

Social Economic Initiative (SEI)

Sint Eustatius

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1. Introduction

Background

In the "Hoofdlijnenakkoord" of November 2005, it was agreed that each entity of the Netherlands Antilles will establish a policy agenda of social and economic measures. This Social Economic Initiative (SEI) is to make sure that the proper financial and economic foundations are laid to ensure (for) a sustainable future in the run up and when the new constitutional statuses become effective.

In the "Slotverklaring" of October 11, 2006, the SEI was given a crucial position against other initiatives such as debt relief and that of the new constitutional statuses. The SEI sets the policy agenda for the next period, beginning with the transition phase (2007- 2009) toward achieving the new constitutional status. Preferably, implementation of these measures should therefore be feasible within this period.

The measures

Based on a vision and mission statement, a list of reform measures and supporting measures has been prepared. This has resulted in the following specific areas of policy intervention:

1. Tourism development
2. Small and medium-sized enterprises (SME's)
3. Infrastructure and logistics
4. Spatial planning and protection of nature

For each policy area specific measures have been identified. These measures entail both reform measures as well as supporting measures (investment impulse and social issues). Agreement on this policy agenda should be followed by the next phase, in which implementation plans for the specific measures will be worked out. For supporting measures, the amount of Naf 13 mln will be made available by the Dutch government during the transition phase, after agreement has been reached on the AMvRB. This amount is in addition to the regular development aid which Sint Eustatius receives yearly through the development cooperation program.

2. Vision and mission statement (10 years)

Vision statement

In ten years, the population of St. Eustatius will enjoy a higher and sustainable level of prosperity in a livable environment.

Mission statement

St Eustatius sees tourism, logistics, and an environmentally friendly SME sector as the foremost areas of development while maintaining an environmentally responsible oil terminalling industry, in order to achieve and sustain the high level of prosperity desired. As precondition for economic growth, St. Eustatius will allow a **controlled growth** in population from 3000 to 7000 inhabitants. This will ensure that the friendly and quiet characteristics of the island are preserved, while at the same time a necessary base (critical mass) is provided for economic development.

3. Policy area's and measures (to be implemented during the SEI period (2007-2009))

3.1 Tourism development

Analysis

St Eustatius offers some attractive options for a specific type of tourist. Nature, cultural history, diving and the relaxed atmosphere are certainly strong selling points for attracting tourists. Also the special relationship with the USA (St Eustatius was the first foreign territory that recognized the USA) can be an asset when it comes to the American tourist. Stay-over tourists offer the best benefits for the economy of St Eustatius.

Policy objective

- Increase in stay-over and transit tourists of a specific type: high-end, highly educated and sensitive to preserving nature and culture.

Proposed measures for the SEI agenda

1. Appointing an investment officer for a period of 2 years to facilitate and promote the establishment of high-quality accommodations and leisure activities to attract the high-end tourist.
2. Increase in promotion activities for the tourist product of St Eustatius (marketing aimed at the target groups). This will be done by providing additional financial support to the Tourism Bureau for a period of 2 years.
3. Development of additional air and sea lift through stimulation of private sector initiatives and provision of necessary facilities.
4. Enforce minimum quality standards for accommodation and service provided by hotels, restaurants and the leisure activities sector. To this end, the government will – in cooperation with the hotel, restaurant and leisure activities sector – draw up a set of minimum quality standards for hotel rooms and service to be provided. The government will actively see to it that the minimum standards are met by inspecting regularly. If needed the expertise of the Koninklijke Horeca Nederland could be requested.

3.2 Small and medium-sized enterprises (SME's)

Analysis

The development of the SME sector is an important way to increase (youth) employment and stimulate entrepreneurship among the local population. It creates a perspective for making a reasonable living on the island, which mitigates social decay and emigration.

Policy objective

- Attract to the island and stimulate SME's (light and clean industrial) to be established by the local population in relation to the tourist sector, the logistical sector and the oil terminalling sector.
- Privatization of the harbor and airport.
- Shift in employment from the public to the private sector.
- Professionalize the facilitation of foreign investors.

Proposed measures for the SEI agenda

1. Create a (revolving) guarantee fund with the purpose of stimulating quality improvements in the tourist sector. Commercially obtained loans by companies in the tourist sector can (partially) be guaranteed by this fund. Maximum risk guarantee is Naf 300.000. The Economic Development Foundation will manage this fund.
2. Establishment of a (revolving) micro-enterprise fund for the SME sector. Maximum loan amount is Naf 25.000.
3. Development of entrepreneurship (training and education). This will be covered by, among others, the education program.
4. Facilitate (on-the-job) training in the private sector. The education program, among others, will cover this.
5. Appoint an investment officer for the period of two years to facilitate foreign direct investments and joint ventures (see also section 3.1).
6. Improve the procedure for obtaining business licenses by assessing the procedures and arrangements regarding licenses in terms of their consistency and necessity. It is desired that for this assessment the Netherlands will provide expertise through the ministry of BZK and Economic Affairs.

3.3 Infrastructure and logistics

Analysis

The quality of the infrastructure is currently hampering economic development on St Eustatius. First, the harbor is not protected. The strong waves that make it sometimes difficult for the ships and yachts when these call at the port. There is also the possibility to develop a section of the harbor for a (mega) yachts-marina, which would increase the attractiveness for this kind of high-end tourism.

Airlift is crucial to tourism development. The airport terminal is outdated and does not comply with international quality standards. It also cannot accommodate an increased tourist flow. The runway and parking area can be upgraded to facilitate more and larger aircrafts. The possibilities for fuelling, aircraft mechanics and logistical services will need to be developed.

The road network is in need of upgrading to improve the movement of the growing resident population, to ensure safe access especially for the (seniors) citizens, and to facilitate tourists and cargo transport to and from the harbor and airport.

Furthermore, initiatives to secure consistent and healthy water supply must be intensified to realize an island-wide water distribution network.

Policy objectives

- Upgrade infrastructure of harbor and airport related to their respective economic potentials and the accessibility of the island.
- Upgrade infrastructure on the island related to population growth, the development of the tourism and small-medium business sector and safety.
- Upgrade the telecommunication network to support economic development
- Execution of a underground water distribution network

Proposed measures for the SEI agenda

1. During the SEI period the first phase of the adaptation and expansion of the harbor will be realized, based on the Royal Haskoning report.
2. Upgrading of the road network. For the SEI agenda, this entails the construction of a new road (Nieuwe Havenweg) to be able to direct the heavy trucks away from the tourist area.
3. Rehabilitation of the beach at Oranje Baai, construction of artificial reef balls and snorkel trail. This will be carried out in close cooperation with STENAPA.
4. Upgrading of telecommunication, through the initiatives of the already privatized (wholly-owned) telecommunication company Eutel N.V.

5. The installation of a water distribution network. This will be slated to be funded through the European Development Fund.
6. The development of the airport activities will be along the lines of the report funded through the DEO 2004 – 2007 program. The financial arrangement of the development of the airport activities will be further looked at by a financial expert, and should make use of, among others, public-private partnership (PPP) arrangements. The construction of the airport terminal building is the first phase in the airport's development in support of the planned growth of the tourism sector. SEI funds can also be used for the development of the PPP arrangements.

3.4 Spatial planning and protection of nature

Analysis

St Eustatius has a vision for spatial planning on the island, but this is not yet worked out in a spatial development plan or zoning plan. Anchoring the spatial vision in a specific framework will ensure a balance between economic development, residential development, recreation and the environment. Also, additional measures are necessary to protect the island from erosion and deforestation.

Another social issue is the problem of inadequate waste collection and the lack of a sewage system, which puts a burden on the ecological environment of the island.

Policy objectives

- Protection of the natural environment in light of the enhanced economic development.
- Reduction of the level of erosion
- Improvement of waste collection services and the development of the sewage system

Proposed measures for the SEI agenda

1. Development, in close cooperation with stakeholder, of an Island Master Plan and related Spatial Development Plan. It is proposed that the Netherlands will provide the necessary expertise to develop the Spatial Development Plan. The Spatial Development Plan will be finished by the 1st quarter of 2008.

2. Implement measures against erosion, which means the development of water catchments, reforestation and stone wall retention. This will be done in close cooperation with STENAPA and other relevant NGO's.
3. Invest in a waste management system through a public-private partnership. A plan is being developed for a sustainable and commercially viable waste management system with surrounding islands.
4. Development of a sewage system.

4. List of projects

Below, a first indication of possible projects is provided based on the measures in the previous chapters. A detailed implementation plan of the projects will be worked out in a later stage. For each proposed project an indication is given when it will be realized and how the financing from the SEI funds of NAF 13 mln is to be appropriated. Several projects refer only to their initial phases. Additional financing for further phases beyond the SEI period should be secured before the project is submitted to USONA.

Policy area	Project	Realized	Indicative financing through SEI (xANG)
Tourism development	Appoint an investment officer for 2 years	4 th quarter 2009	1.000.000
	Increase in marketing funds and capacity of Tourist Bureau for 2 years	4 th quarter 2009	
	Develop legislation and enforcement of minimum quality standards for hotels and restaurants, if needed with aid from the Netherlands	1st quarter 2008	
Small and medium-sized enterprises (SME's)	Financing of a Loan Guarantee Facility for SME's in the tourist and related sector.	1st quarter 2008	1.500.000
	Development of Entrepreneurship (training and education)	<i>This is part of the education program.</i>	
	Facilitate on-the-job training	<i>This is part of the education program.</i>	
	Privatization government entities.	4 th quarter 2009	
	Appoint an investment officer for 2 years (see above)	(see above)	
	Improve the procedures for obtaining licenses	2 nd quarter 2008	
Infrastructure and logistics	Development of a new airport terminal (1 st phase) and activities	4 th quarter 2008	9.000.000
	First phase of adaptation and expansion of the harbor	4 th quarter 2009	
	Construction new harbor road to create an alternative route for heavy traffic (Nieuwe Havenweg)	4 th quarter 2008	
	Rehabilitation of the Oranje Baai beach, construction of artificial reef balls and snorkel trail in close cooperation with STENAPA	4 th quarter 2008	
	Installation of water distribution network	2 nd quarter 2009 (This is realized with European funding)	

Spatial planning and protection of nature	With the help of the Netherlands develop a Master plan and spatial development vision and plan.	1 st quarter 2008	1.500.000
	Improve watershed management by investing in water catchments combined with stone wall retention and reforestation projects, in close cooperation with STENAPA and other relevant NGO.	4 th quarter 2008	
	Development of a sustainable waste management system with surrounding islands	4 th quarter 2008	