

Scrutiny Panel – Overseas Aid Review
Scrutiny Office,
Morier House,
Halkett Place,
St Helier,
JERSEY
JE1 1DD

19 January 2007

Dear Sirs

Overseas Aid Review

In recent decades Jersey's economy has gone from strength to strength. It would appear that prospects for the future, although uncertain, now appear more favourable than in the recent past. Given the difficulties typically facing small island economies this dynamism is all the more remarkable. The success of Jersey's economy has exceeded what might reasonably have been expected. Colin Powell's Economic Survey of Jersey published in 1971 foresaw the possibility that the island's population might grow to 90,000 by 1990 but did not envisage the scale of the success of the financial services sector. This success has helped propel the island's Gross National Income ("GNI") per person further ahead of neighbouring countries to a position near the top of the international league tableⁱ. We have thus gained substantial financial benefit from opportunities afforded by the vagaries of our long history.

When we step back and view the island in a wider context the results of this sustained growth are evident. Deprivation still persists in the island. The 2002 Income Distribution Survey established that the overall distribution of incomes in Jersey is similar to the UKⁱⁱ. However the survey also reveals that, in 2002, "*the median Jersey equivalised income was some 68% higher than the UK equivalent*" (46% higher after taking account housing costs in Jersey)ⁱⁱⁱ.

From a global perspective the contrast is all the more striking. "*Poverty in the developing countries involves hunger, illiteracy, epidemics and lack of health services or safe water - which may not be so central in more developed countries, where hunger is rare, literacy is close to universal., most epidemics are well controlled, health services typically widespread and safe water easy to tap. Not surprisingly, studies of poverty in more affluent countries concentrate on such variables as social exclusion*"^{iv}.

In summary, both relative to our neighbours and in global terms our community as a whole enjoys a significant degree of affluence. In Jersey we may have limited opportunity to

influence the rules governing international trade, or to promote good governance in other countries or to influence many other factors that are necessary for the reduction of poverty. But, more than most places, our extraordinary economic successes have given us the financial capacity to contribute towards international efforts to achieve the Millennium Goals for the reduction of poverty.

The key benchmark by which nations are judged on this score is the percentage of GNI assigned to overseas development assistance ("ODA"). By this yardstick our contribution falls short of the mark, trailing well behind other advanced economies as can be seen in the enclosed chart based on the most recently available figures.

Furthermore, since 2005 major new ODA commitments have been made by our neighbours. Fifteen EU member states have pledged to spend 0.7% of GNI on ODA. Denmark, Luxembourg and the Netherlands, Norway and Sweden have already reached or exceeded this target. Ireland has made a commitment to fulfil the target by 2007, Belgium by 2010, France and Spain by 2012, the UK by 2013, and Germany by 2015. In total this amounts to 0.56 per cent of EU GNI by 2010^v. If those promises are honoured Jersey will lag even further behind in this one area where our economic success has provided us with the capacity to "punch above our weight". The projected 2010 and 2015 comparisons are shown in the enclosed chart.

Counterarguments

Despite the strength of Jersey's economy various arguments against increasing aid to 0.7% of GNI have been advanced from time to time. I take this opportunity to address these.

- Some are concerned that aid cannot be increased without corresponding cuts in education, housing or health expenditure. But this reasoning takes no account of the possibility of funding the increase out of the tax revenues that accompany economic growth. It further ignores the comparatively light tax burden that will prevail – even after the fiscal strategy comes fully into effect^{vi}. We might also be mindful that this argument was not embraced by those who arranged for SS Vega to come to the island's aid in 1945, nor indeed was it the view of those who wrote off the considerable war time debts of the States of Jersey.
- The argument that Jersey is not a nation and therefore has no obligation to pursue the 0.7% target is a non sequitur. The economic growth outlined above is partly founded on the island's fiscal autonomy. Jersey also enjoys certain other key advantages without some of the concomitant costs borne by a sovereign state. The credibility of this argument is further called into question by the in principle decision already reportedly made by Tynwald to reach the 0.7% GNI target by 2013.

- The argument that the 0.7% target can be dismissed because Jersey's aid is more effective is undermined by, amongst others, the case of Luxembourg where, even after adjusting for aid quality according to the ActionAid critique,^{vii} Jersey's aid is no more than one quarter of the level achieved by Luxembourg. See the enclosed chart for details.
- Within our community there are individuals who give generously in time and financially. It is sometimes suggested that the private generosity of local residents diminishes the case for official aid. However this argument rests on the implicit assumption that, taken as a whole, local residents are substantially more generous than those of the countries against which comparisons are made. In the absence of evidence to substantiate this bold assumption this argument remains open to question.

By way of background I have enclosed digital copies of a number of documents that I have found helpful in preparing this submission.

Yours faithfully



Brian Coutanche

Enclosed Chart - Aid as a percentage of GNI (2005)
 Chart - Aid as a percentage of GNI 2004, 2010, 2015
 Chart - Aid adjusting for "phantom aid"
 Background documents CD

Endnotes

ⁱ According to Jersey in Figures 2005 "Jersey's GNI per capita is amongst the highest in the world; in 2004 only Luxembourg had a higher GNI per capita (\$61,000), whilst the USA and UK stood at \$40,000 and \$32,000 respectively".

ⁱⁱ According to the Jersey Income Distribution Survey 2002, the Gini coefficient after housing costs is 0.39 for Jersey compared to 0.38 for the UK.

ⁱⁱⁱ Jersey Income Distribution Survey 2002, Statistics Unit. Note that this difference is due to (i) more economically active men and women, (ii) a higher ratio of people in full time employment to part time employment, (iii) higher earnings, and (iv) a lower proportion of children and pensioners.

^{iv} Human Development Report 1997, page 17, UNDP

^v Monitoring G8 Commitments to Developing Countries, NATO Parliamentary Assembly, paragraph. 57

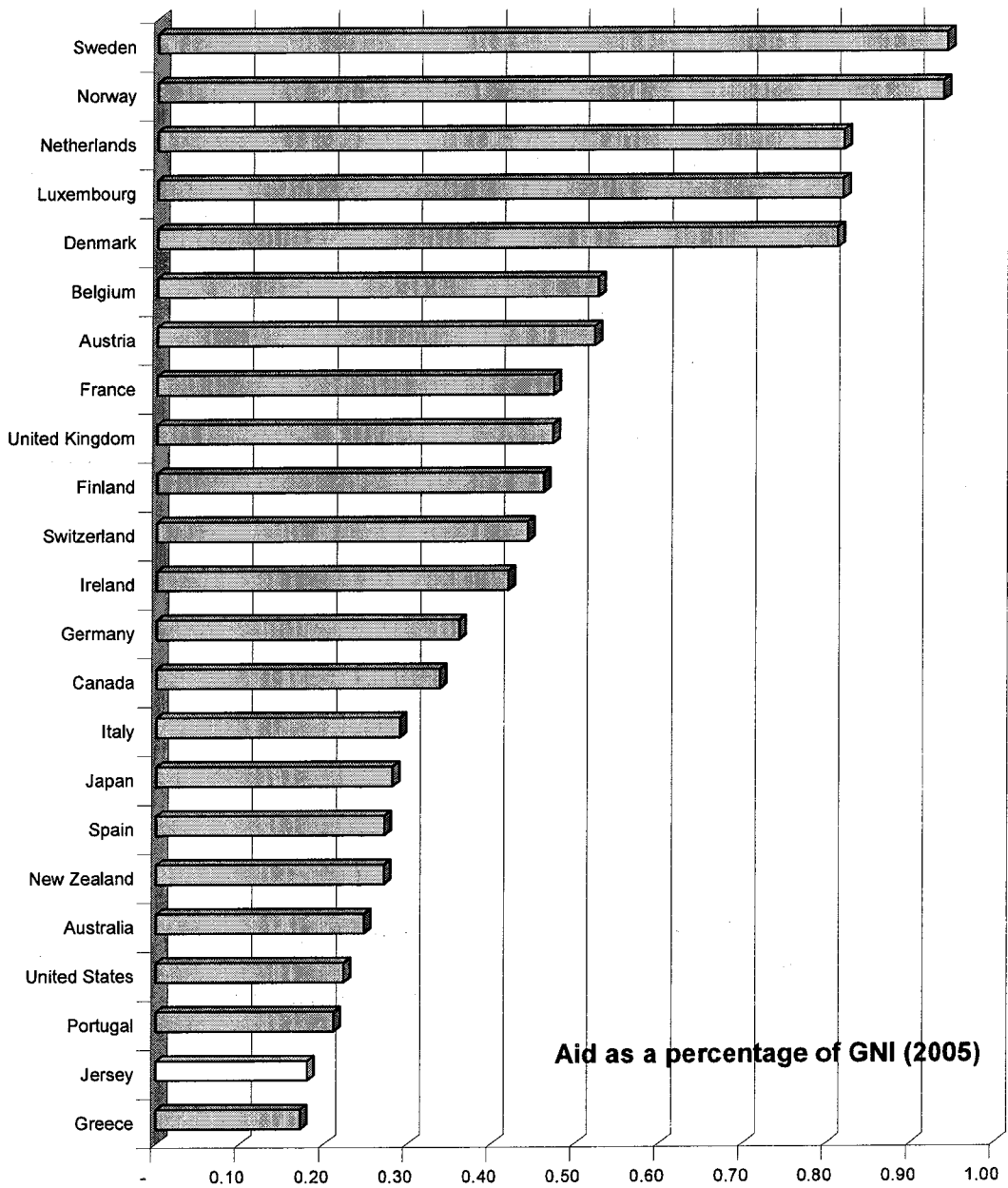
^{vi} Page four of "Tax Proposals – Some Interesting Facts and Figures" published by the then Finance and Economics Committee in 2002 predicts that once the fiscal strategy changes come into effect in 2010 States tax revenues, as a percentage of national income, are forecast to be a relatively low 20.9% of GDP:

Comparison of tax levied in Jersey post 2010 as a percentage of GDP	
EU15	40.6%
OECD average	36.3%
UK	35.8%
Guernsey	26.8%
USA	26.4%
Jersey post tax changes	20.9%

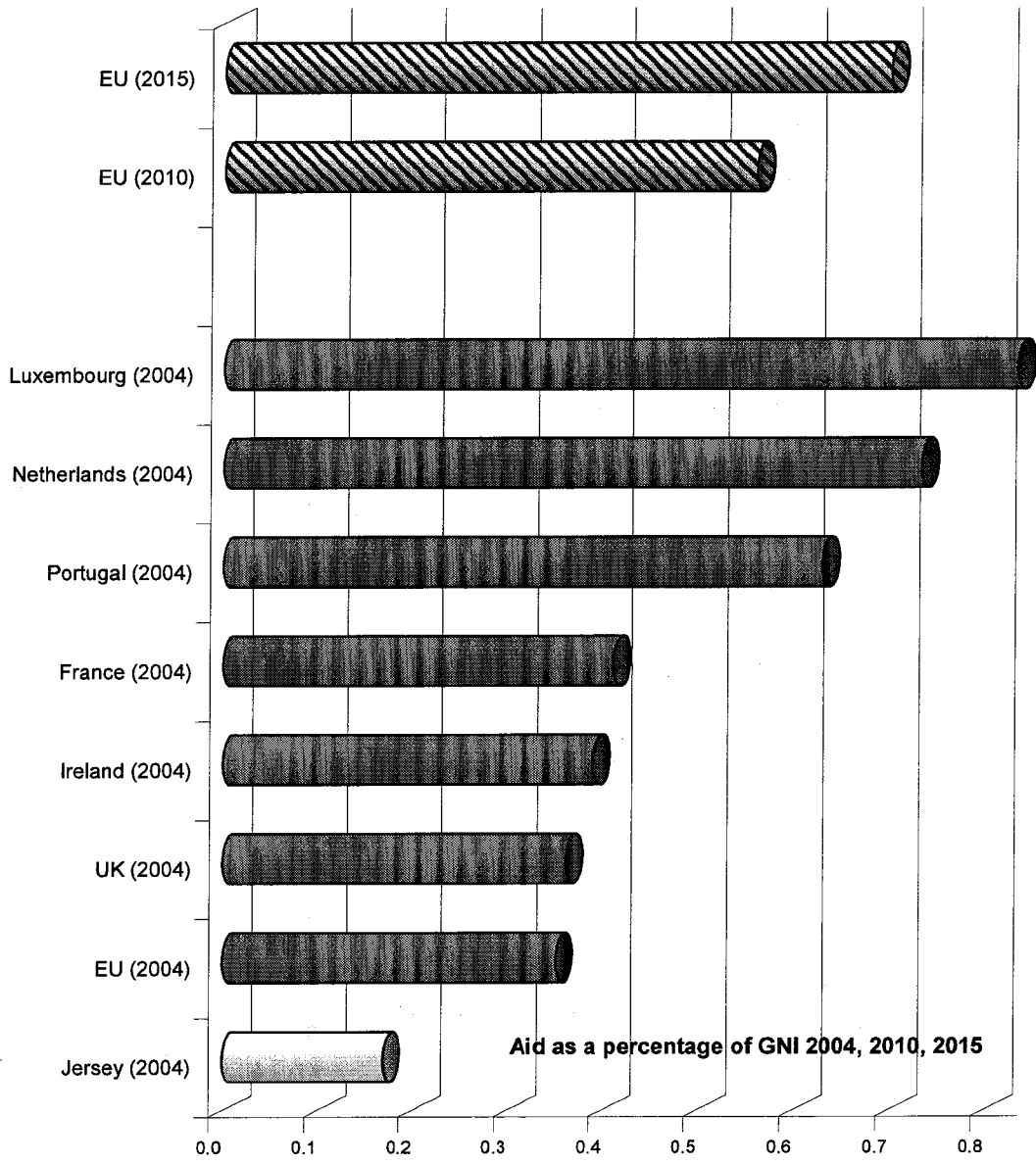
(Source: "Tax Proposals – Some Interesting Facts and Figures", F&E, 2002)

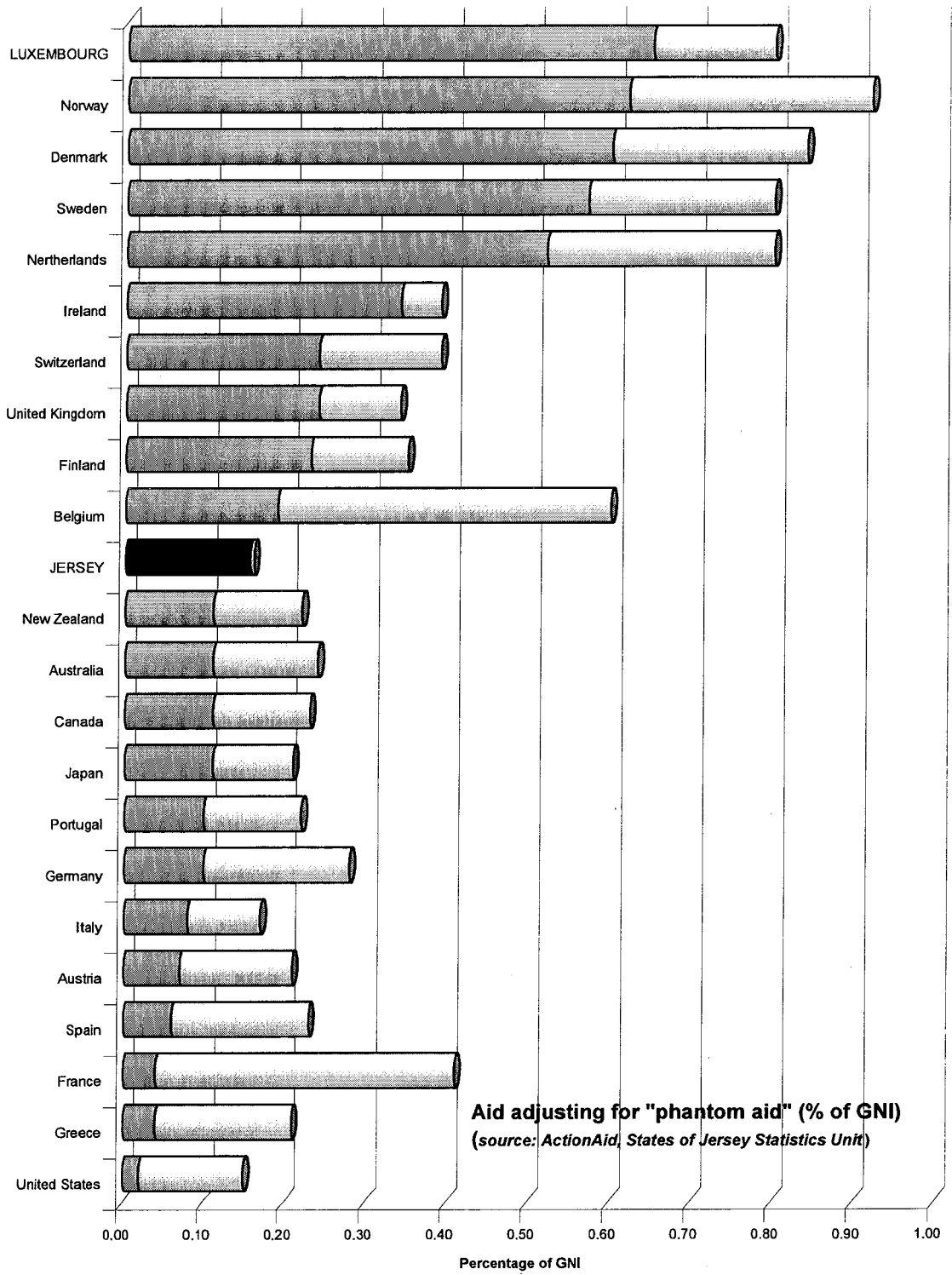
Raising overseas aid from 0.18% of GNI to 0.7% of GNI (equivalent to 0.8% of GDP using 2005 figures) will, at worst, raise this percentage to circa 21.5% of GDP if savings cannot be achieved by eliminating unnecessary or ineffective expenditure or funding the increase out of tax revenues flowing from economic growth.

^{vii} Real Aid: An Agenda for Making Aid Work, ActionAid International, page 29, Jersey in Figures 2005, page 59



source: Statistical Annex of the 2006 Development Co-operation Report, DAC, table 4
 Jersey in Figures 2005, page 59





Overseas Aid

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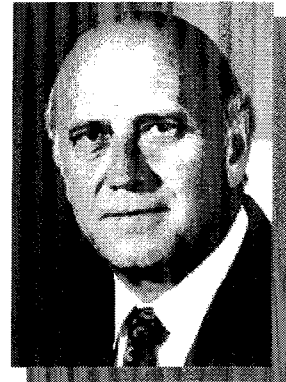
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**Submission to the Overseas Aid
Scrutiny Panel**

19 January 2007

At the Ashburton Jersey Debate in November 2006 I reminded the assembled audience that we on the African continent, in contrast to Jersey, enjoy the lowest living standards in the world. We are suffering under the surge of poverty and aids and unresolved violent conflicts in which hundreds of thousands of people are dying. I set out some of the factors that contribute to this situation.



Countries display a tendency to deal with the threat of competition by protecting domestic markets with trade barriers and subsidies rather than by meeting competition head on, by working harder and smarter. The trouble is that each step away from competition, each step away from free markets usually involves the diminution of freedom and an increase in the protection of special interests and who pays the price in the end? In a certain sense the developing world. When the European Union and North American governments artificially subsidise their farmers to the tune of US\$350billion per annum, they are diminishing the freedom of farmers in developing countries to compete in the one area where they may have a competitive advantage or chance.

Rigid labour laws and high minimum wages diminish the freedom of the unemployed to get jobs and protect the special interests of trade unionists. The economies that have the fewest restrictions are generally the economies that have the highest growth, the highest per capita incomes, the lowest unemployment and the freest political systems. This is because free markets generally allocate resources effectively and reward initiative ingenuity and hard work, all of which are pre-requisites for sustained success.

Free trade provides the stimulus that developing economies need to escape their torpor and become once more creative and competitive. Secondly, free trade increases global wealth and thus the total wellbeing of mankind. It lifted a third of the world's population out of absolute poverty between 1960 and 1990 and it now promises to do the same for two billion Indians and Chinese.

But what about Africa and a number of other totally under developed countries in the rest of the world? They are struggling with problems that the free world and the successful countries in the world have forgotten about. You cannot talk about making such a country competitive by merely freeing everything, if they don't have any basic capacity whatsoever, if the percentage of university graduates in their countries is almost nil, if the percentage of their children who go to schools is less than fifty percent, if they are totally corrupt, if they have been embroiled in devastating tribal wars about geographical problems in which hundreds of thousands of people have died, if large percentages of their population live in refugee camps.

Part of the solution lies in having a truly free international trading system. We need a level playing field for all concerned with no hidden subsidies either for Western farmers or for Chinese industries. We need serious trade negotiations that will create a free and fair dispensation for all participants. At the same time, reality dictates many countries in the developing world will need more than just a level playing field. They also need help in order to become competitive and help can be defined within the framework of a free economy, within the framework of the principles which have worked in the successful countries of the world. But none the less they need help.

Of course Africa and the developing parts of the world also have to bring their part. They have to upgrade their standards of governance. They have to put into place effective measures to curb and to root out corruption. They have to democratise because with all its shortcomings, democracy is the best political system which has ever been devised in history. They have to move towards accepting the rule of law and towards following themselves, free market economic and financial policies. They have to get their house in order and they realise this.

In this context properly targeted aid can play a part in lifting people out of poverty. I therefore hope that the States of Jersey will ensure that the island contributes proportionally to this challenge.

F W de Klerk

There are those who say "charity begins at home, let's look after the poor people of Jersey before we increase our contribution to help the poor of the developing world".

Clearly there is poverty in Jersey but there are many agencies, both states and voluntary, available to help those in need. No one needs to sleep in the street, to starve or not to be able to receive medical treatment.

In the third world there are many areas where no such agencies exist. There is no hospice, no unemployment benefit, no state medical care, the old age pension is a begging bowl, sick people can't see a doctor, children can't go to school, there is no clean water, no sanitation.....no future!

Poverty is relative, I am reminded of the saying "I grumbled because I had no shoes.....and then I saw a man with no feet".

Brian Stuttard

During the Second World War the people of Jersey experienced at first hand some of the suffering and oppression that many endure today. The help of the International Red Cross and the write off of the Island's wartime debt by the British government enabled the Island to get back on its feet. Now that Jersey enjoys peace and prosperity let us not shrink from playing our part in helping others along the road out of poverty.

Ralph Vibert OBE

When so much of our public spending is subject to questions of value for money, the funding of overseas aid presents huge opportunities to improve the lives of so many for so little.

Mike Liston OBE

While Jersey's budget is undoubtedly under pressure at the moment it would be quite wrong to seek economies in the funding currently allocated to this essential purpose and indeed the proposed increase is to be welcomed. I do not see this as purely a matter of altruism: grinding poverty and disadvantage, as well as being an affront to human dignity, provide the breeding grounds for diseases which can transmit themselves to richer countries as well as stimulating hatred and resentment that can lead to murderous responses. Nor can Jersey afford a reputation as a miserly donor.

I would go further and support a proposal that Jersey raises its subvention to match those of comparable jurisdictions. My only reservations are first, that increased funding derived from tax revenues should be matched by greater emphasis on charitable giving, since it is a key tenet of mine that pre-emption of resources by governments ought to be restrained; and secondly; that great care should be taken that aid finds the right targets rather than ending up in the private bank accounts of third world dictators and their retinues.

John Boothman

The extraordinary success of the finance sector has created real prosperity for the Island. It is fitting therefore that we use a small part of this wealth to help others overcome extreme poverty.

Geoffrey Grime

Whilst focussed on the personal challenge of improving one's view by scaling the final few steps at the top of the ladder, it is too easy to forget the plight of those who cannot even aspire to the first step of that ladder. We must remember our moral responsibility, both as individuals and a community, to help those facing absolute rather than relative hardship. This responsibility extends to ensuring that our assistance reaches those who need it and our efforts should be judged by reference to the suffering alleviated rather than just the funds donated.

Charles Clarke

There are many demands on our time, resources and monies. Most will not compare with the importance of helping fellow humans in dire straits in which they find themselves through no fault of their own. The millions suffering untold hardship, pain and death from preventable illnesses is hard to comprehend. That their plight occurs literally within a few hours of Jersey by plane and that each pound given buys so much more invaluable life saving resources than it would in Jersey provide further compelling reasons to give and support this continuing need for overseas aid. The issue pricks at the heart of the community's conscience as much as each individual's conscience.

Anthony Dessain

"In recent decades, Jersey's economy has gone from strength to strength, and the prospects seem to remain broadly favourable for the future. In this fortunate position, we must make every effort to play our full part, by setting out a realistic timetable to achieve the financial goals for the reduction of poverty"

John de Veulle

I can remember seeing posters of starving children during the Biafran war and being horrified that this could happen while I was enjoying all the pleasures of a secure Jersey childhood. Over the last nineteen years, I have lived in parts of Africa and visited communities in many parts of the world. Wherever I go, I am struck by the determination of local people to improve their lives and make opportunities for their children. I have seen how aid money can help them do this. In my work at Oxfam and elsewhere, I have been lucky enough to hear people's thanks at first hand. We are all living in one interconnected world and an increase in Jersey's aid budget can make a real difference.

Caroline Nurse (Oxfam Sudan Country Programme Manager)

The poet John Donne once famously wrote "No man is an Island" and here in Jersey we know the wisdom of this statement more than most. It was, after all, through the generosity of others overseas that the International Red Cross saw us through our darkest hour in the winter of 1944-1945.

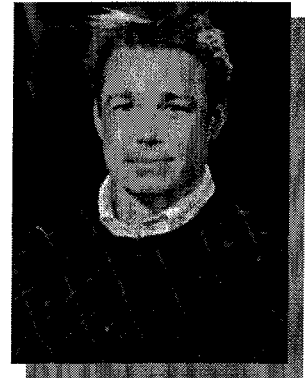
Having enjoyed increasing prosperity in the decades since, we have an obligation to help others overseas in the way that we were once helped. Jersey should raise its Overseas Aid contribution as a matter of principle and a matter of pride.

Iris Le Feuvre MBE

"Whilst I am a believer in giving to be largely a personal matter it is right that Government leads by setting a good example. For Jersey to be so high up the list in terms of GDP per head of population and not similarly highly rated when it comes to giving is not a strong example either to Jersey people or the rest of the world. I have heard it said that a measure of true prosperity is not what one accumulates for oneself but rather what one gives away to help those in real need"

Simon Radford

Most children growing up in Jersey have many and varied opportunities to develop to their full potential and can look forward to a healthy and fulfilling life. But grinding poverty denies so many children around the world even the most basic opportunities to enjoy things that we take for granted. Jersey's overseas aid programme can offer a ray of hope to some of these children and I therefore hope that the Island will work to improve its position in the international league table of donors.



Graeme Le Saux

Jersey was rightly challenged during the UN International Year and the subsequent Decade for the Eradication of Poverty to re-think its contribution to others far less fortunate than ourselves, both at home, with reconsideration of the whole issue and level of income support, and overseas. Collectively, we made a significant step towards meeting that challenge especially with regard to our policies and the level of our financial grants for both development and disaster relief. The previous, appropriate general direction was maintained but the increasing stride of each step since was not long enough.

We must now reiterate our long-term goal to achieve the target set for us and our neighbours by the United Nations and lengthen our stride every year until we can take real but modest pride in standing 'side by side' with our fellow rich nations in our total giving, both monetarily and in kind. That will not be a step too far!

Maurice Dubras