

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**OVERSEAS AID & DEVELOPMENT COMMISSION**

**OUR PLACE IN THE WORLD: THE NEXT TEN YEARS OF OVERSEAS AID IN GUERNSEY**

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Our Place in the World: the next ten years of overseas aid in Guernsey" (dated 24<sup>th</sup> May 2019) they are of the opinion to agree:-

1. The proposed future structure of overseas aid as set out in Table 3, paragraph 10.6, of the policy letter;
2. That, in 2020 and 2021, the funding allocated to the Overseas Aid & Development Commission should be increased by inflation only, and to direct the Policy & Resources Committee to take this into account when recommending Cash Limits as part of the annual Budget Report;
3. That the States of Guernsey should adopt a target for its overseas aid giving of 0.2% of GDP by 2030, and to direct the Policy & Resources Committee to include a strategy to achieve this target within the Medium Term Financial Plans spanning the period 2022 to 2029;
4. That, until such time as Guernsey's overseas aid giving reaches 0.2% of GDP, consideration should be given to allocating a proportion of any annual surpluses achieved by the States of Guernsey in excess of that budgeted towards overseas aid, and to direct the Policy & Resources Committee to include proposals to that effect in successive States' Budgets in the event of such a surplus;
5. That the Commission's mandate, as set out in the Rules of Procedure of the States of Deliberation and their Committees, should be amended by the deletion of: "to carry out the duties and powers above in accordance with policies set out by the Policy & Resources Committee" and the substitution therefor of: "to carry out its duties and powers in accordance with operational policies approved by the Policy & Resources Committee, and the strategic direction set by the States".

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.

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**OVERSEAS AID & DEVELOPMENT COMMISSION**

**OUR PLACE IN THE WORLD: THE NEXT TEN YEARS OF OVERSEAS AID GIVING**

The Presiding Officer  
States of Guernsey  
Royal Court House  
St Peter Port

23<sup>rd</sup> May 2019

Dear Sir

**1. Executive Summary**

1.1 This policy letter is a response to the States' Resolution of 6 November 2018<sup>1</sup>, which directed the Overseas Aid & Development Commission ("the Commission"),

"to research and recommend to the States, by no later than April 2019, a range of initiatives which could increase the States of Guernsey's contribution to international development to 0.2%, 0.3%, 0.5% or 0.7% of GDP over the 5-10 year period beginning 1<sup>st</sup> January 2020 and ending between 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2030."

1.2 In this policy letter, the Commission is recommending the States agree:

- (a) To the proposed future structure of Overseas Aid as set out in Table 3, paragraph 10.6, of the policy letter;
- (b) That, in 2020 and 2021, the funding allocated to the Overseas Aid & Development Commission should be increased by inflation only, and to direct the Policy & Resources Committee to take this into account when recommending Cash Limits as part of the annual Budget Report;
- (c) That the States of Guernsey should adopt a target for its overseas aid giving of 0.2% of GDP by 2030, and to direct the Policy & Resources

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<sup>1</sup> Billet d'État XXVI, Amendment 4A, 6 November 2018

Committee to include a strategy to achieve this target within the Medium Term Financial Plans spanning the period 2022 to 2029;

- (d) That, until such time as Guernsey's overseas aid giving reaches 0.2% of GDP, consideration should be given to allocating a proportion of any annual surpluses achieved by the States of Guernsey in excess of that budgeted towards overseas aid, and to direct the Policy & Resources Committee to include proposals to that effect in successive States' Budgets in the event of such a surplus;
- (e) That the Commission's mandate, as set out in the Rules of Procedure of the States of Deliberation and their Committees, should be amended by the deletion of: "*to carry out the duties and powers above in accordance with policies set out by the Policy & Resources Committee*" and the substitution therefor of: "*to carry out its duties and powers in accordance with operational policies approved by the Policy & Resources Committee, and the strategic direction set by the States*".

- 1.3 This policy letter also reflects a fraud risk management audit of the Commission's policies and procedures by the States' Internal Audit Unit in February 2019. The Commission has accepted all the recommendations for strengthening its current procedures to mitigate the risk of fraud and has used these, where relevant, to inform the proposals within this policy letter.
- 1.4 The States of Guernsey Internal Audit Unit (the Internal Audit Unit) undertakes a rolling programme of fraud risk assessments across the States. The Chief Assurance Officer and Chief Executive agreed that the Commission would make a good review subject as part of this work (the last Internal Audit review of the Commission having taken place in 2012) and planning commenced in December 2018. In addition to informing this policy letter, the Commission has also been able to draw substantially on the Internal Audit process and recommendations to provide advice and assurance in respect of whistle-blowing allegations received shortly after the audit commenced.
- 1.5 The proposals in this policy letter are also intended to help achieve one of the four pillars of the Policy & Resource Plan ("the P&R Plan") – *Our Place in the World* – by strengthening Guernsey's mature international identity as a positive actor on the global stage. Effective overseas aid is good for Guernsey's reputation, and can have a significant impact among the world's most disadvantaged communities.
- 1.6 The proposals take account of the broader international context, including on-going developments in relation to safeguarding of children and vulnerable adults, and in respect of financial controls. As well as strengthening its own

policies and procedures, the Commission aims to help local charities, working overseas, to build their capacity to respond to these regulatory changes.

- 1.7 The Commission's objectives for the next ten years of overseas aid giving can be summarised as follows:
- (a) We focus our giving on the areas of **greatest need**;
  - (b) We seek to **maximise the impact** of our funding;
  - (c) We prioritise **sustainable and life-changing** developments;
  - (d) Our giving is **good for Guernsey's reputation**; and
  - (e) We give **safely and effectively**.
- 1.8 The Commission is recommending that the States should target **overseas aid spending of no less than 0.2% of GDP by 2030**. This should be introduced gradually, over the life of the next two Medium Term Financial Plans, from 2022-2025 and 2026-2029.
- 1.9 The Commission considers that this is an appropriate balance between the States' international responsibilities and its internal funding pressures; Guernsey's status as a low-tax jurisdiction; and the need to manage ongoing economic uncertainty arising from Brexit. More ambitious spending targets were considered, but were not felt to be feasible at present.
- 1.10 The Commission is also requesting, in the years before this target is reached, that consideration should be given to allocating a share of **any States' surplus** in excess of that budgeted towards overseas aid – either by one-off additions to the Commission's budget or by funding for initiatives such as the Overseas Aid & Development Impact Investment Fund.
- 1.11 The Internal Audit Unit has made recommendations about the future shape of the Commission's work, which would help to maximise value and minimise risk. These, together with feedback from States' Members and voluntary organisations, and research on how other jurisdictions deliver overseas aid, have led the Commission to recommend that, in future, its work should consist of six programme areas:
- Small grants (single-year awards of up to £50,000)\*
  - Large grants (multi-year awards / development partnerships)
  - Disaster and emergency relief\*
  - Community partnerships\*
  - Skills-based partnerships
  - Communication and education

- 1.12 The three marked with an asterisk are already part of the Commission's work; however, this policy letter also recommends some changes to those areas which will further improve their effectiveness. The Commission will also continue to work with the Policy & Resources Committee on the development of the **Overseas Aid & Development Impact Investment Fund** which was established in 2018.
- 1.13 In addition, the Commission has agreed with the Policy & Resources Committee that an administrative budget for the Commission (including staff salaries, training and project oversight) is created by transferring the budget for the resources which are currently funded by the Policy & Resources Committee. For the purpose of good governance, it is important that they are set out clearly and separately and this revised arrangement will give the Commission the flexibility to adjust the amount of resources it allocates for administrative purposes.
- 1.14 Each of these programme areas is explained in more detail in the body of the policy letter. In brief, the **small grants** programme continues the existing grant funding work of the Commission. Around 30 grants of up to £50,000 each will be made annually, predominantly to small charities working to meet basic needs. The smaller number of grants (compared to approximately 80 per annum at present) will allow more rigorous due diligence and oversight to take place.
- 1.15 The **large grants** programme is a new development, which will see the Commission co-funding a small number of multi-year projects (generally six a year) alongside larger institutional donors, to make long-term, sustainable changes within developing communities. This, again, will strengthen project oversight and accountability, and will be a fresh opportunity for Guernsey to demonstrate positive impact around the world.
- 1.16 The Commission will continue to fund **disaster and emergency relief and community partnerships** (generally match-funding initiatives), with some small revisions to its current approach. This will include developing a capacity-building 'offer' for local charities working overseas. The creation of a programme area for **skills-based partnerships** is an exciting new development which should bring the best of Guernsey to the world, as well as bringing benefits back to our own community. Starting small (the Commission proposes to allocate £40,000 in its first year), the aim of this programme area is to develop partnerships with businesses and volunteers through which they can share their skills and expertise with their professional counterparts in developing countries.
- 1.17 Finally, the Commission intends to allocate a small amount within its budget for on-Island **education and communication** in relation to international

development. This could range from supporting the States of Guernsey Big Curriculum, providing work experience or internship opportunities, to exploring the creation of a Channel Islands' International Development Network with the Government of Jersey. This should improve transparency and increase islanders' engagement with international development in a constructive way. This will also incorporate the Commission's responsibility to promote Guernsey as a **Fairtrade Island**, in keeping with the 2005 Fairtrade Requête<sup>2</sup>.

- 1.18 This policy letter concludes with brief updates on the Commission's partnerships including its work with the Government of Jersey and Ille et Vilaine<sup>3</sup>; its involvement with the development of Guernsey's Non-Profit Organisation legislation; and a recommended amendment to its mandate to clarify the nature of the relationship between the Commission and the Policy & Resources Committee, in order to better reflect existing practice.
- 1.19 On the eve of the Overseas Aid & Development Commission's 40<sup>th</sup> anniversary, the proposals in this policy letter reflect an exciting step forward for Guernsey's approach to international development, and an opportunity over the next decade to further enhance the Island's place in the world and its mature international identity.

## 2. Background

- 2.1 “The people of Guernsey have always been known for their charitable giving to worthy causes, not only at home but also overseas, and they give substantial support, both material and financial, through charitable organisations at all times and particularly when there is a special need.”

So began the policy letter of February 1980, which launched Guernsey's Overseas Aid Committee (now the Overseas Aid & Development Commission). From the beginning, the generosity of islanders has been recognised – and the

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<sup>2</sup> Billet d'État VI, 25 May 2005

<sup>3</sup> In June 2017 Guernsey signed a partnership agreement with the authorities for the Ille et Vilaine département of France. The agreement identifies the following areas for potential co-operation between Guernsey and Ille et Vilaine:

- Education, youth mobility and sport
- Culture
- Exchange of civil servants and good practice
- Any other areas of common interest.

The Ille et Vilaine authority has a small overseas development budget of around €60,000 per annum. This is distributed via Brittany-based charities working in the field of overseas development (mostly in former French colonies in Africa, including Mali, Niger and Sierra Leone).

In June 2018, the Commission signed an agreement to work with Ille et Vilaine to develop matched funding partnerships to support development aid projects to be undertaken by Brittany-based charities.

responsibility of the States to display a similar commitment to the world's poorest acknowledged.

2.2 In November 2018, the States of Guernsey directed the Commission,

"... to research and recommend to the States, by no later than April 2019, a range of initiatives which could increase the States of Guernsey's contribution to international development to 0.2%, 0.3%, 0.5% or 0.7% of GDP over the 5-10 year period beginning 1<sup>st</sup> January 2020 and ending between 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2030."

At present, Guernsey's giving is just under 0.1% of the Island's GDP.

2.3 This policy letter is the Commission's response to that States' Resolution. It was delayed by a few weeks from the original deadline, with the agreement of the Policy & Resources Committee, in order to also include a response to the Internal Audit Unit's routine review of the Commission's policies and procedures, which took place in early 2019. This was carried out by an experienced auditor with significant experience in the development aid sector.

2.4 The proposals in this policy letter are informed by the States' Resolution and associated consultation with States' Members and voluntary organisations, and by the constructive recommendations of the Internal Audit Unit.

### **3. Context**

3.1 Future Guernsey (the States' Policy & Resource Plan) first agreed by this States in November 2016 has a twenty year horizon. One of its four themes is, "Our Place in the World". The Plan states:

"Guernsey already has a respected international identity with a strong history. ... We want to maintain and enhance our international identity. We want to ensure that we have a clear, well-understood and respected constitutional position. We are a mature jurisdiction with the responsibilities associated with that. We need to seek extension of international standards to Guernsey, where appropriate and proportionate for our size."

3.2 Guernsey's support for overseas aid is our mature international identity in action. Overseas aid giving enables Guernsey to make a positive impact among disadvantaged communities in some of the world's poorest countries. It is good for our global reputation. As Guernsey faces periodic external attacks on our fiscal and economic policy, our commitment to overseas aid allows us to demonstrate the constructive role that we play in the world, and our readiness to give back.

- 3.3 The Commission's response to the 2018 States' Resolution and the recommendations of the Internal Audit Unit reflect a commitment to develop Guernsey's overseas aid giving in a manner consistent with the ambitions of the Policy & Resource Plan: to enhance Guernsey's international reputation and help to further establish our place in the world.
- 3.4 These recommendations are also informed by changes in the global context of international development. For example, at the start of 2018, the sector was shaken by allegations that people receiving aid in the aftermath of natural disasters had been abused by some aid workers. These revelations have resulted in significant and ongoing improvements in the sector's approach to safeguarding children and vulnerable adults.
- 3.5 At the same time, a continuing focus on measures to prevent money-laundering and financing of terrorism has led to much stricter financial controls for all charitable organisations, and especially those operating in insecure environments overseas. The Commission makes distributions to charities operating in developing countries. While the Commission may not be directly vulnerable to certain aspects of money laundering or terrorist financing (i.e. diversion of funds, point of delivery abuse, affiliation or deception), it is indirectly vulnerable to these issues where they apply to or affect the charities to which it makes awards. It is for these reasons that the Commission has a range of measures in place to reduce this indirect vulnerability and keeps this aspect of its due diligence under regular review.
- 3.6 The Commission continues to improve its own internal policies and procedures in response to these risks. The Commission also considers that it has a particular duty of care towards Guernsey's home-grown overseas aid charities, which includes offering them support to continue flourishing in an increasingly stringent regulatory environment. Accordingly, these recommendations include a focus on capacity-building for the local international development sector.
- 3.7 Changing trends in international development also inform the Commission's approach to overseas aid in respect of:
- The nature and causes of disaster and conflict;
  - Patterns of disease, drought, poverty and hunger;
  - Understanding of what kinds of intervention are effective and necessary; and
  - International agreements (such as the UN Sustainable Development Goals) which guide development assistance<sup>4</sup>.

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<sup>4</sup> These were discussed in the Commission's 2017 policy letter (Billet d'État XX111 of 2017). The one substantial development to note since then is the publication of the International Panel on Climate

## 4. Objectives

4.1 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; and to develop programmes relating to the collection and distribution of funds involving the private sector."

4.2 The Commission has always sought to meet the basic needs of the world's most disadvantaged communities, and the direction of overseas aid has been set out in policy letters from 1980<sup>5</sup> to 2012<sup>6</sup> and 2017<sup>7</sup>.

4.3 This policy letter includes proposals for the next ten years of overseas aid. The Commission recommends that its work for the next decade should be guided by a set of objectives, which are a clear evolution of Guernsey's existing approach to international development. These are:

**1) We focus our giving on the areas of greatest need.**

We prioritise the basic needs (such as primary education, essential healthcare, safe water and sustainable food supplies) of the most deprived communities in the world's poorest countries. We respond to pressing issues which pose serious threats to the future of humanity, such as climate change, disease and displacement.

**2) We seek to maximise the impact of our funding.**

We focus on projects that are good value for money, and find ways to make the States' contribution to international development go further. We recognise that social, economic and environmental returns can come together through approaches such as Impact Investment and Fairtrade. We offer match-funding and build partnerships with funders and charities to amplify our impact.

**3) We prioritise sustainable and life-changing developments.**

We offer "a hand up, not a hand-out." We support projects that result in long-term improvements in quality of life, economic growth and social wellbeing for those who benefit from them. We recognise the importance

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Change report (available online at <https://www.ipcc.ch/sr15/>) which has reinforced the need for an urgent focus on climate resilience, especially among developing nations.

<sup>5</sup> Billet d'État III, 27 February 1980

<sup>6</sup> Billet d'État III, 25 January 2012

<sup>7</sup> Billet d'État XXIII, 29 November 2017

of climate resilience, disaster preparedness and re-building better<sup>8</sup> for the protection and survival of poorer communities.

**4) Our giving is good for Guernsey's reputation.**

We recognise the importance of overseas aid in helping to establish Guernsey's mature international identity. We choose projects and partners that we expect to deliver good results, which will be a credit to Guernsey. We are open to opportunities to take the things that make Guernsey special – whether that's our agricultural products or our skills in finance – and share them with the world, in support of international development.

**5) We give safely and effectively.**

We recognise the importance of good governance to ensure that public funds are used appropriately and the people who benefit from aid are protected from harm. We have an effective administrative structure, and suitable policies and procedures, in place to ensure this. We offer support and capacity-building to local charities working overseas, to help them meet essential standards. We recognise the importance of developing our own knowledge base, so that we can challenge and scrutinise effectively.

4.4 These five objectives shape the recommendations in this policy letter, and provide a good framework for a modern approach to international development, which benefits both Guernsey and the wider world.

**5. The Next Ten Years – Funding for Overseas Aid**

5.1 The 2018 States' Resolution directed the Commission to explore, "... a range of initiatives which could increase the States of Guernsey's contribution to international development to 0.2%, 0.3%, 0.5% or 0.7% of GDP" over a five to ten-year period. Following discussion with the Policy & Resources Committee, the Commission has concluded that a gradual increase in Guernsey's overseas aid spending to a target of not less than 0.2% of GDP would be the most appropriate and feasible option. This would represent a balance between the States' international responsibilities and its internal spending constraints, as well as the Island's low-tax status and the ongoing economic uncertainty associated with Brexit.

5.3 The Commission therefore proposes:

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<sup>8</sup> The concept of re-building better is that any infrastructure which needs to be replaced, after a disaster, should be made more resilient than the infrastructure that came before it. This helps to protect the affected community against similar shocks in future.

- A budget increase in line with inflation for 2020 and 2021, until the approval of the next Medium Term Financial Plan; and
- A phased increase in the Commission's budget throughout the next one or two Medium Term Financial Plans (likely to run from 2022-2025 and 2026-2029) in order to reach the 0.2% of GDP target by 2030.

5.4 Further, it is proposed that in years when the States enjoy a General Revenue surplus in excess of that budgeted, consideration should be given to allocating a share of that surplus to overseas aid, either by a one-off increase in the Commission's budget or in support of projects such as the Overseas Aid & Development Impact Investment Fund.

## **6. Why have a GDP-based Target for Development Aid?**

6.1 Over the past 60 years, governments and development agencies have variously discussed how much developed countries should contribute in development aid to enable poorer countries to grow their economies.

6.2 In 1958, discussions amongst governments about whether there should be official aid targets were based on total flow of both official and private resources going to developing countries. A target of 1% was first suggested by the World Council of Churches and, during the 1960s, all OECD Development Assistance Countries members subscribed to this target. However, it had a major flaw, namely that governments cannot control or predict private capital flows, nor can they readily adjust official flows to compensate for fluctuations in private flows.

6.3 In 1969, the Pearson Commission's report "Partners in Development" proposed a target of 0.7% of donor GNP to be reached "by 1975 and in no case later than 1980". This suggestion was taken up in a UN resolution on 24th October 1970, namely that:

"Each economically advanced country will progressively increase its official development assistance [...] and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product [...] by the middle of the Decade."

6.4 Based on Guernsey's GDP for 2017 of £3.1 billion<sup>9</sup>, 0.2%, 0.3%, 0.5% and 0.7% would increase the Commission's budget as set out in Table 1 below:

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<sup>9</sup> [www.gov.gg/gdp](http://www.gov.gg/gdp)

Table 1 – Estimated budget based on a percentage of GDP

<b>% of GDP</b>	<b>Estimated Commission budget</b>	<b>% increase to current budget</b>
0.2%	£6.10 million	113%
0.3%	£9.15 million	220%
0.5%	£15.25 million	433%
0.7%	£21.35 million	646%

6.5 However, despite this target being adopted nearly 50 years ago, as Table 2 below shows, few countries have achieved it. Although Guernsey's spending on overseas aid is low compared to many developed countries, we are not unusual in falling some way short of the 0.7% target. It is also important to recognise that Guernsey is more heavily reliant on taxes and contributions charged against income than most jurisdictions. This, combined with the open and highly competitive nature of our economy, means that opportunities for raising additional revenues are limited.

6.6 Further, unlike most other countries, Guernsey's contribution to overseas development is directed to aid projects without any conditions other than reporting on the impact of the project itself. The Commission's agenda is simply to target projects which seek to address a basic need for the world's poorest and most vulnerable communities, rather than to pursue the strategic or economic interest of Guernsey, unlike the development aid provided by many other jurisdictions.

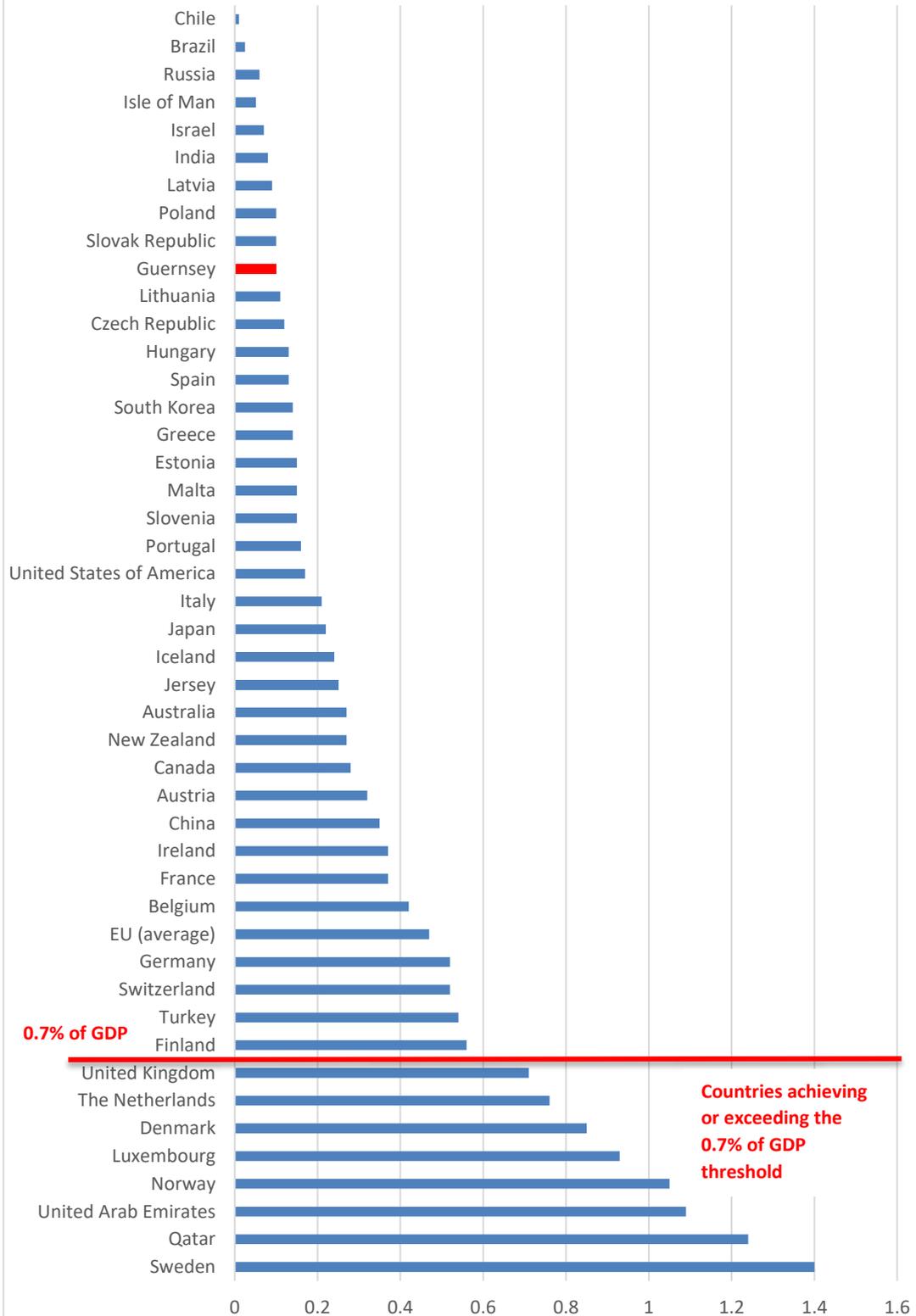
6.7 In October 1970, the UN General Assembly resolved:

“Financial aid will, in principle, be untied. While it may not be possible to untie assistance in all cases, developed countries will rapidly and progressively take what measures they can ... to reduce the extent of tying of assistance and to mitigate any harmful effects [and make loans tied to particular sources] available for utilization by the recipient countries for the purpose of buying goods and services from other developing countries.

... Financial and technical assistance should be aimed exclusively at promoting the economic and social progress of developing countries and should not in any way be used by the developed countries to the detriment of the national sovereignty of recipient countries.”

Guernsey's contribution to overseas development is untied and, through large and small development aid charities, focuses on supporting sustainable improvements for the lives and livelihoods of some of the world's poorest communities.

Table 2 - Spending on overseas development as a % of GNP



- 6.8 The Commission is mindful of the limitations to a target based on GDP. In many respects GDP does not provide a measure of a jurisdiction's national wealth actually collected through taxation. However, other formulae (such as a target linked to overall States' spending) would simply introduce a different set of challenges. The benefit of a GDP-based target is its international comparability. Guernsey may always fall short of it, but it will not be alone in doing so (as demonstrated in Table 2), and the States may feel that they can give clear policy justifications as to why this is so – such as the need to maintain our low tax status, and to fund pressing on-island priorities.
- 6.9 The Commission notes that a number of jurisdictions are now measuring their contribution to overseas development against the country's total revenue, i.e. the amount of money raised through taxation, contributions, charges and fees levied by the national government but not including investment income. The total revenue income for the States of Guernsey was £672 million in 2017. Therefore, applying this measure to the above figures, 0.2% of Guernsey's GDP equates to just under 1% of the States income, i.e. the States would be contributing just under 1 pence in every £1 (90p from every £100) of revenue raised to support development aid in the world's least developed countries.
- 6.10 Finally, it must also be recognised that the States' contribution to overseas development is only part of the overseas aid equation. The various Guernsey-based charities that focus on development aid secure funding not just from the Commission but from Guernsey businesses and organisations, as well as through the generosity of Islanders. These contributions are both monetary and through the sharing of skills and expertise. It is difficult to measure the "value" of these contributions – e.g. assisting with the design of a solar power system for a school in Malawi, a micro-finance project in the Democratic Republic of Congo or knitting blankets or jumpers for orphans in Tanzania – in financial terms alone. However, each has an impact and positive benefit for those who receive this support. The funding from the Commission invariably acts as a multiplier for these other sources of income and support for the charities.

## **7. The Medium Term Financial Plan**

- 7.1 Each Medium Term Financial Plan sets out the States' fiscal strategy to support delivery of the outcomes in the Policy & Resource Plan. The current Plan seeks to ensure that the States are able to achieve and maintain a balanced budget and move into a sustainable surplus over its four year period, to enable the States to re-build their reserves and invest in future public services.
- 7.2 The next Medium Term Financial Plan is due to be developed by the new Assembly in 2021, for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2025.

- 7.3 The Commission's budget is just under £3 million in 2019. In today's terms, a budget worth 0.2% of Guernsey's GDP would amount to £6.1 million. Therefore, to reach 0.2% of GDP over the period of the next Medium Term Financial Plan would require annual real-terms' budget increases of £750,000 per annum and to reach that target over the period of the next two Plans, i.e. 2022 to 2029, the increase would be £375,000. The Commission recognises that the profiling of its future budget is a matter for those preparing the next Medium Term Financial Plan.
- 7.4 The Commission considers that it is reasonable to target an increase in Guernsey's overseas aid commitment to achieve a budget based on 0.2% of GDP by 2030.
- 7.5 It is not possible to predict the shape of future Medium Term Financial Plans before they are agreed by the States, nor the conflicting demands for resources which future States will need to manage. However, in approving this policy letter, the States can confirm its commitment to a target of 0.2% of GDP for Guernsey's overseas aid, and give a clear direction to the current Policy & Resources Committee that this should be achieved over the period to 2030.

## **8. Considerations and Alternatives**

- 8.1 As explained above, the target of 0.2% of GDP is proposed in the context of other financial pressures faced by the States: Guernsey's need to remain a low-tax jurisdiction and the ongoing economic uncertainty associated with Brexit. As Table 2 shows, achieving this target by 2030 would place Guernsey in a respectable position compared with other developed countries that are not achieving the 0.7% target adopted internationally.
- 8.2 The proposal to achieve this over the life of two Medium Term Financial Plans, rather than one, is to minimise the impact on the overall States' budget, and to allow the Commission itself to implement and manage changes to its funding profile responsibly and effectively.
- 8.3 The Commission is conscious that the 2018 States' Resolution required it to explore options for increasing its funding up to 0.7% of GDP. Such a large increase to overseas aid funding is not proposed as a practical way forward in this policy letter. However, in the spirit of the Resolution, the Commission has indicated, below, the areas of its work which could sustain a substantial or rapid increase in funding and still be delivered effectively and reliably – and, by contrast, those which could not. It trusts that, in doing so, it will have fully discharged the States' Resolution.

## 9. The Next Ten Years – Overseas Aid Giving

- 9.1 The majority of the Commission's funding, at present, is spent on its routine grant-funding programme. This awards grants of up to £50,000<sup>10</sup> to charities working in the world's poorest countries, for projects that meet the basic needs of communities. A small proportion (usually around £200,000 a year) is spent on emergency relief in the immediate aftermath of disasters, and another small amount on community partnerships – that is, match-funding initiatives such as the World Aid Walk.
- 9.2 This focus on basic needs, and on life-changing and sustainable development, will remain at the heart of the Commission's work for the next ten years.
- 9.3 One of the key recommendations of the Internal Audit Unit was to reduce the number of small grants Guernsey makes, and introduce a programme of larger, longer-term grants alongside it. This would allow the Commission to undertake deeper due diligence on a smaller number of charities. This helps to reduce risk, enabling the Commission to manage its budget, and any increases in it, more safely and effectively. It is consistent with ongoing regulatory developments in financial standards and safeguarding. In addition, larger projects can lead to more profound changes, which are better for the recipient community and better for Guernsey's reputation overall.
- 9.4 The recommendations of the Internal Audit Unit; feedback from workshops with States Members and voluntary organisations; and research on the approaches taken by government in Jersey and the Isle of Man, has led the Commission to propose that its work should be divided into six programme areas (rather than the current three). These are:
- Small grants (single-year awards of up to £50,000)
  - Large grants (multi-year awards or development partnerships)
  - Disaster and emergency relief
  - Community partnerships
  - Skills-based partnerships
  - Communication and education
- 9.5 The Commission will also continue to work with the Policy & Resources Committee on developing Guernsey's involvement with Impact Investment.
- 9.6 These programme areas are discussed below. As well as introducing three new elements, and revising the budget allocated to each, the Commission

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<sup>10</sup> The maximum amount of a grant aid award has been increased from £40,000 to £50,000 ahead of the opening of the 2020 funding round which is due to commence in June 2019.

recommends some changes to the way it operates each of its current programme areas, in order to maximise value and minimise risk.

- 9.7 The Commission is also proposing that the States should designate an administrative budget for overseas aid. This includes staff salaries, training, and additional resources for governance. At present, all administrative funding is managed through the Policy & Resources Committee and is not separately accounted for.

## **10. Policy for Future Programme of Overseas Aid Giving**

- 10.1 Currently, approximately 93% of the Commission's budget is used to support specific development projects through routine grant funding. Approximately £200,000 a year is spent on disaster and emergency relief, although a States' decision in 2017 gave the Commission more flexibility in determining how much of its budget should be available for this purpose.
- 10.2 In addition, since 2012, the Commission has used a small percentage of its budget for community partnerships, such as match-funding initiatives (described in its mandate as "... programmes relating to the collection and distribution of funds involving the private sector").
- 10.3 The Commission recognises that development aid is changing. In responding to this changing sector, the Commission proposes to restructure its annual budget to ensure that it not only provides financial support to development aid charities, but also raises awareness and understanding of development aid. The Commission has identified that, in addition to the community partnerships it already fosters and supports, part of its budget should be directed towards identifying partnerships whereby Guernsey businesses and organisations, with some financial support from the Commission, could be encouraged to develop programmes for the sharing of skills and knowledge with their professional counterparts in some of the world's least developed countries.
- 10.4 The Commission's recommendations for changing how it will distribute funds, voted by the States, for aid and development overseas by making contributions to ongoing programmes and to emergency and disaster relief; and to develop programmes relating to the collection and distribution of funds involving the private sector are set out in Table 3. This includes an indication of how it intends to divide its budget to support the different areas of work.
- 10.5 The budget is based on an assumed allocation of £3,050,000 in 2020 (for the 2021 Funding Round – funding is allocated the year before projects commence), i.e. 2019 budget plus an estimated inflation uplift of 2.0%. It is noted that these figures will have to be adjusted as the States' budget is finalised.

10.6 The table also shows which areas of work would be expanded if overseas aid funding is raised to, or towards, 0.2% of GDP.

Table 3

Programme Area	Budget	Outline Explanation
<b>Small Grants / Single-year Awards</b>	£1,570,000 (approx. 50%)	<ul style="list-style-type: none"> <li>- c.31 grants per year;</li> <li>- Maximum award of £50,000 per grant;</li> <li>- Charities would have the choice of <b>either</b> applying for a small grant <b>or</b> for a large grant (see below) each year – max. 1 application per charity;</li> <li>- Projects must meet a basic need (water, education, etc.);</li> <li>- This broadly replicates the current funding approach;</li> <li>- The smaller number of awards (down from approx. 80 p.a.) enables greater due diligence and oversight of individual projects, with “spot audits” or inspections by or on behalf of the Commission forming part of the project monitoring;</li> <li>- The significant reduction in the total number of projects would enable the Commission to request fuller financial information as part of the reporting process, as the Commission’s officers would have the time to review these.</li> <li>- <b>This area of work could be increased a small amount with an increase in funding. But there are significant overheads involved in the oversight of small grants, so it <u>would not</u> be capable of substantial or rapid expansion.</b></li> </ul>
<b>Large Grants / Multi-year Awards</b>	£900,000 (approx. 30%)	<ul style="list-style-type: none"> <li>- Providing 6 new grants per year based on maximum award of £150,000 per award;</li> <li>- Awards to be paid over 2 or 3 years;</li> <li>- Charities would have the option of <b>either</b> applying for a large grant <b>or</b> for a small grant (see above) each year – max. 1 application per charity;</li> </ul>

		<ul style="list-style-type: none"> <li>- Larger, long-term investments in communities and in partner organisations improves the security and sustainability of developments, and is consistent with the Internal Audit recommendations;</li> <li>- Each project will be supported by a contractual agreement with the charity, including the programme for staged payments, reporting, etc.;</li> <li>- As there would be only a few projects in progress in any particular year, the Commission would have be able to maintain close oversight of each project and its impact for the beneficiaries;</li> <li>- <b>This is the area of the Commission's work most capable of expansion with an increase in budget, without increasing overheads.</b></li> </ul>
<b>Disaster and Emergency Relief Awards</b>	£350,000 (approx. 12%)	<ul style="list-style-type: none"> <li>- Grants to be based on maximum award of £100,000 per award;</li> <li>- The Commission will prioritise 'unreported' disasters<sup>11</sup>;</li> <li>- The majority of the budget will be allocated on a quarterly basis to such 'unreported' disasters;</li> <li>- between £50,000 and £100,000 will be retained for ad hoc requests and appeals;</li> <li>- The Commission will prioritise charities (including smaller charities) which have a strong presence in the affected region and so are able to respond immediately;</li> <li>- A smaller number of larger grants will allow deeper due diligence to be done;</li> <li>- This helps to manage concerns about safeguarding in the humanitarian response sector;</li> </ul>

<sup>11</sup> That is, natural disasters or humanitarian crisis which though localised have a significant impact on the day-to-day life of the local community but are not widely reported across the media and so attract few aid contributions.

		<ul style="list-style-type: none"> <li>- An increase in funding (from £200,000) reflects Islanders' desire to give effectively to people who are suffering in crises;</li> <li>- <b>This approach to emergency relief would be capable of some expansion with an increase in the Commission's budget (although the Commission will ensure funding allocations are balanced so that its main focus remains grant-funding.)</b></li> </ul>
<b>Community Partnerships</b>	£120,000 (approx. 4%)	<ul style="list-style-type: none"> <li>- Typically matched funding grants linked to Guernsey charities, organisations or businesses raising money for specific development aid projects;</li> <li>- Partnerships such as the World Aid Walk and Ille et Vilaine would continue under this policy;</li> <li>- Capacity building for local charities (such as the provision of training on safeguarding, due diligence, mitigating risks of money laundering and combating terrorist financing, or financial management) would also be an important part of this work; and</li> <li>- Opportunities for joint working with Jersey Overseas aid, including linking with their overseas work parties' programme, which enables people to volunteer abroad, will also be explored.</li> <li>- <b>This area of work could be increased a small amount with an increase in the Commission's budget, but is largely dependent on initiatives coming forward from the wider community.</b></li> </ul>
<b>Skills-based Partnerships</b>	£40,000 (approx. 1.3%)	<ul style="list-style-type: none"> <li>- The Commission will develop partnerships with Guernsey-based companies and organisations to support placements to foster sharing of professional skills;</li> </ul>

		<ul style="list-style-type: none"> <li>- This could also include bursary awards to support Guernsey-based professionals looking to undertake a voluntary placement overseas to share professional skills, etc.;</li> <li>- The Commission will be offering co-funding for such placements, working with the employer or the individual volunteer;</li> <li>- A policy to govern this new programme area will be worked up in detail for 2021;</li> <li>- The Commission will initially start this on a small scale, with a small number of local organisations;</li> <li>- <b>If effective at a small scale, this is an area of the Commission's work that could be considered for expansion in future;</b></li> <li>- This approach strengthens local buy-in to overseas aid, and is good for Guernsey's reputation, as it enables the skills we are known for to be used for good around the world.</li> </ul>
<b>Communication and Education</b>	£20,000 (approx. 0.7%*)	<ul style="list-style-type: none"> <li>- The Commission will produce education materials for schools about overseas aid /Guernsey's positive role in the world, in support of the Island curriculum;</li> <li>- The Commission will continue to promote Guernsey as a Fairtrade Island and to hold membership of the Fairtrade Steering Group;</li> <li>- The Commission will offer learning opportunities to islanders interested in international development, through work experience or potentially an internship programme;</li> <li>- The Commission will organise occasional public-facing events, with local charities working overseas, to raise awareness of Guernsey's impact globally;</li> </ul>

		<ul style="list-style-type: none"> <li>- The Commission will work with Jersey to explore the creation of a Channel Islands' International Development Network;</li> <li>- The need to raise local awareness of overseas aid (and especially its impact) was a consistent theme at the workshops;</li> <li>- Jersey and Isle of Man both recognise this and invest in communication and education;</li> <li>- <b>*It's proposed that the budget for this area will remain capped at no more than 50% of the maximum value of a Small Grant.</b></li> </ul>
<b>Commission Administration</b>	£50,000 (approx. 1.6%)	<ul style="list-style-type: none"> <li>- Staff salaries (discussed below);</li> <li>- Administrative costs, including training and development for staff and Commissioners, subscriptions, audit, advertising, postage, printing, etc.;</li> <li>- <b>The budget for this area will remain capped at no more than 2% of the Commission's budget</b></li> </ul>

10.7 In addition to this, the States agreed in November 2018 to invest a one-off sum of £1 million in an Impact Investment initiative, as part of the allocation of the 2017 budget surplus. The Commission is responsible for working with the Policy & Resources Committee to develop investment guidelines which are consistent with Guernsey's approach to overseas aid. These discussions, together with advice from the States' Investment & Bond Sub-Committee, will form the basis for investing it appropriately.

10.8 Although the Commission allocates budgets to specific programme areas, there is inevitably some fluctuation in-year (changes occur throughout the year which may, for example, result in an overspend on emergency relief or an underspend in grant-funded projects). The Commission has the flexibility to manage these by transferring budget between programme areas. It is likely that this will continue from time to time under the proposed new structure set out above.

**11. Implementation of Changes – 2020 and 2021**

11.1 Subject to States' approval of this policy letter, the Commission proposes to implement these changes during 2020, for the 2021 Funding Round. The

timings will provide sufficient time for the Commission to draft new policies and guidance notes and to promote and publicise the changes where appropriate. It should also give applicant charities sufficient time to make changes to their own governance arrangements where these are needed.

- 11.2 The Commission proposes that, to enable small and larger charities to compete on a similar basis, any charity may apply for either a single year or multi-year award.
- 11.3 All charities applying for single year or multi-year awards, or disaster and emergency funding, will need to be registered with the Commission before applying. Once registered, a charity would not be required to repeat the process for three years, but would need to provide a shorter annual update of essential details. The registration process will include a number of due diligence checks. Charities whose applications are shortlisted by the Commission would then be subject to enhanced due diligence before any award is confirmed, focusing mainly on the relationship with the in-country partner.
- 11.4 The due diligence process for Community Partnership awards will be more streamlined than for other grant aid and disaster relief awards. The amounts are smaller than for other grants and are mostly likely to be linked to a development aid charity that has an established relationship with the Commission.
- 11.5 In addition, any charity applying for disaster or emergency relief funding will need to have a strong track record with the Commission through its grant aid programmes. Further, the charity will be expected to demonstrate that it has appropriate staff and other resources who are already based in the affected area and so able to respond without delay to the natural disaster or humanitarian crisis.

## **12. Internal Audit Review**

- 12.1 In February 2019, the Commission was subject of a fraud risk management review by the Internal Audit Unit. The purpose of the review was,

“to provide assurance and advice over fraud risk management and internal controls relating to key elements of the Overseas Aid and Development Commission’s (the Commission’s) activity and processes.”

- 12.2 Shortly after the audit process began, the Commission received whistle-blowing allegations by email concerning a project it had been funding. In accordance with existing processes, the Commission suspended funding and immediately reported the concerns to the relevant authorities (the Police and the UK Charity Commission). The outcomes of those investigations will be reported in a future

Annual Report. However, the Commission was immediately able to draw on the ongoing audit process to provide assurance in respect of its general policies and procedures, and advice and guidance on the handling of this specific case, to give confidence that good practice was being followed in all respects.

12.3 The audit concentrated on how the Commission identifies, manages and detects fraud risk in its activities and operations, and assessed the effectiveness of due diligence arrangements in both design and operation. The review was undertaken by an auditor who has significant senior experience within the United Kingdom's Department for International Development, including as Principal Fraud Auditor in the Department's Counter Fraud and Whistleblowing Unit, and as Head of Internal Audit for the development charity, Practical Action.

12.4 The report highlighted the following existing areas of good practice in respect of the Commission's fraud risk management resilience:

- Redevelopment of the management information and tracking system since the previous Internal Audit report;
- The Commission has continually improved and updated this system to reflect its needs;
- Introduction of new due diligence provisions in 2017 relating to anti-money laundering and counter-financing of terrorism, particularly requiring that no senior management appear on the sanctions list; and
- Introduction of new due diligence provisions in 2018 relating to good governance, including requiring that the grant applicant is not under current investigation by the Charity Commission.

12.5 The report also noted evidence of thorough compliance checks being carried out in relation to the current due diligence process. The main checks include:

- Charity registration with the Charity Commission or relevant British charity regulator;
- Checks on financial compliance, including review of accounts;
- Validation of trustee details against the Charity Commission and where relevant Companies House list;
- Confirmation of the registered address of the charity and the registration number;
- Banking details (which must relate to the charity and not an individual trustee); and
- Confirmation that the charity is not under current investigation, or that they have failed to adequately respond to a previous investigation.

Evidence for each of these requirements is supplied by the applicant, but is also independently verified, where possible, by the Commission's officers.

- 12.6 The Internal Audit Report made a number of recommendations, all of which the Commission has accepted. The recommendations are set out in Appendix 1 to this policy letter, together with an update on the Commission's progress in implementing each of the recommendations.
- 12.7 The Commission wishes to place on record its gratitude to the Internal Audit Unit for the advice and support provided during the audit process.

### **13. Consultation**

- 13.1 Following the 2018 States' Resolution, the Commission invited States' Members and representatives of voluntary organisations working overseas to attend workshops considering the future policy of overseas aid giving.
- 13.2 The feedback from the workshops showed that there was a strong appetite for the Commission to continue to develop its core grant aid activities. The participants suggested that this could be achieved through an opportunity for charities to apply for multi-year funding. Many participants also suggested that the Commission's work locally should be promoted more strongly, for example particularly through community awareness raising activities.
- 13.3 The feedback also overwhelmingly supported an increase in overseas aid funding, both in terms of the size of individual grants and the period over which the grant is made available. A summary of feedback from the workshops is included at Appendix 2.
- 13.4 In addition, a number of those attending were keen to see the Commission support capacity building in least developed countries, especially where the Island has established relationships. The suggestions focused on investment in sharing "soft skills" rather than the more traditional work-party approach. The discussions recognised that Guernsey has a wealth of experience in financial services, especially compliance and anti-money laundering. These skills are essential in enabling developing countries to strengthen their own economies, as well as helping to create an environment of good governance in which we can be confident that funding for international development reaches the intended communities and helps to lift the beneficiaries out of poverty.
- 13.5 Since its establishment in 1980, the Commission's underlying objective has been to provide some of the world's poorest communities with a hand up rather than a hand-out. In reviewing its grant making policies, the Commission is mindful that it is building on 40 years of commitment by Guernsey in supporting overseas development.

- 13.6 The Commission has consulted with the Policy & Resources Committee in respect of this policy letter; particularly in respect of the financial proposals and the proposed amendment to the Commission's mandate, which touch directly on the Committee's responsibilities.
- 13.7 The Commission has also consulted,
- The States' Director of Financial Crime Policy regarding a comprehensive anti-money laundering/counter terrorist financing regime to ensure the distributions made by the Commission comply with Financial Action Task Force standards for best practice<sup>12</sup>;
  - Jersey's newly appointed Minister for International Development and the Chief Executive of Jersey Overseas Aid.

#### **14. Resources and Administration**

14.1 The Internal Audit Report recommended that:

"The Secretary, OA&DC, should develop an internal resourcing plan as part of the recommendations for 2020 onwards. This plan should provide a costed plan for the support costs required for effective governance based on the possible future shape of the programme at the different levels (0.2%, 0.3%, 0.5% and 0.7%)."

- 14.2 The proposals in this paper, in particular those relating to multi-year grants and disaster and emergency relief awards, should enable the Commission to manage a large budget, without the requirement for any significant additional staff resources, while maintaining a high level of due diligence to ensure proper oversight and accountability and to mitigate risk.
- 14.3 The Commission does not currently have an administrative budget but these costs, including in respect of its Secretary (0.4FTE), are funded from within the budget of the Policy & Resources Committee. The Commission has discussed these arrangements with the Policy & Resources Committee and it has been agreed that the operating costs of the Commission should be accounted for from within the Commission's budget and a budget transfer of the relevant amount will be made.
- 14.4 This approach should lead to greater transparency and enable sensible planning for the year ahead by the Commission to compile a budget including training and development for officers and Commissioners; subscriptions; audit; advertising; postage and printing, etc.

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<sup>12</sup> [http://www.fatf-gafi.org/documents/guidance/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/documents/guidance/?hf=10&b=0&s=desc(fatf_releasedate))

- 14.5 Further, the Commission has agreed with the Policy & Resources Committee that there is a need to revisit its staffing structure, to ensure that there is an appropriate level of staff resources to provide a high level of scrutiny of the awards and grants the Commission makes.
- 14.6 The Commission is confident that the proposals to increase the Commission's budget to 0.2% should not require new staff resources, but rather a different mixture of staff, to support the Commission in the distribution and monitoring of awards. This will be achieved within the current headcount. The Commission believes that the reduction in the number of individual awards it makes each year and inviting applications for single year and multi-year awards at different times, will off-set the additional work required arising from the strengthened due diligence assessments.

## 15. Governance

- 15.1 The Commission, in consultation with the Policy & Resources Committee, has recognised the need to clarify one aspect of its **mandate**. At present, the mandate states that the Commission is,

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

- 15.2 This wording is open to differing interpretations. It could be read as suggesting that the Policy & Resources Committee should bring to the States any policy letters concerning overseas aid. States' Members involved with the States' Review Committee confirmed, at the start of this term, this was never its intention. Further, the Policy & Resources Committee has not sought to take the lead on developing policy in respect of overseas aid. However, the two bodies work closely together on policy development; and, in particular, the Policy & Resources Committee reviews changes to the Commission's operational policies. This involvement is an appropriate way of assuring adequate political oversight of the Commission's work, as there would otherwise be a high level of risk associated with having only one political member on the Commission.

- 15.3 Having consulted with the Policy & Resources Committee, the Commission recommends that this part of its mandate is redrafted to more clearly reflect current practice, as follows:

"to carry out its duties and powers in accordance with operational policies approved by the Policy & Resources Committee, and the strategic direction set by the States."

Furthermore, an update on the work of the Commission is included in its Annual Reports, which are published on [gov.gg/overseasaid](http://gov.gg/overseasaid) and routinely submitted as Appendix reports to Billets d'État. The annual report for 2018 is due to be published shortly and provides a comprehensive overview of the Commission's work in the past year.

## **16. Conclusion**

- 16.1 The proposals in this policy letter include significant changes to the Commission's approach to funding overseas aid on behalf of the States. However, as we approach the 40<sup>th</sup> anniversary of the establishment of the Guernsey Overseas Aid Committee, it is perhaps an opportune time for the Commission to revisit its policies and approaches to delivering overseas aid.
- 16.2 During the last 40 years the need for development aid to assist the world's poorest communities has not diminished. Indeed, whilst the geographic focus of Guernsey's development aid may have changed, the gap between the most developed and least developed countries has arguably widened.
- 16.3 If the States agrees that, as a result of the 2018 States' Resolution, the Commission's budget should increase towards 0.2% of Guernsey's GDP over the ten years leading to its 50<sup>th</sup> anniversary in 2030, then it is clear that the way the Commission delivers overseas aid also needs to change to support this.
- 16.4 Further, like all jurisdictions, Guernsey and so by association the Commission, is subject to risks relating to the misuse of funds. The Commission must, alongside the States of Guernsey and all organisations involved in transactions with other jurisdictions, continue to ensure that it has appropriate safeguards in place to mitigate the risk of its awards being misdirected towards significant crimes like bribery and corruption, or terrorist financing.
- 16.5 The future of the Commission relies on the continued confidence of the States of Guernsey and the general public that the awards it makes will reach their intended beneficiaries, and provide their basic needs such as clean water, schools and hospitals, and opportunities to develop sustainable livelihoods.

## **17. Summary of Recommendations**

- 17.1 In summary, the Commission is recommending the States agree:
  - (a) To the proposed future policy of overseas aid giving as set out in Table 3, paragraph 10.6, of the policy letter;
  - (b) That, in 2020, the funding allocated to the Overseas Aid & Development Commission should be increased by inflation only, and to direct the Policy

& Resources Committee to take this into account when recommending Cash Limits as part of the annual Budget Report;

- (c) That the States of Guernsey should adopt a target for its overseas aid budget of 0.2% of GDP by 2030, and to direct the Policy & Resources Committee to include a strategy to achieve this target within the Medium Term Financial Plans spanning the period 2022 to 2029;
- (d) That, until such time as Guernsey's overseas aid budget reaches 0.2% of GDP, consideration should be given to allocating a proportion of any annual surpluses achieved by the States of Guernsey in excess of that budgeted towards overseas aid, and to direct the Policy & Resources Committee to include proposals to that effect in successive States' Budgets in the event of such a surplus;
- (e) That the Commission's mandate, as set out in the Rules of Procedure of the States of Deliberation and their Committees, should be amended by the deletion of: "to carry out the duties and powers above in accordance with policies set out by the Policy & Resources Committee" and the substitution therefor of: "to carry out its duties and powers in accordance with operational policies approved by the Policy & Resources Committee, and the strategic direction set by the States".

## **18. Compliance with Rule 4**

- 18.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 18.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 18.3 In accordance with Rule 4(3), the Committee has included Propositions which will involve additional annual spending by the States of some £3 million once the 0.2% of GDP target is reached.
- 18.4 In accordance with Rule 4(4), the Propositions have the unanimous support of the President and Commissioners of the Overseas Aid & Development Commission.
- 18.5 In accordance with Rule 4(5), details of the consultation undertaken by the Commission are set out above. The proposals in this policy letter reflect the Commission's mandate,

"to distribute funds voted by the States for aid and development overseas by making contributions to on-going programmes and to emergency and disaster relief" and "to develop programmes relating to the collection and distribution of funds involving the private sector."

18.5 This policy letter arises directly from a 2018 States' Resolution<sup>13</sup> and contributes to the theme of the Policy & Resource Plan relating to "Our Place in the World", in particular the development of a "mature international identity" for Guernsey.

Yours faithfully

E. A. Yerby  
President

J. Moore  
Vice-President (Commissioner)

P Bodman  
M McGuinness  
T de Nobrega  
N Paluch  
B Pill  
(Commissioners)

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<sup>13</sup> Billet d'État XXVI, Amendment 4A, 6 November 2018

## Appendix 1

The below table sets out the Commission's response to the recommendations identified during the course of this internal audit.

<b>Critical</b>	
<b>Recommendation</b>	<b>Status</b>
The Secretary, OA&DC, should produce new guidance detailing the minimum standards for governance and oversight between the UK grant recipient and their in-country delivery partner	Partly completed – when introducing the registration process, the Commission took the opportunity of explaining the minimum standards for governance and oversight between the UK grant recipient and their in-country delivery partner a charity will need to achieve to satisfy the registration requirements; the Commission's guidance notes have also been revised; a checklist for the Commissioners is being prepared to assist them when considering future applications for grant aid funding
The Secretary, OA&DC, should develop an internal resourcing plan as part of the recommendations for 2020 onwards. This plan should provide a costed plan for the support costs required for effective governance based on the possible future shape of the programme at the different levels (0.2%, 0.3%, 0.5% and 0.7%)	Addressed in the Commission's policy letter dated 15 <sup>th</sup> May 2019
The Secretary, OA&DC, should update the grant agreement to clearly articulate the Commission's rules and requirements in relation to management of the grant	Completed – the Commission revised and strengthened the 2019 grant agreement during the audit process; it also revised the relevant sections in its guidance notes for charities

<b>Highly Desirable</b>	
<b>Recommendation</b>	<b>Status</b>
The Secretary, OA&DC, should consider the recommendations on programme development as part of the already initiated review for 2021 onwards	Addressed in the Commission's policy letter dated 15 <sup>th</sup> May 2019
The Secretary, OA&DC, should liaise with the Finance Business Partner to request a new profit centre for Community Partnership Awards	Completed

The Secretary, OA&DC, should consider reviewing guidance on budgeting in relation to claims for overheads	Completed – the Commission’s guidance notes for applicant charities has been updated to address budgeting in relation to claims for overheads
The Secretary, OA&DC, should consider proposing a new ‘red line’ for inclusion in the registration process; inaccurate or incomplete records held at Charity Commission (or relevant regulator) and Companies House (if applicable)	Completed; a full list of “red lines” is now set out in the Commission’s guidance notes for charities applying for funding
The Secretary, OA&DC, should develop and implement a risk based approach for due diligence assessments	Completed - pre-existing due diligence assessment process has been further revised and strengthened
The Secretary, OA&DC, should review the recommendations to strengthen the enhanced due diligence process and develop and agree an implementation plan with the Commission	Ongoing - pre-existing due diligence assessment process has been further revised and strengthened; the Commission is committed to implementing the revised enhanced due diligence as part of the 2020 funding round <sup>14</sup>
The Secretary, OA&DC, should review the current arrangements for raising complaints/whistleblowing in the special context of the Commission programme	Ongoing – the Commission is in discussion with the States Deputy Whistleblowing Officer to ensure that strengthened arrangements for raising complaints are dovetailed with the States Whistleblowing Policy
The Secretary, OA&DC, should present a paper to the Commission recommending that funding be allocated to expenditure verification audits for higher value projects	Ongoing - this recommendation will be addressed when the Commission prepares its policy for such higher value projects and the associated guidance notes and due diligence checks, etc.; the Commission will make such higher value awards as part of the 2021 funding round <sup>15</sup>
The Secretary OA&DC, should consider developing an annual process of management ‘spot checks’ for lower value projects	Ongoing - this recommendation will be addressed when the Commission prepares its policy for such lower value projects and the associated guidance notes and due diligence checks, etc.; the Commission will make this part of the 2021 funding round <sup>16</sup>
The Secretary, OA&DC, should develop and agree minimum standards for financial	Ongoing – the Commission is currently preparing minimum reporting standards

<sup>14</sup> The 2020 funding round will be launched in early June 2019 and awards confirmed during Q4 of 2019 and Q1 of 2020.

<sup>15</sup> The 2021 funding round for higher value awards will be invited in Q4 of 2020/Q1 of 2021

<sup>16</sup> The 2021 funding round for lower value awards will be invited in Q4 of 2020

reporting and should be included in the grant agreement document	and these will form part of the grant agreements for the 2020 funding round
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<b><i>Desirable</i></b>	
<b>Recommendation</b>	<b>Status</b>
The Secretary, OA&DC, should review the registration process in twelve months' time to assess effectiveness and efficiency and take steps to make required improvements	Ongoing - a registration process was introduced in March 2019 for charities that had not previously applied for funding; had applied but had been unsuccessful or that had not received funding since 2017; this will be reviewed later in 2019 and amended as may be required to reflect feedback from the charities and best practice in undertaking due diligence checks, etc.
The Secretary, OA&DC, should consider liaising with Accounting for International Development with a proposal to act as an intermediary in communicating opportunities for pro bono accounting/audit support for small charities	Ongoing – initial introductions have been made; the Commission hopes to be able to agree a partnership with Accounting for International Development ahead of the 2021 funding round
The Secretary, OA&DC, should consider sign-posting some of the free training resources available on mitigating the risk of financial crime in the grant aid guidance document	Ongoing – the Commission is currently compiling a list of training resources and will make this list available to the many charities it works with as well as via its website
The Secretary, OA&DC, should produce an annual lessons learned report with recommendations for improvement and should be reviewed/approved by the Commission	Ongoing – the Commission will reflect this recommendation when drafting its 2018 Annual Report and include lessons learned and proposals for improvement within its reporting on the existing section addressing compliance matters

## Appendix 2

The below table shows the various suggestions made by the participants in the two workshops the Commission held in February 2019 to help inform its development of its proposals for the future delivering overseas aid in accordance with its mandate.

Ensure PR on options, etc. is done ahead of the publication of Policy Letter	Incremental changes if budget is increased	Increase amount used for matched funding	Consider supporting exchange opportunities for people to gain skills in Guernsey and take them back to the home communities
Introduce multi-year funding opportunities as assists charities with financial planning	Recognise and build on importance of local connections in Guernsey	Promote criteria for funding, e.g. focus on basic needs, position on UN HDI, sustainability, etc.	Promote “gap” between poverty in Guernsey and poverty in least developed countries
More publicity of awards made, using social media, videos, etc.	Provide funding for awareness raising	Investigate opportunities for Guernsey to promote Guernsey cows and goats for export to least developed countries	Work to identify opportunities for Crown Dependency partnerships to fund larger projects
Make greater use of opportunities offered through CPA meetings; e.g. prepare packs for Guernsey delegates on projects in Commonwealth countries	Recognise need for more staff resources to support the Commission to ensure appropriate level of oversight and due diligence maintained when budget increases	Identify opportunities to follow-up on projects in the medium to long-term; e.g. invite charities to provide a 3-year or 5-year update report	One-year funding is too restrictive; consider 2 and 3-year funding

Increase funding period; 1-year often too short to demonstrate sustainable changes	Support for local charities in finding volunteers for key roles; e.g. treasurers, application writers, etc.	More education about what Commission do; many people simply don't know about the difference funding from Commission makes	Don't limit grants to Guernsey charities but ensure there is appropriate support for them
Support Guernsey INGOs to develop best practice for their governance and work	Flexibility is key	1-year projects doesn't always have best impact for sustainable change	Need to continue to see the global picture
Identify opportunities to link to Guernsey as a Fairtrade Island	Add medium and long-term reporting points to understand how projects have progressed once funding has finished	Offer more opportunities for Guernsey INGOs to secure funding	Increase profile of OA&DC's work and how it supports world's poorest communities
If budget is increased, increase size and duration of grants	Don't really want to go down Jersey approach of a fixed list of which INGOs may apply	OA&DC's budget should be more proportionate with Guernsey's GDP	0.5% of GDP would seem about right
Look for opportunities to work with business to develop CSR initiatives	Increase period over which funding is available	Invest in production of material to promote impact and outcome of projects funded by OA&DC	Move away from support for large INGOS unless demonstrating close links with Guernsey

CSR projects need to be tangible and deliverable	Provide extra opportunities for Guernsey INGOs to secure additional funding	Refresh current criteria	Review current funding criteria; e.g. more focus on mitigation of impact of climate change
Go into the schools; connect with new vision for education	Link OA&DC-sponsored projects to school curriculum and provide support material	Approved list of charities could be positive move as could help build stronger partnerships	Longer-term projects will allow for a greater understanding of the impact of a project
Offer funding for charities to build on success of project and so develop and strengthen its impact	Use Guernsey's knowledge and expertise; e.g. financial inclusion	Settle on themes for projects	Greater focus on environmental projects as could help mitigate need for future funding
Budget needs to allow for impact evaluation	Use public sector staff to share skills overseas	Is "aid" the right word?	Rename Commission as International Development Commission
Offer mix of funding options – 1-year, multi-year and particular themed projects	Do quite like Guernsey's approach	Support for overseas aid begins at "home" – keep promoting	Skills transfer; e.g. focus on anti-corruption drive in some least developed countries
Ensure Commission has sufficient administrative and staff resources	Identify opportunities to target development messages; e.g. through where our food comes from	Support schools to develop links with schools in least developed countries	Suggest combination of niche focused projects (e.g. micro-finance) and more broad-brush projects

<p>Challenge presumption that Commission does not generally fund in-country salaries; some good projects are very people dependent</p>	<p>Consider asking charities to provide short video about project and get these professionally linked to make Commission promotional video</p>	<p>Focus should remain on projects; impact funding and other initiatives should run in tandem but not take away from main focus</p>	<p>Use skills in financial service industry to feed into development projects; e.g. micro-finance, financial management, prevent of financial crime, etc.</p>
<p>Look at what Guernsey can offer in terms of skills</p>	<p>Increase upper limit for grants from current £40,000 level</p>	<p>Stage exhibition of the Commission's work</p>	<p>Consider scope for twinning; e.g. establishing partnership with another country</p>
<p>Consider developing a volunteering programme linked to a twinning partnership</p>	<p>If climate change becomes a project focus, may need to revisit which countries Commission considers; e.g. countries within Amazon region</p>	<p>Like idea of focus on small island communities – natural empathy with Guernsey</p>	<p>Should Guernsey twin with other islands communities at the lower end of the UN Human Development Index</p>
<p>Maintain focus on UN HDI</p>	<p>Consider an annual event promoting the Commission's work</p>	<p>It's all about the story!</p>	<p>Sell the impact!</p>
<p>Consider whether Commission should look to work more closely under a CI Public Sector Oversight Board</p>	<p>Make greater use of social media to promote the impact of Commission funding</p>	<p>Develop links to other Guernsey economic projects; e.g. "green" agenda</p>	<p>Partner with particular regions</p>

<p>Offer separate pots to smaller and larger charities; level the application playing field</p>	<p>Identify opportunities of more matched funding with Guernsey business; e.g. telecoms providers to support projects using mobile technologies</p>	<p>Consider introducing an element of participatory budgeting; i.e. public invited to choose where some of funding is sent</p>	<p>Criteria and process for getting on any fixed lists for charities and countries should be open and transparent and regularly reviewed</p>
<p>Provide training for Guernsey charities in relation to good governance and due diligence</p>	<p>Provide interactive map of location of Guernsey funded projects to encourage Islanders to visit them</p>	<p>Identify opportunities through the Commonwealth Parliamentary Association to promote partnerships</p>	<p>Consider Commission Facebook page and Twitter account; or make greater use of States accounts</p>

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**OVERSEAS AID & DEVELOPMENT COMMISSION**

OUR PLACE IN THE WORLD: THE NEXT TEN YEARS OF OVERSEAS AID IN GUERNSEY

The President  
Policy & Resources Committee  
Sir Charles Frossard House  
La Charroterie  
St Peter Port  
Guernsey

23<sup>rd</sup> May, 2019

Dear Deputy St Pier

**Preferred date for consideration by the States of Deliberation**

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Overseas Aid & Development Commission requests that the Propositions be considered at the States' meeting to be held on 17<sup>th</sup> July, 2019.

The policy letter is responding to amendment 4A to the 2019 Budget, directing the Commission:

*"to research and recommend to the States, by no later than April 2019, a range of initiatives which could increase the States of Guernsey's contribution to international development to 0.2%, 0.3%, 0.5% or 0.7% of GDP over the 5-10 year period beginning 1<sup>st</sup> January 2020 and ending between 31<sup>st</sup> December 2025 and 31<sup>st</sup> December 2030."*

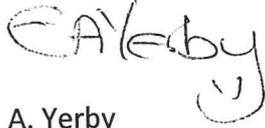
Further, as set out at paragraph 2.3 of the policy letter, the submission has been deferred by a few weeks from the original deadline, with the agreement of the Policy & Resources Committee, in order to also include a response to the Internal Audit Unit's review of the Commission's policies and procedures, which took place in early 2019.

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Finally, the Commission is mindful that policy letter contains Propositions which, if supported, will need to be taken into consideration by the Policy & Resources Committee when it is finalising the States' Budget for 2020.

• Yours sincerely

A handwritten signature in black ink that reads "E. A. Yerby" with a small smiley face drawn below the name.

E. A. Yerby  
President

J. Moore  
Vice-President (Commissioner)

P Bodman  
M McGuinness  
T de Nobrega  
N Paluch  
B Pill  
(Commissioners)