

FRAMEWORK AGREEMENT BETWEEN

SAINT HELENA GOVERNMENT (“SHG”)

AND

ENTERPRISE ST HELENA (“ESH”)

Revised April 2017



**St Helena
Government**



**Enterprise
St Helena**

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Introduction

This revised version of the Framework Agreement between SHG and ESH takes account of developments and working relationships between the two entities during the preceding four year period. The following points are pertinent to the revision:

★The Sustainable Development Plan has been replaced by a new 10 year plan for the period commencing 1 April 2017

★The Sustainable Economic Development Plan will also be revised and updated to take effect from 1 April 2017

★The airport has been built and has received certification but is not fully operational due to wind shear problems which SHG, DFID and other stakeholders are seeking to address

We all want a St Helena where there are greater opportunities for our youngsters to find a good job, get a decent wage and have the opportunity to live a full life.

We will therefore renew our efforts in attracting back St Helenians who have gone overseas in search of a better life or to improve their prospects.

Air access is an enabler for a thriving private sector with economic growth that will in turn benefit the people of St Helena.

The overarching 10 year plan together with the revised Sustainable Economic Development Plan will be used to set the strategic direction and to guide the allocation of the limited resources that are available for economic development.

During the last four years ESH has actively supported the private sector through the following initiatives:

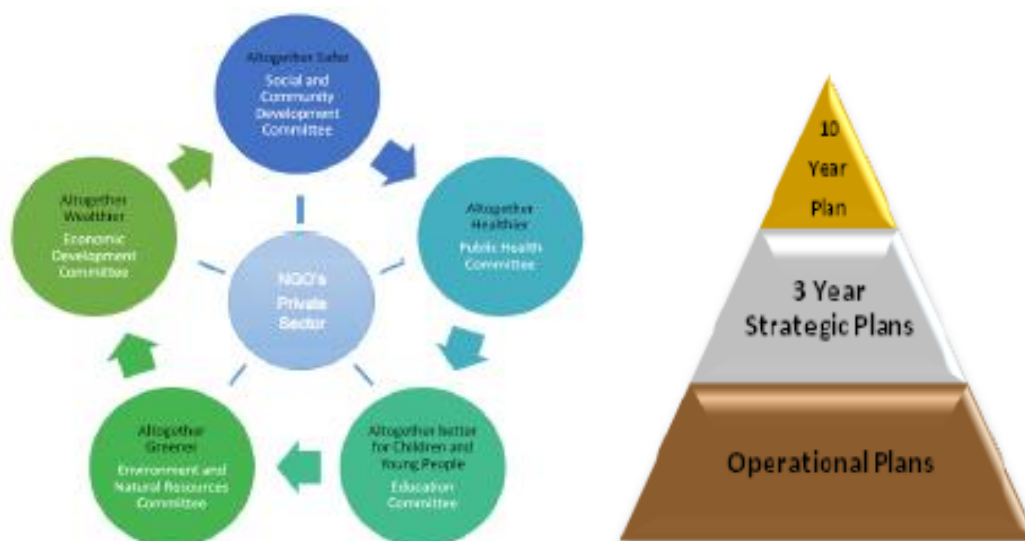
- Three major Capital Projects creating business and employment opportunities
- Improved Business, Capital and Skills development grants
- Hospitality and Construction Training projects
- Support to the Fisheries and Agricultural Sectors
- Support to the Tourism Sector, especially Hospitality and Food & Beverage Businesses

ESH will continue to play a key role in implementing government policy and the need for a close and effective working relationship remains vital to this process. SHG on the other hand will seek to provide an enabling environment in support of ESH's endeavours to deliver its aims and objectives.

This revised Framework Agreement therefore takes account of experiences gained and lessons learnt during the preceding 4 year period. It sets out in detail the on-going relationship between the two organisations.

1: Enterprise St Helena's Role – to deliver Economic Growth

St Helena's 10 Year Plan builds on the Sustainable Development Plan and takes the island through the first years of air access. The Plan has been developed with the community and captures what is important to St Helenians under five main headings and National Goals



Sustainable Economic Development underpins the overall objective of the plan which is “to make St Helena a wonderful place to work, live, raise children, visit and do business”. The 10 Year Plan will be underpinned by SHG Directorates’ 3 year Strategic Plans and ESH will take a leading role in implementing sustainable economic development by ensuring that its actions are coherent with the 10 Year Plan and SHG’s Sustainable Economic Development Plan.

2: Enterprise St Helena's Resources

FINANCE AND STAFFING

ESH is jointly funded between SHG and the Department for International Development (DFID) and during the period 2012 – 2016/17 focussed on a number of key areas of activity that derived from the 2012 SEDP. These included;

- Supporting Saint businesses,
- Up-skilling and training Saints,
- Financing Saint businesses through micro-grants, loans and equity investment,
- Promoting tourism,
- Attracting Investment.

Going forward ESH will work with SHG to ensure that the economic benefits of improved access are fully realised. Key focus areas for ESH will include:

- Augmented ESH-supported tourism capacity (products, infrastructure, people)
- Increased accommodation availability and standards
- Improvements in services to new and existing businesses
- Policy reforms undertaken and information strengthened to improve the business environment and investment climate
- Increased domestic and overseas-sourced investment

Annual Budget and Funding

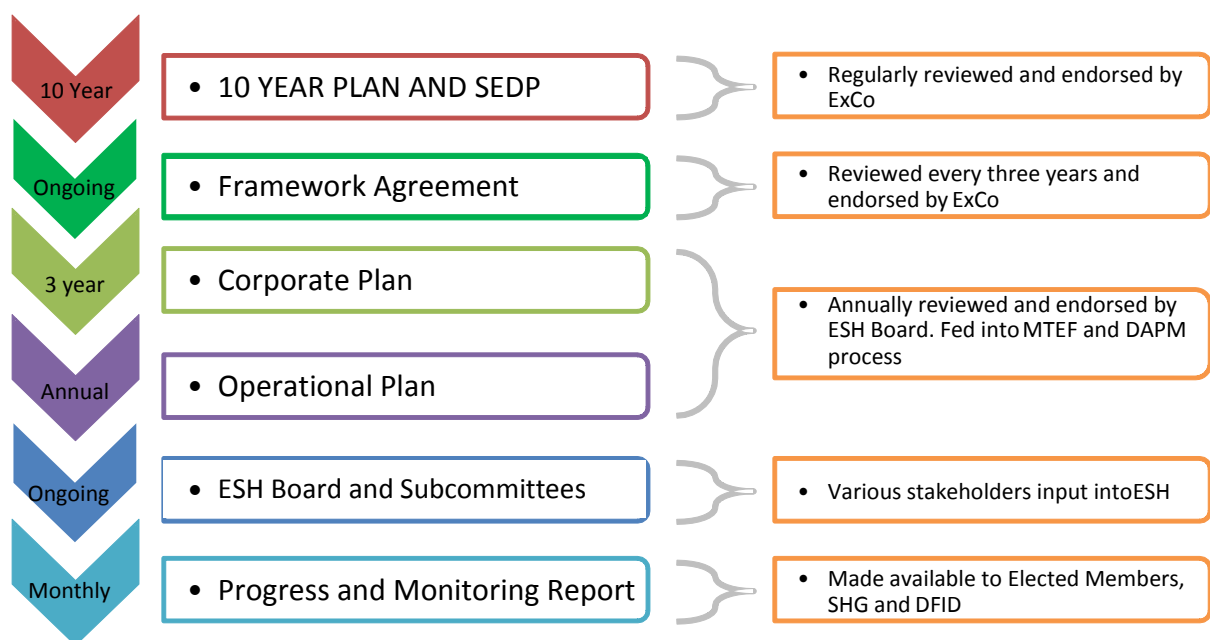
ESH receives an annual subsidy from SHG which is in the region of £1,100,000 per annum and is allocated through the SHG budget process. This covers operational costs and also provides funding for marketing and events. DFID provides project funding to cover the key areas of activity; the first project amounted to under £5,000,000 over a 3 year period which ran from 2012/13 – 2015/16 with a further 9 months no cost extension ending 31 December 2016. The new project is likely to run for 5 years until 2020/21.

Staff numbers

ESH has a staffing total of 32 this includes 27 permanent members of staff who are employed under local terms and conditions and 5 members of staff who are employed on fixed term contracts under the DFID Project as TC officers. ESH also has 2 offshore commercial representatives; one in South Africa, and the one other in the UK and 2 local representatives; one on Ascension and one in the Falklands.

3: Strategic Direction and Oversight Arrangements

Fig 2: Strategic direction and oversight map



St Helena's 10 Year Plan and Sustainable Economic Development Plan (SEDP) sets the context within which ESH operates, giving a long term vision towards which ESH will strive to deliver.

To outline how it will implement the 10 Year Plan and SEDP, ESH will produce a Corporate Plan, which sets out the organisation's three year strategic direction and an annual Operational Plan. This Corporate Plan will be developed by ESH in conjunction with SHG, and endorsed by the ESH Board of Directors.

The Corporate Plan will be used to feed into the SHG Medium Term Expenditure Framework cycle and Elected Members will allocate SHG budgets to ESH accordingly. The Corporate Plan will also be provided to DFID during the Budget Aid Mission (BAM) process.

ESH will maintain a close relationship with SHG Directorates and other stakeholders with an interest in its work. A regular dialogue shall be maintained with formally constituted civil society organisations including the Chamber of Commerce, trade associations and relevant voluntary sector organisations.

ESH Board of Directors

The ESH Board of Directors will scrutinise and monitor ESH's operations, meeting quarterly. Monthly Progress and Monitoring Reports will be produced and sent to SHG and DFID.

ESH's Board of Directors is to include:

- President of the Chamber of Commerce
- Up to five representatives from the Private Sector
- An Elected Member
- An SHG Representative
- The ESH Chief Executive for Economic Development

The five representatives from the private sector are to be appointed by the Governor by notice in the *Gazette* for a term not exceeding two years. An Elected Member will be nominated by the Governor in Council.

Sub-Committees

There are four advisory Sub-Committees to the Enterprise St Helena Board of Directors as follows:

- Project Development
- Tourism
- Business Development
- Finance, Governance and Audit

The Sub-Committee does not replace or replicate the management and delegations of the ESH Board of Directors and does not have executive power with regards to its findings and recommendations;

instead the Sub-Committee brings relevant knowledge and expertise to improve the decision-making process within ESH.

ESH Representation on Council Committees

At present, ESH is represented on the Economic Development Committee, the Chair of which is also the Chair of the ESH Board of Directors. The CEED also attends Executive Council Meetings.

Due to the fact that Economic Development interacts with all areas of business in SHG, ESH may seek permission to attend any Council Committee meeting but may only do so with the agreement of the Chairman of that Committee.

Corporate Business Plan

A Corporate Business Plan for ESH will be drawn up annually, approved by the Board and published. As part of this planning process ESH will take into account the broader needs of St Helena, and coherency with SHG requirements will be achieved through input from the SHG Chief Secretary and the SHG Core Leadership Team.

4: Enterprise St Helena's Aim, Objectives and Areas of Responsibility

Aim

In line with St Helena's Sustainable Economic Development Plan, the overarching aim of ESH is to *"help St Helena become financially independent and improve standards of living"*.

Objectives

In order to achieve this aim, ESH will endeavour to achieve the following objectives:

1. Protect St Helena's future whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development.
2. Encourage private sector, social enterprise and community development and growth, including through innovation and the sustainable economic use and re-use of island resources.
3. Promote investment opportunities and support on-island and inward investors.
4. Make and market St Helena as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets.

Responsibilities

On behalf of SHG, ESH is responsible for promoting and facilitating economic and commercial development for the benefit of St Helena. This includes:

1. *Promote economic growth through the development of local businesses*
 - a. Provide advice to business and entrepreneurs who are, or are wishing to, operate on Saint Helena

- b. Provide training to local businesses and entrepreneurs
- 2. *Generate economic activity by attracting international inward investment*
 - a. Work towards reducing barriers to investment
 - b. Bring potential investment opportunities to a level where they can be marketed
 - c. Proactively market St Helenian opportunities overseas
- 3. *Ensure assets which SHG and ESH determine are to be best used for economic development are fully utilised.*
 - a. Bring an agreed list of sites to a standard where they can be marketed for investment
 - b. Actively seek potential investors for these assets
 - c. Make assets available to local businesses and entrepreneurs
- 4. *As the main driver of economic growth, develop the island's tourism sector*
 - a. Develop on-island attractions and experiences
 - b. Market St Helena's tourism product internationally
 - c. Ensure service standards are world-class
- 5. *Provide finance for business growth and creation*
 - a. Provide capital to businesses and entrepreneurs which have been unable to secure finance from the Bank of St Helena, if they represent an attractive investment for St Helena.

5: Key Target Areas

Broadly the following five sectors represent the most important strategic areas where development is necessary to transform the economy and meet the aims and objectives outlined above.

Commercial Property –ESH will take operational control of a list of assets to be agreed with SHG and updated on a regular basis. For this list only and on behalf of SHG, ESH will do necessary maintenance, development, marketing and disposals¹ required to best use that asset for developing the economy. ESH will continue to assist SHG to identify sites for potential use as a driver for economic development.

Business Development –ESH will provide business development services to both domestic and international businesses and entrepreneurs who currently do, or would be likely in future to, operate on St Helena. This includes identifying and marketing business opportunities on-island and off-island. Agriculture & Fisheries development will be pursued.

Tourism –ESH will provide services to Tourists, the Tourism Sector and develop tourism experiences. This will include both the development of on-island tourism products and services, as well as the promotion internationally of the island's product.

¹ The process governing how ESH will dispose of assets or provide credit is outlined in Annex B

Marketing – In collaboration with SHG’s Press Office, ESH will help market St Helena as an attractive place to visit, live and to invest, as well as market the island as a tourism destination.

Finance –ESH will provide funding to local businesses and entrepreneurs in order to grow the economy. Specifically, ESH will be a potential source of capital for businesses or entrepreneurs who were unable to secure appropriate funding from the Bank of St Helena.²

6: Relationships

Good working relationships are central to managing any business. This section addresses the ways in which relationships are designed to ensure good governance, effective communications and rational decision making.

The detailed collaborative arrangements between SHG Directorates and ESH are shown in Annex C.

Governor

Line manager of CEED, setting personal targets and objectives.

The Governor is the CEED’s line manager and responsible for setting his personal objectives and performance targets. The Governor is also responsible for appointing ESH’s Board of Directors as outlined in section 3.

SHG Chief Secretary

The Governor has assigned responsibility to the Chief Secretary to act as the key link between ESH and SHG, thereby ensuring that SHG and ESH have clear understanding of each other’s objectives and methods of working and how these best fit together. This arrangement will be supported by regular meetings between the SHG Core Leadership Group and ESH senior management.

The Chief Secretary shall advise ESH on policy, and keep the CEED informed of any central policy developments that might impact on ESH, and in particular:

- advise on the context of wider or cross-governmental objectives to ensure that ESH most effectively supports the delivery of SHG’s strategic objectives;
- ensure that ESH has the delegations, authorities and SHG support necessary for effective delivery of economic development and continuous improvement;
- ensure the implementation of the strategic direction and oversight arrangements set out in paragraph 3 above.

Chief Executive for Economic Development

The CEED is responsible for the day-to-day management of ESH, and accountable for the financial management of the agency and for performance against key targets. The CEED shall notify the Chief Secretary and the Governor of any novel and potentially contentious issues, any significant problems being experienced in meeting its delivery targets and ESH’s financial performance.

² The process governing how ESH will dispose of assets or provide credit is outlined in Annex B

DFID

ESH will provide a copy of its monthly Progress and Monitoring Report to DFID and the template for the document will be tailored to ensure DFID's requirements are addressed. ESH and DFID will work together to ensure the monitoring and reporting processes are as streamlined as possible.

DFID and ESH will maintain a strong communications link to ensure a common understanding of objectives and methods of working are achieved. To this end the two organisations will meet via tele/video conference monthly to discuss strategic issues.

Elected Members

ESH will provide a copy of its Progress and Monitoring Report to Elected Members in order to facilitate their strategic monitoring responsibilities. Further details on how Elected Members interact with ESH are provided in Section 11 below. The Elected Member who is nominated by the Governor in Council to sit on the ESH board will have the responsibility to provide updates to other Elected Members on ESH progress.

Bi-weekly meetings

The above arrangements will be supplemented by monthly meetings of the SHG Core Leadership Group and the ESH senior managers to ensure joined up thinking and collaboration between SHG and ESH.

7: Financial Regime for ESH

SHG will provide ESH with finance annually by way of a payment on behalf of the Crown. The level of subvention will be determined during SHG's Medium Term Expenditure Framework (MTEF) cycle, based on ESH's Corporate Plan. This will ensure that Elected Members have an opportunity to analyse ESH's Corporate Plan and provide financial support to it accordingly.

ESH will take a holistic view of finance when compiling its Corporate Plan as it will receive funding from both SHG and DFID. As such, the Corporate Plan will be developed to ensure timely input into the MTEF cycle and the Budget Aid Mission (BAM).

The ESH Chief Executive for Economic Development is responsible for producing and publishing accounts for ESH.

8: Transfer and Treatment of Assets

In order to grow the economy SHG and ESH will work in collaboration to identify potential assets which are likely to be put to best use as vehicles to growing the economy. ESH and SHG will work together to make decisions over the future of such assets and control and responsibility of certain assets are likely to transfer to ESH from SHG with due regard to the Land and Buildings Disposal Policy that was adopted in February 2016.

Treatment

A portfolio of assets for economic development has been agreed and ESH may request additional assets from the Register of Surplus Assets as provided for in the Land and Buildings Disposal Policy.

While the asset is on the portfolio ESH will identify and quantify the asset's potential opportunities and undertake soft marketing and market testing.

ESH can remove an asset from the portfolio by making a request in writing to the SHG Chief Secretary, while SHG can remove an asset from the portfolio by making a request in writing to the ESH Chief Executive for Economic Development.

Transfer

It may be desirable for ESH to take direct control and responsibility for a range of assets in order to foster economic development. This will generally be when design briefs have been completed and full marketing is expected in the short term.

ESH will be able to take direct control of SHG assets through the following process:

1. ESH present evidence to support the transfer of an asset from SHG to ESH.
2. SHG, through the Estates Strategy Panel, will agree or reject the transfer based on the evidence presented.
3. Direct control and responsibility of the asset either transfers to ESH or remains with SHG.

When control and responsibility of an asset is transferred to ESH from SHG, ESH essentially becomes an agent acting on behalf of the Crown. As such, the asset remains on the SHG balance sheet. Once assets are transferred, however, ESH undertakes to use the asset in whatever way is required to promote ESH's objectives and also undertakes to ensure the asset is physically maintained at a minimum to the level it was when transferred.

Upon transfer of the asset, agreement should be reached as to its market value which should be reflected in any lease agreement. When ESH subsequently dispose of the asset, this initial market value should be used as the starting point to ascertain sale price. All receipts from the disposal of assets should be paid into the Capital Receipts Fund in accordance with the Special Funds Ordinance.

Once an asset has been transferred to ESH from SHG, SHG forgoes decision making duties for the future of the asset, although SHG will be consulted during the decision making process for significant decision over the future of the asset. Notwithstanding the above provisions, in the case of conflict between Economic Development and other significant national priorities the Governor will decide on the future of the asset.

Special arrangements may be necessary where vacant possession has not been established.

9: Appointment, Pay and Other Human Resource Management Responsibilities

The authority to recruit, pay and manage staff is delegated to ESH. Staff terms and conditions of service may be varied to respond to local employment market conditions.

10: Method of Recruitment and the Basis of Remuneration for the Chief Executive

The Chief Executive for Economic Development is normally appointed by open competition by the Governor. In common with other senior officials, the CEED's appointment can be terminated on grounds of poor performance (e.g. failure of ESH to achieve its objectives and key targets).

11: Legislative Council Questions, Executive Council and Letters from Elected Members

Elected Members are encouraged to deal directly with the CEED on matters related to the work of ESH. The CEED is normally expected to reply direct to correspondence and written Legislative Council Questions that concern ESH issues. The CEED or his nominated representative may be invited to attend sittings of the Legislative Council and Executive Council. Nevertheless, the Governor is accountable on all matters concerning Economic Development, and accordingly retains the right to intervene if concerns justify it.

12: Appearance before the Public Accounts Committee or Other Council Committees

The CEED and other senior ESH managers may be required to appear before the Public Accounts Committee (PAC) and may be invited to attend meetings of Council Committees for specific items related to economic development.

13: Communication between ESH and its Clients and the Public

ESH is required to publish procedures for clients and the general public to access its services and information on its work.

14: Risk Management, Accounting and Audit

Risk

ESH shall establish and implement a Risk Management Framework. The CEED is responsible for ensuring risks that could impact the achievement of the ESH Corporate plan or wider SHG objectives are identified, mitigated, and reported on a regular basis to the ESH Board and SHG.

Accounting and Audit

ESH must, in a manner approved by the Financial Secretary keep account of its transactions. On an annual basis ESH is required to have its accounts audited by the Chief Auditor, or person approved by the Chief Auditor.

ESH must within twelve months after each 31 March submit to the Financial Secretary:

- (a) a report, on its activities during the financial year; and
- (b) an audited statement of the ESH accounts

The Financial Secretary must lay a copy of the documents referred to above on the table of the Legislative Council at the meeting of that Council next after receiving them.

The Chief Auditor will be responsible for evaluating the economy, efficiency and effectiveness with which ESH has used its resources in discharging its functions.

The Governor and Public Accounts Committee may request the Chief Auditor, or any other suitable person or review body to conduct specific examinations relating to any element of the economy, efficiency and effectiveness of ESH.

15: Changing the Framework Agreement

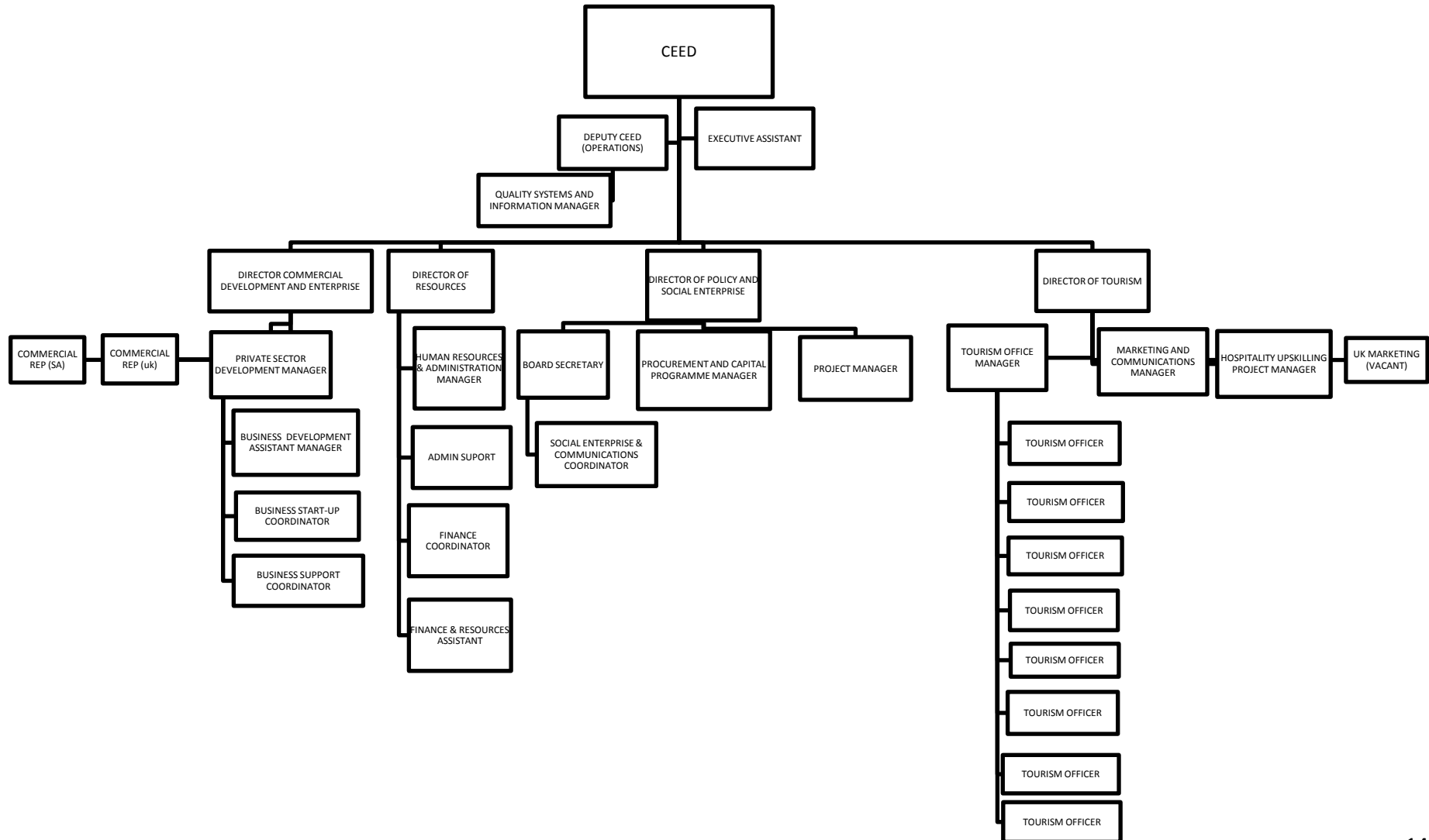
This Framework Agreement and its operation will be reviewed by SHG, in consultation with ESH, at intervals of not more than three years. The review should include an assessment of ESH's track record in the effective use of its financial and managerial freedoms to achieve its objectives. Given the delay to the start of scheduled air services which has impacted on the island's ability to start to experience the benefits of air access, it is recommended that this agreement is reviewed at the end of FY 2017/18.

Proposals for further freedoms will be considered in the light of evolving policy, operational factors and the track record itself. The guiding principle will be that the extent of flexibility and freedom given to ESH should reflect both the quality of its internal controls and its operational needs.

Alongside the scheduled review, either ESH or SHG may propose amendments at any time. The Chief Secretary will be responsible for consulting all those concerned with proposals for amendments. Updated copies shall be laid before Executive Council when significant amendments have been made.

Annex A: Indicative ESH Structure

The below organogram represents an indicative structure for ESH. Over time, however, the structure of ESH will need to evolve in line with the changing needs for economic development on Saint Helena.

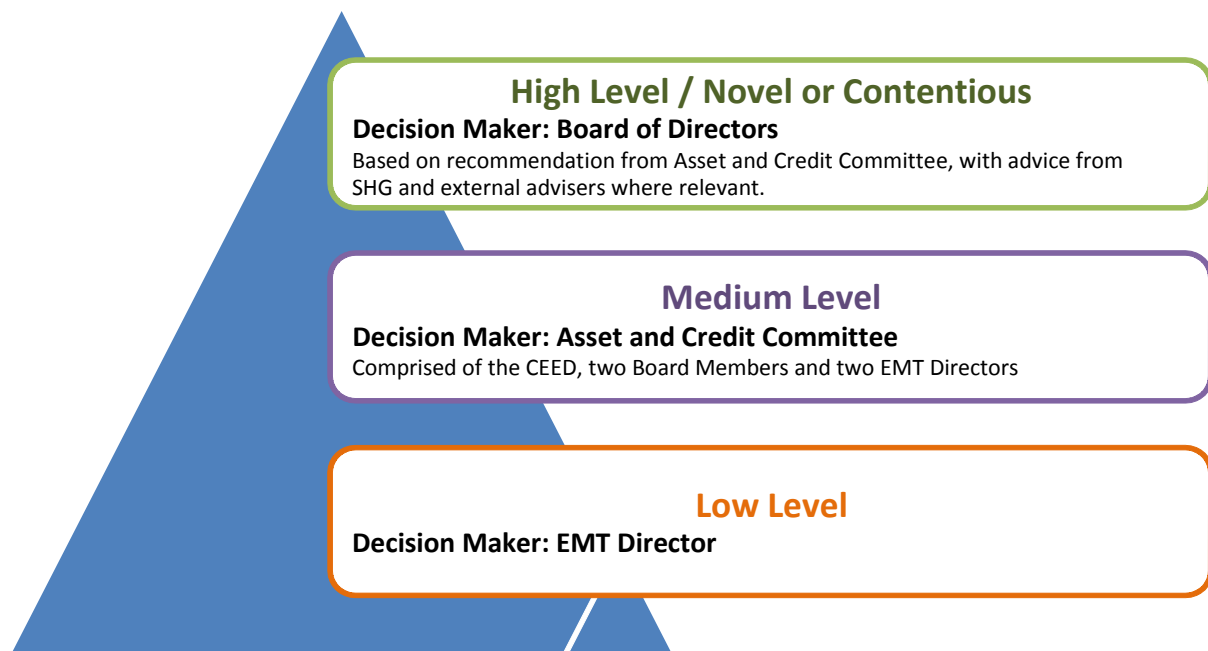


Annex B: Disposing of Assets and providing Credit

ESH will ensure at all times that adequate checks and balances are in place to secure best value for money from the resources it has responsibility for, which in the main will be the assets it has control over and the finance provided to it. Disposals will be conducted in accordance with the 2016 SHG Land and Buildings Disposal Policy.

In order to make ESH's operations as efficient as possible and to avoid overly burdensome bureaucracy, a proportionate ratcheting up of scrutiny will be used when making decisions over whether to make capital available to a business or dispose of an asset.

Decision making hierarchy for Capital Provision and Asset Disposal



- **Low Level:** The authority to approve low level capital provision or asset disposal will be delegated to the relevant Executive Management Team (EMT) Director.
- **Medium Level:** Decisions to approve medium level capital provision or asset disposal will be delegated to an internal Asset and Credit Committee, to comprise of the CEED, two Board Members and two EMT Directors.
- **High Level:** With respect to large, novel or contentious capital provision or asset disposals, recommendations from the Asset and Credit Committee will be considered by the ESH Board of Directors. For such decisions, the Board of ESH will seek advice from relevant independent expert advisors. In addition, SHG will make relevant expert advisors currently employed by SHG available to provide support and advice.

The three scales of capital provision and asset disposals described above, therefore, command varying levels of scrutiny, checks and balances, to ensure an appropriate balance between oversight and operational efficiency.

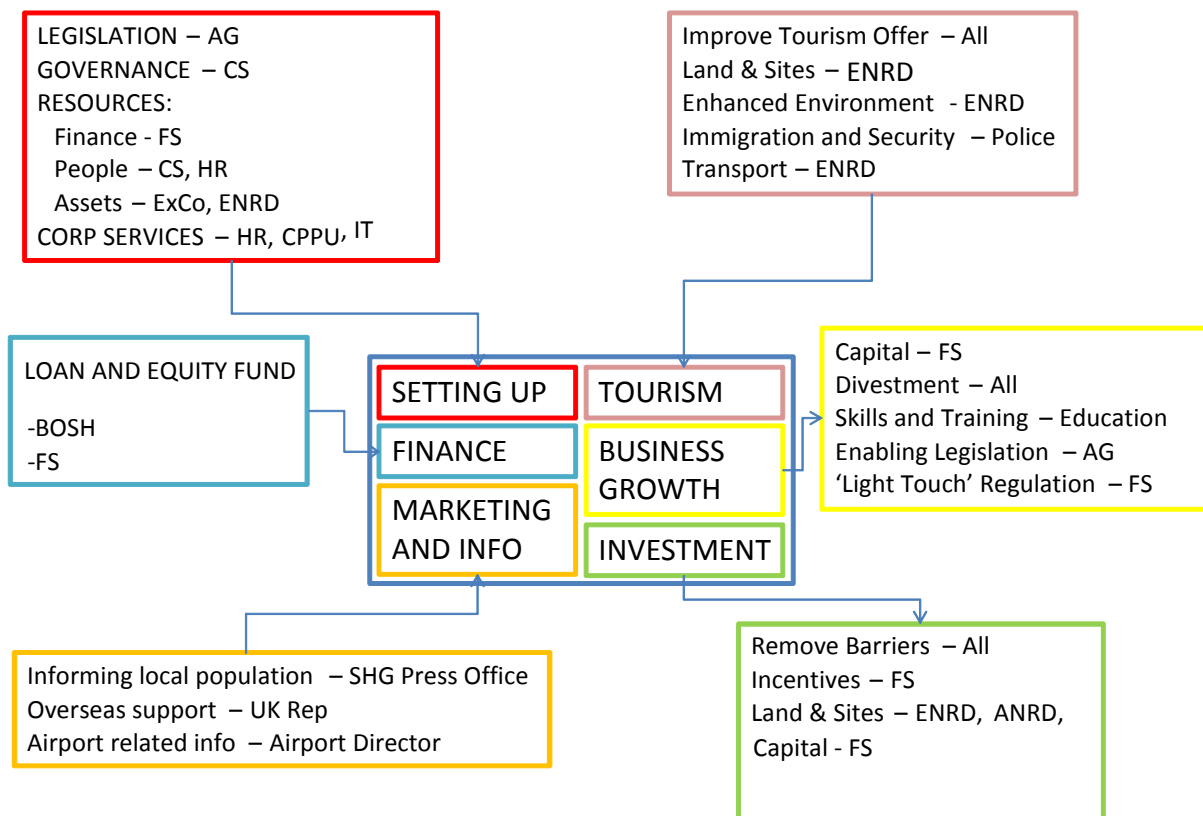
The thresholds for each category will be determined by the ESH Board in consultation with SHG and are likely to change overtime.

Annex C: Detailed Overview of ESH and SHG Relationship

Although ESH will operate at ‘arm’s length’ from SHG, it will be important for the two organisations to form a close and productive working relationship in key areas. It is highly important that SHG and ESH react quickly and effectively to the needs of the other. It is also important that neither ESH nor SHG are burdened with overly prescriptive regulation or overly complex administration.

The following ‘spider web’ shows the range of areas where SHG and ESH are likely to interact based on the Key Target Areas for ESH as outlined in section 6. Details are provided below.

Fig A1: ESH Key Target Areas and Linkages to SHG functions



Directorate specific support and collaboration

Finance

Finance: ESH and the Finance Department will continue to work together to resolve any finance related issues and to treat the risks associated with contingency liabilities.

Tourism

Lands and Sites: The ESH will work with ENRD's Head of Property & Housing to address issues relevant to the treatment and transfer of land and buildings for economic development.

Environmental Management: ESH and ENRD will work together to preserve the island's environment and its tourism product. ENRD will assist ESH with identifying the requirements for Environmental Impact Assessments. ESH will keep ENRD informed and consult on developments which may have an environmental impact.

Police: Safety, securing and immigration are all important elements of the tourism product and inward investment. As such, the SHG Police Directorate and ESH will form a productive working relationship on such issues.

Transport: Growing the economy will require a better island transport system. As such, ENRD, Corporate Services and ESH will work in cooperation over such issues.

Business Growth

Financial Secretary: For businesses to grow on St Helena, it is essential that they have greater access to capital. The Financial Secretary will endeavour to ensure ESH has an appropriate fund to support this aim, while also providing technical support and advice in administering such activities.

Corporate Procurement: SHG has a policy to divest certain services. By its nature this will create business opportunities for the private sector. ESH and Corporate Procurement will work together to ensure the private sector are able to maximise these benefits.

Education and Employment: Productivity is a major area where improvements could result in economic growth and private sector development. ESH and the Directorate for Education and Employment will work in collaboration to improve the link between education and training and skills development provision, and private sector needs.

Legislation and Regulation: As the needs of the island change, appropriate legislation will be required to enable development. ESH, the AG Chambers and Financial Secretary will work together on such.

Investment

Barriers to Investment: SHG and ESH will work together to identify the most significant barriers to investing on St Helena and form a strategy to eliminate them.

Legislation and Regulation: As the island develops the incentives required to attract capital to St Helena may need to be developed. As such, appropriate legislation and regulation may need to be developed. ESH, the AG Chambers and Financial Secretary will work together on such.

Sites: Economic development on St Helena will be site led. As such, ESH will work with ENRD's Head of Property & Housing to ensure collaboration and joined up thinking in this regard.

Marketing and Information

Informing the local population: ESH and the SHG Press Office will collaborate on marketing and communication issues and include the Airport Director and overseas representatives when appropriate.