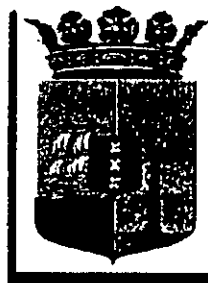


**MULTI-YEAR ECONOMIC PROGRAM  
CURAÇAO  
2004 – 2007**

**Part I  
MAIN PROGRAM**



**Island Department of Economic Affairs (DEZ) Curaçao**

**June 2004**

Multi-Year Economic Program (MEP) Curaçao  
Part I Main Program  
2004 - 2007

**Foreword**

As Commissioner of Economic Development of the Island Territory of Curaçao I am honored to present the update of the Multi-Year Economic Program 2004 - 2007. When I took office in 2003, I saw the importance of a clear "guideline" for a turnaround and further development of our economy. Even more important than recognizing the opportunities in our economy is to determine what we want to achieve in the future and how we can realize it.

In September 2001 the Executive Council approved the 2001 – 2005 Multi-Year Economic Program (MEP). Now, two years later, I can proudly say that a lot of work has been executed and completed. The WTC has been privatized and a strategic partner has been found for Curinta, a government owned company, that manages the airport. Preparatory works for both the regulatory board and the export platform have been undertaken. Incentive schemes for small and medium-sized enterprises are in place. Furthermore, many projects are being or have been implemented. These include, among others, the Contingency Marketing Plan, Renovation Molenplein, Renovation Riffort, Hotel Industry Crash Course, Renovation of Roads Christoffel National Park, the renovation of five monumental buildings, the landscaping of the route Hato-Downtown, and the Tourism Marketing Plan

The Contingency Marketing Plan has been instrumental in the increase of the number of stay-over tourists calculated at 7% in 2001 and 6,5% in 2002. The Hotel Industry Crash Course has produced 138 certified professionals of whom many have found work in the mean time. The Renovation Molenplein and surrounding areas has enabled a number of major investments such as the construction of the Howard Johnson Hotel and the renovation of the Martinus Building, in which a medical university will be accommodated. The CEPF has the goal of sustaining important (tourism) projects that have a large economic impact.

In January 2004 the implementation of MEP 2004 - 2007 started. Existing program goals will be adjusted according to circumstances. Many policy actions and projects were (are) identified that are instrumental when implementing policies. As usual a large part of the local business world was approached to give its input and to comment on our program. Captains of industry, trade-union leaders and other interest groups were involved in this process.

The focus of the MEP 2004 – 2007 will be on improving the investment climate, to mention a few, the installation of the Curaçao Economic Development Board, becoming a one-stop-window for investors, the installation of the Regulatory Board to facilitate competition and proposals for a more efficient and effective tax system. An improved investment climate facilitates and stimulates local and foreign investments. It should be realized that investments and the resulting job creation are an important strategy for poverty reduction.

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Furthermore, special attention will be given to stimulate the tourist sector, the logistics sector and e-commerce through public investments. Many projects are being prepared for these sectors. Within MEP we aim at selecting public investments that facilitate private investments. In some cases the public investments are even conditions for private investments.

Finally, I am sure that MEP 2004 – 2007 will make a difference in not only the way we approach the challenges that our community is confronting, but also in the way we work together in achieving our goals. It is important that we are aware that through mutual cooperation, we will be in a position to achieve our goals as a community.

Sincerely,

**Mr. A.F.F. Leonard  
Commissioner of Economic Development  
The Island Territory of Curaçao**

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## Summary

The Curaçao economic development has followed a bumpy road over the past two decades. Periods of booming and declining growth have alternated in this era of which the latter prevailed up to 2001. Many national and international experts have identified external shocks and internal structural imbalances as the main cause of this development. While it is practically impossible to influence the occurrence of external shocks, addressing the structural imbalances is a way to enable the economy to better adopt the shocks and to foster the internal economic engine.

Many reports have been written containing policy proposals and measures to change the situation. The recent recession is indicating that the impact of these efforts is lagging behind expectations. Since 2001, however, the economy appears to be picking up again. We have experience three consecutive years of modest economic growth. There should be no doubt that we should continue targeting a sustainable economic growth, taking into consideration a healthy social climate.

MEP, the Curaçao Multi-Year Economic Program, is expected to provide what was previously missing. MEP is a means to channel and coordinate existing and new policy initiatives in the field of economic restructuring and revitalization. In addition it comprises detailed project proposals and an implementation plan. A second motive behind the MEP is to provide a counterbalance for the severe side effects of financial restructuring. Its negative economic and social consequences are substantial and must not be neglected. Finally, the MEP is expected to form a solid foundation for requests to donors. This MEP 2004 – 2007 is an updated version of the original MEP 2001 – 2005.

The logical framework<sup>1</sup> was adopted as a text structure because it constitutes a complete and thorough program structure. Another advantage is that it makes it easier to communicate the program to interesting parties. In writing the program the Department of Economic Affairs of Curaçao (Dienst Economische Zaken, DEZ) was assisted by many stakeholders in both the private and the public sector. All provided input and advice on the overall program and/or specific policy fields. The program has a time horizon of 4 years and will be updated and evaluated every year.

The MEP fits into two larger frameworks. The first is the Development Program for Curaçao that the Executive Council of the Island Territory of Curaçao intends to develop for each policy field (economy, education, urban planning and public works, good governance, social affairs and finance). The second is the Netherlands Antilles Economic Program (DEO), which will consist of a program for each of the five islands, the program of the Central Government and an environmental program. Integration of the seven programs is to a certain extent possible, though the varying character and scale of the islands' economies should be taken into consideration, and as much as possible synergy should be sought.

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<sup>1</sup> An internationally widely used format for project and program financing requests, which is already being applied in development aid relationships of the Netherlands Antilles.

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The program MEP is divided into two parts: part I containing the main program and a description of, among other things, structure, objectives and implementation and financing plans and part II containing detailed pictures of current and intended government policy, running and proposed projects and indicators to monitor developments in the respective fields. Part II forms the core of the program. Part I can be considered a summary that also provides information on the organizational aspects of the program.

### 1.1 Part I

In part I, important background information regarding the Curaçao economy is provided. As examples of the aforementioned structural imbalances, rigid markets, excessive government regulation and market participation, labor market imperfections and an imbalanced tax system are put forward. It should be clear that if the migration balance develop positively, that this will contribute to a healthy labor market on the island. The governments has acknowledged all these problems and has repeatedly initiated plans to change the situation. The report of the National Recovery Plan Committee and the Urgency Program (both 1999) are examples of this. However, the macroeconomic indicators provided show a continuing decline of economic growth from 1997 till 2001, when for the first time positive economic growth was registered again.

The MEP is an attempt to structurally turn the economic tide. The overall objective of the program is sustainable economic growth. In practical terms this means economic growth (measured by growth of Gross Domestic Product, GDP) is not strived for regardlessly. The sustainability requirement is formulated to ensure structural measures to be taken without neglecting their long-term effects. In this respect the program should, among other things, contribute to sound government finances, employment, price stability and should not further endanger the environment.

To reach the objective the IDB-strategy<sup>2</sup> is being followed. In this strategy economic policy is divided into four sub-policies or subsectors:

- A. Ensure long-term macroeconomic stability
- B. Create a stimulating enabling framework
- C. Stimulate a limited number of economic sectors to jump-start economic recovery
- D. Develop the necessary supporting policies

The combination of these four pillars is expected to constitute a broad and sufficiently complete policy to attain the goal. Each of the four is worked out in detail in part II. A corresponding objective tree is presented in part I. In it, concrete objectives are stated for the four pillars and for the various policies that they consist of.

Assumptions underlying and risks associated with the program are explicitly identified. It is important to identify and address each one of these explicitly to prevent them from endangering the progress of program implementation. One group of assumptions and risks regards the soundness and structure of the program. Another group concerns the

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<sup>2</sup> This division is based on the classification of policies first put forward in the report of the Inter American Development Bank (IDB), Policies and Strategies for Promoting Sustainable Growth and Development in the Netherlands Antilles, 1997.

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interfaces the program has with 'the outside world'. Most of them are dependencies on actions by policy institutions on either Island or Central Government level. One critical assumption for successful execution of the program is of course the availability of donor funding.

The implementation of the MEP is the responsibility of the Executive Council of the Island Territory of Curaçao. Day to day management of the implementation is delegated to the DEZ Program Management Team (PMT).

For the financing of the program various sources are available. The fund will be fed from three sources: financial means from the island budget, donors (mainly, but not only The Netherlands) and privatization proceeds. For a speedy implementation a special development fund is of crucial importance, because it will reduce red tape that currently characterizes the procedure. In the report of the Wijers commission detailed proposals have been made for such a fund. Moreover, the constellation prevents repetitive negotiations and competition between projects from different programs and provides a structure for a coordinated and coherent policy implementation. An inventory of projects during the drawing up of the MEP indicated that an estimated ANG 215 million will be needed to execute the current 2004 -2007 program of which approximately 165 million will be financed through MEP. The rest are own contributions of the organizations implementing the projects (project owners). These amounts are tentative and are dependent on final project selection and the future updates of the program.

Part I further presents the structure for monitoring and evaluation of the program and the Concise Project Data Base (PDB). The PDB in part I is a concise version of the complete and detailed PDB that is used by the program management team. The current PDB is, like the entire program, a flexible and evolving document. The list of projects is therefore neither final nor exhaustive.

## 1.2 Part II

In part II the four pillars A, B, C and D are further elaborated in so-called subprograms. For each of them the same structure is applied: 1) summary, 2) description and analysis of the subsector stating, among other things, recent developments, government policy and indicators and 3) planning subsector. This makes cross-reading possible. In chapter 3 of each subprogram concrete projects are presented.

### **Macroeconomic stability (A)**

A balanced government budget, price stability (less than 2% inflation), a stable exchange rate and current account without structural deficits are the most important characteristics of the desired macroeconomic stability. In Curaçao especially government finances and the current account of the balance of payments are not on target-level yet. This has lead to increased taxation

The current account will be improved by stimulating tourism and other export activities. Subprograms B and C provide for this. In addition current price regulations will be examined.

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**Enabling business environment (B)**

An enabling framework is defined as the whole of government policy, government behavior and economic structures that facilitates and stimulates the private sector to undertake economic activities. In the MEP three categories of policy are distinguished: Firstly, market-oriented policies: improving the working of the labor and the capital market and stimulating competition in general. Secondly, specific stimulating policy regarding innovation, export, trade and entrepreneurship. And, thirdly, policy regarding the government itself such as public sector efficiency, privatization and the tax system.

Most of these policies concern legislation, regulation and/or organization and do not involve large investments. This should not lead to an underestimation of their importance. **These policies constitute the long needed structural change.** They are aimed at creating optimal circumstances for the private sector and this is crucial for the long-term growth potential of the economy. Without the structural change, the effects of sector stimulation (part C) will be lower and less long lasting.

The main results in the 2001 – 2005 MEP concern the privatization of the World Trade Center, the Alterra (CAP) concession for the airport, the preparatory work done for the regulatory board, the preparations for the ISO certification for the section “Vestigingsvergunningen” (Establishment Permits), and many incentive schemes for the small and medium-sized enterprise (SME) sector.

Within the B-section in the 2004 - 2007 MEP special attention will be given to the competition policy, entrepreneurship, public sector efficiency and tax policy. Executing part B will cost approximately ANG 14 million via MEP and ANG 15 million in own contributions.

**Stimulating specific economic sectors (C)**

In subprogram C five sectors are selected to be stimulated in order to form the pillars of a diversified economic structure for Curaçao and to create a jump-start of economic activity. The main selection criteria are large current employment or expected employment growth and the ability to generate foreign currency. For Curaçao the following sectors are selected: tourism, logistics, e-commerce, international financial services (financial offshore) and oil-refinery. In the first three sectors the aim is substantial growth in each of these sectors while in the IFS and oil sector the aim is stabilizing these sectors. For each of the sectors a short survey will be given. Many public investments have already been undertaken under the 2001-2005 MEP.

**Tourism**

The tourist sector in Curaçao can be subdivided into cruise and stay-over tourism. For both categories government policy is aimed at growth. The target for stay-over tourism is an increase of 21,6 % from 221,450 stay-over tourists in 2003 to 269,173 tourists in 2007. For cruise tourism this is 6.1%.



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These ambitious targets will contribute strongly to reduction of unemployment because the sector is very labor-intensive and requires relatively low-skilled labor growth. In addition, tourism almost automatically benefits the foreign currency reserve, a second criterion for sector selection. It is the growth potential that makes the sector the spearhead sector of economic policy. From the analyses it follows that Curaçao is not optimally exploiting its opportunities and that certain characteristics need to be improved and/or invested in. The program approach of the sector distinguishes general, stay-over and cruise tourism. All three elements of policy contribute to achieving the ambitious growth target by eliminating the main bottlenecks: capacity (especially the number of hotel rooms), poor quality and service, inefficient marketing efforts and insufficiently qualified labor supply. Regarding the latter an important dependency remains on the educational program.

Stay-over tourism policy is aimed at promoting the sector and at improving its quality. The Curaçao Tourism Board is the main institution responsible for this. Envisaged are a revision of the tourism marketing plan and projects to improve the service level in the private sector and that of government personnel that have contact with tourists. Via the Curaçao Economic Participation Fund (CEPF) room construction will be stimulated. Also improving the tourism product remains important.

Cruise tourism did increase substantially in 2000 but has stabilized since then. From 2004 onwards growth is expected again. The focus remains on improving the service level and competing more efficiently with the other islands. Because of the slow predicted growth in this sector there is no need for a second mega cruise terminal in the period 2004 – 2007.

Important projects that have been implemented or started under the MEP 2001 – 2005 are the Contingency Marketing Plan, Renovation Molenplein, Renovation Riffort, Hotel Industry Crash Course, Phase I Renovation of Roads Christoffel National Park, the renovation of five monumental buildings, the landscaping of the route Hato-Downtown and the Curaçao Economic Participation Fund (CEPF).

The Contingency Marketing Plan has been instrumental in the increase of the number of stay-over tourists of 7% in 2001 and 6.5% in 2002. The Hotel Industry Crash Course has produced 138 certified professionals. The Renovation Molenplein and surrounding areas has facilitated a number of major investments such as the construction of the Howard Johnson Hotel and the renovation of the Martinus Building in which a medical university will be accommodated. The CEPF has the aim to sustain high-risk (tourism) projects which nationwide have huge economic impact.

The preliminary list of projects regarding the tourist sector for the 2004 - 2007 MEP requires approximately ANG 117 million via MEP, of which 73 is destined for the tourism product, 25 million for marketing, 18 million for human resources and ANG 0.5 million for studies. Including own contributions of the organizations implementing the projects (project owners), the cost amounts to ANG 132 million.

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**Logistics**

The logistics sector as described in the program consists of the airport, the harbor and the e-zone. The geographical location of Curaçao, tax facilities and the close relationship with the Netherlands (Europe) are the factors supporting the growth potential. Critical success factors for logistics are the overall cost level and limited space for expansion.

The harbor (the target for 2005 is 50% for growth of Gross Registered Tonnage) is exposed to fierce regional competition. Important factors for growth are the development of cruise tourism, the increase in local exports and the possibilities for expansion.

Projects to increase harbor activity include expansion of the harbor area, infrastructure maintenance and research into developing new sites.

With respect to the airport Alterra Enterprises Ltd or, to be more precise, Curaçao Airport Partners NV (CAP) is granted a concession to operate Hato on its own account for 30 years. CAP will undertake to invest \$35 million in the airport and \$ 65 in a so-called "Airport City". An increase of incoming passengers of 12,5% is expected in the period 2004 – 2007. Because of the already ongoing investments in the airport no further MEP investments are necessary at this moment. This may change in the future.

The e-zones (formerly free-zones) expect an increase in the number of companies (both goods and services) of 119%. The recent adaptation of legislation allowing e-commerce activities in the zone is expected to stimulate the sector. The extra capacity needed for the growth still constitutes a bottleneck for Koningsplein. Expansion of the e-zones may be supported by MEP if donor funds are approved for this purpose.

The overall cost level is a more general problem that will have to be solved by other measures from the program such as privatization, tax policy and stimulating competition. Total investments in the logistics sector amount to almost 19 million guilders. Including own contributions, this is ANG 53 million.

**E-commerce**

E-commerce is another way of doing business. The governments of the Netherlands Antilles and the Island Territory of Curaçao trust it will contribute to revitalize the economic development in the international finance services sector and logistics sector. These sectors have distinguished themselves for their competitive advantage. The objective of E-business/E-commerce activities is to enable business processes to become more effective and more efficient. E-commerce activities are at the forefront of this global trend. In this sense E-commerce activities, defined as "doing business transactions on the Internet", can be found in the global economy throughout all economic sectors, thus not characteristic of one specific economic sector. The government of Curaçao has the ambition to transform Curaçao into the e-commerce island of the Caribbean. To be able to meet this strategic objective a total package of measures must be in place.

Since the installation of the E-commerce platform and subsequently their report with recommendations, which was published in the year 2000, the public private partnership

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resulted in the implementation of several of the proposed conditions. Several in-depth studies were conducted, for example: the cost of utilities, required bandwidth, cost of transportation, demand and supply of labour force, and the outlines of a sustainable marketing strategy. These studies were all aimed at the enhancement of the E-commerce business climate. The ambition to attract Call Centres to create added value in terms of creation of new jobs and generation of tax revenues for the government, has proven not be of a structured nature.

On a global scale there are at present three profitable Industries active on the Internet. Online employment recruitment, adult entertainment and online gaming. Since offshore gaming constitutes the largest E-commerce activity established on Curaçao, in part II a detailed description of the Internet Gaming industry is given. Financing needs of these projects add up to ANG 2 million.

#### **International Financial Services (IFS)**

The international financial services sector has been and still is one of the largest economic sectors in Curaçao. In recent years, its position was seriously threatened by legal developments within the Kingdom of the Netherlands and in the international field. Now that uncertainties regarding tax legislations have been removed it is believed that the sector will regain most of the grounds that it lost in the past.

#### **Oil**

The oil industry plays an important role in the economy of Curaçao. This is not only for its direct and indirect labor demand, foreign exchange and history, but also for its dominant view and environmental influence. Until the year 2019, there is a lease-contract between Petr6leos de Venezuela S.A. (PDVSA) and Refineria di K6rsou on behalf of the local government. This contract can be extended if both parties wish so. BOO and IRUP are important projects for the future of the oil industry and the energy production for the population. A strategic study of the implications of a decision to the effect of closing down the refinery after 2019 is desirable. Furthermore, a study of the possibilities of gasification is advisable, in order to reduce pollution in downwind areas of the refinery, and to produce clean energy and help to clean up the asphalt lake.

#### **Supporting policies (D)**

The policies assembled in the D-pillar do not fall directly under economic policy, but do have a strong link and/or form an important precondition for economic development.

#### **Education**

Educational policy has already been fully described in the Educational Program and part of it is also enclosed in the MEP because it determines the quality of labor supply to a large extent. In particular the importance of improving and expanding vocational training in the spearhead sectors of tourism and e-commerce is underlined.

#### **Environment**

Environmental policy has been enclosed because every economic activity employed is bound to have direct or indirect effects on the environment and because it is felt these

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effects are being underexposed in current policy. From the analysis it follows that many initiatives have been taken, but there is a strong need for a coordinated overall policy.

**Employment and income policy**

Employment and income policy, the last two policies enclosed in this chapter, lie on the tangent plan between economic and social policy. Motives to develop these policies have both a social and an economic background. Social because employment helps to fight poverty and a fair income distribution helps guaranteeing a minimum living standard. On the other hand an educated and motivated workforce will improve the working of the labor market and foster economic development. At the same time less unemployment and a certain income level will stimulate domestic consumption and, therefore, growth. Most initiatives in these fields have an ad hoc character and a more structural policy needs to be developed.

**Concise Project Database**

At the end of this part I, a concise project database is enclosed. This database presents an overview of cost of projects that have been inventarized. Both financing through MEP and the total costs which include the own contribution of the organizations that implement the project (project owner) are mentioned.

The tentative ANG 215 million is the sum of the financing needs of all projects that have been inventarized. Of the ANG 215 million approximately ANG 164 million will have to be financed via MEP of which 25 million has already been committed and partly spent under the MEP 2001-2005. The remaining part is constituted by own contributions. The division of the MEP financing of ANG 164 million over the ABC goals is roughly as follows: A 70,000, B 14,000,000, C 150,000,000. It is clear that the program puts emphasis on stimulating economic sectors by making large investments. By following this approach, multiple goals are being reached of which structural reform and enforcing the economic structure are the most important. The return on investments and the number of jobs to be generated is difficult to calculate due to the facilitating character of many of the public investments. It are the resulting private investments where most of the return on investment or jobs are to be gained.

## 1 Introduction

### *Why Curaçao needs a Multi-Year Economic Program*

This Multi-Year Economic Program for Curaçao (MEP) for the years 2004 - 2007 is an update of the MEP 2001-2005. MEP is aimed at sustainable economic growth by, on the one hand, modernization of the "rules of the game" and, on the other hand, stimulating economic activities. It has a four-year<sup>3</sup> time horizon and a rollover character which means it will be updated and extended every year. In the MEP 2001-2005 document the following reasons were mentioned for the need for the program "Firstly, the lasting situation of economic recession with high unemployment, lack of investments, and decreasing purchasing power demands fierce actions and a pro-active strong economic policy. Secondly, in the last few years many policy actions and projects have been initiated and proposed. However, a coherent and consistent overall program, in which projects and actions are coordinated, was missing. Thirdly, a multi-year economic program with clear objectives and strategies is necessary to obtain maximal support from the Netherlands and other donor organizations." Although the economy has improved slightly since the MEP 2001-2005 was initiated, a pro-active, strong economic policy and concrete actions are still needed. Also the Netherlands still require a multi-year economic program to channel support.

### *Why MEP is different*

MEP differs from many existing analytical reports. MEP combines economic policy and an implementation plan consisting of economic policy measures and concrete projects. The economic policy measures of this program are based on sound economic analysis of the situation and at the same time provide sufficient guarantees to ensure efficient and timely implementation. In each policy field a description and analysis will be combined with concrete proposals and projects. Policy and policy implementation will thus be linked.

### *MEP implementation*

Coordination of MEP implementation is done by the Department of Economic Affairs of Curaçao (DEZ). Originally funding of individual projects was planned to take place by a fund that would be established for this purpose. However, this fund has so far not materialised and most projects are funded according to lengthy procedures that include the Executive Council, the Department of Development Cooperation, the Representation of Holland in Curaçao and the Ministry of the Interior and Kingdom Relations in The Hague. Fortunately, the recently published (July 2002) report "Nieuwe Kaders, Nieuwe Kansen" (New Frameworks, New Opportunities) proposes just the type of fund that was originally planned for MEP. This fund (Stichting Ontwikkelingsfonds Nederlandse Antillen (SONA) or Foundation Development Fund Netherlands Antilles) is now planned to be in place in the second half of 2004. It is expected that DEZ can directly submit projects to the fund, thus avoiding the long delays of the past. In this way a maximum of

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<sup>3</sup> The previous 2001 - 2005 MEP had a duration of 5 years. The recommendation in the report of the Wijers commission "Nieuwe Kaders, Nieuwe Kansen" for a duration of 4 years for all programs has been followed.

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coordination and integration is achieved while still having sufficient checks and balances in place. MEP can thus be implemented in a straightforward and speedy manner.

*Scope of the economic program*

This is a program with the objective to reach sustainable economic growth. However, since 'sustainable' and 'economic' (and maybe even 'growth') are not clearly defined concepts, we have to define them for use within the confines of this program.

It is important to make a distinction between 'economic' activities (to be included in this program) and 'non-economic' or related activities (to be executed under other programs), which, however, also are necessary for, or contribute towards, sustainable economic development. Topics much discussed in this respect are education, infrastructure and environment. In writing this program, the following choices were made explicitly:

- Education in general, its importance undisputed, will not be regarded as 'economic', while education geared at specific labor market needs will (see Part II, subprogram D: Education as a condition for economic development).
- For infrastructure an analogous reasoning is applied. Only infrastructure projects that directly contribute to specific program activities are included such as a mega pier for cruise tourism and the development of the city center (SOP). General infrastructure on the other hand, such as surfacing of roads or improvement of the main system for water distribution, is not regarded as economic.
- Environmental policy will be discussed from the point of view of balancing economic and environmental demands. Activities in this field that are directly related to economic activities will be included. Environmental activities that are more educational or public health oriented will not be co-coordinated under MEP, since they form part of a future environmental program. Nevertheless for all economic projects the environmental effects will be examined in the project proposals.

In this program sustainable is defined as long lasting in the way that effects of measures should not be once-only and that consequences of current measures for future generations should be taken into account. The environment is important in this respect. Important issues, related to sustainability, that have to be taken into account are furthermore the effects of, for example, the debt burden, the long-term consequences of strategic choices regarding the direction of economic development, the income and welfare distribution and broad participation in the labor market.

This Program fits into two larger frameworks. At the same time when this Program was written, a Curaçao program for education was compiled. It is the intention of the Executive Council of the Island Territory of Curaçao that for each policy field (Education, Infrastructure, Good Governance, Social Affairs, Finance) a program will be written, which together will form a comprehensive Development Program for Curaçao.

Considering the size of the island, the environmental and tourist value of its nature, and the high costs of land development, it is particularly important to align the economic policy and specifically tourism development on the one hand, and the 'spatial policy' on the other. A policy of 'spatial and sectoral zoning' can enlarge the effects of, and the

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synergy between private and public investments. The realization of an adequate physical, social and business environment and preservation of cultural and nature values, are important conditions for a successful and sustainable economic development.

The other framework consists of the Economic Program of the Netherlands Antilles, which is being developed at the level of each of the five islands and on the central level. The Department of Economic Affairs at Central Government level is coordinating this. These six programs will together form the Program DEO (Duurzame Economische Ontwikkeling) (Sustainable Economic Development) of the Netherlands Antilles. Integration is neither possible nor desirable, because nature and scale of the various island economies vary greatly. This does not exclude of course certain forms of economic cooperation between the islands.

Of course consistency among the six programs is strived for. MEP after approval by the Curaçao Executive Council, will be submitted to the Department of Economic Affairs for coordination purposes and to communicate to the central level all proposals for measures at this level which the Curaçao government deems necessary for restructuring and facilitating economic activity such as the Economic Development Board and the Regulatory Board.

Figure 1 A and B: Program Links  
A) DEO

DEO					
Ec. Program Central Government	Ec. Program Bonaire	MEP Curaçao	Ec. Program Saba	Ec. Program St. Eustatius	Ec. Program St. Maarten

B) Multi-Year Development Program Curaçao.

Development Program Curaçao					
MEP	Educational Program	Urban planning and public works Program	Good Governance Program	Finance Program	Social Program

*Structure of the program*

The structure of MEP is as follows:

- A. Ensure long-term macroeconomic stability
- B. Create a stimulating enabling framework
- C. Create growth in specific economic subsectors
- D. Develop the necessary supporting policies

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This structure is based on the strategy put forward by the Inter-American Development Bank (IDB) in 1997<sup>4</sup>. Only some slight alterations were applied. The structure was chosen because many current policy measures are derived from the IDB analysis. In addition it is well known and broadly supported in the Curaçao economy.

Besides this content-structure, the logical framework was chosen to describe the intervention logic<sup>5</sup>. The first reason for this is that it improves the ability to communicate the program internationally, since it is a well-known structure. The second reason is that it ensures a thorough approach of drawing up the program, linking inputs, activities, outputs, project objectives and program objectives in a comprehensive way. The logical framework has furthermore given the program documents their textual structure. For the format chosen for the chapter and paragraph arrangement is based on the aforementioned logical framework.

*Program compilation*

The Executive Council of Curaçao has appointed the Department of Economic Affairs of Curaçao (Dienst Economische Zaken or DEZ) to write the Multi-Year Economic Program (MEP). This year MEP has adopted a policy cycle whereby MEP will be evaluated during the first months of the calendar year and MEP will be updated during the second half of the calendar year.

In drafting the program the DEZ staff has been working in close cooperation with the stakeholders (60 were interviewed in total) in the public and the private sector to draw up specific objectives, targets and strategies and made an inventory of all running, planned and desired projects in the respective fields.

*Program documents*

The program is divided into two parts. Part I contains the main program, in which the structure, objectives, financial means and implementation and monitoring plan are presented. Part I also includes a concise project database with information regarding costs of the program per sector grouped by type of activities. Part II consists of the 'subprograms' for each of the four pillars (A, B, C and D). Again it is stressed that the list of projects is neither final nor exhaustive. In short, Part I provides a global overview of the program and Part II provides the reader with more in-depth information.

The program structure is presented in figure 2 below.

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<sup>4</sup> IDB, Policies and Strategies for Promoting Sustainable Growth and Development in the Netherlands Antilles, 1997.

<sup>5</sup> The intervention logic describes the hierarchy of inputs, activities, outputs, project objectives, program objectives and development objectives, how one level leads to the other, including the assumptions involved.



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Figure 2 MEP Program documents

<b>Multi-Year Economic Program Curaçao 2004 - 2007</b>	
Part I	Main Program Concise Project Database
Part II (English)	Subprograms A, B, C and D
Part III (English and Papiamentu)	Program documents for public use

## 2 Background

### 2.1 Characteristics of the Curaçao economy

Economic activities in Curaçao take place within the constellation of the Netherlands Antilles and the Kingdom of the Netherlands. Curaçao is part of the country the Netherlands Antilles, which consists of two geographically separated island clusters; Curaçao and Bonaire close to Venezuela and St. Maarten, St. Eustatius and Saba, which are centrally located in the Caribbean. Within the Netherlands Antilles, Curaçao is the largest island with 70-75% of its population. The Netherlands Antilles, Aruba and the Netherlands together form the Kingdom of the Netherlands. This constitutional and structural relationship with the Netherlands is a result of the former colonial status of the Netherlands Antilles and Aruba. The Netherlands Antilles and Aruba are autonomous countries within the Kingdom and as such handle all their affairs, with the exception of foreign affairs and defense. Within the Netherlands Antilles, the Central Government, in the economic field, is mainly responsible for external trade relationships and legislation. The latter is regarded as an external dependency for MEP Curaçao.

A main characteristic of the Curaçao economic structure is the large share of services (financial services, tourism, logistics) (60%) and the government sector (20%) in Gross Domestic Product (GDP). Some other, less sizeable, sectors are manufacturing (8%), construction (6%) and agriculture (0.5%). This division reflects the limited availability of natural resources. Notable exceptions are the deep-sea harbor and, from a tourist point of view, the fine beaches and coral reefs and the historical city center. Curaçao is furthermore located outside the main hurricane belt.

Most goods have to be imported and transportation contributes to higher prices. Services on the other hand do not require the same amount of expensive transports and form therefore the natural pillar of the economy. The main services provided in the economy are: trade, tourism and financial and business services. Of the latter, international financial services or financial offshore business, forms an important part.

After several difficult economic years, the economy of Curaçao improved slightly in 2001. This is mainly based on growth in stay-over tourism and harbor activities and some major investments. Recent economic developments have been described in the DEZ Economic Outlook 2004. The economy has grown with 0.3%. The financial situation of the government was and is still worrisome with a budget deficit of ANG 90 million in 2002. The debt burden has also steadily increased. Inflation has been relatively low with an inflation rate of 0.4 percent in 2002. Unemployment decreased until 2001.

The Curaçao economy is furthermore characterized by:

- *Rigid markets:* product, labor and capital markets are quite rigid. As a result, the Curaçao economy is not equipped to absorb external shocks or other smaller imbalances. As can be read in the subprograms, since 1999 important steps to improve the functioning of markets have been taken or are planned for the near future.

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- *Excessive government regulation and market participation:* due to accumulation of government interventions over the years a dense grid of procedures, permits, prohibitions, requirements etc. has been formed. However, now it is realized that this impedes economic development. Curaçao has not yet fully joined the international trend towards deregulation. Some initiatives have been taken though. As for government market participation, the privatization process is aimed at reducing the government's market share.
- *Insufficient training possibilities.* The local population is being stimulated to participate more actively in the business community through more training opportunities.
- *Inadequate supply of professionals.* The island is confronted with a so-called 'brain drain'. Two developments have contributed to this: firstly, young people go to the Netherlands for higher or university education and do not return and, secondly, due to the decreasing quality of life the island an increasing number of educated people leave for the Netherlands to continue their careers. A number of social and economic developments can be put forward to explain this trend. In addition, until recently the educational system could be qualified as outdated.
- *A tax system that hampers economic development.* The present tax system not only distorts economic decision-making, but also is very complex. Tax collection is furthermore not conducted in an effective manner and is in some instances selective.

This unfavorable situation has gradually developed. During the past decades the economy on Curaçao has, for various reasons not been fully market driven. However, the world economy has rapidly changed to more market-oriented structures. This development has, to some extent passed Curaçao.

## **2.2 Government policy with respect to the economy**

The Curaçao government has acknowledged the fact that in order to safeguard sound economic development in the long term, structural measures have to be taken. Since macro solutions such as devaluation or voluntary income contractions are considered to be hardly politically feasible, productivity and efficiency increases are a better way to go. Certain characteristics of the economy have to be altered to reach the objective of an open and dynamic economy, which will be able to guarantee the long-term prosperity of the population of Curaçao. The whole of policy measures will help restore private sector confidence.

In November 1999, the signing of the Urgency Program of Curaçao was a marked signal for the new emphasis in economic policy. The chapter on economic measures consisted of actions aimed at improving the flexibility of the Curaçao economy or at improving the 'enabling framework' for the private sector. Measures proposed include a drastic reduction of the civil servant workforce, flexibilization of the capital market, flexibilization of the labor market, privatization of a number of government-owned companies and financial restructuring, which is important for macroeconomic stability. The reduction of the number of civil servants was realized in 1999 for Curaçao. Furthermore, much emphasis was laid on growth of the tourist sector.

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In the scope of the Urgency Program and the acute financial problems, the IMF proposed a matrix with several macroeconomic and structural measures on both Island and Central level, which should be executed in 2000 and 2001. The implementation of the measures in the matrix was a condition for liquidity support by the Netherlands. Most of these measures were financial or fiscal measures such as increasing taxes, lowering expenditures, improving organization, transparency and efficiency of the tax system.

However, the reform process, although heading in the right direction, can be valued as "adjustment by default" (uncontrolled, involuntary) instead of "adjustment by design". The execution of the Urgency Program was thus faced with delays. At the same time the further deterioration of the financial situation forced Curaçao to carry out an even more drastic financial program with, among other things, the increase of tax rates, which pushed the economy into an even deeper recession.

To counter this negative impulse, the need for a broad and widely supported multi-year economic program was felt. The Curaçao government believes that only the implementation of a well balanced economic recovery and restructuring program will bring the desired long-term prosperity to the island. The strategy to be followed to reach the objective is based upon the strategy the Inter-American Development Bank outlined in 1997, i.e. economic policy should address the following four aspects:

- A. Ensure long-term macroeconomic stability
- B. Create a stimulating enabling framework
- C. Create growth in specific economic subsectors
- D. Develop the necessary supporting policies

At the request of the Executive Council, this Multi-Year Economic Program was drawn up along these lines by the Department of Economic Affairs of Curaçao in close cooperation with other stakeholders in both the private and the public sector.

The Executive Council has declared this program to be the backbone of economic policy in the coming years. Until now many projects have started within the scope of the Multi-Year Economic Program and many projects are being worked on.

### **2.3 Stakeholders and other involved parties**

For the Multi-Year Economic Program the following stakeholders were identified (in the sub-programs more detailed lists of stakeholders will be presented):

- The government of Curaçao, since most of the economic plans and measures have interfaces with other policy fields.
- Social partners (the business community/employers and employees) as counterparts, economic actors and investors.
- The Central Government of the Netherlands Antilles as counterpart and external dependency.
- The Central Bank in the field of monetary policy
- The Netherlands as a counterpart and donor.
- The European Union as a donor.

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- Project owners (Organizations that implement projects (co) financed out of the MEP Fund and possible other funds)

#### 2.4 Other relevant activities

A number of other relevant activities (activities that are important for the economic program, but do not fall directly under the program) are identified:

- This program fits into two larger frameworks: the Curaçao Development Program to be and the Netherlands Antilles Economic Program.
- The World Bank released a report in 2001 on the business climate of the Netherlands Antilles. The World Bank also gave comments in 2001 on the 2001-2005 MEP. It was regarded a professional program with an adequate structure and contents for meeting the challenges ahead.
- The Organization of Economic Cooperation and Development (OECD) has recently at the request of the Minister of Economic Affairs and Labor Affairs investigated the business climate of the Netherlands Antilles.

#### 2.5 Available background information, reports and policy papers

- World Bank report, The Netherlands Antilles: Prospects and Policies Under Changing Conditions, 1986
- Inter-American Development Bank, Policies and Strategies for Promoting Sustainable Growth and Development in the Netherlands Antilles, 1997.
- National Recovery Plan (Rapport van de Commissie Nationaal Herstelplan), June 1999.
- Urgency Programs (Regeerakkoord 1999-2003 Curaçao and Regeerakkoord 1999-2002 Netherlands Antilles), November 1999.
- Government Program of the Central Government 2002-2006
- DEZ Economic Outlook 2004 and previous years
- Curalyse, the DEZ macroeconomic computer model
- EGC Economic Policy Paper, March 2000 (Economische Beleidsvisie 2000 EGC)

In the subprograms more specific reports and papers are listed.

#### 2.6 Inventory and analysis of indicators

The Curaçao economy performed rather poorly in the second half of the 1990's and 2000, but in 2001 a positive growth rate of 1.4% was measured by the Central Bureau of Statistics.

**Table 1 Macroeconomic Indicators Curaçao**

	1980	1990	1998	1999	2000	2001
Real GDP growth (annual, %)	14	0.8	0	-2.2	-3.1	1.4
Growth world real GDP			2.5	3.0	4.7	2.4
Unemployment %	20	18	17	14 <sup>6</sup>	14	16
Investment growth (annual, %)	-20	-18	13	5	-1	4

<sup>6</sup> The decline in the unemployment rate can be contributed to the large flow of migration of people from Curaçao to mainly the Netherlands

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	1980	1990	1998	1999	2000	2001
<b>Foreign Exchange Reserve (ANG mln)*</b>	246	435	778	763	636	1069
<b>Months Import coverage</b>				2.8	2.2	3.8
<b>Current Account Balance (% GDP)*</b>	1	0	-3	-7	-6	-5
<b>Inflation %</b>	15	3.7	1.1	0.4	5.8	1.8
<b>Budget deficit (% GDP)</b>	8	6	1	2	5	1
<b>Public debt Curaçao in billions ANG**</b>			2.0	2.1	2.0	2.1
<b>Public debt Curaçao (% GDP)</b>			59.1	62.3	58.8	59.1
<b>Of which short term (% GDP)</b>			17.7	18.9		
<b>Total public debt NA in billions ANG***</b>	0.7	1.5	3.1	3.3	3.3	3.5
<b>Total public debt NA (% of GDP)</b>	44	46	67	72	70	73

Source: BNA, CBS, DEA, Department of Finance

\* Data for the Netherlands Antilles \*\* Department of Finance Curaçao \*\*\* BNA (11 juni 2000)

From table 1 it can be read that until 2001 economic development has been disappointing across the line. Not only has real GDP decreased substantially, also the government budget deficit has worsened and the current account has deteriorated. However, in 2001 the macroeconomic situation improved, mainly because of the increase in stay-over tourism, investments and positive developments in the harbor sector and harbor related activities like the E-Zone.

After relatively high inflation in the year 2000, the year 2001 saw only a small increase in consumer prices. The downward trend in the unemployment rate till 2001 can be explained by the emigration to the Netherlands of approximately 6-8% of the population per year.

The table with macroeconomic indicators only presents the data for the period 1998-2001 and this shows a worrisome picture of economic developments till 2001.

However, if the period 1985-1995 is taken into account, economic data are more positive. This contrast is caused by a number of positive 'external shocks' in the earlier period. Examples of these are offshore activity, making use of OCT<sup>7</sup>-possibilities that were limited thereafter and the substantial inflow of funds because of lump sum payment of pensions after the departure of the Shell oil company. All these developments were temporary and do not represent the strengths of the Curaçao economy. They merely supplied ad hoc purchasing power that resulted in a jump in private and/or government consumption that boosted GDP growth.

The effects of the recent crisis in Venezuela have been mixed. For the banking and insurance sector and the airport the effects have overall been positive. Some Venezuelan companies insured their businesses on Curaçao. The positive effects for the airport were caused by airtraffic diverted to Hato. This increased income in terms of landing fees, sale

<sup>7</sup> Overseas Countries and Territories of the European Union that have preferential access to European markets.

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of fuel and handling charges. For the harbor, the oil industry and tourism the effects have overall been negative. Negative effects in the harbor were caused by a 50% decrease in the number of containers exported to Venezuela from the Economic Zone. In the oil sector work done by contractors stagnated. The negative effects for tourism were caused by a decreased number of middle class tourists from Venezuela. Effects for government income and foreign exchange reserves have also been negative. For the economy as a whole it can be said that the crisis in Venezuela has had negative effects. The situation in Venezuela at the beginning of 2003 has, although improved, not stabilized yet. Developments in the Middle East also remain worrisome.

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### 3 Objectives and content of the program

The program objective is sustainable economic growth. Each of the four subprograms A,B,C and D has its own subprogram objective. The subprogram objectives are presented in the objective tree in figure 3 and is further explained in table 2 (Explanation Subprogram Objectives).

**Table 2 Explanation Subprogram Objectives**

	<b>Subprogram Objective</b>	<b>Explanation</b>
A	Macroeconomic Stability	The overall macroeconomic climate needs to be stable and resistant to external shocks. Instability in terms of fiscal imbalances, high public debt, high inflation rates, instable exchange rates and budget deficits can disturb or prevent balanced economic growth and sound behavior of economic actors and create lack of confidence within the business community. <i>The instable Euro is a plus right now</i>
B	Enabling Business Environment (Favorable investment climate)	By improving the enabling framework, which is defined as the whole of government policy, behavior and economic structures that facilitate and stimulate the private sector to undertake economic activities, a more favorable investment climate is strived for. This subprogram is further divided into three policy clusters with different orientations: <ul style="list-style-type: none"> <li>• More market flexibility (Capital Market, Competition Policy) and better match of demand and supply on the labor market</li> <li>• Business promotion (Trade, Export, Entrepreneurship, Innovation)</li> <li>• Government (Public Sector Efficiency, Privatization, Tax Policy)</li> </ul>
C	Stimulating Specific Economic Sectors	The sectors selected to be stimulated in particular are expected to be able to generate economic growth in terms of foreign currency and employment (Tourism, E-commerce, Logistics) and to remain or to become the pillars of the economy. Stabilization or recovery to previous levels is aimed for in the sectors oil and IFS.
D	Adequate supporting policies in other sectors (Adequate linkage to other programs)	The economic program should be fine-tuned to those policies in other programs that have a large impact on the economic process or have important interfaces. The main other programs identified are educational, environmental and social programs.

#### **Sustainability**

Economic growth in this program is not strived for at any cost. Economic development should be sustainable. In general this comes down to long-term and lasting effects of

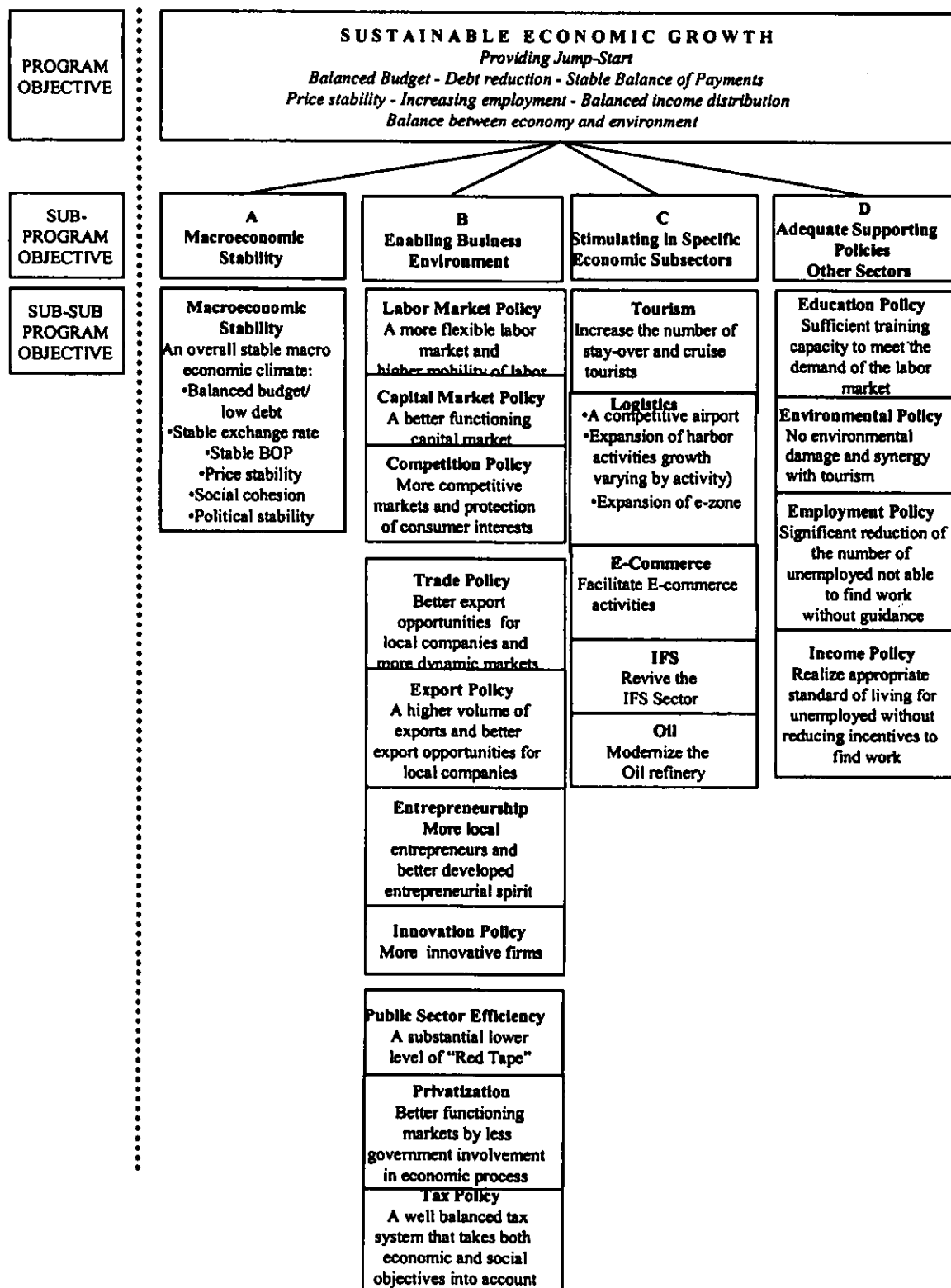


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**policy measures that take account of consequences of current measures for future generations.**

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**Figure 3: Objective Tree**



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program should balance in an economic, fiscal social and environmental way. In addition, quick economic recovery is required because the social slide down as a result of the decline in the real GDP should be stopped. In this program sustainable economic growth is defined as meeting the following economic<sup>8</sup> sustainability criteria:

**Table 3 Sustainability**

<b>Criterion</b>	<b>Explanation</b>
Balanced Budget	Contribute to improving the budgetary situation of the government (without increasing tax burden).
Debt Reduction	Reducing the debt burden to levels that present no excessive burden for future generations and is locally financeable.
Stable Balance of Payments	Reducing the structural deficit on the current account of the balance of payments mainly by increasing exports.
Price Stability	Not endanger the relatively stable price development on Curaçao.
Increased Employment	Contribute to an increase in employment.
Balanced Income Distribution	Decrease current income differences.
Balance between Environment and Economy	Not further damage or deplete the precious natural environment. Economic activities that are aimed at improving the environmental situation should be stimulated.

**Selection of projects** or activities should therefore not only be made to meet a specific subprogram objective, but should also be made in the light of the above-mentioned criteria. The extent to which the whole of the program meets the criteria mentioned above will be evaluated.

<sup>8</sup> In chapter 6 the programmatic sustainability criteria are discussed

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#### 4 Assumptions and risks

Assumptions link the program to the program environment. The program environment includes those activities, projects etc. that are important for program success, but cannot be directly controlled by the program. Assumptions are made explicit in table 4 so they can be monitored. If an assumption made does not hold anymore, action by program management will be required. The program should be reformulated or an additional project should be formulated in order to realize that what has been assumed. The assumptions have been categorized as follows: assumptions at program level, assumptions regarding Central Government, Island Government, Central Bank, donors, project owners and others. For each assumption a risk *level* (low, medium or high) is determined indicating the chance that the assumption does *not* hold. The explanation column gives more information on the assumption and the risk assessment and the last column indicates the subprogram to which the assumption is of importance. Monitoring will focus on those assumptions carrying a high or medium risk.

**Table 4 Assumptions and Risks**

Assumptions	Risks	Explanation	Subprogram
<b><i>Program level</i></b>			
The A, B, C or D strategy chosen is effective and covers the economic policy field.	Low	Based on a thorough analysis and recommendations of international organizations such as the World Bank, IDB and IMF with proven success in Latin American and Caribbean countries	All
The objective-structure described in chapter 3 of the program is correct and sufficiently complete to reach the overall objective of sustainable economic growth.	Low	Based on feasible targets after consultation of stakeholders in both private and public sector	All
MEP Program Management Team (PMT) is effective	Low	The organizational structure is adequate and the DEZ reorganization is geared towards an effective implementation of MEP	All
<b><i>Central Government level</i></b>			
Labor market flexibilization will stay in place.	Medium	Many decisions are already taken. However, the topic is still debated in society	B – Labor Market
Tax legislation (revision, tax-holiday procedures, income distribution) will be approved	Medium	There is broad support for modernizing the tax system, but this is a complicated operation that needs extensive consultation of social partners and other stakeholders	All
Sufficient capacity for the committee for compiling a competition policy is available	Medium	This has priority; there are many examples in other countries.	B – Competition Policy
Sufficient capacity for the committee for compiling a capital market policy is available	High	It is a complicated matter, which did not receive policy attention in the past.	B – Capital Market Policy

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Assumptions	Risks	Explanation	Subprogram
Sufficient capacity for compiling a trade policy is available	Medium	Trade policy is complicated within the constitutional structure of the Netherlands Antilles; Curaçao does not have much influence on regional and global developments	B – Trade and Export policies
Full and effective phasing out of Market Protection Regime should be continued	Low	Phasing out of the market protection regime has been carried out halfway already	B – Trade and Export policies
Reduction of Red Tape for investors	Medium	Investors in Curaçao have to deal with the Central Government for some subjects (i.e. tax holidays)	B – Public Sector Efficiency
Tax Departments at central and island level will be integrated successfully	Medium	For a vigorous approach of tax policy a clearly structured tax department without uncertainties is needed. The deadline for integration is mid 2003. However, activities are behind schedule.	A and B – Tax Policy
Central Government as stakeholder will cooperate in privatization process	Low	This concerns mainly the privatization of United Telephone Services and cooperation in regulatory issues. No problems are foreseen.	B – Privatization
Custom regulations will be simplified and effectively and efficiently enforced	Medium	Custom procedures impede trade development	B – Public Sector Efficiency and C – Logistics
Central Government will be able to stimulate lower dial-up and bandwidth cost.	Medium	The Central Government is responsible for telecom tariffs, but does not have direct influence. Currently new legislation is being discussed. Prices have gone down in the mean time because of more competition.	C – E-Commerce
Central Government is able to agree on new international tax treaties	High	New tax treaties are necessary for the IFS sector to attract new business. Tax treaties of Netherlands Antilles and other countries are dependent on the Netherlands, however.	C – IFS
<b>EGC Government</b>			
MEP will also be funded from EGC budget	Medium	The current budget has some room for funding. Also revenues from privatizations might become available in 2003 and should be disbursed according to the island ordinance (eilandsverordening) of April 26, 2001 (which states that 40% can be used for investment in infrastructure).	All
Public Sector Efficiency will receive sufficient attention in Good Governance Program	Low/ Medium	Red Tape also exists at departments outside economic affairs, where awareness regarding the importance of a good investment climate might be lower.	B – Public Sector Efficiency
Funding for installing the Curaçao Economic Development Board (CEDB) is available a.s.a.p.	Medium	A one-stop window for investors would reduce the administrative burden substantially. A concept ordinance has already been presented.	B – Public Sector Efficiency

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<b>Assumptions</b>	<b>Risks</b>	<b>Explanation</b>	<b>Subprogram</b>
Tax Departments at central and island level will be integrated successfully	Medium	For a vigorous approach of tax policy a clearly structured tax department without uncertainties is needed. The deadline for integration is mid 2003. However, activities are behind schedule.	A and B – Tax Policy
The island government supports the extension of the e-zone area at the harbor	Medium	Expansion of the e-zone is a prerequisite for growth and this is part of the MEP.	C – Harbor and E-zone
Government provides sufficient bandwidth	Medium	Sufficient bandwidth is necessary to attract investors. Sufficient bandwidth is technically available, but high prices are inhibitive and insufficient updating of equipment causes bad service.	C – E-Commerce
A ROA (Council for Education and Labor Market) will be installed to take account of labor market demands	Medium	Current discrepancy between supply and demand is substantial. The ROA is not yet installed. In the tourism field the Tourism Human Resources Development Board (THRDB) has been installed. Funding for sufficient research is still lacking, however.	D – Education
Formulation/implementation environmental policy	Medium	An integrated environmental policy is needed, but not yet foreseen at short notice.	D – Environment
Employment policy will be developed	Medium	DWI (Department of Labour and Income) should take the initiative, in cooperation with social partners.)	D – Employment Policy
Income policy will be developed	Medium	DWI (Department of Labour and Income) should take the initiative, in cooperation with social partners.	D – Income Policy
<b>Central Bank</b>			
Stable monetary policy will be maintained	Low	The Central Bank is independent; IMF will monitor monetary policy closely	A
Capital market entry regulation will be compiled/implemented	Medium	Balance between necessary control and regulation and needed competition needs to be sought	B – Capital Market Policy
<b>Donors</b>			
Donor provides sufficient funding	Medium	In 2002 hardly any funding for new projects has been made available, although many projects had been submitted to The Netherlands for funding.	All
<b>Project Owners</b>			
Timely and adequate reporting to program management unit will be done	Medium	The experience with development cooperation projects is that several organizations fail to report adequately	All
Sufficient project management skills are available for project implementations	Medium	Projects executed in the past have been delayed frequently due to, among other things, lack of proper project dossier formulation and project administration in the implementation phase.	All
<b>Other</b>			

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<b>Assumptions</b>	<b>Risks</b>	<b>Explanation</b>	<b>Subprogram</b>
Sufficient (international) interest in government enterprises to be privatized.	Low <i>Is this good or bad</i>	An efficient privatization process depends on (international) interest in takeover. The limited size of the enterprises and their financial position are critical factors.	B – Privatization
Private sector will build the expected number of hotel rooms	Medium	Growth in stay-over tourism is based upon private sector projection of the increase of number of hotel rooms.	C – Tourism
Private Sector should contribute towards marketing of tourism	Medium	Government marketing funds are not sufficient and the private sector should contribute more.	C – Tourism
Refinery keeps up with international environmental standards and sufficient measures are taken to diminish a negative effect on tourism development	Medium	'Environmental quality' of oil products influences sales opportunities. Environmental issues are not high on the agenda.	C – Oil Industry C – Tourism

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## 5 Implementation

In this chapter the management of the program is described. Topics that will be debated are the financing, responsibilities, procedures, day to day management and organizational structure of MEP.

### 5.1 Program means

The cost of implementing MEP concerns mainly the cost of the Island Department of Economic Affairs (DEZ) staff including the cost of internal support systems. Furthermore DEZ subsidizes consultancy costs of the formulation of projects for those project owners that lack expertise, capacity or the required funds. The program implementation costs can be found in table 5

**Table 5 MEP Implementation Costs (ANG)**

DEZ Staff	Number	FTE	Unit Cost	Cost 2004	Cost 2004-2007
PMT	3	2	170,000	340,000	1,360,000
PMT Secretary	1	½	70,000	35,000	140,000
Account managers	16	4	170,000	680,000	2,720,000
Logistics				15,000	60,000
Consultancy Costs Project owners	7		14,000	98,000	392,000
<b>TOTAL</b>				<b>1,168,000</b>	<b>4,672,000</b>

### 5.2 Organization and implementation procedures

The Executive Council of the Island Territory of Curaçao and in particular the Commissioner for Economic Affairs is responsible for the implementation of MEP. The Commissioner has delegated this responsibility to the Island Department of Economic Affairs (DEZ). The DEZ Program Management Team (PMT) does monitoring and guidance of the program. The PMT closely cooperates with the DEZ subsector specialists (account managers). The PMT reports directly to the Head of DEZ. The PMT is currently composed of the program coordinator, two program analysts and a secretary. See figure 4 for the organizational chart.

The PMT does not compile project proposals or implement projects. This is done by project owners. The capacity for implementing projects is therefore as large as the combined capacity of the project owners. Project owners are often government departments, but can also be government subsidized foundations or government owned enterprises. Projects can be public or private-public.

Project selection is done by DEZ. Two selection criteria are very important. Firstly, the project should contribute directly towards the MEP objectives. For example, renovating a road leading to a tourist destination constitutes a direct contribution towards program objectives, but renovation of roads in general does not. This does not mean that good roads are not important for the economy in general. MEP, however, focusses on a limited number of carefully selected objectives in order to realize the highest impact.

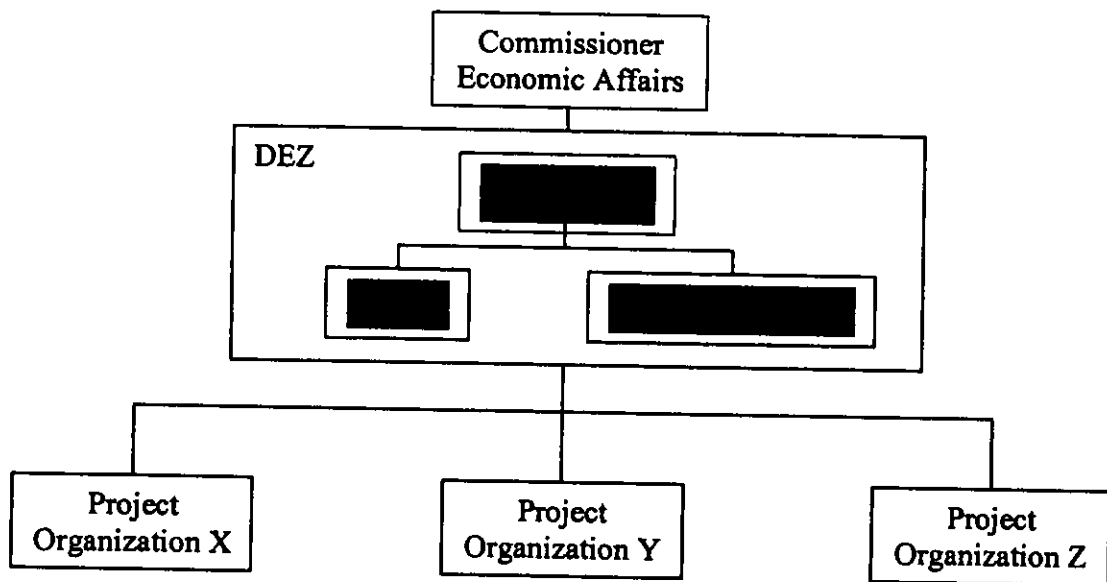


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Secondly, achieving a high level of private investment is important. Within MEP those projects are selected that facilitate private investment. In this way private investments may be realized that are many times larger than the public investment.

Project owners, responsible for the implementation of MEP projects, report on a half yearly basis to the PMT. The half yearly monitoring report should contain both financial and non-financial information. Presently the format introduced by The Netherlands in the development relationship with the Antilles, is used. The PMT will analyze the resulting information in the light of program and project objectives. Since BZK (Ministry of the Interior and Kingdom Relations) is the donor of the majority of the projects, BZK will also receive the half yearly monitoring report. Making payments to project owners and financial monitoring of BZK financed projects is done by the Department of Finance (Interne Deskundige).

Figure 4 Organizational Chart Program Management



In order to implement the MEP in an efficient and effective manner and in accordance with policy and resulting program objectives, the DEZ staff needs to realize a number of tasks such as the following:

*General*

- Reformulation (updating) of the program during the second half of each year.
- Evaluation of the program in the beginning of each year.

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- Maintaining regular contacts and exchanging information with stakeholders in the economy, project owners, donors and other supporting organizations through meetings, informal contacts, workshops etc.

*Monitoring*

- Evaluation of the half-yearly reports from the project owners.
- Analysis of project results in the light of program objectives.
- Analysis of financial overviews of the Department of Finance.

*Safeguarding Program Objectives*

- Advising project owners
- Assisting in solving problems in program implementation
- Consultations with Commissioner for Economic Affairs and Executive Council

*Financing*

- Negotiating funding from EGC budget, private sector and donors.
- Maintaining contacts with donor organizations.

*Quality control*

- Technical assistance of project organizations with respect to the formulation of project proposals according to donor guidelines.

In order to accomplish the above mentioned tasks the PMT closely cooperates with the DEZ account managers. Therefore the whole of DEZ is involved in MEP implementation. MEP and DEZ can therefore be considered two sides of the same coin.

Although presently BZK financed projects are still subjected to much red tape and lengthy procedures, this might not be the case in the near future. According to the report "Nieuwe Kaders, Nieuwe Kansen", an Antillean fund will be established in which both the Netherlands and the Antillean governments will deposit funds. This new fund will operate within a framework that is characterized by:

- Increased self-determination by allowing each of the six entities (5 islands and the national level) to formulate their program separately and by permitting direct negotiations of the entities with The Netherlands.
- Increased room for planning by working with known budgets for each of the entities.
- Depolitization and reduced bureaucracy by allowing submission of projects by the mandated government services of each entity directly with the fund.

Within this new framework projects will thus be assessed twice. The details are not yet known. DEZ proposes that projects will be assessed by the program owner first. This assessment will focus on three aspects. The project should be in accordance with economic policy, efficient and effective. Secondly, the fund will appraise the project together with the program assessment of the project and decide on financing.

### 5.3 Timeframe

MEP has a duration of four years. The 2004 - 2007 MEP will start in January 2004. The implementation of MEP will have a rollover character. Evaluation is done in the first months of the year and updating of the MEP program is done in the second half of the year. In this way MEP follows the EGC budget cycle.

Not all projects can be prepared and implemented at the same time because of mainly financial constraints. Within the program, projects are therefore phased, when required. Phasing depends on:

- Availability of funds
- Policy priorities
- Preparatory work that still needs to be done
- Dependencies between projects and other projects in the same subsector program or other subsector programs
- Dependencies between projects and decision processes at government level
- Dependencies between projects and legislation that is not yet in place.
- Implementation capacity, or lack thereof, within the organization of the project owner

### 5.4 Estimated investment costs and financing plan

MEP projects can be financed by MEP, by the project owner, or both. Funding by the project owner is sometimes also called the "own contribution", if program funding is the major part. Other costs concern the MEP Implementation costs

$$\text{Total Cost} = \text{Total MEP Cost} + \text{Own Contribution}$$

$$\text{Total MEP Cost} = \text{MEP funding of projects} + \text{MEP Implementation Costs}$$

Sources of MEP funding are the Ministry of the Interior and Kingdom Relations, other donors (local and foreign) and the government budget. The main contributor of donor funds is the Ministry of the Interior and Kingdom Relations of The Netherlands. As mentioned before, in the near future a development fund may be established. The funds of the ministry will then be channelled via this fund. Furthermore the Antillean governments will also contribute to this fund.

In addition to program financing project owners often finance part of their projects. Funding by the project owner may be subsidies received by the project owner from the government or from other sources, money generated by the project owner or commercial loans. For an overview of MEP program costs see Table 6

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**Table 6 Total MEP Funding and Project Owner Funding (ANG)\*  
2004 - 2007**

	Total	Own Contribution	MEP Financing
<b>B Enabling Business Environment</b>	15	1	14
<b>C Stimulating Specific Sectors</b>	200	50	150
▪ <b>Tourism</b>	132	17	116
▪ <b>Logistics</b>	53	34	19
▪ <b>E-Commerce</b>	2	0	2
▪ <b>IFS</b>	0	0	0
▪ <b>Oil</b>	1	0	1
▪ <b>Additional Infrastructure</b>	12	0	12
<b>Total</b>	<b>215</b>	<b>51</b>	<b>164</b>
<b>MEP Implementation Cost</b>			5
<b>Total</b>			<b>169</b>

*\*Rounded Figures in ANG Millions (See also the Concise Database at the back)*

#### 5.5 Relevant government activities

At this moment the establishment of the development fund and reaching an agreement with the Ministry of the Interior and Kingdom Relations on the program are very important.

## **6 Sustainability**

Sustainability in this chapter focuses on the program as an instrument to stimulate economic growth. The economic sustainability criteria listed in Table 3 in chapter 3 will be used to evaluate individual projects and will not be applied here. The more programmatic sustainability criteria described here distinguish the following elements: administrative support, methodological approach, environmental effects, sociocultural aspects, institutional and management capacity, financial analysis and economic analysis. All will be described below.

### **6.1 Administrative Support**

Administrative Support is built into the program in various ways:

- The Commissioner of Economic Affairs formally heads MEP. The Commissioner also receives the yearly evaluation report. Problems identified in the yearly evaluation report that require action outside the mandate of the PMT, will have to be addressed by the Commissioner.
- The yearly evaluation report is discussed by the Executive Council of the Island Territory of Curaçao and the Council takes action, if necessary.
- DEZ is mandated by the Executive Council to coordinate the program.

### **6.2 Methodological approach**

The MEP is the first integral program that has been formulated to facilitate the economic sector in Curaçao. An approach has been designed specifically for this program that guarantees local anchorage, broad support and implementation in a straightforward and efficient way.

#### *Local anchorage*

- MEP is developed specifically to facilitate the economic sector of Curaçao, MEP includes a project database, and MEP has a permanent and rollover character.
- The Executive Council is responsible for program implementation. This concerns mainly the Commissioner for Economic Affairs, but also the Commissioner for Urban Planning and Public Works and the Commissioner for Government Owned Enterprises.
- The Executive Council is directly involved in monitoring program progress and thus optimal adjustment between programs is guaranteed.
- MEP pays special attention to internal and external dependencies, including dependencies on other programs in the field of education, the environment, social planning and town and country planning.
- Program formulation and implementation is fully embedded in the DEZ structure. A DEZ Program Management Team (PMT) is responsible for MEP coordination and management. DEZ subsector specialists (account managers) are responsible for implementation of sub-sector policy within MEP. Costly dependence on consultants is thus avoided.

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*Broad support*

- The ABCD strategy for policy formulation by the Inter-American Development Bank (IDB) has been adopted to guarantee inclusion of all relevant economic issues and to exclude economically irrelevant issues.
- The Economic Advisory Commission, which advises DEZ and the Commissioner of Economic Affairs, consists of crucial stakeholders in the economy.
- The DEZ team interviewed over 60 stakeholders before drawing up the program. All of these have been invited to comment on the MEP.

*Straightforward and efficient implementation*

- In order to prevent delays in financing and thus guarantee speedy implementation it is important that the fund as proposed in the Wijers report "Nieuwe Kaders, Nieuwe Kansen" will soon be implemented

**6.3 Environmental Effects**

MEP includes in section D a chapter on the environment from an economic point of view. In this section a balance is sought between economic policy and environmental policy. Environmental projects are not included, because they will be part of the environmental program. Environmental effects of the various projects are dealt with in the dossiers of all projects.

**6.4 Sociocultural Aspects**

MEP includes in section D paragraphs on income policy, employment policy and education policy from an economic point of view. In this section a balance is sought between economic policy and social policy. Socially oriented projects are not included, because they will be part of a social program. Social effects of the various projects are dealt with in the dossiers of all projects.

**6.5 Institutional and Management Capacity**

DEZ's organizational structure has to be slightly modified to accommodate the PMT. The PMT has to be included into the DEZ organizational chart. Responsibilities with respect to specific economic sectors have to be incorporated in the job description of the various DEZ Account Managers.

**6.6 Financial Analysis**

In this chapter on sustainability, financial analysis refers to the capability of an organization to bear the running cost resulting from an investment. Running costs can be subsidized by the government in the case of government departments or government subsidized organizations. Sufficient budget allocations should be made by the government. Running costs can also be financed through income. Income projections should cover the cost.

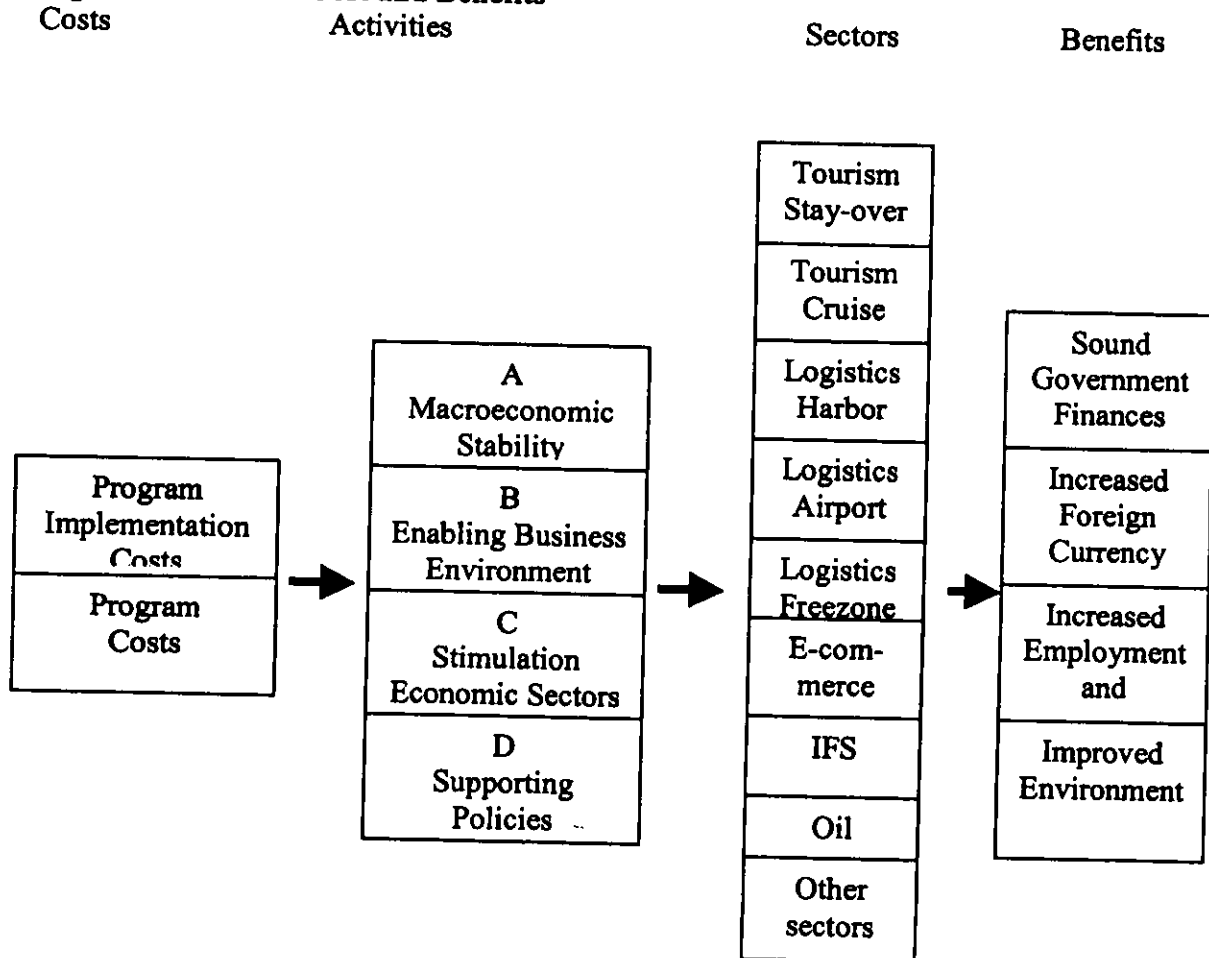
At the program level the running cost in implementing the program amounts to ANG 1,168,000 on a yearly basis or ANG 4,672,000 for the four year period of the program. These costs are covered by the regular DEZ budget.

At the project level, running costs are calculated for the projects individually. For each project individually the way these costs are financed is determined. As said before, the government may have to make budget allocations or the income resulting from the investment may be sufficient to cover the costs or a combination of both.

### 6.7 Economic Analysis

Economic analysis entails a calculation of economic costs and benefits and a comparison of them. Costs and benefits of this program cannot be directly linked, because of the enabling character of the program. The overall benefit of the program is sustainable economic growth, which will contribute to employment, government finances, the foreign currency reserve, price stability, a fair income distribution, and will not further damage the environment. A schematic overview of the relation between direct program costs and program benefits is presented below in figure 5. Out of necessity figure 5 is an incomplete presentation of the very complex economic process and, therefore, only sketches the general connection between program costs and benefits. Furthermore many indirect costs and benefits exist that are not included.

**Figure 5 Economic Cost and Benefits**



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The contribution of this program to economic development will vary by sector. The main benefits are described below:

- **Stay-over tourism**  
Stay-over tourism is expected to increase by 31% to a level of just above 285.000 in 2006, if investor confidence can be restored, resulting in more hotel rooms being constructed. Increased tourist attractiveness of Curaçao, in combination with marketing, will result in more tourists filling these hotel rooms. This program contains many projects specifically contributing towards stimulating stay-over tourism. Main benefits are:
  - Increased production
  - Increased employment (hotels, restaurants, tourist attractions, transport)
  - Increased foreign exchange inflow
  
- **Cruise tourism**  
Spending possibilities on board cruise ships will increase in the near future. Cruise tourist numbers have to increase in order to keep benefits at the same level. However, in 2003 we expect the number of cruise tourists to remain at the 2002 level of 300,000. In the period 2004-2006 we expect an increase of 9% to a level of around 350,000 cruise tourists in 2006. This program contains many projects aimed at increasing tourist satisfaction and the number of cruise tourists. Main benefits are prevention of a decrease in turnover, employment, taxes paid and foreign exchange inflow. The link between cruise and stay-over tourism exists in the sense that cruise tourists may come back as stay-over tourists. The strength of this link has to be further researched, however.
  
- **Logistics Harbor**  
Gross Registered Tonnage (GRT) is expected to increase by 50% in the next four years. A strategic partnership, expansion and a further reduction of costs have to attract clients. MEP assists in infrastructure expansion to absorb the expected increase in GRT. Benefits are:
  - Increased production
  - Foreign exchange inflow
  
- **Logistics Airport**  
At the airport both passengers and freight are handled. Expansion of passenger handling facilities is a crucial condition for increasing stay-over tourism. Within the scope of the Alterra concession a new terminal will be built. The number of incoming passengers is expected to increase by 12.5% to a level of almost 500,000. For the benefits of more stay-over tourists entering Curaçao see stay-over tourism above. Freight handling has an impact of its own. Main benefits of freight handling are:
  - Increased production in freight handling



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- **E-Zone**

The number of enterprises (both goods and services) is expected to increase by 119% in the period 2004 - 2007. MEP contributes towards an increase in turnover by providing essential infrastructure. Benefits are:

- Increased production
- Increased employment in e-zone
- Foreign exchange inflow

- **E-commerce**

E-commerce is a way of doing business and not a business sector. Benefits are:

- Increased production
- Increased employment (employees of call centers, server farms, companies)
- Foreign exchange inflow

- **International Financial Services**

The BRK and NFR have paved the way for recovery of the previously shrinking IFS sector. We expect a relatively small increase in the foreign exchange contribution in the coming four years. The program aims at promoting this sector abroad. Main benefits are:

- Taxes paid to the government
- Foreign currency inflow
- Employment

- **Oil Industry**

The program aims at maintenance of the current facility and at the same time at reducing environmentally harmful effects of the oil industry and researching the future of the oil industry in relation to tourism.

- Taxes for the government
- Employment

### **MEP effects calculated with Curalyse**

Below the some calculations using the macro-economic model Curalyse have been made to discuss the effects of the MEP projects and policy actions. A baseline scenario and a deviation scenario as a result of MEP projects and policy actions is presented. Final indicators can be calculated by adding baseline and deviation figures.

#### **Baseline scenario**

The starting point of the baseline scenario is continuation of the present policy without further restructuring of the investment climate and economic injection by means of investments in the productive sector of the Curacaoan economy. To be more specific the additional investment made in the context of the Multi-year Economic Program (MEP) and the restructuring of the investment climate as proposed are not included. In the unchanged (baseline) scenario the following assumptions are made:

- In the first place the additional marketing funds received by the Dutch government in are not included;

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- The additional ANG 7 million made available by the local government for marketing purposes has not been taken into account;
- A further increase of the government debt is expected;
- Reform of the tax system will not be implemented;
- Limited investments by private sector due to uncertainties with regard to the further implementation of the reform measures and the fiscal discipline with relation to the government finance;
- The stay-over tourism will grow on an annual bases of 2%

The above-mentioned assumptions will lead to an increase of the GDP of 2.4 % in 2004. This increase can mainly be attributed to the growth in export caused by increased stay-over visitors. In addition to that the increase in private consumption will partially contribute to the increased GDP. As mentioned the private investment will lag behind due to the uncertainties with regard to the government deficit and the debt. The increase in import can be ascribed to the increase in private consumption. The export will increase with an average of 2.5 % in the coming 4 years, which will be mainly caused by an increase in stay-over visitors. The expected increase in employment will be of 1.6% in 2004 and 1.5% in 2007. The driving force behind this growth is the increase in tourists, due to the labor-intensive character of this sector.

**Table 7: Baseline scenario**

	2004	2005	2006	2007
<b>Real GDP growth (annual, %)</b>	2.4	2.9	3.0	3.0
<b>Employment %</b>	1.6	1.0	1.4	1.5
<b>Private Investment growth (annual, %)</b>	-0.6	-1.0	-1.6	-0.8
<b>Exports (annual %)</b>	2.0	2.6	2.7	2.7
<b>Imports (annual, %)</b>	0.8	1.2	1.3	1.4
<b>Inflation %</b>	1.0	1.0	1.0	1.0
<b>Private consumption</b>	1.3	2.6	2.9	2.9

**Policy scenario**

We assume that implementing the policy actions mentioned in MEP will lead to the improvement of the investment climate. Labor productivity will increase from 0.25 in 2005 to 1% in 2007 (table 8). This means that with the same production means more profit and export is realized. One percent increase in labor productivity will lead to an increase in profit of 40 million guilders. The assumption is made that the majority of this amount will be reinvested into the enterprises while the rest will be used to increase wages. We assume furthermore that, from 2005 onward, more direct foreign investment will take place.

The expectation is that half of the private investments would be financed with foreign capital. Also 2/3 of the investments will be made in the tourism sector, due to the expected increase in stay-over visitors. This means an increase of 100 additional rooms,

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which equalize an average increase in stay-over visitors of 3 % on a yearly basis. The remaining 1/3 of the expected investments will be made in the non-tourism export sector of Curaçao.

Based on the projects recorded in MEP an average of 24 million on an annual basis will be invested out of mainly Dutch development funds. The island government will contribute more or less 20% of the above-mentioned amount. In addition the island government will finance the forementioned ANG 7 million for marketing purposes.

**Table 8: Assumption policy scenario**

	2004	2005	2006	2007
Development aid (ANG)	18	21	28	28
Government investment (ANG)	11	11	13	13
Private Investment (ANG)	23	26	33	33
Capital account (ANG)	12	13	17	17
Growth Stay-over tourism (%)	3	3	3	3
Growth other export sector (%)	1.5	1.5	1.5	1.5
Labor productivity (%)	0	0.25	0.50	1.0

**Marco economic effects (deviation from baseline)**

Due to the effects of the improved business environment an additional increase of the GDP and export volume of respectively 1.8 % and 1.7 % will be expected in 2004. The improved business environment will contribute to an increase of confidence by the investors, which will result in an increase in investment in 2005 up to 2007. Due to the (additional) increase in stay-over tourism of 3 % on annual basis the employment will rise by an average of (additional) 1.6 % between 2004 and 2007. The increased employment combined with the increase in wages will lead to an (additional) growth of 1% in 2004 and 1.8 % in 2007 of the private consumption. The improved labor productivity will contribute to a further increase in the production of the enterprises in the years ahead. As a consequence of the increase in consumption, the import volume will rise between 2004 and 2007. Due to the improved business environment the competitive position of the island within the region will improve. This can be noticed in among other things the modest increase of the export price between 2004 and 2007.

**Table 9: Macro economic effects of policy scenario (deviation from baseline)**

	2004	2005	2006	2007
Real GDP growth ( change %)	1.8	1.4	1.8	2.0
Employment ( change %)	1.7	1.3	1.6	1.6
Private Investment growth (change %)	6.5	2.9	4.5	3.4
Exports (change %)	1.7	1.9	2.4	2.7
Imports (change %)	2.7	1.9	2.4	2.3

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	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Inflation %</b>	0.4	0.3	0.3	0.1
<b>Private consumption (change %)</b>	1.0	1.3	1.5	1.8

Adding up the baseline (table 7) and the policy scenario (table 9) we can conclude that GDP and employment will increase in the years ahead (table 10).

**Table 10: The combined effect of base line scenario and policy scenario**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Real GDP growth (%)</b>	4.2	4.3	4.8	5.0
<b>Employment (%)</b>	3.3	2.3	3.0	3.1
<b>Private Investment growth (%)</b>	5.9	1.9	2.9	2.6
<b>Exports (%)</b>	3.7	4.5	5.1	5.4
<b>Imports (%)</b>	3.5	3.1	2.7	3.7
<b>Inflation (%)</b>	1.4	1.3	1.3	1.1
<b>Private consumption (%)</b>	2.0	3.9	4.4	4.7

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## 7 Monitoring and evaluation

### 7.1 Monitoring

DEZ is responsible for monitoring both program and project implementation. Monitoring of individual projects is done by DEZ account managers and the DEZ PMT. Monitoring is done using the monthly financial project overviews of the Department of Finance (Interne Deskundige), half-yearly monitoring reports to be completed by the project owner and regular meetings in which progress is discussed.

Monitoring at subprogram and program level will be done by DEZ account managers and the DEZ PMT on a continuous basis. DEZ account managers are responsible for closely following and monitoring developments and indicators in the subsector allocated to them on a continuous basis. Furthermore, DEZ publishes on a yearly basis the Economic Outlook in which a description is given of the previous year and the prospects for the coming year. Thus many MEP indicators are also discussed in the Economic Outlook.

To determine whether the program is successful at an aggregate level a number of key indicators are identified that will be monitored. These indicators are listed in table 7.

**Table 11 Key Economic Indicators**

					Baseline scenario				Policy (MEP) scenario				Source <sup>9</sup>
	2000	2001	2002	2003	2004	2005	2006	2007	2004	2005	2006	2007	
Real GDP (annual %)	-2.1	1.2	0.7	1.9	2.4	2.9	3.0	3.0	4.2	4.3	4.8	5.0	CBS/DEZ
Inflation %	5.8	1.8	0.3	2.2	1.0	1.0	1.0	1.0	1.4	1.3	1.3	1.1	CBS/DEZ
Budget balance (% GDP)	-0.5	-1.7	2.2	-2.6	-0.4	-0.9	-1.5	-2.1	-2.5	-2.5	-2.7	-3.0	Dep. Fin./DEZ
Exports (annual, %)	2.7	1.6	1.9	2.2	2.0	2.6	2.7	2.7	3.7	4.5	5.1	5.4	CBS/DEZ
Imports (annual %)	6.0	4.3	2.8	1.9	0.8	1.2	1.3	1.4	3.5	3.1	2.7	3.7	CBS/DEZ

	2000	2001	2002	2003	2004	2005	2006	2007	Source <sup>10</sup>
<i>Sectoral</i>									
Number Stay-over Tourists	191,246	204,603	217,963	221,450	232,522	244,148	256,356	269,173	CTB/DEZ
Number Cruise Tourists	309,373	300,138	319,062	281,165	283,977	286,816	292,553	298,404	CTB/DEZ
Logistics Harbor Millions GRT (Gross Regist. Tonnage)		35	34	29		52			CPA

<sup>9</sup> Source for realized data and for projections.

<sup>10</sup> Source for realized data and for some institution for projections too.

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Logistics Airport Incoming Passen.	419,466	428,519	441,375	454,616	468,254	482,302	496,771	511,674	Curinta
Logistics E- zone Enterprises (Goods+Serv.)	116	n.a.	201	233	279	346	440		Managemnt E-zone
E-commerce Jobs created (excl. seasonal)			450						CECR
IFS Foreign Cur (Mln ANG)	409.5	424.4	410,4	405	400	395	390	390	BNA
Oil Industry Brl/day x 1000	209	229	200	207	210	210	210	210	PdVSA

The key indicators above have been carefully selected in the sense that they combine several indicators at a more aggregate level. The reasons for selecting these key indicators are elaborated on below:

- **Tourism stay-over**  
The *number of stay-over tourists* has been selected as a key-indicator. The number of stay-over tourists can only grow if a number of conditions such as airlift, hotel capacity, marketing and the quality of the tourist product are in place. An estimate of the average daily spending per stay-over tourist is known and regularly updated. By monitoring the number of stay-over tourists the level of spending can be calculated
- **Tourism cruise**  
The *number of cruise tourists* has been selected as a key indicator. We should, however, take into account that the expenditure per tourist will probably decrease in three years' time. This decrease in expenditure per tourist will probably offset the estimated increase in tourist numbers and thus keep tourist expenditure more or less at the same level.
- **Logistics Harbor**  
The *Gross Registered Tonnage (GRT)* is selected as a key-indicator. The GRT is a mix of various users including freighters, cruise boats and tankers. GRT will therefore be representative of harbor activity growth.
- **Logistics Airport**  
Passenger traffic from an economic point of view is only interesting as far as stay-over tourists are concerned. The key-indicator for stay-over tourism is therefore also applicable to the passenger component of airport activities. A new passenger terminal is a condition for handling the estimated increase in the number of stay-over tourists.
- **Logistics Free zone**  
The number of companies in the E-zone has been selected as a key-indicator. The number of companies will increase if possibilities for improvement and expansion of the free zone are created. In the next MEP update we expect to have also turn-over figures available.

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- **E-commerce**  
E-commerce is a way of doing business. The positive effects are therefore not easily separated from the traditional ways of doing business. The number of direct jobs to be created is used as a preliminary indicator.
- **International Financial Services**  
An important indicator of the IFS sector is the amount of foreign currency generated.
- **Oil industry**  
An indicator is difficult to select for the oil sector. The oil industry is of much importance as a supplier of employment. Employment is estimated to remain stable at 1000 jobs for the coming five years. Production is estimated to increase slightly from 200,000 barrels per day in 2002 to 210,000 barrels per day in 2004. The number of barrels per day is being used as an indicator.

#### **7.2 Evaluation**

An evaluation will be made on a yearly basis in the beginning of each year. The evaluation will focus on:

- Efficiency (especially the way the program is implemented)
- Effectiveness (especially the progress measurement according to established baselines and indicators)
- Policy (especially the relevance of projects for achieving policy objectives)

This is an internal evaluation. Together with the donor it may be decided to have an external evaluation made.

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### 8 Concise project database

For a better implementation of the Multi-Year Economic Program 2003 – 2006 many projects have been identified, which must contribute towards achieving the economic targets as presented in the program. The main purpose of the Project Data Base (PDB) is to give an overall view of all the projects that have been identified up to this moment. And, secondly, to give a calculation of the total costs of the program for the coming 4 years.

The projects have been categorized in four groups which correspond to the A, B, C, and D pillars of the program, viz.:

- A. Macroeconomic Stability;
- B. Enabling the Business Environment;
- C. Stimulating Specific Sectors;
- D. Supporting Policies.

The PDB adds up all projects of both public and public-private sector. Until this moment 63 projects have been identified as mentioned by the stakeholders. See table 14A,B, and C. It is important to stress that the PDB 2004 - 2007 is flexible. The list of projects is neither final nor exhaustive. During the course of the program new projects can be added to the PDB and priorities may be subject to change due to, among other things, external developments and available funds.

The total costs are estimated to be approximately ANG. 215 million. A large amount will be financed by the private sector. The total costs from the first inventory regarding the projects that may be financed via MEP, were calculated to be approximately ANG 164 million. This includes the approximately ANG 25 million committed and partly spent under the 2001 – 2005 MEP.

In the Concise PDB table below a summary of the PDB is given. Attention is paid to the sector, subsector, specific fields, total costs and total fund costs. The Concise PDB corresponds with the detailed database.

<i>Sector</i>	<i>Study</i>	<i>MEP</i>
A	Macro Economic Stability	70,000
B	Capital market	10,000
B	Formulation Competition Policy	101,500
B	Export Policy	560,000
C	Tourism	475,000
	Harbor	450,000
	Oil sector	900,000
	Total	



Multi-Year Economic Program (MEP) Curaçao  
Part I Main Program  
2004 - 2007

**CONCISE PROJECT DATABASE**

Sector	Sub-sector	Character	Total Costs	MEP
<b>A. Macro Economic Stability</b>			<b>70,000</b>	<b>70,000</b>
	Price Policy	<i>Studies</i>	70,000	70,000
<b>B. An enabling business environment</b>			<b>15,381,736</b>	<b>14,077,735</b>
	Labor market policy		35,000	35,000
	Capital market		410,000	410,000
		<i>Awareness</i>	400,000	400,000
		<i>Studies</i>	10,000	10,000
	Formulation Competition Policy	<i>Studies</i>	101,500	101,500
	Export Policy	<i>Studies</i>	560,000	327,500
	Innovation Policy		9,956,236	8,884,735
		<i>Awareness</i>	8,913,736	8,738,335
		<i>Infrastructure</i>	211,700	146,400
		<i>Environment</i>	830,800	830,800
	Stimulating policy		4,214,000	4,214,000
		<i>Training grand Scheme</i>	600,000	600,000
		<i>PUM</i>	800,000	800,000
		<i>SESNA</i>	500,000	500,000
		<i>ADA</i>	314,000	314,000
		<i>Starter regeling</i>	2,000,000	2,000,000
<b>C. Stimulating Specific sectors</b>			<b>199,590,365</b>	<b>150,513,770</b>
	Tourism		132,001,054	116,728,195
		<i>Human resource</i>	21,699,429	17,944,970
		<i>Marketing</i>	28,980,000	25,220,000
		<i>Product development</i>	80,846,625	73,088,225
		<i>Studies</i>	475,000	475,000
	Harbor		52,300,000	19,250,000
		<i>Infrastructure</i>	51,850,000	18,850,000
		<i>Studies</i>	450,000	400,000
	Airport		-	-
		<i>Infrastructure</i>	-	-
	E-Zone		-	-
		<i>Infrastructure</i>	-	-
	E-Commerce		2,010,000	2,005,000
		<i>Training</i>	2,010,000	2,005,000
		<i>Infrastructure</i>	-	-
		<i>Studies</i>	-	-
	International Financial Sector		-	-
		<i>Promotion</i>	-	-
	Oil Sector		900,000	450,000
		<i>Studies</i>	900,000	450,000
	Overige infrastructuur		12,379,311	12,080,575
		<i>Infrastructure</i>	12,379,311	12,080,575
<b>D. Supporting Policies</b>				
	Employment	<i>Training</i>	-	-
<b>Total</b>			<b>215,042,101</b>	<b>164,661,505</b>

**Table 14A Payments and Estimates MEP projects  
for which financing is sought from The Netherlands  
(Figures in million ANG rounded off on hundred thousand guldens)**

<b>PROJECT BEING IMPLEMENTED</b>					
	<b>Name project</b>	<b>Project-owner</b>	<b>Cost MEP</b>	<b>Payments 2003</b>	<b>Estimates 2004</b>
	<b>MACRO-ECONOMIC STABILITY</b>				
A2	Curalyse Oud	DEZ	0,1	0,3	Completed
	<b>Total macro-ec stability</b>		<b>0,1</b>	<b>0,3</b>	
	<b>ENTREPRENEURSHIP (SME)</b>				
B-SE-1	Training Grant Scheme	DEZ		0	0
B-SE-2	PUM	DEZ		0	0
B-SE-3	SESNA	KvK	0,5	0,1	0,1
B-SE-4	ADA	DEZ	0,1	0	0,1
B-SE-5	Starter Regeling	DEZ	1	0	0,2
B-SE-	SPOC	DEZ		0,1	0,1
	<b>Total Entrepreneurship</b>		<b>1,6</b>	<b>0,2</b>	<b>0,5</b>
	<b>TOURISM</b>				
C-T-26	Riffort Otrobanda (compl.)	SMC	3	0,6	0
C-T-35	Renovation Molenplein (phase 1 completed)	DOW	9,7	0,1	8,6
C-T-42	Crash Course Horeca (compl.)	CTB	1,5	0	0
C-T-44	Contingency Marketing Plan (Compl.)	CTB	0	0	Completed
	Renovation Casa Blanca	SMC	0	0	Completed
C-T-20	Renovation Wegennet Christoffelpark	Carmabi	2,5	1	0,4
C-T-8	Marketing Tourism (incl. 12.5 not yet approved extension)	CTB	25	0	6,3
	<b>Total Tourism</b>		<b>41,7</b>	<b>1,7</b>	<b>15,3</b>
	<b>OTHER INFRASTRUCTURE</b>				
O-C-1	Renovation Scharlooweg 13	SMC	2,5	1,7	0,8
O-B-2	Renovation Scharlooweg 9	SMC	1,8	1	0,4
O-B-3	Renovation Hoogstraat 51	SMC	2,3	1,6	0
O-B-4	Renovation Hoogstraat 21-23	SMC	1,9	1,2	0
O-B-5	Renovation Policestation Punda	SMC	3,4	2	2
	<b>Total Other Infrastructure</b>		<b>11,9</b>	<b>7,5</b>	<b>3,2</b>
	<b>Total</b>		<b>*=&gt; 55,3</b>	<b>9,7</b>	<b>19</b>
	<b>TOTAL 2004-2007</b>				
	<b>* Part of this amount has been spent before 2003</b>				

**Table 14B Payments and Estimates MEP projects  
for which financing is sought from The Netherlands  
(Figures in million ANG rounded off on hundred thousand guldens)**

<b>S SUBMITTED TO THE NETHERLANDS FOR FINANCING</b>			
<b>Projects per sector</b>	<b>Project Owner</b>	<b>Donor</b>	<b>Amount</b>
<b>TOURISM</b>			
Bridge Handelskade - Scharloo*	CPA	BZK	0,7
Rehabilitation Quay Walls at Scharloo*	CPA	BZK	9
Human Resources Strategy Plan	CTB	BZK	2,4
National Communication Plan	CTB	BZK	8,4
SOP (Pietermaai Smal and Korallenged)	SSV	BZK	4
Tourist Dive Location Mediator	SMK	BZK	2,3
<b>Tourism total</b>			<b>26,8</b>
<b>TOTAL</b>			<b>26,8</b>

*\* Although placed in the tourism sector these projects can also be considered logistical projects since they concern harbour improvements. The total amount involved is ANG 9.7 million*

**Table 14C Payments and Estimates MEP projects  
for which financing is sought from The Netherlands  
(Figures in million ANG rounded off on hundred thousand guilders)**

<b>PROJECTS IN PREPARATION</b>		
<b>Projects per sector</b>	<b>Project-owner</b>	<b>Amount</b>
<b>EXPORT</b>		
Facilities fish export	LVV	0,1
TEMA	Asina	3
<b>Total Export</b>		<b>3,1</b>
<b>ENTREPRENEURSHIP</b>		
Intent	DEZ/IntEnt	1,5
<b>Total Entrepreneurship</b>		<b>1,5</b>
<b>INNOVATION AND ICT</b>		
E-Fonds	Stimuil-IT	
<b>Total Innovation and ICT</b>		
<b>TOURISM</b>		
Certification Environmental Care	ICC	0,8
Quality Foundation	CTB	3,5
Investors in People	CTB	2,7
Quality Awareness Plan	CTB	1,7
Service Training Hotels	CTB	1,8
Service Training Retail Sector	CTB	1,9
Service Training Taxi Sector	CTB	0,3
Beach Improvement Program	LVV	1,9
Beach Marie Pompoen	LVV	4,7
SOP (Scharloo Abou and Rifgebied)	SSV	10
Seven Projects Development Program Christoffelpark	Carmabi	5,7
Country House Savonet	Carmabi	1,3
Open Air Museum Savonet	Carmabi	7,3
Renovation Wilhelminaplein/Hendrikplein	SSV	6
Back on Track	Empresa	1,5
Upgrading Tourism Model	DEZ	0,2
Waterpurification Klein Hofje	DOW	2,5
Website Historical Curaçao	NAAM	0,3
Landscaping road to airport Phase 2	LVV	1
<b>Total tourism</b>		<b>55,1</b>
<b>LOGISTICS</b>		
Sanitation Schottegat	Ref. Di Korsou	3
Infrastructure Extension E-Zone Koningsplein (Aqualectra Area)	Curinde	3,3
Extension Harbour Area (next to Coca Coia Factory)	CPS	5
Extension Container Terminal	CPA	6
Study Infrastructure Buskabaai	CPA	0,3
Marketing Study and implementation Logistics	Curinde/CEDB	2,2
Study oil derivatives and petrochemical products	Curinde	0,2
Security systems E-zone Koningsplein	Curinde	4,1
Training facilities DOK	DOK	1
Studies Second Megapier	CPA	0,5
New fishing harbor Piscaderabaai	LVV	1,4
Extension Fishing Harbour Caracasbaai	LVV	0,7
Construction slipway Piscaderabaai	LVV	0,1
Improvement infrastructure fishing harbor Boca St. Michiel	LVV	0,6
<b>Total Logistics</b>		<b>28,4</b>
<b>E-COMMERCE</b>		
Training E-commerce skills		3
<b>Total E-commerce</b>		<b>3</b>
<b>Total</b>		<b>91,1</b>