

V. EFFICIENCY OF THE SMALL COUNTRIES FINANCIAL MANAGEMENT PROGRAMME

105. The assessment of the efficiency is based on an analysis of three factors: (i) governance structure, Board and staffing; (ii) efficient use of available resources; and (iii) efficient organisation and administration of the SCFMP. The assessment drew on a mix of objective and subjective data — available documents, financial data, ESurvey responses and the country studies.

A. Governance Structure, Board and Staffing

106. The SCFMC was incorporated as a private company limited by guarantee and not having share capital on 17 June 2009 and received its charity registration on 4 August 2009.⁴² The Board acts as a sounding board for, and provides advice and guidance to, the executive director. The names and qualifications of the Board members and the management team are disclosed on the SCFMC web page. The company secretary is an official from the Isle of Man government.

107. The SCFMC is legally required to have its accounts audited once a year by a recognized accountant and report its financial statements within six months of the close of its fiscal year. The SCFMC complies with both of these legal requirements. The SCFMC also follows good practice by disclosing its audited financial statements on its website as well as other material (e.g., eligible countries; application process; participant selection criteria; programme content).

108. During the evaluation period there were no major changes in the governance structure. However, the SCFMC took steps to respond appropriately to, and ensure compliance with, additional governance-related issues such the Charities Registration and Regulation Act 2019, the General Data Protection Regulation and its safeguarding requirements for charities. Three steps were taken during the evaluation period:

(i) **Privacy Policy:** SCFMC adopted a privacy policy in 2018 to be compliant with EU Regulation 2016/679, the General Data Protection Regulation that protects people's right to privacy. This applies to all personal data collected by the SCFMC and covers the rights of people providing the data, the reasons personal data is collected and how it is collected, how the data will be used, prohibitions on sharing with third parties, data storage and protection and confirming people's right to request a copy of their personal data.

(ii) **Directors formally become members of the SCFMC charity:** The SCFMC's Memorandum and Articles of Association refer to both members and directors. The Isle of Man Beneficial Ownership Act 2017 had legal implications for the SCFMC. The 4 October 2017 Annual General Meeting discussed the issues involved, taking into account the views of the Isle of Man Treasury and noting that becoming members did not increase the responsibilities of directors. Consistent with Section 3a of the Articles of Association, the Board agreed that directors would formally become members. That decision ensured that no member had more than 25% of the beneficial ownership of the SCFMC.

(iii) **Increased disclosure of information:** In 2019 the SCFMC published its first formal annual report, which is available on the website. Previously the SCFMC had submitted reports to the Isle of Man Government. While there were no annual reports as such for 2013, 2014 and 2015 there were meetings with the Isle of Man Government funding bodies at which the SCFMP was discussed. In 2016 the SCFMC was asked to prepare a contribution to be included within the International Development Committee's Annual Report. Subsequently the Cabinet Office Political Group became the relevant funding body within the Isle of Man Government and the SCFMC submitted reports in 2017, 2018 and 2019 to that body.

109. The eight-member Board has an appropriate mix of skills, experience and longevity that

⁴² Charity number 1044.

enhances institutional memory. The long serving Board chair is independent of any official body or government. The Board, which includes the current and former executive directors, has a mix of people who have been involved with the SCFMC from the beginning and others who became involved more recently. Board members have a mix of experience including working with the Isle of Man Government, the IMF, the World Bank, the Bank of England, the UK Treasury and Oxford University. Relationships with the Isle of Man Government, the World Bank and the IMF are particularly important for the SCFMC. The mix of professional experience includes experience in the financial regulatory and fiscal areas, finance and accounting, teaching, legal and evaluation. Small developing countries have been represented on the Board by former senior government officials who attended the SCFMC at some point in the past. Board members contribute their services on a pro-bono basis, although their travel costs may be paid by the SCFMC.

110. The Articles of Association state “Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum. The directors may include, but not be limited to, the following persons:
- (i) a representative of the Treasury of the Isle of Man Government;
 - (ii) a representative of the World Bank;
 - (iii) the Chair of the Small States Network for Economic Development;
 - (iv) a representative of a small country in Africa;
 - (v) a representative of a small country in the Caribbean;
 - (vi) a representative of a small country in the Pacific;
 - (vii) representatives of international bodies and other World Bank member countries, provided that the number of such directors shall not exceed five; and
 - (viii) a representative of the Commonwealth Secretariat.”
111. In practice, this list has been treated as illustrative and is no longer functional as a practical matter.

While in the past there were Board members representing the World Bank, the Chair of the SSNED and the Commonwealth Secretariat, no Board members have represented those constituencies for several years. Staff turnover at the World Bank and a focus on thematic areas rather than regions contributed to weaker World Bank/SCFMC relationships, SSNED became largely dormant and the SCFMC was not successful in mobilizing funding from the World Bank, the Commonwealth Secretariat or other international organisations after 2012.

112. Two issues arise regarding the Board:
- (i) lack of diversity: The Board has consistently lacked gender and ethnic diversity – six of the eight current Board members are white males. The small states representative and one other well-qualified Board member bring both gender and ethnic diversity. Although some past boards have included more diversity, since its founding the SCFMC Board has lacked diversity; and (ii) limited representation from small countries: Currently there is only one director from the Caribbean who represents all small countries. The Articles of Association suggest that there should be greater representation from small countries and regional representation on the Board — one director from each region. In 2013 and 2014 all three regions were represented on the Board. In 2015 the woman representing the small countries in Africa and the Indian Ocean resigned because of work commitments. She was not replaced. In 2017 the representative from the Pacific left the Board and was not replaced.⁴³ The Board is aware of these issues and tries to identify potential, well-qualified candidates that will increase its gender and ethnic diversity. Consideration is being given to establishing an Advisory Group to provide a more flexible mechanism⁴⁴ to add diversity and small country representation. A second alternative would be to seek more gender and ethnic diversity for new directors from the Isle of Man and/or the United Kingdom with appropriate skills, experience and empathy to the work with the SCFMC.

⁴³ During the 2013 to 2017 period, this director did not participate actively in Board activities or provide the perspective of small countries.

⁴⁴ Because of concerns about money laundering, terrorism financing and customer risk management, regulatory authorities are placing increasing emphasis on issues like “*know your client*” and “*politically exposed persons*”. There are increasingly stringent procedures for appointing Board directors that require more due diligence and disclosure of personal financial information. Organisations are increasingly risk-averse to appointing non-UK directors.

113. The Board met annually during the 2013 to 2019 evaluation period. During the early part of the period efforts were made to hold the annual meeting on the sidelines of the World Bank/IMF spring or fall meetings. That helped to raise the profile of the SCFMC with senior officials from small countries, who typically attend those meetings, and with the World Bank and the IMF. However, over time the relationship between the SCFMC and the World Bank and the IMF weakened. During the latter part of the evaluation period, the Board meetings were held in the Isle of Man, Oxford or London to minimize travel costs. A review of the minutes of the meetings indicates that the Board is functioning appropriately. Attendance meets the quorum requirements. Some directors attend in person and some attend virtually. There were also some “no shows”. Meetings address topics like appointing new Board members, staffing and succession planning, reviewing reports on the SCFMP, the process for selecting participants, finances and auditing, evaluation, strategic issues and administrative matters. During the first part of the evaluation period, the Board considered many options to diversify its sources of funding. However, those efforts were not successful and gradually the Board placed less emphasis on that topic.
114. As part of the strategy to minimize overheads, the SCFMC has a small management team consisting of the executive director, programme director and programme manager. All of these positions are part-time and the incumbents receive a stipend depending on the hours worked. The members of the management team have good contacts with the two main partner organisations, the Isle of Man Government and Oxford University.
115. Although the Articles of Association mention undertaking research and dissemination activities, providing an international forum for sharing knowledge and developing best ideas and practices, and regional workshops, in practice the SCFMC has focused on the first activity specified in the Articles – providing targeted executive training programmes. This is largely through the annual SCFMP but also included the first regional programme, the Cook Islands' Negotiation

Programme. This reflects the SCFMC's limited budget, the small, part-time staff and a strategic decision taken at the Board's first meeting in October 2009.

116. The programme director runs the teaching side of the SCFMP. This includes defining and fine tuning the curriculum, based on feedback received through observation and the self-evaluation process, and selecting the participants and faculty. The two programme directors that filled the position during the evaluation period were both Associate Fellows of the Saïd Business School at Oxford. The close relationship with Oxford is a strength of the SCFMP and facilitates faculty recruitment. They are contracted for an indeterminate number of days at the rates they would be paid if the SCFMP were a Saïd Business School programme.

B. Efficient Use of Available Resources

117. The Isle of Man Government has consistently provided funding for the SCFMC, most recently through a November 2016 5-year commitment to provide £300,000 annually, and in-kind support. Examples for the latter include the use of the facilities at the Nunnery under a University College of the Isle of Man lease and staff support. Pro bono teaching services have been provided by successive Assessors of Income Tax, the Chief Executive of the Financial Supervision Commission until his retirement and current and former Ministers and officers' time as panellists discussing the Isle of Man's economic journey. The Treasury's Chief Financial Officer sits as an ex officio member of the SCFMC Board and a Treasury officer has served as the SCFMC Secretary since inception. In addition, their Excellencies, Lieutenant Governors Adam Wood and Sir Richard Gozney KCMG CVO, have hosted annual receptions at Government House. Presidents of the Tynwald, Mrs. Christian O.B.E. and The Honourable Stephen Rodan O.B.E., M.L.C., have provided support and hosted annual receptions for participants, the business community and government representatives in the Parliamentary Buildings. The Isle of Man business community also supports the SCFMC (Box E.1). Examples include

pro bono services for auditing, accounting and banking, free telephone sim cards, use of facilities, support for the SCFMC webpage, support for travel and accommodation arrangements and sponsoring receptions.

118. The 2012 evaluation highlighted the need to follow best practice and have separate companies handle the SCFMC's accounting and auditing functions. This issue has been addressed and different internationally recognized companies performed these functions. The firm providing accounting services, due to international policy changes, ceased to provide them after 31 March 2018. After that date, the accounting functions were undertaken in-house. The firm providing audit services did so on a pro bono basis up until 2018 but now charge for their services. The SCFMC was unsuccessful in finding internationally recognized firms that would provide these services on a pro bono basis. The SCFMC does not have a policy of periodically changing its auditors but the Board recognizes that it is preferable to periodically change auditors. Each year the Board reviews whether to continue with the existing auditors. In practice, few firms are interested in providing services to small charities on a pro bono basis or even on commercial terms. The financial statements of the SCFMC are audited annually and, in accordance with good practice, are disclosed on the SCFMC website (Table E.1). All audits were clean, i.e., there were no qualified opinions or matters on which auditors were required to report exceptions. The audits state that the financial statements represent a true and fair view of the SCFMC's affairs and were prepared in accordance with the United Kingdom's Generally Accepted Accounting Practice and the Isle of Man's Company Act.

119. The SCFMC is a lean organisation and every effort is made to keep overheads low and to live within the budget. Revenues reflect donations from the Isle of Man government. Between 2013 and 2017 revenues were nearly constant in the £300,000⁴⁵ range, with no increase to reflect inflationary cost increases. In 2018 revenues rose to £350,000, with a one-off additional grant of £50,000 being

received. Expenditures exhibited a similar pattern, remaining relatively constant in the £275,000 range before increasing to £294,000. Each year, expenditures were less than the available revenue and the resulting surpluses were transferred to the member's account. During the evaluation period, the cumulative surplus was £184,300.

120. Although this issue has been addressed in more recent audited financial statements, the audited financial statements during the initial years of the evaluation period did not provide a detailed breakdown of expenditures. Such historic, unaudited information is available from the SCFMC (Table E.2), which indicates that:
- During the evaluation period expenditures ranged between £253.3 thousand (2016) and £308.2 thousand (2014) with no clear upward trend to offset inflation.
 - The number of participants is the major driver of costs. Typically, there are 24 participants. During the years where there were fewer (23 in 2016) or more (26 in 2019), there was a corresponding impact on total expenditures.
 - The expenditure per participant was relatively constant, averaging about £11,700 during the evaluation period, ranging from a low of £11,000 in 2016 and to a high of £12,800 in 2014. The evaluation team could not obtain data to benchmark the SCFMP's cost per participant against similar programmes. The corresponding costs were £10,800 in 2010 and £12,205 in 2011. Expenditure per participant remained nearly constant for a decade which illustrates the SCFMC's efforts to contain costs.
121. The SCFMC's major costs are directly related to putting on the SCFMP — transportation (21% of total expenditures incurred during the evaluation period), accommodation, food and daily living expenses (24%) and professional fees for the speakers (34%). A more detailed analysis of the data in Table E.2 illustrates major expenditure drivers and some cost-containment measures:
- Year to year variations in transport costs reflect the number of participants, the mix of participants and available market pricing for airline tickets. The

⁴⁵ All costs incurred by the SCFMC for the Cook Islands' Negotiation Programme were charged to the Cook Islands Government with a residual balance of £6,812 for labour costs of SCFMC staff included as income in 2017.

SCFMC pays for economy class tickets⁴⁶ and the travel agent looks for the best deals possible.

■ Year to year variations in accommodation, food and daily living expenses reflect differences in the number of participants and length of the programme.⁴⁷ While there was an increase in the costs at Oxford, hotel costs on the Isle of Man have been held constant for a number of years. There was also a reduction in the number of college dinners included within the programme. The SCFMC pays participants a per diem of £25 per day, which has not increased since the 2012 evaluation. The £25 per day covers meals not provided as part of the SCFMP, which covers all breakfasts and lunches and several dinners, and incidentals.

■ One area that is directly related to the quality of the SCFMP is the quality of the speakers. To ensure that the quality of the SCFMP is comparable to the leading business schools, the SCFMC uses world-class resource persons from leading universities or leading practitioners. The world-class faculty is a major reason for the good quality of the SCFMP. The SCFMC seeks to attract the most appropriate speakers and, as required, pays fees broadly comparable with those paid by the market-based fee structures of leading business schools. There are trade-offs involved in the quality of the faculty and their costs on the one hand and the quality of the programme and results achieved on the other. Finding the right balance in the context of severe resource constraints is a challenge for the SCFMC.

■ Year to year variations in the speaker fees reflects a number of factors. The SCFMC attempts to attract speakers with a reputation for excellence in their field. The SCFMC's fee structure is applied flexibly depending on the presenter and their market established fee. Although the fee structure is broadly equivalent to those paid by business schools, there are some variations among speakers. As a cost-containment effort, the SCFMC has held faculty fees nearly constant, with only one increase (5%) in 2017 over many years. Also, the SCFMC has maximized the use of pro bono teaching, where

possible while still offering teaching and subject matter excellence, and has negotiated some fee reductions.

■ Overhead costs accounted for 21% of total expenditures.⁴⁸ Overhead costs have increased relative to the findings of the 2012 evaluation because SCFMC now pays the executive director and the programme manager a fee for hours worked – the previous executive director provided his time on a pro bono basis.⁴⁹ Also, the pro bono provision of accounting and auditing services ended in 2018. The evaluation team could not obtain data to bench-mark the SCFMC's overhead costs against similar programmes. Insurance costs have increased, both for event cancellation and Directors' and Officers' Liability Insurance. The SCFMC website has been updated, with associated one-off costs, but this is expected to reduce recurrent maintenance and hosting costs. As a cost-containment measure, the contract for the AidImpact Management Information System was terminated.

122. Overall, it is clear that the SCFMC makes efforts to economize on expenditures and control costs, regularly reviews faculty, accommodation and administrative costs and identifies possible savings that would not diminish programme quality. Minutes show that the Board is concerned about expenditure management and efforts to contain costs. The evidence indicates that the SCFMC carefully manages its scarce resources to limit overheads and maximize the proportion of its funds used directly to put on the SCFMP.

123. During the evaluation period the cost per participant ranged between £11,000 (2016) and £12,800 (2014) with no clear upward or downward trend (Table E.2). These cost per participant figures cannot be compared with internal cost data for courses put on by the IMF and the World Bank as those cost figures do not include the salaries of their staff who act as instructors or the

⁴⁶ If their organisations allow their participants to travel business class, their organisation pays the difference between economy and business class fares.

⁴⁷ The 2016 and 2017 programmes were 11 days in duration while the 2018 and 2019 programmes were 12 days.

⁴⁸ Consisting of administrative costs (18%) and miscellaneous costs (3%).

⁴⁹ The Articles of Association allow the SCFMC to pay "reasonable and proper remuneration for any member, officer or employee." The post of executive director was advertised at a salary of £40,000 per year for one and a half days per week. As a cost-containment measure the executive director suggested that he be paid on an hours worked basis and that the hourly rate be further discounted by about one third. Further, he does not claim any holiday pay, although he is entitled to do so under the contract.

use of their facilities. For comparative purposes, the cost of attending various executive training programmes, which are put on for a profit, was examined. The fee for attending a 14 day Executive Public Leaders Programme offered by the Oxford Blavatnik School of Government was £18,000, which covered accommodation, meals, tuition, programme materials, executive coaching and extracurricular activities but not air travel. The tuition costs for four to six day executive training programmes covering things like management, leadership and negotiation offered by the Saïd Business School and the London Business School ranged between £7,000 and £8,900. In addition, participants had to cover their accommodation, travel and per diem costs. These comparisons show that executive training programmes offered by leading business schools are expensive and that the direct costs incurred by the SCFMC, which include accommodation, travel and per diem, are reasonable compared to the tuitions levied by business schools.

124. Unlike executive training programme put on by universities, all participants are fully sponsored by the SCFMC. There is no cost for the participants or their organisations. This is similar to the practice of the World Bank, the IMF, the regional development banks and bilateral donors when they sponsor seminars and training programmes. It is also consistent with the premise on which SCFMC was founded – government officials from small island countries should have access to a world-class course without regard to the cost of attending the course. Periodically the Board has discussed the possibility of levying a fee to attend the SCFMP but has rejected that approach.

125. ESurvey respondents were asked if they would continue to recommend that colleagues attend the SCFMP if various types of user fees were levied [e.g., participants pay for their airfares, accommodation or various levels of course fees (i.e., £5,000; £1,000) (Table E.3)]. The responses were mixed. For all types of user fees, a significant proportion of respondents did not give a clear opinion, stating that their recommendation would depend on the circumstances. Participants paying for their airfares was the only option for which more respondents

would **Recommend/Strongly Recommend** (42%) that others attend the SCFMP than **Would Not/Would Strongly Not Recommend** attendance (31%). Respondents were approximately evenly divided about recommending future attendance if participants were required to pay for their accommodation. There was strong opposition to the SCFMC charging a fee to attend the SCFMP – 55% **Would Not/Would Strongly Not** recommend attendance if there was a £5,000 fee and only a quarter of respondents would recommend that others attend the SCFMP. While opposition to a £1,000 course fee was more muted, a substantial 41% of the respondents would not recommend that people attend the SCFMP under those circumstances. In identifying the best elements of the SCFMP, one respondent commented “Full sponsorship (travel, accommodation and allowance) for participants”, thus underlining the point about the importance of participants not having to pay to attend the SCFMP. In supporting this view another respondent stated “*For continued effectiveness, program should continue to be offered without fees. Also, in line with public-private partnership, the program should be extended to the private sector, probably at their own expense i.e., travel cost.*”

126. The ESurvey responses indicate that future attendance would be sensitive to cost recovery policies, with many respondents stating that they would not recommend attendance to the SCFMP. However, a sizable number would recommend attendance depending on the circumstances and a few would recommend or strongly recommend attendance even if the participants had to pay for their airfares or accommodation. Given the results in Table E.3 and the prevailing practice in international development circles, the Evaluation Team is of the view that the SCFMC should continue its practice of sponsoring the full cost of participants.

C. Administration and Organisation

127. The ESurvey results reflect near-unanimous praise for the efficient administration and organisation of the SCFMP. The 2013 to 2019 participants rated all of the following dimensions of organisation and administration as **Very Good**, the

highest possible rating: (i) overall process and administration efficiency; (ii) pre-programme communication; (iii) programme administration; (iv) venue; (v) meeting facilities; (vi) accommodation; and (vii) travel arrangements. Participants rated the food as **Good** (Table E.4). This positive assessment several years after attending the SCFMP is consistent with the feedback from participants on their post-programme assessments at the end of the SCFMP. Overall, the participants viewed the SCFMP as well organised, well managed and well-coordinated. This is reflected in some of the responses to the open-ended questions on the ESurvey. When asked to identify the three best things about the SCFMP several ESurvey respondents mentioned the venue, accommodation and food with one stating *“The travel arrangements, venue, food, and the experience at Isle of Man and Oxford is an experience of a lifetime to me. Very grateful to the SCFMP Team for their professionalism, hospitality and friendliness during our time at the programme.”*

129. The two-week period to hold the SCFMP varied slightly during the evaluation period from mid-June to the end of July. No general problems were identified with that timing. However, participants from Muslim countries did request that the SCFMP did not coincide with Ramadan (the fasting month Muslims observe).

D. Assessment of the SCFMP’s Efficiency

130. Efficiency was rated as **Excellent** (Table V.1). The governance structure is working as intended, and was rated as **Good**, although there is scope to improve diversity and representation from small countries. The Board, part-time executive director, part-time programme manager and part-time programme director are playing their roles. **Excellent** use has been made of the available resources, the dimension of efficiency that was assigned the highest weight. Efforts have been made to contain costs and the cost per participant has remained broadly constant for a decade. Feedback from the ESurvey is consistent with an Excellent rating for SCFMP’s administration and organisation.

128. The two-week length for the SCFMP is appropriate. Several of the participants reported that the programme was very intense and a small number suggested that it should be extended by a week to allow other topics to be covered. However, some heads/deputy heads of organisations and supervisors stated that if SCFMC could design a shorter period training focusing on soft-skills for senior staff, they would be more likely to be able to attend. Very senior staff cannot be away from the office to attend a two-week course.

Table V.1: Rating the Efficiency of the Small Country Financial Management Programme

	Weight (%)	Rating ^a	Weighted Score ^b
Governance Structure, Board and Staffing	20%	4	0.80
Use of Available Resources	60%	5	3.00
Administration and Organisation	20%	5	1.00
Total	100%		4.80 ^c

a 1=Poor; 2=Modest; 3=Average; 4=Good; 5=Excellent

b Weighted Score = Weight*Rating

c Cut off points:

Poor≤1.5; 1.5<Modest≤2.5; 2.5<Average≤3.5; 3.5<Good≤4.5; 4.5<Excellent

Source: SCFMC Evaluation