

Saint Helena  
2012/13-2021/22

# Sustainable Economic Development Plan



A Tourism Driven Economy:  
Small Footprint  
Huge Step Forward

## Executive Summary

With construction of the airport underway, Saint Helena is poised to undergo an economic transformation. The operation of the airport will enable Saint Helena to access one of the largest and fastest growing markets, global tourism - *“The export market that comes to you”*. The airport will also enable improvements in other sectors, such as fishing, as access for people and high value cargo is transformed.

A significant but relatively modest number of visitors, 30,000 per annum (500-900 visitors per week), is needed to make Saint Helena financially self-sustaining. This requires just two to three cornerstone tourist developments (e.g. Broad Bottom, Ladder Hill Fort & Devil’s Punchbowl), serviced by daily flights and an improved island-wide tourism offering. The scale of change, whilst very large in Saint Helena terms, is what is already envisaged and is in absolute terms relatively modest. This is achievable within the 10 years of the Sustainable Economic Development Plan.

As flights to Saint Helena will always be comparatively expensive (relatively small planes, flying long distances), Saint Helena will have to focus on higher spending visitors to achieve its goals. This requires delivering island-wide world-class services and experiences.

Only the private sector will build and run hotels, provide good quality restaurants and provide tourism experiences. The delivery of the Sustainable Economic Development Plan (“SEDP”) requires the private sector to grow modestly but with a very substantial increase in on-island private sector jobs.

Saint Helena’s tourist industry will have a relatively small footprint on the island, in terms of numbers of visitors at any one time and in number and size of sites. However, the impact will be a huge step forward and transform Saint Helena’s situation. A cap on the number of bed spaces developed for tourism during the life of the SEDP should help reassure Saints that there won’t be overdevelopment, encourage investors to invest early and maintain exclusivity.

The window for change is small; investors need to be convinced that Saint Helena will give them an attractive return on their investment. They then have to design and build their sites and internationally market their proposition to attract customers.

Such major and complex projects take a number of years. If this does not dovetail with the airport opening, not only will this significantly increase the requirement for overseas aid, but it will affect the overall viability of Saint Helena establishing itself in the global tourism market. *“You only have one opportunity to introduce your product to the market”*. If the airport opens with no significant tourism development, the island will be caught in a ‘chicken and egg’ situation – with no accommodation there will be limited flights; with limited flights, it will be difficult to build visitor numbers.

This project is being undertaken when there is huge uncertainty in the global economy. Investors are nervous and all countries are competing harder to attract and keep investment. Saint Helena needs to do all it can to draw investors to the island.

The scale of change is substantial but deliverable and is largely in the hands of the key stakeholders – The Private Sector, Councillors, SHG, DFID and the Foreign Office. Saint Helena’s absence of a dynamic market economy, long dependency and consequential domination by SHG means, however, that the island’s situation is institutionalised.

This invisible set of institutional arrangements, bureaucracy and mind-sets, in both the private and public sectors, presents one of the fundamental barriers to achieving the desired outcome. The island does not have the benefit of managing earlier large scale change. Given the time and resource constraints, revolutionary rather than evolutionary change is required to exploit this remarkable opportunity.

The island and its stakeholders want the benefits of change, but all need to combine to drive the actual changes needed to ensure that Saint Helena does have a financially self-sustaining future.

## Table of Contents

Executive Summary.....	1
Section 1: Background and Strategic Context.....	3
Section 2: A Tourism Driven Economy: What is Envisaged.....	6
Section 3: Tourism: A Small Footprint .....	11
Section 4: Huge Step Forward.....	12
Section 5: The Wider Economy .....	13
Section 6: Creating an Enterprise Economy.....	14
Section 7: Lessons from Overseas.....	15
Section 8: Resources and Rationale.....	16
Section 9: The Economic Development Organisation .....	5
Section 10: Risks and Mitigation.....	2

## Section 1: Background and Strategic Context

### *The Situation*

The size of an economy is traditionally measured through Gross Domestic Product (“GDP”). In real terms GDP on Saint Helena increased annually by only 0.7 per cent on average between 1999/00 and 2009/10. All of this change has been due to financial support from the UK Government – particularly from DFID – and other overseas donors. Saint Helena is in the bottom 20 per cent globally in terms of GDP growth over this period.<sup>1</sup>

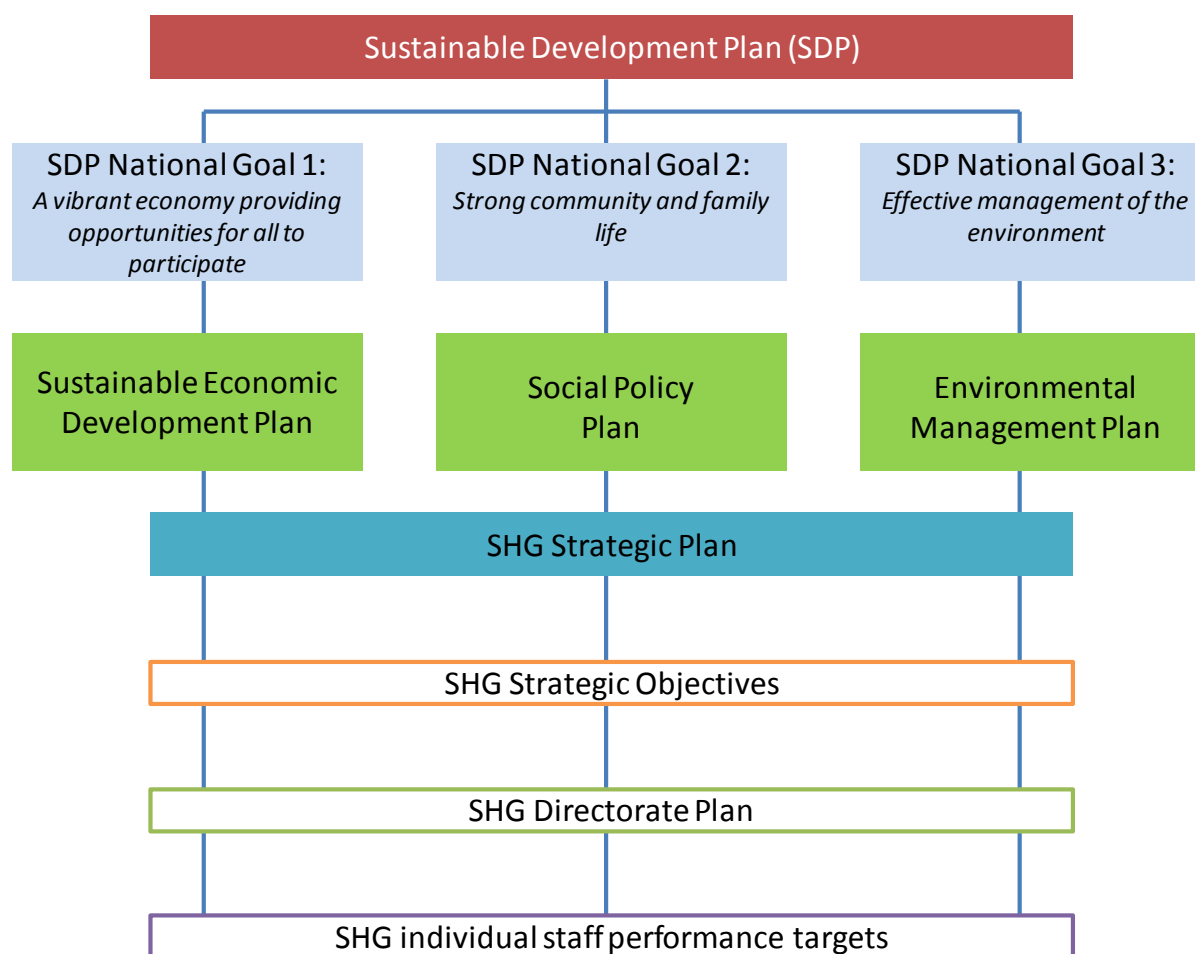
The most significant factors contributing to Saint Helena’s weak economic performance have been:

1. A lack of significant export earnings.
2. A massive decline in the population.<sup>2</sup>
3. Weak productivity growth.<sup>3</sup>
4. Little private sector consumption, capability, capacity or investment.

In order to maximise the benefits of air access, Saint Helena will need to overcome these issues.

With the recent announcement that a contract to construct an airport has been signed between Saint Helena Government (“SHG”) and Basil Read (“BR”), the future outlook for the economy is much brighter. With the right conditions in place Saint Helena could achieve a top 10% ranking globally for GDP growth over the next ten years.

### *Sustainable Development Plan (“SDP”)*



<sup>1</sup> IMF World Economic Outlook

<sup>2</sup> Between 1999/00 and 2009/10 there was a 20 per cent decline in the resident population.

<sup>3</sup> GDP per worker growth stagnated in real terms between 1999/00 and 2009/10, averaging a rate of -0.1 per cent.

Saint Helena's SDP is the island's highest level planning document. It sets out the strategic vision for the island over the next ten years. It outlines how over the next ten years the island will have an unparalleled opportunity to improve standards of living and the island should strive for:

***“Strengthened community and family life through vibrant economic growth, a healthy environment and with opportunities for all to participate, within a framework of effective government and law.”***

In order to achieve this, three National Goals have been set:

1. *A vibrant economy providing opportunities for all to participate*
2. *Strong community and family life*
3. *Effective management of the environment*

Vibrant economic growth with opportunities for all to participate is highlighted as the key to achieving the vision of strengthened community and family life. Within this, developing the private sector is viewed as the vital ingredient. Furthermore, the tourism sector – through large scale investment – is seen as critical to developing the private sector.

Therefore, an Sustainable Economic Development Plan is needed to implement National Goal 1 of the SDP.

### ***Memorandum of Understanding (“MOU”)***

In July 2010 SHG and DFID signed a MOU. In it DFID agreed to fund the airport on Saint Helena providing four conditions were met. Three of those conditions were related to technical aspects of the airport. The fourth condition, however, requires SHG to:

*“Implement the reforms needed to open the island’s economy to inward investment and increased tourism”<sup>4</sup>.*

As such, the fourth MOU condition and Goal 1 of the SDP align and support each other, both recognising that it is growth in the private sector that will stimulate improvements in the standard of living on Saint Helena, provide the basis to reverse recent social and economic decline and put the island on a new path to prosperity.

This Sustainable Economic Development Plan is designed to build on recent reforms, in areas such as:

***Tourism:*** Recognising that Tourism will be the key driver of economic growth, a Tourism Development Project and a five year Tourism Strategic Plan have been introduced. The latter document sets out in detail how Saint Helena will develop its “high value low volume” tourism product and how the island will “maximise the visitor experience and develop a desirable, sustainable tourist destination”. This includes details of the approach to branding, products, standards, to the environment and heritage, infrastructure and the labour market. The SEDP has built on this by outlining a plan to developing an economy which can support this type of tourism.

***Investment:*** With investment critically important for maximising the benefits arising from air access, a revised Investment Policy was introduced, which aims to remove barriers, promote investment and improve fairness, transparency and consistency in decision making.

The Policy sets out five basic principles. Saint Helena must step up efforts to achieve all of these principles and the SEDP aims to support it in doing to. The principles are:

***Make Saint Helena a desirable and competitive destination to do business by removing barriers to investment.***

Consultations with stakeholders suggest that this is a key issue on Saint Helena. Barriers to investment can mean that some investments don't take place, or that the benefits of them are not

<sup>4</sup> MOU on Condition 4, December 2010, SHG & DFID

realised in a timely manner. This has a negative impact on the economy. As such, removing barriers to investment is a priority for SHG and the new economic development vehicle.

***Support an economy which is accessible to all potential investors and promote investments across the economy.***

This plan aims to support both a small number of large investors and a larger number of small investors, through marketing, investment in key sites, small and large loans and a range of other support. This plan also looks to assist both local and international investors.

***Support the locally based private sector to compete in an open economy but, where possible, avoid being overly protective.***

This plan also aims to strongly support local businesses so as they can compete in a more open market. This plan wants to ensure that adequate financing is made available to local businesses, local entrepreneurs have appropriate business advice and barriers to investment are removed.

***Promote fair, consistent and transparent decision making.***

The Sustainable Economic Development Plan does not seek to favour any individual or business. While the plan does aim to prioritise efforts into key growth sectors, within these sectors it supports the notion of a level playing field for similar businesses, individuals and investors. It also supports decision making taking place in an open and transparent, consistent and fair manner.

***Encourage growth through import substitution, export promotion and domestic production.***

This Sustainable Economic Development Plan supports traditional export promotion through development of the wider economy, which includes fishing, coffee and other niche products. Tourism is also an export – *it is the export market that comes to you.*

***Population & Immigration:*** Growth on Saint Helena will require a sizable increase in the resident population, possibly returning to levels prior to the relatively recent decrease in the resident population, due to emigration. As such, policy and legislation to provide for a simple, transparent and development-friendly system for non-St Helenians to be allowed to enter, live, work and acquire land on Saint Helena has been adopted. The SEDP has built upon the assumption that the immigration system will be development friendly and an enabler to growth.

***Divestment and Headcount Reduction:*** Realising that in order to grow the private sector, SHG must reduce its footprint in the economy, a strategy to divest services from SHG has been developed, as has a plan to reduce the government's headcount. This SEDP aims to support these strategies by creating an environment where private sector employment increases, thus absorbing some public sector workers, as well as improving the capacity within the private sector to provide services previously provided by SHG.

***Land:*** A more development friendly and non-discretionary land control plan has been developed. In addition, SHG's Land Disposal Policy and Estate Management Plan will ensure Crown land (which is currently around 80 per cent of all land) is released to the private sector in such a manner as to support growth. A Housing Strategy will also provide for the island's future needs. With land and particularly sites being a key element of this SEDP, building on these reforms will be vital in implementing the SEDP.

***Labour Market:*** The Island's labour market has suffered from a massive contraction, while it is also faced with having to adapt to unprecedented change in future demands. As such, a Labour Market Strategy ("LMS") has been developed to ensure a suitable and sustainable labour market is in place to support growth. Implementation of the SEDP is also dependent on the success of the LMS.

## Section 2: A Tourism Driven Economy: What is Envisaged

### *The Vision*

#### **“To be financially independent and improve standards of living”**

Saint Helena will improve community and family life, through increased standards of living, more employment opportunities and better public services. In order to achieve this Saint Helena will grow its economy, predominantly through the tourism sector.

With the construction of an airport on Saint Helena and a proactive approach to developing the tourism sector, the island could be able to largely finance its own budget by 2021/22 without any need for overseas aid.

#### ***30,000 visitors per year = 600 visitors per week***

The current strategy (see Tourism Strategy 2012-16) seeks to attract in the region of 6,300 air visitors per annum by 2021, with numbers rising thereafter. A detailed study conducted by Atkins to support the case for constructing an airport on Saint Helena expected the tourism number to rise to 30,000 fifteen years after the airport opens.

It is estimated, however, that through the building of the accommodation that is already envisaged, the island could accommodate 30,000 tourists per annum,<sup>5</sup> which is an average of nearly 600 per week, much quicker – certainly by 2021/22. Tourism on this scale would provide a daily flight for both residents and visitors.

This would require development on a scale already predicted - a new cornerstone site like Broad Bottom or the Devil’s Punchbowl, supported by a boutique hotel (at Ladder Hill Fort for example) and perhaps 10-12 small (5-20 bedrooms) hotels and guest houses – many of which are already trading on-island.<sup>6</sup>

Table 1: Example of accommodation requirements for 30,000 annual tourists with low occupancy

	<b>Number rooms</b>	<b>Bed Nights</b>	<b>Staff</b>	<b>Potential number of tourists supported per year</b>
<b>Large Hotel and Villas</b>	263	596	350	17,484
<b>Medium Hotel</b>	48	86	58	2,535
<b>Boutique</b>	20	36	24	1,056
<b>Boutique</b>	20	36	16	1,056
<b>Small Hotel*</b>	20	36	16	1,056
<b>Small Hotel</b>	20	36	16	1,056
<b>Guest House</b>	10	18	8	528
<b>Guest House</b>	10	18	8	528
<b>Guest House</b>	10	18	8	528
<b>Guest House*</b>	4	7	3	211
<b>Guest House*</b>	7	13	3	370
<b>Guest House*</b>	2	4	1	106
<b>Guest House*</b>	5	9	2	264
<b>Guest House*</b>	5	9	2	264
<b>Self Catering*</b>	28	101	56	2,957
<b>Total</b>	472	1,023	570	30,000
<b>Occupancy Rate if 30,000 tourists</b>	56%			
* = already exists on-island, except for self catering where 50% exists on-island				

<sup>5</sup> Providing tourists stay for a week on average.

<sup>6</sup> For more detail on potential development areas see the Saint Helena Land Development Control Plan (2012)

Table 1 shows that achieving 30,000 tourists are eminently achievable through property development already envisaged on-island. While Saint Helena will need a range of tourist accommodation, **it is the impact of a few large and medium sized hotels that will make 30,000 visitors per annum attainable.** Without these major investments only around 5,000 to 7,000 tourists per annum are likely able to be accommodated.

### *Tourists staying for a week on average*

Previous plans had assumed that the average tourist would stay on Saint Helena for two weeks and that by 2021 approximately 6,300 air tourists would visit the island per annum.

With only 6,300 tourists visiting the island, Saint Helena would only be able to sustain one or two flights per week. While this would ensure any tourist would stay at least for a week, it would also be off-putting to many tourists and tour operators.

**Moving towards 30,000 tourists per year (600 per week) - assuming each stay on average for only one week - the island will be able to sustain a flight every day,** dramatically increasing options.

This opens the island up to short stays (less than a week – add on to trip to South Africa for example), as well as weeklong visits, fortnightly visits and long term visits (more than two weeks, perhaps Northern Hemisphere residents over winter).

SHELCO envisage guests staying for 4-5 days in the hotel and 7-10 nights in the villas, with an overall average stay of one week. This seems realistic and therefore has been adopted as the average visit duration.

### *High value tourists*

Saint Helena will market itself as a high value destination. This will require significant improvements in standards on the island and careful planning over the next five years.

The importance of this is clear comparing the impact of tourists spending £100 or £150<sup>7 8 9</sup> a day. Figures suggest that with 30,000 visitors per annum Government Revenue will be £2.7 million higher under the £150 scenario in 2021/22 – **enough to double SHG's budget for Education.**

Furthermore, the additional £50 per tourist per day would **increase average wages on the island by over £2,000 per worker per annum** by 2021/22. Due to the multiplier effect the economy would be nearly 40 per cent bigger and crucially the government would no longer require much, if any, overseas aid.

**This clearly shows the importance of high value tourists and why providing them with the services they demand will be crucial to the future of the island.**

### *How will we get 30,000 visitors?*

30,000 visitors per annum (average 600 visitors on the island each week) seems a very steep growth curve. The reality is that **if there is accommodation capacity, the owners of the capacity will want it utilised as highly as possible, as quickly as possible.** Whilst it starts with hotel accommodation, air access is closely linked in a circular relationship:

<sup>7</sup> This is the on-island spend including accommodation etc. If the accommodation is arranged off-island and commissions or margins are taken off-island, these elements are excluded.

<sup>8</sup> The Consulate Hotel is currently £75 per person B&B on shared occupancy, £100 per day single occupancy, without meals, tours, souvenirs, telecoms, car hire, etc.

<sup>9</sup> Cape Town accommodation rates for a 4 star hotels are £130-150 (£65-75pp) per night for a double room for a three night stay. Excluding accommodation, British overseas travellers spend on average £50-£75 per person per day (Contiki & E-TID).



1. If investors have invested substantial amounts in hotel accommodation, they will want it filled to maximise revenues. For example, if on day one of the airport opening there were 300<sup>10</sup> bed spaces available, the owners/managers of this would seek to fill the 300 bed spaces from day one, as this would maximise their return on investment.
2. If the visitor numbers are there, this will create a demand for flights, whether from Europe, the USA or Southern Africa. If there are frequent flights, this greatly increases options i.e. a 3 or 4 night side trip from South Africa. The more flights that are required, the more attractive including Saint Helena will be to airlines. Providing daily flights, with the consequential long haul revenues, is commercially much more attractive than a weekly flight.
3. In turn, the air service operator will try to fill every seat on every flight, as this will maximise their profitability.

Therefore, if a significant amount of additional quality accommodation is built during the life of the SEDP, **there will be very strong commercial drive to fill it**. Even if the tourism market doesn't respond as positively as wished, operators will reduce prices to fill their bed capacity and increase marketing and promotional activity. Whilst reducing prices will probably affect the £150 per person spend and other economic benefits, the overall result will still be very positive for the island.

It is notable that even with low occupancy rates, the proposed SHELCO development, once fully built out, would be able to accommodate in the region of 900 bed nights. SHELCO have also indicated that they intend to complete the building out their site within 3-4 years of the airport opening, leaving a further two years in the SEDP to build visitor numbers.

The 30,000 visitors is a very large step up from existing sea-based visitor numbers. However, it is important to see this in the context of global and regional tourism. Regionally, in 2009, South Africa had nearly two million international visitor arrivals<sup>11</sup>, of which 446,000 visitors were from the UK. In 2008, Namibia Tourism recorded 250,000 international visitors (28,000 from the UK).

### ***30,000 Visitors –requires low occupancy rates of planned accommodation***

Saint Helena will be a seasonally affected destination. As such, the 30,000 tourists per annum will not be spread evenly across the year. At times the island will need more accommodation than others.

Table 2: Expected spread of tourists across the year

	Percentage of annual tourists	Number tourists at one time	Capacity
Jan	12%	813	76%
Feb	10%	724	68%
Mar	9%	610	57%
Apr	8%	560	53%
May	7%	474	45%
Jun	6%	420	40%
Jul	6%	406	38%
Aug	5%	339	32%
Sep	6%	420	40%
Oct	7%	474	45%
Nov	10%	700	66%
Dec	14%	948	89%
	100%		
<b>Peak load</b>		948	
<b>Max potential load</b>		1063	
<b>Max capacity</b>		89%	

<sup>10</sup> SHELCO envisage having the hotel and 50 cottages completed for when the airport opens, giving approximately 300 bed spaces.

<sup>11</sup> Statistics South Africa.

The calculations in this report are worked on the basis that on average the island will achieve 56% capacity, with this rising to a peak of 89% in December and falling to just 32% in August. This is conservative as operators can be relied on to try and increase low season utilisation. If there is not the demand the accommodation capacity will not be built.

### *An incentive to invest early - introduce a cap of 1,500 bed spaces*

No one knows how visitor numbers will develop. There are concerns regarding, “*will there be too much development*” or “*will there be too little development*” by the time the airport opens. It is more likely the latter will be the case and there will be too little accommodation built by the time the airport opens. Introducing for the duration of the SEDP a limit on the number of bed spaces to 1,500 has a number of benefits:

- It will reassure Saints that a measured approach is being taken and **the island will not be swamped**. It will protect the island’s resources/tourism by not over exploiting it. This will in turn protect the long-term tourism offering.
- It will encourage investors **to invest and build early** – a critical success factor. Developers know that having invested early, the lack of supply will be a great marketing tool and should help underpin future growth in tourism property values. Investors will not have to worry about another developer undercutting them.
- If the accommodation is built ready for the airport opening, this will help ensure there will be an early demand for airline seats.
- It will encourage the island’s focus on small number high value tourism. If demand increases prices can also be increased. The higher the relative price, the more benefit will pass to the island.

Whilst a cap on bed spaces **might potentially appear limiting, if the 1,500 were 100% utilised all year round the island would receive 78,000 tourists per year**. However, it is rare for hotels to be 100% full at any one time, let alone all year round. At a 60% average occupancy rate, for example, the island would receive over 45,000 tourists per annum.

Within the cap of 1,500 bed spaces, as section 4 will discuss, the economy will have more than enough space to grow substantially from current levels. The cap will not restrict development of a financially independent economy over the life of the SEDP.

It is also important that small development is not restricted by the cap. As such, it is proposed any micro accommodation (i.e. less than 5 rooms) are excluded from the cap, i.e. there is no restriction for this group and the numbers of rooms available within this group is not included in the calculation of the cap.

It is also important that businesses existing plans are not retarded by the cap. As such, the cap should be related to the volume of bed spaces where planning permission has already been granted, as opposed to what has been built. The ‘cap what’s planned, not what is built’ policy would give peace of mind to businesses as they would have certainty that once there development has been approved they will not be restricted at a later date due to the cap.

A mechanism exists for a visitor cap to be introduced. The Land Development Control Plan (“LDCP”) provides for a visitor cap to be introduced. While there are significantly less than 1,500 bed spaces on island it is not deemed critical to put the mechanism in place. However, bed space development will be monitored and the case for the cap will be reviewed as part of the LDCP review process.

### *Two steps to creating Saint Helena’s tourism offering*

Developing Saint Helena’s tourism has two steps:

#### **Step 1. Make Saint Helena an attractive place to invest in tourism.**

To invest, investors have to believe they will get an attractive financial return – above the return they would get investing elsewhere. Elements in this include:

1. The Saint Helena investment framework has to be attractive to ensure investment – tax arrangements and incentives, etc.
2. The hotel sites to be attractive and developable cost effectively.
3. Investors believe that a world-class tourism product is going to be created including:
  - a. Visitor access – flights frequency, destinations, connections, prices, etc.
  - b. On-island welcoming attitudes to visitors
  - c. Visitor activities, attractions and amenities
  - d. The island-wide built and natural environment
  - e. Staffing availability, skill levels, attitudes and wage expectations
  - f. Cost effective provision of telecoms, transportation, power, etc.

Progressing these items needs to start immediately. Investors know that such items will take time to deliver and they need to have confidence that all of the elements will be ready when the airport opens.

Whilst SHELCO has a long and sustained interest in Saint Helena, there is still much to be done and SHELCO must be given every encouragement and assistance. However, the island cannot afford to solely rely on SHELCO. It is vital to seek to develop multiple serious investment proposals and encourage appropriate developments. **Priority must be given to those developers who will build accommodation ready for the airport opening.**

### **Step 2. The island-wide tourism offering delivered to visitors.**

The elements in the tourism product need to actually be provided to visitors. The on-going consistent delivery of these elements will ensure a long-term viable tourism industry.

### *What will Saint Helena look like when the airport opens?*

By the time this plan is expected to be endorsed (April 1<sup>st</sup> 2012), there will be three years and seven months until the airport opens (November 2015). Over this period it is anticipated that the island will create:

- A large scale hotel development with circa 350 number of bed nights.
- A medium sized hotel with circa 100 bed nights.
- A Boutique hotel with circa 40 bed nights.
- A small range of new guest houses, each with a capacity of 10-20 bed nights.
- Around 30 new tourism related small businesses.

The Sustainable Economic Development Plan has conservatively assumed there will be in the region of 6,000 air visitors per annum in the first years of air access. This is largely based on the current stock of hotels and guest houses. With the accommodation outlined above, however, in addition to the 100 bed nights already on-island and even with an occupancy rate as low as 60%, there would be 20,000 tourists per annum in the first year after air access.<sup>12</sup>

### *Economic Growth and the Environment*

Sustainability has to be a central consideration in all economic activities. Saint Helena's environment is one of its key selling points in terms of its tourism and fishing products. Protecting and enhancing these resources will be vital. In order for the island to move towards financial self-sufficiency it must ensure that its overall tourism and fishing products improves over time. Branding of Saint Helena as a green location will also be an important part of its strategy to attract people to the island.

As such, maintaining and enhancing the quality of its environmental assets is vital to ensuring economic activity on the island is sustainable over the long-term. Saint Helena is developing an Environmental Management Plan to accompany the SEDP (see section 1 for details) which will outline in greater detail how the island will manage this resource in order to achieve its national objectives.

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<sup>12</sup> If each tourists stays for a week on average.

## Section 3: Tourism: A Small Footprint

### Amount of change needed to be self-sustaining? – Smaller than expected

While the changes needed for Saint Helena to become financially self-sustaining are large in Saint Helenian terms, they are not that large in the actual numbers, be it in terms of average weekly visitor numbers, number of hotels, flight frequency etc.

With a population of around 4,000 people, on relatively low wages, transforming the economy requires a relatively small amount of new sustainable inputs from tourism and fishing. With a small increase in the number of visitors the local economic situation would be transformed.

On Saint Helena, however, the lack of opportunities and investment in people, buildings, infrastructure and the environment, means that the **effort to gather momentum** and raise the whole-island standard is much greater and far harder to deliver.

### What will Saint Helena look like with 30,000 visitors per annum?

The footprint of 30,000 tourists is relatively small compared to the impact. It is estimated that on average tourists will increase the size of the population by just 12 per cent.

The accommodation required to house these tourists is less than 2 per cent of the total land on the island. With some utilities expected to be provided by one large hotel, there is expected to be only a 5% increase in demand on the local energy and water supply. These additional demands on the island's resources are easily outweighed by the potential benefits:

Table 3: Summary of Saint Helena in 2021/22 with 30,000 tourists

<b>Number of tourists</b>	11% of total people on-island
<b>Number of new large / medium hotels</b>	2 Large hotels use 1.4% of land on Saint Helena
<b>Number of new small / boutique hotels</b>	3 Small hotels use 0.2% of land on Saint Helena
<b>Number of new guest houses</b>	3 Guest Houses use less 0.1% of land on St Helena
<b>Electricity demand</b>	5% of total
<b>Water demand</b>	5% of total
<b>Schools</b>	No new schools required

### Why is the effect of the visitors so large? – they spend far more than residents

If visitors have an average on-island spend of £150 per night, including accommodation, meals and drinks, experiences and souvenirs this would create a **fourfold increase in comparison with current on-island spend**.

Table 4: Estimated Spend (Workforce & Visitors)

	Average weekly workforce / visitors	Daily income / spend	Annual income / spend	Total income / spend £ million	% total
Saint Helena Workforce	1,770	£16	£6,000	£10.6	25%
30,000 visitors	575	£150	£54,750	£31.5	75%

Although tourists will only make-up a small percentage of the population, their impact in terms of expenditure is so large because they **spend nearly 10 times as much per day as local residents**.

## Section 4: Huge Step Forward

### *30,000 visitors would massively increase standards of living and reduce need for overseas aid*

Attracting 30,000 visitors to the island who each spend a week on average here and £150 per day would dramatically improve the living conditions on Saint Helena.

In real terms **wages would be nearly twice the level they are today** by 2021/22. This will substantially improve standards of living on Saint Helena.

**Government revenue** will also increase substantially, meaning **overseas funding** can fall to the point where it may no longer be needed. This not only allows Saint Helena to dictate on what and how it spends its resources, but provides a solid platform to create budget surpluses which can be spent on improving public services.

Table 5: Saint Helena in 2021/22 based on current and potential tourism infrastructure

Saint Helena in 2021/22 – Two Scenarios		
	Current No: hotels and businesses	Hotels and businesses for 30,000 tourists per year
Number of tourists	6,300	30,000
Average spend per day	£100	£150
Flights per week	1	7
Average wage (real)	£7,191	£10,010
Businesses	10%/20% increase	30%/40% increase
Jobs	40% increase	60% increase
Annual government revenue	£15.3 million	£22.4 million
Gross Domestic Product	£45.5 million	£117.4 million
Overseas funding requirement	£2.5 million	-£0.5 million
Total amount of Overseas Aid between 2012/13 and 2021/22	£127.2 million	£116.8 million

The size of the economy, the scale of **job opportunities** and the **population** will all also increase notably.

## Section 5: The Wider Economy

### *Fishing, Agriculture and General Economy*

Whilst tourism will be the largest element in the economy, it will not be the only activity. As tourism grows, it will provide the financial driver to grow the whole economy, including those elements not directly linked to tourism.

Visitors want to visit interesting destinations which for Saint Helena are mainly historical, environmental and contemporary elements. Parts of the contemporary mix are:

- Fishing – important as a source of employment and foreign earnings. Currently only waters within approximately 12-15 miles of Saint Helena are fished. Therefore, less than 1% of the 446,500km<sup>2</sup> Saint Helena Exclusive Economic Zone (EEZ) is currently legally fished. Seeking to exploit the fishery further, particularly the offshore waters, is a key priority. Also sport fishing may be a significant part of the tourism offering. The SEDP will support fisheries development on Saint Helena through greater levels of financing and additional human resource. The first priority will be to gauge the potential of the market. The second priority will then be to ensure the market is fully utilised.
- Agriculture & small holding – these will be an important element in providing food and products for both locals and visitors. Local produce will also support the ‘green location’ branding of the island, in that the ‘carbon miles’ associated with food products will be minimal. It is however recognised that there will often continue to be a requirement to import food and food products. It is important for Saint Helena to concentrate on local products that:
  - have a sustainable advantage (e.g. price, availability).
  - are attractive for visitors who may be happy to pay a premium for good quality locally produced foods.
- Coffee – an increasingly important foreign currency earner as well as a product of interest.
- Distilling – an interesting product for both Saints and visitors.

The supporting service sectors are a substantial part of any economy and these will expand as the overall economy grows, driven by external earnings from tourism and fishing. Segments that will grow will include: construction, wholesaling, retailing, hospitality, transport, tours and excursions, professional services, telecoms, laundry, web design, crafts, maintenance, car hire and insurance.

As well as established businesses getting larger there will also be small and medium sized business creation. These new businesses, by activity and size, are ideal for Saints to start and run. It is essential that Saints, on-island and off-island, have the encouragement, business advice and access to finance to exploit these opportunities. Business is about risk and it is essential that Saints are able to operate in a new and more dynamic and less predictable business environment.

### *Cannot do everything- need to prioritise and allocate resources*

With +4,000 people and full employment, there is currently little spare capacity within the economy. 500-700 new jobs have been identified over the 10 years of the SEDP, so this lack of capacity is unlikely to change and may get worse. This shortage in capacity is planned to be addressed by:

1. SHG reducing its headcount. This will make staff available to the private sector.
2. Both SHG and the private sector becoming more productive, through improved systems, equipment and working practices.
3. External resources. TC staff, immigrant labour, off-shore investors arriving to start businesses, etc.

With too many potentially beneficial initiatives and limited resources, it is important to recognise that not everything can be done. It is relatively easy to identify tasks but it is much harder to find the people and resources, financial and other, to implement them. Therefore, it is essential to prioritise resources to where they will have the biggest overall effect.

## Section 6: Creating an Enterprise Economy

### *Rebalancing from a Centrally Planned Economy to an Enterprise Economy*

Saint Helena's dependence on UK budget support and consequential dominance by SHG has created an exceptional economy, structured to effectively deliver this support. The island's situation over time has become institutionalised. With very limited business opportunities it has had to be more characteristic of a centrally planned economy than a dynamic free market economy. With the economy opening up, there needs a fundamental rebalancing of the economy. This requires a change in public and private sector structures, cultures and mindsets. The first reaction can be to find reasons *not to do things* rather than *reasons to do things*. Changing institutional culture and mindsets is notoriously difficult in any organisation, in any situation.

To ensure that the economy grows and becomes self-sustaining, there needs to be changes to parts of both the private and public sectors culture and thinking.

### *Public Sector*

Governments in small communities inevitably take on ever growing ranges of services but often have difficulty in divesting or stopping providing services – even if they have committed to do so. SHG has policies to divest services and reduce its footprint. These policies have to be translated in to practical actions.

An important principle in this will be, where possible, that 'the user of a service pays for its provision'. Without this, the taxpayer is bearing the cost, not the user of the service. There is also no income stream to pay for a private sector operator to provide the service. Across SHG senior officials thinking should include: "How can we change to provide services more efficiently?", "How can the private sector provide the service?", "How can SHG help the private sector?"

The benefit to Saint Helena and SHG adopting this thinking will be less cost, higher tax revenues and a sustainable economy, with SHG in charge of its own financial situation. The stakeholders and the whole community must move away from often regarding SHG as 'the only provider of services or solutions' to issues. Increasingly the private sector should be given the space to step into; in turn the private sector has to deliver.

### *Private Sector*

Saints, living on a remote island, are resourceful individuals. Some individuals are very enterprising as demonstrated by the willingness of some to start catering and retail businesses in what is a small and possibly over-supplied local market place. Often services are provided or have to be supplied at prices that do not enable adequate investment.

In some parts of the private sector, there is a reluctance to take on personal risk to move an idea forward – it is felt that it is for SHG to underwrite and take the risk. Taking risk, with potential personal losses, is a basic characteristic of business. The private sector cannot expect SHG to divest services, while SHG retains the risks and pays extra for the provision of the services.

### *The Enterprise Economy*

The private sector needs to grow hugely to provide St Helena with the financially independent future it wants. Without this dynamic private sector growth, St Helena will not have the future it wants.

This will require existing and new businesses, owned by both Saints and inward investors, to invest and grow their capabilities and capacities. The increased relevance and importance of the private sector needs the active support of all stakeholders. Entrepreneurs and private enterprise need to be celebrated, calculated risk taking encouraged, adequate margins and profits recognised as essential and failure seen as a feature of ambition.

## Section 7: Lessons from Overseas

### *Visitor Caps work*

Visitor caps exist in countries or regions with fragile environments.

The **Seychelles** are planning to introduce a visitor cap in 2017 of between 300,000-350,000 visitors. Investors have been recommended to “invest now or miss the train”.

One of the most recognised examples of the benefits of limiting visitor numbers is the small Himalayan country **Bhutan**. Each non-Indian visitor to Bhutan has to spend a minimum of £125 (low season) £150 (high season) per day. In 2010 there were 28,000 international visitors. The cap is actively managed using the tariff and co-operative working with selective travel partners.

The **Galapagos Islands** is introducing a visitor cap of 4 nights for cruise ship visitors – currently there are 150,000 visitors.

**Venice** is considering introducing a daily visitor cap of 30,000 per day – compared with current visitor numbers of approximately 60,000.

**Machu Picchu** has a daily visitor cap of 2,500.

### *Semi-resident tourists add far more value to the economy than standard tourists*

It is a reasonable hypothesis that a Saint Helena with air access will be an attractive proposition for people in the Retired Tourism market. Statistics already suggest that Saint Helena is an attractive destination to retire for many Saints who have lived a large proportion of their lives overseas. With a common language, common currency, cheaper land prices and in many respects similar way of life, the island could be an attractive destination for UK based retirees, while the proximity to Southern Africa may also make the island attractive to retirees from those areas.

Evidence from overseas suggests this is no bad thing. Evidence from Montserrat suggests that semi-resident tourists make a very large contribution to the economy despite being very small in numbers. Indeed McElroy (1992)<sup>13</sup> suggests that in Montserrat semi resident tourists spend 8 times more than Cruise ship tourists, despite the later being 39 times more numerous.

Furthermore, compared to more conventional tourism, semi-resident tourists provide a more stable and sustainable income stream, allow for better integration into the community and often seek lower density accommodation. Combined with more conventional short term tourism, therefore, semi-resident tourism on Saint Helena would likely support the sustainability of tourism as the driver of economic growth.

### *Building an airport is no guarantee of success- integration essential*

The circumstances of every situation are different; Montserrat has been blighted by a huge volcano. In 2005 Montserrat opened a new airport to improve access for locals and visitors. The island has not seen any new hotel developments since the airport was opened more than six years alone and visitor numbers have not increased.

A completely integrated approach to economic development will greatly increase the prospects of success.

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<sup>13</sup> The Economic Impact of Retirement Tourism in Montserrat, Social and Economic Studies (1992), <http://www.jstor.org/discover/10.2307/27865081?uid=3738032&uid=2129&uid=2&uid=70&uid=4&sid=55882886353>



## Section 8: Resources and Rationale

As highlighted in the Sustainable Development Plan, growing the economy is the number one priority across the island and Saint Helena Government.

**Over the next five years** it is vital that Saint Helena creates the destination to which future tourists will want to come.

Clearly the most important element of this is ensuring the airport is constructed on time and to budget. Attracting large scale investment, particularly in tourism accommodation, is also vital.

**The subsequent five year period** will be the first in the island's history to have air access. With the appropriate tourism infrastructure in place, the focus of this period will be developing and refining the tourism offering, to ensure world-class services are being provided and as much benefit to the island is achieved from tourists as possible.

Focus	'Creating the Destination'		'Developing the Destination'	
Years	0	5	6	10
Key priorities	1. The airport: on time & budget a) Saint built b) Building skills & expertise  2. Building the Tourism offering b) A few key developments i.e. SHELCO c) Developing capability in Saint economy		Developing the tourism offering	
Activity Emphasis	Construction		Services	

### *Organisations considered key to Growing the Economy*

With increased demand and opportunity for economic development on Saint Helena, there is a need to reorganise the island's resources to ensure it achieves maximum returns. It is proposed that a new organisational structure, which includes many existing stakeholders, is implemented, to ensure a coherent and complementary approach to economic development.

The objective is to combine only those activities that will make a significant contribution to growing the Saint Helenian economy. Given what has to be done, it is important not to become engaged in providing services which are not strategically important to developing the economy.

Strategically important activities for growing the economy should be conducted in an entity that will be free of the constraints of SHG Departments thus able to borrow money, conduct trading activities, dispose of assets into ventures free of asset disposal rules, free of recruitment rules and in charge of own procurement.

The departments/areas considered key to making Enterprise Saint Helena a success are:

- ✓ SHDA
- ✓ Tourism
- ✓ Fisheries Corporation
- ✓ Certain land assets with tourism potential
- ✓ Access – Air. Integrating the airport construction and operation into the private sector
- ✓ Access – Sea. Streamlining the management of the RMS
- ✓ Overseas Marketing & Promotion through overseas representation
- ✓ Seat on Solomon's board

The following SHG activities were considered important but not identified as being critical at this time, but this may be reviewed in the future depending upon developments.

- ? AVES – not considered key, **if** this department delivers good quality vocational training
- ? Solomon’s– though the occasional asset may be identified. Also possible divestment.
  
- × Telecoms
- × Port Management
- × SHG Lands function
- × Project Funding
  
- × Overseas diplomatic representation
- × ANRD Development
- × Donor management
- × Transport

The Chief Secretary Housing and arranging travel for all SHG staff and visitors should be moved from Tourism, to Crown Estates or divested respectively.

### ***Supporting Existing Tourism***

The on-going visitor support provided by the Tourism Office needs to continue and increase in anticipation of the airport opening. With only four years until air access, the programme of training, marketing and project support is necessary to ensure the island is ready. The Tourism Development Project will need re-visiting in the wake of the airport decision.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Visitor Support	495	475	475	495	475

### ***Creating the Saint Helena Tourism Offering – then marketing it!***

The Saint Helena tourism offering needs to be defined promoted and turned into a brand. This is important for attracting both developers and visitors. Obviously it is known that Saint Helena appeals to certain types of visitors and this has been set out in the Tourism Strategy. However, it is important to recognise that the envisaged air access tourism product has not been market tested and it is important that a flexible stance is maintained. Key to this will be working with SHELCO and other sizeable investors to make sure that a complimentary product is envisaged and delivered.

Marketing to international investors (property developers, hotel operators and wealthy individuals) would best be undertaken by one of many international property marketing companies, such as Knight Frank or Savills. The majority of their fees are likely to be paid from sale proceeds, but the island may incur some upfront costs.

Saint Helena also needs to improve its ability to interact with an international audience, through increased funding for representatives in London and Cape Town, as well as increased promotional and advertising tools.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
International Investor Promotion	435	360	335	335	335

### ***Tourism Commercial Development Sites***

Tourism development is going to be largely site based. The main key tourism assets need to be assembled in a single portfolio and prepared to a level that will enable on-island and off-island investors to fully assess the commercial opportunities.

A new economic development vehicle<sup>14</sup> will be responsible for parts of the Crown Estate required for economic development, including, but not limited to, sites for tourism, sites for major housing development, and sites and buildings for commercial and industrial activity. Through a process of divestment the control of assets will transfer to the development vehicle in a two stage process:

Stage 1: Assets will be identified for inclusion in the Stage 1 portfolio, and the future management, including development and leasing arrangements, shall be undertaken by SHG in consultation with the development vehicle. During this period the development vehicle will be identifying and quantifying the opportunities and undertaking soft marketing, including the creation of design briefs and plans.

Stage 2: Assets will be identified from the Stage 1 portfolio for inclusion in the Stage 2 portfolio where direct control (and responsibility) is required to enable development to take place. This will generally be where full design briefs have been undertaken, and full marketing is now anticipated in the short term.

The more sites that are moved in to the private sector, the more this will increase investment and economic growth. The projected budget for the development and maintenance of all the key development sites has been estimated as follows:

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Tourism Commercial Development Sites</b>	600	575	275	225	225

### *Creating the Destination - Major Visitor Projects.*

Jamestown will need further improvements made to Main Street and other areas such as the Waterfront. This will include in particular the clearance of storage, refurbishment and new storage in Rupert's. The need for a recompression chamber has been suggested. These prospects should form the focus of a revised Tourism Development Project.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Major Visitor Projects</b>	-	250	600	300	300

### *Visitor Attractions & Experiences.*

Responsibility for attractions and experiences is another key area for tourism and will involve further development of heritage and country sites, ideally through sub-contracting i.e. the National Trust or private sector contracting companies.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Visitor attractions and experiences</b>	200	200	200	200	200

<sup>14</sup> For detail of the development vehicle see section x

### *Jamestown Investor Centre.*

Investors will expect the highest levels of professionalism. The island needs to ensure investors leave with the best possible impression of the island and this will include being in an environment which meets their expectations. Saint Helena currently has a shortage of such facilities. As such, a world class, one stop location, for investors in Jamestown is needed.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Jamestown Investor Centre	125	20	20	20	20

### *Private Sector Development*

Ensuring that the economic development of the island provides opportunities for all to participate is a key priority for the island. A crucial element of this will be ensuring local businesses and entrepreneurs have the ability to take advantage of new opportunities.

Existing businesses and start-ups will need continuing support. This is currently provided by SHDA.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Private Sector Development	400	350	350	350	350

### *Training and skills*

The Island clearly needs to develop skills in the hospitality sector and improve business skills to enable residents to successfully start and also develop businesses to a world-class standard. This increase in standards needs to be across all roles, as noted by Bahamas Tourism, "Housemaids have to become electronically literate to update room inventory with hand held technology".<sup>15</sup> The average wage of working in housekeeping in the Bahamas is £12,185.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Training and skills	180	180	180	180	180

It will be important to draw on the resources at AVES to facilitate this and potentially it may be necessary to include AVES in the new economic development organisation.

### *Fishing Sector*

The potential for the fishing sector to contribute to increased economic growth is currently unknown. As such, some investment is required to assess whether the sector could add greater value in the future. Investment in the fishing sector has to be subject to the likely added value exceeding the estimated investment. Otherwise, fishing should be viewed as an 'artisan' activity (and investment shown below reduced) rather than a strategic sector. Integrating the St Helena Fisheries Corporation with the new Economic Development organisation will be important in driving this forward.

<sup>15</sup>. Bahamas response to United Nations World Tourism Organisation Survey

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Fishing sector	64	280	260	260	210

### *Growth Finance Provision for Business*

The Bank of Saint Helena (BOSH) should be the first call for all businesses seeking finance. As a deposit-taking bank, BOSH can only really advance loans that are secured against tangible assets i.e. property, so that it knows it can recover its loan in the event of default. The BOSH's first responsibility is to the individuals who deposit funds with it and therefore such an approach is sensible.

However, this creates a funding gap for those individuals or businesses that have insufficient assets to secure a loan. Of those funding requests deemed too risky or unattractive by BOSH, some will be commercially sound and will be precisely the type of activity all stakeholders want to see develop.

It is easy to envisage situations where an individual may wish to start a business but as they have a mortgage on their house, they have insufficient free equity to secure a loan for a sound business proposal. Another example may be that the owner of a guesthouse wishes to buy or extend a property. Again, they may have insufficient free assets to fully secure the loan. The situation is exacerbated by the relatively underdeveloped state of the on-island private sector, because historically there have been very few opportunities. This means that many Saint businesses are under capitalised or do not have experience of managing cash flows / growth financing. If Saint individuals and businesses do not have access to unsecured finance, many **Saints will be unable to participate in the development of the economy**. Furthermore, without access to such finance, overall growth in the economy will be slowed as the number of new businesses, basic building blocks in a growing economy, will be significantly reduced.

A Saint Angel Investor Network is being developed to help bridge this funding gap but there needs to be realism about how effective this can be in a small, personality based community. The estimates below exclude providing any finance for off-island investors.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Loan and equity finance	420	540	900	1,100	300

At present SHDA has approximately £400k available to fund these investments. By their nature all of this finance will be at high risk, though over the loan / investment term, the overwhelming majority of the capital will be repaid with interest. It is important, however, to recognise this is at risk finance and there will be some failures.

### *Diaspora – Targeting Bringing the Overseas Saints Homes*

Achieving the desired levels of economic growth and social development on Saint Helena will require a substantial increase in the population. Recent reports on the labour market suggest that much of this increase can be achieved through returning Saints, which itself has many positive externalities. A concerted work stream to attract Saints back to the island is therefore required. This will include:

- Targeting Saints on Ascension Island, the Falkland Islands and the UK (in priority order). Focus on those in business or with key skills.
- E-newsletters and website
- Individually tailored communications to those that are in business or with key skills.
- Trade Mission - trip of up to 20 overseas Saints back in a subsidised, co-ordinated trip with a programme

- Saint Angel Investor Network, comprising Saints both on-island and off-island
- Attending UK events using resources in London SHG office.

It is estimated that this would cost £25k for the first year and 15k per annum thereafter.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Diaspora	40	15	15	15	15

### Total Funding

As highlighted, some of the funding required for these activities is already located in other SHG departments (e.g. Lands, Education, and ANRD) or included in current Technical Cooperation (TC) funding e.g. Tourism Development Project. All funding for existing SHDA and Tourism programmes will have to support the Sustainable Economic Development Plan. There will also be some additional funding required for the salaries of some key posts. There will need to be flexibility to move funding from one activity to another as priorities and needs become apparent or change based on reality.

(£ 000's)	2012/13	2013/14	2014/15	2015/16	2016/17
Total funding required	3,194	3,520	4,030	3,675	2,855

**This initial funding estimate has been done very quickly and with little proper appraisal of the situation. Therefore, this funding estimate may change substantially.**

Existing SHDA and tourism funding programmes only run until the end of 2012/13, Year 1 in these estimates. There is sufficient funding in the various Tourism allocations to cover Supporting Existing Tourism, of £495k. SHDA has sufficient funds to cover Private Sector Development, of £400k and also Providing Loan and Equity Finance of £420k. **Combined, these existing funding programmes, total £1,315k, leaving a net increase of £1,878.** SHDA will then have spent all if its cash resources and just have rental income from its property portfolio.

**This does not include funding for overseas investors and this may be substantial. The assumption that inward investors will, "Bring their money with them", is likely to be an over simplification.** Many inward investors would typically look to raise at least some funding in the jurisdiction where they are investing. There are sound commercial reasons for this:

1. Foreign currency risk – Matching funding and investment in the same currency reduces foreign currency risks. This will be relevant to any non-UK investors – e.g. South African, American and French.
2. Loan security - An investor may be unable to use a property on Saint Helena as security for a finance obtained overseas i.e. from a UK bank. This has already been apparent where an investor has not been able to proceed with a Saint Helena property purchase for this reason.
3. Business risk - Investors will seek to match the funding liability for a venture with that venture, rather than link it with the 'parent' business. If the individual venture fails, then the 'parent' business does not incur an additional loss or even fail. Many businesses (including blue chip companies) will not make individual investments if it would put the overall 'parent' business at risk of a substantial loss.

## Section 9: The Economic Development Organisation

The importance of economic development to the future of Saint Helena has been clearly highlighted. A coherent and coordinated approach to economic development will be required to achieve the island's goals.

As such, consolidating various organisations on Saint Helena into one structure is required. It is also desirable and common practice internationally for such an organisation to operate at 'arm's length' from government.

This new organisation will be the implementer of SHG development policy (fourth MOU condition and Goal 1 of the SDP) and will link SHG and the private sector together.

### *Enterprise Saint Helena*

One of the weaknesses in terms of economic development on Saint Helena has been a lack of coordinated and strategic approach. As such, a new development organisation will be created to ensure a coherent and consistent approach to development across the island. The vision set out in this SEDP, along with strong leadership and management, will be vital to the success of the organisation in delivering economic development to Saint Helena.

Given the time pressure, it would be most effective to use SHDA, add resources and reconstitute it into a new vehicle. It is proposed that this organisation is called 'Enterprise St Helena' ("ESH").

As well as taking on the new responsibilities, ESH would ensure that the existing local development focus is not only retained, but enhanced.

Given the island's limited resources – both financial and human – it is expected that the new organisation will be largely staffed through redeployment from SHG, SHDA and the Tourism department. For some of the key skilled jobs, however, there will be a need to attract international workers with skills in specific areas.

### *Links with SHG*

As a result of the establishment of ESH there will consequentially be an impact on SHG and a formal relationship between the two entities will be developed to ensure the needs of each are catered for.

As a first step, a 'Heads of Agreement' has been agreed between the Chief Executive for Economic Development and the Chief Secretary for Saint Helena Government. This document sets out a basic framework within which SHG and ESH can operate over the short term.

The document also stresses the need for a Framework Agreement to be put in place, with a target date of 1<sup>st</sup> July 2012. This will spell out more thoroughly the details of the ongoing relationship between SHG and ESH

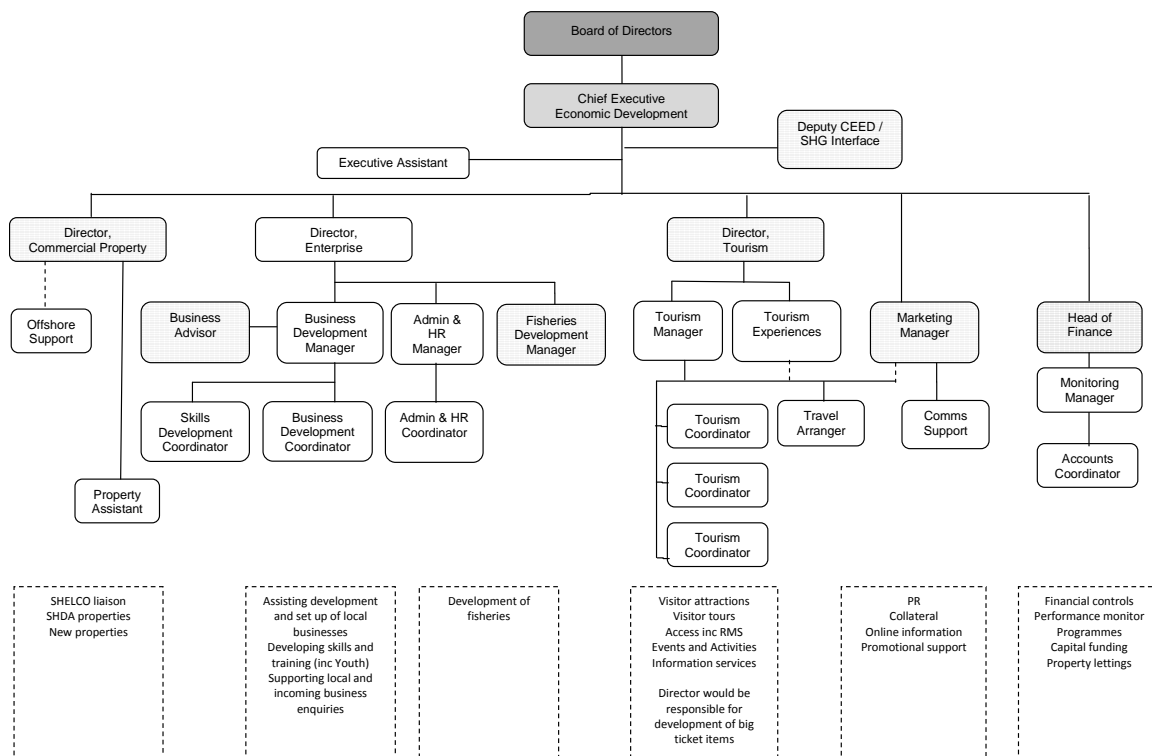
### *Structure of ESH*

The following organogram outlines an initial structure. In addition, to begin with, some of the roles and functions may be combined due to lack of resources and capacity. It is worth noting that at present there is currently a lack of strategic leadership within the economic development sphere on Saint Helena. As such, the proposed new posts aim to rectify this deficit. At present the island has a very limited pool of individuals which can be leaned upon to transform the economy.

ESH only plans to create 6 new posts. These new posts, quite simply, are doing new things, such as managing a new loan book for local businesses, developing the fishing industry, driving forward tourism or managing key commercial properties.

ESH will also be leaning on and deploying in a better fashion the current staff of SHDA and the Tourism department. Indeed, some existing back office roles are going to expand as part of the larger organisation, while other post holders are likely to move to other parts of the organisation and take on new tasks.

New posts



It is envisaged that the organisation will exist for 10 to 15 years and will focus on the island as a whole, but with a concentration on some specific sites. It will not be a developer, but rather a stakeholder manager. This will allow the organisation to take a more holistic view to development, particularly of less commercial issues, such as legacy and whole island benefits. The organisation is also unlikely to be required to make a direct financial return on every development, particularly when the investment is in the form of land.

The organisation will not seek to compete with the private sector provision of capital. The main focus will be to facilitate investment and work to remove potential barriers. However, when the market does not provide investments - particularly strategically important investments – the organisation may put forward a case to provide finance to stimulate the project.

Compared to examples found internationally, the organisation will benefit from operating on Saint Helena, where land ownership is heavily concentrated (within SHG), most sites are largely undeveloped and do not have people already residing on them and there is little in the way of contaminated land. The organisation will, however, be faced with some fairly unique risks given the island’s size and isolation.

**Monitoring and reporting**

It is expected that the Chief Executive for Economic Development will be responsible to the Board of Directors, who will monitor progress and provide strategic direction to ESH.

The Board of Directors is likely to comprise:



- President of the Chamber of Commerce – to represent the general Private Sector
- Up to 5 representatives from the Private Sector, ideally individual board members will represent the sectors of the Saint Helenian economy, rather than personal views. This will enable the development of strategic plans for different sectors including agriculture, tourism, fishing, construction.
- The SHG Chair of the Economy and Finance Committee
- The SHG Financial Secretary
- The ESH Chief Executive for Economic Development
- It may be beneficial to ask Basil Read and also SHELCO to have board representation to integrate their activities into the Saint Helena economy.

To aid longer term monitoring, over the course of the first year ESH will develop a robust business plan against which future progress can be monitored. This will be based upon individual business plans for each Director, which will be developed in the first year as the staff are recruited. The emphasis of the monitoring will be placed on 'outcomes', i.e. ensuring ESH is having the desired impact on Saint Helena and its economy.

While this monitoring system is being prepared, in the interim period, ESH will be mostly monitored against 'outputs'. This will include high level indicators such as overall expenditure, investor interest and milestones. The table overleaf outlines ESH's forecasted expenditure profile for its first year of operation, as well as key milestones. It is believed that ESH will be monitored against this timetable.

In order to facilitate monitoring in the short term (i.e. for the first year), ESH will produce quarterly reports which outline progress against forecasted expenditure and agreed milestones (as per overleaf), as well as providing a succinct overview of activities over the past quarter and planned activities for the following quarter.

In line with the SDP evaluation process, at the beginning of the second year of the first three years of the plan, there will be an economic, a social and an environmental impact assessment of the SEDP.

The Chair of the Economy and Finance Committee will feed this report back to the Economy and Finance Committee, in order to maintain political oversight, while the Financial Secretary will be responsible for feeding the report back to officials within SHG. A copy of the report will also be sent to the SHG Director of Strategic Policy and Planning Unit for monitoring purposes.

**ESH's forecasted expenditure profile and key milestones**

		Q1	Q2	Q3	Q4	Total
<b>Expenditure</b>	Total EDP TC project	£ 50	£ 169	£ 292	£ 177	£ 689
	Total EDP recurrent	£ 118	£ 183	£ 153	£ 178	£ 630
	Total additional capital	£ 20	£ 60	£ 60	£ 60	£ 200
	Existing SHDA and TDP TC projects	£ 130	£ 170	£ 223	£ 372	£ 895
	LTTTC	£ 65	£ 98	£ 98	£ 98	£ 360
	Loan and equity finance	£ -	£ 20	£ 150	£ 250	£ 420
	<b>Total Expenditure</b>	<b>£ 383</b>	<b>£ 700</b>	<b>£ 977</b>	<b>£ 1,135</b>	<b>£ 3,194</b>
<b>Milestones</b>						
	Commercial Property Director in post					
	Finance Director in post					
	Business Advisor in post					
	Tourism Director in post					
	Marketing Manager in post					
	Fisheries Development Manager in post					
	Director of Economic Development in post					
	ESH established					
	ESH responsible for own accounting					
	Framework Agreement in place					
	Tourism Director Business Plan in place					
	Fisheries Director Business Plan in place					
	Commercial Property Director Business Plan in place					
	Enterprise Director Business Plan in Place					
	Marketing Manager Business Plan in place					
	ESH Business Plan in Place					
	Jamestown Investor Centre					

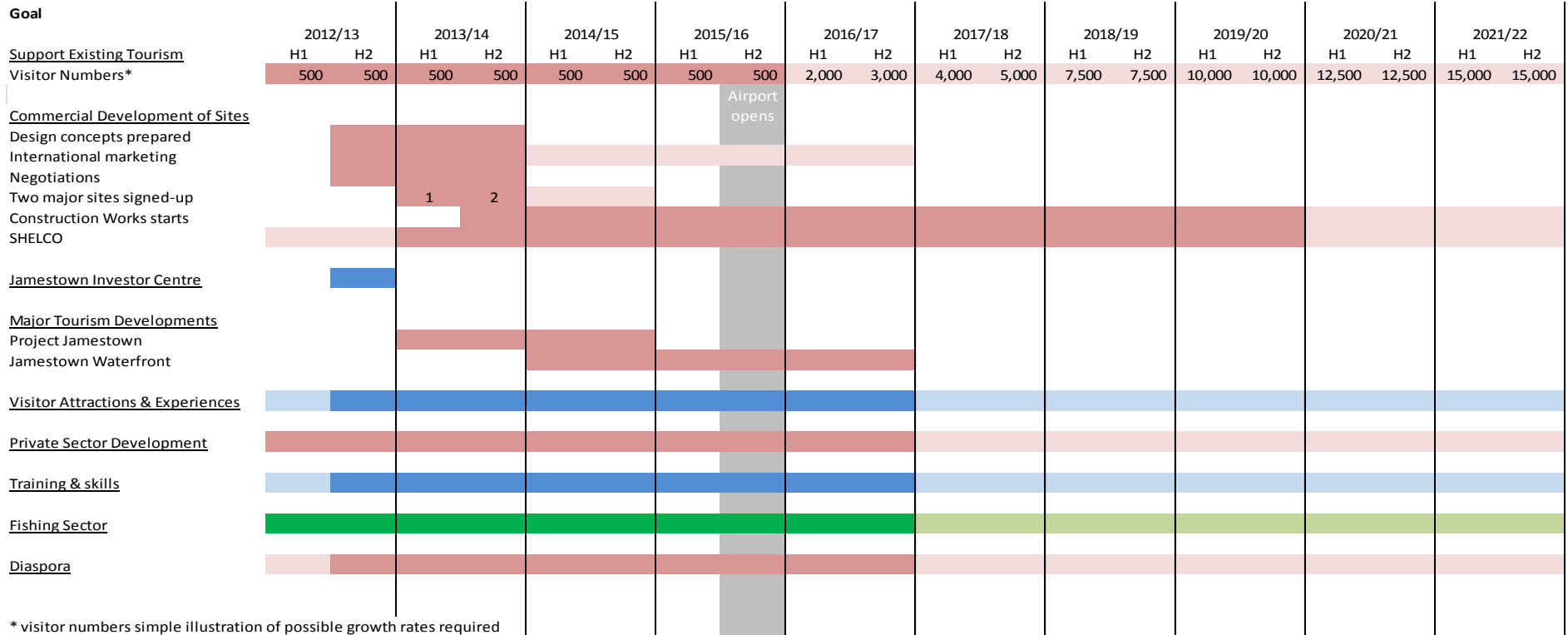
## Section 10: Risks and Mitigation

Risk	Impact & Probability	Mitigation
<b>The Biggest Risk</b>		
<p>Whilst relatively modest in absolute terms, the change required to achieve the outcome that all stakeholders want, is in Saint Helenian terms massive and there is very little time to get it right. All stakeholders will fully support the stated goal but there is a real risk that this will not translate into a change of mindset across the stakeholders' organisations.</p> <p>Risk that all the stakeholders, SHG, DFID do not actively prioritise growing the economy.</p>	<b>High &amp; High</b>	To ensure stakeholders recognise and support the prioritisation of the private sector as number one priority a series of stakeholder meetings will take place, as well as biannual National Economic Forums.
<b>Institutional Risks</b>		
<p>Inertia – inability to make the necessary changes in the timeline, due to:</p> <ul style="list-style-type: none"> <li>• Changing mindsets – the hardest thing</li> <li>• “Death by Committee” – everyone involved but no drive or accountability</li> <li>• “Inertia by constant internal negotiation”</li> <li>• Protection of Turf/ Turf wars</li> <li>• Personalities getting in the way of ‘what is right’</li> </ul>	<b>High &amp; High</b>	Strong leadership & focus on the result. Clearly assigned ownership and accountability and clearly defined roles and responsibilities within ESH and SHG.
The financial and human resources to re-balance the economy are not provided.	<b>Medium &amp; Medium</b>	The SEDP is used to make the case for additional resources. Ensure SEDP is as robust as possible given time constraints.
The economy remains heavily dominated by the public sector and is therefore unable to maximise the benefits air access will bring as a result of SHG not sufficiently reducing its footprint.	<b>Medium &amp; High</b>	The private sector would be boosted by successful implementation of the divestment strategy. Persistence with the headcount reduction strategy would also ensure sufficient room for private sector expansion.
<b>Social Risks</b>		
Saints do not return from overseas, creating a shortage of people to fill created jobs.	<b>Medium &amp; High</b>	Seek to inform & energise the diaspora by funding a work stream to improve links with the diaspora and the quality of information available to them.
Residents resent and resist tourism. This could create social unease or disengagement.	<b>Medium &amp; Medium</b>	Positive communications in the local media about the impact of tourism on the economy. Recruit local business advisor as soon

		as possible to ensure local residents have the opportunity to participate in the increased economic activity and do not feel disenfranchised. Maintain communications with local residents through a National Economic Forum.
<b>Commercial Risks</b>		
Global financial situation: 1. Lack of international funding for new development projects	<b>High &amp; High</b>	Create an attractive investment proposition & energetically promote. Need only a handful of significant funded projects. Evaluate annually progress in attracting large scale investment.
SHELCO 1. Saint Helena's current major potential investor (SHELCO) decides not invest 2. SHELCO does not complete its project as quickly as currently presumed, thus delaying the economic benefits associated with the project.	<b>High &amp; Medium Medium &amp; High</b>	Actively develop multiple investor interest. Potentially limit the number of sites to incentivise investors to commit.
On-island standards do not improve – physical & built environment, food and leisure activities, etc. is not improved to a standard expected by a quality tourist destination.	<b>Medium &amp; High</b>	Create the business case why standards need to improve & support with practical training
The Saint Helena tourism produce does not get created to a high standard and causes reduced rates of economic growth, because the local private sector does not get engaged, meaning that while some of the product space is filled by off-island parties, some products are not supplied at all.	<b>Medium &amp; High</b>	Actively engage and inform Private Sector & constantly look for opportunities with Basil Read & major investments etc.
Difficulty in attracting airlines to Saint Helena at all or on attractive terms – i.e. price so high it becomes a barrier to access.	<b>Medium &amp; High</b>	Develop contacts with a wide range of quality airlines.
Island tourism offering & development sites not market tested – not known how attractive the opportunity will be.	<b>Low &amp; High</b>	Flexible in approach to possible development sites & investor needs.
Saint Helena tax regime puts off investors	<b>Medium &amp; High</b>	Close contact with investors & need to monitor competitive situation. Work with new Chief Public Relations Officer on media strategy.
<b>Political Risks</b>		
Change of Saint Helena Councillors.	<b>Medium &amp; Medium</b>	Inform and reassure Councillors & wider community about the

		Vision & ensure it is what they want.
Change of UK Government, leading to a lack of support.	<b>Medium &amp; Low</b>	Deliver on Saint Helena's part of the Ministerial 'Bargain'. Maintain good working relationship with HMG.
Deterioration in South Africa.	<b>High &amp; Low</b>	Keep considering alternative options.
<b>Environmental Risks</b>		
Climate change. Poor weather on the island makes it unattractive. The island is not a weather driven destination.	<b>Low &amp; Low</b>	Consider all the possible activities that people could pursue.
Cumulative loss of habitat, species and degradation of landscape leads to loss of tourism product	<b>High &amp; Medium</b>	Ensure that development is in line with the Land Development Control Plan
Degradation of some conservation areas due to cornerstone tourism developments in National Conservation Areas	<b>High &amp; Medium</b>	Ensure that development is in line with the Land Development Control Plan
Development of Commercial fishery results in over-fishing and loss of stock in the long term	<b>High &amp; Medium</b>	Ensure that the development of the fishery is based on a sound evidence-base feeding into adequate planning to ensure long-term sustainability of fish stock.
Sea level rise.	<b>Low &amp; Low</b>	No mitigation suggested as not a major concern as few sites would be directly affected

## Sustainable Economic Development Plan – Goals



\* visitor numbers simple illustration of possible growth rates required