



Falkland Islands Economic Development Strategy Update

Enhancing Prosperity in the Falkland Islands

Public Presentation – What we heard
May 18, 2017



Where we've come from

- EDS 2010 is a comprehensive and sound document that laid out an economic development blueprint based on conditions and priorities of that time
- It was meant to be implemented over a 15 year period and envisioned:
 - ▷ Value-adding activity for our primary resource sectors (fisheries and agriculture)
 - ▷ Diversification into knowledge-based economic sectors
 - ▷ Import substitution
 - ▷ Development of exports
 - ▷ Target of 4% - 6% per annum real GDP growth
 - ▷ Assumption of 3.5% - 6.8% real population growth per annum



Looking back at the EDS

- The current EDS contains more than 200 actions, although this includes some overlap and duplication
- ExCo agreed the two overarching policy objectives
 - Economic growth of 4-6% per annum
 - Stabilize and improve balance of payments
- In February 2011, ExCo agreed to progress 20 action items and provided a budget of £230,000 per year for 2 years
- Actions were to be progressed with a number of partners
- Mixed results were achieved



Inputs to the EDS update

- Rural Development Strategy 2012-2017
- Tourism Development Strategy 2016-2023
- FIDC Business Climate Survey 2016
- Consultations with the business and government community February – April 2017
 - 4 workshops
 - 21 individual discussions/meetings
 - "Open House" at the Rural Business Association Show



Consultations

Participants asked to consider and discuss:

- Overall growth targets and measures
- Strengths and weaknesses of the Falklands economy
- Key opportunities and areas for growth
- Barriers and enablers
- Labour force requirements, immigration and population growth objectives
- Infrastructure requirements and gaps
- Role of government in economic development



What we heard

Growth – but not at any cost

- ✧ Preserve what makes the Falklands unique – culture, heritage, environment
- ✧ Make it easier to lease, purchase and develop land – but with strong safeguards against landbanking and absentee landlords and to ensure development occurs
- ✧ Measured population growth; careful not to grow too big, too fast; maintain necessary safeguards

Government has a role

- ✧ Investment in strategic infrastructure for growth
- ✧ Risk sharing to encourage ‘pioneer’ investments
- ✧ Ensure fair access to opportunities; promote import substitution
- ✧ Use taxation system to promote productive investment
- ✧ Effective regulation of monopolies



What we heard

Don't take our resources for granted

- ✧ Do not rely on oil to drive our economy; make strategic investments now
- ✧ Fish stocks and revenues are volatile – ensure that we continue to manage this resource well
- ✧ Keep the needs of our key sectors in balance – fisheries, oil, tourism and agriculture co-exist, and all rely on our natural environment

Maximize their value

- ✧ Develop value-adding businesses
- ✧ Develop new businesses for supply and service to major projects, including oil, government infrastructure and MoD procurement
- ✧ Take intelligent risk in proactive infrastructure development



SWOT Analysis

STRENGTHS

- Natural environment
- Quality of life and unique culture
- Strong work ethic and flexible work force
- Resourcefulness
- Fiscal and financial prudence
- Fisheries – good stock, science and management
- Available capital

WEAKNESSES

- Infrastructure deficits
- Difficulty in attracting and retaining labour
- Perceived government inconsistencies or barriers (immigration, investment, tax)
- Market size
- Transportation & logistics
- Communications - quality, quantity, cost
- Access to merchant banking (credit card) facilities
- Business capacity



SWOT Analysis

OPPORTUNITIES

- Falklands as “Gateway to Antarctic”
- New/niche markets
- Local content/import substitution
- Government outsourcing & MPA localisation
- Attraction and retention of skilled labour and entrepreneurs
- Oil development
- Port/Shipping hub
- Sector-specific opportunities

THREATS

- Geographic isolation
- Small population
- Brexit
- Political uncertainty
- Underinvestment in infrastructure
- Complacency
- Environmental disasters
- Government dependence on resource rents
- Fuel prices



Opportunities for Growth – Fisheries Sector

- Trans-shipment of catch and on-shoring
- Sell product directly from the Falkland Islands
- Higher percentage of FI ownership in joint ventures
- Increased private sector investment in capacity
- High-value processed fish products
- Aquaculture (marine and inshore)

☆ What is required?

- New port facility and related marine services
- Extension of ITQ
- Access to capital
- Labour force expansion
- Better regulation of monopolies



Opportunities for Growth – Oil Industry

- Local procurement opportunities
 - Professional and oilfield services
 - Construction
 - Warehousing and logistics
- Joint-venture partnerships
- Use revenues (to government) for economic diversification

☆ What is required?

- Consistent, transparent rules to facilitate investment
- Labour force development and attraction
- Access to risk capital and local capacity strengthening
- Robust local procurement rules



Opportunities for Growth - Tourism

- High end, niche products
- Land-based tourism
- Eco-tourism, water sport, adventure tourism
- Yachting and marina services

☆ What is required

- Long term strategic leadership and vision
- Access to merchant banking, in particular credit card capacity
- Risk capital and investment in infrastructure (accommodation, amenities, waterfront, marina, air terminal)
- Market intelligence – development of specific business opportunities
- Investment in preservation of natural sites
- Expanded, reliable air links



Opportunities for Growth – Agriculture and Food

- Attraction of new farm families to Camp
- Greenhouses and horticulture for import substitution
- Food supply to domestic commercial markets (MoD, cruise ships, oil) – meat products, produce, etc.
- Improvements to F.I. flocks and to wool quality

☆ What is required

- Investment or entrepreneur attraction
- Development of a Falklands identity/brand for wool and meat
- Labour supply and immigration reform – increase workforce and families to the Falklands and to Camp
- Reliable transportation links for movement of goods and people
- Reliable communications links
- Support for farms that actively seek to improve and expand



Opportunities for Growth - Construction

- MoD and FIG contracting; import substitution; localisation
 - Construction, infrastructure projects
 - Housing development
 - Services
- Oil-related import substitution

☆ What is required

- Encourage private land development for housing; leverage available incentives
- Capital allowances for commercial and industrial development (including land improvements)
- Immigration reforms to actively attract building trades, entrepreneurs and skilled workers
- Local procurement rules and best practices
- Active engagement on certifications and qualifications



Opportunities for Growth – Research and Science

- Build on growing reputation for scientific research in the South Atlantic
- Increase presence of BAS
- Advanced marine and environmental research with global reach
- Support sustainable development of natural resources
- Establish Falkland Islands as research gateway

☆ What is required

- Immigration reform – develop a critical mass of scientists, researchers, technicians and other specialists
- Local specialist trades training
- New port and related marine services
- Reliable air links
- Improved telecommunications



Opportunities for Growth – South Atlantic Shipping Hub

- Value-added activities from fisheries (trans-shipment and high value processing)
- Lay-up, dry docking and repairs – more stable alternative to South American options
- Warehousing, cold storage
- Long term significant employment opportunities

☆ What is required

- New Port
- Attraction of private sector partners/investors
- Targeted tax incentives/government risk sharing
- Immigration reforms to actively attract and retain permanent residents/labour



What we heard – Measuring success

- Increase in permanent residents/population
- Increase in average wages and productivity
- Increase in business investment and turnover
- Increase in tax revenues
- GDP growth of value-adding sectors (excluding primary resource extraction)
- Improved quality of life
- Leadership in conservation of natural environment
- Vibrant Camp economy



Economic Development is a Team Sport

- Government is an enabler, catalyst and strategic partner - but private sector delivers
- Our partners include:
 - Falkland Islands Development Corporation
 - Falkland Islands Tourism Board
 - Falkland Islands Fishing Companies Assoc. (FIFCA)
 - Falkland Islands Chamber of Commerce
 - Rural Business Association
 - Falkland Islands Petroleum Licensees Assoc. (FIPLA)
 - Falklands Conservation
 - MoD
 - SAERI



Next Steps

- Public feedback period on findings: May 18 – 25
- Draft report and develop recommendations – May 22 - 29
- Final discussions, revisions and decision by ExCo – June 2017
- Development of detailed implementation plan July – September 2017
- Begin Falkland Islands-wide conversation on our long term future – Vision 2035