coherence for development in all aspects of government policy.

17. Evidence based policy coherence for development
Evidence based policy making and development is increasingly important, DFID has supported evidence synthesis and these should continue to be used to guide the future strategy of both non aid and aid policies. UK also supports knowledge brokering in SSA countries whose mandate is to disseminate evidence based development to policy makers (38); a similar model in the UK, could promote both evidence based and coherent development. The target audience being all Whitehall departments especially those which most influence development issues such as the Department of Business, Innovation and Skills and also MNEs. A DFID which is integrated into each of the other Whitehall departments and systematically addressing the policies which facilitate the drainage of resources and thus facilitating domestic resource mobilisation for development would be ideal.
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