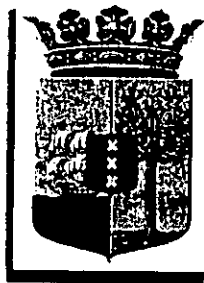


**MULTI-YEAR ECONOMIC PROGRAM
CURAÇAO
2004 – 2007**

**Part III
FOR EVERYBODY**



Island Department of Economic Affairs (DEZ) Curaçao

June 2004

Content

1	Characteristics of the Curaçao Economy	2
2	What is MEP?	2
3	Why MEP is needed.....	2
4	Economic growth	2
5	The purpose of MEP	3
6	Objectives	5
7	Who co-ordinates and implements MEP	5
8	MEP formulation and implementation.....	5
9	Project criteria.....	5
10	Policy actions	5
11	How is MEP implemented?	6
12	External threats	6
13	Abbreviations.....	7

- Enclosure 1** **Projects realized or being implemented**
- Enclosure 2** **Projects already submitted for financing**
- Enclosure 3** **Some projects in preparation**

1 Characteristics of the Curaçao Economy

The economy of Curacao has recorded over the past three years a modest economic growth, accompanied by relatively low inflation rates and surpluses on the balance of payments. Though still, the government recognized that the local economy is in need of structural reforms to eliminate among others excessive government regulation and market participation. Furthermore the tax system needs to be balanced and support for commerce should be made more effective. Especially socioeconomic issues like unemployment in general and youth unemployment, and skewed income distribution rate need to be tackled. Furthermore major public investments need to be done in key economic sectors such as logistics (harbour, airport, economic zones), tourism, and e-commerce to stimulate further growth in these sectors.

2 What is MEP?

The Multi-annual Economic Program (MEP) is a government program coordinated by the island Department of Economic Affairs (DEZ) to facilitate and stimulate the sustainable economic development of Curaçao.

3 Why MEP is needed

MEP is needed for three reasons. Firstly, a concrete plan for implementing economic policy has been lacking. Secondly, a plan was needed to counterbalance the severe effects of the financial austerity measures and thirdly, The Netherlands, being the main donor, required an economic program. For these reasons MEP was approved by the Executive Council September 2001.

4 Economic growth

The best indicator for economic growth is the Gross Domestic Product (GDP). The GDP is an indicator for the income of a country. The GDP growth has been negative in recent years. Since 2001 the economy is picking up however. In the table below the GDP growth is presented for past years and a projection is made for the year 2004. MEP has been vital in guiding and planning the economic development and therefore has contributed towards the positive economic growth of the past two years and will continue to be instrumental in maintaining this positive growth and development.

	1999	2000	2001	2002	2003	2004
GDP	- 2,2	-2.1	1.2	0.7	1.9	2

5 The purpose of MEP

The purpose of MEP is aimed at realizing sustainable economic growth by facilitating and steering economic development. This can be reached through the following goals:

A Ensuring long-term 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.

B Creating a stimulating investment climate

To improve the investment climate three policy clusters are important:

- Deregulation and structural reform of different Market(s) and the formulation of a Competition Policy
- Business promotion (Trade, Export, Entrepreneurship, Innovation)
- Government (Public sector efficiency, Privatization, Tax Policy)

C Stimulating a limited number of economic sectors through public investments

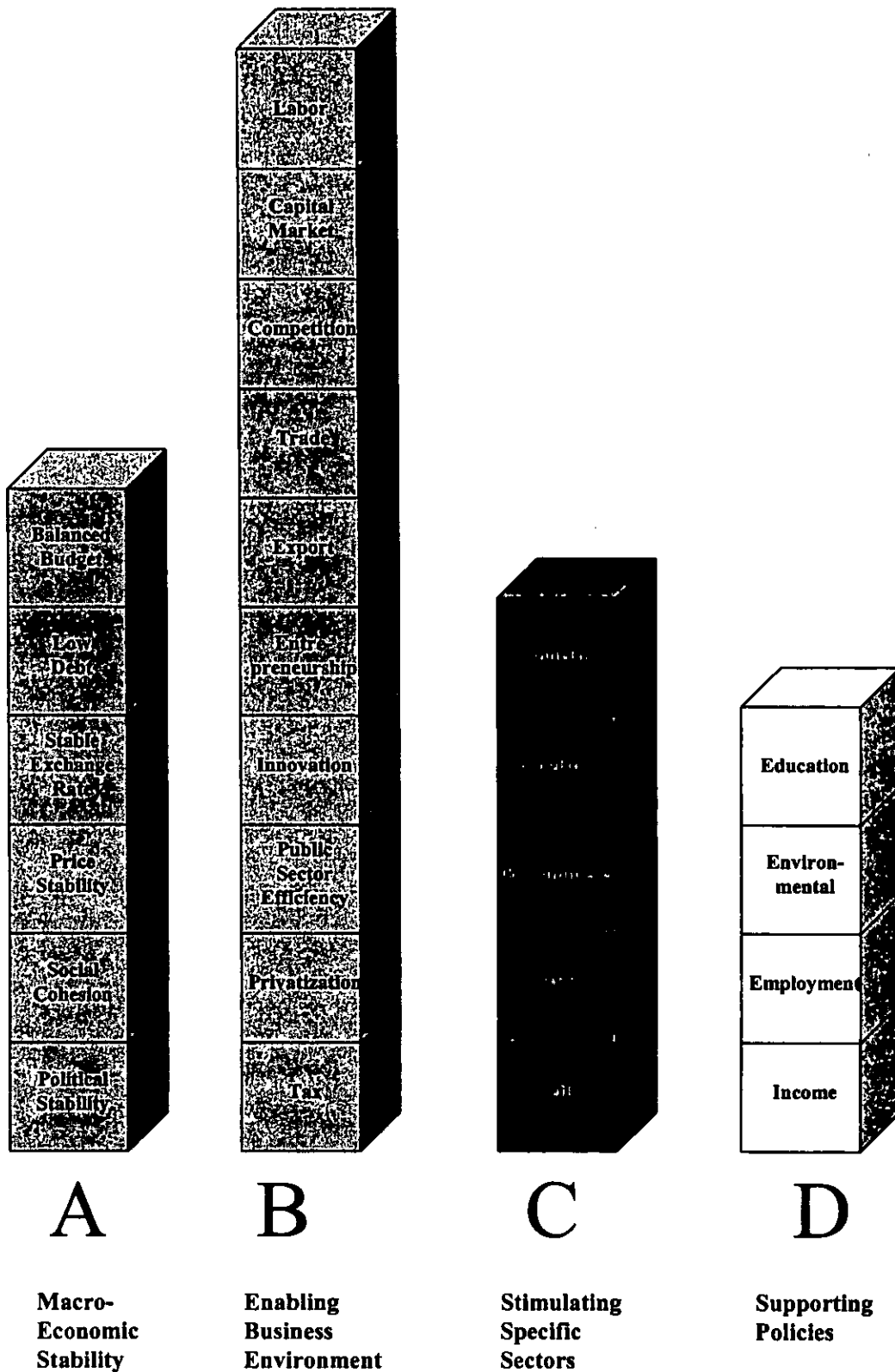
The sectors selected to be stimulated in particular are expected to be able to generate economic growth in terms of foreign direct investment and employment (Tourism, E-commerce, Logistics) and to remain or to become the pillars of the economy. Stabilization or recovery to previous levels is aimed for in the sectors oil and international financial sector (IFS). Public investments or projects are instrumental in stimulating the selected sectors. Furthermore public investments are often conditions for investments by the private sector.

D Co-ordinating the economic program with other supporting 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.

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Part III For Everybody
2004 - 2007

The four PILLARS of MEP



6 Objectives

MEP projects and policy actions have been selected in order to reach certain concrete objectives. Some targeted objectives decided upon in MEP are:

1. A Gross Domestic Product growth in (GDP) in 2004 of 2%. In 2000 this figure was -2.1%, in 2001 +1.2%, and in 2002 +0.7%. MEP aims at a growth of the income of Curaçao with (at least) 2% every year from now up to 2007.
2. A number of 286,000 stay-over tourists in 2006 (In 2002 this number was 218,000 and in 2000 this number was 191,000)
3. A number of 350,000 cruise tourists in 2006 (In 2002 this number was 319,000 and in 1999 this number was 221,000)

7 Who co-ordinates and implements MEP

The Island Department of Economic Affairs (DEZ) is responsible for co-ordinating MEP. Stakeholders in the economic field such as government services, government NV's and government foundations are responsible for implementing MEP projects.

8 MEP formulation and implementation

MEP covers four years and is updated every year. Economic policy is generated by yearly studying all existing policy documents and interviewing relevant stakeholders. In the MEP update, after an evaluation, the results are summarized and a plan is included to implement economic policy by means of projects and policy actions.

9 Project criteria

Projects are in fact public investments (investments by the government). Of course, these investments should contribute towards program objectives. However, we also try as much as possible to facilitate private investors. For example, the renovation of Molenplein has accelerated the construction of the Howard Johnson Hotel and the renovation of the Martinus Complex. In other words, public investments lead to or are conditions for facilitating private investments. In this way the effectiveness of investment(s) by the government may lead to an even greater investment by the private sector, with finally a larger (micro-) economic impact..

10 Policy actions

Projects will only be effective if "like seeds they are placed in fertile soil". For example at this moment the level of costs (in general) is too high which increases project costs unnecessary. Investors often discontinue with the implementation of their plans because it takes for example too long to get the permits required. Furthermore, incentives for small and medium sized companies are not used effectively. In MEP many policy actions are described that are needed "to fertilize the soil". DEZ advises on these actions or participates in committees that advise or decide on these issues. Below some important actions are mentioned:

1. Curaçao Economic Development Board

A Curaçao Economic Development Board that is a "One Stop Window for Investors", is needed. Investors are very important and should not be confused by all kinds of unnecessary bureaucratic requirements. In addition, this bureau will be responsible for targeted investment acquisition and promotion. It will facilitate foreign direct investment.

2. Regulatory Board

It is well known that when competition decreases, prices and tariffs, either through monopolies or oligopolies, may increase. Although everything should be done to avoid monopolistic structures within an open small island economy, it is sometimes unavoidable to have monopolies in a small economy like the Curaçao economy. It is therefore important that an independent body exists that can determine realistic prices. Such an independent body is called a regulatory board (or also competition authority).

3. Formulation SME Policy

An SME policy is being formulated in order to make support for small and medium enterprises more efficient and effective with the objective to create even more employment.

4. Strategic Partners for government companies

Strategic partners are sought for government companies. For example, Mirant has shares in Aqualectra, a Venezuelan investor has bought the WTC, Alterra has a 30-year concession for running the airport, Canadian Post has a 20-year concession for running our postal services. Very often a strategic partner has the obligation to invest substantial sums of money. Alterra will invest \$35 million in building a new airport terminal and \$ 65 million in an airport city. In the WTC an amount of \$14 million will be invested. Strategic partners are also crucial in providing the necessary innovation and expertise.

11 How is MEP implemented?

With regard to projects the stakeholders submit project proposals to DEZ. DEZ seeks financing for these proposals. After the needed financial funds have been obtained, the stakeholders implement the project. With regard to the necessary policy actions DEZ participates in many workgroups, committees and forums.

12 External threats

Because the Curaçao economy is characterized by its openness it may be impacted negatively by certain developments abroad. For example, the recent strike in Venezuela left the country with a shortage of dollars and as a result less Venezuelan tourists came to Curaçao. Also construction work at the refinery came to a virtual standstill. Because a visum is nowadays needed for Columbian tourists, also fewer Columbian tourists visited Curaçao. The aftermath of the war in Iraq and the remaining threat of terrorist attacks on airplanes may lead to less North American tourists visiting Curaçao. Also the threat of the Severe Acute Respiratory Syndrome or SARS may become a problem in the future. Because the developments abroad are often quite unpredictable it is difficult to make correct forecasts for economic development. Various scenarios have to be developed.

13 Abbreviations

CPA	Curaçao Ports Authority
CTB	Curaçao Tourism Bureau
DEZ	Dienst Economische Zaken (Island Department of Economic Affairs)
DOW	Dienst Openbare Werken (Island Department for Public Works)
ICC	Innovatie Centrum Curaçao (Innovation Center Curaçao)
LVV	Dienst Landbouw Veeteelt en Visserij (Island Depart. for Agriculture)
SMC	Stichting Monumentenzorg Curaçao (Foundation for Monument Care)
SMK	Stichting Maritiem Kwartier (Foundation for development of Scharloo Abou)
SOP	Stedelijk Ontwikkelings Plan (Inner City Development Plan)
SSV	Secretariaat Stadsvernieuwing (Secretariat for Development Inner City)

ENCLOSURE 1

PROJECTS REALIZED OR BEING IMPLEMENTED

In 2003 approximately ANG 10 million has been spent on projects. Total costs of these projects amounts to approximately ANG 42 million. The following projects have been realized or are being implemented.

1. DEZ Incentive schemes

DEZ offers incentives for commerce. They are:

- TGS (Training Grant Scheme), a subsidy scheme for training.
- PUM, a program for management assistance
- ADA, assistance in administration of a business
- FASTON or Startersregeling, financial aid for starting a business

These schemes help small and medium-sized enterprises in obtaining training and expertise in certain fields. Small and medium-sized enterprises can approach DEZ to obtain this assistance.

2. Curalyse

Curalyse is the DEZ Macro-Economic Computer model. With Curalyse it is possible to calculate the effects of economic measures. Curalyse uses the CBS data as inputs.

3. Renovation Riffort Otrobanda (*Completed*)

The development of this historical site into a shopping and dining area (Riffort Village) was supported by the government through the renovation of the inner square. Riffort village is located between the Mega Cruise Pier and the downtown area of Willemstad. Both commerce and cruise tourism are facilitated with this project.

4. Renovation of Molenplein and surrounding areas (*phase 1 completed*)

The Molenplein and surrounding areas are being renovated. This renovation is a condition for the building of the Howard Johnson Hotel on Brion Plaza, the renovation of the Martinus Complex where a medical school will be accommodated and the development of the West End area. In this way MEP facilitates private investments by first investing in public infrastructure. The project consists of three phases of which phase one has been completed and the other two phases will start soon.

5. Renovation Casa Blanca (*Completed*)

The monumental building Casa Blanca opposite the hospital has been renovated in order to house the civil service. Casa Blanca is part of the so-called "koralengebied". This area consists of monumental buildings amidst large open areas and used to be a neighbourhood for the rich in past times. This area is one of the four focal areas within the inner city that have priority for renovation.

6. The renovation of five monumental buildings

The monumental buildings Scharlooweg 9 and 13 (Petit Trianon), Hoogstraat 51 and 21-23 and the police building in Punda (Wilhelminaplein) are being

renovated. The Willemstad inner city has been placed on the World Heritage List and is an important part of the tourist product.

7. Crash Course Hospitality Sector (*Completed*)

Due to the increase in stay-over tourism and the construction of more hotel rooms a shortage of hotel staff arose. A training course was started to train sufficient personnel in various areas varying from front desk to kitchen. Two groups have been trained already.

8. Contingency Marketing Plan (*Completed*)

After the 11 September attacks in the United States the contingency marketing plan was formulated to counter the negative effects of the attacks on the tourism market. The plan consisted in a marketing campaign in The Netherlands, the United States and Venezuela on television, radio and in the newspapers. Largely due to this campaign, stay-over tourism has increased by 7% in 2001 and 6.5% in 2002.

9. Renovation of roads Christoffel National Park (*Completed*)

Because the roads in the Christoffel park were in very bad shape cars could no longer enter the park and the income of the park decreased. Much personnel had to be laid off. The renovation of the roads in the park should make the park accessible again for tourists with cars. The north part of the renovation has been completed already and the south part, where the Christoffel mountain is located is almost finished.

10. Tourism Marketing Plan

The success of the Contingency Marketing Plan should be continued through implementation of the Tourism Marketing Plan. The content of this improved plan targets the same three countries (Netherlands, US, Venezuela) as the Contingency Marketing Plan. Marketing is crucial for the development of tourism on Curaçao. Although Curaçao has a good tourist product it is not sufficiently known abroad. So it is easy to understand that this project is very important because it is a condition for the further development of the tourism product.

ENCLOSURE 2

PROJECTS ALREADY SUBMITTED FOR FINANCING

Six projects have been prepared for which financing is sought. These projects have been submitted to the Ministry of the Interior and Kingdom Relations in The Netherlands. The total cost of these projects amounts to ANG 58.5 million.

1. **Bridge Handelskade Scharloo**

This bridge for people on foot will connect the Handelskade with Scharloo (more or less opposite the Maritiem Museum). A draw section in the middle will allow boats to pass into the Waaigat. This bridge will make Scharloo more accessible for tourists. It is the intention of the Curaçao government to develop Scharloo Abou into a maritime tourism area.

2. **Quay Walls Scharloo**

The quay walls at the corner of Waaigat and Annabaai are in a very bad shape. Renovation of these quay walls is needed to develop Scharloo Abou into a maritime tourism area. The big halls adjacent to the quay walls will be removed and the area will be developed for tourism. The quays will become more accessible by constructing the abovementioned bridge.

3. **Human Resources Strategy Plan**

A mismatch exists between supply and demand on the hospitality labour market. The demand of the hospitality sector (hotels, restaurants) for personnel varies in terms of quantity and qualifications. The training of personnel should be brought in line with this demand. Continuous research is needed to provide adequate data to feed a Tourism Human Resources Board who should advise the educational system and the hospitality sector on actions to take. This project should make such a strategy possible.

4. **National Communication Plan Tourism Awareness**

The primary objective of the National Communication Plan is to stimulate an islandwide positive attitude towards tourism. The second objective is to provide education and information to enable people to contribute to the "tourism product". The project comprises a media campaign, conferences and seminars and courses.

5. **Open air museum Savonet**

Savonet is the only complete plantation in Curaçao. It is the intention to renovate all buildings and other structures and convert the Savonet plantation in an open air museum. This open air museum will be integrated with the Christoffel Park. Since the museum will be of high quality and one of the few museums of this type in the Caribbean we expect it to draw large numbers of tourists, local visitors and schools.

- 6. SOP (Innercity Development Plan) (Pietermaai Smal and Korallengebied)**
In the inner city four neighbourhoods are selected for further development with the aim of improving tourism. The development strategy combines social, infrastructural and economic objectives. The four neighborhoods are: Scharloo Abou, Pietermaai Smal, Korallengebied and Rifgebied. All four areas have tourism potential. Scharloo Abou will be developed in a maritime touristic sense. Pietermaai Smal is a hotel area, the Korallengebied has a lot of interesting buildings from a cultural point of view and the Rifgebied is where the cruise tourists arrive. The project will be phased over more years.
- 7. Mediator**
The Mediator is a steamship that sunk in Anabaai about a hundred years ago. The ship is still in good shape and is situated close to the quay walls at Scharloo (opposite the CTC shed) and not too deep. It has been covered by a lot of debris and stones, however. After removing the debris and stones it would be an excellent and unique dive destination not only in Curaçao, but also in the Caribbean. The project entails not only removing the debris and stones, but also removing and cleaning certain artefacts that will be exhibited in the Maritime Museum. Diving tours will be organized and the diving destination will be extensively marketed.

ENCLOSURE 3

SOME PROJECTS IN PREPARATION

Many projects are being prepared and even more will be prepared in the future. In this MEP produces a steady stream of projects. Some of the projects being prepared are described below.

1. Beach Improvement Program

The beaches of Curaçao often lack necessary infrastructure. This project wants to provide infrastructure such as parking places, garbage bins, shade etc. The project also want to improve beach management.

2. SOP (Innercity Development Plan) (Scharloo Abou and Rifgebied)

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3. Development Program Christoffelpark

In addition to the project "Renovation Roads Christoffelpark" and "Open Air Museum Savonet" a long-term plan for the park is compiled that also comprises additional activities such as, for example, horse riding, a butterfly farm and educational flying demonstrations with birds of prey such as the Whitetailed Hawk (Witstaart Buizerd), Caracara (Warawara), Kestrel (Torenvalk) and the Barnowl (Kerkuil). If needed, also breeding programs for these birds are considered.

4. Environmental Certification Hotels

The aim of this project is that hotels will operate in a more responsible way with respect to the environment, are actively involved with the community and use an environmental certification as a marketing tool. Hotel personnel will be trained and new ecologically sound technology will be installed in the hotel rooms.

5. IntEnt

IntEnt is a project aimed at stimulating the small and medium-sized enterprises (SME) sector. The target group are potential entrepreneurs of Antillean descent living in the Netherlands. They are trained in various skills needed to start a business. On Curaçao they are furthermore assisted in obtaining finance and guided during the first year of operation.

6. Waterpurification Klein Hofje

The large touristical area of Piscadera includes hotels such as Marriot and Hilton, but also Blue Bay Golf course and a long stretch of palm trees along the main road. The landscaping of the hotels, as well as the golf course and the palm trees

Multi-Year Economic Program (MEP) Curaçao
Part III For Everybody
2004 - 2007

depend on purified water from the waterpurification plant Klein Hofje. However, this plant is outdated and does not deliver purified water constantly. One of the undesired effects can be seen at the golf course, where from time to time areas dry out. A project is underway to optimize the facility in order to increase the quality and the quantity of the purified water.

7. Website Historical Curaçao

This project is aimed at opening up historical collections (e.g. Jewish collection, Fortkerk collection) by means of an interactive website.