

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

17th October 2023

Proposition No. P.2023/101

Policy & Resources Committee

Funding & Investment Plan

AMENDMENT

Proposed by: Deputy Sasha Kazantseva-Miller

Seconded by: Deputy Lindsay de Sausmarez

To insert the following propositions immediately after Proposition 4:

4A. To direct the Policy & Resources Committee to review the Fiscal Policy Framework, approved in January 2020, to determine whether Principle 6, which determines the level at which public capital expenditure should be maintained, should continue to hold, including whether using GDP alone is the right benchmark, and to consider the measures that will enable the funding of any amended policy direction, if such is required, and report back by the end of 2025.

4B To direct the Policy & Resources Committee to investigate various opportunities to unlock new methods of funding, including but not limited to public-private partnerships, blended finance, philanthropic and ESG bonds to encourage private market capital investment as part of the delivery of the capital portfolio and to report on the availability of alternative methods of funding any time major capital expenditure decisions and future Funding and Investment Plans are to be debated by the States of Guernsey.

4C To direct the Policy & Resources Committee to develop metrics to be able to analyse and monitor the capacity of industry and contractors to deliver on the proposed level of capital expenditure, with a specific focus on the capacity of the Guernsey construction industry and to include such metrics at the next iteration of the Government Work Plan or the Funding and Investment Plan.

4D To direct the Committee *for* Economic Development in consultation with the Policy & Resources Committee to develop metrics to be able to analyse and monitor the level of capital expenditure by the private sector to establish a picture of the combined level of capital investment in Guernsey, such expenditure to include physical assets (such as buildings, infrastructure, machinery) and digital and technology assets (such as IT).

4E To direct the Committee *for* Economic Development in consultation with the Policy & Resources Committee to scope and research measures to accelerate private investment into capital and technology adoption, for the purpose of increasing the overall rate of capital investment in the island and improving productivity, including tax-incentives, R&D grants, regeneration zones and other measures, taking into account any work that may feasibly expand the 0-10 regime where capital investment tax-breaks could be provided as part of the overall package of 0-10 measures.

Rule 4(1) Information

- a. The proposition contributes to the States' objectives and policy plans by helping deliver on the Fiscal Policy Framework and Government Work plan actions in relation to capital expenditure.
- b. In preparing the propositions, there has not been consultation with the Policy & Resources Committee.
- c. The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- d. Propositions 4A – 4C will have internal resource implications necessary to develop the future Government Work Plan or Funding & Investment Plan. Proposition 4D and 4E have scope to be developed as part of the Committee for Economic Development GWP work in relation to the Digital Framework and Enterprise incentives.

Explanatory Note

Capital expenditure by the public and private sectors is an important metric of economic activity and social, environmental and health outcomes, which translate into fiscal sustainability in the long-term.

The new Guernsey Fiscal Review Panel have recommended in their report released on the 9th of October 2023 that Guernsey should aim for 3% capital expenditure as a percent of GDP. This is higher than Principle 6 of the Fiscal Policy Framework approved in January 2020 that capital expenditure over any States term should be maintained at a level which reflects the need for long and medium term investment in infrastructure and direct capital expenditure by the States and should average no less than 1.5% of GDP per year averaged over a four-year period and 2% per year averaged over any eight-year period.

In light of such recommendations, the proposer and second believe it's important that the States of Guernsey review whether Principle 6 of the Fiscal Policy Framework should continue to hold.

In reviewing the principle, the Policy and Resources Committee should also develop a plan to fund any amendment to policy. In planning for increased levels of capital investment above historic levels, it's equally important that the States develop a capability to monitor the capacity of industry, especially the construction industry, to deliver against a capital program.

Equally important for economic growth and productivity is the promotion of private capital investment including technology adoption. Propositions 4D and 4E seek to direct the Committee for Economic Development to expand their work under the Digital Framework and Enterprise incentives to include capital investment into physical assets and scoping measures to increase such investment.

Developing a combined picture of public and private capital investment in Guernsey as well as levers that can influence such investment can help underpin Guernsey's economic strategy and vision, which is essential to our long-term fiscal stability and is being developed by the Policy & Resources Committee following the successful proposition in the Tax Review: Phase 2 debate.