Health Poverty Action is an international development organisation committed to addressing the full range of factors that impact on health and poverty. We work in 13 countries worldwide, specialising in hard to reach environments and working with marginalised groups. We recognise the greatest threat to poor health worldwide is political, social and economic injustice. We welcome the opportunity to give evidence to this inquiry.

In collaboration with 12 other UK and African NGOs we recently conducted research quantifying the financial resource flows to and from Sub-Saharan Africa across a range of areas. We therefore focus our response on the policies and practices impacting Africa - although they are of relevance to other areas of the Global South.

Executive Summary

1. Currently the UK’s role in international development is disproportionately focussed on the role of DFID and aid. In doing so we are failing to address the root causes of global poverty. Aid plays a very small role in global resource flows; it is not a solution to global poverty.

Our recent report Honest Accounts, quantifies financial losses to sub-Saharan Africa as a result of a range of policies and practices. We found that whilst sub-Saharan Africa receives just under $30 billion in aid each year, the continent loses $192 billion as a result of other resource flows. These losses include: illicit financial outflows ($35.3 billion); profits repatriated by multinational companies ($46.3 billion); debt payments ($21 billion); illegal logging ($17 billion); illegal fishing ($1.3 billion); brain drain of health workers and the costs of recruiting foreign experts to fill the resultant skills gaps ($6 billion) In addition to these resource flows, Africa is forced to pay a further $10.6 billion to adapt to the effects of climate change caused elsewhere and $26 billion to pursue low carbon economic growth, necessary as a result of the rest of the world’s carbon emissions each year.

Whilst we have been unable to ascertain what proportion of Africa’s losses directly benefit the UK, the UK has a key role in many of Africa’s losses. For example, it is one of the top 10 global greenhouse gas emitters¹ and has benefitted from large numbers of trained African health workers.¹ British companies are among the most active in Africa² repatriating large profits each year. Moreover, the UK has 10 tax havens³ under its jurisdiction, presiding over the world’s largest secrecy network that facilitates the theft of billions in illicit resource flows from Africa each year.

2. These facts demand we re-evaluate the UK’s role in tackling global poverty. If the UK government is committed to playing its role in ending poverty, it will not do this via aid. Conversely, this disproportionate focus on aid is in fact harmful to development, serving as a smokescreen and impeding action to tackle the real causes of poverty. Addressing global poverty requires acknowledgment that responsibility for tackling poverty lies across government, and commitment to a coordinated response that is absolutely explicit that the

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² Ernst and Young ranked the UK as the top source of “greenfield” investment into Africa in 2012 and 2nd behind the US between 2003 and 2012. Ernst and Young, Attractiveness Survey, Africa 2013, Getting down to business [http://www.ey.com/Publication/vwLUAssets/The_Africa_Attractiveness_Survey_2013/$FILE/Africa_Attractiveness_Survey_2013_AU1582.pdf](http://www.ey.com/Publication/vwLUAssets/The_Africa_Attractiveness_Survey_2013/$FILE/Africa_Attractiveness_Survey_2013_AU1582.pdf)
UK’s primary contribution to ending global poverty is to address the policies and practices for which it is responsible.

Impact and inconsistencies of non-aid polices

3. There are many of the UK’s non-aid polices that have far-reaching impacts on Africa. Below we outline a selection of these, drawing predominantly from research. It is important to note that there are a number of Africa’s financial outflows for which we were unable to obtain current calculations and therefore our ‘out’ figure of $192 is a significant underestimate.4

Inconsistencies within DFID’s policies

Aid as loans

Africa spends $21 billion on debt repayments every year. The current lending boom is building up a debt bubble for Africa. Despite the UK previously taking a key role in writing off debts, its policy of giving some aid ($1.3 billion) as loans threatens to undo its achievements. The IDC should reconsider its earlier proposal for more UK aid to be given as loans. The UK also needs to take a much greater role in supporting transparency and accountability to African citizens within loan agreements. UK Export Finance, the part of the UK government which backs loans for other countries to buy British exports, refuses to disclose loans it is guaranteeing for up-to a year after they have been signed.

Use of tax havens

A recent report revealed that CDC used tax havens for almost 50% of its aid investments.ii (See below for more details on UK tax havens). Clearly the use of structures which facilitate tax dodging being used by the department responsible for addressing poverty is a gross irony which must be rectified.

Role of private sector

Aspects of DFID’s increasing focus on the private sector may undermine its development objectives. ICAI’s review of DFID’s private sector worked identified a number of problems with its approach, including limited understanding of links between the private sector and poverty reduction resulting in excessive risks, and a failure to adequately address unintended consequences for the poorest people.iii

One example is the mega public private partnerships (PPP), such as the New Alliance for Food Security and Nutrition to which DFID has given £600 million of aid money. The New Alliance opens up African agriculture to multinational companies through national ‘cooperation frameworks’. This has been widely criticised, from Oxfam who have labelled the New

4 These include costs incurred as a result of biopiracy and other intellectual property related costs, and the migration of skilled professionals except health workers. It also does not include the costs of conflict to Africa, which in 2007 Oxfam, Iansa and Saferworld estimated at $18 billion annually.4 We also do not attempt to calculate potential losses, for example those relating to unfair trade policies or tax incentives.
Alliance and similar ‘Mega PPPs’ ‘unproven and risky’ \textsuperscript{iv} to 100 African civil society organisations and farmers groups who called the New Alliance a ‘new wave of colonialism.’ \textsuperscript{v}

A recent Oxfam analysis of the ‘Mega PPPs’ found that they widen the imbalance of power between small scale farmers and big investors and risk exacerbating inequality. Issues identified include: transferring benefits away from small farmers to investors and elites through land transfers; farmers becoming indebted and tied in to agreements with big investors that they are unable to exit; poor governance and accountability with low levels of civil society participation in the design of the schemes; risks of large firms crowding out smaller businesses; and risks to food security by diminishing the land available for smallholder farmers. Despite DFID’s other stated priority area of women and girls, Oxfam found that Mega PPPs do not meet the needs of women.\textsuperscript{vi}

Other HMG polices

UK Tax Havens and Illicit financial flows

Africa has a net loss of $35.3 billion to illicit outflows each year. If you take all illicit flows - on the basis that illicit inflows (for example of weapons) are also harmful – this figure rises to $60.0 billion\textsuperscript{vii} Illicit flows consist of both ‘illegal’ capital due to corruption, theft and criminality; as well as ‘legal’ capital \textsuperscript{viii} driven by aggressive tax avoidance and commercial transactions that exploit international trade and fiscal loopholes.\textsuperscript{vix}

Within almost all of the affected countries in the Global South the largest component of illicit outflows is commercial tax evasion. In addition these networks of secrecy facilitate various other forms of criminality ranging from corruption, drug trafficking and arms trading to terrorism, providing a channel through which the proceeds of crime can flow.\textsuperscript{v}

The UK has ten tax havens under its jurisdiction.\textsuperscript{xi} In 2011, the UK’s Crown Dependencies along with three of the British Overseas Territories were the largest provider of FDI to the Global South.\textsuperscript{xii} The Tax Justice Network’s (TJN) authoritative Financial Secrecy Index\textsuperscript{xiii} ranks jurisdictions according to their secrecy and the scale of their activities. Whilst the UK is ranked 21 in their 2013 index, TJN notes that if it were to be assessed along with its Crown Dependencies and Overseas Territories it would rank first by a significant margin.\textsuperscript{xv} The UK also was labelled a tax haven by the IMF in a 2007 paper.\textsuperscript{xiv}

Some argue that the City of London Corporation, constitutes a tax haven\textsuperscript{6} given its partial exemption from the Freedom of Information Act\textsuperscript{xxiv} he electoral rights bestowed upon corporations and its role in lobbying for reduced regulation for the financial sector, in particular though the only non-elected representative to sit in the Commons.\textsuperscript{xvi}

4. UK corporations are prolific users of tax havens. Analysis by ActionAid in 2013 highlighted that 98 of the 100 biggest groups listed on the London Stock Exchange use tax havens, with the banking sector the most active users. Of these 98, 78 have operations in the Global South.\textsuperscript{xvii} Between them the FTSE 100 largest groups comprise 34,216 subsidiary companies, joint ventures and associates. ActionAid reports that the UK’s big four high street banks

\textsuperscript{5} TJN describe this as follows: If the Global Scale Weights of just the OTs [Overseas Territories] and CDs [Crown Dependencies] were added together (24% of global total), and then combined either with their average secrecy score of 70 or their lowest common denominator score of 80 (Bermuda), the United Kingdom with its satellite secrecy jurisdictions would be ranked first in the FSI by a large margin with a FSI score of 2162 or 3170, respectively (compared to 1765 for Switzerland). Note that this list excludes many British Commonwealth Realms where the Queen remains their head of state. \url{http://www.financialsecrecyindex.com/introduction/fsi-2013-results} (Accessed 26/05/2014)
between them have 1,649 subsidiaries in tax havens. It has also highlighted how in 2009, Barclays paid less than 10% of its profits in tax havens.

The 2013 changes to the Controlled Foreign Company (CFC) regulations, created further incentives for British companies operating in the Global South to route their profits via tax havens as they removed the requirement for companies to pay the difference between the UK and the tax haven rate of tax when repatriating profits earned overseas, through tax havens.

The tax haven network is key to the losses of billions from the Global South. Addressing the UK’s role at the heart of the global secrecy network must be a top priority. Current work by BIS on Beneficial Ownership is wholly undermined by the fact that that HMG has done nothing more than ‘encourage’ its Overseas Territories to do the same. Whilst the relationship between the UK and its overseas territories is complex, the UK government has in fact has intervened a number of times in its Crown Dependencies and Overseas Territories. Whilst the 1973 Kilbrandon Report, recognised as the UK’s official interpretation of this relationship, concluded that the UK “ought to be very slow to seek to impose their will on the islands merely on the grounds that they know better it also states that “It is nevertheless highly desirable that the institutions and the practices of the islands should not differ beyond recognition from those of the UK.”

Trade policies

Intellectual property components within trade agreements (Such as the TRIPS Agreement) impede the ability of poor people to access essential medicines. Currently certain ‘flexibilities’ within TRIPS enable that to be overridden in certain circumstance however, the EU-India and EU-Thailand Free Trade Agreements (FTA) currently being negotiated will restrict these flexibilities. In addition the proposed Trans-Atlantic Trade and Investment Partnership (TTIP), contains terms that will affect our ability within the EU to access generic medicines.

Drugs policy

UK illicit drug policies impact on international development. The recent UK ban on khat, for example, has had a profound impact on khat-producing communities and markets in the horn of Africa. There is increasing evidence that a law-enforcement-led approach is ineffective at addressing the root causes or the impacts of illicit drug use. Currently, the Home Office leads on illicit drug policy, but this should instead rest with the Department of Health, allowing for the creation of responsible and evidence-based policy interventions to reduce the harm caused by the illicit drugs trade. DFID should also have the power to review and approve those illicit drugs policies with potential international implications.

Actions of UK corporations

British companies are among the most active in Africa, ranked by Ernst and Young as the top source of “greenfield” investment into Africa in 2012. This means the UK has a particular responsibly. International regulation is required to curb unethical activities of companies and protect the environment. Despite this the UK is opposing efforts in the United Nations

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7 Please see the submission for by Action for Global Health for further details.
8 These include to outlaw the death penalty (1991) decriminalise homosexual acts (2000) and in 2009 it even imposed three years of direct rule on the Turks and Caicos Islands.
to draw up a binding international agreement on transnational corporations to protect human rights. \textsuperscript{xxiii}

**Brain Drain**

Migration can bring many benefits, yet skilled migration can also cause a loss to source countries when skilled professionals leave to practice their skills elsewhere, with the financial gain transferring to the destination countries. This is particularly acute in cases in which professionals are trained at public expense. Based on training costs, the loss to Africa as a result of the migration of health workers is estimated to at least $2 billion per year. African countries spend a further $4 billion on employing foreign experts to fill skills gaps.

The world is facing a global health worker crisis. \textsuperscript{xxiv} Between the late 1990s and the mid-2000s, the UK actively recruited international health workers to fill shortages in the NHS. A particularly pertinent example of how this has undermined poverty reduction objectives is shown in the case of Ghana. In 2004, using salary estimates the value of Ghanaian health workers to UK health service users annual was estimated at £39 million. That same year UK aid to Ghana was £65 million. Whilst the proportion spent on health is not available, it is likely that savings to the UK health services was greater than UK aid given to Ghana for health. \textsuperscript{xxv}

Despite the general decline in new registrations in recent years, the UK remains one of the largest destination countries for migrant health workers. \textsuperscript{xxvi} Without adequate domestic health workforce planning by the Department of Health (DH), there is a danger the UK could once again begin to recruit health workers from countries with critical shortages. Yet answers to recent parliamentary questions suggest little joint working between DFID and the Department of Health on this issue. \textsuperscript{xxvii}

**Illegal logging**

5. $17 billion is taken each year from Africa as a result of illegal logging. As well as the loss of revenue, illegal logging has serious implications for the degradation of forests and the survival of populations who depend on these, biodiversity and the climate. \textsuperscript{xxvii} The revenues from illegal logging may also fund national and regional conflicts. \textsuperscript{xxvii}

The UK has historically been a prime destination country for illegal timber. In 2009 the Environmental Audit Committee (EAC) found that the UK might have then been “one of the world’s largest importers of illegal timber and illegal timber products.” \textsuperscript{xxvii} With the introduction of The EU Timber Regulation (EUTR) on 3rd March 2013, making it illegal to place illegally harvested timber and timber products on the EU market, there are hopes this may improve. However research by Chatham House on the UK’s illegal timber market found that the UK imported 940,000 cubic metres of illegal timber in 2013. \textsuperscript{xxv}

**Climate change**

The Climate Vulnerability Monitor estimates that climate change led to 400,000 additional deaths worldwide in 2010, from such causes as natural disasters heat- and cold-related illnesses, diarrheal infections, meningitis, malaria and other vector-borne infections, and malnutrition. Of these deaths, 335,000 took place in only 20 highly vulnerable countries. Although Africa is currently responsible for less than 4% of the world’s greenhouse gas
emissions each year, 13 of these countries are in Africa. In addition to the direct health and development impacts of climate change, greenhouse gas emissions from the rest of the world impose two additional annual financial costs on Africa. The first ($10.6 billion) is the cost of adapting to the impacts of climate change on the continent. The second ($26 billion) is the costs of mitigation, pursuing low carbon growth. The UK is one of the top 10 global greenhouse gas emitters9 and therefore must implement steep year-on-year reduction in emissions.

Mechanisms needed to support changes

6. Action to tackle poverty requires ending the focus on addressing the symptoms through aid. It requires explicit recognition of and action to address the root causes of poverty - in particular those for which the UK holds some responsibility. This must be driven from the highest level. We contributed to and endorse all the specific mechanisms suggested in the submission by Action for Global Health UK. For that reason we do not repeat them here.

Conclusion

Simplistic notions of aid and charity are undermining development. They are also not what the UK public want. A survey on UK attitudes to aid found a public appetite for a more nuanced debate and a better understanding of the causes of poverty. This cannot happen until the hard facts about the extent of Africa’s losses and their underlying causes are exposed. This is a vital opportunity for the IDC to draw attention to the shortcomings of the current UK approach to development, and hold HMG to account for its role in creating and sustaining global poverty.

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