



St Helena's Sustainable Economic Development Plan

2018 - 2028

St Helena Government

Mid-Year Progress Report

Background

St Helena's Sustainable Economic Development Plan (SEDP) 2018-2028 was endorsed by Executive Council in May 2018. In order to ensure that the SEDP continues to be effective, six monthly reviews of the actions were planned, alongside yearly updates of indicator data.

The speed of implementation of the SEDP largely depends upon a number of external factors including funding, private sector initiative and investor interest. Despite this, St Helena Government's Corporate Planning and Policy Unit (CPPU) have been working to an internal implementation plan which assigns responsibilities and timescales. In the first few months after the SEDP was endorsed, the Government Economist delivered presentations to teams within SHG and ESH who were responsible for delivering actions for the SEDP to ensure that the actions were well understood. Thereafter, CPPU's performance manager have been monitoring progress.

The SEDP presents many actions required to achieve the SEDP goals. In order to avoid overloading the reader with information, this update only reports progress against actions pegged to be started or achieved within the 2018-19 year.

The actions outlined in this report are important because they reduce barriers or open up opportunities to economic development and help to achieve the SEDP vision. The SEDP vision is to achieve development which is economically, environmentally and socially sustainable and this vision will be achieved 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 goals, as set out in the SEDP, which will help achieve the vision are as follows:

- 1. Increase Exports**

Selling goods made, grown or caught in St Helena to markets abroad and people from abroad increases the amount of money entering St Helena, which can help raise standards of living.
- 2. Substitute Imports**

Buying and consuming goods and services made, grown or caught in St Helena rather than buying and consuming imported goods and services reduces the amount of money leaving St Helena.
- 3. Attract Visitors and Increase Tourism**

Encouraging the provision of tourist infrastructure required for a variety of visitor needs from hotels, restaurants and attractions serviced by a skilled and customer focused workforce.
- 4. Mitigate impacts of inflation on the lowest income groups**

Avoiding reduction in purchasing power by the lowest income groups by regularly reviewing the Minimum Wage and Social Protection benefits.
- 5. Improve Land Productivity**

Making use of derelict or underused brownfield land and changing use of existing property to provide space for businesses to thrive. Supporting businesses to make the most productive use of land.
- 6. Sustain and improve our Natural Capital**

Maintaining and enhancing St Helena's exceptional environment, landscape, heritage and cultural qualities for this generation and the next.
- 7. Improve Infrastructure**

Using tax revenue and other funding streams for investments to improve health, education, water, electricity, transport, risk management and other infrastructure.
- 8. Develop, Maintain and Attract a Skilled Workforce**

Ensuring that local people develop skills which will contribute to the growth of St Helena's economy. Providing the wages and incentives for St Helenians to come back to St Helena and stay on St Helena. Supporting inward migration particularly in sectors where there are skills or labour shortages.
- 9. Develop the Digital Economy**

Open up St Helena to new economic markets by investing in broadband services and infrastructure, work towards delivering a fibre optic cable for the island.
- 10. Reduce Leakage of Income**

Provide investment opportunities for people living on St Helena to buy into, as an alternative to investing abroad. Ensure some of the returns on overseas investment is kept within St Helena.

Economic Outlook

State of the economy

Employment

St Helena is a small and remote island community with around 4,500 residents, and its economy reflects this environment.

Unemployment is currently low, mainly because of recent investment in the airport and associated infrastructure. Many people work in multiple roles in order to provide services to the local economy. The estimated median annual before-tax income rose in both the 2015/16 and 2016/17 financial years, to £7,640 and £8,230 respectively. The median gross income for 2016/17 was 7.7% higher than 2015/16, and the 2015/16 median was 4.5% higher than the previous year. When the average increase in prices in those two years is taken into account, the estimated 'real' annual growth in incomes from employment was 3.4% for 2016/17, and 3.1% for 2015/16.

However there are early signs of change: a contraction of the construction projects mean that the number claiming unemployment benefit in August 2018 rose from 7 to 34, the highest for at least six years. It is not expected that these newly unemployed will be long term unemployed because of their skills, but it will take time for the workforce to absorb these potential workers. Meanwhile, labour shortages continue within hospitality and care professions.

Sectors

Based on an analysis of company and self-employed tax returns for the 2016/17 year, the largest sectors of the economy are retailing, telecommunications, utilities, and construction.

St Helena is only able to compete internationally on the basis of quality. Apart from labour, exports are concentrated on high quality products including coffee, premium tuna, and niche tourism. Potential opportunities exist for St Helena to compete

on the world stage and have been outlined in the SEDP; they include international research, the export of honey bees and honey, developing the digital sector and registering vessels with the red ensign.

Unlike larger economies, St Helena's remoteness also constrains its ability to improve productivity through mechanisation and automation. One example is the installation of Automated Teller Machines (ATMs), which has not been possible because the cost of specialised maintenance and repair is too high. While the commercial air service has significantly reduced the cost of importing services (particularly as a result of travel times reducing from 5 days to 1 day), it remains challenging; a major constraint compared to larger, better connected economies, is the high cost and slow speed of accessing the internet.

Gross Domestic Product

The typical headline measure of the overall economy, Gross Domestic Product (GDP), has limited usefulness in the context of St Helena. Aid flows represent a significant proportion of total GDP, so changes to the levels of aid have a corresponding impact on GDP and the estimates of the growth in St Helena's economy. Additionally, large one-off projects, such as the airport construction project, can make substantial differences to the estimates and make their interpretation very difficult. There are also measurement challenges, with limited confidence in some data sets or data gaps in areas typically covered in larger economies by regular statistical surveys.

Nonetheless, St Helena's Statistical Office estimated Gross Domestic Product (GDP) for the 2014/15 financial year at £33.5 million, or about £7,400 per capita. This crude estimate used the income approach, and was based on employment incomes, business profits and losses, and customs duties, minus production subsidies. The Statistical Office is improving data sources and methodology for the national accounts, working closely with the UK Office for National Statistics, but we have relied on inflation, tax revenue, population, and employment and wage data to describe the state of the economy over the past financial year.

Addressing the trade imbalance

Provisional data indicate imports of goods for 2017 totalled around £32m, with over £300,000 exported. Around £250,000 of exports was fish, with coffee a further £65,000. Funds transferred to and from abroad through the Bank of St Helena is a reasonable proxy for the movement of funds in and out of St Helena. For 2017/18, this showed £37.5m going out (mostly to pay for imports) and £16.8m coming in to the Bank of St Helena.

St Helena has many comparative advantages. It benefits from significant natural resources; premium grade tuna, some of the world's most expensive and sought after coffee, and an ecosystem which supports a third of all the endemic species in the British territories and attracts tourists. St Helena is also a safe and easy place to visit; the island uses the Pound as currency and speaks the English language. And the airport provides an opportunity for St Helena to better compete internationally, since it reduces the time needed to travel to the island. Increasing exports, and reducing reliance on imports by producing, supplying and buying local are the key strategies to help retain income on St Helena and to reduce the annual trade deficit, and to help St Helena to become self-sufficient in the longer term.

Supporting investment

There is a particular focus within SHG and Enterprise St Helena to facilitate investment. The Investment Policy was refreshed in May 2018 and an Investment Strategy is being developed in 2018/19; it will include a description of the incentives which will be available to investors from 2019/20, valid for five years. The Immigration Policy is also being updated to ensure that the process for managing immigration is as transparent and streamlined as possible to facilitate investment.

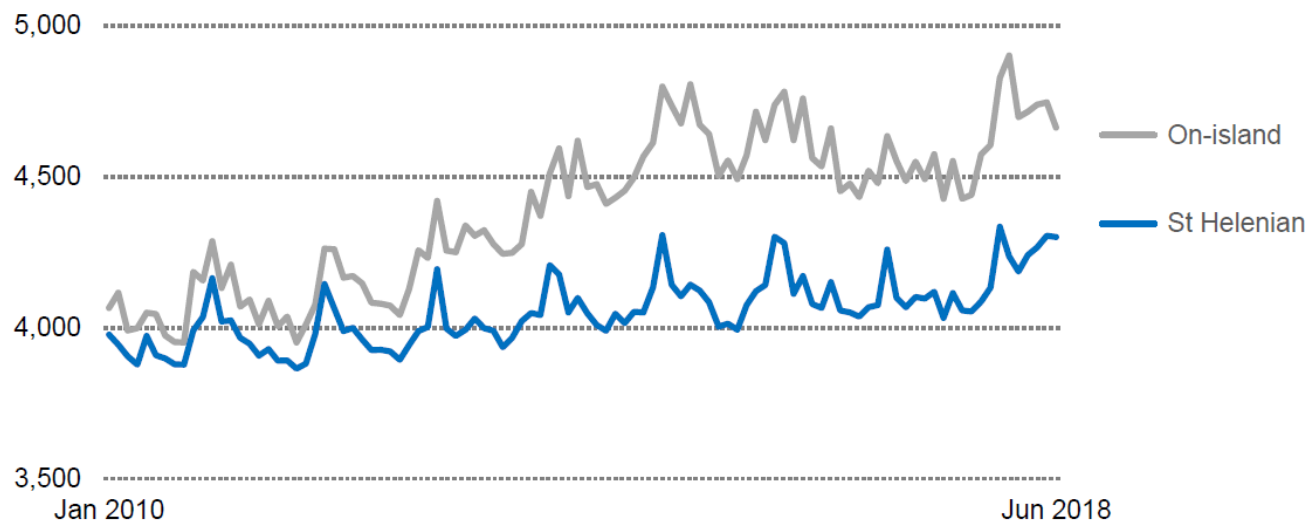
Enterprise St Helena supports investors to start up and expand their businesses. In 2017-18, as part of the business engagement programme, over 400 businesses benefited from consultations; 114 existing businesses and 41 potential new-

business start-ups were supported financially and with advisory services, and advisory services were also provided to a further 113 clients.

The challenge of demographic change

In 2018 there has been a slight increase in the population of St Helena. The estimated number of persons on St Helena, residents plus visitors, was 4,663, a 5.3% annual increase compared to the end of June 2017. At the end of June 2018 the number of St Helenians on St Helena was estimated to be 4,300, almost 7% higher than at the end of June 2017.

In 2017/18, over 700 people left St Helena for overseas employment or emigration. This is similar to previous years; many of these emigrants return at the end of contracts, and new opportunities resulting from commercial flights commencing will encourage St Helenians to return to the island, and others to visit and live on St Helena.



Graph 1: Total on island and St Helenian Population

St Helena has an aging population. The median age has risen from 33 in 1998 to 47 in 2016, and the old age dependency ratio (the number of people of pensionable age compared to the number of people of working age) has more than doubled in the same period, from 17 to 35. More than one in five of the St Helena population is over the age of 65.

With the current birth rate, and without inward migration or St Helenians returning from overseas, this trend will continue. Like many countries with a high old age dependency ratio, this poses a significant challenge for the economy, for example to maintain tax revenues from a shrinking workforce, and to provide care for increasing numbers of elderly.

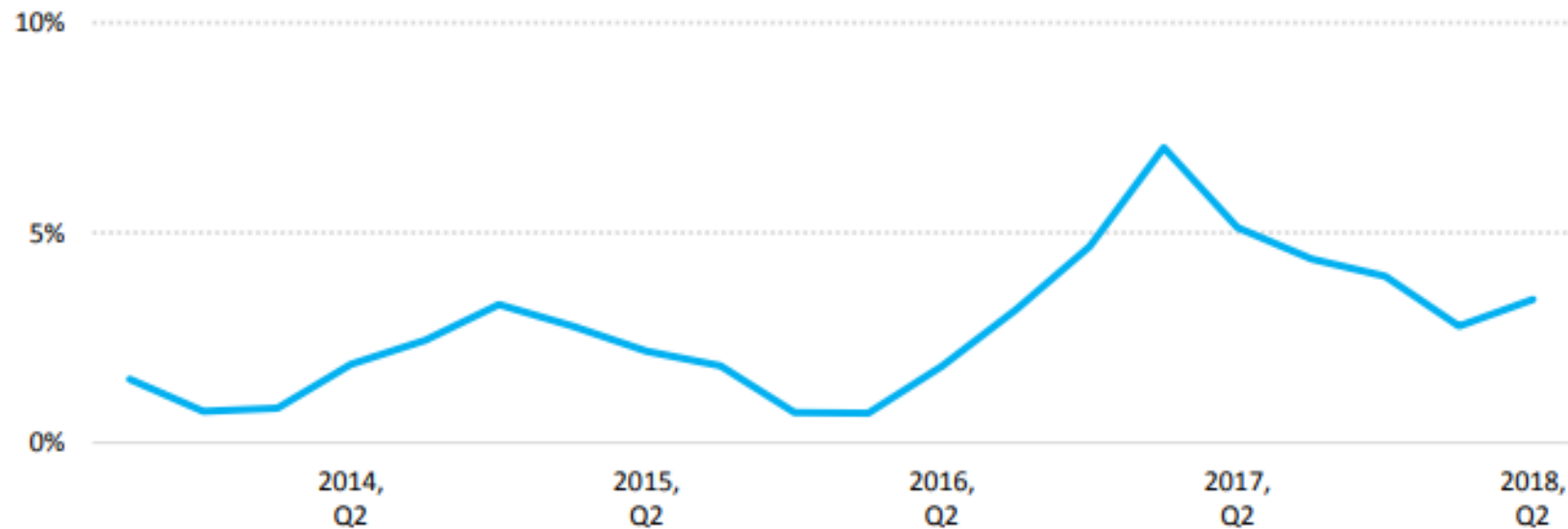
Infrastructure

Investment in infrastructure is crucial to stimulate economic growth. Completion of the Rupert's Wharf project will enable relocation of the port operation and provide the opportunity to develop Jamestown waterfront for commercial use. Investment in renewable energy infrastructure reduces reliance on imported fossil fuels with volatile prices. Investment in a connection to the undersea fibre optic cable will provide faster and cheaper access to the internet, opening up new opportunities to improve productivity, develop new economic activity, and deliver public services more efficiently. As well as providing direct economic benefits, these investments will facilitate education and upskilling, the green agenda and provide telemedicine opportunities, which will underpin future sustainable economic growth and improvements in social wellbeing.

Inflation

Since most goods available on St Helena are imported, prices paid by consumers are affected by three key factors: changes in the exchange rate of the Pound against the Rand (and to a lesser extent the US Dollar and Euro); price inflation in South Africa and the UK; and changes to the freight tariff of the only ship carrying imported goods to St Helena, the MV Helena.

Inflation rates rose in 2016/17, because of the UK vote to leave the European Union and the subsequent drop in the value of the Pound. This caused goods from South Africa in particular to become more expensive, but it also caused higher price inflation in the UK. Inflation in 2017/18 was slightly lower than 2016/17, but was still higher than previous years. Recently, inflation has started to rise again, in part due to higher freight tariffs on the MV Helena.

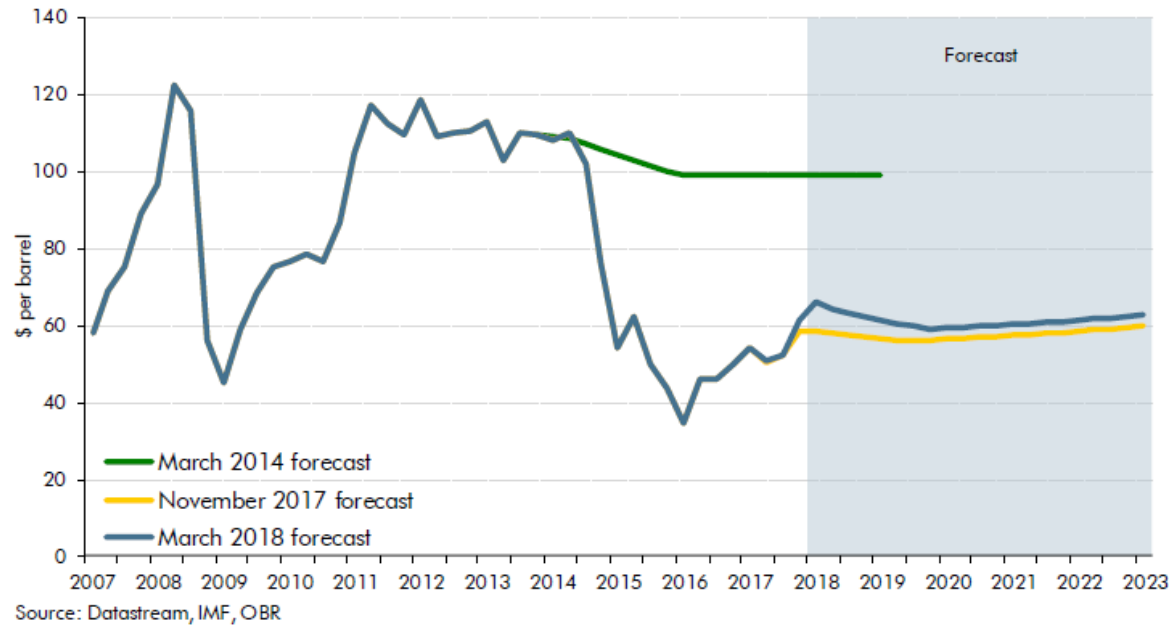


Graph 2: Annual price inflation rate, St Helena, 2013 to 2018

The inflation expectation for 2019/20 is 4.3%, 2020/21 is 4.1%, and 2021/22 is 4.0%. This prediction is calculated using the lagged relationship between prices in St Helena and the UK and South Africa, and the inflation expectations of the UK and South Africa. The Bank of England, for instance ('Prospects for Inflation' report, February 2018), expects that 'The current

overshoot of [UK] inflation above the 2% target is almost entirely due to the effects of higher import prices following sterling's depreciation, the contribution from which will dissipate in coming years'.

St Helena's biggest import is gasoline and diesel for transport and electricity generation, and St Helena's economy is therefore very sensitive to changes in the price of oil. Oil prices have been very volatile, and dollar oil prices have risen significantly. The chart below shows actual oil prices compared to forecasts from the UK Government's Office of Budget Responsibility, illustrating the difficulty in making accurate projections.



Graph 3: Oil price forecast, \$ per barrel

Inflation forecasts for St Helena are reliant on assumptions/forecasts of prices in the UK and South African economies, and global oil prices. Oil prices are typically volatile and difficult to predict, as is the impact of the expected departure of the UK

from the EU in March 2019. Prices on St Helena, and the economy as a whole, will be impacted by external shocks. St Helena's energy strategy encourages investment in renewable energy, to reduce the negative affect of volatile oil price changes on the St Helena economy.

Progress Summary

Progress to date: October 2018

The progress within the first six months of SEDP publication shows positive movement in many of the SEDP sectors. The headlines are as follows:

- The St Helena Fisheries Corporation have been exporting fresh fish by air and benefited from funding from ESH for export boxes and freezer downsizing works.
- SHG lowered the customs duty for inputs into key SEDP sectors, helping to reduce costs particularly to farmers, fishermen and drinks makers.
- The Minimum Income Standard was updated to reflect inflationary increases in prices, and the Basic Island Pension and Income Related Benefit increased as a result. The Minimum Wage increased by 10p in July 2018. Both changes ensured that those with the lowest incomes were protected against price increases.
- Work has been done to build a change in behaviour amongst consumers in St Helena. ESH and ANRD re-launched the 'Buy Local, Supply Local' campaign to encourage change in purchasing habits and hosted popular agricultural events which featured local goods. Presentations have been made by the SHG Economist across the main teams in SHG responsible for implementing SEDP actions and to students at Prince Andrew School.
- ESH's Tourism Marketing Strategy was finalised in May 2018 and the PR Company, the 'Brighter Group' were chosen as the preferred bidder to deliver PR services for St Helena.

- SHG's Education Directorate has delivered a new programme list for IT upskilling. SHG's Education Committee approved a new Special Educational Needs and Disabilities Policy and SHG's Health Committee endorsed a new Telemedicine Policy. This helps to achieve the 2018 milestones of the St Helena Connected group which focuses on St Helena becoming 'cable ready'.
- The online platform for the St Helena Community College was launched. New courses have been added to assist SEDP sectors (such as new IT courses and the RYA skipper course). Plans have progressed to launch a Research Institute for St Helena, with the intention to help visiting researchers plan their trip to the island.
- A site for a new 'marine lab' has been identified in Jamestown and funding has been secured. Designs are now being developed.
- The private sector has developed online booking websites, making it easier for tourists to book accommodation and experiences online. Meanwhile, ESH have made an online marketing training course available for the Tourist sector to help upskill with regards to online marketing.
- Funding has been secured to repaint the Tourist Office to help towards improving the look of buildings in Jamestown.
- The 'No ifs no butts' litter awareness campaign was launched and the Museum Toilets have been refurbished. Tackling litter and the state of public toilets were the two top issues identified by tourists when asked how St Helena might be improved. Additional Heritage Information Signs have also been put up by ESH to make historical information more accessible.
- Sure South Atlantic has made WIFI solutions available to accommodations who wish to provide internet for short term visitors/tourists.
- G-Unique is now selling locally made jewellery products to people abroad through their website.
- James and Hannah Herne opened a Yacht Club and is providing services for visiting yachties. The club is organising the Governor's Cup Race, a yacht race between Cape Town and St Helena in December 2018.

- St Helena (destination) and Sub-Tropic Adventures (Dive Centres) has been shortlisted for the Dive Travel Awards 2018 in association with Dive Magazine.

The following section outlines the actions relevant to 2018-19 and specific progress.

SEDP Sector



Tourism

Ensure upkeep and investment of heritage information signs.

New signs have being put in place.



in progress

Strategically allocate land for tourist accommodation. Ensure a speedier planning process with time commitments.

The review of the LCDP is currently in progress. Zoning for tourist development and infrastructure works being discussed as part of the process. No significant changes can be made until review completed.



in progress

Encourage the telecoms provider to provide tourist focused WIFI solutions.

WIFI package for accommodation providers is now available from Sure South Atlantic Ltd.



done

Common Issues

Increasing the amount of renewable energy on island, reducing reliance on diesel and encouraging improvement of distribution networks is required to avoid significant increases in energy costs in the future.

Improving the speed and reducing the price of internet on St Helena is a catalyst for growth for a number of sectors.

The buy local campaign should be restarted, with suppliers encouraged to use consistent labelling.

As per an Investment Strategy for St Helena, private investment should be facilitated to start-up and expand business (subject to labour and displacement impacts). Private sector funding sources need to be identified to support sectors to invest in cost saving infrastructure.

Processes and ordinances that hinder export and import substitution should be reviewed and changed where agreed.

Regular Labour Surveys are required to understand labour and skills shortages in more detail.

A preferred bidder for the Renewable Energy procurement project has been identified and the contract is expected to be signed between Connect Saint Helena Ltd and the preferred bidder, PASH Global, soon.

The Fibre Optic Cable and Satellite Ground Station Board and St Helena Connected have been set up and are managing delivery. EU funding has been secured.

ESH have restarted the buy local supply local campaign, including the launch of a number of agricultural days, bringing local produce to market. This will be ongoing.

Attracting investment is an ongoing process. This year three investments have been completed and currently two more are being finalised. A marketing strategy is now being developed by ESH to focus efforts on attracting investment.

St Helena's Investment Policy was endorsed by EXCO in June 2018. The Investment Strategy is currently in draft, due for public consultation later this year, with an aim to be implemented from April 2019. The drafting of the Immigration Policy is in progress, with an aim to be implemented from 2019. The drafting of the Land Development Control Plan update is in progress, with an aim to be implemented from 2019.

The 2018 Business Survey was launched in October 2018 by the Statistics Office.



Some industries require funding and facilitation of research through links with overseas partners such as universities.

A new Research Institute is planned to be launched in 2018-19. A group, led by the Education Directorate, has been operating to assist delivery.



in progress

Priority is required to strategically allocate land for viable businesses in export and import substitution sectors.

The review of the LCDP is currently in progress. Zoning for commercial development and infrastructure works being discussed as part of the process. No significant changes can be made until review completed.



in progress

Immigration policy needs to support growth of viable export and import substitution sectors where skilled labour is scarce.

The shortage occupation list has been updated as from August 2018 and had been approved by the Immigration Control Board at the meeting held on Wednesday 19th September 2018
The SHG/Immigration website has been updated at this link:
<http://www.sainthelena.gov.sh/shortage-occupation/>



in progress

A circular economy approach, as set out in the Waste Management Strategy needs to be acted upon to make the best use of resources.

Whilst there is no capacity within the Waste Management Services recurrent budget to progress this activity, the following has been progressed; OCTA Innovation Project (funded to December 2019) designed to address composting of organic wastes and anaerobic digestion of piggeries (Solomon's and ENRD) effluent. DEFRA Marine Debris Project (funded to March 2019) designed to address plastics recycling. Capital Programme business cases submitted for plant to establish a commercial recycling centre designed to address cans, plastics and glass recycling. Circular economy already embedded within Waste Management Services operations - new signage at HPLS constructed from waste materials found on site, negating the need for budget expenditure for the same.



in progress



Fisheries

Tackle the shortage of fisherman through apprenticeships.

Design of apprenticeship is being developed between Education, SHFC, Fisherman's Association and Blue Marine.



in progress

Work to ensure sufficient investment financing is achieved (private or public). Focus funding to provide i) freezing/cooling infrastructure ii) cost reduction investments iii) replacement equipment iv) debt relief.

The freezer downsize was funded and is being implemented, to reduce energy usage. Request for Expression of Interest was in process; the deadline date for these Expression of Interests was 5 October 2018. The next stage is request for proposals.



in progress

Consider encouraging vessels from overseas who share the commitment to one by one fishing to assist.

The Fisheries Licencing Group has been formed and this is a standing issue which shall be developed over the coming year.



in progress

Ensure a site is available for the relocation of the Fish Processing Plant, for a newer more efficient plant be built.

A potential site has been identified for relocation.



in progress

Scientific work should be undertaken to determine sustainable catches

New marine based posts have been funded in 2018 to collect data and improve science.



in progress



Agriculture

Use an agronomist to guide improved soils and crop management to improve land and crop productivity. Agronomist to provide training.

The post was advertised and closed on 14 September 2018.



in progress

Continue to fund management of invasive species. Ensure compliance by leaseholders with respect to land management

ANRD are in the process of working to develop cooperative farming for potato and salad product farming.



in progress

Work with retailers and suppliers to continue to encourage the purchase of (ideally solar powered) chilled units to ensure vegetables last longer.

Continue to encourage a move towards using a single cooperative for vegetable planning and wholesale to help reduce wastage and to absorb risk.

Continue to support farmers to collect and store rain water.

Support the importation and growth of disease free species for sale to local farmers.

Ensure facilities are in place to transport small animals by plane.



Coffee

Expert support needs to be available, particularly to producers wishing to begin roasting.



Honey and Honey Bees

ESH to continue work with research centres to understand the value of bees. Bee DNA to be ascertained.

Research is currently being done to ascertain the viability and cost effectiveness of this initiative.

ANRD are in the process of working to develop cooperative farming for potato farming.

The rainwater storage tanks import duty were reduced to 5% in 2017, and agricultural users of water are subsidised.

Day old chicks have been imported. This will continue subject to demand.

Plans for small animals to travel by air are in progress.



in progress



in progress



in progress



done



in progress



in progress

New coffee growing enterprises have commenced on St Helena in 2018-19. However, a new coffee roaster has not yet come forward.



in progress

The samples have been received some months ago but the DNA analysis could take some time. The unit is going to great lengths to establish the sub species of bee that St Helena has, including

Research what plants are good for bees and non-invasive.

compiling a DNA database of African bee breeds as a basis for comparison. All of this is being done free of charge to St Helena.

Work ongoing. It has been noted that all plants and trees provide food for bees, and so future campaigns can be generalised based on what has been propagated and is on sale. Some work needs to be done within the Ordinance to allow residents to grow endemics within their gardens without the need for a licence to facilitate this.



Academia, Research and Conferences

Continue to work with Research Institutes to develop well marketed conferences and research opportunities.

Another conference is being planned in January/February 2019, led by SAERI and JNCC.



Ship Registry and Sailing Qualifications

Update the Ship Registry Gazette to include a list of countries which is consistent with other countries in the Red Ensign Group

The Ship Registry Policy is in draft. SHG attended the Red Ensign conference in June 2018 and more information has been provided to understand the maritime legislation changes required on top of the policy. Once these are undertaken the legislation can be developed.



Support training of those willing to set up a sailing school in St Helena. Support immigration where there are skills gaps.

Yacht club was relaunched in 2018 by James and Hannah Herne; sailing opportunities are now available to the public. A range of RYA courses currently being advertised by the SHCC. The SHFC



made the availability of these courses known to fishermen through their pay package letter.



Bottled Water

Reduce import duty on bottles, caps and cleaning machinery for the sector.

Encourage development within the private sector sphere.

The duty for inputs into drinks making was reduced from 20% to 5% in April 2018.



done

Private sector interest still being sought. ESH is aware of 1 historic exploration and made an initial approach.



in progress



Timber

Mark up those bidding for SHG construction projects or Crown Land when they use local materials

Comparison costs with using UK framework supplier and SA standard timber has identified that local timber need to have quality standards or fire ratings. Material testing needs to be carried out to ascertain suitability.



in progress



Bricks, Blocks, Minerals and Rocks

Ensure those who choose to use local materials are scored more positively when bidding for SHG construction projects, or to buy or lease Crown Land. For SHG construction projects, collate a database

Comparison costs with using UK framework supplier and SA standard construction products has identified that local brick and



in progress

of local material costs and check that the bidder's cost estimates mirror the cost of local goods.



Liquor, Wine and Beer

Encourage the setup of a local bottling plant or alternative solution.

Encourage suppliers to use online market places. Assist producers, where necessary, in making links with niche buyers abroad.



Traditional Products

Assist the sector by providing access to design and commercial expertise, where required.

Ensure that goods are marketable for modern tastes.

blocks have no quality standards or fire ratings. Material testing needs to be carried out to ascertain suitability.

Private sector interest still being sought. ESH is aware of 1 prior and 1 current exploration.

ESH has facilitated the correspondence between international liquor companies and St Helena Distillery for marketing and distribution opportunities abroad.

Ongoing. ESH continues to drive development and growth through local industry/trade representatives.

Arts and Crafts have led souvenir design competitions and the availability of good souvenirs have considerably increased.



in progress



in progress



in progress



in progress