

**Memorandum of Understanding (MOU) between the Government of St Helena (SHG) and the Department for International Development (DFID) of the Government of the United Kingdom of Great Britain and Northern Ireland, setting out St. Helena Government's commitment to open its economy to inward investment and increased tourism in parallel with the development of air access in St Helena**

## **1. Introduction**

1.1 Air access has the potential to enable economic growth in St Helena, leading to the elimination of St Helena's financial dependence on the UK. DFID is willing to finance an airport for St Helena, subject to a number of specific conditions being met. One of those conditions requires SHG *"to implement the reforms needed to open the island's economy to inward investment and increased tourism"*. This MOU sets out the steps St Helena will take to meet the condition, by creating the socio-economic environment to establish and grow a tourism-based sustainable economy. It defines actions which SHG commits to taking before an airport contract can be signed, as well as a number of other key areas where reform is critical.

1.2 The short to medium-term vision is for St Helena to be ready in all respects to take advantage of the opportunities that will be available from when the first international flight lands. The longer-term vision is sustainable and inclusive economic growth and social development, which will enable St Helena eventually to become self-sustaining. SHG and DFID recognise the fundamental importance of the airport investment for St Helena. SHG is determined to honour the commitments made in this MOU as a critical first step in realising this vision.

## **2. The Reform Programme - pre-conditions for signature of a contract**

2.1 Current policies and legislation relating to land use and disposal, as well as immigration and investment, are restrictive and seriously inhibit inward investment. This MOU confirms the commitment of SHG to establish an appropriate legislative and policy environment in all those areas. Policies will be as simple as possible, transparent and predictable, non-discriminatory (in accordance with the Constitution), and compatible both with each other and with other relevant policies and legislation. SHG further confirms its understanding that eventual signature of a contract for the financing of an airport will be conditional on these reforms being in place and operational. This will be subject to a full assessment by DFID before a contract is signed.

2.2 As a pre-condition for signature of an airport contract, DFID must be satisfied that policies, plans and principles governing land, immigration and investment, have been completed on time, as follows:

### **LAND**

- review of the existing Land Development Control Plan and Planning Application process to achieve a more development-friendly, non-discretionary planning regime, and incorporating appropriate environmental safeguards (including environmental impact assessments) - policy principles to be agreed by 28 February 2011, which will lead to new development plan(s), policies and legislation being in place by the end of 2011, and
- a simpler and quicker system of releasing SHG land and housing assets on the market to be approved and in place, and templates for sale, purchase and lease agreements drawn up by an experienced property lawyer - by 30<sup>th</sup> April 2011;

### **IMMIGRATION**

- a simple, transparent, and development-friendly system for non-St Helenians to be allowed to enter, live, work, and acquire land in St. Helena - policy approved by 31 March 2011, and necessary legislation enacted by 30<sup>th</sup> June 2011.;

## INVESTMENT

- a revised, development-friendly investment policy with supporting legislation in place, establishing principles of transparency and non-discretionary treatment - by 30<sup>th</sup> June 2011;
- a simplified, investor-friendly tax ordinance - by 30<sup>th</sup> June 2011; and
- appropriate guidelines, criteria and capacity for independent appraisal of investments and planning applications over £1m - by 30<sup>th</sup> June 2011;

## CAPACITY

- the appointment of appropriate executive expertise to drive and oversee reform in land, immigration and investment - by 30<sup>th</sup> June 2011 - including the already-planned Chief Executive for Economic Development - by 30<sup>th</sup> April 2011; and
- the preparation by SHG of a 2011-14 Technical Cooperation programme and budget - by March 2011.

### 3. Other reforms

3.1 DFID must also be satisfied with progress across a number of other areas, as follows:

#### Tourism

Tourism, based on St. Helena's natural, built and cultural heritage, is to be the key driver for economic growth. St Helena will put in place the infrastructure, services, investment and institutional arrangements to attract increasing numbers of tourists by sea and (later) by air. SHG will also continue to work with the French Government to support the Napoleonic product, and develop plans to commemorate the bicentenary of Napoleon's arrival in 2015, with a significant increase in the number of stay-over tourists.

Key actions to achieve this are:

- approval of a revised Tourism Development Project that reflects future air access, and introduction of a new 5-year strategy - by 30<sup>th</sup> June 2011;
- agreement of quality standards for hotels, restaurants, tours, car hire, taxis and other tourism infrastructure - by 30<sup>th</sup> September 2011;
- agreed sourcing of additional shipping to accommodate the planned increase in tourism - by 31<sup>st</sup> December 2011; and
- proactive marketing of investment opportunities in hotels and hospitality, including a development framework and briefs for key sites – by 30<sup>th</sup> September 2011.

#### Institutional and other arrangements to support the reform programme

SHG will ensure that appropriate institutional arrangements to support and deliver the reform programme are in place by December 2011. This programme will cover, among other areas: economic and business development, improved management of the land and labour market, sound management of immigration issues, responsible environmental management (including clear procedures and guidelines), social development (including labour standards, voluntary code of conduct for contractors, youth and adult education opportunities), divestment of non-core functions, the removal of untargeted subsidies, and rationalisation of the public sector.

Key actions to achieve this are:

- public sector redundancy and redeployment policy - by 31<sup>st</sup> March 2011
- strategy for headcount reduction for the period 2011-2014 - implementation starting by 30<sup>th</sup> April 2011;

- firm targets for divestment of non-core functions and rationalisation of the public sector - by 30<sup>th</sup> June 2011;
- institutional arrangements for environmental management determined - by 30<sup>th</sup> April 2011;
- strategy for eliminating untargeted subsidies across the public service agreed - by 30<sup>th</sup> April 2011 - and implementation started - by 30<sup>th</sup> June 2011; and
- strategy developed to ensure a sustainable and appropriately skilled labour market, including circular migration and adult vocational training - by 30<sup>th</sup> September 2011.

#### 4. Capacity and human resource

A lack of human resource is one of the major risks in achieving this ambitious reform programme. As an ongoing commitment, SHG will identify shortages of skill and support staff in any area related to the reform programme, and will develop recommendations with regard to its provision. This will include senior posts/functions whose specific tasks will be to drive and ensure the successful implementation of key elements of the reform programme. Both long and short-term requirements will be included in the Technical Cooperation programme (see 2.2 above).

DFID undertakes to support SHG by providing appropriate funding for Technical Cooperation, to achieve completion of the MOU commitments to standard, on time and to budget.

#### 5. Public support

It is important that the necessary reforms, and the benefits of air access and economic growth, are clearly communicated to and understood by the population of St Helena and the Diaspora. SHG commits to producing a thorough Communications and Dissemination Plan which meets this requirement - by April 2011.

#### 6 Coordination, Monitoring and Reporting

SHG's Strategic Policy and Planning Unit (SPPU) and DFID's Overseas Territories Department (OTD) will be jointly responsible for coordinating, monitoring and reporting on all actions undertaken within the scope of this MOU, including monthly review of progress. When appointed, the CEO for Economic Development will join the monitoring group. An Action Plan will be produced and endorsed by both Parties - by 31 January 2011.

<p><b>For SHG</b></p>    <p><b>The Governor</b> <b>Date:</b></p>	<p><b>For DFID</b></p>    <p><b>Secretary of State</b> <b>Date:</b></p>
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