

Evaluation of the Cooperation Program for Sustainable Economic Development 2004-2007, Netherlands Antilles

Chapter 5: Bonaire Government Report

**Final Report
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The following report was prepared by Business and Government Strategies International under contract with USONA. The views presented are those of the consultant and do not reflect the views or policies of the Central and island territories of the Netherlands Antilles, Government of the Netherlands or USONA.

List of Acronyms

ANG	Antillean Guilders
CBS	Central Bureau of Statistics
DEZA	Department of Economic and Labour Affairs
EDPB	Economic Development Program for Bonaire
GDP	Gross Domestic Product
MTBIF	Medium Term Budget and Investment Framework
MTEF	Medium Term Expenditure Framework
SED	Sustainable Economic Development
SEI	Socio Economic Initiative
SME	Small and Medium Enterprises
TCB	Tourism Corporation of Bonaire
USONA	Executing Agency of the Foundation for the Development of the Netherlands Antilles

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I. Background and Program Objectives

The Executive Council of the government of the island territory of Bonaire approved the Economic Development Program for Bonaire (EDPB) for 2004-2007 in March 2004. The EDPB was a continuation of an integral development plan, drawn up in 1998 for the period 1998-2002, called the Bonaire Integral Strategic Recovery Agenda (BONISHA). In contributing to the overall development objective of BONISHA ("Growth with preservation of nature and culture"), the main topics of the EDPB are tourism, small business development, airport and seaport development, telecommunication, labor, market and employment, and investment promotion.

The Executive Council and Commission of Economic and Labour Affairs were ultimately responsible for EDPB implementation and for approval of each project. However, it was noted that the EDPB was done separate from the budgeting process, and thus was not reflected in the annual budgeting. In 2004 there was a full-time consultant/coordinator for EDPB and the USONA projects, but that person was later moved to other duties. In June 2006 the Department of Economic and Labour Affairs (DEZA) took over coordination of the EDPB; however by that time there was no project funding available. From 2004, however, the Tourism Corporation Bonaire was very active in developing, submitting, and implementing tourism programs, with USONA funding and with support from the Executive Council.

Since the program covered all sectors, it was initially conceived that funding would come from three main sources: 1) Bonaire government; 2) Dutch development cooperation funds; and 3) targeted private investment in tourism facilities. Government funding for development was limited due to fiscal constraints, as indicated in Table 1. The overall debt burden of the Central and island territory governments weighed down capital and other reform and development expenditure. Investment in tourism did occur but not in sufficient amounts or in all activities as envisioned in the EDPB

Table 1: Bonaire Estimate Budget Financial Gap 2003-2006
(ANG millions)

	2003	2004	2005	2006
Recurrent				
Income (Revenue+Grants)	78.53	77	78	75.9
Expenditure	95.6	95.7	99.1	97.9
<i>Deficit</i>	-17.1	-19	-21	-22
Capital				
Income	7.0	6.6	5.0	2.4
Expenditure	9.1	7.9	6.4	4.4
<i>Deficit</i>	-2.1	-1.3	-1.4	-2.0
Total Deficit	-19.2	-20.0	-22.5	-24.0

Source: Department of Finance, Island Territory of Bonaire

The structure of the EDPB was based on four objectives:

- *Infrastructure and Investment Climate*
- *Tourism Development*
- *Small business development, local entrepreneurship, new economic activities*
- *Labor Market and Employment*

The EDPB was approved by the Government of the Netherlands on 21 September 2004 with the USONA office established to implement the Dutch assistance beginning in October 2004. The following sections are aimed at reviewing overall EDPB performance to date given the Dutch assistance and overall economic performance with a focus on the macro and micro indicators and the status of planned activities and outputs. The focus of this evaluation is to assist future development programming planning, management and evaluation.

II. Macro and Micro Indicators and Analysis

The EDPB established an indicator framework at the macro level. These indicators are presented in Table 2 (macro indicators) projections. Table 3 presents the performance of indicators that could be collected from the Bonaire government and the Central Bureau of Statistics (CBS). It should be noted that there was no ongoing monitoring effort and the indicators identified were not updated per annual performance. What relevant economic indicators that could be abstracted for Bonaire are provided in Table 3 to show at least an indication of actual performance. Limited statistical compilation for all Netherlands Antilles entities in the areas indicated in the multi year strategies (except for Curaçao), especially for the small island territories, including Bonaire, prevent substantive analysis.

As shown in Table 2, the EDPB projected that the main driver of growth for Bonaire by 2007 would be the increase of stay-over tourism (+22,900), due to the projected increase of hotel rooms (+600) generated through private sector investment and stimulated by an improved investment climate, streamlining the business approval process, and promotion and training activities by the Tourism Corporation of Bonaire (TCB). It was also projected that the increase in stay-over tourism would also drive increases in employment (+508), small business growth and GDP. The EDPB projected a modest increase of cruise tourists, growing from 40,000 per year to an estimated 46,000 by 2007.

Table 2: EDPB Targets Based on Realistic Scenario

	Reference values		Policy Effects	Target value
	2004	2007	2004-2007	2007
Stay-over tourists	64,000	64,000	+22,900	86,900
Cruise tourists	40,000	40,000	+6,200	46,200
GDP (in mln. NAFL)	257	274	+56	330
Employment private sector	4,115	4,125	+508	4,633
Unemployed	634	683	-327	356
Unemployment %	11.5	12.3	-6.1	6.2
Income < 1000 NAFL/month ¹	3,715	3,808	-208	3,598
Income < 1000 NAFL/month % ²	49.8	50.3	-3.4	46.9
	Recent History	Reference scenario	Policy Effects	Policy scenario
Average annual growth:	1989-2003	2004-2007	2004-2007	2004-2007
Real GDP	3.8	0.1	5.1	5.2
Employment private sector	2.5	0.1	3.0	3.1
Net real income		-0.3	0.2	-0.1

Source Bonaire Economic Development Program, 2004-2007

¹ Number of persons of 15 years and older with net income below 1000 NAFL per month, including persons with no income

² Percentage of persons of 15 years and older with net income below 1000 NAFL per month, including percentage of persons with no income (24.3% in 2004)

Table 3: EDPB Actual Macro Performance

Actual	2002	2003	2004	2005	2006	2007
Stay-over tourists	52,085	62,179	63,156	62,550	63,552	
Cruise tourists	42,182	44,601	53,343	40,077	61,844	90,000
GDP (in mln. NAFL)	302.7	314.7	327.3	399.9		
Unemployment %	11.6		8.9		7.8	
Private Sect.. Employees			3,523		4,217	
Number Unemployed	571		456		481	
Real GDP Growth	0.4	3.1	2.2	2.7		

Source: CBS, Bonaire DEZA

Macroeconomy

Bonaire's economy has grown during the EDPB period with this growth expected to have continued in 2006 at a slightly faster rate and most likely further expanded in 2007 given the tourism, housing and construction growth, as described below. The growth was below EDPB estimates. A second positive note is that unemployment has significantly declined from 2002 but still below the EDPB forecasts. The unemployment decrease should be viewed as positive in the medium term. Most jobs have been created in the tourism support services.

Stay-over Tourism

The number of stay over tourists remained relatively constant over the period, with a slight decrease (1 percent) from 2004 to 2005, and an increase (1.6 percent) from 2005 to 2006. Statistics from the Tourism Corporation Bonaire (TCB) shows a 5.6 percent increase, from 2005 to 2006 in visitors from North America largely compensated for a decrease in European tourists. Additionally, changes in arrivals were closely tied to the changes in airlift and seat availability, with notable increases in U.S. airlift. TCB is anticipating a modest increase in stay-over tourism in 2007 and larger future growth as more hotel rooms become available.

A key factor affecting stay-over tourism is hotel capacity. Historically, and through the 2004-2007 period, hotel rooms on Bonaire have remained at around 600. This number is increased to 1,300 when adding in apartments and other non-hotel accommodations. Notably, the projected increase of 600 rooms did not take place during this period. It was noted that most new building during this period was for the condo and time share market, which will add to future tourism stays. However, the recent announcement of a new Divi hotel with 250-275 rooms is expected to allow a substantial increase in stay-over tourism by 2009.

Cruise Tourism

While the EDPB projected a modest increase in cruise tourists to 46,000 by 2007, the actual results have far surpassed expectations. Estimates provided by harbor authorities, based upon the cruise season (November – April), indicate an explosive growth in cruise tourists:

- Nov 2005-Apr 2006 season – approximately 50,000
- Nov 2006-Apr 2007 season – approximately 90,000
- Nov 2007-Apr 2008 season – approximately 150,000

The rapid growth in cruise arrivals, while providing a positive economic benefit to Bonaire in day tours and daily tourism spending, is also threatening to over-strain the capacity of the current harbor with its relatively small north and south piers and limited container handling and storage facilities. With the main pier booked for more than 100 arrivals for the upcoming 2007-2008

season, there are also at least 14 bookings that would require ships at both the north and south piers. This will, in turn, restrict access for cargo ships, which are currently bringing in 4,000 containers per year, and with continued growth in container arrivals also projected. This increase in cruise tourists will also call for continued improvement in the “tourism product”, both through expansion of daily tour activities, improvement in harbor reception facilities, and improvement in the shopping and walking experience in Kralendijk. There is broad agreement that the problem of cruise/cargo capacity must be solved within a few years through a combination of government programs, donor support, and public private partnerships. And there is a growing concern that if cruise capacity is not sufficiently expanded immediately, the result could be a negative experience and impact on the 2007-2008 and future cruise ship seasons.

The Bonaire government is taking both short and long-term steps to address the harbor situation. For the long-term, one of the SEI projects being proposed is a study for the development of a new harbor and industrial area in the north of Bonaire in the Karpata area. In the short term, efforts are underway to acquire pre-financing for the installation of docking stations to accommodate the second cruise ship in the upcoming season. Container storage will be moved from the harbor area, and a public private approach is under development for the building of a passenger arrival facility. It should be noted that marketing and negotiating with cruise lines has also been done with a public private partnership approach that has included the Harbor Master, TCB, and the private sector individual planning the passenger arrival facility.

Local Economy

It is clear that the Bonaire economy is heavily tied to tourism – stay-over, cruise, and diving. Consistent with the growth in overall tourism arrivals, Bonaire has seen modest growth in day tour operators and sales in Kralendijk. There is also growth in the construction sector, for both the condo and apartment market, as well as housing for the growing population of Bonaire. Due to this growth, spatial, road, and urban planning is becoming more important.

The main challenge in the future is to manage the higher levels of growth that have started recently and that seem likely to continue or accelerate. Growth over the next 4 years will include more airport arrivals, more cruise ships, more hotel rooms, more tourism services, more housing, more people, more cars – and the infrastructure needed to support a larger economy. Because of Bonaire's strong history of environmental protection, this growth is also causing tension between conservation groups and pro-growth stakeholders.

For the above reasons, short and long-term planning will be more important than in past years where the main economic indicators were fairly constant and where a more *ad hoc* approach to decisions was sufficient. The establishment or use of public-private partnerships may be important so that all stakeholders are included in decisions that affect the overall BONISHA and EDPB objective: “Growth with preservation of nature and culture.”

Of immediate concern is the over-capacity of the Kralendijk harbor and the need for both short and longer term solutions to establishing cargo facilities away from the downtown harbor area. Kralendijk itself will need both public and private sector investments to keep the tourism product in line with the capacity and expectations of the cruise business and stay-over tourists.

Although Bonaire tourism is on a smaller scale than Sint Maarten, the long-term planning done there under USONA funding (Tourism Master Plan, Economic Diversification Plan) could be instructive. Tourism planning and marketing in Bonaire to date has focused largely on the stay-over sector; future tourism resources and planning may need to be balanced between the stay-over and cruise sectors.

Finally, the overarching issue of public sector debt for the Netherlands Antilles and unbalanced budgets will continue to weigh negatively on economic performance and social stability. Even if debt is relieved, public sector reform is a necessity so that services meet public needs and provide adequate support to private sector development – a key role of the Bonaire government. This includes the need for more of a proportion of expenditure on capital spending for infrastructure development and maintenance. Currently the public sector involvement in and weight on the economy crowds out private sector development and, thus, sustainable growth. This issue is an especially important factor for a small island economy like Bonaire, given its limited resource base. Even if developed effectively and efficiently, Bonaire will need outside funding sources for major infrastructure projects.

III. Activities and Outputs

The EDPB identified a series of program activities and outputs. Table 4 shows the status of the Government's actions and planned activities, as reported by DEZA.

Table 4: EDPB Program Activities, Outputs and Status for 2004-2007

PROGRAM ACTIVITIES	PROGRAM OUTPUT	STATUS
Infrastructure and Investment Climate		
Investments in infrastructure of sea harbor	Modern infrastructure that facilitates harbor related activities, in particular cruise tourism	USONA harbor improvement project under implementation. Additional projects pending: <ul style="list-style-type: none"> - In 2007 Bonaire will spend ANG 1 million to finish phase 2 - pre-financing discussions are underway with private entities to build docking stations for the second cruise ship location in time for the November 2007 cruise ship season - In 2007-2008 most probably Bonaire will continue with phase 3 extension of the north pier (± ANG 6 million)

PROGRAM ACTIVITIES	PROGRAM OUTPUT	STATUS
Investments in telecommunications infrastructure	Facilitative infrastructure for modern telecom services and e-commerce activities at competitive rates	In 2006 Telbo has made its strategic plan for the years 2006 – 2008. The main focus of the plan is to develop a state-of-the-art network for offering new modern telecom services and e-commerce activities at a competitive level. The services are based on IP, like bundling of Data (Internet), Voice (over Internet) and TV/Video (over Internet); we call this the Triple play. Telbo will offer the services for all the residential and business customers. The infrastructure guarantee redundancy for local and international services, locally there are fiber-optic cables in the ground as part of the fixed network and optical links as part of the wireless network. Furthermore, for international there are two (2) sub marine fiber cables landing in Bonaire after November of this year. Besides the development of the infrastructure, Telbo is also working on the organization level to improve their service to the customers by training and upgrading of their staff. Telbo has proved the last years that you can be small in size, but it is not necessary a limitation for having big ambitions. Telbo believes in partnerships, and has had experience the last years with partners such as UTS of Curacao, KPN of the Netherlands, New World Network/Columbus of Miami, and Digicel of Jamaica.
Improve infrastructure water and electricity production and distribution and examine alternative sources of energy production	Higher quality of provision of utilities at lower costs and less adverse effects on the environment, in particular the coral reefs	WEB is negotiating a Purchase Power Agreement with a consortium. The main focus is to lower the costs of electricity by using a combination of wind energy and diesel generation sets with the aim to protect the environment. Most probably the contract will be settled by July 2007. Renewable energy by the means of bio diesel will be investigated.
Investments in roads, sewerage and building sites	Modern infrastructure for business activities	DROB worked on the infrastructure of the airport, the sea harbour, and the container harbour. DROB is also expanding the North Pier, and the roads are being repaired; major roadways first, then secondary roads. Roads where many companies, apartments, and/or hotels are situated are being given priority.
Introduction of one-window-shop and better accommodation of investors, upgrading DEZA	More professional advice and support for business activities better registration of companies	Did not complete.
Assess and improve efficiency of government owned companies and seek strategic partners	Improved efficiency, more knowledge and capital in government owned companies	WEB is negotiating a Purchase Power Agreement with a consortium.

PROGRAM ACTIVITIES	PROGRAM OUTPUT	STATUS
Support or stimulate actions to improve business climate of the NAs	Recovered confidence of the private sector to invest and expand activities	No change reported.
Tourism Development		
Seek and facilitate expansion of hotel room capacity	Building extra hotel room capacity by private sector	No expansion during this period, but recent announcement of new Divi hotel to be opened in 2009.
Training of personnel in tourism sector	Improved service level in tourism sector	Is developing positively. Investment of ANG 1.5 million through USONA. Smile, Bonaire ta Dushi, is the official slogan of the Tourism Awareness Program Bonaire that will be rolled out over the Island in the coming 3 years. The official launch took place on the 23 rd of April 2007. The program is aimed at increasing tourism awareness among the entire population of Bonaire through events, catchy promotional initiatives and most importantly free trainings consisting of 6 modules.
Promotion activities in niche markets	Promotion material and media coverage	External market promotion under USONA projects is positively developing. Main Investment injection: over ANG 2 million through USONA. Initiatives include: <ul style="list-style-type: none"> - Development of New Bonaire branding - Development of New Website - Promotion in secondary markets of Europe - Promotion in the Western part of USA (to support new airlift in 2005)
Construct golf course including infrastructure	Golf course that will make tourist product more attractive	No activity reported.
Execute Lac Baai improvement programs	Improved facilities and beaches to accommodate tourism	No activity reported.
Empower Marine Park management	Professional management and preservation of marine park	Done. STINAPA has a manager in place for 3 consecutive years. Rangers receive on the job training.
Upgrade Washington Slagbaai Park Slopes	Better accessible roads in Washington Slagbaai Park	Have submitted project proposal to USONA; not yet granted.
Restoration Karpata	Creation of conditions for an ecotourism project in the Rincon area	No activity reported.
Small Business Development, Local Entrepreneurship, New Economic Activities		
Execution of SESNA program: information	Provided information to the Bonaire business community	The local MSE sector is informed about prevailing business opportunities and the business environment on the island. In addition local MSE's have received good business exposure through local, regional and international trade platform.
Execution of SESNA program: advise	Given advice to the Bonaire business community	Local MSE's have received target oriented business support and advisory services enhancing their business management skills.

PROGRAM ACTIVITIES	PROGRAM OUTPUT	STATUS
Execution of SESNA program: training	Trained entrepreneurs and employees of Bonaire businesses	Local starters and existing businesses have enhanced their knowledge about business and management skills.
Execution of SESNA program: financing	Soft loans to new businesses in Bonaire	Soft loans were provided by the local bank to the entrepreneurs after they have followed business training & business advice was given.
Feasibility study for opportunities in attracting ecological research and training activities	Clear picture of opportunities and development strategy	No activity reported.
Development of E-zones	Economic zone for private sector logistics and e-commerce activities	No activity reported.
Labor Market and Employment		
Draft long term labor market policy	Clear view on developments of supply and demand of labor in the future	Began in 2005. Updated monthly. Labour Market Study is incomplete. Framework is ready.
Draft immigration and labor permit policy	Policy that balances economic growth and local labor force opportunities	Policy is ready but needs small improvements.
Specific vocational courses on demand	Schooled local people for participation in business development	Trained local entrepreneurs and their personnel in a specified area according to the demand of the local businesses.
Mediation and career management activities	Matching of supply and demand local labor	Began in 2004, and have figures since 2005.
Continue Training Grant Scheme	Subsidy for specific training	Project: 'Long-term Unemployed' awaiting funding: for Social Workplace Educational & Informing Centre
Prepare and implement social employment program	Employment experience positions for unemployed	Searching for financing to bring into practice (SEI).

Source: Bonaire DEZA

IV. Projects, Relevant Outcomes and Lessons Learned

The Bonaire government, due to problems of staffing and coordination, was not effective in engaging with USONA at the start of the SED program. Because there was no master plan for economic development, projects were developed and submitted to USONA in an *ad hoc* manner. Initially a group of education projects were submitted and approved, followed by good governance projects. There was a lengthy discussion regarding a project for airport upgrade, but this was eventually withdrawn, and projects were developed for the tourism sector and the harbor/Kralendijk improvement.

Uncertainty of USONA funding for economic development was an issue throughout the 2004-2007 period. The funding in support of the EDPB did not start flowing until after October 2004, when USONA was formed, and was suspended in early September 2006 by the Dutch government. This provided a total timeframe of about 23 months of USONA funding support to the EDPB. In addition, the funding for new project starts received from USONA on an annual basis was substantially below the amounts that the government of Bonaire had been expecting. And, the unilateral suspension of economic development funds in September 2006 caused

planning and programming problems that affected the whole island. The availability of funding for development needs, especially in the areas of infrastructure development to support growth and harbor/airport development, was far short of Bonaire's requirements to meet objectives of the EDPB.

As indicated in Table 5, a majority of the funding went to the TCB, which was able to develop an effective communication link with USONA, and which was allowed by the Bonaire government to operate its USONA-funded programs in a fairly independent manner. The TCB received a substantially larger amount of USONA funding than any of its counterpart agencies in the other islands of the Netherlands Antilles. Programs included external marketing, tourism awareness, and institutional development. The TCB, with USONA approval, has programmed the use of these funds over a multi-year period, possibly through 2008/2009, in order to better match marketing efforts with the expected growth in hotel capacity. Though overall tourism stays have not increased (due to lack of additional rooms) there has been an increase in North American tourists that can be attributed to TCB's outreach efforts combined with increased airlift from the USA. The tourism awareness program for Bonaire has just begun and is designed to have a longer term impact on preparing the entire island population to better support the tourism inflow, especially the growing numbers of cruise tourists.

The second major area of USONA funding was for infrastructure development projects mainly in support of tourism sector development in Kralendijk. This included the South Pier improvement project and the Abraham Boulevard beautification project. Extensive discussions between the Bonaire government and USONA took place over the proposal for the Flamingo Airport Master Plan Study, and the proposal was eventually withdrawn.

Table 5: Sustainable Economic Development Program Status 2004-2007
in ANG

Project Name	Project Owner	Status	Amount	Sector
Investment Conference	Island Territory Bonaire	Not eligible	35,577	international conference
Masterplanstudie Flamingo Airport	Island Government Bonaire	Pre SED closed	535,486	(withdrawn)
Project support TCB	Tourism Corporation Bonaire	Pre SED closed	116,600	institutional development
Extension Platform Airport BON	Island Territory Bonaire	Closed	7,667,000	traffic
Investment Conference PR	SME Centre Bonaire	Closed	95,740	international conference
TA Tourism Awareness Project	Tourism Corporation Bonaire	Closed	29,900	project formulation
Formulation Roads Network Slagbaai Park	Stinapa Bonaire	Closed	16,975	project formulation
Tourism Promotion Secondary Markets	Tourism Corporation Bonaire	Closure started	242,792	market development
Tourism Promotion Western USA	Tourism Corporation Bonaire	Under implementation	245,587	market development
Beautification Abraham Boulevard	Spatial Planning and Management Bonaire	Under implementation	2,450,000	infrastructure
TA Marketing Projects	Tourism Corporation Bonaire	Under implementation	83,800	institutional development
Kralendijk Zuidpier	Spatial Planning and Management Bonaire	Under implementation	247,028	infrastructure

Project Name	Project Owner	Status	Amount	Sector
Tourism Awareness Project	Tourism Corporation Bonaire	Under implementation	1,500,000	training tourism
Marketing, facilities Development	Tourism Corporation Bonaire	Under implementation	1,000,000	market development
Total			14,266,485	

Source: USONA

There were two main issue regarding EDPB implementation as it relates to the provision of SED grant assistance. First was the uncertainty of the funding for new projects, as discussed above. Second was the limited planning efforts undertaken by the government and island stakeholders, and the lack of overall detailed strategies linked to the EDPB or as part of the EDPB. As shown in the breakdown of development funding provided by the Netherlands Government (Chapter 1, Table 5), Bonaire received a total of 5.7 percent of the total 2004-2007 annual funding (€40 million annually), in relation to the 10 percent of its expected allocation key. It should be noted that this percent does not include funding by the PSNA program which helped to form Bonaire-Dutch joint ventures. Bonaire received funding for four such ventures.

It is anticipated that economic development funding will be part of Bonaire's submission of a Social Economic Initiative (SEI) program. A planning effort is underway by the Bonaire government in support of the SEI. However, the DEZA and other EDPB program participants are not clear if the annual SED funding will continue along with the envisioned SEI funding or the SEI funding will replace the SED funding. Thus, looking forward to 2008 and beyond, there is still uncertainty regarding the availability and use of Netherlands grant funding.

This funding uncertainty, on a year-by-year basis, had a disruptive effect on the implementation of the EDPB as well as private sector participation and investment. Stated simply, the EDPB was designed to support a medium-term development effort by the government and its stakeholders, but the SED funding profile limited this effort.

Thus, the major lessons learned regarding the 2004-2007 EDPB are:

1. *A clear timeframe with transparent resources-* The EDPB, with the use of SED funds, may have been better executed and much easier planned if a known stream of funding was present rather than the uncertainty of amounts based on 1) when funding will start/stop; 2) what projects will/will not be supported; and 3) a certain split between the three program areas (education, good governance and SED). A clear program should be agreed upon at least on an annual basis (over a medium term period) with more of an emphasis on ongoing monitoring and evaluation.
2. *Need for better short and long-term planning for economic development on Bonaire-* Bonaire government project submittals to USONA fell within the EDPB priorities but were developed in a somewhat *ad hoc* manner based on funding availability. The exception to this was the TCB, which developed and implemented both short and medium-term projects with USONA support. Economic development projects should be developed within the context of a strategy or capital investment program, with projects aligned to priorities and available funding.
3. *Improved Government Budget Management-* The commitment to the EDPB implementation may have been stronger and more viable if the Bonaire

government had provided a larger proportion of its own funding to capital expenditure to include infrastructure development and maintenance, including allowing for more public-private partnerships and public-private-USONA partnerships. This issue can only be resolved if 1) public administration reform is undertaken to lower recurrent costs so that more funding is available for capital expenditure; and 2) the overall debt and budget balance burden is reduced and/or eliminated.

4. *Clear criteria are needed for development and reform projects-* While projects are approved by the island territory government, they are often held or rejected by USONA based on technical or eligibility reasons that seem, to island stakeholders, to often go beyond criteria stated on the USONA website. Clear criteria should be established in a joint manner so that some of the 'guesswork' is taken out of the process.
5. *Private Sector Participation and guidance-* Given the growth of the tourism sector as well as growth in other support services and economic sectors, there is more of an opportunity for workable cooperative relationships with the private sector and environmental groups. There are numerous (perhaps too many) business associations on Bonaire, yet none that consider themselves in partnership with the government.
6. *Sharing of Lessons Learned-* There are several clear lessons learned, as stated above. The sharing of lessons learned, in more detail, would have been helpful to other island stakeholders as well as other island territories. For instance, TCB's excellent record of planning and engagement with USONA could be instructive for other islands territories, while Sint Maarten's TourMap could be helpful for Bonaire.

V. Program Critical Assessment

A. Overview

Given the EDPB activities as reviewed in parts I-IV above, the following critical assessment attempts to provide a description of the program in regard to the relationship of the USONA-managed SED grant assistance and EDPB performance. The information provided attempts to be objective based on a review of documentation produced to date, and interviews of island government, Netherlands government, and other program participants to include grant recipients and the private sector.

The assessment is based on the following topics:

- Relevance
- Efficiency
- Effectiveness
- Impact
- Sustainability
- Complementarity

B. Relevance

The EDPB is a highly relevant program based on actual economic development and reform needs. It provided general objectives as well as a sector-by-sector approach to address the main problems. However, it was not well-connected with the annual budgeting process and the daily decisions on island governance. Thus, in practical terms, its relevance was more limited.

The indicators and activities were also relevant though some of the forecasts were overly ambitious (e.g. stay-over tourism and hotel room growth), and the high growth in cruise tourism starting in 2006 was not predicted. The overall focus on tourism as the main driver for economic growth proved accurate, and provided a relevant basis for USONA priorities.

The EDPB focuses on four main areas: infrastructure and investment climate, tourism development, small business development, and labor market and employment. These areas of focus are common among island entities and developing economies, and provide a basis for both public and public-private activities. These areas remain valid today and into the medium term. However, other than funding for an investment conference, it appears that funding for tourism development may have crowded out the other priority areas. With an improved infrastructure plan, or sector plans, available funding could be better aligned with overall (and changing) economic development needs.

For example, given the lack of growth in stay-over tourism during the 2004-2007 period (due in large part to lack of hotel capacity) and the surge in cruise arrivals, an annual planning process might have re-allocated funds from TCB projects to higher priority projects in the harbor area or for economic diversification. The EDPB clearly identified the need for increased tourism marketing to support the expected growth in hotel capacity. In the absence of hotel growth during this period (now projected for 2009) the timing of the North American marketing initiative seems questionable – though it was tied to the increase in airlift. The question is, however, when the additional 275 rooms (and others) come online in 2009, will additional funds be needed for a repeat of the earlier marketing efforts? A further related question is: should these external marketing initiatives have been delayed until justified by expanded hotel capacity?

The SED funding did prove relevant. This was mostly driven by the factor of limited other fund supply (i.e. no other investment sources) though there does appear to have been more private investment in terms of housing, other construction and tourism-related services.

Overall, the EDPB was highly relevant to the sectors and issues requiring attention, and as indicated in Table 4 there were activities done by both the public and private sector in most of the program areas. Overall, the SED funding was also highly relevant. However, the demand for reform and development significantly outpaced the funding available and the will to significantly address all issues.

C. Efficiency

Relative to the pre-USONA period, Bonaire stakeholders have found the USONA mechanism to be more efficient, more transparent, and more reliable in turning around project proposals. The Bonaire government, mainly through the DEZA, attempted to efficiently manage the EDPB. However, efforts were mainly *ad hoc*, and the TCB was encouraged to take the lead in applying for and implementing the majority of USONA funds.

From the perspective of the project grant administrator, USONA, funds have been efficiently allocated and delivered. There are questions and concerns at the project selection stage whereas the USONA policy is stated as a 'first in, first out' approach meaning that those island stakeholders that get projects in first will receive funding until it runs out.

There was and remains an interest of private sector and NGO actors of somehow participating in project selection or at least providing inputs so that their views can be included and that the development agenda isn't totally in the hands of the government. The danger here is making these private sector associations and other groups (including businesses) reliant on external grant funding. In the case of Bonaire, there does seem to be a large number of business associations looking for funding and a way to become engaged.

Such history and experience for the 2004-2007 period warrants a planning process with a clear medium term development approach, and with at least annual programs decided on annually within a fixed budget. This recommendation is further elaborated on in Section VI. It is advised that the current approach does not continue.

D. Effectiveness

The following objectives, along with their specific project activities, remain relevant today and in the medium term. The effectiveness of addressing the objectives and project activities was positive to the extent that funding and manpower allowed. Since the EDPB covered all main economic sectors and all economic development issues, the practicality of achieving all that was envisioned would have taken additional funds (as forecast in the EDPB) as well as concentrated political will to adhere to plans or adjust in a systematic way as demand changed. Both the funds and political will were insufficient.

For future planning, the same objectives and project activities warrant attention. However, more of an emphasis could be placed on the prioritization of what can be realistically addressed in the program period. This can be achieved through both short and medium term planning, and annual planning reviews. The availability of financial resources (government, Netherlands, private sector, and other sources) should be identified beforehand by actual commitments rather than being estimated in 'visionary' or 'wish list' manner. This is especially important for the issue of harbor development and relocation of cargo facilities, as plans and expectations should be better aligned with available funding from all sources.

As seen in the review of the macro indicators, some economic growth did occur and it appears that continued or accelerated growth will continue. It seems clear that the grant funding to the TCB for North America marketing and tourism development made a direct contribution to these gains, and has raised the visibility of Bonaire with some important new market segments. However, it appears that growth in cruise arrivals was largely independent of the EDPB activities. The Bonaire economy is prone to externalities such as global and regional economic performance, weather, airlift decisions, and world fuel prices. However, given the economic progress and the projects identified in Table 5, it can be said that the EDPB activities and SED projects were effective in at least advancing on issues that needed to be addressed or fulfilling project demand that is evidently present.

The performance of the cruise sector, as shown by the micro indicators, deserves attention. Policy or other initiatives that support harbor development, growth in tour operators, and overall improvement of the tourism product around Kralendijk are needed to support expected growth.

E. Impact

The EDPB and the USONA-funded projects have made a positive difference and have contributed to some sustainable economic growth. The infrastructure being developed to support tourism (e.g. Abraham Boulevard) will serve the population in general and will have a positive impact on Bonaire's tourism product. Tourism has continued during this period as a main pillar of economic growth, a factor that will affect future economic development plans, though the factors contributing to tourism growth will change from year to year.

Yet, it can also be said that the gains made have not been sufficient and, definitely, given the economic developments, opportunities have not yet been maximized. For instance, there is still opportunity to improve the legal/regulatory environment for business start-ups or facilitate expansion; infrastructure development and maintenance is mainly reliant on Dutch funding; tackling the debt burden and fiscal deficits have been put off and continue to weigh down the economy; tension is growing between conservation and pro-growth objectives; and the matching of education and workforce development needs will become more important as the economy grows.

Future economic growth and social stability will be tested by the response to these key issues. Some of these issues, such as harbor development for cruise ship expansion, were not fully envisioned in the EDPB. However, many of the issues originally identified in the EDPB have further crystallized leaving a much clearer path to what can more realistically be done or not be done in the future. The EDPB provides a good basis for additional long-term planning.

The future impact of the EDPB and SEI will depend on 1) funding availability; 2) political will to support and adhere to development plans; 3) realistic plans with identified funding and strong monitoring and evaluation components; and 4) partnerships between the government, the Netherlands, private sector (foreign and domestic), and community groups.

F. Sustainability

The results of the SED projects will prove sustainable in the medium term, especially those that have involved infrastructure development and the continued development of the tourism product. Of course, the sustainability of such projects is dependent upon continued focus on building an island infrastructure to support the expected economic and population growth.

In the absence of an infrastructure development plan and harbor development, the sustainability of the two infrastructure projects cannot be determined. For example, improvement to the south pier (Kralendijk Zuidpier Project) may not be aligned with development of a new cruise terminal. Similarly, the Abraham Boulevard project might not be in accord with road widening or other requirements of a master plan for traffic growth and expansion of Kralendijk.

As discussed earlier, the sustainability of funds for TCB programs may be at risk as substantial program funding has been allocated well in advance of the expected expansion in hotel capacity. Such an example, as in the other island territories, shows that there does need to be criteria regarding what is and what is not funded. It also shows that a coordinated process of aligning projects to medium term strategies is warranted.

G. Complementarity

The SED projects that were funded were directly related to the EDPB, as indicated above. Also, there was and remains opportunity to have more complementarity or interlinkages between the

good governance, education and economic development programs and projects. While the projects can stand on their own, some more cooperation between the three programs would most likely have had a greater impact.

At the island government level, there was a weak link between project demand, given the many demands, and the setting of priorities. While projects were relevant to the EDPB, it was stated that the project decisions were often *ad hoc* and showed a lack of private sector participation.

The complementarity between the DEZA, other government actors, private sector and community groups was weak. DEZA was not the coordinating site for USONA projects as this function evolved to others over the four year period. Private sector representatives did feel left out of the process in terms of coming up with project ideas and proposals and assisting in prioritization. And, there could have been stronger relationships between domestic budgetary sources of funding and grant assistance as well as a working relationship between the public institutions involved. It is noted, however, that in 2007 a joint agreement was reached between USONA and Bonaire to jointly fund additional costs of the Abraham Boulevard project. The EDPB was presented to the community but it is not known what follow-up occurred. There is room for more inter-government relationships to develop in terms of economic management, especially in regard to transparent decision making, medium term budgeting, monitoring and evaluation as further described in Section VI.

The cooperation between the Bonaire government and the Netherlands government is evident in terms of official communications. However, it appears that, at times, interpretations of such communications were different that led to misunderstandings on such important issues as amounts of funding available, what can be funded, etc. USONA is seen as an effective project manager providing a technical function. Rather than faulting components of the system, though, it is best to look at the system that evolved so that a more coherent and transparent economic development program can be structured and implemented.

VI. Overall Findings, Lessons Learned and The Way Forward

A. Overall Findings and Lessons Learned

The main challenge to the Bonaire government was their ability to fully implement the EDPB. The document did not appear to be a 'living' product that had consistent follow-up, and there was no monitoring.

The EDPB was a carefully thought out approach to help spur development, and it will serve as a strong basis for the SEI and other future development planning efforts. The constraints confronted by the EDPB were in execution and having a common medium term strategy framework that the government, as a whole, and the private sector were behind.

Economic growth did occur and gains were made in employment and the tourism sector. Bonaire may well be poised for a period of continued or accelerated growth in tourism, construction, and population. The future challenge is to consolidate the gains and have a more coherent program that meets specific targeted objectives and activities. The growth may also cause new issues to arise such as heightened environmental concerns, and the need to meet employment demands with appropriately skilled residents. And, if infrastructure investment is not aligned with the requirements of harbor improvement and Kralendijk growth, economic growth may not reach its potential in the coming years of tourism growth. The main economic management issue for Bonaire is not to spur economic growth, but to manage the growth that is occurring.

On the input side, fiscal reality that disallowed government cost sharing, and the uncertainty of SED grant funding and of political status also hampered full implementation.

The program also was impacted by weak prioritization and competition for funds given the process that has evolved for the SED funds. While Bonaire has received more SED funds than Sint Maarten for new project starts (2004-2007), for example, it still did not receive the share initially envisioned to support the EDPB. The change of timing of the program (October 2004-September 2006- 23 months), using of funds for pre-USONA projects and other programs (governance and education), and competition has discouraged use or crowded out program funding for economic development.

The EDPB or any follow on efforts, such as the SEI, should have a very specific annual program of what will be done in a one year time frame and placed within at least an overall 3 year framework with a year-by-year budget. The grant program projects should be integrated into a medium term expenditure framework to the extent possible.

Other main lessons learned, as described in Section IV, are as follows:

1. *A clear timeframe with transparent resources*
2. *Need for better short and long-term planning for economic development on Bonaire*
3. *Improved government budget management*
4. *Clear criteria (jointly agreed between Bonaire and USONA) are needed for development and reform projects*
5. *Private sector participation and guidance*
6. *Sharing of lessons learned- What works?*

Thus, the lessons learned to date can be very beneficial to not only helping future development planning, but also in having a more useful program relationship between the Bonaire government and the Netherlands government. While emphasis has to be on the mechanism to deliver the assistance, there requires more joint management as well as accountability so that agreed objectives are pursued and eventually achieved.

B. The Way Forward: Key Recommendations

The Bonaire government is aware of the choices confronted to advance economic reform and development while maintaining Bonaire's commitment to its environment. Priorities and programs have been laid out in a series of documents over the years, with the EDPB the most recent. It is not a subject of this evaluation to comment on these choices. Rather, the evaluation does have a role to play to help formulate a *way forward* so that better choices can be made and there is more of a stress on adequate programming, implementation and monitoring with a results orientation.

Now is an appropriate time to commit to such an approach given the need for more certainty in the development programming process as well as the transition to a new political status within the Kingdom of the Netherlands. While the implementing arrangements for the new political

status are not yet certain at the time of this writing, there are implications that impact the development agenda and steps that could be taken apart from the status that is finally achieved.

The following are a set of recommendations that may help the Bonaire government and the Netherlands government to enhance cooperation by endeavoring on more joint management and accountability of economic related development assistance as part of the SEI and other economic development-related funds.

The recommendations are based on the performance of the EDPB, the past and current relationship regarding external grant assistance especially provided by the Netherlands government, other island country and territory experience with donor countries, and general economic development experience worldwide.

1. *Grant Assistance Programming within a Medium Term Budget and Investment Framework*

There is a need for a more coherent programming of grant assistance in line with domestic resources (public and/or private funds). This should include:

- (i) *An oversight board or body* that can advise on a medium term program (with a fixed one year program). There is no current structure on Bonaire that can fill this role; however the Social Economic Council could provide private sector input. Such a Board should have donor representation (regarding the use of its funds), government and private sector participation. This Board would be a valuable vehicle to address the pressing question of harbor rationalization – i.e. is a new cargo port feasible and are funds available? If not, can an interim or smaller scale cargo port be developed, and are funds available for that?
- (ii) *A Medium Term Budget and Investment Framework (MTBIF)* that shows what projects or programs are to be funded over a three year period. Specific projects would be identified (with sufficient project detail for approval) for the first year and projects approved. The projects would be presented within a fixed total budget (consisting of domestic, external grant and private sector funds) for each year with the most exact costs for the first year. The Bonaire government, with input from other stakeholders, would be responsible for preparing the framework. The framework would roll forward annually with the oversight board or body approving the program for the next year's budget and reviewing performance in future years. Eventually, the MTBIF would be integrated into an overall Medium Term Expenditure Framework as the government develops this capacity. As this capacity develops, the grant assistance may transition to budgetary support but still maintain an MTBIF for its allocation.
- (iii) *A monitoring and evaluation system* that is practical and can be used given the human resource capacities. The overall program (such as an EDPB and/or SEI) should have an ongoing performance monitoring system. Much emphasis seems to have been placed on forecasting rather than collecting data on the actual performance. More emphasis needs to be placed on statistical gathering, compilation and analysis. This is especially important as the Bonaire economy develops at a pace that must prove sustainable. At the same time, individual development and reform projects should have ongoing performance management systems that emphasize the achievement of intended results rather than just measuring completion by fund expenditure. The monitoring and

evaluation should be a joint effort between: a) USONA; b) the Bonaire government (such as the DEZA with the support of a statistics bureau); c) private sector where applicable; and d) project implementers. Periodic performance reports (at least quarterly and one overall annual report) should be prepared. These reports should be reviewed by the oversight (i, above).

- (iv) Further to point ii, above, *more emphasis is needed to align domestic and external resources for development to achieve improved ownership, transparency and accountability.* The development or infrastructure budget should not be solely provided by an external donor. Given the possibility of future debt relief, a portion of the public expenditure saved should go to a capital or development budget. Any external grant funding provided should be matched according to a pre agreed ratio (such as 50:50). Such expenditure should be illustrated in an MTBIF. This is especially important for large scale projects, such as a new or improved harbor, where grant assistance may provide only part of the funding and cost-sharing arrangements are needed.

As part of this domestic and donor grant budget, an agreed percentage should be allocated to an *Infrastructure Maintenance Fund*. This fund should be co-managed by the government and other contributors. Again, an agreed ratio should be agreed upon (such as 50:50). Private sector participation should also be pursued, especially for hotel, housing, and other infrastructure related development. The funds could be set in a separate government account with use needing approval of a supervisory body. USONA can initially serve as a secretariat to such a fund until proper capacities and budget controls are established in the government.

- (v) *If feasible, begin implementing aspects of the above approach and components for the SEI as a test case.* The SEI, in its initial design, can be applied using these components.

2. *Setting of Reform and Development Parameters and Priorities*

There is a need to establish transparent criteria on behalf of the Bonaire and Netherlands governments to remove some of the present uncertainty in the system. The Bonaire government needs to identify key investment areas for government, government-donor and private sector development in a realistic and systematic manner. The Netherlands government has to be clear on what funding is available, over what period of time and for what can the funds be used (or not used). This could include guidance on funding among the sector areas (education etc.), as well as guidance on the use of funding or joint funding for infrastructure projects. The following is needed:

- (i) *Clear guidelines, funding levels, selection criteria and operational parameters.*
- (ii) *A clear framework, such as that recommended above, with a defined decision making, implementation and monitoring process.*
- (iii) *Human resource capacities within the Bonaire government to establish and administer such a system. Future technical assistance may be warranted to address this issue.*

3. *Private Sector Participation and Market Driven Development Orientation*

The Bonaire economy has the possibility to develop rapidly, due to upcoming investments in hotel capacity, rapid growth in cruise arrivals, and an unexpected increase in potential new investors coming to Bonaire. However, while the economy may grow rapidly, more attention has to be given to the management and sustainability of this growth. There appears to be opportunity to advance public-private partnerships and continue to evolve the economic orientation toward private sector generated development rather than government (and its related entities) being the main economic catalyst. Attention is needed in the following areas:

- (i) *Further legal/regulatory environment improvement* to reduce barriers encountered by new business entrants and existing businesses.
- (ii) *Continued emphasis on economic diversification and downstream tourism sector development support.* With tourism remaining as a main pillar of growth, more attention is warranted in this area.
- (iii) *Establishing real public-private partnerships* not only in regard to meeting to discuss priorities and projects but to also have joint ventures with co-investments to meet development priorities, such as with the harbor visitors area. While no central body is needed to perform such a function, both parties should discuss opportunities in a more systematic manner, such as quarterly meetings or government representatives participating in private sector forums or meetings.
- (iv) *Address spatial planning and zoning planning and implementation.* Given the rapid development in concentrated areas, spatial planning should be a priority agenda item. At the same time, institutional and human resource capacities are needed to apply any zoning regulations as well as conduct enforcement.

4. *Coordinating the Education Program and the Good Governance Program with the Economic Development Agenda*

There are opportunities to have more results by combining efforts between the three Netherlands government program areas (education, good governance and economic development). Joint programming should be encouraged since some of the structural problems, such as employment growth, are cross cutting.

- (i) For the *education sector in collaboration with economic development* there needs to be more concentration on skills and workforce development to meet labor market demand – especially during the upcoming period of high growth. Such a focus and collaboration should be encouraged and actively pursued, again in combination between the two governments, within the Bonaire government, and in collaboration with the private sector. If such workforce development does not take place, the importation of labor will become more of an issue.
- (ii) For the *good governance program in collaboration with economic development*, there can be more of an emphasis on economic management development. Currently, there are certain capacities within the DEZA and other government units. However, the linkages between these units related to development appear weak and some functions are absent. For instance, tying together economic planning and management function with the fiscal function is required especially

if an MTBIF approach is adopted. This also includes the attention needed to statistics strengthening and the questions regarding future functions of the Central Bureau of Statistics and the Central Bank in the future. Much attention is warranted to continue to help build these capacities, clarify functions, and have integrated working relationships. Further technical assistance would benefit developing such functions.

5. Institutional Strengthening

The central coordination point for the EDBP, DEZA, does warrant institutional strengthening especially in such as sector planning and programming, coordinating with other line units and agencies, and monitoring. No follow-up, monitoring, reporting or updating was done of the EDPB. A joint Dutch-Bonaire government initiative to upgrade the DEZA's capacities may be warranted as related to the SEI and other possible external funding mechanisms. It was reported that the Department of Finance was receiving financial management support. It would be important to link these capacity development efforts, especially in regard to the previous recommendations.

6. Sustainable Infrastructure Development and Maintenance Funds for Bonaire.

A small island territory such as Bonaire is limited in the revenue generation necessary to fund all major infrastructure development over the medium term, even if economic growth and fiscal prudence is observed. The SEI funding alone will not be sufficient to further develop economic infrastructure and accompanying maintenance. It is uncertain if the existing development funding (€40 million) will continue for SED in 2008 and beyond. Bonaire should either be able to access GON programs like other Dutch municipalities or establish some sort of predictable funding mechanism for medium term infrastructure development with the accompanying joint accountability mechanisms. This funding mechanism could be a jointly managed trust fund for infrastructure development.

Attachment A: List of Those Interviewed

Government of Bonaire and State Related Enterprises

Beukenboom, Elsmarie	Director, STINAPA Island Secretary, Commissioner of Economic and Tourism Affairs (Bestuurscollege)
Cecilia, Willem	DEZA Policy Advisor
Cecelia, Edsel	Head, Long Lease Land Department (Domein Beheer)
Koch, Andres P.E.	Director, Department of Economic and Labour Affairs (DEZA)
Levenstone, Jeffrey	Head, Economic Affairs and Development Cooperation Section, Department of Economic and Labour Affairs (DEZA)
Martis-van Arneman, P.E.	Department of Economic & Labour Affairs
Nydia Thielman	Harbourmaster
Sint Jago, Robert J., Capt	Department of Finance
Sint Jago, Ellen	Managing Director, Bonaire International Airport, N.V.
Van de Kreeke, Marco	

Bonaire Private Sector, Foundation and NGO

Croes, Ronella	Director, Tourism Corporation Bonaire (TCB)
Dirks, Benito R.	Board Member, Chamber of Commerce
Gagerling, Carmelita	Assistant Manager, Center for Small Business (CKB)
Saleh, Raymundo P.	Director, Foundation Economic Platform Bonaire Secretary, Foundation Economic Platform Bonaire, and Director, Business Association (AKIB)
Manuel, Sidney	Projects Coordinator, Tourism Corporation Bonaire
Van der Hoek, Roosje	