

The Guernsey International Business Association (GIBA) gave their view on proposals for Guernsey's government to borrow up to £500m to help steer the island through the Covid-19 pandemic and recovery.

Policy & Resources have set out quite starkly the unprecedented demands placed on States resources by the Covid-19 measures. These demands are immediate and cannot be met out of general revenues. Whilst the States has a significant investment portfolio, now is not the time to liquidate that portfolio. This leaves few options but to borrow. With interest rates so low and having a strong balance sheet, it is probably a good time to borrow, as the debt servicing costs will not be prohibitive. That said, the debt will need to be repaid and that will require additional revenues to be generated in the medium to long term. However, solving that problem will form part of the wider solution to both returning the economy to something like normal and rebuilding the Island's economic and fiscal resilience. If we can ensure that the economy is robust, the tax revenues required to restore States' finances will come. Economic regeneration should be prioritised over short term tax raising to address the long term issues arising from this crisis.