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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

OVERSEAS AID & DEVELOPMENT COMMISSION

FUNDING ARRANGEMENTS AND FUTURE DEVELOPMENTS

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Overseas Aid & Development Commission – Funding Arrangements and Future Developments" dated 25th September 2017, they are of the opinion:-

1. To agree that the Overseas Aid & Development Commission's budget allocations for Grant Aid and Disaster and Emergency Relief be treated as a single development aid budget and for the Commission to determine the proportion of its budget allocated across its core mandated functions;

2. To note the Overseas Aid & Development Commission's decision to progress, in close consultation with the Policy & Resources Committee (as "lead partner"), the initial exploratory discussions it has had regarding the possibility and feasibility of establishing a Guernsey Development Impact Fund;

3. To delegate authority to the Policy & Resources Committee to approve the investment of between £200,000 and £250,000 per annum of the Overseas Aid & Development Commission's budgets for 2018-2020 in the proposed Guernsey Development Impact Fund;

4. To note the Overseas Aid & Development Commission's ongoing commitment to ensure good governance in all areas of its mandate, and especially to ensure strict monitoring of all Grant Aid awards;

5. To note the measures the Overseas Aid & Development Commission has introduced to strengthen its compliance procedures in respect of preventing misuse of funds for money laundering or the funding of terrorism; and

6. To note the Overseas Aid & Development Commission's response to the States Resolutions of January 2012.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

OVERSEAS AID & DEVELOPMENT COMMISSION

FUNDING ARRANGEMENTS AND FUTURE DEVELOPMENTS

The Presiding Officer
Royal Court
St Peter Port
Guernsey

25th September 2017

Dear Sir

1. Executive Summary

1.1 The Overseas Aid and Development Commission ("the Commission") distributes funding to charities working in the world's poorest countries, on behalf of the States of Guernsey. The Overseas Aid budget is £2,715,000, with an additional £200,000 set aside for emergency disaster relief.

1.2 Through overseas aid, Guernsey is able to make an important contribution to assist in tackling, at source, some of the global challenges which do not respect national borders – for example, the spread of infectious diseases, which often originate in poorer countries where healthcare systems are weak; or the mass movement of people who are fleeing hunger, insecurity or war in their home country. These are issues which concern us all and, as in so many areas of government policy, preventive or early action is generally the most effective.

1.3 This Policy Letter has been prepared in response to the States Resolution of January 2012[1], namely:

"*VI.- After consideration of the Report dated 14th November, 2011, of the Policy Council:-*

1. *That the States of Guernsey maintain its current level of contribution (+RPIX) per annum.*
2. *That the States of Guernsey monitor the level of Overseas Aid expenditure with a view to reconsidering it once there is a higher*

[1] The 2012 Policy Letter was prepared in response to an earlier States Resolution of October 2010[1]. In 2010 the States had directed the Policy Council to produce proposals to set a long-term funding policy for Guernsey's contribution to overseas aid, including the feasibility of meeting the United Nations 0.7% GDP target.

degree of certainty over corporate taxation and when the fiscal position improves, or within 5 years, whichever is sooner."[2]

1.4 This Policy Letter addresses the funding arrangements and work of the Commission for the next period. In preparing its proposals, the Commission is mindful that the budgets for all States Committees are under pressure and so are all seeking to make real cost savings wherever possible without impacting on frontline services.

1.5 The Commission had naturally hoped for favourable economic circumstances, which would enable it to expand its work. However, given the States' current financial position, the Commission is simply seeking to maintain its core work: that is, the funding of sustainable development aid projects through its Grant Aid scheme, and support for the world's poorest countries following a natural disaster or humanitarian crisis. Additionally, following discussions with the Policy & Resources Committee, the Commission has agreed that its 2018 budget be increased by RPIX minus 1% - a real-terms' reduction which the Commission regrets, but which is in line with the reduction being considered for all States' Committees.

1.6 The Commission, unlike other States Committees and bodies, does not have an operational budget from which it can make savings. The entire budget is used to support sustainable development projects which build capacity and resilience in the world's least developed countries. Any real-terms budget reduction will impact directly on the Commission's ability to fund life-changing development projects. Therefore the Commission has had to respond to this challenge by finding other ways of delivering development aid better – to make its budget go further.

1.7 Since 2012, the Commission has worked hard to identify opportunities to work with the private sector to increase the impact of the States' contribution to development aid through matched funding and other co-funding initiatives. This Policy Letter sets out details of what the Commission believes to be exciting exploratory discussions for the creation of a Guernsey Development Impact Fund.

1.8 Section 5 of this Policy Letter explains the discussions the Commission is participating in with the Policy & Resources Committee and Innovest Advisory[3]

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[2] Resolution VI of Billet d'État No III of 2012

[3] Innovest Advisory ("IA") is a consultancy company which works at the nexus between innovation and social impact. Founded in 2015, IA links socially minded investors with impact investment opportunities worldwide. IA's clients on the investor side include High Net Worth Individuals, Family Offices, Trust Companies, Foundations, Asset Managers, Banks, as well as on the investee side, United Nations specialised agencies, charities, social enterprises and local financial institutions.

regarding the possibility and feasibility of establishing a Guernsey Development Impact Fund. The impact fund model has the potential to offer an alternative mechanism to increase Guernsey's contribution to development aid through an investment fund with the intention to generate social and environmental benefits in developing countries together with a financial return.

1.9 Section 6 of this Policy Letter provides an update on how the Commission has strengthened its governance and compliance regimes to ensure that the funds it distributes reach the intended communities and people and that the projects deliver a tangible and sustainable outcome. The Commission is mindful that it is allocating monies on behalf of the people of Guernsey and that accountability and transparency about how, where and on what it uses its budget is key to maintain public confidence in how Guernsey is delivering its commitment to overseas development aid.

1.10 Section 6 also provides an overview of how the Commission has responded to recommendations in the 2016 Moneyval Report which assessed the effectiveness of measures in place to prevent money laundering and the financing of terrorism. Since the publication of this report, the Commission, in close consultation with the Policy & Resources Committee, has reviewed its agreements with funded charities.

1.11 Finally, Section 7 provides a detailed update on how the Commission has progressed a number of recommendations set out in the 2012 Policy Letter to increase its public profile, including:

(a) Demonstrating the lasting benefit of the projects supported for the recipient communities; and
(b) Working with local overseas development charities, businesses and other organisations to develop opportunities for the collection and distribution of development aid.

2. Background

2.2 The Commission is a non-statutory, non-governmental committee of the States of Guernsey which distributes funds voted by the States for aid and development overseas by making grants to charities undertaking development and humanitarian work in the world's least developed countries, and by contributing to emergency and disaster relief.

2.3 The Commission's mandate is:

> *"To distribute funds voted by the States for aid and development overseas by making contributions to ongoing programmes and to emergency and disaster relief.*

To develop programmes relating to the collection and distribution of funds involving the private sector.

To carry out the duties and powers above in accordance with policies set out by the Policy & Resources Committee.

To fulfil the responsibilities set out in Annex One to the mandates of committees of the States."

2.4 The role of the Commission is to administer the budget approved by the States of Guernsey for overseas aid. The Commission's President is a member of the States of Deliberation and the six Commissioners are appointed by the States of Deliberation.

2.5 The Commission's 2017 budget is £2,915,000[4]. Guernsey's most recent GDP figure (2014) calculated the Island's GDP at £2.275 billion. Guernsey's current overseas aid contribution represents 0.13% of GDP.

2.6 The purpose of overseas aid has been expressed in successive Policy Letters over the past 35 years[5]. Guernsey gives in order to help provide for the basic needs of people in the poorest parts of the world – including health, education, clean water and food. The aim is to reduce human vulnerability and to promote sustainable change that will last beyond the lifespan of the project being funded. For the communities receiving aid from Guernsey, the benefits are both life-changing and often life-saving.

3. The Global Context of Development Aid – The World We Live and Work In

3.1 More than 700 million people around the world are living in extreme poverty (defined as having less than US $1.90 a day to live on). Half of those people are children. One person in every 10 is suffering from hunger, with millions of people in situations of acute food insecurity[6].

3.2 Earlier this year, famine was declared in Unity State in South Sudan – the first famine to be declared anywhere in the world in six years. The whole east

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[4] That is £2,715,000 for Grant Aid and £200,000 for Disaster and Emergency Relief

[5] Between 1980 and April 2004, the Overseas Aid Committee was mandated to distribute funds voted by the States for aid and development overseas. In May 2004, the Guernsey Overseas Aid Commission replaced the former Committee and whilst its mandate remained largely unchanged, its membership changed. Between May 2004 and April 2016, the Commission's membership comprised a Chairman selected from the members of Policy Council and six Islanders appointed by the States on the recommendation of the Policy Council to serve as Commissioners.

[6] Figures from 2016 Human Development Report

African region faces a food crisis, as do conflict-torn Yemen, Afghanistan and north-east Nigeria; and several southern African countries[7] are also vulnerable.

3.3 Over 600 million people around the world use an unimproved water source – that is, water which has not been made fit for human consumption.[8] This is an ongoing problem with serious social and economic consequences. Many hours of productive work or education time are lost when children and adults have to travel to fetch water. The daily journey to fetch water can be treacherous, with women and girls, in particular, risking rape and sexual assault. The health consequences of poor water quality are widespread and devastating: nearly two-thirds of deaths from diarrhoea alone could be prevented by improving water sources and sanitation – that's 800,000 lives a year[9].

3.4 Nearly 800 million adults and 100 million young people (aged 15-24) are illiterate. Education simply does not yet reach everyone – and the challenge is more complicated than just getting children into school. Of the 250 million children worldwide who have not yet learnt "basic skills", more than half have spent at least four years in school[10]. However, access to school is an important first step, and the fact that, across Africa, 90% of children with disabilities are not in school is a striking and serious injustice[11].

3.5 The world we live in today is not yet one in which every child has the opportunity to flourish, nor one in which every person has access to the resources they need to improve their situation. The global poor are enterprising – many of those who live on less than US $1.90 a day are in work – but the barriers presented by poor or non-existent infrastructure, lack of healthcare, limited education, and inadequate food and water mean that, acting alone, they and their communities are unlikely to break the persistent cycle of poverty.

3.6 This is the context in which the Commission's programme operates, and the reason why it remains so necessary today.

3.7 Despite these bleak statistics, there is hope. Eleven children die before their fifth birthday, every minute of every day – a heart-breaking death toll amounting to nearly 6 million infant and toddler lives lost a year. However, in 1990, that figure was twice as high at 13 million[12]. The number of people living

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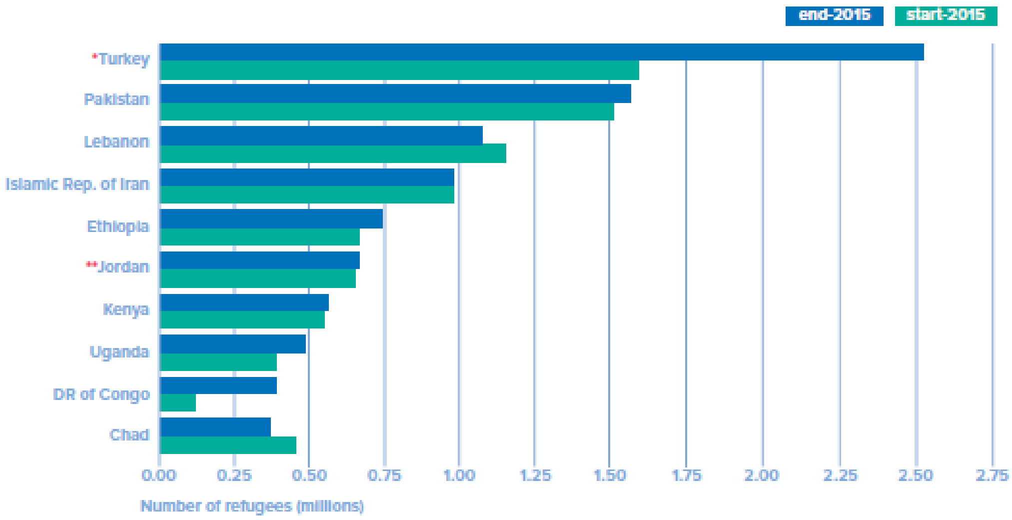
[7] Information from www.fews.net as at March 2017
[8] Figures from 2015 Human Development Report
[9] Information from http://www.who.int/water_sanitation_health/diseases-risks/en/ as at March 2017
[10] Figures from 2015 Human Development Report
[11] Information from "Disability and Development" (2014) – House of Commons International Development Committee [https://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/947/947.pdf]
[12] Figures from www.childmortality.org (2015)

in extreme poverty is also falling. The death rate from HIV and tuberculosis is dropping, although millions of people are still dying.[13] Concerted efforts at the local, national and international levels, over the last twenty-five years, have demonstrated that development and progress, that benefits everyone, is achievable.

3.8 Investing in development has real returns for the lives of individuals, communities and nations. The funding from Guernsey, administered through the Commission, is part of that investment and has made and continues to make a sustainable improvement for some of the world's poorest communities.

3.9 There are, however, a number of important trends which are not such good news for development. Climate change is a major and on-going concern. Natural disasters and climate-related events hit the poorest communities hardest, and their effects add up – for example, three years without decent rains have left Somalia on the brink of famine[14]. Climate-related resilience must increasingly become a feature of international development efforts, as part of reconstruction and, more importantly, prevention.

3.10 The levels of conflict and insecurity around the world are another major concern, with record numbers of people being displaced by violence: 21 million refugees and 41 million internally displaced people (that is, displaced within the borders of their own country). Here again, it is the world's poorest countries that bear the biggest share of refugees, despite having very little infrastructure to do so – five of the world's top 10 refugee-hosting countries are in Africa[15] .



[13] Information from 2016 Human Development Report
[14] Information from www.fews.net as at March 2017
[15] Figures from UNHCR Global Trends: Forced Displacement in 2015 [http://www.unhcr.org/576408cd7.pdf]

3.11 Rising inequality within and between countries is another trend affecting international development, as is growing urbanisation, with two-thirds of the world's population expected to live in urban areas in the next thirty years [16].

3.12 Urban poverty remains a challenge for development, with massive deprivation in city slums; but the increased isolation of rural and remote communities, the lack of infrastructure, and the challenges countries face in incentivising teachers, health professionals and other essential workers to work in those areas is an equally significant concern.

3.13 The international community has drawn together a set of seventeen Sustainable Development Goals (see Appendix 1), which identify the most important areas of international development for the period leading to 2030. These replace the Millennium Development Goals, which expired in 2015.

3.14 These Goals have a greater emphasis on the environment, and on conflict and peace, which was less marked in the Millennium Goals, and which reflects the growing impact of conflict and climate change, as discussed above. But at the heart of the Goals are the foundations of sustainable development – challenging poverty, improving health, education, clean water and food security – which are also the pillars of the Commission's work.

3.15 The Commission continues to focus its work on countries in the bottom quartile of the United Nations Human Development Index[17] - a ranking of countries based on life expectancy, poverty and education. Almost all countries in this region are in Africa. Average life expectancy in most is below 60 years. Among these countries, children are in school for an average of at worst 18 months and at best six years. These tend to be countries scarred by years of conflict or civil war; compounded sometimes by epidemics (e.g. Sierra Leone, Liberia, Guinea) or natural disasters (e.g. Nepal, Haiti, Bangladesh) which set their progress back. They are often also countries without strong governance, where governments are ineffective in meeting the needs of many of their citizens[18].

3.16 The progress that has been made in tackling extreme poverty, disease and hunger worldwide demonstrates that international development can deliver real results, leading to improved survival rates, a better quality of life and far greater access to opportunity for millions of people around the world. These figures also show how much work there is still to be done.

3.17 In this context, Guernsey's contribution, although small on a global scale, still continues to have a vital and transformative impact on the lives of children and

[16] Figures from 2016 Human Development Report
[17] http://hdr.undp.org/en/composite/HDI
[18] See Transparency International: Corruption Perceptions Index 2016

adults, families and communities, in some of the most disadvantaged and deprived situations in the world.

4. The Commission's Future Funding

4.1 *Background*

4.1.1 Guernsey's first overseas aid budget, in 1980, was worth £50,000 or 0.022% of GDP at the time. Since then, the budget has increased to over £2.5m, and 0.13% of GDP. There is an international target for countries to give 0.7% of their GDP in "Official Development Assistance". The UK is one of a small number of countries which achieve this target.

4.1.2 "Official Development Assistance" (ODA) is defined as funding which intends to promote "*the economic development and welfare of developing countries*" and which is "*concessional in character* [… with] *a grant element of at least 25%*."[19] ODA includes bilateral funding – that is, direct donations or loans from one country to another – and funding awarded to certain international organisations active in developing countries.

4.1.3 Guernsey's level of funding for overseas aid, which falls far short of 0.7% of GDP, has often been questioned. However, Guernsey does not make direct donations to other governments – all funding is for specific, community-level projects. Guernsey's overseas aid funding is entirely grant-based, unlike ODA, which can include loans. The character and principles of Guernsey's approach to overseas aid are clearly different to those which underpin ODA.

4.1.4 The following table shows the Commission's budget between 2010 and 2017:

Year	Grant Aid	Percentage Increase
2010	£2,340,000	0%
2011	£2,420,771	3.3%
2012	£2,492,988	2.1%
2013	£2,545,225	2.9%
2014	£2,561,377	0.6%
2015	£2,588,126	1%
2016	£2,685,000	3.6%
2017	£2,715,000	1.1%

4.1.6 During this same period the need for overseas development aid has not reduced and indeed the demands on the Commission's budgets have increased

[19] OECD (2008) "Is it ODA? Factsheet" [Online] Available at: http://www.oecd.org/dac/stats/34086975.pdf [accessed 14.06.2016]

significantly. In the late 1990s the Commission received requests for funding that outstripped its available budget two-fold. In the 2017 Grant Aid funding round the total amount of requests for funding was £9,520,500, i.e. more than three times the available budget.

4.1.7 In 2005, the Commission's budget was increased by £200,000. This additional funding was prioritised for making awards following natural disasters or in response to humanitarian crisis. The Commission's Disaster and Emergency Relief funding has not been increased since that date. If the Commission's Disaster and Emergency Relief budget had been increased by RPIX in line with its Grant Aid budget the budget allocation would now be £264,000.

4.1.8 Prior to 2005, the Commission did not have any provision for disaster and emergency relief awards following natural disasters or in response to humanitarian crisis, such as famines, in least developed countries. In response to such an event, the Commission would make a request for additional funding to the former Policy Council and a Policy Letter presented to the States.

4.1.9 Since 2005, the number of requests for disaster and emergency relief aid has increased significantly. The number and frequency of requests for emergency funding, especially in response to humanitarian emergencies, has also increased, and the Commission's dedicated webpages allow charities to identify a possible source of funding. It also reflects the challenges charities working in the development aid field are experiencing in raising funds, especially for disaster relief work.

4.1.10 In 2016, the Commission received sixteen requests for emergency and disaster relief. The total amount request was £418,645. The Commission supported eight of these requests and made contributions amounting to £168,645:

Charity	**Details**	**Amount**
Red Cross UK	Disaster emergency relief for response to the Hurricane Matthew in Haiti	£16,500
Plan International		£16,500
ActionAid UK		£16,500
OXFAM	Disaster emergency relief for response to the ongoing drought and famine in Ethiopia	£20,000
HART-UK	Disaster emergency relief for response to the ongoing humanitarian crisis in South Sudan	£29,145
Christian Aid	Disaster emergency relief for response to the ongoing drought and famine in Ethiopia	£10,000
Christian Aid	Disaster emergency relief for response to the ongoing humanitarian crisis in South Sudan	£10,000
The DEC	Yemen humanitarian crisis	£50,000
Total Disaster and Emergency Relief awards in 2016		**£168,645**

4.2 ***Development Aid Funding in the other Crown Dependencies***

4.2.2 By way of additional background, details of the overseas aid contributions of the other two Crown Dependencies and a number of other jurisdictions is set out at Appendix 2.

4.2.2 When comparing Guernsey's overseas aid giving (and that of Jersey and the Isle of Man) with other countries, it is important to recognise that the approach across the three Crown Dependencies is very different from that of most other jurisdictions. The contributions from each of the Crown Dependencies do not include any payments linked to trade or foreign policy considerations; the funding is always awarded to charities, rather than to governments; grants are attached to specific projects that will make a lasting difference at a local level; and all awards are grant-based – i.e. there are no loans or conditional awards.

4.2.3 The Commission is aware that, for many smaller charities, an award from one of the Crown Dependencies is not only transformative in terms of the projects the charity can support but also in terms of accessing other sources of development aid. The Commission understands that the UK Department for International Development ("DIFD") considers such an award from Guernsey, Jersey and/or the Isle of Man as persuasive evidence of a charity's ability to deliver development aid.

4.3 ***Overseas Aid Funding Arrangements***

4.3.1 The 2012 States Resolution directed the then Policy Council to report back to the States on the level of funding for Overseas Aid once "…*there is a higher degree of certainty over corporate taxation and when the fiscal position improves, or within 5 years, whichever is sooner.*"

4.3.2 At that time, the States of Deliberation confirmed their strong support for Guernsey's overseas development contribution and agreed to maintain the Commission's budget in line with inflation. The Policy Council's 2012 report stated:

> "*11.1 Despite the fact that Guernsey donates a relatively low amount of Overseas Aid in comparison to similar jurisdictions, and although there will be many who will wish to see a significant increase in States expenditure towards Overseas Aid, the current fiscal uncertainties coupled with the States' policy on expenditure cannot be ignored. The Policy Council, along with all States Departments and Committees, is currently engaging as high priorities, work streams that seek to* ***restrain*** *States expenditure. It may therefore be impractical to pursue proposals that would significantly enlarge the fiscal deficit, whilst the States is trying to eliminate it. The Policy Council recommends a long-term*

funding policy that will ensure that the level of Overseas Aid will remain consistent alongside the rate of inflation, but will not commit to additional expenditure at this time."

4.3.3 The five-year time period has now elapsed and the Commission is very mindful of the States Resolutions of December 2016 for the 2017 Budget Report. The Commission recognises that, alongside all other States committees and bodies, it would be inappropriate to seek an above real terms increase in its funding in the current financial climate.

4.3.4 Following discussion between the Commission and the Policy & Resources Committee, the 2018 Budget included a recommendation that the funds allocated to Overseas Aid & Development should be uprated by RPIX minus 1%, which reflects the savings target also imposed on other Committees of the States. While its funding allocation for future years will be set in subsequent States' Budgets, the Commission believes that the States will wish to maintain Guernsey's long-established commitment to supporting some of the world's poorest and most vulnerable communities through development aid. Its starting point for future budget discussions, therefore, will be to recommend an annual uplift by RPIX (maintaining the value of the funding in real terms), with due consideration of any improvements or downturns in the island's economic circumstances at the time, and any savings targets that may be imposed by the States.

4.3.5 The Commission recognises that all States Committees are under pressure and so are all seeking to make real cost savings wherever possible without impacting on frontline services. However, unlike other States Committees and bodies, the Commission does not have an operational budget from which is can make savings. The entire budget is used to support sustainable development projects which build capacity and resilience in the world's least developed countries.

4.3.6 In order to maximise the States' contribution to overseas development, the Commission has sought to identify how it can deliver development aid differently without recourse to additional public money. The Commission has recently participated in discussions with the Policy & Resources Committee following an approach from a local consultancy company, Innovest Advisory, about the feasibility of establishing a Guernsey Development Impact Fund.

4.3.7 The Commission believes that these recent early discussions suggest that such a fund, which invests in projects that generate social and environmental benefits alongside financial returns, could offer an opportunity to extend the reach of Guernsey's investment in aid and development. This may, in due course, enable Guernsey to increase its overall commitment to sustainable development, without necessarily increasing the funding allocated to this area by the States. The Commission therefore considers it an area worthy of further investigation.

4.3.8 The Commission believes that impact funding may be able to provide an alternative and complementary mechanism for delivering development aid, alongside the more established approaches of grant aid and disaster and emergency relief. Section 6 below provides a more detailed overview of how impact funds operate, and their potential to deliver development aid through a mix of public and private financial contributions. The Commission is keen to explore whether impact funding could form part of Guernsey's contribution to overseas development. Together with the Policy & Resources Committee, it has requested a detailed feasibility study of this area; and has committed, in principle, to apportioning part of its budget (in the range of 7.5% to 10% of its total budget) to support such an Impact Fund, subject to the findings of the feasibility study. In making this undertaking, the Commission will be maintaining its core activities.

4.3.9 The Commission is also proposing that, rather than specifying a ring-fenced fund for Disaster and Emergency Relief, its budget allocation for Grant Aid and Disaster and Emergency Relief be treated as a single development aid budget. It is the Commission's intention to broadly maintain the split between its different areas of work, with the majority of its emphasis on the preventive and reconstructive work funded through the annual Grant Aid round, rather than emergency relief. However, a single budget will provide greater flexibility to allocate funding in response to changing priorities for, and approaches to, the delivery of development aid.

5. Guernsey Development Impact Fund

5.1 *Background*

5.1.1 In June 2017, the Policy & Resources Committee and the Commission received an approach from Mr. Justin Sykes, the founder and managing director of Innovest Advisory, to explore the "appetite" within the States for establishing an impact investment fund as a mechanism for generating additional funds to support overseas development.

5.1.2 The Commission regards this approach as having the potential to provide an exciting and new way of delivering development aid. It is progressing these discussions in close partnership with the Policy & Resources Committee, as the "lead partner" given the expertise within that Committee through its Investment and Bond Sub-Committee. The Commission is conscious that this is an area outside its general area of knowledge and expertise, and so it would not, of itself, have the skills required to undertake the due diligence and professional assessment required if such a fund were to be established.

5.1.3 Impact investing is an investment model that aims to generate specific beneficial social or environmental effects alongside a financial return. Examples of this asset class include investment into commercial agriculture, social housing, healthcare, education, sustainable technologies and microfinance as well investments into outcomes-based public services. The Commission understands that this kind of investment is becoming increasingly recognised as a mainstream class with the sector having more than US $75 billion assets under management ("AUM") and growing at around 20% year-on-year. Estimates indicate that AUM in this area could reach US $2 trillion, or 1% of global invested assets by 2025.

5.1.4 When the UN adopted the Sustainable Development Goals in September 2015, a framework for how to tackle some of the most pressing global challenges, including ending poverty and addressing climate change by 2030 it was estimated that the overall cost of delivering against the 17 SDGs would to be around US $4 trillion per annum.

5.1.5 In 2015, the OECD's Development Assistance Committee ("the DAC") estimated that some US $132 billion was given by its 28 member countries and a further US $9.23 billion by 10 other countries, including the United Arab Emirates, Russia and EU Member States that are not DAC members. This amounts to about 4% of the estimated annual cost of delivering the Sustainable Development Goals, indicating that new solutions and funding mechanisms are needed, beyond traditional development aid and bilateral transfers. Impact investment is one such potential route to leverage additional money to fund overseas development work, bringing in investment from philanthropic funds and other sources of private capital, in addition to the more conventional sources of development finance.

5.1.6 The Commission understands that, if the States of Guernsey were to invest in an appropriate impact investment fund, this could enable Guernsey to expand its support for overseas development beyond that which is currently possible through the Commission's Grant Aid scheme. By combining government and private investment in an impact fund, which combines social and environmental goals with a financial return, the Commission believes it should be possible to provide additional, beneficial support for international development without increasing the demand on the public purse.

5.2 *Examples of Established Impact Funds*

5.2.1 In its initial discussions, the Commission was referred to two existing models which are made up from government funds together with private funds from businesses, corporate bodies, trusts and other investment funds, and individual investors: the DFID Impact Fund and the Luxembourg Microfinance Development Fund. The Commission believes that these case studies could assist the States in considering the merits of impact investing, and has outlined them both below.

The DIFD Impact Fund

5.2.2 The Commission was advised that in 2012, the Department for International Development ("DFID") launched an Impact Fund to draw private sector sources of capital into the impact investment market and demonstrate the viability of impact investments over the long term. The DFID Impact Fund is now a £75 million fund managed by the UK's Development Finance Institution, CDC. CDC[20] is wholly owned by the UK government. CDC's investment strategy, is set in conjunction with DFID.

5.2.3 The DFID Impact Fund is focused on investments in low income and lower-middle income countries in Sub-Saharan Africa and South Asia. The DFID Impact Fund supports investment in all sectors where it can be demonstrated that there is a significant unmet need for investment to achieve impact. These include, but are not limited to, businesses providing access to food, housing, energy, water, sanitation, health, education, financial services and livelihoods.

5.2.4 The DFID Impact Fund does not include micro-finance as DFID believes that this area of development aid has successfully attracted investment capital from other sources. The Commission understands that the Fund aims to increase capital available for development aid programmes through robust due diligence of investees' financial returns, as well as the development impact of their work, in order to give confidence to investors. In the longer term, the fund aims to secure further capital through proving the financial viability of pro-poor business models and demonstrating the positive impact that this type of investment will deliver.

The Luxembourg Microfinance Development Fund

5.2.5 The Commission was advised that the Luxembourg Microfinance Development Fund ("the LMDF") would more closely resemble the structure of any Guernsey Impact Investment Fund. The LMDF was incorporated in October 2009 and aims to contribute to the alleviation of poverty by supporting organizations that empower people and stimulate entrepreneurship, with a particular focus on the most excluded. The LMDF facilitates access to responsible finance by building sustainable links between investors, microfinance institutions and

[20] CDC was funded in 1948, making it the world's oldest DFI. CDC aims to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places. It supports businesses in developing countries which often struggle to find the investment they need to grow. At the end of 2015, CDC had portfolio of investments is valued at £3bn and including 1,293 investee businesses.

ultimate beneficiaries. It is an investment company organised as a public limited company under the laws of the Grand Duchy of Luxembourg.

5.2.6 The LMDF aims to support the alleviation of poverty in developing countries through permanent and adapted financial services to marginalised communities and individuals. The Fund invests in promising microfinance institutions that have a positive social impact so that these institutions reach financial autonomy. In pursuance of its objectives, the Fund may invest in individual microfinance institutions, in networks or associations of microfinance institutions, in regional funds, in microfinance investment vehicles and in other microfinance-related products.

5.2.7 The Commission was advised that the LMDF has two principal objectives, social and financial: to help socially-oriented microfinance institutions to become long-term viable enterprises that reach more poor people and offer better services, and to generate sufficient income to sustain its own operations and give its shareholders a financial return that at least compensates for inflation.

5.2.8 The LMDF's 2017 Annual Report[21] showed the fund net assets had increased by 21% over the year, from €22.5 million to €27.3 million. This increase was largely attributed to additional contributions from shareholders of €4.6 million.

5.2.9 The LMDF Annual Report stated that, investments in microfinance had grown by 0.6% from €19.6 million at the last year end to €20.7 million. The headline figures showed that some 1.1 million individuals (74% of whom were women) were receiving microfinance loans through the LMDF and 60% were in Latin American, 21% in South East and Central Asia and 12 % in Sub-Saharan and North Africa with the remaining 7% being distributed in developed countries. The average loan was €1,170.

5.3 *Potential Structure for a Guernsey Development Impact Fund*

5.3.1 Initial discussions with the Policy & Resources Committee and Innovest Advisory have focused on the creation of a new, Guernsey-based, impact investment fund, rather than investment into an existing fund. The Commission understands that there is considerable interest from Guernsey's financial sector, and connected industries, in developing this area locally. At this early stage, it is envisaged that any such fund would include a focus on investing in pro-poor business activities in developing and emerging markets, targeting a level of financial return alongside the achievement of specified social and environmental goals.

[21] https://www.lmdf.lu/en/

5.3.2 The Commission has taken, and will continue to take, an active part in discussions about the development of such a fund. However, the lead role (on behalf of the States) in designing such a fund and assessing its feasibility belongs to the Policy & Resources Committee. The Commission's contribution centres principally on shaping the social and environmental goals of the fund, to ensure that it reflects Guernsey's values and principles for overseas aid and development.

5.3.3 The Commission understands that the proposed fund would be independent of the States, and administered by experienced, professional fund administrators.

5.3.4 The Commission, in discussion with the Policy & Resources Committee, has been asked to consider allocating part of its annual budget as seed funding to establish a fund. It is understood that an initial tranche of government investment, in the form of seed-funding, would help to boost the confidence of potential private investors in the fund and encourage them to commit. The initial discussions have suggested that, to launch the fund, an annual investment of between £200,000 and £500,000 would be required for at least the first three years of the fund (equivalent to between 7.4% and 18.5% of the Commission's overall budget).

5.3.5 If this seed funding were to come from the Commission's Grant Aid budget, the Commission would not be able to support as many projects as in previous years (a reduction of around 5 to 13 projects, depending on the size of the commitment, over each of the next three years). However, the initial discussions have indicated that the fund could deliver comparable social and environmental benefits to those achieved by some of the projects which the Commission supports and, by achieving a financial return, could ensure ongoing investment in such projects, without significant additional demands on the public purse from year to year.

5.4 *Next Steps from the Commission*

5.4.1 The Commission has been persuaded that there is merit in exploring impact investment, as an option for expanding Guernsey's contribution towards overseas development aid. It firmly believes that the provision of grant aid by way of awards to individual charities and NGOs for specific and costed development projects must remain at the core of the Commission's work. However, mindful that its mandate also includes a provision for it "*to develop programmes relating to the collection and distribution of funds involving the private sector*" and that potential budget reductions mean it is necessary to explore other ways of increasing the impact of development aid, the Commission believes that impact investment could offer an opportunity to fulfil both these goals in a creative and constructive way.

5.4.2 The Commission believes a Guernsey Development Impact Fund potentially offers a new and exciting approach to how it funds development projects. It is also satisfied that impact investment falls within Part 2 of the Commission's mandate, namely, "*To develop programmes relating to the collection and distribution of funds involving the private sector"*. However, for the reasons set out above, the Commission believes this initiative must be undertaken in partnership with the Policy & Resources Committee and with that Committee acting as the "lead" partner because it has the required expertise and experience in establishing and monitoring investment funds.

5.4.3 Further, the Commission's view is that a Guernsey Development Impact Fund would not, and indeed should not, replace the Commission's core focus of providing development aid through the Grant Aid Scheme. The Commission is mindful that many charities, including several local charities, rely on funding through the Commission to deliver development projects that would otherwise be beyond their fundraising abilities to support. The evidence in the charities' interim and final reports underlines the sustainable and life-changing impact such small projects have for the beneficiary communities.

5.4.4 The Commission is firmly of the view that it should be directly involved in setting the criteria for the types of development work to be supported from any local impact investment fund which has an element of States' funding, as well as the countries in which the fund may distribute monies. The Commission also firmly believes that it must have a role to play in monitoring the performance of the fund, with specific responsibility to review the impact of projects supported through the fund.

5.4.5 In order to progress this new opportunity for delivering development aid, the Commission has agreed:

a) In close consultation with the Policy & Resources Committee (as the "lead partner"), to work with Innovest Advisory, or other suitably qualified and experienced organisation(s), to undertake a full and costed feasibility study on the concept of a Guernsey Development Impact Fund; and

b) In principle, and subject to the findings of the above feasibility study, to allocate between £200,000 and £250,000 from its 2018 budget, and in 2019 and 2020 to invest a further similar amount from its forecast budgets for both year, in the proposed Guernsey Development Impact Fund.

5.4.6 The Commission envisages that, within two years of its launch, a full review of the Fund, including how it supports the delivery of overseas aid beyond the Commission's own investment, will be undertaken. The outcomes from the review will inform any decision, again in close partnership with the Policy & Resources Committee, as to whether the Commission should continue to provide seed or other capital investment into the Fund and, if so, the level of such investment and the investment period.

5.4.7 In conclusion, the Commission believes that the creation of a Guernsey Development Impact Fund offers an exciting opportunity to increase the value of the States contribution to overseas development. The proportion of its 2018 and future budgets which, subject to confirmation from the Policy & Resources Committee that the proposed Impact Fund provides a prudent fund in which public money should be invested, the Commission proposes to allocate will be held back from the Commission's 2018 Grant Aid programme but will be returned to this part of the Commission's budget for future allocation should, for whatever reason, a Guernsey Development Impact Fund not be established.

6. Strengthening the Commission's Internal Governance

6.1 In 2013, following an internal audit review of the Commission, the policies and procedures for the making of both Grant Aid and Disaster and Emergency Relief awards were amended in response to recommendations in the internal audit report, to ensure that the transfers of awards satisfied best accounting practices and to ensure that the Commission complied with the international anti-money laundering and terrorist financing standards for charities and NGOs transferring money overseas.

6.2 As a result of these reviews, the Commission formalised the terms and conditions for each award it made to a charity and strengthened the agreement each charity must sign before any money is released. It also introduced a clear policy setting out its compliance requirements and the sanctions which may be imposed in the event of a breach of compliance (see Appendix 3).

6.3 Further, all Grant Aid payments for 2014 were issued as two or more staged payments. The first payment is made on receipt of a signed agreement from the charity confirming that the project is to proceed on the basis of the approved application and confirmation of a start date for the project. The first payment is made about four to six weeks before the commencement date.

6.4 The second payment is now generally released half-way through the delivery of the project following receipt of an interim report explaining how delivery of the project is progressing and including a budget which shows the proportion of the grant spent to date against the work undertaken.

6.5 The Commission is mindful that it would be impossible (and certainly not cost-effective) to visit every project it supports, and so works hard to establish a good and open working partnership with the charities it funds. It also understands that the impact of in-country events such as elections, climatic changes, including freak weather events, epidemics and natural disasters, can have a very significant impact on the delivery of the approved project. Therefore, the Commission requires charities to advise it of such delays in a timely manner, so that it can work with the charity to agree a revised reporting timetable, to ensure that the project can continue as soon as the in-country disruption has settled.

6.6 In 2016, following a review of the recommendations in the Moneyval report which assessed the effectiveness of measures in place to prevent money laundering and the financing of terrorism, the Commission, in close consultation with the Policy & Resources Committee, reviewed its agreements with funded charities. As a result of this review, a more detailed charity registration form must be satisfactorily completed before any award is made. The registration form addresses the mechanism the charity has in place to ensure that all funds received and transferred to overseas development aid is properly accounted for and that the charity has appropriate measures in place to mitigate the risk of its funds (from any source) being used unlawfully, including through for the payments of bribes, for financing terrorism or for money laundering purposes.

6.7 The Commission is pleased to report that all the charities it supports have embraced these changes and the level of compliance has been very high, in excess of 99%. Most compliance issues relate to a charity failing to notify the Commission in a timely manner that their interim or final report will not be submitted within the prescribed timeframe because of operational challenges in country. The Commission recognises that events such as general elections and extreme weather are likely to have a more significant impact on the infrastructure and delivery of services in developing countries than is the case in a developed country. For this reason, the Commission always adopts the approach that there is rarely any issue for a charity submitting a progress report late, so long as the Commission has been advised as soon as possible of the delay, the reasons for it and provided with a revised timetable for submitting the report

6.8 Since the Commission published clear compliance guidelines in 2010, there have been no instances of a charity altering how an approved grant is used without prior approval from the Commission.

7. <u>The Commission's response to the other recommendations in the 2012 Policy Letter</u>

7.1 The 2012 Policy Letter said that should the States agree to substantially increase the level of Guernsey's overseas aid contributions any such increase would need to be fully explained in order to rebut any potential public negativity. It recommended that the Commission:

- Raise its media exposure
- Develop a “Guernsey Overseas Aid” website to inform the public of the facts and figures involved with Overseas Aid worldwide.
- Investigate the possibility of linking private philanthropy and local charities to governmental Overseas Aid contributions through funding schemes.

The progress which the Commission has made against each of these three areas is outlined in brief below.

7.1 *Raising the Commission’s media exposure*

7.1.1 Since 2012, the Commission has endeavoured to be more proactive in publicising its work through the local media. The Commission recognises that its work reflects positively on Guernsey in the wider international community and also raises islanders’ awareness and understanding of overseas development and humanitarian issues.

7.1.2 In 2013, the Commission redesigned the format and content of its Annual Reports. The new style reports now include both an overview of the Commission’s work in the previous year and an update on the delivery of a number of the projects the Commission has supported. The reports include photographs provided by recipient charities and case studies from those who are direct beneficiaries of funding from the Commission. The aim is to show how the Commission’s grants have made a sustainable improvement to the lives of some of the world’s poorest communities. The Annual Reports are now published as standalone reports (in electronic form), in an endeavour to reach a wider readership. The reports are sent to all the charities on the Commission’s contact list and published on its website.

7.1.3 Further, the Commission has sought to be proactive in issuing media releases about its work. These have primarily related to the various awards it makes each year to assist communities in the least developed countries in the immediate aftermath of natural disasters and other emergencies. The Commission now issues media releases whenever it makes an award from its Disaster and Emergency Relief budget. The Commission continues to work closely with the States Corporate Communications Team to identify opportunities for promoting the Commission’s work.

7.2 *Commission website*

7.2.1 Since 2012, the Commission has updated and enhanced its website. The website provides information about the Commission’s work, its funding policies and detailed guidance notes, details of how charities may apply for funding and information about funded projects. The website also allows charities to register for updates from the Commission.

7.2.2 The greater web presence has resulted in a significant increase in the number of charities that have registered an interest with and applying for funding from the Commission. Prior to 2012, the Commission was receiving applications from about 45 charities. The 2017 Grant Aid funding round attracted some 274 applications from over 200 charities, of which 52 were applying for funding for the first time. In addition, over 500 charities and individuals have registered via the Commission's the website for updates on its work.

7.3 *Working with overseas development charities*

7.3.1 In addition to the updated website, the Commission has also worked to strengthen its relationships with the many charities applying for funding. The Commission sends out regular email updates, for example advising charities of dates for making funding applications, updates on the progress of reviewing the funding applications, feedback on the most common reasons for applications not being supported for funding, etc.

7.3.2 Good governance of the funding distributed by the Commission is central to its work. The Commission undertakes initial compliance checks on all charities applying for funding, including making checks with the Charity Commission with which the charity is registered. It is for this reason that the Commission only considers applications from charities registered in the British Isles.

7.3.3 When an award is agreed, further checks are made, including requiring the recipient charity to provide details of in-country partners and, where an award is for a project in a country which is subject of international sanctions, confirmation that the charity has undertaken the requisite checks to ensure that nether the in-country partner or other individuals or bodies involved in the delivery of the project are subject to the sanctions. There is also strong governance around the application process, and a focus on impact: the potential impact of the project forms a central part of the Commission's initial evaluation, and follow-up reports show how this has developed in practice. However, this is an area where the Commission is keen to continuously improve, in order to better communicate with the public, and to demonstrate that Guernsey is making a positive difference among communities around the world.

7.3.4 The Commission continues to meet with individual charities on request. These meetings provide an opportunity for the charities to update the Commissioners on their work generally and, in particular, the progress of projects funded by the Commission. In addition, they enable the Commissioners to ask questions and so develop and deepen their understanding of the charities' work, the impact of and difference the funding from the Commission makes and the wider challenges faced in delivering development aid to remote and often unstable communities and regions.

7.4 *Working with private philanthropy and local charities*

7.4.1 Since 2012, the Commission has worked closely with the Association of Guernsey Charities to support Guernsey-based overseas development charities in their work. The Commission now offers an annual Grant Aid application workshop for these charities to help them understand the process including what information will assist the Commissioners when reviewing applications so that they can maximise their chances of securing a successful outcome. These workshops have been well received by the participants and have had positive results for the charities attending.

7.4.2 In 2015, the Commissioners attended a presentation from Greg Valerio of CRED Foundation who spoke about Fairtrade gold[22]. As a result of the presentation, the Commission forged a partnership with local jeweller, Ray and Scott, KPMG and Fairtrade Guernsey to provide support for Ugandan artisanal gold miners to reduce their dependence on mercury and cyanide in gold extraction through the purchase of a centrifuge and smelting unit. The total cost of project was £7,689 and the funding is being shared between the Commission and the partners as follows:

Contribution from Ray and Scott Jewellers	£1,900
Contribution from KPMG	£ 300
Private individual donations	£ 270
Contribution for the Commission	£5,489

7.4.3 In 2016, the Commission entered into two match funding initiatives with local organisations – the World Aid Walk Committee and the Guernsey Rotary Clubs.

The World Aid Walk

7.4.4 In 2016 and 2017, the Commission agreed to match, pound for pound, the money raised by the walkers participating in the World Aid Walk. In reaching its decision to offer this match funding, the Commission recognised how much part of Island life the World Aid Walk has become since its inception in 1970 and the huge difference that the money raised by countless walkers in that time – amounting to over half a million pounds – has made to the lives of some of the poorest people in the world.

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[22] The Fairtrade Gold standard has established tangible developmental opportunities for the small-scale miners, their communities and traceable supplies of gold for jewellers. Key objectives are traceability of supply, social and environmental improvements, labour standards including eradicating child labour, minimum prices and trading standards and removing economic exploitation from the supply chain.

7.4.5 The Commissioners wished to support and recognise the efforts of those walking and those sponsoring walkers, as well as amplifying the World Aid Walk's message to Islanders: to better understand the huge difference their efforts and generosity have made and to show that a few pounds and blisters and aching muscles can change lives and indeed save lives.

7.4.6 The Commission invited each of the charities supported by the 2016 World Aid Walk – ActionAid, Christian Aid, Oxfam, Save the Children, the Tumaini Fund, the Eleanor Foundation, and Seeing Is Believing – to identify a specific project which the World Aid Walk sponsorship and the Commission's match funding would be used to fund. The projects identified, which were consistent with the Commission's funding principles, include providing shallow wells and protected springs in Tanzania, mosquito nets to families in Tanzania, rebuilding a school in Nepal that was destroyed by the 2015 earthquake, supporting a school feeding programme in Ethiopia and building a raised platform to accommodate a small cluster village in the Ganga-Brahmaputra delta region of Bangladesh.

7.4.7 The Commission will work with the World Aid Walk team and the local representatives from each of the recipient charities to publicise the impact of these projects. It hopes that seeing how the money raised in Guernsey impacts on people's lives will encourage more Islanders to sign up for future World Aid Walks and persuade those sponsoring them to "dig a little deeper".

7.4.8 The Commission agreed to extend this match funding commitment for the 2017 World Aid Walk on a similar basis to the 2016 agreement. The Commission's agreement reflected the positive engagement of all those involved in arranging the Walk, the commitment and drive of the recipient charities to maximise the impact that this funding has for some of the world's poorest communities and all those who participated in the walk, either by walking themselves or sponsoring somebody who is walking.

The Guernsey Rotary Clubs

7.4.9 The two Guernsey Rotary Clubs have supported the undertaking made by Rotary International in 1985 that it would free the world of the terrible disease of polio[23]. In 1985, there were more than 1,000 cases daily across 125 countries. The latest figures for 2016 show just 12 cases in two countries (Afghanistan and Pakistan) diagnosed in the last six months of 2016. The

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[23] Since 1985, Rotary International has raised more than £8 billion which has resulted in over 2.5 billion children being vaccinated. The estimated net benefit of the polio eradication programme, including supplemental vitamins, is estimated to have saved £90 billion in health and social care costs and prevented 5.4 million child deaths.

Guernsey Rotary Clubs had raised £66,000 towards this appeal prior to the offer of match funding from the Commission.

7.4.10 When it agreed to provide match funding (up to a ceiling of £40,000) to the Clubs' fundraising efforts for the ongoing immunisation programme, the Commission recognised the significant contribution Islanders had already made. The Commission noted the objective of the campaign, "End Polio Now", was now tantalisingly close and so a final concerted effort was urgently needed. The Commission was also conscious that, for many Islanders, polio is a disease they know little about as the last case in Guernsey was recorded in 1956. However, polio remains a highly infectious, crippling and life-threatening virus that mainly affects children under five years of age. There is no cure but it can be prevented by a simple vaccine costing just 20 pence.

7.4.11 In addition, the Commission noted that Rotary had secured further matched funding for the campaign from the Bill and Melinda Gates Foundation which had undertaken to donate £2 for every £1 raised in Guernsey. This meant that the £40,000 pledged by the Commission could result in a further £240,000 being made available for the vaccination programme, providing some 12 million further doses of the vaccine.

7.4.12 Looking forward, the Commission continues to work to identify other partnership opportunities. It believes that the match funding projects supported in 2016 have helped to ensure that the Commission's work becomes better known to a broad cross-section of Islanders. For 2017, it has had some initial and tentative discussions with the Eleanor Foundation (a Guernsey-based charity working in northern Tanzania) about the possibility of a partnership in 2017/2018 with the Guernsey Rotary Clubs and other Guernsey sponsors to progress a water and sanitation project.

8. Consultation with the Policy & Resources Committee

8.1 The Commission has prepared this Policy Letter in close consultation with the Policy & Resources Committee, especially in respect of the proposal relating to the potential development of an impact investment fund.

9. Conclusions

9.1 Since 2012, the Commission has used its best endeavours to fulfil the recommendations of the States regarding how it delivers and monitors its responsibilities and so ensures that the awards it makes reach the intended recipients. The Commission is mindful that when allocating its funds it is allocating public money and that public confidence in the Commission's work relies on its ability to show how the funds have been used and that a tangible and lasting improvement to the basic needs of some of the world's poorest communities has been achieved.

9.2 The Commission remains mindful that, unlike many other States Committees and bodies, it has few, if any, opportunities to make operational savings. The Commissioners do not receive any financial remuneration for the many hours of work they put into reading and assessing each application for funding, meeting with charities, reviewing project reports and generally promoting and progressing the Commission's work. The Commission has one member of staff who is employed on a 0.3FTE basis. For this reason, the Commission believes it is incumbent on it to identify different models for delivering development aid with particular emphasis on approaches which can deliver a multiplier effect, i.e. how to maximise the impact of every £ of the Commission's budget through matched funding and other initiatives. The Commission believes that alternative funding models such as those referred to in this Policy Letter provide exciting and powerful opportunities for doing more with the same amount of States' funding.

9.3 The Commission sincerely hopes that the promising initial discussions it has had with the Policy & Resources Committee and Innovest Advisory will be fruitful and a Guernsey Development Impact Fund be established which might add to the Commission's portfolio of approaches for delivering sustainable development aid on behalf of the States of Guernsey. Indeed, the Commission believes that there may be other opportunities for States Committees to consider the impact funding approach to finance public services, e.g. where services are being delivered by the Third Sector but funded by the States.

10. Propositions

10.1 The States are asked to decide

Whether, after consideration of the Policy Letter entitled "Overseas Aid & Development Commission – Funding Arrangements and Future Developments" dated 25th September 2017, they are of the opinion:-

(i) To agree that the Overseas Aid & Development Commission's budget allocations for Grant Aid and Disaster and Emergency Relief be treated as a single development aid budget and for the Commission to determine the proportion of its budget allocated across its core mandated functions;

(ii) To note the Overseas Aid & Development Commission's decision to progress, in close consultation with the Policy & Resources Committee (as "lead partner"), the initial exploratory discussions it has had regarding the possibility and feasibility of establishing a Guernsey Development Impact Fund;

(iii) To delegate authority to the Policy & Resources Committee to approve the investment of between £200,000 and £250,000 per annum of the Overseas Aid & Development Commission's budgets for 2018-2020 in the proposed Guernsey Development Impact Fund;

(iv) To note the Overseas Aid & Development Commission's ongoing commitment to ensure good governance in all areas of its mandate, and especially to ensure strict monitoring of all Grant Aid awards;

(v) To note the measures the Overseas Aid & Development Commission has introduced to strengthen its compliance procedures in respect of preventing misuse of funds for money laundering or the funding of terrorism; and

(vi) To note the Overseas Aid & Development Commission's response to the States Resolutions of January 2012.

Yours faithfully

Deputy Emilie Yerby
President
Overseas Aid & Development Commission

Mr. T Peet, M.B.E, Commissioner
Dr. N Paluch, Commissioner
Mr. P Bodman, Commissioner

Mr. S Mauger, Commissioner
Miss J Moore, Commissioner
Ms. T de Nobrega, Commissioner

APPENDIX 1 – <u>UN Sustainable Development Goals</u>

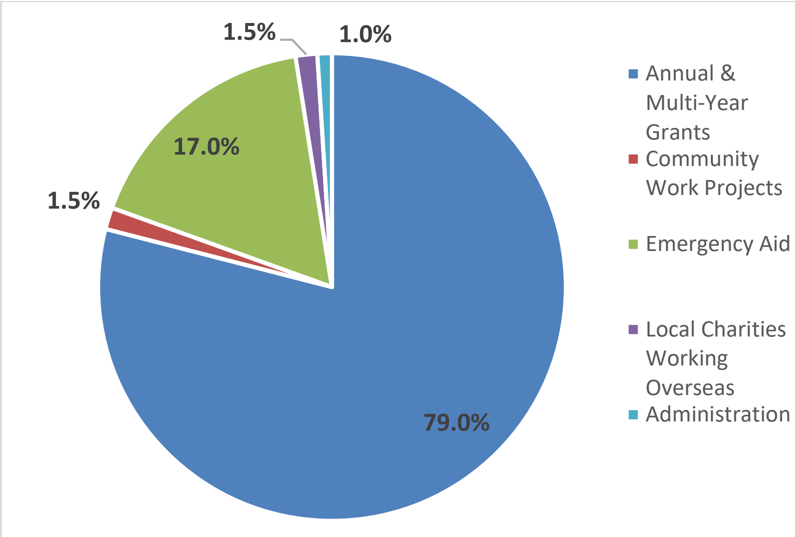
Sustainable Development Goals

Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production patterns
Goal 13	Take urgent action to combat climate change and its impacts
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

APPENDIX 2 - <u>Overseas Aid Contributions in the Crown Dependencies and other Jurisdictions</u>

Jersey Overseas Aid Committee

The Jersey Overseas Aid Committee's (JOAC) 2016 budget is £10,337,000. The following chart from the 2014 JOAC Annual Report provides a breakdown of how the budget is split between JOAC's funding priorities. Jersey's GDP figure for 2014 (the most recent calculation available) was £3.88 billion. Jersey's overseas aid spending represents 0.27% of its GDP.



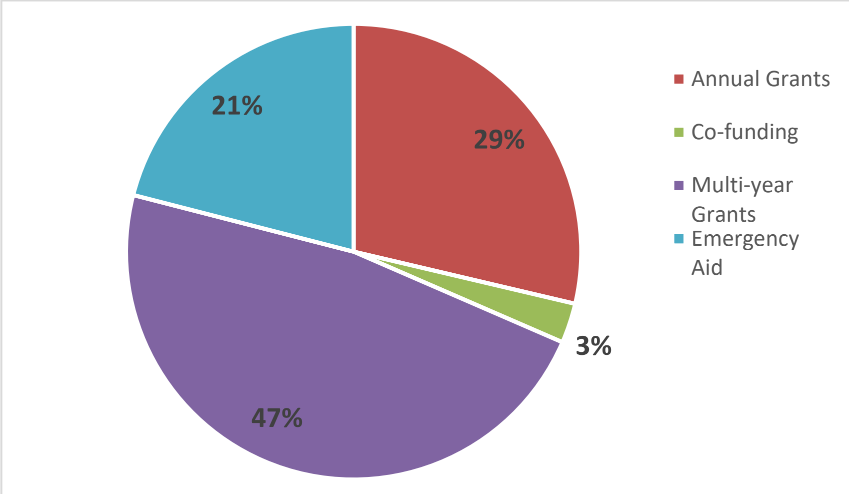
Unlike the Commission, the Jersey Overseas Aid Committee ("JOAC") only considers applications from charities on a limited list of some 30 approved charities. In addition, JOAC also only considers applications for projects in the following countries:

- **Africa**: Ethiopia, Ghana, Lesotho, Liberia, Malawi, Mozambique, Rwanda, Sierra Leone, Tanzania, and Zambia
- **Asia**: Bhutan, Nepal, and Myanmar
- **South America**: Bolivia, Colombia, and Guatemala

Isle of Man International Development Committee

The 2016/2017 budget for the Isle of Man's International Development Committee is £2,400,000.

The Isle of Man's International Development Committee only considers applications from charities registered in the Isle of Man. This limitation has seen many of the larger development aid charities registering a "sister charity" in the Isle of Man to be eligible to apply for funding from the International Development Committee.



The above chart provides an overview of how this money was distributed. The Isle of Man's GDP figure for 2013/2014 (the most recent calculation available) was £4.32 billion. The Isle of Man's overseas aid spending represents just under 0.05% of its GDP.

Overseas Aid contributions in other Jurisdictions

The table below provides a snapshot of spending on overseas aid and development by a number of other jurisdictions as a percentage of the country's GDP. When comparing these figures with Guernsey, it should be noted that Guernsey's (and indeed Jersey's and the Isle of Man's) annual overseas aid and development contributions provide direct development project aid through charitable bodies. In other words, 100% of the Crown Dependencies overseas aid contributions is issued in least developed countries for specific development projects. The UK's contribution included "aid for trade" payments as well as awareness raising projects in the UK, etc.

Specifically, the UK aims to achieve the international target of spending 0.7% of its Gross National Income on Official Development Assistance (ODA). ODA, as defined by the OECD, entails funding flows to developing countries by governments or their agencies, which are intended to promote "the economic development and welfare" of such countries as their main objective, and which are "concessional in character" with "a grant element of at least 25%."[24]

In September 2015, the United Nation reviewed the MDGs as part of the 2030 Agenda for Sustainable Development. As a result of this review, the MGDs were replaced with 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030.

The SDGs build on the MDGs, eight anti-poverty targets that the world committed to achieving by 2015. The MDGs, adopted in 2000, aimed to eradicate poverty, hunger, disease, gender inequality, and access to water and sanitation. Enormous progress has

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[24] OECD (2008) "Is it ODA? Factsheet" [Online] Available at: http://www.oecd.org/dac/stats/34086975.pdf [accessed 14.06.2016]

been made but despite this success, the indignity of poverty has not been ended for all. They are part of a broader sustainable development agenda and seek to go further than the MDGs, by addressing the root causes of poverty and the universal need for development that works for all people. The MDGs established measurable, universally-agreed objectives for eradicating extreme poverty and hunger, preventing deadly but treatable disease, and expanding educational opportunities to all children, among other development imperatives, including:

- Reducing income poverty
- Increasing access to improved sources of water
- Raising primary school enrollment
- Reducing child mortality.

The move from the MDGs to the SDGs seeks to continue and extend the work started in 2000. The Commission fully supports this changes and believes it accords with its objectives to complete the work begun through the introduction of the MDGs through:

(a) Promoting peaceful and inclusive societies
(b) Creating better jobs
(c) Tackling environmental challenges, especially climate change.

The table below shows the proportion of GDP which various countries spend on ODA:

Norway	1.07	New Zealand	0.26
Sweden	1.02	Iceland	0.26
Luxembourg	1.00	Japan	0.23
Denmark	0.85	Portugal	0.23
United Kingdom	0.72	USA	0.19
Netherlands	0.67	Spain	0.16
Finland	0.55	Italy	0.16
Switzerland	0.47	South Korea	0.13
Belgium	0.45	Slovenia	0.13
Ireland	0.45	Greece	0.13
France	0.41	Czech Republic	0.11
Germany	0.38	Poland	0.10
Australia	0.34	Slovak Republic	0.09
Austria	0.28		
Canada	0.27		

By comparison, Jersey spends 0.27% of its GDP on overseas aid (equivalent to Canada's contribution); Guernsey 0.12% (somewhere between Greece and the Czech Republic) and the Isle of Man 0.05%.

APPENDIX 3 - Impact of Overseas Aid and Development Funding

The Commission's current budget enables Guernsey to support about 80 of the world's least developed countries[25] to help them achieve sustainable lives and livelihoods that are no longer dependent on overseas development aid. The Commission's key objective is to provide a hand up and out of poverty through sustainable projects which make both life changing and life-saving differences to the day-to-day lives of those living in poverty in the developing world. The Commission makes a maximum grant per project of £40,000, although lesser awards may also be made. The majority of funding applications are within this envelope. This approach enables the States to fund a diverse range of projects across different countries, making an impact at the level of a village or community.

The projects, though generally small in scale, have a significant and sustainable impact on the beneficiaries. The following examples of projects the Commission has funded in recent years underline the difference a grant of £40,000 can make.

Project 1 – Oxfam Water and Sanitation Project in Malawi

In 2015, the Commission made a grant of £39,984 to Oxfam for a project which aimed to reduce the risk of waterborne diseases such as cholera amongst 4,000 households in Mlolo and Tengani in Malawi by increasing access to clean water and improving sanitation and hygiene practices by:

- enhancing cholera risk reduction and preparedness through support to improved access to safe drinking water; and
- improving personal and household sanitation and hygiene practices (such as stopping open defecation and encouraging the use of household pit latrines).

The end of project report set out the following key achievements:

- 30 latrines built for 5 schools and the Masenjere health centre servicing 1,052 people;
- 10 boreholes have been rehabilitated providing clean water to 2,871 people
- 5 new boreholes sunk providing clean water for 4,502 people;
- 120 members from the 15 villages trained to oversee the drilling operations and management and maintenance of the 15 boreholes; and
- 30 local people have been trained as Community Based Health Animators and provided with a bicycle to conduct house to house hygiene promotion.

Prior to the construction of the boreholes the women of these communities had to travel an average of 2km to access water and spent three hours in search of water in a day and cases of water borne diseases such as cholera and bilharzias were rampant. The newly constructed boreholes have reduced the time and distance burden of

[25] The least developed countries are defined as those falling within the UN's Human Development Index (HDI)

women in collecting water. In addition, the school children can now concentrate on attending classes rather than fetching water. The project also included training members of the two communities to manage and maintain the boreholes and to deliver health promotion training will ensure that the project is sustainable.

These elements of the project are as important as providing access to clean water. Without the communities taking ownership of their new water sources and sanitation facilities, the boreholes and latrines would very quickly fall into disrepair and the communities would revert to their previous unsafe hygiene practices and the incidence of cholera and other waterborne disease would rise.

The only water source in Mlolo before the project

One of the five new boreholes constructed in Mlolo

Project 2 – Ellen Jane Rihoy Food Security Project in Kenya

In 2014, the Ellen Jane Rihoy Trust[26] applied for a three year grant of £100,000 to implement a conservation and livelihoods enhancement project in Segera, Kenya in particular and Laikipia County in general. The core objective of the project is to conserve the environment and improve the livelihoods of some 14,770 people in the area through enhanced food security, sustainable rangeland management and income generation for youths who will initiate and manage cottage industries.

In recent years, the rainy season for this region of Kenya has become less reliable and has resulted in prolonged periods without rain and has led to the farmers, who are pastoralists by tradition, struggling to find grazing for their cattle and their traditional lifestyle has become threatened as their sources of income and food security have

[26] Local building company Rihoy & Son's established the Ellen Jane Rihoy Trust to provide support for development projects in sub-Saharan Africa. Since 2000, the Ellen Jane Rihoy Trust has been providing financial support to improve the livelihoods and opportunities of some of the world's most impoverished and marginalised communities. Support is targeted at institutions that have dedicated and talented leadership drawn from within local communities who have demonstrated that, with a small amount of initial seed funding and external support, they have the energy, commitment and dedication to address the problems facing their own communities.

dropped significant. Further, the available grazing has quickly become overgrazed and so failed to regrow when the rains have come. The Ellen Jane Trust in partnership with the Zeitz Foundation presented this project the assist the community of Segera adapt their traditional pastoralist farming lifestyle to the changing rainfall patterns and to ensure that the available grazing it managed in a sustainable manner. In the Year 2 Project Report, the Trust indicated the following objectives:

> *To rehabilitate the Segera environment through rangeland management by developing a participatory holistic grazing management model that incorporates wildlife use of the range as well as optimal return from cattle. This will be through establishing collaborative approach with commercial farmers using the scheme and adapting it across different land tenure regime.*

The report also demonstrated that, after two grazing seasons, the project team and community elders had observed that the condition of cattle is evidently better than similar period in 2015. Whilst this was in part due to a higher rainfall in the period, the improved condition of the area where community grazes cattle demonstrated the positive impact of the project approach. For example, in areas, where cattle were grazed in the first six months of 2016, an observation of wildlife inhabitation in the area demonstrated the premises on which the model is based that livestock and wildlife can co-exist as complimentary land uses.

Gates regulate the movement of cattle into the grazing areas

In addition, this project has attracted the attention of leaders at local county and nationally. In early 2016, Kenya's Cabinet Minister for the Environment and Natural Resources, Prof Judi Wakhungu has visited the project twice. The Laikipia County Governor, Hon. Joshua Irungu and Local MP. Hon Mathew Lempurkel also visited in early April 2016 and publicly endorsed the approach the project have taken in regard to grazing and creating collaborative frameworks for land owners to address land degradation resulting from unplanned grazing.

Project 3 – The Leprosy Mission Healthcare Project in Nepal

In 2014, the Commission made a grant of £39,972 to the Leprosy Mission for England and Wales to support improved healthcare for women in Tikabhairav in Nepal by building new in-patient care for women affected by leprosy at the Anandaban Hospital. This hospital is the leprosy referral centre for the whole of Nepal, as well as parts of northern India. It is a pioneer in leprosy work and is the prime centre for leprosy relapse diagnosis, as well as tertiary level medical and surgical care for leprosy patients in Nepal. Via its out-patient department, it also caters for the general medical services of the population of south Lalitpur who do not have easy access to other good quality health facilities nearby.

The grant from the Commission allowed the charity to build an additional wing, including a female leprosy ward and a maternity ward. These additional facilities, afford female patients access to quality leprosy and maternity care. The maternity section is greatly needed as such services are not easily available for the women of southern and rural Lalitpur, where Anandaban is located.

Exterior of new block

One of the wards in the new block

The following case study was included in the charity's end of project report and underline the difference the funding from the Commission has already made and will continue to make to the lives of the people of southern Lalipur.

Case Study - Jamuma's Story

Jamuma is 26 years old and from Dhoti, a remote region in the West of Nepal. She started to experience symptoms of leprosy when she was 12 years old but no one in her community was aware of leprosy and so her symptoms were not identified. Jamuma's looked after the family's goats and collected firewood. This led to her sustaining injuries in her feet, but she did not notice the wounds because she could not feel them and they became infected. When first seen by the Leprosy Mission, Jamuma had been unable to walk for six years. She was admitted to the new ward at the Anandaban Hospital. Her damaged feet were treated and she was provided with specialist footwear and gradually learnt how to walk again. Whilst in hospital she was also taught to knit and began education classes and can now read and write a little.

Jamuma says she feels very blessed for all the love and care that is being shown to her and for all that is being done to help her. Since returning to her village, Jamuma continues to receive support from the Leprosy Mission and hopes to set up a little business. Jamuna, says "*This is my life. I don't want to be a burden to anyone. I want to help myself*."

Project 4 – CAFOD Improving access to HIV Prevention, Care and Treatment in Uganda

In 2014, the Commission made a grant of £40,000 to CAFOD to support a project to enhance the capacity of Kitovu Mobile (an agency supporting those affected by HIV or AIDS in the Masaka region of southern Uganda) to increase access to quality HIV prevention, treatment and care services to the targeted beneficiaries. This area of Uganda is traversed by the main highway between the Mombasa and Nairobi and northern Tanzania, Rwanda and Burundi and for this reason has had some of the highest HIV infection rates in sub-Saharan Africa.

The project had the following objectives:

- To improve service delivery through provision of comprehensive HIV treatment and care for 2,000 people living with HIV/AIDS (PLHA) and cancer by linking with existing mission and government health facilities, within 7 districts of Masaka Diocese.
- To increase demand and access to HIV prevention services in the communities by 50% in the 7 targeted districts.
- To strengthen programme staff capacity and collaborating structures to improve service delivery and provision of quality services.
- To enhance the capacity of Kitovu Mobile to support PLHA.

CAFOD's final project report concluded that the funding from Commission had enhanced the capacity of Kitovu Mobile through the Comprehensive Care & Treatment Program (CCTP) to increase access to quality HIV prevention, treatment and care services to the targeted beneficiaries.

During the project, 30% of medical care for 2,389 people of which 18.6% (439) had cancer was supported by the Commission's funding and for the first time in Kitovu Mobile, 96 HIV+ mothers were adequately followed up. The Commission's grant has increased Kitovu Mobile's personnel capacity to managing clients' data for evidence based patient care and program development. The project enabled Kitovu Mobile to initiate the adaptation of the ''system strengthening approach'' through the establishment of three satellite clinic at the Mbirizi, Ssunga and Lwebitakuli Health Centres. This has meant that care for those living with HIV and AIDS is directly linked to and integrated with all aspects of theirs and their families' health care.

Finally the grant has increased the capacity of community volunteers in responding effectively to HIV prevention strategies. Currently a total of 177 (44 male and 133 female) Expert Clients have attained adequate skills in basic HIV care, treatment and support and act as ambassadors for positive living and HIV prevention in their communities. The improving feedback mechanism has also promoted comprehensive quality service delivery with Kitovu Mobile stakeholders.

In October 2016, the Commission's Secretary, whilst on an unpaid sabbatical in Uganda, took the opportunity to visit Kitovu Mobile and learn first-hand how the project had made a sustainable improvement to the people of Masaka living with HIV and AIDS. The Secretary learnt that through the success of this project and the skills gained by all staff, including the Expert Clients trained with funding from the Commission, had enabled Kitovu Mobile to secure additional funding from the Ugandan Ministry of Health and so it was no longer reliant on overseas development aid for these core aspects of its work.

During the visit the Secretary saw the facilities at the Mbirizi Health Clinic and met with several of the Expert Clients based at the clinic as well as other health care staff and patients. The impact of this comprehensive approach to the care of people living with HIV and AIDS has resulted in a significant drop in the number of people becoming HIV positive. Personal testimonies from those the Secretary spoke with showed that what had been a terminal illness was now being managed through health education and access to retro-viral drugs and so enabling people to continue to live productive lives and support themselves and their families. The Secretary saw at first hand that not only was this project sustainable but it had given back to the people of Masaka hope for their futures and those of their children and grandchildren.

APPENDIX 4 - Procedures for Monitoring Grant Aid Awards and Addressing Non-compliance

This document sets out the Overseas Aid & Development Commission's ("the Commission") procedures for the following areas:

- Releasing Grant Aid awards

- Monitoring charities' compliance with the mandatory reporting requirements

- Recovering unspent balances.

1. Procedure prior to making a Grant Aid Award

(a) Compliance and probity checks made on all applicant charities via the Charity Commission with which they are registered.

(b) Where a charity has previously be awarded a Grant, compliance checks with the Commission's mandatory reporting requirements and the delivery of the project against the approved proposal. Annotated schedule of all Grant Aid applications prepared for the Commissioners prior to the commencement of the funding round, including a list of charities were possible compliance concerns have been identified from the probity checks

2. Procedure prior to the release of an approved Grant Aid Award

(a) When notifying a charity that an application has been approved for funding an agreement is sent which sets out the amount of the grant, the approved project and the reporting requirements.

(b) Funding is only released on receipt of the return of the signed agreement subject to confirmation that any co-funding for the project is in place.

(c) Funding is paid 2 to 4 weeks before the start date for the project.

(d) Funding will be released on a staged payment basis.

(e) For most awards, two-stage payments will be made:

- First payment – 2 to 4 weeks before the commencement of the project and on receipt of the signed agreement
- Second payment - on receipt of a satisfactory interim progress report, including a budget showing spending to date against the approved budget.

3. Procedure following release of Grant Aid funding

(a) Compliance with reporting requirements is pro-actively monitored.

(b) A charity may request an extended reporting period without risk of any non-reporting sanctions being applied, subject to the following:

- The request is made prior to the reporting deadline; and
- It includes a clear explanation of why the standard reporting deadlines cannot be achieved.

(c) First chaser email sent if a report is more than 2 to 4 weeks overdue.

(d) Second email is sent if the report remains outstanding and no satisfactory response has been received from the charity after a further 2 weeks have elapsed; this email outlines the sanctions which the Commission may impose for non-compliance[27].

(e) Third email is sent after a further 7 days if the matter remains unresolved; this email advises the charity that the Secretary will be recommending the Commissioners impose sanctions on the charity.

(f) If there is no response within 7 days of the third email, a letter is sent to the charity requesting that the funding be returned within 28 days and advising them of the terms of their suspension from applying for future funding.

Where a charity is prevented from applying for an award in the following year, the Commissioners will also consider whether to:

- Require the charity to return the funding for the project linked to the breach of the terms and conditions of the award; and/or
- Report the non-compliance to the charity's regulatory body.

4. Procedure for recovery of Grant Aid awards following non-compliance

(a) Where the Commission does not receive any response to the letter outlined in 3(f) above, it will take legal advice regarding proceedings to recover the money.

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[27] The Commission non-compliance sanctions include:

- Agreeing a revised reporting deadline with the charity where it is satisfied that non-compliance was due to factors outside the reasonable control of the charity
- Issuing a warning notice to a charity, advising that a breach has occurred and may be taken into consideration when considering future applications over a specified period
- Requiring the charity to return some or all of the Grant Aid award
- Automatically rejecting future applications from the charity for a specified period
- Reporting the charity's non-compliance to the relevant Charity Commission with a request for the Commission to investigate the charity.

(b) The Commission will also submit a report to the Policy & Resources Committee; the report will include an assessment of the likelihood of recovering the money and the cost of civil proceedings.

(c) The Policy & Resources Committee will decide whether civil proceedings to recover the money are in the public interest, the Policy & Resources Committee will a final letter to the charity confirming the intention to issue civil proceedings.

(d) At the same time the Policy & Resources Committee will report the matter to the Charity Commission with which the charity is registered and ask for the Charity Commission to investigate the charity's operations.

5. *Procedure for return of unspent balances*

(a) All Final Reports must include a closing budget showing how the Grant Aid award was spent. The budget should also explain any variances from the approved budget which accompanied the application.

(b) The Commission's general policy is to require all unspent balances to be returned.

(c) The Commission may allow a charity to retain an unspent balance where:

- The amount is less than 1% of the Grant or £2,000 whichever is the lesser amount; and
- The proposed use is directly related to the original project; and
- The proposed use would either directly benefit the originally beneficiaries or increase the number; and
- The charity has fully complied with the Commission's reporting requirements in respect of all Grant Aid awards made within the preceding two years; and
- The proposed use of the unspent balance accords with the Commission's underlying aims and objectives.

(d) Where the Commission does not agree such a request, the money must be returned to the Commission within 28 days of notification of the decision.

(e) In the event that an unspent balance was not returned the procedure set out in 4 above would be followed.

Overseas Aid & Development Commission
May 2016