



PROGRAMMING DOCUMENT OF SAINT HELENA

THE TERRITORIAL ALLOCATION OF THE 11TH EUROPEAN DEVELOPMENT FUND



The Saint Helena Government and the European Commission hereby agree as follow:

The Saint Helena Government, represented by, and the European Commission, represented by Mr. Neven Mimica, Commissioner in charge of International Cooperation and Development, hereinafter referred to as 'the parties', held discussions with a view to determining the general approach to cooperation between Saint Helena and the European Union.

During these discussions this Programming Document was drawn up in accordance with the provisions of the Association of the Overseas Countries and Territories with the European Union, as provided for in the Treaty on the Functioning of the European Union, in particular Article 198, as well as the Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union.

Signatures

For Saint Helena Government,

For the European Commission,

Mr. Neven Mimica, Commissioner for
International Cooperation and
Development:

Date

Date

Place

Place

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List of Acronyms and Abbreviations

AFS	Annual Financial Statements
DFID	Department for International Development
EDF	European Development Fund
EU	European Union
FCO	Foreign and Commonwealth Office
FY	Financial Year
FRA	Fiduciary Risk Assessments
GBP	British pound
GFS	Government Finance Statistics
GDP	Gross Domestic Product
ICT	Information and communication technology
IMF	International Monetary Fund
IRU	Indefeasible right of use
MB	Megabyte
Mbps	Megabit per second
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Financial Framework
NGO	Non-governmental organization
OAD	Overseas Association Decision
OCTs	Overseas Countries and Territories
OCTA	Overseas Countries and Territories Association
PFM	Public Financial Management
PEFA	Public Expenditure and Financial Accountability
PSMP	Public Sector Modernisation Programme
SDG	Sustainable Development Goal
SEDP	Saint Helena's Sustainable Economic Development Plan
SHG	Saint Helena Government
TAO	Territorial Authorising Officer
TFEU	Treaty of the Functioning of the European Union
UK	United Kingdom
USD	US dollars
UN	United Nations
WHO	World Health Organisation

Part A: EU Response Strategy

Summary

Saint Helena is considered one of the most remote populated islands in the world. It measures about 16 by 8 kilometres and has a population of 4,534 (2016 census). It is a British Overseas Territory in the South Atlantic, and it shares a Governor with the British Overseas Territories of Ascension and Tristan da Cunha.

Its economy has been characterised by the absence of drivers for growth, a shrinking population (at least until recently) and a high dependence on public sector employment. The recent opening of an international airport and the commencement of regular air services in October 2017 have significantly changed the prospects for Saint Helena's development over the coming years. However, its extreme isolation remains a challenge, and the fact that Saint Helena has extremely poor and expensive internet connection through satellite only is an important constraint.

EU support to Saint Helena has, in recent years, taken the form of budget support.

The EU will, with financial means from the 11th EDF, support the Saint Helena Government in the implementation of its key development strategy, the "**Island 10 Year Plan, 2017-2027: Your Island, Your Vision, Your Future, Your 10 Year Plan**". Under this plan, the **Digital Strategy** is addressing key connectivity challenges, including the provision of faster, more reliable and significantly cheaper internet connection, to help overcome the challenges deriving from the island's isolation. This will inter alia offer opportunities for private sector development, distance learning, tele-medicine and better connectivity of the Saint Helenian population with the rest of the world.

1. Objectives of the EU's financial cooperation with Saint Helena

In accordance with Article 198 of the Treaty of the Functioning of the European Union (TFEU), the purpose of the association between the European Union and the Overseas Countries and Territories (OCTs) shall be "*to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Union as a whole*". These objectives have been confirmed and further developed in the Decision on the Association of the Overseas Countries and Territories (Overseas Association Decision, OAD) adopted by the Council of the 25 November 2013 (2013/755/EU), which replaces the Council Decision 2001/822/EC.

The Association shall also pursue the overall objectives laid down in Article 199 TFEU, by the enhancement of the OCTs' competitiveness, the strengthening of the OCTs' resilience, the reduction of their economic and environmental vulnerability and the promotion of cooperation between them and other partners.

In addition, the Decision notes that: "*the effects of the OCTs' remoteness constitute a barrier to their competitiveness and thus it is important to improve the accessibility of the OCTs*" (see para 14), and Article 9 states that "*a specific treatment shall be established for isolated OCTs.*" In order to enable isolated OCTs, such as the Falkland Islands, Saint Helena, Ascension Island, Tristan da Cunha and Saint Pierre and Miquelon, to overcome structural and other obstacles to their development, this specific treatment shall take account of their particular difficulties, inter alia, when determining the volume of financial assistance and the conditions attached thereto.

Part II of the OAD 755/2013/EU lists possible areas of cooperation between the European Union and

the OCTs for their sustainable development in the framework of Association. Article 26 (b) covers the general objective to “*ensure greater access of OCTs to information and communication technologies and services*”. This includes cooperation in the field of “*information and communication technologies services*” (art. 30). This states “*In the context of the association, cooperation in the field of information and communication technology (ICT) services shall aim to spur, in the OCTs, innovation, economic growth and improvements in daily life for both citizens and businesses, including the promotion of accessibility for persons with disabilities. Cooperation shall, in particular, be directed at enhancing OCTs’ regulatory capacity and may support the expansion of ICT networks and services through the following measures:*

- (a) creation of a predictable regulatory environment that keeps pace with technological developments, stimulates growth and innovation and fosters competition and consumer protection;*
- (b) dialogue on the various policy aspects regarding the promotion and monitoring of the information society;*
- (c) exchange of information on standards and interoperability issues;*
- (d) promotion of cooperation in the field of ICT research and in the field of ICT-based research infrastructures;*
- (e) development of services and applications in domains of high societal impact”.*

Finally, Part IV of the Overseas Association Decision includes detailed provisions on the financial cooperation between the Union and the OCTs in the context of the 11th European Development Fund (EDF).

Under this framework, St. Helena requested that the European Union territorial financial cooperation under the 11th EDF for a total of EUR 21.5 million would support the connectivity and accessibility sector, with a focus on the digital development of the Island.

2. Policy agenda

The British Government’s engagement and responsibility towards its Overseas Territories, including Saint Helena, were set out in a White Paper entitled “*Security, Success and Sustainability*”, published in June 2012¹. It is based on the principles of self-determination, mutual responsibilities, and autonomy with a pledge of UK help when needed. It highlights the UK Government’s fundamental responsibility and objective is to ensure the security and good governance of the Territories and their peoples. One of the White Paper’s key objectives is to strengthen links with the wider world, which ties in well with the 11th EDF EU’s focal sector for Saint Helena of accessibility and connectivity.

Saint Helena also has its own 10 Year plan: following on from **Saint Helena’s Sustainable Economic Development Plan (SEDP) 2012/13 to 2021/22**, which as of July 2017 is being refreshed to take account of the opportunities created by the knowledge economy. The **10 Year Plan 2017-2027** was developed following a very wide consultation process; it provides a road-map for long-term planning, policy, budget and legislation, and it reflects the views collected from the community and the actions they would like to be taken forward to meet the needs on the Island. All strategic and operational planning will be aligned to this document.

The Plan has been prioritised, based on color-coded setting out clearly the goals to achieve and how to do it action points. It is based on five National Goals, each stressing its inclusivity. These are:

¹ <https://www.gov.uk/government/publications/the-overseas-territories>

- “*Altogether Safer*” highlights the focus on policing, safeguarding, health services, to issues such as regulations, pollution, food security, and harm caused by actions such as smoking, substance abuse and road traffic accidents. It links into the overall security and well-being of the Island.
- “*Altogether Healthier*” is concerned with all aspects of the health of Islanders and visitors. It focuses on the quality and length of life, the community’s fitness and all aspects of mental health. With an aged and aging population it is also necessary to plan and be prepared to provide care services for the Island’s elderly residents.
- “*Altogether Better for Children and Young People*”, about ensuring appropriate education provision for all and enabling them to enjoy their childhood while preparing them for adult life.
- “*Altogether Greener*” not only focuses on the preservation of land, wildlife, marine and built heritage, but also how to advance in terms of renewable power and utilising technology to deliver better green social economic outcomes.

“*Altogether Wealthier*” is about being both financially wealthier and wealthier in terms of skills and knowledge. This includes all sectors and increasing wages on the Island through sustainable, ethical economic development that sees St Helenians taking the lead in business, Government and Non-Government Organisations. The Saint Helena Government (SHG) is supporting its vision of the island becoming “*all-together wealthier*” through specific supply side actions to upskill the labourforce and to enhance infrastructure. This heading includes community support for “*better connectivity- improved telecommunications, faster, cheaper internet*”. Against this heading the SHG notes that: “*they are committed to improving connectivity on the Island which will have a great number of benefits across all sectors*”.

In addition to these headings, it notes that some issues, such as education and constitutional reform are cross-cutting in terms of affecting each pillar.

The 10 Year Plan will be reviewed every three years as development takes place; however the headings will remain the same.

Saint Helena has three major barriers to developing a sustainable economy and as part of the Island’s 10 Year Plan², namely:

1. Access to the Island.
2. Connectivity with the outside world that is affordable.
3. High cost of energy.

Saint Helena is committed to renewable energy and developed an **Energy Strategy (2016-2022)**³ to reduce the high cost of energy to the community and businesses. The strategic objective is to become 100 % self-sufficient on the national grid through renewable energy by 1st April 2022. Achieving this will significantly reduce the cost of electricity on the Island.

Saint Helena now has an operational airport and regular scheduled flights due late 2017 will enable quicker and affordable access to and from the Island. The new airport, once commercially operating, is of crucial importance, and will be complemented by improvements to other aspects of infrastructure in order to enhance connectivity and improve telecommunication. In this respect, the new Saint Helena Digital Strategy will have a crucial role to play.

The **Saint Helena Digital Strategy**, approved by the Executive Council in September 2017, articulates

² <http://www.sainthelena.gov.sh/wp-content/uploads/2012/08/Draft-10-Year-Plan-27052016.pdf>

³ http://www.sainthelena.gov.sh/wp-content/uploads/2012/08/161025_St-Helena-Government-Energy-Strategy-FINAL-October-2016.pdf

the vision of improved telecommunications, and has the overall aim to take the Island forward and move it in line with the outside world through improvements in the Island's health, education, economy and communications.

The Digital Strategy notes that currently Saint Helena has the slowest and most expensive broadband in the world. To progress Saint Helena needs to increase the speed and decrease the cost to consumers and businesses through accessing improved communications, which could only be achieved by securing access to a marine cable that will allow the Island affordable, reliable and quicker Broadband.

The Strategy places considerable emphasis on inclusiveness, and technical papers have already been prepared on the shore-based dimensions of providing high quality telecoms services to the population of the island (i.e. covering the access to individual businesses and households).

It notes the need to develop: the knowledge economy and information age the new driver of world growth; opportunities to reflect Saint Helena's geographic position and is enhanced by political stability that should be attractive to potential downstream investors providing the prospect to enhance the economy of the Island; ground satellite stations and cloud back up centers. The Strategy also highlights that improved communications will enable health and education services to improve, through telemedicine for example. Given the Island's remoteness is a barrier, remote learning through the internet could revolutionize the delivery of services on the Island and as well as increasing opportunities.

3 EU's response strategy: choice of sector of concentration

Saint Helena has been hampered by having some of the most expensive telecommunications in the world, relying on elderly satellite communications provided by a single commercial telecommunications provider, Sure (South Atlantic). This has significant negative impact on all aspects of social and economic development. Given the over-arching constraint of isolation faced by Saint Helena (and its sister islands of Ascension and Tristan da Cunha), strengthening communications is vital. Whilst there is no substitute for air access, improving electronic communications can play a vital role in integrating Saint Helena into the world economy, as well as creating opportunities for employment, remote/distance learning, tele-medicine and social interaction. As such, Saint Helena's choice to focus the EU's support under the 11th EDF on connectivity and accessibility is particularly pertinent and appropriate.

The choice of connectivity and accessibility as sector of concentration for the 11th EDF has been discussed and endorsed in Council meetings and there is strong support for improved telecommunications.

Access to affordable and quick Broadband would see a plethora of positive changes for the Island's economy. It will contribute to the tourism industry and to the creation of jobs. The Island would also be in a position to offer ethical professional services and reverse the previous pattern of migration by having more highly paid jobs to attract Saint Helenians back to the Island and retain the skilled workforce that is already in place. It would help create greater aspiration for the younger generation, entrepreneurship and develop skills on the Island in key professions.

There are also multiple social benefits from providing high speed internet access to the population at reasonable cost. Remote healthcare and education services will be key beneficiaries as will improve performance in support of Government, and the consumer sector. It is likely that increased capability and capacity will result in increased volume of use by these sectors. High speed internet access will also provide opportunities to undertake "Open University" and similar courses, thereby greatly broadening educational opportunities for islanders; whilst the development of telemedicine should be of great

benefit to the population as it will enable local health services to be deepened and enhanced.

In addition to this, it has to be noted that Saint Helenians have a wide diaspora as a result of outward migration, especially in the UK, on other OCTs (especially the Falkland Islands and Ascension Island), and in other locations that have offered employment opportunities. Overall more St Helenians live overseas than on the island. Access to high speed internet access will permit them to maintain close family relations, especially through Skype and other low-cost internet.

The preferred technical solution is to bring a sub-sea fibre cable to Saint Helena, providing the opportunity for high speed internet access to the island for the first time. Saint Helena is strategically located and the providing of high speed internet connectivity may create opportunities for related commercial telecommunications investment such as earth relay-stations.

Institutional capacity assessment

Saint Helena has limited public sector capacity, although that capacity has been increasing in recent years. Where there are gaps in capacity the Department for International Development (DFID) has funded key Technical Cooperation officers, although there has been notable progress in localising key posts in recent years, for example that of the Financial Secretary.

Saint Helena has a performance improvement plan in place, which is intended to strengthen the quality of its management of investment funds and the delivery of key services.

At a sector level, consideration is being given to whether further strengthening of telecoms regulation is required and if so what form that should take. The SHG has been benefitting from technical expertise and guidance funded by DFID. It is now committed to extending the contractual expertise and will also draw on specialised legal expertise in order to ensure that the legal framework for providing high speed internet access to the population of Saint Helena.

Major public and private sector users of high speed internet – including the SHG itself, hospital, educational establishments and significant private sector entities are located in a few locations. They will therefore be linked and comparatively little is required in the way of guarantees to ensure that they receive access. The challenge is to reach more remote and rural households. The Digital Strategy stresses the importance of ensuring early link-up in order to maximise the benefits of the high-speed internet by the most appropriate and cost effective on-shore delivery to households. Progress is underway to finalise the Digital Strategy, complete negotiations with one of the cable providers and renegotiate its agreements with Sure, its existing telecoms provider.

DFID, as part of its oversight and approval process for budget support, undertakes regular Fiduciary Assessments. As part of the preparation process for the 11th EDF, the European Commission contracted a framework contractor to assess the suitability of Saint Helena, Ascension and Tristan da Cunha to receive budget support, including a review of macro-economic management and updating the Public Expenditure and Financial Accountability (PEFA) assessment undertaken in 2014. This found that Saint Helena has the continuing capacity to manage budget support and meets the EU's eligibility criteria.

In terms of governance considerable effort has been put into formalising lines of responsibility, and ensuring that accountability is ensured through a strong system of checks and balances (internal and external audits, enhanced procurement regulations etc.). The Legislative Council, with both elected members and three ex-officio members, meets regularly. The Financial Secretary, who is Territorial Authorising Officer (TAO), is an ex-officio member.

The UK Government is responsible for meeting St. Helena's reasonable assistance needs. This is achieved through an annual Budgetary Aid Settlement, which incorporates key elements of a Medium Term Financial Framework (MTFF). The financial settlement in recent years demonstrates significant operational enhancement from a SHG perspective. For example, a flexible fund has been established to enable SHG to be more responsive to unpredictable expenses such as legal fees. In addition, technical assistance has been integrated into the budgetary settlement rather than provided under a stand-alone project, providing greater flexibility and enabling SHG to call down resources on an as needed basis.

Part B: Action Document

1. Title/basic act/ CRIS number	Supporting Better Connectivity for Saint Helena CRIS number: 2017/038-945 financed under the 11 th European Development Fund			
2. Zone benefiting from the action/location	Saint Helena, Overseas Territory associated with the United Kingdom			
3. Programming document	11 th EDF Sector Budget Support			
4. Sector of concentration/ thematic area	Accessibility & Connectivity (A&C)	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 21.5 million Total amount of EDF contribution EUR 21.5 million for budget support and no funding for complementary support.			
6. Aid modality and implementation modality	Budget Support Direct and type of financing (budget support) Budget Support: Sector Reform Performance Contract			
7 a) DAC code(s)	Main DAC code - 220 Communications Sub-code - 22020 Telecommunications.			
b) Main Delivery Channel	10000 Public Sector Institutions			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/> X	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/> X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/> X	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/> X	<input type="checkbox"/>
	Reproductive, maternal, new born and child health	<input type="checkbox"/> X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not	Significant	Main

		targeted	objective	objective
	Biological diversity	<input type="checkbox"/> x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/> x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/> x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/> x	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	Not relevant			
10. SDGs	SDG 9: Industry, Innovation and Infrastructure, and supporting Goal 8: Decent work and economic growth, and Goal 10, Reduced Inequalities			

Context

1. COUNTRY CONTEXT

1.1.1 Public Policy Assessment and EU Policy Framework

Public policy on Saint Helena has been geared towards addressing the Island's key challenge: its extreme isolation. The policy aims at broadening the economic base and creating new employment opportunities for the population. The ultimate aim of this is to reduce population loss by providing a viable economic future for the young generation on island.

The primary planning document is the “*St Helena Island 10 Year Plan, 2017-2027: Your Island, Your Vision, Your Future, Your 10 Year Plan*”.

As indicated in Part A, the overall objective of this Plan is to continue to make St Helena a wonderful place to live, work, raise children, visit and to do business. By developing the Plan in close consultation with the community, the Plan captures what is important to Saint Helenians under five main headings and National Goals:

- Altogether Safer;
- Altogether Healthier;
- Altogether Better for Children and Young People;
- Altogether Greener;
- Altogether Wealthier.

The 10 Year Plan builds on the vastly enhanced economic opportunities created by the opening of an international airport on Saint Helena, and the start of regular air services in October 2017. It envisages equitable economic growth as the key to achieving the vision of strengthened community and family life. Within this, developing the private sector is a vital ingredient. The tourism sector is seen as critical to developing the private sector. The plan was prepared in an inclusive manner, and has widespread support from the population.

While the opening of the airport has dramatically reduced Saint Helena's degree of isolation, the island's economic and social prospects still suffer from extremely poor and expensive internet connections. In order to address this development challenge, the Saint Helena Government adopted a Digital Strategy in September 2017. The Digital Strategy is comprehensive and designed as a living document. The Strategy is time-bound and includes clear, accountable actions, costed policies and impacts with attribution by financial year. At the heart of this Strategy is digital inclusion, the vision to provide good and affordable internet-based services to the entire population of Saint Helena. The Strategy aims to balance the economic growth potential deriving from faster and more reliable internet services with social aspects that should benefit all islanders.

The digital actions and outcomes in relation to the “**Altogether Safer**” goal of the 10 Year Plan covers improvements to social services through electronic recording for all cases, and use of tablet computers to enhance efficiency of work to support families and children. Speech and language services for clients with disabilities and dementia will be facilitated for the first time through connectivity to specialist programmes. Enhanced connectivity will facilitate providing police, education, safeguarding and health officers with accredited training. It also covers security aspects, including electronic visas.

Benefits under “**Altogether Healthier**” include adoption of remote consultations, improvements to off-island diagnostics (for example an estimated 400 CT Scans, X-rays, mammograms and ultrasound assessments per annum) and enhanced remote access to specialist services overseas.

This will improve patient safety by facilitating early treatment based on speedier diagnosis supported by clinical specialists. It will be cost effective by ensuring that patients are sent overseas for specialist treatment based on more informed diagnoses of needs than has been the case to date.

Benefits under “**Altogether Better for Children and Young People**” include enhanced access to the internet in a managed and safe manner, increased participation in higher education courses through the Saint Helena Community College, drawing on remote learning, with projected higher numbers and much improved internet speeds. This will also give mature learners the opportunity to study, which will increase the depth of the labour market and skills available, in turn assisting in the development of the economy. Many Saint Helenians work overseas on single status contracts whose children are left in the care of relatives. Improved connectivity between family members will benefit family cohesion.

Under “**Altogether Greener**” it will be possible for SHG to reduce its carbon generation by reducing paper use, reducing international and local business travel.

Last but not least, under “**Altogether Wealthier**”, the 10-Year-Plan prioritizes economic diversification through growth in the tourism industry and the provision of services that will only be made possible through the opening of the airport and/or the provision - for the first time - of a reliable and affordable internet connection.⁴

The SHG is currently reviewing its on-island telecoms licensing arrangements. The existing agreement with the on-island service provider *Sure South Atlantic* will end in 2022, but has a review clause that allows a re-discussion in 2018. Future arrangements (after 2022) for local telecommunications provision will incorporate targets for accessibility as well as affordability to households, to agreed timelines and delivery milestones. SHG has recruited professional consultants to advise them on the negotiations with *Sure South Atlantic* as well as with the future telecoms provider. _____

Economic aspects of the Digital Policy

The implementation of the Digital Strategy will extend beyond the life of the 10 Year Plan. The cost associated with the delivery of the Strategy over a 10-year period is estimated to be GBP 33 million, the bulk of which will be the infrastructure costs associated with a link-up to the planned high-speed fibre optic cable (SAEx) that is currently in its survey phase and will, by 2020, connect South Africa with Brazil. In addition, there will be need for some further network investment on island.

The Digital Strategy will continue beyond the life of the programming period and as such the financing of the connectivity via the subsea cable and the 25-year indefeasible right of use (IRU) costs will be covered through a combination of financing of the sector strategy and SHG’s ability to generate revenues sources. These revenue sources will largely be generated from leasing of the capacity to the local telecoms provider, who will generate revenues through local subscribers as well as commercial operations planning to develop satellite ground stations, which would consume a considerable part of the available bandwidth. Talks are at an advanced stage with the agency of an EU country that wishes to invest in a satellite earth station on St Helena.⁵ SHG will

⁴ The planned sub-sea cable will inter alia enable construction of one or more satellite ground stations, which will use part of the available bandwidth to provide services for commercial clients, thus creating new revenue streams for Government and enhancing economic sustainability. Negotiations on this are at an advanced stage.

⁵ Geographical coverage of an earth station antenna depends on its terrestrial location, in which respect Saint Helena will offer the only viable site with a terrestrial cable link within a vast expanse of the South Atlantic Ocean. This, in combination with the clear-horizon advantages created by Saint Helena's distance from major land masses and the

secure the right of use of the cable initially for a 25-year period at pre-agreed prices, thus providing certainty and avoiding the risk that the cable operator increases charges to the on-island telecoms operator.

1.1.2 Stakeholder analysis

The key stakeholders for the programme are the Government and the population of Saint Helena, the private sector of Saint Helena (existing and potential), and telecom operators. SHG has a key and pivotal role in ensuring that the objectives of the 10-Year-Plan, as well as the Digital Strategy, are achieved.

1.1.3 Priority areas for support/problem analysis

Saint Helena's primary problem is that the island's extreme isolation and poor connectivity have inhibited investment, employment and wealth creation. For many decades, a high proportion of the workforce has found it necessary to go overseas in order to find work, often on unaccompanied long-term contracts in other overseas territories such as Ascension Island and the Falkland Islands, and more recently the UK. The net consequence was that the population fell from 5 157 in 1998 to 4 257 in 2008, before rising marginally (largely due to the airport project) to 4 534 in 2016. The decline of the population has reduced the number of working age people and adversely impacted upon dependency rates. It is vital for Saint Helena's future to reverse this trend by creating on-island economic and employment opportunities.

Fast reliable communications are essential for a modern economy, with the potential to enhance efficiency and create opportunities in both the private and public sector. International expectations regarding fast and reliable internet connectivity are rising rapidly as they become the norm. High speed connections open up opportunities for internet-based services, such as call-centers, financial service providers, tourism operators etc.

Saint Helena has been relying on older generation satellite technology and does not have fibre connectivity with the outside world. The satellite link is slow, expensive and unreliable. Saint Helena's current average speed of approximately 1megabit per second (Mbps) is amongst the slowest in the world, and contrasts to a world average of 5.6Mbps⁶. On this scale, Saint Helena is below all 200 ranked countries in international surveys including Benin, Cuba and Gambia⁷. The current backhaul capacity is provided by satellite and is only 50 Mbps for the whole island, which is a lower bandwidth than that provided to many individual households in Europe. Most European countries had achieved average speeds exceeding 10 Mbps in 2015, and speeds are increasing by double digit percentages quarterly. Consequently, Saint Helena has been falling further behind the global average.

Internet connection costs are extremely high. Saint Helena is believed to have the most expensive internet in the world with a cost of USD 68 per Mbps, which is twice the cost of the next most expensive in Venezuela which costs USD 30 per Mbps. In terms of costs relative to income it is in the most expensive decile in the world. The average cost per month is 9.5 % of GDP per capita which ranks the island between Columbia and South Africa. In addition to being slow and expensive, low monthly usage limits provide a significant barrier to commercial and household usage. The current Gold Package costs GBP 83 per month for 10,000 MB or Gold + costs GBP 183 per month for 21 000 MB⁸. The current license does not provide for increases in capacity,

availability of relatively high-altitude sites, makes it a potentially very interesting site for space observation.

⁶ Source Akamai Technologies, the State of the Internet, Q4 2015; plus Saint Helena Economist, unpublished draft business case, July 2016

⁷ Saint Helena/DFID draft Business Justification Marine Cable project, July 2016

⁸ <http://www.sure.co.sh/downloads/BroadbandPackages2017.jpg>

but includes a commitment that Sure must aim to “implement technological improvements”.⁹

Its remoteness and the lack of economies of scale mean that providing public services is more costly in Saint Helena than in European countries. High speed internet connectivity has a greater opportunity to deliver change, economic growth and service improvements than in more interconnected societies. It can provide a catalyst to other key sectors; for example, with regards to Saint Helena's plan to expand its tourism sector. Research conducted for the World Bank estimated that for developing economies a 10 % improvement in internet access leads to an increase in growth of 1.3 %¹⁰ This confirms that increased broadband speed can contribute significantly to economic growth.

Addressing the constraint of inadequate modern communications provides a key opportunity for Saint Helena. The knowledge economy, and in particular digital services, are increasingly the driver of economic growth. The digital economy can open up often unforeseen opportunities across businesses and is increasingly used in public service provision, for example new ways of working, tele-medicine and distance learning. The demand for connectivity will increase especially with new mobile services, health service advancements (tele-medicine) and ways to deliver educational needs.

Existing satellite technologies could provide improvements to existing bandwidth, but such a solution would be far more limited than the capacities possible through the use of a fibre-optic cable.

A further investment opportunity lies in the construction of one or more satellite ground stations on Saint Helena, for which the Island's geographical location is strategically attractive. Several proposals have been received, conditional on the sub-sea cable being installed, and one letter of intent has been received. The potential revenue from such investment contributes significantly to the viability of the sub-sea cable project, and should contribute to downstream operating costs, enhancing the sustainability of the strategy.

Other Areas of Assessment

1.1.4 Fundamental values

Saint Helena, Ascension Island and Tristan da Cunha form three of the UK's 14 Overseas Territories. They maintain strong links fostered through the EU sponsored Overseas Countries and Territories Association (OCTA) with those of France, the Netherlands and Denmark. Fundamental values are enshrined in law, and their relationship with the UK has been refreshed in a White Paper¹¹. This stresses mutual responsibilities based on valued partnerships, defense, security and safety; strengthening the economic resilience of territories; cherishing the environment; making government work better; supporting vibrant and flourishing communities and strengthening linkages to the wider world.

This White Paper builds on the approach adopted by its predecessor¹², which placed considerable emphasis on strengthening democratic processes. Functioning legislative assemblies exist in Saint Helena, Ascension Island and Tristan da Cunha. The degree of autonomy is somewhat constrained in Saint Helena and Tristan da Cunha by the dependence on budgetary aid from the UK Government.

⁹ See paragraph 5.1.b Licensing Agreement

¹⁰ Research conducted by Ericsson, Arthur D. Little and Chalmers University of Technology

¹¹ White Paper: “The Overseas Territories: Security, Success and Sustainability”, published by the UK Government, June 2012.

¹² White Paper: Overseas Territories: Partnership for Progress and Prosperity, 1999.

Overall, however, the last decade has been one in which greater clarity has been introduced to roles and responsibilities of each party for Saint Helena, Ascension and Tristan da Cunha. It is also one in which much greater attention has been paid to issues such as safeguarding of children and vulnerable members of society, improved transparency and enhanced public accountability. It is possible, therefore, to conclude that both the direction of travel and the achievements of these Overseas Territories are fully aligned with EU values and priorities.

1.1.5 Macroeconomic policy

St Helena's Gross Domestic Product (GDP) stood at GBP 15.5 million in 2009/10¹³, which equated to around GBP 3 700 (EUR 4 200¹⁴) per capita. Saint Helena has no Central Bank and its currency is (the St Helena pound) is at parity with the GBP sterling. There are restrictions on external borrowing, and as a consequence, budget deficits are controlled and SHG has not accumulated significant external debts or indeed external reserves.

The economy expanded sluggishly, in the first decade of the century, averaging real term growth of less than 1 % per annum. The main contributor to growth, in the absence of indigenous industry, has been financial support from the UK Government. The public sector has been employing about one third of the working population. Partly as a reflection of the weak economic activity, the population declined from 5 167 in 1998 to 4 257 in 2008, after which it stabilised. Construction of the airport has in recent years provided a construction boost and average incomes rose, reaching GBP 7 100 in 2013/14. Combined with high levels of employment (unemployment being below 0.5 % of the active population), this resulted in substantial increases in tax revenues.

The UK Government is committed to ensuring that the population of Saint Helena receives essential services including health, education, justice, security and adequate safeguarding. The UK Government made a commitment to protect Overseas Territories associated with the UK from the potentially adverse impacts of Brexit: since the Brexit decision inflation has been rising in Saint Helena as a consequence of the lower GBP. Since Saint Helena is dependent on budgetary assistance, the main macroeconomic and financial dialogue is between SHG and DFID. DFID's spending on Overseas Territories is prioritized through UK legislation.

In order to facilitate this dialogue DFID undertakes an annual review of the SHG's draft budget. DFID and the SHG negotiate a settlement in terms of the budgetary aid transfers to be received to cover "reasonable assistance needs", together with agreed capital project funding.

There is a Medium Term Expenditure Framework (MTEF) in place and SHG budgets on a 3-year-rolling basis; however, to date SHG and DFID only agree on a one-year-settlement, due to the number of unknown issues arising. Fiscal forecasts are prepared, and public finances are managed in a manner intended to create reasonable predictability. The budget is executed applying SHG financial regulations.

During 2011-2015 the total aid budget grew because of construction of the airport. Now this has been completed, a net decline in funding is occurring, despite implementation of some expensive policies, such as strengthening Child Protection. Saint Helena expects significant economic growth potential from the establishment of regular air services (as of October 2017) and from improved internet connectivity (expected from 2020.) Since the fundamental mechanisms and principles governing the UK's responsibilities remain unchanged, and the budget support to the SHG is agreed annually, the mechanism is in place to adapt quickly to evolving circumstances.

¹³ Saint Helena Government, Statistical Yearbook 2012/13. This is the last year GDP data is available.

¹⁴ At November 2016 exchange rates

Table 1 presents a summary of SHG finances. It highlights domestic revenues, the value of the budgetary aid (termed grant in aid), and high cost of the airport project in recent years.

Table 1: St Helena Government Revenues (GBP 000)

	2011/12 (restated)	2012/13 (restated)	2013/14 (restated)	2014/15 (restated)	2015/16 (final)
Own revenues	11 068	12 619	13 215	13 657	14 728
UK budget support (grant-in-aid)	12 100	13 060	13 396	15 288	18 647
Shipping subsidy (UK)	5 213	5,000	4 972	2 275	624
Airport and other project	45 215	77 809	72 783	47 995	22 324
Other	47	992	1 374	199	4 575
Gain on investments	0	0	2 202	0	0
Share of profit of	0	0	5 501	1 417	728
Total	73 643	109 480	113 443	80 831	61 626

Source: Finance Directorate. Data for 2014/15 are unaudited and may not include some end-of-year adjustments.

In macro-economic terms Saint Helena will not be fully economically viable in the coming years, although tourism expansion, facilitated by air accessibility, and improved digital connectivity should mean its dependence on the UK budgetary support should significantly diminish. Overall therefore, it is possible to conclude that St Helena has a relatively stable macroeconomic and financial position.

1.1.6 Public Financial Management (PFM)

Saint Helena has a well-established legal framework around economic management based on the Public Finance Ordinance, 2010. Financial Regulations are issued by the Financial Secretary under the authority of the Ordinance. Tax laws and procedures are clear and there is little administrative discretion. Statistical data remains sketchy, with GDP last estimated for FY 2009/10.

The SHG has recently concluded a Public Sector Modernisation Programme (PSMP, 2008/2012), funded by DFID. The overall aim has been rationalisation of government, its reduction to core processes with non-core services divested or outsourced, and greater efficiency in the delivery of public services. The number of directorates was reduced. A Programme Delivery Board and Project Management Unit plans and monitor all SHG investment projects. A Corporate Procurement Unit was established and a new procurement strategy with establishment of a new Procurement Board, and revised Procurement Regulations.

Major reforms included the move from cash accounting and reporting of expenditure to an accruals base from FY 2011/12, the adoption of output-based budgeting from FY 2010/11, income tax and customs duty reforms from April 2012, electricity, water and drainage services divested to a new company (Connect Saint Helena Ltd).

A rolling PFM Improvement Plan, with clear targets and milestones, is being implemented and reported upon quarterly. It takes account of Fiduciary Risk Assessments (FRA) commissioned by DFID every three years and Public Expenditure and Financial Accountability (PEFA) assessments, undertaken periodically. A PEFA Assessment for Saint Helena was published in 2013 and updated in 2015 with the EU support.

The PEFA 2013 noted that the institutional framework around macroeconomic policy is relatively well established. Overall budget credibility is relatively high, with expenditure budgets closely adhered to in aggregate. There are no significant arrears, so all expenditure is disclosed. Meanwhile, revenue projections have been close to actual collections over recent years.

One PFM issue relates to the economic classification of the budget, which complicates the analysis of fiscal outcomes. The economic classification of the budget is based, not on international Government Finance Statistics (GFS) definitions and formats, but on donor conventions. The budget is divided into three sub-budgets according to source of funding, the recurrent budget, less own revenues, is funded by a DFID grant. Secondly there is a capital budget, funded by tied grants. Thirdly, there is a budget for sea access, net of shipping revenues, which is funded by DFID subsidies.

The EU's Territorial Authorising Officer (TAO) is the Financial Secretary, who is therefore at the heart of public administration in Saint Helena. The TAO is well placed to ensure that the SHG has access to specialist skills (legal, telecoms etc.) needed to implement the Digital Strategy.

1.1.7 Transparency and oversight of the budget

The entry point is respected as the SHG has published its budget within the current budget cycle. The degree of oversight of the SHG budget is high because of the budgetary aid dependency and annual review.

More SHG meetings are open to the public, and more key documents are being posted onto the SHG website¹⁵.

The Saint Helena Audit Service is managed by an internationally recruited Chief Auditor and prepares annual audits on the SHG Government accounts as well as on statutory bodies which are published¹⁶.

An ethical behavior initiative was started with an island-wide survey of perceptions. Codes of conduct and policies were reviewed and updated. Specific risk areas have been identified and mechanisms to give assurance that ethical codes are being followed have been set up through the Audit Committee. The UK Bribery Act 2010 became applicable to Saint Helena in 2013.

Table 2: PEFA results on transparency of the Budget

Public Expenditure and Financial Accountability (PEFA) Framework			
Indicator	Description	Score(2013)	Score(2015)
PI - 6	Comprehensiveness of information included in budget documentation	D	D
PI - 10	Public access to key fiscal information	B	B
PI - 24	Quality and timeliness of in year budget reports	C+	C+
PI - 25	Quality and timeliness of annual financial statements	C+	C+
PI - 26	Scope, nature and follow up of external audit	B+	B+
PI - 27	Legislative scrutiny of the annual budget law	A	A

¹⁵ See www.sainthelena.gov.sh

¹⁶ See <http://audit.gov.sh/publications.html>

Table 3: Key budget cycle, execution and controls

Key Budget Document	Description	Pro duced (Y/N)	Pub lished (Y/N)	Timeliness of Publication (Y/N)	Comprehensiveness & Quality (narrative on the key issues)
Executive's budget proposal	The executive's budget proposal is the Government's draft budget that should be submitted to the legislature.	Yes	Yes	Yes	The draft budget is published at least 10 working days prior to the bill being discussed by the legislature.
Enacted Budget	The enacted budget refers to the budget that has been passed by the legislature.	Yes	Yes	Yes	The budget is published on the St Helena Government website with hard copies in key public buildings.
In-year report	In-year reports (also monthly or quarterly report_ show progress in implementing the budget. These reports can be issued for the entire government or issued by different agencies.	Yes	Yes	Yes	Monthly management accounts are produced as part of an overall performance management report and are published within 15 working days of month end.
Mid-year report	The mid-year report provides a more comprehensive update on the implementation of the budget.	No	No	No	No specific mid-year report is produced as the monthly performance management report provides a cumulative position month on month so is not necessary.
Year-end report	The year-end report is one of the key accountability documents. It shows compliance with the level of revenue and expenditures authorised by the legislature.	Yes	Yes	Yes	Annual Financial Statements (AFS) are produced within 4 months of year end. This report shows the overall budget performance. SHG are now up to date with the production of the Annual Financial Statements (AFS).
Audit report	This report covers the year end audited by an independent Supreme Audit Institution.	Yes	Yes	Yes	The AFS are audited by the Saint Helena Audit Service (independent external auditors) and the report and any recommendations are then adopted by those charged with governance. The AFS are then scrutinised by the Public Accounts Committee.

2. Risks and Assumptions

Identified risks, assumptions and mitigating measures are identified in Table 4.

Table 4: Risks, Assumptions and Mitigating Measures

Risks	Risk level (H/M/L)	Mitigating measures
Saint Helena is unable to increase connectivity (cable connection not available) and therefore is unable to deliver the socio-economic benefits as outlined in the islands 10 Year Plan.	M	Delivery of the Digital Strategy and the 10 Year Plan.
The community of Saint Helena does not realise the benefits of the Digital Strategy.	M	SHG to develop “Saint Helena Connected” to provide training and support to the community as well as to local businesses.
Key benefits of improved telemedicine and social care are not delivered with improved connectivity at the detriment to the community.	L	SHG to strategically focus on staff training and performance in relation to increased diagnostic referrals and the full operational use of specialist recording systems.
The community and Elected Members do not fully support the delivery of the Digital Strategy.	L	SHG has fully consulted with the community and the Strategy has full support. SHG to be clear on the messages provided to the community in relation to the benefits that will be realized.
Assumptions		
The delivery of the Digital Strategy and the benefits that will be realised are a significant part of SHG long term plan across all sectors. It is assumed that with increased connectivity the islands current isolation will be reduced while improving services for the community, increasing opportunities and helping to further develop the islands economy.		

3. Lessons learnt, complementarity and cross-cutting issues

3.1 Lessons learnt

The EU has supported Saint Helena, Ascension Island and Tristan da Cunha through the provision of sector budget support under the 8th, 9th and 10th EDF totalling EUR 34 973 357¹⁷. Funding has been in the form of Sector Budget Support for the Infrastructure sector. Under the 11th EDF the territorial allocation to Saint Helena, Ascension and Tristan da Cunha Island is EUR 21.5 million, and the agreed sectoral focus is Accessibility and Connectivity .

Most EU funded support, delivered through sector budget support, has proceeded smoothly. One example has been the construction of protective measures to reduce the risk of rockfall, which

¹⁷Source: Regional Level Evaluation: Overseas Countries and Territories, Final Report, 11th October 2011

involved technically challenging and innovative measures including importing a helicopter on a specially procured barge. Delays in constructing and opening the airport on St Helena, not an EDF project, highlight the challenges in managing large infrastructure projects in remote locations with imperfect knowledge regarding operating conditions.

From a reporting perspective, SHG has a good appreciation of the EU budget support mechanisms including the use of fixed and variable tranches, and the need for supporting documents. The EU has also moved to simplify the use of conditions in the case of OCTs that have limited capacity, as recommended in the 2011 evaluation of EU support to OCTs.

The European Commission has recently affirmed the case for roll-out of broadband and the socio-economic benefits of this have been highlighted in a Commission Staff Working Document¹⁸.

3.2 Complementarity, synergy and donor coordination

The only major donors active on Saint Helena are DFID and the EU, although the UN provides support in areas such as communicable disease through the WHO.

With the exception of the UK Government, the EU is the only source of grant funding for the UK Overseas Territories. Saint Helena, in common with other Overseas Territories, is not a member of the International Monetary Fund (IMF) or World Bank and therefore ineligible for any other multilateral funding, such as UN climate funds¹⁹.

3.3 Cross-cutting issues

As a UK overseas territory, Saint Helena follows UK standards in terms of human rights and gender equality and opportunity.

Human Rights

Human Rights are underpinned by the Saint Helena Constitution²⁰. Saint Helena has a Human Rights Commission which actively supports the policy and legislative programme representing minority groups and vulnerable people.

Gender

Implementation of the 10-Year-Plan and the Digital Strategy will have positive outcomes from a gender perspective. They are supporting improved health services for women including conducting health screening, but also increased access to education as well as better social care services. Improved education services should help addressing gender imbalances.

Working in partnership with the United Nations, St Helena has established a safe haven for survivors of domestic abuse, as well as community support and counselling. Furthermore, St Helena is working with young people to stop the cycle of abuse. With a modern reporting and intelligence system in place the island will be better equipped to support survivors of abuse.

Environment

St Helena has robust environmental legislation with dedicated officers responsible for the terrestrial, marine and built environment. SHG ensures that all key decisions are subject to environmental, economic and social assessments, which are presented to Elected Members and

¹⁸ Commission Staff Working Document: *Digital4Development: mainstreaming digital technologies and services into EU Development Policy*

¹⁹ DFID Operational Plan 2011-2016 Overseas Territories Department Updated December 2014

²⁰ See <http://www.politicsresources.net/docs/sthelenapage3.htm#sch1-pt2-ch2>

the Executive Council.

The planning process on Saint Helena requires community participation and involvement of key environmental stakeholders. All planning applications are advertised in the local media. SHG has a consultation policy which enables all members of the community to participate in the decision-making process.

As far as energy is concerned, Saint Helena is undergoing a transition to renewable energy, making use of its wind and solar potential to reduce reliance on fossil fuels. As per 2016, the share of renewable energy in the overall energy generation was at 29 %, with a target of 85 % by 2019 and 100 % by 2022.

SHG provides monthly performance updates that are available online in the context of its 10 Year Plan.

4. Description of the action

4.1 Objectives/results and options

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 9: Industry, Innovation and Infrastructure, but also promotes progress towards Goals 8, Decent Work & Economic Growth and Goal 10 Reduced inequalities. The programme is also fully in line with the objectives of the Commission Staff Working Document¹⁸ **"Digital4Development: mainstreaming digital technologies and services into EU Development Policy"**.

Overall objective

The overall objective of this programme is to improve economic prospects and ensure a better quality of life for the population of Saint Helena, including better health, education, skills and protection of vulnerable people.

Specific Objectives (Outcomes)

- Improved use of high-speed internet connection by Saint Helena's population, households and businesses. Better connectivity via a submarine cable should ensure improved long-term economic viability of the island through new revenue streams.
- Improved quality and efficiency of service delivery of the Saint Helena Government through vastly increased use of internet-based technology and delivery mechanisms, particularly in health and education, resulting in:
 - increased health referrals via telemedicine,
 - reducing overseas referrals,
 - improved social care services to protect vulnerable people and 21
 - improved use of technology to support disabled people
 - improved businesses performance, in particular upscaling in tourism and e-commerce.

Induced Outputs

The induced outputs would be SHG's improved public policies, public sector spending and public-sector service delivery. The EU funded action will contribute to these changes. In this

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context, they will include:

- Improved connectivity for the island with increased speeds via a newly installed submarine high-speed cable.
- Free safe access to the internet for children and young people for education and development, as well as for the general population with regards to health service delivery.
- Improved macroeconomic and budget management (such as fiscal, monetary, trade and economic growth policies).
- Strengthened PFM and procurement systems (transparency, fiscal discipline, oversight, allocative and operational efficiency)²².

4.2 Main activities

4.1.1 Budget support

Sector budget support will be provided to the SHG which will help contribute to the delivery of the 10 Year Plan as well as the Digital Strategy. This is a continuation of the implementation modality that has been functioning recently under the 9th and 10th EDF programmes for Saint Helena. Routing all funding via the SHG is consistent with the aim of simplifying delivery of the 11th EDF and keeping transaction costs down to an acceptable level.

4.1.2 Complementary support

No complementary support is required from the EU, however SHG has recruited a firm to provide specialist technical and contracting advice, and will continue to do so on an as- required basis, as part of its digital sector development activities. SHG also has the support of an international connectivity NGO.

4.3 Intervention logic

Isolation is a barrier to growth and sustainability. Technical innovation, made possible through fibre connectivity, provides a means of linking the population and enterprises of Saint Helena with the world. It complements air connectivity, which was achieved in 2017 for the first time. Combined with accessibility and connectivity enhancements, it will enable Saint Helena to reverse demographic decline, improve economic prospects and the delivery of public services, and enhance the sustainability of the Island.

To this end, the SHG has developed a 10 Year Plan. A key instrument in this context is the Digital Strategy, which aims to ensure that the benefits of fast internet will be beneficial for the entire island population.

The sector budget support provided through the 11th EDF will support the SHG in the implementation of the 10-Year Plan and the Digital Strategy.

4.4 Organisational set-up and responsibilities

Positive PEFA and Fiduciary Risk assessments demonstrate that St Helena has the capacity to manage 11th EDF financing. The TAO resident on Saint Helena, will retain overall oversight for the process, including preparing progress reports and the necessary payment dossiers to enable release of funds. The close involvement of DFID, which conducts annual budgetary financial

²² It should be noted, though, that PFM in SHG is already quite sound.

aid missions to Saint Helena, will reinforce technical and financing oversight.

By concentrating management and reporting responsibilities for the entire grant with the Saint Helena Government, the EU will streamline grant management.

5. Implementation

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, Saint Helena, referred to in Article 85(2) of Council Decision 2013/755/EU concerning OCTs.

5.2 Indicative implementation period

The indicative operational implementation period of this action, will be carried out and the corresponding contracts and agreements implemented, is 57 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's Authorising Officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point Article 9(4) of Regulation (EU) No 322/2015.

5.3 Implementation of budget support component

5.3.1 *Rationale for the amounts allocated to budget support*

The amount allocated for budget support component is EUR 21.35 million, almost the full allocation under 11th the EDF. (EUR 0.15 million are reserved for an evaluation).

5.3.2 *Criteria for disbursement of budget support*

a) The **general conditions** for disbursement of **all tranches** are as follows:

- Satisfactory progress in the implementation of the 10 Year Plan and the Digital Strategy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the SHG public financial management reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The **specific conditions** for disbursement that may be used for the **variable tranche** are the following:

- Implementation of connectivity and accessibility, namely:
 1. Increased connectivity speeds across the Island;
 2. Increased referrals through telemedicine reducing the need for off island referrals;
 3. Increased number of care plans for disabled people improved by the use of technology, thereby enhancing their social and economic reintegration into society.

In case of unexpected events beyond the control of the SHG such as natural disasters, neutralisation of one or several indicators affected can be accepted. The amounts relating to the neutralised indicators will be redistributed amongst the remaining indicators on a pro-rate basis.

In such an event, the SHG must request such neutralisation to the European Union.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Saint Helena Government may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Saint Helena pounds (which are at parity with UK sterling) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

Table 5: Indicative Budget

Financial Year	Tranche Type	EU contribution amount (EUR million)	Indicative date of disbursement
2018	Fixed	10.00	Sep 2018
2019	Fixed	3.50	Jun 2019
2020	Fixed	3.50	Jun 2020
2021	Variable	4.35	Feb 2022
2022	[Evaluation]	0.15	n/a
Total		21.50	

Note: there is no complementary support planned, but an allocation of EUR 150,000 is reserved for an external evaluation.

6 Organisational set-up and responsibilities

The 10 Year Plan and the Digital Strategy comes under the direct responsibility of the SHG, for overseeing their implementation. Operating departments will provide reports on implementation of the Digital Strategy in their functional areas. The SHG "Corporate Services"²³ will prepare regular reports to the Executive Council, facilitating ongoing monitoring by the Public Accounts Committee. Whilst SHG retains overall responsibility for the programme and its implementation, both the UK Foreign and Commonwealth Office (FCO) and DFID will carefully monitor progress.

7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the

²³ The Corporate Service is responsible within the SHG for the performance management, finance and risk management functions (amongst others)

logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The European Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the European Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the European Commission for implementing such reviews).

8 Evaluation

Having regard to the nature of the action, a mid-term or final evaluation could be carried out for this action.

In case an evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

If the European Commission decides to conduct a mid-term or final evaluation, the evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the European Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the support.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in Quarter4 2022.

9 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and will be implemented by the Government of Saint Helena using its own resources.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Annex I INDICATIVE LIST OF RESULTS INDICATORS (FOR BUDGET SUPPORT)²⁴

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Indicative Targets (incl. reference)	Sources and means of verification
Overall objective: Impact	The overall objective of this programme is to improve economic prospects and ensure a better quality of life for the population of St Helena, including better health, education, skills and protection of vulnerable people.	GDP growth Improved health	Please refer to Annex 1	Within 1 year of operation (2021), in keeping with Digital Strategy St Helena can demonstrate Success	Economic reports Number of medical case diagnoses

²⁴ Indicators aligned to the EU Results Framework with '***': Not applicable

	Results chain	Indicators	Baselines (incl. reference year)	Indicative Targets (incl. reference)	Sources and means of verification
Specific objective(s): Outcomes ' * 	Improved use of high-speed internet connection by St Helena's population, households and businesses. Better connectivity via a submarine cable should ensure improved long-term	Numbers of households and businesses with high-speed internet connection ²⁵	2017: current speeds are around 2Mbps to households and businesses	High speed (minimum - 17Mbps) internet access to not less than 70 % of	On-island telecoms operator performance data and reporting
	economic viability of the island through new revenue streams.			private subscriber sites by end of first year of cable operation 2021	
	Improved quality and efficiency of service delivery of the St Helena Government through vastly increased use of internet-based technology and delivery mechanisms, in particular in health and education, resulting in <ul style="list-style-type: none"> increased health referrals via telemedicine, reducing overseas referrals, improved social care services to protect vulnerable people and <ul style="list-style-type: none"> improved use of technology to support disabled people 	High-speed internet for key services available including Free safe access for school children at key times Number of serious medical conditions which are identified at an earlier stage through online diagnostic services	Current speeds are around 2Mbps in schools and key government services Data deficient currently being addressed	Speeds to key government services increased to a minimum of 17 Mbps with free safe access for school children in schools 2021 Estimated to be 40 % of projected referrals (300) 120 patients by 2021	On-island telecoms operator performance data and reporting & SHG reporting through key performance matrix SHG key performance matrix
	Improved businesses performance, in particular upscaling in tourism and e-commerce	Number of businesses on the island	154 including self employed	225 by 2021	SHG company register and tax office

This in relation to downlink bit-rates achievable for at least 95% of off-peak hours and say 90% peak hours

	Results chain	Indicators	Baselines (incl. reference year)	Indicative Targets (incl. reference)	Sources and means of verification
Induced outputs	SHG's improved public policies, public sector spending and public-sector service delivery, including:		154 including self employed	225 by 2021	SHG company register and tax office
	Improved connectivity for the island with increased speeds via a newly installed submarine high-speed cable	High speed internet access to not less than 70 % of private subscriber sites	2017: current speeds are around 2Mbps to households and businesses	Minimum 17 Mbps internet speed by the end of 2021	SHG key performance matrix
	Improved health outcomes based upon strengthen diagnostic and treatment services	Number of serious medical conditions which are identified at an earlier stage through diagnostic services	Data deficient currently being addressed	Estimated to be 40 % of projected referrals (300) 120 patients by 2021	SHG key performance matrix
	Increased participation in the labour market by disabled people	Number of disabled people in supported employment which empowers them to participate in the economy and society	Currently 36 people (August 2017)	Increased to 40 people by 2021	SHG key performance matrix
	Improved macroeconomic and budget management (such as fiscal, monetary, trade and economic growth policies)	Declined macroeconomic imbalances PEFA 2014 Indicators	Budget Surplus 2009/10: GBP - 5,393,000 PEFA 2014	Budget Surplus 2019/20: GBP 0	St. Helena Fiscal aggregate data PEFA assessment
	Strengthened PFM and procurement systems (transparency, fiscal discipline, oversight, allocative and operational efficiency)	Fiscal space is improved: Revenue prospects increase PEFA 2014 Indicators	Taxation revenue 2009/10: GBP 4 975 000 PEFA 2014	Taxation revenue 2019/20: GBP 10 063 000	St. Helena Fiscal aggregate data PEFA assessment

	Results chain	Indicators	Baselines (incl. reference year)	Indicative Targets (incl. reference)	Sources and means of verification
Direct outputs	Internet accessibility improves for St Helenian households	Number of households able to have increased connectivity speeds	Current speeds are around 2Mbps	Increased speeds for 70 % of users to between 10 - 17Mbps by 2021	On-island telecoms provider records and reporting
	Adoption of tele-medicine, permitting a reduction in the number of referrals to hospitals in South Africa;	Number of referrals due to online diagnosis	100 referrals PA	Increase number of referrals to 300 PA 2021	SHG key performance matrix
	Increased number of care packages for disabled people which include a technology component which increases their independence	Number of assessed care packages that have a technology component	Current baseline is 0	Increased care packages to 10 to include a technology based component 2021	Hospital records and reporting; SHG key performance matrix

Appendix 1: Saint Helena at a Glance

Saint Helena is an extremely remote island settlement in the South Atlantic, which was discovered in 1502. It is of volcanic origin, 4 000 kilometres east of Rio de Janeiro and 1 950 kilometres west of the Cunene River, which marks the border between Namibia and Angola in southwestern Africa. It is part of the British Overseas Territory of Saint Helena, Ascension and Tristan da Cunha. Saint Helena measures about 16 by 8 kilometres and has a population of 4 534 (2016 data).

The economic base remains weak and lacks core drivers of growth; as a consequence the overall economy is substantially dependent on public spending to generate public sector employment. The Saint Helena Government is in receipt of substantial budgetary aid from the UK Government, which has, on average, been funding some 50 % of the total SHG capital and operating budget.

St Helena's isolation has been a key challenge, and central to the Island's rich history and culture. St Helena for many years has been supplied via a dedicated passenger-freight ship, the *RMS St Helena*, the cost of which is heavily subsidised by the UK Government. The RMS St Helena round trip from Cape Town in South Africa takes eighteen days, which includes the connecting voyage to Ascension Island, situated approximately 700 nautical miles north-west of Saint Helena.

Until recently there has been a net outward movement of population with many Saint Helenians (known as "Saints") taking opportunities to work in other overseas territories including Ascension Island and the Falkland Islands, as well as the UK and elsewhere. This outward migration has affected the population age distribution, with an increasing proportion of elderly and less mobile islanders remaining on island. There are adverse social consequences of family separations, although Saint Helenians retain a strong social identity through reunions.

To address the issue of isolation the UK Government funded construction of an airport. This was envisaged to facilitate expansion of the tourism sector and as a catalyst for inward investment. Contracts were placed in 2011 with construction completed in 2016, at a cost exceeding GBP 280 million. Test flights revealed unexpected problems with wind-shear, but finally in October 2017 Saint Helena welcomed its first scheduled commercial flight.

Saint Helena's public finances are shown in Table A1. The key points to note are the following:

- The dominance of the airport project in total Government expenditure. The airport has opened for medivac flights, and commercial service has begun in the last quarter of 2017.
- Shipping costs, which were expected to be minimal by 2016/17, have increased again as a result of the continued need to provide services until a commercial airlink has been established.
- The UK budget support, entitled grant in aid, has been increasing, in part because of the high cost of legal services and provision of strengthened children safeguarding services.
- Own revenues have risen in recent years, although future revenues are difficult to predict and depend on the anticipated expansion of tourism. Since public sector employment is high, but salaries are relatively low, the scope to expand taxation is considered limited until the economy diversifies as a result of tourism or unforeseen new revenue streams. These could over the medium term include digital expansion.

Table A1: Saint Helena Government Revenues (GBP 000)

	2011/12 (restated)	2012/13 (restated)	2013/14 (restated)	2014/15 (restated)	2015/16 (final)
Own revenues	11 068	12 619	13 215	13 657	14 728
UK budget support (grant-in aid)	12 100	13 060	13 396	15 288	18 647
Shipping subsidy (UK)	5 213	5 000	4 972	2 275	624
Airport and other project support (UK)	45 215	77 809	72 783	47 995	22 324
Other	47	992	1 374	199	4 575
Gain on investments	0	0	2 202	0	0
Share of profit of subsidiaries	0	0	5 501	1 417	728
Total	73 643	109 480	113 443	80 831	61 626

Source: Finance Directorate.