THIS ESSAY IS INTENDED TO PROVIDE A DETAILED BACKGROUND AS TO HOW THIS 'SYSTEM' WORKS TO OUR ADVANTAGE AND TO 'THEIR' DISADVANTAGE.

5 | FIVE

The 5 in the title refers to voluntary aid – that is, monies collected by the many charities and poverty/development/aid non-governmental organisations (NGOs) across the globe. An estimate of the amount raised in voluntary aid each year over the past decade suggests that such aid amounts to at least US$5 billion each year.
It is important to realise that this figure is a minimum estimate, since there is no precise way of measuring voluntary aid contributions. There are a number of reasons for this:

- a great deal of philanthropy occurs *within* developed countries themselves, and is therefore irrelevant to the ***5:50:500*** issue
- there is a significant transfer of capital between philanthropic organisations themselves[1]
- there is no international body tasked with overseeing voluntary aid flows
- a significant amount of NGO income is actually derived from governments
- the secretive nature of philanthropy makes calculating voluntary aid contributions to any significant degree of precision difficult

A number of organisations have however tried to measure voluntary aid. The Urban Institute's **Non-Profits in Focus** report estimates that internationally, NGOs give approximately US $15 billion to the developing world[2]; the Hudson Institute, on the other hand, calculates that NGOs in the USA alone give approximately US $13 billion a year[3]. In 1991 the United Nations Development Programme (UNDP) calculated international voluntary aid at US $7.2 billion[4]; the 1994 Reality of Aid project calculated that voluntary aid is approximately 10 per cent of official aid and the Kiel Institute for the World Economy estimates that total NGO aid amounts to some US $15 billion every year.[5]

Why do these available figures vary so widely? Some figures include humanitarian relief – one-off bursts of cash triggered by a specific event (e.g. the 2004 Tsunami) in response to a direct appeal

1 The Bill and Melinda Gates foundation, for example, has given the William J. Clinton Foundation between US $10-25 million. It is by no means the only one, as a cursory look at the list of contributors to the Clinton Foundation shows http://www.clintonfoundation.org/contributors/pages/page_1.html. This practice of one philanthropic organisation donating money to another is not especially unusual, but it does make it almost impossible to track just how much voluntary aid is actually given.

2 Kerlin, J. & Thanasombat, S. 'The International Charitable Nonprofit Subsector' Urban Institute policy brief No. 2 Sept 2006 p.2

3 'Index of Global Philanthropy 2007', Hudson Institute p.20

4 Matenga, C. 'The Changing Orientation and Practice of Northern NGOs: Implications for African Development' University of Zambia (2001) http://www.fiuc.org.esap/ZAMB/ZAMB7/General/ngos.pdf

5 Nunnenkamp, P. "The Myth of NGO Superiority" D+C No.5, 2008

– while others do not. The assumptions upon which these figures are based vary, (e.g. some organisations may include donations to (and by) religious organisations, while others may not) and as was previously mentioned, a great deal of educated guesswork is required, given the lack of data collection. Remittances – money sent back home by migrant workers – are also calculated in different ways, and at times not at all.

What these figures do not take into account is the fact that over 40% of all NGO income is 'official' – that is, government aid channelled through NGOs as part of official aid programmes.[6] As NGOs have grown larger, with several having branches across the globe, western governments have increasingly turned to them to carry out their development programmes within the Third World. In 2005-6, the Netherlands, Switzerland and Spain channelled almost 20% of their ODA through NGOs.[7]

Taking these estimates into account, and then deducting 40% (the average amount of NGO income that is derived from governments), we arrive at a figure of between US $5 and US $9 billion per year, depending on which original estimate is used.

So, as Chrispin Matenga from the University of Zambia has argued, it is therefore safe to say that annually, international voluntary aid reaches at least US $5 billion per year.

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50 | FIFTY

The 50 in our title refers to Official Development Assistance (ODA) as the vast bulk of international aid to the developing world comes in the form of official government aid. The majority of the world's ODA comes from 25 countries - 22 of these are part of the Organisation for Economic Co-Operation and Development's (OECD) Development Assistance Committee (DAC)[8].

The DAC is often considered to be *the* most significant multilateral aid-related body in the world. Here, its member states discuss aid policies, priorities and its effectiveness. It holds annual 'High Level Meetings' together with representatives of the World Bank, International Monetary Fund (IMF) and United Nations Development Programme (UNDP), as well as issuing guidelines on good governance, aid effectiveness and how to manage it. The DAC continues to endorse the International Aid Target (which calls for each developed country to work towards annually contributing 0.7% of its Gross National Income (GNI) in aid), despite only 5 of its members

6 Paul, J. 'NGOs and Global Policy Making' Global Policy Forum June 2000 http://www.globalpolicy.org/ngos/intro/general/2000/anal00.htm

7 Koch, D.J. et al., 'Keeping a Low Profile: What Determines the Allocation of Aid by Non-Governmental Organisations?' Kiel Institute working paper (March 2008)

8 The other 3 major ODA donors come from the Gulf States: Kuwait, Saudi Arabia and the United Arab Emirates. In 2004 these 3 together gave over US$2 billion in ODA. In terms of percentage of GNI, these 3 countries are amongst the most generous in the world. Kuwait gives an average of 0.59% of its GNI, while Saudi Arabia has given over 1% in the past (and may still do) while Saudi Arabia does not report all of its ODA. See http://www.cmi.no/publications/file/?2615=arab-foreign-aid-disbursement-patterns

having reached that target since 1969, when it was first agreed.[9]

The DAC's statistical database is renowned for its accuracy and detail, and it is here that the second part of the ***5:50:500*** ratio comes into play.

In the year 2000, aid to developing countries from DAC member states totalled **US$50 billion.** By 2004 it had risen to US$ 78.9 billion, and in 2007 (the latest figures available in February 2009), total ODA was US$105 billion - just over double what it had been at the turn of the century.

At first glance, these figures seem impressive. US$50 billion is a significant amount of money, and to have doubled it within 8 years is significant. But a closer look at the figures reveals a number of discrepancies.

1. **ODA does not only go to the poorest of the poor.** Of 2007 US$105 billion in ODA, only US$32 billion (roughly one-third) went to Least Developed Countries (DCs).
2. **ODA can be politically motivated.** Iraq and Afghanistan, for example, saw massive increases in the amount of ODA received following the US-led wars there. In 2000 Afghanistan received US$135 million in aid: by 2007, it was receiving US$3.9 billion. The picture in Iraq is even more dramatic, with ODA rising from US$99 million in 2000 to a massive US$9 billion by 2007. Iraq is currently the top ODA recipient, receiving 13% of the DAC countries' total aid.
3. **ODA figures include debt relief**.[10] Roughly US$10 billion of the 2007 ODA figure was in the form of debt relief grants, not programmable aid (e.g. aid to be used for development programmes such as water and sanitation, education, infrastructure-focused programmes etc). In 2004, almost 70% of Portugal's ODA was actually debt relief. This means US$10 billion of the aid money went from bank accounts in one European city to bank accounts in the same European city.
4. **Tied aid[11] continues to feature in overseas development assistance**, despite some significant progress being made. A number of European countries have fully untied their aid (Ireland and the UK amongst them), and other EU member states are following suit. As of 2006, 53% of all ODA was listed as untied. Although only 3% of all ODA was manifestly listed as tied, one can assume that the remaining 44% was tied as well.[12] The OECD estimates that tied aid can increase development costs by up to one-third, meaning that in 2007, tied aid cost recipient countries *US$14 billion*.

9 Sweden, Luxembourg, Norway, the Netherlands and Denmark all contribute over 0.7% of the GNI in official aid. The precise figures can be found on the DAC website's statistical database at http://www.oecd.org/dataoecd/50/17/5037721.htm

10 Debt relief is the partial or total writing off of debts owed, and was the focus of the 2005 G8 Gleneagles Summit in Scotland.

11 Tied aid is aid that the recipient is obliged to spend within the donor country. A typical example would be a donor country offering aid but making it contingent on the recipient using consultants and materials from the donor state itself.

12 In 2001 the DAC members agreed to untie all aid to Least Developed Countries, which means that donor countries have nothing to gain by untying aid and not reporting it.

5. Donors are allowed to count the **cost of hosting refugees** from developing countries as part of their ODA. In 2005, for example, US $585 million of France's ODA was actually refugee costs within France itself, rather than direct financial assistance to developing countries.
6. The OECD also allows donor countries to count education subsidies and scholarships to students from developing nations as part of their ODA. These **imputed student costs** amount to US $2 billion of all ODA annually.
7. Although the amount of ODA has effectively doubled over the past 8 years, its **share as a percentage of GNI** has remained more or less the same. In 2000, DAC member states gave an average of 0.22% of their GNI in aid. By 2007 they were giving 0.28% - a slightly higher amount, but nowhere near the 0.7% pledged back in 1969. This implies that, despite the apparent commitment governments have paid to campaigns such as 'Make Poverty History', they have failed to exert themselves financially to any significant degree. And, in the context of the current economic recession, aid budgets have and are likely to be cut significantly.

The Hudson Institute's 2007 Global Philanthropy Index has calculated that if one subtracts the various 'phantom aid' parts of ODA (debt relief, refugee costs, student costs, aid propaganda and interest received on aid loans), donor countries' real ODA levels as a percentage of GDP plummet: Austria from 0.52 to 0.18, France from 0.47 to 0.25, and Belgium from 0.53 to 0.38, for example.[13]

In summary, therefore, the ODA situation since the turn of the century has been a patchwork of successes and failures. ODA has grown significantly in monetary terms, from US$50 billion at the turn of the century to just over double that by 2007. But in proportional terms its growth has been risible, even when one takes debt relief into account. And, as we will see below, the rise in ODA has been offset by some other very alarming numbers.

So, taking all of the above issues into account, it is safe to say that at least US$50 billion is distributed annually as official government development aid

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500 | FIVE HUNDRED

O Villain, thou hast stolen both mine office and my name;
The one ne'er got me credit, the other mickle blame.

William Shakespeare, A Comedy of Errors

We often hear talk of how much we *give* to the world's poor, inundated as we are with billboards,

13 Index of Global Philanthropy 2007', Hudson Institute p.11

TV advertisements and newspaper articles all calling for our financial generosity. But the chances are that you've never had a conversation about how much we *take back*. This is where the final part of our ratio – the 500 – becomes important.

Walk into a supermarket in Lusaka, Zambia, and in the dairy section you'll find Ireland's very own Kerrygold butter – *being sold cheaper than locally-produced, Zambian butter*. The vast majority of the world's cocoa is grown in West Africa, and yet you never see any West African chocolate bars. The EU's single most expensive endeavour, its Common Agricultural Policy, costs EU citizens €55 billion every year in subsidies to our farmers. But what does it cost farmers in Kenya, Bolivia or Bangladesh? Have you ever stopped to wonder where the various Filipino nurses and Indian doctors who staff our hospitals were educated, or who bankrolled their studies? How is it that pharmaceutical multinationals make billion-dollar profits while millions die every year due to easily curable ailments?

The 500 in our ratio is concerned with all these questions.

The International Monetary Fund (IMF) calculates that in 2000, developing countries transferred US$118 billion to the developed world. That's not a typo: in the year 2000, the developing world actually *lost* US$118 billion to its rich counterpart. By 2005, the situation was even worse, since the figure had risen to **US$562 billion**[14].

The worst of it is that there doesn't seem to be any reversal in sight. The most recent figures show that in 2007 the developing world lost US$792 billion, and the estimated 2008 figure was US$895 billion.[15]

Perhaps even more worrying is that the poorest of the poor are under this financial assault too. Up to 2005, the world's least developed countries had a positive balance sheet, but the figures for 2006, 2007 and an estimate for 2008 paint a bleak picture: in 2008, LDCs are estimated to have transferred US$8.1 billion to the developed world.[16]

This massive transfer of financial resources from poor to rich occurs in both simple and complex ways, the above examples being just a sample. Below, we explore these in further detail.

DEBT REPAYMENTS

A variety of grassroots and NGO-driven campaigns have sprung up over recent years around the debt agenda. Initiatives such as the Jubilee Debt campaign and massive events like the Live 8 concert have focused public attention on debt repayments and called for broad (at times even

14 'The International Financial System and Development', Report of the General-Secretary, UN General Assembly July 2008, http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/96

15 Ibid.

16 All these figures, together with a number of others, can be found within the IMF's 2008 World Economic Outlook database at http://www.imf.org/external/ns/cs.aspx?id=28. Alternatively, the United Nations General Assembly has issued a report on The International Financial System and Development, which can be found at http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/96 (July 2008)

across-the-board) cancellation of debt. And, listening to Bono or Bob Geldof's statements and quick snapshots beside world leaders, you'd be forgiven for thinking that debt repayments are a thing of the past.

Unfortunately, despite world leaders' pledges and celebrities' euphoria, debt repayment continues to cripple the world's poor. Only 10% of the debt owed by the world's poorest countries has been cancelled. Least Developed Countries (LDCs) – that is, the poorest of the poor – have collective debts of US $375 billion. The 144 countries that make up part of the 'developing world' have debts of over US $2.9 trillion.

In the majority of cases, these countries can barely pay off the interest accrued on these debts. In 2006 alone, LDCs were paying US $94 million *per day* in interest.

BARRIERS TO TRADE

The UN Panel on Financing for Development estimates that the Third World loses US$130 billion every year due to trade barriers, and reckons that even a 50 per cent tariff cut on imports from developing countries could generate up to US$155 billion in extra revenue every year.[17]

Trade barriers take various forms, and range from straightforward taxation-based measures such as import tariffs to hidden costs to trade, such as overly-stringent health and safety regulations. Trade barriers such as import tariffs are often discussed, but hidden trade barriers receive much less attention – often because their protectionist nature is veiled by pretexts unrelated to trade.

Trade barriers (be they overt or hidden) are always to the detriment of the exporting nation. This does not make them inherently *bad* - the free trade versus protectionism debate has raged for decades with no sign of either side giving in, and with no clear winner. The problem for developing nations is that international trade regulations are skewed to favour the rich and powerful – trade has been effectively forced open in the things that rich countries are good at (manufacturing, technology and services) and has remained firmly closed in the things the rich are not so competitive at – agriculture and textiles.

Reciprocal tariff reductions are reciprocal in name only, as subsidies, hidden trade barriers and the sheer financial muscle of large-scale corporations squeeze out small-scale operations from the developing world.

In essence, international trade has been moulded to suit the rich. Trade in manufactured goods, technology and services – things the rich world enjoys a distinct competitive advantage in - has been liberalised and opened up to competition. Conversely, trade in agriculture and textiles (developing countries' forte) continues to be heavily taxed – to the rich world's benefit. Such double standards are inherent throughout the international trading system.

17 Report of the High-Level Panel on Financing for Development 2001, http://www.un.org/reports/financing/full_report.pdf

Tariff escalation is one of the European Union's favoured tariff barriers. 'Tariff escalation' is the raising of tariffs in line with a product's level of processing. In other words, unrefined products (commodities) such as raw fruit and vegetables are allowed into EU markets tax-free, but processed variants of these, such as fruit juices or canned foods, are taxed.

Moving up the product refinement cycle is in every country's interest, since higher-processed goods command a price premium, and do not suffer the degree of price volatility which plagues commodities. Think of the cost of a raw leather hide, and then compare it to the price you pay for a pair of new boots in any high street, and it becomes clear that product refinement is a far more lucrative business than simply harvesting commodities.
Escalating tariffs discourage Third World countries from refining their export commodities, ensuring that this lucrative business is left to developed Western states and leaving the poor where they started – exporting low-value commodities which are extremely price volatile. For example, Nigeria drills and exports unrefined oil, only to re-import refined oil, Zambia exports copper only to re-import pots and pans, and Peru exports leather hides and then re-imports leather jackets and shoes.

Sometimes it is seemingly innocuous things that are *de facto* hidden barriers to trade. In January 2009 the EU declared a number of insecticides unsafe, and announced that products carrying any traces would be refused importation – despite the science behind the ban being highly contested. These insecticides, which the World Health Organisation (WHO) recommends for use in high-risk malarial regions, have now been arbitrarily declared unsafe by the European Commission, leaving a number of African states with a difficult choice: stop using the insecticides in malaria-infested regions and endanger the lives of those who live there, or continue to protect their citizens from malaria and forego the lucrative EU export market.

In some cases, regulatory standards are set so high that only the richest corporations can afford to gain market access. In mid-2008 the EU announced that, by December 2010 all clothing manufacturers importing into the EU will have to comply with its REACH regulatory standards, which require manufacturers to identify and quantify the chemicals present within the garment to an accuracy of 0.1%. The EU itself has calculated that meeting these new regulations is likely to cost EU companies alone €2.3 billion over 11 years;[18] needless to say, small-scale firms within the developing world stand no chance of clearing this regulatory hurdle.
Similarly, EU Rules of Origin restrictions are often used as a hidden tariff barrier. Rules of Origin are used to determine *where* a product originates, for the purposes of international trade. A product may be classified in a preferential tariff band, or conversely be penalised with higher tariffs, depending on its Rules of Origin classification.

The EU's Rules of Origin system is sometimes so restrictive as to verge on the farcical. To

18 'EU metals producers fret over cost of new REACH law', A. Stablum, Reuters 12 Feb 2008

illustrate: fish caught in Fijian seas, canned in a Fijian cannery and exported by a Fijian company was not considered Fijian fish if the vessel or crew were not Fijian or European, and could therefore not gain duty-free access to EU markets.[19] Similarly, pineapple juice made with Ghanaian pineapples and juiced, bottled and exported by Ghanaian companies could not be considered Ghanaian (for Rules of Origin purposes) if the sugar used in the juice came from elsewhere. The result, once again, is the juice being denied duty-free entry into the EU.

It can be very difficult to argue against such hidden barriers to trade, especially because they are often dressed up as health and safety regulations – and it takes a brave woman (or man) to argue *against* health and safety regulations. But all too often, EU health and safety regulations adopt what is known as the 'precautionary principle', meaning that precautions should be taken even if there is no scientifically proven causal relationship between the product and the risk.[20]

SUBSIDIES

A subsidy is a form of financial assistance given by governments to specific businesses or business sectors, generally to make the latter more competitive or prevent them from going bankrupt. Governments often subsidise a great deal of public services, education and health services being two good examples: although taxes cover part of their cost, governments often cover the significant shortfall through subsidies.

Within market (capitalist) economies, subsidies are governments' equivalent to a Monopoly game's 'Get out of jail' card. If a country's exports are too expensive to be competitive, a government can subsidise them, thereby rendering them cheaper. Conversely, a government may want to protect its own producers from cheaper foreign imports: it therefore subsidises local manufacturers, allowing them to drive their product costs down to competitive (sometimes artificially so) prices. In some cases a government may want to encourage the development of a particular industry or business sector. In order to do so, it offers subsidies as an incentive to encourage growth (thereby stimulating supply of the good/s in question. This should theoretically lead to a fall in prices as supply matches, and sometimes overtakes, demand).

The merits and demerits of subsidies are constantly debated by economists and public policy experts. Those from the *laissez-faire*, all-roads-lead-to-Wall Street school believe that subsidies artificially skew global markets and sacrifice long-term efficiency gains at the altar of short-term protectionism. On the other hand, economists from the Keynesian tradition - who believe the state has an active role to play in stimulating growth – tend to see subsidies as a 'necessary evil' which help protect jobs and entire industries.

Whether subsidies do more good than harm remains a moot point, and is best left to professional

19 'Partnership or Power Play?' Oxfam Briefing Paper April 2008

20 A further example of regulatory lunacy: the EU has banned camel milk from being imported or sold, for fear of a foot-and-mouth disease crisis. This despite the camel being immune to foot-and-mouth disease, its milk being lower in fat than cow's milk, and its suitability to sufferers of lactose intolerance. 'Camel Milk on the Menu?' R. Pagones, Los Angeles Times 25 June 2007

economists to debate. The problem with subsidies *vis-a-vis* the Third World is that, all too often, it's a case of two weights and two measures, a case of 'Do as I say, not as I do'.
A tragic example of this is that of the Malawian famine of 2001. In the immediate aftermath of the famine, with farmers struggling to achieve decent crop yields, the government of Malawi initiated a 'Starter Pack' agricultural programme. Through this programme, farmers would receive one sack of corn seed and two bags of fertiliser free of charge, in order to kick-start their recovery following the famine.

The IMF vetoed the Starter Pack programme and prohibited Malawi from distributing the free corn and fertiliser as it considered them an agricultural subsidy. WTO members had previously agreed to cap their agricultural subsidies at their existing levels and not raise them any further, and the IMF believed that by offering this Starter Pack, Malawi was in breach of its WTO obligations.

The IMF's position failed to take into account two issues: firstly, the extraordinary circumstances in which this Starter Pack was being offered, coming as it did on the back of a nationwide famine. Secondly, and perhaps more pertinent to this paper, the IMF didn't take into account Malawi's existing agricultural subsidy levels. When in 1990 WTO members had agreed to cap agricultural subsidy levels, they had started on uneven territory: the EU and its Common Agricultural Policy subsidised European farmers to the tune of over €40 billion a year, while farmers in Malawi got nothing. Introducing the Starter Pack in the aftermath of the famine therefore not only made sense given the dire food situation in Malawi, but also in a broader sense – by supplying some form of government-financed help to farmers, Malawi was actually evening out the subsidy playing field. But WTO rules were firm: subsidies had been capped at 1990 levels, and if that meant that Europe and the USA got to keep their subsidies and countries like Malawi weren't allowed to supply agricultural Starter Packs – tough.

It would be simplistic, not to mention dishonest, to solely blame the IMF for the Malawian famine and subsequent problems. But the Malawi Starter Pack example is useful because it illustrates the 'economy-before -ethics' approach that organisations such as the IMF have pursued for the past couple of decades. When Malawi blamed the IMF for its food shortages, the IMF was moved to admit that it had "no expertise in food security policy", and while admitting that it had ill-advised Malawi on how to manage its grain stocks, 'it was not the responsibility of the Fund to implement the advice.[21] For an organisation with as much clout and influence as the IMF to claim that Malawi could have opted to ignore its advice is disingenuous at best.

Developing countries rely on international financial institutions such as the IMF and World Bank in order to secure much-needed loans, foreign direct investment and other such injections of capital. To such countries, receiving a seal of approval and positive credit rating from the IMF is vital: a negative country report automatically makes it less attractive to investors and leads

21 Ng'Ambi, Francis 'Who Caused the Malawi Famine?' African Business (Jan 2003)

to a worsening credit rating. A country's credit rating determines how 'expensive' it is for its government to borrow money (i.e. at what rate of interest). Much the same as an individual given a bad credit rating may find it impossible to get a mortgage, a country with a low credit rating will find it increasingly difficult to raise money through public borrowing.

In the late 1980s, the IMF and World Bank adopted what came to be known as the *Washington Consensus.* This was a set of policy prescriptions that impoverished countries were to adopt and which would, the prevailing western opinion believed, stimulate economic growth. The Washington Consensus could be summed up in three words: "stabilise, privatise, liberalise". The free market, according to the IMF, was King; government involvement only hindered growth, and the more liberalised an economy, the more efficiently it would function; protectionist measures (such as subsidies) were to be discouraged.

Developing countries, therefore, were presented with the ultimate Hobson's choice: follow the IMF's instructions, liberalise their economies and obtain the loans they so badly needed; or ignore the IMF's suggestions, get a negative credit rating and become investment pariahs. Left with little choice but to follow these Structural Adjustment Programmes (as the IMF named them), the governments of developing states quickly privatised their main industries and steered clear of interventionist trade policies – leading to the financial meltdown of the Asian 'Tiger' economies, the collapse of the Argentinean economy and several other nations' becoming ensnared in a poverty cycle (as countries were forced to borrow even more money to cope with the damage wrought by previous loan conditions).

And all along, while developing countries were being liberalised to near death, affluent states continued to protect their own economies using the exact same measures they were ordering developing states to abandon.

To this very day, the European Union spends approximately 45% of its annual budget on agricultural subsidies. The Common Agricultural Policy (CAP) costs the EU a massive US$665 billion every year, with large-scale agribusiness pocketing 6- and 7-figure subsidies in the process. Thanks to CAP subsidies, each cow within the EU receives US$2.60 per day in subsidies – which is more than over 2 billion people across the developing world have to live on.

The USA has its own share of distorting subsidies, with cotton perhaps being the most notorious. The USA is the world's third largest cotton producer, mainly due to its tradition of heavily subsidising cotton farming, thereby encouraging overproduction. Between 1996 and 2006 the USA paid out an average of US$2-3 billion per year in subsidies to cotton farmers. The injection of such massive sums of money into the cotton sector naturally comes at a price: Oxfam estimates that US cotton subsidies have led to an artificial collapse in the global price of cotton of between 6 and 14 percent,[22] and resulted in cotton farmers across West Africa earning up to 20% less than

22 Alston, J. Sumner, D. & Brunke, H. 'Impacts of Reductions in US Cotton Subsidies on West African Cotton Producers', Oxfam America (2007) http://www.oxfamamerica.org/files/Paying_the_Price.pdf

they would, were they on an equal playing field with their American competitors.

Here, at least, there have been signs of improvement. A number of developing states, tired of the 'do as I say, not as I do' attitude prevalent at high-level trade talks, brought the World Trade Organisation's (WTO) Doha trade round to a halt in 2008, with agricultural subsidies being the main bone of contention. The discussions were lengthy and convoluted.[23] In a nutshell: the US refused to lower its cotton subsidies unless the EU lowered its own agricultural subsidies. The EU, in turn, insisted that the US scrap its cotton subsidies if negotiations were to even proceed. Developing nations, spearheaded by Brazil's leadership, argued that the subsidies were not only unfair, but also unlawful.[24] As yet, no resolution has been reached.

TRIPS

TRIPS – the Agreement on Trade-Related Aspects of Intellectual Property Rights – is one of the World Trade Organisation's most controversial policies. TRIPS deals with the copyrighting and patenting of intellectual property, with the aim of protecting the creative rights of innovators (be they of an artistic, scientific, engineering or other nature) and encourage further ingenuity.

Intellectual property rights and human development, however, often do not make for the best bedfellows. TRIPS rewards innovators with a time-limited monopoly over their creation/s, effectively allowing them to control the sales, price and distribution of their creation as they please. Granting an author a monopoly over their words is uncontroversial, but when patents and exclusivity are placed on life-saving medicines, or indigenous peoples are told that they must now pay for their centuries-old concoctions, a number of ethical questions arise.

Perhaps the most well-known TRIPS & development issue relates to anti-retrovirals (ARVs), which are drugs used to treat HIV. Pharmaceutical companies who patented their ARV creations and sold them at extortionate rates[25] prevented developing nations with large-scale HIV epidemics from manufacturing generic 'copies' of the ARVs by invoking TRIPS. Developing nations, left with no choice, subsidised the ARVs (with costs of up to US $15,000 per year for every patient) as best they could. By 2001, a number of Indian and Brazilian pharmaceutical companies were producing generic ARV 'copies' and selling them at a fraction of the price – in blatant disregard of TRIPS. As a result, TRIPS was amended in 2001 to state that its regulations were supportive of "access to medicines for all"[26], and ARV prices continued to plummet as generics flooded the market in the developing world. Nowadays, the most commonly used generic ARV treatment costs a patient just US$87 per year.[27]

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23 For a detailed agenda of the Doha trade round, visit the WTO's gateway on the subject at http://www.wto.org/english/tratop_e/dda_e/dda_e.htm. A quick Google search will also yield a number of articles and op-eds discussing the subject.

24 In 2004 Brazil challenged the US' cotton subsidies in a WTO tribunal, winning in what was a landmark case. The full decision of the WTO tribunal can be found at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm

25 HAART, the first mass-produced ARV, cost US$10,000 per person per year when it was first released in 1996. Mass production of generic ARVs began in 2000/1, and by the end of 2001 an HIV+ patient could get an annual course of ARVs for just US$295. http://www.avert.org/generic.htm

26 WTO Doha Declaration on the TRIPS Agreement , 2001 http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm

27 See Avert's article on generic ARVS at http://www.avert.org/generic.htm.

TRIPS does not distinguish between traditional, community-based knowledge and industry-generated knowledge, with no provision for the patent-less protection of traditional herbal knowledge. As a result, an innumerable number of western companies have piggybacked on the traditional knowledge of the world's poor in order to make a quick buck. RiceTec, a US firm, has a patent on a variety of basmati rice, effectively preventing Thai and Indian farmers from growing it themselves; the Cameroonian pygeum tree, which has been used for centuries by locals as an anti-inflammatory, is now patented by a European pharmaceutical and sold as Tadenan, raking in US$150 million a year in profits; in India, a US company patented an insecticide that locals had used for thousands of years.

In Argentina, Brazil, Mexico, India and Taiwan alone, the welfare loss caused by patented medicines has been calculated at US$11 billion, and studies have shown that drugs are up to 41 times costlier in countries with patent protection. In 2006 alone, the world's five largest pharmaceutical companies had total revenue of US$225 billion.

CAPITAL FLIGHT

Capital flight, as its name implies, is the movement of private (non-business) capital out of countries and into others, usually away from Third World economies and into their western counterparts.

Capital flight occurs largely for three reasons. Firstly, rich investors may fear or dislike the political and economic system of the country of origin, and wish to invest it elsewhere. Bear in mind that this applies to the multi-millionaire investor, not to an honest Third World employee who seeks to protect his savings against inflation. Secondly, capital flight is sometimes the by-product of tax evasion, where large sums of money are transferred out of a country and into a secretive banking system in order to avoid paying tax.

The third kind of capital flow is not only the most significant in terms of volume; it is also the most evil and illegal. This is the export of massive fortunes acquired by illegal means – the fortunes of dictators and despots, of corrupt mega-businesspeople and their cronies – to collusive secretive banks in Switzerland, Luxembourg and the UK, where their millions can lie hidden, unknown to anyone but the individual and his or her bank manager.
This money is generally derived from activities such as corruption, embezzlement, elaborate tax avoidance schemes and other criminal activity (including drug dealing, extortion and arms dealing). Official statistics on these illicit capital flows do not exist, since, by definition, they escape detection. Nevertheless, a number of investigations into illegal capital flight have been undertaken, and the results are staggering.

A 2007 study by the Global Financial Integrity Program (GFIP) calculated that in 2006 alone,

developing countries lost an estimated US$858 billion – US$1.06 trillion in illegal financial flows.[28] The volume of illicit capital flows increased by approximately 20 percent every year for the period 2002-2006, indicating that rather than getting better things were getting far worse. The report found that over half of all illegal capital flows came from Asia, with Europe (driven by illegal capital flows out of Russia) in second place. In terms of volume, Africa ranks lowest amongst all developing regions, but the report emphasises that "there are strong reasons to believe that the share would probably have been higher if more complete and reliable trade and external debt data were available"[29]

Most of this money is untraceable. Transparency International, the anti-corruption NGO, has calculated that 'only' US$140 billion of swindled cash could be retrieved.[30] It argues that it is "immoral" for Western governments to allow such funds to freely circulate in their respective countries while Africa sinks under the weight of debt and poverty.

It is very difficult to effectively assess the amount and impact of such corruption (and the capital flight associated with it) but it is clear that the losses to poorer countries are immense while the benefits to the elites of such countries and to rich countries (or more accurately, to rich world corporations) are very significant.
This aspect of the issue has been described in the following terms by Peter Eigen, founder of Transparency International:

... if you pay, say, a $5 million bribe to a minister in order to promote a project which has no use, which is even harmful to the economy, say a huge power dam or a huge pipeline that costs $500 million, then the damage to the economy is close to $500 million rather than the $5 million.

Eigen also argues that western countries not only turn a blind eye to such corruption, they often actually encourage it:

... Therefore, many of these countries not only allowed their exporters to bribe, but they even subsidized the systematic bribery through generous tax write-offs, by support, by export financing agencies, export guarantee agencies. And what we found: a system in which even the most respectable companies had no compunction to systematically bribe, to pay huge amounts of money, $5-$10-$20 million, to the decision makers in other countries, in Indonesia, in Nigeria, in India, in order to get billions in contracts in these countries.[31]

A study of capital flight from 25 highly-indebted, low income countries in sub-Saharan Africa during the period 1970 to 1996 by University of Massachusetts researchers concluded that the

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28 Kar, D. 'Illicit Financial Flows from Developing Countries: 2002-2006' Global Financial Integrity, Centre for International Policy (2007)

29 Ibid. p.11

30 Timah, N. 'Corruption-linked Capital Flight Sinks Africa', OhmyNews (9 April 2006) http://english.ohmynews.com/ArticleView/article_view.asp?menu=A11100&no=284596&rel_no=1&back_url

31 Montgomery, M. 'The Costs of Corruption: Interview excerpts with Peter Eigen', American Radioworks http://americanradioworks.publicradio.org/features/corruption/eigen.html

value of such flight amounted to a total of more than US$193 billion (in 1996 dollars) while the external debt of these countries stood at $178 billion in 1996. The study concluded '*... taking capital flight as a measure of private external assets, and calculating net external assets as private external assets minus public external debts, sub-Saharan Africa thus appears to be a net creditor vis-à-vis the rest of the world'.*[32]

BRAIN DRAIN

Brain Drain is essentially the emigration of skilled workers and professionals to countries of greater prosperity than their own. Kenyan doctors, Pakistani IT programmers and Filipino and Zambian nurses all fulfil important roles within our society, but this comes at a significant cost to their respective countries. Take Ghana, where life expectancy is 59, only 57% of the population is literate and 37% of the population is undernourished[33], 47% of all its university graduates live within OECD (developed world) countries. In Guyana, a staggering 89% of all its University graduates live overseas.[34]

This migration pattern is hardly new. In the early 1960s, brain drain from East to West Germany reached such heights that the former erected the Berlin Wall to stem it. Similarly, Ireland experienced significant brain drain before the Celtic Tiger economic boom encouraged the Irish to seek their fortunes back home. Neither is brain drain restricted to the most impoverished states: Lithuania lost some 200,000 young, well-educated citizens to more prosperous European countries (Ireland in particular) between 1994 and 2004[35], and Malta currently has a brain drain rate of 56%[36], with doctors and dentists especially susceptible.[37]
Countries like Malta and Lithuania, however, are EU members and middle-income countries. Although brain drain is a problematic issue for their respective governments, they enjoy a safety net of (relative) prosperity and free access to the world's largest common market. Third World nations do not.

The Kenyan government, for example, spends over US$40,000 on each medical student within the country[38], and yet in 2006 there were 167 Kenyan born and trained doctors working in OECD countries. Research undertaken in order to calculate the cumulative cost of losing doctors to the West has shown that for every doctor that emigrates, Kenya loses over US$500,000. Multiply that by the 167 doctors known to have left by 2006 and we get the total cost of the Kenyan medical doctor brain drain – US$87 million.[39]

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32 http://www.umass.edu/economics/publications/econ2000_01.pdf

33 Statistics derived from the 2007 UNDP Human Development Report http//hdr.undp.org/en/media/HDR 20072008 EN Complete.pdf

34 'Fruit that falls far from the tree' The Economist 3 Nov 2005

35 Kauzlaskienė, A. & Rinkevičus L. 'Lithuanian Brain Drain Causes: Push and Pull Factors' (2006) http://internet.ktu.lt/lt/mokslas/zurnalai/inzeko/46/1392-2758-2006-1-46-27.pdf

36 Schiff, M. & Wang, Y. 'Brain Drain and Productivity Growth: Are Small States Different?' (2008) http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1206974166266/4833916-1206989877225/SchiffWang20080314.pdf

37 'Medical students complain of brain drain' Times of Malta 14 May 2008

38 This is a conservative figure. The UN estimates that it costs, on average, $100,000 to train a doctor across the African continent.

39 Kirigia, J et al. 'The Cost of Health Professionals' Brain Drain in Kenya' BMC Health Services Research (v.6 2006)

The costs of the brain drain are threefold:

1. **Skilled workers and professionals cost money to educate**, as illustrated by the Kenyan doctors example above. When state-subsidised students are lured to greener pastures, governments of LDCs (already hard-pressed to invest in high-level education), see no return on their investment and are discouraged from pressing on with educational reform.
2. **When skilled workers emigrate, they leave gaps in the workforce** that must be somehow filled. The UNDP estimates that, in order to fill the human resource gap created by brain drain, "Africa employs up to 150,000 expatriate professionals at a cost of US$4 billion a year."[40]
3. **The human development cost.** When a doctor or nurse emigrates from Kenya to the EU, the most devastating cost is not financial, it is medical. In Malawi, there are only 2 doctors for every 100,000 people. The result is a 46-year life expectancy and one of the highest infant mortality rates in the world. When an engineer leaves Namibia to work in the USA, it is Namibian technical expertise that pays the biggest price.

Many commentators refer also to the 'brain gain' where remittances are sent 'home' by migrants working abroad. In 2005, the World Bank estimated that such remittances amounted to a total of US$167 billion[41] However, the Bank also points out that between 30% and 45% are remittances from one developing country to another. However, these remittances are different in kind from the figures in our 5:50:500 equation as they relate to voluntary transfers rather than to the actions or impact of formal structures. There is also a voluminous literature as to the value and impact as well as the scale of the 'brain gain'.

THE BIG IDEA

We have included all of the above information for two reasons:

- firstly, in order to demonstrate that we didn't simply pluck the 5:50:500 ratio out of thin air
- secondly, we thought that it might whet the appetite of the more curious amongst you, and help you make sense of the various numbers peppered across the stimulus sheets.

The numbers, however, can only explain so much: Disraeli's maxim about 'lies, damned lies, and statistics' springs to mind.

If we wanted to be statistically accurate, we would have named this resource 8:105:792[42]. Not quite as catchy, is it?
Which is why ***5:50:500*** despite its groundings in statistical data, is what we like to call a Big Idea.

40 Roisin, A. 'Brain Drain: Challenges and Opportunities for Development' UN Chronicle April 2007

41 Global Economic Prospects 2006: Economic Implications of Remittances and Migration' World Bank http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/11/14/000112742_20051114174928/additional/841401968_200510327112047.pdf

42 Why 8:105:792? US$8 billion in voluntary aid, US$105 billion in ODA, and US$792 billion taken back!

It's a Big Idea because it allows us to make sense of a complex international system that ordinary citizens often find difficult to understand or to explore.

It focuses attention on the relationship between rich and poor, rather than the plight of the poor themselves, and removes the charitable lens through which many see the Third World. Poverty doesn't exist within a vacuum, and neither does wealth. 5:50:500 aims to help students (and teachers) recognise this, all while remaining mindful of the need for a rights-based approach to development.

As long as we continue to take almost 10 times more than we give, no amount of charity (as well-intentioned as it may be) will lift the more than 1.4 billion people living on less than US$1.25 a day out of poverty. Poverty, health, sanitation, education – these issues are far too important to be left to the mercy of our charitable instincts. The dispossessed have a *right* to a decent standard of living –and it is we, the rich world, difficult as it may be to accept, that are denying them that right.

'Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world...'

Universal Declaration of Human Rights 1948

THIS ESSAY IS INTENDED TO PROVIDE A DETAILED BACKGROUND AS TO HOW THIS 'SYSTEM' WORKS TO OUR ADVANTAGE AND TO 'THEIR' DISADVANTAGE.

5 | FIVE

The 5 in the title refers to voluntary aid – that is, monies collected by the many charities and poverty/development/aid non-governmental organisations (NGOs) across the globe. An estimate of the amount raised in voluntary aid each year over the past decade suggests that such aid amounts to at least US$5 billion each year.
It is important to realise that this figure is a minimum estimate, since there is no precise way of measuring voluntary aid contributions. There are a number of reasons for this:

- a great deal of philanthropy occurs *within* developed countries themselves, and is therefore irrelevant to the ***5:50:500*** issue
- there is a significant transfer of capital between philanthropic organisations themselves[1]
- there is no international body tasked with overseeing voluntary aid flows
- a significant amount of NGO income is actually derived from governments
- the secretive nature of philanthropy makes calculating voluntary aid contributions to any significant degree of precision difficult

A number of organisations have however tried to measure voluntary aid. The Urban Institute's **Non-Profits in Focus** report estimates that internationally, NGOs give approximately US $15 billion to the developing world[2]; the Hudson Institute, on the other hand, calculates that NGOs in the USA alone give approximately US $13 billion a year[3]. In 1991 the United Nations Development Programme (UNDP) calculated international voluntary aid at US $7.2 billion[4]; the 1994 Reality of Aid project calculated that voluntary aid is approximately 10 per cent of official aid and the Kiel Institute for the World Economy estimates that total NGO aid amounts to some US $15 billion every year.[5]

Why do these available figures vary so widely? Some figures include humanitarian relief – one-off bursts of cash triggered by a specific event (e.g. the 2004 Tsunami) in response to a direct appeal

1 The Bill and Melinda Gates foundation, for example, has given the William J. Clinton Foundation between US $10-25 million. It is by no means the only one, as a cursory look at the list of contributors to the Clinton Foundation shows http://www.clintonfoundation.org/contributors/pages/page_1.html. This practice of one philanthropic organisation donating money to another is not especially unusual, but it does make it almost impossible to track just how much voluntary aid is actually given.

2 Kerlin, J. & Thanasombat, S. 'The International Charitable Nonprofit Subsector' Urban Institute policy brief No. 2 Sept 2006 p.2

3 'Index of Global Philanthropy 2007', Hudson Institute p.20

4 Matenga, C. 'The Changing Orientation and Practice of Northern NGOs: Implications for African Development' University of Zambia (2001) http://www.fiuc.org.esap/ZAMB/ZAMB7/General/ngos.pdf

5 Nunnenkamp, P. "The Myth of NGO Superiority" D+C No.5, 2008

– while others do not. The assumptions upon which these figures are based vary, (e.g. some organisations may include donations to (and by) religious organisations, while others may not) and as was previously mentioned, a great deal of educated guesswork is required, given the lack of data collection. Remittances – money sent back home by migrant workers – are also calculated in different ways, and at times not at all.

What these figures do not take into account is the fact that over 40% of all NGO income is 'official' – that is, government aid channelled through NGOs as part of official aid programmes.[6] As NGOs have grown larger, with several having branches across the globe, western governments have increasingly turned to them to carry out their development programmes within the Third World. In 2005-6, the Netherlands, Switzerland and Spain channelled almost 20% of their ODA through NGOs.[7]

Taking these estimates into account, and then deducting 40% (the average amount of NGO income that is derived from governments), we arrive at a figure of between US $5 and US $9 billion per year, depending on which original estimate is used.

So, as Chrispin Matenga from the University of Zambia has argued, it is therefore safe to say that annually, international voluntary aid reaches at least US $5 billion per year.

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50 | FIFTY

The 50 in our title refers to Official Development Assistance (ODA) as the vast bulk of international aid to the developing world comes in the form of official government aid. The majority of the world's ODA comes from 25 countries - 22 of these are part of the Organisation for Economic Co-Operation and Development's (OECD) Development Assistance Committee (DAC)[8].

The DAC is often considered to be *the* most significant multilateral aid-related body in the world. Here, its member states discuss aid policies, priorities and its effectiveness. It holds annual 'High Level Meetings' together with representatives of the World Bank, International Monetary Fund (IMF) and United Nations Development Programme (UNDP), as well as issuing guidelines on good governance, aid effectiveness and how to manage it. The DAC continues to endorse the International Aid Target (which calls for each developed country to work towards annually contributing 0.7% of its Gross National Income (GNI) in aid), despite only 5 of its members

6 Paul, J. 'NGOs and Global Policy Making' Global Policy Forum June 2000 http://www.globalpolicy.org/ngos/intro/general/2000/anal00.htm

7 Koch, D.J. et al., 'Keeping a Low Profile: What Determines the Allocation of Aid by Non-Governmental Organisations?' Kiel Institute working paper (March 2008)

8 The other 3 major ODA donors come from the Gulf States: Kuwait, Saudi Arabia and the United Arab Emirates. In 2004 these 3 together gave over US$2 billion in ODA. In terms of percentage of GNI, these 3 countries are amongst the most generous in the world. Kuwait gives an average of 0.59% of its GNI, while Saudi Arabia has given over 1% in the past (and may still do) while Saudi Arabia does not report all of its ODA. See http://www.cmi.no/publications/file/?2615=arab-foreign-aid-disbursement-patterns

having reached that target since 1969, when it was first agreed.[9]

The DAC's statistical database is renowned for its accuracy and detail, and it is here that the second part of the ***5:50:500*** ratio comes into play.

In the year 2000, aid to developing countries from DAC member states totalled **US$50 billion.** By 2004 it had risen to US$ 78.9 billion, and in 2007 (the latest figures available in February 2009), total ODA was US$105 billion - just over double what it had been at the turn of the century.

At first glance, these figures seem impressive. US$50 billion is a significant amount of money, and to have doubled it within 8 years is significant. But a closer look at the figures reveals a number of discrepancies.

1. **ODA does not only go to the poorest of the poor.** Of 2007 US$105 billion in ODA, only US$32 billion (roughly one-third) went to Least Developed Countries (DCs).
2. **ODA can be politically motivated.** Iraq and Afghanistan, for example, saw massive increases in the amount of ODA received following the US-led wars there. In 2000 Afghanistan received US$135 million in aid: by 2007, it was receiving US$3.9 billion. The picture in Iraq is even more dramatic, with ODA rising from US$99 million in 2000 to a massive US$9 billion by 2007. Iraq is currently the top ODA recipient, receiving 13% of the DAC countries' total aid.
3. **ODA figures include debt relief**.[10] Roughly US$10 billion of the 2007 ODA figure was in the form of debt relief grants, not programmable aid (e.g. aid to be used for development programmes such as water and sanitation, education, infrastructure-focused programmes etc). In 2004, almost 70% of Portugal's ODA was actually debt relief. This means US$10 billion of the aid money went from bank accounts in one European city to bank accounts in the same European city.
4. **Tied aid[11] continues to feature in overseas development assistance**, despite some significant progress being made. A number of European countries have fully untied their aid (Ireland and the UK amongst them), and other EU member states are following suit. As of 2006, 53% of all ODA was listed as untied. Although only 3% of all ODA was manifestly listed as tied, one can assume that the remaining 44% was tied as well.[12] The OECD estimates that tied aid can increase development costs by up to one-third, meaning that in 2007, tied aid cost recipient countries *US$14 billion*.

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9 Sweden, Luxembourg, Norway, the Netherlands and Denmark all contribute over 0.7% of the GNI in official aid. The precise figures can be found on the DAC website's statistical database at http://www.oecd.org/dataoecd/50/17/5037721.htm

10 Debt relief is the partial or total writing off of debts owed, and was the focus of the 2005 G8 Gleneagles Summit in Scotland.

11 Tied aid is aid that the recipient is obliged to spend within the donor country. A typical example would be a donor country offering aid but making it contingent on the recipient using consultants and materials from the donor state itself.

12 In 2001 the DAC members agreed to untie all aid to Least Developed Countries, which means that donor countries have nothing to gain by untying aid and not reporting it.

5. Donors are allowed to count the **cost of hosting refugees** from developing countries as part of their ODA. In 2005, for example, US $585 million of France's ODA was actually refugee costs within France itself, rather than direct financial assistance to developing countries.
6. The OECD also allows donor countries to count education subsidies and scholarships to students from developing nations as part of their ODA. These **imputed student costs** amount to US $2 billion of all ODA annually.
7. Although the amount of ODA has effectively doubled over the past 8 years, its **share as a percentage of GNI** has remained more or less the same. In 2000, DAC member states gave an average of 0.22% of their GNI in aid. By 2007 they were giving 0.28% - a slightly higher amount, but nowhere near the 0.7% pledged back in 1969. This implies that, despite the apparent commitment governments have paid to campaigns such as 'Make Poverty History', they have failed to exert themselves financially to any significant degree. And, in the context of the current economic recession, aid budgets have and are likely to be cut significantly.

The Hudson Institute's 2007 Global Philanthropy Index has calculated that if one subtracts the various 'phantom aid' parts of ODA (debt relief, refugee costs, student costs, aid propaganda and interest received on aid loans), donor countries' real ODA levels as a percentage of GDP plummet: Austria from 0.52 to 0.18, France from 0.47 to 0.25, and Belgium from 0.53 to 0.38, for example.[13]

In summary, therefore, the ODA situation since the turn of the century has been a patchwork of successes and failures. ODA has grown significantly in monetary terms, from US$50 billion at the turn of the century to just over double that by 2007. But in proportional terms its growth has been risible, even when one takes debt relief into account. And, as we will see below, the rise in ODA has been offset by some other very alarming numbers.

So, taking all of the above issues into account, it is safe to say that at least US$50 billion is distributed annually as official government development aid

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500 | FIVE HUNDRED

O Villain, thou hast stolen both mine office and my name;
The one ne'er got me credit, the other mickle blame.

William Shakespeare, A Comedy of Errors

We often hear talk of how much we *give* to the world's poor, inundated as we are with billboards,

13 Index of Global Philanthropy 2007', Hudson Institute p.11

TV advertisements and newspaper articles all calling for our financial generosity. But the chances are that you've never had a conversation about how much we *take back*. This is where the final part of our ratio – the 500 – becomes important.

Walk into a supermarket in Lusaka, Zambia, and in the dairy section you'll find Ireland's very own Kerrygold butter – *being sold cheaper than locally-produced, Zambian butter*. The vast majority of the world's cocoa is grown in West Africa, and yet you never see any West African chocolate bars. The EU's single most expensive endeavour, its Common Agricultural Policy, costs EU citizens €55 billion every year in subsidies to our farmers. But what does it cost farmers in Kenya, Bolivia or Bangladesh? Have you ever stopped to wonder where the various Filipino nurses and Indian doctors who staff our hospitals were educated, or who bankrolled their studies? How is it that pharmaceutical multinationals make billion-dollar profits while millions die every year due to easily curable ailments?

The 500 in our ratio is concerned with all these questions.

The International Monetary Fund (IMF) calculates that in 2000, developing countries transferred US$118 billion to the developed world. That's not a typo: in the year 2000, the developing world actually *lost* US$118 billion to its rich counterpart. By 2005, the situation was even worse, since the figure had risen to **US$562 billion**[14].

The worst of it is that there doesn't seem to be any reversal in sight. The most recent figures show that in 2007 the developing world lost US$792 billion, and the estimated 2008 figure was US$895 billion.[15]

Perhaps even more worrying is that the poorest of the poor are under this financial assault too. Up to 2005, the world's least developed countries had a positive balance sheet, but the figures for 2006, 2007 and an estimate for 2008 paint a bleak picture: in 2008, LDCs are estimated to have transferred US$8.1 billion to the developed world.[16]

This massive transfer of financial resources from poor to rich occurs in both simple and complex ways, the above examples being just a sample. Below, we explore these in further detail.

DEBT REPAYMENTS

A variety of grassroots and NGO-driven campaigns have sprung up over recent years around the debt agenda. Initiatives such as the Jubilee Debt campaign and massive events like the Live 8 concert have focused public attention on debt repayments and called for broad (at times even

14 'The International Financial System and Development', Report of the General-Secretary, UN General Assembly July 2008, http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/96

15 Ibid.

16 All these figures, together with a number of others, can be found within the IMF's 2008 World Economic Outlook database at http://www.imf.org/external/ns/cs.aspx?id=28. Alternatively, the United Nations General Assembly has issued a report on The International Financial System and Development, which can be found at http://www.un.org/Docs/journal/asp/ws.asp?m=A/63/96 (July 2008)

across-the-board) cancellation of debt. And, listening to Bono or Bob Geldof's statements and quick snapshots beside world leaders, you'd be forgiven for thinking that debt repayments are a thing of the past.

Unfortunately, despite world leaders' pledges and celebrities' euphoria, debt repayment continues to cripple the world's poor. Only 10% of the debt owed by the world's poorest countries has been cancelled. Least Developed Countries (LDCs) – that is, the poorest of the poor – have collective debts of US $375 billion. The 144 countries that make up part of the 'developing world' have debts of over US $2.9 trillion.

In the majority of cases, these countries can barely pay off the interest accrued on these debts. In 2006 alone, LDCs were paying US $94 million *per day* in interest.

BARRIERS TO TRADE

The UN Panel on Financing for Development estimates that the Third World loses US$130 billion every year due to trade barriers, and reckons that even a 50 per cent tariff cut on imports from developing countries could generate up to US$155 billion in extra revenue every year.[17]

Trade barriers take various forms, and range from straightforward taxation-based measures such as import tariffs to hidden costs to trade, such as overly-stringent health and safety regulations. Trade barriers such as import tariffs are often discussed, but hidden trade barriers receive much less attention – often because their protectionist nature is veiled by pretexts unrelated to trade.

Trade barriers (be they overt or hidden) are always to the detriment of the exporting nation. This does not make them inherently *bad* - the free trade versus protectionism debate has raged for decades with no sign of either side giving in, and with no clear winner. The problem for developing nations is that international trade regulations are skewed to favour the rich and powerful – trade has been effectively forced open in the things that rich countries are good at (manufacturing, technology and services) and has remained firmly closed in the things the rich are not so competitive at – agriculture and textiles.

Reciprocal tariff reductions are reciprocal in name only, as subsidies, hidden trade barriers and the sheer financial muscle of large-scale corporations squeeze out small-scale operations from the developing world.

In essence, international trade has been moulded to suit the rich. Trade in manufactured goods, technology and services – things the rich world enjoys a distinct competitive advantage in - has been liberalised and opened up to competition. Conversely, trade in agriculture and textiles (developing countries' forte) continues to be heavily taxed – to the rich world's benefit. Such double standards are inherent throughout the international trading system.

17 Report of the High-Level Panel on Financing for Development 2001, http://www.un.org/reports/financing/full_report.pdf

Tariff escalation is one of the European Union's favoured tariff barriers. 'Tariff escalation' is the raising of tariffs in line with a product's level of processing. In other words, unrefined products (commodities) such as raw fruit and vegetables are allowed into EU markets tax-free, but processed variants of these, such as fruit juices or canned foods, are taxed.

Moving up the product refinement cycle is in every country's interest, since higher-processed goods command a price premium, and do not suffer the degree of price volatility which plagues commodities. Think of the cost of a raw leather hide, and then compare it to the price you pay for a pair of new boots in any high street, and it becomes clear that product refinement is a far more lucrative business than simply harvesting commodities.
Escalating tariffs discourage Third World countries from refining their export commodities, ensuring that this lucrative business is left to developed Western states and leaving the poor where they started – exporting low-value commodities which are extremely price volatile. For example, Nigeria drills and exports unrefined oil, only to re-import refined oil, Zambia exports copper only to re-import pots and pans, and Peru exports leather hides and then re-imports leather jackets and shoes.

Sometimes it is seemingly innocuous things that are *de facto* hidden barriers to trade. In January 2009 the EU declared a number of insecticides unsafe, and announced that products carrying any traces would be refused importation – despite the science behind the ban being highly contested. These insecticides, which the World Health Organisation (WHO) recommends for use in high-risk malarial regions, have now been arbitrarily declared unsafe by the European Commission, leaving a number of African states with a difficult choice: stop using the insecticides in malaria-infested regions and endanger the lives of those who live there, or continue to protect their citizens from malaria and forego the lucrative EU export market.

In some cases, regulatory standards are set so high that only the richest corporations can afford to gain market access. In mid-2008 the EU announced that, by December 2010 all clothing manufacturers importing into the EU will have to comply with its REACH regulatory standards, which require manufacturers to identify and quantify the chemicals present within the garment to an accuracy of 0.1%. The EU itself has calculated that meeting these new regulations is likely to cost EU companies alone €2.3 billion over 11 years;[18] needless to say, small-scale firms within the developing world stand no chance of clearing this regulatory hurdle.
Similarly, EU Rules of Origin restrictions are often used as a hidden tariff barrier. Rules of Origin are used to determine *where* a product originates, for the purposes of international trade. A product may be classified in a preferential tariff band, or conversely be penalised with higher tariffs, depending on its Rules of Origin classification.

The EU's Rules of Origin system is sometimes so restrictive as to verge on the farcical. To

18 'EU metals producers fret over cost of new REACH law', A. Stablum, Reuters 12 Feb 2008

illustrate: fish caught in Fijian seas, canned in a Fijian cannery and exported by a Fijian company was not considered Fijian fish if the vessel or crew were not Fijian or European, and could therefore not gain duty-free access to EU markets.[19] Similarly, pineapple juice made with Ghanaian pineapples and juiced, bottled and exported by Ghanaian companies could not be considered Ghanaian (for Rules of Origin purposes) if the sugar used in the juice came from elsewhere. The result, once again, is the juice being denied duty-free entry into the EU.

It can be very difficult to argue against such hidden barriers to trade, especially because they are often dressed up as health and safety regulations – and it takes a brave woman (or man) to argue *against* health and safety regulations. But all too often, EU health and safety regulations adopt what is known as the 'precautionary principle', meaning that precautions should be taken even if there is no scientifically proven causal relationship between the product and the risk.[20]

SUBSIDIES

A subsidy is a form of financial assistance given by governments to specific businesses or business sectors, generally to make the latter more competitive or prevent them from going bankrupt. Governments often subsidise a great deal of public services, education and health services being two good examples: although taxes cover part of their cost, governments often cover the significant shortfall through subsidies.

Within market (capitalist) economies, subsidies are governments' equivalent to a Monopoly game's 'Get out of jail' card. If a country's exports are too expensive to be competitive, a government can subsidise them, thereby rendering them cheaper. Conversely, a government may want to protect its own producers from cheaper foreign imports: it therefore subsidises local manufacturers, allowing them to drive their product costs down to competitive (sometimes artificially so) prices. In some cases a government may want to encourage the development of a particular industry or business sector. In order to do so, it offers subsidies as an incentive to encourage growth (thereby stimulating supply of the good/s in question. This should theoretically lead to a fall in prices as supply matches, and sometimes overtakes, demand).

The merits and demerits of subsidies are constantly debated by economists and public policy experts. Those from the *laissez-faire*, all-roads-lead-to-Wall Street school believe that subsidies artificially skew global markets and sacrifice long-term efficiency gains at the altar of short-term protectionism. On the other hand, economists from the Keynesian tradition - who believe the state has an active role to play in stimulating growth – tend to see subsidies as a 'necessary evil' which help protect jobs and entire industries.

Whether subsidies do more good than harm remains a moot point, and is best left to professional

19 'Partnership or Power Play?' Oxfam Briefing Paper April 2008

20 A further example of regulatory lunacy: the EU has banned camel milk from being imported or sold, for fear of a foot-and-mouth disease crisis. This despite the camel being immune to foot-and-mouth disease, its milk being lower in fat than cow's milk, and its suitability to sufferers of lactose intolerance. 'Camel Milk on the Menu?' R. Pagones, Los Angeles Times 25 June 2007

economists to debate. The problem with subsidies *vis-a-vis* the Third World is that, all too often, it's a case of two weights and two measures, a case of 'Do as I say, not as I do'.
A tragic example of this is that of the Malawian famine of 2001. In the immediate aftermath of the famine, with farmers struggling to achieve decent crop yields, the government of Malawi initiated a 'Starter Pack' agricultural programme. Through this programme, farmers would receive one sack of corn seed and two bags of fertiliser free of charge, in order to kick-start their recovery following the famine.

The IMF vetoed the Starter Pack programme and prohibited Malawi from distributing the free corn and fertiliser as it considered them an agricultural subsidy. WTO members had previously agreed to cap their agricultural subsidies at their existing levels and not raise them any further, and the IMF believed that by offering this Starter Pack, Malawi was in breach of its WTO obligations.

The IMF's position failed to take into account two issues: firstly, the extraordinary circumstances in which this Starter Pack was being offered, coming as it did on the back of a nationwide famine. Secondly, and perhaps more pertinent to this paper, the IMF didn't take into account Malawi's existing agricultural subsidy levels. When in 1990 WTO members had agreed to cap agricultural subsidy levels, they had started on uneven territory: the EU and its Common Agricultural Policy subsidised European farmers to the tune of over €40 billion a year, while farmers in Malawi got nothing. Introducing the Starter Pack in the aftermath of the famine therefore not only made sense given the dire food situation in Malawi, but also in a broader sense – by supplying some form of government-financed help to farmers, Malawi was actually evening out the subsidy playing field. But WTO rules were firm: subsidies had been capped at 1990 levels, and if that meant that Europe and the USA got to keep their subsidies and countries like Malawi weren't allowed to supply agricultural Starter Packs – tough.

It would be simplistic, not to mention dishonest, to solely blame the IMF for the Malawian famine and subsequent problems. But the Malawi Starter Pack example is useful because it illustrates the 'economy-before -ethics' approach that organisations such as the IMF have pursued for the past couple of decades. When Malawi blamed the IMF for its food shortages, the IMF was moved to admit that it had "no expertise in food security policy", and while admitting that it had ill-advised Malawi on how to manage its grain stocks, 'it was not the responsibility of the Fund to implement the advice.[21] For an organisation with as much clout and influence as the IMF to claim that Malawi could have opted to ignore its advice is disingenuous at best.

Developing countries rely on international financial institutions such as the IMF and World Bank in order to secure much-needed loans, foreign direct investment and other such injections of capital. To such countries, receiving a seal of approval and positive credit rating from the IMF is vital: a negative country report automatically makes it less attractive to investors and leads

21 Ng'Ambi, Francis 'Who Caused the Malawi Famine?' African Business (Jan 2003)

to a worsening credit rating. A country's credit rating determines how 'expensive' it is for its government to borrow money (i.e. at what rate of interest). Much the same as an individual given a bad credit rating may find it impossible to get a mortgage, a country with a low credit rating will find it increasingly difficult to raise money through public borrowing.

In the late 1980s, the IMF and World Bank adopted what came to be known as the *Washington Consensus.* This was a set of policy prescriptions that impoverished countries were to adopt and which would, the prevailing western opinion believed, stimulate economic growth. The Washington Consensus could be summed up in three words: "stabilise, privatise, liberalise". The free market, according to the IMF, was King; government involvement only hindered growth, and the more liberalised an economy, the more efficiently it would function; protectionist measures (such as subsidies) were to be discouraged.

Developing countries, therefore, were presented with the ultimate Hobson's choice: follow the IMF's instructions, liberalise their economies and obtain the loans they so badly needed; or ignore the IMF's suggestions, get a negative credit rating and become investment pariahs. Left with little choice but to follow these Structural Adjustment Programmes (as the IMF named them), the governments of developing states quickly privatised their main industries and steered clear of interventionist trade policies – leading to the financial meltdown of the Asian 'Tiger' economies, the collapse of the Argentinean economy and several other nations' becoming ensnared in a poverty cycle (as countries were forced to borrow even more money to cope with the damage wrought by previous loan conditions).

And all along, while developing countries were being liberalised to near death, affluent states continued to protect their own economies using the exact same measures they were ordering developing states to abandon.

To this very day, the European Union spends approximately 45% of its annual budget on agricultural subsidies. The Common Agricultural Policy (CAP) costs the EU a massive US$665 billion every year, with large-scale agribusiness pocketing 6- and 7-figure subsidies in the process. Thanks to CAP subsidies, each cow within the EU receives US$2.60 per day in subsidies – which is more than over 2 billion people across the developing world have to live on.

The USA has its own share of distorting subsidies, with cotton perhaps being the most notorious. The USA is the world's third largest cotton producer, mainly due to its tradition of heavily subsidising cotton farming, thereby encouraging overproduction. Between 1996 and 2006 the USA paid out an average of US$2-3 billion per year in subsidies to cotton farmers. The injection of such massive sums of money into the cotton sector naturally comes at a price: Oxfam estimates that US cotton subsidies have led to an artificial collapse in the global price of cotton of between 6 and 14 percent,[22] and resulted in cotton farmers across West Africa earning up to 20% less than

22 Alston, J. Sumner, D. & Brunke, H. 'Impacts of Reductions in US Cotton Subsidies on West African Cotton Producers', Oxfam America (2007) http://www.oxfamamerica.org/files/Paying_the_Price.pdf

they would, were they on an equal playing field with their American competitors.

Here, at least, there have been signs of improvement. A number of developing states, tired of the 'do as I say, not as I do' attitude prevalent at high-level trade talks, brought the World Trade Organisation's (WTO) Doha trade round to a halt in 2008, with agricultural subsidies being the main bone of contention. The discussions were lengthy and convoluted.[23] In a nutshell: the US refused to lower its cotton subsidies unless the EU lowered its own agricultural subsidies. The EU, in turn, insisted that the US scrap its cotton subsidies if negotiations were to even proceed. Developing nations, spearheaded by Brazil's leadership, argued that the subsidies were not only unfair, but also unlawful.[24] As yet, no resolution has been reached.

TRIPS

TRIPS – the Agreement on Trade-Related Aspects of Intellectual Property Rights – is one of the World Trade Organisation's most controversial policies. TRIPS deals with the copyrighting and patenting of intellectual property, with the aim of protecting the creative rights of innovators (be they of an artistic, scientific, engineering or other nature) and encourage further ingenuity.

Intellectual property rights and human development, however, often do not make for the best bedfellows. TRIPS rewards innovators with a time-limited monopoly over their creation/s, effectively allowing them to control the sales, price and distribution of their creation as they please. Granting an author a monopoly over their words is uncontroversial, but when patents and exclusivity are placed on life-saving medicines, or indigenous peoples are told that they must now pay for their centuries-old concoctions, a number of ethical questions arise.

Perhaps the most well-known TRIPS & development issue relates to anti-retrovirals (ARVs), which are drugs used to treat HIV. Pharmaceutical companies who patented their ARV creations and sold them at extortionate rates[25] prevented developing nations with large-scale HIV epidemics from manufacturing generic 'copies' of the ARVs by invoking TRIPS. Developing nations, left with no choice, subsidised the ARVs (with costs of up to US $15,000 per year for every patient) as best they could. By 2001, a number of Indian and Brazilian pharmaceutical companies were producing generic ARV 'copies' and selling them at a fraction of the price – in blatant disregard of TRIPS. As a result, TRIPS was amended in 2001 to state that its regulations were supportive of "access to medicines for all"[26], and ARV prices continued to plummet as generics flooded the market in the developing world. Nowadays, the most commonly used generic ARV treatment costs a patient just US$87 per year.[27]

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23 For a detailed agenda of the Doha trade round, visit the WTO's gateway on the subject at http://www.wto.org/english/tratop_e/dda_e/dda_e.htm. A quick Google search will also yield a number of articles and op-eds discussing the subject.

24 In 2004 Brazil challenged the US' cotton subsidies in a WTO tribunal, winning in what was a landmark case. The full decision of the WTO tribunal can be found at http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds267_e.htm

25 HAART, the first mass-produced ARV, cost US$10,000 per person per year when it was first released in 1996. Mass production of generic ARVs began in 2000/1, and by the end of 2001 an HIV+ patient could get an annual course of ARVs for just US$295. http://www.avert.org/generic.htm

26 WTO Doha Declaration on the TRIPS Agreement , 2001 http://www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_trips_e.htm

27 See Avert's article on generic ARVS at http://www.avert.org/generic.htm.

TRIPS does not distinguish between traditional, community-based knowledge and industry-generated knowledge, with no provision for the patent-less protection of traditional herbal knowledge. As a result, an innumerable number of western companies have piggybacked on the traditional knowledge of the world's poor in order to make a quick buck. RiceTec, a US firm, has a patent on a variety of basmati rice, effectively preventing Thai and Indian farmers from growing it themselves; the Cameroonian pygeum tree, which has been used for centuries by locals as an anti-inflammatory, is now patented by a European pharmaceutical and sold as Tadenan, raking in US$150 million a year in profits; in India, a US company patented an insecticide that locals had used for thousands of years.

In Argentina, Brazil, Mexico, India and Taiwan alone, the welfare loss caused by patented medicines has been calculated at US$11 billion, and studies have shown that drugs are up to 41 times costlier in countries with patent protection. In 2006 alone, the world's five largest pharmaceutical companies had total revenue of US$225 billion.

CAPITAL FLIGHT

Capital flight, as its name implies, is the movement of private (non-business) capital out of countries and into others, usually away from Third World economies and into their western counterparts.

Capital flight occurs largely for three reasons. Firstly, rich investors may fear or dislike the political and economic system of the country of origin, and wish to invest it elsewhere. Bear in mind that this applies to the multi-millionaire investor, not to an honest Third World employee who seeks to protect his savings against inflation. Secondly, capital flight is sometimes the by-product of tax evasion, where large sums of money are transferred out of a country and into a secretive banking system in order to avoid paying tax.

The third kind of capital flow is not only the most significant in terms of volume; it is also the most evil and illegal. This is the export of massive fortunes acquired by illegal means – the fortunes of dictators and despots, of corrupt mega-businesspeople and their cronies – to collusive secretive banks in Switzerland, Luxembourg and the UK, where their millions can lie hidden, unknown to anyone but the individual and his or her bank manager.
This money is generally derived from activities such as corruption, embezzlement, elaborate tax avoidance schemes and other criminal activity (including drug dealing, extortion and arms dealing). Official statistics on these illicit capital flows do not exist, since, by definition, they escape detection. Nevertheless, a number of investigations into illegal capital flight have been undertaken, and the results are staggering.

A 2007 study by the Global Financial Integrity Program (GFIP) calculated that in 2006 alone,

developing countries lost an estimated US$858 billion – US$1.06 trillion in illegal financial flows.[28] The volume of illicit capital flows increased by approximately 20 percent every year for the period 2002-2006, indicating that rather than getting better things were getting far worse. The report found that over half of all illegal capital flows came from Asia, with Europe (driven by illegal capital flows out of Russia) in second place. In terms of volume, Africa ranks lowest amongst all developing regions, but the report emphasises that "there are strong reasons to believe that the share would probably have been higher if more complete and reliable trade and external debt data were available"[29]

Most of this money is untraceable. Transparency International, the anti-corruption NGO, has calculated that 'only' US$140 billion of swindled cash could be retrieved.[30] It argues that it is "immoral" for Western governments to allow such funds to freely circulate in their respective countries while Africa sinks under the weight of debt and poverty.

It is very difficult to effectively assess the amount and impact of such corruption (and the capital flight associated with it) but it is clear that the losses to poorer countries are immense while the benefits to the elites of such countries and to rich countries (or more accurately, to rich world corporations) are very significant.
This aspect of the issue has been described in the following terms by Peter Eigen, founder of Transparency International:

... if you pay, say, a $5 million bribe to a minister in order to promote a project which has no use, which is even harmful to the economy, say a huge power dam or a huge pipeline that costs $500 million, then the damage to the economy is close to $500 million rather than the $5 million.

Eigen also argues that western countries not only turn a blind eye to such corruption, they often actually encourage it:

... Therefore, many of these countries not only allowed their exporters to bribe, but they even subsidized the systematic bribery through generous tax write-offs, by support, by export financing agencies, export guarantee agencies. And what we found: a system in which even the most respectable companies had no compunction to systematically bribe, to pay huge amounts of money, $5-$10-$20 million, to the decision makers in other countries, in Indonesia, in Nigeria, in India, in order to get billions in contracts in these countries.[31]

A study of capital flight from 25 highly-indebted, low income countries in sub-Saharan Africa during the period 1970 to 1996 by University of Massachusetts researchers concluded that the

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28 Kar, D. 'Illicit Financial Flows from Developing Countries: 2002-2006' Global Financial Integrity, Centre for International Policy (2007)

29 Ibid. p.11

30 Timah, N. 'Corruption-linked Capital Flight Sinks Africa', OhmyNews (9 April 2006) http://english.ohmynews.com/ArticleView/article_view.asp?menu=A11100&no=284596&rel_no=1&back_url

31 Montgomery, M. 'The Costs of Corruption: Interview excerpts with Peter Eigen', American Radioworks http://americanradioworks.publicradio.org/features/corruption/eigen.html

value of such flight amounted to a total of more than US$193 billion (in 1996 dollars) while the external debt of these countries stood at $178 billion in 1996. The study concluded '*... taking capital flight as a measure of private external assets, and calculating net external assets as private external assets minus public external debts, sub-Saharan Africa thus appears to be a net creditor vis-à-vis the rest of the world*'.[32]

BRAIN DRAIN

Brain Drain is essentially the emigration of skilled workers and professionals to countries of greater prosperity than their own. Kenyan doctors, Pakistani IT programmers and Filipino and Zambian nurses all fulfil important roles within our society, but this comes at a significant cost to their respective countries. Take Ghana, where life expectancy is 59, only 57% of the population is literate and 37% of the population is undernourished[33], 47% of all its university graduates live within OECD (developed world) countries. In Guyana, a staggering 89% of all its University graduates live overseas.[34]

This migration pattern is hardly new. In the early 1960s, brain drain from East to West Germany reached such heights that the former erected the Berlin Wall to stem it. Similarly, Ireland experienced significant brain drain before the Celtic Tiger economic boom encouraged the Irish to seek their fortunes back home. Neither is brain drain restricted to the most impoverished states: Lithuania lost some 200,000 young, well-educated citizens to more prosperous European countries (Ireland in particular) between 1994 and 2004[35], and Malta currently has a brain drain rate of 56%[36], with doctors and dentists especially susceptible.[37]
Countries like Malta and Lithuania, however, are EU members and middle-income countries. Although brain drain is a problematic issue for their respective governments, they enjoy a safety net of (relative) prosperity and free access to the world's largest common market. Third World nations do not.

The Kenyan government, for example, spends over US$40,000 on each medical student within the country[38], and yet in 2006 there were 167 Kenyan born and trained doctors working in OECD countries. Research undertaken in order to calculate the cumulative cost of losing doctors to the West has shown that for every doctor that emigrates, Kenya loses over US$500,000. Multiply that by the 167 doctors known to have left by 2006 and we get the total cost of the Kenyan medical doctor brain drain – US$87 million.[39]

32 http://www.umass.edu/economics/publications/econ2000_01.pdf

33 Statistics derived from the 2007 UNDP Human Development Report http//hdr.undp.org/en/media/HDR 20072008 EN Complete.pdf

34 'Fruit that falls far from the tree' The Economist 3 Nov 2005

35 Kauzlaskienė, A. & Rinkevičus L. 'Lithuanian Brain Drain Causes: Push and Pull Factors' (2006) http://internet.ktu.lt/lt/mokslas/zurnalai/inzeko/46/1392-2758-2006-1-46-27.pdf

36 Schiff, M. & Wang, Y. 'Brain Drain and Productivity Growth: Are Small States Different?' (2008) http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1206974166266/4833916-1206989877225/SchiffWang20080314.pdf

37 'Medical students complain of brain drain' Times of Malta 14 May 2008

38 This is a conservative figure. The UN estimates that it costs, on average, $100,000 to train a doctor across the African continent.

39 Kirigia, J et al. 'The Cost of Health Professionals' Brain Drain in Kenya' BMC Health Services Research (v.6 2006)

The costs of the brain drain are threefold:

1. **Skilled workers and professionals cost money to educate**, as illustrated by the Kenyan doctors example above. When state-subsidised students are lured to greener pastures, governments of LDCs (already hard-pressed to invest in high-level education), see no return on their investment and are discouraged from pressing on with educational reform.
2. **When skilled workers emigrate, they leave gaps in the workforce** that must be somehow filled. The UNDP estimates that, in order to fill the human resource gap created by brain drain, "Africa employs up to 150,000 expatriate professionals at a cost of US$4 billion a year."[40]
3. **The human development cost.** When a doctor or nurse emigrates from Kenya to the EU, the most devastating cost is not financial, it is medical. In Malawi, there are only 2 doctors for every 100,000 people. The result is a 46-year life expectancy and one of the highest infant mortality rates in the world. When an engineer leaves Namibia to work in the USA, it is Namibian technical expertise that pays the biggest price.

Many commentators refer also to the 'brain gain' where remittances are sent 'home' by migrants working abroad. In 2005, the World Bank estimated that such remittances amounted to a total of US$167 billion[41] However, the Bank also points out that between 30% and 45% are remittances from one developing country to another. However, these remittances are different in kind from the figures in our 5:50:500 equation as they relate to voluntary transfers rather than to the actions or impact of formal structures. There is also a voluminous literature as to the value and impact as well as the scale of the 'brain gain'.

THE BIG IDEA

We have included all of the above information for two reasons:

- firstly, in order to demonstrate that we didn't simply pluck the 5:50:500 ratio out of thin air
- secondly, we thought that it might whet the appetite of the more curious amongst you, and help you make sense of the various numbers peppered across the stimulus sheets.

The numbers, however, can only explain so much: Disraeli's maxim about 'lies, damned lies, and statistics' springs to mind.

If we wanted to be statistically accurate, we would have named this resource 8:105:792[42]. Not quite as catchy, is it?
Which is why ***5:50:500*** despite its groundings in statistical data, is what we like to call a Big Idea.

40 Roisin, A. 'Brain Drain: Challenges and Opportunities for Development' UN Chronicle April 2007

41 Global Economic Prospects 2006: Economic Implications of Remittances and Migration' World Bank http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2005/11/14/000112742_20051114174928/additional/841401968_200510327112047.pdf

42 Why 8:105:792? US$8 billion in voluntary aid, US$105 billion in ODA, and US$792 billion taken back!

It's a Big Idea because it allows us to make sense of a complex international system that ordinary citizens often find difficult to understand or to explore.

It focuses attention on the relationship between rich and poor, rather than the plight of the poor themselves, and removes the charitable lens through which many see the Third World. Poverty doesn't exist within a vacuum, and neither does wealth. 5:50:500 aims to help students (and teachers) recognise this, all while remaining mindful of the need for a rights-based approach to development.

As long as we continue to take almost 10 times more than we give, no amount of charity (as well-intentioned as it may be) will lift the more than 1.4 billion people living on less than US$1.25 a day out of poverty. Poverty, health, sanitation, education – these issues are far too important to be left to the mercy of our charitable instincts. The dispossessed have a *right* to a decent standard of living –and it is we, the rich world, difficult as it may be to accept, that are denying them that right.

'Whereas recognition of the inherent dignity and of the equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace in the world...'

Universal Declaration of Human Rights 1948