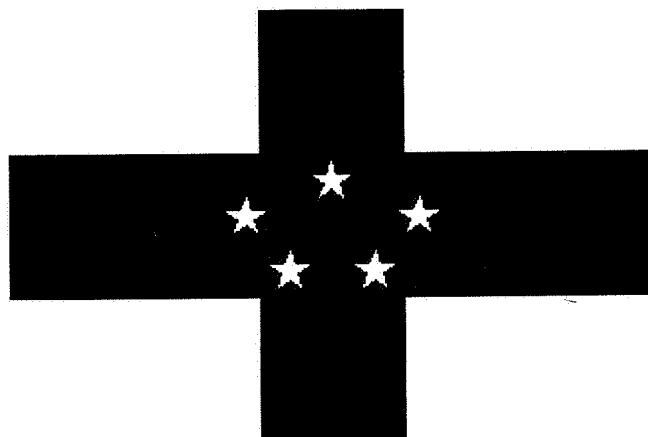


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**Economic Program Central Government
2004-2007**

Netherlands Antilles



Minister of Economic Affairs

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Summary

Economic situation

The Netherlands Antilles consists of five islands, each with its own economic characteristics. Curaçao has the most diversified economy with tourism, logistics and e-commerce as substantial growth sectors, and the oil refinery, international financial services and small-scale manufacturing as traditional large contributors to the economic product. For the economies of the other islands, tourism is the main source of income, but the establishments of medical schools on all the Windward Islands, oil transshipment activities on Bonaire and St. Eustatius, and small business activities in various sectors are also of economic importance. Although the income per capita remains relatively high in a regional perspective, the economy of the Netherlands Antilles has been suffering since the middle of the 1990's. Only recently a slight recovery was seen, but although the upswing seemed to continue in 2003 it has not yet been firmly established and the social situation and the degree of poverty remain worrisome.

Challenges and bottlenecks

The reduction of unemployment is the biggest economic challenge for the coming years. More jobs need to be created and the local labor force needs training and empowerment so it can meet the demand of private employers and other organizations. In order to create jobs, the local business environment needs to enable companies to invest, expand, and react dynamically to global developments. Insufficient functioning of markets, high interest rates and shortage of long term capital, public sector inefficiencies, high costs of doing business and inadequate access to foreign markets have been identified as the major bottlenecks of the business environment.

Related to a better business climate is the quality level of the goods and services, both for local and imported products. Although partly inevitable in small island economies with limited competition and limited choice for consumers, an important challenge for economic policy is to (re)organize or (de)regulate markets in such a way that products of good quality for a reasonable price can become available, and unfair competition practice can be dealt with.

Both an opportunity and a threat for growth of international trade related activities is the somewhat peculiar international status of the Netherlands Antilles. On the one side it is a part of the Kingdom of The Netherlands with access to the European market. On the other side it participates in organizations as the ACS and the Caricom for, amongst other things, more regional trade and investment opportunities. The policy challenge for the Netherlands Antilles is not to get stuck between these developments, to take a clear position and to make choices based on economic costs and benefits.

In addition to improving the general enabling business environment, conditions for development of various specific sectors or economic activities need improvement. Development and empowerment of the local labor force is another challenge in order to reduce unemployment. Increase of labor productivity and a better match between demand and supply are the challenges in a better functioning of the labor market.

Objectives and contents of Economic Program Central Government

Where each island of the Netherlands Antilles enjoys a high degree of autonomy with respect to economic development, the role of the Central Government is one of stimulation, regulation and coordination.

Handling the existing bottlenecks of the local investment climate, as well as the barriers for international trade, form the core of the EPNA. Activities to improve the local

investment climate are planned and executed within the framework of the Caribbean Rim Investment Initiative and supported by the OECD. Fair competition and regulation policy are important elements. A clear trade policy and export stimulation projects are planned to facilitate international business activities.

A number of projects and activities are foreseen to stimulate and facilitate small businesses, agriculture, fishery, co-operatives and manufacturing activities.

Furthermore, the economic program includes activities to stimulate labor productivity growth and the empowerment of the labor force.

Implementation

The implementation of the economic program concern is coordinated by the Department of Economic Affairs Netherlands Antilles, and will be supported by various intermediate organizations in executing individual projects and activities. Two full-time-equivalent of manpower (1 from within the Government and 1 external assistance) will be assigned for the overall management of the program, and for support by the preparation and executing of the projects. A National Economic Platform will be organized, in which policies and activities are coordinated with Island Governments and social partners. An inter-island coordination team will coordinate the programs of all island territories. In the Economic Development Plan, specific attention is paid to the assumptions and risks related to external dependencies, the conditions for an optimal implementation, the sustainability of the effects of the program, and the financial aspects.

Budget and financing

Total estimated costs of projects and activities, including funds for implementation, add up to 19.8 million NAFL for the coming four years. The Central Government will finance 4.4 million NAFL. Dutch Development Cooperation Funds, international donors and other sources of external financing will make up for the remaining necessary funds.

Effects, monitoring and evaluation

Because the role of the Central Government is mainly one of stimulating, regulating and coordinating, the effects of the economic program are measured with the overall efficiency in the economies of the Netherlands Antilles. Based on a benchmark analysis and local expert opinions, a productivity growth was calculated. The macro-economic effects (used as the principle information for evaluation of the program) are a growth of GDP of 1.4%, employment growth of 0.9% and a decrease of unemployment of 0.5%. The more facilitating activities of the Central Government, and other projects to stimulate developments in economic sectors, should really be evaluated in combination with the economic developments and policy activities on all the islands.

For all economic programs together, some 310 million NAFL will be invested in projects and activities that facilitate and stimulate the economies of the islands of the Netherlands Antilles, funded by both local governments and donors. Furthermore, the private sector, by spin-off investments, public-private-partnerships and contributions or co-financing, will invest an estimated additional 247 million NAFL.

The estimated effects of all economic development programs within the Netherlands Antilles (including the program of the Central Government) for the period 2004-2007 are an increase of the GDP with some 450 million NAFL (on top of the expected growth in the reference scenario), more than 4.200 additional jobs and a decrease of the unemployment rate by almost 3 percentage point (2.900 persons). The economic growth will also have a substantial positive effect on the tax revenues of the governments. It is estimated that tax incomes can grow by an average of 60 millions NAFL per year.

1. Introduction

The Netherlands Antilles form an integral but autonomous part of the Kingdom of The Netherlands and is a group of five Caribbean islands: Bonaire and Curaçao (the Leeward Islands) near the coast of Venezuela, and Sint Maarten, Sint Eustatius and Saba (the Windward Islands) located about 180 kilometers east of Puerto Rico.

Size and basic characteristics of the socio-economic situation of the five islands vary substantially as is shown in the following table.

	Size	Population	Unemployment
Bonaire	288 km ²	10.800	9.1%
Curaçao	444 km ²	130.600	15.8%
St. Maarten	34 km ²	30.600	12.8%
St. Eustatius	21 km ²	2.300	8.4%
Saba	13 km ²	1.500	6.1%
Netherlands Antilles	800 km²	175.800	14.6%

According to the 'Eilandenregeling Nederlandse Antillen' (ERNA), which defines and regulates the tasks of the Central Government and the Island Territories, each island enjoys a high degree of autonomy with respect to economic development. The economic priorities therefore vary from one island to another. The role of the Central Government is one of stimulation, regulation and coordination.

This economic program of the Netherlands Antilles (EPNA), which contains the policy objectives, strategies and actions for the coming years, is an update and adaptation of the "Long Term Economic Program of the Central Government of the Netherlands Antilles 2001-2005" (September 2001). The EPNA aims at the contribution of poverty reduction and a sustainable balanced economic development in which employment growth and an enabling business environment are the central issues. In the implementation of the program, the Central Government will closely work together with the Island Governments and the social partners within the Netherlands Antilles.

The main areas of the EPNA are the local investment climate, international trade policy, facilitating specific economic sectors and activities, and labor productivity.

The structure and content of the EPNA is as follows:

- Chapter 2: background information on the current economic situation and policies, as well as the main challenges to be addressed the coming years;
- Chapter 3: the objectives, general effects and targets of the EPNA;
- Chapter 4: the planned projects and activities to be executed;
- Chapter 5: the implementation of the EPNA in terms of necessary means, organization and timeframe;
- Chapter 6: the assumptions and risks related to the execution of the EPNA;
- Chapter 7: the monitoring and evaluation of progress and effects of the EPNA.

2. Background

2.1 Characteristics of the Netherlands Antilles economy

The Netherlands Antilles consists of five islands, each with its own economic characteristics. Curaçao has the most diversified economy with tourism, logistics and e-commerce as substantial growth sectors, and the oil refinery, international financial services and small-scale manufacturing as traditional large contributors to the economic product. For the economies of the other islands, tourism is the main source of income, but the establishments of medical schools on all the Windward Islands, oil transshipment activities on Bonaire and St. Eustatius, and small business activities in various sectors are also of economic importance.

Although the income per capita remains relatively high in a regional perspective, the economy of the Netherlands Antilles has been suffering since the middle of the 1990's. External shocks that adversely impacted economic activity, as well as an erosion of confidence due to persistent large budget deficits with revenue increasing measures by the government, have led to this economic downturn. Only recently a slight recovery was seen (GDP in 2002 increased with 0.3%) but although the upswing seems to continue in 2003 it has not yet been firmly established. Exports (international financial services, tourism and transport & communication) are growing, the inflation is very moderate (less than 1% in 2002) but private investments are declining and the state of the public finances remains delicate. Domestic consumption has also declined and although this has positive effects on the balance of payments (less imports) it also indicates that the general public has not yet benefited from the fragile economic recovery. Unemployment remains at a relatively high level (15%) and in certain areas and neighborhoods the social situation and the degree of poverty are more than worrisome.

For recent trends of the main economic indicators it is referred to Chapter 7, Monitoring and Evaluation, where a reference scenario of the Netherlands Antilles economic development is included.

2.2 Government economic policy

The economic vision of the Central Government is to contribute to the reduction of poverty and improving the welfare and the quality of life of the whole population. Employment growth is the main objective, based on a balanced economic development.

Main ingredients of the domestic economic policy include deregulation and diversification of the economy, a favorable investment climate, a local economic development fund for strengthening the infrastructure on the islands, more inter-island trade, a more favorable interest rate development and quality of goods and services. Foreign economic policy focuses on regional and international trade relations and cooperation, trade relations and economic cooperation with The Netherlands, closer economic ties with Aruba, and stimulating export of goods and services to traditional and new markets.

The role of the Central Government of the Netherlands Antilles is one of stimulation, regulation and coordination, while the Island Territories within that framework are responsible for planning and implementation of economic policies within the various sectors of the islands.

2.3 Bottlenecks and challenges

The reduction of unemployment, being the greatest challenge for the coming years, has two sides. In the first place more jobs need to be created and in this, the private sector must play a central role. Secondly, the supply side of the labor market must be stimulated, meaning that the local labor force needs training and empowerment so it can meet the demand of private employers and other organizations.

In order to create jobs, the local business environment needs to enable companies to invest, expand, and react dynamically to global developments. Over the years, a large number of reports has been written with analyses of the shortcomings of the investment climate. Insufficient functioning of markets, high interest rates and shortage of long term capital, public sector inefficiencies, high costs of doing business and inadequate access to foreign markets have been identified as the major bottlenecks of the business environment. Where modernizing the business climate frequently implies difficult and sensitive processes, the implementation of the recommendations was often not fully realized. Although several foreign direct investments took place, the aforementioned declining private investments prove that further improvements of the business environment remain necessary.

Related to a better business climate is the quality level of the goods and services, both for local and imported products. Although partly inevitable in small island economies with limited competition and limited choice for consumers, an important challenge for economic policy is to (re)organize or (de)regulate markets in such a way that products of good quality for a reasonable price can become available, and unfair competition practice can be dealt with. In the current situation, prices of products are frequently unnecessary high and quality standards are not always met. Further empowerment of the consumer will also be crucial in this issue.

Both an opportunity and a threat for growth of international trade related activities is the somewhat peculiar international status of the Netherlands Antilles. On the one side it is a part of the Kingdom of The Netherlands with access to the European market. On the other side it participates in organizations as the Association of Caribbean States (ACS) and the Caricom for, amongst other things, more regional trade and investment opportunities. Where the development of the Free Trade Area of the Americas (FTAA) will be of great influence on market access and trade opportunities on this side of the world, the European Union is also re-assessing its economic relations with the so-called overseas countries and territories. The policy challenge for the Netherlands Antilles is not to get stuck between these developments, to take a clear position and to make choices based on economic costs and benefits.

In addition to improving the general enabling business environment, conditions for development of various specific sectors or economic activities need improvement. Small businesses often lack means and skills to develop. Agriculture and livestock, fishery and

manufacturing need upgrading and stimulation with the specific focus on export. More professionalism and investments in human capital of co-operations and the co-operative movement are necessary to fully exploit the economic opportunities and job creation in this sector.

Development and empowerment of the local labor force is another challenge in order to reduce unemployment. It is not just the lack of job opportunities that creates the unemployment. Inadequate schooling, the (sometimes perceived) unattractiveness of job offers, and income opportunities in the informal sector play an equally important role. Increase of labor productivity and a better match between demand and supply are the challenges in a better functioning of the labor market.

2.4 Target groups and stakeholders

The main target groups for the EPNA are:

- Private sector for an enabling business environment and as the main creator of employment;
- Island governments for facilitation and coordination of their economic policies;
- Netherlands Antilles community for benefiting from employment and a balanced economic development.

The major stakeholders involved in the EPNA are:

- Labor unions and business organizations as major partners in preparing and implementing economic policies;
- International organizations as the OECD, the UNDP, the World Bank as advisors on various policy issues;
- Government departments and intermediate organizations in implementing projects of the EPNA.

2.5 Background information

Available background information and reports:

- Government Program Netherlands Antilles 2004-2006;
- Revitalizing the Netherlands Antilles Economy, January 2004;
- Long Term Economic Program of the Central Government of the Netherlands Antilles, September 2001;
- Policies and Strategies for Promoting Sustainable Economic Growth and Development in the Netherlands Antilles, Inter-American Development Bank, September 1997;
- Netherlands Antilles, Elements of a Strategy for Economic recovery and Sustainable Growth, World Bank, April 2001;
- CBS, National Accounts and Census;
- BNA, Annual Report 2002;
- Samenwerkingsovereenkomst Land – Sedeck, May 2002;
- Fortification program Fekoskan, 2003-2007, October 2003;
- Programma Samenwerking Nederlandse Antillen (PSNA), Jaarrapport 2002, March 2003;
- Senter Internet sites: www.senter.nl/antillen en www.senter.nl/psna;

- Samenwerkingsovereenkomst Land – Curises, Centrum voor Economie en Arbeid, May 2002;
- Samenwerkingsovereenkomst Land – Curises, Centrum voor Hospitality & Management, May 2002
- Antillyse and Antiltax models including Manual as shareware on www.micromacroconsultants.com.

2.6 Other relevant activities

Imperative for a balanced economic development is a certain degree of macro-economic stability. The most direct threats to macro-economic stability in the Netherlands Antilles are the budget deficit of the Central and the Island Governments and the public debts of the Central and Curaçao Government. The inflation rate is low, the balance of payments has shown surpluses over the last few years, and the reserve of foreign exchange is up to standard.

In order to control the budget deficits and reduce the public debt, the Central Government installed the 'Commissie Schuldenproblematiek' that analyzed the fiscal situation and came up with an array of recommendations. The Government accepted the conclusions and is now in the phase of implementing the recommendations. The controlling of the fiscal imbalances is essential as a condition for a balanced economic development. Furthermore, the Central Government is taking initiatives for a reform of the tax systems, with the objective to improve the investment climate in reducing economic repercussions and improving economic incentives, and where a certain shift from direct to indirect taxes is envisioned.

In a broader socio-economic perspective, the Department of Economic Affairs Netherlands Antilles is participating in the Committee Sustainable Development to draft and implement a policy program for "Small Island Development States" (SIDS), in particular to bring about sustainable development categories for the islands of the Netherlands Antilles.

3. Objectives and content of the program

3.1 Long term development objectives

The development vision as stated in the document "Revitalization of the Netherlands Antilles Economy" is:

"Contributing to the fighting of poverty and improving the welfare and quality of life of the population of the Netherlands Antilles by means of the economic cycle in an international perspective. Hereto employment needs to be created, based upon a balanced economic development."

The desired economic development is the result of economic growth under the following conditions:

- A just income distribution;
- A stable price- and cost level;
- An optimal balance of payments;
- A high quality level of products and services;
- Participation of the local population;
- A responsible behavior regarding nature and environment;
- Improvement of the welfare and the quality of life of the civilians.

3.2 Program objectives

Overall objectives

The principal objectives of the EPNA are to create the optimal conditions for high-quality economic development, in particular the generation of employment for the local population, and to stimulate specific economic activities that can contribute to that.

Based on the major bottlenecks and challenges in relation to conditions for employment growth, and taking into account the role the Central Government has, the EPNA consists of four parts:

- Local investment climate;
- Trade policy;
- Specific sectors and activities;
- Labor productivity.

Primarily, it is the private sector that has to create employment, and for this companies need to be able to invest and operate profitably in an enabling business environment. Handling the existing bottlenecks of the local investment climate, as well as the barriers for international trade, therefore form the core of the EPNA.

In addition, specific economic activities and sectors need to be facilitated in order to meet the opportunities they have for further development. In particular the opportunities for small- and medium sized enterprises and co-operation type of businesses, with their potential for job creation, need to be facilitated. Also, specific attention is paid to agriculture, livestock, fishery and manufacturing activities and their export potential.

In order for the local labor force to meet the demands of the existing and future job opportunities, the increase of labor productivity is of crucial importance.

The specific objectives for the four parts of the program are as follows.

Local investment climate

Improve the enabling business framework, defined as the whole of government policy and behavior and the economic rules of the game, that facilitate and stimulate the private sector to invest, to create employment and to produce and market high quality products.

Trade policy

Have a clear trade policy – based on a clear picture of costs, benefits and feasibility of various trade arrangements - in order to expand the opportunities for international trade, and in particular enlarge the access of local producers of goods and services to foreign markets.

Specific sectors and activities

Increase the level of professionalism and the contribution to job creation of small- and medium sized businesses, improve the conditions for starting new businesses and entrepreneurship, and facilitate the development of export potential of fishery and manufacturing.

Labor productivity

Raise the overall labor productivity of the labor force for a better match of demand and supply on the labor market.

3.3 General program effects and targets

Overall program effect

The overall effect of the implementation of the EPNA is a higher level of investment, productivity and employment in the economies of the islands of the Netherlands Antilles. Specific targets are difficult to determine because the increase of investment and employment largely depend on the economic policies and private sector activities on the islands.

Local investment climate

The effect of an improved enabling business framework is a larger inflow of foreign direct investments, more local investments and job creation, and a better functioning of markets so a reasonable quality level is guaranteed for local consumers.

Trade policy

With a successful trade policy local producers of goods and services will have better access to foreign markets and their exports will increase.

Specific sectors and activities

The effects of the facilitating specific sectors and activities are an increase in the number of new businesses, and more jobs and export activities in the selected sectors.

Labor productivity

Due to the implementation of activities of this part of the program the average labor productivity is to increase, and unemployment will be lower than the current level.

4. Activities

4.1 Activities and outputs

The identified projects necessary to reach the objectives of the EPNA are listed in the following table, categorized by the main parts of the plan, with a distinction in activities and output. After this, a short description of the specific background and objectives of these projects is given.

It is important to stress that the execution of the EPNA is to some degree flexible and that the list of projects is neither final nor exhaustive. During the course of the implementation of the program it might prove necessary to add or remove projects and also priorities may be subject to change due to, amongst other things, external developments and available funds.

PROJECT ACTIVITIES	PROJECT OUTPUT
Local Investment Climate	
Execute activities of the Caribbean Rim Investment Initiative of the OECD	All actions of the Business Reform Agenda are implemented
Reactivation of Commission Flexibilization Capital Market, monitoring progress, and implementing accepted recommendations	Recommendations of commission for more flexibilization and lower interest rates are implemented
Draw up competition law and set up competition / regulatory authority	Legislation and an authority that can enforce fair competition and protect consumer rights
Formulate policy on product quality and set up 'Bureau of Standards'	A 'Bureau of Standards' that introduces and safeguards quality standards for producers and consumers
Trade Policy	
Analyze the possibilities and consequences of the Netherlands Antilles joining the FTAA	A clear view on the economic costs and benefits of joining the FTAA
Analyze the economic opportunities of the LGO-arrangements and UPG-status	A clear view on the economic costs and benefits of LGO and UPG and implemented actions in maximizing their opportunities
Organize a conference on international trade opportunities and aspects	Feedback on and support for preferred options regarding trade arrangements
Formulate an international trade policy	A trade policy supported by social partners and stakeholders
Conduct sector feasibility studies for promoting export of products to existing and new markets	Implemented recommendations of feasibility studies in facilitating sector specific export opportunities
Complying with the agreements of the ASINA covenant	A clear policy position on market regulation; started WTO-negotiations; a resolution on safeguarding measures (Landsbesluit

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	Vrijwaringsmaatregelen)
Determining of quota and licenses regarding LGO export to EU of sugar and rice	Formal resolutions on quota and issued licenses
Specific sectors and activities	
Coordination and support of SESNA units on the islands and implementing a "Technical Assistance Workprogramme"	Optimal support for SESNA units on the islands for small business promotion and stimulation
Monitoring subsidy to Sedeck in conformity with grant agreement of May 8, 2002	Execution of agreed upon small enterprises support activities of Sedeck
Monitoring subsidy to Fekoskan in conformity with grant agreement	Supporting and upgrading of cooperative organizations
Facilitating and coordinating SENTER incentives on the islands	Optimal use of SENTER incentives for innovation & stimulation business community
Continue facilitating the (Export) Credit Insurance arrangement	Optimal use of Export Credit Insurance for the business community
Researching, advising, licensing, policy formulation regarding fishery	Optimal regulation and (export) stimulation incentives for the fishery sector
Supporting agricultural and livestock breeding activities to maximize their economic benefits	A project proposal submitted for funding at the European Union
Developing of a modern WTO-complied industrialization program with the UNIDO	A industrialization program for modernizing the manufacturing sector
Monitoring subsidy to Center for Hospitality and Tourism management in conformity with grant agreement of May 8, 2002	Executing of agreed activities by Curises regarding schooling and research
Labor Productivity	
Monitoring subsidy to Center for Economy and Labor in conformity with grant agreement of May 3, 2002	Executing of agreed activities by Curises regarding schooling and research
Labor productivity projects by Labor Affairs Department	Analyses, policies and incentives to increase labor productivity

Caribbean Rim Investment Initiative

The Netherlands Antilles is one of the pilot countries of the Caribbean Rim Investment Initiative (CRII) of the OECD with the objective to stimulate a favorable investment climate (in particular for foreign direct investments). Currently, an extensive assessment of the investment climate of the Netherlands Antilles is underway. Based upon its findings a Business Reform Agenda will be drafted with concrete recommendations and actions for the priority areas of improvement. Specifically the legal environment will form part of this operation. The OECD will remain involved in the implementation phase of the improvement of the business climate. The whole process is scheduled to be concluded in December 2005.

Flexibilization Capital Market

The capital market is characterized by an oligopolistic structure. The largest bank has a 50 percent market share and the three largest banks control 75 percent. The capital

market is characterized by high charges for processing loans. In particular, small and medium enterprises have difficulty in gaining access to funds partly because of the conservative nature of banking practices by which high levels of collateral, a track record and formal projections may be required to get loans. The "Commissie Flexibiliseren Kapitaalmarkt" will be reactivated and asked to finish its work on analyzing the situation and giving recommendations on reform. The adoption of capital market reforms should result in an efficient capital market characterized by less oligopolistic structures, low interest rates and better access to capital, especially for investment purposes.

Competition law and authority

Due to the small scale of the island economies, there is often a limited degree of competition and limited choice for consumers. Also, some natural monopolists are inevitable. In the current situation, there are little means or instruments to ensure fair competition or to act upon the abuse of market power. Therefore, following countries in the region and around the world, a competition law will be drafted and a competition authority will be set up to enforce fair competition (act if companies abuse their power in the market) and protect the consumers rights. This authority can also act as a neutral regulator of prices and/or quality standards in markets with one producer or a limited number of 'players' as the telecommunications, water- and electricity, seaport and airport.

Bureau of Standards

In a small island economy, with little or none natural resources, there is a large demand for the imports of goods and services. Therefore there is little grip on the quality level of many products and too often minimum standards don't seem to be met. Moreover the consciousness and power of the consumers is limited. A policy for product quality will therefore be developed and a Bureau of Standards will be set up that can introduce and safeguard quality standards for producers and consumers. There is synergy with the activities of a competition authority or regulator, and it is to be seen if these institutions can be combined.

Economic Development Fund

Through a loan by the Central Bank on favorable conditions, the Central Government has created an Economic Development Fund of initially 20 million NAFL in order to finance projects (also in the form of loans) that meet the current economic needs but can not be financed on the private capital market. The objective is to facilitate the islands in strengthening their economic structure and improve the physical infrastructure.

Trade Policy

Trade policy will get much needed attention by the government the coming years. The trade negotiations within the frameworks of the World Trade Organization (WTO) and the FTAA are of immense importance for a small economy with an open character as the Netherlands Antilles. As for the trade relations with the European market, the current LGO-arrangements are under discussion and the option of getting the UPG-status needs judgment in terms of economic costs and benefits. Regionally, organizations as the Caricom and the ACS offer their opportunities (and threats) for export and trade.

In order to determine an optimal international trade policy, several analyses need to be undertaken. In particular, the possibility and desirability of joining the FTAA, the costs and benefits of the LGO and UPG, and WTO-membership and compliance to WTO-rules will be assessed. Furthermore, the legislation regarding LGO export will be fine-tuned

within the departments of the Central Government. Also, research into specific export opportunities will be conducted, including the introduction of specific incentives and support.

Joining large international initiatives or organizations has its impact on many layers of the community and therefore needs to be widely supported. To generate maximum feedback on, and support for, the choices and options regarding the international trade policy, a conference will be organized in cooperation with the University of the Netherlands Antilles in May 2004.

SESNA

The overall objective of SESNA is "to strengthen the contribution of the small business sector to economic growth and to structural employment generation and consolidation".

The purpose of SESNA is to:

- Provide essential business skills training and business advisory services to selected small business entrepreneurs;
- Update the quality of small business support organizations;
- Facilitate better access to credit through the provision of a marginally lower interest rate revolving credit fund;
- Generate an improved small business policy framework.

The execution of the SESNA program finds place on the islands and each island has its own SESNA advisory unit. The role of the Central Government is to coordinate, facilitate and implement and monitor a yearly "Technical Assistance Workprogramme".

Sedeck

The Central Government subsidizes Sedeck in its contribution to small business development. Among other things Sedeck:

- Advises and supports small businesses;
- Offers training-programs and workshops for small businesses;
- Visits small businesses in order to determine their needs;
- Supplies practical and up-to-date information through radio and television;
- Organizes lectures, workshops, seminars, conferences and network opportunities for small businesses;
- Organizes activities to stimulate the social cohesion in the small business community.

Fekoskan

The overall objective of Fekoskan (the federation for cooperative organizations) is a balanced development of the cooperative movement in the Netherlands Antilles.

Strategic objectives are the improvement of competition, stimulation of initiative and responsibility of the population, and creation of employment.

These objectives fit in the socio-economic policies of the Netherlands Antilles Government, and therefore it will support Fekoskan, based upon their fortification program 2003-2007. Main activities are:

- Empowerment of the internal organization of Fekoskan;
- Formation and education of the cooperative values; human resource management and development; training and coaching;
- Improvement of management skills within the cooperatives;
- Improvement of information for the general public and the cooperative members;
- Stimulation of cooperative entrepreneurship;

- Expanding and improving the service to cooperatives by a professional service center;
- Modernization of statutes and legislation.

Specific indicators and targets (number of co-operatives, employment by cooperative organizations, and more) are chosen to measure the success of the fortification program.

SENER incentives

To stimulate foreign investments and new activities of the private sector in the Netherlands Antilles, the Dutch Government has made budget available for PSNA the "Programma Samenwerking Nederlandse Antillen" (Program Cooperation Netherlands Antilles). There are also specific budgets available for several other stimulation programs that focus on knowledge transfer, interest free loans for research and development, and the exports of capital goods and services (SKO-NA, TOP-NA, PESP-NA). Furthermore, a number of arrangements that run through the SENER organization, aiming at enlarging opportunities in emerging markets, are open for companies of the Netherlands Antilles.

The stimulation instruments were evaluated two years after the introduction. Based upon the conclusions of this evaluation, and the available budgets, it has to be decided if and with what budgets some stimulation instruments (in particular PSNA and the Credit Insurance) can be continued.

Export Credit Insurance

An (export) credit insurance facility was created on the Netherlands Antilles in March 2002. Companies established in the Netherlands Antilles can insure their credits (also domestic credits) with a large international credit insurance company. The Dutch Government covers the operational expenses of a local financial advisory company, which functions as the agent of the credit insurance company.

This facility increases the opportunities for local companies to export and for local business opportunities. The credit insurance also contributes to a favorable climate for foreign investors. The Central Government will keep supporting this incentive.

Fishery

Commercial fishery has not been fully developed in the Netherlands Antilles. According to the IDB-Report, there exist significant opportunities for the exploitation of the fishing resources in the Netherlands Antillean Exclusive Fishing Zone (EFZ). However, a clear commercial fisheries management framework policy needs to be developed. This policy needs to carefully balance the interests of the commercial fishermen, the traditional fishermen and the environment in order to deal with the growing worldwide exploitation of these fish resources. A key success factor of a commercial fishery development is a sustained and integrated management of marine resources in the Netherlands Antillean EFZ. The Central Government will come with an integral fishery policy on the regulation and stimulation of fishery activities to maximize the economic benefits of the fishing companies of the Netherlands Antilles, the promotion of exports, and spin-off activities in fish processing. Activities will include legislation, measurements of stock, and license policies.

Agriculture and livestock

The objective is to stimulate agricultural and livestock breeding activities to maximize their economic benefits. With representatives of the sector on the Islands, a project proposal will be formulated and submitted for funding at the European Union.

Industrialization

As a consequence of international trade developments and WTO-regulations, the local manufacturing sector is currently in a phase of transition and modernization. With the objectives of maintaining and/or creating employment and stimulating exports, the government will - with the support of the United Nations Industrial Development Organization (UNIDO) and in close cooperation with the sector - analyze the threats and opportunities of the sector and come up with a modern industrialization program.

Center for Hospitality and Tourism Management

The Central Government subsidizes the Curises institute 'Center for Hospitality & Management' in order to develop and offer an education program regarding Hospitality & Tourism Management. A four-year bachelor's degree education in Hospitality & Tourism Management was developed and is being offered, and specific training programs will be developed, also for in company training.

Center for Economy and Labor

The Central Government subsidizes the Curises institute 'Center for Economy and Labor' to make an important contribution to the promotion of labor productivity, in a broad perspective, in companies and organizations within the Netherlands Antilles. The program is based on the principles of 'Performance Management' and activities entail the supply of schooling and training, initiating and supporting change processes, and research into the effectiveness of the program. Four pilot projects were initiated and two of them are well on their way.

4.2 Concise project database

For an efficient implementation of the economic program the Department of Economic Affairs Netherlands Antilles has set up a small database with information on all the identified projects and activities. Objectives, timeframe, project-leaders, budgets and funding, and monitoring and evaluation moments are included in this database.

The table hereafter gives a summary of this project database; individual projects are clustered and categorized over the four parts of the program. The estimated costs (in thousands NAFL) are in most cases based on specific project information.

The total costs of the foreseen projects and activities are estimated to be approximately 19 million NAFL for the coming four years. These are to be funded from local government and donors. Paragraph 5.3 (Estimated investment costs and financing plan) will provide more detailed information.

Economic Program Central Government Netherlands Antilles 2004-2007

Projects / activities	Costs (x 1000 NAFL)
Local investment climate	
Stimulating favorable investment climate	700
Competition, regulation and quality	1.850
Subtotal	2.550
Trade policy	
Research and policies	375
Export and trade stimulation	2.000
Subtotal	2.375
Specific sectors and activities	
Small business and cooperatives development	1.075
SESNA technical assistance workprogrammes	2.760
Specific sector activities	900
Innovation, export and credit incentives	6.850
Hospitality and Tourism Management	1.335
Subtotal	12.920
Labor productivity	
Subtotal	800
GRAND TOTAL	18.645

5. Implementation

5.1 Inputs

The necessary means for implementing the EPNA concern in the first place input of personnel and running costs of the Department of Economic Affairs Netherlands Antilles, supported by various intermediate organizations as for example Sedeck, Fekoskan and Curises in executing individual projects and activities. It is estimated that for the implementation and managing of the program, as well as the preparation and managing of the projects, a total of 2 full time equivalent (FTE) of manpower is needed. Half of this needed capacity will be supplied by currently employed staff-members. For extra support in managing the program and some of its projects, as well as the empowerment of the department, external expertise will be sought.

For the organization of National Economic Platform meetings, in which policies are discussed with Island Governments and social partners, a budget of 250.000 NAFL will be reserved. Also, a small budget will be reserved for out-of-pocket costs of an inter-island coordination team that coordinates the programs of all island territories.

Additional input concerning the monitoring of all economic programs of (the Islands of) the Netherlands Antilles is needed. The Central Government will facilitate the island territories in this by including a project of supporting the Central Bureau of Statistics of the Netherlands Antilles (CBS). The CBS is an independent institute that can provide the relevant up-to-date figures that are needed for the evaluation of the program. CBS already produces this information for Curaçao (the CBSDAT input file of the Curalyse model) and the business-plan of CBS states that similar consistent databases will be made for all other islands. To increase the speed of this process and to accomplish that before the end of the year such a database including figures of the preceding year will become available for all islands the CBS needs additional support. It is essential that the Finance Departments of all island territories provide the up-to-date figures of government revenues and expenditures in the economic classification. To facilitate this Antillyse update process, an additional expert is needed. Estimated annual costs of this extra expertise (including travel expenses to the islands) are 100.000 NAFL. For 2004 it is anticipated that donor funds will support this; in later years this can be included in the regular budget of the CBS.

Total implementation costs for 4 years are estimated to be:

1 FTE manpower (4 x 60.000 NAFL)	240.000
External support & expertise (4 x 125.000 NAFL)	500.000
National Economic Platform & Inter-Island Coordination Team	300.000
CBS support	100.000
Total implementation costs	1.140.000

5.2 Organization and procedures

The Minister of Economic Affairs is ultimately responsible for the implementation of the EPNA. The Department of Economic Affairs will overall manage and monitor the progress of the EPNA.

Various stakeholders, inside and outside of the government, will compile project proposals and implement projects. Project owners report on a half yearly basis to the overall management of the EPNA with both financial and non-financial information.

The management of the program entails the updating of the program and the twice a year evaluation of the progress. It will also advise project owners if necessary and consult the Minister of Economic Affairs.

In order to cooperate on a structural base with the economic departments of the Island Territories, the Department of Economic Affairs will receive monitoring reports from the islands and an Inter-island Coordination Team will be installed. For consultation of Island Governments, social partners and other stakeholders National Economic Platform meetings will be organized.

For the part of the EPNA that will be supported by development cooperation funds of The Netherlands, the soon to be installed Development Fund will deal with requests for financing of individual projects. Until then, the existing channels will apply. The main criteria for approval will be the accordance with the objectives of the EPNA, efficiency, effectiveness and sustainability.

5.3 Timeframe

The EPNA has a duration of four years and will start as soon as there is a formal commitment of the Netherlands Antilles government. For the use of Dutch development cooperation funding, the EPNA has to be approved as a solid base for sustainable economic development by the Dutch government.

Within the EPNA the projects and activities are phased based on economic policy priorities, availability of funds, interdependency of projects and implementation capacity. The project database (see chapter 4) supplies information on the timing of the projects and activities.

5.4 Estimated investment cost and financing plan

Total estimated costs of planned projects and activities of the EPNA are some 19 million NAFL for the coming four years (see Chapter 4). For the management and implementation of the EPNA an additional 1.140.000 NAFL is calculated (see paragraph 5.1). The following table gives an overview of the investment costs and their anticipated sources of finance.

EPNA parts	NA	Donors	Total
Local investment climate	450.000	2.100.000	2.550.000
Trade policy	225.000	2.150.000	2.375.000
Specific sectors and activities	2.410.000	10.510.000	12.920.000
Labor productivity	800.000		800.000
Implementation	490.000	650.000	1.140.000
Total	4.375.000	15.410.000	19.785.000

For the funding-part of the Netherlands Antilles Government (4.375.000 NAFL), specific amounts will be designated within the government budget.

For the anticipated donor funds it was taken into account that the Dutch development funds have to be 'divided' over the economic program and the nature and environment program. After strong prioritization of both the economic- and the environmental program (down to a minimum level of activities and budgets in order to reach reasonable objectives and targets), the total amounts of needed donor funds (both from The Netherlands and other donors) are calculated at 15.4 million and 9.7 million respectively.

1. Dutch development cooperation funds

This entails the share of the Central Government of the available funds from the Dutch development funds that has to be 'divided' over the economic program and the nature & environment program. The anticipated donor funds from The Netherlands Government supporting both programs of the Central Government are derived from:

- The total available funds for development cooperation (annual some 40 million euro) in the coming four years;
- A 50% share for sustainable economic development;
- A division over the Island Territories and the Central Government as proposed in the Wijers-report;
- For the Central Government this share is 10% equal to an estimated total of NAFL 18 million for the coming four years;
- It needs to be taken into account, that costs of projects (supported by development funds and not included in this program) that are already in execution will form a part of the determined donor budget; these projects in general already contribute to the policy targets and economic effects of the program, but however limit the budget for new activities and will make the setting of further priorities necessary.

The current estimates for the anticipated Dutch donor funds are 12.7 million NAFL for the economic program and 9 million NAFL for the environmental program. For the difference between the total amount (21.7 million) and the available budget (18 million), extra efforts will be undertaken to find other sources.

It was however found desirable to agree upon an a-priori division of the available 18 million of Dutch development funds over the two programs. After exclusion of the budgets for the SENTER and credit insurance incentives (where these arrangements go directly to the private sector), 57% of the remaining Dutch Development funds will become available for the economic program and 43% for the nature and environment program.

*Totaal
verwachte
kosten*

2. Other donor funds and external financing

These anticipated funds consist of the following sources:

- The committed SESNA-funds from the European Union of 2.76 million NAFL;
- Other international donors as the United Nations, or (technical) assistance from more regional institutions.

The financing plan is furthermore based on the following assumptions:

- Development cooperation funds will sustain the policies and institution building regarding competition policy, regulating activities and the safeguarding of quality of good and services;
- A number of research projects into the costs and benefits of the various trade arrangements, as well as the organization of a conference on international trade policy, will be financed by the central government; for the drafting and implementation of the international trade policy technical assistance will be supported by donor funds;
- Research, stimulation and incentives for export opportunities will be supported by donor funds;
- The Central Government will give support to organizations that stimulate and promote small business and cooperative activities;
- For specific sector policies and stimulation donor support will become available;
- Innovation, export and credit incentives will continue to receive support of the Dutch Government;
- Activities to stimulate labor productivity will be subsidized by the Netherlands Antilles Government.

6. Assumptions and risks

Assumptions link the EPNA to the program environment, including those activities and developments that are important for the success of the plan, but cannot be directly controlled by it. The following table gives an overview of the most important assumptions, and a judgment of the risks that the assumptions do not hold and the mechanisms to react to situations where risks actually occur. Specific attention is paid to the assumptions and risks related to the conditions for an optimal implementation of the EPNA, and to the sustainability of the effects of the program.

ASSUMPTIONS	RISKS
External dependencies	
No major damages caused by a natural disaster or other calamities will occur	Low-to-medium-risk: statistically every 5 year a tropical storm or hurricane will effect the Windward Islands; a disaster emergency plan is in place and the Foundation Disaster Management (STIRANA) is supported
Macro-economic stability will be preserved	Medium-risk: the fiscal situation is delicate; the recommendations of the "Commissie Schuldenproblematiek" will be implemented
Island Territories will stimulate their economies and coordination will take place	Low-risk: All the Island Territories have their own economic programs; Inter-island Coordination Team and the National Economic Platform will guarantee coordination
The EPNA will have no substantial negative social- or environmental external effects	Low-risk: social partners and NGO's are involved to seek social-economic synergy; a nature & environment program will be simultaneously executed
Program level	
Methodological approach is adequate to reach overall program objectives	Low-risk: EPNA is based on logical framework and analyses by World Bank and other institutions
EPNA has full administrative support	Low-risk: EPNA is formally approved by Central Government and has full commitment of Minister of Economic Affairs
There is sufficient institutional and management capacity to implement plan	Medium-risk: the staff of the Department of Economic Affairs is small; a budget is reserved for external support
The program has support of the social partners and other economic stakeholders	Low-risk: The relatively small size of the islands makes direct involvement of social partners and stakeholders easy; National Economic Platform meetings are organized
Funding, finance	
Netherlands Antilles Government funding will be available	Medium-risk: Amounts are reserved in the budget, but some extra funding is needed
Donor funding will be available	Medium-risk: Commitments on part of the Dutch Government and European Union are firm, but some extra funding is needed

7. Monitoring and evaluation

7.1 Methodology and selection of indicators

The progress and the success of the EPNA will be monitored frequently. With the help of monitoring indicators the progress of the program and its activities, related to the development objectives, program targets and timeframe, will be measured objectively. It is important to realize that the measuring of economic development (and consequently the effects of an economic program) is an art in itself. For small islands with limited economic data this is even more difficult.

For measuring the effects of this economic program the role the Central Government plays in the economic policies needs to be taken into consideration. The Central Government stimulates, regulates and coordinates, but the Island Governments are primarily responsible for facilitating the economic development on the islands of the Netherlands Antilles. The objectives of the EPNA mainly focus on creating the right conditions for investment, export and labor productivity development (see 7.2 for more details on the selection of the indicators).

Although this cannot be specifically attributed to this EPNA, the effects of all running economic programs on the islands of the Netherlands Antilles will also be presented in this program of the Central Government (see 7.3). This is not to measure the effects and success of the EPNA, but to demonstrate in what way the actions of the EPNA contribute to the overall economic development of the Netherlands Antilles.

For the measurements in what degree targets for the coming years are being met, it is necessary to realize that future developments depend much on externalities and for small-size economies 'individual' occurrences or developments can have a large influence on the outcome. In order to by-pass lengthy discussions on the validity or plausibility of economic forecasts, monitoring indicators will be presented as deviations of a so-called reference path.

This **reference scenario** pictures the economy in the coming years, based on the trends of the recent past and insights of local stakeholders, without having the pretension of closely predicting the future economic development. The targets and effects will be reflected in a **policy scenario** as deviations from the reference values. The trend plus the policy effects result in the target values¹.

7.2 Monitoring indicators EPNA

The role of the Central Government is mainly one of stimulating, regulating and coordinating, and thereby creating the right conditions for economic development on the islands. The economic program is therefore not directly focused on public and private

¹ For more detailed information, see the explanation on the used methodology and the economic model Antillyse (including breakdown for the island economies) as shareware: www.micromacroconsultants.com

investments on the islands, nor the explicit stimulation of tourism or other target sectors of the islands. However, the Central Government and its policies play an important role in improving the investment climate and the international trade opportunities.

Technically, in terms of the effects of these policies, the production factors of the Netherlands Antilles (labor, capital and natural resources like beaches and natural harbor) will produce a higher level of production with the same volume of production factors. Economic science is not so far that effects of individual policies in creating the right business environment can be estimated accurately. To get an idea of the potential magnitude of the EPNA policies, the productivity levels of the economies of the Netherlands Antillean islands were compared with other Caribbean islands, the Netherlands and Suriname². Based on this benchmark analysis, preliminary results were discussed with experts on all islands with resulted in slightly lower targets of productivity growth.

The productivity benchmark analysis shows that the GDP per capita of the Netherlands Antillean islands (as a proxy for productivity) is relatively high, but further (moderate) growth seems feasible. As a starting point of a plausibility check of the results of the policies improving the business environment, effects of 1% increase in productivity per year were analyzed. Because the GDP of the Netherlands Antilles amounts 5 billion NAFL, 1% increase in GDP per capita means a structural higher level of GDP of 50 million. The magnitude of these economic effects was not considered realistic and a more moderate productivity growth was assumed (0,25% in 2005, 0,5% in 2006 and 1% in 2007). Economic effects of a growing "trend in productivity" are both lower cost prices - that affect profitability, followed by more exports and investments - and a moderate wage growth.

The economic scenario with a higher "moderate productivity growth" estimates the quantitative effects of the economic policies of the Central Government focused on the improvement of the investment climate. The following table shows the cumulated effects for the period 2004-2007:

Macro economic indicator	Total effect 2004-2007
GDP	+ 1.4%
Employment	+ 0.9%
Unemployment	- 0.5%
Export volume	+ 0.4%
Real wages	+ 0.7%

It should be taken notice of, that these are policy effects on top of the current growth trends, for example in exports. Furthermore, these are the 'isolated' effects of the Central Government policies, mainly focused on the improvement of the investment climate. These facilitating activities, and other projects to stimulate developments in economic sectors, should really be evaluated in combination with the economic developments and policy activities on all the islands (see paragraph 7.3).

² See "Analysis of the possible productivity growth in the Netherlands Antilles" (also in Dutch) at www.micromacroconsultants.com

7.3 Monitoring indicators all programs Netherlands Antilles

The following table gives the reference- and policy values of the key monitoring indicators for measuring the effects of all economic programs (including the EPNA) on the economic development of the Netherlands Antilles as a whole. The success of the programs on the islands partially depends on the created conditions for investment, export and labor productivity development by the Central Government, and the macro-economic effects of the productivity growth - as calculated in paragraph 7.2 – are included in their policy scenario's. The overall effect of the implementation of the EPNA, in terms of a higher level of investment, productivity and employment in the economies of the islands, depends in its turn on the economic policies and private sector activities on the islands.

For all economic programs together, some 310 million NAFL will be invested in projects and activities that facilitate and stimulate the economies of the islands of the Netherlands Antilles, funded by both local governments and donors. Furthermore, the private sector, by spin-off investments, public-private-partnerships and contributions or co-financing, will invest an estimated additional 247 million NAFL. These public and private investments (of a total of 557 million NAFL for the coming four years) have direct effects on tourism, logistics, other exports and productivity. As a consequence this will positively affect overall economic growth, employment and unemployment, and other macro- and socio-economic indicators.

Effects of all Netherlands Antilles sustainable economic development programs:

	Reference values		Policy effects	Target value
	2004	2007	2004-2007	2007
Absolute effects:				
Stay-over tourists	702,000	741,000	+ 79,000	820,000
Cruise tourists	1,624,000	1,633,000	+ 8,000	1,641,000
GDP (in mln. NAFL)	5,154	5,572	+ 448	6,020
Employment private sector	67,848	70,841	+ 4,209	75,050
Unemployed	12,359	12,755	-/ 2,910	9,845
Unemployment %	12.4%	12.7%	-/ 2.9%	9.8%
Income < 1000 NAFL/month ¹	76,813	79,576	-/ 2,408	77,168
Income < 1000 NAFL/month % ²	55.8%	55.5%	-/ 2.0%	53.5%
	Recent history	Reference scenario	Policy effects	Policy scenario
Average annual growth:	1989-2003	2004-2007	2004-2007	2004-2007
Real GDP	0.2	2.2	1.8	4.0
Employment private sector	-/ 0.4	1.6	1.5	3.1
Net real income		0.5	0.4	0.9

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

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

The effects of all economic development programs within the Netherlands Antilles for the period 2004-2007 is an increase of stay-over tourists of an estimated 79.000 (+11%), an additional annual growth of real GDP of 1.8% (some 450 million NAFL in 4 years), an annual increase of employment of 1.5% (in total some 4,200 extra jobs in 4 years), and a decrease of the unemployment rate after 4 years of almost 3 percentage points (2,910 less unemployed). The growth of the number of jobs will not lead to an equal decrease of the number of unemployed because the labor force will grow also, both from within the islands as through immigration.

In the macro-economic scenario it is assumed that the extra growth of the production in the private sector will have some positive effects on the profitability of companies (and thus indirect on investments and employment) and will lead to a moderate growth of real income per employee (some 0.4% annually). If the real incomes show a higher increase, this will automatically lead to less growth of employment.

In the reference scenario it is calculated that the number of persons of 15 years and older that have a net income less than 1000 NAFL per month will increase to 79.5 thousand in 2007. This includes the relatively large group of people with no income (for example housewives and students). In the policy scenario more than 2,400 persons cross this income line, resulting in some 77 thousand persons with a net income below 1000 NAFL per month in 2007. This means a decline of the percentage of persons below this income line (including the people with no income) from 55.8% in 2004 to 53.5% in 2007.

The economic growth will also have a substantial positive effect on the tax revenues of the governments. It is estimated that tax incomes can grow by an average of some 60 millions NAFL per year. Relatively, extra tax revenues will be higher on the Leeward Islands, as the tax rates are higher than on the Windward Islands.

7.4 Evaluations

The annual evaluation of the overall success of the EPNA will be based upon the actually realized values of the monitoring indicators as reflected in paragraph 7.2. The collection of the data and the determination of the indicator values will be conducted by an independent organization. All actually statistical information can be delivered by the Central Bureau of Statistics of the Netherlands Antilles (CBS), including information that CBS gets from other institutes like the Central Bank, Tourist Offices, et cetera. What is needed is an annual update of all figures as in the Antillyse model for each island (the sum gives the whole of the Netherlands Antilles). CBS already provides this information for Curaçao and the business-plan of CBS states that similar consistent databases will be made for all other islands. The EPNA includes a project "Antillyse update" to facilitate CBS in order to guarantee that the information will become available for each island already in the year 2004 (see chapter 5).

The Central Government and the main donors and contributors will use these measurements as the principle information for evaluation of the progress of the EPNA and, if necessary, this evaluation will lead to adjustments or adaptations of priorities.

Twice a year, the Department of Economic Affairs will make an internal evaluation of the EPNA in which the progress of the projects and activities will be the main focal point.