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Isle of Man
Government
Reiltys Ellan Vannin

The Policy and Funding of Overseas Aid

A Report by the Council of Ministers

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Report of the Council of Ministers on the Policy and Funding of Overseas Aid

**To: To the Hon. Noel Q. Cringle, President of Tynwald, and the
Hon. Council and Keys in Tynwald assembled.**

The Council of Ministers is committed to the Isle of Man being a responsible jurisdiction, which is able to contribute to the global fight against poverty in the developing world. The Council of Ministers recognises the longstanding commitment of organisations and individuals on the Isle of Man and elsewhere to international development, building upon both the historical and contemporary relationships that exist between the Island and many developing countries. This report outlines Council's intention to actively engage with this global agenda and defines the means by which the Isle of Man Government will make its contribution.



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**Hon J A Brown MHK
Chief Minister**

Policy and Funding of Overseas Aid

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Policy and Funding of Overseas Aid

Executive Summary and Policy Statement

1. The Overseas Aid Committee of the Council of Ministers is responsible for the implementation of the Isle of Man Government's policy on Overseas Aid and the allocation of funding of the aid budget.
2. In December 2004, Tynwald supported a motion calling for Government to significantly increase the amounts of Overseas Aid allocated each year. Subsequently, the Council of Ministers has recognised the need to give greater priority to funding Overseas Aid, and the budget has risen from £0.65m in 2004/05 to £2.2m in 2008/09.
3. In addition, the Council of Ministers established an Overseas Aid Working Group to examine how future overseas aid contributions should be calculated and has also conducted a detailed review of the systems in place to manage the budget, to ensure:-
 - that aid is targeted effectively to causes that matter to the Isle of Man
 - that appropriate mechanisms are in place for granting aid, in accordance with best practice elsewhere,
 - that the Island's voluntary sector is properly engaged in the process, and
 - that the people of the Isle of Man continue to be encouraged to support the alleviation of World poverty.
4. The Council of Ministers has agreed to adopt the following Overseas Aid Policy, which incorporates Council's main conclusions arising from the review of systems and its consideration of the findings of the Overseas Working Group:-

Introduction

The Council of Ministers is committed to the Isle of Man being a responsible jurisdiction, which is able to contribute to the global fight against poverty in the developing world. The Council of Ministers recognises the longstanding commitment of organisations and individuals on the Isle of Man and elsewhere to international development, building upon both the historical and contemporary relationships that exist between the Island and many developing countries. This Policy outlines Council's intention to actively engage with this global agenda and defines the means by which the Isle of Man Government will make its contribution.

Objectives

The Isle of Man Government will:-

- Do all it can to help the developed world achieve the Millennium Development Goals as the recognised international standards for development.

- Give priority to Countries ranked as “Low Development” on the United Nations Human Development Index.
- Provide a swift and effective response to international humanitarian crises.
- Support the voluntary sector in raising awareness of global development issues throughout the Manx population.

Funding

The Isle of Man Government’s ultimate goal is to achieve the internationally recognised standard for overseas aid contributions as a percentage of national income as and when it is practical to do so. This standard can only be achieved in stages. In the first instance the Council of Ministers has set a target of achieving a funding level of 0.7% of Gross Government Income by 2015.

The level of funding afforded to Overseas Aid, and its performance against targets, will be subject to detailed review by the Council of Ministers every three years.

Governance

The management of the Government’s Overseas Aid budget will be the responsibility of an Overseas Aid sub-Committee of the Council of Ministers consisting of five Members of which at least three will be Members of Tynwald. The Committee will receive administrative support from the Office of the Chief Secretary.

Aid Mechanisms

Four main funding mechanisms will be adopted as follows:

- Partnership Programme Agreements with Isle of Man or United Kingdom Non-Governmental Organisations (NGOs).
- A Multi-Year Grants Scheme for projects of up to 3 years duration.
- A Small Grants Scheme for one-off projects, which gives priority to Isle of Man based NGOs and has a proportion reserved for volunteering projects and technical co-operation.
- An Emergency Aid budget reserved for emergency appeals.

Application Procedures

All applications for grant aid will be considered in an open and transparent manner against clearly defined criteria. Applicants will be given the reasons in cases where project applications are unsuccessful.

Monitoring and Review

The Council of Ministers is committed to strict monitoring and evaluation procedures for all overseas aid activity and will ensure regular reporting for all projects. Details of reporting requirements will be communicated to all NGOs and adherence to these requirements will be a condition of any grant or agreement.

5. In addition to the issues covered within the Policy Statement above, the Council of Ministers has decided that:-

- The Overseas Aid Committee will be requested to produce written criteria based on the principles of the Millennium Development Goals and Human Development Index, against which applications for funding should be considered.
- The Overseas Aid Committee will be requested to reserve a proportion of funding to engage independent assessors to evaluate the effectiveness and value for money of Partnership Programme Agreements and Multi Year projects.
- Applications for emergency funding will be considered against the criteria set out in the OECD's Good Humanitarian Donorship Principles.
- With the exception of the Chief Minister's emergency fund, the Chairman of the Committee will have delegated authority to determine applications for emergency aid alone, if necessary, to ensure a speedy response to applications.
- The Overseas Aid Committee will be requested to give greater publicity on the Island to its activities, including early publication of how its budget is being spent, and attach a condition to development grants requiring NGOs to consider and, where possible include, an appropriate level of Manx Branding of the projects being funded.
- Government will enter into a Strategic Grant Agreement with a local voluntary organisation to provide for administration of elements of the Committee's grant schemes (including volunteering and technical co-operation), improving the organisational capacity of Isle of Man NGOs and raising the profile of the work of the Committee.
- The Overseas Aid Committee will include at least one Minister within its membership and the Chief Secretary will be requested to ensure appropriate senior personnel are involved with the work of the Committee on a regular basis.

1. Introduction

1.1 Tynwald Resolution

1.1.1 In December 2004, Tynwald passed the following declaratory resolution:-

“That Tynwald calls for there to be a significant increase in the amount donated by the Isle of Man Government to Overseas Aid, with a target to increase the amount given by stages to 0.7% of national income by the year 2013.”

1.1.2 During the debate the mover of the motion stated that *“this is a target: this is not a requirement.”*¹ Nonetheless, the Council of Ministers is conscious that in February 2004, Tynwald resolved that Government must respond positively to resolutions on any matter related to Government Policy². Accordingly, in 2005, the Council of Ministers established an Overseas Aid Working Group to examine how future overseas aid contributions should be calculated. The Report of the Working Group is attached at **Appendix 1**.

1.1.3 In addition, since the debate in December 2004, the Council of Ministers has recognised the need to give greater priority to funding Overseas Aid. As called for by the resolution, the budget has risen significantly, from £0.65m in 2004/05 to £2.2m in 2008/09.

1.1.4 The Council of Ministers detailed response to the Overseas Aid Working Group is contained within Chapter 2 of this report. In summary, the Council of Ministers has concluded that its ultimate goal is to achieve the internationally recognised standard for overseas aid contributions as a percentage of national income as and when it is practical to do so. This standard can only be achieved in stages. In the first instance the Council of Ministers has set a target of achieving a funding level of 0.7% of Gross Government Income by 2015.

1.1.5 The Council of Ministers has recognised, however, that Government’s commitment to Overseas Aid cannot simply be addressed by increasing funding year on year and leaving it to the Overseas Aid Committee to continue to disburse funds in the manner it has in previous years. Instead, it has been necessary to review the systems in place to manage the budget, to ensure:-

- that aid is targeted effectively to causes that matter to the Isle of Man
- that appropriate mechanisms are in place for granting aid, in accordance with best practice elsewhere,
- that the Island’s voluntary sector is properly engaged in the process, and
- that the people of the Isle of Man continue to be encouraged to support the alleviation of World poverty.

1.1.6 The following four paragraphs (1.2 to 1.5) explain in more detail the reasons why it has been necessary to review the broader issues surrounding Overseas Aid. The review has included consultation with interested parties, both on and off the Island, including past and present members of the Overseas Aid Committee and representatives of voluntary organisations. A list of persons from whom written or oral submissions were received is attached at **Appendix 2**.

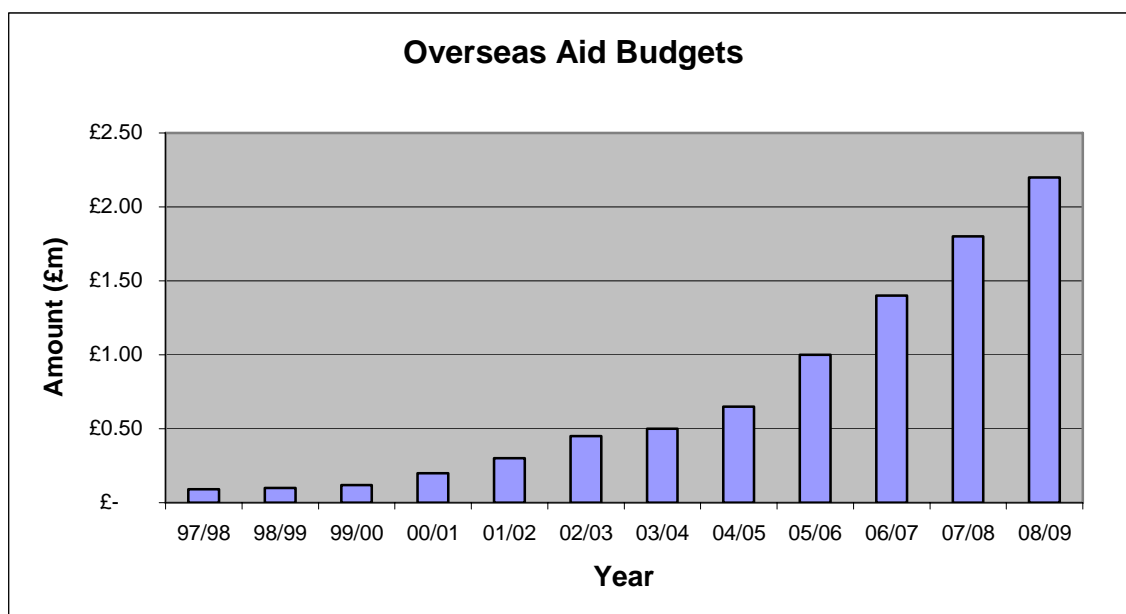
¹ Tynwald Hansard, Wednesday 15th December 2004, T122 p.534

² Tynwald Hansard, Thursday 19th February 2004, T121 p 905

1.1.7 Chapters 2 to 7 of the report set out the conclusions the Council of Ministers has reached and the actions it now intends to take to implement a new policy on the funding and governance of Overseas Aid on the Isle of Man.

1.2 Budget

1.2.1 The Government's Overseas Aid budget increased from £90,700 in 1997/98 to £2.2 million in 2008/09, with the largest increases occurring in recent years as shown in the table below:-



1.2.2 The Overseas Aid Committee is already under pressure to assess and determine applications as a result of budget increases in recent years as its mode of operation has remained largely unchanged. If the budget was to increase to 0.7% of national income (defined by the United Nations as Gross National Income), it is reasonable to assume the Committee in its current form would be unable to administer the budget efficiently and effectively. For example, in 2007/08 the Overseas Aid Committee supported 107 projects averaging £17,570 per grant. If, in the same year, the Overseas Aid Budget had been set at 0.7% of Gross National Income, and the average grant had remained £17,570, the Committee would have been required to process 1000 grants. Whilst this example is a little extreme, it does help to illustrate the impact of an increasing budget on the work of the Committee.

1.3 Governance

1.3.1 There are several parts of Government responsible mainly for making payments to organisations and individuals with budgets at a level which, in the coming years, will similarly be allocated to overseas aid. These include DAFF Agriculture Support (£9.4m), Education Fees and Grants (£12.7m) and Trade and Industry Grants (£5.7m). Common characteristics of these are that they are all staffed by full time civil servants, are responsible to a political member and a Minister and that the core focus of work of the staff involved is the service for which the budget relates.

- 1.3.2 By contrast, the Overseas Aid Committee comprises 3 Members of Tynwald and a Lay Representative, and meets seven to eight times per year. The Committee is administered by an Administrative Officer post, which presently commits 50% to this function but has numerous other responsibilities within the External Relations Division of the Chief Secretary's Office. There is no disputing that the Committee and its Secretary perform an excellent job, but it is clear that if the budget is to rise to 0.7% of Gross Government Income by 2015, then the management of the budget must be strengthened or at the very least the spending mechanisms changed.
- 1.3.3 There is also a need to improve transparency and accountability within the decision making process. A review of the management of Overseas Aid by the Internal Audit Division in 2007 recommended that the Overseas Aid Committee should adopt the principles of Corporate Governance with respect to decision making and reporting. This issue was also raised by a number of contributors to the review, who felt that the criteria for allocating funding should be better defined to improve the objectivity of decision making and speed up the decision making process. This could provide the dual benefit of easing the administrative burden and satisfying applicants' demand for greater clarity over decisions.

1.4 International Comparisons

- 1.4.1 Many jurisdictions target their development aid in a structured way, in some cases focussing on particular geographic regions. For example, the devolved administration in Scotland prioritises education, health and civil society development and currently donates half of its aid to Malawi, with whom it has a Co-operation Agreement.
- 1.4.2 Irish Aid and the UK Department for International Development target the aims of the Millennium Development Goals and 80% of the Irish Aid budget is targeted at seven specific countries in sub-Saharan Africa. Jersey's Overseas Aid Commission allocated, in 2006, just under half of its grant aid on health projects, with other priorities being income generation, education and water/sanitation projects. Guernsey's Overseas Aid Commission prioritises rural development and the importance of women in sustainable development but other categories e.g. health etc are taken on their own merits.
- 1.4.3 In addition, many jurisdictions now enter into a variety of different, often long term, funding arrangements with recipient countries rather than providing yearly one-off grants, as is the case with the Isle of Man.

1.5 Positive National Identity

- 1.5.1 The primary role of the Overseas Aid Committee is the alleviation of poverty. However, overseas aid is also an opportunity to increase the island's international reputation and present the Island's social conscience in a positive light. At present, and whilst recognising that seeking to enhance the Island's reputation is clearly a secondary issue when granting development aid, current practice rarely seeks to make use of any such opportunities.

2. Budget

2.1 Overseas Aid Working Group

- 2.1.1 The principal recommendation of the Overseas Aid Working Group was that the Council of Ministers should be left to make the final decision on which definition should be applied to “national income” as set out in the Tynwald motion.
- 2.1.2 As shown in the report at **Appendix 1**, the Working Group considered five possible definitions of national income and highlighted that the budget required for overseas aid varies significantly depending upon which definition is chosen. The Working Group asked the Council of Ministers to note its preference for the use of the term Gross National Income.
- 2.1.3 The Tynwald Resolution identified a target date of 2013, which at the time, was the United Kingdom target date for achieving 0.7% of GNI. The UK’s target has since been revised in accordance with a 2005 EU declaration and now mirrors the UN target date of 2015. In considering its own Overseas Aid target, therefore, the Council of Ministers has decided to use the year 2015.

2.2 International Comparisons

- 2.2.1 The most appropriate benchmark jurisdictions for the Isle of Man are the other Crown Dependencies, Jersey and Guernsey. Jersey is contributing £7.4m to Overseas Aid in 2008, which is budgeted to increase by 5% per annum in the short term on a GNI 60% higher than the Isle of Man. Based on the size of the Island’s economy compared to Jersey therefore, the Isle of Man would need a current budget of £4.6m, rising to £7.8m by 2015, if it was to compare equally with Jersey. A target linked to Gross Government Income will actually result in a budget in 2015 of approx £8.4million.
- 2.2.2 The Jersey Overseas Aid Commission was subject to a scrutiny review in 2007, which concluded that in view of future uncertainties in respect of taxation income it would not be possible to move quickly towards the 0.7% of GNI target. The Jersey Government has not subsequently set a target, although hopes to increase overseas aid expenditure by about £500,000 per year in future years.
- 2.2.3 Guernsey has a budget of £2.3m per annum in 2008 (which includes both development and emergency aid), based on a similar sized economy to the Isle of Man. The Guernsey Policy Council has indicated its ambition to recommend further real term increases when funding becomes available, but has not established a specific target.
- 2.2.4 At present, only five OECD countries have attained the UN target (Sweden, Luxembourg, Norway, the Netherlands and Denmark), despite it originally having been set in 1970. It remains to be seen whether others (such as the United Kingdom and Ireland) will similarly achieve the target. For example, the most recent figures available (2006) state that current performance across all 22 OECD Development Assistance Committee Countries is 0.3% of GNI. The Isle of Man is currently achieving about 0.1% of GNI.

2.2.5 The United Kingdom has committed to reaching 0.7% of National Income by 2015, but as with most other OECD countries, includes within its definition of overseas aid other sources of assistance and trade linked payments, some of which are not relevant or practical in the Isle of Man context.

2.3 Council of Ministers' Conclusions

2.3.1 In considering the issue, Council noted that if the UN definition (using Gross National Income as the basis for the calculation) was used and applied immediately, the current budget would need to rise from £2.2m to £18.8million. Based on economic forecasts of the size of the economy, that figure would be £33million in 2015. The Council of Ministers believes that reaching the target of 0.7% of GNI by 2015 is unlikely to be achievable, without the requirement to increase taxation and/or reduce spending on other public services. For example, the current shortfall of £15.6 million is equivalent to 3% of current spending excluding loan charges and benefit payments, (equivalent to around 200 jobs), or around 6% of current spending if salaries are excluded.

2.3.2 The Council of Ministers has concluded that its ultimate goal is to achieve the internationally recognised standard for overseas aid contributions as a percentage of national income as and when it is practical to do so. This standard can only be achieved in stages. In the first instance the Council of Ministers has set a target of achieving a funding level of 0.7% of Gross Government Income by 2015.

2.3.3 In order to achieve this, Council has agreed a target of a 20% annual increase for the remainder of this Administration. Taking account of central planning assumptions on economic growth and inflation, and assuming this level of increase is continued by the next Administration, this would result in an Overseas Aid budget of £8.4m million per annum by 2015, which would be equal to the current forecast for 0.7% of Gross Government Income at that time. The budget that would be allocated each year to 2015 on this basis would be as follows:-

Year	Budget
2009/10	£2.6m
2010/11	£3.2m
2011/12	£3.9m
2012/13	£4.7m
2013/14	£5.7m
2014/15	£6.9m
2015/16	£8.4m

2.3.4 The Overseas Aid Working Group also recommended that a review be organised three years after decisions are made on its report to reassess the progress of the Isle of Man Government towards achieving the 0.7% target and to recommend, on the basis of the circumstances at the time, any required alterations in calculating future overseas aid contributions.

2.3.5 The Council of Ministers agrees that it is important to conduct regular monitoring of Overseas Aid funding and has therefore decided to conduct a review before the next General Election to assess the level of funding afforded to Overseas Aid, and in particular, how Isle of Man funding compares with other similar jurisdictions.

3. Targeting Aid

3.1 Aid Categories

3.1.1 The Overseas Aid Committee currently concentrates on seven basic development aid categories with no particular category prioritised over the others. These are:-

- Safe drinking water and sanitation;
- Agricultural development and food production;
- Health and medical care;
- Education and training;
- Income generation and self-sufficiency;
- Environmental protection and sustainable development;
- Shelter and housing.

3.1.2 The Overseas Aid Committee also encourages projects that address the role of women and consider the contribution and involvement of the recipient community and its subsequent sustainability. Consideration has been given to whether, in the light of an increasing budget, the Overseas Aid Committee should:-

- align its priorities with international targets,
- target one aid category for funding, or
- mainstream the aid categories it has prioritised into all projects.

3.1.3 An analysis of some of the main aid categories currently targeted by donor countries is attached at **Appendix 3**. This includes the Millennium Development Goals (MDGs) which are reproduced in **Appendix C** of the Working Group Report at **Appendix 1**. The MDGs are the international targets agreed during the UN Millennium Summit in September 2000, which are to be achieved by 2015 and provide a blueprint for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women.

3.2 Aid by Geography

3.2.1 Africa and Asia have received more funding from the Isle of Man than other geographical areas although the Overseas Aid Committee remit does not specify any geographical bias. However, it is now usual for donor governments or international institutions to prioritise geographical regions for aid. It has been necessary therefore to consider whether:-

- to target one country or continent,
- target countries which have been highlighted by the international community,
- target countries that the Isle of Man has historical links with, or
- to continue without any particular geographical bias.

3.2.2 An analysis of some of the issues and facts relevant to different geographical areas is attached at **Appendix 4**.

3.3 International Comparisons

3.3.1 Scotland prioritises education, health (with particular emphasis on HIV/AIDS) and, civil society development. Scotland has chosen to focus on areas where they already have capabilities in place, where sustainable benefits are possible and where there is expertise in Scotland.

- 3.3.2 In 2006, Jersey's Overseas Aid Commission allocated just under half of its grant aid on health projects, with other priorities being income generation, education and water and sanitation projects. Guernsey's Overseas Aid Commission prioritises rural development and the importance of women in sustainable development but other categories e.g. health etc are taken on their own merits.
- 3.3.3 Irish Aid and the UK Department for International Development (DfID) target the aims of the Millennium Development Goals. More specifically, Irish Aid has identified four main priority issues within the MDGs (gender equality, environmental sustainability, good governance and meeting the challenge of HIV/AIDS) to be mainstreamed into all aid donations.
- 3.3.4 In accordance with its Joint Action Plan, Scotland donates a large amount of its aid to Malawi and favours other projects if they have a specific Malawi link. The Jersey Overseas Aid Commission does not target a specific area although Africa and Asia have received the majority of development funding. The Guernsey Overseas Aid Commission attempts to target the majority of its funding on UNICEF targets such as 'is it a least developed country?' and other statistics e.g. under five mortality rates etc. Irish Aid focuses 80% of aid to Africa and is particularly intensive in Lesotho, Mozambique, Tanzania, Ethiopia, Zambia and Uganda.
- 3.3.5 Irish Aid also plans to increase aid flows to Malawi and maintains support to programme countries Timor-Leste and Vietnam. DfID has a wide spread of development projects throughout the world but targets the majority of its aid to sub-Saharan Africa and South Asia. The EU has developed strong links with several regions; sub-Saharan Africa, the Caribbean and the Pacific communities.

3.6 Council of Ministers' Conclusions

- 3.6.1 With regard to Aid categories, the Council of Ministers has noted that most donor countries identify categories within which aid applications must fall to be eligible for funding. In some cases these categories are fairly narrow, such as in Scotland, or quite broad, such as the Millennium Development Goals. Several UK Charities made the suggestion that the Overseas Aid Committee should target the MDGs as this would be in line with international priorities and enable the adoption of similar systems of administration. The Committee's existing categories already cover many of the targets set out in the MDGs, so adoption of these categories would not represent a significant shift in the Committee's priorities.
- 3.6.2 The submissions to the review from charities confirmed their desire for donor countries to provide clear and concise aid criteria within which applications must fit.
- 3.6.3 With regard to targeting aid by geography, the Council of Ministers has noted that some donor countries have developed aid links to countries with which they have historical links or by virtue of their geographical proximity. There have been no specific countries identified in such a way in respect of the Isle of Man, by any contributors to this review.
- 3.6.4 However, a number of contributors suggested the Committee give priority to "Least Developed Countries" or "Small Island Developing States" as defined by the United Nations, which are described more fully in **Appendix 4**.

- 3.6.5 A further suggestion was to give priority to countries with a low ranking on the United Nation's Human Development Index (HDI). The HDI is compiled by the United Nations Development Programme and involves yearly in-depth reports into the nature and process of well-being. It is a summary composite index that measures a country's average achievements in three basic aspects of human development: health, knowledge, and a decent standard of living. Health is measured by life expectancy at birth; knowledge is measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and standard of living by GDP per capita.
- 3.6.6 The HDI was created to re-emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not just economic growth. For example, Swaziland and Sri Lanka have similar levels of income per person, but life expectancy and literacy differ greatly between the two countries, with Sri Lanka having a much higher HDI value than Swaziland. The HDI annually ranks countries as having High, Medium or Low human development. The countries assessed in 2007/08 as Low Development are identified in **Appendix 5**.
- 3.6.7 The Council of Ministers believes it is important to have an overall strategy for giving priority to funding applications in a particular development aid category and geographical region. However, it recognises that the Committee has been praised by a number of NGOs (including Oxfam and ActionAid) for accepting grant applications from a number of geographical areas, which traditionally are less popular aid recipients.
- 3.6.8 Accordingly, Council will recommend to the Overseas Aid Committee that it should:-
- concentrate the majority of its budget on the Millennium Development Goals as they are recognised as the international standard for development,
 - consider identifying a small list of MDG categories against which applications for large grants should be assessed, and
 - give priority, but not exclusivity, to Countries ranked as "Low Development" on the United Nations Human Development Index.
- 3.6.9 In addition, the Council of Ministers will request the Overseas Aid Committee to produce written criteria based on these principles, against which applications for funding should be considered.

4. Aid Mechanisms

4.1 Grant Schemes

- 4.1.1 When deciding which aid mechanisms the Isle of Man should adopt, there were a number of options to consider:-
- channelling aid directly to the aid recipient's government,
 - channelling aid only through Non-Governmental Organisations (NGOs),
 - providing technical co-operation to recipient countries,
 - encouraging more youth volunteering, and
 - identifying the extent to which Isle of Man based NGOs can be involved.
- 4.1.2 Most larger countries disburse aid directly to recipient countries using systems of loans, general budget support, sector wide approaches or joint action plans. These systems have often had strings attached to ensure that the donor country benefits through trade and influence. This form of aid is not appropriate in the Isle of Man context and instead, the methodology used has traditionally been to channel aid only through Isle of Man and UK based NGOs. This has been done on the basis of annual one-off grants of relatively small size.
- 4.1.3 Alternative mechanisms for consideration include large grant schemes, multi-year projects and partnership programme agreements.
- 4.1.4 The Overseas Aid Committee has previously considered initiating a large grants scheme, by providing several large grants of around £100,000 per project. This, it is hoped, would attract positive publicity while allowing the Committee to support a wide-range of projects. Single year projects have easily quantifiable and qualitative results for the Committee to measure against intended outcomes, although NGOs prefer to have the ability to run projects over several years where larger sums of money are involved. In addition, single-year projects can be short-term and ill-planned if long-term provision is not provided for maintenance. Nonetheless, processing a smaller number of larger projects would be easier for the Committee to administer than many smaller projects.
- 4.1.5 Multi-year projects normally last three years (although they can extend beyond this) with NGOs expected to report on progress every year. A detailed budget is required from NGOs with more formal arrangements and communications in place compared to one-off yearly projects. They are beneficial by reducing administration for both the donor and applicant, as applications are considered only every three years. Multi-year projects also provide an opportunity for Committee Members or other officials to visit projects where they have had a long-term commitment to assess the impact of funding.
- 4.1.6 Partnership Programme Agreements (PPAs) are agreements between donors and large NGOs with set strategic targets and outcomes. PPAs have a set timescale, usually of three to six years, with the first three years budget set and the next three years agreed during the initial three-year period. PPA funding is in the form of core grants to charities activities rather than single projects.

- 4.1.7 PPAs are often preferred by NGOs as the flexibility and long-term nature of funding increases their own capacity and effective delivery of strategic aims as well as reduced day-to-day administration. PPAs hold organisations to account for appropriate, effective and efficient use of funds. PPAs are concerned with results and outcomes rather than focussing merely on the delivery of activities or outputs. They enable NGOs to make long-term changes in the lives of beneficiaries. However as costs are transferred to core costs there is less visibility of funding unless specifically requested by the donor.
- 4.1.8 The goal of the PPA is to contribute to poverty reduction by increasing the effectiveness of significant aspects of donor and NGOs work by advancing development practices in selected thematic areas. PPAs can set specific targets, e.g. targeting a particular country or a particular aid category. With a larger Isle of Man budget, there is potential to agree PPAs with UK or larger Isle of Man NGOs with which the Overseas Aid Committee has good working relationships and shared objectives.
- 4.1.9 Agreed arrangements for monitoring and evaluating would need to be established in order to demonstrate to Tynwald that funds are being spent effectively and efficiently. In terms of monitoring, NGOs are normally required to provide yearly self-assessments and one independent evaluation during the term of each PPA agreement. PPAs will reduce the administrative burden falling to the Secretary of the Overseas Aid Committee. However there will be a requirement to involve senior staff due to the size of grants and the expertise needed for contract negotiation and evaluation.

4.2 Technical Co-operation

- 4.2.1 As stated by the Overseas Aid Working Group, technical co-operation is the paid provision of consultants from the developed world to developing countries for expert advice and management, and to a lesser extent, the provision of education or training grants to nationals of aid recipient countries.
- 4.2.2 The Working Group recommended that the Council of Ministers should examine the possible provision of overseas aid via technical co-operation, although recognised that the provision of aid via technical co-operation is in itself a complex area and care must be taken to show that it benefits the developing country concerned more than the donor country.
- 4.2.3 Ideally, technical co-operation should be provided through government systems so that developing countries can design and manage the assistance to meet their needs rather than having it imposed by donors. Donors should pool technical co-operation funds to improve co-ordination and reduce administration burdens. However, there is a danger that technical co-operation promotes the interests of rich countries and enforces inappropriate solutions instead of alleviating poverty.³ One-third of ODA is spent on consultants rather than utilising funds to help build strong, professional teaching forces for aid recipients.⁴

³ http://www.actionaid.org.uk/index.asp?page_id=100631 (16/11/07)

⁴ Oxfam, Class of 2007 [Not up to scratch] (2007)

4.2.4 Technical co-operation would result in increased administration for the Overseas Aid Committee as a register of private and public professionals would need to be developed and maintained, and co-ordinated with an organisation such as Red R⁵ to ensure assistance is provided where it is needed.

4.3 Volunteering

4.3.1 Youth volunteering can have many beneficial effects on the volunteer, his or her country of origin and the recipient community. Volunteers build capacity and raise awareness of issues of poverty, development and global interdependence in ways that no other development intervention can.⁶

4.3.2 In addition, a volunteer's experience plays a crucial role in a young person's development and future career choices as volunteers will return to their own communities with new viewpoints on citizenship, development and poverty. Encouraging youth volunteering projects correlates with the Government's Strategic Plan as it will 'encourage the provision of opportunities to meet the career aspirations of individuals.'⁷ A year out between school or college and higher education or employment or between higher education and a job, can give young people a valuable and challenging learning experience - provided that it is carefully planned.

4.3.3 Ensuring that a youth development programme is carefully planned is an important aspect of volunteering. There has been a rise in 'voluntourism' for gap year projects where a combination of volunteering and tourism contains poorly planned projects with little impact on sustainable development. Volunteers risk becoming the new colonialists if attitudes to voluntary work in the developing world do not change, catering to the needs of young people seeking to combine a little worthiness with a lot of travel, rather than the communities the gap year companies claim to support.

4.3.4 As part of the Freedom to Flourish campaign and in partnership with Excellent Development and Quest Overseas, the Overseas Aid Committee supported a development expedition sending Isle of Man residents (aged 18-24) to undertake community work in Kenya. This project received funding from the Committee and a range of local charitable trusts, companies and bursaries. The project aimed to have a powerful and positive effect on a young person's motivation, worldview and career and develop citizenship skills by broadening their horizons.

4.3.5 The Overseas Aid Committee has funded Volunteer Services Overseas (VSO) programmes since 1985 and in 2007/08 supported three projects with grants of approximately £73,000. Generally, the Overseas Aid Committee supports VSO programmes only when Isle of Man residents are scheduled to take part, although this has not always been the case.

⁵ Red R provides trained and experienced personnel to relief agencies by maintaining a register of experienced personnel which operational agencies can obtain the skills they require to improve their response in disaster relief

⁶ VSO, Role of Volunteers (2003)

⁷ Isle of Man Government Strategic Plan 2007-2011 (2007)

4.4 Aid Effectiveness

- 4.4.1 All organisations which have received a grant from the Overseas Aid Committee are required to submit a report on how funding was utilised. Reports should be impartial, compare project outcomes against initial aims, compare actual and planned expenditure, give details of local community involvement, information on unexpected successes or failures, direct and indirect beneficiaries, and the sustainability and future development needs of the project.
- 4.4.2 This form of monitoring requires a certain amount of trust between the Committee and recipient charities, because it only includes information provided by the charity and does not include independent evaluation or assessment. If multi year grants or partnership agreements are introduced in future it will be necessary for an appropriate level of independent evaluation to be carried out.
- 4.4.3 There has been an informal glass ceiling of around 10-15% of a project's budget set by the Overseas Aid Committee beyond which core organisational costs will not be paid. This is set at a similar level to other donor countries. However, donors need to accept that some projects may need more 'back up' than others.
- 4.4.4 Organisational capacity is a key part of ensuring that funding for a project or a service is put to best use as an organisation cannot achieve desired outcomes unless it has the ability to manage, resource, support and set the direction for those on the front line. There is an understandable focus by donors on the outcomes of the work they support in order to ensure that funds (especially public funds) are efficiently spent but often because of donor pressure, core funds are scaled down to the extent that projects become unviable.
- 4.4.5 The Committee has been reluctant in the past to pay partners' salaries and administrative costs, which can be difficult to justify to the public, but these costs are key to the success of projects because without professional human resources the quality of projects and their implementation are at risk.

4.5 International Comparisons

- 4.5.1 The Guernsey Overseas Aid Commission made 80 grants in 2006 from 174 applications, at an average of approximately £22,000. The Guernsey Commission's policy continues to be funding on a year-to-year basis only. Applications for multi year projects are considered but as with the Isle of Man Committee, funding for years two or three are not guaranteed when the year one grant is made.
- 4.5.2 The Jersey Overseas Aid Commission has recently introduced a multi year grants scheme whereby 10 NGOs can submit applications for funding of a three-year project, subject to a maximum grant of £150,000 over the life of the project.
- 4.5.3 The Jersey Overseas Aid Commission (JOAC) currently arranges question and answer sessions in the UK with NGOs, which also coincides with their annual funding round. This enables the JOAC to receive detailed reports on progress of projects and receive presentations on applications for future funding.

4.6 Council of Ministers' Conclusions

Grant Schemes

- 4.6.1 If the Council of Ministers is able to increase the overseas aid budget by 20% per annum, as planned, the existing committee and administrative structure will have great difficulty continuing to operate the current system of awarding small annual grants. More importantly, it is recognised that providing long term funding enables charities to develop sustainable projects, which are more cost effective and have a greater impact on the recipient community.
- 4.6.2 Accordingly, the Council of Ministers will recommend to the Overseas Aid Committee that from 2009/10 it should:-
- enter into Partnership Programme Agreements with Isle of Man or UK Non-Governmental Organisations (rising from approximately 20% of the budget in 2009/10 to 50% in 2012/13),
 - operate a Multi Year Grants Scheme (utilising about 10% of the budget),
 - continue with a Small Grants Scheme for one-off projects, in which priority should be given to applications from Isle of Man based NGOs and a proportion reserved for volunteering projects and technical co-operation, and
 - reserve approximately 15% of the budget each year for Emergency Aid payments
- 4.6.3 The table below identifies how the budget would be allocated to each different area of funding on this basis:-

Year	Budget	PPA	Multi Year	Small Grant	Emergency
2009/10	£2.6m	£0.52m	£0.26m	£1.43m	£0.39m
2010/11	£3.2m	£0.96m	£0.32m	£1.44m	£0.48m
2011/12	£3.9m	£1.56m	£0.39m	£1.36m	£0.58m
2012/13	£4.7m	£2.35m	£0.47m	£1.17m	£0.70m
2013/14	£5.7m	£2.85m	£0.57m	£1.42m	£0.85m
2014/15	£6.9m	£3.45m	£0.69m	£1.72m	£1.03m
2015/16	£8.4m	£4.20m	£0.84m	£2.10m	£1.26m

- 4.6.4 In 2009/10 the Committee should enter into a Partnership Programme Agreement with a single NGO, with a contract value of approximately £0.5m per year. In 2010/11 a second agreement should commence, with a third starting in 2011/12. Each agreement should be for a duration of six years, with a review after three years. From 2012/13 therefore, the Committee would be able to review the effectiveness of the PPAs and determine how many to operate in future and whether to increase the financial value of each. NGOs should be required to tender for the agreements in accordance with Financial Regulations. The PPAs should be specific to a thematic area of work or a country/region in order to ensure that evidence of impact can be assessed.
- 4.6.5 The Multi Year Grants scheme should operate broadly on the lines of the existing small grants scheme, but provide funding for 3-year projects with a value up to £100,000 per annum.

Technical Co-operation

- 4.6.6 The Council of Ministers believes there is scope to engage in technical co-operation as part of its approach to overseas aid. However, it recognises that to do so may require a disproportionate amount of time being devoted to administering relevant projects, which under the current system of administration is not practical. However, Council has decided that Government should contract with a local voluntary organisation to assist with the management of the Overseas Aid budget (see Chapter 7 below). One function, which will be addressed through such a contract, is the management of technical co-operation projects.

Volunteering

- 4.6.7 With regard to volunteering, the Council of Ministers believes that more could be done on the Island to engage young people in global development issues. It will therefore recommend to the Overseas Aid Committee that a proportion of the budget from the small grants scheme be regularly allocated to youth volunteering projects. The Committee should achieve this by working with both VSO and local charities, with the administration provided as part of the proposed contract with a local voluntary organisation (see 4.6.6 above).
- 4.6.8 The fundraising aspect of volunteering must not be overlooked, however, so the Committee should only part-fund such projects. In addition, the Committee should only engage with organisations that adhere to the 'Guiding Principles for Youth Volunteering in the Context of International Development' to ensure that projects have a significant developmental impact.

Aid Effectiveness

- 4.6.9 With larger sums of money to be awarded to individual projects and agreements it is important that an effective system of monitoring is in place. The Council of Ministers will therefore recommend to the Overseas Aid Committee that a proportion of funding within each of the larger grant schemes is kept aside to engage independent assessors to evaluate the effectiveness and value for money of PPAs and Multi Year projects.

5. Emergency Aid

5.1 Current Practice

5.1.1 Emergency aid is providing humanitarian assistance to those affected by a national or man-made disaster where the government of the country is unable or unwilling to provide assistance. Emergency aid includes financial assistance, provision of goods and basic supplies and technical assistance of expertise and labour. The Overseas Aid Committee has a number of options for emergency aid, which include:-

- adopting an international approach to relief work
- channelling funding through an international agency, or
- restricting emergency aid to a limited selection of aid agencies.

5.1.2 Since 2007/08, it has been left to the Committee to determine how much of its annual budget should be allocated to Emergency Aid. Usually, the Committee allocates between 15% and 20%. In addition, following a Tynwald Resolution in January 2005⁸, the Chief Minister is able to approve emergency aid payments not exceeding £100,000 in relation to one disaster and not exceeding £200,000 in any one financial year. This allows the Overseas Aid Committee to allocate its emergency aid budget in the safe knowledge that additional funding is available if a significant humanitarian disaster occurs.

5.1.3 Since the 2005 resolution the following emergency aid payments have been authorised by the Chief Minister:-

2007/08:	£80,000
2006/07:	NIL
2005/06:	£75,000
2004/05:	£105,000

5.1.4 Emergency aid is seen as vital to international development because disasters can reverse or undermine development and similarly, weak or limited development can enhance vulnerability to disaster. If development gains are to be sustained, development orientated interventions must be undertaken in such a way that critical vulnerabilities to disasters are reduced.

5.1.5 To date the Committee has allocated funding on a request basis, disbursing funds through large NGOs and charities. The Committee has also donated to the Disasters Emergency Committee (DEC) in the past upon their request, which has then disbursed funding amongst its member organisations.

5.1.6 The importance of disaster emergency aid is likely to increase as the effects of climate change have a disproportionate effect on the developing world. Climate change combined with chronic poverty may lead to increasing frequency and severity of natural disasters, particularly droughts, flooding and landslides.

5.2 Good Humanitarian Donorship Principles

5.2.1 In 2003, the Good Humanitarian Donorship initiative was established in order to 'work towards achieving efficient and principled humanitarian assistance' under the humanitarian principles of humanity, impartiality, neutrality and independence.

⁸ Tynwald Hansard, Tuesday 18th January 2005, T121

- 5.2.2 Funding under GHD principles should strive to ensure flexible and timely funding on the basis of need. However, this is often difficult for donors to do due to political constraints. The GHD was established due to the growing awareness of the negative impact of fragmented donor practices in areas which had received emergency aid. The GHD principles were endorsed by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) as the standard for its Members' humanitarian work.
- 5.2.3 The GHD Principles are reproduced at **Appendix 6**.

5.3 International Comparisons

- 5.3.1 Jersey allows funding to aid agencies that either have a relationship with the Commission or are members of the Disaster Emergency Committee (DEC)⁹. Jersey allocates its funding for emergency aid projects within a matter of days rather than weeks. Applications must include broad details of the emergency, ensuring all of the Commission's criteria are met including what efforts are made by the NGO applying for funding to co-ordinate with other aid agencies involved in the area. Jersey has a limit of £25,000 for individual emergency projects and £75,000 on any one disaster, although this can be disregarded in the case of a high profile humanitarian or natural disaster.
- 5.3.2 Guernsey will only donate to a cause that has received sufficient publicity and channels the majority of its funds through the DEC. If the DEC does not launch an appeal then the Commission will either fund DEC members who approach the Commission or grant a specific sum, divided equally between DEC members whether they approached the Commission or not. In the unlikely event no DEC member is working in a disaster area then other organisations can be funded by Guernsey, after advice from the DEC. Guernsey's processes are also relatively quick, with decisions made over the telephone after the Chairman has been contacted first.

5.4 Council of Ministers' Conclusions

- 5.4.1 The Overseas Aid Committee's current remit on Emergency Aid is restricted to "providing donations, to relevant appeals, in the event of a natural or human disaster." The Council of Ministers believes that the adoption of guidelines or principles similar to the GHD would give applicant NGOs greater clarity on projects it can submit and receive funding for. Accordingly, Council will recommend to the Overseas Aid Committee that it should require NGOs to demonstrate their commitment to the Good Humanitarian Principles when applying for Emergency Aid funding.
- 5.4.2 Currently, the Overseas Aid Committee allocates funding to individual emergency aid projects when applications are made to it directly by NGOs. It has been suggested by contributors to the review that this system occupies a disproportionate amount of the Committee's time in relation to its budget. Furthermore, from an application being made to funding being issued often takes three to four weeks. A number of submissions to the review were critical of the Island's response times.

⁹ The current DEC Member Organisations are: ActionAid, British Red Cross, CAFOD, CARE International, Christian Aid, Concern, Help the Aged, Islamic Relief, Merlin, Oxfam, Save the Children, Tearfund and World Vision

- 5.4.3 It could be more efficient to channel funding through the Disasters Emergency Committee (DEC) to ensure humanitarian aid reaches those in need in an efficient and co-ordinated fashion. In these circumstances it is left to the DEC to allocate funds to its member NGOs. If the DEC does not make an appeal during an emergency the Committee could channel funds to DEC members who are working in the area.
- 5.4.4 On the other hand, restricting aid to DEC appeals and DEC members, limits the ability of the Overseas Aid Committee to respond to emergencies it feels are worthy of support. The DEC only makes appeals when it meets the following criteria:-
- the disaster must be on a scale and urgency to warrant international humanitarian assistance,
 - DEC agencies must be in place and
 - there must be sufficient public awareness and sympathy for a public appeal to take place.

As part of the review a number of NGOs praised the Overseas Aid Committee for funding appeals which may not have received media coverage.

- 5.4.6 In the circumstances, the Council of Ministers is content for the current system of allocating emergency aid to be retained, based on applications being made direct to the Committee. However, with the exception of the Chief Minister's emergency fund, Council believes the Chairman should have delegated authority to determine applications for emergency aid alone, if necessary, to ensure a speedy response to applications. Applications for emergency funding should be considered against the criteria set out in the OECD's Good Humanitarian Donorship Principles.

6. Positive National Identity

6.1 Branding

- 6.1.1 Several submissions to the Review emphasised the need for increased Isle of Man visibility or branding of projects it has supported. Visibility can include plaques detailing donor's contribution, Manx flags, use of the 'Three Legs of Man' etc. Several NGOs, in their submissions, stated that visibility can be increased if the donor requests it but it has to be considered on a case-by-case basis.
- 6.1.2 Branding can be favoured by some communities as they often want to know where funding has come from and enjoy the link but as the Isle of Man is not always the largest donor of a project the Committee cannot always expect NGOs or governments to favour the Island in branding. Furthermore, several NGOs have made it clear that they are uncomfortable with branding as it diverts funding from development projects and transfers an element of ownership from the aid recipients to the donor. Longer-term investment on projects, through PPAs and Multi Year projects will create more opportunities for successful branding as partnerships will develop in geographical areas and with NGOs.
- 6.1.3 An increased branding programme will highlight the good work the Isle of Man Overseas Aid Committee has done. However, if a project has been poorly managed, if funding has been short-term and unsustainable or if the Isle of Man has benefited disproportionately compared to the aid recipient, the Island could be open to criticism. Therefore, the Committee will have to ensure that the projects it funds are well managed, effective and efficient.

6.2 Role of the Private Sector

- 6.2.1 The last grant from a private business to the Overseas Aid Committee was in 2000/01. Grants from private businesses were in support of VSO programmes rather than development projects. The Committee stopped approaching businesses for funding due to the substantial increase in administration that it entailed. Any private funding accepted should complement, rather than replace, the Island's overseas aid contribution. In fact, funding from private sources does not count towards official ODA as defined by the United Nations.
- 6.2.2 Jersey does not seek funding from the private sector as it feels that it would be setting itself in competition with the organisations it is trying to help. Guernsey has a remit to seek funding from the private sector, but has been unable to secure any funding through this route.

6.3 Media Coverage

- 6.3.1 There is a need for effective publicity for overseas aid as the majority of the public receive their information from the media. However, there is little proactive publicity of the work of the Overseas Aid Committee other than the Annual Report and occasional articles in the local papers. Furthermore, the Committee currently only publishes details of the grants it makes more than a year afterwards, as part of the Annual Report.

6.4 Council of Ministers' Conclusions

6.4.1 In order to ensure recognition of the Government's commitment to overseas aid funding, the Overseas Aid Committee will be requested to:-

- give greater publicity on the Island to its activities, including early publication of how its budget is being spent, and
- attach a condition to small grants, multi year grants and PPAs requiring NGOs to consider and, where possible include, an appropriate level of Manx Branding of the projects being funded.

7. Governance

7.1 Overseas Aid Committee - Membership

- 7.1.1 The Overseas Aid Committee of the Council of Ministers is the body responsible for the funding of development aid projects in the World's less developed countries. The Committee is also responsible for providing donations to international emergency/disaster appeals. Occasionally, the committee also oversees the donation of equipment for specific projects in conjunction with the voluntary sector.
- 7.1.2 Formed in 1985 as the Voluntary Service Overseas Committee to fund the overseas postings of Isle of Man VSO volunteers, the Committee's name changed the following year when it was given responsibility for the funding of all overseas development aid projects. Responsibility for donations to disaster appeals was given to the Committee in 2000.
- 7.1.3 The Overseas Aid Committee is a non-statutory sub-Committee of the Council of Ministers with no restrictions on its membership and which does not require Tynwald approval. The Committee consists of three Tynwald Members and a lay representative, usually selected by virtue of their interest in the subject, and not as a result of any Government position held.
- 7.1.4 The Overseas Aid Committee is perceived by NGOs as transparent and accountable with aid recipients commenting that the Committee's guidance and communication is 'clear and helpful'¹⁰ and the staff 'efficient, flexible and approachable.'¹¹

7.2 Overseas Aid Committee – Remit

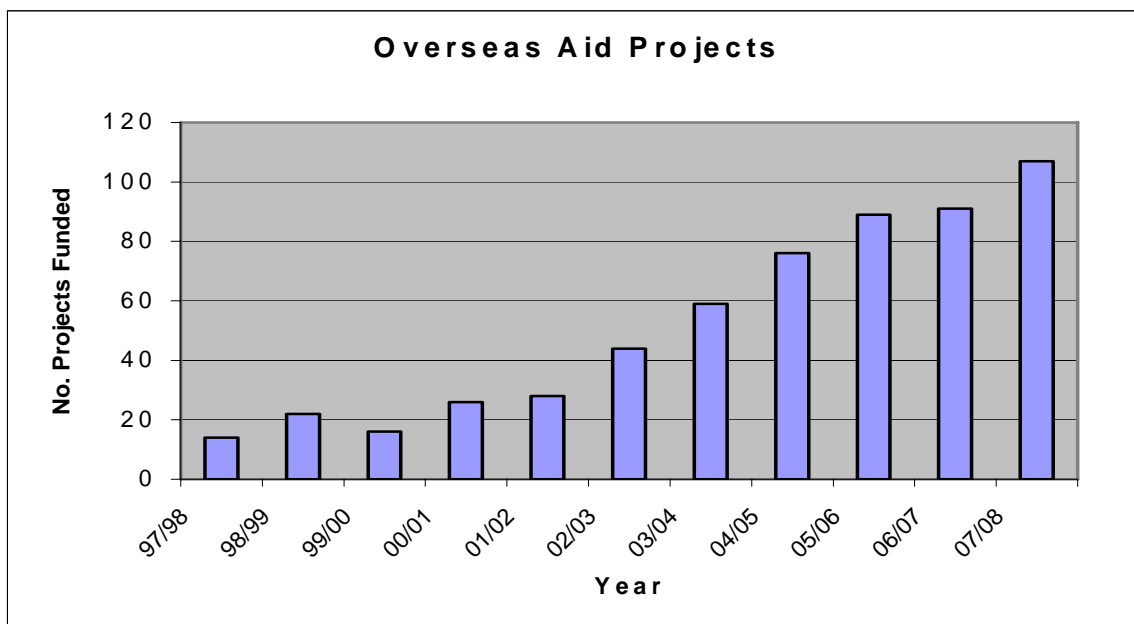
- 7.2.1 The Committee provides development aid grants for projects in the categories listed at paragraph 3.1 above.
- 7.2.2 Grants are normally only made to projects submitted by Non-Governmental Organisations (NGOs), including many well-known charities. The Committee does however occasionally consider requests from local people to support particular projects. The Committee is strongly supportive of appropriate projects which involve a local (Isle of Man) fund-raising element.
- 7.2.3 At present, no grant of more than 10% of the Committee's total budget is made to any one project.
- 7.2.4 The Committee requires a project report to be submitted no later than twelve months after a project is completed. Where the project is incomplete or ongoing an interim report is requested.

¹⁰ Submission to Review, Disability and Development Partners

¹¹ Submission to Review, International Children's Trust

7.3 Overseas Aid Administration

7.3.1 Until recent years the administrative support for the Overseas Aid Committee has been only a small part of the duties of an Administrative Officer post within the Chief Secretary's Office, with the occasional requirement to involve staff at a more senior level. Now, however, the budget has increased substantially and the workload has risen as evidenced by the increased number of projects supported over the last eleven years:-



7.3.2 The secretary's duties include the collation of applications into aid categories, further research into charities, preparing papers for Committee meetings, taking and preparing minutes, dealing with all correspondence between the Committee and charities, raising grant cheques, responding to requests for feedback, year round enquiries, emergency aid responses including briefings for the Committee and press releases and, the submission of an annual report to Tynwald. It is estimated that acting as secretary to the Committee now absorbs about 50% of the postholder's workload, because of the sheer volume of applications, the subsequent recording, photocopying and follow up.

7.3.3 The cost of administrative support to the Committee of approximately £15,000 per annum, is now, as recommended by the Overseas Aid Working Group, included as part of the Committee's spending and thus shown as a credit towards official ODA expenditure. In 2008/09 administration will account for 0.68% of expenditure.

7.3.4 Whilst the decision to introduce a revised system of grants schemes, particularly the multi year/PPA grant scheme, may limit a continuation of the recent growth in the number of projects funded, the increasing budget and other changes proposed will require more administration, particularly at more senior levels within the Chief Secretary's Office, but also with the day to day management of the budget. Obtaining additional personnel resources for this, within Government, will be difficult.

7.3.5 One member of the Committee suggested the specialisation of Committee members to a development criteria e.g. education, health etc. After considering the applications made to the Committee, each Member would then approach the meeting with preferred projects for funding in their fields. This would streamline the Committees work by reducing the amount of applications Members would have to consider at Meetings and also reduce the preparation Members would need to undertake in advance.

7.4 Isle of Man Charities

7.4.1 A number of Isle of Man charities expressed concern during the review that they were being excluded from grant and emergency aid in preference for larger and more publicly recognised UK charities. They argued that as it is the Isle of Man Overseas Aid Committee, Isle of Man charities should have a larger role to play in the allocation of its resources, as they are unable to receive funding from the UK Government. Whilst it is not specified in the Committee remit, Isle of Man charities do tend to receive a degree of preference in funding.

7.4.2 However, it is true that Isle of Man charities often fail to secure funding due to a lack of organisational capacity in comparison to their UK counterparts. In 2007/08 only 18 out of 107 funded projects were from Isle of Man based charities, accounting for less than 9% of total expenditure.

7.4.3 One option is the establishment of an administrative resource to build and enhance the organisational capacity of local NGOs. An example of this in practice is the Network of International Development Organisations in Scotland (NIDOS), which is given funding by the Scottish Government to establish and run the cost of an administrative resource to provide support in HR, Finance, legal matters, and bid and project management.

7.4.4 A similar organisation in the Isle of Man could fill a variety of roles, including:-

- maintaining a register of development agencies and individuals operating on the Island,
- providing a forum for exchange of best practice for Isle of Man charities,
- creating effective public support, representing charities views to Tynwald and the media etc.
- assisting charities with applications for grant aid
- administration of certain elements of the Committee's grant schemes (such as volunteering and technical co-operation)
- the establishment and maintenance of a database of skilled professionals on the Island who are willing to undertake emergency aid work in times of international disaster or provide expert and technical support in development practice.

7.4.5 These functions could be taken on by an existing organisation (such as the One World Centre) or a new organisation (such as a single existing charity or a consortium of charities formed specifically to undertake this role).

7.5 International Comparisons

7.5.1 The Jersey Overseas Aid Commission (formerly Committee) was established in 1968 and, in 2005, following the review of Jersey's Government machinery was put on a statutory footing. The Commission consists of 3 States Members and 3 non-States members.

- 7.5.2 Jersey's Commission is supported by one full time Executive Officer who is assisted by the voluntary sector, particularly in respect of planning and preparation of Community Work Projects. In order to increase its efficiency the Commission only accepts funding requests from a set list of charities thus cutting down on 'protracted correspondence and the need for lengthy reports.'¹² The total administration costs of the Commission are 0.9% of its total budget.
- 7.5.3 The Guernsey Overseas Aid Commission was established by resolution of the States and, like the Isle of Man Committee, does not have a statutory basis. The Chairman of the Commission is a member of the Policy Council and it has six other Members (who need not be State Members). The Commission is supported by one member of staff who combines Overseas Aid with other duties on a similar basis as the Isle of Man's Committee Secretary. In addition, however, the Head of Government Business (the Secretary to the Guernsey Policy Council) attends Commission meetings and effectively acts as its Chief Officer. The equivalent post on the Isle of Man to this would be the Secretary to the Council of Ministers. However, in an Isle of Man context it may be more appropriate for this to be the Head of Crown and External Relations Administration or External Relations Manager.

7.6 Council of Ministers' Conclusions

- 7.6.1 As the Committee's budget is expected to increase by at least 20% per annum over the next few years, Council believed it was necessary to examine the governance arrangements for overseas aid, to ensure that the Committee was properly equipped and supported to discharge its functions.
- 7.6.2 Council has concluded that there needs to be a closer link between itself and the Committee, and that the membership should be increased to help spread the burden of the increasing workload.
- 7.6.3 Accordingly, Council has decided that the Membership of the Overseas Aid Committee will be revised as follows:-
- 3 Members of Tynwald (including at least 1 Minister), and
 - 2 Lay Representatives

The Committee will continue to be appointed by the Council of Ministers, with the Chairman selected by the Chief Minister.

- 7.6.4 Council has noted that the Jersey Overseas Aid Commission is now a statutory body, but does not believe it is necessary to consider this for the Isle of Man at the present time. Such a move would undoubtedly involve additional layers of bureaucracy, which are best avoided. So long as the Committee continues to operate to high standards of governance and in accordance with Financial Regulations and other relevant standards, then a legislative framework is not necessary.

¹² <http://www.jerseyoverseasaid.org.je/admin.htm> (17/10/07)

7.6.5 In respect of administration, the Council of Ministers has concluded that in order to ensure that the Committee is adequately supported, the following actions will be taken:-

- The Treasury (on behalf of the Chief Secretary's Office) will enter into a Strategic Grant Agreement with a local voluntary organisation to provide for administration of elements of the Committee's grant schemes, improving the organisational capacity of Isle of Man NGOs and raising the profile of the work of the Committee.
- The Chief Secretary will be requested to ensure appropriate senior personnel are involved with the work of the Committee on a regular basis, including attendance at meetings where necessary, management of the contract with the appointed voluntary organisation and overall management of the new grant schemes.



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Calculation of future overseas aid contributions

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Report of the Overseas Aid Working Group on the calculation of future Overseas Aid contributions

EXECUTIVE SUMMARY AND RECOMMENDATIONS

1 Executive summary

- 1.1 The Overseas Aid Working Group was formed at the instigation of the Council of Ministers to examine how future overseas aid contributions may be calculated.
- 1.2 The Group began its considerations by examining how overseas aid expenditure is allocated internationally.
- 1.3 These considerations led the Group to consider the terms used in relation to overseas aid expenditure. Particular attention was given to those terms which may affect any future calculation of overseas aid contributions by the Isle of Man Government.
- 1.4 From these considerations the Group was able to identify a feasible change to the target date of the motion along with highlighting various possible methods for calculating future overseas aid contributions by the Isle of Man Government.
- 1.5 The Group also recognised the need for a future review into the level of overseas aid contributions in anticipation of the changing domestic and international circumstances that may affect the Island over the coming years.
- 1.6 This report details the considerations given by the Overseas Aid Working Group in making the recommendations below for the consideration of the Council of Ministers.

2 Recommendations

- 2.1 The Overseas Aid Working Group recommends that the Council of Ministers examines the possible provision of overseas aid via technical co-operation by the Isle of Man Government. *(paragraphs 11.1 – 11.9)*
- 2.2 The Overseas Aid Working Group recommends that the Council of Ministers directs the Overseas Aid Committee to include a calculation of annual ODA expenditure within the Overseas Aid Committee's annual report. *(paragraphs 14.7 – 14.10)*
- 2.3 The Overseas Aid Working Group recommends that the Council of Ministers seeks Tynwald approval to alter the target date, set out in the Tynwald motion of December 2004, to 2015 in line with the UN target. *(paragraph 22.7)*

- 2.4 The Overseas Aid Working Group recommends that the Council of Ministers make the final decision on which of the following definitions should be used to define the term “national income” as set out in the Tynwald motion:
- a Gross National Product at factor cost (*paragraphs 16 – 16.3*);
 - b Gross Domestic Product at factor cost (*paragraphs 17 – 17.3*);
 - c Gross National Income (*paragraphs 18 – 18.4*);
 - d Gross Government Income (*paragraphs 19 – 19.5*); or
 - e Treasury Income (*paragraphs 20 – 20.4*).

The Overseas Aid Working Group asks the Council of Ministers to note its preference for the use of the term Gross National Income as set out in paragraph 21.5.

- 2.5 The Overseas Aid Working Group recommends that it is for the Council of Ministers to decide whether Method A, B, C or D be used to calculate future overseas aid contributions. (*paragraphs 25 to 28.3*)

The Overseas Aid Working Group asks the Council of Ministers to note its preference for Method B as set out in paragraph 29.5.

- 2.6 Recognising the significant financial implications of recommendations at 2.4 and 2.5, the Overseas Aid Working Group recommends that the Council of Ministers consult with Treasury on these recommendations before any final decision is made. (*paragraphs 21.4 and 29.6*)

- 2.7 The Overseas Aid Working Group further recommends that a review be organised, by the Council of Ministers, three years after the decisions are made on the recommendations above. The purpose of this review would be to reassess the progress of the Isle of Man Government towards achieving the 0.7% target for overseas aid contributions and to recommend, on the basis of the circumstances at the time, any required alterations in calculating future overseas aid contributions. The review would also re-examine the appropriateness of overseas aid contributions being used for the provision of small loans as detailed in paragraph 12.11 of this report. (*paragraphs 30 – 30.6*)

- 2.8 Finally, the Overseas Aid Working Group recommends that the principle and provision of overseas development aid is reviewed every three years to ensure the effective targeting and expenditure of Government funds in this area. (*paragraph 30.7*)

INTRODUCTION

3 Introduction

3.1 At its December 2004 sitting, Tynwald approved the following motion moved by Mr Gawne:

"That Tynwald calls for there to be a significant increase in the amount donated by the Isle of Man Government to Overseas Aid, with the target to increase the amount given by stages to 0.7% of national income by the year 2013"

3.2 The Council of Ministers noted the motion approved by Tynwald and agreed that a committee be set up to look into how future overseas aid contributions may be calculated and report back to Council for consideration.

3.3 The first meeting of the Overseas Aid Working Group (hereinafter referred to as the Group) was held on Monday 7th February 2005 and it subsequently met five times.

3.4 In these meetings the Group considered many aspects of the calculation and expenditure of overseas aid.

3.5 Of particular importance was the consideration given to the following areas:

- a the international definition of overseas aid and its relevance to the Isle of Man;
- b the definition of the term "national income" and its importance in calculating future overseas aid contributions;
- c the extension of the target date to correspond with international targets; and
- d methods of calculating future increases in overseas aid contributions by the Isle of Man Government.

3.6 For the purpose of clarity each area above has been assigned a separate part in the report.

3.7 On the basis of the deliberations set out in these parts, the Group made a number of recommendations regarding the reporting of the Island's overseas aid expenditure and how it may be calculated in the future.

4 The case for increasing overseas aid contributions

- 4.1 The motivation for increasing overseas aid contributions was discussed by the group.
- 4.2 Three main reasons were arrived at:
 - a The moral argument;
 - b International standards and reputation; and
 - c The Tynwald motion of December 2004.
- 4.3 For the moral argument it has been recognised that many areas of the world are not as fortunate as the Isle of Man.
- 4.4 Currently over 1 billion people live on less than \$1 per day¹³.
- 4.5 Over 2 billion people do not have access to sanitation, leading to increased deaths and disease.
- 4.6 More than 100 million children do not go to school, hindering future development.
- 4.7 Over 10 million children under the age of five die each year from largely preventable diseases, a figure which has halved since 1960.
- 4.8 Furthermore, the average life expectancy for developing countries has increased from 46 in 1960 to 64 in 2001.
- 4.9 These statistics illustrate that although poverty and suffering remain the situation, partly through the provision of aid, has improved significantly since 1960. However, there is still significant progress to be made.
- 4.10 At an international level the United Nations (UN) has within its Charter as a clear objective the obligation of its members to create conditions of stability, well-being and the creation of a minimum standard of living consistent with human dignity¹⁴.
- 4.11 Today the UN promotes the Millennium Development Goals (MDGs) as clear, achievable and targeted aims for reducing global poverty.
- 4.12 Governments throughout the world have committed themselves to achieving these goals by the target date of 2015.
- 4.13 A key indicator for achieving the MDGs is the level of funding set aside for overseas aid by developing countries.

¹³ Source: Rough Guide to a Better World, published by Rough Guides with DfID (Department for International Development) sponsorship.

¹⁴ See Article 55 of the Charter of the United Nations at <http://www.un.org/aboutun/charter/>

- 4.14 This UN target will be considered in greater detail later in the report.
- 4.15 Some Governments have achieved this target already and many have stated that they will do so by the target date.
- 4.16 By matching this commitment to the UN target the Isle of Man is seeking to improve its international reputation and standing.
- 4.17 Finally, Tynwald members with a significant majority (26 for, 2 against) approved the motion considered at the December 2004 sitting, establishing the aim of increasing overseas aid contributions to 0.7% of national income by 2013.
- 4.18 In noting these arguments the Group was satisfied that there were substantial reasons for significantly raising overseas aid contributions.

PART A

5 The international definition of overseas aid

- 5.1 It was apparent to the Group that any future calculation of the budget of the Overseas Aid Committee must take into account the Tynwald motion that was approved in December 2004.
- 5.2 This motion clearly stated a target for Overseas Aid spending to achieve by 2013 in relation to the Isle of Man's national income.
- 5.3 The Group noted that some of the terms used in the motion were vaguely defined and that the motion was based upon the UN target for overseas aid spending.
- 5.4 It was agreed that these terms required definition before any recommendations regarding the future calculation of overseas aid contributions could be made.
- 5.5 It was also recognised by the Group that the date for achieving the UN target was 2015, compared to the target date of 2013 in the Tynwald motion.
- 5.6 To aid clarification the Group compared the terms used in the Tynwald motion with the more specific definitions found in the UN target.

6 The UN target for overseas aid expenditure

- 6.1 Throughout the debate on the motion at the December 2004 Tynwald reference was made to the use of a UN target as the basis of the motion.
- 6.2 This target was first agreed at the 1970 UN General Assembly¹⁵ and was initially intended as a target for spending on aid during the 1970's. The objective has been slightly updated and now forms a key indicator for the achievement of the MDGs¹⁶. On the basis of information from various sources the UN target can be characterised as the following phrase.
- "The UN target is for each OECD country to be contributing 0.7% of its Gross National Income (GNI) as net Official Development Assistance (ODA) by 2015."*
- 6.3 This target differs from the Tynwald motion in using the terms "Official Development Assistance" and "Gross National Income" along with a target date of 2015 compared to 2013.

¹⁵ Resolution 2626 of the 1970 UN General Assembly

¹⁶ The MDGs were set out by the United Nations as achievable targets for reducing hunger, poverty and starvation in developing countries. A series of goals and indicators were devised and approved by UN members to achieve these general aims. See Appendix C for the list of goals and indicators.

- 6.4 The Group investigated these differences, which proved to be highly significant factors in any future calculation of overseas aid contributions.

7 The UN target and the OECD

- 7.1 The original text of the 1970 UN Resolution that defined the target made specific reference to developed countries' membership of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD).
- 7.2 The OECD is an organisation consisting of the thirty richest countries in the world with commitments to democracy and open market economies.
- 7.3 OECD members, as net contributors to overseas aid, formed the DAC in 1960 to co-ordinate aid issues and measure aid flows.
- 7.4 Today the DAC plays a key role in collating overseas aid statistics and co-ordinating overseas aid development policy and the aim of achieving the UN MDGs, which include the UN target for overseas aid contributions.

8 Defining and breaking down Official Development Assistance

- 8.1 Official Development Assistance (ODA) is presently defined by the OECD as:

"Grants or Loans to countries and territories on Part I of the DAC List of Aid Recipients¹⁷ (developing countries) which are:

- a. undertaken by the official sector;*
- b. with promotion of economic development and welfare as the main objective;*
- c. at concessional financial terms [if a loan, having a Grant Element of at least 25 per cent].*

In addition to financial flows, Technical Co-operation is included in aid. Grants, Loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted."

- 8.2 Essentially ODA is the funds used by developed countries' governments to fund development or emergency aid projects in developing countries. Funds provided by the private sector or by members of the public towards these projects do not contribute towards ODA expenditure, as defined.

¹⁷ See Appendix A for the most recent DAC list and a brief explanation on how the list is compiled.

- 8.3 Currently the Isle of Man Overseas Aid Committee provides grants via Non-Governmental Organisations (NGOs) for development and emergency aid projects. As such the Island's ODA expenditure is currently seen as the disbursement of the Overseas Aid Committee's budget.
- 8.4 However, ODA expenditure is calculated in a substantially more complex manner. It includes a number of categories of exceptions and inclusions that are not currently accounted for as part of the Isle of Man Government's Overseas Aid Committee's expenditure.
- 8.5 The notable exception, that affects the Isle of Man, is that any aid given to countries not on Part I of the DAC list does not contribute towards ODA expenditure.
- 8.6 For example, this means that any grants given by the Overseas Aid Committee for projects in some Eastern European countries (e.g. Romania and Bulgaria) are not attributable as ODA expenditure.
- 8.7 Categories of spending that can be incorporated in the ODA expenditure figures, which are not currently included in the expenditure of the Overseas Aid Committee, include:
- a Administrative costs;
 - b Contributions to locally operating overseas development organisations;
 - c Technical co-operation;
 - d Development lending and capital; and
 - e Contributions to multilateral operational agencies.
- 8.8 The Group investigated each of these areas in turn for their applicability to the Isle of Man's current overseas aid expenditure.
- 8.9 The Group also discussed the possibility of extending the date for meeting the target set out in the Tynwald motion to the year 2015, in line with the UN target.

9 Administrative costs

- 9.1 The term "administrative costs" is defined as expenditure by the donor Government on the administration of its ODA expenditure. This includes staff wages, office rentals, travel costs, equipment (including staff vehicles) and stationery.
- 9.2 The Isle of Man Overseas Aid Committee's administrative costs, as a sub-Committee of the Council of Ministers, are currently included as part of the general running costs of the Chief Secretary's Office and are not attributed as part of the expenditure of the Overseas Aid Committee.

- 9.3 It is estimated that the cost of administering the Overseas Aid Committee is approximately £15,000 per annum.
- 9.4 It is the view of the Group that the costs in respect of the administration of the Overseas Aid Committee could be accurately estimated and be included as part of the Committee's spending and thus be a credit towards ODA expenditure.

10 Contributions to locally operating overseas development organisations

- 10.1 Government contributions to locally operating organisations can be accounted as ODA expenditure if these organisations work on managing overseas aid projects in developing countries or alternatively promote development aid issues.
- 10.2 An example in the Isle of Man of such an organisation is the One World Centre (OWC) based in Tynwald Mills, St Johns.
- 10.3 This independent charitable organisation operates to raise awareness of development aid issues in the Isle of Man by being a resource centre for other local development charities and by providing volunteers to work within local schools on development education projects.
- 10.4 Part of the funding for the provision of development education projects comes from the Department of Education (DoE)¹⁸. The DoE is of the view that development education plays an important role in enhancing the teaching of certain areas of the national curriculum; particularly Geography, Citizenship and Religious Education. The provision of development education also plays an important role in combating racism and creating a more tolerant society.
- 10.5 According to information supplied to the Group¹⁹ the OWC will receive a grant of £15,000 per annum from the DoE for the next two years, following which the value of the grant is to be re-considered.
- 10.6 The Group noted that the ongoing grant from the Department of Education to the OWC could be attributed to the Isle of Man Government's overall ODA expenditure.

¹⁸ Source – Department of Education paper entitled 'Isle of Man Overseas Aid – the role of the Department of Education' dated March 2004.

¹⁹ Letter from Phil Craine on behalf of nine Island based organisations dated 21st March 2005.

11 Technical co-operation

11.1 Technical co-operation is defined by the OECD as follows:

" Technical co-operation includes both

- a. grants to nationals of aid recipient countries receiving education or training at home or abroad, and*
- b. payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment).*

Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows."

11.2 In essence technical co-operation is mainly the paid provision of consultants from the developed world to developing countries for expert advice and management. To a lesser extent it also includes the provision of education or training grants.

11.3 It may be argued that technical co-operation is an area that may be of more benefit to the donor country as it allows for the employment of its nationals and the direction of the ensuing fees and salaries back to the donor country's companies and thus Government.

11.4 The Isle of Man Overseas Aid Committee currently only engages in technical co-operation in a very restricted manner through the limited provision of grants for students from developing countries to study overseas.

11.5 It was noted by the Group that funding the provision of experts or technical staff to developing countries is attributable towards ODA expenditure. The Isle of Man Government could become similarly involved in funding the provision of Manx residents to aid and advise development aid projects.

11.6 The Group observed that the provision of aid via technical co-operation is in itself a complex area and care must be taken to show that it benefits the developing country concerned more than the donor country.

11.7 The Group also accepted that technical co-operation can be of significant benefit to the planning and implementation of development aid projects.

11.8 It was also recognised that the skills and knowledge of Isle of Man residents could contribute significantly towards the effective planning and implementation of development aid projects.

11.9 The Group therefore felt that there may be scope for the provision of overseas aid via technical co-operation to be examined in greater detail across Isle of Man Government.

12 Development Lending and Capital

12.1 Development lending and capital is classified by the OECD as a loan to a developing country with a grant element of at least 25% over a period greater than one year. Otherwise referred to as soft loans the grant element typically takes the form of reducing the interest rates below market rates on the repayments.

12.2 The payment of these loans to developing countries contributes towards ODA spending, although any repayments made to the donor country are deducted from ODA spending. Over the lifetime of a loan, disregarding the grant element, its payments and repayments logically form on overall ODA expenditure level of zero.

12.3 If the debt is cancelled, which has occurred at a limited level for some of the developing countries, then the difference between the payments and the repayments of the loan contribute towards ODA spending.

12.4 Typically these loans are arranged on a bi-lateral basis between the respective Governments over 20-30 year periods.

12.5 The Group examined the possibility of the Isle of Man Government operating such loans to contribute to ODA spending and found factors for and against.

12.6 Initially it could be seen that, in the short term, the issuing of such loans would enable the Isle of Man Government to considerably increase its ODA spending.

12.7 However, the issuing of such loans raises significant problems.

12.8 There may be important problems in arranging the loans as the UK is responsible for the Isle of Man's international relations and there could be a problem without legislation in place to explicitly allow the provision of such loans.

12.9 In addition there are noteworthy issues surrounding the repayment of such loans by developing countries. Concerns were also raised over the ability of developing countries to repay loans and the future pressure that may be applied to write off developing countries' debts.

12.10 Furthermore, the repayment of the loans would act to reduce ODA spending in subsequent years unless further loans were issued or ODA spending increased in other areas.

- 12.11 Mrs Hannan proposed that some funding may be put aside in the future for the provision of small loans with a repayment provision that, if the loan was unable to be repaid, the loan could be written off if there was a satisfactory audit trail.
- 12.12 The Group agreed that the negative factors were sufficient to indicate that this area of ODA spending should currently be avoided by the Isle of Man Government. However, taking into account Mrs Hannan's proposal, the Group agreed that this area could be covered in any future review of how overseas aid contributions are calculated. (See paragraph 30.6)

13 Contributions to multilateral operational agencies

- 13.1 A significant proportion of many countries' ODA expenditure is attributed as contributions to multilateral operational agencies. These agencies are defined by the OECD as:

"... those international institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries.

They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Union and Arab agencies).

A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency."

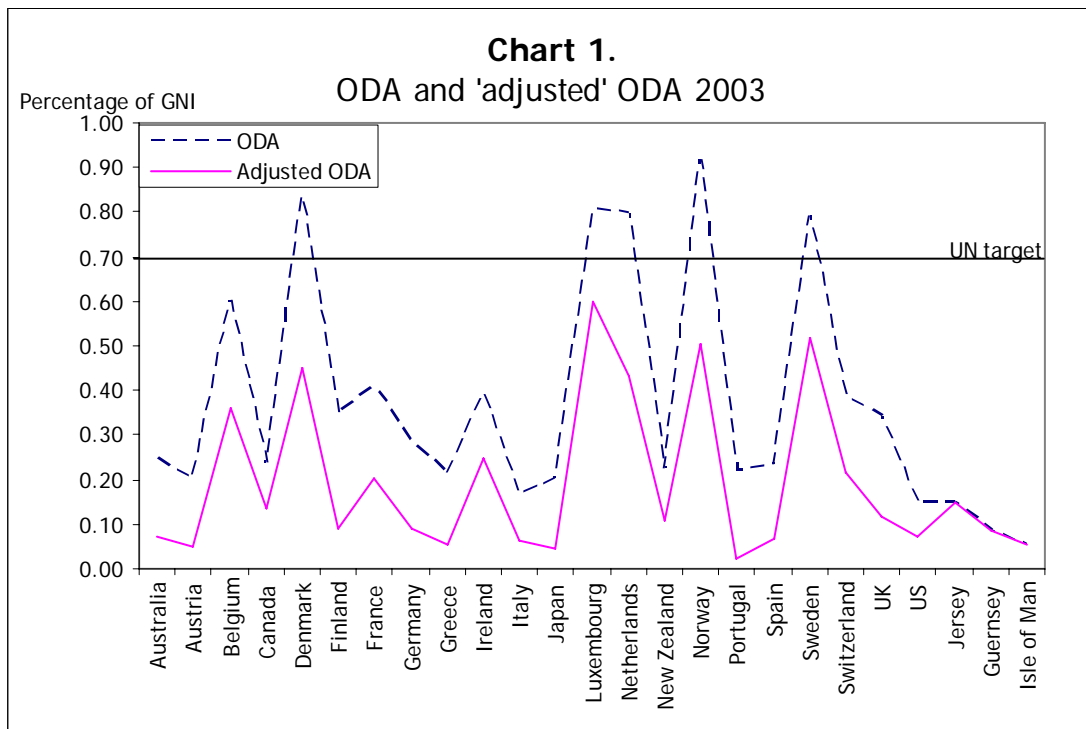
- 13.2 These agencies provide the vast majority of development aid funding.
- 13.3 The World Bank, as the International Bank for Reconstruction and Development and International Development Association, provided \$20.1 billion of aid in 2004 via long terms loans and interest free grants; usually for specific government projects or policies.
- 13.4 Alternatively the International Monetary Fund (IMF) provides loans directly to developing countries' governments at preferential rates.
- 13.5 Both of these organisations attach significant conditionality and other requirements upon the issue of any loans or grants.
- 13.6 The European Union (EU) provides both loan and grant aid to developing countries, which is funded from Member States' contributions.
- 13.7 The funds donated to any organisations such as these contribute towards a donor country's overall ODA expenditure.

- 13.8 The possibility of the Isle of Man Overseas Aid Committee giving funding via these organisations, as a measure to increase ODA expenditure, was discussed by the Group.
- 13.9 The Group noted that, much like the Isle of Man's position regarding development aid lending, the Island would not be able to become a member of these organisations.
- 13.10 In the case of the World Bank and the IMF the Isle of Man cannot be a member as the UK is responsible for the Island's international relations.
- 13.11 The Isle of Man has a special relationship with the EU set out in Protocol 3. Under Protocol 3, the Isle of Man is not eligible to benefit from EU funds and therefore does not contribute to EU funds.

14 Comparing ODA expenditure

- 14.1 As set out in the preceding sections, ODA expenditure covers a wide range of categories. In comparison to other countries' ODA spending the Isle of Man Government may only provide ODA expenditure in a limited number of categories.
- 14.2 The Group acknowledged that several categories of ODA spending were not transparent and on balance may not greatly assist the intended beneficiaries. In addition, these categories made up the majority of most countries' ODA spending.
- 14.3 The Group also noted that the methods used to calculate ODA contributions by the majority of countries were opaque compared to the transparent method used to calculate the Isle of Man's ODA expenditure.
- 14.4 Accordingly the Group examined the comparison between countries' actual ODA expenditure and 'adjusted' ODA expenditure in the aid categories that are open to the Isle of Man Government.
- 14.5 As can be seen from the graph in Chart 1, other countries' ODA spending in categories similar to the Isle of Man is substantially below both the UN target and those countries' own declared ODA expenditure levels.
- 14.6 The Group believed that this was an important point to note when comparing the Isle of Man's ODA expenditure to that of other international jurisdictions.
- 14.7 The Group also accepted that for Jersey and Guernsey, jurisdictions that provide overseas aid in a manner similar to the Isle of Man, ODA expenditure remained significantly higher as a percentage of their "national income" in comparison to the Isle of Man.

14.8 In analysing how ODA expenditure is calculated in Part A of this report it was noted by the Group that the ODA expenditure of the Isle of Man Government was not currently accounted for or published.



14.9 In particular, the Group noted that the expenditure on the administration of the Overseas Aid Committee and grants to local development organisations were not accounted for or published.

14.10 The Group agreed that, to take into account ODA expenditure such as that above, the Overseas Aid Committee should include a calculation of the Isle of Man Government's overall ODA expenditure within the Committee's annual report for each financial year.

14.11 The group further agreed that publishing the Isle of Man's ODA expenditure gives a reference point for the Island's overseas aid expenditure against an internationally accepted standard.

PART B

15 The definition of the term “national income”

- 15.1 The Group agreed that the term “national income” was the most important item to clarify from the Tynwald motion.
- 15.2 As was recognised in the Tynwald debate, there are various definitions of the term “national income”²⁰. During the debate Mr Gawne stated that no precise definition was specified in order to allow some flexibility for the Government when making the calculation for future overseas aid contributions.
- 15.3 In discussing the definition of the term “national income” the Group considered the following possibilities:
- a Gross National Product at factor cost (GNP);
 - b Gross Domestic Product at factor cost (GDP);
 - c Gross National Income (GNI);
 - d Gross Government Income; and
 - e Treasury Income.

Appendix B to this report gives an extended discussion of these measures.

- 15.4 The Group examined each definition as to its suitability or otherwise for future calculation of the Isle of Man Government’s overseas aid contributions.

16 Gross National Product at factor cost (GNP)

- 16.1 The Treasury publishes annual estimates of the national income of the Isle of Man using Gross National Product at factor cost.
- 16.2 For 2003-04 the Isle of Man’s Gross National Product at factor cost was estimated to be £1.40 billion.
- 16.3 Using Gross National Product at factor cost as the measure of “national income” would have given a target overseas aid budget of £9.8 million for 2003-04, based on 0.7%.

²⁰ Source – Hansard, Tynwald Court, Wednesday, 15th December 2004, 527 T122

17 Gross Domestic Product at factor cost (GDP)

- 17.1 The Treasury also publishes estimates of the national income using Gross Domestic Product at factor cost.
- 17.2 For 2003-04 the Isle of Man's Gross Domestic Product at factor cost was estimated to be £1.34 billion.
- 17.3 Using Gross Domestic Product at factor cost as the definition of "national income" would have given a target overseas aid budget of £9.4 million for 2003-04, based on 0.7%.

18 Gross National Income (GNI)

- 18.1 A further measure of "national income" is Gross National Income.
- 18.2 The Isle of Man Gross National Income has been estimated as £1.71 billion for 2003-04. Details are given in Appendix B.
- 18.3 Using Gross National Income as the definition of "national income" would have given a target overseas aid budget of £12 million for 2003-04, based on 0.7%.
- 18.4 Gross National Income is the measure of "national income" favoured by the United Nations. The Group noted that it was only by achieving the target of 0.7% of Gross National Income for overseas aid expenditure would the Isle of Man Government be able to claim that it had met the commitment recommended by the United Nations in full.

19 Gross Government Income

- 19.1 Gross Government Income refers to the amount of funds collected in the form of taxes, fees and charges across central Isle of Man Government.
- 19.2 Gross Government Income is not "national income" in any internationally accepted sense of the expression.
- 19.3 However, it was recognised by the Group that examining this figure was a valuable exercise and gave a greater perspective to the Group's considerations.
- 19.4 The Isle of Man Government's Gross Income for 2003-04 was £0.68 billion.
- 19.5 Matching the target of 0.7% using Gross Government Income for 2003-04 would have given an overseas aid budget of £4.7 million.

20 Treasury Income

- 20.1 Treasury Income refers to the amount of funds collected in the above forms by Treasury only.
- 20.2 It was recognised that examining these figures would be a valuable exercise and give greater perspective to the Group's considerations.
- 20.3 Treasury Income for 2003-04 was £0.46 billion.
- 20.4 Using Treasury Income for 2003-04 would therefore have given an overseas aid budget of £3.2 million, based on 0.7%.

21 Summary of the methods for defining "national income"

- 21.1 It can be seen from the table below that using different definitions of "national income" gives substantially different overseas aid budgets.

Table 1. Comparison of income base against possible overseas aid expenditure based on 2003-04 statistics.

Income Base	Estimated figure £	Overseas Aid at 0.7% £
GNP at factor cost	1.40 billion	9.8 million
GDP at factor cost	1.34 billion	9.4 million
GNI	1.71 billion	12.0 million
Gross Government Income	0.68 billion	4.7 million
Treasury Income	0.46 billion	3.2 million

- 21.2 To put these figures into perspective the actual Overseas Aid expenditure by the Overseas Aid Committee along with supplementary emergency aid donations authorised by the Chief Minister, between 2003-04 to 2005-06, were as follows.

Table 2. Overseas aid contributions 2003-04 to 2005-06

Financial Year	Overseas aid budget £	Emergency aid donations by Chief Minister £	Total £
2003-04	500,000	5,000	505,000
2004-05	650,000	105,000	755,000
2005-06	1,000,000	75,000	1,075,000

- 21.3 The Group agreed that choosing the measure of "national income" to be used is of key importance in calculating any future increases to overseas aid contributions to achieve the target of the Tynwald motion.

- 21.4 The Group further agreed that the financial implications of choosing which measure of “national income” to use were such that Treasury should be consulted before the Council of Ministers made a final decision on this matter.
- 21.5 Finally, the Group agreed that, of the methods of determining “national income” it had considered, the term Gross National Income would be the term that it would favour in the calculation of the Isle of Man’s future overseas aid contributions. The Group recognised that only by using this term would the Isle of Man be able to argue that it was calculating its overseas aid contributions in line with the internationally accepted UN target.

PART C

22 Target date for achieving the Tynwald motion

- 22.1 The Tynwald motion clearly sets the date by which the target of 0.7% of national income on overseas aid should be achieved is 2013.
- 22.2 However, the UN target that inspired the Tynwald motion is to be achieved by 2015.
- 22.3 The 2015 target was recently declared to be the target date for all members of the European Union²¹ to achieve spending of 0.7% of Gross National Income on Official Development Assistance.
- 22.4 Some Member States (e.g. Sweden, Luxembourg) have already achieved this target while others (e.g. UK by 2013) have stated that this target will be met before 2015.
- 22.5 It was noted by the Group that if the date for achieving the target was set for 2015 it would allow greater flexibility in raising expenditure on overseas aid.
- 22.6 The Group also recognised that any change to the date set out in the resolution would require Tynwald approval.
- 22.7 The Group agreed to recommend to the Council of Ministers that, subject to Tynwald approval, the target date for achieving the motion should be changed to 2015.

²¹ Source - Declaration by the EU Presidency at a meeting of ECOSOC in New York on Monday 18th April 2005

PART D

23 Summary of the Group's position regarding overseas aid

- 23.1 The Group agreed that the Overseas Aid Committee currently performs the task of distributing the overseas aid of the Isle of Man Government in a transparent, efficient and effective manner.
- 23.2 It was also agreed by the Group that, in order to fairly compare the Isle of Man's overseas aid spending with that of other countries, a calculation to show the Island's ODA expenditure should be included within the annual report of the Overseas Aid Committee. This would allow the Isle of Man Government to publish and compare its overseas aid expenditure against an internationally agreed target.
- 23.3 In addition, the Group noted that the date to achieve the Millennium Development Goals and thus the target of 0.7% of GNI expended on ODA, was 2015 rather than 2013 as set out in the Tynwald motion. By selecting 2015 as the target date the Isle of Man would be matching the commitment recently given by EU Member States.
- 23.4 Furthermore, the Group considered that the feasibility of the provision of technical co-operation should be examined in greater detail across the Isle of Man Government. However, the Group noted that care must be taken to ensure that the provision of aid plainly benefits the intended developing country rather than the donor country.
- 23.5 It was clear that significant financial implications were involved in selecting the definition of "national income" to be used. The Group considered that due to these implications the final decision on this matter must rest with the Council of Ministers.

24 Future calculation of increases in overseas aid contributions

- 24.1 On the basis of the information presented to it and considering the effect of defining the term "national income" the Group suggested four methods for the future calculation of overseas aid contributions.
- 24.2 These methods took into account various possible calculations of increases in overseas aid contributions towards meeting the 0.7% of GNI target.
- 24.3 By using these methods the future calculation of overseas aid contributions is fixed as a proportion of "national income" thus allowing for any changes to the Island's economy to be taken into account.

24.4 Although these methods have used GNI as a standard example, similar results could be achieved with other definitions of “national income”. However, the definition of “national income” has significant impact on the actual expenditure required for overseas aid contributions calculated using any of these methods.

25 Proposed Method A to calculate increases in overseas aid

25.1 By this method the level of overseas aid contributions, as a percentage of GNI, would increase annually by a series of equal increments so as to attain the 0.7% target by the required date. In the case of a target date of 2015 this would require an increase in overseas aid contributions by 0.071% of GNI per annum.

25.2 The advantage of this method is that overseas aid contributions would increase in a clear and constant manner.

25.3 The disadvantage of this method is that the first few increases in overseas aid contributions are large in comparison to the size of existing overseas aid expenditure. Using this method would clearly mean that the overseas aid budget would more than double in size between 2006-07 and 2007-08.

26 Proposed Method B to calculate increases in overseas aid

26.1 By this method overseas aid contributions, as a percentage of GNI, would be increased at a constant rate of approximately 30% per annum to attain the target of 0.7% by 2015.

26.2 This would allow for increases in overseas aid contributions to be proportional to the existing budget while visibly allowing for a simple calculation of future overseas aid contributions.

26.3 However, as illustrated in the graph below, this method still requires greater expenditure over the period before the target date than method C below.

27 Proposed Method C to calculate increases in overseas aid

27.1 In Method C, a constantly accelerating rate of contributions is used to increase overseas aid contributions.

27.2 For example the overseas aid contributions would increase by 5.2% in 2007-08 and 11.1% in 2008-09.

27.3 In comparison to Methods A and B this method has the advantage that it requires less total expenditure to achieve the target level of 0.7% of overseas aid contributions as a percentage of GNI by 2015.

27.4 However, this method requires disproportional increases in overseas aid contributions closer to the 2015 target. For example, between 2014-15 and 2015-16 the overseas aid contributions would have to increase by approximately 61%.

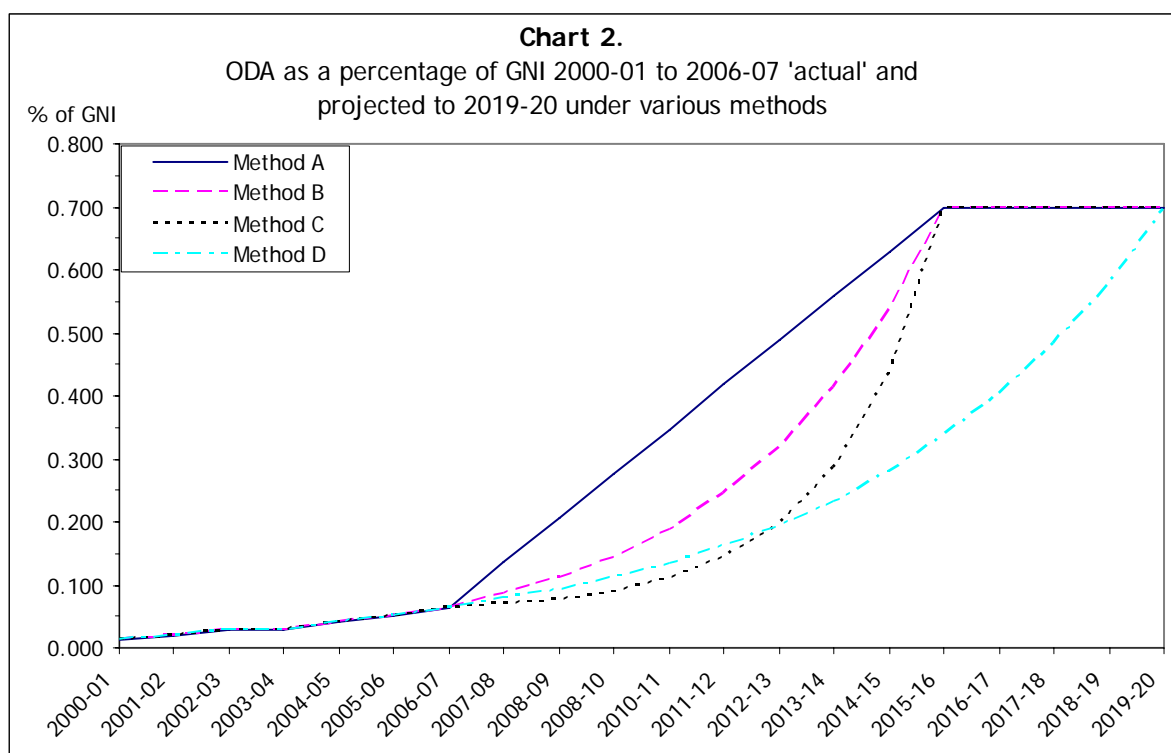
28 Proposed Method D to calculate increases in overseas aid

28.1 This method is based on a suggestion that overseas aid contributions as a percentage of GNI should be increased at a rate of 20% per annum on a compound basis.

28.2 It would allow for overseas aid contributions to increase proportionate to the existing budget.

28.3 However, increases at this rate would not allow overseas aid contributions to reach the target level of 0.7% of GNI by 2015.

29 Comparison of the proposed methods



29.1 It is clear from the chart above that these methods increase the level of overseas aid contributions at significantly different rates.

29.2 Varying the rate of increasing overseas aid contributions alters the amount of expenditure required between 2006 and 2015 to meet the UN target.

29.3 Consideration must also be given to ensuring that increases in overseas aid contributions are achieved in a way proportional to existing expenditure.

- 29.4 The target date for this comparison was chosen to be 2015, assuming that Council of Ministers will agree to recommend to Tynwald the proposal made at 22.7. However, changing the target date from 2013 to 2015 does not change the relationship between the various methods and only slightly alters the schedule of payments of each proposed methods' plot.
- 29.5 The Group expressed the opinion that of the methods detailed above, the proposed Method B was the most favourable.
- 29.6 However, noting the financial implications it was the opinion of the Group that the final decision in this matter must rest with the Council of Ministers.

30 Future reviews of overseas aid matters

- 30.1 The Group noted that the choice of any method for increasing overseas aid contributions requires a long-term commitment.
- 30.2 Over the next nine years it could be anticipated that circumstances surrounding this issue may change significantly either on a domestic or international basis.
- 30.3 A review would ensure that future administrations have the opportunity to alter the calculation of future overseas aid contributions as necessary.
- 30.4 To allow for these changing circumstances to be taken into account the Group agreed to recommend that a review be commissioned by the Council of Ministers three years after this report is accepted.
- 30.5 This review would examine the progress made towards achieving the target and, if necessary, recommend any necessary modifications to the calculation of overseas aid contributions on the basis of the domestic and international circumstances.
- 30.6 This review would also examine the appropriateness of overseas aid funding being used for the provision of small loans, in accordance with Mrs Hannan's proposal in paragraph 12.11.
- 30.7 Further noting that the priorities for overseas aid expenditure may change significantly, the Group further considered that it would be useful for the rationale and provision of the Overseas Aid Committee's expenditure on development and emergency aid projects to be reviewed every three years.

PART E

31 Recommendations

- 31.1 The Overseas Aid Working Group recommends that the Council of Ministers examines the possible provision of overseas aid via technical co-operation by the Isle of Man Government. *(paragraphs 11.1 – 11.9)*
- 31.2 The Overseas Aid Working Group recommends that the Council of Ministers directs the Overseas Aid Committee to include a calculation of annual ODA expenditure within the Overseas Aid Committee's annual report. *(paragraphs 14.7 – 14.10)*
- 31.3 The Overseas Aid Working Group recommends that the Council of Ministers seeks Tynwald approval to alter the target date, set out in the Tynwald motion of December 2004, to 2015 in line with the UN target. *(paragraph 22.7)*
- 31.4 The Overseas Aid Working Group recommends that the Council of Ministers makes the final decision on which of the following definitions should be used to define the term 'national income' as set out in the Tynwald motion:
- a Gross National Product at factor cost *(paragraphs 16 – 16.3);*
 - b Gross Domestic Product at factor cost *(paragraphs 17 – 17.3);*
 - c Gross National Income *(paragraphs 18 – 18.4);*
 - d Gross Government Income *(paragraphs 19 – 19.5);* or
 - e Treasury Income *(paragraphs 20 – 20.4);*
- The Overseas Aid Working Group asks the Council of Ministers to note its preference for the use of the term Gross National Income as set out in paragraph 21.5.
- 31.5 The Overseas Aid Working Group recommends that it is for the Council of Ministers to decide whether Method A, B, C or D be used to calculate future overseas aid contributions. *(paragraphs 25 to 28.3)*
- The Overseas Aid Working Group asks the Council of Ministers to note its preference for Method B as set out in paragraph 29.5.
- 31.6 Recognising the significant financial impositions that recommendations 31.4 and 31.5 may impose, the Overseas Aid Working Group recommends that the Council of Ministers seek consultation with Treasury on the financial implications of these recommendations before any final decision is made. *(paragraphs 21.4 and 29.6)*

- 31.7 The Overseas Aid Working Group further recommends that a review be organised, by the Council of Ministers, three years after the decisions are made on the recommendations above. The purpose of this review would be to reassess the progress of the Isle of Man Government towards achieving the 0.7% target for overseas aid contributions and to recommend, on the basis of the circumstances at the time, any required alterations in calculating future overseas aid contributions. The review would also re-examine the appropriateness of overseas aid contributions being used for the provision of small loans as detailed in paragraph 12.11 of this report. *(paragraphs 30 – 30.6)*
- 31.8 Finally, the Overseas Aid Working Group recommends that the principle and provision of overseas development aid is reviewed every three years to ensure the effective targeting and expenditure of Government funds in this area. *(paragraph 30.7)*

..... Rt. Rev. Graeme Knowles MLC, Lord Bishop (Chairman)

..... Hon Phil Gawne MHK

..... Mrs Hazel Hannan MHK

..... Mr Adrian Earnshaw MHK

APPENDIX A

The DAC List of Aid Recipients (A definition)

The DAC List is designed for statistical purposes. It helps to measure and classify aid and other resource flows originating in DAC countries.

For many years it was known as the “List of Developing Countries and Territories”. But the end of the Cold War signalled the emergence of new economic and political realities. New aid requirements arose in the transition economies of Eastern Europe, while rapid progress in east Asia reduced aid needs there. A new List was devised to reflect these developments.

This new List is still designed to capture all aid flows. However, only aid to “traditional” developing countries on Part I of the List counts as “official development assistance”, for which there is a long-standing United Nations target of 0.7 per cent of donors’ gross national product. Aid to the “more advanced” eastern European and developing countries on Part II of the List is recorded separately as “official aid”.

The List is reviewed every three years. Countries above the World Bank High Income Country threshold²² for three consecutive years will normally progress to Part II of the List. However, exceptions can be made, and other countries may be transferred between Parts I and II, following consideration by the DAC of their development and resource status.

Thus, in DAC statistics, “developing country” means a country on Part I of the DAC List of Aid Recipients. Other organisations have their own definitions. The World Bank usually uses the term to refer to low and middle-income countries, assessed by reference to per capita GNP. This includes Eastern European countries which are on Part II of the DAC List. The United Nations Conference on Trade and Development has different income thresholds from the World Bank, and includes some territories which are not on the DAC List. Other organisations often have a “developing country” category of membership, and use the term to refer to countries in that category.

Fortunately, however, these differences are usually minor. The DAC statistics, based on the DAC List, provide an authoritative guide to aid flows which is accepted and used by donors, recipients and international bodies.

²² High-income country. A country having an annual gross national product (GNP) per capita equivalent to \$9,206 or greater in 2003. In comparison the Isle of Man had a GNP per capita of \$30,495 in 2003-04.

Recipient country coverage:

In the past ten years the following have been added to the list of ODA recipients at the dates shown: Albania (1989); the Black Communities of South Africa (1991 -now simply South Africa); Kazakhstan, Kyrgyzstan (now the Kyrgyz Republic), Tajikistan, Turkmenistan and Uzbekistan (1992); Armenia, Georgia and Azerbaijan (1993), Palestinian Administered Areas (1994), Moldova (1997). Eritrea, formerly part of Ethiopia, has been recorded as a separate country from 1993. The former United States Trust Territory of the Pacific Islands has been progressively replaced by its independent successor states, viz. Federated States of Micronesia and Marshall Islands (1992); Palau Islands (1994).

Over the same period, the following countries and territories have been removed from the ODA recipient list: Portugal (1991); French Guyana, Guadeloupe, Martinique, Réunion and St Pierre and Miquelon (1992); Greece (end of 1994).

From 1993, several CEEC/NIS countries in transition have been included on Part II of a new List of Aid Recipients (the List is given at the end of this article). Aid to countries on Part II of the List is recorded as "Official Aid", not as ODA. To avoid overlap, Part II of the new List does not include those CEEC/NIS countries which have been classified as ODA recipients.

From 1996, the following High-Income Countries were transferred from Part I to Part II of the List: Bahamas, Brunei, Kuwait, Qatar, Singapore and United Arab Emirates. From 1997, seven further High-Income Countries were transferred to Part II: Bermuda, Cayman Islands, Chinese Taipei, Cyprus, Falkland Islands, Hong Kong (China), and Israel. From 1 January 2000, Aruba, the British Virgin Islands, French Polynesia, Gibraltar, Korea, Libya, Macao, Netherlands Antilles, New Caledonia and the Northern Marianas progress to Part II. From 1 January 2003, Malta and Slovenia progressed to Part II.

Data on total aid to Part I countries (ODA) and total aid to Part II countries (OA) follow the recipient list for the year in question. However, when a country is added to or removed from an income group in Part I, totals for the groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

From the OECD website at the link below.

http://www.oecd.org/document/45/0,2340,en_2649_33721_2093101_1_1_1_1,00.html

Table 3. DAC LIST OF AID RECIPIENTS

As of 1 January 2003

DAC LIST	COUNTRIES
Part I: Developing countries and territories (Official Development Assistance)	
Least Developed Countries (LDCs)	Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia
Other Low Income Countries (Other LICs) (per capita GNI <\$745 in 2001)	Armenia*, Azerbaijan*, Cameroon, Côte d'Ivoire, Georgia*, Ghana, India, Indonesia, Democratic Republic of Korea, Kyrgyz Republic*, Moldova*, Mongolia, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Tajikistan*, Uzbekistan*, Viet Nam, Zimbabwe
Lower Middle-Income Countries (LMICs) (per capita GNI \$746-\$2,975 in 2001)	Albania*, Algeria, Belize, Bolivia, Bosnia and Herzegovina, China, Columbia, Cuba, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Guatemala, Guyana, Honduras, Iran, Iraq, Jamaica, Jordan, Kazakhstan*, Macedonia (Former Yugoslav Republic, Marshall Islands, Federated States of Micronesia, Morocco, Namibia, Niue, Palestinian Administered Areas, Paraguay, Peru, Philippines, Serbia & Montenegro, South Africa, Sri Lanka, St Vincent & Grenadines, Suriname, Swaziland, Syria, Thailand, Tokelau+, Tonga, Tunisia, Turkey, Turkmenistan*, Wallis and Futuna+
Upper Middle Income Countries (UMICs) (per capita GNI \$2,976 - \$9,205 in 2001)	Botswana, Brazil, Chile, Cook Islands, Costa Rica, Croatia, Dominica, Gabon, Grenada, Lebanon, Malaysia, Mauritius, Mayotte+, Nauru, Panama, St Helena+, Venezuela The countries below are above the threshold for World Bank Loan eligibility (\$5,185 in 2001) Anguilla+, Antigua & Barbuda, Argentina, Barbados, Mexico, Montserrat+, Oman, Palau Islands, Saudi Arabia, Seychelles, St Kitts & Nevis, Trinidad & Tobago, Turks and Caicos+, Uruguay
High Income Countries (HICs) (per capita GNI >\$9,206 in 2001)	Bahrain
Part II: Countries and Territories in transition (Official Aid)	
Central and Eastern European Countries and New Independent States of the former Soviet Union (CEECs/NIS)	Belarus*, Bulgaria*, Czech Republic*, Estonia*, Hungary*, Latvia*, Lithuania*, Poland*, Romania*, Russia*, Slovak Republic*, Ukraine*
More Advanced Developing Countries and Territories	Aruba+, Bahamas, Bermuda+, Brunei, Cayman Islands+, Chinese Taipei (Taiwan) Cyprus, Falkland Islands+, French Polynesia+, Gibraltar+, Hong Kong+, Israel, Korea, Kuwait, Libya, Macao+, Netherlands Antilles+, New Caledonia+, Qatar, Singapore, Slovenia, United Arab Emirates, Virgin Islands+

*Central and Eastern European countries and New Independent States of the former Soviet Union (CEEC & NICs)

+Territory

APPENDIX B

The national income

The national income can broadly be defined as the income available to the residents of a nation. This income can be split into the income arising from the productive activity of the residents and net income from abroad. Net income from abroad is the value of receipts from the rest of the world less payments to the rest of the world.

Excluding net income from abroad gives domestic income.

There are numerous ways of fleshing out this broad definition to measure national income. National income accounting is full of pitfalls for the unwary and the following notes can be taken as a very brief "User's Guide" to a complex topic.

There are three ways to measure the national income. They are the expenditure method, the income method and the output method.

There are two ways to price the value of expenditure and output. These are "market prices" being the price paid by the consumer and "factor cost" being the price received by the producer. Market prices less direct taxes on expenditure plus direct price subsidies equal factor cost. Direct taxes on expenditure include Value Added Tax and duties. Factor cost is also known as "basic price".

It is also common to report both domestic income and national income. This gives measures such as Gross Domestic Product (GDP) and Gross National Product (GNP). Gross Domestic Product may be more or less than Gross National Product for a nation. The world's Gross Domestic Product must equal the world's Gross National Product as net payments to the world are zero.

Estimates may also be made to deduct depreciation of capital. If no deduction is made for depreciation, these are "gross" estimates of national income (e.g., Gross Domestic Product). If a deduction is made for depreciation of capital, this gives rise to "net" estimates of national income such as Net National Product (NNP).

In addition, the national income may be reported in cash prices and at constant prices. Cash prices are also known as current prices. Constant prices strip out the effects of price inflation.

The subject of national income accounting shows how these measurement methods and price bases are consistent with each other. In particular, national income accounting shows how the three ways of measuring national income (expenditure, income and output) give the same answer. In practice, however, it is rare for the three methods to give the same answer and the figures are made to match through "balancing items".

Turning to the Isle of Man national income estimates, these use the income method of estimation and are at factor cost. The estimates are compiled in accordance with internationally accepted rules. All subsequent figures are quoted in 2003-04 prices and so are cash values.

Excluding net payments from the rest of the world gives Gross Domestic Product at factor cost. The latest estimate of this is £1,341,848,000 for the Isle of Man for 2003-04.

Including net payments from the rest of the world gives the Gross National Product at factor cost and this was estimated to be £1,395,778,000 in 2003-4 (Source:- Isle of Man National Income 2003/04, Table 3)

For the purposes of calculating official development assistance (ODA), the United Nations has adopted a different measure of national income from the ones published by the Isle of Man Government.

The measure adopted by the United Nations as the base for calculating official development assistance is known as Gross National Income (GNI). Gross National Income is measured at market prices and includes net payments from the rest of the world. The measure is defined precisely in the United Nations System of National Accounts.

To calculate Gross National Income for the Isle of Man, we need to add direct taxes on expenditure to Gross National Product at factor cost and deduct any direct subsidies.

Direct taxes on expenditure include excise duties, Value Added Tax, customs duties, pool betting, general betting duty and the money from the UK lottery. There are no direct subsidies.

For 2003-4, taxes on expenditure were £312,913,217 (Source:- Isle of Man Budget 2005-06 (the "Pink Book"), page 15).

This gives an estimate of the Isle of Man's Gross National Income of £1,708,691,217 for 2003-04.

It is clear from the broad definition that the "national income" is not government revenue from taxes, fees and charges. Purely for the purpose of comparison, the Gross income of the Isle of Man Government for 2003/04 was £676,568,488 (Source:- Detailed Government Accounts for the year ended 31 March 2004 (the "Light Blue Book"), page 13). Treasury income was £462,614,694 for the same year. To repeat, neither of these figures is "national income" in any internationally accepted sense of the term.

Before turning to the various thresholds, it has been contended that the "structure" of the Isle of Man economy is so different that the United Nation's target does not apply directly to the Isle of Man. Yet the United Nation's target is set in terms of Gross National Income which is invariant to the "structure" of an economy.

It has also been contended that the United Nations target does not apply to the Isle of Man as the Isle of Man holds itself out as a low tax area.

There are two answers to this contention. The first is that if a nation wishes to commit itself to the United Nations target of 0.7% of Gross National Income then it is expected to change its tax system to meet that commitment. The second answer is that it is plain from the data above that total Government income is almost 40% of Gross National Income. Although the Isle of Man may have low direct taxes, it has a relatively high tax take in indirect tax revenue. The percentage of Government income to Gross National Income for the Isle of Man is roughly the same as other governments with state health and education systems and support through social security benefits and pensions.

The table below summarises the target for official development assistance for the Isle of Man Government if contributions are 0.7% of various income bases. The amounts are all at 2003-04 prices.

Income base	Official development assistance
Gross Domestic Product at factor cost	£9.4 million
Gross National Product at factor cost	£9.8 million
Gross Government income	£4.7 million
Treasury income	£3.2 million
Gross National Income	£12.0 million

Only the first two and last one conform to the “national income”.

Only the last conforms to the income base used by the United Nations.

Only the last amount would allow the Isle of Man to claim that it had met the commitment recommended by the United Nations.

APPENDIX C

List of the Millennium Development Goals and associated targets

Goal 1 Eradicate extreme poverty and hunger.

Target 1 Halve, between 1990 and 2015, the proportion of people living on less than \$1 per day.

Target 2 Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 Achieve universal primary education

Target 3 Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 Promote gender equality and empower women

Target 4 Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.

Goal 4 Reduce child mortality

Target 5 Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 Improve maternal health

Target 6 Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 Combat HIV/AIDS, malaria and other diseases

Target 7 Have halted by 2015 and begun to reverse the spread of HIV/AIDS.

Target 8 Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7 Ensure environmental sustainability

- Target 9 Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.
- Target 10 Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.
- Target 11 Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 Develop a global partnership for development

- Target 12 Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction - both nationally and internationally)
- Target 13 Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries - exports, enhanced program of debt relief for heavily indebted poor countries [HIPCs] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)
- Target 14 Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)
- Target 15 Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

From the website <http://www.unmillenniumproject.org/goals/goal1>

LIST OF ABBREVIATIONS

CEEC	Central Eastern European Countries (former Soviet Union)
DAC	Development Assistance Committee
DfID	Department for International Development
DoE	Department of Education
EC	European Community
ECOSOC	Economic and Social Council (part of the UN)
EU	European Union
GDP	Gross Domestic Product
GGI	Gross Government Income
GNP	Gross National Product
GNI	Gross National Income
HIPCs	Heavily Indebted Poor Countries
IMF	International Monetary Fund
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
NGOs	Non Governmental Organisations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OWC	One World Centre
NIS	New Independent States (former Soviet Union)
TI	Treasury Income
UN	United Nations

APPENDIX 2

Written and Oral Contributions to Overseas Aid Committee Review Project

Mr G Waft MLC, Overseas Aid Committee
Mrs P Crowe MLC, Overseas Aid Committee
Mr H Green MBE, Overseas Aid Committee
Mr J Watterson MHK, Overseas Aid Committee
Mr K Cubbon, Secretary to the Isle of Man Overseas Aid Committee
Mrs A Craine MHK, former member of Overseas Aid Committee
Mrs H Hannan, former member of Overseas Aid Committee
Mr B Beckett, Plan International
Mrs E Claridge, Marie Stopes
Mrs C Cousins, The One World Centre IOM
Mr Paul Craine, Isle of Man Department of Education
Mr Phil Craine, Christian Aid
Mr H Davidson, Save the Children IOM
Mrs H Ferrari, British Red Cross
Mrs K Filliponi, Secretary to the Jersey Overseas Aid Commission
Mrs J Greenaway, Voluntary Services Overseas
Mr D Guilbert, Secretary to the Guernsey Overseas Aid Commission
Mrs S Higgins, The Leprosy Mission
Miss K Keenan, The One World Centre IOM
Mr T Leach, The Mustard Seed
Mrs S Magee, Oxfam GB
Mrs M Owen, Disability and Development Partners
Mr A Pearce, International Childcare Trust
Mrs J Pearn, Manx Landmine Action
Mr R Radcliffe
Mrs S Refega, CAFOD
Mrs S Richardson, Grace Third World Fund
Mrs L Sutton, ActionAid

An Analysis of Aid by Category

1. Millennium Development Goals (MDGs)

“Their (MDGs) importance for the global community is exemplified by their increasingly becoming the driving force for development policy internationally, the means to productive life for the billion-plus people living in extreme poverty and a way to secure a peaceful world for all.”

United Nations, Governance for the Millennium Development Goals, 2007

The MDGs are the international targets agreed during the UN Millennium Summit in September 2000. The MDGs are eight goals to be achieved by 2015 which have five main targets a) to synthesise important commitments made separately by Member States b) recognise the interdependence between growth, poverty reduction and sustainable development c) understand that development rests on democratic governance, rule of law, respect of human rights and peace and security d) are based on time-bound and measurable targets and e) bring together responsibility for development to developing and developed countries.²³ The MDGs are a blueprint of development for developing and developed states to work towards with combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women at the heart of the MDGs. Several UK NGOs would welcome the Isle of Man Overseas Aid Committee targeting the MDGs as this would be in line with international priorities, thus aiding their administration.

2. Agriculture

“Increasing agricultural productivity (that) has allowed poor countries to make the initial step on to the ladder leading to prosperity”

DfID, Agriculture at the heart of Poverty Reduction, 2005

Increased agriculture productivity can benefit millions through higher incomes in both rural and urban areas with more plentiful and cheaper food and generating patterns of development that are employment-intensive. Agricultural growth also spurs economic development outside agriculture where growth and job creation are faster and wages are higher.²⁴ Increased agricultural productivity is critical in the world's poorest countries particularly in the earliest stages of development. There is a need to ensure the sustainable use of the main productive resources such as land and water. Agricultural productivity can be remarkably improved if public spending is targeted more effectively (particularly roads) and; its benefits are spent on new technology. Finance remains an obstacle for many poor farmers as incomes often come after harvest resulting in many not having access to credit. Women face additional constraints on borrowing despite the

²³ <http://www.undp.org/mdg/basics.shtml> (25/10/07)

²⁴ DfID, Growth and Poverty Reduction: The Role of Agriculture (2005)

importance of women as agricultural producers. Constraints often arise due to a lack of collateral or the small scale of their activities.

5. Climate Change

"The scientific evidence is now overwhelming: climate change is a serious global threat, and it demands an urgent global response...Climate change will affect the basic elements of life for people around the world – access to water, food production, health, and the environment. Hundreds of millions of people could suffer hunger, water shortages and coastal flooding as the world warms."

Stern Review, The Economics of Climate Change, 2006

Climate change is seen by many as one of the most critical global challenges of our time with the developing world particularly vulnerable due to lack of adaptation capabilities. Adaptation finance is most effectively spent when integrated into developing countries' plans and budgets. Therefore, any future agreement on climate change must ensure that developing countries, particularly the poorest, can continue to grow their economies as well as adapt. Small islands are particularly vulnerable with rising sea levels and increasing storm surges threatening livelihoods and causing forced migration, coastal erosion and coral bleaching. All of these undermine fishing and tourism incomes which, coupled with freshwater resources are likely to be seriously compromised, especially in the Pacific and Caribbean Small Island Developing States (SIDS), affecting the development of island nations. Climate change pressure groups claim that funds to combat climate change must be separate, additional and distinct from development assistance with special responsibility to finance developing country adaptation from the industrialised countries of the world.²⁵

4. Disability

"...disabled people are also more likely than other people to live in grinding poverty. More than 1.3 billion people worldwide struggle to exist on less than 1 USD a day, and the disabled in their countries live at the bottom of the pile."

James D. Wolfensohn, former president of the World Bank, 2002

Action on Disability and Development (ADD) estimates that 10,000 disabled people die every day, as disabled people particularly women, ethnic minorities and scheduled castes and tribes are the most vulnerable. ADD also highlights four main barriers that disabled people face: institutional, environmental, attitudinal and legal. Institutional barriers include employment with lack of access to agricultural employment (which is usually dominant in developing countries economy) and restrictive access to micro-finance projects making it difficult for disabled people to work their way out of poverty. Those with disabilities also experience attitudinal barriers mainly taking the form of stigma and discrimination further marginalising disabled people. DfID recognises that disability and poverty are closely linked, as a result the MDGs cannot be achieved if the 'rights and needs of disabled people are not taken into account.'

²⁵ Oxfam, Adapting to Climate Change (2007)

It is estimated that 10-20% of the worlds poorest people are disabled²⁶ making it imperative that disability issues are integrated into mainstream development policy.

5. Education

“Education is one of the best ways for people to lift themselves out of poverty, and a powerful weapon in the fight against AIDS. However, more than 80 million children in the world’s poorest countries – 60% of them girls – are denied a primary education.”

ActionAid, The Right to Education²⁷

Education is a fundamental human right and central to development, and is also a primary vehicle for economic and socially marginalised adults and children to lift themselves out of poverty. Education can improve understanding of health issues, improve livelihoods and create the means for beneficiaries to participate in their communities.²⁸ Sustainable improvements in education systems will require the long-term commitment of resources by national governments and the international community. Donors should place particular emphasis on working towards gender equality in education because of the significant disparities in girls’ and boys’ achievement in good quality education across the world. One method for doing this is by promoting inclusive education and abolishing all forms of user fees. Whilst, universal primary education remains the foremost priority of donors there is also a growing need to invest in secondary, higher education and vocational skills training as further education is one of the most important ways of improving the status and health of young women and creating an adaptable and global workforce.

6. Environment

“Poor people usually bear the highest costs of environmental hazards and degradation. Good environmental management and sustainable use of environmental and natural resources are essential to economic growth in developing countries.”

DfID, Approach to the Environment, 2006

Donors should not underestimate the importance of environmental sustainability, as it is vital for economical and human development and environmental ‘costs’ at the global, national and local levels bear heaviest upon the poor. Likewise, poverty puts communities in a weaker position in coping with environmental hazards and adapting to environmental change. Sustainable environmental development should be integrated into national policies and programmes with good environmental management and sustainable use of the environment and natural resources essential to economic growth in developing countries. Despite this, protecting the environment is seen as a ‘luxury’ to be addressed after economic, education and health growth has been achieved. This can cause problems, for example schools are frequently built in an unsustainable manner

²⁶ <http://www.dfid.gov.uk/news/files/20-percent-disabled.asp> (26/11/07)

²⁷ <http://www.actionaid.org.uk/100038/education.html> (10/12/07)

²⁸ Irish Aid, White Paper on Irish Aid (2006)

using scarce resources from the local area with little thought for the impact of construction on the environment.

7. Gender

“Achieving gender equality and empowering women is not only a goal in itself. It is also a condition for building healthier, better educated, more peaceful and more prosperous societies...Unless careful attention is paid to the discrimination of women across all MDGs (Millennium Development Goals), the achievement of the Goals will be jeopardised.”

Asha-Rose Migiro, UN Deputy Secretary-General, 2007

Full development cannot be achieved unless women are included in the development process as gender equality is vital for political, social and economic growth. Therefore the inclusion of women in development would enhance the effectiveness of aid.²⁹ Studies have shown that educated girls have: a better opportunity to earn higher wages; participate in community life and decision-making and; are better informed about health risks that may be relevant to both themselves and their families.³⁰ Donors need to work with partner institutions to identify specific gender equality objectives in projects and programmes at the outset. Also, building a strong understanding of gender-specific needs of men and women in emergency situations is also important as can be overlooked in emergency aid appeals.³¹ Including gender issues within emergency aid is part of a wider move to mainstream gender equality within projects. This does not mean that projects based solely on gender issues should be excluded but other projects should include an appreciation of the importance of gender equality. There has been some improvement in women's right and in particular in the field of education. Global literacy for young men has risen from 88.2% to 90.4% in the period 1990-2004 and for young women literacy has risen from 80.1% to 84%.³² Large NGOs have highlighted the need for all projects to be gender inclusive if they do not specifically target women's development.

8. Health

“Development is about eliminating poverty. And the good health of the people of the world is intimately bound up with the world's prosperity. The healthier people are, the less likely they are to be poor – the more entrenched poverty is, the more likely people are to become ill and die.”

DfID, Working Together for Better Health, 2007

90% of the global disease burden is in the developing world yet it only accounts for 12% of global health spending. Also there has been little investment in medical research despite it offering huge potential for improving people's lives. Furthermore, investing in

²⁹ OECD, DAC Guidelines for Gender Equality and Women's Empowerment in Development Co-operation (1999)

³⁰ OECD, Aid in Support of Gender Equality and Women's Empowerment (2007)

³¹ Irish Aid, Gender Equality Policy (2004)

³² Plan International, Because I am a Girl (2007)

prevention measures against non-communicable diseases will be more cost-effective for countries in the long-term however; it also requires action beyond the health sector. Ambitious long-term national plans for the health sector should be developed and funded with support from development partners but this requires more predictable and long-term aid commitments and may need to be incorporated into national health budget through Sector Wide Approaches (SWAs) or General Budget Support (GBS). Aid should also improve services and give donors confidence to use government systems rather than alternative systems which undermine government services. For example often hospitals and schools built by donors fall into disrepair as not enough money is supplied for ongoing maintenance.

9. HIV/AIDS

“The number of people living with HIV/AIDS globally has reached its highest level at the end of 2005 with an estimated 40.3 million people...and 3.1 million people died of AIDS-related illnesses; of these, more than 500,000 were children. Nevertheless, there is a window of hope with the confirmation that HIV/AIDS prevention really works.”

European Commission, HIV/AIDS, 2006

HIV/AIDS causes and is driven by poverty. It is important to place more emphasis on combined prevention and intervention of HIV/AIDS. Priorities include the improvement of sexual and reproductive health, working towards universal access to HIV/AIDS related services and reducing health inequalities.³³ Combating HIV/AIDS needs greater co-ordination of civil society initiatives to address HIV/AIDS prevention in terms of treatment, care and impact mitigation. Also, faith based groups should be engaged in addressing stigma and discrimination as they are some of the greatest barriers to treatment. However, protecting and promoting livelihoods of people with HIV/AIDS requires more than just effective health services. It requires effective delivery and improved access to education, agriculture, water, energy and security. Responses need to be proportional to their necessity and must therefore be adapted to reflect national and regional differences.³⁴

10. Human Rights

“Everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.”

United Nations – Article 2, Universal Declaration of Human Rights, 1948

The UN has included human rights within its development strategy for over fifty years as the UN see people at the centre of sustainable development. Social exclusion is a major element of human rights abuse. Socially excluded people are often denied opportunities that are available to others in increasing their income and therefore escape from poverty by their own efforts. Social protection can play an important role in addressing social

³³ DfID, Working Together for Better Health (2006)

³⁴ EU, HIV/AIDS (2006)

exclusion by reducing vulnerability and poverty, and overcoming cycles of poverty and exclusion that repeat themselves generation after generation. Donors can strengthen their ability to support effective national action against social exclusion by encouraging co-ordination to take a consistent approach and ensuring that donor's activities are not inadvertently exacerbating exclusion. Donors should also support integration of inclusive principles into mainstream government policy, but appreciate that at times targeted policies may be more efficient.³⁵

11. Loans

"Whatever can be said about the relative merits of grants versus soft loans, the rising share of grants in ODA has not reduced poverty incidence in the developing world. In fact, where poverty has been reduced – namely in East Asia and the Pacific – the share of grants in ODA has been lower than elsewhere."

D Cohen, P Jacquet and H Reisen, After Gleneagles: What role for loans? OECD, 2006

The ultimate aim of overseas aid is to reduce dependence on external assistance by complementing and not substituting a countries development. Grants can lead to "donor darlings" or aid dependency rather than self-sufficiency while grants themselves can be unpredictable and short-term. Soft loans counteract this problem. Compared to grants, soft loans can easily accept rescheduling and while they carry interest rates (although minor) cancellation can take place should a negative shock occur.³⁶ As grants do not need to be repaid, they do not imply a need to raise public revenues or increase the efficiency of financial management systems which loans do. For well-governed countries a grant aid worth 100 units could translate into a loan worth 400 units which may enable developing countries to accelerate their development. Loans are inappropriate for less well governed countries and fragile states as they are often unable to meet the conditions attached to loans and therefore should only receive grant aid. The extent to which the Isle of Man will be able to provide grants directly to partner governments is questionable. Some agencies provide loan services to members of a community where repayments are channelled back to other community members.

12. Pro-Poor Growth

"Empowering the poor is essential for bringing about the policies and investments needed to promote pro-poor growth and address the multiple dimensions of poverty. To achieve this, the state and its policy making processes need to be open, transparent and accountable to the interests of the poor. Policies and resources need to help expand the economic activities of the poor."

OECD, Promoting Pro-Poor Growth, 2006

Pro-poor growth is enabling a pace pattern of growth that enhances the ability of the poor to participate and benefit from economic growth. Pro-poor growth is seen as one of the most successful ways out of poverty as high rates of growth do not necessarily correlate with pro-poor growth. DfID has highlighted four main ways for donors to

³⁵ DfID, Reducing Poverty by Tackling Social Exclusion (2005)

³⁶ OECD, After Gleneagles: What role for loans? (2006)

encourage pro-poor growth: a) create strong initiatives for investment b) foster international economic links c) provide broad access to assets and markets and d) reduce risk and vulnerability. Income generation projects are one form of pro-poor growth initiatives encouraging individuals from the developing world to start their own small business. However, it should be recognised that not all recipients of income generation projects have the drive or business acumen to be able to benefit from such schemes.³⁷ Reducing risk and vulnerabilities include social protection such as pensions, which 'boosts income, injects money into the local economies, helps small businesses grow and helps tackle generations of poverty.'³⁸ HelpAge has identified citizens who receive social pensions are more aware of their entitlements, have improved access to services and information on their rights and willingly participate in the monitoring of delivery to the benefit of others.³⁹

13. Water and Sanitation

"By making clean, safe water available, through the provision of cheap technologies and educating people about basic sanitation, thousands of lives will be saved. More girls will be able to go to school, as they will no longer be needed to spend hours fetching water, and fewer people will be made ill by the water they drink."

Shriti Vadera, UK Minister for International Development, 2007

The United Nations Millennium Projects Taskforce has estimated that it will cost \$75-143 billion in order to achieve the Millennium Development Goals on water and sanitation. Water and sanitation projects are often avoided by donors due to their complexities (with responsibility divided amongst government departments) and lack of consultation with the most poor and vulnerable sections of society who are affected most by lack of adequate water and sanitation.⁴⁰ This is despite the fact that "a child dies every 15 seconds from water-related diseases, such as diarrhoea, typhoid, cholera and dysentery."⁴¹ Water and sanitation projects also cross-cut across the majority of the MDGs and are perceived as a basic service amongst development issues. Poor people often have limited access to clean water and fresh air, fertile land and fertile crops, and the healthy livestock and other animals that are essential for livelihoods and health.⁴² Water and sanitation projects are not only infrastructure building projects but extend to education and gender equality as it is often girls and young women who are required to fetch water causing them to miss out on an education. Water and sanitation projects should also involve the local community in order to provide maintenance to water and sanitation facilities.

³⁷ Submission to the Review, Oxfam (31/10/07)

³⁸ DfID, Eliminating World Poverty [White Paper] (2006)

³⁹ HelpAge International, Briefing on Social Pensions (2006)

⁴⁰ WaterAid, 'Global Cause' and Effect: How the Aid System is Undermining the MDGs (2007)

⁴¹ World Development Movement, Women and Water: a truly global struggle (2006)

⁴² <http://www.dfid.gov.uk/mdg/environment.asp> (21/11/07)

An Analysis of Aid by Geography

1. Human Development Index (HDI)

"The basic purpose of development is to enlarge people's choices...The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives."

Mahbub ul Haq, Founder of the Human Development Report

The HDI is compiled by the United Nations Development Programme (UNDP) and involves yearly in-depth reports into the nature and process of well-being beyond GDP concentrating on three dimensions of human development 'living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level), and having a decent standard of living (measured by purchasing power parity, PPP, income).'⁴³ However, the HDI does not include indicators such as human rights, democracy or inequality. Nevertheless, adopting the HDI enables donors to target aid in the most effective way as a high per capita income does not necessarily mean opportunities for health and education, HDI displays these discrepancies.

2. Africa

"African poverty and stagnation is the greatest tragedy of our time. Poverty on such a scale demands a forceful response...To do that requires a partnership between Africa and the developed world which takes full account of Africa's diversity and particular circumstances."

Commission for Africa Report, 2005

Currently 34 out of 50 Least Developed Countries (LDCs) are in Africa. The number of people living in poverty in Africa has actually increased and Africa continues to be marginalised as globalisation continues. Furthermore, the spread of HIV/AIDS has been gaining speed in many Sub-Saharan Africa countries, with general life expectancy falling dramatically. HIV/AIDS incidence rates are now as high as one in five in some countries. HIV/AIDS is also having a devastating impact far beyond the deaths it is claiming directly as it is decimating the social, intellectual and economic base of families, institutions and African societies.

3. Asia

⁴³ UNDP, Human Development Index Report (2006)

“Large disparities in development outcomes between countries remain. Especially stark are the differences in health...The child and maternal mortality rates of Cambodia, the Lao People’s Democratic Republic and Myanmar, for example, are between 11 and 47 times higher than those of Singapore.”

ESCAP, Ten as One: Challenges and Opportunities for ASEAN Integration, 2007

Since the 1990's, high rates of economic growth have become more common in Asia but it is widely believed that inequalities have also grown in many countries.⁴⁴ Not a story of the “rich getting richer and the poor getting poorer” rather it is rich getting richer faster than the poor. High levels of inequality may adversely impact future growth and development prospects. 15 out of 50 LDCs are in Asia. One of the main challenges in Asia is the wide diversity of development with East Asian ‘tiger economies’ making significant progress on the MDGs and states in or emerging from times of conflict struggling to make significant impact on the MDGs.

4. Australasia and Pacific Islands

“Progress towards the MDGs varies significantly across the region (Pacific Islands), and in many cases within countries as well. Slow progress (and in some cases a worsening of status)...demonstrates that greater efforts will need to be made if the Pacific is to achieve the MDGs.

UNDP, Pacific Islands Regional MDG Report, 2004

The Pacific Islands continue to receive high amounts of aid but their share of global Official Development Assistance (ODA) is declining despite the small size of their economies, their remote locations, and lack of development and infrastructure. All of these factors make it difficult for Pacific Islands to be competitive in the global marketplace. Many Pacific Islands are also SIDS which increases their difficulty in developing the economy and impacting on social factors. The Pacific Islands suffer from disparities in equality with health care and education in particular experiencing national and sub-national disparities.

5. Europe

“Central and Eastern Europe and the Commonwealth of Independent States are viewed by much of the development community as countries without serious poverty problems...However... the issues of poverty and inequality are pressing concerns”

B Slay and J Hughes, Poverty and inequality in Development and Transition: from theory to policy in Europe and the CIS, 2006

Whilst there are still areas of poverty prevalent in Europe particularly Eastern Europe, no European country is in the Least Developed Country list and only Moldova is in the

⁴⁴ Asian Development Bank, Inequality in Asia (2007)

'Other Low Income' list provided by the Development Assistance Committee (DAC). However, Southern and Eastern European countries are experiencing increased difficulties in their 'transition from centrally – planned economies...and addressing the needs of vulnerable and marginalised populations.'⁴⁵ Increasing their development opportunities is seen as a priority for the UN Development Programme in the region. Also, Oxfam has praised the Isle of Man Overseas Aid Committee for continuing to support projects from all parts of the world including former Soviet Republics, which are often unpopular with other donors.

6. Latin America and Caribbean

"Hindered by protracted periods of slow growth, the region has been unable to reduce the inequality associated with its distribution of income and access to productive assets. Another equally important contributing factor has been the shortage of quality jobs of the sort that would allow workers to lift themselves out of poverty."

United Nations, MDGs: A Latin American and Caribbean Perspective, 2005

In Latin America and the Caribbean economic growth has not only been slow but volatile as well. Whilst there has been considerable gains in health and education in some countries, progress in reducing poverty has stalled in recent years, despite decreases in those living beneath the poverty line and those in extreme poverty. There is currently only one Least Developed Country in the Caribbean – Haiti. However, as many Caribbean nations are also SIDS it can be more difficult for these nations to develop. Latin American nations historically have received less funding from the Overseas Aid Committee but this is due to a lack of projects submitted to the Committee rather than any particular geographical bias.

7. Commonwealth Countries

"One third of the Commonwealth's 1.8 billion people live on less than one dollar a day. Almost two thirds of the world's HIV/AIDS cases and maternal deaths take place in Commonwealth countries. More than half of the world's 115 million children without education are to be found in the Commonwealth. That is why the Commonwealth not only has an interest in achieving the MDGs but also a responsibility to do so."

Commonwealth Secretary-General Don McKinnon, 2005

The Commonwealth Secretariat has maintained a strong focus on smaller nations, with some 60% of total programme expenditure under the Commonwealth Fund for technical co-operation disbursed through projects which benefited small states. The Commonwealth Secretariat provides advocacy, policy advice and technical assistance. The Commonwealth Parliamentary Association (CPA) is also co-operating with other international institutions such as the World Bank, the European Union (EU) and the International Monetary Fund (IMF) in Poverty Reduction Strategies (PRS) and environmental sustainability.

⁴⁵ <http://www.undp.org/europe/poverty.shtml> (15/10/07)

8. Least Developed Countries (LDC)

“Least Developed Countries (LDCs) includes 50 countries. These countries represent the weakest segment of humanity and need international support in order to break out of the vicious cycle of poverty.”

UN Office of the High Representative for LDCs, Landlocked Developing Countries (LLDCs) and SIDS, Facts about Least Developed Countries, 2006

LDCs are countries where extreme poverty, the structural weaknesses of their economies and the lack of capacities related to growth hamper efforts of these countries to improve the quality of life of their people. This is often compounded by structural handicaps. These countries are also characterized by their acute susceptibility to external economic shocks, natural and man-made disasters and communicable diseases. LDCs are defined as countries which have a national income per capita of less than \$745, human capital status criterion (e.g. amount of population malnourished) and an economic vulnerability criterion (e.g. population and/or remoteness).⁴⁶ However, only targeting LDCs can exclude other countries which have extensive equality gaps and can prevent minority groups and excluded peoples in countries which may not be on the LDC list.

9. Small Island Developing States (SIDS)

“The small size of Small Island Developing States means that development and environment are closely interrelated and interdependent...Unsustainable development threatens not only the livelihood of people but also the islands themselves and the cultures they nurture. Climate change, climate variability and sea level rise are issues of grave concern.”

Programme of Action for the Sustainable Development of Small Island Developing States Barbados 1994

SIDS are recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities. SIDS face constraints in their sustainable development efforts with low and irregular international traffic volumes, little resilience to natural disasters, growing populations and high volatility of economic growth. Also SIDS are among the nations most likely to be affected by climate change. The main geographical regions identified for the location of SIDS are the Caribbean, the Pacific and the Atlantic, Indian Ocean, Mediterranean and South China Sea. SIDS are receiving increased attention from international bodies who are calling for increased support for their sustainable development programmes.

10. Landlocked Developing Countries (LLDC)

⁴⁶ <http://www.un.org/ohrls/> (20/11/07)

“The international community has a duty to help landlocked developing countries and their transit neighbours, just as they have a duty to help themselves. Landlockedness and associated high transaction costs and isolation from world markets severely restrict a country’s ability to trade and thus generate wealth.”

A K Chowdhury and S Erdenebileg, *Geography against Development*, 2006

The lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs continue to impose serious constraints on the socio-economic development of LLDC. Of 42 LLDC 16 are classified as LDCs. LLDCs are among the most disadvantaged and underachieving countries in the world and are being increasingly marginalised in the world economy with the gap between LLDCs and coastal developing countries growing at a brisk pace. There is also increasing likelihood of LLDCs becoming the most impoverished and abject members of the world community. Despite this between 1990 and 2001, ODA to LLDCs fell from 0.33% to 0.22% of donor countries Gross National Income (GNI).⁴⁷ Administration costs of NGOs are often higher when aid recipient is a LLDC, this can effect funding if a donor is unwilling to pay administration costs above 10-15% of project cost.

11. Fragile States

“Those countries where there is a lack of political commitment and/or weak capacity to develop and implement pro-poor policies. In addition these countries tend to be characterised by poor governance and by being prone to violent conflict.”

OECD, *Whole of Government Approaches to Fragile States*, 2006

A sixth of people in the developing world and a third of those on less than 1 US Dollars (USD) per day live in fragile states and they are the least likely to meet MDGs. When states do engage in fragile states it is often through parallel systems rather than working through the aid recipients government. Working in fragile states is normally more expensive than the rest of the developing world but for every 1 USD spent on conflict prevention it can generate a 4 USD saving to the international community as aid is a powerful tool for stabilisation.⁴⁸ Due to the complexities of dealing with fragile states greater consultation is needed and therefore working in fragile states is often time consuming and often out of budget. However, working in fragile states can bring counter-terrorism, conflict prevention, peace building and, trade promotion.⁴⁹ Whether aid is delivered by civil society or donor governments, donors should try and work through aid recipient governments. However, this is not always possible.

APPENDIX 5

⁴⁷ A K Chowdhury and S Erdenebileg, *Geography against Development: A Case for Landlocked Developing Countries* (2006)

⁴⁸ WHO, *Aid Effectiveness and Health* (2007)

⁴⁹ OECD, *Whole of Government Approaches to Dealing with Fragile States* (2006)

2007/2008 Human Development Index rankings

Low Human Development

156. [Senegal](#)
157. [Eritrea](#)
158. [Nigeria](#)
159. [Tanzania, U. Rep. of](#)
160. [Guinea](#)
161. [Rwanda](#)
162. [Angola](#)
163. [Benin](#)
164. [Malawi](#)
165. [Zambia](#)
166. [Côte d'Ivoire](#)
167. [Burundi](#)
168. [Congo, Dem. Rep.](#)
169. [Ethiopia](#)
170. [Chad](#)
171. [Central African Republic](#)
172. [Mozambique](#)
173. [Mali](#)
174. [Niger](#)
175. [Guinea-Bissau](#)
176. [Burkina Faso](#)
177. [Sierra Leone](#)

APPENDIX 6

PRINCIPLES AND GOOD PRACTICE OF HUMANITARIAN DONORSHIP

Endorsed in Stockholm, 17 June 2003 by Germany, Australia, Belgium, Canada, the European Commission, Denmark, the United States, Finland, France, Ireland, Japan, Luxemburg, Norway, the Netherlands, the United Kingdom, Sweden and Switzerland

Objectives and definition of humanitarian action

1. The objectives of humanitarian action are to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters, as well as to prevent and strengthen preparedness for the occurrence of such situations.
2. Humanitarian action should be guided by the humanitarian principles of *humanity*, meaning the centrality of saving human lives and alleviating suffering wherever it is found; *impartiality*, meaning the implementation of actions solely on the basis of need, without discrimination between or within affected populations; *neutrality*, meaning that humanitarian action must not favour any side in an armed conflict or other dispute where such action is carried out; and *independence*, meaning the autonomy of humanitarian objectives from the political, economic, military or other objectives that any actor may hold with regard to areas where humanitarian action is being implemented.
3. Humanitarian action includes the protection of civilians and those no longer taking part in hostilities, and the provision of food, water and sanitation, shelter, health services and other items of assistance, undertaken for the benefit of affected people and to facilitate the return to normal lives and livelihoods.

General principles

4. Respect and promote the implementation of international humanitarian law, refugee law and human rights.
5. While reaffirming the primary responsibility of states for the victims of humanitarian emergencies within their own borders, strive to ensure flexible and timely funding, on the basis of the collective obligation of striving to meet humanitarian needs.
6. Allocate humanitarian funding in proportion to needs and on the basis of needs assessments.
7. Request implementing humanitarian organisations to ensure, to the greatest possible extent, adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response.
8. Strengthen the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to humanitarian crises, with the goal of ensuring that governments and local communities are better able to meet their responsibilities and co-ordinate effectively with humanitarian partners.
9. Provide humanitarian assistance in ways that are supportive of recovery and long-term development, striving to ensure support, where appropriate, to the maintenance and return of sustainable livelihoods and transitions from humanitarian relief to recovery and development activities.

10. Support and promote the central and unique role of the United Nations in providing leadership and co-ordination of international humanitarian action, the special role of the International Committee of the Red Cross, and the vital role of the United Nations, the International Red Cross and Red Crescent Movement and non-governmental organisations in implementing humanitarian action.

Good practices in donor financing, management and accountability

(a) Funding

11. Strive to ensure that funding of humanitarian action in new crises does not adversely affect the meeting of needs in ongoing crises.
12. Recognising the necessity of dynamic and flexible response to changing needs in humanitarian crises, strive to ensure predictability and flexibility in funding to United Nations agencies, funds and programmes and to other key humanitarian organisations.
13. While stressing the importance of transparent and strategic priority-setting and financial planning by implementing organisations, explore the possibility of reducing, or enhancing the flexibility of, earmarking, and of introducing longer-term funding arrangements.
14. Contribute responsibly, and on the basis of burden-sharing, to United Nations Consolidated Inter-Agency Appeals and to International Red Cross and Red Crescent Movement appeals, and actively support the formulation of Common Humanitarian Action Plans (CHAP) as the primary instrument for strategic planning, prioritisation and co-ordination in complex emergencies.

(b) Promoting standards and enhancing implementation

15. Request that implementing humanitarian organisations fully adhere to good practice and are committed to promoting accountability, efficiency and effectiveness in implementing humanitarian action.
16. Promote the use of Inter-Agency Standing Committee guidelines and principles on humanitarian activities, the Guiding Principles on Internal Displacement and the 1994 Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organisations (NGOs) in Disaster Relief.
17. Maintain readiness to offer support to the implementation of humanitarian action, including the facilitation of safe humanitarian access.
18. Support mechanisms for contingency planning by humanitarian organisations, including, as appropriate, allocation of funding, to strengthen capacities for response.
19. Affirm the primary position of civilian organisations in implementing humanitarian action, particularly in areas affected by armed conflict. In situations where military capacity and assets are used to support the implementation of humanitarian action, ensure that such use is in conformity with international humanitarian law and humanitarian principles, and recognises the leading role of humanitarian organizations.
20. Support the implementation of the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.

(c) Learning and accountability

21. Support learning and accountability initiatives for the effective and efficient implementation of humanitarian action.
22. Encourage regular evaluations of international responses to humanitarian crises, including assessments of donor performance.
23. Ensure a high degree of accuracy, timeliness, and transparency in donor reporting on official humanitarian assistance spending, and encourage the development of standardised formats for such reporting