

Honest Accounts?

The true story of Africa's billion dollar losses



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The true story of Africa's billion dollar losses

Report by Health Poverty Action, Jubilee Debt Campaign, World Development Movement, African Forum and Network on Debt and Development (AFRODAD), Friends of the Earth Africa, Tax Justice Network, People's Health Movement Kenya, Zimbabwe and UK, War on Want, Community Working Group on Health Zimbabwe, Medact, Healthworkers4All Coalition, groundWork, Friends of the Earth South Africa, JA!Justica Ambiental/Friends of the Earth Mozambique.

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Foreword

This report – looking at the amount Africa loses to the rest of the world, in comparison with what it receives in aid and other inflows – is a response to a growing unease we have at Health Poverty Action that the UK public is not hearing the truth about our financial relationship with Africa. And hence what really needs to happen in order for global poverty to be tackled.

We are guilty of presenting ourselves as generous benefactors to the world's poor. We present the aid budget as an act of charity, of which the UK should be proud: there are people worse off than us so we are selflessly giving to support them year after year.

And yet, what this report demonstrates quite clearly, is that – in comparison with what it loses – the amount Africa receives back in aid is negligible. The truth is that rich nations take much more from Africa than they give in aid – including through tax dodging, debt repayments, brain drain, and the unfair costs of climate change – all of which rich nations benefit from.

As we approach the General Election in 2015 we call on political leaders and development organisations to accurately portray our true relationship with Africa. This way the public can best judge which party has the better plan – beyond aid commitments – for tackling the real causes of poverty.

Development organisations have a duty to tell this truth to the public. Outrage against injustice rather than pity for the needy, will give us a better chance of keeping the public's long-term support for the fight against poverty – partly through personal donations, which so many organisations rely on, but also through their pressure on governments to tackle the structural causes of poverty.

It's only then that we, with any credibility, can claim to be working in solidarity with African people to support their continent's struggle against poverty.



Martin Drewry
Director, Health Poverty Action

Executive summary

The idea that we are aiding Africa is flawed; it is Africa that is aiding the rest of the world.

The UK's international aid budget is under attack from those who say that during a time of austerity, our generosity to poorer parts of the world is something we can no longer afford. All three leaders of the main political parties have resolutely defended the UK's proud record as a donor. And the international NGO sector publicly applauds. This is the narrative we will take with us into the general election. The debate about how the UK should show leadership in tackling global poverty will be limited to arguments about how much we should give. This is a dishonest dialogue and reinforces in the mind of the public that Africa is a problem that costs us money. It hides the truth: that we take much more than we give.

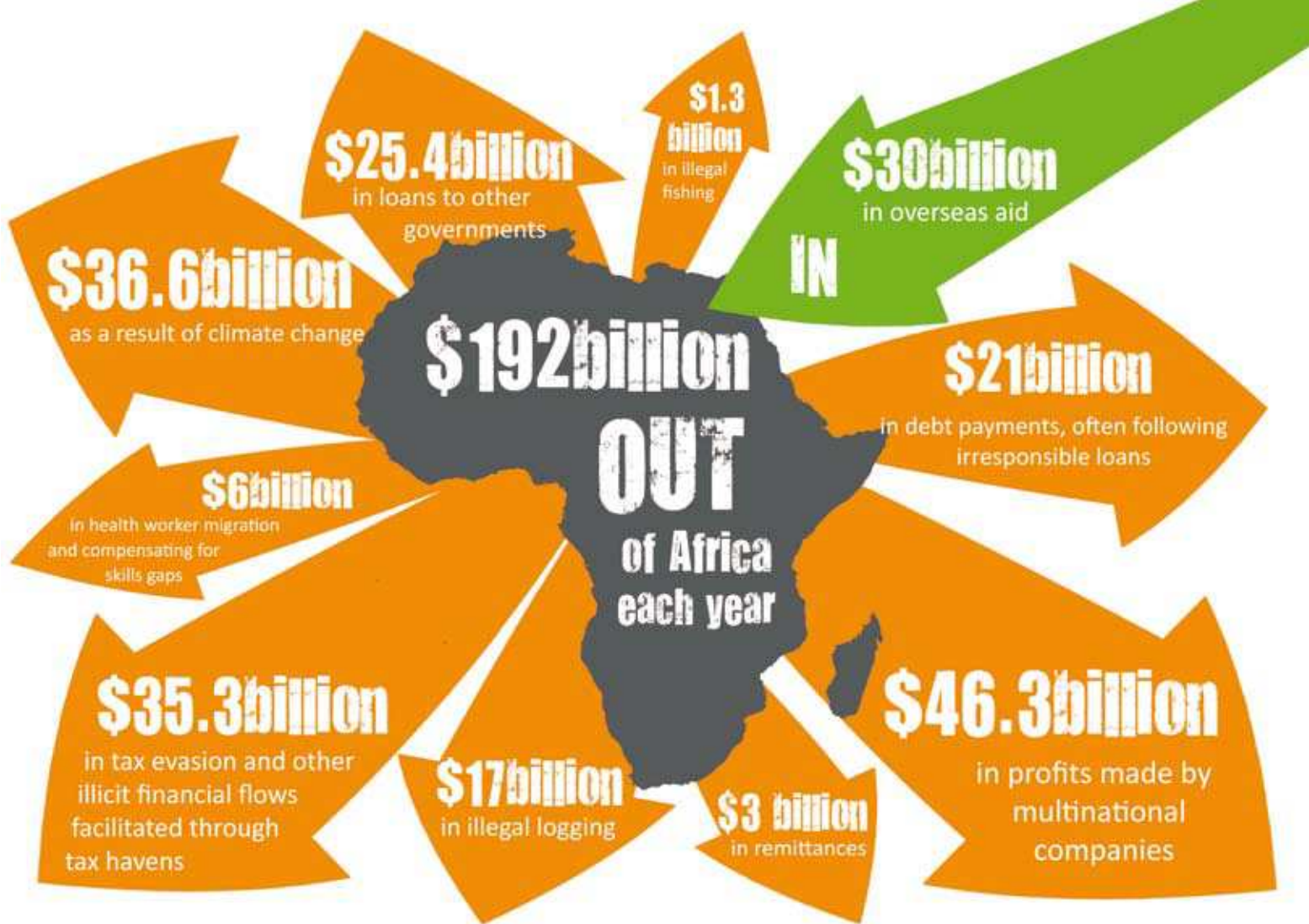
If politicians really want to outdo each other in demonstrating their desire to tackle global poverty then they need to accept their role in perpetuating it, and commit to reforming those international systems that cost Africa resources. And the UK's international NGO sector must pressure them to do so.

The reality is that Africaⁱ is being drained of resources by the rest of the world. It is losing far more each year than it is receiving. While \$134 billion flows into the continent each year, predominantly in the form of loans, foreign investment and aid; \$192 billion is taken out, mainly in profits made by foreign companies, tax dodging and the costs of adapting to climate change. The result is that Africa suffers a net loss of \$58 billion a year. As such, the idea that we are aiding Africa is flawed; it is Africa that is aiding the rest of the world.

Whilst we are led to believe that 'aid' from the UKⁱⁱ and other rich countries to the continent is a mark of our generosity, our research shows that this is a deception. Wealthy countries, including the UK, benefit from many of Africa's losses. While aid to Africa amounts to less than \$30 billion per year, the continent is losing \$192 billion annually in other resource flows, mainly to the same countries providing that aid. This means African citizens are losing almost six and a half times what their countries receive in aid each year, or for every £100 given in aid, £640 is given back. This demands that we rethink our role in addressing poverty in Africa.

\$192 billion is more than is needed annually to eliminate hunger; provide universal primary, and improved access to secondary education; affordable health coverage for a range of diseases; safe water and sanitation, and sustainable energy for everyone in the world – not just Africa.¹

- i. In this report we use 'Africa' to refer to the 47 countries classified as 'sub-Saharan Africa' by the World Bank. We have chosen not to use the term 'Sub-Saharan Africa' due to the numerous problems associated with this term. However we recognise that 'Africa' is also problematic given that this report does not include North Africa.
- ii. As a coalition of UK and African NGOs we have chosen in the narrative to emphasize the UK's role; however this critique may also apply to other donor countries.



Our research is, we believe, the first attempt at a comprehensive comparisonⁱⁱⁱ of the range of resource flows in and out of Africa. We calculate the money leaving Africa every year and compare this to the resources flowing in. Our research shows that Africa loses:

- \$46.3 billion in profits made by multinational companies
- \$21 billion in debt payments, often following irresponsible loans
- \$35.3 billion in illicit financial flows facilitated by the global network of tax havens
- \$23.4 billion in foreign currency reserves given as loans to other governments
- \$17 billion in illegal logging
- \$1.3 billion in illegal fishing

- \$6 billion as a result of the migration of skilled workers from Africa

In addition to these resource flows Africa is forced to pay a further:

- \$10.6 billion to adapt to the effects of climate change that it did not cause
- \$26 billion to promote low carbon economic growth

If these financial outflows and costs are compared with inflows into Africa, the result is a net annual loss of \$58.2 billion. This is over one and half times the amount of additional money needed to deliver affordable health care to everyone in the world.^{iv} If the rest of the world continues to raid Africa at the same rate, **\$580 billion will be taken from the African people over the next ten years.**

iii. Whilst we believe we have included all those for which reliable figures exist, there remain a number of outflows we were unable to calculate therefore these 'out' figures are a significant underestimate. The uncalculated costs include costs incurred as a result of biopiracy and other intellectual property related costs, and the migration of skilled professionals except health workers. This research also does not attempt to calculate potential losses, for example those relating to unfair trade policies or tax incentives.

Yet this drain of Africa's resources is being ignored in favour of aid propaganda. Whilst Britain and other wealthy governments sentimentalise their generosity in giving aid, and many NGOs clamour for more, the public in donor countries, themselves hit by austerity measures, question why we are generously doling out money to Africa. All the while each African citizen is left \$62 out of pocket to the rest of the world each year. The British Government has been widely praised for its charitable credentials in meeting its aid commitment; yet it simultaneously presides over the world's largest network of tax havens that enables the theft of billions from Africa each year.

An aid smokescreen has descended. It has facilitated a perverse reality in which the UK and other wealthy governments celebrate their

generosity whilst simultaneously assisting their companies to drain Africa's resources; companies promote their 'corporate responsibility' whilst routing profits through tax havens; wealthy philanthropists donate money whilst their companies dodge tax; and short-term fundraising tactics mean NGOs ourselves can be guilty of pushing the idea that poverty can be solved if we give a few pounds, whilst ignoring the systematic theft going on under our noses.

The following table outlines the money flowing out of Africa, compared with aid and other inflows.

As this shows, Africa has an annual net loss of \$58 billion, and when compared just with government aid the difference is \$162 billion.

Inflows to Africa

Category	Annual amount
Official aid from OECD	\$29.1 billion
Official aid from non-OECD countries	\$0.4 billion
Net private grants	\$9.9 billion
Loans to governments	\$23.4 billion
Loans to private sector (both FDI and non-FDI)	\$8.3 billion
Net portfolio equity	\$16.2 billion
Net FDI equity	\$23.2 billion
Inward remittances	\$18.9 billion
Debt payments received	\$4.3 billion
Total: \$133.7 billion	

Outflows from and costs to Africa

Category	Annual amount
Debt payments	\$21.0 billion
Increase in international reserve holdings	\$25.4 billion
Multinational company profits	\$46.3 billion
Illicit financial outflows	\$35.3 billion
Outward remittances	\$3.0 billion
'Brain drain'	\$6.0 billion
Illegal logging	\$17 billion
Illegal fishing	\$1.7 billion
Climate change adaptation costs	\$10.6 billion
Climate change mitigation costs	\$26.0 billion
Total: \$191.9 billion	

iv. Based on ODI estimates for the annual financing gap of \$37 billion to achieve the proposed Post 2015 goal of Universal Health Coverage for a range of diseases (This has some limitations such as the exclusion of treatment for non-communicable diseases discussed here <http://www.odi.org/sites/odi.org.uk/files/odi->)

Africa is not poor; but a combination of inequitable policies, huge disparities in power and criminal activities perpetrated and sustained by wealthy elites both inside and outside the continent are keeping its people in poverty. The UK and other wealthy governments are at the heart of this theft.

Helping Africa to address its developmental challenges means exposing the aid smokescreen, and changing those government policies that damage the continent.

If we continue to perpetuate this dishonest aid narrative, we risk long term damage to development. For years the British public have been asked to donate money to Africa, yet the end to poverty is nowhere in sight. The true reasons behind this failure are firmly obscured. At a time of global austerity this seemingly endless need for 'aid' understandably provokes questions about the role of the British government and public in Africa, and plays directly into the hands of those who wish to undermine international solidarity for political gain.

It is time for the British government, politicians, the media, and NGOs ourselves to stop misrepresenting our 'generosity' and take action to tackle the real causes of poverty. This includes urgent government action to close down the UK's network of tax havens; an end to the plundering of African resources by multinational companies; an end to 'aid' as loans and greater transparency and accountability in all other loan agreements; and ambitious and far-reaching climate change targets.

In the following chapters we outline the outflows from Africa and give our analysis of what lies behind them, as well as the costs imposed by climate change. We also discuss the myths surrounding aid and its impact on global power relations. Section 1 outlines each of the outflows in turn. Section 2 looks at this in comparison with the inflows, whilst Section 3 examines aid and how this has impacted on the (mis)representations of aid and charity.

There are several things to note: Firstly, this is a quantitative attempt to collate that which is clearly measurable. There are a number of outflows that we have been unable to calculate; therefore the figure of \$192 billion is likely a gross underestimate. Secondly, we do not attempt to quantify historic costs; only what Africa is losing today. Finally, we do not assume all inflows are benefitting Africa, or that all outflows are to its detriment; the reality is more complex. For example, foreign direct investment (inflow) can bring a number of problems including the take-over of domestic companies, whilst some foreign exchange reserves (outflow) may bring increased security. The benefits and detriments are at some level subjective, and we are happy to engage in debate on these; the main intention of this report however is to expose the direction of the resources flowing from Africa and how this contrasts with the myths we are being sold.

1. Outflows and costs

The rest of the world takes from Africa much more than the continent receives. Almost \$60 billion more. \$192 billion flows out of Africa each year. This section outlines the range of different flows draining out of Africa, as well as the costs imposed on the continent as a result of climate change and explores the reasons for this.

Debt

The facts

- Despite the cancellation of some debts in recent years, Africa still spends \$21 billion on debt repayments every year.
- This increase is due to a boom in lending. Foreign loans to African governments have almost doubled in the last five years, threatening to repeat destructive debt crises which impoverished the continent in the 1980s and 1990s.
- Of lending to African governments, roughly one-third is from institutions such as the International Monetary Fund (IMF) and World Bank; one-third from private lenders including banks; and one-third from foreign governments such as Japan, China, France and Germany.

The details

Since the global financial crisis began, lending to African governments has boomed, increasing from \$9.9 billion in 2006 to \$23.4 billion in 2012.² This increase has been driven by private banks and other

financial institutions borrowing at low interest rates in Europe and the United States, and looking to make large profits through lending at much higher interest rates to African governments. Governments such as Japan, China, Germany and France have also increased their lending, often counting this as 'aid' and so disguising cuts in aid grants.

The full consequences of this boom in lending will only be seen in years to come. At the moment, more money is being lent to Africa than is being lost in debt repayments. But this is building up a debt bubble for the future. Several countries in Africa may soon be spending as much on debt payments as they were before having some debts cancelled. This is happening in an economic environment of uncertainty and impoverishment on the continent.

Both lenders and borrowers should be responsible for ensuring loans are well spent. However, too often lenders put all the expectation on borrowers, without acknowledging any role for themselves.

One call of campaigners in Africa is for all loans contracts to be made publicly available before they are signed, and to require ratification by national parliaments. However, many lenders refuse to do so.

Ghana

Ghana had \$7.4 billion of debt cancelled in 2004 and 2005.³ Annual foreign debt payments fell from over 20% of government revenue to less than 5%. It is estimated that 98% of children now complete primary school, up from 70% in the early 2000s, before debt cancellation.⁴

However, a boom in lending to the West African country means the government's foreign debt repayments are predicted to reach 20% of government revenue once again in ten years time.⁵ This assumes that the economy grows by 6% a year, and that the amount collected in taxes increases even faster. If this does not happen, the debt payments will be even higher.

Three-quarters of Ghana's debt is owed to other governments and multilateral institutions, primarily the World Bank, African Development Bank and IMF.⁶

For example, 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. The World Bank often does publish proposed loans before they are signed, but it does not require that such loans are voted on, or even debated, in national parliaments.

The United Nations Conference on Trade and Development (UNCTAD) has tried to lead discussions in recent years on principals and guidelines on responsible lending and borrowing for governments. But the UK government has refused to take part, and in 2012, even tried to remove UNCTAD's remit to discuss such issues.⁷

Since the 1980s, the response of Northern governments to countries struggling to pay debts has been to lend more money – usually through the IMF – and forcing governments to cut spending, sell off industries and public services, and deregulate the economy. This is effectively a bailout for the lenders, who get repaid in full for their reckless loans. This same process of bailout which happened in the 1980s and 1990s in Africa and Latin America has happened most recently in Greece, Ireland and Portugal.

Because private lenders can be confident they will be bailed-out with taxpayers' money, they have an incentive to keep giving loans recklessly.

Global campaigners have called for a fair, transparent and independent arbitration mechanism to resolve debt crises. This would have the power to make lenders shoulder the responsibility of bad lending practices and to accept repayment conditions that do not harm the poor and marginalised populations in African countries. Crucially, estimates of how much debt is sustainable should be made by a body independent of borrowers and lenders.

The figures

The World Bank, World Development Indicators database shows that Africa pays \$21 billion in debt payments each year. This covers both the public and private sectors.

The solutions

Donor governments need to stop contributing to the debt crisis and give their aid as grants, not loans. There needs to be greater transparency by making loan contracts publicly available and requiring parliamentary approval in the recipient country. International financial institutions need to stop encouraging reckless investment through lending more to countries at risk of defaulting on their loans, thereby removing the risks to private investors. Finally there needs to be a fair, transparent and independent arbitration mechanism to resolve debt crises.

The UK and aid loans

It is possible for loans to be counted as 'aid' if the interest rate is less than 7%. The UK government gives \$1.3 billion* of 'aid' a year as loans, via contributions to multilateral institutions such as the World Bank. They have also given some loans directly as aid to countries to 'help' them adapt to climate change. This includes loans to the government of Grenada, which has stopped paying some of its debts because they are already unaffordable.

Furthermore, in February 2014, the International Development Select Committee of the British Parliament recommended that the UK government give significantly more of its 'aid' money as loans, rather than grants.

* Jubilee Debt Campaign, *The State of Debt* (2012).

The repatriation of multinational company profits

The facts

- \$46.3 billion in profits from multinational companies flow out of Africa each year

The details

Since the 1980s, international financial institutions dominated by the US and EU countries have forced African countries, through structural adjustment programmes, to become increasingly export-oriented and open their markets to foreign trade and investment. Their growth has depended heavily on skewed investment arrangements, loans and debt financing. The result has been high indebtedness and higher financial outflows, described as a 'revolving door' of borrowing, debt repayment and capital flight.⁸ (These issues are explored further in the following section on illicit outflows).

This has opened the door for foreign investment, often multinational companies (MNCs) involved in complex chains of investment through a range of jurisdictions. Foreign direct investment (FDI) takes two forms, 'greenfield' relating to investment that establishes new production facilities, such as a company that sets up a new factory, or 'brownfield' cross border mergers and acquisitions, the takeover of existing businesses.⁹ The latter does not create new infrastructure and technology, rather shifts the ownership out of African hands, to foreign investors. Between September 2011 and March 2012, 236 merger and acquisition deals were reported in Africa, with energy and mining dominating.¹⁰ Some argue that the benefits of 'greenfield' investment include transfer of technology, employment and training opportunities, and taxation revenue. Yet MNCs can dominate the local credit market, hold a monopolistic position and use tax incentives, pushing local firms out of business, especially in the absence of proper regulation.¹¹ Rather than integrating into communities, MNCs often operate as enclaves separate to the host community, relying on foreign suppliers and providing limited employment,¹² and when employment is generated

it is often exploitative. We explore issues with taxation below and in the section on illicit financial flows. MNCs also are major polluters, contributing to carbon emissions and are sometimes accused of engaging in 'rent seeking', employing their power to influence government policies in their own interests,¹³ undermining democracy.

The objective of MNCs in investing overseas is to make profit to repatriate it to their home states.¹⁴ Many countries offer a range of highly concessional tax incentives to stimulate investment. These mean that unlike their local competitors many MNCs pay minimal tax in African countries, increasing the portion of the profit they are able to repatriate. The IMF estimates that globally, the effective tax rate in mining, (excluding higher rates in petroleum) is typically 45–65 %, yet in 2011, whilst mining products from Guinea were worth \$1.4 billion (12% of the country's GDP) the government of Guinea received just \$48 million of this (0.4% of GDP).¹⁵ Between 2005 and 2010, it is estimated that Tanzania lost over \$25 million due to an artificially low royalty rate.¹⁷

This is also the case with capital gains tax, the tax on the increase in value when the investment is sold. The Africa Progress Panel reports that in Uganda, the government lost out on \$400 million in capital gains tax, a figure equivalent to more than its national health budget, when a minerals company sold its licence.¹⁸

Under-pricing of assets also increases profit for MNCs. This happens when governments and national enterprises undervalue their assets and sell them to foreign companies at considerably less than their true value. In its 2013 report, the Africa Progress Panel chaired by former UN Secretary General Kofi Anan examined a selection of five deals relating to the Democratic Republic of Congo (DRC) between 2010 and 2012. In just the small selection they assessed, they found that the DRC lost \$1.36 billion in revenues from the under-pricing of mining assets sold to offshore companies (operating in tax havens). This is almost double the country's combined annual budgets for health and education in 2012, with each citizen of the DRC losing the equivalent of \$21, or 7% of average income.¹⁹

The figures

The \$46.3 billion in profit repatriation comes from the World Bank, World Development Indicators database. This is referred to as 'Primary income on FDI'. These are payments of direct investment income which consist of income on equity (dividends, branch profits, and reinvested earnings) and income on inter-company debt (interest).²⁰

This figure does not capture profits made from companies operating outside Africa. For example, if a UK based company purchases coffee from an African supplier and sells in the UK for a vastly increased profit.

The solutions

Countries must be supported in setting up regulatory frameworks to control the operations of investing foreign companies, including provisions which allow for protection of people and the environment in that country. In addition, countries must support efforts underway in the United Nations to draw up a binding international agreement on transnational corporations to protect human rights. This must include an international right to redress for citizens who have had their rights violated by the operations of transnational corporations. In addition, such corporations should not be granted access to special legal processes not open to ordinary citizens or domestic organisations, notably Inter State Dispute Settlement (ISDS) mechanisms.

Illicit financial outflows

The facts

- Africa loses \$35.3 billion to illicit outflows each year
- Between 2002-2011 Africa had estimated illicit outflows nearly 50% higher than the average for all other developing countries.

- Over half of world trade passes through tax havens
- Tax havens jurisdictionally linked to the G8 countries or the EU are responsible for 70% of global tax haven investment
- The UK is at the heart of this with at least ten tax havens under its jurisdiction^v
- Six of the G8 countries and 18 of the 27 EU member states were found 'not compliant' or 'partially compliant' with regulations on beneficial ownership.
- If the UK and its Crown Dependencies and Overseas Territories were ranked together it would occupy first place in the Financial Secrecy Index.

The detail

Illicit financial flows (IFFS) amount to tens of billions of dollars each year.²¹ Alex Cobham highlights that whilst there is no one set definition, the dictionary definition of illicit, "*forbidden by law, rules or custom*", suggests these extend to that which is socially and/or morally unacceptable, as well as illegal.²² Illicit flows can therefore be considered to be unrecorded financial outflows which consist of both 'illegal' capital due to corruption, theft and criminality; as well as 'legal' capital²³ driven by tax avoidance – clever accounting that whilst technically legal is morally questionable – and commercial transactions that exploit international trade and fiscal loopholes.

Generally, greater openness and liberalisation in an environment of weak regulatory oversight can generate larger illicit flows.²⁴

Given that IFFs necessitate a large degree of secrecy to be able to function, Cobham measures countries' 'exposure' to secrecy based on the scale of the risk (the share of GDP involved in the transaction) with the level of opacity of the parent jurisdiction.^{vi}

Analysis from Global Financial Integrity (GFI) shows that, between 2002 and 2011 Africa had estimated illicit outflows nearly 50% higher than the average for all other countries in the Global South.^{vii}

v. If you count the City of London

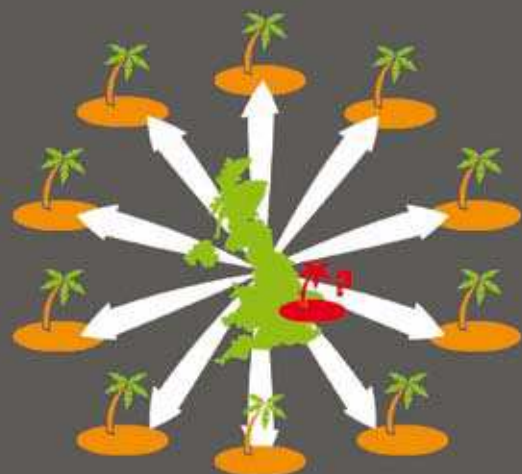
vi. Based on the Tax Justice Network's Financial Secrecy Index.

vii. Although most of the literature sourced for this report refers to 'developing countries' or the 'developing world' this report will use the terms Global South and Global North, or Southern and Northern. All of the terms commonly applied to this group of countries have been criticised in regards to their usefulness and appropriateness. Although the terms 'Global South' and 'Global North' are imprecise

Africa loses
\$35.3 billion
 to illicit outflows like tax dodging every year



50% of world trade passes through tax havens



The UK is at the heart of this, with at least 10 tax havens under its jurisdiction*

*Some also consider the City of London to be a tax haven

Between 1980 and 2009, 18 of the top 20 most exposed countries lost an average of more than 10% of their GDP each year.²⁵

Despite the common perception that Africa is primarily suffering due to corruption, GFI estimates that this constitutes only 3% of illicit outflows; criminal activities including drug trafficking and counterfeiting account for around 30-35%; and proceeds of commercial tax evasion account for 60-65%.²⁸ While analysts have not verified the approximate percentages for Africa, they are likely to be of roughly the same magnitude.

Tax avoidance and evasion

Within almost all of the affected countries in the Global South the largest component of illicit outflows is commercial tax evasion. Over half of world trade passes through tax havens, otherwise known as secrecy jurisdictions or 'offshore'.²⁹ There is no international definition of tax havens, they are characterised by two elements: low or nonexistent tax rates and high levels of secrecy.

This current offshore system was pioneered by the UK when, in 1957 the Bank of England made an agreement with commercial banks in the City of London that transactions between two non-residents and in a foreign currency taking place in London would not be subject to British regulations.³⁰ This laid the beginnings of what academic and author Roman Palan describes as "a market that was truly global because it existed nowhere. It had no boundaries".³¹

There is no internationally agreed list of tax havens. The Government Accountability Office of the US Congress has a list of 50 'jurisdictions listed as tax havens or financial privacy jurisdictions'. ActionAid argues that the Netherlands and Delaware should also be considered tax havens,³² whilst others also include the City of London.³³ Using ActionAid's list, tax havens jurisdictionally linked to the G8 countries or the EU are responsible for 70% of global tax haven investment', and a third of all tax haven investment into developing countries.³⁴ For example, France has one tax haven under its jurisdiction; the US two, and the UK ten.³⁵

Chant and McIlwaine have pointed out that these terms should not be understood as purely geographical descriptions. Instead, they can be understood as definitions that are "based on global inequalities albeit with some spatial resonance in terms of where the countries concerned are situated" (Chant S and McIlwaine C., 2009. *Geographies of Development in the 21st Century: An Introduction to the Global South*. Edward Elgar: London)

In 2011, the UK's Crown Dependencies (Jersey, Guernsey and the Isle of Man) along with three of the British Overseas Territories were the largest providers of FDI to the Global South.³⁶

The offshore system enables companies to use various techniques to avoid or evade tax, by routing their profits through tax havens. Companies may be aided by accountancy firms who advise other companies on utilising legal structures for tax avoidance.³⁷

Activities to limit tax include tax avoidance (accounting methods that are legal – although often morally dubious) and evasion (illegal activities). 'Trade mispricing' is an umbrella term for a range of techniques to distort the cost of goods to reduce tax. For example, if an African based subsidiary sells a product to a subsidiary of the same company in a tax haven at a vastly reduced price, it reduces or eliminates its tax liability in Africa. The subsidiary can then sell that same product on at the market rate, again paying minimal or no tax due to its location in a tax haven.^{viii} Other forms of trade mispricing include charges for vague provisions such as 'management services' levied by tax haven based subsidiaries onto their onshore counterparts and providing internal loans from a subsidiary in a tax haven to an onshore branch with exceptionally high interest rates. ActionAid exposed that between 2007 and 2012, despite annual sales of over £60 million, SAB Miller's brewery in Accra, Ghana registered overall losses. This was achieved through strategies that included receipt of an £8.5 million loan from a subsidiary in Mauritius with an 18% interest rate, enabling the company to move £400,000 of its profits to the tax haven where it paid a rate of just 3% tax.³⁸ Companies can also utilise the tax incentives given to MNC's by 'round tripping', circulating their profits through tax havens, to avoid tax on them, then returning them as 'investment' in order to benefit from the tax incentives offered to foreign investors.

Low or none existent tax rates are supplemented by high levels of secrecy, with companies often not obliged to disclose information about who runs them. This is complimented by the complex structures of

subsidiaries scattered across various jurisdictions, and other schemes such as the use of nominees, people who front the company but who actually have no liability for its business and are often not required to disclose those who do. This means that the identities of those who really control these companies known as the 'beneficial owners' are kept hidden. This is not just a problem for tax havens. Whilst there are some international regulations on beneficial ownership set by the Financial Action Task Force (FATF), FATF found six of the G8 countries and 18 of the 27 EU member states 'not compliant' or 'partially compliant' with their regulations on beneficial ownership. In addition, a mystery shopping' exercise of 3000 companies by Global Witness found 48% of them were willing to set up an anonymous company. Of these 48% more were registered in the UK and US than in tax havens themselves.³⁹ Together this system makes it extremely difficult for anyone to be held accountable, enabling illicit transactions to flourish.

This offshore network has morphed into an underhand system of truly epic proportions. Analysis by ActionAid in 2013 showed that just under one in every two dollars of large corporate investment in the Global South is now being routed from or via a tax haven.⁴⁰ They highlight that of the 100 biggest groups listed on the London Stock Exchange, 98 use tax havens, with the banking sector the most prolific users. Of these 98, 78 have operations in the Global South.⁴¹ As we can see, it is the complex web of subsidiaries and ownership that help enables the secrecy and lack of accountability. 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 have 1,649 tax haven subsidiaries between them.⁴² The offshore system allows multinational corporations to plunder billions from states every year, particularly those in Africa. ActionAid have also highlighted that in 2009, Barclays paid less than 10% of its profits in tax⁴³ and in 2010 they estimated that SABMiller was shifting £100 million of profits from Africa into tax havens, with an estimated tax loss of £20 million.⁴⁴

viii This can happen not only within one company but also through collaboration by different firms

CASE STUDY**The UK – the world's “biggest, most developed tax haven”?**

“In three years the UK has moved from being an also-ran to the most competitive regime in the world, overtaking Ireland, the Netherlands and Switzerland.”*

DAVID GAUKE, Exchequer Secretary to the Treasury

As well as its historic role outlined above, the UK maintains its place at the heart of the global chain of tax havens,⁴⁵ with more under its jurisdiction than any other country. The Tax Justice Network's (TJN) authoritative Financial Secrecy Index⁴⁶ 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.^{ix} The UK government also uses tax havens itself. A recent report revealed that CDC, the investment arm of the UK's Department for International Development used tax havens for almost 50% of its aid investments.⁴⁷

Some also consider that the City of London Corporation, whilst still subject to UK tax rates, constitutes a tax haven^x given its partial exemption from the Freedom of Information Act⁴⁸ and its role in lobbying for less regulation for the financial sector. A piece in *The Economist* noted that “London is no better than the Cayman Islands when it comes to controls against money laundering”.⁴⁹

Whilst ministers have articulated a theoretical willingness to clamp down on tax avoidance and evasion, in 2011 the UK actually accelerated London's descent into tax haven status further. As well as lowering corporation tax, through an amendment to the Controlled Foreign Company (CFC) regulations,⁵⁰ it created further incentives for companies operating in Africa to route their profits via tax havens. Previously UK based companies who shifted profits out of developing countries into tax havens, would have to pay the difference between the UK rate and the tax haven rate, providing some disincentive for companies to use tax havens. Since 2013 these rules only apply to profits made in the UK. Therefore, a UK based company with subsidiaries in Africa, can shift money out of Africa into tax havens and pay no extra tax when its profits return to the UK. This allows those who wish to avoid tax to do so with impunity and creates a disincentive for those companies who do pay taxes. The UK is the only country in the world except Switzerland to allow this.⁵¹

In addition, whilst eliminating tax on profits, the new rules still enables companies to claim the expense of funding their foreign branches against tax they pay in the UK. The IMF, OECD, UN and World Bank all expressed concern about this change⁵² which ActionAid estimated would cost developing countries an extra \$4 billion per year.⁵³ These changes led a bank boss, as quoted by Robert Peston of the BBC, to describe London as the world's “biggest, most developed tax haven”.⁵⁴

*Source: ‘We're more radical than Thatcher with business tax reform’, *City AM*, March 7, 2013

ix 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. <http://www.financialsecrecyindex.com/introduction/fsi-2013-results> (Accessed 26/05/2014)

x In 2007, an IMF paper ranked the UK in a list of tax havens <http://www.imf.org/external/pubs/ft/wp/2007/wp0787.pdf>



Corruption and criminality

In addition to the financial crimes outlined above, the networks of secrecy facilitate various other forms of criminality ranging from drug trafficking and arms trading to terrorism.⁵⁵ The international network of tax havens, in addition to the lax application of secrecy regulation in the world's major economies, enables criminal activities to flourish. The movement of dirty money is enabled through companies operating in tax havens. They deal in the proceeds of crime often channelled through 'shell banks'. These are 'banks' that have no physical presence, shrouded in secrecy and void of accountability.⁵⁶

The World Bank analysed 213 cases of large-scale corruption between 1980 and 2010 and found that 70% of cases used anonymous shell companies. The biggest offenders were companies registered in the US, followed by the UK and its crown dependencies and overseas territories.⁵⁷

Global Witness provides some stark examples of illicit outflows (and illicit inflows) from Africa, facilitated by this network of secrecy. These include accusations that a UK company was involved in chartering arms from Ukraine to South Sudan, and the case of a well known arms trader who used an international network of shell companies, including some incorporated in the US, to traffic weapons to conflicts throughout the world.⁵⁸

The resource curse

Nowhere is this illicit haemorrhaging of finance demonstrated more clearly than in resource rich countries. It would be logical to assume that countries rich in resources would have lower levels of poverty and higher wellbeing but in fact the reverse is true. Of the world's poorest one billion people, one-third live in resource-rich countries.⁵⁹ Resource-rich countries account for nine of the 12 countries at the bottom of the Human Development Index (HDI), a measure of wealth, life expectancy and education.⁶⁰ This highlights the impact of corruption facilitated through tax havens and secret corporate activities.

The figures

Measuring IFFs is challenging due to the lack of data and institutional transparency surrounding these secretive cross-border activities.⁶¹ The main IFF analyses for Africa are those of Global Financial Integrity (GFI, e.g. Kar & Freitas, 2011) and Ndikumana and Boyce (e.g. 2012). These combine broad trade mispricing estimates (based on the value of total trade) with assessments of unrecorded capital flows (using anomalies in the capital account). GFI give a higher estimate based on gross flows (based on the idea that, as we have seen above, illicit flows both inwards and outwards are harmful to Africa), however in order to enable a direct

comparison with the inflows, we have used the lower net figure based on the analysis by Ndikumana and Boyce and is an average for 2000-10.^{xi}

The solutions

Curbing illicit financial flows demands greater transparency and accountability in the global financial system. This would involve clamping down on shell corporations; improved disclosure of beneficial owners of companies; stricter company reporting regulations on sales, profits and taxes; and exchanging tax information across borders. Instead of talking about 'good governance in Africa' Northern countries must take the lead to reduce the mass extraction of African capital that embeds poverty and inequality, including revenue leakages from extractive industries and fairer trade practices between African countries and MNCs.

In particular, the UK must address its role at the heart of the global secrecy network. Whilst the relationship between the UK and its overseas territories is complex, the UK government has in fact intervened a number of times in its overseas territories. 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.⁶² 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."⁶³

International reserves

The facts

- African governments lend \$25 billion every year, primarily to other governments
- This lending is to build-up 'reserves' in case of global financial crises and other economic shocks
- Total loans outstanding are currently \$215 billion

The detail

All government and central banks choose to have reserves in foreign currencies, to enable them to buy imports and pay foreign debts if their own revenues from exports shrink. These reserves are acquired primarily by lending to governments whose currencies are used in international trade. Most notably this means the United States and the dollar, but it can also include various European governments and the Euro, Japan and the Yen, and the UK and the Pound Sterling.

When these loans are made, the Southern country government gets contracts known as 'bonds' which show they are owed a debt by the country concerned. These bonds are tradable, so if an emergency does arise, the country can sell the bond for foreign currency with which to buy imports or pay debts.

Since global financial crises in the 1990s, many Southern governments have chosen to rapidly increase their reserves,⁶⁴ in an effort to increase security in the face of such shocks. A similar trend has been seen following the western banking crisis of 2008. Also, the IMF often includes increasing the level of reserves as a key policy condition of the loans it gives.

Since 2003, reserves held by African governments have increased from \$40 billion to \$215 billion.⁶⁵ The current net increase is \$25 billion a year; this is the total amount of new lending in one year.

xi The figure for total capital flight from sub-Saharan Africa is \$353.5 billion. James Boyce and Leonce Ndikumana, *Capital Flight from Sub-Saharan African Countries, Updated Estimates: 1970-2010*, October 2012, p.11, <http://www.peri.umass.edu/236/hash/d76a3192e770678316c1ab39712994be/publication/532/>. Global Financial Integrity calculates illicit financial flows and these amounted to \$60 billion from Africa in 2011 (the report gives a figure of \$52 billion for 2011, but this is in 2005 dollars; \$60 billion is \$52 billion in 2011 dollars). However, these flows are outflows only and do not include net inflows, whereas the Boyce/Ndikumana figures are net ones. Global Financial Integrity, *Illicit Financial Flows from Developing Countries, 2002-11*, <http://iff.gfintegrity.org/iff2013/2013report.html>

This growth in reserves increases how much demand there is to lend to Northern governments, and so lowers the interest rate on the money Northern governments borrow.

The lending is facilitated by private banks which means that African governments often have little control on how the money is invested. African governments will normally have to pay a much higher interest rate on the borrowing they undertake than on the money they lend in order to acquire reserves. This means they are losing money each year. We could not find any official figures for the amount African governments receive in interest each year on their reserves, but have estimated \$4.3 billion a year, based on an average interest rate of 2% on the total of \$215 billion of reserves.

On a global level, this demand to hold increasing amounts of reserves contributes to global financial instability. The system depends on the reserve currency countries, such as the US, continually having trade and government budget deficits so that they have to keep borrowing more money. But if these deficits continue growing, eventually financial markets lose confidence that the debts will be able to be paid, causing economic shock waves across the world.

Building-up a decent level of reserves may be sensible for one individual country, but it represents an ever increasing cost in lost opportunities for investment. And when replicated across many countries, it contributes to increased global financial instability.

The growth in demand for reserves in recent decades has come in response to financial deregulation, which has made it easier for money

to be lent between countries, and also resulted in greater instability and more banking crises. As Stephany Griffith-Jones, José Antonio Ocampo and Joseph Stiglitz note; *“Financial crises are not new, and the growing financial market liberalization since the 1970s has led to a good number of them.”*⁶⁶

The Bretton Woods System of global economic governance was in use during the period from the end of the Second World War to the early 1970s. This system had large levels of government intervention to prevent speculative movements of money across the world destabilising economies, including an extensive system of regulations on the movement of money across borders, and controls on how much money banks could lend each year.

The Bretton Woods System came to an end through the 1970s. The US in particular allowed dollars to be lent more easily, including between countries. Other governments followed suit in beginning to abolish regulations on bank lending and the movement of money across borders. The movement of money between countries continued to be liberalised over the next thirty years.

In a research paper⁶⁷ for the Bank of England, Bush, Farrant and Wright contrast the current global financial system with the Bretton Woods System which existed from 1948 to 1972. They find that *“The current system has coexisted, on average, with: slower, more volatile, global growth; more frequent economic downturns; higher inflation and inflation volatility, larger current account imbalances; and more frequent banking crises, currency crises and external defaults.”* (See table below).⁶⁸

Bretton Woods v liberalisation⁶⁹

	Bretton Woods (1948-1972)	Liberalisation (1973-2008)
Annual growth in world GDP per person	2.8%	1.8%
Current account surpluses and deficits	0.8% of world GDP	2.2% of world GDP
Banking crises	0.1 per year	2.6 per year
Currency crises	1.7 per year	3.7 per year

The figures

This figure is the annual increase in the money lent by African governments to other governments (i.e. held in reserves outside Africa). Since 2003, reserves held by African governments have increased from \$40 billion to \$215 billion. The current net increase is \$25 billion a year; this is the total amount of new lending in one year.

The solutions

Much greater regulation of the financial system is needed to prevent this recurring cycle of financial crises and shocks such as wild fluctuations in commodity prices. The policy of holding large amounts of reserves is a reaction to this lack of regulation. Countries seek to protect themselves individually from global economic shocks but the creation of a more stable financial system would reduce the need for such individual protection. The holding of fewer reserves would in turn reduce global financial instability, creating a virtuous cycle. Governments, including those in Africa, would be able to invest more of their own resources, rather than lending the money overseas at low rates of interest.

Illegal fishing and logging

The facts

- \$1.3 billion is lost as a result of illegal, unreported and unregulated (IUU) fishing from West Africa each year.
- \$17 billion is lost as a result of illegal logging in Africa
- African nations have been receiving back from European fleets around 6% of the value of the catch that the EU takes from their waters

The detail

African coastal waters have some of the world's richest fish stocks, a potential source of significant wealth for the continent, yet \$1.3 billion is lost as a result of illegal, unreported and unregulated (IUU) fishing from West Africa each year. It is estimated that one-third to one-half of West Africa's catch is IUU.⁷⁰ Between January 2011 and July 2012, 252 incidences of illegal fishing by ten industrial vessels were reported in Sierra Leone alone.⁷¹

Photo: www.satoyama-initiative.org



The aftermath of illegal logging in Benin, West Africa.

Whilst foreign fleets operating in Africa's waters should abide by fishery agreements, few African countries have the capacity to enforce these. Companies that own the fishing fleets may exploit this through employing practices such as transferring fish between various fleets in order to mix illegal fish with legitimate catches to obscure the makeup of the catch. Some fleets also sail under a 'flag of convenience' in which owners register their vessels under another country with less regulation.⁷²

Half of the fish stocks off the west coast of Africa are overexploited.⁷³ Northern countries often subsidise their fleets which increases pressure on fish stocks. For example, the European Union, which has the largest foreign fleet off West Africa's waters, gives subsidies of \$27 billion annually, equivalent to 41 % of the reported value of the global catch.⁷⁴ Despite various frameworks for action, international cooperation to address IUU fishing is limited. In addition to the loss of tax revenue, IUU is also linked to other illegal practices such as trafficking of drugs, weapons and people, and to human rights abuses.⁷⁵

Illegal logging relates to activities at any point along the timber supply chain (harvesting, processing and trade) and can include logging without a licence or with one which is illegally acquired, exceeding quotas, and dodging taxes.⁷⁶

In a similar process to the fisheries agreements, African governments allocate commercial permits to foreign firms for logging. Yet this system is often abused. This may, for example, happen through the sale of 'shadow permits' sold through corrupt political processes, and again many countries lack the capacity to monitor the industry. In Mozambique in 2012, over \$20 million was lost from unpaid taxes on exports to China.⁷⁷

As well as the loss of revenue, illegal logging also has serious implications for the degradation of forests and the survival of populations who depend on these, biodiversity and the climate.⁷⁸ The revenues from illegal logging may also fund national and regional conflicts.⁷⁹

The figures

An estimate from the OECD puts losses from the illegal fisheries from West Africa at just under \$1 billion annually. The Africa Progress Panel estimates that factoring in under-reporting and unregulated activity would increase the figure to \$1.3 billion annually in West Africa alone. There are no estimates for the whole of Africa so this will be an underestimate. The panel also emphasizes that these figures do not reflect the social, economic and environmental impacts of overfishing such as employment, nutrition and livelihoods.

The \$17.1 billion lost through illegal logging is cited in the Africa Progress Panel report based on a 2011 estimate. Whilst these practices are comparable to illicit flows, the figures are additional to our illicit flow figures used.

The solutions

There are existing voluntary codes for both illegal fishing and logging. These are insufficient. The Global Ocean Commission has called international voluntary rules for global fishing a "*coordinated catastrophe*".

Proposed solutions to illegal fishing include greater international collaboration to share vessel registration and licensing databases; greater transparency and disclosure of the terms of fisheries agreements; banning 'flags of convenience'; strengthening the capacity of fisheries enforcement and a ban on production-related subsidies by all OECD and middle-income countries.

The Africa Progress Panel suggests six principles for managing Africa's forests sustainably: greater transparency in commercial logging contracts and disclosure of the beneficial owners of the companies involved; enhanced monitoring and regulation; spreading information about the value of forests; including China (a key player in the logging trade) in the proposed solutions; and strengthening action by consumer countries such as tightening legislation on importers.



Photo: © Health Poverty Action

Brain Drain

The facts

- The emigration rate of skilled professionals from Africa is almost double the global rate
- In five African countries over half of health workers have migrated to OECD countries
- The cost to Africa as a result of the migration of health workers is at least \$2 billion per year
- African countries spend \$4 billion on employing Northern experts to fill skills gaps

The detail

The global emigration rate of high-skilled persons from Africa, estimated at 10.6 %, is almost double the world average of 5.4 %.⁸¹ Migration can bring many benefits, yet skilled migration can also cause a loss to source countries when skilled professionals including doctors, nurses, surgeons, teachers, academics, IT professionals and inventors leave to practice their skills elsewhere, with the financial gain transferring to the destination countries. This is particularly acute in cases where professionals are trained at public expense. This has broader societal implications, with a reduction in future

development possibilities. While migration is an individual right, some countries, particularly those in the OECD (Organisation for Economic Co-operation and Development) have exploited their position by pursuing policies of unethical recruitment, actively recruiting workers from African countries to fill their own skills gaps; a cheaper alternative to investing in training and retaining their own workers. As we were unable to find accurate figures relating to skilled migration in other categories, this section focuses on health worker migration.

The world is facing a global health worker crisis, with 83 countries having less than 22.8 health workers per 10,000 people. 70% of these are in Africa.⁸² In 2006, it was estimated that 25% of all doctors and 5% of nurses that were trained in Africa were working in countries of the OECD.⁸³ Although more recent data suggests that the influx of internationally-trained health workers has stabilised or declined in some OECD countries, overall migration of health personnel to OECD countries is increasing.⁸⁴

Five African countries (Sierra Leone, Tanzania, Mozambique, Angola and Liberia) have emigration rates of over 50%, meaning that more than half the

doctors trained in these countries have migrated to the OECD. In Mozambique this figure is 65%.⁸⁵ These countries have some of the worst human development indicators in the world and have all suffered major conflicts. Sierra Leone has only two doctors and Tanzania and Liberia only one for every 100,000 people.⁸⁶ The scarcity of health workers constitutes a major barrier to the provision of essential health services, such as safe delivery, childhood immunisation and the prevention and treatment of HIV/AIDS.⁸⁷

Whilst the overall impacts of skilled migration are contested, this loss of skilled labour across the board may pose significant losses for society and potential future development. These could include research innovation and the potential of these to be translated into commercial and social value. It also has implications for broader training and development.⁸⁸ Due to a lack of university teachers, in 2000, Nigeria, one of Africa's wealthier countries, could only accept 12% of applicants to its universities,⁸⁹ highlighting a vicious circle in which a dearth of teachers hinders the development of new generations of skilled workers.

African governments suffer a further financial loss in employing experts from countries in the global North to fill their own skills gaps.

The figures

Given the lack of cost estimates for other professions, we based our data on the brain drain of health workers. Researchers Mensah and colleagues proposed that one way to measure the benefit to destination countries is by calculating the cost of training health professionals. Other ways to estimate this highlighted by the authors include putting a value on the benefits produced by the migrant health workers, by assessing the value they provide through their services or by looking at their respective salaries.^{93,94} We have used the former method, as this seems to be a more robust approximation.

To this we have added the \$4 billion that African countries spend in each year in employing Northern experts to fill a range of skills gaps. Other financial costs such as the loss of potential tax revenue are also not included here. Given these limitations the figure will be a significant underestimate.

CASE STUDY

International health workers in the UK

Between the late 1990s and the mid-2000s, the UK actively recruited international health workers to fill shortages in the NHS. New full registrations of internationally-trained doctors and nurses peaked in 2003.^{xii} In 2004, using salary estimates, the value of Ghanaian health workers to UK health service users annually 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.⁹⁰ Numbers of migrant health workers have since declined due to a combination of increasingly restrictive immigration policies, changes to Nursing and Midwifery Council Guidelines,⁹¹ the UK's Code of Practice on the International Recruitment of Health Workers and the economic climate, although the Royal College of Nursing does note a small rise in registrations of nurses from outside the UK (EU and non EU) since 2010. Despite the general decline in new registrations in recent years, the UK remains one of the largest destination countries for migrant health workers.⁹²

xii Although data from the UK General Medical Council (GMC) suggest that new full-time registrations of internationally-trained doctors peaked in 2003, it has been suggested that – rather than representing an actual spike in new registrations – this is an artefact resulting from changes to registration procedures (Buchan et al., 2009).



Flooding in Ethiopia

The solutions

Solutions proposed in relation to health worker migration include codes of practice such as the UK's Code or the WHO Code of Practice on the International Recruitment of Health Personnel. Whilst the Code has drawn international attention to the issue, it is voluntary and reporting on the Code is very poor.^{xiii} The Code does not cover some of the more proportionate solutions such as compensation, and restricting migration from certain countries under the Code can be considered discriminatory. Other suggested policy solutions include circular migration based on the principle that migrants return home after a set period with increased skills – although evidence of the efficacy of these programmes is limited – and bilateral agreements between countries, such as that between the UK and South Africa. The final solution is compensation, based on the principle that destination countries should provide compensation for source countries. Whilst compensation is complex and more research is needed into its practical applications, the 2008 report of the WHO Commission on the Social Determinants of Health found that of the proposed policy solutions bilateral transfers and compensation to be the most promising options.⁹⁵

xiii Despite being required to report in May 2012, by May 2013 only 51 WHO Member States had submitted a report on Code implementation to the WHO.

The costs

In addition to resource 'flows' significant costs are also imposed on Africa as a result of climate change.

Climate Change – adaptation and mitigation

The facts

- Africa is responsible for less than 4% of the world's greenhouse gas emissions each year.
- Africa will need to pay \$10.6 billion per year to adapt to the impacts of greenhouse gases emitted by the rest of the world.
- Putting Africa on a low-carbon development path – a path that is now necessary because of greenhouse gas emissions elsewhere – will cost an estimated \$26 billion a year.
- Both of these costs are expected to rise rapidly as climate change gets worse.

The detail

Climate change has serious consequences for development and human health. Africa is disproportionately affected by these consequences.



Failed maize crops in Ghana.

The Climate Vulnerable Forum has judged the impacts of climate change on Africa, as well as the risk of future impacts, to vary from 'high' to 'severe' depending on the region; it is the most vulnerable region of the world to climate change after southern Asia.⁹⁶ The Climate Vulnerability Monitor estimates that climate change led to 400,000 additional deaths worldwide in 2010, from such causes as natural disasters (floods, landslides, and storms), heat- and cold-related illnesses, diarrhoeal infections, meningitis, malaria and other vector-borne infections, and malnutrition. Of these deaths, 335,000 took place in only 20 highly vulnerable countries – 13 of which are in Africa. Despite this, Africa is currently responsible for less than 4% of the world's greenhouse gas emissions each year.⁹⁷ Historically this figure is likely to have been even smaller, meaning that Africa is responsible for a negligible amount of all the greenhouse gases that have built up in the atmosphere over time.

Greenhouse gas emissions from the rest of the world impose two costs on Africa. The first is the cost of adapting to the impacts of climate change on the continent. These impacts include:

- Increases in the frequency and severity of heat waves and natural disasters
- Severe water shortages, as precipitation decreases by up to 30% in southern Africa and rivers and supplies of groundwater begin to dry up (also affecting hydroelectric power)
- More of Africa's land area becoming desert or arid land, with serious consequences for food production
- Coastal flooding due to sea level rises of up to a metre by 2100, which will also cause salt contamination of soil and groundwater in coastal areas
- Loss of biodiversity, reducing supplies of food, grazing, and medicine and making these supplies more vulnerable to disease and weather changes
- Reduced crop, livestock, and fish production linked to higher average temperatures (with virtually all of the current maize, millet, and sorghum cropping areas across Africa becoming unviable if climate change reaches 3°C globally)
- Displacement and increased strain on neighbouring communities and countries struggling to absorb climate refugees
- Serious impacts on human health from undernourishment, heat, water shortages, the spread of vector-borne and water-borne diseases, and disasters.

Adaptation can include a number of measures. For example, African countries will need improved infrastructure to cope with the impacts of climate change, including better drainage, irrigation, and sanitation systems to manage increasingly uncertain water supplies; and more disaster-resilient buildings and transport systems. The restoration of the natural infrastructure will also be an important process in many areas, for example, rehabilitating water sources or replanting forests to provide flood breaks. Improved systems of food and water storage will be necessary to safeguard against droughts, crop failures, and extreme weather events. New, sustainable livelihoods may also be needed in areas where the changing climate means that traditional forms of agriculture, fishing, or pastoralism can no longer support local communities. Early warning systems and resources for disaster relief are also essential.

As we show below, it will cost African countries an estimated \$11 billion per year to adapt to the impacts of climate change up until 2020. After that, adaptation will quickly grow more expensive as climate change and its impacts increase. Subtracting the portion of that cost that can be attributed to climate change from Africa's own emissions – 4% – leaves \$10.6 billion in adaptation costs imposed on Africa by the rest of the world (an estimate that may be low, given that some emissions in Africa – for example, from oil exploitation in countries like Nigeria – is caused by foreign businesses operating in African countries).

The second cost is what is known as 'carbon debt'. The planet's atmosphere, plant life, and oceans act to absorb greenhouse gases. However, their capacity to do so is finite. Eventually, no more greenhouse gases can be safely absorbed; the concentration reaches a point where they begin to seriously harm the environment. Earth has now passed that point.

The ability of the air, water, and plant life to absorb greenhouse gases is a shared global resource. It allows humanity to produce a certain amount of greenhouse gases every year. This resource has now reached capacity, mostly because of the actions of industrialised countries. This means that countries in Africa are not able to develop

in the same way that Northern countries once did, through industry and infrastructure powered by the burning of large amounts of fossil fuels. The planet's capacity to absorb higher levels of greenhouse gases was crucial for Northern countries' development, but no longer exists as a resource available to other countries. This means that African countries will need to adopt an alternative, low-emissions path to development (or risk worsening the impacts of climate change on their own communities). This will require significant investments in technology and infrastructure.

Putting Africa on the path to low-carbon growth would cost an estimated \$26 billion per year up until 2015. As with the cost of adaptation, the cost of low-carbon development will also increase rapidly over time. The African Development Bank estimates that the cost could reach \$52-\$68 billion by 2030.

The figures

The UNEP estimates that current adaptation costs for Africa (up to 2020) from past greenhouse gas emissions are \$7-15 billion a year (and that costs will rise rapidly after 2020).⁹⁸ The median is therefore \$11 billion. Subtracting the adaptation costs incurred by the 4% of global emissions currently attributable to Africa leaves \$10.6 billion. It should be noted that this figure is low, given that it is based on current emissions rates, but the current impacts of climate change are also being driven by the greenhouse gases that have accumulated in the atmosphere over several centuries, and Africa's historical emissions are likely to have been even lower than 4% of the global total.

The African Development Bank states that the costs of putting Africa on a low-emissions growth path could reach \$22-30 billion per year by 2015 (and \$52-68 billion per year by 2030),⁹⁹ so the median figure for up to 2015 is \$26 billion. This figure is reasonably consistent with the Stern Climate Report's global estimates.¹⁰⁰ Other sources' estimates vary from slightly higher (like the Pan African Climate Justice Alliances's \$29.2 billion¹⁰¹) to slightly lower,¹⁰² placing \$26 billion in the middle range of these estimates.

The solutions

The most urgent and widely accepted solution to the costs imposed on Africa by global greenhouse gas emissions is a steep year-on-year reduction in emissions from the rich industrialised countries responsible for the climate crisis. However, even if such reductions were guaranteed, Africa is already suffering damage from climate change, both directly and in terms of lost development opportunities. As some greenhouse gases, including CO₂, remain in the air for decades or even centuries, Africa would continue to experience the effects of these gases, even if all greenhouse gas emissions ceased tomorrow.

One potential solution is the immediate scaling up of funding available for climate change adaptation and low-carbon growth in African countries. Currently, this funding is grossly inadequate. Between 2004 and 2011, the total amount of adaptation funding dispersed to projects in Africa from all available UN funds was \$132 million, working out to an average of \$16.5 million per year,¹⁰³ which pales in comparison to the \$11 billion needed. In 2010, the parties to the UN Framework Convention on Climate Change agreed to establish a Green Climate Fund (GCF), which is intended to provide funding rising to \$100 billion per year by 2020 for climate change mitigation and adaptation in the Global South. However, the GCF is not yet funded, and there is little clarity yet regarding how the funds will be distributed.¹⁰⁴ In addition, as the need for adaptation and green growth funding is because of the costs imposed on Africa by the rest of the world, this funding is arguably compensation rather than aid, and should not be treated as aid. A possible alternative would be for funding from a carbon tax or financial services tax to be earmarked for climate change adaptation in Africa.

Other outflows

To these outflows we need to add another \$3 billion in outward remittances. Individuals' remittances out of Africa (\$3.3 billion) minus transfer charges¹⁰⁵. Research by ODI shows that the average cost of transferring money is 7.8%. We assume in the table this money stays in Africa, although some of it may not.

As a result of the above methods, Africa loses a huge \$192 billion each year. That's \$525.8 million a day draining out of the continent.

Limitations

It is important to note that there are a number of outflows for which we were unable to obtain current calculations and therefore these 'out' figures are a significant underestimate. These uncalculated costs include the costs incurred as a result of biopiracy and other intellectual property related costs, the migration of skilled professionals except health workers and the costs of policies relating to the War on Drugs. It also does not include the costs of conflict to Africa, which in 2007 Oxfam, IANSA and Saferworld estimated at \$18 billion annually.^{xiv} We also do not attempt to calculate potential losses, for example those relating to unfair trade policies or tax incentives.

xiv This calculation includes Algeria. See Africa's missing billions IANSA, Oxfam, and Saferworld, October 2007

2. Outflows versus Inflows

In this section we explore how the outflows compare with inflows to the continent. The following table outlines the inflows to sub-Saharan Africa.

Category	Annual amount (billions)	Reference / year of figure (2012 unless otherwise stated)	Explanation
Official aid from OECD	\$29.1	OECD ¹⁰⁶ (Average for 2009-11)	Aid given by governments in OECD ^{xv} countries to Africa. This was \$44.0 billion (an average of the three years 2009-11). ¹⁰⁷ However, not all this is a resource flow to African countries, so our figure deducts certain types of 'aid', amounting to 14% of the total. ^{xvi} In addition, some 'aid' ¹⁰⁸ is in the form of loans (which are included elsewhere in this flow table). Thus the \$44.0 billion figure is reduced first to \$37.9 billion and then to \$29.1 billion.
Official aid from non-OECD countries	\$0.4	Development Assistance Committee (DAC) Development Cooperation Report 2013 Figures for 2011	This is aid from governments outside of the OECD. This is an estimate since there is no official figure. Aid from China, Brazil and South Africa amounted to \$3.3 billion in 2011. ¹⁰⁹ China may provide around 40% of its aid in the form of grants. ¹¹⁰ Overall, we estimate that a third of non-OECD aid is in the form of grants, or \$1.1 billion. In terms of aid to Africa, 35% of aid from OECD countries goes to Africa. If we use the same proportion, the total figure for non-OECD countries would be around \$0.4 billion.
Net private grants	\$9.9	OECD ¹¹¹ (Average for 2009-11)	These are private grants, for example from NGOs. Total private grants averaged \$28.2 billion in the three years 2009-11. ¹¹² There is no figure for Africa; we assume the flow is the same as the percentage of OECD aid to Africa (35%), thus the annual figure is \$9.9 billion.
Loans to governments	\$23.4	World Bank, World Development Indicators database ¹¹³	Loans are given by institutions such as the IMF and World Bank, private lenders including banks, and foreign governments such as Japan. This links to illicit flows (see outflows section) since for every \$1 lent, 60 cents flows back out again in illicit capital flight. ¹¹⁴
Loans to private sector (both FDI and non-FDI)	\$8.3	World Bank, World Development Indicators database ¹¹⁵	Lending from all sources to the private sector in Africa

xv The Organisation for Economic Co-operation and Development is a group of 34 wealthy countries.

xvi For example, the NGO Concord discounts five categories of 'inflated aid' which do not constitute a 'genuine' transfer of resources to developing countries – imputed student costs, debt relief, partially tied aid, interest repayments and refugee costs, which it calculates as 14% of EU aid in 2011. Concord, Aid We Can – Invest More in Global Development, 2012, section 3

Category	Annual amount	Reference / year of figure	Explanation
Net portfolio equity	\$16.2	World Bank, World Development Indicators database	Portfolio equity includes net inflows from equity securities other than those recorded as direct investment and including shares, stocks, depository receipts (American or global), and direct purchases of shares in local stock markets by foreign investors. ¹¹⁶
Net FDI equity	\$23.2	UNCTAD, World Investment Report	<p>Foreign Direct Investment is investment made by a company, often a multinational based in one country, into a company or entity based in another country. The companies making this investment usually have significant control over the company and must have at least 10% of the voting power. FDI takes two forms, 'greenfield' relating to investment that establishes new production facilities, such as a company that sets up a new factory, or 'Brownfield' cross border mergers and acquisitions, the takeover of existing businesses.</p> <p>This figure is FDI minus loans, which are counted above. Net FDI (Inward – Outward) to Africa was \$29.8 billion, according to UNCTAD. However, this is both loans and equity. Figures from the World Bank suggest that 78% of private lending is FDI, hence \$23.2 billion.</p>
Inward remittances	\$18.9	World Bank, Migration and Remittances Factbook, 2011; ODI	Inward remittances from individuals to families in Africa ¹¹⁷ minus charges on those transfers. ¹¹⁸
Debt payments received	\$4.3	Based on World Bank, World Development Indicators database (see explanation)	<p>Interest received from foreign exchange reserves (see outflows section). African governments will normally have to pay a much higher interest rate on the borrowing they undertake than on the money they lend in order to acquire reserves. This means they are losing money each year. Total foreign exchange reserves of Africa were \$215 billion. We could not find any official figures for the amount African governments receive in interest each year on their reserves, but have estimated \$4.3 billion a year, based on an average interest rate of 2% on the total of \$215 billion of reserves.</p> <p>Principal payments are not included as these are covered by the increase in reserve figures in the outflow.</p>
Total:	\$133.7		

Net outflows

A comparison of outflows against these makes the total net outflows from Africa \$58.2 billion.

3. Aid and its (mis)representations

It says something about this country. It says something about our standing in the world and our sense of duty in helping others... In short – it says something about the kind of people we are... And that makes me proud to be British.

DAVID CAMERON speaking on aid, 8 June 2013

In this section we discuss aid and the public discourse surrounding it. We do not attempt to assess the effectiveness of aid itself as a means of poverty reduction^{xvii} but instead consider its significance as a financial flow and consequences of its misrepresentation.

Aid...

Africa receives just under \$30 billion (\$29.5 billion) in government aid each year. This figure includes from \$29.1 official aid from OECD member governments; and \$0.4 billion from non OECD members. As we can see the outflows are almost six and a half times the amount of aid received. In regard to the flow of resources, four points should be highlighted about government aid, to illustrate how its realities can differ from the way it is often presented.

- **Aid is less than it should be.** In 1970, governments committed to spend 0.7% of GNP on ODA (Official Development Assistance or aid) through UN General Assembly Resolution 2626 (XXV).^{xviii} The 0.7 target, envisaged as a minimum commitment,¹¹⁹ was to be met by donor countries by the mid-1970s. Most donor countries accepted this 0.7% target, at least as a long-term aim.¹²⁰ Despite a number of reiterations of this commitment over the last 40 years, to date only seven countries have ever met the target. Sweden was the only country to meet the mid-1970s goal, and the UK was the latest country to meet it in April 2014. This global failure to meet the commitments amounted to an aid shortfall of over \$167.5

billion in 2011 alone, and a total shortfall over the period in excess of \$4.37 trillion.¹²¹ We consider this a potential loss and have therefore have not included it in our outflow calculations.

- **Aid is not just a transfer of money.** The concept has expanded to now include items not popularly understood as 'aid'. The NGO CONCORD discounts five categories of 'inflated aid' which do not constitute a genuine transfer of resources to developing countries – imputed student costs, debt relief, partially tied aid (see following point), interest repayments and refugee costs, which it calculates as 14% of EU aid in 2011.¹²² We have therefore deducted this 14% from our aid figure.
- **Aid can come with conditions.** For example, insisting that a portion of the funds are used to purchase goods and services from the donor country. Despite reports that this has declined in practice (from 54% to 18% from 1999-2001 to 2008¹²³) a report from European Network on Debt and Development (Eurodad), highlights that \$69 billion annually – more than half of government aid – is spent on the purchase of goods and services, and that two-thirds of formally untied aid contracts are still given to firms from rich donor countries.¹²⁴

xvii For discussion of this see Glennie, J 2008 *The Trouble with Aid: Why Less Could Mean More for Africa*; and the debate between William Easterly and Owen Bardor 9, April 2014 <http://oxfamblogs.org/fp2p/bill-easterlys-new-book-brilliant-on-technocrats-flawed-on-rights-wrong-on-aid-and-hopeless-on-china/>

xviii UN General Assembly Resolution 2626 (XXV) para. 43: economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the decade.

**“Africa needs YOU!
Text, ‘I AM A HERO’ to 3333
now and all their issues
will be solved.”^{xix}**



- **Aid is political.** It can reflect particular economic ideologies of the donors. One example is UK aid being used to help create conditions for foreign investment.¹²⁵ It can also reflect broader national interests. For example, the UK and the US pursuing the ‘militarisation’ of aid, using aid to further military investment or as part of counter terrorism strategies, by creating partnerships between the military and aid organisations as part of a strategy to win ‘hearts and minds’.¹²⁶

But how do these facts chime with how aid is portrayed?

...and its (mis)representations

As we can see, in comparison with the resources leaving Africa, the amount given in aid is negligible. It is not a gesture of benevolence from Northern governments, but intimately connected with politics. The idea of wealthy governments as generous aid donors is therefore a fabricated narrative, yet it is one that has been bought into

and passed on from politicians, the media, the public and NGOs. These myths have led to hugely distorted public perceptions with 26% of the UK public believing the government spends more on aid than education, schools or pensions.¹²⁷

Aside from the positive and misleading PR for donors, this gross misrepresentation has a more pernicious effect. It breeds paternalistic notions of Africa as a poor and corrupt continent with helpless people in need of Northern intervention. In an analysis of media representations of Africa, Mahadeo & McKinney found that dominant representations frame Africa in light of political and financial corruption, poverty and tribal wars, whilst remaining silent about their underlying causes.¹²⁸ These simplistic notions can also be recognised in some NGO fundraising campaigns implying that poverty is simply a lack of resources, delinked to politics. This has been achieved through disempowering images, and suggestions that by giving a simple donation the donor will can become a ‘hero’ and help ‘save’ Africa.

xix Taken from a blog by Hannah Clifton <http://developmenthannahclifton.wordpress.com/2012/11/12/marketing-development/>

In *Finding Frames*,¹²⁹ Darnton and Kirk highlight the way in which public engagement with Africa is framed around a dichotomy of 'Powerful Giver' and 'Grateful Receiver' and an analysis of development education material in Germany found that the materials: "contributes to stabilising relations of inequality at the social, political, and economic level."¹³⁰

Africa is to be pitied, worshipped or dominated....Do not feel queasy about this: you are trying to help them to get aid from the West.

BINYAVANGA WAINAINA
Kenyan author and journalist

from his satirical article 'How to write about Africa'.¹³¹

Suppressing action

These inaccurate representations of aid and charity, and avoidance of the facts, help to construct and cement power relations and help to justify the status quo, and ensuing dominance of Northern people and governments. They prevent us from holding our governments to account for their actions and demanding the structural change that is needed if we are to really eliminate poverty and inequality.

This is highlighted in the *Finding Frames* report which found that the public perceive the causes of poverty as internal to poor countries. In *Demystifying Aid*, Yash Tandon, former head of the South Centre, goes as far as asserting that aid is a 'neo-colonial tool' used to control Africa.¹³² The *Finding Frames* report also noted the responsibility of British organisations for this framing. In an address to a meeting of the Progressive Development Forum, Lidy Nacpil of Jubilee South spoke about the dominance of Northern NGOs within the movement resulting in Southern voices relegated to 'case studies'.¹³³

The pursuit of aid is very apparent, keeping us focused with such narrow vision, that even when faced with blatant hypocrisy – the routing of half of all investments by the UK's aid investment fund through tax havens¹³⁴ being just one clear example – the reaction is minimal. Academic Slavoj Žižek, in his animated RSA lecture 'First as Tragedy, then as Farce' argues that what he calls "global capitalism with a human face" has created a perverse situation in which we are "repairing with the right hand what [we] ruined with the left hand."¹³⁵ Similarly, writer Teju Cole who has written about the 'white saviour industrial complex', expressed on Twitter: "The white saviour supports brutal policies in the morning, founds charities in the afternoon, and receives awards in the evening."

Yet while these simplistic notions of charity may support politicians and multinational corporations, they are 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.¹³⁶ This cannot happen until the hard facts about who gives what to whom are exposed.

The reality is that Africa is being drained of \$58 billion a year, money that could be spent on essential health care, education and clean water for its people. Meanwhile the UK presides over a global network of tax havens that facilitate this theft.

It is time for the British government, politicians, the media, and NGOs to stop misrepresenting our 'generosity' and take action to tackle the real causes of poverty. This includes urgent government action to close down the UK's network of tax havens; an end to the plundering of African resources by multinational companies, an end to 'aid' as loans; and greater transparency and accountability surrounding loan agreements and ambitious and far-reaching climate change targets. Wealthy countries need to be judged not just on their aid, but on their action. We must expose these myths surrounding aid and hold those responsible to account.

Annex – Full table with calculations

Inflows to sub-Saharan Africa

Category	Annual amount (billions)	Reference / year of figure (2012 unless otherwise stated)	Explanation
Official aid from OECD	\$29.1	OECD ¹³⁷ (Average for 2009-11)	Aid given by governments in OECD ^{xx} countries to Sub-Saharan Africa. This was \$44.0 billion (an average of the three years 2009-11). ¹³⁸ However, not all this is a resource flow to African countries, so our figure deducts certain types of 'aid', amounting to 14% of the total. ^{xxi} In addition, some 'aid' ¹³⁹ is in the form of loans (which are included elsewhere in this flow table). Thus the \$44.0 billion figure is reduced first to \$37.9 billion and then to \$29.1 billion.
Official aid from non-OECD countries	\$0.4	DAC, Development Cooperation Report 2013 Figures for 2011	This is aid from governments outside of the OECD. This is an estimate since there is no official figure. Aid from China, Brazil and South Africa amounted to \$3.3 billion in 2011. ¹⁴⁰ China may provide around 40% of its aid in the form of grants. ¹⁴¹ Overall, we estimate that a third of non-OECD aid is in the form of grants, or \$1.1 billion. In terms of aid to Africa, 35% of aid from OECD countries goes to Africa. If we use the same proportion, the total figure for non-OECD countries would be around \$0.4 billion.
Net private grants	\$9.9	OECD ¹⁴² (Average for 2009-11)	These are private grants, for example from NGOs. Total private grants averaged \$28.2 billion in the three years 2009-11. ¹⁴³ There is no figure for Africa; we assume the flow is the same as the percentage of OECD aid to Sub-Saharan Africa (35%), thus the annual figure is \$9.9 billion.
Loans to governments	\$23.4	World Bank, World Development Indicators database ¹⁴⁴	Loans are given by institutions such as the IMF and World Bank, private lenders including banks, and foreign governments such as Japan. This links to illicit flows (see outflows section) since for every \$1 lent, 60 cents flows back out again in illicit capital flight. ¹⁴⁵
Loans to private sector (both FDI and non-FDI)	\$8.3	World Bank, World Development Indicators database ¹⁴⁶	Lending from all sources to the private sector in Sub-Saharan Africa
Net portfolio equity	\$16.2	World Bank, World Development Indicators database	Portfolio equity includes net inflows from equity securities other than those recorded as direct investment and including shares, stocks, depository receipts (American or global), and direct purchases of shares in local stock markets by foreign investors. ¹⁴⁷

Net FDI equity	\$23.2	UNCTAD, World Investment Report	<p>Foreign Direct Investment is investment made by a company, often a multinational based in one country, into a company or entity based in another country. The companies making this investment usually have significant control over the company and must have at least 10% of the voting power. FDI) takes two forms, 'greenfield' relating to investment that establishes new production facilities, such as a company that sets up a new factory, or 'Brownfield' cross border mergers and acquisitions, the takeover of existing businesses.</p> <p>This figure is FDI minus loans, which are counted above. Net FDI (Inward – Outward) to sub-Saharan Africa was \$29.8 billion, according to UNCTAD. However, this is both loans and equity. Figures from the World Bank suggest that 78% of private lending is FDI, hence \$23.2 billion.</p>
Inward remittances	\$18.9	World Bank, Migration and Remittances Factbook, 2011; ODI	Inward remittances from individuals to families in sub-Saharan Africa ¹⁴⁸ minus charges on those transfers. ¹⁴⁹
Debt payments received	\$4.3	Based on World Bank World Development Indicators database (see explanation)	<p>Interest received from foreign exchange reserves (see outflows section). African governments will normally have to pay a much higher interest rate on the borrowing they undertake than on the money they lend in order to acquire reserves. This means they are losing money each year. Total foreign exchange reserves of sub-Saharan Africa were \$215 billion. We could not find any official figures for the amount African governments receive in interest each year on their reserves, but have estimated \$4.3 billion a year, based on an average interest rate of 2% on the total of \$215 billion of reserves. Principal payments are not included as these are covered by the increase in reserve figures in the outflow.</p>
Total:	\$133.7		

xx The Organisation for Economic Co-operation and Development is a group of 34 wealthy countries

xxi For example, the NGO Concord discounts five categories of 'inflated aid' which do not constitute a 'genuine' transfer of resources to developing countries – imputed student costs, debt relief, partially tied aid, interest repayments and refugee costs, which it calculates as 14% of EU aid in 2011. Concord, Aid We Can - Invest More in Global Development, 2012, section 3

Outflows from sub-Saharan Africa

Category	Annual amount (billions)	Reference / Year (2012 unless otherwise stated)	Explanation
Debt payments	\$21.0	World Bank, World Development Indicators database	These are the annual payments on loans (see inflow table). These figures cover debt payments by both the public and private sectors.
Increase in international reserve holdings	\$25.4	World Bank, World Development Indicators database	All governments hold reserves in foreign currencies that enable them to buy imports and pay foreign debts if their own revenues from exports shrink. These reserves are acquired primarily by lending to governments whose currencies are used in international trade such as the US dollar, Euro, Yen, and the British pound. This figure is the annual increase in the money lent by African governments to other governments (i.e. held in reserves outside Africa).
Multinational company profits	\$46.3	World Bank, World Development Indicators database	This is the amount of profits that foreign companies operating in Africa take out of the continent. ^{xxii} These are payments of direct investment income which consist of income on equity (dividends, branch profits, and reinvested earnings) and income on intercompany debt (interest). ¹⁵⁰ This figure does not capture profits made from companies operating outside Africa. For example if a UK based company purchases coffee from an African supplier and sells in the UK for a vastly increased profit.
Illicit financial outflows	\$35.3	Boyce and Ndikumana ¹⁵¹	This includes flows that result from illicit transactions including money laundering, tax evasion, trade mis-invoicing and unrecorded remittances. The figure given is a net figure (accounting for capital entering countries) and is an average for 2000-10. ^{xxiii}
Outward remittances	\$3.0	World Bank, Migration and remittances handbook	Individuals' remittances out of sub-Saharan Africa (\$3.3 billion) minus transfer charges ^{xxiv}
'Brain drain'	\$6.0	See next column	This refers to (a) the costs of training health professionals who emigrate plus (b) the costs to Africa of employing Western experts to fill skills gaps. There is no authoritative overall figure. Africa is estimated to spend \$4 billion a year to employ Western experts ¹⁵² due to around 20,000 professionals leaving Africa for work in industrialized countries each year. ¹⁵³ In addition, African countries incur training costs for professionals who subsequently emigrate. There are no overall estimates so we use the figure for health workers only. Studies suggest that these costs are likely to be at least \$2 billion a year. ^{xxv} Given the limitations, this is a conservative estimate.

Climate change adaptation costs	\$10.6	United Nations Environment Programme ¹⁵⁴	This is the amount Africa has to spend to adapt to the impacts of climate change, such as heat waves, water shortages, flooding and loss of biodiversity. The rest of the world (outside Africa) is historically responsible for virtually all greenhouse gas emissions, imposing costs on Africa. ¹⁵⁵ The United Nations Environment Programme estimates that current adaptation costs for Africa (up to 2020) from past GHG emissions are \$7-15 billion a year (and that costs will rise rapidly after 2020). ¹⁵⁶ The median is therefore \$11 billion. From this, we have removed the costs incurred from Africa's own share in emissions (4%) giving \$10.6 billion
Climate change mitigation costs	\$26.0	African Development Bank ¹⁵⁷	This is the costs for the necessary technology and infrastructure Africa needs to pursue a low-emissions path to development, Because of the high levels of greenhouse gas emissions (96% of these from outside of Africa) the earth has passed the point at which greenhouse gases can be safely absorbed, meaning that Africa cannot now develop in the same way as the rest of the world without serious consequences. There is no single authoritative figure for the costs of mitigation in Africa, and estimates vary. The African Development Bank states that the costs of putting Africa on a low-carbon growth path could reach \$22-30 billion per year by 2015 (and \$52-68 billion per year by 2030) ¹⁵⁸ – thus the median figure for up to 2015 is \$26 billion. Some other estimates are higher (e.g., \$29.2 billion ^{xxvi}) others slightly lower. ^{xxvii} This figure is also reasonably consistent with other estimates for the costs of both climate change adaptation and mitigation. ^{xxviii}
Illegal Logging	\$17.0	Africa Progress Panel ¹⁵⁹	Companies engaging in illegal logging.
Illegal, unreported and unregulated fishing	\$1.3	Africa Progress Panel ¹⁶⁰	This figure is for West Africa only, and is therefore an underestimate.
Total:	\$191.9		

- xxii It also should be noted that many foreign companies pay very low rates of tax in Africa, meaning that more of the profits can flow out of the continent.
- xxiii The figure for total capital flight from sub-Saharan Africa is \$353.5 billion. James Boyce and Leonce Ndikumana, *Capital Flight from Sub-Saharan African Countries, Updated Estimates: 1970-2010*, October 2012, p. 11, <http://www.peri.umass.edu/236/hash/d76a3192e770678316c1ab39712994be/publication/532/>. Global Financial Integrity calculates illicit financial flows and these amounted to \$60 billion from Africa in 2011 (the report gives a figure of \$52 billion for 2011, but this is in 2005 dollars; \$60 billion is \$52 billion in 2011 dollars). However, these flows are outflows only and do not include net inflows, whereas the Boyce/Ndikumana figures are net ones. Global Financial Integrity, *Illicit Financial Flows from Developing Countries, 2002-11*, <http://iff.gfintegrity.org/iff2013/2013report.html>
- xxiv Research by ODI shows that the average cost of transferring money is 7.8 per cent. We assume in the table this money stays in Africa, although some of it may not. ODI, *Lost in Intermediation: How excessive charges undermine the benefits of remittances for Africa*, April 2014
- xxv One 2006 study estimates around that the emigration of doctors from sub-Saharan Africa costs the latter around \$1 billion per year, and that the costs of emigration of nurses to the UK only costs \$22.5 billion over 35 years. (J.Kirigia, *The cost of health-related brain drain to the WHO African Region*, 2006, www.bioline.org.br/pdf?jh06022). Another study estimates the costs on health alone are over £2.5 billion (Maureen Mackintosh et al, 'Aid, Restitution and International Fiscal Redistribution in Health Care', *Journal of International Development*, 2006, www.interscience.wiley.com) DOI: 10.1002/jid.1312). Other studies include: Edward J Mills at al, 'The financial cost of doctors emigrating from sub-Saharan Africa: human capital analysis', 2011, <http://www.bmj.com/content/343/bmj.d7031>; K.Mensah et al, *The 'Skills Drain' of Health Professionals from the Developing World: a Framework for Policy Formulation*, Medact, 2005, <http://www.medact.org/content/Skills%20drain/Mensah%20et%20al.%202005.pdf>
- xxvi One comprehensive report, reviewing the literature, estimates costs in the range of \$510-675 billion for the 20 years 2010-30, to achieve low carbon growth in Africa – a median figure of \$292.5 billion or \$29.2 billion a year. Pan African Climate Justice Alliance, *The Economic Costs of Climate Change*, November 2009. The report estimates costs of adaption of \$10-30 billion a year.
- xxvii McKinsey has estimated that Africa requires \$12 billion for 2011-15 and \$35 billion a year by 2026-30 for mitigation (McKinsey, *Pathways to a Low-Carbon Economy: Version 2 of the global greenhouse gas abatement cost curve*, 2009)
- xxviii For example, Lord Stern has given a general estimate for all countries (not just Africa) of 2% of GDP for adaptation and mitigation. This would amount to around \$26 billion for Africa. (<http://www.theguardian.com/environment/2008/jun/26/climatechange.scienceofclimatechange>).

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