



St Helena Government Subsidies Policy

An analysis of the 2019/20 subsidies against the draft Subsidies Policy June 2020 and maximum exposure for last financial year

Note that some subsidies listed below might be considered to be a subsidy provision currently but may not be considered to be subsidy provisions under the new Subsidies Policy

Sector	Subsidy Classification (Classification under Subsidies Policy Section 2.3)*	Rationale for Intervention (Classification under Subsidies Policy Section 2.5)**	Support to the 10 Year Plan National Goals or SEDP Goals	A Brief Summary of the Policy Intention and Objectives	Subsidy Distribution and Dissemination Mechanism	Maximum Estimated Exposure in 2019/20	Indicative Exposure 2020/21	Exit Strategy Considerations
Utilities	Consumer Subsidy	Missing or Incomplete Markets	Altogether Healthier - Access to clean water; Altogether Safer - sewerage system and reduce sea pollution; Altogether Greener - invest in renewable energy, long term water strategy; Altogether Wealthier - reduce inequality and poverty.	To ensure an affordable tariff for water and electricity for the local residents and businesses	Direct quarterly subsidy payments Fuel Risk sharing mechanism Customs fuel duty exemption reimbursed in arrears on a monthly basis.	£681,000 £105,734 £878,425	£681,000 £0 £840,000	Exit strategy to be determined in light of the Power Purchase Agreement signed with PASH Global by Connect Saint Helena Ltd.
Primary Production - Fishing and Fish Processing	Production Subsidy	Unstable Markets	Altogether Healthier - availability of healthy products; Altogether Wealthier - invest in fisheries; SEDP Goal 1 - Increase Exports;	To ensure availability and affordability of fish to the local market; and To support the local fishing industry to increase catch to increase export of fish from St Helena and bring the industry to a stable position and become a profitable primary industry for the Island.	Facility provided and operated by SHG Customs fuel duty exemption reimbursed in arrears on a monthly basis.	£371,872 £60,000	£182,000 £12,000	Exit strategy is based on the identification and operationalisation of a new fish processing operation. Expected realisation in 2020/21.
Freight - Consumer Products	Consumer Subsidy	Unstable Markets		To limit the impact of cargo handling costs on price of goods in the market for all residents - SHG covers in full the additional cost of moving cargo from Rupert's Wharf to Jamestown.	Direct reimbursement of payments to AWSML of up to £500K	£500,000	£500,000	Exit strategy is based on the completion of development works in Rupert's for cargo handling facilities where it will no longer require goods to be transferred from Rupert's to Jamestown. Date of implementation is to be determined.
Agricultural Water Subsidy	Production Subsidy	Unstable Markets	SEDP Goal 2 - Substitute Imports Altogether Healthier - increased local production of fresh fruit and vegetables; initiatives that will provide affordable healthy food products	To limit the impact of increases in water tariffs on local producers and keep local vegetable and fruit prices stable.	Payments made directly to producers based on the utilities bill for agricultural water.	£6,000	£6,000	This subsidy is reviewed on an annual basis.
Media Services	Consumer Subsidy	Monopoly Power		To ensure that the Radio Service including the BBC World Service continues and that a weekly newspaper is produced.	Direct quarterly subsidy payments made to the entity	£75,000	£47,000	Exit Strategy: A Service Level Agreement is being developed for SAMS Radio and is being considered by the EDC for an elimination of the subsidy by year 3 i.e. 2022/23
Fitness Facilities - Jamestown Swimming Pool	Consumer Subsidy	Missing or Incomplete Markets	Altogether Wealthier - develop amenities and recreation facilities which are affordable for all; Altogether Healthier - incentivise and support the public regarding improved healthier lifestyles	To ensure the provision of swimming pool services as a recreational and fitness facility	Payment to Dillon & Sons for management fee and staff salaries. SHG covers other operating costs e.g. electricity and makes direct payments to utilities provider.	£82,600	£82,600	Exit strategy is still to be considered.
Public Transport System	Consumer Subsidy	Missing or Incomplete Markets	Altogether Greener - Better public transport services meeting needs of community rather than Jamestown	To ensure a affordable public transport system that enables mobility around the Island to enable vulnerable groups in particular can access services and community events.	Direct fixed monthly payment	£71,000	£71,000	Contractual commitment in place. Exit strategy is still to be considered.
Tourism Accommodation	Consumer Subsidy	Unstable Markets	SEDP Goal 3 - Attract Visitors and Increase Tourism	To ensure that there continues to be a 4 star Hotel accommodation on the Island for tourists expecting this standard of provision.	Payments are made to SHHD as and when	£400,000	£400,000	Exit strategy in place and actions has been taken.
Ferry Service	Consumer Subsidy	Missing or Incomplete Markets	SEDP Goal 3 - Attract Visitors and Increase Tourism	To ensure an affordable and safe ferry service for harbour operations, visiting yachts and maritime/ marine businesses including fishing.	Direct quarterly subsidy payments	£36,000	£36,000	Contractual commitment in place. Exit strategy is still to be considered.
St Helena Airport Operations	Consumer Subsidy	Missing or Incomplete Markets	SEDP Goal 3 - Attract Visitors and Increase Tourism	To ensure effective operation of St Helena Airport that meets international regulatory requirements and visitors expectations.	Direct monthly payments based on spend	£3,500,000	£3,500,000	Contractual commitment in place. Exit strategy is still to be considered however due to the significant cost this is a longer term strategy.
Education	Consumer Subsidy	Missing or Incomplete Markets	Altogether Better for Children and Young People	To ensure that school age children are transported to school	Direct quarterly subsidy payments	£232,000	£232,000	Contractual commitment in place. Exit strategy is still to be considered.
						£6,999,630	£6,589,600	

*** Subsidy Classification (Section 2.3 of the Subsidies Policy)**

Production Subsidies are provided to reduce specific production costs in order to encourage an increase in the production of a particular product.

Consumer Subsidies are provided mainly for social benefits to limit or reduce the cost of goods and services consumed within the community to ensure that everyone in the community has access to certain essential goods and services.

**** Rationale for Interventions (Section 2.5 of the Subsidies Policy)**

Missing or incomplete markets: where goods and services are not provided by the private sector leading to a failure to meet a need for a public good e.g. water and sewerage services, sports facilities, extracurricular education

Negative externalities: where one or more consumer or producer causes an effect on third parties e.g. controlling environmental, noise or light pollution

Monopoly power: If a producer has control of over 70% of the market and there is a risk of abuse of power through, for example, eliciting overly high prices, manipulation of markets or the public, government can work to develop alternatives and encourage competition

Unstable markets: When markets become unstable, and the Government deems market stability important to achieve economic development goals, the Government may intervene to ensure equilibrium.