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PROGRAMME PLANNING AND IMPLEMENTATION

Country, intercountry and global programmes

SECOND COUNTRY PROGRAMME FOR SAINT HELENA

<u>Programme period</u>	<u>Resources</u>	<u>\$</u>
January 1993-December 1996	Net IPF	1 975 000
	Estimated cost-sharing	-
	Total	1 975 000

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## I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

### A. Current socio-economic situation

1. Situated in the southern Atlantic Ocean, Saint Helena is one of the most isolated inhabited islands in the world. The population of the island is about 5,500, with very little change year to year. Another 900 Saint Helenians work abroad, principally in Ascension and the Falkland Islands.
2. Isolation and a limited resource base are the major contributing factors to the island's continued financial dependence on the United Kingdom of Great Britain and Northern Ireland to sustain and develop its economy. Although external aid (£10.3 million in 1990-1991) remains the main contributor to economic growth, it has fallen by 20 per cent in real terms over the past five years.
3. Domestic consumption is supported almost entirely by external aid. In the absence of a productive base to the economy, imports, about £6.5 million in the 1990-1991 period, constituted over 85 per cent of the value of total government and household consumption of goods. Fifty per cent of imports come from the United Kingdom and the balance from South Africa. Imports from South Africa have been increasing, however, because of a more favourable exchange rate. Exports other than migrant labour to Ascension and the Falklands are almost entirely from fisheries and earn less than 4 per cent of the value of imports. The resultant adverse trade imbalance is offset entirely by external assistance.
4. The public sector, largely administrative, employs 65 per cent of the workforce. Gender differences in employment are minimal, and women occupy a large proportion of top-ranking jobs. Unemployment remains at a relatively low level due to the Government's commitment to a policy of full employment. The private sector is at a fledgling stage of development. There are important impediments to private-sector expansion, both of a structural nature and as a result of various economic distortions. Remittances from offshore employment, in which 30 per cent of the total workforce is engaged, are an important source of income for Saint Helena, contributing up to 10 per cent of gross national product (GNP). However, the level at which offshore employment will be sustained in the future is uncertain, as the cold war has ended and relations have improved between the Governments of Argentina and the United Kingdom.
5. Gross domestic product (GDP) per capita is approximately £1,800 and has been rising in nominal terms by 2-to-3 per cent per year. However, it is questionable how meaningful these figures are in an economy where more than 70 per cent of GDP comes from external aid. The economy of Saint Helena, with such a limited export sector, is to some extent insulated from the recent world-wide recession. However, total aid from the United Kingdom is being held constant in monetary terms as a direct result of the recession, and it is expected that financial assistance to the island will continue to decline in real terms.
6. In the prevailing economic environment, great importance is attached to increasing self-reliance in basic foodstuffs; to developing tourism as a viable source of revenue generation; and to easing the structural constraints to the

development of the private sector. The objective of import substitution for some agricultural products does involve short-term costs, as the benefits of cheaper imports and short-term security of supply, especially in the face of favourable exchange rates, is traded off against the long-term benefits of reduced dependence on aid.

7. In terms of other measures of development, Saint Helena compares favourably with many developing countries. Life expectancy is approximately 65 for males and 67 for females. The infant mortality rate is below 0.9 per cent and the literacy rate is around 95 per cent. The infrastructural development of the island is of a relatively high level, with over 90 per cent of houses connected to electricity and piped water.

#### B. National development objectives and strategies

8. The key development objectives of the Government are a better use of limited national resources; reduced dependence on the United Kingdom for aid; and the creation of meaningful employment. Other important aims are reduced isolation and sustainable improvements in the standard of living and quality of life. The vehicle by which development is carried forward is the National Development Plan (NDP), a five-year rolling programme which sets out the national objectives in detail and determines how these objectives will be reached.

9. An important tool used to guide the development process within the NDP is the Development Project Framework. This framework records current approved project expenditure, future approved project expenditure and a nominal profile of future project development. The implementation of objectives as outlined in the NDP and set within the project framework gives high priority to the development of the productive sector, which includes a number of active agricultural, forestry and fisheries projects. Priority is also given to the development of the infrastructure supporting production. The challenge facing the island is to target available aid-based resources to these two priority areas.

10. The Government's development programme is contained in the NDP, which provides the development process with maximum flexibility in order to meet the island's diverse requirements. A large part of development aid is allocated to projects designed to strengthen infrastructure and to meet the basic needs of the population. Thus projects addressing power, water, housing and transport requirements feature heavily. However, over the last few years there has been, within the framework of the current NDP, a reorientation towards achieving a measure of self-sufficiency in production, at least to a level which matches the island's resource endowment. The number of projects devoted to agriculture, forestry and fisheries has increased overall and has also increased as a share of all projects.

11. Within the current NDP much greater emphasis has been put on encouragement of the private sector and development of tourism, both of which are mutually reinforcing and, in terms of development, interdependent. Assistance is being sought for the establishment of a small business development agency and for advice on tourism development. The private sector will provide the main vehicle

by which tourism and the requisite tourist infrastructure will expand. However, difficulties remain with the establishment of a successful and autonomous private sector. This results largely from distortions in the economy resulting from the level and type of aid necessary to sustain the island's standard of living.

## II. EXTERNAL COOPERATION

### A. Role of external cooperation

12. Without the current level of aid, the economy would collapse, given the size, structure and the physical endowments of the island. Aid from the United Kingdom covers budgetary assistance (grant-in-aid, at present on a three-year rolling disbursement programme); development aid targeting projects; technical cooperation; and funds covering the island's shipping losses. Apart from UNDP, the only other important donor is the European Economic Community (EEC), which is funding the reconstruction of the sea wall and ancillary facilities.

13. Arrangements for development aid for offshore components are undertaken by the Overseas Development Administration (ODA), usually but not always using Crown agents as the procurement agents. Details of expenditures are regularly forwarded to the Government. Local expenditures are made through the Finance Department and claims against expenditure are sent on a quarterly basis to ODA.

### B. Coordination arrangements

14. The NDP is the central instrument by which the development programme is guided. At the local government level, the Department of Development and Economic Planning is responsible for coordinating the development process. This department is able to provide economic, statistical and planning expertise in the formulation of development-oriented projects.

15. Political input is provided by the Development Committee, comprising locally elected politicians who are also chairpersons of the respective departmental committees that constitute the Executive Council. This ensures that local interests are fully represented in the development process. This Committee is advised and supported by the Development Advisory Committee, which comprises members of the Development Committee and some members of the Legislative Council. The decisions of the local political representation are then processed by the DEPD through the preparation of project proposals, which are subsequently submitted to ODA for approval for funding.

## III. THE COUNTRY PROGRAMME

### A. Assessment of the ongoing country programme

16. The first country programme for Saint Helena was formulated but never implemented. It is being superseded by the second country programme.

## B. Proposals for UNDP cooperation

### 1. Preparatory process

17. The present document is largely a distillation of the previous programme and the result of a continuing dialogue among the Government, ODA and UNDP. During this process a consensus emerged on the type of UNDP assistance that will most effectively meet the country's requirements and on how that assistance will be coordinated with current aid from other sources.

### 2. Strategy for UNDP cooperation

18. UNDP resources will be targeted to productive sector development and the removal of constraints in the private sector. These objectives are central to the existing development programme as outlined by the NDP and are, therefore, of high priority. They are also consistent with the existing donor aid programmes, especially with the ODA rolling schedule of development aid. Assistance in these areas is expected to contribute considerably to achieving the aims and objectives of the island's development programme, in particular creating meaningful employment and attaining a reasonable level of productivity and self-sufficiency.

19. UNDP is well placed, having at its disposal a highly trained cadre of specialists who are both available and flexible enough to provide technical cooperation. Therefore, UNDP is in a position to support the country programme through technical cooperation among developing countries (TCDC) and provide additional assistance for subsequent programme activities that may develop. The special features of external assistance for Saint Helena militate against a full-fledged programme approach. Therefore, the proposals for UNDP assistance are in the form of projects.

### 3. Proposed UNDP cooperation

#### Implementation of a universal pension scheme

20. The Government is the main employer on the island. The present pension scheme is exclusively for those in government service. As it is non-contributory employees are obliged to remain in government service until retirement. With the establishment of a universal contributory pension scheme, private-sector development will be stimulated in two ways. First, labour mobility will be encouraged where retirement security is assured, as the pension scheme will be transferable between public- and private-sector employment and within the private sector itself. Second, pension contributions will form the core of a pooled savings fund which can then be used through a variety of credit mechanisms in the private sector to encourage growth in small-scale industries.

21. UNDP will fund an expert for up to two years to examine the establishment and operation of a private-sector pension scheme that is most suitable to the country's exacting conditions and to complement public-sector pension arrangements, which in turn may have to be modified.

### Development of tourism

22. Saint Helena has a large number and variety of ancient monuments and fortifications which, although once magnificent, have fallen into disrepair. To date there has been little incentive to preserve them, and in the past income-generating opportunities from tourism were scarce. The recent introduction of a new ship, the RMS Saint Helena, which sails from the United Kingdom to Saint Helena, has increased the opportunities for stimulating tourism by improving the standard of shipping service offered. Changes to the schedule have been designed to increase the number of opportunities to visit the island and to encourage tourists to utilize the service, with Saint Helena as the focus of attention. The anticipated introduction of another inter-island shuttle, operating a 1,200 kilometre ferry service between Ascension and Saint Helena, is expected to generate further tourism. This will reduce the amount of time a visitor need stay on the island and will free the RMS Saint Helena to pursue a more lucrative route and possibly attract a large percentage of the cruise market.

23. With the advent of greatly improved communications in telephone, telefax, telex and shipping, the potential for realizing a real growth in the tourist sector has improved dramatically. ODA recently sent a tourist consultancy team to review the potential on Saint Helena; to assess the size of the likely tourist market; to identify existing constraints to development; and to evaluate the best method of creating a successful tourism sector with minimal losses, including environmental loss, to the island. The recommendations of the consultants' report are eagerly awaited. Development of the sector is likely to concentrate on discrete components, which will be identified in the report. Once this is available, the Government will be able to orchestrate the development effort involving both ODA and UNDP to identify and promote tourism.

### Livestock and poultry development

24. The Government's approach to agricultural development focuses on the importance of import substitution, in particular the savings that can be realized from self-sufficiency in vegetable, livestock and forestry products that can be grown economically. The key concept of the strategy is to target the part-time smallholder and to build a productive environment, including in the livestock sector, within which farmers can operate successfully.

25. The livestock sector remains a priority area for external support. UNDP support is sought for this sector as a result of an agreement made in 1987. The Overseas Development National Research Institute (ODNRI), which was recommended as project manager, advocated a delay in implementation of the project until a major review of the current agricultural policy had been undertaken and agreed to by the Government, ODA and ODNRI. This review is contained in the "Agricultural Strategy Paper for Saint Helena".

26. The Government is therefore approaching UNDP once again to support the project but, as circumstances have changed, there is no longer a need to implement all the components of the original proposal. UNDP support in this area is expected to make an important contribution to livestock development. A significant proportion of the indicative planning figure (IPF), therefore, will be allocated to assist the livestock programme.

27. Since 1987 there has been a considerable increase in the rate of slaughter at existing slaughterhouse facilities and animals continue to be slaughtered in primitive conditions. Lack of refrigeration facilities for meat storage and inadequate waste disposal are considered risks to public health. Implementation of the original proposals for the slaughterhouses and butcherries at Longwood and Bamboo Hedge will go a long way to redress these problems.

28. The original UNDP project concentrated on an experimental programme designed to evaluate methods of improving efficiency of beef production, which would provide greater self-sufficiency and reduce cyclical gluts and shortages. An urgent need to develop and implement more efficient livestock production systems was identified.

29. These efforts will fit in with the cattle development programme and will be followed by an extension programme. In addition, some smallholder livestock units will be established to take weaned cattle from the commonages and finish them in fattener units.

30. A three-year plan of gorse removal and rehabilitation of pasture lands will complement the cattle development programme. Because chemical control of gorse is as yet undeveloped, gorse removal remains a labour-intensive activity. Five hundred acres are earmarked for treatment over a three-year period. Because of the nature of gorse, most funding will be used in the first year.

31. Support is required for the establishment of a unit producing pullets for sale to the private sector for backyard egg production. The importance of egg production in the local economy is illustrated by the household consumption survey carried out in 1987, which indicated that inhabitants consumed between 800,000 and 1 million eggs annually. Under current management this requires a national flock of about 4,000 layers, which should be replaced every year.

#### 4. Complementary assistance

32. In addition to the fifth cycle IPF allocation, there is a carry-over from the fourth cycle IPF representing about 40 per cent of the resources needed for the second country programme.

#### C. Implementation and management arrangements

33. In addition to relying on resident capacity of both government departments and such non-governmental organizations (NGOs) as Voluntary Service Overseas (VSO), UNDP will bring United Nations expertise to bear on the proposed activities, although this may require careful scheduling, in view of the remaining "communication bottlenecks".

34. There is an established financial and accounting system in local government which, assisted by an autonomous audit unit staffed by certified auditors, manages and monitors aid expenditure efficiently.

35. The technical cooperation requested from UNDP by the Government will complement aid sought from the Government of the United Kingdom (ODA and ODNRI)

under its technical cooperation programme. Careful consideration will be given to the roles played by foreign experts and their counterparts with respect to building national capacity on a sustainable basis that is fully integrated within the current aid profile.

36. Activities supported by UNDP will be monitored regularly to ensure they are in line with development needs. The country programme will also be subject to a mid-term review.



Annex I

FINANCIAL SUMMARY a/

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth cycle IPF	670	
Fifth cycle IPF (less 1992 expenditure)	<u>1 305</u>	
Subtotal IPF		1 975
Project cost-sharing (Government)	-	
Project cost-sharing (third party)	-	
Programme cost-sharing	<u>-</u>	
Subtotal cost-sharing		<u>-</u>
TOTAL		<u>1 975</u>

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

<u>Area of concentration</u>	<u>IPF</u>	<u>Cost-sharing</u>	<u>Total</u>	<u>Percentage of total resources</u>
PRIVATE-SECTOR PENSIONS	415	-	415	21
TOURISM DEVELOPMENT	533	-	533	27
LIVESTOCK DEVELOPMENT	<u>691</u>	<u>-</u>	<u>691</u>	<u>35</u>
Subtotal	1 639	-	1 639	83
ASSISTANCE OUTSIDE THE MAIN AREAS OF CONCENTRATION	-	-	-	-
UNPRORAMMED RESERVE	<u>336</u>	<u>-</u>	<u>336</u>	<u>17</u>
TOTAL	<u>1 975</u>	<u>-</u>	<u>1 975</u>	<u>100</u>

a/ Exchange rate: \$1.90 : £1.00. All costs in constant terms.

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds

SPR	-
UNCDF	-
UNSO	-
UNIFEM	-
UNRFNRE	-
UNFSTD	-

Subtotal -

B. Other United Nations resources

JCGP participating agencies

UNFPA	-
UNICEF	-
WFP	-
IFAD	-

Other United Nations agencies  
(non-UNDP financed)

-

Global Environment Facility -

Subtotal -

Total non-core and other United  
Nations resources -

C. Non-United Nations resources -

TOTAL -

Annex II

PROGRAMME MATRIX

<u>Area of concentration</u>	<u>Priority themes a/</u>			
	<u>Environment and natural resource management and development</u>	<u>Self-sufficiency in production and poverty eradication</u>	<u>Sustainable income-generating measures and private sector initiative</u>	<u>Public health</u>
I. PRIVATE-SECTOR PENSIONS		*	*	
II. TOURISM DEVELOPMENT	*	*	*	
III. LIVESTOCK DEVELOPMENT				
Slaughterhouse improvement	*	*		*
Poultry development	*	*	*	
Pasture rehabilitation	*	*	*	

a/ Asterisks indicate major linkage only.

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