

ENHANCING PROSPERITY IN THE FALKLAND ISLANDS

Update to the Falkland Islands Economic Development
Strategy (EDS2010) and Action Plan

August 2017



Falkland Islands Government
Policy and Economic Development Directorate

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Part A – Background

1.0 Introduction

The purpose of this report is to provide an update on the Falkland Islands Economic Development Strategy 2010-2025 (EDS2010), confirm overarching economic development objectives for the Falkland Islands and identify priority actions for implementation over the period of 2017-2019. It is a midterm course correction and adaptation, to ensure that we address challenges and capture opportunities as they exist in today's environment. This report is not meant to recreate the comprehensive sector and economic analysis that was completed from 2008-2010, as the overall structure of the economy has not changed substantially since then, despite growth in the tourism sector and improvements in the agricultural economy, including population growth in Camp (see Table 1 and Figure 1, below).

The fisheries sector has remained the dominant revenue generator for the economy, but has not evolved significantly beyond primary product export. Overall Gross Domestic Product (GDP) has indeed increased significantly, with most of the growth attributable to recent oil exploration campaigns and to cyclical variations in fish catch. Table 2 illustrates the impact of resource industries on GDP and shows that the non-resource sectors of the economy grew by 26% between 2009 and 2012 (when the current round of oil activity began). Since that time, value-adding GDP has remained flat, reflecting challenges in capturing local procurement opportunities arising from oil development.

Table 1 - Falkland Islands gross domestic product and annual growth rate at constant prices

Millions of FKP (at constant 2012 and basic prices)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Annual growth rate %	n/a	8.4%	-19.6%	53.2%	-6.2%	20.9%	-20.4%	-1.8%	25.5%
Value added, gross / Gross domestic product	134.9	146.2	117.6	180.2	169.0	204.3	162.6	159.7	200.5

Source: Falkland Islands National Accounts 2007-2015

Table 2 - Impact of resource extraction industries on Falkland Islands GDP

Thousands of FKP (at current and basic prices)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross domestic product per capita	41.4	46.9	38.1	65.4	72.1	79.7	59.8	63.0	70.8
Gross domestic product per capita excluding fishing, aquaculture, oil & gas exploration	22.0	24.1	22.4	n/a	26.3	28.3	28.8	28.3	28.4

Source: Falkland Islands National Accounts 2007-2015

Nonetheless, the intensive oil exploration campaign in Falkland Islands waters resulted in significant government revenues from licensing and taxes, and has supported some limited development of an oil services sector. However, exploration ended with the collapse of global oil prices in 2015 and

development of proven reserves has also been delayed. Further activity to develop the Sea Lion field can be expected once global oil price outlooks improve, potentially during the period of this Action Plan, and recommendations on the implementation of strategies to capture long-term economic development benefit from oil development have been incorporated in the Action Plan that follows.

1.1 Progress on EDS2010

In October 2010, the Falkland Islands Economic Development Strategy 2010-2025 was presented to Honourable Members for consideration. EDS2010 was the product of more than two years of consultation, research and refinement and proposed two overarching policy objectives and more than 200 policy and programme actions. ExCo specifically endorsed the policy objectives, while requiring that an annual Economic Action Plan be submitted to Honourable Members to consider and progress specific items. In February 2011, ExCo agreed the first, and only, Economic Action Plan arising from the objectives set out in EDS2010. Twenty specific objectives, along with actions, time scales and key performance indicators were included, to be led or progressed by both Government and partners, including the Falkland Islands Development Corporation and Chamber of Commerce.

There have been some notable advances and successes related to the implementation of EDS2010. For example, FIG has worked with stakeholders and the private sector to establish the Falkland Islands Tourism Board which provides strategic direction, identifies and pursues economic opportunities and is a strong voice for individuals and businesses involved in the tourism sector.

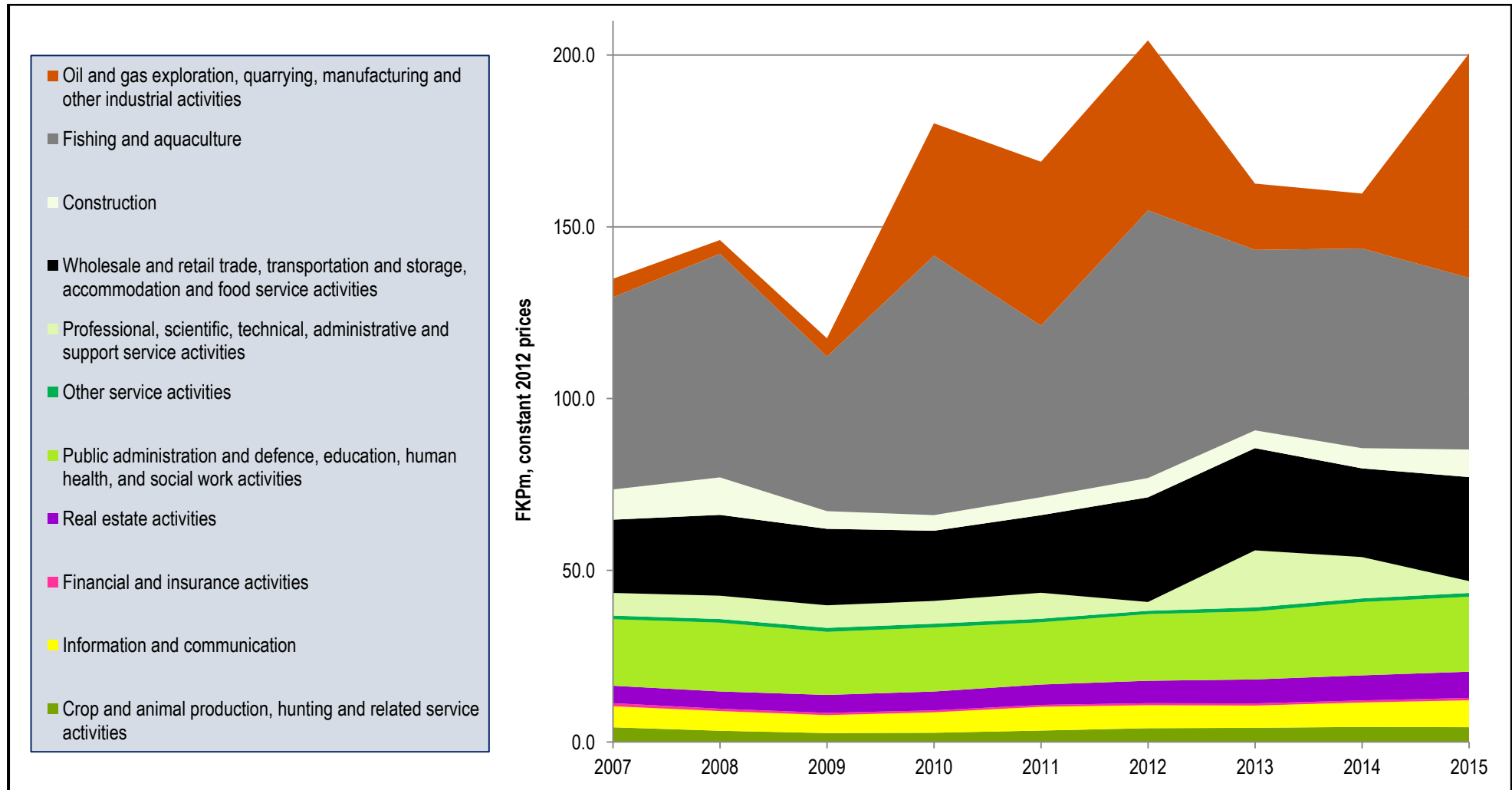
The establishment of the South Atlantic Environmental Research Institute (SAERI), to lay the foundations for a science, technology and research sector, has been an unqualified success, with SAERI now attracting substantial grants as well as private contracts. SAERI engages numerous scientists and researchers to work in the Falklands and increases our international reputation and profile as a facilitation and implementation partner for overseas environmental and scientific organisations. In June 2017, SAERI successfully transitioned to charitable organisation status, with a commercial subsidiary that can also contract to the private sector.

As the national economic development agency and a principal partner in the delivery of actions in the EDS 2010, the Falkland Islands Development Corporation (FIDC) has worked to identify and promote value-adding and diversification opportunities in agriculture, renewable energy and tourism. The introduction of FIDC's new Ordinance in 2015 has enabled a more strategic relationship between FIG and FIDC and has allowed it to focus on delivering its key actions and objectives and to deliver tangible results to support the growth of Falkland Islands businesses.

In response to a significant barrier identified in EDS2010, a Housing Needs Survey was conducted and a Town Plan developed, identifying possible residential and commercial areas for development. The First-Time Buyer Scheme was introduced to provide access to residential plots of land at a reduced rate, for those not yet on the housing ladder. Since then there has been significant development on the Sapper Hill estate and Mink Park.

In 2017, Government introduced new telecoms regulation and signed a new contract with the monopoly provider, which was expected to achieve improved quality and value for money for all users. In its 2017-18 budget, Government approved an ambitious investment program to develop critical transportation, energy and social infrastructure to support economic growth objectives. Streamlined and updated immigration regulations are in the final stages of implementation, and these are expected to support labour force development by providing more flexibility for employers and workers. Taken together, these actions are important steps in ensuring the right conditions for the Falklands economy to grow and prosper.

Figure 1. Gross value added by economic activity



Source: Falkland Islands National Accounts 2007-2015

1.2 Vulnerabilities

Despite progress in specific areas, most of the systemic barriers and constraints to growth identified in EDS2010 remain – having been only partly addressed in the past six years, if at all. The Falkland Islands enjoys a unique economy, where an abundance of natural resources, combined with a small population, has led to full employment, relatively high incomes and a level of Government-provided social services that contribute to an enviable quality of life. Decisions on the development of a modern, rights-based fishery and on limiting foreign competitive investment have enriched both the government and the population. A large contractor work force supplements locally available labour and ensures availability of services not normally accessible to small, remote populations.

Current prosperity masks some serious challenges. The Falkland Islands economy is reliant on two natural resource sectors to generate most of its wealth, and a significant portion of that wealth accrues to companies and shareholders partially based overseas. In addition, these two sectors utilize a high percentage of labour that is not resident in the Falkland Islands, resulting in a further transfer of wealth.

Government itself is a significant generator of both employment and GDP. Despite previous efforts, there has been little diversification or value-adding activity, which leaves the economy exposed to resource and market fluctuations beyond our control. Limits on competition have left the economy vulnerable to monopolies in some key sectors and to the normal cycles of business attrition. The small domestic market, high costs of transportation and communication, and geographical remoteness, also serve as natural limits to competition and entrepreneurship. Important enabling sectors, such as construction and professional services, remain underdeveloped.

The Falkland Islands currently does not have a sufficient labour force, with the appropriate skills, to meet all the current and expected demand in its economy, either for goods or services. The permanent population is aging and business growth is constrained by both insufficient labour supply and uncertainty of long term market demand across sectors, which also limits entrepreneurial risk taking. While a large contractor workforce and reliance on foreign suppliers help to alleviate the short-term effects of this problem, the long-term consequences are that a significant portion of the revenue generated by both business and employment opportunities is lost to the Falkland Islands economy. Nor can our economy take full advantage of the innovation, knowledge transfer and development that normally comes with taking on complex projects and contracts, as these benefits accrue to the supplier economies rather than to our own.

Although Government's financial position is strong, fiscal prudence has led, arguably, to underinvestment by both Government and the private sector in critical infrastructure that would enhance our long-term competitiveness and prosperity. This is most notable in the areas of transportation, communications and housing, but is also evident in underinvestment in tourism amenities. However, this prudent budget management has led to an increase in reserves, which now provides the opportunity to invest.

In setting out its strategies and actions, EDS2010 explicitly recognized the potential vulnerability inherent in our current economy, stating that: “(the Falkland Islands) cannot rely on...a narrow economic base for the future. It is widely recognised that the private sector must grow and we must deepen and strengthen current industries...as well as develop new industries and diversify the service sector.”¹ This recognition was echoed in the consultations undertaken for the 2017 update.

¹ EDS 2010 - page 58

The Action Plan that follows in Part B is based on the core assumption that Falkland Islanders have a desire to grow their economy, thereby increasing or improving employment and entrepreneurial opportunities and ultimately enhancing quality of life and prosperity.

2.0 Update Process and Consultation

The review and update of the Economic Development Strategy was guided by a Steering Committee, made up of representatives from the Legislative Assembly, the business community and FIG, was formed to provide guidance and review. The Committee has met three times since December 2016². In addition to the EDS2010, the Falkland Islands Tourism Development Strategy 2016-2023³, Rural Development Strategy 2012-2017⁴ and FIDC Business Climate Survey 2016 were reviewed and taken into account. The Action Plan from EDS2010 was examined in detail to determine progress made.

From February to April 2017, extensive consultations were held with key stakeholders in government, private sector, business associations and non-governmental organizations. A series of individual interviews were conducted with key stakeholders, four workshops were held with Elected Members, FIG heads of service, Falkland Islands' businesses and the Falkland Islands Fishing Companies Association, and the Policy Unit invited public input and dialogue at the 2017 Rural Business Association show at Goose Green.

Participants were asked to consider:

- Appropriate overall economic growth targets and measures
- Strengths and weaknesses of the FI economy
- Key opportunities and areas for growth
- Government policy barriers and enablers
- Labour force requirements, immigration and population growth objectives
- Infrastructure requirements and gaps

2.1 Dominant Themes

Policy Enablers

Within this broad theme, a wide range of perceived enablers to economic growth were identified, including labour force development, access to land for development, improved regulatory processes, tax incentives, local ownership of the economy, housing availability and improving capacity within FIG to implement policies.

The need for the population to continue to grow to meet the current and expected labour market demand, and to bridge skills gaps within the domestic labour force, was raised in every consultation. Difficulties in recruitment and retention were highlighted, as were challenges with skills upgrading and trades training for Falkland Islanders residents. However, many participants cautioned against allowing unrestrained immigration that might lead to undesirable consequences; most favoured a targeted, skills-based approach with appropriate safeguards.

Consultees also highlighted perceived difficulties in leasing, purchasing and developing land, suggesting that private sector participation in housing and commercial development is restricted in practice, if not in policy. Past and existing government incentives and initiatives appear to have met with limited success. Whilst all consultees recognize the need for strong safeguards against land

² The Steering Committee is due to meet again on 1st September 2017 once MLAs have had the opportunity to review and comment on this document. The final report will be revised to reflect this and any additional consultations.

³ Developed by the Falkland Islands Tourism Board, 2016.

⁴ Developed by the Policy Unit and the Rural Development Strategy Steering Group

banking and absentee landlords, most believed that liberalisation of existing practices with respect to development is necessary to unlock private sector investment.

It is suggested that FIG should facilitate a more strategic relationship with the MoD, particularly with respect to planning and developing critical infrastructure and also in identifying present and future opportunities for localisation of services.

Role of Government

Amongst those consulted, there was a broad consensus that Government has a pivotal role to play if the Falkland Islands is to achieve its desired level of economic growth and long term prosperity. This role has six key components:

- Provide decisive leadership and vision
- Invest in strategic infrastructure
- Develop and implement enabling policies, particularly in the areas of land development, immigration and fiscal incentives while safeguarding Falkland Islands values and sovereignty
- Ensure that economic development and growth occurs within a framework of respect for the preservation of the natural environment and recognition of the value of the environment to prosperity of the Falkland Islands
- Provide robust regulation of monopolies to minimize market distortions
- Program delivery with and through private sector and statutory organization partners wherever possible
- Provide efficient and effective public services

There were also concerns about the Government's capacity to successfully implement and enforce its policies and to provide timely and efficient services. In particular, chronic staff vacancies in key FIG departments and the cyclical nature of short-term contracts were perceived as leading to gaps in the effective and efficient management and delivery of the Government's mandate. Introducing longer contracts, and addressing issues surrounding recruitment and retention, were seen as potential solutions to improve continuity and performance within the civil service.

Suggestions were also made that pressure on FIG capacity could be alleviated, whilst improving service delivery, through continued privatisation or contracting out of services currently delivered by government staff. Although it was recognised that some government services are of strategic importance and should not be outsourced, there could be opportunities to grow private sector contribution in some areas.

Local Content

Consultees would like to see local content policies clarified, strengthened and enforced, particularly with regards to the oil industry, FIG and MoD procurement. However, it was also noted that few local companies have registered on the Local Content Register. In general, import substitution/local procurement is seen to hold strong potential for the sustainable development of a domestic economy with less reliance on primary resource exports.

Construction Sector

The construction sector in general, and housing in particular, was identified as an area of substantial ongoing growth, but one where demand consistently outstrips supply. Further demand pressure will arise from planned government and MoD infrastructure investment programs and future oil industry development. Expansion of capacity in the construction sector, from increasing availability of skilled trades to attracting or developing larger firms capable of delivering large construction programs, is seen as critical to capturing more import substitution and localisation opportunities. Additional

capacity is also critical to improving the efficiency and cost-effectiveness of housing and infrastructure development programs.

Transport Links and Communications

The Falklands' geographical isolation as a barrier to industry and trade development was at the forefront of many discussions. The need to secure additional air links was seen as a priority in order to facilitate the importation of goods and to increase international tourism. Additional passenger flight options will afford residents and businesses greater freedom of movement for goods and people, and are a key component of oil readiness and labour attraction. Similarly, improvements to the air terminal and the MPA road were frequently cited as critical to facilitating long term economic growth and social well-being.

The inadequacy of existing port facilities to support economic development was frequently mentioned. FIPASS was perceived by many to no longer be fit-for-purpose, and although it was noted that much work had been done to review port and harbour facilities and legislation, decisions were yet to be made and actions had not been taken. The ability to tranship more fish catch on shore was not only regarded as a way to add value to the fisheries industry, but also as a valuable method of catch verification, both best practices of a sustainable fisheries industry.

Along with a fit-for-purpose port facility, other areas of marine and harbour services could be incorporated into a long-term plan to establish a new industry sector and capture value-adding opportunities from the development of a new port. These include dry dock facilities, tug services, marina, lay-up services and containerisation.

Concern about telecommunications services in the Falkland Islands was widespread, with all consultees noting that robust, high speed voice and data links are essential to being part of a modern, global business community. Reliability, capacity and cost of available communication services were frequently cited as detrimental to business growth. If communications were to improve significantly, this would not only benefit existing businesses, but could lead to the development of new areas of commerce, including web-based or remotely operated services.

Sustainability

A strong preference for sustainable and measured growth has emerged from the consultations. The Falkland Islands possess both an important and fragile natural ecosystem and an equally distinctive culture and heritage. Economic development, immigration and population growth should consider the desire to preserve and enhance what makes the Falkland Islands unique. Policies and programs should, therefore, include safeguards that seek to prevent unintended and potentially negative consequences of economic and demographic growth.

2.2 Falkland Islands Economy - Strengths and Weaknesses, Opportunities and Threats

Table 2 – SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Natural environment • Quality of life and unique culture • Strong work ethic and flexible work force • Resourcefulness • Fiscal and financial prudence • Fisheries – good stock, management and science • Government-funded education and health care services • Available capital for investment 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Infrastructure deficits • Difficulty attracting and retaining labour • Perceived government barriers or inconsistent application of policy • Market size • Transportation and logistics • Communications – quality, data limitations and cost • Access to merchant banking (credit card) facilities • Business capacity/risk appetite
<p>Opportunities (cross-sectorial)</p> <ul style="list-style-type: none"> • Falklands as “Gateway to Antarctic” • New/niche markets • Local content/import substitution • Government outsourcing and MPA localisation • Attraction and retention of skilled labour and entrepreneurs • Oil development • Port/shipping hub 	<p>Threats</p> <ul style="list-style-type: none"> • Geographic isolation • Small population • Brexit and political uncertainty • Continued underinvestment in infrastructure • Complacency • Environmental disasters • Government dependence on resource rents • Fuel prices

2.3 Sector Opportunities

a. Fisheries

Opportunities

- Trans-shipment of catch and on-shoring
- Sales of product directly from the Falkland Islands
- Capital investment in vessels to increase domestic fishing capacity
- High-value opportunities for processed fish products
- Aquaculture development

What is required?

- Extension of ITQ to provide long-term certainty
- Improved commercial arrangements with joint-venture partners
- New port facility and related marine services
- Access to capital
- Labour force to facilitate development of value-adding sectors
- Continuation of barrier and tariff-free access to European markets
- Support for the investigation of new, international markets

b. Oil industry

Opportunities

- Develop or enhance local capacity to provide:
 - Professional and oilfield services
 - Construction services and construction management

- Warehousing and logistics
- Future joint-venture partnerships in oilfield exploration and development
- Use oil royalty revenues to support economic diversification

What is required?

- Greater certainty for oil development to encourage private sector investment
- Transparent legislation and regulations, and consistent commercial rules to facilitate investment
- Labour force attraction and development
- Access to capital and local capacity strengthening
- Robust local procurement requirements

c. Tourism

Opportunities

- Extension of existing tourism activities to new locations
- Development of targeted, high-end products, including:
 - Eco-tourism, water sport and adventure tourism
 - Yachting and marina services

What is required?

- Access to merchant banking and ability to process electronic payments
- Risk capital and public/private risk sharing for major tourism amenities and infrastructure investment
- Stronger private sector interest in development and expansion
- Policies and legislation for the preservation of natural sites
- Expanded and reliable air links
- Skilled and unskilled labour force

d. Agriculture and Food

Opportunities

- Attraction of new farm families to existing farm properties in Camp
- Greenhouses and horticulture for import substitution and supply of domestic markets including MoD, cruise ships, oil industry
- Continued improvements to Falkland Islands wool quality to position as a high-value commodity
- Increased efficiencies in the meat supply chain and improved returns for farmers from animals sold to the abattoir
- Continued development of Camp farms

What is required?

- Local investment or entrepreneur attraction and additional rural-based businesses
- Development of a Falkland Islands identity/brand for wool and meat
- Development of the local horticulture production sector and market
- Development of a new business plan for FIMCo leading to increased productivity and profitability
- Labour attraction
- Reliable transportation links for movement of goods, livestock and people
- Reliable communications links
- Reliable and efficient energy systems/supply for rural businesses

- Support for farms that actively seek to improve and expand

e. Construction

Opportunities

- MoD and FIG contracting – import substitution and localisation
- Oil-related import substitution
- Housing development
- Port development

What is required?

- Attraction and retention of building and construction trades, entrepreneurs and skilled workers
- Robust local procurement rules and implementation of best practices
- Management capacity development
- Industry certification and qualification to UK and international standards
- Capital allowances or other tax-based incentives for commercial and industrial development and land improvements

f. Research and Science

Opportunities

- Positioning the Falkland Islands as a gateway for marine and environmental research in the South Atlantic
- Support the continued growth and expansion of SAERI and other organisations as preferred regional hubs for research
- Support the increased presence and activities of scientific organizations such as the British Antarctic Survey
- Increase development of further skilled employment opportunities for Falkland Islanders

What is required

- Immigration support to develop a critical mass of scientists, researchers, technicians and specialists
- Local specialist training
- New port and related marine services
- Expanded and reliable air links
- Improved telecommunications

Part B - Economic Development Action Plan

4.0 Goal: Diversify the Falkland Islands economy to enable long-term sustainable growth and enhance economic prosperity

4.1 Tactics

1. Capture local content and import substitution opportunities
2. Increase value-added activities related to primary resource sectors
3. Develop a 25-year sustainable tourism vision and development plan
4. Leverage expertise and reputation in marine and environmental research
5. Building the workforce and community

4.2 Benchmarks

Proposed 2-year benchmarks:

- Increased business capital investment
- Increased number of permanent resident applications and 4-year work permits
- Increased real average wages and individual productivity (earnings per hours worked)
- Increased business start-ups, expansions and 5-year survival rate
- Sustainable and consistent increases in camp population and economic activity

Long term benchmarks (5 -10 year)⁵

- Increased non-resource government tax revenues
- Increased business productivity (turnover per employee or EBIT per employee)
- Improved services and quality of life
- Sustainable population increase – maintain targeted annual growth through recruitment and retention of skilled labour and entrepreneurs

5.0 Cross-sector Policy Supports and Implementation plan

5.1 *Socio-economic forecasting, scenario development and determination of long-term vision*

Purpose: to attain community support for long-term growth objectives, based on comprehensive forecasting of social, environmental, economic, government and private sector impacts.

Initiation: Immediate

Resources required⁶: accomplished within existing resources

Completion (Paper for ExCo approval): 6-8 months from start date (extensive consultation required)

5.2 *Housing development policies and programs*

Purpose: to develop a sustainable plan for housing development that keeps pace with expected and desired population growth and limits inflationary effects.

Initiation: Immediate (review underway)

Resources required: accomplished within existing resources

Completion (Policy and/or investment recommendations): 3-5 months

⁵ The inclusion of long-term benchmarks recognises that some of the effects of successful implementation of the Action Plan can only be measured in the long term; for this reason, both short term indicators and long term outcomes are proposed as benchmarks

⁶ All references to “resources required” refer to Falkland Islands government resources only

5.3 *Population growth support policies*

Purpose: Identify further modifications to immigration policies to support growth objectives and labour force requirements.

Initiation: Immediate: Phase 1 - identify immediate labour force requirements and develop public-private actions to address; Phase 2 –identify long term policy modifications required to support long term growth objectives.

Resources required: Labour Force Development Specialist (currently being recruited)

Completion (Policy recommendations to ExCo): Phase 1: 3-4 months; Phase 2: 18-24 months

5.4 *Domestic and international capital Investment policies*

Purpose: Identify tax levers, public-private partnership opportunities or direct incentives to support the EDS Action Plan and provide appropriate balance between promotion and protection.

Initiation: Immediate

Resources required: Industry and Tourism Development Specialists (currently being recruited)

Completion (Policy recommendations to ExCo): 4-6 months

5.5 *Environmental Policies*

Purpose: To identify and propose policies that will ensure that economic diversification and growth occurs within a framework of respect for the natural environment and active recognition of the value of the environment to the prosperity of the Falkland Islands.

Initiation: Within the first 4 months

Resources required: Will be accomplished within existing resources, and in consultation with non-governmental organisations, businesses and other government departments

Completion (policy recommendations to ExCo): 12 months

6.0 **Economic Action Plan – Tactics**

6.1 **Capture local content and import substitution opportunities**

Expected benefits:

- ✓ Increase opportunities for local entrepreneurs
- ✓ Increase long-term, skilled career opportunities
- ✓ Diversify and strengthen the FI economy, through sustainable, non-resource based industries
- ✓ Increase GDP and government revenues
- ✓ Enhanced goods and services available to Falkland Islanders
- ✓ Retaining the economic benefits currently accruing to foreign companies and workers
- ✓ Improved competitiveness of local firms
- ✓ Greater resilience to economic fluctuations

Actions

- a. Work with MoD, FIG and the oil industry to develop a detailed demand forecast for goods and services, based on expected infrastructure and operational spending, and including consumer demand.
- b. Work with FIDC and the Chamber of Commerce, and other business groups to build upon existing initiatives and identify supply capacity and gaps; in particular, building upon SAROS, the online procurement portal for the Falklands' business community.
- c. Create and deliver a 6-point plan to address constraints and gaps:

- *Construction sector*: geographically-targeted campaign to attract one or more mid-size Engineering/Procurement/ Construction (EPC) firms and/or General Contractors to set up a subsidiary or joint venture in the Falkland Islands;
- *Construction sector and services sectors*: build upon FIDC’s business advice and mentoring programme to develop and deliver targeted capacity building programmes for local firms – providing mentoring, training, risk sharing/capital for expansion and recruitment support⁷;
- Propose and implement a package of time-limited, targeted tax incentives for expansion activities, and particularly for companies to acquire certifications and qualifications necessary for larger-scale technical projects and oilfield services;
- Build upon FIDC’s work to assist entrepreneurs in evaluating and pursuing import-substitution opportunities, in particular in the horticulture sector, and including with MoD;
- Develop a targeted immigrant entrepreneur policy and attraction plan to recruit skilled trades, technicians and professionals, for consideration by ExCo.
- Work with banks and lending institutions to improve access to capital

Potential Partners: FIDC, Chamber of Commerce, Rural Business Association, MoD

Resources: Industry Development and Labour Force Development Specialists (in recruitment) and existing FIG staff resources; potential budget impact in 2018/19 and beyond.

Initiation: Immediate

Expected duration: 2+ years with evaluation at 18-months and 24-months.

6.2 Sector extension and new value-adding activities

Expected benefits:

- ✓ Increase opportunities for local entrepreneurs
- ✓ Increase long-term, skilled career opportunities
- ✓ A stronger and more diversified FI economy including sustainable, non-resource based industries
- ✓ Increase GDP and government revenues
- ✓ Enhanced goods and services available to Falkland Islanders
- ✓ Retain economic benefits currently accruing to foreign companies and workers
- ✓ Improve competitiveness of local firms
- ✓ Improve access to finance

Actions

- a. Develop and implement a 20-year South Atlantic Shipping Hub plan alongside the development of the new port facility for Stanley. The plan will:
 - Identify and develop detailed business cases for port and marine/harbour services and related activity, including confirmation of market opportunities in existing sectors such as fisheries and oil, and potential new sectors including dry-docking, ship repairs and maintenance, trans-shipping, etc.;
 - Identify required investment and propose public policies to enable investment;
 - Work with existing companies to identify current capacity and interest in pursuing diversification opportunities, and identify gaps;
 - Work with organisations such as British Antarctic Survey to identify opportunities for future activity within an expanded port facility;
 - Propose an investment attraction campaign to identify potential investors, and develop and implement targeted investment attraction initiatives aimed at specific service and infrastructure providers.

⁷For example, FI might consider modelling on successful programs such as that of Scottish Enterprise to encourage expansion of local construction firms from small to mid-size.

- b. Work with FIFCA and the fisheries industry to identify ITQ extension policies that will support capital investment and innovation by the fisheries sector and encourage more trans-shipment and value-added activity to be undertaken domestically.
- c. Work with the fisheries sector to minimize and mitigate any potential negative effects that could result from Brexit negotiations. This will include a continued and sustained advocacy program, investigation of potential adjustments and compensatory mechanisms, and identification of market extension opportunities.
- d. Build upon FIDC's Innovation Programme to identify and encourage value-adding opportunities in the wool, meat and fish and squid sectors
- e. Build-up on FIDC and FLH initiatives to capture a greater proportion of existing demand from MPC, the (seasonal) cruise ship industry and local consumption, as well as expected demand from the oil industry. This will include development of demand projections, as well as specific business cases and investment prospectuses.
- f. Work with the MoD to develop a strategic vision for closer collaboration on strategic infrastructure and support services.

Potential Partners: FIFCA, FLH, FIDC, Chamber of Commerce, Rural Business Association, FIMCo, MoD

Resources: Industry Development Specialist (in recruitment) and existing FIG staff resources; potential budget impact in 2018/19.

Initiation: Immediate

Expected duration: 2+ years with evaluation at 18-months and 24-months.

6.3 Tourism sector expansion and development

Expected benefits:

- ✓ Increase foreign spending/contribution to GDP
- ✓ Increase opportunities for local business growth and expansion
- ✓ Enhance international recognition and reputation
- ✓ Stronger and more diversified Camp economy
- ✓ Diversified and expanded sources of government revenue for sustainable public services

Actions

- a. Develop long term (5-25 year) tourism demand projections based on alternative development scenarios (e.g. availability of additional commercial flights, accommodation and hospitality services enhancements, creation of specialized niche products, etc.) and industry demand forecasts, including trends in global tourist expectations.
- b. Work with FITB, local tourism industry and the wider community to agree a long term, sustainable vision for tourism development in the Falkland Islands.
- c. Work with FITB and local tourism industry operators to identify and develop business cases for specific niche and signature tourism offerings in Stanley, Camp and the Islands.
- d. Identify required government partnerships and/or changes to land, infrastructure or fiscal policies to encourage private sector investment.
- e. Work with FITB, FIDC and local entrepreneurs to identify gaps in available funding and/or business support programs and to support implementation of enhanced programmes where needed:

- Identify opportunities for government/private sector risk sharing to build or improve critical enabling infrastructure;
 - Develop and implement targeted international investment attraction initiatives to address gaps.
- f. Work with FITB and the private sector to develop a Stanley Waterfront project to maximize the tourism and amenity value of this strategic location.
- g. Work with private sector and government partners to identify and facilitate long term solutions to barriers to growth, including electronic banking and payment options for merchants, cost and quality of internet, flight availability, etc.
- h. Leverage public diplomacy objectives and opportunities to raise awareness of Falkland Islands tourism in non-traditional markets.

Potential Partners: FITB, FIDC, Rural Business Association

Resources: Tourism Development Specialist (in recruitment) and existing FIG staff resources; potential budget impact in 2018/19.

Initiation: Immediate

Expected duration: 2+ years with evaluation at 18-months and 24-months.

6.4 Leverage expertise and reputation in marine and environmental research

Expected benefits:

- ✓ Wider range of technical, skilled and knowledge-based career opportunities
- ✓ Enhanced international reputation and recognition of the Falkland Islands as a hub for regional environmental and natural research
- ✓ Foundation for the development of a broader, knowledge-based industry
- ✓ Contribution to long term economic growth through diversification
- ✓ Self-reliance for environmental and marine monitoring
- ✓ Improved competitiveness and innovation capacity

Actions

- a. Work with SAERI to establish the Falkland Islands as the international base for research in the South Atlantic:
- Identify constraints that could limit potential and propose policy solutions;
 - Work with private sector to overcome internet and transportation connectivity challenges;
 - Identify speciality subject areas where Falkland Islands would enjoy a unique competitive advantage as an international hub.
- b. Work with SAERI, the Training Centre, private sector, government directorates and UK Agencies to develop a strategy to deliver higher education in selected subject areas.
- Identify opportunities to tie-in with a specific university to become an extension campus

Potential Partners: SAERI, BAS, Education Directorate

Resources: Industry and Labour Force Development Specialists (in recruitment) and existing FIG staff resources; potential budget impact in 2018/19.

Initiation: Immediate

Expected duration: 2+ years with evaluation at 18-months and 24-months.

6.5 Building the Workforce and Community

Expected benefits:

- ✓ Greater productivity
- ✓ Appropriate workforce available to meet local industry demand
- ✓ Lower costs associated with workforce recruitment and retention
- ✓ Retention of economic benefits
- ✓ Larger domestic market for local goods/services providers
- ✓ Improved competitiveness and innovation capacity

Actions

- a. Develop policy proposals to attract immigrant entrepreneurs and labour to support industry development and local procurement objectives.
- b. Identify specific objectives and policy alternatives for attracting and supporting new farm families.
- c. Establish target skills profiles.
 - Work with the Skills Assessment Council, local businesses, the Education Directorate and the Training Centre to implement a workforce skills development strategy;
 - Confirm labour market gaps and develop targeted attraction campaigns that focus on attracting permanent workers for key skills;
- d. Set targets for conversion of Work Permits to Permanent Resident Permits.
 - Identify barriers to workforce retention through a workforce retention survey and exit interview campaign (public and private sector), and propose policy solutions;
 - Identify social and economic risks associated with an increased number of permanent residents, and propose mitigation policies and strategies.
- d. Develop the Falklands 'brand story' for labour attraction and create 'welcome' strategies for new arrivals.
- e. Create and deliver targeted labour recruitment campaigns in selected markets, including repatriation campaign.

Potential Partners: Chamber of Commerce, FIDC, RBA and Education Directorate

Resources: Labour Force Development Specialist (in recruitment) and existing FIG staff resources

Initiation: Immediate

Expected duration: 2+ years with evaluation at 18-months and 24-months.