



## **BUDGET SPEECH 2020/21**

### **Introduction**

Mr Speaker I beg to move that the Appropriation Bill 2020 be approved in principle and referred to a committee of the whole council.

Mr Speaker it gives me great pleasure today to present the Budget for the 2020/21 financial year. This budget provides for the continuation of essential public services for the year ending 31 March 2021. As outlined in the March sitting, due to not receiving a confirmed settlement for Financial Aid from Her Majesty's Government until the end of March 2020, it was necessary for this House to approve a resolution for a rollover budget authorising expenditure equivalent to one third of the 2019/20 budget.

Over the last three budget speeches I have commented on the challenging times facing our community and, specifically, our economy. It seems this will continue to be a common thread for some time to come. Whilst our economy had shown signs of stabilising during the last financial year as airport project related activities came to an end and tourist numbers were showing steady increases, we have a significant new challenge arising from the Corona virus pandemic - COVID 19 - which has devastated economies large and small across the globe. St Helena is no exception and we are already seeing the impact on markets, supply chains and international travel. The most visible result has been the premature curtailment of this year's summer season for tourism.

Mr Speaker whilst it is important to recognise that there are many challenges ahead, we must also celebrate the positive outcomes that we have achieved in these difficult times.

- The signing of a contract with Google in December 2019 to provide a branch on the Equiano cable to St Helena has the potential to be a "game changer" for our Island's economy if utilised to its full potential. This vital infrastructure investment will provide a virtual link between St Helena and the rest of the world to complement the improved access made possible by the UK government's investment in our airport and hopefully translate into less reliance on UK aid.
- The signing of the contract with PASH global at the end of May 2020 was another monumental step forward for the Island as we look to achieve the goals set out in the Energy Strategy of generating 100% of energy from renewable sources. Whilst the investment will give stability to price of energy for the foreseeable future, the ultimate aim is to reduce the cost of living on the Island by lowering energy bills for residents and businesses. These two key work streams have the potential to change the economic climate on St Helena and bring real benefits to the community.

Mr Speaker I would like to highlight some of the other key success stories over the past 15 months:

### **Key highlights:**

- To date, we have successfully kept the Island COVID 19 free. New coronavirus testing services were developed, supplies were received and the quarantine, isolation and medical facilities at Bradleys' were developed in an incredible 6 weeks, all significant achievements given the limited resources available
- Standard and Poor's (S&P) awarded St Helena an investment grade credit rating of BBB- this year.
- SHG received the second tranche of EDF 11 funding from the EU amounting to €3.5 million which will be used to fund the St Helena branch on the Equiano cable project.
- The Gibraltar International Bank is offering international bank accounts to local residents and businesses.
- The UK Government approved a new economic development capital investment programme of £30 million over 6 years.
- SHG rolled out a new Labour Market Strategy which focuses on developing our working age population both now and in the future.
- The launch of the St Helena Research institute occurred in November 2019 with the aim to attract visiting researchers.
- The New Earth Station licensing policy was agreed, laying the groundwork for a new revenue stream made possible through the fibre optic cable.
- We have been exploring other new revenue streams such as through ship registry and company registry
- There has been refurbishment of 6 Government Landlord Housing, this coupled with some reorganisation has seen the housing register waiting list reduced by 20%.
- We now have planning permission for the Comprehensive Development Area (CDA) at Bottom Woods.
- The Investment Prospectus was endorsed and launched in October 2019 and has stimulated interest in developing a number of SHG's strategic assets into business premises.
- 15 staff in the Education Directorate have achieved success in their studies with 100% pass rate.
- 24 Orthopaedic operations were undertaken on Island during the last year avoiding costs associated with overseas referrals and ensuring patients could recover in the comfort of familiar surroundings.
- 43% of the cohort achieved 5 or more GCSE's at Grade C and above
- We have 9 students studying degrees overseas through the scholarship programme who will return bringing new skills with a long term view of filling key roles across the Island.

### **The process**

Mr Speaker we started the strategic planning and budgeting process in June 2019 where members agreed the policy priorities. A draft three year budget was presented to

HMG before the Financial Aid mission in December which requested an additional £1.75 million in 2020/21 to support essential services and some new activities.

HMG officially informed SHG at the end of March that the annual settlement would be a flat line budget in monetary terms which, in real terms, is a reduction after taking into consideration inflation. The settlement is for one year only and, whilst it was disappointing not to have received a longer term settlement to provide the assurance the island needs to plan, it is recognised that the upcoming spending review within the UK Government means it would have been difficult to provide the level of certainty that this Government needs.

It was pleasing to receive confirmation in April that HMG would provide an additional £2.5 million to SHG to support the Island in its preparedness response to the COVID 19 pandemic. This means that this year we will receive a total of £34.3 million in Financial Aid, £28.3 million core budget support, £3.5 million for Airport operations and £2.5 million for COVID 19 preparedness.

Mr Speaker we are grateful for the continued support from HMG and we hope the recent announcement of a merger of the Foreign & Commonwealth Office and the Department for International Development means that, going forward, there will be more certainty about the level of ongoing support from HMG to allow for longer term planning. The uncertainty relating to the possibility of multi-year funding from HMG given the impact of COVID 19, together with the Political Governance reform project already underway and planned restructure of the public service, is why we have not included the indicative budgets for years two and three within the budget book.

Mr Speaker the reality of this year's settlement and uncertainty about the future has meant a number of difficult decisions have been taken by Elected Members on what activities to prioritise, given the increasing costs of front line services, the flat line settlement for financial aid and the limited growth and potential reduction in local revenues. Members and Directors have worked together to agree a balanced budget which protects the vulnerable in society and has the least impact on front line services.

We have heard from HMG that all UK departmental budgets are under pressure. With COVID 19 impacting on the UK's Gross National Income (GNI) and likely to do so for some time to come, there will be a direct impact on the UKG international aid budget and DFID spending which is based on 0.7% of GNI. We have to expect that this will mean challenging times ahead for aid funding. Whilst the 2012 white paper says overseas territories should have first call on the aid budget, we will need to wait and see what this could mean for both the OT's in general and St Helena specifically. This is high on the political agenda and SHG will continue discussions with HMG on this key issue, which will need to be factored into planning and budgeting going forward.

## **The Economic Environment**

Last year we highlighted the implications of winding up the airport construction project and a surge in visitor numbers thanks to the commercial air service. Despite the average 12% annual growth in tourists seen in 2018 and 2019, the reduction in construction led to economic downturn, which was compounded by the lack of a

government capital programme and a relatively weak Pound. At the time, we said we needed to focus on growing other parts of our economy, not just focusing on tourism as the solution for growth. Our Sustainable Economic Development Plan (SEDP) remains the road map to doing that.

This year we have been committed to regulatory reform, setting up the policy and legal frameworks for a modern future for St Helena. We have set up new institutions, new work streams and have been working with strategic partners to reform a number of industries and sectors.

The draft Company Registry Policy is out for consultation. St Helena already administers a Company Registry but we intend to modernise the registry, bringing it in line with international obligations and promoting St Helena as a fair tax destination.

The Investment Strategy was agreed and new tax incentives for export and import substitution businesses came into force alongside the Approved Investment Scheme in April 2019. The Investment Prospectus was endorsed and launched in October 2019. Not only does this outline opportunities for investment in St Helena, it also advertises strategic assets for sale, and provides information on financial incentives of investing in St Helena. We have had uptake from many local investors as well as inward investors and have granted Approved Investment Status to three local investors and one inward investor to date.

Also in 2019 SHG endorsed a new Labour Market Strategy that is intended to meet the needs of St Helena today while also providing a strong foundation on which to build the economy of tomorrow. In the first six months of implementation, we have already achieved important programmatic targets, including development of a data-driven Shortage Occupation List and guidance to assist employers in meeting their staffing needs while also protecting local workers. Alignment of customs duty exemptions effective from 1 April 2020 are ensuring that both returning Saints and internationally-recruited workers are eligible for the same benefits, regardless of whether they work for SHG or a private sector employer.

In terms of the environment, a new marine lab in Jamestown is progressing and SHG's Waste Management Service (WMS) have implemented aluminium drink cans recycling on site at the Horse Point Landfill Site with the intention of exporting this valuable waste stream. Plastics recycling is now being undertaken by SHAPE. We also see two new earth station antennas at the Met Office, these are contributing to global monitoring of climate and sea level rise.

### *Tourism*

There were 4,264 arrivals and 4,305 departures by air in 2019. Arrivals by air grew by 12% in 2019 compared to the previous year, with arrivals for a leisure purpose, including tourists and St Helenians visiting family and friends, increasing by 19%. Arrivals in 2020 were also showing strong growth in January and February before the impact of the global COVID-19 pandemic on international travel in March and April. February was a record breaking month for arrivals; the number of tourist arrivals by air in February 2020 was 247, which is 30% more than February 2019. There is continued

PR about the island with articles about St Helena featuring in The Guardian, the National Geographic, BBC History Magazine, CNN and more.

DFID funded infrastructure spending was a significant fiscal stimulus to the economy between 2012 and 2014, producing a buoyant construction industry, increasing the working age population and allowing for a multiplier effect across the economy, causing increases in incomes and wealth. However, last year we noted in the budget that there had been a downturn. In 2019 that downturn flattened, creating the new 'business as usual', that was until the COVID-19 pandemic caused the recent curtailing of visiting tourists and a slowdown in sales, the true impact of which we will be able to analyse over the first quarter of this financial year.

The 2019 annual price inflation rate was 2.9%, measured using the Retail Price Index (RPI)<sup>1</sup> which was lower than last year's prediction of 4.2%. The rate of Inflation has fallen since the COVID-19 pandemic; the Retail Price Index stayed constant at 105.9 in Q4 2019 and Q1 2020.

Inflation on St Helena is linked to South African and UK Inflation<sup>2</sup>. As prices in the UK increase as a result of the weak pound, and prices in South Africa increase as a result of political and environmental shocks, St Helena's prices also increase.

This Government continues to increase the Minimum Wage and income related benefits to ensure the lowest paid do not struggle with inflationary pressures. The adult Minimum Wage increased to £3.18 per hour from £3.13 in April 2020. The Minimum wage for 16 and 17 year olds increased to £2.23 from £2.18 per hour in April 2020. St Helena's Minimum Wage first came into place in June 2013 and at the time was £2.30 per hour for adults, so the Minimum Wage has increased by 38% since inception, which is larger than inflation increase as inflation has been 21% since 2013. There are aspirations to continue increasing the Minimum Wage above inflation to help improve the wealth of the working age population, however it is appreciated that increases must be done gradually to ensure that the private sector does not materially suffer from these increased costs.

The poverty level (as measured using the Minimum Income Standard, MIS in February 2020) is £91.80 a week for an adult (including housing rent) or £4,774 a year.

The MIS sets both the Income Related Benefit, which is means tested, and the Basic Island Pension, which is based upon criteria pertaining to the number of years worked in St Helena. The number of recipients of the Basic Island Pension increased by 4% (one result of St Helena's ageing population) from 757 in March 2019 to 785 in March 2020. A review undertaken in 2019 considered whether pensions need to be reformed to reflect the difference between SHG paying to protect people over the age of retirement from poverty and SHG paying a reward for working. Considering an ageing population, we intend to work on drafting these Policies as a priority.

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<sup>1</sup> For the purposes of the budget, the annual inflation rate from Quarter 3 is always used each year. For information annual rate in Q4 2019 was 2.1% and Q1 2020/21 was 1.7%.

<sup>2</sup> Regression analysis undertaken demonstrates that St Helena inflation can be estimated as  $\frac{1}{3} \times \text{UK inflation} + \frac{2}{3} \times \text{South African inflation}$ .

The number of recipients of the Income Related Benefit increased by 30% from 150 in March 2019 to 194 in March 2020. The number of recipients of the Unemployment Allowance increased from 22 in March 2019 to 39 in March 2020. Income Related Benefit had also been reviewed in 2019 and understanding that there are difficulties for people claiming in larger households, we also shall be drafting a Social Security Policy to address this issue over the coming year as a priority.

There were an estimated 4,265 people resident on St Helena (excluding residents temporarily abroad) at the end of January 2020, compared with 4,487 at the same point in the previous year - a drop of 222 people (there were 33 deaths and 28 births in this period, which is a small part of this change). Population totals can vary widely from month to month on a small island, but the average 12-month net change for the last year (February 2019 to January 2020) was a decrease of 140 persons, likely indicating a net outward migration of residents of just under 135 on average, accounting for births and deaths. The picture is similar among St Helenian residents, over the last year the average 12-month drop in the population of St Helenians living on St Helena was 87. When combined with a declining birth rate, this outward migration puts St Helena on the brink of a population crisis. This has been discussed in some length in the Labour Market Strategy, which also includes policy options to help retain workers on-Island and drive much needed population growth in the future.

Median income from full-time employment in 2018/19 was £8,410 per year. This equates to less than 30% of the UK median wage equivalent, which was calculated by the ONS as £30,350 in 2019. The median income was a drop in real terms of 0.7% compared to the previous year. 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. Number of full-time employees eligible for income tax (i.e. above the £7,000 threshold) has increased from 943 in 2012/13 to 1,597 in 2017/18, largely as a result of the Minimum Wage pushing up low incomes. Number of employees earning above the minimum wage has been steady for the last three years, at about 2,000.

The most critical statistic for St Helena's development at present is its trade balance. In 2018/19 St Helena imported £19.3m of goods, mostly from South Africa (47%) and United Kingdom (41%); £1.4m of these goods was for a small amount of airport-related construction. In the last year before the airport project began, 2011/12, total imports were £13.0m.

Tourism services is St Helena's biggest export: expenditure of holiday visitors (Saint and non-Saint) in 2019 is estimated to be around £5.5m - 6.0m, based on expenditure data collected from a small sample of visitors departing from the airport. Tourists were estimated to spend around £190 per day, and St Helenians abroad visiting family and friends were estimated to spend about £110 per day. Exports of goods totalled £0.42m in 2018/19, mostly fish (£0.32m) and coffee (£0.10m).

In 2020/21, the inflation expectation is 2.2%. There are a number of issues which will affect the inflation rate in the 2020-21 year. Predominately, these are:

1. The longer term effects of the COVID-19 virus and its impact on global production, international travel, demand and prices.
2. 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.
3. Price inflation in South Africa, which fell from an annual rate of 3.7% in Q1 2019 to 3.6% in Q1 2020. 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.
4. Price inflation in the UK, which fell from an annual rate of 2.2% in Q4 2018 to 1.5% in Q4 2019. This affects the price of goods and services imported from the UK. Brexit and other shocks like COVID-19 affect UK prices, which would be passed on to St Helena with an approximate three month lag.

In 2021/22 the inflation expectation in St Helena is 2.6% and 2022/23 it is 3.1%. 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.

Revenue forecasts for the next three years have largely been based on inflation expectations, the impact of reduced tourism as a result of COVID-19 related travel restrictions and changes in behaviour with regards to smoking.

The Revenue Forecast for 2020/21 cautiously assumes that the majority of these revenues are not generated this financial year as a result of travel restrictions, and therefore tax revenues are impacted. Realistically, we don't know how long travel restrictions will go on for, and therefore revenues are hard to predict, but our lower and higher revenue forecasts have taken these uncertainties into account for planning purposes.

The 2019 tax reforms also provide some 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 revocation of the Investment Tax Credit, and the earning of more wealth for St Helena through exportation will have multiplier effects and help boost taxes.

Mr Speaker in last year's budget I talked about the requirement to turn a corner in St Helena's fortunes. We have made good progress this financial year in developing the enabling environment to do that, and we are starting to move away from putting all of St Helena's economic prospects in the Tourism basket. Prior to the pandemic, the data showed a flattening of the downturn St Helena was experiencing. We intend to keep working through the adversity including the implications of COVID 19, to ensure that the Island makes the most of its comparative advantages and develop into a prosperous place to live and work both now and in the future.

**Outturn for 2019/20**

Turning now to financial performance for 2019/20. The projected year-end position is an overall small surplus of £170K. This is largely because of an over collection of fuel duties as a result of the tanker arriving at the very end of March rather than in early April as was originally forecasted. There have been overspends in Health and Social Care which are both demand led services and these overspends will follow the expenditure in excess process as outlined within the Constitution.

The closing balance on the General Reserve of the Consolidated Fund as at the 31 March 2019 is £6.2 million. This coupled with the projected surplus, would result in a year-end balance on the General Reserve of the Consolidated Fund of around £6.4 million. These are very provisional figures for the year-end balance and as we complete the annual financial statements for 2019/20 we will be able provide greater certainty over the level of funds available in the General Reserve.

Mr Speaker this Budget will see a direct call on the General Reserve of the Consolidated Fund of £0.75 million to support capital requirements for ICT and the fishing sector, I will elaborate more on this later. There are also a number of commitments against the balance on the reserve, particularly in regards to provisions made for litigation cases that have been identified, however after these commitments the General Reserve will still have funds in excess of the £3.0 million agreed minimum balance which will be particularly important during such uncertain times.

### **Economic Development Investment Programme**

Mr Speaker, the 2019/20 financial year also marked the beginning of the Economic Development Investment Programme, St Helena's first capital programme in three years. In the first year of the programme, we have approved projects totalling £4.6 million. The most significant portion of this investment has been in crucial rock fall protection for our ports and residents living in Jamestown and Rupert's valley. This work is a vital step toward relocating cargo operations from Jamestown to Rupert's and facilitating future development of the Jamestown Waterfront. In the near-term, the project has created positive economic spin offs associated with rental accommodation, car hire, food and beverage purchases and, most importantly, employment of local workers alongside the team completing the project. This project is scheduled to be completed next month.

Mr Speaker in 2020/21 we expect to approve a number of key projects to support the development of St Helena, the largest component of the programme is expected to be starting the works in Rupert's to develop the infrastructure needed for cargo operations to transfer from Jamestown into Rupert's which we anticipate will take place in the 2021/22 financial year. A number of other projects are expected to go through the approval process this year including:

- projects to support water security,
- R2 (Rupert's and side Path roads)
- Increased Agriculture production
- Jamestown enhancements
- Sewerage solutions and



- Another round of micro projects

In total we anticipate spending around £6 million in this financial year which will be a significant fiscal stimulus, particularly within the construction sector.

## Revenues

Turning now to Revenues Mr Speaker

Local revenues are expected to be similar to last year at around £14.0 million, however there has been some shift in the different components that make up the £14.0 million.

Income Tax has increased by just over £320K compared to 2019/20 with expected growth in PAYE, Self-employed, Corporation and Service Taxes. Customs duty is expected to see an overall reduction compared to 2019/20 of just over £450K. This is made up of reductions in Ad Valorem, Alcohol and Tobacco of £875K offset by increases in Fuel duties of just under £400K.

The total revenue from Taxes and Customs duties amount to £10.9 million, other fees and charges total £1.5 million (an increase on last year of just under £300K) and recharges amounting to £1.6 million.

Mr Speaker, I have already talked about the uncertainty for local revenues streams and specifically Customs duties for this financial year, particularly on the back of the implications of COVID 19 and we will need to monitor the impacts closely to determine if budgets need to be amendment later in the year.

## Expenditure Highlights

Mr Speaker with a flat line financial aid settlement, expenditure for 2020/21 will be similar to last year. However, I would like to high a few specific areas of spending for this financial year.

- COVID 19  
Additional funding of £2.5 million has been made available by HMG for COVID 19 preparedness, to date just over £1.5 million has been spent on maintaining limited access to the Island, deploying an initiative supporting businesses within the tourism and hospitality sectors, constructing and operating the Bradley's quarantine and isolation facilities, and acquiring essential medical equipment, supplies and PPE.
- Payments on Behalf of the Crown  
An additional £250K for the upgrade and replacement of essential IT equipment, and up to £500K has been included to upgrade the fish processing plant and the purchase of associated equipment.
- SHG have drafted a subsidies policy which will be brought to Executive Council next week for endorsement. The new policy will focus on the achievement of outcomes within sectors and sets out the rationale for agreeing an intervention and also ensuring there is an exit strategy for any subsidy with a continuous

review to ensure subsidies limit the impact on the public purse. With this in mind all subsidies are currently being reviewed by the appropriate council committee and as a result you will see within the budget book all grants and subsidies have been included under the miscellaneous grants line and will be allocated to each organisation once the work has been completed.

- *Pensions and Benefits*

One of the biggest challenges this year has been the implication of inflation on the Basic Island Pension and Income Related Benefits, this budget has increased by £335K to accommodate this. Members are keen to implement some of the recommendations from the recent review of the social security system, and have requested to make a provision of £200K to support the implementation of the recommendations following work on the underlying policies which could take effect later in the financial year. In an ideal world members would like to implement all of the recommendations, however it is recognised that with finite level of funding this is not possible at this time but will be kept under constant review.

- *Shipping*

Mr Speaker, members are also keen to limit the impacts that the 2020 global sulphur regulations might have on essential goods and services. Members will be aware that earlier this year up until March SHG did provide a limited subsidy to reduce the impacts of the sulphur charge on food stuff, raw building materials and also animal feed. Since then COVID 19 has meant that the world price of oil has reduced significantly and there has been no need to provide any form of subsidy since, however an additional £132K has been earmarked for any future subsidy the details of which needs to be developed through the policy process and agreed by Council.

- *Access*

Mr Speaker whilst it appears Access has seen a significant increase, it is really the increase in Shipping budget I have just described and the transfer of the Met Office contract for the Airport from the ENRP budget to the Access Office which is the more appropriate fit for the management of this contract.

- *Health*

Mr Speaker whilst it would appear from the budget book that spending on Health has remained static, there have been significant additional resources made available to the Health service via additional COVID 19 support funded separately by the Foreign and Commonwealth Office over and above the £2.5 million made available through DFID. To date we have received testing equipment, medical supplies, PPE and additional essential staffing which includes, a GP, an anaesthetist, a physiotherapist, a bio-medical scientist, an ICU nurse and 5 additional general nurses. Whilst not shown in the SHG budget this is a significant additional resource for which we are grateful to HMG.

## **Tax Policy changes**

Mr Speaker there have been limited changes in Tax policy over the past year, following a significant number of changes that came into effect from 1 April 2019 including the approved investment scheme and the changes in tax rates to support many of the sectors outlined in the SEDP. Limited changes this year allows the previous year's changes to be embedded and gives time to assess whether the policy changes are achieving the intended outcomes.

Mr Speaker there have been some changes to the Customs and Excise regulations, these include the changes in specific duty on alcohol and tobacco to account for inflation. As is customary the duty on alcohol have increased by inflation in line with the current policy, this means an increase of 2.9%. As a result, the duty on a bottle of 750ml of Captain Morgan has increased by 41p, a 750ml bottle of wine has increased by 14p and the duty on a 330ml bottle of Castle Light has increased by 2p.

Tobacco and Tobacco Products have increased in line with the existing policy of inflation plus 1% or a 3.9% increase. That means that on a packet of 20 cigarettes the duty will increase by 9p, and will complement the proposed Tobacco Bill which will be debated in this House at this sitting.

These changes came into effect from 1 April 2020.

There were further changes to the Customs & Excise regulations that also came into effect from 1 April 2020. To address concerns expressed over fairness during the Labour Market Strategy consultation, employees within the private sector who are coming to work in St Helena will be treated the same as Government employees. Anyone who can show they will be returning to St Helena or moving to St Helena to work is eligible to bring in all goods for personal use duty free within the first 6 months of arrival. This includes any new items as well as used items but does not include consumables or any items that attract a specific duty. The duty on a vehicle is now payable on arrival for all entering St Helena, including Government employees.

I can also confirm Mr Speaker that there are no changes to the tax rates for this financial year, Corporation Tax rates will remain at 25% or 15% for those businesses who are supporting the delivery of the Sustainable Economic Development Plan as outlined last year. The personal allowance will remain at £7,000 and the first £18,000 of taxable income taxed at 26% and 21% for those businesses supporting the SEDP and for income over £25,000 this will be taxed at 31% or 26% of those businesses supporting the SEDP. We agree that no changes helps to foster stability, which is certainly what is needed in light of COVID 19.

## **Looking ahead**

Mr Speaker the COVID 19 pandemic has and continues to be an international disruptor to most economies and societies across the world. At this moment it is difficult to predict when things will ease. The impacts however have reinforced what many have said over the years, which is that we cannot put all our eggs into the tourism basket, under pinned by digital development, registry services, fishing and farming. We must and will do more to explore the other areas identified within the SEDP and diversify

even further given the changing environment. I would like to focus on what we are doing to look ahead:

SHG must diversify our revenue streams and focus of limited resources on achieving the greatest returns for the Island. Good work has already been done on the draft policy for a modern and internationally compliant companies' registry -- currently out for public consultation -- which will encourage overseas businesses to register and relocate their head office here. This will be achieved by taxing these companies on world-wide income which will generate additional tax revenues for the Island. There is no doubt this will be a slow burner initially however this policy will establish the building blocks for the development of a future financial services industry on the Island, creating jobs and opportunities for those aspiring to excel in this field and for those providing supporting services. With regular flights and super-fast broadband from 2022, we will be in the position to be a more attractive location for business.

The signing of the contract with Google in December 2019 was a significant moment for St Helena. This coupled with a review of the electronic communications networks and services policy and public telecommunications license that is ongoing should see significant improvements in the community's digital experience. We continue to explore options for ground satellite station providers establishing a presence on Island and contributing to the use of the significant level of bandwidth that the cable will bring. As we get closer to the landing of the cable, we expect this will area of work with gather some steam, and the draft communications policy will help to establish the regulatory framework for this important sector.

The signing of the agreement earlier this month with PASH global is also a significant step forward for St Helena and will secure the foundations on which to improve the economic and social prospects for affordable energy usage. This is a great example of a successful private sector investment into public infrastructure and we welcome this approach in other areas. The agreement will not only eliminate the volatility in the price of fuel for power generation, it should also see the long term reduction in the cost of electricity to users. Work is happening in the background to review the tariff structure that will complement the increased sources of renewable energy.

This project will only increase the Island's credentials as a Blue and Green exemplar on the international stage. Not many countries will be able to boast 100% energy from renewable sources and also have a category six marine protected area (MPA). We must maximise the potential of this great story.

Mr Speaker along with the longer term benefits of these two key projects we will see a much needed stimulus into the local economy and in particular for the construction sector. The construction of cable landing station and the installation of solar, wind and battery solutions will be done by the local private sector where possible and where not we would expect a skills transfer for ongoing maintenance purposes.

Mr Speaker three other key pieces of work will need to be progressed during this financial year, these include the conclusion of the work that has been done on immigration and land reforms. We expect the draft immigration policy will soon be out to public consultation followed later in the year by a policy on land use. These are

essential pieces of policy if we want to grow our resident population. The other work that elected members are keen to progress is the exploring the option of a form of National Contribution Scheme that will allow contributions to be made to cover the cost of future health services. This is a complex piece of work and will need to be looked at in the round with the need to reform pensions, it is hoped that consultation can take place towards the end of this financial year.

SHG along with ESH are continuing to explore options for further support to those businesses significantly impacted by COVID 19 beyond this month. We will do all we can to support businesses within the funding available, however this will need to be looked at along with the other factors such as when do we open our borders to the rest of the world which will be largely dictated to us by how South Africa eases its travel restrictions.

One of the key pieces of work for SHG and the elected members will be to determine when should St Helena lift its travel restrictions and in particular when to lift the requirement for the fourteen day quarantine on arrival. A recent international travel survey shows that 96% of those who participated said they will not travel to a destination if there is a requirement for a 14 day quarantine period. This is going to be a difficult decision, having to balance the need for economic activity against the need to protect the Island from the virus arriving. Options are being developed on the possible mitigation measures to allow a gradual opening of our borders in order to reengage with the outside world. This builds on the recent announcement to ease restrictions on immigration, allow vessels to call at St Helena subject to quarantine measures and to create a sterile corridor with other Islands such as Ascension, the Falklands and Tristan da Cunha who are known to be COVID 19 free.

## **Conclusion**

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, senior SHG 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, our Economists Mrs Nicole Shamier and Mrs Amanda Curry Brown, Head of Finance Services Miss Connie Stevens and Budget Manager Miss Sara Benjamin, who have been instrumental in presenting this budget today.

In conclusion, Mr Speaker, there is no doubt that these are challenging times for St Helena and its community. The impacts of COVID 19 have already been felt on the Island's economy and, alongside the rest of the world, we will continue to face significant uncertainty likely for the remainder of this financial year. However Mr Speaker, with challenging times comes opportunity. It has been said that "If you learn to use it right, the adversity, it will buy you a ticket to a place you couldn't have gone any other way." This moment of global adversity highlights how critical it is that we diversify, innovate and look beyond the way things have always been done on our journey to a sustainable future for St Helena.

Through this budget this Government has demonstrated its commitment to providing essential services, protecting the most vulnerable members of society and creating an

environment to foster future economic growth. Much progress has been made but much work remains. I am confident, Mr Speaker, that working together, alongside our partners in HMG, St Helena will reach the destination to which it aspires.

Mr Speaker I beg to move.

**Dax Richards**  
**Financial Secretary**  
**26 June 2020**