

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

28<sup>th</sup> January, 2025

**Proposition No. P. 2025/136**

**Policy & Resources Committee**

**Guernsey's Fiscal Policy Framework**

**AMENDMENT**

Proposed by: Deputy J Strachan

Seconded by: Deputy H Camp

1. In Proposition 2, to insert immediately after the words "Fiscal Policy Framework" the following ", and, where relevant, an analysis of how decisions will impact compliance with the Framework and, where relevant, an assessment of the likely economic implications of proposed fiscal restraint, delay or reprioritisation, together with an explicit acknowledgement where material economic trade-offs are being accepted".
2. In Proposition 1, to insert immediately after the words "defined within it" the following ", subject to the following amendments:
  - "1. In paragraph 3.4 of the Policy letter, to insert the words "and inflation" after the words "exceed the rate at which growth".
  2. To delete paragraph 3.5 of the Policy letter and replace with the following:
    - "3.5 In a small jurisdiction the trajectory of growth can be volatile and highly susceptible to external stressors, many of which lie beyond the island's control. It does not, however, diminish the importance of ensuring that fiscal decisions are designed to support sustainable economic activity, productivity and resilience, recognising that even modest and well targeted improvements in economic performance materially strengthen the Island's long-term fiscal position and its capacity to fund public services

sustainably. Increased economic growth must remain a vitally important element of any forward-looking strategy if the demographic and standard of living issues of the Island are to be addressed.”.

3. To delete paragraph 3.6 and replace with the following:

“3.6 Whilst it is essential to run a disciplined balanced budget over the rolling medium term, this must be done in a way that actively encourages and does not restrict economic growth.”.

4. To insert an additional paragraph after paragraph 2.7:

“2.7A In applying this Framework, medium and long-term fiscal decisions should be informed not only by their impact on income, expenditure, reserves and debt, but also by an assessment of their likely effects on economic activity, productivity, labour participation and the Island’s long-term economic resilience. This is intended to ensure that fiscal sustainability and economic sustainability are considered together, recognising their interdependence.”.

#### **Rule 4(1) Information**

- a) The proposition contributes to the States’ objectives and policy plans by strengthening the Fiscal Policy Framework as a tool of economic stewardship, ensuring that fiscal sustainability, economic sustainability and transparency are considered together when fiscal decisions are made.
- b) Informal consultation has taken place with the Policy & Resources Committee and the Scrutiny Management Committee.
- c) The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d) There are no financial implications to the States of carrying the proposal into effect.
- e) Drafting advice has been sought from the States Greffier and advice was sought from officers of the Policy & Resources Committee.

#### **Explanatory Note**

As currently drafted, the Fiscal Policy Framework places disproportionate emphasis on taxation and borrowing as the primary fiscal levers available to the States. This risks the Framework being read, and applied, predominantly as a revenue-raising mechanism, rather than as a tool of balanced economic stewardship.

This amendment seeks to make explicit within the Fiscal Policy Framework that economic growth, productivity and economic resilience are core considerations of fiscal policy, rather than incidental outcomes. While the Framework contains important provisions relating to fiscal balance, infrastructure investment and long-term sustainability, economic growth is currently framed largely as a constraint rather than as a factor to be actively considered in fiscal decision-making.

The proposed wording for 3.4 corrects the current wording in that both growth and inflation erode the national debt. Taken together, the revised versions of 3.4, 3.5 and 3.6 flow more logically into 3.8-3.10 which supports investing for growth. It also reflects better the graph in Figure 5 which clearly identifies a small island, Jersey, which has proven that a small island jurisdiction can have growth higher than Guernsey.

The amendment does not mandate growth at any cost, nor does it weaken fiscal discipline. Instead, it ensures that fiscal sustainability and economic sustainability are treated as interdependent, and that where fiscal restraint, delay or reprioritisation is proposed, the economic consequences and any associated trade-offs are made transparent to the States. This improves the clarity, robustness and defensibility of the Framework and supports its application as a tool of long-term economic stewardship.

The amendment does not direct the States to do anything specific with regards to economic growth but sets out the important role that it has as a tool in our fiscal planning.

The current wording “As a small island with a very high GDP per capita (see Figure 5), economic growth tends to be modest.” sets out the recent historical data, but ignores the possibility that this could change if the Assembly decides to do so. Indeed, 3.10 notes the possibility of infrastructure investment being a tool for growth.