

# Annual Review: Enterprise St Helena

## Annual Review - Summary Sheet

<b>Title: Support to Enterprise St Helena 2013/14 – 2016/17</b>		
<b>Programme Value: Up to £ 4.82m</b> (DFID funds)	<b>Review Date:</b> May 2016	
<b>Programme Code:</b> 203140	<b>Start Date:</b> 1 <sup>st</sup> April 2013	<b>End Date:</b> 30 <sup>th</sup> September, 2016

### Summary of Programme Performance

Year	2013/14	2014/15	2015/16					
Programme Score	B	A	A					
Risk Rating	Medium	Medium	Medium					

### Summary of progress and lessons learnt since last review (Summary of 2014/15 AR attached)

Enterprise St Helena (ESH), with its financial support from the St Helena Government (SHG) and DFID, has had a successful year to 31<sup>st</sup> March, 2016, in terms of achieving its 6 outputs. The Review found that on-island perceptions of ESH's work and its contribution to economic development have been more positive than in earlier years, and that the private sector appreciates the wide range of activities ESH is engaged in. With the opening of the airport delayed beyond May 2016, and the finalisation of regular air services still awaited as at mid-June 2016, the challenge to convert ESH's efforts into additional tourists and new investors continues into the last six months of the current phase of DFID support to ESH.

### Lessons

Alongside expanding its client base on island and internationally, ESH has adopted a pro-active stance in communicating its activities, and the attractions of St Helena as a tourist destination, across the island and to, for example Ascension and the Falkland Islands, and to potential investors in UK and South Africa via ESH representatives and high profile events.

In increasing its activities around attracting investors, ESH has shown forethought and flexibility in putting in due diligence and other procedures to ensure that investors bring funding and skills of priority on St Helena. An additional effort is still needed by ESH stakeholders including SHG, DFID, and ESH itself to actively pursue options on improving St Helena's business environment. This is covered by the recommendation to call in expertise via DFID's Business Environment Reform Facility.

### Summary of recommendations for the next year

- ESH to review existing financial support schemes and policies so as to correct slower than expected take up of capital investment grants, by 1<sup>st</sup> October, 2016;
- On tourism indicators, future targets will be fully specified between different origin of tourists or visitors, in line with existing tracking by the Statistics Office and Tourism Office, in time for start of Phase 2, ie 1<sup>st</sup> October, 2016;
- ESH will provide a Review Paper on its experience with DFID-funded capital programme projects during 2015 and 2016; by end June 2016;
- ESH to agree draft Terms of Reference by end June for an Investment Climate Review to be funded by DFID's Business Environment Reform Facility, with a view to mobilisation by September 2016;
- The Business Case for Phase 2 will address the opportunities and challenges around the fisheries sector;
- On risks, DFID and ESH to ensure alignment between their narratives on risks facing ESH and the use of DFID funds;
- SHG and ESH to accelerate updating of their Framework Agreement to be completed by 1<sup>st</sup> October, 2016

# Annual Review: Enterprise St Helena

- The impact on Gender will form part of the criteria when determining sectors to focus on in future work, by 1<sup>st</sup> October, 2016.

## Action on previous recommendations

Last year's recommendations have been tracked on a monthly basis, and those not completed are referenced in the report below.

## A. Introduction and Context

DevTracker Link to Business Case:	<a href="http://iati.dfid.gov.uk/iati_documents/4019855.odt">http://iati.dfid.gov.uk/iati_documents/4019855.odt</a>
DevTracker Link to Log frame:	<a href="http://iati.dfid.gov.uk/iati_documents/5018902.xls">http://iati.dfid.gov.uk/iati_documents/5018902.xls</a>

## Outline of the programme

In the context of realising the benefits of DFID's substantial investment in the new airport, the St Helena Government (SHG) established Enterprise St Helena in 2012 to implement its economic development programme based on private sector growth. Details of the arrangements between SHG and ESH are set out in a Framework Agreement, and between DFID and ESH in a Memorandum of Understanding.

With operating costs covered by SHG, and programme and capital costs covered by this DFID programme, ESH carries out the following activities; business advice and grants to local businesses including start-ups: skills training and upgrading particularly in Tourism and Construction related businesses; advertising and marketing to attract tourists and expand the tourism industry; facilitating existing and potential local and international investors; and building the capacity of the fishing sector. ESH also functions as the Tourism Board and Tourism delivery organisation. Investments in refurbishments of 3 heritage buildings have also formed a major part of ESH activities in 2015/16.

DFID has committed up to £ 4.821m to Enterprise St Helena to assist the economic development of St Helena over 3 financial years. Following a recommendation from the 2014/15 DFID Annual Review, this funding has been extended to end of September 2016, while also converting a proportion of this into capital funds on ESH's request to help fund tourism-related capital expenditure. With some uncertainty remaining on the commencement of regular air and shipping services as at June 2016, which affects ESH's forward planning and the budgeting of required expenditure, it is likely that the current phase will be extended to 31<sup>st</sup> December, 2016.

## Expected results

As noted in the SHG/ESH Framework Agreement, "*On behalf of SHG, ESH is responsible for promoting and facilitating economic and commercial development for the benefit of Saint Helena*", and this includes tasks such as promoting the development of local businesses, attracting international investment, and developing the island's tourism sector as the main driver for economic growth.

The expected **impact** of the programme is sustainable economic, social, and environmental development. The expected **outcome** is an improved environment for private sector development and tourism-led economic growth.

## Contribution to DFID OTD Operational and Business Plans

The ESH programme contributes to DFID's Operational Plan for the Overseas Territories covering the period from 2011 to 2016): *to accelerate aid-dependent Overseas Territories towards self-sufficiency*. The intended result of DFID programmes, including financial aid and support to Enterprise St Helena, is for local revenue contribution to St Helena's recurrent budget to exceed 50% by March 2016. In the new

# Annual Review: Enterprise St Helena

DFID Business Plan for the Overseas Territories for 2016 to 20, the ESH programme contributes to Departmental Objective 3 – *to promote prosperity in the aided Overseas territories through increasing competitiveness, investment, and job creation.*

## B: PERFORMANCE AND CONCLUSIONS

### Annual Outcome assessment

The Outcome is “an improved environment for private sector development and tourism-led economic growth, in the run-up to airport opening”.

Outcome Indicators	Milestone 2015/16 (2014/15)	Achieved 2015/16 (2014/15)
1.No. of businesses registered with SHG Income Tax Office	5 (9)	See note below ((+9 (est))
2. SHG headcount as a % of resident population (a proxy indicator of private sector employment, assumes that unemployment levels do not rise)	16% (17.0%)	See note below (17.2%)
3. No. of serviced en-suite accommodation bedrooms.	36 (8)	2 (9)

### Progress

Progress on outcome indicators has been less good than on outputs (see below). Figures on number of businesses registered to 31<sup>st</sup> March 2016 are still awaited, but the milestone is likely to be achieved. On SHG headcount as a proportion of resident population, an increased number of staff have been required during 2015/16 to deliver core front line services, for example with respect to child safeguarding. SHG has agreed to benchmark certain of their services against plans to reduce resource requirements as a result of preventative and effective SHG services.

On the supply of serviced en-suite accommodation bedrooms, progress has largely been halted while current plans for a new hotel on the refurbished site of 1,2 and 3 Main Street, Jamestown, have been delayed, with a likely completion date in 2017. This will provide 30 additional en-suite bedrooms. Also, within the next year, another approximately 100 beds will become available via the conversion of Bradley’s Camp to accommodation units, and the completion of plans at two other accommodation sites.

### Overall output score and description

**Overall Output score is A – *Outputs met expectation.*** Individual output scores are set out in the sections below, with 2 outputs scoring A+ (*Output moderately exceeded expectation*), 3 scoring A (*Output met expectation*), and 1 scoring B (*Output moderately below expectation*).

### Key lessons

At project “output level”, and in terms of the key performance indicators measured at this level, ESH has had a successful year. As a reflection of this, views collated during this 2015/16 Annual Review include:

(a) ESH has improved significantly in terms of delivery (volume of programmes and grants), perception (of its positive role in the community as a business champion and as the significant contributor to economic development), and leadership (performance of its Executive team, and its staff);

(b) In its relations with key stakeholders on island, ESH has progressed its positive relationships both with elected members, and with SHG senior management. Challenges remain in ESH obtaining help and co-operation with all staffing levels in SHG, particularly on land and planning issues. The latter is affecting ESH’s ability to work with SHG to pursue their joint goal of ensuring an enabling environment for local and overseas investors;

## Annual Review: Enterprise St Helena

(c) Alongside widely recognised business development efforts on island during the year, emphasised through an intensive series of dissemination events across island, ESH has had a significant impact off-island, through investor meetings in Cape Town and London in Jul. Its outreach efforts to Saints and others on Ascension and the Falkland Islands, contributed to early thinking in the UK Government of promoting a “hub” approach involving all UK island interests in the South Atlantic.

### Key actions

ESH is now in the last six months of this phase of DFID support. As well as inputting into this Annual Review, ESH is working with DFID to design and document the Business Case for the proposed next phase of DFID support.

DFID is looking to the next phase of support to show a clear path to achieving linkages between economic development of St Helena, primarily through the tourism sector, and SHG revenue. This will enable alignment with DFID’s Business Plan for the Overseas Territories with its emphasis on encouraging prosperity, and reducing the level of UK aid to these islands.

### Has the logframe been updated since the last review?

The logframe was updated to reflect the six months extension to 30<sup>th</sup> September, 2016, and will be further updated to run through to the end of calendar year 2016.

## C: DETAILED OUTPUT SCORING

Output Title	Larger, more profitable and sustainable local businesses, particularly in key sectors		
Output number per LF	1	Output Score	A
Risk:	Moderate	Impact weighting (%):	12%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
1.1 Number of local business start-ups or expansions (youth/non-youth) supported by ESH.	2 Youth; 2 Non-Youth	ESH supported 7 non-youth, and 2 youth businesses.
1.2 Number of start-ups (youth/non-youth) supported by ESH remaining in business after two years.	10	10 start-up businesses remained in business after two years by 31 <sup>st</sup> March, 2016.
1.3 Number of tourism/hospitality businesses receiving capital investment grants.	5	2 businesses received Capital Investment Grants by the end of the year.

### Key Points

Of the three quantitative indicator targets, two were met or exceeded, and one was 40% achieved. On balance, this justifies an overall A, “*outputs met expectation*”. On the first indicator, ESH’s focus on youth was reduced after a 2014 prioritisation exercise which rather encouraged business support services to

## Annual Review: Enterprise St Helena

be directed at existing businesses to enable them to expand (*ESH comment*). A larger factor may have been the state of St Helena's virtually full employment situation, which offers young people a relatively good job market that does not require the scale of risk-taking needed in becoming self-employed (*SHG Director of Education*).

The reasons for the high survival rate of ESH supported businesses are likely to be a mixture of (a) few businesses being started and only then when business prospects are strongly positive, (b) the scale of ESH's support through their Business Development Team, and (c) in their early years, such new businesses may have been cross-subsidised by existing businesses owned by the same investors, since Saints and their families often have several sources of income from employment and self-employment. SHG Revenue & Customs noted that, across the small business population, ie beyond ESH clients, only 5-6 very small businesses, typically handicrafts or food, did not succeed after tax registration.

Just two businesses received the total of 3 Capital Investment Grants during the year; the below target figure may have come about due to the extent of due diligence procedures required to release these grants, with some applicants moving to smaller SME Development grants instead.

### Summary of responses to issues raised in previous annual reviews (where relevant)

The 2014/15 AR encouraged the systemising of after-care services, which was achieved during the year, and the adoption of a suitable client relationship management software programme. Implementation of the latter has been delayed, and is now targeted for 2016/17.

### Recommendations

ESH has already committed to revising the existing financial support schemes and policies, so that performance is optimised on, for example, the Capital Investment Grant scheme noted above.

Output Title	Fewer skills gaps and enhanced entrepreneurship		
Output number per LF	2	Output Score	A+
Risk:	Minor	Impact weighting (%):	22%
Risk revised since last AR?	Y/N	Impact weighting % revised since last AR?	Y/N

Indicator(s)	Milestones	Progress
2.1 No. of individuals completing accredited and non-accredited training courses supported by ESH	150	418 individuals trained, of which 84 on accredited courses, and 334 on non-accredited courses.
2.2 No. of completed apprenticeships/traineeships supported by ESH	4	ESH no longer funds this sub-component – SHG's Education & Employment Directorate covers this area.
2.3 No. of Skills Development Grants (utilising the St Helena Economic Development Fund and project funding) supported by ESH	4	7 Skills Development Grants awarded.

### Key Points

While quantitative targets have been well exceeded in the two indicators of relevance in this output area, these indicators are more "input focused", ie people attending courses or gaining from grants, rather than reflecting what actual business changes have been achieved by e.g. graduates from the training

## Annual Review: Enterprise St Helena

---

courses, or by recipients of the skills development grants. The previous Annual Review did note that ESH looks to record trainees' plans for implementing the training gained, but actual impact measurement would require the use of a post-course or grant survey tool. On this basis, the score of A+ ("*Outputs moderately exceeded expectations*"), is more appropriate than A++ where the marking means "*substantially exceeding expectations*".

SHG senior staff remain concerned that such training is as much as possible geared towards immediately practical opportunities, rather than raising skills for occupations that are not in demand. With the expected economic stimulus from the airport, the demand pattern should change and result in a greater range of skills taught being useful for employment and self-employment on island.

### Summary of responses to issues raised in previous annual reviews (where relevant)

As noted last year, ESH has moved to avoid duplication of SHG skills development efforts, and is now working with the sector lead, the Director of Education and Employment, rather than running its own apprenticeship or similar programmes.

### Recommendations

None, whilst noting that ESH's good performance in this area should continue to be pursued during the remaining part of the current project, ie through to 30<sup>th</sup> September, 2016.

Output Title		Better financed local businesses	
Output number per LF	3	Output Score	<b>B</b>
Risk:	Moderate	Impact weighting (%):	12%
Risk revised since last AR?	Yes	Impact weighting % revised since last AR?	No.

Indicator(s)	Milestones	Progress
3.1 Number of micro-grants (£ 1000 to £ 5,000) supported by ESH	20 (30 for 2014/15)	49 (67 for 2014/15)
3.2 Volume of capital investment grants	£ 60,000 (45,000)	£ 30,000 (30,000)

### Key Points

For the second year running, the first indicator was well exceeded, while performance on the second indicator this year was disappointing. In scoring terms, these would be classified as A+ for the first indicator, and B ("*output moderately did not meet expectations*") for the second indicator. Last year's Annual Review concluded on a "B" for the output as a whole, when the volume indicator target was actually met.

ESH has noted that in its own summary of the year that there are two anticipated applications for capital investment grants of a potential combined value of over £30,000 which have been delayed to fall within next year (ie April 2016 onwards). This year, although progress on the micro-grants has continued to be positive, the target and number of micro-grants were lower than the previous year, and although the capital investment grant achievements are mainly one of timing, the final considered scoring is also B.

The micro-grants are clearly a strength of ESH's services to the private sector, as endorsed by SHG senior managers during the Review, who noted that they are fundamental to improving public

## Annual Review: Enterprise St Helena

perceptions of ESH. These grants pay for business support such as business plan drafting, planning applications, architect designs and bills of quantities, and contributions towards material and equipment costs.

For the capital investment grants, see explanation under Output 1, Indicator 1.3, above. As noted in detail in the 2014/15 Annual Review, funds for these grants derive from so-called “legacy funds”, which comprise finance from an earlier range of sources, including FCO and the St Helena Economic Development Fund (SHEDF).

### Recommendation

The micro-grants continue to be a success, and their place in a mix of financial products will be re-considered by Enterprise St Helena during the six month extension ending 30<sup>th</sup> September, 2016.

<b>Output Title</b>	<b>St Helena better established as a tourist destination</b>		
Output number per LF	4	<b>Output Score</b>	<b>A</b>
Risk:	Minor	Impact weighting (%):	22%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

<b>Indicator(s)</b>	<b>Milestones</b>	<b>Progress</b>
4.1 No. of tourist visitor arrivals per annum	3302	9011
4.2 Total number of tourism businesses supported (£) by ESH	3	9
4.3 No. of new jobs created in the tourism industry (FTEs)	13 full-time, 7 part-time	13 full-time, 8 part-time
4.4 No. of additional visitor attractions developed	3	0
4.5 No. of ESH-supported Capital Programme projects completed on time and to budget.	3	1

### Key Points

This output area is perhaps the most tangible for external observers of ESH to understand. Attributing the gains to ESH alone is challenging. Firstly, the largest movement has been in “day visitors”, ie cruise ship passengers, which has grown from 2,633 to 5,768, correlated to the significant increase in visiting ships during 2015/16. ESH notes that some of these ships were diverting away from African ports due to the Ebola virus. The spend per day visitor is not known, though a conservative estimate would be £ 40 given that the immigration charge is £ 18, and there will be other expenditure such as taxi fares, and this equates to £ 231,000 income p.a. for the island, itself perhaps equivalent to 200 one-week stay tourists, ie say 10% of annual stayover tourists.

Separate from day visitors, “stayovers” grew 8% to 2,281, comprising tourists on excursions, transit, visiting friends and relatives, yacht crew and passengers from other vessels. “Business visitors” also increased by 8% to 962, although as last year much of this probably related to the airport construction phase.

As ESH notes, although it spends resources actively marketing St Helena as a tourism destination, the line of causation is complex, and the contribution of SHG funding to ESH staff and to marketing and advertising costs is inseparable from ESH DFID funded activities. Senior SHG management noted that

## Annual Review: Enterprise St Helena

ESH's promotion of St Helena in the wider world is contributing to increased interest and demand, but the conversion of this into actual tourists is heavily constrained by the availability of berths on the RMS St Helena. SHG also noted that the arrival of the new ESH Tourism Director has helped define and establish the St Helena brand.

ESH management view is that the majority of increased tourism is attributable to ESH as a result of the international promotional activity undertaken, alongside the improved services being provided through the Tourism Office. This has had an impact on the number of berths taken in the last few voyages of the RMS St Helena, and in the increased frequency of yacht visitors. ESH's monthly reports certainly show an intensive degree of marketing activities including news and journal articles and webpage hits.

ESH's performance on the total number of tourism businesses financially supported, the number of new full-time and part-time jobs, and the number of new visitor attractions developed, have all met or exceeded the original targets. Progress on the 3 visitor attractions (Halley's Mount – for visiting clear skies enthusiasts and astronomers, and Blue Hill Picnic Area are nearing completion; whereas Button-Up Corner is now in the process of public consultation on safety measures at this viewpoint).

The last Annual Review added "*No. of ESH-supported Capital Programme projects completed on time and budget*" as an extra indicator, and this has been included in the latest logframe including a target for the 6 month extension phase. In 2015/16, ESH spent £ 550,000 on 3 significant heritage building programmes: Jamestown Market, Bertrand's Cottage, and Longwood Enterprise Park. Each of these investments has significant relevance to tourism and other sector business development on the island, through, for example, providing space for new and existing businesses, and a location for hospitality training alongside a 3-bedroom accommodation facility. None of the 3 are completely finished by year end, but Jamestown Market is expected to open in May. See also comments below on Value for Money.

While ESH should continue to invest in visitor attractions, it may be worth considering if there are private sector-led opportunities to invest in other attractions which will be beneficial to investors and tourist number, apart from direct investment in accommodation and catering establishments.

### Summary of responses to issues raised in previous annual reviews (where relevant)

The 2014/15 Annual Review contains a detailed discussion on the problems of attribution, and the future of ESH efforts on tourism. These findings have been taken forward, as planned, in the design of DFID support to Enterprise St Helena, Phase 2.

### Recommendations

Going forward, it is important that future targets with regard to number of tourists clearly distinguish between the four categories of "day visitors", "stayovers", yacht crew and their passengers, and "business visitors".

On ESH-supported capital programme projects, ESH has undertaken to provide a Review Paper, which is targeted for delivery by 15<sup>th</sup> June.

Output Title	Economic Development supported with increased investment levels		
Output number per LF	5	Output Score	A
Risk:	Major	Impact weighting (%):	22%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No.

## Annual Review: Enterprise St Helena

Indicator(s)	Milestones	Progress
5.1 No. of local and foreign investors secured by ESH	4	4
5.2 Capital investment generated (£) by ESH (FDI and local private sector only)	£ 500,000	£ 535,000
5.3 No. of land and property transactions facilitated by ESH.	1	1

### Key Points

The milestone targets in this output area have been achieved, reflecting more success with local investors rather than new off-island investors. Four local investors have worked with ESH, 2 in the tourism and hospitality sector, and 2 in the fishing sector. A single foreign investor has purchased a property, for use in agriculture and tourism development.

As last year, in the case of Bertrand's Cottage, ESH facilitated and oversaw the transformation of a public property, this time the ex-slaughterhouse building at Longwood, from a derelict state towards an "enterprise park" which will accommodate 7 enterprise units and an agricultural pack house.

The remaining investments were a mixture of tourism and Hospitality ventures and investment in fishing boats.

During the year, the launch of ESH's Investor Prospectus in Cape Town and London in July significantly increased the amount of interest from international investors. Enquiries to ESH, including its Cape Town and London based agents, have become substantially more frequent, but converting such interest into actual investment deals continues to be challenging. While this may improve when the airport opens, as investors will not have to invest 10 days or so in a sea journey, other obstacles remain in areas such as land transfer, immigration procedures, and skills availability.

### Summary of responses to issues raised in previous annual reviews (where relevant)

These investment hurdles were described in more detail in the 2014/15 Annual Review, which recommended that a business enabling environment and investment climate assessment should be undertaken, and this is timed for mid-2016. Secondly, the AR recommended that the "options for a new approach to local and foreign investment, including possible incentives to accelerate investment decisions, should be appraised as part of the next phase of support to ESH from DFID", and this subject area is addressed in the Business Case for Phase 2, with a targeted approval date of September 2016.

### Recommendations

ESH to agree draft Terms of Reference for an Investment Climate Review through DFID's central programme Business Environment Reform Facility by end of June, with a view to mobilisation through DFID systems by September 2016.

Output Title	Island fisheries providing sustainable livelihoods and growth opportunities		
Output number per LF	6	<b>Output Score</b>	<b>A+</b>
Risk:	Moderate	Impact weighting (%):	10%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

## Annual Review: Enterprise St Helena

Indicator(s)	Milestones	Progress
6.1 Fisheries accredited to sustainability standards	1	2
6.2 Business supported by ESH within fishing industry supply chain	1	3
6.3 Number of ESH fisheries action plan recommendations implemented (Fisheries Development Report – March 2013)	4	6

### Key Points

Although ESH is refocusing its activities in the fisheries sector, its performance during the current year in this sector has been positive in terms of milestone achievements.

On sustainability standards, ESH supported the St Helena Fisheries Corporation to attain both affiliation with the International Pole and Line Foundation, and becoming certified under the “Dolphin Safe Tuna” monitoring programme with the Earth Island Institute. In the fishing industry supply chain, two offshore fishing businesses were supported, and also ESH provided help to a trade association assisting inshore fishing businesses. Support included technical assistance, skills development, and capital finance.

On the fisheries action plan, a total of six recommendations were either implemented or extended, relating to monitoring and tracking of vessels, financing options, and moving fish sales to an “open market approach” on the island.

### Summary of responses to issues raised in previous annual reviews (where relevant)

The 2014/15 Annual Review details the challenges facing the fisheries sector, and ESH’s involvement in this sector. ESH had a 45.3% share in the investment of a fishing boat called the MFV Extractor, that, for a variety of reasons, ceased fishing. ESH’s interest in this fishing boat has now been sold.

The last Annual Review also set out a series of options for a sustainable on- and off-shore fishing industry, with no clear conclusion as to ESH’s future involvement in this sector. The Annual Review had two recommendations relating to continuing to engage in fisheries working groups, and to review its long term involvement. In practice, ESH is now taking only a small role in the fishing sector, although with a continuing risk that it will be asked by island authorities to take a more interventionary role if the St Helena Fisheries Corporation is unable to continue its lead role in the absence of new resources.

### Recommendations

The proposed DFID/ESH Phase 2 Business Case will address the opportunities and challenges around continued ESH support to this sector.

## D: VALUE FOR MONEY & FINANCIAL PERFORMANCE

### Key cost drivers and performance

## Annual Review: Enterprise St Helena

Actual expenditure 2015/16 (and 2014/15 comparative) was as follows:

<b>Expenditure</b>	<b>2015/16</b>	<b>%</b>	<b>2014/15</b>	<b>Comments</b>
Hospitality & Skills Training	£ 445,287	32%	£ 631,000 (45%)	
Fishing Sector	£ 25,080	2%	£ 168,000 (12%)	
Investor Promotion	£ 26,182	2%	£ 44,000 (3%)	
Tourism Marketing, Advertising, and Brochures	£ 97,135	7%	£ 225,000 (16%)	
Private Sector Development	£ 233,852	17%	£ 185,000 (13%)	
Diaspora	-		£ 11,000 (1%)	
Commercial development sites	-		£ 150,000 (10%)	Funds spent on expenses on hotel development costs.
Capital works programme	£ 549,885	40%	-	New capital programme approved for work during 2015/16.
<b>Total Spent &amp; Committed</b>	<b>£ 1,377,221</b>	<b>100%</b>	<b>£ 1,415,000</b>	Reflecting an underspend of 8.2% (2014/15 = 8.1%)

The final spend represented 92% of forecast, although this was an aggregate of an overspend of 16% on capital works, and an underspend of 19% on the majority of spending lines. Major variations on the latter were as follows:

<b>Project Item</b>	<b>Description</b>	<b>Total Budget (£)</b>	<b>Spend</b>	<b>Comments</b>
Training and Skills Sector	Various hospitality, agriculture, construction, business skills, maritime and tourism training.	604,000	445,287	Delays to delivering courses mainly down to RMS berth constraints.
Fishing Sector	Support to Fishing Association, and stock assessment	48000	22,919	Significant challenges due to changes in this sector.
Investor Promotion	Events and publications	10000	26182	Additional efforts ramped up from June/July 2015, with publication of Investor Prospectus, and events in London and Cape Town, and additional inputs from ESH representatives.
Private Sector Development	Training & Skills Development, Product Development, Business Support Services	268000	233852	Underspends were due to a major recycling initiative being put on hold by the promoter, with an offsetting positive overspend on the micro-grants scheme due to increasing business activity and demand.

The standard of budget tracking and management is high, and the above overspends or underspends were regularly documented in the ESH monthly reports to its Board and DFID. Formal correspondence on the fishing sector delays and the withdrawal of the recycling initiative sponsor has been shared with DFID.

This year was the first time ESH had taken forward major capital works, following the allocation of a capital budget to ESH by DFID after earlier discussions. Brief description and financial details are summarised in the table below. It is worth noting that the range of these 3 projects, between £ 103,000 and £ 245,000 are of similar size in budget terms as many items in the main SHG Capital Programme, (£

## Annual Review: Enterprise St Helena

16.5m) which for example had 6 projects whose budget was between £ 100,000 and £ 400,000, alongside smaller projects, and 3 larger projects such as sewerage works and hospital upgrading.

Some of the lessons from the SHG Capital Programme are also relevant to the ESH capital works programme, and ESH has agreed to write a “review paper” from its involvement in its 3 DFID-financed projects.

<b>ESH Capital Works</b>	<b>Description</b>	<b>Original budget</b>	<b>Outturn at 31/3/16</b>	<b>Overspend to date</b>
Jamestown Market	Refurbishment of historical indoor market in Jamestown centre for letting to small business tenants.	£ 102,973	£ 178,657	£ 75,684
Bertrand's Cottage	Refurbishment of near-derelict heritage cottage as hospitality training centre, B&B, and restaurant.	£ 245,228	£ 215,906	(£ 29,322)
Longwood Enterprise Park	Refurbishment of derelict slaughter house into business facility for fresh food packhouse, and letting units.	£ 126,799	£ 155,122	£ 28,323

These capital projects have been relatively complex “one off” projects and have suffered from extended duration times required to complete the work, and unforecast costs often relating to their heritage status.

From a VfM economy perspective, ESH have applied their own procurement rules, as set out in last year's Annual Review. For expenditure over £ 50,000, a full tendering process is required, and a decision made by senior managers and ESH Board members.

Given the challenges, it is commendable that ESH has taken on these heritage projects, and the review paper will inform the next phase of the ESH Capital Programme. The review will look at lessons including budget estimates and spend outcomes, supervision and timing of works, and other relevant issues such as logistics and skills. A value for money conclusion should be looked at a year after completion of these projects, to establish whether the potential income from all 3 will justify the eventual costs of investment. Given the unmet existing demand for market space, business units, and for accommodation and catering at e.g. Bertrand's Cottage, the outlook in vfm terms looks encouraging.

In terms of VfM efficiency, ESH use a number of tools to ensure that its operations are efficient and effective, including the continued updating of its “Balanced Score Card”.

### **VfM performance compared to the original VfM proposition in the business case**

Three options were presented in the business case: 1) do nothing, 2) support ESH through a single comprehensive project and 3) support ESH through a number of specific project interventions, responding to requests on a case-by-case basis.

The value for money arguments presented in the business case are still valid. The St Helena Government are not in a position to fund all of ESH's activities and without DFID's support to ESH there would be limited expenditure on economic development given competing pressures for SHG's budget, such as health and social care. It is difficult to quantify the costs of failing to support economic development necessary to prepare the island for opportunities arising from the airport, but it is realistic to estimate that without DFID's support St Helena would be less prepared to benefit from the opportunities associated with air access.

It is difficult to assess whether the overall spend would have increased had option 3 (a project intervention approach) been selected but it is reasonable to state that it would have been more expensive to achieve ESH's outputs through a number of individual projects rather than one comprehensive project. This additional expense would have been in transaction costs, with a higher

## Annual Review: Enterprise St Helena

---

proportion of DFID and SHG staff time being required to manage the projects, and in a loss of economy of scale.

The six month extension was approved on the basis of the presence of unused funds within the DFID ESH programme that can generate additional results, as well as achieving a fuller set of target indicators in the programme's logframe. The proposed time extension, given that ESH running costs are largely met from SHG's general budget, is likely to improve value for money as more outputs are being achieved within the original DFID budget.

### **Assessment of whether the programme continues to represent value for money**

As stated in the Business Case, the long term dividends of the project are challenging to assess with precision. The benefits of ESH go beyond solely economic benefits, with significant unquantifiable benefits in up-skilling, jobs, and local investment opportunities. The delay to airport opening has postponed any meaningful assessment of whether ESH has prepared the island to benefit from air access, though ESH has laid a strong foundation for growth. ESH continues to deliver the strongest value for money option in ensuring that the island is in the best possible position to take advantage of the growth opportunities that air access will bring and, in the long term, reducing the need for continuing financial assistance from the UK. ESH is intending to further develop quantitative measurements of outputs achieved so as to aid in a value for money assessment in future.

In early 2016 The National Audit Office undertook an investigation into the St Helena Airport benefits realisation. This is expected to be published in June 2016. The investigation will consider the likelihood of DFID and the St Helena Government realising the expected benefits of a project to build and then operate an airport on the island of St Helena. Their findings may provide information that will assist in an assessment of ESH's value for money.

### **Quality of financial management**

ESH has effective financial management processes. ESH employs a qualified accountant who prepares detailed budgets and forecasts to SHG and to DFID. The budget is shared monthly and any variance is flagged to DFID. ESH respond promptly to queries and provide comprehensive responses.

In previous years there has been a tendency towards optimistic programming and subsequent underspend. ESH has worked to address this and achieved near full programming during this review period. A six month no-cost extension was approved to utilise prior year underspends.

Where there has been slippage it is often related to the inherent difficulties of getting people and goods to the island. Difficulties in programming have been compounded by having to adapt to an uncertain access environment. Some aspects of programming, such as consultancies, were based around air access by Feb 2016, and subsequently May 2016. The RMS has also been near to full capacity. The cumulative effect is that there has been understandable movement in delivery in some areas of work.

Auditing of ESH's accounts for 2013/14 and 2014/15 were undertaken by a UK based auditing firm on behalf of St Helena Government. These audits were unqualified and confirmed that expenditure was in accordance with the Memorandum of Understanding between DFID and St Helena Government.

ESH makes quarterly claims to St Helena Government in arrears. St Helena Government then send invoices to DFID for reimbursement. This process works well.

During this reporting period one case of alleged fraud has arisen. This is of low financial value and relates to funds provided by St Helena Government but administered by ESH. It does not relate to any staff member or action by any staff member but moreover relates to regulatory bodies and other institutional bodies outside of ESH. St Helena Government internal auditors are investigating this case, and DFID's Counter Fraud and Whistleblowing Unit have been notified, ESH instigated and led this

## Annual Review: Enterprise St Helena

process by informing DFID/SHG and the ESH Board and Finance & Governance Subcommittee immediately upon receiving the allegation. There have been no confirmed cases of fraud, corruption or theft of DFID funds during this review period.

Date of last narrative financial report	15 <sup>th</sup> April, 2016
Date of last audited annual statement	March 2015

### E: RISK

**Overall risk rating:** Moderate

Individual Outputs are assessed for risk as follows: Output 1 (Moderate), 2 (Minor), 3 (Moderate), 4 (Minor), 5 (Major), and 6 (Moderate).

#### Overview of programme risk

As with any programme there are areas of risk which need to be monitored and managed. ESH keeps its own detailed External and Internal Risk Registers, and shares these with DFID and its Board on a monthly basis. A RAG marker is used, and as at 31<sup>st</sup> March, 2016, the following external Risk was classified post-mitigation as "Red": "*Lack of private sector investment interest through:- lack of matching support, unfavourable environment, and delays in responses/approvals*". This is consistent with this Annual Review's concern that the enabling environment for investors in St Helena remains too negative.

There are no post-mitigation risks marked as "Red" in the internal Risk register, with ESH management recognising that such risks as weak internal controls, unrealistic financial planning, and limited human resources, require constant monitoring and adjustments in mitigating actions. The March 2016 risk register notes that audit recommendations are being tackled.

With the very recent challenges identified in supplying air services to St Helena, due to potential wind shear and tail wind factors, there is a new additional risk to ESH that tourism numbers will be restricted well below the planned capacity that would have been provided by a Comair 737-800. This risk will be monitored in parallel with continuing Airport Board meetings during May to September 2016.

#### Outstanding actions from 2014/15 risk assessment

The risk highlighted in the 2014/15 Annual Review with regard to "*the St Helena Government fails to support private sector growth, reduce its labour market footprint, and sell off assets and activities to the private sector*" remains valid. This risk will be taken up as a key part of the design of the next phase of DFID support to Enterprise St Helena.

The risk table for the DFID ESH programme are now slightly different from the more detailed risks, scores, impact narrative, and mitigation actions written up in ESH working papers. The DFID list should now be superceded by ESH narrative, and the latter used for the Project Completion Report at the end of the current DFID programme.

**Recommendation:** DFID and ESH should work together to ensure alignment between the forthcoming Business Case for Phase 2 with its narrative on risk and ESH External and Internal risk tables.

### F: COMMERCIAL CONSIDERATIONS

#### Delivery against planned timeframe

## Annual Review: Enterprise St Helena

---

The ESH programme accelerated its delivery of capital projects during the year, following the approval of this additional budget line by DFID. While the 3 main projects required an extended duration of completion dates, due in part to planning delays, the delivery of more routine sub-projects (hospitality training and skills development, business services, and private sector development) appeared to be more efficient and effective.

While the original project timeframe has already been extended to 30<sup>th</sup> September, 2016, the uncertainties around air and shipping services as at June 2016 have been the incentive for ESH to request a further 3 month extension so that plans and budgets for a new phase can reflect the likely access services finalised by e.g. October, 2016. This extension is likely to be approved by DFID during June 2016.

### **Performance of partnership**

SHG has been consistent in its financial support for ESH, and so enabling ESH's routine running costs including salaries and utility costs, for example, to be met over the period.

ESH's relationship with SHG is set out in the "Framework Agreement". This is now overdue for review. ESH approached SHG in February 2016 with some suggestions on improving working procedures on, for example, land disposal, planning and building regulations, investment incentives, and capital works. ESH's paper also noted positive progress in other areas, such as in agriculture development.

This Review has noted that these areas remain critical to ESH's ability to deliver on economic development, while recognising that ESH and SHG have different roles and capacities to play. DFID recommends that an updated Framework Agreement be finalised prior to any DFID approval of funds for the next phase of support from 1<sup>st</sup> October, 2016.

Feedback received during the review noted that DFID's interaction with ESH has significantly improved since mid-2014, and there is greater clarity on project outcomes, key performance indicators and DFID reporting requirements.

### **Asset monitoring and control**

As noted last year, ESH's performance in this area is good. An External Examiner's report was completed in December 2015 with regard to the DFID/SHG Enterprise St Helena MoU, resulting in an unqualified report certificate. DFID agreed with Terms of Reference dated January 2016 for an internal audit report into ESH which was completed in March 2016 by an external consultancy, and which raised no areas of concern with ESH management or its Board of Directors.

**Recommendation:** SHG and ESH to accelerate updating of their Framework Agreement, to be completed prior to 1<sup>st</sup> October, 2016.

## **G: CONDITIONALITY**

### **Update on partnership principles**

Of the four partnership principles emphasised by DFID, the most relevant ones to ESH's delivery of DFID aid are those relating to (a) commitments on financial management and accountability, and (b) commitments to strengthen domestic accountability. On the former, this Annual Review has already commented on the relative strength of ESH's financial management. On domestic accountability, ESH has taken major positive steps to increase its level of transparency on its St Helena activities. These steps include several events and opportunities for islanders to hear and respond to ESH's mission, and also widespread publication of lists of grants, businesses benefiting, and sectors focused on.

## Annual Review: Enterprise St Helena

---

The reviewers have noted that this level of transparency has significantly increased the reputation of ESH island-wide, and has reduced concerns around whether ESH is indeed providing support to, and acting as a champion for, the private sector.

### H: MONITORING & EVALUATION

#### Beneficiary feedback

Direct beneficiary feedback for this Annual Review has been more limited than last year, due to travel constraints. The Private Sector Development Adviser's visit to St Helena in November 2015 included a number of meetings with beneficiaries in the tourism, business services, and agriculture sectors, with mainly positive feedback on ESH activities. Feedback on the publication and dissemination by ESH of a list and map of businesses supported by ESH between April and November 2015 on island has also been positive.

#### Gender

The table at Annex 1 (attached) disaggregates the outputs by gender. These figures paint an interesting picture: a higher proportion of female owned businesses received capital investment grants, but more male owned businesses received micro-grants; three times as many women undertook training through ESH than men, but the majority of new start-ups have been headed by men.

A look at society on St Helena provides some context to these figures. St Helena is a fairly matriarchal society and many women occupy key positions in organisations across the island, including St Helena Government, civil society and ESH itself. Girls often have higher levels of academic attainment in school (although it should be noted that in 2016 a higher number of educational scholarships were awarded to boys than girls), and go on to complete further training.

Many jobs in St Helena, especially public sector jobs, require qualifications. For those that do not possess these, starting a new business may seem, with ESH's support, to be an option worth investigating, whereas for those with qualifications the proposition of entering in to a secure job that may offer a more attractive package, such as a pension, could seem a more tempting offer.

This all takes place on the backdrop of near zero unemployment on St Helena, where the private sector must compete with public sector jobs that may offer a more attractive package. In addition, women's circumstances are more likely to preclude them from taking the risk of starting a business. ESH has stated that there has been no lack of interest from women on starting a business, but often circumstances mean that the intention cannot be brought to fruition.

While such analysis indicates that, all other matters being equal, St Helena may illustrate a case where girls with a higher attainment in education may be more likely to go for employment rather than self-employment, whereas less well educated boys may go into self-employment, the evidence for even this generalisation remains anecdotal.

The recently established Human Rights Commission on St Helena is working to dispel gender stereotypes and support access to services and opportunities for everyone.

**Recommendation:** The impact on Gender should form part of the criteria to be used by ESH when determining sectors on which to focus in any future work during the next phase of DFID support.

#### Evidence and evaluation

No evaluation has been planned, although DFID and ESH are considering this for the next phase of DFID support.

## Annual Review: Enterprise St Helena

---

### **Monitoring progress throughout the review period**

ESH continues to submit monthly reports to DFID and SHG. These include, principally, a narrative report, progress trackers on logframe indicators (also known as key performance indicators), business score card, risk registers, and on capital works. There is also a separate financial report.

The DFID PSD Adviser and Programme Manager reviews these reports, and hold a monthly meeting with ESH. ESH also attends the monthly Airport Board meetings, on the economic development aspects, and reports to relevant SHG committees, including the Economic Development Committee

ESH also has its own Board structure, whose membership has been refreshed during 2015, bringing a wider range of private sector experience to the Board. A new Board Governance paper has been discussed and adopted, and the Board continues to develop its mission in leading ESH's delivery to the private sector.

### **Annual Review process**

This year's Annual Review process has included meetings on island facilitated by the DFID St Helena Representative, and a series of meetings by phone between DFID staff and ESH senior management. Following the more intensive Annual Review and Strategic Case preparation carried out by an independent consultant in June 2015, a further scrutiny opportunity will occur later in 2016/17 in the form of a Project Completion Review.

.....

## Annual Review: Enterprise St Helena

### Annex 1: Gender Disaggregation Table

Output	Indicator	No. of Males	No. of Females	Comments
1. No. of local business start-ups or expansion supported by ESH	1.1 Youth and non-youth businesses	7	1	
	1.2 No. of start-ups remaining in business after 2 years	7	2	Also one joint partnership (female/male) survived.
	1.3 No. of businesses receiving capital investment grants	12	39	Figures are for owners. N.B. SHAPE is a Social Enterprise, which is owned "by its clients".
2. Fewer skills gaps and enhanced entrepreneurship	2.1 No. of individuals completing accredited and non-accredited training courses	103	315	Figures are for individuals
	2.3 No. of Skills Development Grants	12	1	Figures are for owners and employees.
	3. Better financed local business	3.1 Number of micro-grants supported by ESH	66	20
	3.2 Volume of new Capital Investment Grants	12	39	This is the same as 1.3
4. St Helena better established as a tourist destination	4.1 Number of visitor arrivals			Not applicable.
	4.2 Number of tourism supported businesses (£) by ESH	20	40	Figures are for owners. N.B. SHAPE is a Social Enterprise, which is owned "by its clients".
	4.3 Number of new jobs created in the tourism industry	10	11	13 F/T and 8 P/T jobs created.
	4.4 Number of additional visitor attractions			Not applicable
5. Economic development supported with increased investment levels	5.1 No of local and foreign investors secured by ESH	15	39	Figures are for owners. 3 Fishing Investments N.B. SHAPE is a Social Enterprise, which is owned "by its clients".
	5.2 Capital investment achieved (£)	15	39	This the same as 5.1
	5.3 Land and property transactions facilitated by ESH	1		1 Foreign Investor N.B. Longwood Enterprise Park would be included, however tenants have not been selected so do not have figures at this time.
6. Island fisheries providing sustainable livelihoods and growth opportunities	6.1 Fisheries accredited to sustainability standards			Not applicable
	6.2 Businesses supported by ESH within fishing industry supply chain	3		N.B. Additionally a civil society organisation was supported. However, we do not have figures for individual disbursements at this time.
	6.3 No of ESH fisheries action plan recommendations implemented.			Not applicable

## Annual Review: Enterprise St Helena

---

### **Key Documents used for evidence:**

1. ESH: Self-Assessment of KPIs and Summary Documents including Log Frame: Detailed Output Scoring, and 2015/16 year's achievements: 29<sup>th</sup> April, 2016
2. ESH: Review of the SHG/ESH Framework Agreement – a Paper for Discussion: February 2016
3. ESH: Monthly Reports: for end March 2016: 15<sup>th</sup> April, 2016
4. DFID Annual Review: 2014/15
5. Strategic Case for ESH Phase 2: June 2015
6. ESH: Annual Accounts; 2014/15
7. DFID/SHG Memorandum of Understanding 2013

05/06/2016

.....

# Annual Review: Enterprise St Helena

## Annual Review – 2014/15 Summary Sheet

<b>Title: Support to Enterprise St Helena 2013/14 – 2015/16</b>		
<b>Programme Value:</b> £4.82m (total budget of £14.9m 2013-2016 including funds from St Helena Government)		<b>Review Date:</b> April 2015
<b>Programme Code:</b> 203140	<b>Start Date:</b> 1 <sup>st</sup> April 2013	<b>End Date:</b> 31 <sup>st</sup> March 2016

### Summary of progress and lessons learnt since last review

There has been good overall progress by Enterprise St Helena (ESH) since the last Annual Review. It is on track to achieve Impact and Outcome targets by March 2016. Indeed, its contribution to Impact has already exceeded the 2014/15 target of £9m. The Programme overall scored A (Outputs met expectation), with four Outputs either achieving or exceeding milestones at March 2015. Two other Outputs scored B, in both cases only just missing a score of A. Output 3 achieved 1 out of 2 indicator milestones and Output 5 achieved 2 out of 3 indicator milestones. Client feedback has been mainly very positive. Women have achieved a significant presence on most indicators of performance, in three cases being the majority of beneficiaries. ESH appointed a new Chief Executive of Economic Development (CEED) in July 2014. It has a staff complement of 34 with one vacancy. It underspent its DFID budget by £125,000 (8.1%). ESH faces a considerable challenge in 2015/16 to achieve its end-of-programme targets across all six Outputs and to prepare the private sector for visitors on the first commercial flight (probably February 2016). ESH is confident of spending the full 2015/16 budget by March 2016, but will have an estimated carried forward amount of £1.053m at March 2016, which could fund a no-cost extension of six months.

### Lessons

ESH's many outputs have diluted its focus on the main aim of developing the private sector's contribution to St Helena's economy. St Helena is a small territory with limited capacity and the funding by DFID of an economic development and business promotion agency should take into account such limitations. A more limited overall mission and a concomitant range of support services and finance would enable ESH to focus its resources more specifically on key business sectors of the economy, thus achieving higher quality results and leaving other economic support to relevant responsible organisations (e.g. Lifelong Learning in the case of vocational training, SHFC in the case of fisheries). This does not imply that ESH should be working in a silo, but rather that effective and efficient working relationships should be enhanced with partnering and stakeholder organisations (e.g. Lifelong Learning, SHFC, ANRD, Chamber of Commerce, Farmers Association).

An assessment of value for money concludes that the returns to DFID funding across the ESH portfolio have probably been mixed. A reliable analysis of value for money has not been possible, because a) outputs are generally not aligned with expenditure and some categories have disproportionate spending where outputs are not quantifiable; and b) DFID funds and SHG funds both support similar activities (e.g. tourism marketing, tourism products and infrastructure) and outputs so attribution of outputs to specific expenditure cannot be undertaken with confidence. In future programmes a clear division needs to be established between DFID and SHG activities and associated expenditure to enable a value for money analysis to be undertaken.