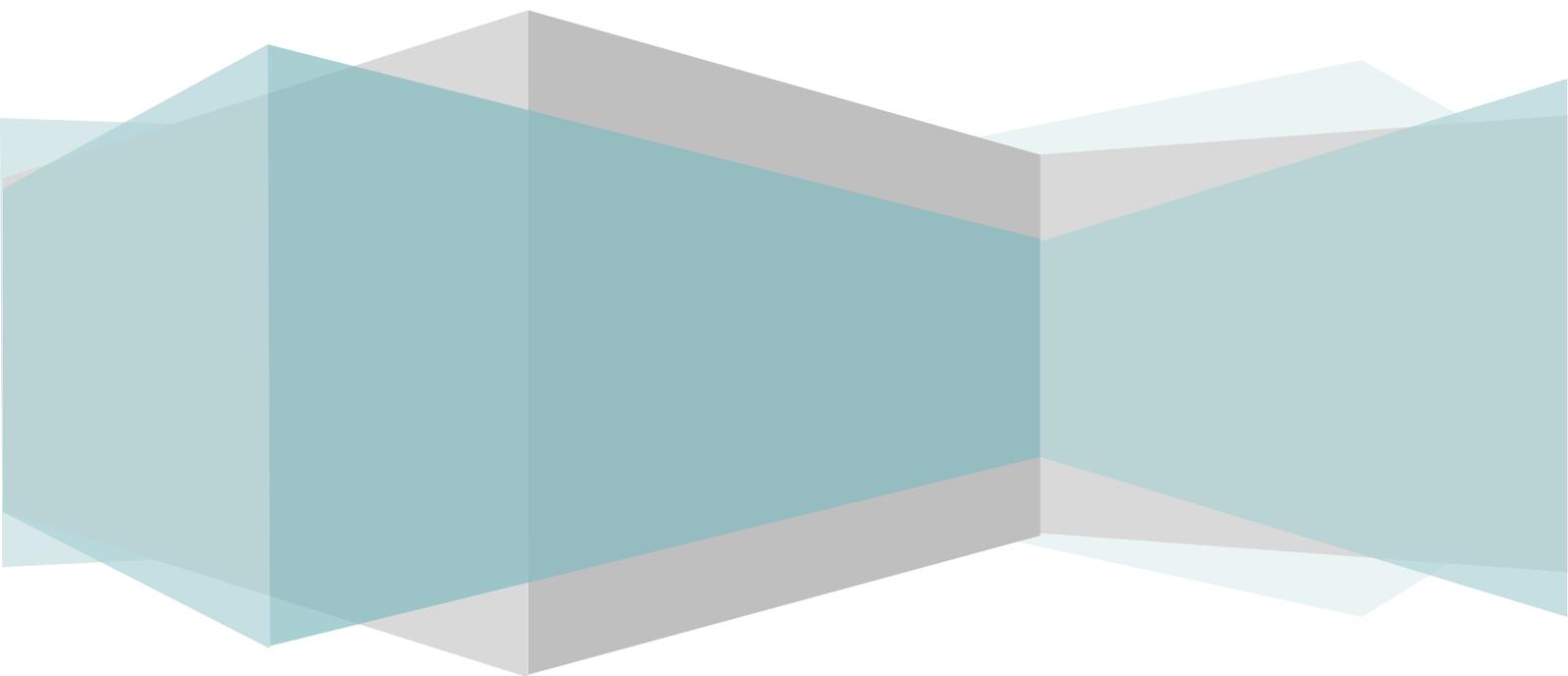


# Investment Strategy

Government of St Helena

Final - April 2019



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## 1. Background and Context

The St Helena Government's (SHG) Investment Policy set out the government's stance to investment and the principles by which policy makers should adhere when assembling future reforms.

The aims set out in the Investment Policy are:

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

The Investment Principles are to:

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.

The purpose of the Investment Strategy is to contribute to the achievement of the Investment Policy aims as well as the vision and goals set out in the [Sustainable Economic Development Plan 2018-2028 \(SEDP\)](#) 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. Both resident and non-resident investors have and continue to provide key contributions to the St Helena economy. In future, investment by both types of investors will contribute to economic growth and development. This strategy seeks to encourage investment where it contributes to the SEDP goals.

**“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).” (Sustainable Economic Development Plan 2018-2028)**

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. Being workable for business means being clear about what kind of investments are encouraged, what incentives are available, and what the process is to register an investment and benefit from incentives.

Whilst the Prospectus for Investment is the document primarily aimed to provide useful information directed at an investor readership, this Investment Strategy sets out the framework by which investment is enabled.

## 2. Key Factors Considered by Investors

Key factors considered by investors are:

- **Certainty** – What level of risk comes with the investment decision? Some investors are prepared to take high levels of risk but expect high returns as a reward if the investment is successful. Investors understand commercial risk but will not tolerate risk that comes from bureaucratic processes. Therefore processes need to be clear and transparent from the outset.
- **Location** – Is there suitable property or serviced land immediately available which will accommodate the investment proposal?
- **Labour** – Is there sufficient appropriately skilled or trainable people to operate the proposed business?
- **Access to Markets** – Can the business access the supplies it needs and source the materials involved in the business process? Can the business get its products to its customers efficiently?
- **Financial Incentives** – Are incentives provided to reduce the financial risk of investment and support cash flow?
- **Conversion** – Is there confidence in the team that is supporting the investment process from initial response to the opening of the investment enterprise?
- **Promotion** – Is St Helena serious about attracting investment?
- **Aftercare** – Will the island continue to provide a positive environment with support and assistance once the enterprise has been established?

## 3. Key Factors Considered by St Helena Government and Enterprise St Helena

Not all investments are equal, so the incentives put forward within this Investment Strategy have been designed to provide greater support for investments which contribute more to St Helena's economic, environmental and social sustainability. We particularly welcome investments which:

- ✓ Reduce the island's dependence on imported goods and increases exports, in order to increase and retain money on St Helena.
- ✓ Retains and reinvests a large proportion of profit within St Helena.
- ✓ Employ and upskill local people, uses and/or partners with other local businesses.
- ✓ Add to the range of products and services on offer to residents and visitors.

- ✓ Protect and enhance the environment, for example using energy and water efficient and dark sky compliant building design, fixtures and fittings; generating or using renewable energy and capturing rainwater; reducing run-off and managing sewage discharges; planting non-invasive trees and plants.
- ✓ Offer value for money to SHG and ESH where grant funding and/or tax incentives are given.

Whilst these parameters are not a requirement of investing in St Helena, the more an investment demonstrates that it will contribute to St Helena's economic, environmental and social sustainability, the more incentives that investment is likely to attract from the St Helena Government and Enterprise St Helena.

#### 4. Moving Investment Forward

As part of this Strategy, there shall be a number of initiatives available to enable investment. The following sections outline these in more detail.

##### Corporation Tax Incentives and Self-Employed Tax Incentives

To promote exports and encourage activities in sectors where supply is not already saturated there shall be tax incentives on profit relating to export turnover and turnover from the production of selected import substitution goods. In order for early action to be encouraged and the incentive to seem time critical and attractive, it must be time limited, and therefore the incentives shall run for a period of 5 years from 1 April 2019. More information on corporation and self-employed tax incentives, including definitions of what would be included, is outlined in Annex A.

As in previous years, any business will be able to **carry losses forward** to offset against profits in future financial years.

##### Approved Investment Status

As part of this strategy, an **Approved Investment** process shall be available to access **Customs Duty Incentives** (import duty reductions, exemptions or the ability to delay duty payments). The process will confirm the bona fides of the investor through due diligence checks and establish that the proposed activity supports investment objectives. The Approved Investment will be either a new enterprise or the expansion of an existing enterprise; will have a beneficial effect on the economy of St. Helena; and will be adequately financed.

An Approved Investment shall have a beneficial effect on the economy of St. Helena and are particularly encouraged if it meets the following objectives:

- Is sustainable; economically, environmentally and socially.
- Reduces the island's dependence on imported goods, increase exports, increases and retains money on St Helena.
- Employs local people, where appropriately skilled staff are available.
- Adds to the range of products and services on offer to residents and visitors.

- Offers value for money to SHG and ESH where grant funding and/or tax incentives are given.

In understanding whether the investor will contribute to these factors, the answers to a number of questions will be sought, and inputted into an Investor Matrix. This will provide the basis to estimate the effect that an investment will have on St Helena's economy and provide evidence to support an application for Approved Investment Status. The Matrix questions are outlined in Annex B.

The scores and weights allow a multi-criteria analysis to be undertaken. The purpose of the Investor Matrix is to promote fair, consistent and transparent decision making.

The Investor Matrix gives an investor an overall weighted score out of 100%. The score, together with the magnitude of investment, denotes whether the investment will be eligible for 'approved investor' status, and if so, whether Improved Investor Status A, B, or C is awarded.

Magnitude of Investment	Investment Matrix Score			
	0-39%	40%-54%	55%-69%	70%-100%
>£1m	<i>Not Approved</i>	<i>Approved Investor B</i>	<i>Approved investor B</i>	<i>Approved investor A</i>
£25,000-£1m	<i>Not Approved</i>	<i>Approved Investor C</i>	<i>Approved Investor B</i>	<i>Approved investor A</i>
<£25,000	<i>Not Approved</i>	<i>Approved Investor C</i>	<i>Approved Investor C</i>	<i>Approved Investor B</i>

Delay repay is available for any approved investor C. Reductions in customs duty and/or delay repay could be available for any approved investor B. And exemptions in customs duty are available for any approved investor A.

An **Investment Enabling Group** and **Approved Investment Committee** has been established to assist the process.

The Investment Enabling Group exists to open doors to investment and manage practical issues. It is chaired by SHG's Chief Secretary, and includes officials such as SHG's Financial Secretary, Government Economist, Head of Property, Head of Agriculture and Natural Resources, and Immigration Officer as well as Enterprise St Helena's Private Sector Development Manager and Director of Commercial Development and Enterprise and a representative from the Bank of St Helena. The Investment Enabling Group meets every two weeks. The Group monitors progress on active investment proposals. Enterprise St Helena's business development team will fill out the Investor Matrix and once this has been reviewed by the Investment Enabling Group, it will go to the Approved Investment Committee for endorsement.

The Approved Investment Committee meets whenever an application for Approved Investment Status is ready for endorsement. The members of the Committee are appointed by the Governor and includes the Chief Secretary, who also serves as the Chair of the Committee; the Financial Secretary; the Government Economist; a representative from Enterprise St Helena; a representative of the Economic Development Committee and such other members as the Governor deems appropriate.

For investments under £1million, the Chair of the Approved Investment Committee may, by certificate, declare that any enterprise is an Approved Investment and that any person is an Approved Investor in relation to that Approved Investment. For investments over £1million, the Executive Council may, by certificate, declare that any enterprise is an Approved Investment and that any person is an Approved Investor in relation to that Approved Investment.

Once an investor is granted Approved Investor Status in relation to a particular Approved Investment, the investor will be eligible for import duty reductions, exemptions or the ability to delay duty payments. The incentive will be available to the Approved Investor for a period of 5 years from the date of certification. To claim, the investor will be required to submit itemised information on what they intend to import. Enterprise St Helena will monitor the amount claimed by the investor and liaise with SHG customs to ensure effective implementation.<sup>1</sup>

At the Economic Development Committee, Enterprise St Helena will present information on applications for the Approved Investment Status. Matters of appeal can be directed to the Governor of St Helena, Ascension and Tristan da Cunha. Detailed information on the process can be found within the Customs and Excise (Approved Investment) Regulations, 2019.

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<sup>1</sup> It is noted that a business would not be able to 'double dip' i.e. use the Investment Tax Credit and the new Approved Investment Scheme incentives on the same project. It is also noted that if the investment would have proceeded regardless of the scheme, and/or the investment is made using government grants, then the Investment Enabling Group will reserve the right not to approve the scheme.

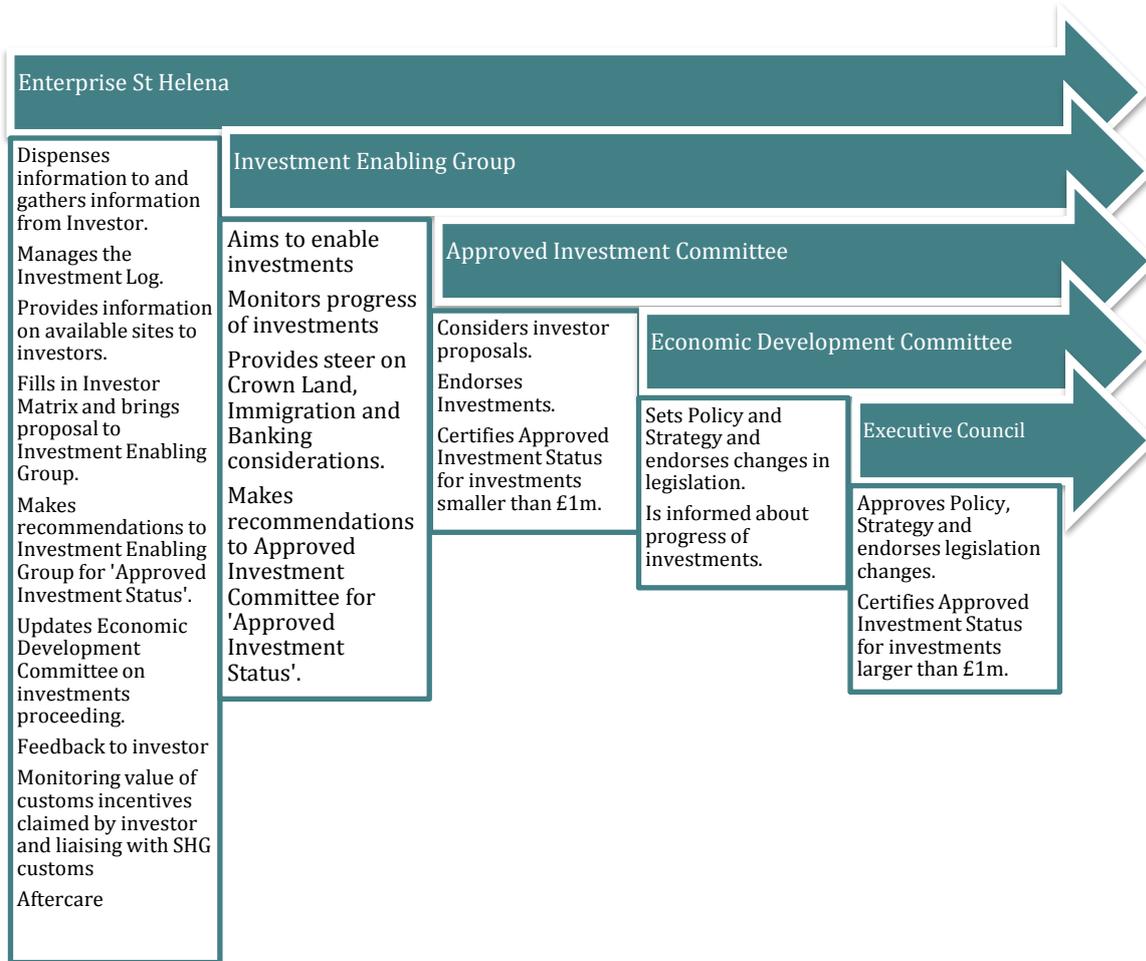


Figure 1: Roles and Responsibilities

### Land Availability

Many investments will require a physical presence; an address, office, or land. Although many investors identify their own premises and land, SHG understands that to drive investment forward, it is useful to advertise specific Crown Land and buildings which are available for leasehold, additional to the information already available within St Helena’s Land Development Control Plan. **An Investment Prospectus** will be developed by Enterprise St Helena which shall set out sites and properties identified as suitable for development. A database, populated by SHG’s Property Division and made available to the public through Enterprise St Helena, will be developed to provide rapid consistent information about sites and their development potential. The information shall include, where available: greenfield and brown field sites; ownership, size, location, terrain, plans, planning status including heritage status, preferred and acceptable uses, development constraints, timescale for availability, access arrangements, and indicative value.

If an investor requires and identifies a Crown Land parcel for use, then an investor can be assured that there is a set process for award. It will take up to 8 weeks to negotiate price and to

offer a leasehold contract on crown land/property. There is a 28 day<sup>2</sup> public consultation process starting the 1<sup>st</sup> working day of month after submission of the development application and environmental impact assessment. Thereafter, development permission will be decided by the Land Development Control Authority within 8 weeks of receiving the investor's planning application, which includes the statutory 4 week public consultation period, as set out in the Land Development Control Ordinance.

### Infrastructure on St Helena

SHG understands that overhead costs are an important factor in an investor's business case. Whilst electricity and water prices are generally higher on islands than they are on any mainland, due to diseconomies of scale, SHG helps to reduce volatility by facilitating investment within these areas. Significant **infrastructure investment** in renewable energy is being delivered as per SHG's [Energy Strategy](#), and investment in internet provision is being delivered as per SHG's [Digital Strategy](#).

### Labour Availability

We understand that the investor needs an adequate supply of people capable of operating the enterprise over its lifetime. As levels of employment on the island are already high, it is important that SHG encourages an increase in the resident working age population, focusing on areas of need.

Training may be required to develop the capability of the resident population to take on new jobs requiring new skills and responsibilities. Skills development programmes have thus far focused on the hospitality industry with some industry specific development programmes for the construction, agricultural and fishing sectors. SHG's Education Department and the St Helena Community College are making more courses available, and are encouraging students to develop their advanced skills, in IT and Computer Science for example. SHG also runs an apprenticeship programme, and Enterprise St Helena runs a hospitality training facility.

Labour surveys will be undertaken to identify employment needs and the **list of skills shortages** will be made available to SHG's Immigration Team to assist the Immigration process.

## 5. Encouraging investment

Enterprise St Helena has a key role in promoting investment in St Helena. Through the Investment Prospectus and other materials created by Enterprise St Helena, investment opportunities shall be marketed within St Helena and abroad. To provide most value to the island, the marketing will focus on the sectors outlined within the Sustainable Economic Development Plan and any other sectors which can increase St Helena's export income and substitute imports. Enterprise St Helena will be proactive seeking investment. They will help businesses ensure that St Helena's niche products enter new export markets, and support

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<sup>2</sup> Or 14 days for residential property.

research, if required, in order to explore market opportunities and associated product development.

## 6. Supporting Investors

Once the interest in investing in St Helena has been raised with Enterprise St Helena, converting that interest into a decision requires a team approach with strong coordination to provide a rapid accurate response to the investors. This will require a commitment from all departments involved to allocate sufficient resources. Key attributes for conversion:

- A single point of contact that ensures consistent message;
- Establishing an 'Investment Enabling' group of the various relevant agencies to support the project;
- Supporting the investment by negotiating through policies and procedures;
- Responding in a timely manner;
- Providing accurate information;
- Not 'overpromising';
- Treating all dealings with the investor as commercial in confidence;
- Respecting an investor's innovative business ideas by not putting an investor's unique idea out to tender;
- Not releasing any information to the public without the investor's express agreement;
- Providing advice and support through local processes.

As in the past, Enterprise St Helena's business development team will be the initial point of contact for investors. Enterprise St Helena (typically the Private Sector Development Manager) will coordinate the relationship with the investor, including information dispensing, information gathering and feedback. Enterprise St Helena will issue the enquiry form to potential investors, maintain the investor log, and provide information updates to the Investment Enabling Group, where an application is forthcoming.

Once the investment has been made, it is important that the relationship that has been built up with the business is maintained. Continuing the single point of contact through Enterprise St Helena and periodic review meetings will provide the investor with ongoing support. It also allows the various agencies to review and develop performance for the handling of future projects.

Aftercare may include supporting training; identifying local suppliers and markets; networking with local businesses; and business related advice.

## 7. Continuous Improvement

The economic and political environment across the world constantly changes and has effects on the number of investors who are interested in setting up and expanding on St Helena as well as the type of investments which might help St Helena's economy grow. Therefore, it is likely that the magnitude of, eligibility for, and affordability to provide tax incentives will need to adapt to these changes to ensure that the scheme continues to incentivise investment on St Helena and is affordable to the Government of St Helena.

As a result, at the end of each financial year, the incentives recommended within this Investment Strategy shall be reviewed in terms of their effectiveness and the Investment Strategy itself will be updated as and when required. Updates won't affect Approved Investments already certified.

## 8. Contact Details

For more information please contact:

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