



BUDGET SPEECH 2019/20

1. Introduction

Mr Speaker, I beg to present a Bill for an Ordinance - The Appropriation Bill, 2019 to provide for services for the financial year 1 April 2019 to 31 March 2020.

Mr Speaker, for the past two consecutive years it has been necessary for Members to endorse a rollover budget, but today I'm afforded great pleasure in presenting a balanced budget prior to the commencement of the new Financial Year 2019/20.

Mr Speaker, for the past two Budget Speeches I have said that the Island has experienced difficult times, this next budget period will continue to be a challenging but exciting period for the Island. We have all seen the uncertainty that Brexit has created across the globe but particularly for those in the UK and for the UK Overseas Territories. The implications from Brexit are yet to be fully understood for St Helena, be it deal or no deal, however it is pleasing to note that amongst all of that we continue to be supported by Her Majesty's Government (HMG) with the settlement we have received.

For a small Island in the middle of the South Atlantic with less than 5,000 people we are certainly punching above our weight and we have achieved a lot during these challenging times. We are leading the way in a number of areas such as through our environmental programmes and the 'green' agenda, in particular our Energy Strategy where we hope to be generating electricity through 100% renewable sources by 2022.

We recently held our second environmental conference here on-Island which was a great success and a credit to all involved. Our thanks are extended to all those to made it possible. We hope that such conferences will become regular events in our annual calendar.

Mr Speaker, some of the key highlights for the current year include:

- Starting the implementation of the Digital Strategy which will provide St Helena with a fibre optic cable, we took receipt of 10 million Euros from the 1st Tranche of the EDF 11 programme
- Expansion of the air service with the announcement of the second flight for 2019/20 including a period of flights originating from Cape Town
- The successful creation of St Helena Airport Limited who have taken over the operations at the Airport after the termination of the Design, Build, Operate and Hand back contract with Basil Read.
- Open-ended certification of the Airport from ASSI
- Successful 1st year of the commercial air service, with a small profit on the service

- 55 tour operators promoting St Helena, 21 of which have sent tourists to the Island already
- Visitor numbers significantly up compared with the RMS service and in line with what was expected from year one of the commercial air service
- St Helena is now more self-sustaining in egg production, through the introduction of 1000 day-old chicks which arrived by air, more on the way
- An increase in the number of SHG staff achieving qualifications across the Public service, including four Nurses and 15 teaching staff achieving internationally recognised qualifications – our congratulations are extended to all those who have worked hard on top of their normal day job to excel in their fields
- Successful localisation of six TC posts with 14 more identified in our succession plans
- We have 12 students in university studies
- There is a new inclusion unit in Education which will cater for students with additional needs
- Expansion of the Community College which is now offering 196 courses, including many IT courses to help become ‘cable ready’, 532 students are registered and there are 868 course registrations
- We have 20 NVQ and 29 VRQ students studying, of which 19 have been certified
- The implementation of the new Marriage Ordinance and the first same sex marriage on St Helena
- We hosted a successful regional environmental conference, development of the St Helena Research Institute and a significant amount of research and conservation efforts by partners, including the Tuna Tagging programme and Whale Shark research
- We have had 24 knee and four hip replacements undertaken locally saving SHG around £330,000
- We recently introduced a Chemotherapy service on-Island for the first time and we are running a progressive healthy lifestyle campaign focusing on both diet and exercise
- More support on offer to the private sector through a new business advisor based in Enterprise St Helena.
- Establishment of a 24-hour emergency contact support centre
- Stronger good governance and rule of law, through new legislation and strategies to promote investment, convictions by juries, and more specialised training for police officers
- Continuous training of emergency services staff, our sea rescue team described by the trainer as ‘world class’

Mr Speaker, I could go on, but I think I’ve made the point that we continue to achieve good things for St Helena and its people even during the difficult times.

2. The Process

Mr Speaker, this year’s budget process was an improvement on the previous years, and I would like to thank everyone for their support in being able to present a balanced budget here today.

This year's funding envelope, conveyed formally by HMG earlier this month, is for a one-year programme. We are grateful for the continued support from HMG and we look forward to a continued improved relationship with HMG moving forward. (More on this later).

Mr Speaker, I'm pleased to announce an increase in financial aid of £4.7 million for the 2019/20 financial year, £3.5 million of this relates to Airport operations which have been transferred to the recurrent budget from the Airport Project and an additional £1.2 million for frontline services. Similar to last year, agreement has been given for the inclusion of a 'Call-down' fund in the Financial Aid package of £1.5 million. We have agreement to increase the scope of what can be covered from the £1.5 million which now is expanded to include in addition to legal costs and litigation arising from historical cases, to support certain demand-led services such as Health aero medical evacuations and overseas medical treatment.

This settlement ensures that we can continue to support our frontline services particularly during this period of uncertainty for the UK government.

Mr Speaker, the recent visit of two senior DFID and FCO officials was both positive and extremely encouraging. The discussions which were held can be described as a 'watershed moment' in our relationship with HMG, signalling a stronger and more equitable partnership between DFID, FCO and SHG. We look forward to further discussions on improving relationships and working with HMG to secure a multi-year financial aid programme for St Helena which will facilitate increased autonomy in our decision making thus creating greater certainty for the Island.

3. The Economic Environment

2018-19 saw the tailing off of the Airport construction project, and an increase in visitor numbers thanks to the commercial air service.

The first year of the air service exceeded operational and commercial expectations; sales of tickets in the first year were healthy and resulted in a small profit, which was shared between St Helena Government and SA Airlink. There were 3,831 arrivals and 3,818 departures by air in 2018, compared to 2,539 arrivals and 2,451 departures by the RMS in 2017 - more than a 50% increase. More than twice as many non-Saint tourists arrived by air, compared to the RMS in 2017¹ and more than twice as many Saints living overseas arrived for holiday purposes by air, compared to arrivals on the RMS in 2017². Continued marketing efforts, including the showcasing of St Helena through travel shows, videos, TV and radio programmes will help to spread the word about our beautiful and friendly Island to the rest of the world.

Looking back, DFID-funded infrastructure spending through the Airport Project and the previous Capital Programme has been a significant fiscal stimulus to the economy over a number of years. It produced a buoyant construction industry,

¹¹ (992 versus 416)

² (1,064 versus 495)

increased the working age population, and allowed for a multiplier effect across the economy, causing increases in incomes and wealth.

The Airport has provided some opportunities, as visiting investors have been able to gain access to the Island and been attracted to do business here. In terms of local investment, there have been a number of restaurant, tourism and retail shop business start-ups, and new agricultural businesses coming on line. There have been recent inward investors developing projects in renewable energy, coffee and internet domain names. However, many investors are waiting before investing further. The Basil Read business rescue which occurred in 2018 significantly affected attitudes amongst businesses.

Whilst we look back at the strong performance of the economy in 2015/16 during Airport construction thanks to fiscal stimulus, this year we faced the other side of the coin in the construction industry. Our Business Survey, conducted in November 2018 shows 44% of the 34 construction businesses suggesting that their demand is decreasing and that they intend to reduce staff.

This has had knock-on effects. St Helena's highest income earners and male workers experienced a small average decrease in income. And the number of people and households receiving benefits³ increased over the last year. With a squeeze on some of the higher paid incomes, and more entrants to the sector, 48% of accommodation and food service businesses say they think demand is decreasing (with only 24% saying that demand is increasing). Currently, in the construction and accommodation sectors the market has become saturated based on the level of demand.

Other sectors, however, continue to be more positive, with 57% of service businesses saying demand is increasing⁴. In each sector there are some opposing views, which show that some more competitive businesses, who trade at lower prices and/or with a higher quality may be expanding their share of the market, leaving some less competitive businesses behind.

The annual price inflation rate for 2018 was 4.1%, measured using the Retail Price Index (RPI) which was slightly lower than last year's prediction issued in June of 4.4%.

Inflation is linked to South African and UK Inflation. As prices in the UK increase resulting from a weaker pound, and prices in South Africa increase as a result of political and environmental shocks, St Helena's prices also increase.

In light of this, St Helena Government continues to review the Minimum Wage and Income Related Benefits to ensure the lowest paid do not struggle with inflationary pressures.

The adult Minimum Wage increased to £3.05 per hour in July and will increase to £3.13 per hour in April 2019. The Minimum wage for 16 and 17 year olds increased to £2.10 per hour in July and will increase to £2.18 per hour in April 2019.

³ (Income Related Benefit, IRB, and Unemployment Allowance, UA)

⁴ (compared to 19% who say it is decreasing) and 47% of agriculture, forestry and fishing saying demand is increasing (compared to 7% who say it is decreasing)

The poverty level (as measured using the Minimum Income Standard, MIS in February 2019) is £90 a week for an adult (including housing rent) or £4,680 a year.

The MIS sets the basis for both the Income Related Benefits, (which is means tested), and the Basic Island Pension, which is based upon criteria pertaining to the number of years worked on St Helena. The number of recipients of the Basic Island Pension increased by more than 6% (one result of St Helena's aging population) from 698 in September 2017 to 741 in September 2018.

There were 4,630 people resident on St Helena in January 2019. 753 people left for overseas employment or emigration between November 2017 to October 2018 compared to 643 the year before and 654 the year before that. This is a key challenge for this government going forward, even losing a small number of families has a large impact on society, and work in 2019/20 to address this issue will be important. On the positive side, it is also noted that a large number of St Helenians are also returning; at the end of September 2018 the number of resident St Helenians was estimated to be 4,282, an increase of 228 compared to September 2017. The government intends to develop a Labour & Population Strategy to encourage more people to move to the Island and less to leave.

Median income from full-time employment in 2017/18 was £8,500 per year. This was less than 30% of the UK median wage equivalent. The median income was a drop in real terms of 0.7% compared to the previous year (i.e. accounting for inflation)⁵. The number of full-time employees eligible for income tax (i.e. above the £7,000 threshold) has increased from 943 in 12/13 to 1,597 in 17/18, largely as a result of the Minimum Wage pushing up low incomes and the positive impacts from the stimulus created by the Airport Project and Capital Programme. The number of employees earning above the minimum wage has been steady for the last three years, at about 2,000. The percentage of the workforce now paying tax is over 60% compared with around 35% in 2011/12.

The most critical statistic for St Helena's development at present is its trade balance, because it helps to signify whether St Helena is altogether wealthier compared to the year previous. In 2017/18 some £37.5m was transferred abroad through the Bank of St Helena, which includes paying for imports, and £16.8m was received. In 2017/18 St Helena imported £28.2m of goods, mostly from the UK (27%) and South Africa (65%); £8.9m of these goods, or 32% of the total imported, was for Airport-related construction. In the last year before the Airport Project began, 2011/12, total imports were £13.0m (around £14m in 2017/18 prices).

Exports of goods totalled £0.32m in 2017/18, mostly fish (£0.29m) and coffee. Tourism is also an export, expenditure of holiday visitors (Saint and non-Saint) in 2018 is estimated to be £4-5m. Based on a small sample of visitors departing from the Airport, holiday visitors were estimated to have spent around £150 per day (tourists) and £120 per day (overseas St Helenians visiting friends and family). The average visitor spend per cruise ship visitor was £40.

⁵ The lowest earners and female workers experienced a small average increase in income, largely as a result of the Minimum Wage being increased. Highest income earners and male workers experienced a small average decrease in income, largely as a result of the construction industry experiencing downturn.

In 2019-20, inflation is expected to be 4.3%⁶.

In 2020-21 the inflation expectation is 4.40%, 2021-22 is 4.30% and 2022-23 is 4.20%. The prediction is quantified considering the lagged relationship between prices in St Helena, the UK and South Africa and the inflation expectations of the UK and South Africa.

4. 2018/19 Out Turn

Turning now to financial performance for 2018/19, the projected year-end position is an overall small deficit. This is largely due to small under collections in local revenues mainly on customs duty, corporation and self-employed taxes offset by over collection in other areas such as medical fees and domain registration fees. This coupled with under spending in some areas such as overseas medical evacuations and medical referrals, offset against some areas of additional spend such as legal costs associated with Basil Read business rescue means that overall there is a small projected deficit.

The projected opening balance on the general reserve of the Consolidated Fund as at the 31 March 2018 is £3.7m, this coupled with a small projected deficit would result in a year-end balance on the general reserve of the Consolidated Fund of around £3.6m. These are very provisional figures for the year-end balance and as we complete the annual financial statements for 2018/19 we will be able provide greater certainty over the level of funds available in the general reserve.

5. Revenues

In 2019/20 revenues are expected to be similar to those in the original budget for 2018/19 with only limited growth expected on the main local revenue streams of

⁶ There are a number of issues which will affect the inflation rate in the 2019-20 year. Predominately, these are:

- Changes in the exchange rate of the Pound against the Rand and the Dollar; this affects the price of goods and services imported from South Africa and the price of oil respectively. It affects how much purchasing power SHG and St Helenian businesses have. The biggest risk this year is Brexit, and the uncertainty around what kind of deal will be agreed. Prior to Brexit, there was a high of 24 Rand to the Pound, with around 22 Rand to the Pound being fairly average. In the months after the vote, there was a low of 15 Rand to the Pound.
- Price inflation in South Africa, which rose from an annual rate of 3.4% in March to 4.4% in May. This affects the price of goods and services imported from South Africa. In previous years, drought and the political environment has affected inflation in South Africa
- Price inflation in the UK – this affects the price of goods and services imported from the UK. Again Brexit could have a hand in affecting UK prices, which would be passed on to St Helena with an approximately three-month lag

Customs duty and taxes. This reflects the current economic climate on-Island particularly with the slowdown in the construction sector.

Revenue forecasts for the next three years have largely been based on inflation expectations, taking into account the impact of the stop-smoking programme. Overall, the revenue projections for 2018/19 are expected to be in line with or just below the original budget of £13.4 million.

The 2019 tax reforms also provide a level of uncertainty to the revenues this year. In particular, the take up of income tax reductions for exporters and a number of import substitution sectors may lower tax take in the short term, but the removal of the Investment Tax Credit, and the earning of more wealth for St Helena through exportation which will have multiplier effects and help boost taxes. More on the tax policy changes later.

6. Expenditure Highlights

Mr Speaker, turning now to the key highlights included in this budget

Corporate Services – Corporate Support, Policy and Planning

Will see an increase of £177K largely to cover salary costs, including the full annual cost of the recently approved remuneration for Elected Members and a number of inflationary increases across the services.

Corporate Services – Corporate Human Resources

Will see an increase in budget of £297K to cater for four new technical cooperation posts including two teachers, a contract manager who will sit within Corporate Services, and an additional legislative draftsman to assist in the development of much needed legislation.

Police

The emergency services will see an increase in spending of £258K in 2019/20, of which £101K is to finance the cost of the new contact support centre which replaces the service previously provided free of charge by SURE. There is also additional funding for the running of the new police headquarters and additional staff in the Fire & Rescue and Sea Rescue services. This additional need is linked to pressures on the service as a result of additional activity at the Airport.

Corporate Services – Corporate Finance

Will see an increase in budget of £310K which is largely due to increases in Payments on behalf of the Crown. This will cover an increase in subsidy to the Fisheries Corporation from £170K to £350K and a subsidy of £200K for the St Helena Hotel Development Ltd for the operations of the SHG owned Mantis Hotel. The subsidy for these and other organisations will be the subject of review over the coming months as SHG will look to formalise its policy on providing subsidies across the board.

Included for the first time is funding for St Helena to attain a credit rating, this is something that has been talked about for a while, this will be an important tool as the

Island continues to attract investment and will support investors looking to raise debt financing which in turn will provide additional fiscal stimulus for the Island.

Economic Development

A modest increase in funding of £30K for Enterprise St Helena to support the refreshed strategy which focuses on:

- Stronger local businesses
- Greater investment both local and international
- Increasing the number of tourists and visitors and
- Supporting the delivery of St Helena's Sustainable Economic Development Plan

Access

This year, we have included the cost of Airport operations (up to £3.5m), the cost of shipping containers from Rupert's into Jamestown (£0.5m) and the cost of the Airport Contract Management Unit previously under payments on behalf of the Crown (£0.2m) under the one head called 'Access' totalling £4.2m.

Education

Spending in Education is largely in line with the previous year, inflationary increases have been offset by a reduction in the number of overseas scholarships required for the coming year.

Health

Whilst it appears from the numbers that the Health budget has been reduced, with the call-down fund described earlier, there is an ability to call an additional £0.5M for Health if demand requires it, this actually means that in real terms there is an increase in the Health budget of £372K or 6.5%.

This additional funding will go towards the new Smoking Cessation campaign, to cover the costs of increments for staff, increased costs of drugs and medical supplies, expansion of the chemotherapy service and various other small inflationary increases across the directorate which could not be absorbed.

Environment, Natural Resources and Planning and Infrastructure & Transport

This year Mr Speaker, we will see the long awaited splitting of the Environment and Natural Resources directorate into the Infrastructure and Transport, and Environment, Natural Resources and Planning directorates.

Whilst the split in the directorates are noticeable, the combined funds allocated to both directorates are very much in line with the funds allocated in 2018/19 for ENRD. There are some subtle differences which will be discussed when we consider the detailed provisions of the Bill.

Safeguarding

There has been an increase in the Safeguarding budget of £153K which is largely due to applying recharges correctly within the directorate. The Safeguarding budget was underspent in 2018/19 and therefore the level of funding proposed is expected to provide similar level of services for the coming financial year.

Pensions and Benefits

There will be an increase in Pension and Benefits for 2019/20 of £204K, this will fund the proposed increase in the Minimum Income Standard (MIS) which is scheduled to come into effect in early April and makes provision for an additional increase in the MIS to take effect from October 2019. This is expected to result in further increases in Basic Island Pension and Income Related Benefits.

It is also proposed to have an increase for SHG pensioners in this coming year which is likely to take effect from 1 July 2019, more details on this will be announced shortly.

Mr Speaker, this means that overall public spending in 2019/20 will be £46.056 million, an increase of £5.2 million on the previous year.

Mr Speaker, this year the 'pink book' also includes indicative figures for years two and three. There is still more work to be done on these figures and they will be the starting point of the budget for the following three years which will have to go through the normal budget cycle.

7. Capital Investment Programme

Some of our Elected Members have called this a 'transition period' and the description is rather apt. Whilst Airport construction, which provided a good fiscal stimulus and population boost to St Helena, is coming to an end, we are starting to see visitor numbers increasing; and we only have a relatively short time until we are plugged into the fibre optic cable and able to benefit from the opportunities that it will bring.

We continue to become 'cable ready' in the meantime; the list of IT related courses that the Community College provide is commendable, and we are in early talks with satellite ground station providers.

With needs in St Helena relating to transport and logistics, infrastructure relating to the visitor economy, productivity based programmes and the need to develop St Helena as a 21st Century Island, the case for an economic capital investment programme is justified to develop the Island and provide a fiscal stimulus to bridge the gap during the transition period.

It is pleasing to hear from a recent visit that senior officials of HMG expect to confirm a multi-year Capital Investment Programme for St Helena soon; this will bring much needed fiscal stimulus and certainty to a struggling private sector. We expect a decision from HMG in the coming weeks. Further details will be released shortly.

8. Tax Policy Changes

Mr Speaker, every year we explore options for raising revenues but also we look at what we can do to facilitate growth and investment. This year was no different and you will have heard this morning about the agreed changes to the Income Tax Ordinance and the introduction of the new Empty Commercial Property Tax which

will come into effect from 1 April 2019. I would like to take some time to inform the public what changes will come into effect from the next financial year.

Firstly Mr Speaker I would like to talk about changes to specific Customs duties that have come into effect from today, in line with the current policy, Tobacco and Tobacco products will increase by 5.3% which is forecast inflation + 1%. This will mean that the duty on a packet of 20 cigarettes will increase by 21p. Mr Speaker, I can advise that the Health Committee along with the Economic Development Committee will also be exploring options within the next financial year to further increase the duty on Tobacco products when the a review of the Tobacco Ordinance is completed to support the Health Promotion campaign.

From today, we will also see an increase in Alcohol, however unlike in previous years, this year will see a departure from the agreed policy where alcohol will be increased by 2% which is less than the projected inflation of 4.3%. Members felt with year-on- year increases in duty occurring previously and with shrinking disposable incomes during the slowdown in the Island's economy that a smaller increase is justified. Therefore the duty on a can of Castle Lite will increase by 1p and the duty on a one litre bottle of Captain Morgan spiced rum will increase by 36p from £18.09 to £18.45.

There are no changes to other specific duties in particular the duty on Petrol and Diesel in 2019/20.

Other recent changes to the Customs & Excise Regulations include the reclassification of parts of the tariff from the 20% bracket to the 5% bracket and these include: revision guides and academic books, sight correcting glasses, sanitary and family planning products, biodegradable cartons, boxes and cases and textiles imported by commercial clothing makers and upholsterers. The changes were made following representations from various groups in society.

To support the Sustainable Economic Development Plan and to enhance the Island's chances of increasing export and import substitution, a number of changes were made to the tariffs in 2018/19 which will support the objective. In addition, there are other changes and incentives which have been agreed and will come into effect from 1 April 2019, these are as follows:

There will be a reduction in Corporation Tax from 25% to 15% and reduction in self-employed tax rates from 26% to 21% for low tax payers and from 31% to 26% for higher tax payers for those businesses operating in the specific sectors identified in the Sustainable Economic Development plan which includes:

- Exportation of goods and services which are bought and used abroad
- Fishing and fish processing
- Cultivation of honey
- Growing and roasting of local coffee
- Farming and butchering of meat
- Farming of vegetables, legumes, nuts or fruit or the processing of locally grown produce
- Distilling or brewing of liquor, wine or beer
- Production of traditional craftwork, or jewellery using predominantly locally sourced inputs (recycled, grown, or mined in St Helena)

- Production of upholstery or clothing

These sectors are being supported to encourage new entrants into the market and also to support those sectors that reduce our reliance on imports, increases exports and where there is not already any saturation within the market.

Mr Speaker, for the last two years I have indicated that in this year SHG would be looking to bring the current Investment Tax Credit (ITC) scheme to an end. The changes which have been agreed to the Income Tax Ordinance earlier today will see the scheme come to a close for new entrants, however I want to reassure those businesses who have made claims under the ITC scheme already that the benefits that have been accumulated will not be lost and can continue to be carried forward and offset against future tax liabilities.

Mr Speaker, we have however introduced a new Approved Investment Scheme (AIS) to replace the ITC scheme which will target the support to businesses where it is most needed when considering an investment decision which is at the front end of the process. This is what businesses have been telling us and now SHG has responded. The new AIS scheme will provide an opportunity for businesses to become classified as an Approved Investor A, B or C depending on the level and the nature of the investment proposed.

- For an Approved Investor C this will allow for the deferral of payment of any customs duty due on the investment goods related to the approved project
- For an Approved Investor B this will allow for the deferral of payment of any customs duty due on the investment goods and for all the investment goods related to the approved project to pay customs duty at the lower rate of 5%
- For an Approved Investor A this will allow for a complete exemption from customs duty due on the investment goods related to the approved project

Mr Speaker, it is important to emphasise that the support will only be given for the investment goods and not for any stock and consumables.

Mr Speaker, this scheme has a clear and transparent process, as we heard this morning it is available to all qualifying businesses regardless of size. This should be welcome news for the private sector. Whether an investor is classed as A, B or C depends upon how the investment performs in terms of criteria such as its green credentials, use of locally sourced products, employment potential and magnitude of investment.

The other key changes in policy this year will see the introduction of a Property Tax on empty commercial properties. This small tax should stimulate the supply of and encourage better use of empty commercial spaces on-Island. SHG has also given a commitment to better utilise its space and support the economy by making the best use of its portfolio.

Mr Speaker, the changes to the Income Tax Ordinance agreed earlier will see the introduction of Gift Aid on St Helena, which aims to incentivise individuals to donate to organisations with charitable aims for donations over £500 during the financial year, by refunding the tax that would have been paid between the organisation and the individual. The individual would get back 10% of the donation made through a tax rebate capped at £2000 per annum and the charity would be set to benefit from a 25% contribution from SHG on the amount donated capped at £5,000 per donor.

Finally Mr Speaker, there has also been changes agreed to the Stamp Duty Order to encourage first-time home owners and house builders by exempting Stamp Duty to the value of £100,000 for qualifying individuals. There are also stepped changes to the Stamp Duty rates where all transactions up to £10,000 will be exempt, for transactions between £10,001 and £150,000 Stamp Duty of 2.5% will apply, for transactions between £150K and £500K 3% stamp duty will apply, for transactions over £500K Stamp Duty of 5% will be applied and there will also be an additional 2.5% Stamp Duty applied to the purchase of second homes.

Mr Speaker, you can see from what I have outlined, the changes to be implemented in 2019/20 are mostly incentives to support SHG policy and the private sector, I hope this will be welcomed by the private sector and will encourage the right behaviours through diversification where appropriate to do so. We will continue to explore other proposals in 2019/20 as part of the Tax & Revenue Working Group to further allow businesses to thrive.

9. Future Prospects

Mr Speaker, although we are all still facing challenging times, there are a couple of activities which are progressing in the background.

Cable Project

Alongside the investment in the Airport, the Cable Project will be the single biggest enabler for future prosperity on St Helena. Better internet connectivity through a cable has the potential to transform the Island into the digital age and bring increased opportunities for all. From the potential for ground satellite stations, telemedicine, to e-commerce enterprise - the Cable Project will provide greater connectivity to the outside world. The landing of the cable alongside of the telecoms review will ensure that all on St Helena has the ability to benefit from what improved connectivity will bring.

Mr Speaker, we have received Euro 10million from the first tranche of the EDF 11 programme and we hope to secure the second tranche of funding shortly. This will enable SHG to finalise the plans for the cable connection soon, we must however continue to work on becoming cable ready through the development of our human capacity and courses on offer through the Community College will continue to support this objective.

PASH Global

Mr Speaker, I am led to believe that negotiations with PASH Global to deliver over 85% of our electricity from renewable sources are close to conclusion. Not only will this stabilise the price of electricity for consumers going forward, the investment in this new technology will also provide a fiscal stimulus for the Island. This will be a significant private sector investment into the Island and I am certain this will be followed soon by further additional significant investment. We look forward to the conclusion and contracting of the service soon.

External Funds

Last year saw the appointment of the External Funding Coordinator and we have since had two subsequent visits by James Bramble. The work on an overarching funding strategy for the Island is nearing completion. It is anticipated that St Helena will soon benefit from the early investment formulating a road map which will show the future requirements of the Island and how we intend to fund what. Whilst James' focus in the early stage will be on raising heritage funds, he will also be looking at other key sectors such as sports and culture, and where appropriate, environmental funding. This will complement any capital funding from HMG which has generally been used for supporting key urban infrastructure projects in the past. This is particularly important given the loss of EU funding as a result of Brexit.

Investment

Mr Speaker, in addition to a Capital Programme we need more investment into the Island, investment creates stimulus for the economy, it brings in new money, creates jobs, increases wages which in turn increases taxes and increases spending power and provides many positive spin offs for the whole community. ESH and SHG will continue to focus on securing new investment, we must continue to create the right environment to attract continued investment.

10. Conclusion

This year will be an interesting year for St Helena. The Investment Policy was agreed in 2018 and the Investment Strategy is planned to be agreed in 2019. There is very much a focus on the continued implementation of the Sustainable Economic Development Plan, and being able to attract and enable investment whilst ensuring we maintain front line services and protect the vulnerable members of our community.

The Tax Reforms, and the Immigration and Land Reforms to come, shall be further enablers on top of the Digital Strategy and Energy Strategy which are gaining speed. It may be a transition period, but like in all economies, when there is a slight downturn, there are opportunities for entrepreneurs to build new ventures, or adapt their businesses to become more competitive and be the first in the race when the economy turns the corner.

Mr Speaker, with an increased budget for 2019/20, the prospect of a multi-year Capital Programme, and through the reforms I have just outlined, St Helena is in a much better position to turn the corner and to experience some real sustainable economic growth during this transitional period. In my humble view there is some light at the end of the tunnel.

Mr Speaker, I would like to thank all those who have contributed to this budget process including all of the Elected Members, Directors and their staff, SHG senior officials and my team in Corporate Finance. I would like to make special mention of the Deputy Financial Secretary Mr Nicholas Yon, Chief Secretary Mrs Susan O'Bey, Government Economist Mrs Nicole Shamier, Senior Management Accountant Mr Nicholas Clark, Head of Finance Services Miss Connie Stevens and Budget Manager Miss Sara Benjamin, who have been instrumental in presenting this budget here today.

Mr Speaker, I beg to move.

Financial Secretary Dax Richards

SHG

25 March 2019