

**WRITTEN QUESTION TO THE CHIEF MINISTER  
BY THE DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 18TH JULY 2017**

**Question**

With reference to ‘Measuring Jersey’s Economy – GVA and GDP 2015’, published by the Statistics Unit on 28th September 2016, is it the Chief Minister’s assessment that the 0.2% reduction in productivity in 2015 demonstrates that the Council of Ministers has failed to achieve its aim of growing productivity? With reference to the 2014 report, is it also his assessment that the 2015 reduction is part of a 20% reduction in productivity over the last decade and that this has reduced average living standards by 18% since 2007? What explanation does he have for that decline when the 2014 report shows that the average standard of living has increased in Guernsey and been unchanged in the U.K.?

Could he state what impact, if any, the Economic and Productivity Growth Drawdown Provision (EPGDP) has had on productivity and state:

- (a) what portion of the £5m available in 2016 and 2017 has been granted for growth and productivity initiatives,
- (b) which States department or private sector bodies received those grants,
- (c) what criteria were used to assess the proposals prior to granting funds,
- (d) who signed off each grant, and
- (e) what criteria, if any, were used to assess the success of the initiatives supported by such grants?

**Answer**

Productivity

The fall in productivity in 2015 does not mean that the Council of Ministers has failed in its aim of raising productivity. The intention is to improve Jersey’s underlying productivity performance over the course of the economic cycle and in the long-term. Variations in productivity in any one year can be due to a number of factors and are not necessarily reflective of the underlying trend.

Productivity fell in 2015 because it declined in financial services as a result of a fall in profitability (partially reversing a large increase in profits in 2014). Financial services profits can be volatile and not necessarily reflective of wider trends in the economy. Productivity in the non-finance sectors increased by 3% in 2015 with all sectors except the manufacturing sector recording an improvement.

The fall in productivity since 2007 has been the result of a fall in productivity in financial services. This is largely due to the low interest rate environment which has significantly reduced the profitability of the banking sector. Productivity in the non-finance sector has remained more stable over the longer term and in 2015 was 3% higher than in 1998.

These productivity trends have led to a decline in GVA per capita over the period since 2007 and this is one measure of the standard of living in an economy. However, when assessing Jersey’s economic performance it is important to look at all the information available to understand trends. For example, employment in the Island is now at an all-time peak and real earnings have grown in each of the last four years returning to the level in 2007. This is not to say the economy and Islanders have not been impacted by the global financial crisis just that we need to be careful in drawing conclusions from any one set of data.

*The Economic and Productivity Growth Drawdown Provision (EPGDP)*

£5m was available in 2016 and for 2017 the States, in the MTFP Addition 2017-2019, agreed an allocation of £0.6m from the £5m available to protect existing budgets within the Department for External Relations and the Financial Services, Digital, Competition and Innovation Team within the Chief Minister's Department.

The Economic Policy Political Oversight Group (EPPOG)<sup>1</sup> has approved a further £5.7m for projects to date to support economic growth, Brexit and increases in productivity. Each of the initiatives are multi-year projects and funding is released in tranches.

In total £3.4m of the approvals have been released to departments in respect of the 2016 and 2017 tranches.

External organisations require a sponsoring government department to access EPGDP funding. The Department receives the funding, is responsible for the expenditure and partnership agreements with any third parties. The following departments have so far received approvals from the EPGDP:

- Chief Minister's Department
- Community and Constitutional Affairs
- Economic Development, Tourism, Sport and Culture
- Education
- External Relations
- Law Officer's Department

To qualify for funding from the EPGDP, proposals must be capable of offering cost effective demonstrable impacts in terms of economic growth or increases in productivity. Successful proposals may include initiatives designed to maintain existing levels of economic growth and productivity as well as those targeting increases in the current rate of economic and productivity growth.

To be given priority for funding from the EPGDP projects need to demonstrate that they only require one-off funding from government and clearly set out:

- evidence that alternative funding from within existing budgets has been fully explored and that existing funding is fully aligned with strategic economic priorities;
- strong rationale for why government intervention is required including evidence from success elsewhere and evidence of relevance for Jersey;
- a detailed costing plan for the proposal in keeping with Treasury best practice;
- an assessment of the scale of potential impacts in Jersey relative to costs and why the intervention should be prioritised;
- well defined objectives that are SMART – Specific, Measurable, Achievable, Relevant and Time bound;
- a clear monitoring and evaluation process that will assess the policy against objectives going forward.

In order to respond effectively to the potential challenges and opportunities that may emerge from the UK's evolving relationship with Europe, the EPGDP's scope also includes support for a broad range of Brexit-related proposals across government.

The EPGDP Officer Group<sup>2</sup> reviews applications to determine whether they appear to meet the criteria of the EPGDP and also meet the governance requirements.

EPPOG then evaluates proposals and makes recommendations to the Treasury Minister as to which projects should be supported.

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<sup>1</sup> Consists of the: Chief Minister; Assistant Chief Minister; Minister for Economic Development, Tourism, Sport and Culture; Minister for Education; Minister for Social Security; and Minister for Treasury and Resources

<sup>2</sup> Consists of the Chief Executive, Treasurer of the States and the Chief Economic Adviser

Each project is required to provide details of success criteria as part of the application process. These criteria are bespoke for each project but, as far as possible, are linked to impacts on GVA, employment or productivity. Where direct links cannot be made due, for example, to a lack of available data, success criteria are focused on outputs and a demonstrable economic rationale. The potential impacts are assessed by the Economics Unit as part of the approval process.