

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

## ***Chapter 6: St. Eustatius 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
EDP	Economic Development Plan for St. Eustatius 2004-2007
GDP	Gross Domestic Product
MTBIF	Medium Term Budget and Investment Framework
MTEF	Medium Term Expenditure Framework
SED	Sustainable Economic Development
SEI	Socio Economic Initiative
USONA	Executing Agency of the Foundation for the Development of the Netherlands Antilles

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## **I. Background and Program Objectives**

The island of Sint Eustatius (Statia) has a turbulent and rich history. Discovered by Christopher Columbus in 1493, the island changed hands at least 22 times during the colonial era. During the 17<sup>th</sup> and 18<sup>th</sup> century Statia was a major trading center with some 20,000 inhabitants and thousands of ships calling to port.

Today oil trans-shipment, tourism (diving, hiking, adventure travel and heritage travel) and some commerce and harbor activities primarily support the economy. The recent establishment of the St. Eustatius School of Medicine started to contribute to the island income and employment.

The Economic Development Plan for St. Eustatius 2004-2007 (EDP) is an extended and updated version of a concise document that was composed by the Island Government in November 2001 as a synopsis of different reports. With the implementation of the plan and its investments, the Government of St. Eustatius, private sector partners and non governmental organizations seek economic development that will benefit the population of the whole island.

The main objective of the EDP is:

*...to strengthen and widen the economic foundation of Statia and create the conditions for a sustainable economic growth and development.*

The three main focus areas of the EDP are:

- Infrastructure investments and investment climate
- Tourism product development and tourism marketing
- Small business development and development of other sectors

In line with the three main focus areas the EDP centers on infrastructure investments including investments in the harbor, airport and utilities. Investment in Statia's tourism product, including training of personnel, tourism promotion and small business stimulation with advice, training and loan facilities is also central to the EDP. It was envisioned that a prudent development scenario would see 4 million ANG invested in infrastructure, 1 million ANG in tourism and 1.5 million ANG in small business development.

A joint effort by the Island Government and stakeholders is responsible for the implementation of the EDP. The important stakeholders include harbor and airport management, the Tourism Development Foundation, St. Eustatius Enterprise Foundation, St. Eustatius Business Association and NGO's. Within the government one full time equivalent of manpower was assigned for overall management of the program and for support by the preparation and executing of projects. Additional budget for external expertise in preparing and managing projects was reserved.

Total estimated investments (in the prudent development scenario) including funds for implementation was estimated at 7 million ANG. It was estimated that some 3.6 million ANG was to come from Dutch Development Cooperation Funds. Other donor funds and external financing, Statia Government funds and private sector contributions were expected to make up the remaining funds.

The Government of the Netherlands in September 2004 approved the EDP with the USONA office established to implement the Dutch assistance beginning in October 2004. The following sections are aimed at reviewing overall EDP 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 EDP established an indicator framework at the macro and micro levels. These indicators are presented in Table 1.

**Table 1: EDP Targets**

	Reference values		Policy Effects	Target value
	2004	2007	2004-2007	2007
Stay-over tourists	9,995	9,995	+802	10,797
Day Trippers	1530	1576	+127	1703
GDP (in mln. NAFL)	94.1	99.9	+1.8	101.7
Employment private sector	968	969	+21	990
Unemployed	221	235	-15	220
Unemployment %	15.5	16.4	-1.1	15.3
Income < 1000 NAFL/month <sup>1</sup>	969	992	-15	977
Income < 1000 NAFL/month % <sup>2</sup>	50.2	50.7	-0.9	49.8
	Recent History	Reference scenario	Policy effects	Policy scenario
<b>Average annual growth:</b>	<b>1989-2003</b>	<b>2004-2007</b>	<b>2004-2007</b>	<b>2004-2007</b>
Real GDP	1.9	0.0	0.8	0.8
Employment private sector	1.4	0.0	0.6	0.6
Net real income		-0.2	0.2	0.0

Source St. Eustatius Economic Development Program, 2004-2007

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

<sup>2</sup> 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 1 provides both reference and policy values. The reference scenario pictures the economy in the coming years based on the trends of the recent past and insights of local stakeholders. The targets and effects are reflected in the policy scenario deviations from the reference values. The trend plus the policy effects result in the target value. Table 1 reflects the reference and policy values of the key monitoring indicators for measuring the effects of a *prudent development path* for the EDP.

At the time this report was prepared, up-to-date statistical information was not available. Information from the 2001 census was available and some statistical information per Table 2. This information does not provide adequate information for an assessment of the policy effects of the EDP.

**Table 2: Macro Indicator Performance**

	2002	2003	2004	2005	2006
GDP (millions, ANG)	81.3	88.7	96.4		
Unemployment (%)	8.3	8.4			
Stay Over Tourists	9,781	10,451	11,056	10,355	9,584

Source: Central Bureau of Statistics documents

At an initial meeting with Lt. Governor Mr. Hyden Gittens, and key government and private sector stakeholders the lack of available statistical information was discussed. At that time Mr. Gittens made it very clear that a *top priority for Statia is the need for legislation so that data is collected in a timely and responsible manner.* While the concern is real, the ability to collect such data would be a challenge and requires more than legislation. Such data collection would ensure that the impacts and effects of future programs, projects, policies and and projects can be quantified and qualified.

Efforts to obtain statistical information from the Central Statistics Bureau and the Central Bank were not successful. E-mail inquires were not answered and a search of available links did not provide information pertaining specifically to St. Eustatius.

Statistics and data are now required for many international groups (donors, governments, investors). The Statia stakeholders realize that the available data (and format) is not up to international standards. The stakeholders agree that development of an acceptable approach for the collection and dissemination is a top priority. Furthermore there is no real “enforcement” of data collection. No single entity is responsible for collecting and tourism and employment data.

### **Tourism Indicators and Targets**

The prudent scenario estimates an increase of 8 percent for both stay-over and day-tripper tourists.

An issue that needs to be addressed regarding tourism data is accuracy of arrival data. At this time the arrival data that is collected does not distinguish internal Netherlands Antilles by island. This data will become more important after 2008. Over 50 percent of arrivals are internal Dutch Antilles arrivals. There is also a need to establish data concerning local arrivals, business arrivals, family visit arrivals, and other arrivals. The arrival figures also do not distinguish the difference between arrival and stay-over data. Many Statia arrivals are day-tripper arrivals for business meetings or other single day activities. Statia stakeholders also indicated that there is no collection of cruise and other ship arrival data.

One recommendation regarding tourism data is to require that hotels report occupancy on a monthly basis when paying hotel tax. This would help to determine the number of stay-over tourists, and also distinguish the difference among stay-over arrivals with regard to tourism and family visits.

As the focus on tourism, infrastructure development and private sector investment increases, the need for accurate and readily available arrival information becomes more important.

### **GDP and Economic Indicators and Targets**

With a focus on tourism growth the EDP prudent scenario projects an annual growth of almost 1 percent an annual increase of employment of 0.6 percent and decrease in unemployment (after 4 years) of more than 1 percent.

The reference values of the prudent scenario calculated that the number of persons 15 years and older with a net income of <1000 NAFL/month will be 992 in 2007. This includes those with no income (housewives, students). The policy values calculate this number at 977, a decrease of 15. The actual 2007 value has not been confirmed.

Many reference values were calculated for no growth or negative growth (real GDP, employment, and real income) without the EDP. The policy values of these indicators were all calculated to grow in a positive direction. The actual values for 2006 and 2007 have not been confirmed but as indicated in Table 2 there has been economic growth given overall increases in GDP.

Growth in employment, or, the net creation of jobs, is important, however given the current data it cannot be determined if the EDP has impacted job creation. However it is reasonable to assume that employment growth rate will be affected in a positive manner with continued private sector investment and the implementation of the Social Economic Initiative (SEI).<sup>1</sup> The limited data available indicates a slight growth in unemployment from 2002 to 2003. It is not appropriate to ascertain any trends or impacts from the data available.

Growth in the number employed and the unemployment rate are essential measures of economic performance. They also correspond fairly closely to GDP growth. If employment is growing or unemployment is falling, then it is likely that GDP is increasing. The collection and availability of this data is most important to continued assessment and evaluation of the impact of future economic development programs and private investment on Statia.

### **Future Growth Indicators and Targets**

The continued expansion of the tourism sector, infrastructure development and private sector investment will continue to have carryover impacts on employment and job opportunities. There are also downstream impacts on the tourism support services sector.

Future growth is dependent on tourism. Tourism growth, in turn, is dependent on workforce and education issues, continued infrastructure development (waste and sewage management for example), available data so assessments can be made, and a transparent legal and regulatory environment to support private sector participation.

One area of focus discussed by Statia stakeholders is the issue of business licensing. An issue that is being addressed is "how many numbers of any one business is viable in the Statia economy and will promote tourism"? Given the small size of the island, it is important that the business environment supports tourism and services are provided at reasonable costs. There must also be a realization that there are limits and constraints that are reflective of the limited size of the economy and population.

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<sup>1</sup> The SEI is a short term and one time injection of funds (1-2 years) provided by the Government of the Netherlands to help fund priority economic development needs. Final programs and decisions of the Statia and other island territory programs were not known at the time of the evaluation.

### III. Activities and Outputs

The EDP identified a series of program activities and outputs. Table 3 provides a summary of the status of each program activity. The status shows what was or needs to be accomplished. The table was compiled mainly with information provided by through interviews with the primary stakeholders.

**Table 3: EDP Program Activities, Outputs and Status for 2004-2007**

<b>Infrastructure and Investment Climate</b>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Statistical data, socio-economic research and information	Clear-cut analysis of Statia's socio-economic situation, analysis of arrears, regular updated Investment Guides
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ Some work has been done in this area but not funded through USONA</li> <li>▪ Need legislation to collect data in a responsible manner so that investments and projects can be quantified and qualified</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Airport facilities	Increase capacity of check-ins, check-outs, immigration, installation of security equipment, apron, parking facilities, refueling capacity
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ USONA funded feasibility study completed but no implementation due to lack of funding</li> <li>▪ Terminal upgrade (2.3 million ANG) now being proposed as part of SEI</li> <li>▪ Security equipment has been upgraded (IG funded)</li> <li>▪ Other facilities have not completed due to lack of funds</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Development of harbor infrastructure	A technical and economic feasibility study and master plan (2004); stepwise development of the harbor and the Gallows Bay marina
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ USONA funded feasibility study completed (comments are it is very good)</li> <li>▪ No follow-up due to lack of funds</li> <li>▪ Thinking is to form Statia Development Bank for funding of this type of project</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Utilities	More efficient water distribution and energy production
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ Water Plant (before USONA)</li> <li>▪ No water distribution (asked USONA and turned down), seeking EU funding</li> <li>▪ There is an important need to address waste and sewage management, considering expected growth of the tourism sector. The present waste management system is inadequate and there is a need to construct a facility for waste and sewage management</li> </ul>	
<b>Statia's Tourism Development</b>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Promotion and marketing	Execution of yearly promotion and marketing activities
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ Sustainable marketing plan was produced</li> <li>▪ No significant marketing and promotion has taken place over past 3 years</li> <li>▪ What has been done has been limited by available funds</li> <li>▪ No funds to pay for brochures or for a tourist office in the Netherlands</li> <li>▪ Gasoline sales (tourist promotion fund) has been established but there are still hold-ups to collecting this money (will be used for airlift development)</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>



Sustained hospitality training	Number of staff members trained annually
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ No USONA funded projects</li> <li>▪ Product Development Officer hire (IG funding 135,000 ANG)</li> <li>▪ Officer to promote "island as a product" and conduct human resource training for tour guides, food and beverage and, and bartender/server</li> <li>▪ For training to be sustainable it must continue and trainees must have somewhere to work</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Develop/execute policy instruments to stimulate local products, services and experiences	Instruments developed (information, advice, promotion, incentives) and implemented to experience uniqueness of Statia
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ Must first establish overall policy before establishing sector specific policy</li> <li>▪ Work progressing on establishing loan guarantee (50% loan for small business; first focus on guesthouses)</li> <li>▪ Guarantee fund of 500,000 ANG (IG fund). Tourism Foundation has indicated that it would be best to hire an expert to maintain and run this guarantee fund</li> <li>▪ STEBA working with Government on policies (dress codes, licensing) for restaurants, beauty saloons, car/scooter hire, street vendors</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Upgrade, extend existing properties; a new 50-100 room hotel	Extension of existing properties (2004 onwards) and construction of new hotel to accommodate medium-sized groups of visitors (2006-2007)
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ ALMFAC funded feasibility study completed for 5 star resort hotel and golf course</li> <li>▪ Impact study completed (Social, Economic, Environment) funded by STEBA and University of Twente (Netherlands) (Executed by Graduate students)</li> <li>▪ Missions conducted to gauge interest in hotel development (IG and private sector funding) – upcoming CHTIC in Curacao</li> </ul>	
<b>Small Business Development and Development of Other Sectors</b>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Small business development	Activities of Small Enterprises Foundation and continuation of the SESNA programs
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ SESNA (EU project) asking for extension to 9 EDF (2009)</li> <li>▪ SESNA builds skill training currently in the areas of bookkeeping and contracting</li> <li>▪ Funds for micro-funding have not been very successful to date</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Enforcement of minimum standards of operating of hospitality establishments	Percentage of business operating under the standards; the number of infractions to the standards
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ No USONA funding</li> <li>▪ Issue of licensing must be addressed</li> <li>▪ Currently working on dress code with 5 pilot business (will expand in near future)</li> </ul>	
<b>PROGRAM ACTIVITY</b>	<b>PROGRAM OUTPUT</b>
Vocational training	Number of students trained yearly
<b>STATUS &amp; DISCUSSION</b>	
<ul style="list-style-type: none"> <li>▪ One Vocational School with approximately 210 students trained annually</li> </ul>	



#### IV. Projects, Relevant Outcomes and Lessons Learned

As indicated in Table 4, USONA funding went to feasibility studies and infrastructure development projects mainly in support of tourism sector development.

The St. Eustatius government has been awarded grant assistance provided through USONA for two completed projects and one project underway: Historic Harbor Study, Airport Development Study and ongoing infrastructure improvement project (originally part of a larger project that was rejected due to high cost).

Several projects were not financed through USONA. Requests were made but due to the limited available funding (2 percent of total USONA funding available for Statia) requests were denied as the project costs exceeded the available amount. The government does question the figure of 2 percent. Statia has a 50 percent larger population than Saba which also received 2 percent of funding.

There was general disagreement with the USONA allocation formula. It should be considered that even though Statia is a small island there are still infrastructure and other development needs that are a high cost for a small population to support. The stakeholders emphasized that even though the island is small doesn't mean development costs are not the same as on a bigger island (runways and road repair for example). Furthermore, a majority of the funding was allocated for education (estimated at 75 percent of total over 4 years), leaving a small amount available for economic development and implementation. Statia was told to re-prioritize the economic development program and to take this allocation into consideration.

At this time Statia is pursuing the establishment of the island as an UNESCO World Heritage Historic site. Statia has the highest density of historic buildings in the Caribbean. If this status is awarded funding for programs and projects must be re-prioritized in the future.

**Table 4: Sustainable Economic Development Program Status 2004-2007**  
*in ANG*

Project Name	Project Owner	Status	Amount	Remarks
Tourism Marketing	Island Government St. Eustatius	Not eligible	1,126,572	tourism
Development investment guide	Island Government St. Eustatius	Not eligible	63,100	tourism
Renov. Historic Core 4th phase	Island Government St. Eustatius	Not eligible	6,917,515	infrastructure / tourism Rejected by USONA as way above budget
Study Harbor development Statia	Island Government St. Eustatius	Closed	91,200	Investment Climate Feasibility Study complete
Renovation historic core	Island Territory St. Eustatius	Closure started	2,000,000	Tourism (prior to USONA)
Mark. Tourism '02 EUX	St Eustatius tourism development foundation	Closure started	185,000	Tourism (prior to USONA)
Historic core continuation 2002	Island Government St. Eustatius	Closure started	1,225,098	Tourism (prior to USONA)
Historic Core Guesthouse	Island Government St. Eustatius	Closure started	45,850	feasibility study Study completed
Airport development Statia	Island Government St. Eustatius	Under implementation	77,250	investment climate feasibility study almost complete

Project Name	Project Owner	Status	Amount	Remarks
Infrastructure Improvement	Planning bureau St. Eustatius	Under implementation	1,650,000	Infrastructure Originally included as 4 <sup>th</sup> phase historic core renovation, resubmitted as smaller project
<b>Total</b>			13,381,585	

The main issue regarding EDP implementation (and grant assistance) is the level of funding and limited time frame for funding of projects. The funding in support of the EDP did not officially begin until after October 2004, when USONA was formed. The funding (for the economic program) was unilaterally suspended in early September 2006 by the Dutch government. This provided a total timeframe of about 23 months of funding support (for the economic program).

Additionally the Statia stakeholders emphasized that funding level of 2 percent total (1.6 million ANG/year) is an inadequate amount to fund any meaningful projects. Various projects were proposed but turned down due to the lack of funds. For example, a desalinization project was requested but turned down as being too expensive. As shown in the breakdown of development funding provided by the Netherlands government in Chapter 1 (Table 5), St. Eustatius received a total of 1.4 percent of the development funding, below the 2 percent key level.

Because there was no real “roadmap” for project development, projects were developed and submitted to USONA on an as needed basis because of the incomplete knowledge of the funding picture as well as lack of a prioritized action strategy to implement the EDP. The Statia government, due to lack of any EDP implementation strategy in terms of prioritized projects given the expected funding envelope, was not effective in engaging with USONA at the start of the program. However the stakeholders did maintain that the switch from project to program funding was a good idea, but again the funds must be available in the long run to complete the program. In reality, funds were still provided on a project-by-project basis based on proposals and not on the EDP.

Statia did provide some of its own infrastructure development funds during the program period. Most notable were the road improvement projects for the Princess Garden Estates and Concordia area.

The funding received from USONA on an annual basis was substantially below the amounts that the Statia government had been expecting. Statia has no insight into the pre-USONA commitments that caused funding shortages. In the future the Netherlands government, through USONA or directly in a government-to-government manner must be clear on the amount of funds available, plus any pre-conditions and requirements that would affect the funding. It is recommended that there is an annual planning cycle, so as to avoid project preparation work that does not result in projects.

The USONA funding status for 2007 and 2008 is not positive. Due to past commitments USONA has indicated to Statia that funding has been allocated up through the end of next year (2008). The funding cut off affected only assistance for economic development projects. Funding continues for education and good governance activities. New funding is expected through the SEI program. However, it is not clear if SED funding will continue along with the envisioned SEI funding or the SEI funding will replace the SED funding.

The level of funding and year by year funding uncertainty had a disruptive effect on the implementation of the EDP as well as private sector participation and investment. Stated simply, the EDP was designed to support a long-term development effort by the government and its stakeholders, but the funding profile limited this effort. There was limited project selection to qualify if projects were relevant to the EDP. Those selected were relevant.

The major lessons learned are:

1. *Consider the size of the economy.* With regard to economic development, the Dutch Government has not taken into consideration the small economy and limited development opportunities. For example the airport is too small to make a profit (and must be subsidized). Airports on larger islands do not have this problem.
2. *Consider a more “island centric” approach to funding.* USONA should look at each island economy individually when allocating and distributing funds. The psychological lumping together of small island economies is disruptive and hinders overall program and project planning. This carries over into the data collection and dissemination issues.
3. *Develop a clear timeframe with transparent resources.* Many projects in the past (before USONA) have been funded for 1 or 2 phases then stopped with no reason given as to why. A timeframe for projects, with clear end objectives should resolve this problem. Constant change of program timing and objectives makes project and program planning ineffective. Government officials also voiced strong opinions regarding the lack of SED program *parameters*. As seen in Statia and other island territories, the lines of the playing seemed to have been adjusted during the EDP and other medium term strategy timeframes which made it more difficult to plan and execute. The same feeling and attitudes are developing for economic development-related funding post 2007.
4. *Improve planning and execution.* The current uncertainty regarding funding including: 1) uncertainty of amounts; 1) when funding will start/stop; 2) what projects will/will not be supported; and 3) the division between the three program areas (education, good governance and SED) has had a negative effect on the overall impact of the EDP implementation. A funding program should be agreed upon at least on an annual basis (over a medium term period) with increased emphasis on ongoing (formative) monitoring and evaluation.
5. *Improve information sharing regarding how projects in different program areas as a whole support the long-term objectives of the EDP.* USONA and Dutch government understanding of how a mix of programs and projects support the long-term objectives of the EDP will increase the likelihood of funding.
6. *Develop a 5-10 year Infrastructure Development Program.* Statia is not physically capable of handling all infrastructure development at one time. Overall project and program implementation should be considered over a longer time period and allow USONA or the Dutch government to see the larger development objective picture for the island. This program should include the possibility of projects relying on public-private partnerships and public-private-USONA partnerships.

7. *Focus on how public-private partnerships would work.* For example regarding SEI implementation, the Statia stakeholders maintain that public/private partnership cannot work until infrastructure is developed. Private investors cannot be expected to pay sunk costs for roads, water and waste management (an estimate of 60-80 million ANG is needed). The 5-10 year Infrastructure Development Program should provide a focus on prioritized basic infrastructure development so that public private partnerships can be developed. The primary concern is infrastructure. Once roads, the water system and the airport are upgraded, then more of a focus can be on tourism development.
8. *Use completed studies and information to improve short and long-term planning for economic development.* Feasibility studies have been completed but there is no funding for implementation (harbor and airport development). Having completed the two studies implementation of the recommendations has not moved forward. In the past, studies have become outdated before funding is allocated for implementation. This is a waste of project funding and hinders development.
9. *Improve Government Budget Management.* The commitment to EDP implementation can be improved if Statia continues to dedicate a proportion of its own funding to capital expenditure to include infrastructure development and maintenance.
10. *Change the project preparation method.* The LogFrame is considered too complicated by stakeholders with regard to requests for funding for smaller stakeholders.
11. *Establish clear criteria for development and reform projects.* While the island territory government approves projects, they are often held-up or rejected by USONA based on technical or eligibility reasons. Clear *joint* criteria should be established so that some of the 'guesswork' is taken out of the process.
12. *Share 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.

## V. Program Critical Assessment

### A. Overview

The following critical assessment attempts to provide a description of the program in regard to the relationship of the USONA grant assistance and its relationship to EDP performance. The assessment is based on a review of documentation produced to date, and interviews of island government, Netherlands government, and other program participants including grant recipients and the private sector.

The assessment is completed in the following topical areas:

- Relevance
- Efficiency
- Effectiveness

- Impact
- Sustainability
- Complementarity

## **B. Relevance**

Review of documents and discussion public and private stakeholders and officials indicates that the long-term development objectives are still valid and relevant. The main objective of strengthening and widening the economic foundation of Statia remains relevant. The selected indicators are relevant and necessary for continued monitoring and evaluation. However, at the present time the lack of up to date and easily accessible statistics makes thorough evaluation difficult.

The findings of the two completed studies are consistent with the three main focus areas of the EDP. The ongoing infrastructure project is relevant regarding the first two focus areas. There are other priorities but, given the limited window of funding as well as amounts, assessing their relevance is not essential at this point.

The Statia government was very clear to focus pre and post USONA funding on infrastructure development so the residents could see that something was happening. More importantly, the project decisions were based on creating the infrastructure so that private sector development could occur, including for the attraction of tourists.

Also affecting relevance is the allocation among the three areas (good governance, education and economic development). The government at first applied the division that was in place prior to 2004: 50 percent for economic development and 25 percent each for education and governance. The Dutch government position is that it was up to the island territory government to allocate funds between the three sectors. As happened in the other island territories, education funding on Statia took up a larger portion of overall funding than originally planned. And, as in other island territories, the programs were not combined or linked but were planned and executed in separate manner. Government officials stated that they would prefer not to see such demarcation of the programs in the future. Such an interest will have to be taken up by the Netherlands government, USONA and Statia officials.

In the future EDP-related projects, programs and activities could be made to be more relevant to the long-term development objectives and focus areas by:

- The development of a medium term infrastructure development strategy, with a clear funding envelope, with identified priorities or other strategies that would implement EDP priority sections,
- Considering the limited capacity of a small economy to serve as an economic catalyst, and
- Increased integration (of funding and outputs) across the three program areas of good governance, education and the economic development.

## **C. Efficiency**

Compared to the pre-USONA period, there has been an improvement with regard to the project funding process. The switch from project to program funding was a good idea but the funds must be available in the long run to complete projects and programs.

The funding of two projects and two feasibility studies in 3 years begs the question – Was there a need for an entire program to achieve these results? Could time and money been spent more efficiently with regard to development and submission of proposals? Given the level of funding, many project submissions were destined to be rejected.

Efficiency is affected with regard to the USONA processes at the project selection stage. The USONA policy is stated as a ‘first in, first out’ approach meaning that those island territory governments that get projects in first will receive funding until it runs out. However this funding is limited by the ceiling established for each island territory. Statia’s funding is impacted not only by the ‘first in first out’ approach but also the funding ceiling of 2 percent of total funding.

Overall, from a performance-based budgeting perspective, analysis regarding the efficiency of spending of allocated funds is not applicable at this time. The feasibility studies are complete but no external or domestic funding is allocated for implementation. The ongoing infrastructure project (resurfacing roads in historic district) is not yet complete

Within the present analysis the efficiency of project spending (allocation per activities/priorities), the cost efficiency of activities and timeliness of achievements was not done since the purpose of this assessment is not to conduct individual project evaluations. Efficiency continues to be affected by the continuous operational budget deficits that prevent significant investments and programs by the Statia government. SED project funding is committed through the end of 2008.

In order to improve efficiency in the future it is essential that Dutch government and USONA be clear on the amount of funding available, plus any pre-conditions and requirements. It is recommended to implement an annual planning cycle, so as to avoid project preparation that does not result in projects. Also a one-time injection of targeted funding (in order to jump start projects) should be considered. This recommendation is further elaborated in Section IV.

#### **D. Effectiveness**

An analysis of effectiveness requires a review of the achievement of the EDP’s key elements and objectives. While the objective and focus areas remain relevant the effectiveness of addressing these was limited due to limited external funding opportunities and limited capacities and domestic resources to implement planned activities as indicated in Table 3.

Two feasibility studies have been completed with almost no achievement of objectives The resurfacing of the roads in the historic district is ongoing but an analysis of the effectiveness is not applicable at this time. Lack of statistical data makes it impossible to evaluate the effectiveness of the EDP based on the selected indicators.

The late start of the EDP and the subsequent stoppage of funding in September 2006 were major factors influencing the achievement (and non-achievement) of the objectives as well as the lack of the use of other island territory and national financial resources. Additionally Statia stakeholders maintain that achievement of the objectives was impacted by the Dutch government’s and USONA’s perception of the island with pre-set ideas of a small island economy as well as not looking at the economic potential of the island.

This lack of effectiveness can be remedied in the future by:

- Completing projects in a timely manner,
- Developing a system for program continuity, even if government changes, and



- Adhering to project commitments so that once funding levels are agreed, funds are delivered unless they are mismanaged.

For future planning, the same key elements and objectives are applicable. However, more of an emphasis could be placed on the prioritization of what can be realistically addressed in the program period given the amount of funding available. 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.

### **E. Impact**

The EDP has focused on various target groups and specific entities. The impact to date has been limited. To date the feasibility studies (as studies) have had limited impact. As the recommendations and findings of these studies are implemented increased impact on the target groups should be expected. Furthermore, the completion of the road resurfacing in the historic district is expected to have a positive impact on future tourism.

The EDP has had limited impact with regard to strengthening and widening the economic foundation of Statia. This can be attributed to uncertainty on the limited funding ceiling, insufficient external funding for EDP-related project, and little if any island territory investment. Until this situation is addressed, the EDP and related programs will continue to have limited impact with regard to the objective and focus areas.

A consensus and commitment has been reached between Statia and USONA with regard to overall program funding. This commitment needs to be maintained and reflected in the new programming period.

The future impact of the EDP and/or SEI is dependent on several factors. The impact of funding is contingent upon: 1) funding availability and ceiling levels; 2) awarding of World Heritage status; 3) realistic plans with identified funding (from domestic and external sources); 4) improved data collection; and 5) partnerships between the government, the Netherlands, private sector (foreign and domestic), the education sector and community groups.

### **F. Sustainability**

The sustainability of the airport and harbor studies is dependent on future funding and coordination of all stakeholders. The implementation and sustainability of projects is again dependent of fund ceiling levels. Furthermore, the sustainability of any future projects is dependent on infrastructure development, education/workforce development and coordination with environmental groups. As necessary, dedicated maintenance funds should be identified as part of the government budget.

### **G. Complementarity**

The EDP was complementary to other existing development programs such as Good Governance, Education Reform, and the Nature and Environmental Policy Programs. The education program, with a focus on improving the labor market, was especially complimented by the EDP.

For the future, stakeholders expressed their thoughts that the Dutch government and USONA should allow more cross cutting strategies between the different funding programs. This would



increase the complementarity across programs. Furthermore, education program funding should be focused on a more island wide approach so that across the board development can be achieved.

The road resurfacing project complements the focus area of tourism development and the two feasibility studies are expected to complement the overall objective and focus area once implementation begins. These studies did have the cooperation of all major stakeholders. Furthermore, coordination between the education sector and other sectors was established throughout the program period.

An integrated approach with regard to funding for tourism marketing and promotion, product development, human resources and other training should be addressed in the new program period. As mentioned throughout this report there was and remains opportunity to have more complementarity or inter-linkages 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 link between project demand, given the many demands, and the identification of projects that were implemented. Much of the project investments were aimed at tourism strengthening including infrastructure, especially improving the historic core area. While projects were relevant to the EDP a realistic assessment of funding opportunities was not always completed.

The cooperation between the St. Eustatius government and the Netherlands government is evident in terms of official communications. However, it appears that, at times, interpretations and misunderstandings on such important issues as funding levels, what can be funded, etc. affected the program. Statia stakeholders see USONA as an effective project manager providing a technical function.

## **VI. Overall Findings, Lessons Learned and The Way Forward**

### **A. Overall Findings and Lessons Learned**

Overall the EDP was carefully thought out with the objective of creating a foundation for economic growth and development. The constraints confronted by Statia were the amount of available funding (external and domestic provided), the limited follow-up on activities and outputs that did not require funding, and follow-up to some completed projects. Regarding SED funding, limited funding was available for new projects and funding for the education sector program overshadowed the SED.

The development of indicators and the collection and availability of data is a challenge that must be addressed. Future impact of economic development programs and private sector investment must be planned and measured using reliable statistical data.

Any follow on efforts, such as the SEI, should have a very specific annual program and realistic funding levels. Future economic development should consider what could be done given the size and capacity of the economy in the short term (1-year) the medium term (3 years) and the long term (7-10 years). The grant program projects should be integrated into a rolling 3-year Medium Term Budget and Investment Framework (MTBIF) and to the extent possible estimate needs for up to five years. Going forward St. Eustatius should:

- Establish realistic development scenario based on capacity limitations of a small economy
- Develop long term economic infrastructure development strategy and other sector strategies (relevant to an EDP-type document over a 5-10 year period) that is based on a realistic funding envelope and the absorptive capacity of Statia
- Focus on “sunk” infrastructure costs so as to provide a foundation for future public-private development partnerships
- Develop a plan that would allow the Dutch Government to provide one time “funding infusion” so as to jump start high priority infrastructure development (airports, road, harbor) to fit the vision and strategies of the St. Eustatius government. This is already being done with the SEI. A clear planning and monitoring framework should be established from the very beginning.

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

1. *Consider a more “island centric” approach to funding*
2. *Develop a clear timeframe with transparent resources and clear program parameters*
3. *Improve planning and execution.*
4. *Improve information sharing*
5. *Focus on how public-private partnerships would work.*
6. *Use completed development information to improve short and long-term planning*
7. *Improve government budget management*
8. *Change the project preparation method*
9. *Establish clear criteria for development and reform projects*
10. *Share Lessons Learned*

## **B. The Way Forward: Key Recommendations**

The St. Eustatius government is aware of the choices confronting economic reform and development. This evaluation has a role to help formulate a *way forward* so that choices made will emphasize planning, programming, implementation and monitoring with a results orientation.

The following are a set of recommendations that may help enhance future economic development programs between the St. Eustatius government and the Netherlands government. The cooperation should focus on improving the understanding of available funding and developing a realistic program for funding economic development in a small island economy with limited capacity.

The recommendations are primarily based on discussion with the Statia stakeholders, the performance of the EDP, and the past and current relationship regarding external grant assistance especially provided by the Netherlands government. In addition other island country

and territory experience with donor countries, and general economic development experience worldwide was used a foundation for developing the recommendations.

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 consult and coordinate on a medium term program (with a fixed one year program) between the Netherlands and Statia governments. Such a body can be coordinated by USONA. While a full terms of reference would need to be developed, this body would be advisory and not decision making so that any issues that do evolve over a year can be appropriately prioritized and addressed by each side and each side is 'on the same page' regarding development activities.*
- (ii) *Activate the already established Department of Economic Development. The department needs to be staffed. The department should prepare a medium term program (with a fixed one-year program), per below. With increased focus on economic development and private investment such a Department would oversee the development. Such a new department will need substantive institutional and human resource capacity development. It may be a very good starting point to apply the recommendations suggested in this series of recommendations. Technical assistance will be needed.*
- (iii) *Develop a 5-10 year infrastructure development program and possibly other sector or issue strategies so as to implement an EDP-type document within a realistic budget envelope. Statia is not physically capable of handling all infrastructure development at one time. Overall project and program implementation should be considered over a longer time period and allow USONA to see the larger development objective picture for the island. This plan should include the possibility of projects relying on public-private partnerships and public-private-USONA partnerships.*
- (iv) *Develop a "Rolling" 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. 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. A programming cycle would have to be agreed upon. The proposed Department of Economic Development with input from other stakeholders would be responsible for preparing the framework and presenting it to the St. Eustatius government. The framework would roll forward annually with the Department of Economic Development 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.*
- (v) *Develop capacity for data collection and statistical monitoring and evaluation. More emphasis needs to be placed on statistical gathering, compilation and*

analysis as well as feeding the data into the government's decision making process. There also needs to be a division of labor of what data can be collected and collated by a central unit such as the Central Bureau of Statistics (or Dutch government equivalent once the change of status occurs) and what can be collected, collated and analyzed at the local level.

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. Periodic performance reports (at least quarterly and one overall annual report) should be prepared. The Department of Economic Development should review these reports.

- (vi) *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. *Establish Reform and Development Parameters and Priorities and Funding Levels*

There is a need to establish transparent criteria on behalf of the St. Eustatius and Netherlands governments to remove some of the present uncertainty in the system. The St. Eustatius government needs to prioritize key infrastructure and other investments for government, government-donor and private sector development in a practical and systematic manner (per the infrastructure strategy indicated above). The Netherlands government should reassess funding levels, and how funding is disbursed considering the capacity of Statia to absorb the development assistance. The following is needed:

- (i) *Realistic assessment of capacity of Statia to absorb development funding*
- (ii) *Clear guidelines, funding levels, selection criteria*
- (iii) *A development framework, for the short term, medium term and long term with a defined decision making, implementation and monitoring process*

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

Attention has to be given to the capacity for and sustainability of economic growth. The implementation of airport and harbor feasibility studies should be used as the foundation to drive private sector participation in the economy. This could possibly push economic orientation toward private sector generated development rather than government. Attention is needed in the following areas:

- (i) *Further focus on business licensing to ensure a positive balance of goods and services are available.* And, make other necessary changes to the legal and regulatory environment to facilitate investment and private sector development.
- (ii) *Focus on legal/regulatory environment improvement* to reduce obstacles encountered by new business entrants and existing businesses.

- (iii) *Enact legislation to break away from the St. Martin Chamber of Commerce and establish a Statia Chamber of Commerce and use these fees for business development.*
- (iv) *Emphasis on sunk infrastructure costs so as to improve the possibility of public-private economic development partnerships. Public/private partnership cannot work until infrastructure is developed.*
- (v) *Focus on basic infrastructure development of waste management, sewage waste management and telecom capacity. Improving capacity in these areas may spur private sector investment.*
- (vi) *Address spatial planning and zoning planning and implementation. Given the sensitivity of the historic district that Statia possesses, 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 SED). Joint programming should be encouraged since some of the structural problems, such as employment growth, are cross cutting.

- (i) *An increased emphasis on workplace needs and skills/workforce development. It is important that students are prepared for jobs in the areas needed by government and the private sector. There is only one high school on the island; therefore coordination can be centralized there.*
- (ii) *Focus on coordination between education and private sectors. Revisit commitment funding and objectives of the Delta Plan. Currently only one portion of this plan is scheduled for implementation (compulsory education).*
- (iii) *Continue to monitor labor force needs. Given the small size of the economy a continuous monitoring of labor force needs is necessary. Over time positions will reach needed capacity while other jobs types will be less than full.*
- (iv) *Education and workforce training programs should develop minimum standards. In the area of tourism and hospitality there is a need for standardized training with a focus on developing capacity. Furthermore, training programs must be provided at middle management levels so those workers can make career upgrades as younger workers enter the workforce in the future. Input from the private sector is essential to this effort. If such workforce development does not take place, the importation of labor may become an issue.*
- (v) *Good governance program in collaboration with economic development. It is recommended that an increased emphasis on economic management development be encouraged. Creation of a Department of Economic Development would address this collaboration. The business enabling*

environment, linkages between economic planning and budget management, data collection, and monitoring and evaluation capacity (with a results orientation) are weak links regarding good governance. Further technical assistance would possibly be aimed at developing such functions.

5. *Sustainable Infrastructure Development and Maintenance Funds*

The SEI funding will not be sufficient in the long term to further develop economic infrastructure and accompanying maintenance for the island territories of St. Eustatius. While the SEI funding is high when measured on a per capita basis, one must remember that it is a one-time short term capital injection. A more sustainable funding source with a fixed funding envelope over a period of years is required. This is the only way Statia will be able to meet infrastructure demands in a coordinated and effective manner. If it is a stop-and-go annual system, development will be stalled along with it. Since Statia will be entering into a new relationship within the Kingdom of the Netherlands, it may be possible for Statia to access such programs like other Dutch municipalities. Such a funding stream should be jointly managed by Statia and the Netherlands governments.

## List of Those Interviewed

### Government of St. Eustatius

Gittens, Hyden	Lieutenant Governor
Francis, Alida	Director of Tourism, St. Eustatius Tourism Development Foundation
Hooker, Ron	Commissioner for Finance
Sandries, Audrey	Member Cabinet (Lieutenant Governor)
Spanner, F.E.A.	Commissioner of Tourism
Timber, Maldwyn,	Head of Planning Bureau

### St. Eustatius Private Sector, Foundation, NGO, Education

Dijkshouen, Siem	Managing Director SMD Architects and Consultants
Dobbelsteen, Hank	Head Innovator, High School
Lopes, Jacinta	Vice Principal High School
Reehuis, Renee	Director, Innovations for Education
Sneek, Koos	Executive Director St. Eustatius Business Association
Spanner, Arlene	Director, Small Enterprise Stimulation for the Netherlands Antilles (SESNA) EU Workforce Development Project