

Investment Policy 2018

Government of St Helena

14/06/2018

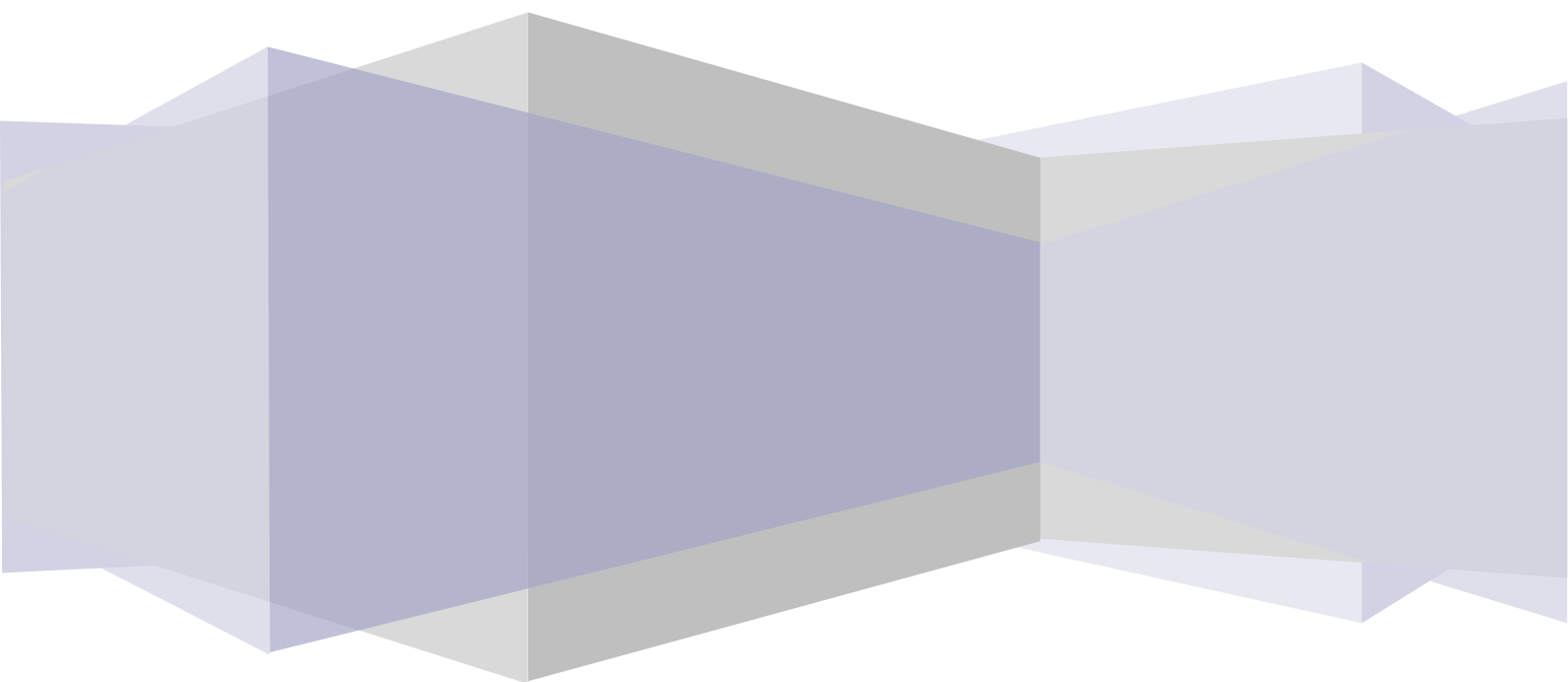


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Background and context

St Helena Government endorsed a new Sustainable Economic Development Plan (SEDP) 2018-2028, which focused on addressing St Helena's trade imbalance and improving quality of life. The Goals of the SEDP are to:

1. Increase Exports
2. Substitute Imports
3. Attract Visitors and Increase Tourism
4. Mitigate impacts of inflation on the lowest income groups
5. Improve Land Productivity
6. Sustain and improve our Natural Capital
7. Improve Infrastructure
8. Develop, Maintain and Attract a Skilled Workforce
9. Develop the Digital Economy
10. Reduce Leakage of Income

The SEDP outlined St Helena's opportunities and comparative advantages. These are St Helena's natural resources and geography, use of the English language, use of the Great British Pound alongside the St Helena Pound, relatively inexpensive labour and property costs and low crime and corruption. St Helena's comparative disadvantages include limited land availability, population size and demographics, logistics and scale.

Determination of St Helena's comparative advantages and disadvantages led to the exploration of sectors which, when developed, could assist St Helena to improve its trade imbalance. Export sectors include: Tourism; Fisheries; Coffee; Satellite Ground Stations; Work from Home Jobs; Academia, Research and Conferences; Liquor, Wines and Beers; Ship Registry and Sailing Qualifications; Traditional Products; Honey and Honey Bees; and the Film Industry. Import substitution sectors include: Agriculture; Timber; Bricks, Blocks, Minerals and Rocks and Bottled Water.

In order to deliver the SEDP, investors should be supported to start-up and expand business, particularly where investment increases St Helena's exports, substitutes imports, provides investment opportunities for people living on St Helena to buy into, and retains the returns on investment within St Helena. The St Helena Government is currently working through a number of reforms to encourage investment in this regard.

“As per an Investment Strategy for St Helena, private investment should be facilitated to start-up and expand business” (SEDP 2018-2028)

Figure 1: Reforms update: Progress on implementing reforms necessary to open the island's economy to inward investment and increased tourism



Vision

As laid out in the SEDP, SHG has an overall vision to achieve:

“development which is economically, environmentally and socially sustainable by increasing standards of living and quality of life; not relying on aid payments from the UK in the longer term; whilst affording to maintain the island’s infrastructure; achieve more money coming into St Helena than going out and sustain and improve St Helena’s natural resources for this generation and the next.”

The purpose of this Investment Policy is to contribute to the achievement of this vision by attracting and maintaining investment in St Helena, thereby raising the standards of living providing sustainable business and employment opportunities, and increasing budget self-sufficiency.

In future, both investment by residents and non-residents, will be key in bringing about economic growth and development.

Aims

The aims of the Investment Policy are shown below. The principles within this document which help to achieve these aims are noted to the right:

- | | | |
|------|--|-------------------------|
| i) | Making the economy accessible to all potential investors by being an attractive destination to do business and encouraging a diversity of investors; | Principles:
1,3,5,2, |
| ii) | Ensuring maximum benefit from development for the island’s economy and people; | Principles:
3,4,5 |
| iii) | Setting parameters for development to safeguard what is important for the people of St Helena; | Principles:
1,4,5, |
| iv) | Assisting the locally based private sector to compete effectively and efficiently in an open economy; | Principles:
4,5, |

St Helena's Investment Principles

St Helena Government strives to continually improve its investment environment. As such, this policy sets out how we plan to facilitate investment to the island.

In order to foster business growth for both resident and non-resident investors, this Investment Policy sets out five principles which should shape all government policy on St Helena. The principles are:

1. Make St Helena a desirable and competitive destination to do business by removing barriers to investment.
2. Encourage growth through import substitution, export promotion and domestic production.
3. Support an economy which is accessible to all potential investors and promote investments across the economy.
4. Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.
5. Promote fair, consistent and transparent decision making.

In promoting the above principles, SHG recognises that reforms will only stimulate investment and development if they are workable for businesses and investors at the operational level.

The remainder of this section outlines the rationale for adopting these aims.

Reform Principle 1:

Make St Helena a desirable and competitive destination to do business by removing barriers to investment.

Barriers to investment are anything which unintentionally inhibits or prevents investment. This differs from a control, which is deliberately put in place to regulate investment in the public interest. It is our aim to, wherever possible and when it is in the public interest to do so, remove barriers to investment, in order to foster an active and business friendly investment environment.

St Helena Government recognises there are both "soft" and "hard" barriers to investment on the island. Hard barriers are normally easier to identify and include barriers created through legislation, formal processes and procedures. Soft barriers can be harder to identify as they normally evolve informally, such as not applying approaches or standards uniformly or in a timely and transparent manner.

St Helena Government will continue to ensure it protects the public interest. It is fully aware that any barrier it creates can have a negative effect on business; however, businesses may also create barriers to protect themselves from competition. Barriers can not only prevent some investments entirely, but in some instances create unnecessary business costs through added bureaucracy. As such, the St Helena Government will examine how it can reduce both soft and hard barriers to investment on the island.

Reform Principle 2:

Encourage growth through import substitution, export promotion and domestic production.

Tourists and investors require certain standards for goods and services. In many cases if these are not available on-island they will need to be imported. This will result in import leakage, with funds spent on-island going back out, in order to provide imports. By stimulating domestic production, SHG can help to minimise the use of imports, creating more value added on the island and a larger economy.

Increased domestic production will help prevent export leakage. This normally occurs when a non-resident investor makes a profit in one country, but repatriates the funds, not investing it in the country where the profit was made. Businesses owned by residents, however, are more likely to keep profits and reinvest them on St Helena. As such, supporting domestic production will help to reduce export leakage.

In most economies exports are a significant element of the economy. This is not currently the case on St Helena. Improving this ratio will go some way towards making St Helena more self-sufficient and lead to a stronger and more stable economy.

Reform Principle 3:

Support an economy which is accessible to all potential investors and promote investments across the economy.

The introduction of an airport has provided opportunities for tourism-led economic development. However, St Helena Government strives to promote investment growth throughout the economy as a whole. If there is a level playing field within each sector of the economy for investors, this will help prevent the island missing out on any opportunity arising.

Reform Principle 4:

Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.

St Helena Government respects that competition is a key energising force driving economic growth, innovation and the efficient allocation of scarce resources. For the island to get the most

out of the opportunities presented by investment, domestic firms will need to be supported to compete at international standards.

This aim, however, must be balanced against the fact that St Helena is a small economy. Concentrated markets, natural monopolies and protectionist policies are likely to emerge in such a situation. The government must therefore, wherever possible, ensure it injects competition into these markets, to obtain value for money for the public and protect the rights of the consumer.

Reform Principle 5: *Promote fair, consistent and transparent decision making.*

Throughout the history of the island, legislation has been written and amended in such a way that aspects of decision making are often discretionary, not allowing, before the fact, firms to judge the outcome of decisions. On occasion this has led to uncertainty, as sometimes regulations were not uniformly applied or they were interpreted differently by different individuals and/or departments, or long delays in making decisions resulted in real costs to investors.

Conducting business and investing in this environment is normally sub-optimal, as uncertainty creates risk. This creates costs for businesses, as they may insure against this risk, take a hit if it interprets regulations differently from the decision maker or simply not conduct certain business activities.

As such, St Helena Government will, where possible, continue to remove discretionary powers from legislation, and will ensure decision making is fair, open and transparent, which will itself foster a business and investor friendly environment.

Monitoring and evaluation

St Helena Government will continuously monitor and evaluate its achievements against this policy. As reforms come on stream and barriers to investment are reviewed (according to the accompanying action plan), the success of this policy in shaping the reform/review will be evaluated.

St Helena Government's Corporate Support, Policy, Planning and Performance Unit will take the lead role in evaluating the success of this policy.

Contact details

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