SP
sent to
Panel

Senator J Perchard
Corporate Services Scrutiny Panel
Morier House
St. Helier JE1 1DD

Your Ref 513/5(1)

16th January 2007

Dear Senator Perchard,

Review of Jersey's Overseas Aid

1. Thank you for your invitation to make a submission to the panel. I was the Honorary Executive Officer of the Jersey Overseas Aid Committee of the States for 15 years from 1990 to 2005 when I was elected as a Commissioner of the Jersey Overseas Aid Commission which replaced the former Committee. My term of office expired in November 2006 and I was not re-nominated as I shall be 72 in a few months time. I do however remain involved in an as yet undesignated capacity and it is likely that I will have some input into the Commission's submission to the Panel.

2. The response set out below is my personal view based on my experience which includes working on three Overseas Aid Community Work Projects and various visits to agencies working in the field. I will deal with each of your four areas of review in the same order as in your letter.

A) States Policy

3. It concerns me that the States policy is incorrectly stated in your terms of reference. The direct linking to GNI was rejected by two previous JOA Committees and the propositions which were taken to the States and approved by the Assembly on each occasion was a linking to taxation revenue.

4. On 3rd November 1998 the States approved funding based on taxation revenue commencing at 1% in 1999 and rising by 0.05% per annum to 2003 when it would amount to 1.2% when funding would be reviewed.

5. In 2002 the States confirmed their long term objective of 2.4% funding "as soon as possible after 2008". Funding was again increased by 0.05% so that this year it will be 1.4% and 2008 1.45% of taxation revenue.

6. The Commission are in the process of formulating a funding proposal for 2009 onwards which would be debated by the States this year. Having considered other options I would recommend that the States stick to its target as stage 1, and then look at the position again to see what is considered appropriate in the light of the circumstances then prevailing. However increasing the grant by 0.05% each year would not achieve the target of 2.4% until 2027. Doubling the increase to 0.1% will see that target achieved in 2018. I believe the nettle should be grasped, painful though it may be, and the target achieved within the lifetime of the next elected States Assembly.

7. In broad money terms we are talking about taxation revenue in the region of £500million Based on this figure the grant would need to be increased from £6.5 to £12m. Taxation revenue requires clearer definition now and as new taxes and fees etc. are devised. Some ring fenced tax proposals have already come forward and moves towards "user pay" policies will mean that such revenues will replace the current need for taxation. The percentage should therefore be reviewed from time to time.

8. By way of note the 0.7% GNI which has support in some areas and will no doubt be put to you by others, would amount to £21m based on the 2005 GNI figures produced by the States Statistics Unit and this would equate to 4.2% of £500million tax revenue.

B) JOAC's Policies and Procedures

9. The basic policies have been long established and accepted by successive Committees and the Commission, and have stood the test of time. Hand up not handout, no involvement with governments or their officers, Community involvement, are all very basic and stressed by JOA far more so we are told than by other donors.

10. The policies and procedures have been regularly reviewed in the light of experience and various changes. They are clearly set out in the explanatory booklet and available to all on JOA's website. JOA has received many compliments on the simple, practical, effective and efficient way it handles its grants and affairs. It is not a case of "if it ain't broke don't fix it" it is a matter of can we improve things? To illustrate this there have been such changes as bringing in co-funding, 3 year funding, £ for £ Grants to Jersey Charities, Material Grants to Jersey Charities and others. The procedures and voting system at the London meetings with agencies have also much improved.

11. If I had any suggestions for improvement I would have already made them to the JOAC as I have done in the past.

C) Measurement of Effectiveness of Expenditure

12. With the exception of Disasters and Emergencies all funding is project based and anticipated outcomes are stated in the application and is thus assessed before any grant is made. A report must be submitted to JOA showing the actual outcomes and expenditure. Under-spends are returnable to JOA overspends are met by the agency. I recall an occasion when an agency, without any prompting from JOA, reported with regret that it had been unable to obtain a report from the field officer and as they could not verify the

expenditure and although they believed the project had been completed, they returned the grant in full.

13. Where there are contributions by the Community this gives the recipients the sense of ownership and determination to make it succeed. Many projects are like seed corn and rolling funds which become self sustainable and run for years helping additional beneficiaries each year.

14. Perhaps the more important and difficult part of the problem is measuring the effectiveness in the selection of the projects to be funded. There is substantial competition for funding and a wide coverage of different needs and in different geographical areas among the agencies. Approximately 80% of applications made by aid agencies are considered at interviews with the agency. Fortunately the decision has to be made by a number of Commissioners and the scoring system that has been devised assists in the selection process.

Comparisons with other jurisdictions

15. If we compare ourselves with other jurisdictions is it like comparing the Jersey Potato with apples and tulips etc? Jersey is an Island, it is unique – there is no other like it. As a small island it must import most of its needs and with a small population has no economies of scale which other countries have and with whom it is regularly compared. The disparities are endless.

16. Guernsey would probably be the closest in comparability of jurisdictions, but comparing their grant aid budgets with Jersey's will only tell you which gives more in money, which you can then convert to % GNI, per capita, or pint of milk to make my point. Whatever the answer, it does not tell you whether either island is paying too much or too little.

17. A straight per capita comparison takes no account of the annual income per head of population. If two jurisdictions had the same wealth and made the same contribution to overseas territories the per capita figures would show great disparity if one had three times the population of the other.

18. The comparisons made with GNI are the contributions made by the governments of the individual jurisdictions, and governments derive their income from taxation. Jersey is a low tax area with a high GNI. per capita. Overseas companies and non Jersey residents deriving income from Jersey will soon no longer suffer any Jersey tax and so greater profits will be attributed to them and this will reduce the GNI per capita figure, but more importantly reduce the States coffers from which the aid is funded and produce the "tax hole". GNI includes the overseas profits attributable to Jersey residents much of which I believe is untaxed, company capital gains are also included in GNI but not taxed.. When looking at total GNI figures of over £3billion these adjustments may be relatively small but when looking at lost taxation or opportunity I would say they are very material in wanting to find an extra £14.5million to meet the UN target without cutting other budgets. But then we are a low tax area!

19. Comparison is not made with the taxing system or indeed the needs of the population and social services provided in various jurisdictions, and at the end of the day the Governments have to determine the needs of their territory and obligations to others including support to the third world. Low tax areas will by definition have a comparative much smaller proportion of its GNI to meet its needs and the 0.7% GNI will be a relatively greater tax burden compared with higher tax areas. A high cost of living will also impact on the cost of government and its social and public services which have to be paid for out of its tax revenues, and also affect the taxpayers' ability to meet such taxes. If one is to make comparisons one needs to look at the whole picture not just headline statistics.

20. **Future Funding**
As set out in paragraph 6 I would support a taxation linked funding formula as that is the chief source of the States income. The current target of 2.4% I would regard as a minimum to be reviewed once achieved. In the meantime when there are achieved revenue surpluses I would like the States to consider augmenting the funding by say an additional 5% of the surplus.

I trust the Panel will find this submission helpful.

Yours sincerely

Leslie R Crapp