



Select Committee on International Relations and Defence

Corrected oral evidence: The UK and Sub-Saharan Africa - prosperity, peace and development co-operation

Wednesday 11 March 2020

11.40 am

Watch the meeting

Members present: Baroness Anelay of St Johns (The Chair); Lord Alton of Liverpool; Baroness Blackstone; Lord Grocott; Baroness Fall; Lord Hannay of Chiswick; Lord Mendelsohn; Baroness Rawlings; Baroness Smith of Newnham.

Evidence Session No. 10

Heard in Public

Questions 89 - 94

Witness

I: Professor Gibril Faal OBE, Visiting Professor in Practice, London School of Economics, and Director, GK Partners.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witness

Professor Gibril Faal.

Q89 The Chair: Good morning. This is our second session of the morning. It is a privilege to welcome Professor Gibril Faal, who is Visiting Professor in Practice, London School of Economics, and Director of GK Partners.

Not only have you been travelling but you have literally landed in London this morning, so I share a special thank you for coming to our Select Committee to share your expertise for our inquiry into the UK's partnership with the African Union on delivery of its Agenda 2063 of peace, prosperity and development. As ever with our visiting contributors, I remind you that this session is on the record and a transcript will be produced.

I will ask the opening question, which is more general in nature, and then I will turn to my colleagues for more detailed questions. What is your assessment of the global compact on migration? To what extent does it provide a framework for addressing the migration challenges and pressures facing Sub-Saharan African countries and their citizens?

Professor Gibril Faal: I was one of the people who opposed pursuing a global compact on migration. At the UN Summit in 2016 when the New York Declaration was published and adopted, I thought there was enough in the New York Declaration for countries that are willing to take a progressive approach on migration to work with. In the two years of gestation, I came to support the process, not necessarily for the substance of what is in the Compact but for a renewal of faith in the multilateral process.

The Global Compact on Migration is the first global migration governance framework. Of course, it is not signed by every country member of the United Nations, but by the vast majority. It brings to people's mind the importance of the challenges facing multilateralism, and on an issue such as migration we need to be careful and protect the space of multilateralism.

On the substance, I do not think anyone would argue that there is anything in it that is extraordinary or that would change in a big way the different things that have been done on migration. It is reassuring that most of the principles have been reasserted there.

To answer your specific question about the pressures and challenges in Africa relating to migration, most African migrants migrate within Africa. If the African Union gets what it wants, that should not be a challenge or a pressure because there would be continental mobility. It should not be an issue. Right now in west Africa, the ECOWAS¹ passport works very well. Although there are still visa systems in Africa, almost every month another African country declares that it would either lift visas for African passports or you would get a visa on arrival. The Compact, as a global

¹ The Economic Community of West African States

framework, would help the African Union's own integration mechanism, at least at global level, to say that the same principles are being applied.

That is the framework, but, as I said in 2016 at the UN, and I keep repeating to policymakers, sometimes I feel that we are overprincipled and underperforming. All the big ideas are there. That does not give me great satisfaction. It is about performance and underperformance. Anything we want to do needs to be focused on that. The good thing is that now, in the Global Compact, we are at the start of the implementation phase. The UN migration network has been set up, so there is a chance to act rather than formulate.

Lord Grocott: You said that most of the migration is within Africa. Could you fill in a bit more detail on that? It is probably a poor comparison, but, in very broad terms, migration in the continent of Europe has been very much from Eastern Europe towards Western Europe, so much so that a number of countries in Eastern Europe are significantly de-populating and losing a large proportion of their population.

I doubt whether that is a feature in Africa, but could you generalise to the extent of saying which countries are receiving and which are the donors, if that is the right phraseology? To what extent does it benefit the respective economies of the two categories?

Professor Gibril Faal: In relation to where you begin to find de-population, or at least major brain drain, which you described in Eastern Europe and Western Europe with the expansion of the EU, it applies to Africa where we see conflict and refugees. Uganda received 1 million people from the Southern Sudan. There are big pressures, but that is not new in Africa. Uganda, Kenya and Ethiopia have been hosting hundreds of thousands for many years with very little fuss. It does not hit the headlines. They have been managing it. Of course, there are challenges. It is not ideal, and many people even think that refugees by definition should not be permanent features, but Uganda is one of the countries that allows refugees a route to citizenship almost from day one. That is extremely progressive.

That type of migration comes with more pressure, and Uganda has attempted, among other things, to give out parcels of land to refugees to allow them to start their own businesses. If you go to the big refugee camps, you see so much enterprise, trading and business in those places. That is the big difference between Africa, and, to an extent, Turkey and Iran, in how they deal with their refugees and Europe, which in most cases stops refugees getting involved in any productive labour.

Another example where there are pressures concerns irregular migrants, mainly young men and a growing, significant number of young women, on the Sahara-Mediterranean route. The numbers are still relatively small, considering who is moving, but that comes with major pressures because there are so many hazards. There is an almost dysfunctional element. Some are investing so much money for such a hazardous trip that you wonder why they are doing it, but we are not necessarily getting

into the debate of why they are doing it. It is just to illustrate the pressure.

Africa has a long history of regional migration and host countries; for example, Ivory Coast has been hosting West African migrants for hundreds of years. Seasonal farmers come and go, and others are there for generations. Originally, I come from Gambia. It is a small piece of land almost inside Senegal, with an Atlantic coast. It has a population of 2 million, and 300,000 are Senegalese. It has a long history; almost everyone in Gambia can trace themselves back to Senegal, Mali, Sierra Leone and all of that.

Those patterns are still there, and to a great extent, apart from what we see in South Africa, it is happening without major troubles. The host communities receive the migrants well and integrate them well. In South Africa the phenomenon is quite bad. People have been referring to it as Afrophobism because African migrants are being targeted rather than all migrants to South Africa.

Q90 Lord Hannay of Chiswick: Can we turn to the question of remittances, which I think you described as “sustainable international development finance”? In what ways do remittances contribute to economic development in Sub-Saharan Africa? Could you tell us ways in which you think remittances could be made more effective? Could there be more competition or lower costs to remittances and so on, on the assumption that your argument holds water that they are a positive contribution to development?

Professor Gibril Faal: The whole world now is agreed on sustainability, since 1983, when the Gro Harlem Brundtland report gave us the definition of sustainability. We are now agreed on it.

On the matter of financial flows, one of the main tests of sustainability is would they continue to come in, or would they come at significant levels with enough of a regenerative element that you do not need to keep sending, so that in the future the flows continue either through new input or through regeneration? On that test, we argue that remittances are more sustainable than all the main forms of development finance. FDI will not come in if there is political instability. If there is political instability, remittances go up because families in the diaspora are worried about their family and they give more.

ODA will not increase if the economy is picking up and doing well. That is why UK money is being taken away from India and other places. Remittances go up when the origin country economy is going up, because it creates opportunities. That is what economists call countercyclical.

Secondly, remittance goes almost directly to the beneficiary—to the target group—with no unnecessary intermediation, apart from the money transfer company. It goes directly to the family and they deal with it. You do not have many public or private partners in between—middle people—trying to tell you what to do with it, usually with a cut for their trouble.

It introduces hard currency to poor countries. On the 2019 numbers, \$49 billion went to Sub-Saharan Africa. In 2018, the confirmed number was \$47 billion. For all of Africa, including North Africa, it was \$86 billion. Nigeria and Egypt are the biggest recipients. Those big sums dwarf ODA, and of course in many cases they dwarf FDI. Forget portfolio investment, which is relatively low.

It is hard currency. What is it doing? There is a multiplier effect. There are those who are critical and say that some of that money is spent on parties, marrying new wives or other frivolities, but even then it is being spent in the local economy and there is a multiplier effect. At some point, someone is being paid. Another element is self-help. It comes from family, kin and friends, so it is self-help. That gives it sustainability.

Its impact beyond the multiplier effect is that it is the sort of money that stimulates new industries. Right now, you may be aware that Africa is the world leader in mobile money. You would struggle to find a technology or industry where you could say that Africa was the world leader, but in mobile money Africa is among the innovators, and a world leader with M-Pesa. Interestingly, UK money went into helping set up M-Pesa. Why did that happen? It is because remittances created a whole new industry just for transfer and distribution. Those moneys stimulate other activities as well. The biggest remittances sent relate to property and building homes. There is a construction boom and of course the multiplier effect, so there is a multifaceted positive impact. It is not without negative elements, but it has a positive impact on many.

We have sustainability in that aspect. In my view, and the literature says this, the weakness is that 70% to 80% goes into socioeconomic investment but it is consumptive in nature. It goes to subsistence, healthcare and education, but it is consumed and the next month we send it again. Can we do something to leverage the volume so that there is a regenerative element? One of the ideas suggested many years ago, starting here in the UK and now the African Union has accepted it, is to use the idea of Gift Aid, not necessarily as tax relief but as a remittance-matching grant to create a new fund. It would be an endowment fund that would grow every year. We do not know what the patterns of migration will be. In 40 years' time, will we still have remittances coming or will it change? An endowment fund would help to deal with some of the challenges that cause irregular or dysfunctional migration.

General migration will always happen. I once counted it and I could not count more than four countries in the world that I thought were opposed to migration. Almost all the countries that purport to be are not; the only thing is that they do not like poor migrants. Most of those countries that say they have strict immigration rules have rules that allow people to come in; it is just about how rich you are. Poverty is the key thing. If we have a fund that goes to the so-called root causes of irregular migration, not general migration, that would be a good thing. I think the UK can play a leading role in that.

Lord Hannay of Chiswick: Would your idea of a fund not lose the

benefit that you have described as belonging to remittances—that they go without going through the intermediary of a government or an institution, which may not have particularly clean hands? Could you not be losing one of the main benefits of remittances in that way?

I understand the attractions of the fund as well as the problems. Are there things other than the fund through which remittances could be made more effective, for instance, by having more competition, which should surely be in donor countries' capacity?

Professor Gibril Faal: Competition is the biggest factor that reduces the cost of remittances, without doubt. Many of the old restrictive rules that Western Union used to sign with countries and institutions have gone away in Africa, but there is no stimulation for new players. The regulation is no longer necessarily restrictive, except for countering terrorist finance and for anti-money laundering. By the way, I will come back to that because I think most of that is a red herring as far as remittances are concerned. Apart from that, restrictions on remittances have been taken away, but still not much is happening because there is no stimulation for new players.

The new players who are changing the market are fintech—financial services and the use of technology in finance. Programmes and activities to support and stimulate fintech, not only in money transfer but in general bankability for poor and disadvantaged people in Africa, would be a very good thing.

Coming back to the cost of remittances, the UN target is 3%. Many corridors in Africa now are doing 1% or lower. Most corridors in Kenya do 1% or lower where there is fintech. One reason that the rates are high relates to two regulations: anti-money laundering and counterterrorism finance. There was an EU Payments Directive in 2010 or 2011—I cannot remember which year it was. There was a lot of negotiation with the big money transfer companies lobbying for greater restriction. The Treasury in the UK was one of the countries arguing for the exemption of smaller players. The principle of allowing smaller players to come into the market and change it should continue.

The biggest facilitators of terrorism financing and the biggest launderers of drug money are the banks that we all bank with and live in the high street. This is not an allegation; their culpability is real, in Europe, in the UK and in the United States. They have paid billions of dollars in recompense for their culpability. The focus should go there. The literature is overwhelming: the small money transfer companies used by migrants and the diaspora are not being used for terrorist violence, so why is there all that heavy regulation? It is almost a distraction. It is to say, "We have ticked these boxes", whereas we know where the criminals are.

A Brexit UK should champion those points. By standing alone, we are already saying that we have a slightly different view and that view should be clear. It is very credible and the evidence supports it.

The Chair: Professor Faal, thank you very much, in particular because—I am sure unintentionally—Lord Hannay took over much of Baroness Blackstone’s question. Thank you for being able to address both in one. Baroness Blackstone, is there anything you would like to add?

Q91 **Baroness Blackstone:** I was going to say exactly what you have just said, Chairman. Most of my question has been answered. It was about the regulatory and fiscal measures the UK could take to allow remittances to operate more effectively. I do not think you said much about cash. One thing I found very surprising was that 90% of remittances from the UK to Africa are apparently in cash. Is that a desirable way of remitting funding? If it is, how can you make the transactions less costly for the individuals who are doing the remitting?

Professor Gibril Faal: It is true that in all financial institutions cash is the most expensive to handle. If you listen to the bankers and financial institutions, they will tell you to do away with cash. I am cautious because the purpose originally of sending money was not to necessarily enrich the recipient but to facilitate some social and developmental benefit. One must be cautious when looking at it in that sense.

In 2019, the total amount of remittances to low and middle-income countries was \$551 billion—half a trillion. Of that, 4% was from the UK, which is about \$22 billion. I estimate that two-thirds of that is going to Pakistan, India and Bangladesh, and only about a third is going to Africa, but that is still about \$6 billion or \$7 billion.

The World Bank tells us that it was \$86 billion in 2018 for Africa. I put it at \$200 billion. I did a study for the African Union last year and I said it was \$200 billion. The \$86 billion is what goes through banks and money transfer companies. It does not include the money that goes through unregistered companies. Such companies are unlawful because they may be operating from the UK and should be under FCA rules, but they are not. They function and people use them. You could count them, but they are unregistered. Then there is the informal. I have no problem with that. Informal money transfer is lawful. Your cousin is going home and seven people give her £500, and she carries that. Why are they doing that? They do not want to pay 9% or 3% or 2% or even 1%. Who am I to say, “Pay the 1% cost of transfer”? That is my ambivalence. I do not want to cut that out entirely. People should be at liberty to do that.

What I call “in kind” remittances are also not counted. I may have a family member who says, “I want to start a business. Can I please have £1,000 to buy equipment?” I say, “Yes”, but instead of sending £1,000, I buy the equipment and send it as a remittance. There are two others that I call “pay and provide” and “provide and pay”, mainly used by business people. A business person in Africa can say, “Pay for my services here and I will deliver money for you in Africa”.

Another way, which is now a growing business and the money transfer companies are using it, is when I want to send money but I am not too sure whether the person I am sending it to will use it for what I want.

Instead, I send it to the company and the company delivers a hamper of goods or supplies, or I pay school fees rather than deliver cash.

It is not only cash, but it is also not only bank transfer; there are all these other things. In my view, if you add them together, they are more than the cash figure. Regulation should still be about fintech, so that cost of transfer should be lower, but it should accommodate informal and all those other transactions, except for the unregistered. That would be my view.

Q92 Lord Alton of Liverpool: Professor Faal, you have invoked the memory of Samuel Smiles and the virtue of self-help, but you have also reminded us about the staggering sums of money that are given generously in remittances. Perhaps you could remind us what the comparator is between that and organised aid from countries such as the United Kingdom.

Given the role you have been playing with the African Union, which in 2012 agreed to the creation of a diaspora investment fund, I wonder whether you can tell us a bit more about the design of the framework for that fund and what its role will be more generally throughout the region.

Professor Gibril Faal: ODA to Africa from DfID² is still about £3 billion or so. The UK is one of the biggest traders in the world. Its trade with Africa is £36 billion, and the UK summit confirmed that its aim is to grow that big time. Investment from the UK to Africa is £38 billion. It is huge, and of course we expect it to be huge. This is London; this is the City of London.

However, remittances from the UK are about £6 billion. That is more than the ODA and all the private charity by far. That is significant enough to deserve serious policy and engagement with those donors—the diaspora. It should be serious rather than occasional, periodic or superficial. That is my argument, because the numbers speak for themselves.

I lamented the lack of economic productivity in some elements of remittances and the consumptive nature of them. That is why the African Union resolved in 2012 that, among the five legacy projects it would set up for the diaspora, there should be an African Diaspora Investment Fund. When the African Union talks about the African diaspora, it means those of African heritage such as African Americans or Afro-Brazilians. I have been working with the AU on how to structure it. It is around three things. Number one is to provide vehicles for the diaspora to invest. The lowest-hanging fruit in that department is diaspora bonds. African governments have become prolific bond issuers in the London and international markets. The structures exist. The difference with diaspora bonds is that they target specifically the diaspora, targeting not the £6 billion sent from the UK to Africa but the £2 billion a year that people are saving here.

² The Department for International Development

My calculation is that about 1.1 million people classify themselves according to the 2011 census as black African. The World Bank tells us that on average African migrants have savings of just under \$2,000 a year. That gives about \$2.2 billion, and it has been sitting in bank accounts earning nothing for about a decade. If you have a diaspora bond, even if it offers 5% or 6%, people will take it. It is targeting those investments.

The second thing is mutual funds. The finance market is already developing in Africa and there are many mutual funds. If you have a commercial bank account in Africa, your bank manager is likely to try to sell you an investment product. Now those are being packaged to target the diaspora who are beginning to hold diaspora bank accounts. If you have an African diaspora finance fund or Corporation, it can be packaged continent-wide. Of the billions that go to Africa, nearly 30% go to Nigeria. In fact, in Africa entirely, just over 50% of remittances go to Egypt and Nigeria. Those numbers are hiding disparities, so a continental approach is useful in that case to help the smaller players. How much does Guinea-Bissau get? Almost nothing. Would it issue a bond in the City of London? Maybe not, so we have that second product.

The third product is the one I mentioned earlier to Lord Hannay, and it is remittance-matched funding. The UN recognises the concept of innovative finance, which is the idea of getting small bits of contribution and using them for a specific purpose to create a legacy. We first thought of that in 2003, and in 2006 a similar one was set up called Unitaid. It was led by France, and in 10 years it raised over \$2 billion and spent almost all of that money on health-related work.

Right now, innovative finance is accepted as a framework. You can deal with some of the worry about intermediation technically by removing it from the AU and from governments. It becomes a stand-alone corporation. Some of the board members in that corporation would be the countries that provide the match funding. If the UK was to lead that, it might nominate DfID to sit on the board, just as DfID sits on the board of the African Development Bank. We have done the numbers, and we think it can have a transformative impact. It is now in process for the AU at Heads of State level to formally adopt it within a few months. We have started informal conversations with different governments. If you look at the UK-Africa Investment Summit and what the UK says it is interested in, you see that it is a perfect match. I am happy to submit a written note on it.

Lord Alton of Liverpool: That would be very helpful indeed; thank you.

Q93 Baroness Blackstone: You just mentioned the UK-Africa Investment Summit. What is your assessment of the effectiveness of the UK Government in consulting the diaspora here and engaging them in the Summit? Did they do that adequately?

As you mentioned France, how do we compare with the French, who also have a very large diaspora from Africa, in how they approach the

problems that we have been talking about this morning?

Professor Gibril Faal: I will start with that because that is more controversial and interesting. It almost brings back colonial history. You may remember that the British approach was indirect rule. The way I describe it is that you ask for the head honcho. You get hold of him, control him entirely and tell him to tell his people what to do. That is indirect rule.

The French system was assimilation: "We are all French. You guys are all French", In fact, some of them ended up being more French than the French themselves. People argue that the French approach is still slightly reminiscent of that, or at least is hankering after that. It is more engaging, more generous and more flexible in that sense. But pound for pound, or euro for euro, the difference may not be that much.

In relation to the consultation, I will take it at its highest. Even if we said that consultation by the UK Government and UK public institutions with the diaspora is brilliant, I would still not be happy because consultation is not enough. Consultation should lead to understanding, trust and then partnership. We have found that we are not getting partnership. Even the consultation is still periodic and erratic.

Of course, that is understandable because with the five-year cycle of UK government different policies happen. There will be that up-and-down, but in other sectors—for example, DfID's commitment to CDC, whether it is Andrew Mitchell or another Secretary of State—there is constancy of interest and investment. That goes back to the Commonwealth Development Corporation . There is absolute constancy. We do not see that constancy in engagement with the diaspora.

I ask this Committee to look seriously at that and advise the Government that they should do it. We are missing out big time. The first time the UK Government recognised their role in international development was in the White Paper that created DfID in 1997. Through our colleagues at the African Foundation for Development, we were able to insert a sentence on page 68 that said when dealing with matters of international development the UK must refer to the black and minority-ethnic community here. At the time we said "diaspora", and no one in Westminster understood what "diaspora" meant apart from the biblical and Jewish context, so it was substituted.

Today, if you apply for a grant from DfID or the National Lottery, they ask, "Are you a diaspora organisation?" Clearly, there is progress and there is understanding, and that must be celebrated. What we lament is that there is no constancy. If we look at funding and engagement, it is still in and out. DfID and Comic Relief have been working with AFFORD on grants and investment. There are brilliant new schemes for diaspora business, with diaspora entrepreneurs investing to the factor of four times what they were expected to fund. Every time, they have to struggle with whether the next grant will come, and in some cases it does not come. We do not get that with CDC.

Why am I making such a comparison? It is because everybody knows that decent jobs are the answer to the route out of poverty. Who creates decent jobs? It is not big corporations; it is small businesses that do not need \$1 million in Africa. They need \$25,000; not \$25 million and not \$2.5 million. The UK is not supporting that space in the diaspora element, apart from what it is doing with AFFORD. As I said, with that there is no long-term commitment.

In summary, the UK Government understand diaspora, and that is a brilliant thing. They have tried many things, some of them innovative. The UK was among the first to do price comparison websites relating to the cost of remittances, way back in 2006. The Government have tried things and they understand things. What is lacking is constancy and a partnership commitment.

Q94 Baroness Smith of Newnham: You have given some fascinating insights into where you think the UK currently stands on working with diaspora communities and so on. Are there any examples of best or better practice? Obviously, there is ADEPT, the Africa-Europe Diaspora Development Platform, which presumably the United Kingdom will be leaving at the end of the year with Brexit. Is that something we should be mirroring? Does it have examples that we should be working with?

Professor Gibril Faal: Indeed. In fact, the Africa-Europe Diaspora Development Platform, ADEPT, was co-created by AFFORD, a UK charity. It understood that you need a platform, and in some ways it has been playing that role in the UK, but across Europe there was AFFORD - the UK diaspora organisation was the best place to understand it and do it.

The difference in approach is that the EU demonstrated commitment for the long term. It started as a pilot in 2011. There has been co-funding of the platform. It is co-funded by the European Union and the Government of Switzerland because ADEPT represents the EU countries plus Norway and Switzerland. There is a commitment. The grants are negotiated and expended in three-year cycles, but the strategic plan is over five years. It is the baby of AFFORD, whereas AFFORD cannot even dream of that in the UK.

Sometimes the argument given, which I do not accept, is, "Oh, we have to be so careful with public money and there needs to be accountability". We are talking about £1 million or £2 million with organisations that have 20 years of experience as charities publishing records, demonstrating diaspora commitment. Clearly, one can find a way to give commitment. What is the worst that can happen? You fail. What have you lost? Not much. When one is investing tens and tens of millions in broader programmes with dubious results, then we get into the arguments about what the auditor says and all of that.

As I have said before, it is not necessarily the policy pronouncement. It is not the black letter of the document. It is what I call the purple spirit of the people who want to move it. That is where I think we have a lack,

and we will take any help we can have. Brexit offers an opportunity to look at it again.

The Chair: Thank you very much indeed. We will make sure that we have a bit of the purple spirit in order to move our work forward. Thank you very much for your contribution to our work today. It has been very valuable. I now close the public session.