

OPEN AGENDA

Copy No:

No: 17/2021

Memorandum for Executive Council

SUBJECT

Investment Strategy and Policy update 2021

Memorandum by the Chairman of the Economic Development
Committee

ADVICE SOUGHT

1. Executive Council is asked to consider and advise whether the 2021 versions of the Investment Strategy and Investment Policy can be endorsed.

**BACKGROUND &
CONSIDERATIONS**

2. At the Executive Council meeting held on 26th June 2018 Executive Council advised that the Investment Policy 2018 should be approved. At the Executive Council meeting held on 23rd April 2019, Executive Council advised that the Investment Strategy 2018 should be approved.
3. The wind down of Enterprise St Helena means that the Strategy and Policy require minor updates to replace references to Enterprise St Helena, and include references to the Sustainable Development Team, and to refer to some policy progress.
4. Furthermore, it has been noted that the Approved Investment Status, which provides reduction in customs duty from 20% of value to 5% or 0% for the import of capital items, cannot be applied in the same way for vehicles whose custom duty is now a fixed value (rather than a percentage of value).
5. Therefore it is suggested that Approved Investment Status B, which reduces customs duty from 20% to 5% for capital items (which is a 75% reduction in tax) also can reduce the vehicle duty by 75%. For example, if the duty payable for an imported van was £400, Approved Investment Status B would reduce the duty payable to £100. The Approved Investment Status A would stay as an exemption for duty. The legal changes required for this are being submitted through another Executive Council item. This item concerns the inclusion of this issue within the Investment Strategy.
6. Furthermore, whilst an application for AIS was discussed in Executive Council on 2 March 2021, it was proposed that the Strategy be explicit regarding backdating of the certification date, if required. It was felt that the backdating should not be done for a long period, as investors would start applying retrospectively, but it was noted that investors also needed to

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purchase capital items promptly in order to meet their deadlines, and couldn't always wait for the AIS application to be approved. Therefore, following a discussion with members of the Approved Investment Committee and Investment Enabling Group, the following text was added to the Investment Strategy:

The date of certification would normally be the approval date. However, the date of certification can, if relevant to the applicant's requirements, be backdated to three months prior or backdated to the date of application; whichever is the closest to the approval date. This backdating ensures that the investor does not pause their purchasing of capital items, nor put back the start date of operation, whilst waiting for their application for Approved Investor Status to be processed.

7. Approved Investor Status was created in 2018 when the Investment Strategy was first developed, and was used to help with the startup costs of a business; a time when cash flows are usually the most difficult.
8. So far the following have received Approved Investor Status:
 - a. Impreza Scipione, Scipione Fun Park, Approved Investor B
 - b. Joshua Brothers Covered Production, Increased Salad Production, Approved Investor A.
 - c. Loretta Coleman and Andrew Hook, Love to Camp, Approved Investor B.
9. The following have been awarded Approved Investor Status and will be issued certificates once the secretary has confirmed the itemised list of capital items which will be eligible for reduced duty rates:
 - a. Theo Meij, Approved Investor, Eco Friendly Tour Accommodation and Payment System Provider, Approved Investor A.
 - b. Axel Oberem, Saint Helena's Coffee Farm, Approved Investor A.
10. Please see attached:
 - a. Annex A Final Investment Policy 2021
 - b. Annex B Final Investment Strategy 2021
11. None. No passenger vehicles that would be subject to the fixed duty amounts have been imported through the AIS to date.
12. This is to ensure that the concessions can be applied as

FINANCIAL IMPLICATIONS

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intended for vehicles being imported through AIS in the future if it is shown that those vehicles are critical to the approved investment.

ECONOMIC IMPLICATIONS

13. None

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

14. There is no change to the Investment Policy Principles.

PUBLIC/SOCIAL IMPACT

15. None

ENVIRONMENTAL IMPACT

16. None

PREVIOUS CONSULTATION/ COMMITTEE INPUT

17. EDC endorsed the Investment Policy on 7 June 2018 and Radio interviews were conducted by the Chair of the Economic Development Committee, Hon Lawson Henry and the Chief Economist on 18 June. The Policy only had minor changes from the previous version and therefore a full consultation was not required.

18. The Economic Development Committee (EDC) inputted into the draft Investment Strategy in the August 2018 EDC (closed session).

19. A public consultation was undertaken for six weeks over October and November 2018. As well as a drop-in session, to which three businesses attended, there was a presentation made at the Chamber of Commerce, and a one-to-one feedback session. Additionally, the Hon Chairman of the Economic Development Committee and the Chief Economist were involved in radio discussions on both radio stations on 18 June 2018.

20. A People's Voice radio interview by the Government Economist about Investment was undertaken on 26 July 2018. Further radio interviews were conducted by the Chair of the Economic Development Committee and the Government Economist in October to advertise the consultation.

21. Feedback was also provided by the UK Department for International Development. Internal consultation was also undertaken with Enterprise St Helena and Land Planning and Property Division of the Environment and Natural Resources

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Directorate.

22. The EDC endorsed the updated Investment Strategy in December 2018, and proceeded to Executive Council once the tax incentives had been endorsed.
23. Investment updates are provided as part of the SEDP update report.
24. The 2021 changes are largely an administrative change that would not be subject to public consultation.
25. The Economic Development Committee considered and endorsed this proposal at its February 2021 meeting.

PUBLIC REACTION

26. This ensures our investment documentation are up to date, and therefore avoids SHG seeming outdated.

PUBLICITY

27. ExCo's decision would form part of the ExCo radio briefing following the meeting.
28. Information will be given to the public via press release including a list of the existing Approved Investors, which will have already been gazetted.

SUPPORT TO STRATEGIC OBJECTIVES

29. The Policy supports the following National Goal:

Altogether Wealthier

LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

30. The Policy supports the majority of the SEDP Goals as follows:

1. *Increase Exports*
2. *Substitute Imports*
3. *Attract Visitors and Increase Tourism*
5. *Improve Land Productivity*
7. *Improve Infrastructure*
8. *Develop, Maintain and Attract a Skilled Workforce*
9. *Develop the Digital Economy*
10. *Reduce Leakage of Income*

IMPLEMENTATION OF POLICY/ LEGISLATION

31. These proposed changes will require revisions to the existing Customs and Excise Regulations, which are being dealt with through a separate memo to Executive Council.

LAH

OPEN/CLOSED AGENDA ITEM

32. Recommended for the Open Agenda.

Corporate Support
Corporate Services

8th March 2021

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