

CORPORATE SERVICES SCRUTINY

SUB-PANEL

Overseas Aid Review

TUESDAY, 6th FEBRUARY 2007

Panel:

Senator J.L. Perchard (Chairman)
Connétable J.L.S. Gallichan of Trinity
Connétable D.J. Murphy of Grouville
Connétable S.A. Yates of St. Martin

Witnesses:

Senator F.H. Walker (The Chief Minister) and Senator T.A. Le Sueur (The Minister for Treasury and Resources)

Also Present:

Mrs A. Thomson (Adviser - Oxford Policy Management)
Miss S. Power (Scrutiny Officer)

Senator J.L. Perchard:

Good morning, Chief Minister and Minister for Treasury and Resources. I think you are familiar with everybody but I will just whiz around, Mike Haden, Constable John Gallichan, Sam Power, the Scrutiny Officer, Dan Murphy, myself, Jim Perchard, Ms. Anne Thomson who is advising the Corporate Services Scrutiny Panel - Anne is from the Oxford Policy Management and has probably spent a lifetime of work in this business of overseas aid and she has been of great help to us thus far - and Constable Yates. I will fire away if I may. You are familiar with the -- what is that called, Terry?

Senator T.A. Le Sueur (Minister for Treasury and Resources):

The procedurals or ...

Senator F.H. Walker (Chief Minister):

Whatever. Conditions under which we are appearing.

Senator J.L. Perchard:

You are being recorded and of course as normal you will have the opportunity not to edit but to correct factual errors in the transcripts. Now perhaps starting off by talking about if you recognise that Jersey has an international obligation to meet any target levels for overseas aid? Do we have an international

obligation, Chief Minister?

Senator F.H. Walker:

I think saying we have an international obligation is stating it too strongly. Do we wish to accept international targets? Well, yes, but there are issues there which no doubt we will come on to discuss. We would very much like to be seen as one of the best performing communities in respect of overseas aid. But then again it depends how you measure us today as to whether or not by comparison with other comparable jurisdictions we are already a good performer. You can measure our performance - as you are well aware I know - in any number of ways. So objective, yes. Whether we have an obligation, no, I do not think I would put it as strongly as an obligation.

Senator T.A. Le Sueur:

I put it as a moral obligation. I think if we are going to be good citizens and a part of the human race, if you like, then we should all work as a community to try to help another in that respect. So, yes, there is an obligation; certainly not a legal obligation but a moral obligation.

Senator J.L. Perchard:

A moral obligation to do at least what?

Senator T.A. Le Sueur:

I suppose to help those less fortunate than ourselves.

Senator J.L. Perchard:

To do as well as we think we can or is there an international target that we should perhaps be aiming at?

Senator T.A. Le Sueur:

I think there is certainly a target which has been set down. Whether that is the right target, the only target, a suitable target is another matter. I think, yes, the world can have objectives but we need to be realistic. We need to relate to our own particular situation. Yes, to find out the target and let us strive to get to them if we can but that may be easier said than done. We will talk about it as we go through this.

Senator F.H. Walker:

Can I just add something there? You use the word "obligation". Jersey has any number of international obligations. Where they are without question obligations we are from time to time under pressure from one body or government or whatever or another to meet our obligations. We are under no international pressure on overseas aid whatsoever. You could say that we are under pressure from religious groups and others quite legitimately locally but we are under no pressure from any government or organisation internationally whatsoever unlike other obligations. So that is why I think I make a distinction between

an obligation and in our case, if you like, a long term objective.

Senator J.L. Perchard:

But if you are going to talk about developing our international position - constitutional position perhaps - and our international personality and profile, if we were to meet the internationally recognised target figure of 0.7 per cent GNI (gross national income) would that in fact in your opinion help us to improve our international status and international profile? Would that have an impact?

Senator F.H. Walker:

No, in my view, no. The impact that our overseas aid budget at the moment has is remarkable that when we have explained to other governments - be it the UK Government, the French Government, Swedish Ambassador, whoever has come and visited Jersey representing other governments - how much Jersey contributes to overseas aid, they cannot believe it. They are astonished that we contribute as much as we do. So what we are doing now is earning us a great deal of acclaim internationally. I do not think it would make any great difference in that context if we increased our contribution to 0.7 per cent of GNI or whatever.

Senator T.A. Le Sueur:

I put it in the converse. Achieving 0.7 per cent will not necessarily raise our international profile particularly. Doing nothing and just ignoring any obligation to overseas aid might weaken our international profile.

Senator F.H. Walker:

That is true.

Senator J.L. Perchard:

I have just got a quote from the amendment 5 of the Strategic Plan, if you do not mind, 5.2: "Continue development of the Island's international constitutional position and international profile indicated by overseas aid as a percentage of gross national income." Now that, as you know, has been verbally approved last year. Why were we not specific about the level of gross national income? That is very vague, is it not? We want to measure our aid by GNI. We made a commitment to do that - a strategic commitment.

Senator T.A. Le Sueur:

I do not think necessarily we wanted to measure our aid by GNI. GNI has become the accepted measure by other international jurisdictions of aid but there are other measures that you can use. At the moment we have got another objective that links to our tax yield. So I think it is certainly an objective but the Strategic Plan was a 5-year plan and we could have put a figure in that 5-year plan but realistically I do

not think, speaking as the Treasury Minister, that if we put an objective of 0.7 per cent of GNI within a 5-year period that will be a realistic objective. So I think it would be unwise to put in objectives which I thought were unachievable. To say that GNI or tax yield or any other indicator -- what we are saying is GNI is an indicator, it is a commonly used indicator and that it maybe is a good one.

Senator J.L. Perchard:

Sorry, just to press the point, I know that others will be keen to come in, but it is quite interesting that whilst we have a 5-year commitment here to measure Jersey's overseas aid by GNI, the Council of Ministers are being presented with a briefing note that you have kindly copied us that really is suggesting that you consider a proposal for future funding for the next, I think it is, 5 years of something other than a measurement by GNI.

Senator T.A. Le Sueur:

Yes.

Senator J.L. Perchard:

Why is that?

Senator T.A. Le Sueur:

I think partly because I do not believe that GNI is the only measure. I think I have made that clear already. The difficulty from a budgeting point of view is that I generally know what GNI is about 18 months after it has happened whereas budgeting you want to know a bit in advance. So as a target GNI may be a perfectly good target to set. As a budgeting measure I think you need some more certainty. The overseas aid teams should have certainty; it enables States' Members to know with certainty however they are voting, whereas giving a percentage figure of GNI or anything like that is an estimate which you will not know about until long after the event. So from a budgeting point of view that is why I proposed in that paper doing it the way we have.

Senator F.H. Walker:

I think let us be clear there is no suggestion anywhere that we should do anything other than increase our contribution to overseas aid. The question is what formula do we use and how fast do we go?

Senator J.L. Perchard:

There is contradictory information coming from the Council of Ministers and the States as to that formula, Chief Minister.

Senator F.H. Walker:

I do not think it is contradictory. It is a question of exploring possibly more robust models than a

percentage of GNI.

Senator J.L. Perchard:

Are you prepared that Jersey should put a target figure for GNI by, for example, 2015, which many countries are?

Senator T.A. Le Sueur:

I think I would want to be satisfied that GNI was an appropriate target for an island like this. I think maybe our GNI is distorted, if you like, by the state of the Island economy. That is not to say I would not use GNI but I want to be satisfied that the GNI is a better proportion than some indicator. After all, they are just indicators. What we need to do is to be demonstrating in some way that we are committed to providing overseas aid, we are committed to providing it at an increasing level, but if the measurement on a GNI scale is not the appropriate measurement to use then we should not necessarily be using it. I do not know whether GNI is really the most useful indicator. I just wonder why it has been chosen.

Senator J.L. Perchard:

Why it is in the Strategic Plan?

Senator T.A. Le Sueur:

Well, it is in the Strategic Plan because it has been chosen elsewhere. As the Strategic Plan says, it is an indicator. The present indicator is a percentage of tax revenues. That is another indicator; we could have put either in the Strategic Plan.

Senator F.H. Walker:

I think it is worth emphasising that neither the Treasury Minister nor I nor the response from anyone else has any objection to Jersey having a target of GNI. But the Treasury Minister I think is quite right in asking the question as to whether or not there is a better measure. That is all it is. It is all we are talking about. Of course the current objective as approved by the States in 1998, I think it was --

Senator J.L. Perchard:

Re-endorsed in 2002.

Senator F.H. Walker:

Re-endorsed in 2002 was that the long term policy objective should be 2.4 per cent of total taxation. That is what sits with the States currently. I will just put up a little flag here. My Finance and Commerce Committee introduced a gross formula in the first place. So there is another possible comparison and another possible measure.

Senator J.L. Perchard:

In 1998 the States were very specific in the report and proposition; in 2002 a little less so. In 1998 they made a commitment to contribute 2.4 per cent of our tax yield by the year 2008.

Senator F.H. Walker:

No, not quite. The actual proposition agreed an increasing formula up to 1.45 per cent in 2008. The proposition went on to say in reference to the 2.4 per cent to agree to reach this objective as soon as possible after 2008.

Senator J.L. Perchard:

Is that the 2002 proposition?

Senator F.H. Walker:

Yes.

Senator J.L. Perchard:

The 1998 was a bit more specific and did --

Senator F.H. Walker:

It is, of course, the 2002 proposition that the States approved and that --

Senator J.L. Perchard:

You are aware, Chief Minister, if we were paying our 2.4 per cent of tax income in 2007 our contribution would be £10.7 million?

Senator F.H. Walker:

I am.

Senator J.L. Perchard:

We are not going to get a commitment from these 2 gentlemen, I think panel, as to what Jersey should be targeting. Do you want to give us something that we can work on - if you are not going to give us a specific number - as to the direction that you want Jersey's aid to go in and a timescale?

Senator T.A. Le Sueur:

Well, I would say that at the moment the States are still adhering to that Projet 179 of 2002. That set a target of 2.4 per cent of tax revenue to be achieved as soon as practicable. My policies, and the Council of Ministers' policies I think, are both aimed at going in that direction. It is a question for the States to

decide how fast we go in that direction, recognising that there are other pressures on spending besides this one.

The Connétable of Grouville:

No, I have not really got anything here because we are not going to be talking about figures. We are talking about affordability of something.

Senator F.H. Walker:

Well, I was just going to touch on that. I think there are 2 aspects to it. If we talk about the 0.7 per cent of GNI, which I do not think anyone argues is a fairly standard international measure, I think there are 2 things about that. First of all, as you are aware, not that many countries reach the 0.7 per cent themselves. Certainly in the tables that we have got most of those - I certainly would not suggest all of them but most of those - that do have trade deals associated with it. Now Jersey is entirely different. We do not have any trade deals. We do not have any quid pro quos in this formula at all. It is pure expenditure dedicated to overseas aid. We do not have the links and, as I say, the quid pro quos that many other nations have. That is the first point. The second point is that if we were to go up to 0.7 per cent of current GNI we are talking not 6.8. We are talking £22 million a year which is over treble obviously what we are paying today and, of course, that would have to be paid for. Now the question then is as always one of balance. Does the States agree to that and then reduce its expenditure in other areas? As you will see in the not too distant future the focus in this respect is inevitably on health, education and social security because that is where the money is spent. Do we do that or do we increase taxation to pay for it? Incidentally it is equivalent if we were to go to £22 million it is equivalent to another 1.5 per cent on GST (goods and services tax). So you are putting 50 per cent on the current expected rate of GST. Now those things cannot be ignored. You know we all would like to increase our overseas aid contribution. No argument about that whatsoever. The question is, given all the other pressures on the States' budget and the introduction of new forms of taxation and so on, what is fiscally and financially and realistically possible? That is the question. It is not whether overseas aid should increase. Every discussion the Council of Ministers has had on the budget for 2008 and beyond includes an increase and a significant increase for overseas aid. It is not a question of whether we should increase overseas aid at all. It is a question as I said earlier of how far, how fast.

Senator J.L. Perchard:

Can I ask you then if you believe there is no appetite among the people of Jersey to have taxes raised in order to meet this internationally accepted target?

Senator T.A. Le Sueur:

It is hard to tell. I think there is an appetite among some people to do that. I do not know how widespread it is. I suppose maybe the only way to test it is just to do it and see what the public reaction

is.

Senator J.L. Perchard:

That is right.

Senator T.A. Le Sueur:

I think a government has to act responsibly and also I think has to be governing in the light of what it picks up from general public comment. I think the public comment at the moment, however, is somewhat equivocal. On the one hand, yes, we would like to increase overseas aid. On the other hand, States, cut your spending. They want it both ways and we, as Ministers and the States' Members as a whole, have to try and make those two balance.

The Connétable of Grouville:

In view of the sort of uncertainty of finances over the next 3 or 4 years - I think we agree we are not sorted out in finances at all - would it be wise to freeze things like overseas aid until we get our facts completely right?

Senator T.A. Le Sueur:

I do not think it would be wise because I think it would give a wrong message and it would be going quite contrary to what we said in the Overseas Aid Strategic Plan and our objectives in Projet 179 in 2002. However, I think we have given a commitment to continue to increase our overseas aid. If the situation got absolutely untenable and the Island was flat, stony broke then we have to review it. I think that, even given that uncertainty in budgeting for the next few years, there is still a commitment as far as I am concerned to maintain - not just maintain but increase - the level of funding.

Senator F.H. Walker:

I think it is an argument that some people could run but it is not one that either the Treasury Minister or I would subscribe to. We have to recognise every Member is aware of what has happened during the Strategic Plan debate and subsequently that, in addition to those objectives in the Strategic Plan, we are faced with increased expenditure on prisons; we are faced with winter fuel; we are faced with -- there is another one.

Senator J.L. Perchard:

Third party.

Senator F.H. Walker:

Yes, indeed. So you know there are choices to be made and, frankly, the States cannot do it all. No government can and the States is no exception. We just cannot do it all so it is a question of striking the

right balance. I do emphasise again and endorse what Terry has said, no one has suggested either freezing or cutting our overseas aid contribution. All the discussion is about what level of growth there should be and what formula is applied to measure it against.

The Connétable of Grouville:

So it is well down the list? It is well down the list of cuts if they have to come?

Senator F.H. Walker:

No, it is not on the list of cuts, Dan. It is in very clearly as an increase.

Senator J.L. Perchard:

Yes, well, let us talk about this proposed increase for the Commission. I do understand that you are aware that the commission is proposing £500,000 per annum increase paid out for the next 5 years. Have you got an opinion, albeit the Council of Ministers have not discussed this yet? What are your initial thoughts on that proposal?

Senator T.A. Le Sueur:

My initial thoughts when Deputy Huet mentioned this to me back in the autumn was that it was quite reasonable. They were seeking a certainty of the next 4 or 5 years which is a good thing. They were seeking a thing which I could budget for, for the next 5 years which is a good thing. The level of £500,000 struck me as being commensurate with our long-term objective of 2.4 per cent at the end of the day. I have come up in budgeting proposals with an alternative suggestion of 0.5 per cent growth per annum which is working out at about £400,000 initially but growing year by year as things go on. So at the moment it is a little bit below £500,000 but by the end of the 5 years it would be a little bit above the £500,000 but I was fairly relaxed. Either way there are 2 formulae, either of which could be used quite appropriately and the financial difference between the 2 of them is not significant.

Senator J.L. Perchard:

Can you just explain, the second option, the 0.25 per cent --

Senator T.A. Le Sueur:

Half a per cent increase is about --

Senator J.L. Perchard:

-- would be related more so to Jersey economic performance, I assume?

Senator T.A. Le Sueur:

Well, no, increase in the current level of funding. So, irrespective of the tax revenues, the current level

of funding would go up by 0.5 per cent a year.

Senator F.H. Walker:

Which in the first year is circa £350,000 but, of course, that figure is the baseline against which the measures grow so that figure would go up annually, whereas, of course, the £500,000 would be a set figure. So it is a balance between the 2 and we have not decided yet which, if either, we think is the better formula.

Senator T.A. Le Sueur:

Both of these formulae - deeming it from States' revenue, deeming it from States' expenditure - are based either on a flat figure or on a known increase on an existing known figure.

Senator J.L. Perchard:

The idea of aid being linked to GNI is about ability to pay, is it not? The higher your gross national income the more able your economy should be to sustain a higher level of aid.

Male Speaker:

Surely that depends on your gross national expenditure as well?

Male Speaker:

Gross national expenditure is a Mr. Micawber situation, is it not?

Senator J.L. Perchard:

It is linked to economic performance whereas your proposal, Terry, is not. It is just a 0.5 per cent per annum increase regardless to whether there is an upturn, downturn or we end up stony, flat broke as you called it.

Senator T.A. Le Sueur:

Yes. What I am saying is that our commitment is to increase the level of overseas aid irrespective of the state of the economy. Whatever the economy does, whether it goes up or down, overseas aid increases.

The Connétable of Grouville:

Would it not be better off just tearing up the GNI, tearing up the 2.4 per cent, and just saying we will increase it by what we can afford in a year? If this is what we are coming to at the end of the day it does not matter what figures you use. You can pick a number and say £500,000 and if we jump with that then we will - GNI or whatever - make it a fixed figure.

Senator T.A. Le Sueur:

That would not be my preferred option, firstly, because I think in budgeting you need to have more certainty than what can we afford this year or next year. That is very subjective. Maybe we could have 83,000 different answers or at least 53 different answers among 53 States' Members. Jersey has given a commitment to increase its level of overseas aid. I would not want to renege on that commitment simply because in my view or in some States' Members' view we could not afford it. You would have to justify, I think, that you could not afford it. If you say you could not afford it, in comparison with what? I think all those questions I would not particularly want to try to justify them before a scrutiny panel or anybody else. I think we are committed to maintaining and increasing overseas aid and I hope that we will continue to abide by and deliver on that commitment.

Senator J.L. Perchard:

We have given a commitment to who?

Senator T.A. Le Sueur:

I think we have just publicly given a commitment.

Senator F.H. Walker:

Let us be clear. We have not given nor have we been asked to give any commitment anywhere else whatsoever.

Senator J.L. Perchard:

Including the recipients and ourselves?

Senator F.H. Walker:

Yes. Other than obviously there are groups who are applying some pressure to Jersey - but they are internal groups - to increase its contribution to 0.7 per cent of GNI. There is no international pressure, as I said earlier, on Jersey in that context whatsoever. I think also what we need to do is defend a bit - in fact more than a bit - our current record. You know we are talking here about how far should we go quite rightly but I think we need to acknowledge where we are at today compared to comparable jurisdictions. There is a table where if you look at it on a per head basis - which is not irrelevant I would argue - Jersey comes eighth on the list of major nations. You will not see Guernsey or the Isle of Man or any other equivalent island state featuring anywhere on that list at all. They are way off the scale. So I do not think we should be obsessed with criticising Jersey for not reaching the 0.7. We should rather look realistically at the level for a comparable island community, the level Jersey has reached already and acknowledge though that we are not satisfied with that, that we are still looking for it to grow quite sharply. Whichever way you look at it, 0.5 per cent or £500,000 a year is a reasonable increase.

Senator J.L. Perchard:

Very interesting graph that. I think the panel have all seen that. Of course it can be very misleading. I am not sure whether we are above Greece or below Greece.

Senator F.H. Walker:

Greece does not feature on the one I have got. We fall below only Luxembourg, Denmark, Sweden, Netherlands, France, Belgium and the UK.

Senator J.L. Perchard:

But are you aware that the Isle of Man have given a strategic commitment to reach by 2015 the level of 0.7 per cent of their gross national income in overseas aid?

Senator F.H. Walker:

No, I was not aware of that.

The Connétable of Trinity:

Well, I always believe that if you cannot afford it you should not really -- there is both sides. I see the Treasury Minister's problem. I say it is fine to say: "Let us give £22 million." Where do you get £22 million from? That is what 0.7 says but that is a major problem. There is one way to try it, I suppose, if you had the guts to say 1.5 per cent on GST and see what the population think. You would know straight away whether you were right or wrong.

Senator T.A. Le Sueur:

I think the soundings I got when I was talking about implementing GST was that the taxpayer did not have an appetite for paying more taxes.

The Connétable of Grouville:

There is never a good time for more taxes.

Senator F.H. Walker:

Well, no, but this is a particularly bad time because we are going through such a major reconstruction. To lead there now and say: "Well, sorry guys, GST is not going at 3 per cent. It is going to be at 4.5 per cent because we are funding overseas aid, an increase of £15 million in our overseas aid budget." I personally do not think that would fly too far with the general taxpaying public.

The Connétable of Grouville:

That is why I suggested that perhaps you may have to have a rethink on tying yourself to either 2.4 or to 0.7 and come in with affordability. I am not suggesting it. I am just throwing it at you to see what you say.

Senator T.A. Le Sueur:

An interesting thought. If the taxpaying public suggested that we should cut overseas aid would I listen to them? I am not sure that I would but certainly if the panel was sufficiently loud then any politician would have to listen or he would soon be an ex-politician.

The Connétable of St. Martin:

I listened to Terry's comment that perhaps GNI was not the appropriate measure. I must admit I am a bit distrustful when I see under one particular measurement Jersey is about halfway down the list whereas in the other one it is one above Portugal. I would very much like to know why the Treasury Minister thinks that perhaps GNI is not quite the appropriate measure. I do not ask him to do that this minute but I would like to know the reasons why. I understand that because we are a unique community surrounded by water and there are all sorts of pressures and problems but could he perhaps think about explaining why GNI is not a good measure and could he perhaps put that into words at some time in the near future?

Senator T.A. Le Sueur:

I do not know if it is necessarily not a good measure. I said it was not the only measure. I am not sure if it is the appropriate measure for Jersey because Jersey is the opposite of self-sufficient. It imports virtually everything it requires and relies on exports in order to survive; its exports being the commercial services industries, service industry generally, fulfilment industry or e-commerce, legal services and so on. While there are other countries which might have greater natural on land, if you like, or resources within their own country which generate their source of income, we are almost entirely reliant on the outside world in order to maintain our GNI. In that situation measures which would make Jersey less economically attractive can have a significant ratcheting effect on the level of GNI and the level of economic activity. It is that context, because Jersey is not a typical large country, that I question whether GNI is necessarily the best measure to be adopted. I think that relates to or links to Frank's question earlier, should there be a different basis for small island states or maybe those states which are not, if you like, large or self-sufficient or ...

The Connétable of St. Martin:

I understand that the general expression you have given. I suppose I am thinking in terms of if we are comparing ourselves to other countries who all use GNI and that GNI does not apply to Jersey, could there be a formula that applies to our GNI which could sort of bring us into perhaps a more favourable position with other countries?

Senator T.A. Le Sueur:

I am sure you could apply a proportion or something like that and say because of Jersey's status it

should be 0.75 per cent of the normal GNI or something like that. That would be another indicator. I do not know on what basis you would justify it. I mean, it is bad enough trying to justify why 0.7 is the right figure or 2.4 per cent of tax revenue.

The Connétable of St. Martin:

Well, it seems to be the international --

Senator T.A. Le Sueur:

Yes, it is international but with all these figures which are objectives I think you can try to say: "Well, in our particular case there are certain particular circumstances." I am sure every country in that list would say there are particular circumstances or whatever or generalising and saying that small island communities may have a different economic constitution, if you like, which might make GNI not the best direct comparison.

The Connétable of St. Martin:

But we have got to have GNI to compare ourselves with other countries.

Senator T.A. Le Sueur:

Yes, but I am saying if we achieved 0.5 per cent of GNI that might be equivalent to another country's 0.7 per cent of GNI.

The Connétable of St. Martin:

I understand.

Senator T.A. Le Sueur:

But whether that 0.5 is the correct figure, whether it should be 0.6 or 0.5, I have not a clue.

Senator F.H. Walker:

I think whatever we contribute, whatever formula we reach internally we are going to be compared as a percentage of GNI with other countries anyway.

The Connétable of St. Martin:

Yes, but I always think that if you have got -- we are providing 0.45 per cent of GNI but, because of our particular situation, that is equivalent.

Senator F.H. Walker:

Yes.

The Connétable of St. Martin:

There is one other question. Before you came in we were discussing Agenda 21 and what might have been the States involvement in Agenda 21 where the 0.7 GNI was a part of the situation.

Senator F.H. Walker:

To the best of my knowledge, we had no knowledge of it whatsoever.

The Connétable of St. Martin:

Sorry?

Senator J.L. Perchard:

They probably did not know much about Agenda 21. What was the question?

The Connétable of St. Martin:

I was listening into the discussion and this was brought up: "Jersey involved in Agenda 21 1992."

Senator J.L. Perchard:

It was an international commitment, was it not, an international commitment to target 0.7 per cent of GNI?

Senator F.H. Walker:

It was United Nations, was it not?

The Connétable of St. Martin:

Sorry, I am a little bit naïve about all this.

Senator F.H. Walker:

It was a target adopted by the United Nations and Jersey has no direct input into the UN whatsoever.

Senator J.L. Perchard:

That is given. In Rio de Janeiro, Chief Minister, and then in the UN in New York in 2000 the Millennium Development Challenge also endorsed that target. The G8 in Gleneagles in 2005 endorsed that target again and the EU agreed that by 2015, despite taking on countries or now embracing countries that until last year were recipients of aid, will be targeting 0.5 per cent of GNI across the nation states as an average. So countries out there are being ambitious and far more ambitious than perhaps Jersey will be accused of being.

Senator F.H. Walker:

I accept that but I would reiterate a point I made earlier that many individual countries arrangements are linked to trade, there is a reciprocal; Jersey getting nothing back financially whatsoever.

Senator J.L. Perchard:

Yes, it is interesting to know that Scandinavian countries, particularly Denmark, Sweden, even the UK, now officially have no trade links with regards to their development grants.

Senator F.H. Walker:

I would like further investigation of that, particularly in relation to the UK.

Senator J.L. Perchard:

We will move on. There is something I wanted to challenge you about, Terry. I listened and everybody was nodding and I found myself nodding and I thought: "Why am I nodding to this?" What is specifically different about Jersey being an island as opposed to a nation state when it comes to targeting 0.7, for example? What is it about Jersey's economy that makes it more difficult for us? What are the circumstances surrounding that?

Senator T.A. Le Sueur :

I do not know if it makes it more difficult for us. It might be more difficult for it to be sustainable when I do not know from year to year what the GNI of the Island is going to be. I think I have to be quite careful in the way I answer that one in that, certainly GNI, is reflected in the economic activity and the economic success of the Island or any country.

Senator J.L. Perchard:

Any donor country.

Senator T.A. Le Sueur:

But I think GNI in an island like Jersey is going to be a lot more volatile than it would be in a larger community. At the moment it is volatile very successfully, positively volatile, and we could equally be negatively volatile. It is far more fragile or, if you like, the risk element in a small community is much higher than the risk element in a larger community where the risk can be spread over the wider group. In that context, I think that is why I would say that GNI might not be quite so appropriate in a small community but, given our present financial situation, then I accept that our level of aid is lower than other comparable jurisdictions and that it would not be in line with the current UN and EU thinking.

Senator F.H. Walker:

I do not entirely agree with that. I do not think our level of aid is lower than comparable jurisdictions. Is it lower than the UK, France, Germany who are major nations with hundreds of millions in population

in some cases? No. Is it comparable with other states, communities of our size? Absolutely. Let us look around the world for a minute and look at how many other islands of our size, worldwide, contribute to overseas aid at all and let us look at how many are recipients of overseas aid because then you get a very different picture indeed. I go back to what I said earlier, for an island of our size perhaps -- I am sorry, I do not know your name, you are listed as Panel Advisor, perhaps you would advise us in your view whether there are any other islands of comparable size around the world who are contributing to, as opposed to receiving, overseas aid, other than Guernsey and the Isle of Man.

Ms. A. Thomson (Oxford Policy Management):

Some are beginning to. Malta, for example, under the EU, is starting a process. I think it is about 0.2 per cent now. Again, it is looking towards increasing over time as part of its position within the EU.

Senator F.H. Walker:

Similar position to us.

Ms. A. Thomson:

Yes, but with possibly more definite commitment to reach that target within a period of time. There are a limited number of island states which are developed as opposed to developing. When one thinks about most of the island states, most of them are recipient, most of the Caribbean islands are recipient, Papua New Guinea, the countries in the Pacific, again, largely recipients. I do not believe Cayman, for example, has an overseas aid policy. When one thinks of --

Senator J.L. Perchard:

Similar jurisdictions.

Senator F.H. Walker:

They have no overseas aid policy.

Ms. A. Thomson:

As far as I am aware they do not have one and I am not sure what --

Senator J.L. Perchard:

Guernsey has a limited one and you have advised us on the Isle of Man's new policy. When was that conceived, Anne, do you know?

Ms. A. Thomson:

I think I saw about it in terms of a press release from last year. So these are fairly recent things. We are certainly not suggesting that Jersey is very much behind the loop in these things. However, there are

indications of commitments being made in a more concrete way, than perhaps we have been hearing this morning, from some of these islands.

Senator F.H. Walker:

That is fair enough but I would reiterate my point that Jersey is one of very few comparable sized communities that contribute to overseas aid; there are very few and we should not forget that point. I do not think you can realistically compare us against France, Germany, the UK; they are mega nations.

Senator J.L. Perchard:

I would really like to explore why not. Terry said that we have a volatile GNI and that, being an island, we are sensitive to perhaps one outside interest that would make everything change dramatically but then, if that contribution is related to GNI --

Senator F.H. Walker:

How about levels of tax? Compare our levels of taxation against Germany, France, the UK, whoever, you will find - and I think by common consent - it is an essential aspect of Jersey's economy that we have low rates of taxation. Now, if we had similar rates of taxation to Germany, France or the UK, I would suggest there would almost certainly be no discussion but we do not. I do not think anyone is seriously suggesting that we should so, again, you have to be careful that we do not compare apples with pears.

Senator J.L. Perchard:

It is certainly a question that we will be pressing the commission for answers for because they seem to regurgitate this Treasury line that we are not a nation state and therefore our contributions should not be compared to that of a nation state.

Senator T.A. Le Sueur:

It can be compared but not necessarily compared on an equal basis.

Senator J.L. Perchard:

That is right. You have not satisfied me really as to why it cannot --

Senator F.H. Walker:

Our lower levels of tax, we have no manufacturing base whatsoever. As the Treasury Minister has said, we rely entirely almost on exports, service exports in the main, which are quite volatile. It seems to me the main issue is Jersey's economy, as we well know, is based on a low simple rate of taxation. If we had VAT at 17.5 per cent, as does the UK, if we had personal rates of tax up to 35 or 40 per cent, whatever they may be, then it would be a very different ball game but you have to realise, and accept, I

think, what Jersey's economy is and how different it is to the major nation states in Europe; you cannot compare the 2.

Senator T.A. Le Sueur:

The converse of that was that if we had those sort of tax rates, our financial service industry would not be buoyant at all, it would be in the doldrums, and your GNI would not be 60,000 --

Senator J.L. Perchard:

Our overseas aid contribution would not be a dime, of course.

Senator T.A. Le Sueur:

We do not have the tax revenue to pay it and the GNI performance would mean we would be paying damn all.

Senator J.L. Perchard:

I am pleased (overspeaking) because it is quite a revelation.

Senator F.H. Walker:

We also, incidentally, get no support from the EU, unlike, for example, the UK, whatsoever. We are completely self-sufficient. Again, if any comparisons are to be drawn, I think they should be full and complete comparisons, not somewhat simplistic superficial comparisons. I think one needs to delve quite deep into the different structures of the economy, the effect of EU membership, taxation rates and so on.

Senator T.A. Le Sueur:

I think what the Minister is leading to is that there is a link between taxation and the economy and the contributions and what we are doing is moving gradually to a state of possibly raising more taxation but certainly raising the level of contributions to overseas aid slowly, gently, affordably, manageably but going in the right direction. I could argue, as an individual, that we are not moving there fast enough but I can also argue, and I am here today as Treasury Minister, to say we are going at a pace which is justifiable and manageable for the Island's economy.

Senator J.L. Perchard:

The last comments of both of you help me come to terms with the thinking for not necessarily wanting to make that commitment to 0.7. We move on slightly - I am aware of the time - just to a different dimension. What does Jersey hope to achieve from its overseas aid programme? What are we trying to achieve with our overseas aid programme?

Senator T.A. Le Sueur:

I think you should ask that question of the Jersey Overseas Aid Commission.

Senator J.L. Perchard:

I am specifically asking you 2 gentlemen because there is --

Senator T.A. Le Sueur:

When I came in at the start of these discussions, Jersey has moral obligations as part of the world community - as part of the human race, if you like - to look after those less fortunate than ourselves. That is the basis of providing a contribution to overseas aid in a financial form as well as the fact that we may also send these people out to help. From the Treasury Minister's point of view, we make a financial commitment each year to put some money into helping those less fortunate than ourselves outside the Island. How that is done and the basis of how that is being done is not something that I get directly involved in. The Overseas Aid Commission has certain guidelines as to how they spend their money and I think those guidelines are realistic and those guidelines are, either implicitly or explicitly, approved by the States. I am not quite sure if I can remember now. If I felt that the Overseas Aid Commission was misusing those funds and not using them for the benefit of the wider community then, as a States Member, I would be questioning the way they spend their budget

Senator J.L. Perchard:

Chief Minister, just to develop on that question I just asked about what we are hoping to achieve from our overseas aid contribution. Have you anything to add to that?

Senator F.H. Walker:

Yes, I think it is very simple. It is support of people, wherever they may be around the world, who require support, the less well off, you might say, the impoverished or those who are disadvantaged in any other way. I think again, when we are looking at Jersey's record of overseas aid - and I have never been on the Overseas Aid committee or the commission or whatever, but obviously following their activities with interest - it seems to me that Jersey has a very good record of directly applying the aid where it is needed most. It is not a scattergun approach; it is very much a focused approach and it is reviewed, as I understand it, very carefully each year. There is a tremendous history of where Jersey has helped build schools or introduced irrigation where no such existed, and come to the aid of people affected by a flood or an earthquake disaster, whatever it may be. There is a tremendous record of applying the aid absolutely where it is needed most and I think that is exactly right.

The Connétable of St. Martin:

A question for the Chief Minister and the Treasury Minister; perhaps they might have different answers. Does overseas aid give either of you added value? Do you get value for money? Does it give you added

value to your job and in your representation to your work overseas internationally?

Senator F.H. Walker:

Unquestionably, yes. I think I have referred to that earlier when I said that we are constantly receiving expressions of surprise and, it has to be said, delight from representatives of governments throughout Europe and further afield. When we speak to them, as we invariably do when we have a visit from an ambassador or whoever it may be, when we speak to them of Jersey's contribution to overseas aid, the response is invariably one of surprise and pleasure. So, yes, it enhances Jersey's reputation.

The Connétable of St. Martin:

You think you are getting value for money?

Senator F.H. Walker:

In conceptual terms, no question at all. Whether we are specifically getting value for every pound we spend in terms of how it is spent, is a question more --

The Connétable of St. Martin:

Specifically we are talking about your role internationally.

Senator F.H. Walker:

Yes, absolutely, no question.

Senator T.A. Le Sueur:

My role is not the same as his and I certainly would not look at it in terms of value for money. I do not think we give overseas aid on the basis of investment. If we spend more, we get better returns is a good ... We give overseas aid because we believe morally it is the right thing to do. There is no doubt that, in giving that aid, it also enhances Jersey's international personality, it enhances its reputation, it makes it a responsible jurisdiction with which international customers are pleased to do business, and that must be in the Island's economic and financial interest.

Senator J.L. Perchard:

Is there an insinuation then that the more aid you give, or Jersey would give, the more enhanced its reputation would be?

Senator T.A. Le Sueur:

No, as I said earlier, it is probably the converse. If Jersey ignored its international obligations to the less well off, it would not have a good reputation.

Senator F.H. Walker:

No international government representative has ever said to me: “Why is Jersey not contributing 0.7 per cent?” Not once, not ever. I repeat what I said; they have expressed surprise and pleasure when they learn how much we do contribute.

The Connétable of Trinity:

Do you think the way forward may be that, as a lot of people have written in to say, they would like to see more Jersey continued aid to certain parts of, say, Africa, that they would not just give a one-off, that this would be continuing? So you get a better feedback saying that the local people are raising money, what we are now doing in this part of Africa is this, it was a school last year, next year it will be something else and so on, and ongoing so you get a very close feel for the country or the place. Then they obviously come back and they would be exchanging this to Jersey and carry on extending the aid, rather than just saying: “Right, well, there is £10,000 this year, that is your lot”, next year it would be another place for £10,000 or £5,000. In other words, build an area or support an area where the feedback would benefit the Island maybe on a longer term, that they would know and you make your identity as this is a Jersey area where we developed. They are vast areas, it could be 400 hundred miles away from the original one.

Senator T.A. Le Sueur:

Again, the Overseas Aid Commission have to decide where the best place is to put their money. I am thinking of a recent trip that went out to Kenya, adopted a project there as a result of Kenyan staff working over here in local industry who identified a particular problem. I am sure that there is scope for developing relationships then between Jersey and Kenya in respect of us providing overseas aid towards certain parts of that country and, in return, residents of that country coming to work in the Islands in that industry and elsewhere in the Islands. It is not just an economic benefit, which there may well be, but it just raises Jersey’s awareness in Kenya and raises Kenya’s awareness in Jersey and that, raising levels of awareness of the problem, people’s understanding of the problem, helps in maybe getting greater public awareness of the commitment and the reason why we justify and increase year-by-year our level of overseas aid.

The Connétable of Grouville:

We have had charities in this morning, a local one, complaining that money went through to a UK charity and was then distributed onwards and did not have the Jersey brand on it. I feel that you have to agree with what they say; we are giving the money, surely we can have just a note somewhere saying: “This is provided by the people of Jersey” or whatever. Some of it seems to get lost into an amorphous mass and distributed outwards.

Senator T.A. Le Sueur :

That might be for the Overseas Aid Commission to decide how they distribute resources.

Senator J.L. Perchard:

That is right. That is an area which we are not going to be questioning you gentlemen on but it is an area that we will be taking up with the commission because it is a legitimate question to ask.

Senator F.H. Walker:

Chairman, can I just go back? That has triggered a thought. You were talking earlier about struggling to see why Jersey should not be compared with other major jurisdictions and I hope we dealt with that reasonably well. I would just make the point, going back to ambassadors, presidents, prime ministers, whoever it may be, with whom I come in contact. None of them compare Jersey with countries of that size, in any respect, and certainly not in respect of overseas aid. As I said, none of them say: "Well, you should be contributing more. You are not contributing 0.7 per cent." Unanimously, they have said: "We think that is an amazing position for an island the size of Jersey to be in" or words to that effect. So, they are not comparing us with those major states for, I think personally, pretty obvious reasons.

Senator J.L. Perchard:

It is a legitimate question that our panel will be looking at when we compare ourselves with somewhere like Luxembourg which is just over 4 times the size in population terms of Jersey. They are just reaching, I think, 0.81 per cent of their GNI. They have very similar types of industry and businesses to Jersey and the 61 per cent per head of population is -- I think, £331, Chief Minister, per head of population is their contribution. I am certainly keen to explore the difference between Luxembourg's non-problem and Jersey's perceived problem.

Senator F.H. Walker:

I do not think we have a perceived problem but that is perhaps an area of disagreement between us. I think we have much to be proud of and we want to go on and improve it still further, as we said, but I hope any comparison with Luxembourg will compare the whole picture, as I said before, including rates of tax and on.

Senator J.L. Perchard:

Let us move on because I am aware of the time and I think you have to be somewhere in 15 minutes. Tell me, Terry, in the event that the Jersey Overseas Aid Commission allocated their budgets for the year and there was a disaster somewhere and we wanted to make a contribution, is the facility available within the Treasury to take an advance on the following year?

Senator T.A. Le Sueur:

Basically, no. I think it would be up to the Overseas Aid Commission if they thought an unforeseen

circumstance were likely, that they may want to not fully commit any one year's budget until sometime during that year, they might have a difficulty. On the other hand, we have seen, totally outside the overseas aid budget, for example, that when we had a tsunami on Boxing Day, it was rather too late in anyone's financial year to be budgeting for it realistically, that the Island as a whole, outside of the States' commitment, rallies round and rapidly provides a response.

Senator F.H. Walker:

I would also point out - to a certain extent it is historic now - that Jersey gave a one-off £5 million contribution to the Falkland Islands when they desperately needed help, so we have a very good record of reacting to specific disasters around the world, in addition to our regular projects under the banner of the Overseas Aid Commission.

Senator J.L. Perchard:

Finally, Terry, can you tell us the position, in terms of accountability, of the Jersey Overseas Aid Commission as a result of the conflict that there appears to be between the commission and the Public Finances (Jersey) Bill? Where are we with this and what are your views of correcting this obvious problem?

Senator T.A. Le Sueur:

We have a problem that the Overseas Aid Commission was set up under the old Public Finances Law. The new Public Finance Law requires that there should be an officer who is accountable, if that is the right word -- in legal terms there has to be an accounting officer which requires the money to be overseen by a department of the States, in one form or another. The Overseas Aid Commission is set up as a body outside of the States control so it does not sit comfortably with the Public Finances Law first, from the point of view of budgeting but, more importantly, from the point of view of accountability. In short, the Overseas Aid Commission needs an accounting officer. I have had considerable discussions with the Treasury officers and how we can overcome this within the existing Overseas Aid Commission proposals approved by the States. The proposed solution is that the Greffier of the States might well be the accounting officer in the same way as he is accounting officer in respect of the States Chamber Budget. That overcomes the Public Finance Law requirement of having an accounting officer and keeps me happy that, if that were to happen, we would then be complying with the law.

Senator J.L. Perchard:

Will we need an amendment to the law?

Senator T.A. Le Sueur:

No, I do not think so. I have to take legal advice as to whether it will require amendment to the law or not but that the Greffier then becomes responsible for the proper spending of the money allocated to the

Overseas Aid Commission.

Senator F.H. Walker:

This is a technicality.

Senator T.A. Le Sueur:

It is an important technicality.

Senator J.L. Perchard:

It has been drawn to our attention so what is the timescale for putting this right?

Senator T.A. Le Sueur:

Certainly before the end of this year because I am anxious to resolve it. Equally, from the commission's point of view, if the commission -- the overseas aid has been very well implemented over the years, I have to say. I cannot single out any particular individuals but the whole organisation over the years has done Jersey proud but there could be a situation where you had mismanagement in the Overseas Aid Commission and, if there were, who would be accountable in the States organisation? The answer in the future will be the Greffier of the States. That puts him in a bit of a difficult position because he has no direct link with the Overseas Aid Commission and there has to be a mechanism between him and the commission to ensure that money is paid out and paid out appropriately and it may well be then that payments from the commission have to be routed through the Greffier's ... with an approval process involving the Greffier as accounting officer.

Senator J.L. Perchard:

All the procedures that go in place as a result of that, as has been recently explored with the Battle of Flowers investigation, that if the accounting officer is uneasy, there is a procedure for flagging up his concerns and that does not exist now.

Senator T.A. Le Sueur:

No. I do not foresee problems in practice because I think if the current record of the Overseas Aid Commission is anything to go by, those concerns are unlikely to arise. Should the one in 1,000 chance materialise and it did arise, then there is somebody to now blow the whistle.

Senator F.H. Walker:

There is no question, of course, of it affecting the flow of money or the flow of aid to those that needed it because of an internal technicality which, as Terry has described, we need to overcome but it is not going to impact on the funding.

Senator J.L. Perchard:

It all goes back to the desire of the States at the time to create an autonomous commission, free from political interference. Are there any other areas of the States that, as a result of the sort of fluke, this has cropped up? Are there any other areas that you have spotted?

Senator T.A. Le Sueur:

No, I am pleased to say there is only one and it did come to light last year when someone had to present the overseas aid budget to the States and which department does it come under. At the time it came out of the Chief Minister's Department. No, it did not come under Chief Minister's Department, because it did not come under any other department, it got tacked on to the bottom of the Chief Minister's by default or something else but that was not an appropriate and ongoing solution; a temporary fix.

Senator J.L. Perchard:

Anything else, gentlemen? Thank you very much for coming to see us again today and we will forward you the transcripts if you are worrying that --

Senator T.A. Le Sueur:

You did write to me a few days ago - have you had a response? - about the interface between your panel's report and our budgeting process.

Senator J.L. Perchard:

It was on my email last night. What is the position?

Senator T.A. Le Sueur:

I think the position is as I set out to you in that email. I have no idea when your panel is going to conclude its findings and present its report. We are in a budgeting process and it may well be that wearing your other Corporate Services hat, you will be looking at the budgeting process in respect of different areas.

Senator J.L. Perchard:

We have to have this report out at the end of March.

Senator T.A. Le Sueur:

At the moment, we are working for budgeting purposes on the figure of 0.5 per cent of annual growth. We have to start somewhere and I suppose we start ... If your report came out with something widely different, we might have to consider how that would impact on the budgeting process but, at this stage, all I can say is that the process has to go on. We could not stop and do nothing until the report came out and this is where we are at the present time.

Senator J.L. Perchard:

I think I wrote to you particularly about the briefing note that the Council of Ministers had received for their meeting on --

Senator T.A. Le Sueur:

Thursday, is it?

Senator J.L. Perchard:

Saying: "That is a 5-year programme. Do you need to endorse that on Thursday?" I think that was the tone of my letter.

Senator T.A. Le Sueur:

It is a working document as far as Thursday is concerned. Nothing has been finalised at this stage, nothing will be finalised on Thursday. We shall not finalise the budget until probably March/April time when departments have had a chance to see whether they can live within their proposed budgeting formula.

Senator J.L. Perchard:

We will look with interest to see what the Council of Ministers have to say about --

Senator T.A. Le Sueur:

Certainly, the earlier your report can come out ... If it had any radical effect on our budget for the next 5 years, then the sooner we know about it the better.

Senator F.H. Walker:

There is a feeling, having said that, that there is of course a difference between the 2008 budget and the 2009 and beyond and it may be that if you make proposals for radical change which are accepted, hopefully they could be applied for 2008, but it may be that we have to be realistic and apply them from 2009 onwards.

Senator J.L. Perchard:

We accept that.

Senator F.H. Walker:

Can I make one point? I am grateful, Chairman, to you and your panel and your advisor again for the way this has been conducted. It seems to me to have been conducted very well indeed. We just, though, leave with a point and re-endorse a point in many respects. Nobody is looking to either freeze or cut the

overseas aid budget. The only question at the moment is how far does it go up, how is it operated and how quickly does it go up. I would suggest that if the panel is going to make suggestions for a radical increase in funding, it should, for completeness, be accompanied by some thoughts as to how that additional funding will be created, whether it comes from savings or whether it comes from additional taxation or perhaps a combination of both.

Senator J.L. Perchard:

Yes, I think that is perfectly reasonable. With those wise words I will declare our session closed and thank you again.