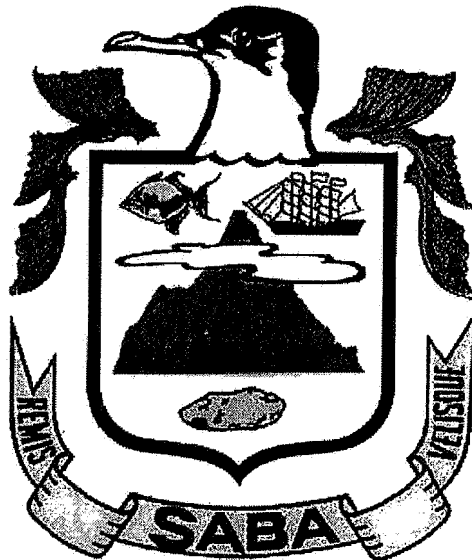


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Economic Development Plan 2004-2007

Saba



Island Territory of Saba

February 2004

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Summary

Economic situation

The economy of Saba is mainly supported by its unique ecological characteristics as a tourist destination, the presence of a medical school and small-scale businesses in fishery, construction and communications. Where the Medical School has shown a stable growth over the past years, tourism development experienced a period of decline starting in the second half of the 1990's. In 2002, some growth was again recorded and the data for 2003 indicate that the positive development is consolidating, but activities are still fluctuating and have yet to reach the level of before. The unemployment went up slightly over the last couple of years, and the public sector employment is unsustainably high. Without any extra efforts, the economic projections for the near future are dim. Tourism growth will be moderate at the best, and the financial situation of the Government can have serious adverse effects on economic development.

Challenges and bottlenecks

To counterbalance these developments, and to create a more sustainable development of employment, a number of important challenges lay ahead. The most important bottleneck for a balanced economic growth is the situation of the public sector. The financial situation is very delicate, and the hereby-created debts and liquidity problems affect the effectiveness and efficiency of the government in facilitating and stimulating economic development. Investments and job-creation in the private sector are a necessity for a more stable financial-economic and social situation.

As a basic condition for further economic development, the general physical infrastructure contains some bottlenecks that need attention, especially in water management. The overall business environment could further improve by addressing the existing so-called 'red tape' in the public sector and the strengthening of the human capital factor. Small business development is crucial for creation of work and to diminish the importance of the Government as a social security net. The improvement of business skills and easier access to credit are the main challenges for growth of jobs and the increase in the number of local entrepreneurs on the island.

The hurricanes in the late 1990's damaged a lot of Saba's nature attractions and have been a major set back for eco-tourism. The redevelopment of Saba as a destination for eco- and cultural tourism requires investments, specifically in it's hiking trails and the exploitation of environmental, cultural and historical assets. Targeted marketing efforts focused on the competitive advantages of Saba are a further important challenge.

Objectives of Economic Development Plan

To address these bottlenecks and challenges the Government of Saba drafted this Economic Development Plan 2004-2007, which is to be regarded as the concretization of the socio-economic goals as stated in the strategic position paper "Saba's roadmap for the future; a sustainable social- and economic development within a renewed relationship with the Kingdom". The main objectives of the EDPS are to increase the quality of the physical infrastructure, to have more efficiency in the public sector aimed at a more enabling investment climate, to enlarge the contribution of small businesses to the economic base, and to promote and increase the quality of Saba's environmental, cultural and historical assets.

Activities within the Economic Development Plan

A number of concrete investment-projects and activities are to be executed in the coming four years, to achieve the goals and the set targets. With targeted investments in water management, the efficiency in water supply will be increased and the cost of doing business lowered. With special focus on access to credit, starting of new business will be facilitated. Investments will be made to specifically stimulate horticulture and fishery activities as well as the production of local artifacts. The expansion and repair of the network of hiking trails will be the first focus in improving the tourism product, next to the upgrading of Saba's cultural and historical assets and exploiting of artistic activities on Saba. For the consistent establishment of a better market share, investments in human resources, marketing and promotion activities are foreseen.

Implementation

Implementing these projects and activities will require a joint effort by the Island Government, the Saba Tourist Bureau, the SESNA Advisory Unit Saba and the Saba Business Association. Within the government, 1 full-time-equivalent of manpower will be assigned for the overall management of the program, and for support by the preparation and executing of the projects. Furthermore, an additional budget for external expertise in preparing and managing projects will be reserved.

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 public investments costs of the economic plan are 4,55 million NAFL for the coming four years. As a direct consequence of the activities, private investments of some additional 2 million NAFL are foreseen. These are considered to form a part of the successful execution of the program and are included in the targets. For the management and implementation of the economic plan an additional 360.000 NAFL is calculated. The total public and private investments add up to 6,91 million NAFL. For financing these investments, external support is crucial. It is anticipated that some 3.6 million NAFL will come from Dutch Development Cooperation Funds.

Effects, monitoring and evaluation

The progress and the success of the Economic Development Plan will be monitored and evaluated based on specific economic indicators. The targeted effects are calculated in an economic policy scenario, as deviations from reference values that reflect the economic trends. The economic development plan directly targets on tourism arrivals and private investment. Indirectly this will positively affect employment, GDP and other macro-economic indicators. Some projected effects of the economic development plan of Saba for the period 2004-2007 are an increase of stay-over tourists of an estimated 11%, an increase of day-trippers of some +12.5%, an additional annual growth of employment of more than 1.5%, and a decrease of the unemployment rate with more than 3 percentage points in four years. The evaluation of the overall success of the economic development plan will be based upon the actually realized values of these and other monitoring indicators. The Island Government and the main donors will use these measurements as the principle information for evaluation of the progress of the EDPS and, if necessary, this evaluation will lead to adjustments or adaptations of priorities.

1. Introduction

The island of Saba is proud of its natural and cultural heritage and is affectionately referred to as the *Unspoiled Queen*. Saba shares this heritage with visitors from all over the world. Tourism is the main economic sector on Saba, but the presence of a medical school also gives an important contribution to the income and employment on the island. In addition several small-scale businesses are active in other sectors such as fishery, construction and communications.

In October 2003, the Executive Counsel of the Island Territory of Saba officially approved the position paper "Saba's weg naar de toekomst; een duurzame sociale- en economische ontwikkeling binnen een hernieuwde relatie met het Koninkrijk" (Saba's roadmap for the future; a sustainable social- and economic development within a renewed relationship with the Kingdom) as the guideline for economic and social policies and efforts for the coming five years. This Economic Development Plan is to be regarded as the concretization of the socio-economic goals as stated in the position paper.

The economic development plan for Saba 2004-2007 (EDPS) is an update of the same type of document that was composed by the Island Government in November 2001. The EDPS aims at strengthening and widening of the economic foundation of Saba and creating the conditions for a further sustainable economic growth and development. The plan contains the specific objectives, strategies and activities on how to establish this sustainable development, and the Government of Saba and its partners in the private sector are convinced that with the implementation of the plan and its investments, the Saba economy will continue to develop for the benefit of the whole population of the island.

The main areas of focus of the EDPS are:

- Infrastructure investments and the business environment;
- Small business promotion and stimulation;
- Saba's tourism product & tourism marketing.

The structure and content of the EDPS is as follows:

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

2. Background

2.1 Characteristics of the Saba economy

Saba is a small, mountainous island (population: 1450 of which some 250 students of the medical school) with a (sub)tropical ecosystem. In its recent history, the economy was primarily supported by tourism (mainly diving and hiking), where it is estimated that 24% of the labor force is directly related to tourist activities. Furthermore, the establishment of the Saba School of Medicine and a relatively large public sector (estimated 30% of the total workforce), supported by external financial means, contribute substantially to economic development. Other economic activities are in transport & communication, construction, real estate, fishing and retail.

As a tourist destination, Saba competes with a number of attractive destinations in the surrounding islands. Saba does have a number of characteristics that differentiates the island as a unique destination from the surrounding islands. It is one of the Caribbean's best-kept secrets as an eco-tourist destination, a pristine undeveloped and sparsely populated getaway and one that holds unique charm due to its small scale and restricted access. Saba has the smallest commercial runway in the world with on average five flights – 19 people per flight - to the island per day.

Starting in the year 1999 the tourism development showed a period of decline. In those years, a number of severe hurricanes (Georges [1998] and Lenny [1999]) adversely affected tourism to the region and to the island in particular. The number of visitors to the island declined, also indirectly because tourism in St. Maarten – from where many tourists visit Saba for one or several days - showed a decrease. In 2002, however, growth was again recorded and the data for 2003 indicate that the positive development is consolidating. The activities in the marine park are still fluctuating and have yet to reach the number of boats, visitors and underwater activities of before.

	# of yachts	people on board	# of divers	# of dives	# of snorkelers
1994	468	2958	4790	22879	378
1995	565	3827	3974	18578	326
1996	439	3176	3800	20362	402
1997	443	2378	5223	21531	492
1998	283	1569	8114	21535	401
1999	390	2268	5500	19434	258
2000	303	1943	7338	20022	287
2001	343	2509	6611	18730	249
2002	254	1916	4707	17152	196
2003	264	1669	4893	19009	185

The Medical School has shown a stable growth over the past years and with the presence of about 225 students and 29 professors is an important part of Saba's economy. In general, the private sector is profitable; although on average companies show a relatively modest return. Although the number of total employees seems to be steadily increasing, the unemployment went up slightly to approximately 5% of the labor

force. The public sector employs some 295 persons (Island and Central Government combined) and the financial position of the Government remains under pressure.

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

2.2 Government economic policy

The basic principle of the Government's economic policy is to create an enabling business environment in which the private sector has a growth potential. This entails also the privatization or public-private-partnerships of some economic activities that currently are under government responsibility, the reduction and shortening of bureaucratic procedures, the development of human capital and providing incentives for potential investors.

In facilitating specific economic sectors, the Government continues to focus on tourism and hospitality, where the stimulation of eco-tourism, further beautification of the island and including Saba on the World Heritage List, and the development of Giles Quarter are important issues. Supporting infrastructure for further growth of the education sector is another priority, in combination with increasing the tax incomes related to the Saba University, School of Medicine. Small business development and entrepreneurship, in particular in fishery and horticulture, and the exploration of alternative energy production, form also part of the Government's economic policy.

2.3 Bottlenecks and challenges

Where in general the economic situation seems relatively healthy, important challenges remain to be addressed for sustainable economic development. Probably the most important bottleneck for a balanced economic growth is the situation of the public sector. The financial situation is very delicate, among other things because of a sub-optimal tax-collection, and the structure and functioning of the Solidarity Fund. The hereby-created debts and liquidity problems affect the effectiveness and efficiency of the government in facilitating and stimulating economic development, as well as in providing other public services to the community.

As a basic condition for further economic development, the general physical infrastructure contains some bottlenecks that need attention, especially in water management: A feasibility study to have pipelines throughout the island determined that this would almost be impossible to carry out. Concluding that Saba remains to depend on cistern water, the only alternative is to build additional "gray" water cisterns that support development. The water is used mainly for agriculture during the drought season, for hotels and for construction. Where transportation from the water plant is expensive, these "gray" water cisterns would lower costs for the private sector. The use of alternative energy sources could further improve the efficiency and lower the costs of utilities. A further bottleneck is the length of the airstrip. In itself an attraction as one of the shortest runways in the world, in certain wind condition it is not safe for landing and take-off, with obvious consequences for economic activities. The overall business

environment could further improve by addressing the existing so-called 'red tape' in the public sector and the strengthening of human capital factor.

Small business development is one of the main challenges for sustainable economic growth. Stimulate the contribution of small business and entrepreneurs to the economic base of Saba, will create necessary employment within the private sector, will therefore diminish the importance of the Government as a social security net, and will also lessen the financial burden on the Island Government of Saba. The improvement of business skills and easier access to credit are the main challenges for growth of jobs and the increase in the number of local entrepreneurs on the island. Balanced growth of employment is necessary to reverse the slightly increased unemployment, without creating a further need to depend on immigrating workers.

The hurricanes in the late 1990's damaged a lot of Saba's nature attractions and have been a major set back for eco-tourism. The redevelopment of Saba as a destination for eco- and cultural tourism requires investments, specifically in it's hiking trails and the exploitation of environmental, cultural and historical assets. The development of the Giles Quarter area and the opportunity for developing a marina could further boost the economy of Saba. The effects of both 9/11 and the different hurricanes also resulted in a decrease of tourism in St. Maarten, with obvious severe adverse effects on the amount of tourists that came to Saba.

Compared to other surrounding small islands, Saba holds a relatively small market share of regional tourism. Nevertheless, Saba has developed it's own markets and with the growing importance of Internet marketing can continue to do so. A further significant opportunity for Saba's marketing efforts is the tourists arriving at St. Maarten's airport (some 400.000), visiting St. Maarten/ St. Martin and other surrounding islands for an extended period of vacation time. Where costs for a day-trip can run high, a stay-over visit to Saba could very well prove attractive. At the moment however, Saba as a destination has a relatively low profile in St. Maarten/ St. Martin compared to other islands. Saba is not aggressively marketed in the USA, one of the main sources of St. Maarten's visitors. Saba has lacked the resources to market the island effectively compared to St. Barths, Anguilla or St. Maarten. Niche marketing focused on the competitive advantages of Saba is therefore an important challenge.

2.4 Target groups and stakeholders

The main target groups for the EDPS are:

- Saba private sector for an enabling business environment
- Stay-over tourist from the USA, The Netherlands and elsewhere
- Day-trippers mainly from Sint Maarten
- Hotel and restaurant owners
- Saba University, School of Medicine
- Saba community benefiting from employment and economic growth

The major stakeholders involved in the EDPS are:

- Saba Government
- Saba Tourist Bureau
- SESNA Advisory Unit Saba

- Saba Small Business Association
- Water Plant Owner

2.5 Background information

Available background information and reports:

- Saba's weg naar de toekomst; een duurzame sociale- en economische ontwikkeling binnen een hernieuwde relatie met het Koninkrijk, Position Paper Executive Counsel Island Territory of Saba, October 2003
- Economic Development Plan for Saba, November 2001
- Strategic Development Plan of Saba 1996-2000, November 1995
- Netherlands Antilles, Elements of a Strategy for Economic recovery and Sustainable Growth, World Bank, April 2001
- Pies to the road map, Small Enterprises Stimulation, Netherlands Antilles, January 2003
- Saba Tourism Development Plan 2001-2003
- Saba Integrated Tourism Development Master Plan, April 1997
- SESNA Advisory Unit Saba, Work Programme No.3, June 2003
- Info New Businesses, 2003

2.6 Other relevant activities

As a precondition for economic development, macro-economic stability in terms of modest inflation, a stable monetary situation and no large fiscal imbalances, is important. Where some of these factors lay outside of the influence of the Saba Government, the financial situation of the government is an urgent issue to be addressed locally.

Various developments as the decline of tourism due to hurricane damage and 9/11, political instability with the Kingdom, and the ongoing discussions on the Solidarity Fund, have put enormous pressure on the functioning of the Saba Government. In order to address the financial situation on a sustainable base, the government will focus itself more on the core businesses as safety, education, public health, socio-economic development and a solid financial administration. A restructuring process will take place and the number of personnel will be related to the core business activities. Employees, taken into the civil service out of social motives, will be placed in a schooling institute with finding work in the private sector as the end in mind.

In order to more effectively manage the tax-incomes and improve the public finance situation, the Saba Government will strengthen the tax collection division. With the empowerment of the finance department, the government will also be better capable in executing the identified measures for a lower budget deficit and more efficiency in the government apparatus. Consequently, a protocol between the Central Government and the Saba Government is sought regarding liquidity arrangements.

The settlement of the various contributions and amounts in the Solidarity Fund, with an increase of the financial support for Saba from 6.75 million NAFL in 2003 to more than 8 million from 2004 and on, will need to further relieve the financial burden of the Saba Government. In addition, efforts are made to increase the tax contributions of the medical school.

3. Objectives and content of the program

3.1 Long term development objectives

The development vision as described in the Strategic Development Plan of Saba is:

“Creating a higher standard of living and a higher level of welfare for the Saba population, while maintaining Saba’s unique character and environment.”

The following elements are considered to be crucial in reaching this goal:

- Strengthening the economic basis;
- Maintaining and protecting Saba’s identity and environment;
- Increasing the welfare and social well-being, primarily for the inhabitants of Saba;
- Development of human capital;
- Good governance;
- Reducing the external dependency of Saba’s government revenues.

3.2 Program objectives

Overall objective

In order to contribute to the creation of a higher standard of living and an increase of the welfare level, the overall objective of this economic plan is to generate and facilitate growth of private sector activity and employment, mainly by stimulating more investments and professionalism in small businesses and recovery of growth of tourism in niche markets.

The challenges for a further sustainable economic development (as described in paragraph 2.3) are improving the tourist product of Saba as an attractive destination, the marketing of the island for eco- and cultural tourism, and facilitating small businesses in benefiting from tourism development and other economic opportunities. In this, tourism on Saba is the sector with the most prospects for sustainable growth and development. Some investments in the infrastructure and business climate are necessary to accommodate further economic activities. Based on these bottlenecks and challenges the EDPS consists of three parts, each with its own objective.

Infrastructure investments and the business environment

Increase the quality of the physical infrastructure, in particular the water supply and distribution, and make the investment climate more business friendly and attractive for the private sector.

With targeted investments in water management, the efficiency in water supply will be increased and therewith the cost of doing business lowered. In general, more efficiency in the public sector aims at a more enabling investment climate with positive consequences for profitability and growth in the private sector.

Small business promotion and stimulation

Enlarge the contribution to the economic base; increase the level of professionalism and increase the level of investments of small businesses.

With special focus on access to credit, starting of new business will be facilitated. With information, advice and training small business activities can further professionalize, where agriculture, fishery and the production of local artifacts require specific attention.

Saba's tourism product and tourism marketing

Enlarge the quality and the tourist accessibility of Saba's nature areas and Marine Park, as well as its environmental, cultural and historical assets, and diversify the tourism product for other niche markets; make the Saba tourism product better known by potential stay-over tourists for the specific market segments, as well as the potential visitors from Sint Maarten.

Expansion and repair of the network of hiking trails will be a first focus here, next to the upgrading of Saba's cultural and historical assets and exploiting of artistic activities on Saba. For the consistent establishment of a better market share, investments in human resources, marketing and promotion activities are crucial in a dynamic sector as the tourist industry.

3.3 General program effects and targets

Overall program effect

The overall effect of the implementation of the EDPS is a higher level of production, investment, export (tourism) and employment in the private sector, where it is targeted that in the coming four years an additional annual economic growth of 2% is reached, created (amongst other things) by a more than 10% growth of tourism and resulting in some 1.6% annual employment growth in the private sector.

Infrastructure investments and the business environment

The effect of infrastructure investments and a more business friendly environment is a lower level of the cost of doing business and a higher level of investments, targeted at more than 2 million NAFL for the coming four years.

If the development of a Marina proves feasible the amount of foreign direct investments could be substantially higher.

Small business promotion and stimulation

The effect of the small business related objectives are an increase in the number of new businesses by an average of five per year, an increase in labor productivity and a better level of profitability where the average net profit is targeted to increase to 5% within the program timeframe.

Saba's tourism product and marketing

The effect of the increased quality of the Saba tourism product and an increase of awareness by potential visitors is an increase of stay-over tourist and day-trippers. Targets are an average annual growth of more than 2.5% for stay-over visitors and an increase of day-trippers of 3%. In case the development of a yacht marina will be materialized, the growth of tourism will definitely be higher.

4. Activities

4.1 Activities and outputs

The identified projects necessary to reach the objectives of the EDPS are listed in the following table, categorized by the main parts of the plan, with a distinction in activities and output. This is followed by a short description of the specific background and objectives of these projects. It is important to stress that the execution of the EDPS 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.

It is worthwhile mentioning that in recent years the following projects of the EDPS 2001 were realized or are in progress, financed with substantial own contributions of the Saba Government:

- Water Reservoir The Bottom
- Relocation and refurbishing Saba Tourist Bureau
- Terracing of the S-Curve

Foreseen projects and activities in executing the EDPS 2004-2007:

PROJECT ACTIVITIES	PROJECT OUTPUT
Infrastructure and business environment	
Construction of cistern at airport	Cistern that provides water at lower costs and reduces erosion
Construction of cistern at Lollipop's Restaurant	Cistern that provides water at lower costs and reduces erosion
Construction of cistern for Spring Bay	Cistern that provides water at lower costs and reduces erosion
Construction of cistern at Lieutenant-Governor's residence	Cistern that provides water at lower costs and reduces erosion
Construction of cistern at Crispeen	Cistern that provides water at lower costs and reduces erosion
Construction of cistern at Giles Quarter	Cistern that provides water at lower costs and reduces erosion
Updating of Saba Investment Guide	Up-to-date information for investors
Feasibility study lengthening of airstrip	Information on the costs and benefits on the lengthening of airstrip
Small business promotion and stimulation	
Execution of SESNA program: information	Provided information to the Saba business community
Execution of SESNA program: advise	Advise given to the Saba business community

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Execution of SESNA program: training	Trained entrepreneurs and employees of Saba businesses
Execution of SESNA program: financing	Soft loans to new businesses in Saba
Purchase of power boat hoist and construction of supporting infrastructure	Boat hoist to facilitate fishing sector (and diving industry)
Carry out study and compile market-information for horticulture and animal husbandry opportunities	Information in equipment and a brochure for marketing for this economic sector of Saba
Upgrade the artisan sector	New equipment, marketing material, et cetera
Increase and reorganize the Local Revolving Fund	Increased and efficient Revolving Fund for investment capital small businesses
Tourism product and marketing	
Carry out study development Cove Bay	Information on costs and benefits of construction break-water and development
Expansion of trail network	Extra hiking trails to improve tourist attractiveness Saba
Repair of Mount Scenery Steps and construction platform	Accessible trail on, and improvement of infrastructure of, Mount Scenery
Repair of steps to Ladder Bay	Access to Ladder Bay
Construction of fresh water pool at Spring Bay	Pool facility at Spring Bay
Repairing trail leading to Crispeen	Entire trail to Crispeen accessible
Reconstruction of North Coast / Green Point to Mary's Point and Mary's Point ruins	Access to Mary's Point and reconstructed tourist attraction
Restoring of Sandy Cruz to All Too Far trail	Improved quality of trail for tourist accessibility
Saba Marine Park monitoring project	Better control on and quality of marine conservation
Marketing and promotion	Promotion material and media exposure
Public restrooms next to Tourist Office	Facilities for tourists Windwardside
Upgrading Museum Windwardside	More attractive historical site for tourists
Study and Land Survey	Necessary information for obtaining National Park status northern part of island

Water management

The overall objective is that water will be provided for hotels and other businesses at a low cost throughout the island. This is based on the fact that studies have been executed for a distribution network that have proven that this is not feasible in terms of the costs and benefits. The construction of cisterns, purification equipment, and possibly some dams, will also reduce erosion effects and create short to medium time employment.

Updating Saba Investment Guide

With the investment guide of Statia as an example, it is the intention to publish a guide for potential investors with information on opportunities of doing business on Saba (information on tax laws et cetera). Ideally, this guide will also be accessible through the Internet.

Feasibility lengthening airstrip

The current airstrip of the Saba airport is 400 meter. In certain strong wind conditions this length proves to be insufficient for safe arrivals and departures. Therefore, on an annually base 5% of the flights from and to Saba has to be cancelled, with obvious consequences for tourist arrivals and other business activities. The option to change the direction, and with that create the possibility for a longer airstrip, was looked into, but this cross-strip proved to be too costly, because it would actually mean constructing a completely new airstrip.

A better option could prove to be the construction of a type of platform at the end of the current airstrip, with a foundation based on the rocky bottom below. A feasibility study will demonstrate and calculate the costs (in terms of construction) and benefits (in terms of lowering the cancellation percentages and its economic benefits).

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 annual management reports and work programs of the SESNA Advisory Unit Saba provide detailed information on the so far executed activities, the running activities and future plans. Specific attention will also go out to activities related to the housing of medical students.

Boat hoist

In order to enhance and upgrade the fishing sector and the diving industry, a boat hoist will be constructed and the safety of the boats being taken out of the water will improve.

Horticulture and animal husbandry

The sector, that used to produce a production surplus, needs to be revitalized. With the support of external assistance, the responsible foundation will facilitate private initiative aimed at more local production and lower prices of better quality products that can be sold locally and off island.

Artisan sector

This regards in particular the necessary investments in hardware and machinery, as well as marketing activities to facilitate the sector. As a consequence of a longer period of financial problems the Saba Artisan foundation has not been able to make these required investments. It has to be seen or the Saba Artisan Foundation is the most adequate organization, but stimulation is needed to produce better quality products that can be sold to tourists and locals.

Local Revolving Fund

Partly as a consequence of high overhead costs, the financial means of the fund are currently almost exhausted. In order to meet the ongoing demand of investment capital and to stimulate starting small business activities a financial injection and a thorough assessment of the executing organization are necessary.

Cove Bay development

The Cove Bay is currently the most popular 'beach' area. Cove Bay is located adjacent to the tidal pools, which are frequently visited by tourists and locals. It is planned to execute a study in determining the possibilities, costs and benefits of the development of Cove Bay, where the construction of a beach facility with a breakwater is envisioned to increase the tourist attractiveness and a safer swimming area in Saba.

Nature trails

A network of nature trails have been developed to offer hiking opportunities, enhance the nature experience and to ensure hiker safety. Since the beginning of 2001, the trail network has been used as an income generating opportunity for the Saba Conservation Foundation. A \$3.00 nature fee is charged to all visitors. Local residents are not charged the nature fee, as trails pass through privately owned land. Local landowners support the investment in trail maintenance as long as local residents are not required to pay. All proceeds collected from the nature fee, are reinvested into the trail network for the replenishment of vegetation, trail maintenance and cleaning. There are 14 nature trails on Saba that make up the network of trails marketed as hiking activities:

1	Mt Scenery	6	Sandy Cruz	11	Bottom Mountain
2	Maskehorne Hill	7	North Coast	12	Buds Mountain
3	Crispeen Track	8	Sulphur Mine	13	Banana Gut
4	All Too Far	9	Hot Springs	14	Spring Bay
5	Ladder Bay	10	Cove bay /Tidal Pools		

Some of the trails are well kept and have withstood the damage of recent hurricanes while other trails are in urgent need of repair from on going weathering. Trail reconstruction is conducted both to make the nature trails more attractive as well as to ensure safe walking for hikers as the number of hikers are increasing each year. Between 8000 and 13 000 visitors walk the trails of Saba each year. Marketing efforts aim to increase these figures. Priority on the repairing and upgrading of the trails are based on their tourist and environmental value.

Saba Marine Park monitoring

The Saba Marine Park was declared a National Marine Park in 1999. It is one of the few self-financing Marine Parks in the world and serves as a model to other Marine Parks that are trying to get established in the region. The Marine Park maintains a database of the area, which includes monitoring of the fish population, water quality and sedimentation, and social/ economic impacts (divers, dive boats, fishing, yachts, recreational and commercial uses, etc). The Marine Park collects and stores data in a Geographic Information System. This ongoing monitoring requires financing in order to ensure healthy conditions in the marine park area. The gathered information will feed into a broader regional database on climate change operated through Carmabi Curaçao. According to the Marine Park, and the *Limits of Acceptable Change Management Plan*, there is scope for an increase in diving activity within the Marine Park by 60% although the activities will need to be carefully monitored for negative impact on coral reefs.

Marketing and Promotion

The Island's Tourist Office has the task of marketing and promoting the island and its tourism products to potential visitors and marketers. The private sector also advertises and markets Saba and its tourism products abroad. The private sector cooperates with the Tourist Office for marketing and tourism promotion strategies.

Saba's niche markets have been identified as: the Scuba diving and snorkeling market, hikers and adventure travelers, honeymooners and the wedding market and to a large extent excursionists from nearby islands, in particular St. Maarten. To successfully market the basic tools as promotional materials, resources for marketing activities, advertising, FAM-trips, trade shows, a website and ad hoc travel are used.

Up-to-date, attractive and informational brochures, advertising in magazines, and more active participation in trade shows, have the highest priority for Saba's tourism promotional needs.

Public restrooms at Tourist Office

This project entails the construction of public restrooms in the center of the Windwardside. This is considered to be an essential service for visitors to the island, since there are no facilities presently available.

The Saba Museum

The museum on Saba exists in a context of a network of cultural and historic heritage sites. Artifacts and evidence collected on the island date back both to colonial and pre-colonial settlements. Many Saban people can trace their heritage directly to the early European settlements on Saba. Most historic sites are located along nature trails, which were previously used as footpaths by early settlers long before the road was built. The development and marketing of these historic sites will provide additional and exciting activities for tourists both regionally and internationally.

The museum is a popular place of interest for tourists but is in dire need of an upgrade. It is located in the historic section of the Windward side, the largest village on Saba and is surrounded by an extensive lawn with a children's playground and the beginnings of a botanical garden where a number of local and Caribbean flowers and trees flourish. The museum is located in very ambient surroundings and provides a great opportunity to capitalise on its very attractive village location.

The museum is currently not a suitable venue to safely and securely house historic artefacts, paintings, journals and information. A few years ago an extensive project was proposed to the government and the European Union to upgrade the museum. The cost estimates for the upgrade of the museum were excessive and the government requested a more moderate and realistic proposal.

Study and Land Survey

The area on the north side of the island is predominantly wilderness, which contained all six of the vegetation zones found on Saba. A portion of this land was donated to the Saba Conservation Foundation and has been set-aside as the core area for a national park. The proposed national park stretches from near the airport along the north coast to the Mary's point ruins. This area is the least developable part of the island and the most spectacular in terms of a nature resource.

In order to establish a national park, and to facilitate developments in general, it is important to determine the pattern of property ownership on this land, as most land on Saba is privately owned. Once landowners have been identified it will be possible to

acquire (by purchase or donation) the land for a national park. Before any land acquisition process can begin, the area must be surveyed and owners identified.

Development Giles Quarter

A potential boost for tourism and the economy can be created by the development of a Marina at Giles Quarter. This would require substantial investments from a private investor and possibly some supporting public investments in the infrastructure. Also land surveys will be necessary. Currently the Saba Government is talking with a potential investor.

4.2 Concise project database

For a better implementation of the EDPS 2004-2007 the identified projects and activities are gathered in a small database that gives an overview of all projects, including the estimated costs (x 1000 NAFL) and the timeframe. The following table gives a summary of this project database; individual projects are clustered and categorized over the 3 parts of the program. The estimated costs (in thousands NAFL) are in most cases based on specific project information.

Projects / activities	Costs (x 1000 NAFL)
Infrastructure and business environment	
Cistern projects	650
Other projects	100
Subtotal	750
Small business promotion and stimulation	
SESNA program	400
Sector projects	600
Local Revolving Fund	500
Subtotal	1.500
Tourism product and marketing	
Expansion and repair trail network	1.050
Marine and National Park	100
Museum Windwardside	500
Other tourism product projects	150
Marketing, promotion and training	500
Subtotal	2.300
GRAND TOTAL	4.550

Priorities in the part "Infrastructure and business environment" might need to be adjusted if funding for the infrastructure of the marina will be needed within the timeframe of the plan. Furthermore, some investments in alternative energy sources (solar, wind, geothermal) can get a higher priority. The total costs of the foreseen projects and activities are estimated to be approximately 4.5 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, as well as the contribution of the private sector in realizing the targets of the economic program.

5. Implementation

5.1 Inputs

The necessary means for implementing the EDPS mainly concern input of personnel and running costs of the Island Territory of Saba, supported by the Saba Tourist Bureau, the SESNA Advisory Unit Saba and the Saba Business Association. It is estimated that for the implementation and managing of the program, as well as support by the preparation and executing of the projects, a total of 1 full-time-equivalent (FTE) of manpower is needed.

For external expertise in preparing and managing projects, including support in frequent monitoring of results and effects (see Chapter 7), an additional budget, as part of the EDPS funding, of 30.000 NAFL per year will be reserved.

Annual implementation costs are estimated to be:

1 FTE manpower (x 60.000 NAFL)	60.000
External expertise	30.000
Total annual implementation costs	90.000

5.2 Organization and procedures

The Island Counsel & the Executive Counsel of Saba, and in particular the Commissioner for Economic Affairs, are ultimately responsible for the implementation of the EDPS. The Planning Bureau will overall manage and monitor progress of the EDPS, where also the Finance & Economy Department will be closely involved.

Various stakeholders, inside and outside of the government, will compile project proposals and implement projects. The projects and activities regarding the infrastructure and the business environment climate will mainly be handled by the government agencies. The Tourist Bureau will have the lead in the projects related to the improvement of the tourist product and marketing, where the SESNA Advisory Unit will execute most of the projects in stimulation and promotion of small business activities. The Saba Business Association will be involved in all parts of the program and in stimulating the spin-off in terms of private investments. Project owners report on a half yearly basis to the overall management of the EDPS 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. Based upon the evaluations, monitoring reports will be submitted to the Executive Counsel and the Economic Department of the Central Government. If necessary, the program management will also advice project-owners and consult the Commissioner of Economic Affairs.

For the part of the EDPS 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. The main criteria for approval will be the accordance with the objectives of the EDPS, efficiency, effectiveness and sustainability.

5.3 Timeframe

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

Within the EDPS the projects and activities are phased based on economic policy priorities, availability of funds, interdependency of projects and implementation capacity.

5.4 Estimated investment cost and financing plan

Total estimated public investments costs of the EDPS are 4,55 million NAFL for the coming four years (see Chapter 4). As a direct consequence of the EDPS activities – in particular those related to small business stimulation – private investments of some additional 2 million NAFL are foreseen. These are considered to form a part of the successful execution of the program and are included in the targets. For the management and implementation of the EDPS an additional 360.000 NAFL is calculated (see paragraph 5.1). The total public and private investments add up to 6,91 million NAFL.

The following table gives an overview of the investment costs and their requested sources of finance.

EDPS parts	Saba	Donors	Private	Total
Business environment	100.000	650.000		750.000
Small business stimulation		1.500.000	2.000.000	3.500.000
Tourism development	70.000	2.230.000		2.300.000
Implementation	240.000	120.000		360.000
Total	410.000	4,500.000	2.000.000	6.910.000

Own Government

The investments of the government for the economic development program in the coming four years come from (reallocation within) the current budget or indirectly through government subsidized organizations. Due to the program there will be higher economic growth, an increase in real incomes, an increase in profitability of enterprises (higher growth of labour productivity) and a decline in number of unemployed. The government can use these additional incomes or reduced expenditures to partly finance projects and activities of the economic development plan.

The above amounts do not mean that the Saba Government will not spend or invest more than 410.000 NAFL in the coming years. The above amounts relate directly to the implementation of EDPS projects and activities. On Saba, the island government has an

important responsibility to promote the development of the private sector especially in the absence of local economies of scale and private sector investment in local industry. Total government expenditure in the tourist sector over the last decade is an estimated 3 million NAFL. In addition to government expenditure on tourism development, the island government of Saba also contributes towards human resources training in the tourist sector in partnership with local institutions. The island government of Saba is committed to further training in hospitality to enhance the quality of the tourism product on the island. Training in the tourism sector is a partnership between both private and public sectors.

Donors

The funding that is anticipated from donor funds in the coming four years consists of two parts:

1. Dutch development cooperation funds

This entails the island's share of the available funds from the Dutch development funds. The amount of anticipated donor funds from The Netherlands Government are derived from:

- The total available funds for development cooperation (annual some 40 million euro);
- A 50% share for sustainable economic development;
- A division over the Island Territories and the Central Government as proposed in the Wijers-report;
- For Saba this share is 2%, which equals to estimated funds of 3.6 million NAFL 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.

2. Other donor funds and external financing

This amount of anticipated funds (NAFL 0.9 million for four years) consist of the following sources:

- Other international donors as the European Union (average annual flow of European Development Fund to the Netherlands Antilles between 1986 and 1999 was 7.2 million NAFL), United Nations or (technical) assistance from more regional institutions;
- Dutch and international funds and charity foundations that support social, cultural, heritage and environmental projects, be it directly to the government or through the participating stakeholders in the program.

Private sector

The private sector 'contributions' to reach the objectives and targets of the economic development plan are can consist of various elements:

- So-called spin-off investments that are triggered or facilitated by public investments in the infrastructure, eliminations of bottlenecks, and the introduction of instruments, incentives and policies;
- Public-private-partnerships in investments in the infrastructure or utilities, and the development of infrastructure-related sites or projects;
- Matching of, or contribution to tourism marketing and promotion activities and contributions to, or co-financing of training and advice activities (SESNA).

In the financing plan it is anticipated that investments in the infrastructure, small business stimulation, and investments in the ecological and cultural assets of Saba, and the promotion of it, will be financed by donor funds. For the investment guide and feasibility studies Saba Government will allocate funds. Extra private investments of small businesses will contribute to the set targets of the program.

6. Assumptions and risks

Assumptions link the EDPS plan to the plan 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 EDPS, and to the sustainability of the effects of the program.

ASSUMPTIONS	RISKS
External dependencies	
No major damages caused by a natural disaster will occur	Low-to-medium-risk: statistically every 5 year a tropical storm or hurricane will effect the Islands; most constructions are hurricane proof; a disaster emergency plan is in place
Private investment small business sector	Medium-risk: targeted investments are fairly substantial but based on past experience seem feasible
The EDPS will have no substantial negative social- or environmental external effects	Low-risk: stakeholders and NGO's are involved to seek social-economic synergy; environmental development forms major part of the EDPS
Program level	
Methodological approach is adequate to reach overall program objectives	Low-risk: EDPS is based on logical framework and analyses by World Bank and other institutions
EDPS has full administrative support	Low-risk: EDPS is formally approved by Island Counsel and has full commitment by Commissioner of Economic Affairs
There is sufficient institutional and management capacity to implement plan	Medium-risk: Saba has a proven capacity in executing programs and projects, and a budget is reserved for external support; however number of qualified staff is very limited
The program has support of the social partners and other economic stakeholders	Low-risk: Feedback was guaranteed in a workshop on the draft EDPS; the relatively small size of the island makes direct involvement of social partners and stakeholders easy
Funding, finance	
Saba funding will be available	Medium-risk: financial position of the government is under pressure; bilateral agreements with Central Government and decisions on Solidarity Fund are necessary
Donor funding will be available	Low-risk: Commitments on part of the Dutch Government and European Union are firm

7. Monitoring and evaluation

7.1 Methodology and selection of indicators

The progress and the success of the EDPS 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 little economic data this is even more difficult. On top of 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.

The main criteria for the selection of the key monitoring indicators are:

- Close linkage to the program objectives and desired effects;
- Indicators are as SMART as possible (Specific, Measurable, Acceptable, Reasonable and Timely);
- Availability of (recent) data;
- Determinable by independent institutions.

7.2 Monitoring indicators

The following table gives the reference- and policy values of the key monitoring indicators for measuring the structural economic development of the economy of Saba, as well as the effects of the EDPS for the years 2004-2007.

The EDPS directly targets for tourism arrivals and private investment. Indirectly this will positively affect GDP and other macro- and socio-economic indicators.

In the reference scenario the basic assumption is that stay-over tourism will grow by a moderate 1% a year, and the inflation equals the average of the last decade (2%). As a consequence, overall economic growth will be very moderate (less than 1%). However, in 2005 relatively large investments will take place that pushes up GDP and employment temporarily.

¹ See for more detailed information, an explanation on the used methodology and the Antillyse economic model as shareware: www.micromacroconsultants.com

Program effects and monitoring indicators:

	Reference values		Policy effects	Target value
	2004	2007	2004-2007	2007
Absolute effects:				
Stay-over tourists	8,080	8,325	+ 908	9,233
Day trippers	12,399	12,775	+ 1,603	14,378
GDP (in mln. NAFL)	29.3	33.0	+ 2.4	35.4
Employment private sector	386	405	+ 26	431
Unemployed	77	67	-/ 23	45
Unemployment %	11.6%	10.0%	-/ 3.4%	6.6%
Income < 1000 NAFL/month ¹	423	425	-/ 12	413
Income < 1000 NAFL/month % ²	38.2%	37.7%	-/ 1.3%	36.4%
	Recent history	Reference scenario	Policy effects	Policy scenario
Average annual growth:	1989-2003	2004-2007	2004-2007	2004-2007
Real GDP	0.5	1.7	2.0	3.7
Employment private sector	1.0	1.4	1.6	3.0
Net real income		-/ 0.3	0.2	-/ 0.1

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 (17.9% in 2004)

The effects of the economic development plan for Saba is an increase of stay-over tourists of an estimated 900 (+11%) and an increase of day trippers by some 1,600 (+12.5%). Mainly because of these increases in tourist arrivals, an additional annual growth of real GDP of 2%, an annual increase of employment of 1.6% and a decrease of the unemployment rate after 4 years of more than 3 percentage points is expected.

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 0.2% 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 be around 425 in 2007. This includes the relatively large group of people with no income (for example housewives and students). In the policy scenario calculations 12 persons cross this income line, resulting in 413 persons with a net income below 1000 NAFL per month in 2007.

7.3 Evaluations

The annual evaluation of the overall success of the EDPS 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 actual 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. In the economic program for the Central Government a project is included to facilitate CBS in order to guarantee that the information will become available for each island already in the year 2004.

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

Twice a year, the management of the EDPS will make an internal evaluation of the EDPS in which the progress of the projects and activities will be the main focal point. Some external support for the frequent monitoring of the results and effects of the program is necessary. Where CBS will provide up-to-date figures in a consistent database that feed the economic model, Saba government officials will need some training & support to use the model for monitoring and evaluation purposes. A small budget is included in the implementation cost.