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PROGRAMME PLANNING

Country and intercountry programmes and projects

SECOND COUNTRY PROGRAMME FOR THE NETHERLANDS ANTILLES*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991	596 000
	Government cost-sharing	794 000
		<u>1 390 000</u>

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES . . .	1 - 13	2
A. Current economic trends	1 - 5	2
B. National development strategies	6 - 8	2
C. Technical co-operation priorities	9 - 10	3
D. Aid co-ordination arrangements	11 - 13	4
II. THE COUNTRY PROGRAMME	14 - 40	5
A. Assessment of current country programme . .	14 - 19	5
B. New programme proposal	20 - 39	6
C. Unprogrammed reserve	40	10
Annex: Financial summary		

*Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The Netherlands Antilles consists of two groups of islands situated in the Caribbean Sea, about 880 kilometres apart. The Leeward Islands group, composed of Curaçao and Bonaire, lies between 24 and 61 kilometres off the northwestern coast of Venezuela, while the Windward Islands group, composed of St. Maarten, St. Eustatius, and Saba, is about 352 kilometres east of Puerto Rico.

2. The economic well-being of the Netherlands Antilles has until the present been based principally on the operation of the Shell Oil Refinery in Curaçao, which imports crude and partially refined oil from Venezuela and the Middle East and then ships refined petroleum products mainly to North American markets. Other important contributors to the economy have been offshore banking, tourism, and shipping, including bunkering.

3. Since 1983, however, elements of the economy in Curaçao have been severely affected by the decline in oil production, tourism and shipping. More specifically, with the global decrease in oil consumption, production at the Shell Oil Refinery has declined to between 50 and 60 per cent of capacity; this almost resulted in the closure of the refinery, until negotiations were recently successfully concluded with Venezuela to lease it. The petroleum sector, which employs 1,900 people in Curaçao, represents 22 per cent of the island's income, and generated \$247 million in 1983. The economy of Curaçao has been further exacerbated, on the one hand, by the 70 per cent decline in Venezuelan tourists, due to the devaluation of the Venezuelan bolivar in 1983 and, on the other, by the recent change in US tax laws, making it no longer an incentive for US companies to conduct offshore banking in the Netherlands Antilles. This activity yielded Curaçao nearly \$112 million in 1984.

4. The cumulative effect of these developments on the balance-of-payments situation in the Netherlands Antilles has been negative; and reduced imports have been unable to compensate for reduced earnings and capital outflows. The trade balance in 1984 showed a deficit of \$701 million, a trend exacerbated by increased Government expenditures and declining revenues. Unemployment increased to 17.3 per cent in Curaçao in 1984 due to the declining performance of the economy.

5. In view of this situation, all the islands of the Netherlands Antilles will have to depend increasingly on new initiatives in the tourism and industry sectors to make good the revenue losses and, at the same time, create new job opportunities.

B. National development strategies

6. An analysis of the economic situation of the Netherlands Antilles indicates an impending crisis characterized by decreasing national income, increasing unemployment (beyond already high levels), diminishing foreign exchange reserves, and a growing imbalance between Government revenues and

expenditures. In an effort to resolve these problems, the Government of the Netherlands Antilles prepared socio-economic development programmes covering the period 1984-1987 for each of the islands.. The main development objectives defined in the programmes were: (a) to generate foreign exchange to improve the balance-of-payments; (b) to create employment opportunities; and (c) to strengthen and diversify the economy.

7. In order to attain these principal objectives, the most important development strategies of the Netherlands Antilles will be the development of: tourism and related industries; agriculture, animal husbandry and fisheries; industry and manufacturing; transportation and communications; and human resources. The capital investment requirements for the above objectives and strategies will be provided primarily by the Government of the Netherlands and the European Development Fund (EDF).

8. Under the fifth EDF programme (1982-1986), \$14 million is available for the Netherlands Antilles (including Aruba), primarily for infrastructure development such as the airports in Saba and St. Eustatius. During the period 1987-1991, this assistance is expected to amount to \$11 million, excluding the amount for Aruba.

C. Technical co-operation priorities

9. The overall technical assistance needs and priorities identified by the Government to support its development objectives and strategies are as follows:

(a) Tourism: training of personnel in hotel management; hospitality training; advisory services for identifying new tourist markets; studies on new handicraft designs, production, and marketing; and formulation of tourism development plans, especially for Saba and St. Eustatius;

(b) Agriculture, animal husbandry and fisheries: consultancy services for the formulation of an integrated agricultural development plan among the five islands, as well as the required development plan for each island to complement inter-island efforts; training for farmers and fishermen on how to increase their present crop, livestock and fish yields for local consumption and the tourist trade; advisory services on new areas of agricultural expansion in each island to reduce food imports and to increase food exports;

(c) Industry and manufacturing: consultancy services to advise the Government on: diversification of the industry sector; identification and promotion of investment opportunities; and drafting of legislation to stimulate industrial development;

(d) Transportation and communications: to complement its tourism, industry, and trade, the Government will require advisory services on airport and airline management, airport and harbour facilities, and road maintenance. Training will be necessary in telecommunications in order to keep abreast of the latest technological developments;

(e) Human resources: seminars and workshops will be necessary for middle managers in the public sector involved in finance, economic development, and the airline industry. In the private sector, training is necessary in hotel management and maintenance. Advisory services on the redeployment of skills from the petroleum sector are also required.

10. These technical co-operation needs were determined on the basis of the integral socio-economic development programmes of the respective island territories, mentioned above. In meeting the requirements for the above areas of technical assistance, the Government will depend primarily on the IPF resources of UNDP, totalling \$596,000, and other sources of funding from the United Nations system. In addition, the Government will contribute funds totalling \$794,000 through cost-sharing. As assistance from the Netherlands Government concentrates on capital investment and/or lines of credit, it is unlikely that funds from these sources will be used to any great extent for technical assistance.

D. Aid co-ordination arrangements

11. Increasingly, the Government of the Netherlands Antilles has looked to other sources of financing beyond the UNDP IPF and cost-sharing for two reasons: (a) the small size of its IPF (\$1.268 million for 1982-1986); and (b) budget constraints in the Central Government and Island Governments for increased cost-sharing. In this regard, the Antilles has sought, and has received, assistance from the United Nations system through the use of regional advisers from the United Nations Department of Technical Co-operation for Development (UNDTCD), the International Labour Organisation (ILO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Meteorological Organization (WMO), the International Telecommunication Union (ITU), the World Tourism Organization (WTO), and the United Nations Industrial Development Organization (UNIDO). Activities in technical co-operation among developing countries (TCDC) are being requested for assistance in poultry farming (Bonaire); mango canning (Saba); nurses' training (St. Eustatius); and veterinary services (St. Maarten). The Netherlands Antilles is also increasing its role in regional activities. For example, the Antilles is actively participating in project RLA/82/023, Water Resources, and RLA/83/032, Caribbean Airport Maintenance Operations and Services (CAMOS), and is seeking to establish a regional language institute in Curaçao in conjunction with UNESCO. In April 1985, an interregional workshop on non-conventional uses of water was held in Curaçao with financing from the regular budget of UNDTCD.

12. Use of resources from the United Nations Development Fund for Women in Bonaire for handicraft work and poultry production is presently being considered. UNIDO has offered to use Special Industrial Services (SIS) funds to assist Curaçao in the redeployment of skills from the petroleum sector to other sectors where they can be utilized. As a result of the ceramic tile project in Curaçao, interest has been expressed by an Italian firm to build a plant nearby, utilizing the know-how already gained from the ceramic tile project, and to export tiles to the USA under the Caribbean Basin Initiative. Investment is expected to be \$6 million. Ideas are emerging for the use of

United Nations Volunteers (UNVs) throughout the islands, especially for an integrated agricultural development scheme.

13. No formal arrangements exist, however, between UNDP and other donors outside the United Nations system for effecting co-ordination. The Government of the Netherlands Antilles itself carries out such co-ordination.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

14. During the early part of the programme (1982-1983), ongoing projects were completed in industrial promotion (Curaçao); hotel training (Bonaire); craft/small enterprise development (all islands); and social planning (Aruba). Based on the initial activities of some of these projects, new projects emerged and evolved into the present ongoing activities. These include silkscreen processing, ceramic tile production (both offshoots of the crafts project) and economic planning (Aruba), which is a continuation of the social planning project. Thus, even completed projects have produced results which have been incorporated into some of the successful ongoing projects.

15. The two main projects in planning are NAN/83/002, Economic Planning (Aruba) and NAN/84/001, Social/Economic Planning (Curaçao). Both projects involve the training of nationals to find solutions to the problems being faced by the two islands. Substantive studies have been produced for review by Government officials in determining economic policies dealing with the impact on the economy of the closure of the oil refineries in Aruba and Curaçao; identifying new areas for economic growth; and establishing short- and medium-term plans for all six islands.

16. Projects such as NAN/83/003, Silkscreen Processing, and NAN/83/001, Ceramic Tile Production, have created employment and generated income through the successful production and sale of handicraft products. The project NAN/82/003, Tourism Adviser, helped Bonaire to identify alternative markets for additional tourists, especially in the United States and Canada. The project NAN/81/003, Industrial Promotion, assisted Curaçao in export promotion and the setting up of a free-trade zone.

17. During the middle of the programme period, increasing requests were made for advisory services in transnational negotiations and civil aviation services. In this regard, advisory services provided by UNDP have resulted or will result in pre-feasibility studies, leading to the possible expansion of the fleet of airplanes for the national airline; the construction of an airport in Saba with Netherlands Government aid; and the expansion of the existing one in St. Eustatius with Netherlands Government and EEC financing. The emphasis on general development and industry during the 1982-1986 cycle reflects the Government's needs for: (a) devising economic and social plans to meet its new challenges; and (b) finding alternatives to the petroleum industry as the economic base, particularly in Aruba and Curaçao.

18. Despite the distance and the fact that there is no UNDP office in the Netherlands Antilles, the overall programme has been successful in terms of inputs delivered and outputs expected. The programme was effective in that it: (a) produced economic studies for Government planning; (b) increased employment opportunities and income generation from various activities, including tourism; and (c) provided advisory services in several sectors for follow-up activities or investment on the part of the Government. Specifically, counterpart staff were available to be trained, although in projects such as silkscreen and ceramic tile manufacturing, there was some turnover of key counterparts, thus periodically interrupting the smooth flow of project activities. In these same projects, equipment arrived late or was incorrectly shipped, thereby requiring reordering and delaying training and project implementation.

19. As most of the programme's costs were met through Government cost-sharing, the prompt payment of these costs in advance facilitated the implementation of project activities such as expert recruitment, and identification and placement of counterpart staff. Furthermore, the interest of the Government in using its own funds to obtain UNDP assistance in addition to those anticipated, speaks well for the ability of UNDP to respond effectively and with flexibility to new priorities set by the Government.

B. New programme proposal

20. To complement the national objectives of the Government described in section I.B., technical assistance will be required from UNDP for the following development objectives of the country programme identified by the Government in its consultations with UNDP.

Expansion of tourism and related industries

Projects

21. UNDP technical assistance will be required for the training of personnel in the marketing aspects of tourism, hospitality training, and hotel management, as well as in the development of small-scale industries (e.g., handicrafts) related to the tourist sector. Advisory services will be necessary for the expansion of the tourist sector in St. Maarten, as well as in St. Eustatius and Saba. Co-operation will be requested on means to increase local food production for consumption by both tourists and residents.

22. Pipeline proposals in this sector, by island, are: (a) Curaçao: Hotel management assistance; transnational negotiations; (b) St. Maarten: Hotel training; (c) Saba: Tourism planning; hotel training; hospitality training; (d) St. Eustatius: Tourism planning; hospitality training.

Linkages

23. UNDP assistance will be complementary to the island development plans, in which capital investment from the Netherlands Government and/or ECF will be

used to improve airports, harbours, roads, and utilities. Loans from the Antillean Development Bank will provide capital for hotel investments.

Programmed reserve

24. No programmed reserve is envisaged for this objective.

Increased agriculture, animal husbandry and fisheries production

25. In order to utilize the available agricultural resources in the five islands efficiently and effectively, the Government has proposed to maximize the comparative advantage of each island. In this regard, UNDP assistance will be sought through a project designed to identify the complementarities within the agricultural sectors of the various islands and to identify the areas of specialization of production within each island.

26. In addition to the above activity, technical assistance will be requested from UNDP on:

(a) Curaçao: Advisory services to assess the needs in the agricultural sector; the use of catchment areas to harness run-off water for irrigation purposes; improved planning and marketing by local food producers; and the control of the use of groundwater through legal and administrative procedures;

(b) Bonaire: Agricultural planning; poultry, livestock and fishery development;

(c) St. Maarten: Feasibility study on agricultural development and planning;

(d) Saba: Development of agro-industries; marketing and planning;

(e) St. Eustatius: A pilot project in the fisheries industry will begin soon. A master fisherman will be provided by UNDP to train the local fishermen in the use of modern fishing techniques; agricultural marketing; and animal husbandry.

Linkages

27. UNDP assistance will complement the activities of the Government of the Netherlands, EDF, and the Antillean Development Bank in the financing of abattoirs, water catchments development, farm machinery, insecticides, and fisheries management. The Netherlands Antilles is participating in the UNDP project RLA/82/023, Water Resources Development, and will be using its advisory services in Curaçao, Saba and St. Eustatius.

Programmed reserve

28. No programmed reserve is envisaged at this time.

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Strengthening of industry and the manufacturing sector

29. UNDP will be requested to provide advisory services to accelerate the pace of industrial development and diversification in the Netherlands Antilles. It is envisaged that the recently formed Industrial Development Corporation, consisting of the Curaçao Government, businessmen, and union leaders, will apply for assistance from UNDP when specific needs have been identified. Furthermore, in the development of small-scale fishing industries in St. Eustatius and Saba, technical assistance will be required from UNDP in the area of processing. Finally, assistance from UNDP will be needed as and when the existing arts and crafts industries on the different islands extend into newer areas of development in response to tourist demands. Proposals and ideas for this sector are:

(a) Curaçao: Training in equipment maintenance; multinational contract negotiations; redeployment of skills from the oil sector; arts and crafts development; identification of high technology industries and technical vocational training;

(b) Saba: Agro-industry advisory services; and small-scale manufacturing industries;

(c) St. Eustatius: Agro-industry development.

Linkages

30. UNDP technical assistance will complement the activities of the Government of the Netherlands, EEC, and the Antillean Development Bank in establishing free zones, building industrial halls, and investment promotion. In this regard, the United Nations Industrial Development Organization (UNIDO) is expected to provide advisory services under its SIS programme to Curaçao to assist in identifying new areas for industrial diversification.

Programmed reserve

31. No programmed reserve is envisaged at this time.

Strengthening of transportation and communications infrastructure

Projects

32. In developing its transportation and communications sector to improve the infrastructure on and among the five islands of the Netherlands Antilles, UNDP assistance will be required for:

(a) Curaçao: Advisory services for telephone, telecommunication, television and broadcasting facilities; training in telephone and telecommunication services; transnational negotiations; and heavy equipment maintenance;

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(b) St. Maarten: Airport management; air traffic control; advisory services in port operations; and advisory services on running its own radio, telephone and communications services;

(c) St. Eustatius: Airport management; and the use of harbour facilities;

(d) Bonaire: Training airport operators.

Linkages

33. The technical assistance from UNDP will complement the activities of the Government of the Netherlands, EDF, and the Antillean Development Bank in their capital financing for improvements in harbour facilities, telecommunications, roads and utilities. Assistance is also expected from the European Economic Community (EEC) to complement that of UNDP in the financing of the UNDP-assisted regional project Caribbean Airports Maintenance Operations and Services (CAMOS) (RLA/83/032). In this regard, the Government of the Netherlands Antilles has agreed to be the host Government for the airport administration and maintenance training centre of the CAMOS project for which EEC funds, totalling \$400,000, are expected to be available.

Programmed reserve

34. No programmed reserve is envisaged at this time.

Human resources development

Projects

35. UNDP assistance will be required to assist the Government in economic and social planning, vocational training, training in managerial skills in the private and public sectors, and training in other relevant sectors which would generate foreign exchange and create employment. Pipeline project proposals are:

(a) Curaçao: Training middle managers in managerial skills, in particular those related to public administration;

(b) St. Maarten, Saba, St. Eustatius: Participation of Government officials in short-term seminars/workshops related to public policy;

(c) Saba and St. Eustatius: Public administration reform.

36. Other sectors in which UNDP assistance is expected during the fourth cycle are housing in St. Maarten, and public health in St. Maarten and St. Eustatius.

37. Approved projects for the human resources development objective, which will be continued into the next cycle for the Netherlands Antilles (excluding Aruba) are: NAN/84/001, Institutional Support to the Socio-economic Planning

Bureau and NAN/84/004, Organizational Support to the Department of Development Co-operation. At present, the projects continue into 1987 with \$31,200 budgeted for NAN/84/001, and \$162,000 for NAN/84/004. They are being financed under Government cost-sharing. The justification for their continuation is the need to complete the project objectives of strengthening the capacity of the Government to explore ways of solving its pressing economic problems. In this regard, NAN/84/001 has the development objective of increasing social and economic benefits in Curaçao through the strengthening of Government's capacity to formulate and implement its socio-economic plans, programmes and projects. NAN/84/004 has the objective of the development of human resources in the Antilles, with an emphasis on the needs of the smaller islands. Both projects stress Government priorities in human resources development and general development planning.

Linkages

38. The technical assistance of UNDP will complement the activities of the Government of the Netherlands and EDF in the various sectors where they are providing capital assistance. For example, under the planning projects NAN/84/001 and NAN/84/004, Government officials are being trained to plan for their economic needs and to identify and evaluate sources of foreign assistance so that they meet local requirements.

Programmed reserve

39. No programmed reserve is envisaged at this time.

C. Unprogrammed reserve

40. An unprogrammed reserve of \$119,000 or about 8 per cent of expected IPF and cost-sharing resources is being earmarked for the next cycle to allow for the inclusion of additional initiatives in the programme.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. <u>UNDP-administered sources</u>	\$	\$
Third cycle IPF balance	-	
Fourth cycle IPF	596 000	
Subtotal IPF		596 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	794 000	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator	-	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		794 000
 B. <u>Other Sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u>1 390 000</u>

II. USE OF RESOURCES

Ongoing projects	201 000	
New project proposals	1 070 000	
Programmed reserve	-	
Subtotal, programmed resources		1 271 000
Unprogrammed reserve		<u>119 000</u>
 TOTAL USE OF RESOURCES		<u>1 390 000</u>
