

**STATEMENT TO BE MADE BY THE ASSISTANT CHIEF MINISTER
ON TUESDAY 14TH JUNE 2016**

I would like to update Members on the Jersey Innovation Fund. I should stress that this is not a response to the answer to an earlier question on this subject. It is about the planned review of the Fund that was signalled last year.

As members will recall, the Fund passed formally to the Chief Minister's office on January 1st of this year. Prior to this, I had delegated responsibility for the Fund as an Assistant Minister in Economic Development.

The Chief Minister has delegated responsibility for innovation to me and I am therefore responsible and accountable to this Assembly for the Fund, including all Ministerial decisions, past, future and present, that are associated with it.

As was made clear in the proposal to set up the Fund, it was a component of the Economic Growth Strategy to boost productivity through innovation in our economy. The objective of the Fund was consistent with Tera Allas' excellent Innovation Review which was published in September 2015.

I am able to report to Members today, following a meeting with the Innovation Fund Board last week, that taking the loans already advanced in 2014 and 2015 plus new loan applications received, the Fund would, if those applications are all successful, be fully subscribed.

The original objective of the Fund was clearly stated in P.124/2012: 'to deliver growth, improve competitiveness, diversify the local economy and create employment'. And that has not changed.

The decisions made by the Board have fulfilled the purpose and approved objectives of the Fund and have supported a broad range of potentially highly innovative businesses.

When the idea of an Innovation Fund was conceived in 2010, it was in the eye of a worldwide financial storm, the tail end of which we are still seeing today. In 2012, when the proposal was brought in P.124/2012, there was real concern that good businesses were finding it difficult to start up or expand.

When the States approved P.124/2012, it recognised that we have to pull all levers to enterprise, jobs and economic growth. The proposal was scrutinised at length and changes were made to the operational arrangements to meet Scrutiny recommendations. It was approved with one against.

Start-up and scale-up businesses carry significant potential risk, and typically such businesses really struggle to raise funds from other sources. The working assumption was

that failure rates of up to 50% could be expected. No one, in other words, has evidence of the future.

However, having reviewed the processes of the Board, I am confident that the success rate will be better than 50%. The Board is made up of some of Jersey's most successful and experienced entrepreneurs, supplemented by banking and legal professionals, and they have been diligent in discharging their duties.

It should be noted that, although the JIF can make grants, to date the Board have only recommended interest-bearing loans. And many of the loan recipients have attracted additional private capital investment into their businesses – a clear signal that our funding is doing its job.

The world of credit has significantly changed since 2012. Happily, businesses now have more access to more funds. There is more banking competition, and innovative routes such as crowdfunding are now available to fast-track new businesses.

But, as we have said on many occasions, there is no room for complacency. In a fiercely competitive world we need to do all we can to boost innovation and secure jobs and growth.

Now that the Fund looks set to approach full subscription, as we signalled last year, I can advise Members that I have asked that we now bring forward the review recommended by Tera Allas immediately.

In addition, following consultation with the Board and officials, I have accepted recommendations to make some changes to provide additional support to the successful loan applicants through Jersey Business and further in-house resource.

Whilst Jersey Business have been working with Innovation Fund Board members to help applicants and loan recipients on their start-up journey, we can do more. So, on advice, we are going to agree greater levels of support in the form of mentoring and business advice.

When Members approved the Innovation Fund they clearly recognised the role of innovation in supporting productivity-led economic growth and improving our standard of living.

It is the case that Government has a part to play in supporting innovation but we must continue to review and enhance how that support is delivered.

The landscape in which innovative businesses are financed by both Government and private capital is rapidly changing and the future operation of innovation funding must reflect this.

Subject to Members' agreement and consistent with the original Proposition, in future the Fund could include the option of taking equity stakes.

Some of the loans made contain a permissive ability to convert debt into equity if and when the law permits. Now that more funding options are available for business, I want to review whether there is currently an opportunity to take a greater uplift of the profits.

This approach, which would require changes to legislation, could offer applicants additional flexibility whilst giving the States a greater financial interest in the success of companies supported by the Fund.

It is likely that the historic challenge of access to finance for innovative start-up and early stage businesses could, however, continue.

In jurisdictions small and large this issue is being tackled by a combination of tailored Government interventions allied to both traditional and new forms of private funding.

Access to funding was an issue when the Fund was launched, indeed it was one of the main drivers behind the Fund being established.

Recent advice from the Innovation Review is that we should continue to focus our efforts on ensuring that innovative businesses have access to funding from the broadest spectrum of sources.

This may include us considering new approaches such as crowdfunding allied to improved links between innovative businesses and sources of private capital in the island.

Nothing should be ruled out at this stage.

Sir, the Jersey Innovation Fund has assisted and continues to assist a range of innovative businesses to boost Jersey jobs and growth.

Businesses supported by the Innovation Fund are developing products and markets locally, in the UK and further afield.

It is the financial support provided by the Fund that has helped the businesses realise their potential.

Much has been learned and achieved over the first two years of the Fund's operation and I am determined to build on the huge amount of valuable work undertaken by the Board and officers.

The review that is now underway flowing from the Tera Allas report, and the published 2015 report into access to finance will further improve the support for innovative businesses in Jersey, diversify our economy and bolster income to the Treasury.

I look forward to continuing to work with the Board and officers in discharging the responsibility for the Innovation Fund.