



AUDIT ST HELENA
External Auditors

Performance Audit:
Enterprise St Helena

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Audit St Helena is the body that carries out financial and performance audits on behalf of the Chief Auditor.

The Chief Auditor is an independent statutory office with responsibilities set out in the Constitution and the Public Finance Ordinance. Section 29(2) of the Ordinance requires the conduct of performance audits on behalf of the Legislative Council to determine whether resources have been used with proper regard to economy, efficiency and effectiveness.

This report has been prepared in accordance with section 29(2) and published by the Chief Auditor, Brendon Hunt. The audit team consisted of David Brown, Damian Burns and Mufaro Chikandwa of Audit St Helena with expert assistance from Ann Muir, Strategic and Social Policy Coordinator for St Helena Government. Helene Williams and former Chief Auditor Phil Sharman also contributed.

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Abbreviations

BAG	Bespoke Agricultural Grant
DFID	Department for International Development
ESH	Enterprise St Helena
FCDO	Foreign, Commonwealth and Development Office
FY	Financial year
GDP	Gross domestic product
Logframe	Logical framework
SDP	Sustainable Development Plan
SEDP	Sustainable Economic Development Plan
SHAPE	St Helena's Active Participation in Enterprise
SHFC	St Helena Fisheries Corporation
SHG	Saint Helena Government
SPS	Small Producer Support
UK	United Kingdom

Key Facts

£17.6 million

ESH received £9.1 million from SHG and £8.6 million from DFID from FY 12/13 through FY 20/21, for a sum of £17.6 million in total funding (rounded)

200+

SHG and DFID guidance documents provided more than 200 potential indicators to assess ESH's performance

A

Evaluation score awarded to ESH at the end of Phases 1 and 2 by DFID and FCDO, respectively, indicating that ESH's performance "met expectation"

85

Approximate number of new business start-ups supported by ESH

£5.6 to £7.6 million

SHG Statistics Office's estimated range of total expenditure by visitors to St Helena in FY 18/19, the last full financial year prior to the Covid-19 pandemic

£1.1 million, Two-thirds

ESH disbursed almost £1.1 million in grant funding from FY 12/13 through FY 20/21, with two-thirds of the grants (314 of 472) valued at £2,000 or less

10%

Total value of grants and loans disbursed to recipients was 10% of ESH's total combined funding from SHG and DFID

Three-quarters, 9 of 10

Our interviews with grant and loan recipients indicate a generally positive effect, with about three-quarters of sampled business owners who received non-agricultural grants and loans still in operation and optimistic they will be in 5 years' time, while 9 of 10 sampled farmers who received agricultural grants said the same

Summary

INTRODUCTION AND BACKGROUND

1. This report assesses the multi-year efforts of Enterprise St Helena (ESH), which was established by ordinance in 2012 to deliver St Helena Government's (SHG's) economic policy as set out in its Sustainable Economic Development Plan. ESH was charged with promoting the growth of St Helena's economy through (1) developing existing businesses and (2) marketing the island to new investors and developers. As a statutory arms-length organisation, it was the lead body responsible for promoting and enabling private sector development, particularly tourism. It assumed this remit from its predecessor, the St Helena Development Agency, founded in 2008 with a more limited role and budget.
2. ESH was co-funded by SHG and the United Kingdom's (UK's) Department for International Development¹ (DFID), with DFID contributing project development funds while SHG covered primarily operational costs such as salaries, facilities and marketing. ESH's lifespan comprised two phases, each with its own agreements, budgets, guidance documents and performance indicators: Phase 1, from June 2012 to March 2017, with DFID's funding commencing in financial year (FY) 13/14; and Phase 2, from August 2017 to March 2021. According to ESH leadership, while June 2012 is when ESH was formally constituted, the importance of DFID's funding meant that 2013 was the year it became fully operational.
3. ESH continued working in this space through the end of FY 20/21. While ESH still exists in legal form in order to complete final administrative tasks, such as the preparation of financial statements, the organisation transferred the majority of its functions to SHG as of 31 March 2021.
4. Our work proceeded along four key lines of enquiry:
 - Did ESH integrate strategy and policy with SHG so that it focussed on the right things, improved efficiency and maximised impact?
 - How effectively did SHG's performance management framework and information on economic performance measure ESH's contribution to national goals?
 - What level of funding did ESH receive, and what was the value of grants and loans issued?
 - Did ESH make sufficient progress in its key areas of activity, meet its objectives and fulfil its responsibilities?

¹ In September 2020 the UK's Department for International Development merged with its Foreign and Commonwealth Office to form the Foreign, Commonwealth and Development Office (FCDO). Because this report is historical in nature, we generally refer to DFID except where FCDO must be distinguished.

GOVERNANCE, STRATEGY, POLICY AND REPORTING

1. ESH's governance structure was rational and the organisation reported to the right bodies.

ESH's enabling ordinance specified that it would be governed by a Board of Directors, which was responsible for setting ESH's strategic direction and monitoring its performance. In addition to the Board, ESH reported to the Governor, SHG's Chief Secretary, Legislative Council's Economic Development Committee and DFID. ESH provided regular narrative and financial reporting to its Board and to DFID. ESH also reported to Legislative Council's Economic Development Committee, with ESH's Chief Executive sitting on the committee. More broadly, ESH leadership described a complex web of reporting arrangements, local boards and committee structures that took input from ESH staff. As of November 2020, the latter included 40 positions at various community, quasi-governmental, business and tourism councils, committees and working groups. (paragraphs 1.1 to 1.4, and Figure 1)

2. A series of SHG and DFID guidance documents directed and informed ESH's activities over its tenure.

Along with the aforementioned governance bodies and other groups, ESH's roles and responsibilities were further prescribed by a series of policies, strategies, plans and other guidance documents over the years. Some of the most important include island-wide directives like the Sustainable Development Plan (SDP), Sustainable Economic Development Plan (SEDP) and 10 Year Plan. SHG set expectations for ESH in its 2012 Framework Agreement, revised in 2017. DFID memorialised its expected outcomes, outputs, performance indicators and associated targets for ESH in two 'logical frameworks' (logframes) covering Phase 1 and Phase 2, respectively. (paragraph 1.5 and Figure 2)

ESH'S PERFORMANCE AND HOW IT WAS MEASURED

3. SHG policies gave ESH wide latitude to achieve its intended results.

ESH's powers were expansive. According to its enabling ordinance, it had the authority "to do anything it considers necessary or desirable to promote economic development either by bodies or individuals", to include giving financial assistance to those appearing to have facilities to carry on economic development; acquiring, managing and disposing of land; making buildings available for purchase, lease or rent; and covering the costs of training or work experience. The 2012 Framework Agreement between ESH and SHG stated that ESH should implement government policy with a minimal amount of government interference. It also referenced other guidance, such as the Sustainable Economic Development Plan that "sets the ten year context within which ESH will operate, giving a long term vision... towards which ESH will strive to deliver". In the

background, the island's 2012 Sustainable Development Plan stipulated that ESH was to take the leading role in implementing the SEDP thus delivering National Goal 1 (a vibrant economy) while contributing to other national goals. The Framework Agreement identified eight objectives for ESH along with a series of corresponding responsibilities, later consolidated to four objectives in 2017. The major themes were inclusive and sustainable economic development; growth and development of the private sector, social enterprise and wider community; promotion of investment opportunities for local and overseas investors; and marketing St Helena as a desirable destination to niche visitors, tour operators and new markets. (paragraphs 2.1 to 2.5, and Figure 3)

4. SHG and DFID guidance documents provided more than 200 potential indicators to assess ESH's performance.

In performance measurement terminology, an 'indicator' is a specific attribute that organisations can track to determine progress toward a desired goal. Organisations then set targets for the indicator for interim and/or final outcomes. A best practice is to choose targets that are specific and numerically quantifiable, to the extent this is possible, as this ensures the targets can be measured. The many strategy and guidance documents governing ESH contained many potential performance indicators of varying levels of specificity and measurability. According to our analysis, the primary guidance documents we identified offered more than 200 potential indicators, though some did not apply exclusively to ESH. The indicators varied in their specificity and measurability:

- Some were both measurable and already specified. For example, "The island becomes more self-sufficient financially by generating increased local revenue". In this case, increases over a baseline level of local revenue indicate increased self-sufficiency.
- Some were measurable but not already specified. For example, "Promote economic growth through the development of local businesses". It is not clear how local business development will be measured.
- And some were not readily measurable: For example, "Preserve St Helena's cultural identity".

(paragraphs 2.6 to 2.9, and Figure 4)

5. DFID's performance indicators drove ESH's monitoring and evaluation process. These indicators were detailed, measurable and reasonably comprehensive.

DFID's and SHG's goals were not separable in any meaningful sense, as SHG funded primarily the operational costs for implementing DFID projects. In other words, as ESH leadership told us, the main purpose of SHG's budget appropriation was to enable ESH to deliver the projects that DFID funded. As such, ESH reported performance to SHG on indicators that were largely consistent with DFID's indicators. DFID housed these indicators within a logframe, which is a planning document typically used in aid funding that has objectives ranging from short term to long term as well as performance indicators and annual targets. One of the logframe's key functions is to clarify the high-level impact that the project seeks, while also providing a path to achieve it through

actionable steps and discrete outputs. As ESH matured, it tended to measure its performance using DFID's indicators. For example, according to our analysis, 19 of the 24 performance indicators included in ESH's FY 18/19 annual report are nearly identical to those in DFID's Phase 2 logframe, covering FY 17/18 through FY 20/21. (paragraphs 2.10 to 2.12, and Figure 5)

6. ESH generally performed well relative to DFID's performance indicators in both Phase 1 and Phase 2.

After establishing logframes for each phase with accompanying indicators, DFID evaluated ESH on an annual basis and then cumulatively at the end of each phase (2017 and 2021, with FCDO authoring the latter review). In these evaluations, the UK government extensively assessed ESH's performance against the targets in the logframes based on evidence presented by ESH and SHG:

- *DFID's review of ESH Phase 1.* ESH contributed to the start-up and growth of 67 businesses, a majority of which remained in business after 2 years. Nine hundred sixteen individuals received training courses, 11 completed apprenticeships or traineeships, and 25 accepted skills development grants. Two hundred four grants provided financial assistance for business development in a variety of sectors. Tourist numbers exceeded the original expectation, with ESH supporting 40 businesses and creating 124 jobs in that sector. DFID wrote that ESH's activities secured 12 new investors generating £1.2 million of new investment, but this was mostly from local sources due to delays in the airport's opening having a chilling effect on the market for international investors. DFID further credited ESH with achieving improvements in the fisheries sector by supporting 10 businesses and implementing a large number of recommendations from a fisheries development initiative.
- *FCDO's review of Phase 2.* Prior to the pandemic, there had been an increasing trend in the arrivals of tourists as well as those with St Helena connections taking holidays on the island. This was in furtherance of ESH's overarching aim of helping St Helena to become financially independent and improving standards of living. FCDO's report quoted a SHG Statistics Office estimate of annual island income from tourism as being in the range of £4.8 million to £6.0 million. According to FCDO, in performance not related to tourism, ESH
 - assisted 58 business start-ups or expansions;
 - provided more than 200 on-island businesses with grants, advice and/or training;
 - supported increased digital marketing for 6 destination marketing companies and 13 accommodation providers;
 - advocated successfully for legislative changes that benefitted local commerce; and
 - oversaw an expansion of local coffee production.

(paragraphs 2.13 to 2.17, and Figure 6)

7. ESH did not adequately monitor and report high-level program impacts.

Despite its generally positive assessment, DFID in its Phase 1 review did express concern that out of three high-level outcome indicators, SHG was not able to provide information about two of them: (1) Total number of businesses registered with the Tax Office and (2) SHG employee headcount as a percentage of the population. DFID further noted that “data for impact indicators is incomplete, so trends cannot be fully analysed” and “data shortages also highlight significant gaps in the capacity of SHG to collect and share key indicators of economic progress on the island”. As such, DFID encouraged ESH to “consider identifying outcome and impact targets which can be more easily measured, perhaps using expertise outside of SHG, to ensure high-level results can be consistently tracked throughout the second phase of the project”. Similarly, DFID observed there was “no systematic mechanism to assess the outcomes of support” like grants and training “for individuals and businesses through regular follow-up”. In addition, DFID asserted that no quantitative value for money indicators were presented in ESH’s business case and none had been identified in its several annual reviews. This was “mostly due to both SHG and DFID funding sources contributing to the same outputs and outcomes” and recommended more rigorous analysis in Phase 2 that could better attribute effects to one funding stream or the other. As DFID did in its Phase 1 completion review, FCDO in its Phase 2 review expressed concern about ESH’s collection of data related to impact. As a lesson learned it recommended that SHG “regularly collect metrics on, for example, business turnover and profits”, which FCDO claimed DFID requested at the beginning of the programme before facing resistance from both businesses and ESH. (paragraphs 2.18 to 2.22)

In addition to the performance indicators in DFID’s logframes, the 2013-16 Corporate Plan featured several high-level impact measures. According to the plan, ESH’s success in delivering the Sustainable Economic Development Plan was to be monitored through four “core indicators”: (1) Annual real economic growth rate; (2) Percentage of total employees in private sector as a proportion of working population; (3) Annual growth in total employees; and (4) Private sector expenditure as a percentage of total expenditure. We contacted SHG’s Chief Statistician about these core indicators, but he was not aware of any request from ESH for his office to track them on a routine basis. He told us that, in general, the effect of the airport construction through 2017 would tend to frustrate any high-level assessment of year-over-year economic trends, such as annual growth rate and private sector employment, during much of ESH’s tenure. Another distortion is the prominence of UK aid, which annually is roughly two-thirds the size of St Helena’s total gross domestic product (GDP): increases in aid in real terms will tend to increase GDP, all other things equal, while less aid will have the opposite effect. Despite these measurement challenges, the Chief Statistician told us that SHG is now in a better position to assess contribution to GDP for the past 3 years, and it could do such an analysis in the future, for example when the impact of Covid-19 has normalised. He added that proper computerisation of the income tax collection systems would give his office a greater ability to analyse profit and loss outcomes for individual businesses, such as those that receive financial assistance. (paragraphs 2.23 and 2.24)

8. There are limitations to relying on the UK government’s assessments of ESH’s performance.

ESH fared relatively well in its annual and cumulative assessments with only 1 year not meeting expectations. However, to put these results in their full context, it is worth noting that grantees failing to meet expectations in successive annual reviews are put on a performance improvement program. As poor performance from its grantee would reflect poorly on DFID/FCDO, the evaluator, this sets up at least the potential for a conflict of interest that must be managed. More significantly, the highest-level performance indicators – assessing progress against ESH’s overall intended impact – were not addressed in DFID’s 2017 or FCDO’s 2021 completion reviews. For example, total SHG revenue collected from the private sector appeared in both DFID logframes but in neither completion review. In that sense, with regards to “what did ESH achieve for St Helena?”, these reviews do not answer the most comprehensive form of the question. We attempt to provide a more complete answer to this question in Part Four. (paragraphs 2.25 and 2.26, and Figure 7)

FUNDING, GRANTS AND LOANS

9. ESH received funding in the amount of £9.1 million from SHG and £8.6 million from DFID from FY 12/13 through FY 20/21.

ESH received funding from SHG as a continuation of its prior funding of ESH’s predecessor, the St Helena Development Agency. SHG funding was for both ‘Economic Development’ and ‘Tourism’ in FY 12/13, the year that ESH came into existence. These two functions were combined from FY 13/14 forward, with ESH given responsibility for both. According to FCDO’s project tracking website, DFID’s funding of ESH began in FY 13/14. While SHG supplied a little more than half of ESH’s funding overall, the two sponsors provided nearly equivalent amounts from the time DFID became engaged. As noted above, ESH leadership told us the main purpose of SHG’s annual appropriation was to enable ESH to deliver the projects that DFID funded. (paragraphs 3.1 to 3.3, and Figure 8)

10. According to its financial statements, from FY 16/17 through FY 19/20 ESH spent 40% of its total available funding on ‘employee costs’ and 18% on ‘marketing and promotion’.

According to its financial statements, from FY 16/17 through 19/20 – the years this information is available – ESH spent 40% of its total available funding on ‘employee costs’ and 18% on ‘marketing and promotion’. It is important to note that some of the employee costs include salaries for those delivering projects, like tourism and training, in addition to ESH administrators. Marketing and promotion included costs for marketing St Helena through various in-person and media campaigns, including brochures and other advertising materials, website development and trade shows. Typically, spending on program elements like employees and marketing would be considered ‘overhead’. We consulted an outside expert in an attempt to determine an appropriate benchmark for the amount of overhead that would be reasonable for a programme like ESH. As a

reasonable share of programme funding, the expert estimated 60% for technical advice and support, 20% for overhead and 10-20% for direct grants. In ESH's case, its employee costs would include both administrative overhead and project technical assistance, putting them within the range of reasonableness. (paragraphs 3.4 to 3.5, and Figure 9)

11. ESH made financial assistance available to businesses and individuals for a wide variety of purposes.

In addition to non-financial support, a high-profile role for ESH was the distribution of grants and loans to businesses and individuals. While funded primarily by DFID, SHG contributed a significant amount of this financial assistance as well. This included all loan funding, as DFID funded only grants. SHG's and DFID's financial support included many different types of grants and loans consistent with different purposes:

- Small business grants to cover the costs of business plans and marketing as well as the purchase of equipment and needed supplies
- Capital investment grants for tourism and hospitality operators
- Grants to small producers in order to encourage increased local agricultural production
- Assistance with the cost of a training course – local, online or overseas – to develop the skills of business owners and/or employees
- Grants to non-governmental community organisations, such as charities, churches, clubs and trusts
- Loans to businesses, whether start-ups or established
- Loans to young people to encourage business start-ups, with a low interest rate and no collateral required

(paragraphs 3.7 to 3.10)

12. The total value of grants and loans disbursed to recipients was 10% of ESH's total combined funding from SHG and DFID.

Grants ranged from a high of £213,000 in ESH's final year to a low of £13,000 in FY 13/14. Loans ranged from a high of £236,000 in FY 17/18 to a low of £5,000 or less in three different years. Across the nine financial years of ESH's existence, the total value of grants and loans disbursed to applicants (£1.9 million) accounted for approximately 10% of ESH's total combined funding from SHG and DFID. Recall that the outside expert we consulted estimated that 10-20% was a reasonable share of programme funding going to direct financial assistance. (paragraph 3.11 and Figure 10)

13. According to ESH's records, ESH disbursed almost £1.1 million in grant funding from FY 12/13 through FY 20/21, and approved an additional £64,000 that applicants later declined.

Of the 472 grants for £1,087,663 that ESH issued, 100 (21%) were for less than £500, 175 (37%) were for less than £1,000 and 418 (89%) were for less than £5,000. Overall,

two-thirds of the grants (314 of 472) were for £2,000 or less. Almost half of the grants by value (46%) were disbursed to businesses of various sizes through the Micro, Small to Medium Enterprise grant programme. The most value disbursed in any single financial year came in FY 20/21, with a little more than £213,000 granted – much of it to farmers – as ESH was preparing to transfer the majority of its functions to SHG and cease operations at the end of the financial year. (paragraph 3.12, and Figures 11 and 12)

14. Of the 23 loans for £764,000 that ESH issued (including equity shares), 12 ranged from £1,000 to £7,500, another 8 ranged from £20,000 to £83,300, and the final 3 ranged from £100,000 to £184,000.

The three largest loan arrangements composed 53% of the total loan value, with two of these three going to the Mantis hotel. Applicants declined only two loans, totalling £4,000, over the course of ESH's 9 years. According to Enterprise St Helena leadership, it was ESH's policy to avoid competing with the Bank of St Helena and thus ESH's interest rate was set higher than the bank's. In effect this meant that ESH was lending to applicants who could not get a bank loan, and thus the loans ESH approved tended to be riskier in nature. Leadership told us that SHG at times encouraged ESH to provide financing to certain strategic industries and even businesses that were considered too important to fail. (paragraphs 3.13 and 3.14, and Figures 13 and 14)

WHAT ESH ACHIEVED FOR ST HELENA

15. ESH was tasked with achieving specific outcomes beyond DFID's performance targets.

Above we identified ESH's objectives and responsibilities in the original 2012 Framework Agreement with SHG. We further noted that in the agreement's 2017 revision ESH's objectives were consolidated but its responsibilities did not change. Those four objectives, intended to "help Saint Helena become financially independent and improve standards of living", form the criteria against which we assess ESH's contribution to St Helena in the remaining sections:

1. Protect St Helena's future whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development.
2. Encourage private sector, social enterprise and community development and growth, including through innovation and the sustainable economic use and re-use of island resources.
3. Promote investment opportunities and support on-island and inward investors.
4. Make and market St Helena as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets.

(paragraphs 4.3 to 4.4, and Figure 15)

16. ESH supported traditional industries like agriculture and fishing, and helped to grow new and already established businesses related to tourism, though attribution for specific economic outcomes was not always clear. Training and other skills development increased the island's store of human capital.

ESH was the responsible body driving economic development: growth of the private sector was critical to realising the economic potential of the airport. ESH grants and loans to farming – an important part of the island's heritage – led to significant improvements in productivity supporting the 2014 National Agricultural Policy and Implementation Strategy. Farming was the sector receiving the most grants, whether general grants to small businesses or those that were specifically targeted to agriculture. In that sector, analysis of produce imports and other data indicate increased local production. Turning to hospitality and the visitor economy, the early indications of how this sector was developing prior to Covid-19 was in line with predictions, and on the whole conditions were looking reasonably good after only 2.5 years of commercial flights. For example, marine tourism was growing on the back of some significant ESH investments. But many on the island relied on the forecast of nearly 30,000 annual tourists by 2041 with some businesses investing relatively quickly and heavily in their expectation of such numbers. Organic growth in the tourism sector, which was what had been predicted, was left behind in the enthusiasm to be ready for the first commercial flight and for a subsequent rush of tourists. This had an impact on business cash flows in the hospitality sector even before the pandemic. In general, St Helena has attracted more adventure-type tourists and friends and relatives of those living on the island than the high-budget tourists predicted in the business case, which has benefited the self-catering sector. The fishing sector has not fared as well, with value for money of ESH's investment compromised by (1) some fishers' reluctance to stay out at sea for the time required to bring in viable amounts of fish from the sea mounts and (2) the cost of overheads and the state of infrastructure for fish storage and processing. Skills development was a strong feature of both ESH phases, with 952 people trained during Phase 1 in, for example, hospitality, tourism, health, construction and agriculture, mostly to UK accreditation standards. This was followed by a total of 390 individuals trained during Phase 2. (paragraphs 4.6 to 4.27, and Figures 16 and 17)

17. There is clear evidence of private sector growth resulting from ESH's interventions, along with significant support to social enterprise. In addition, our interviews with grant and loan recipients indicate a generally positive effect, with about three-quarters of sampled business owners who received non-agricultural grants and loans still in operation and optimistic they will be in 5 years' time, while 9 of 10 sampled farmers who received agricultural grants said the same. Most of the recipients characterised the impact of the financial assistance as 'High' and described their interactions with ESH positively.

This outcome is closely related to the prior one, with St Helena's private sector and wider community benefiting from economic development (and vice versa). ESH was singularly responsible for the promotion of the private sector in the community. Growth in the private sector up until the impact of Covid-19 is evidenced in the number of new business start-ups (approximately 85); notable inward investment, including from the diaspora; the expansion of tourism-related enterprises; and the extent of skills

acquisition, especially in tourism-related businesses and construction, among other indicators. ESH support to social enterprise included grants to St Helena's Active Participation in Enterprise (SHAPE) for a café, vegetable production and a retail unit in the Jamestown Market. (paragraphs 4.28 to 4.33)

We interviewed a random sample of 31 business owners who received ESH grants or loans that were non-agricultural in nature (though the businesses included several in the agriculture sector). In these interviews, 26 of the 28 business owners who answered the question (93%) characterised the grant or loan they received as having a 'Medium' or 'High' impact, with 21 (75%) saying 'High'. 74% of sampled businesses remain in operation and 72% of owners were optimistic about still being in business in 5 years, the impacts of Covid-19 notwithstanding. There was growth in building the visitor economy through the end of 2019, with 76% of sampled business selling to visitors from overseas, and about a third of the grant and loan recipients said they added jobs as a result of the funding. We further interviewed 12 randomly selected farmers who received grants specifically targeted to agriculture. Eleven of the 12 are still in operation, 80% rated their grant's impact as 'High' and 90% expect to still be viable in 5 years' time. Nearly all grant recipients sold to overseas visitors. However, it was clear that farming is not a growth sector for jobs, with intensification of farming resulting from a shortage of farm labour, especially amongst younger adults. Both groups of grant and loan recipients we interviewed gave ESH high marks for its assistance. (paragraphs 4.34 to 4.41, and Figures 18, 19, 20 and 21)

18. Without clear SHG targets for island investment, especially from new overseas investors, it is not possible to assess whether the level of investment in St Helena's economy from FY 12/13 through FY 20/21 met the government's expectations.

Part Two discusses DFID's targets for ESH to improve the investment climate in St Helena. These include public policy reforms and internal changes to facilitate investment, and information events on business opportunities. In terms of actual investments, ESH's Phase 1 saw inward investment of £1.2 million along with £2.6 million in Phase 2, according to DFID and FCDO, respectively. However, there were no clear SHG targets for the magnitude of island investment among ESH's performance indicators or in the 2012 or 2017 Framework Agreements. Without such targets for island investment, especially from new overseas investors, it is not possible to assess whether the level of investment in the economy during ESH's tenure met the government's expectations. Further, ESH leadership told us that coordination for investors needs to improve, as foreign investors in particular struggle to deal with all of the necessary government departments on their own, and some investors want to coordinate only with parastatal entities like ESH or the private sector. (paragraphs 4.42 to 4.44)

19. Despite many unique challenges, some of which will persist after Covid-19, tourism was on a slow but steady upward trajectory prior to the pandemic.

Aquila Aviation's 2020 Air Services Consultancy report, assessing pre-pandemic conditions, notes that ESH helped finance 13 visits by tour operators with only four "actively and successfully" selling holidays to St Helena. According to Aquila this was

due to several factors, including the many delays and cancellations experienced in the first year of Airlink operations; the requirement for travellers from outside South Africa to spend a night in Johannesburg in both directions; poor communications from the majority of on-island suppliers; and a lack of first-hand knowledge of the island amongst key tour operators' sales teams. ESH had planned a familiarisation visit for tour operators to strengthen confidence in the product and to improve the sales pitch as well as to focus on specific groups and countries, but this opportunity was lost as a consequence of the pandemic. It is unclear to what extent ESH was able to address the poor communications from local suppliers. That said, Aquila also found that visitors' experiences once they were on the island were almost universally positive. Further, ESH supported the establishment of five destination management companies to help bring tourists to St Helena, including two diving businesses that were developing a strong niche market. According to data provided by SHG's Statistics Office, the total number of visitors was in line with what was predicted until the impact of Covid-19, and the number of international tourists was beginning to exceed the number of Saint Helenians returning to visit family and friends. (paragraphs 4.45 to 4.51, and Figure 22)

20. Intended outcomes that were not achieved include a healthy commercial fishing sector, strong relationships with an array of overseas tour operators and the establishment of a unique brand for marketing St Helena internationally.

Outcomes 1 through 4 from the SHG-ESH Framework Agreement were, before Covid-19, each on course to be achieved to some extent as discussed above. However, there were several notable weaknesses:

1. Insufficient regular overseas promotion by tourism-related businesses, but to what extent ESH is to blame for this is unclear. There is a strong tendency on the island to rely on word of mouth and personal engagement rather than the internet, although this is less the case amongst young people.
2. ESH's investment in fishing failed. Although the reasons were beyond ESH's direct control, given the history of commercial fishing on the island it does raise a question about whether ESH adequately informed itself of the situation before committing large loans in what was a risky sector.
3. Marketing activities where the 13 visits of tour operators identified by Aquila as financed wholly or in part by ESH resulted in only four actively and successfully selling St Helena.
4. The opportunity to create a 'Brand St Helena' for local and international marketing purposes was lost.
5. While it was ESH policy not to create over saturation in business markets, at the same time it did not dispel the public and private sector expectation of there being 30,000 annual tourists sooner rather than later, which contributed to a degree of saturation in the eateries sector. (paragraph 4.52)

CONCLUSIONS AND RECOMMENDATIONS

1. Conditions were ripe for ESH to succeed in its mission to promote economic growth through local businesses and inward investment. The organisation was both well-funded and competently staffed, with a governance and reporting structure that included SHG and legislative leaders who could effect change as well as international development experts within the UK government. ESH agreed with SHG on a series of reasonable objectives and was accountable for specific performance targets assigned by its UK funder.
2. With this favourable framework in place, it is clear that ESH produced substantial benefits for the island's economy during its 9-year tenure. It provided needed technical assistance to prospective and existing business owners, and supplied capital in the form of grants and loans that helped their businesses start and grow. In particular, the nearly £1.1 million in grants was distributed widely, with two-thirds of the 472 awards valued at £2,000 or less. In other direct benefits, many of the hundreds of islanders who received training in trades like hospitality, construction and agriculture will contribute to the economy for years to come. The disruptions associated with Covid-19 are obvious, as nights spent by visitors and their total estimated expenditures both fell considerably in FY 20/21 and business owners we interviewed reported profits that declined or disappeared. But tourism was on the right path prior to the pandemic, and while some projections have proved overly optimistic, there are green shoots of a tourist-related economy that is poised to bolster St Helena's self-sufficiency once international travel normalises. Further, the development experts in the UK government were generally satisfied with ESH's efforts in their various assessments, and our sampling of grant and loan recipients indicates success among the wider universe of farmers and other business owners. Specifically, those interviews showed that ESH's financial assistance generally had a high impact and was associated with recipients who are (1) still in business, (2) optimistic about the future and (3) contributing to the tourist economy. Of course, a complete accounting of ESH's benefits must also include the areas where the organisation's interventions were less successful, such as with commercial fishing and the marketing of St Helena overseas. But on balance, ESH appears to have delivered meaningful benefits well in excess of the counterfactual scenario where an organisation like ESH never existed.
3. A harder question to answer than if ESH delivered real benefits is whether enough was achieved with the £17.6 million in combined funding from SHG and the UK government. We recognise that these types of interventions are costly, and achieving specific targets for, e.g., business start-ups or tourist arrivals is an important part of the story. But a full reckoning requires higher-level indicators that assess growth and other trends at a macroeconomic scale. SHG encountered measurement challenges throughout ESH's tenure: the outsize effect of airport construction on the annual growth rate and private sector employment, the UK annual budgetary aid's impact on GDP and a lack of information about the number of businesses registered with the Tax Office, among others. In its review of Phase 1, DFID advised ESH to set targets that would be easier to measure in order to better document high-level results and to consider consulting outside expertise if necessary, but there is no indication either was done. ESH's inability to

monitor and evaluate high-level outcomes limits our ability to assess ESH's complete legacy, just as it did for DFID and FCDO. This deficiency is not merely a historical problem, as SHG has now brought ESH's functions and costs in-house. The new administrators of St Helena's economic development and tourism promotion functions will need to think carefully about what they measure, how and when as they deploy SHG's limited resources for island-wide benefit.

4. We have identified the following recommendations for SHG:

- a) To ensure that its ongoing efforts to grow St Helena's economy can be fully assessed, and adjusted when necessary, SHG should publish a monitoring and evaluation plan for economic development with performance indicators and targets that are publicly reviewed, and amended if needed, on an annual basis. In developing this plan, SHG should (1) involve the Chief Statistician in the selection of high-level indicators that are both measurable and meaningful, and (2) consider engaging specialist expertise from the UK government or private sector to augment its capacity in this area.
- b) When considering new indicators for evaluating economic progress, SHG should give due weight to (1) individual profit and loss trends for businesses that receive financial assistance and (2) the number of new jobs those businesses provide for locals, while prioritising any refinements of Tax Office recordkeeping that would facilitate this analysis.
- c) To ensure that advice from specialists received after SHG absorbed ESH's functions is given due consideration, SHG should direct the appropriate personnel to review the 13 recommendations in FCDO's June 2021 ESH Programme Completion Report and publicly report on their progress implementing each. These recommendations include one to review the findings of Aquila Aviation's March 2020 Air Services Consultancy report.

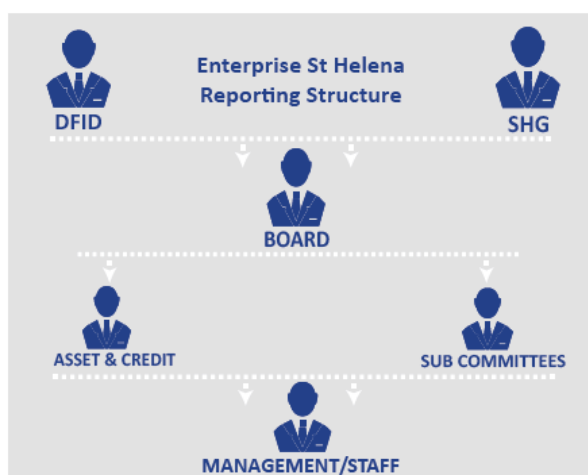
Part One

Governance, Strategy, Policy and Reporting

ESH's governance structure was rational and the organisation reported to the right bodies.

- 1.1 Enterprise St Helena's (ESH's) enabling ordinance specified that ESH would be governed by a Board of Directors consisting of a Chair and up to nine other directors, each appointed by St Helena's Governor for a term not exceeding 3 years. In addition to the Board, ESH reported to the Governor, St Helena Government's (SHG's) Chief Secretary, Legislative Council's Economic Development Committee and the United Kingdom's (UK's) Department for International Development (DFID).
- 1.2 ESH's Board of Directors was responsible for setting the strategic direction of the organisation and monitoring ESH's operations, including its financial performance. The Board originally had four sub-committees: Tourism, Business Development, Project Development, and Finance, Governance and Audit. (Project Development fell away as of financial year 18/19.) There was a separate Asset and Credit Committee consisting of Board members and senior management who convened to consider large business cases. Figure 1 depicts ESH's immediate governance structure as shown in ESH's FY 18/19 annual report.

FIGURE 1: ESH GOVERNANCE STRUCTURE



Source: ESH FY 18/19 Annual Report and Financial Statements

- 1.3 ESH provided monthly narrative and financial reporting to its Board and to DFID until the Board moved to quarterly meetings following recommendations as part of DFID's 2018/19 annual review. Over time, ESH streamlined its reporting format so that one standard report went to all parties and strategic heads, rather than different performance reports to each party. We reviewed several examples of these combined reports, which provide a monthly overview outlining activities that have taken place and progress against performance targets.

1.4 Along with its Board and UK funder, ESH reported to Legislative Council’s Economic Development Committee, with ESH’s Chief Executive sitting on the committee. More broadly, ESH leadership described a complex web of reporting arrangements, local boards and committee structures that took input from ESH staff. As of November 2020, the latter included 40 positions at various community, quasi-governmental, business and tourism councils, committees and working groups.

A series of SHG and DFID guidance documents directed and informed ESH’s activities over its tenure.

1.5 Along with the aforementioned governance bodies and other groups, ESH’s roles and responsibilities were further prescribed by a series of policies, strategies, plans and other guidance documents over the years, with the most important of these listed chronologically in Figure 2 below.

FIGURE 2: KEY GUIDANCE DOCUMENTS GOVERNING ESH’S ACTIVITIES

Document	Description
<i>Sustainable Development Plan (SDP) 2012-13 to 2014-15</i>	<p>St Helena’s highest-level planning document, the SDP sets out a strategic vision that is implemented via three national goals:</p> <ol style="list-style-type: none"> 1. A vibrant economy providing opportunities for all to participate 2. Strong community and family life 3. Effective management of the environment <p>See <i>SHG-ESH Framework Agreement July 2012</i> below for the SDP’s relationship to ESH.</p>
<i>Sustainable Economic Development Plan (SEDP) 2012-13 to 2021-22</i>	<p>Following from the Sustainable Development Plan, the SEDP articulates what is needed to implement National Goal 1 (a vibrant economy), focussing on the private sector with special emphasis on the tourism sector as a key driver.</p> <p>See <i>SHG-ESH Framework Agreement July 2012</i> below for the SEDP’s relationship to ESH.</p>
<i>SHG-ESH Framework Agreement July 2012</i>	<p>Describes the relationship between SHG and ESH.</p> <p>ESH was to take the leading role in implementing the SEDP and as a result deliver National Goal 1 from the SDP while contributing to the achievement of National Goals 2 and 3 by ensuring that its actions were coherent with SHG’s Social Policy and Environmental Management Plans.</p>
<i>ESH Corporate Plan 2013-16</i>	<p>Details the purpose, structure, desired impact and other key components of the ESH project.</p>

<i>DFID Phase 1 Logframe 2013-14 to 2015-16</i>	Logical framework for DFID's support to ESH Phase 1, including the overall impact, high-level outcome, specific outputs and indicators that will be used to assess whether they have been achieved.
<i>Sustainable Development Plan 2014-17</i>	A refresh of the original 2012-13 plan described above.
<i>10 Year Plan 2017-27</i>	Sets out five national goals and how St Helena will achieve them.
<i>SHG-ESH Framework Agreement April 2017</i>	A refresh of the original July 2012 agreement described above.
<i>DFID Phase 2 Logframe 2017-18 to 2020-21</i>	Logical framework for DFID's support to ESH Phase 2, including the overall impact, high-level outcome, specific outputs and indicators that will be used to assess whether they have been achieved.
<i>Sustainable Economic Development Plan 2018-28</i>	A refresh of the original 2012-13 plan described above.
<i>DFID Aid Mission Logframe 2019-20 to 2021-22</i>	Logical framework for DFID's annual aid subvention that accounts for the majority of SHG's budget.

Source: ESH, SHG and UK government documentation

Part Two

ESH’s Performance and How It Was Measured

SHG policies gave ESH wide latitude to achieve its intended results.

- 2.1 ESH’s powers were expansive. According to its enabling ordinance, it had the authority “to do anything it considers necessary or desirable to promote economic development either by bodies or individuals”, to include:
- promoting economic development under ESH’s control or among independent entities,
 - giving assistance (including financial assistance) to bodies or individuals appearing to the Board to have facilities to carry on economic development;
 - acquiring, managing and disposing of land;
 - constructing and maintaining buildings, making money available to finance the construction and acquisition of buildings, and making buildings available for purchase, lease or rent; and
 - providing financial assistance for training or work experience.
- 2.2 The 2012 Framework Agreement between ESH and SHG was developed to set out in detail the nature of the relationship between the two organisations. It stated that ESH should implement government policy with a minimal amount of government interference. It also referenced other guidance, such as the Sustainable Economic Development Plan that “sets the ten year context within which ESH will operate, giving a long term vision... towards which ESH will strive to deliver”, a Corporate Plan that laid out ESH’s 3-year strategic direction and a 1-year Operational Plan. In the background, the island’s 2012 Sustainable Development Plan stipulated that ESH was to take the leading role in implementing the SEDP thus delivering National Goal 1 (a vibrant economy) while contributing to other national goals.
- 2.3 The Framework Agreement identified eight objectives for ESH along with a series of corresponding responsibilities, as shown in Figure 3.

FIGURE 3: ESH’S OBJECTIVES AND RESPONSIBILITIES PER THE 2012 FRAMEWORK AGREEMENT

Objectives	Responsibilities
1. Protect St Helena’s future through sustainable economic development 2. Encourage social and community development, including engagement through the Diaspora 3. Encourage private sector development and growth, including through the sustainable economic use and re-use of development sites 4. Support on-island and offshore investors, and promote investment	1. Promote economic growth through the development of local businesses <ul style="list-style-type: none"> a. Provide advice to business and entrepreneurs who are, or are wishing to, operate on Saint Helena b. Provide training to local businesses and entrepreneurs 2. Generate economic activity by attracting international inward investment <ul style="list-style-type: none"> a. Work towards reducing barriers to investment

<p>5. Facilitate and provide investment sources for loans and equity</p> <p>6. Make St Helena a desirable, productive and competitive destination, through targeting high quality visitors</p> <p>7. Maintain and enhance the quality of St Helena's environmental assets</p> <p>8. Preserve St Helena's cultural identity</p>	<p>b. Bring potential investment opportunities to a level where they can be marketed</p> <p>c. Proactively market Saint Helenian opportunities overseas</p> <p>3. Ensure assets which SHG and ESH determine are to be best used for economic development are fully utilised</p> <p>a. Bring an agreed list of sites to a standard where they can be marketed for investment</p> <p>b. Actively seek potential investors for these assets</p> <p>c. Make assets available to local businesses and entrepreneurs</p> <p>4. As the main driver of economic growth, develop the island's tourism sector</p> <p>a. Develop on-island attractions and experiences</p> <p>b. Market Saint Helena's tourism product internationally</p> <p>c. Ensure service standards are world-class</p> <p>5. Provide finance for business growth and creation</p> <p>a. Provide capital to businesses and entrepreneurs which have been unable to secure finance from the Bank of Saint Helena, if they represent an attractive investment for Saint Helena</p>
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Source: SHG-ESH Framework Agreement, July 2012

2.4 The 2012 Framework Agreement was revised in April 2017 to coincide with Phase 2 of DFID's funding. The new agreement recognised three significant changes in the intervening 3 years:

- The Sustainable Development Plan had been replaced by a new 10 Year Plan for the period commencing April 2017.
- The Sustainable Economic Development Plan was also due to be revised and updated.
- The airport had been built and certified but was not yet fully operational.

2.5 ESH's objectives were reduced from eight to four, but this was essentially a consolidation and rephrasing of the original concepts – ESH's corresponding responsibilities did not change.

SHG and DFID guidance documents provided more than 200 potential indicators to assess ESH's performance.

2.6 Performance measurement is a common way for an organisation to determine whether it is meeting its objectives. In performance measurement terminology, an 'indicator' is a specific attribute that organisations can track to determine progress toward a desired goal. Organisations then set targets for the indicator for interim

and/or final outcomes. For example, targets could be set for 3-month quarters and for a full financial year.²

- 2.7 A best practice is to choose targets that are both specific and numerically quantifiable, to the extent this is possible, as this ensures the targets can be measured. For example, SHG’s 10 Year Plan includes the following as one of its key goals, known as Altogether Wealthier: “To develop St Helena industry, promote sustainable and green growth, increase the skilled workforce and ensure that everyone on St Helena prospers from sustainable economic development”. In service of this goal the strategy pledges to “reduce poverty”, which can function as a performance goal. A related indicator with a specific and measurable target might be the percentage of St Helena households that are above a predetermined basic income level, with the stipulation that the target percentage should be an increase over the present condition. Further, some non-numeric indicators are still measurable in a binary sense (i.e., yes or no): in the context of a pledge to reduce poverty, such an indicator might ask whether the government has updated the minimum wage, with ‘yes’ as the target for the upcoming year.
- 2.8 The many strategy and guidance documents governing ESH contained many potential performance indicators of varying levels of specificity and measurability. Figure 4 gives examples from each of the 11 strategies, plans and other guidance documents introduced in Figure 2 from Part One above.

FIGURE 4: POTENTIAL PERFORMANCE INDICATORS IN THE KEY GUIDANCE DOCUMENTS GOVERNING ESH’S ACTIVITIES

Document	Potential performance indicators
<i>Sustainable Development Plan 2012-13 to 2014-15</i>	<ul style="list-style-type: none"> • Economic growth supported by a labour market which is adequately trained • Saint Helena’s financial security enhanced and environmental impact minimised by increasing the share of renewable energy generation.
<i>Sustainable Economic Development Plan 2012-13 to 21-22</i>	<ul style="list-style-type: none"> • £420,000 of loan and equity finance in first year • ESH Business Plan in place • Jamestown Investor Centre
<i>SHG-ESH Framework Agreement July 2012</i>	<ul style="list-style-type: none"> • Proactively market Saint Helenian opportunities overseas • Ensure service standards are world-class • Provide finance for business growth and creation
<i>ESH Corporate Plan 2013-16</i>	<ul style="list-style-type: none"> • Number of visitor arrivals on the island • Number of square metres transacted for commercial use • Total value of fish sales (local and export)

² For prior Audit St Helena reports that discuss performance measurement in the context of SHG, see [Benchmarking Primary and Secondary Education \(July 2020\)](#) and [Benchmarking Health \(October 2021\)](#).

<i>DFID Phase 1 Logframe 2013-14 to 2015-16</i>	<ul style="list-style-type: none"> • Number of start-ups remaining in business after 2 years that were supported by ESH • Number of land and property transactions facilitated by ESH
<i>Sustainable Development Plan 2014-17</i>	<ul style="list-style-type: none"> • Vibrant economic growth, with rising employment and incomes • Increasing local and inward investment through a better business environment
<i>10 Year Plan 2017-27</i>	<ul style="list-style-type: none"> • We will reduce inequality and poverty • We will actively encourage Saint Helenians to return to the Island to take up jobs for the benefit of the economy
<i>SHG-ESH Framework Agreement April 2017</i>	<ul style="list-style-type: none"> • Increased accommodation availability and standards • Provide training to local businesses and entrepreneurs
<i>DFID Phase 2 Logframe 2017-18 to 2020-21</i>	<ul style="list-style-type: none"> • Number of businesses with standards improved as registered with the Tourist Office • Number of public policy reforms to enabling environment/investment climate for private sector development facilitated by ESH
<i>Sustainable Economic Development Plan 2018-28</i>	<ul style="list-style-type: none"> • Increase exports • Substitute imports • Develop the digital economy
<i>DFID Aid Mission Logframe 2019-20 to 2021-22</i>	<ul style="list-style-type: none"> • Real GDP growth rate • Local revenue share (percentage) of actual revenue

Source: Audit St Helena analysis of ESH, SHG and UK government documentation

Note: Some text has been edited for clarity.

2.9 According to our analysis, these 11 primary guidance documents offered more than 200 potential indicators, though some did not apply exclusively to ESH. The indicators varied in their specificity and measurability:

- Some were both measurable and already specified. For example, “The island becomes more self-sufficient financially by generating increased local revenue”. In this case, increases over a baseline level of local revenue indicate increased self-sufficiency.
- Some were measurable but not already specified. For example, “Promote economic growth through the development of local businesses”. While there are ways to measure business development, it is not clear how this would be done.
- And some were not readily measurable: For example, “Preserve St Helena’s cultural identity”.

DFID’s performance indicators drove ESH’s monitoring and evaluation process. These indicators were detailed, measurable and reasonably comprehensive.

2.10 DFID’s and SHG’s goals were not separable in any meaningful sense, as SHG funded primarily the operational costs for implementing DFID projects. In other words, as

ESH leadership told us, the main purpose of SHG’s budget appropriation was to enable ESH to deliver the projects that DFID funded. As such, ESH reported performance to SHG on indicators that were largely consistent with DFID’s indicators. It would be a typical practice for DFID as the grantor to involve ESH the grantee when drafting performance objectives, indicators and targets.

- 2.11 DFID housed its indicators within an overall logical framework, or ‘logframe’. This is a planning document typically used in aid funding that has objectives ranging from short term to long term as well as performance indicators and annual targets. One of the logframe’s key functions is to clarify the high-level impact that the project seeks, while also providing a path to achieve it through actionable steps and discrete outputs.
- 2.12 As ESH matured, it tended to measure its performance using DFID’s indicators. To illustrate this, Figure 5 compares performance indicators that ESH included in its annual report for financial year (FY) 18/19 to the outcomes, outputs and indicators found in DFID’s Phase 2 logframe. Of the 24 indicators under four ESH objectives, 19 are nearly identical to those in the DFID logframe. An additional five indicators are included that DFID does not track, but they are generally less specific and measurable (e.g., “Improved quality of hire transport”).

FIGURE 5: COMPARISON OF ESH’S FY 18/19 PERFORMANCE INDICATORS TO DFID’S PHASE 2 LOGFRAME

Objective	Protect St Helena’s future whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development	Found in DFID’s Phase 2 logframe?
1.1	Total annual SHG revenue collected from private sector sources (£)	Yes
1.2	Average (median) employee income from employment (£)	Yes
1.3	Number of tourists arriving at St Helena by (i) international airport and (ii) sea	Yes
1.4	Increase in number of ESH-supported businesses newly registered with SHG Tax Office	Yes
1.5	Room nights sold on island to visitors (compared with number of beds available, including self-catering)	Yes
Objective	Encourage private sector, social enterprise and community development and growth, including through innovation and the sustainable economic use and re-use of island resources	Found in DFID’s Phase 2 logframe?
2.1	Increase in number of new Tourism businesses on island, specifying those supported by ESH	Yes
2.2	Number of the 29 tourism businesses supported by ESH before FY 16/17 that are still operating	Yes
2.3	Number of tour operators actively marketing and selling St Helena as a destination	Yes
2.4	Improved quality of hire transport	No

2.5	Improved collaboration across the sector	No
2.6	Developing business advisory sector (number of operations)	No
2.7	Improvements to range, quality and quantity of agricultural production	No
2.8	Tourism product initiatives supported	No
2.9	Number of businesses with standards improved as registered with the Tourist Office	Yes
2.10	Increase in the number of Tourism Businesses marketing themselves or accepting bookings online through their own website or other digital platforms	Yes
2.11	Increase in individuals trained effectively across all sectors	Yes
Objective	Promote investment opportunities and support on-island and inward investors	Found in DFID's Phase 2 logframe?
3.1	Increase in number of ESH-supported businesses in all sectors receiving micro-grants and capital investment grants	Yes
3.2	Increase in skilled individuals	Yes
3.3	Number of public policy reforms enabling environment/investment climate for private sector development facilitated by ESH	Yes
3.4	Number of ESH internal policy reforms/changes in favour of private sector development	Yes
3.5	Number of information events on business opportunities and challenges, including recording feedback and actions for ESH, facilitated and organised by ESH	Yes
Objective	Make and market St Helena as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets	Found in DFID's Phase 2 logframe?
4.1	Increase in number of local, diaspora and foreign private sector investors in all sectors organised and secured by ESH	Yes
4.2	Increase in total local, diaspora and foreign private sector investment in all sectors organised and secured by ESH	Yes
4.3	Increase in number of SHG land and property transactions facilitated by ESH for private sector use	Yes

Source: Audit St Helena analysis of ESH and UK government documentation

Note: Some text has been edited for clarity.

ESH generally performed well relative to DFID's performance indicators in both Phase 1 and Phase 2.

2.13 After establishing logframes for each phase with accompanying indicators, DFID evaluated ESH on an annual basis and then cumulatively at the end of each phase

(2017 and 2021), with the Foreign, Commonwealth and Development Office (FCDO) authoring the 2021 review. In these evaluations, DFID/FCDO extensively assessed ESH's performance against the targets in the logframes. According to draft documents that we reviewed, DFID/FCDO staff consulted ESH leadership for input during the collaborative review process.

2.14 DFID/FCDO assigned scores to ESH using the following scale:

- A++ Outputs/outcomes substantially exceeded expectation
- A+ Outputs/outcomes moderately exceeded expectation
- A Outputs/outcomes met expectation
- B Outputs/outcomes moderately did not meet expectation
- C Outputs/outcomes substantially did not meet expectation

2.15 Figure 6 presents ESH's assigned scores for each of the annual and cumulative reviews.

FIGURE 6: ESH'S SCORES ON DFID'S ANNUAL AND CUMULATIVE REVIEWS, 2014 THROUGH 2021

Phase	Review type	Date	Overall score
One	Annual (FY 13/14)	July 2014	B
One	Annual (FY 14/15)	April 2015	A
One	Annual (FY 15/16)	May 2016	A
One	Project completion	June 2017	A
Two	Annual (FY 17/18)	April 2018	A
Two	Annual (FY 18/19)	May 2019	A
Two	Annual (FY 19/20)	June 2020	A
Two	Programme completion	June 2021	A

Source: UK government documentation

Notes:

1. The FY 16/17 extension phase (Oct 2016 – Mar 2017) received an A+ score.
2. Multi-year completion reviews took the place of annual reviews in in 2017 and 2021.
3. FCDO authored the June 2021 Programme Completion Report.

DFID's completion review of ESH Phase 1

2.16 According to DFID's June 2017 Project Completion Review for ESH Phase 1, which was based on evidence presented by ESH and SHG, ESH contributed to the start-up and growth of 67 businesses, a majority of which remained in business after 2 years. Nine hundred sixteen individuals received training courses, 11 completed apprenticeships or traineeships, and 25 accepted skills development grants. Two hundred four grants provided financial assistance for business development in a variety of sectors. Tourist numbers exceeded the original expectation, with ESH supporting 40 businesses and creating 124 jobs in the tourism sector. DFID wrote that ESH's activities secured 12 new investors generating £1.2 million of new investment, but this was mostly from local sources due to delays in the airport's opening having a chilling effect on the market for international investors. DFID further credited ESH with achieving improvements in the fisheries sector by supporting 10 businesses and implementing a large number of recommendations from a fisheries development initiative.

FCDO's completion review of ESH Phase 2

2.17 The June 2021 Programme Completion Report for ESH Phase 2 presented another generally positive picture of ESH's performance, albeit one that had been affected by Covid-19. The report – drafted by the new Foreign, Commonwealth and Development Office following DFID's 2020 consolidation with the Foreign and Commonwealth Office – presented as its “headline message” the fact that, prior to the pandemic, there had been an increasing trend in the arrivals of tourists as well as those with St Helena connections taking holidays on the island. This was in furtherance of ESH's overarching aim of helping St Helena to become financially independent and improving standards of living. The report quoted a SHG Statistics Office estimate of annual island income from tourism as being in the range of £4.8 million to £6.0 million. According to FCDO, in performance not related to tourism, ESH

- assisted 58 business start-ups or expansions;
- provided more than 200 on-island businesses with grants, advice and/or training;
- supported increased digital marketing for six destination marketing companies and 13 accommodation providers;
- advocated successfully for legislative changes that benefitted local commerce; and
- oversaw an expansion of local coffee production.

ESH did not adequately monitor and report high-level program impacts.

2.18 Despite its generally positive assessment, DFID in its Phase 1 review did express concern that out of three high-level outcome indicators, SHG was not able to provide information about two of them, as described in the following excerpt from the Project Completion Review:

-
1. **The total number of businesses registered with the SHG income tax office.** The SHG statistics office were not able to provide information on this indicator for the project period.
 2. **A decreasing SHG headcount as a percentage of the population.** The target of 17% was achieved for 2014/15 and remained at the same level in 2015/16. However no target was set for project completion and actuals for the project period have not been provided by SHG.
 3. **The number of serviced en-suite accommodation bedrooms.** The targets for the establishment of new bedrooms has been exceeded in each year. Overall, 157 bedrooms were opened in the project period, against a target of 105.
-

2.19 DFID further noted that “data for impact indicators is incomplete, so trends cannot be fully analysed” and “data shortages also highlight significant gaps in the capacity of SHG to collect and share key indicators of economic progress on the island”. As such, DFID encouraged ESH to “consider identifying outcome and impact targets which can be more easily measured, perhaps using expertise outside of SHG, to ensure high-level results can be consistently tracked throughout the second phase of the project”. Similarly, DFID observed there was “no systematic mechanism to assess the

outcomes of support for individuals and businesses through regular follow-up". In addition, DFID recapped its annual review findings that assessed the scope of ESH's activities as "too broad" with duplications of other agencies' responsibilities. Finally, DFID asserted that ESH's mixed funding limits the ability to assess value for money, with SHG funding the recurrent budget that allows ESH to implement DFID-funded initiatives.

- 2.20 In the same completion review for ESH Phase 1, DFID observed that no quantitative value for money indicators were presented in ESH's business case and none had been identified in its several annual reviews. This was "mostly due to both SHG and DFID funding sources contributing to the same outputs and outcomes" and recommended more rigorous analysis in Phase 2 that could better attribute effects to one funding stream or the other.
- 2.21 As DFID did in its Phase 1 completion review, FCDO in its Phase 2 review expressed concern about ESH's collection of data related to impact. As a lesson learned it recommended that SHG "regularly collect metrics on, for example, business turnover and profits", which FCDO claimed DFID requested at the beginning of the programme before facing resistance from both businesses and ESH.
- 2.22 While confident that their interventions were valuable, ESH leadership told us it was unclear what other data were being collected that could contribute to monitoring and evaluation. They said they were aware of no other ESH-specific monitoring and evaluation studies, however various consultants and economists brought to St Helena did talk to representatives from ESH and incorporate its activities in their reports. They also assumed SHG directorates like the Agriculture & Natural Resources Division would be collecting regular data on agricultural production, making it possible to analyse year-over-year production trends.

Other high-level impact measures

- 2.23 In addition to the performance indicators in DFID's logframes, the 2013-16 Corporate Plan mentioned in Figures 2 and 4 above featured several high-level impact measures. According to the plan, ESH's success in delivering the Sustainable Economic Development Plan was to be monitored through four "core indicators":
1. Annual real economic growth rate
 2. Percentage of total employees in private sector as a proportion of working population
 3. Annual growth in total employees
 4. Private sector expenditure as a percentage of total expenditure
- 2.24 We contacted SHG's Chief Statistician about these core indicators, but he was not aware of any request from ESH for his office to track them on a routine basis. He told us that, in general, the effect of the airport construction through 2017 would tend to frustrate any high-level assessment of year-over-year economic trends, such as annual growth rate and private sector employment, during much of ESH's tenure. Another distortion is the prominence of UK aid, which annually is roughly two-thirds

the size of St Helena's total gross domestic product (GDP): increases in aid in real terms will tend to increase GDP, all other things equal, while less aid will have the opposite effect. Despite these measurement challenges, the Chief Statistician told us that SHG is now in a better position to assess contribution to GDP for the past 3 years, and it could do such an analysis in the future, for example when the impact of Covid-19 has normalised. He added that proper computerisation of the income tax collection systems would give his office a greater ability to analyse profit and loss outcomes for individual businesses, such as those that receive financial assistance.

There are limitations to relying on the UK government's assessments of ESH's performance.

- 2.25 As shown in Figure 6 above, ESH fared relatively well in its annual and cumulative assessments with only the first year not meeting expectations. However, to put these results in their full context, it is worth considering the incentives inherent in the funder's assessment of its grantee. Grantees that score an overall 'B' or lower in successive annual reviews are put on a performance improvement program. Poor performance from its grantee would reflect poorly on DFID/FCDO, the evaluator, which sets up at least the potential for a conflict of interest that must be managed. In addition, programs are assessed relative to their milestones, so in some cases perceived improvement and year-over-year progress could simply be functions of setting more realistic targets.
- 2.26 More significantly, the highest-level performance indicators – assessing progress against ESH's overall intended impact – were not addressed in DFID's 2017 or FCDO's 2021 completion reviews, as shown in Figure 7. In that sense, with regards to "what did ESH achieve for St Helena?", these reviews do not answer the most comprehensive form of the question. We attempt to provide a more complete answer to this question in Part Four.

FIGURE 7: ESH IMPACT INDICATORS IN DFID'S PHASE 1 AND PHASE 2 LOGFRAMES

Impact goal	Impact indicator	Impact target	Results
<i>Phase 1 (2013-2017)</i>			
Sustainable economic, social and environmental development	1. Total annual SHG revenue from local sources	To grow from £6.036m baseline in FY 12/13 to £8.995m in FY 15/16	Not discussed in DFID's 2017 Project Completion Review
	2. Annual private sector expenditure (as quantified in National Accounts methodology)	To grow from £15.584m baseline in FY 11/12 to £20.300m in FY 15/16	Not discussed in DFID's 2017 Project Completion Review
<i>Phase 2 (2017-2021)</i>			
Increase in the sustainable economic development of St Helena	1. Total annual SHG revenue collected from private sector sources	To grow from £12.639m baseline in FY 16/17 to £37.365m in an unspecified year	Not discussed in FCDO's 2021 Programme Completion Report
	2. Average (median) employee income from employment	To grow from £8,230 baseline in FY 16/17 to £26,983 in an unspecified year	Not discussed in FCDO's 2021 Programme Completion Report

Source: Audit St Helena analysis of UK government documentation

Part Three

Funding, Grants and Loans

ANALYSIS OF FUNDING RECEIVED AND SELECTED SPENDING

ESH received funding in the amount of £9.1 million from SHG and £8.6 million from DFID from FY 12/13 through FY 20/21.

- 3.1 ESH received funding from SHG as a continuation of its prior funding of ESH's predecessor, the St Helena Development Agency. SHG funding was for both 'Economic Development' and 'Tourism' in FY 12/13, the year that ESH came into existence. These two functions were combined from FY 13/14 forward, with ESH given responsibility for both. According to FCDO's project tracking website, DFID's funding of ESH began in FY 13/14.³ ESH's first phase concluded in March 2017 (following two extensions), with Phase 2 beginning in August 2017 and running through March 2021.
- 3.2 Figure 8 presents the funding amounts made available to ESH from SHG and DFID from FY 12/13 through FY 20/21. As noted above, ESH leadership told us the main purpose of SHG's annual appropriation was to enable ESH to deliver the projects that DFID funded. For example, according to FCDO's Phase 2 completion review, SHG's approximately £4 million Phase 2 contribution was "primarily for ESH running costs including salaries, utilities, insurance, depreciation, and audit costs".

FIGURE 8: SUMMARY OF FUNDING AVAILABLE FROM SHG AND DFID, FY 12/13 THROUGH FY 20/21 (IN THOUSANDS OF POUNDS)

FY	Funding available from SHG	Funding available from DFID	Total funding available from SHG and DFID
12/13	688	0	688
13/14	1,158	849	2,007
14/15	1,211	1,350	2,561
15/16	1,100	1,408	2,508
16/17	1,100	1,424	2,524
17/18	1,085	1,025	2,110
18/19	900	1,077	1,977
19/20	947	791	1,738
20/21	897	640	1,537
Total	9,086	8,563	17,649

Source: Audit St Helena analysis of SHG and UK government data

³ <https://devtracker.fcdo.gov.uk/projects/GB-1-203140/summary>

3.3 As shown in the figure, SHG supplied a little more than half of ESH’s funding, though the two sponsors provided nearly equivalent amounts from FY 13/14 when DFID became engaged.

According to its financial statements, from FY 16/17 through FY 19/20 ESH spent 40% of its total available funding on ‘employee costs’ and 18% on ‘marketing and promotion’.

3.4 Figure 9 presents ESH’s spending on (1) employee costs and (2) marketing and promotion for FY 16/17 through FY 19/20, the years this information is available. It is important to note that ‘employee costs’ include salaries for those delivering projects, like tourism and training, in addition to ESH administrators. ‘Marketing and promotion’ includes costs for marketing St Helena through various in-person and media campaigns, including brochures and other advertising materials, website development and trade shows.

FIGURE 9: VALUE OF SPENDING CATEGORIES AS A PERCENTAGE OF TOTAL AVAILABLE FUNDING, FY 16/17 THROUGH FY 19/20 (IN THOUSANDS OF POUNDS)

FY	Total available funding (DFID + SHG)	Employee Costs spend	Employee Costs spend as a % of total available funding	Marketing and Promotion spend	Marketing and Promotion spend as a % of total available funding
16/17	2,524	934	37%	270	11%
17/18	2,110	854	40%	371	18%
18/19	1,977	806	41%	408	21%
19/20	1,738	755	43%	422	24%
Total	8,348	3,349	40%	1,471	18%

Source: Audit St Helena analysis of ESH, SHG and UK government data

Note: The ‘Employee Costs’ category was known as ‘Salaries and Wages’ in ESH’s FY 16/17 and 17/18 financial statements.

3.5 Typically, spending on program elements like employees and marketing would be considered ‘overhead’. We consulted an outside expert in an attempt to determine an appropriate benchmark for the amount of overhead that would be reasonable for a programme like ESH. According to this expert, the challenge facing programmes that involve substantial amounts of technical assistance, relationship management, marketing support and other ‘soft inputs’ is that their greatest expense is usually the staff that deliver these inputs – the programme’s ‘human resources’. Early market development programmes were criticised for what appeared to be excessive overhead because they often had large teams, until funders came to recognise that the soft inputs these teams delivered were an important part of how these programmes added value (not just, e.g., the cash value of the grants and loans disbursed). As a reasonable share of programme funding, the expert estimated 60% for technical advice and support, 20% for overhead and 10-20% for direct grants. In ESH’s case, its employee costs would include both administrative overhead and project technical assistance, putting them within the range of reasonableness.

ANALYSIS OF GRANTS AND LOANS

3.6 As shown in Part Two, ESH provided a variety of financial and non-financial support to the St Helena community. Non-financial support included promotion of local agricultural produce as well as business and investment opportunities. ESH readied commercial units for both industrial and non-industrial business use. It also provided specialist advice and guidance to businesses, in particular the hospitality sector. Further, ESH was involved in both accredited and non-accredited training programmes in St Helena and offshore.

ESH made financial assistance available to businesses and individuals for a wide variety of purposes.

3.7 In addition to non-financial support, a high-profile role for ESH was the distribution of grants and loans to businesses and individuals. While funded primarily by DFID, SHG contributed a significant amount of this financial assistance as well. This included all loan funding, as DFID funded only grants.

3.8 SHG's and DFID's financial support included many different types of grants and loans consistent with different purposes, as shown in the list below:

Grants

- *Micro, Small to Medium Enterprise Grant* – assistance to businesses of various sizes including start-ups, from business plans and marketing to the purchase of equipment and needed supplies
- *Capital Investment Grant* – assistance to tourism and hospitality operators (accommodation, food and beverage) in transitioning to self-employment, hiring and paying interest on deferred loans
- *Small Producer Support* – assistance to farmers in order to encourage increased local agricultural production
- *Bespoke Agriculture Grant* – a FY 20/21 follow-on to Small Producer Support, a result of ESH's Board repurposing funding to key areas of focus as ESH was winding down (and with it, DFID's remaining Phase 2 project funding)
- *Skills Development Grant* – assistance with the cost of a training course, local or overseas, that will develop the skills of business owners and/or employees
- *Distance Learning Grant* – assistance with the cost of online courses and degree programs to build credentials
- *Social Enterprise Grant* – assistance to non-governmental community organisations, such as charities, churches, clubs and trusts

Loans and equity arrangements

- *Business Development Loan* – financial assistance to businesses, whether start-ups or established
- *Equity Shares* – in certain circumstances, ESH/SHG would take an ownership stake in an asset, like a fishing boat, in lieu of loan repayment
- *Youth Loan Fund* – assistance to young people between the ages of 16 and 26 to encourage business start-ups, with an interest rate of 1% and no collateral required except in special circumstance

- 3.9 The remainder of this section presents various quantitative analyses of the grants and loans ESH approved and distributed. These analyses are based on ESH responses to our request for all grants and loans approved from FY 12/13 through FY 20/21. Because we received and analysed much of the grant and loan data after ESH transferred the majority of its functions to SHG at the end of FY 20/21, we had limited ability to query it with ESH representatives (though some clarification was possible). We cross-referenced various data sources where possible in an attempt to arrive at more accurate totals. While it was not possible to conduct an extensive file review of individual grants and loans, we obtained additional validation by engaging the services of an expert consultant who interviewed a representative sample of grantees and loanees. Part Four presents the results of these interviews and analyses.
- 3.10 At times grant and loan recipients did not draw down the full amount of the grant or loan, and some applicants declined them altogether after they had been approved (for example, if plans to attend a training course were cancelled). Pound values generally reflect amounts that were in fact paid out (disbursed), not necessarily the full amount approved, in order to convey the actual level of investment into St Helena's economy and society. Typically such disbursement would occur not as a cash advance, but as one or more reimbursements upon the presentation of invoices or receipts. In cases where this occurred over multiple financial years, as with grants that were paid out through a series of reimbursements, we assigned the total amount paid to the financial year in which the grant or loan was originally approved.

The total value of grants and loans disbursed to recipients was 10% of ESH's total combined funding from SHG and DFID.

3.11 Figure 10 adds grant and loan information from ESH to the funding amounts presented in Figure 8 above. Grant totals ranged from a high of £213,000 in ESH's final year to a low of £13,000 in FY 13/14. Loans ranged from a high of £236,000 in FY 17/18 to a low of £5,000 or less in three different years. Across the nine financial years of ESH's existence, the value of grants and loans disbursed to applicants accounted for approximately 10% of ESH's total combined funding from SHG and DFID. Recall that the outside expert we consulted estimated that 10-20% was a reasonable share of programme funding going to direct financial assistance.

FIGURE 10: SUMMARY OF FUNDING AVAILABLE FROM SHG AND DFID COMPARED TO VALUE OF GRANTS AND LOANS DISBURSED TO RECIPIENTS, FY 12/13 THROUGH FY 20/21 (IN THOUSANDS OF POUNDS)

FY	Funding available from SHG (per SHG)	Funding available from DFID (per FCDO)	Total funding available from SHG and DFID	Value of grants received originating in each FY	Value of loans received originating in each FY	Value of grants and loans received originating in each FY	Value of grants and loans received as a % of total available funding
12/13	688	0	688	22	68	90	13%
13/14	1,158	849	2,007	13	115	127	6%
14/15	1,211	1,350	2,561	118	130	248	10%
15/16	1,100	1,408	2,508	137	180	317	13%
16/17	1,100	1,424	2,524	181	4	185	7%
17/18	1,085	1,025	2,110	188	236	424	20%
18/19	900	1,077	1,977	99	25	124	6%
19/20	947	791	1,738	116	2	118	7%
20/21	897	640	1,537	213	5	218	14%
Total	9,086	8,563	17,649	1,088	764	1,852	10%

Source: Audit St Helena analysis of ESH, SHG and UK government data

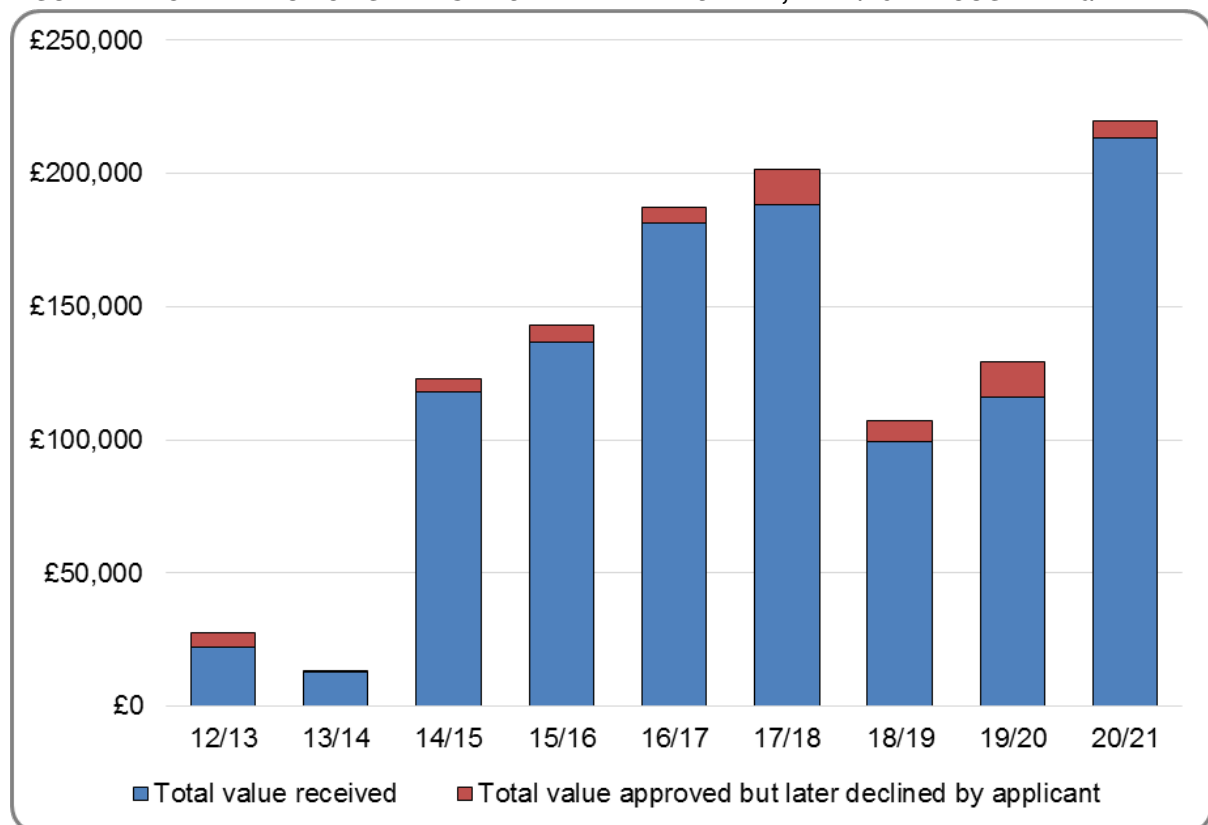
Notes:

1. Loan data includes equity shares. For loans later converted to equity shares or vice versa, the value is counted once and recorded in the year of conversion.
2. SHG funding in FY 12/13 was for both 'Economic Development' and 'Tourism' in the year that ESH came into existence (replacing the St Helena Development Agency). These two functions were combined from FY 13/14 forward, with ESH given responsibility for both.
3. Funding from DFID in FY 17/18 comprises a Phase 1 rescission of £207,999 combined with a Phase 2 budget of £1,232,946.

According to ESH’s records, ESH disbursed almost £1.1 million in grant funding from FY 12/13 through FY 20/21, and approved an additional £64,000 that applicants later declined.

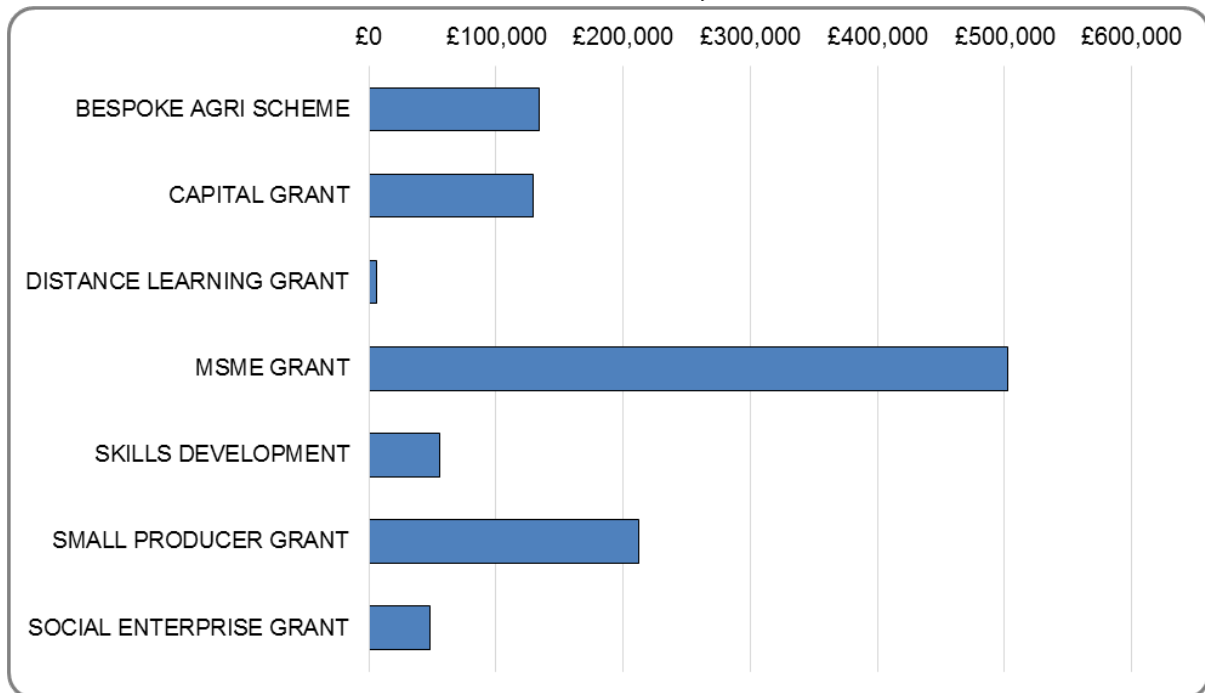
3.12 Of the 472 grants for £1,087,663 that ESH issued, 100 (21%) were for less than £500, 175 (37%) were for less than £1,000 and 418 (89%) were for less than £5,000. Overall, two-thirds of the grants (314 of 472) were for £2,000 or less. Almost half of the grants by value (46%) were disbursed to businesses of various sizes through the Micro, Small to Medium Enterprise grant programme. The most value disbursed in any single financial year came in FY 20/21, with a little more than £213,000 granted – much of it to farmers – as ESH was preparing to transfer the majority of its functions to SHG and cease operations at the end of the financial year. Figure 11 presents the total value of grants received by applicants each year, as well as the total value that ESH approved but that applicants later declined. Figure 12 presents the total value of grants received by type.

FIGURE 11: TOTAL VALUE OF GRANTS RECEIVED AND DECLINED, FY 12/13 THROUGH FY 20/21



Source: Audit St Helena analysis of ESH data

FIGURE 12: TOTAL VALUE OF GRANTS RECEIVED BY TYPE, FY 12/13 THROUGH FY 20/21

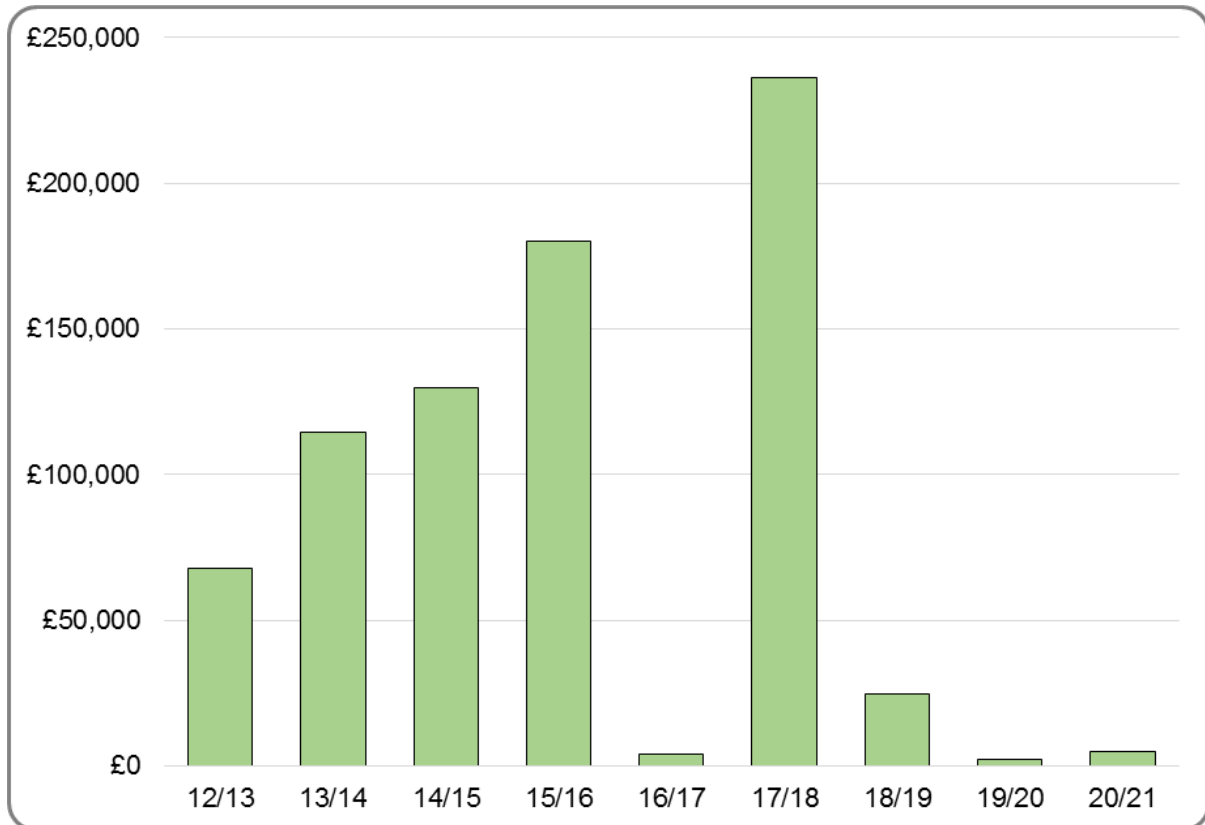


Source: Audit St Helena analysis of ESH data

Of the 23 loans for £764,000 that ESH issued (including equity shares), 12 ranged from £1,000 to £7,500, another 8 ranged from £20,000 to £83,300, and the final 3 ranged from £100,000 to £184,000.

3.13 The three largest loan arrangements composed 53% of the total loan value, with two of these three going to the Mantis hotel. Applicants declined only two loans, totalling £4,000, over the course of ESH’s 9 years. Figure 13 presents the total value of loans received by applicants each year. Figure 14 presents the total value of loans received by type.

FIGURE 13: TOTAL VALUE OF LOANS RECEIVED, FY 12/13 THROUGH FY 20/21

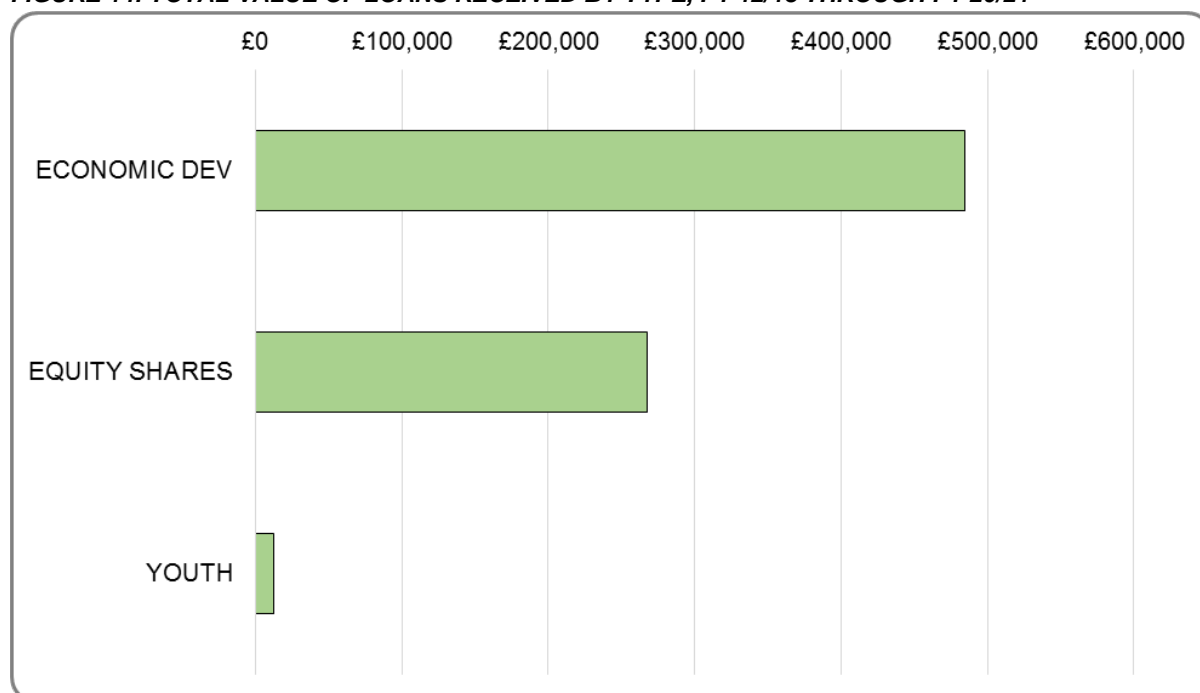


Source: Audit St Helena analysis of ESH data

Notes:

1. Includes equity shares. For loans later converted to equity shares or vice versa, the value is counted once and recorded in the year of conversion.
2. In addition, two youth loans for £2,000 each were approved but not taken up by the applicants – one in FY 17/18 and one in FY 18/19.

FIGURE 14: TOTAL VALUE OF LOANS RECEIVED BY TYPE, FY 12/13 THROUGH FY 20/21



Source: Audit St Helena analysis of ESH data

- 3.14 According to Enterprise St Helena leadership, it was ESH’s policy to avoid competing with the Bank of St Helena and thus ESH’s interest rate was set higher than the bank’s. In effect this meant that ESH was lending to applicants who could not get a bank loan, and thus the loans ESH approved tended to be riskier in nature. Leadership told us that SHG at times encouraged ESH to provide financing to certain strategic industries and even businesses that were considered too important to fail.
- 3.15 Part Four contains additional discussion of grants and loans, including the results of our interviews with recipients.

Part Four

What ESH Achieved for St Helena

- 4.1 In Part Two we discussed DFID's annual reviews of ESH, as well as the comprehensive completion reviews at the end of each phase: their criteria for assessment are the targets that DFID agreed with ESH and memorialised in each phase's logframe. In Part Three we looked at one high-profile aspect of ESH's work, the awarding of grants and loans. In this part we assess what ESH achieved for St Helena beyond DFID's logframes, considering broader outcomes with a special focus on financial assistance.
- 4.2 Because of the complexity of this analysis and the small audit team, we consulted Ann Muir, an expert on social impact within SHG who has never been affiliated with ESH. In addition to serving as SHG's Strategic and Social Policy Coordinator from July 2020, her relevant background includes evaluations of international aid programmes. In coordination with the audit team, she led the fieldwork for Part Four and produced the analysis that we present below.

ESH was tasked with achieving specific outcomes beyond DFID's performance targets.

- 4.3 In Part Two we identified ESH's objectives and responsibilities in the original 2012 Framework Agreement with SHG. We further noted that in the agreement's 2017 revision ESH's objectives were consolidated but its responsibilities did not change. Those four objectives form the criteria against which ESH's contribution to St Helena will be assessed in this part, as shown in Figure 15.

FIGURE 15: ESH AIM, OBJECTIVES AND OUTCOMES TO BE ASSESSED

Aim		
<i>To help Saint Helena become financially independent and improve standards of living.</i>		
	Objective	Outcome to be assessed
1	Protect St Helena’s future whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development	St Helena’s future protected whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development
2	Encourage private sector, social enterprise and community development and growth, including through innovation and the sustainable economic use and re-use of island resources	Development and growth of the private sector, social enterprise and the community, including through innovation and the sustainable economic use and re-use of island resources
3	Promote investment opportunities and support on-island and inward investors	Investment opportunities secured and support provided for on-island and inward investors
4	Make and market St Helena as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets.	St Helena marketed as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets

Source: Audit St Helena analysis of ESH documentation

4.4 The DFID outcome that went beyond SHG’s outcomes was “Growth in tourism-led business activity on St Helena”.⁴ We reviewed DFID’s and FCDO’s evaluations of ESH’s performance against DFID’s targets in Part Two.

4.5 In the next section we assess ESH’s contribution to St Helena relative to the four outcomes SHG directed it to achieve.

OUTCOMES ACHIEVED FOR ST HELENA, AND HOW WE KNOW THIS

Outcome 1: St Helena’s future protected whilst acknowledging the important aspects of its past, through inclusive and sustainable ethical economic development.

Assessment: ESH supported traditional industries like agriculture and fishing, and helped to grow new and already established businesses related to tourism, though attribution for specific economic outcomes was not always clear. Training and other skills development increased the island’s store of human capital.

4.6 ESH was the responsible body driving economic development: growth of the private sector was critical to realising the economic potential of the airport. But ESH on its own cannot be held responsible for the protection of the future of the island. Below are major achievements which can be attributed directly at least in part to ESH. This section focuses on five key sectors of the economy:

⁴ FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xii.

- Agriculture, which received the most grants;
- Visitor economy and hospitality related business, which was the major recipient of loans;
- Fishing, where the second largest loan was made to a new business start-up;
- Other significant economic developments; and
- Skills development (investing in people).

Agriculture

- 4.7 ESH grants and loans to farming led to significant improvements in productivity supporting the 2014 National Agricultural Policy and Implementation Strategy. Farming was the sector receiving the most grants: 79 Small Producer Support (SPS) grants worth £212,272 were made between FY 14/15 and FY 20/21, an average of £2,687 per grant. Given the number of farming concerns is around 44 this means some received more than one grant. This realised a significant increase in under cover farming (poly tunnels) and drip irrigation and a wider variety of produce grown, including salad crops and herbs. Grants were also available for fencing to secure livestock, including for Crown Land pasture leased by farmers from SHG.
- 4.8 Further, as the effects of Covid-19 started to be felt in FY 20/21, 86 Bespoke Agricultural Grants (BAG) were made to farming businesses. The value of these grants totalled £134,204, with each grant averaging £1,561. Again, given the number of farming concerns is around 44 this means some received more than one grant.
- 4.9 Comparable data in terms of weight or the monetary value of locally grown and imported produce is not available to allow a demonstration of the impact of locally grown produce on imports. But Figure 16 below indicates that imports of most fresh produce declined between FY 17/18 and FY 19/20 and anecdotal information strongly attributes this to increased local production. No lettuce is imported as it is highly perishable and local production has made it regularly available. The importation of seed potatoes had declined due to supply issues not meeting the island's bio-security standards. Nevertheless these values must be treated with caution because of the effect of South Africa's Rand on import costs.

FIGURE 16: VALUE OF IMPORTED FRESH PRODUCE BY TYPE, FY 17/18 THROUGH FY 19/20 (IN £)

Imported Produce	2017/18	2018/19	2019/20
Cabbage – fresh	601	624	813
Capsicum / chilli – fresh	5,733	1,958	3,365
Cucumbers and gherkins – fresh	1,420	840	614
Garlic – fresh	4,814	3,429	3,428
Mushrooms – fresh	7,038	5,859	2,391
Onions – fresh	30,244	27,842	23,051
Potatoes – fresh	52,190	45,652	36,957
Potatoes – seed	12,291	3,606	2,500
Pumpkins, squash and gourds – fresh	8,854	6,358	5,397
Sweet potatoes – fresh	1,821	1,902	1,558
Tomatoes – fresh	9,120	2,850	558

Source: SHG's Environment, Natural Resources & Planning Portfolio

- 4.10 In line with ESH policy the business contribution to qualify for a grant was increased from a minimum of 25% to a minimum of 50% in FY 19/20 which sometimes led to a reduction in the size of grant for which business owners applied. Theoretically this could have improved value for money in that more businesses could have been supported by ESH, but there is no information to suggest there was a shortage of financial support for business development. That this was affordable by businesses also suggests a healthy turnover and profit, until the impact of Covid-19 and the loss of trade from the visitor economy.
- 4.11 Locally grown produce is more environmentally friendly than importing, and quite possibly has been grown using less fertiliser compared to the practices of commercial farms in South Africa. Farming is also an important part of the heritage of the island, and a major impetus for its recent expansion was the visitor economy on the back of the airport: it was assumed that visitors, especially the planned high-budget tourists, would prefer locally grown produce. Capital investments into local agriculture included the development of the Longwood Pack House for packing vegetables.
- 4.12 ESH has been successful in attracting an inward investor into agriculture who has established a new coffee plantation of approximately 6 hectares, which represents a significant development for the island. More than £1 million has been invested and 250 coffee trees have been planted, 5,000 seedlings propagated (all in various stages of growth) and the plantation employs two full time workers. The first harvest is due in 2025. The business will also be investing in coffee tours and eco-lodge type accommodation for workers and tourists. All aspects of the business will, where possible, become energy self-sufficient by using wind and solar.⁵

The visitor economy and hospitality

- 4.13 ESH was responsible for growing tourism, which was to have a multiplier effect by promoting tourism-related economic and business development. There is a common perception that tourism has not delivered as it was intended to, and therefore that its impact in terms of economic development has been very limited: visitor numbers and spend on the island was not as high as had been hoped. It was predicted that tourism would grow slowly rising to a capped total of 29,208 annual tourists by 2041, and this was the projection used to underpin the business case for the airport.⁶ Overall, without the impact of Covid-19, the early indications of how the visitor-based economy was developing was in line with predictions, and on the whole conditions were looking reasonably good after only 2.5 years of commercial flights.
- 4.14 But many on the island picked up the enticing forecast of nearly 30,000 annual tourists with some businesses investing relatively quickly and heavily in their expectation of such numbers. Organic growth in the tourism sector, which was what had been predicted, was left behind in the enthusiasm to be ready for the first commercial flight and for a subsequent rush of tourists (even with the smaller-than-

⁵ FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xxxii.

⁶ NAO, 2016, *Realising the Benefits of the St Helena Airport Project*, London, NAO, p. 22.

expected aircraft). This had an impact on business cash flows in the hospitality sector even before Covid-19.

- 4.15 St Helena attracted more adventure-type tourists and friends and relatives of those living on the island than the high-budget tourists predicted in the business case, which has benefited the self-catering sector. Predicted annual occupancy rates for the Mantis based on the Journey assessment of visitor demand medium case scenario⁷ proved to be over optimistic. The Mantis which was built by SHG received a £175,000 loan from ESH, later converted to £184,000 in equity shares (see Part Three).
- 4.16 About two-thirds of visitors used self-catering rentals. The vast majority of those visiting friends and family stayed for a month or more, whereas the vast majority of tourists who had no connections to the island stayed for a week.⁸ New jobs were created but it is not known how many, and a number of skilled workers had to be employed from overseas, including chefs and hotel managers.
- 4.17 Total funding invested in the visitor economy is unclear. DFID funding in Phase 1 (2013 to 2017) supported 40 tourism-related businesses⁹ and in Phase 2 (2017 to 2021) it supported 21 new tourism-related businesses¹⁰. Moreover the ESH spreadsheets of grants and loans which include both DFID and SHG funding probably under-count visitor-related businesses as these can include eateries, self-catering accommodation, hotels, agricultural production for the visitor economy and visitor attractions. Notable visitor attractions supported by ESH include Bertrand's Cottage (which was used to provide hospitality training and until recently was a restaurant), a go-kart track in woodland, maintenance of the Post Box Walks and the promotion of the Dark Skies accreditation application. Refurbishment of Bertrand's Cottage and Jamestown Market were tourism-related capital investments.
- 4.18 A notable sub-sector of tourism was marine tourism associated with boat trips and diving, which was showing confident signs of growth before the impact of Covid-19. In one notable investment, ESH in 2014 took an equity stake of £83,300 in one tour boat. Grants of over £1,000 totalled £34,758.
- 4.19 SHG's Statistics Office has approximated visitor spending using a range of estimates (see Figure 17). The effect of Covid-19 is clear: visitor nights spent and their total estimated expenditures both fell in FY 20/21 to less than half of their FY 19/20 values. (It should be noted that the surveys for estimating visitor expenditure are still quite new and relatively small, and that all estimates are provisional and will be improved as more data becomes available.)

⁷ Journey Tourism Consulting & Management, 2013, *Visitor Demand Assessment after the Completion of St Helena Airport*, p. 101.

⁸ SHG, 2020, *Statistical Bulletin No. 6, 2020*, Jamestown, SHG, p. 6.

⁹ DFID, 2017, *Project Completion Review, Support to the Economic Development of St Helena*, London, DFID p. 9.

¹⁰ FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xvi.

FIGURE 17. NIGHTS SPENT, AVERAGE DAILY EXPENDITURES AND TOTAL EXPENDITURES FOR DIFFERENT CATEGORIES OF VISITORS, FY 18/19 THROUGH FY 20/21¹¹

Financial year (April to March)	2018/19	2019/20	2020/21
Nights spent by people departing in year	59,495	52,869	21,880
Visiting family and friends	33,109	30,799	11,628
Tourists	14,574	13,175	1,891
Short-term business visitors, including government	6,819	6,454	4,653
Arrivals by yacht or for transit	4,993	2,441	3,708
Estimated average daily expenditures (range in £)			
Visiting family and friends	80-110	80-110	80-110
Tourists	140-190	140-190	140-190
Short-term business visitors, including government	80-110	80-110	80-110
Arrivals by yacht or for transit	50-75	50-75	50-75
Estimated total expenditures (range in £)	5.6-7.6m	5.0-6.9m	1.8-2.4m
Visiting family and friends	2.6-3.6m	2.5-3.4m	0.9-1.3m
Tourists	2.0-2.8m	1.8-2.5m	0.3-0.4m
Short-term business visitors, including government	0.5-0.8m	0.5-0.7m	0.4-0.5m
Arrivals by yacht or for transit	0.2-0.4m	0.1-0.2m	0.2-0.3m

Source: SHG Statistics Office

Note: Estimates in this table are provisional.

- 4.20 Attribution to ESH is clear in terms of the impact of grants and loans on the development of services for the visitor economy but is not clear in terms of marketing – for example, the number of visitor night stays that ESH's marketing activities led to and therefore its contribution to spending by visitors. Unless marketing is direct, such as when it is tied to an advert, it is very difficult to ascertain if a booking resulted from a specific marketing effort or another source of advertising. Even when it is tied to an advert, other direct or indirect advertising, like social media and friends, may have influenced the choice of holiday destination or accommodation.
- 4.21 Value for money in tourism was compromised by the tendency of businesses to regard promotion as a one-off activity, when for example the Tourism Office prompted them and/or provided financial assistance to update on-line platforms.¹² However in 2022 there are signs of increasing awareness of the commercial importance of taking live on-line bookings and payment, and a new St Helena website is being developed.

Fishing

- 4.22 Fishing was a specified output of Phase 1 contributing to this outcome. In Phase 1 the St Helena Fisheries Corporation (SHFC) was supported in being accredited to the International Pole and Line Foundation, which protects the island's 200 nautical mile maritime zone from being over-fished. In both phases there was significant investment in movable assets to support the fisheries supply chain: from an equity stake in a subsidiary of SHFC to purchase a vessel to fish the sea mounts in 2013 (£122,300), to grants and loans to replace engines and equipment for in-shore and off-shore

¹¹ SHG, 2021, *Statistical Bulletin, No. 5, 2021*, Jamestown, SHG, p. 4.

¹² FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xxii.

fishing vessels (£70,000), to skills development training for fishers and Cold Store refurbishment grants (£53,880). Grants and loans to replace engines and equipment were managed by the St Helena Commercial Fishermen's Association. From the ESH tracker of grants, loans and equity arrangements, investments of over £1,000 total approximately £278,517.

- 4.23 We would expect the development impact of this funding to have been considerable, but it was compromised by a number of key issues: (1) some fishers were reluctant to stay at sea for the time required to bring in viable amounts of fish from the sea mounts; (2) when SHFC took over the management of the Cold Store in 2015, the cost of overheads (electricity) and the state of its infrastructure plus the absence of fish from the sea mounts further reduced viability; and (3) the slow progress on the takeover of the Cold Store by its new owner due to various reasons. To date therefore investment in fishing as an economic activity has not returned value for money, irrespective of the impact of Covid-19.

Other significant economic developments

- 4.24 Grants over £1,000 and loans to the construction sector totalled £57,308. Performance of the sector suffered from the absence of a capital investment programme after airport construction and before the start of the Economic Development Investment Programme in 2019.
- 4.25 A grant and loan to a printing enterprise invested in digital printing was not compromised by the impact of Covid-19 as printing demand switched to materials related to Covid-19 and revenue increased by 30%.

Skills development (investing in people)

- 4.26 Skills development was a strong feature of both phases. According to DFID, a total of 952 individuals were trained during Phase 1 in, for example, hospitality, tourism, health and hygiene, construction and agriculture, mostly to UK accreditation standards. Eleven of these were apprenticeships or traineeships.¹³ In Phase 2 a total of 390 individuals were trained either by ESH/Tourism or SHCC¹⁴, and a total of £520,342¹⁵ was spent on training and skills development between FY 17/18 and FY 20/21. Phase 2 training focused on improving standards in tourism and hospitality, including eateries and health and hygiene.
- 4.27 No follow-up information was available on the usefulness of the training, but trainee records from Phase 1 indicated a high rate of satisfaction with its contents.¹⁶ Value for

¹³ DFID, 2017, *Project Completion Review, Support to the Economic Development of St Helena*, London, DFID p. 7.

¹⁴ FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xxii.

¹⁵ FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xxxv.

¹⁶ DFID, 2017, *Project Completion Review, Support to the Economic Development of St Helena*, London, DFID p. 7.

money was improved in FY 20/21 when training was being better targeted to the needs of the private sector.

Outcome 2: Development and growth of the private sector, social enterprise and the community, including through innovation and the sustainable economic use and re-use of island resources.

Assessment: There is clear evidence of private sector growth resulting from ESH's interventions, along with significant support to social enterprise. In addition, our interviews with grant and loan recipients indicate a generally positive effect, with about three-quarters of sampled business owners who received non-agricultural grants and loans still in operation and optimistic they will be in 5 years' time, while 9 of 10 sampled farmers who received agricultural grants said the same. Most of the recipients characterised the impact of the financial assistance as 'High' and described their interactions with ESH positively.

4.28 Outcome 2 is closely related to Outcome 1, with St Helena's private sector and wider community benefiting from economic development (and vice versa).

Development and growth of the private sector

4.29 ESH was singularly responsible for the promotion of the private sector in the community. It had a higher profile than its predecessor the St Helena Development Agency thanks to its budget and self-promotion, and to its attendance at international travel shows, which was covered in the local media. ESH also had a close working relationship with the Chamber of Commerce which was on ESH's Board of Directors.

4.30 Growth in the private sector up until the impact of Covid-19 is evidenced in:

1. The fact that imports of most fresh produce have declined, which anecdotal information strongly attributes to increased local production. As a point of observation production has increased through intensification of farming, although there are fewer people employed in the sector.
2. The number of new business start-ups – approximately 85.¹⁷
3. Notable inward investment, including from the diaspora – see the discussion of Outcome 3 below.
4. The expansion of tourism-related enterprises is also worth noting, although some people are of the view that the eateries market was showing signs of saturation before Covid-19.
5. The extent of skills acquisition, especially in tourism-related businesses and construction, and the shift to more demand-led training as identified by the private sector.
6. The fact that grant applications remained buoyant when the business contribution was increased from 25% to 50% in FY 19/20.

¹⁷ We arrived at this number by identifying new businesses in ESH's records and by adding Bertrand's Cottage, Longwood Enterprise Park and the new coffee plantation. It excludes new small producers.

7. Examples of innovative activity that ESH backed with its investments include the intensification of farming, the new coffee plantation and its planned visitor facility, digital printing and the development of marine-based tourism.

Grants to social enterprise – SHAPE and other civil society organisations

- 4.31 ESH support to St Helena's Active Participation in Enterprise (SHAPE) included grants for the SHAPE café and for under cover vegetable production. These totalled £16,048. SHAPE also rented a retail unit in Jamestown Market after ESH refurbished it. This unit closed in 2021, due in part to a drop in footfall when it moved downstairs to be more accessible and because of the loss of the visitor economy.
- 4.32 ESH also served as a corporate member of the SHAPE Board of Directors and worked to promote the inclusion of people with disabilities in the work force. SHAPE reports that it places about 50% of its trainees in standard employment – these tend to be people who have a learning disability and a small physical disability.¹⁸ Records of numbers are not available, but there are usually around 25 trainees attending SHAPE 3 days per week.
- 4.33 Grants over £1,000 to other civil society organisations totalled £43,412 and commonly met the costs of equipment, furnishings, fencing, water tanks, travel and accommodation.

Evidence supporting Outcomes 1 and 2: Survey of businesses receiving non-agricultural grants and loans

Survey methodology

- 4.34 A 12% stratified random sample¹⁹ was drawn by SHG's Chief Statistician from 305 grants and loans made by ESH, excluding Small Producer Support, Bespoke Agricultural Grants and Social Enterprise grants to civil society organisations not related to commercial enterprise. (The latter grants are discussed separately above, while SPS and BAG are discussed in the next section.) This sample numbered 38 grants and loans and included all large grants and loans of £10,000 or more. Some respondents were too busy or unwilling to be interviewed, so resampling was required in order to try to reach a 12% sample.
- 4.35 The final sample size was 34, 11.2% of selected grant and loan recipients. Of these, three business owners had left the island, thus reducing the number interviewed to 31 (though we included information known about the other three businesses, like the type of financial support received, in our analysis). One recipient declined to provide more than basic information. One asset (a fishing boat) acquired through an ESH loan was sold, and the new owner secured an ESH grant for additional equipment: therefore this asset appears twice in the sample as a consequence of a loan and a grant.

¹⁸ Personal communication SHAPE, 12 January 2021.

¹⁹ To ensure representation from recipients of both large and small grants and loans, we divided the total population into sub-groups based on grant and loan size before sampling.

4.36 Most of the businesses supported by ESH were companies with limited liability. These included 21 of the 34 grant and loan recipients in our sample (62%).

FIGURE 18: TYPES OF BUSINESSES AMONG INTERVIEWEES

Sector	Number	Percentage
Accommodation (tourism focus)	3	9.7%
Agriculture	4	12.9%
Construction	2	6.5%
Eatery	4	12.9%
Fishing	4	12.9%
Food processing	1	3.2%
Retail	1	3.2%
Service (including educational grants)	6	19.4%
Social enterprise (commercial focus)	1	3.2%
Tourism (activities, not accommodation)	5	16.1%
Total	31	100.0%

Source: Audit St Helena analysis

4.37 In Figure 19, counts indicate the number of responses out of the total number of respondents for whom each question was applicable.

FIGURE 19: FINDINGS FROM SAMPLE

	Count	Percentage
Business status at time of grant or loan?		
Operational at time of grant or loan	23/34	67.6%
New business start up	11/34	32.4%
Type of financial support received?		
Grant	28/34	82.4%
Loan	7/34	20.6%
<i>Comment</i>	One business received a grant and a loan at the same time.	
Operational in 2021?		
Business still in operation	25/34	73.5%
Business no longer in operation	9/34 Reasons included: <ul style="list-style-type: none"> • No access to airport due to impact of Covid-19 restrictions. • One-off event. • Sale of asset. • Loss of premises (temporary closure). • Temporary closure of premises due to impact of Covid-19. • Three owners left the island. 	26.5%
New business start-ups still in operation	6/11 Reasons for the five not in operation include: <ul style="list-style-type: none"> • One owner left the island. • Temporary closure. • Loss of premises. • Misplaced concept. • Sale of asset. 	54.5%

Grantee could not recall details of grant but business still in operation	1/34 Grant was for £525	2.9%
Impact of loan or grant?		
High	21/28 Reasons included: <ul style="list-style-type: none"> Increased business revenue by 30%. Expansion of business (10, includes overlap with other reasons). Revitalised an important visitor attraction. Started commercial vegetable production. Investment in fishing boats increased their long-term viability (new engines etc.). Enabled off-shore fishing. Allowed investment in better equipment, reducing repairs. 	75.0%
Medium	5/28 Reasons included: <ul style="list-style-type: none"> Stabilisation of losses to prevent going out of business. Reduction in electricity bill of 40%. 	17.9%
Low	2/28 Reasons included: <ul style="list-style-type: none"> Fishing business failed (boat sold): some fishers did not like to be out at the sea mounts for prolonged periods. One-off fashion catwalk, and all but one of the trainees went into other work. 	7.1%
<i>Comments</i>	<ul style="list-style-type: none"> Counts exclude three owners who have left the island. In addition, there were three non-responses. 	
Additional jobs in the business as a result of the grant or loan before Covid-19?		
Yes	11/31	35.5%
No or N/A	20/31	64.5%
<i>Comments</i>	It was not practical to obtain full-time equivalent (FTE) figures.	
Profit at the end of 2019 (before Covid-19)?		
Comfortable profit	3/25	12.0%
Small profit	11/25	44.0%
Broke even	6/25	24.0%
Small loss	4/25	16.0%
Significant loss	1/25	4.0%
N/A ²⁰	6/31	19.4%
Commercial viability at the end of 2019?		
High	11/25 Reasons include: <ul style="list-style-type: none"> Growth in the visitor economy – adventure type tourists. Expansion of services. 	44.0%
Medium	9/25	36.0%

²⁰ Reasons include one or more of: business not yet started, sale of the asset, training grant/career development and owner could not recall use of grant.

	Reasons include: <ul style="list-style-type: none"> Compromised by insufficient capital to invest in other parts of the business. Medium level of trade. 	
Low	5/25 Reasons include: <ul style="list-style-type: none"> Changes in the operational context, different type of visitor compared to the RMS. Fish sales limited to local market with the closure of the Cold Store, when exports needed for commercial viability. Misplaced concept. 	20.0%
N/A ²¹	6/31	19.4%
Impact of Covid-19?		
High	16/26	61.5%
Medium	3/26	11.5%
Low	7/26	26.9%
N/A ²²	5/31	16.1%
Current profit (during impact of Covid-19)?		
Comfortable profit	1/24	4.2%
Small profit	3/24	12.5%
Broke even	9/24	37.5%
Small loss	2/24	8.3%
Significant loss	9/24	37.5%
N/A ²³	7/31	6.5%
Expectations of trading in 5 years' time?		
Yes	21/29 Reasons include: <ul style="list-style-type: none"> Return of visitor economy. More dependent on local market. 	72.4%
No	2/29 Reasons include: <ul style="list-style-type: none"> Closure of business. One-off event. 	6.9%
Not sure	6/29 Reasons dependent on non-Covid-19 factors include sources of finance, premises and age of owners.	20.7%
N/A ²⁴	2/31	6.5%
Export / sell to overseas customers including visitors?		
Yes	19/25	76.0%
No	3/25	12.0%
Only Ascension Island	3/25	12.0%
N/A ²⁵	6/31	19.4%
Contribution to heritage and culture?		
This was not applicable for one grant/loan.		

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Ibid.

	<p>Examples include:</p> <ul style="list-style-type: none"> • Supporting local industry – farming, fishing and hospitality. • Promoting the natural environment – marine tours. • Providing space for local family events.
Feedback on ESH services?	
	19 of 25 respondents described ESH services positively as helpful, thorough and providing good advice.
	6 of 25 respondents described the services negatively referring to what was described as restrictive grants/loans, a lengthy process, overstaffed offices and high expenditure.

Source: Audit St Helena analysis

Summary of findings from survey of businesses receiving non-agricultural grants and loans

4.38 These findings provide specific examples that help answer the question, “What outcomes were achieved for St Helena, and how do we know this?” Overall they show that:

- Of the 28 business owners who answered the question, 26 (93%) characterised the grant or loan they received as having a ‘Medium’ or ‘High’ impact, with 21 (75%) saying ‘High’.
- 74% of supported businesses in our sample remain in operation and 72% of owners were optimistic about still being in business in 5 years, after the impact of Covid-19 and/or when it normalises.
- Of the business owners who answered each question, more than half (56%) turned a profit before Covid-19 while only 17% have done so during the pandemic.
- There was growth in building the visitor economy through the end of 2019, with 76% of the sample selling goods and services to visitors from overseas.
- There was some growth in the number of new jobs, with about a third of grant recipients adding positions due to ESH’s investment.
- There was a considerable contribution to culture and heritage.

Evidence supporting Outcomes 1 and 2: Survey of farmers receiving agricultural grants

Survey methodology

4.39 ESH issued a total of 165 grants under the Small Producer Support and Bespoke Agricultural Grant schemes: 79 under SPS and 86 under BAG. As with the non-agricultural business support category a 12% stratified random sample was drawn by SHG's Chief Statistician, giving a sample of 20 farmers. Of these, 12 were available for interviews.

FIGURE 20: TYPES OF FARMING AMONG INTERVIEWEES

Type of farming	Number	Percentage
Livestock (e.g., cattle, sheep, goats, pigs, poultry)	8	66.7%
Produce: Fruit (e.g., bananas, nectarine, pear and plum) and vegetable (e.g., tomatoes, lettuce, cabbage, cucumber, potatoes, chow chow)	4	33.3%
Total	12	100%

Source: Audit St Helena analysis

4.40 As with Figure 19, counts in Figure 21 indicate the number of responses out of the total number of respondents for whom the question was applicable.

FIGURE 21: FINDINGS FROM SAMPLE

	Count	Percentage
Business status at time of grant or loan?		
Operational at time of grant or loan	11/12	91.7%
New business start up	1/12	8.3%
Type of financial support received?		
Grant	12/12	100%
Loan	0/12 All SPS and BAG assistance was in the form of grants.	0%
Operational in 2021?		
Business still in operation	11/12	91.7%
Business no longer in operation	1/12 Farmer lost the Crown Land plot when he went to Ascension.	8.3%
New business start-ups still in operation	1/1	100%
Grantee could not recall grant details	2/12	16.7%
Impact of loan or grant?		
High	8/10 Reasons include: <ul style="list-style-type: none"> Replacing worn equipment – spray equipment and drinking troughs – improved profitability. Strimmer which is labour saving in the harvesting of fodder. Obtained essential equipment – fencing, strimmer, water tanks and posts. 	80.0%

	<ul style="list-style-type: none"> Laying boxes make for cleaner eggs therefore less labour and fewer breakages. They are also maintenance free. 	
Medium	1/10 Business did not grown as expected due to Covid-19 and the loss of flights from South Africa which allow for the reliable importation of day-old chicks (the UK flights can be delayed putting day-old chicks at risk).	10.0%
Low	1/10 Obtained drip irrigation equipment but lost the Crown Land plot.	10.0%
Additional jobs in the business as a result of the grant before Covid-19?		
Yes	0/10	0%
No or N/A	10/10	100%
Comments	No new jobs created. Three farmers used casual labour, but the grant made no difference.	
Profit at the end of 2019 (before Covid-19)?		
Comfortable profit	1/10	10.0%
Small profit	3/10	30.0%
Broke even	5/10	50.0%
Small loss	0/10	0%
Significant loss	1/10	10.0%
Commercial viability at the end of 2019?		
High	4/11 <ul style="list-style-type: none"> Attributed to the equipment obtained with the help of a grant. Secured two other grants – ANRD and ESH. 	36.4%
Medium	4/11 <ul style="list-style-type: none"> Pest on crops. Cattle sales fluctuate. 	36.4%
Low	3/11 <ul style="list-style-type: none"> Just starting farming. Lost the Crown Land plot. 	27.3%
Impact of Covid-19?		
High	0/10	0%
Medium	3/10	30.0%
Low	7/10	70.0%
Current profit (during impact of Covid-19)?		
Comfortable profit	0/10	0%
Small profit	5/10	50.0%
Broke even	1/10	10.0%
Small loss	3/10	30.0%
Significant loss	0/10	0%
Other	1/10 lost the Crown Land plot prior to the pandemic.	10.0%
Expectations of trading in 5 years' time?		
Yes	9/10 Because they are producing for the local market.	90.0%
No	1/10 lost the Crown Land plot.	10%
Export / sell to overseas customers including visitors?		
Yes	9/10	90%

	But estimates of how much are not practical, as all but one sell to the retail sector.	
No	1/10	10%
Contribution to heritage and culture?		
	Local production of food.	
Feedback on ESH services?		
	All were positive. <ul style="list-style-type: none"> • Very good, great help, ESH was there for all. • Helpful, but farmers need more grants. What will replace ESH? 	

Source: Audit St Helena analysis

Summary of findings from survey of farmers receiving agricultural grants

4.41 As shown in the figure, 11 of the 12 farming businesses that received a grant were still in operation. Of the 10 farmers who could recall details of their grant and its impact on their business, 8 reported the impact to be 'High' which indicates that outcomes desired by farmers were delivered. Our interviews also show that:

- Nine of 10 farmers expect to still be in business in 5 years' time.
- Four of 10 businesses turned a profit before Covid-19 while 5 still did so during the pandemic.
- Nearly all the farms in operation sold at least some of their goods to overseas visitors.
- Farming is not a growth sector for jobs. Indeed one of the reasons for intensification of farming is a shortage of farm labour, especially amongst younger adults.
- ESH earned high marks for the quality of its assistance.

Outcome 3: Investment opportunities secured and support provided for on-island and inward investors (including investment sources for loans and equity secured).

Assessment: Without clear SHG targets for island investment, especially from new overseas investors, it is not possible to assess whether the level of investment in St Helena's economy from FY 12/13 through FY 20/21 met the government's expectations.

4.42 Part Two discusses DFID's targets for ESH to improve the investment climate in St Helena. These include public policy reforms and internal changes to facilitate investment, and information events on business opportunities. However, there were no clear SHG targets for the magnitude of island investment among ESH's performance indicators or in the 2012 or 2017 Framework Agreements. Without such targets for island investment, especially from new overseas investors, it is not possible to assess whether the level of investment in the economy during ESH's tenure met the government's expectations.

4.43 In Phase 1 there were 12 local and foreign parties investing over £50,000, and in Phase 2 there were 10, for a total of 22.²⁶ (Some of these were repeat investors.) Inward investment amounted to £1.2 million in Phase 1 and £2.6 million in Phase 2, for a total of £3.8 million.²⁷ These investments included, among others:

1. A laundry service;
2. A printing service;
3. Construction;
4. Tourism – hotel, self-catering accommodation, eateries and marine tourism;
5. IT services;
6. Property;
7. A coffee plantation;
8. An adventure (go-kart) park; and
9. Off shore fishing.

4.44 We asked ESH leadership what lessons should be carried forward as the organisation prepared to transfer its functions to SHG. They told us that coordination for investors needs to improve, as foreign investors in particular struggle to deal with all of the necessary government departments on their own – for example, immigration, land and planning, each requiring a separate application. According to ESH leadership, the Investment Enabling Group was created to streamline this process but some investors want to coordinate only with parastatal entities like ESH or the private sector.

Outcome 4: St Helena marketed as a desirable, value-driven destination, through targeting niche visitors, tour operators and new markets.

Assessment: Despite many unique challenges, some of which will persist after Covid-19, tourism was on a slow but steady upward trajectory prior to the pandemic.

4.45 Marketing the island to tourism operators proved to be compromised by flight delays and cancellations in the first year after the airport opened commercially. Aquila Aviation's 2020 Air Services Consultancy report, assessing pre-pandemic conditions, notes that ESH

financed or part-financed 13 visits by tour operators (plus a dive photographer/ blogger and one other). Of those, it is more than disappointing to see that only four are actively and successfully selling holidays to St Helena. Seven do not or no longer sell St Helena. Of the others, one is retiring this year and one features St Helena but hasn't sold any holidays.

It is our clear impression that, for many, the many delays and cancellations experienced in the first year of Airlink operations meant that tour operators no longer felt that St Helena holidays were viable.²⁸

²⁶ DFID, 2017, *Project Completion Review, Support to the Economic Development of St Helena*, London, DFID p. 10 and FCDO, 2021, *Programme Completion Report, Support to the Economic Development of St Helena*, London, FCDO, p. xxx.

²⁷ Ibid.

²⁸ Aquila Aviation, 2020, *Air Services Consultancy*, Cambridge, Aquila, p. 41.

4.46 All in all the Aquila report sets out the many challenges to marketing St Helena successfully and summarises these as such:

The chief constraints are not limited to the cost of access. They are a combination of:

- 1. The requirement for anyone travelling from outside South Africa to spend a night in Johannesburg en route in both directions*
- 2. Poor communications from the majority of suppliers in St Helena, causing frustration and (in some cases) a lack of drive to invest time and resources in promoting St Helena*
- 3. Late notice on Cape Town services*
- 4. A lack of net rates (20% off rack rate) from most accommodation providers*
- 5. A lack of first-hand destination knowledge amongst key tour operators' sales teams, leading to a poor conversion rate from enquiry to booking.²⁹*

4.47 ESH was in a position to address only the second, fourth and fifth constraints. It had planned a familiarisation visit for tour operators to strengthen confidence in the product and to improve the sales pitch as well as to focus on specific groups and countries, but this opportunity was lost as a consequence of Covid-19. It is unclear to what extent ESH was able to address the poor communications from the majority of suppliers on the island or persuade suppliers to provide net rates.

4.48 One notable expense in ESH's marketing and promotion budget was staff attendance at international tourism markets. On their effectiveness in attracting tour operators the Aquila report noted:

Trade shows can be a valuable investment but they are extremely costly (in time as well as budget). They are only as effective as the professional skills and experience of the stand hosts combined with efficient and thorough pre-show activity and follow up with all contacts made. A number of tour operators surveyed reported their frustration at the lack of response to follow-up emails, promises of support, etc.³⁰

4.49 Aquila recommended that ESH limit its attendance of international tourism markets to two: the World Travel Market in London and Indaba in South Africa. These events were cancelled in 2020 due to Covid-19, but had they and other recommendations of the Aquila report been implemented they could have improved value for money. That said, Aquila also found that visitors' experiences once they were on the island were almost universally positive.³¹ Aquila's report was issued at the start of the pandemic, and therefore fell by the wayside, but it is well worth SHG revisiting its findings – indeed, this was recommended in FCDO's 2021 ESH Programme Completion Report.

4.50 The total number of visitors was in line with what was predicted until the impact of Covid-19, and the number of international tourists was beginning to exceed the

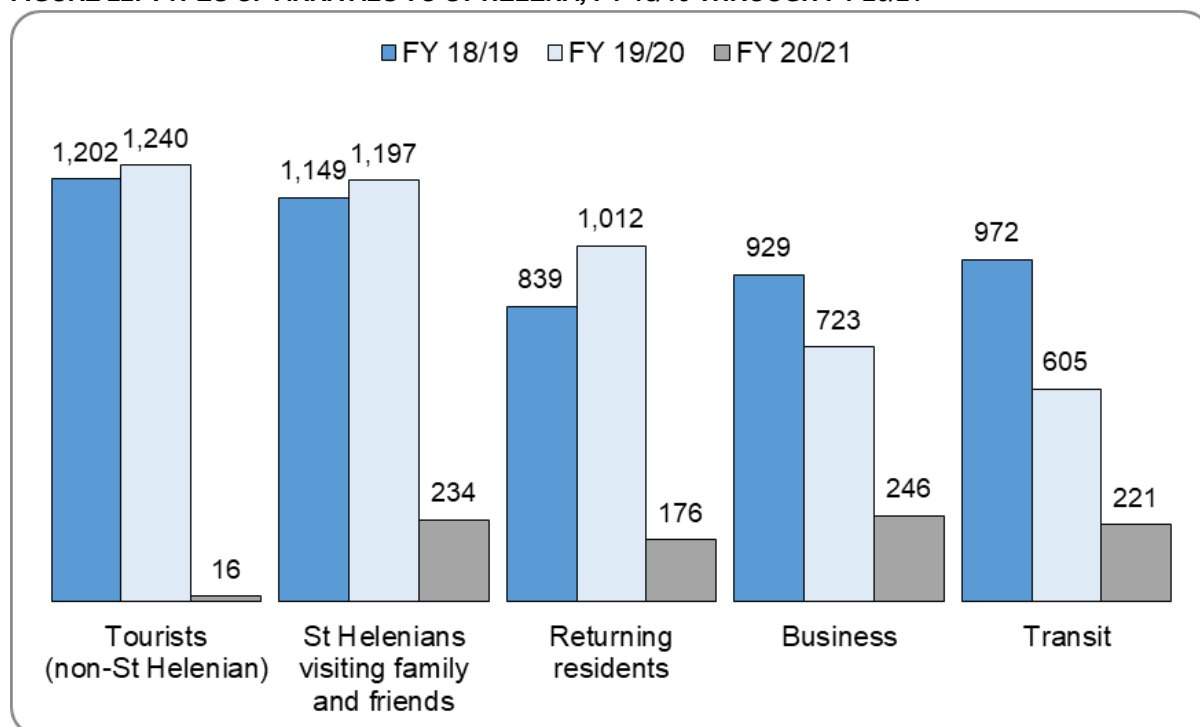
²⁹ Aquila Aviation, 2020, *Air Services Consultancy*, Cambridge, Aquila, p. 51.

³⁰ Aquila Aviation, 2020, *Air Services Consultancy*, Cambridge, Aquila, p. 56.

³¹ Aquila Aviation, 2020, *Air Services Consultancy*, Cambridge, Aquila, p. 51.

number of Saint Helenians returning to visit family and friends (see Figure 22). But to what extent this increase in tourism can be attributed to ESH's marketing is unclear. Anecdotal evidence suggests that about 50% of international tourists stayed at the Mantis from November 2017 until the pandemic led to its temporary closure in July 2020 and that this resulted from the Mantis's own marketing.

FIGURE 22: TYPES OF ARRIVALS TO ST HELENA, FY 18/19 THROUGH FY 20/21³²



Source: SHG Statistics Office

Notes:

1. 'Tourists' and 'St Helenians visiting family and friends' make up the visitor economy.
2. 'Returning residents' are those who are returning to their normal place of residence. This excludes those returning for the purpose of business or employment, who are classed as 'Business'.
3. The 'Business' category includes short-term and long-term visits and Technical Cooperation Officers.
4. The 'Transit' category includes most yacht arrivals and passengers in transit between Ascension and the UK who require an overnight stay on the island.

4.51 ESH also supported the establishment of five destination management companies, including two diving businesses that were developing a strong niche market until Covid-19.

³² SHG, 2021, *Statistical Bulletin, No. 5, 2021*, Jamestown, SHG, p. 3.

INTENDED OUTCOMES FOR ST HELENA THAT WERE NOT ACHIEVED

Intended outcomes that were not achieved include a healthy commercial fishing sector, strong relationships with an array of overseas tour operators and the establishment of a unique brand for marketing St Helena internationally.

4.52 Outcomes 1 through 4 from the SHG-ESH Framework Agreement were, before Covid-19, each on course to be achieved to some extent as discussed above. However, there were several notable weaknesses:

1. Insufficient regular overseas promotion by tourism-related businesses, but to what extent ESH is to blame for this is unclear. There is a strong tendency on the island to rely on word of mouth and personal engagement rather than the internet, although this is less the case amongst young people.
2. ESH's investment in fishing failed. Although the reasons were beyond ESH's direct control, given the history of commercial fishing on the island³³ it does raise a question about whether ESH adequately informed itself of the situation before committing large loans in what was a risky sector. However at the same time it was part of ESH's mandate to take risks that the Bank of St Helena would be reluctant to take.
3. Marketing activities where the 13 visits of tour operators identified by Aquila as financed wholly or in part by ESH resulted in only four actively and successfully selling St Helena. But in the view of the Aquila report this was mainly due to flight delays and cancellations in the first year of commercial operations.
4. The opportunity to create a 'Brand St Helena' for local and international marketing purposes was lost. This has been picked up by Sustainable Development in SHG.
5. While it was ESH policy not to create over saturation in business markets,³⁴ at the same time it did not dispel the public and private sector expectation of there being 30,000 annual tourists sooner rather than later, which contributed to a degree of saturation in the eateries sector. Restaurant owners who received sizeable grants and loans in some cases struggled to repay the latter and even ceased trading.

³³ Collins, Martin, 2016, *St Helena Fisheries Sector Review and Strategy, 2016 – 2025*, Jamestown, SHG, p. 3.

³⁴ ESH, 2019, *Enterprise Saint Helena's Grant Policy*, Half Tree Hollow, ESH, p. 4.

Appendix One

Our Approach and Evidence Base

<p>Our four key lines of enquiry:</p>	<p>1. Did ESH integrate strategy and policy with SHG so that it focussed on the right things, improved efficiency and maximised impact?</p>	
	<p>Divided into key sub-questions:</p>	<ul style="list-style-type: none"> • Did ESH’s objectives and responsibilities align with SHG’s strategic goals and objectives as outlined in documents like the island’s 10 Year Plan and Sustainable Economic Development Plan? • Did ESH collaborate effectively with SHG to ensure their activities are aligned? • What were the direction and reporting (governance) arrangements among ESH, SHG and DFID? • How was ESH aligned and/or involved with major business-related procurements or asset sales?
	<p>2. How effectively did SHG’s performance management framework and information on economic performance measure ESH’s contribution to national goals?</p>	
	<p>Divided into key sub-questions:</p>	<ul style="list-style-type: none"> • What type of performance reporting was done, and how frequently? • Who within SHG consulted with ESH about performance? • Did ESH or SHG have an appropriate monitoring and evaluation framework in place to assess the impact of its interventions? • Did ESH or SHG have access to appropriate monitoring and evaluation skills and knowledge to implement such a framework? • What was measured, what statistics were consulted and what baselines were known or established?

	3. What level of funding did ESH receive, and what was the value of grants and loans issued?
Divided into key sub-questions:	<ul style="list-style-type: none"> • What level of funding did ESH receive, and from whom? • What were ESH's primary costs? • What types of grants and loans did ESH issue, and what was the total value of each? • How did the value of ESH's grants and loans compare to its level of funding?
	4. Did ESH make sufficient progress in its key areas of activity, meet its objectives and fulfil its responsibilities?
Divided into key sub-questions:	<ul style="list-style-type: none"> • What was ESH supposed to have achieved up to the end of its tenure, beyond DFID's output measures? • What outcomes were achieved for St Helena, and how do we know this? • What intended outcomes were not achieved, and why?
Our evidence base:	<p>To answer these questions, we researched, reviewed and analysed the following documents and data:</p> <p>From SHG, annual budgets and financial statements for ESH and SHG as a whole; the island's original and updated 10 Year Plan, Sustainable Development Plan, Sustainable Economic Development Plan, Framework Agreement with ESH and other strategies and policies; the ordinance establishing ESH; memorandums of understanding with DFID regarding funding for ESH Phases 1 and 2; quarterly and annual performance reports; relevant Statistics Office bulletins and data; and proposals for continuing the sustainable development mission following ESH's planned wind-up.</p> <p>From ESH, the 2013-16 Corporate Plan; annual reports including performance results; monthly progress reports to various stakeholders; individual and summary records of grants and loans issued; comprehensive grant and loan trackers; financial assistance policies and procedures; marketing and tourism strategies, investment proposals and other plans; and the Board of Directors' proposal for continuing ESH beyond Phase 2.</p> <p>From the UK government and other overseas sources, logframes, annual reports and completion reviews for ESH Phases 1 and 2 from DFID and FCDO; examples of enterprise partnerships, including from other UK overseas territories; relevant UK National Audit Office reports; and consulting products delivered to SHG.</p> <p>Because of the complexity of this analysis and the small audit team, we consulted Ann Muir, an expert on social impact within SHG who has never been affiliated with ESH. In addition to serving as SHG's Strategic and Social Policy Coordinator from July 2020, her relevant background includes evaluations of international aid programmes. In coordination with the audit team,</p>

she led the fieldwork for Part Four and produced the analysis presented there. This includes interviews with representative samples of grant and loan recipients as detailed in Part Four.

Our audit work began in November 2020, several months before ESH transferred the majority of its functions to SHG and ceased operations at the end of March 2021. We continued our fieldwork and report preparation through June 2022, followed by a draft review period offered to ESH's Board of Directors prior to publication. Throughout our work we interviewed and corresponded with current and former ESH officials as we were able.

Appendix Two

Recommendations Summary

Number	Recommendation
1	<p>To ensure that its ongoing efforts to grow St Helena’s economy can be fully assessed, and adjusted when necessary, SHG should publish a monitoring and evaluation plan for economic development with performance indicators and targets that are publicly reviewed, and amended if needed, on an annual basis. In developing this plan, SHG should (1) involve the Chief Statistician in the selection of high-level indicators that are both measurable and meaningful, and (2) consider engaging specialist expertise from the UK government or private sector to augment its capacity in this area.</p>
2	<p>When considering new indicators for evaluating economic progress, SHG should give due weight to (1) individual profit and loss trends for businesses that receive financial assistance and (2) the number of new jobs those businesses provide for locals, while prioritising any refinements of Tax Office recordkeeping that would facilitate this analysis.</p>
3	<p>To ensure that advice from specialists received after SHG absorbed ESH’s functions is given due consideration, SHG should direct the appropriate personnel to review the 13 recommendations in FCDO’s June 2021 ESH Programme Completion Report and publicly report on their progress implementing each. These recommendations include one to review the findings of Aquila Aviation’s March 2020 Air Services Consultancy report.</p>