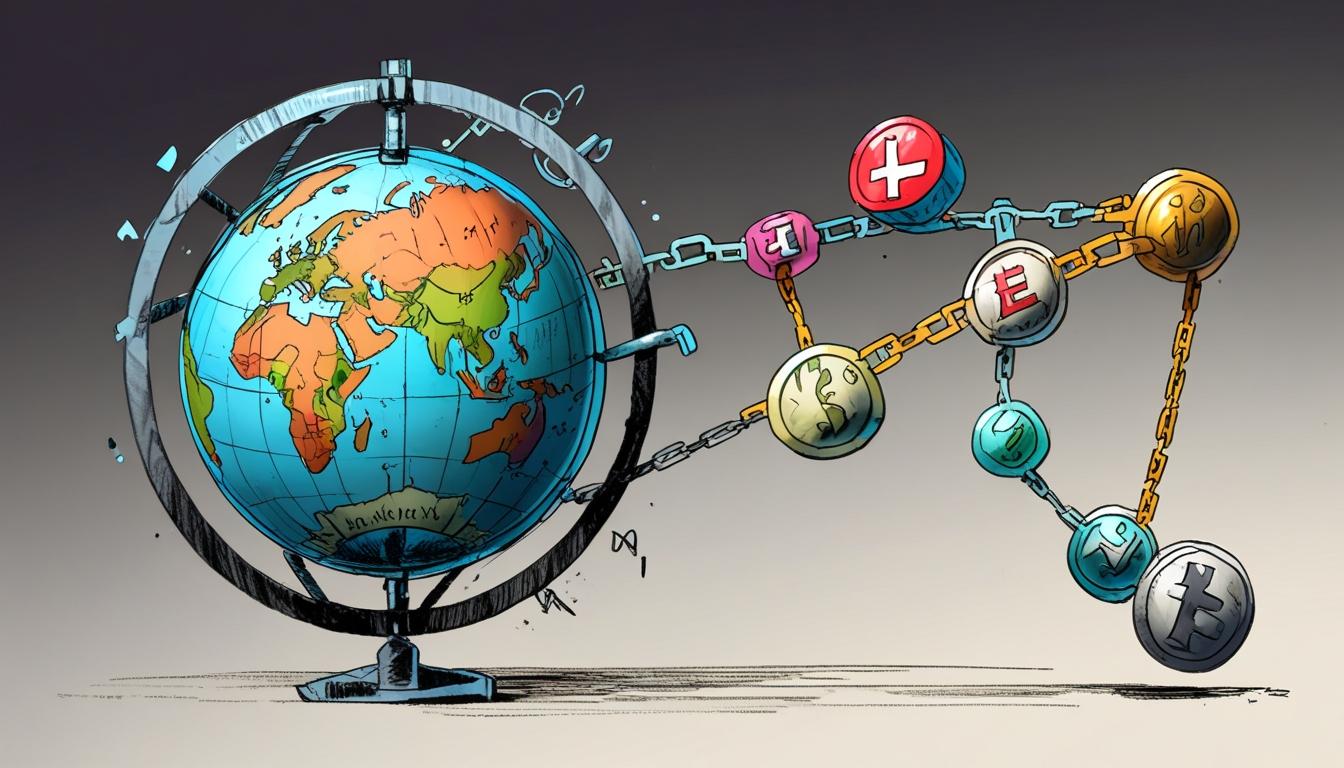
# Global aid cuts threaten health gains as debt and tax avoidance burden developing nations



Countries worldwide are significantly reducing their aid budgets, moving away from a longstanding global understanding that supporting health and development stands as both a moral obligation and a strategic necessity. This shift has raised concerns about the capacity of low- and middle-income nations to tackle global crises independently, given the structural imbalances within the global economy.

The economic challenges faced by developing nations are profound. These countries are overwhelmed by sovereign debt burdens, with interest rates markedly higher—up to twelve times—than those faced by wealthier nations. The economic shock following Russia’s invasion of Ukraine disproportionately affected these countries, exacerbating their fiscal difficulties. Currently, low- and middle-income countries pay $4 for every $1 they receive in aid to the richest nations, illustrating a severe financial imbalance. For instance, 34 African countries spend more on servicing their debt than on healthcare, underscoring the constraints imposed by their financial obligations.

Taxation, which could help address these shortfalls, has proven insufficient. Despite African countries allocating $144 billion annually to health, they lose $88.6 billion through illicit financial flows, primarily driven by corporate tax avoidance strategies. A significant portion—69%—of these global tax losses is routed through wealthy countries and their dependencies.

Winnie Byanyima, head of the Joint United Nations Programme on HIV/AIDS (UNAids), expressed concerns about the dependency of developing countries on aid for crucial health programmes. “We are working with developing countries to move towards full ownership of their HIV responses. But this will take time, as they lack the fiscal space needed,” she said, highlighting that in Zambia, the US government funded 82% of the HIV response, and in Uganda, Byanyima’s home country, the figure was 70%. She noted that these funds saved countless lives but left countries vulnerable to external political decisions. For example, components of the US President’s Emergency Plan for AIDS Relief (Pepfar) were paused for review in January, potentially threatening years of progress. UNAids estimates that if Pepfar is not fully reinstated, by 2029 there could be an additional 4 million AIDS-related deaths and 6 million new adult infections globally.

Byanyima emphasised the necessity of international cooperation beyond traditional aid. She advocates for systemic economic reforms to empower developing countries, including debt relief, equitable taxation, and access to essential medicines. The existing G20 common framework for debt relief has been sluggish and limited in scope, with only a few countries qualifying for assistance despite widespread fiscal stress among developing nations. She called for more robust action to bring both public and private creditors to the negotiating table to address debt distress.

Taxation reform is also critical, with the wealth of billionaires increasing by $2 trillion in 2024 while their effective tax rate remains at just 0.3%. Although the G20 has made incremental progress on global minimum wealth taxes, resistance persists among the richest countries and ultra-high-net-worth individuals. Byanyima underscored that during United Nations negotiations for international tax cooperation frameworks, eight wealthy nations opposed efforts endorsed by the majority.

Access to affordable medicines remains a pivotal issue. The HIV response has demonstrated significant successes by treating medicines as global public goods. This approach has reduced treatment costs dramatically—from $10,000 per person annually in the early years to as low as $50 today through generic manufacturing. However, patent protections continue to restrict access to new treatment innovations. The latest example is Lenacapavir, a long-acting HIV treatment developed by Gilead Sciences, which costs about $40,000 per patient per year in the US but could be produced for $40 at scale in low- and middle-income countries. Byanyima’s advocacy extends to models that replace patent monopolies with prize systems, a concept supported by economist Joseph Stiglitz, that incentivises open access to scientific breakthroughs while rewarding innovation.

Reflecting on the history of international aid, Byanyima referenced President John F Kennedy’s establishment of USAID in 1961, which envisioned aid as a strategic investment for global peace and prosperity. Despite flaws, aid has historically contributed to maintaining peace and security, and its withdrawal poses risks for millions reliant on it. Many governments in developing regions still depend heavily on aid to sustain essential services and health programmes.

The Guardian reports that the call for a comprehensive, coordinated approach includes cracking down on tax abuses, providing immediate debt relief, and treating lifesaving medicines as global public goods. Addressing these issues collectively offers a pathway to renewed global solidarity, enabling low- and middle-income countries to better respond to crises and promote sustainable development.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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