

1. Introduction

The Kingdom Representative reports

This is the second progress report of the Kingdom Representative for the public entities Bonaire, St. Eustatius and Saba.

In accordance with the agreements made by the Minister of the Interior and Kingdom Relations with the Lower House on this, I will report every six months for Bonaire, St. Eustatius and Saba about the activities of the National Government in the Dutch Caribbean.

After the start

The main theme of this report is a first evaluation of the policy implementation of the National Government in the Dutch Caribbean.

During the first half of 2011 the structure had been in place just for a few months. The people of Bonaire, Statia and Saba first started to notice in their daily lives what the new start of the three islands would entail for them on a personal level. The ink of the acts and policy documents of the Dutch Ministries in the Dutch Caribbean was barely dry. Therefore, in my first report of 2011 the focus was on the policy that the National Government intended to conduct on Bonaire, St. Eustatius and Saba.

Now the initial impact of the implementation of those policies is becoming more and more visible. These effects are therefore the focus of this report. After all, a timely evaluation of the implementation of the policy may contribute to –where necessary– adjustment.

The Kingdom Representative

This representative is an administrative body of the National Government and constitutes the administrative link between the National Government and the public entities. His statutory basis is the *Wet openbare lichamen Bonaire, Sint Eustatius en Saba* (WolBES) or Public Entities Bonaire, St. Eustatius and Saba Act. The main task of the Kingdom Representative consists of promoting cooperation between the Ministries and the local governments and administrations on Bonaire, St. Eustatius and Saba. He also ensures good coordination between the Ministries themselves. Finally, he is the *eyes and ears* in the Dutch Caribbean for the Ministers in The Hague.

The Kingdom Representative, moreover, has various tasks in the field of higher supervision.

He is in charge of reviewing decisions of the public entities in view of good governance. It then regards for example the appointment, suspension and dismissal of island officials. The Kingdom Representative may decide to submit decisions of the public entity to the responsible Minister who then considers if it qualifies for revocation by the Crown. Furthermore, some island ordinances must be approved by the Kingdom Representative before these can enter into force. In addition, the law prescribes that the Kingdom Representative must do “everything else to promote good governance in the public entities”.

Report setup

In this report I will firstly discuss the perception the residents of the three islands have of their new status (**2. General**). Then, I'll discuss the coordination of the implementation of the policies the various Ministries conduct in the Dutch Caribbean and the contacts with the Executive Councils of the three islands (**3. Coordination National policy and coordination local governments**) and the state of public administration (**4. Good governance**). Finally, I will focus per policy field on the progress made by the National Government (**5. Progress per policy field**).

2. General

Introduction

Slowly it is becoming clear on the islands what it means to be part of the Dutch polity. The Dutch National Government is manifestly present with public officials, regulations and legislation. This Dutch presence is even more explicit because during the last few years the National Government of the Netherlands Antilles was substantively absent. The expectations on the islands of what was coming were big. Too big, we can now easily state. That can partly be explained by a too optimistic image on the islands about the European part of our country with all its social facilities. At the same time, the implementation of the various changes was not synchronized and also not coordinated. The swiftness with which the Tax Authority started to work and the temporary custodial institution on Bonaire was built, contrasted with for example the new healthcare system that first slowly started operating in 2011. It reinforced the idea among the residents of the islands that the Netherlands paid more attention to enforcement and supervision than to improvement of the living conditions of the island residents.

Anyone who has experienced the transition process so far knows how hard and with what good intentions work was performed. By the National Government as well as the departments of the 'Rijksdienst CN', by the public entities, by citizens, care providers and entrepreneurs who had to process the many changes in a short period of time. That this historic transition has not gone perfectly up till now, by now has become pretty clear. In fact, it could have been expected considering the complexity. Acknowledgement thereof automatically leads to willingness to adapt and change. The studies on purchasing power and the reference framework fortunately point in the right direction. It is important to also pay attention in the upcoming period to the management of the expectations regarding the possibilities for adjustments. This also includes the room the Kingdom Representative has based on the WolBES. We – the 'Rijksdienst Caribisch Nederland' and the Office of the Kingdom Representative – work under the motto '*Samen bouwen aan de toekomst van Caribisch Nederland*' or *Working together on building the future of the Dutch Caribbean*'. With the three islands and the support of the European Netherlands this should work.

Perception Caribbean Dutchmen

Upon my commission / instruction it was investigated in 2011 how the citizens of the Dutch Caribbean experience the changes resulting from the constitutional changes within the Kingdom.¹ In the last few years, the process of the constitutional changes

¹ The whole study can be found in its totality on the website 'Rijksdienst Caribisch Nederland':

has mostly been an affair of administrators. But how do the people of Bonaire, Statia and Saba themselves view the new structure?

The most important conclusion from the report published in October 2011, states that the residents of the Dutch Caribbean are optimistic about their future as part of the Netherlands. The citizens also already experience, one year after 10.10.10, significant progress in a number of important areas. This then regards e.g. education and government services to citizens. There is dissatisfaction about a number of other governmental services, such as healthcare, the police and the IND.

Opinions differ on the current situation. Thirty eight % of the interviewees are positive and 39% negative. There are significant differences between the islands. On Saba 25% is positive, on St. Eustatius 31% and on Bonaire 43%. The dissatisfaction with the current situation is partly explained by the decrease in purchasing power: 81% of the respondents report a decline in purchasing power since 10.10.10.

In the previous report I noted that the confidence of the citizens of the Dutch Caribbean in their new future is, tender and fragile. These figures are a striking illustration of that. There is much dissatisfaction with the current situation. At the same time there is confidence that an improvement will occur within the foreseeable future. Nearly 60% of the residents of the islands is positive about the development of their personal income and expect recovery of purchasing power in the next year to two years. In short, it is expected that the administrations of the National Government and the public entities will be able to solve the current problems together. I believe the problems should actually be solved. That is possible through contributions from The Hague, but also through more financial room the public entities, so that they can contribute themselves to solving problems.

Information and communication

An important aspect of the changes regards communications. The citizen receives his information about the 'Rijksdienst CN' and the various departments of the Ministries mainly through public media. The newspaper is the most popular medium, followed by radio and television. Information through folders, website and through personal contact are less popular for the average citizen.

The residents were asked if they are sufficiently or insufficiently informed about healthcare, taxes, education and immigration. The perception survey reflects the following:

Department of the RCN	Insufficient	Sufficient
Medical care	26%	54%
Education	13%	57%
Taxes	27%	49%
Immigration – IND	27%	42%

<<http://www.rijksdienstcn.com/nieuws/151/belevingsonderzoek-caribisch-nederland,-meerderheid-positief-over-de-toekomst.html>>

Given the complexity of the changes and the inexperience of the population with major system changes as such, I consider this as a good result of the many communication activities on the islands.

The 'Radio Nederland Wereldomroep' (RNW) currently has an important role in the Dutch Caribbean in informing the residents about what is happening in the European Netherlands and vice versa. The RNW is currently informing its media partners (usually local broadcasters, newspapers and websites) about the intention of ceasing its activities in the Caribbean part of the Kingdom as a result of the changed statutory duty.

I am worried about the effects of this also in the context of what has been previously remarked about managing the expectations. These concerns are also fed by signals from the local media that they rely heavily on the information of the RNW for information from the European part of the Netherlands. Good and objective information "back and forth" is essential in this matter. Up to this date, we have not noticed anything yet of the intentions stated in the media letter dated June 17, 2011.

Most important bottlenecks

The following bottlenecks from the perception survey and my own observations catch the eye the most. These are critical observations that call for adjustments.

- **Loss of purchasing power**

Disposable income has declined sharply since the transition. As of 2011, the citizens of the Dutch Caribbean have been faced with significant price increases and with a new tax system. The introduction of the US dollar (although the exchange rate of the Antillean guilder was already pegged to the exchange rate of the dollar) and the introduction of the Algemene Bestedingsbelasting or General Expenditure Tax are considered the two causes for the rise in prices. Figures from the Central Bureau for Statistics indicate that in 2011, the inflation in the Dutch Caribbean was very significant: for Bonaire 5.4%, St. Eustatius 9.9% and for Saba 6.4%. The difference in inflation on the two Windward Islands is remarkable because the conditions for these islands are mostly the same.

The most involved departments (SZW, Finance, BZK and EL&I) are having a study conducted on the causes of this price development. It is important that, once the results from this study are available, measures are taken quickly together with the public entities to stabilize the prices and restore and maintain purchasing power. If these measures take time and the inflation remains high, particularly the economically most vulnerable group of residents will end up in a poverty trap. The tax adjustments introduced as of October 1, 2011 and January 1, 2012 are appreciated and certainly the quick action on the part of the State Secretary. The effects on the part of the population with a low income, such as retirees, benefit recipients and people on minimum wage, will however be minimal because they usually fall outside the scope of the income tax. Based on a rough estimate that is half the population.

- **Conflicting standards**

On the one hand the policy of the Netherlands is aimed at protecting the uniqueness of the Dutch Caribbean by emphasizing the insularity of the islands and the geographic position in South America. On the other hand European Netherlands norms are applied directly on increasingly more areas. That increasingly leads to

conflicting standards. The old standards of the Netherlands Antilles conflict with the European Netherlands standards.

An example concerns the salaries of public officials. These are significantly lower than in the Netherlands. An employee of the government makes gross about half of what his colleague in the European part of the Netherlands makes. This difference stems from the continuation of the Antillean remuneration structure after 10.10.10. However, in addition to this Antillean standard, the National Government applies a strict Dutch regulation on ancillary positions since 10.10.10. With good intentions, but with the effect that the firefighter must give up his part time job in construction and stays behind with a low income. In the Antilles it was allowed to combine two (low) paid jobs stemming from the philosophy that it was impossible to live of one salary. Now by applying simultaneously contradictory Antillean (low salary) and Dutch standards (no unacceptable ancillary positions), the National Government has unintentionally created a group of *working poor* among its own employees.

Simultaneous application of conflicting European-Netherlands and Antillean standards can lead to inconsistent action by the National Government. Occasionally citizens get the feeling that double standards are applied, at the convenience of the government. It is important that the National Government is consistent in the application of its norms. It seems inevitable that political choices must be made in this matter: either the old Antillean standard or the new Dutch standards.

A similar problem occurs with the public tenders. Because the 'Rijksdienst Caribisch Nederland' is part of the European Netherlands National Government, the European tendering rules were declared applicable to products and services the RCN purchases. This means that in principle all qualifying tenders must be offered on the European market, even though the islands are located far from Europe. For lack of experience with and knowledge of European tendering, it is likely that local companies will have less chances to get orders from the National Government than companies from the European Netherlands. This situation is undesirable for the economic development of the islands. I would very much like to see that tendering can take place in a manner suitable to the region.

- Many new rules, without pacing

Little has resulted from the initial commitment not to allow the regulatory burden rise in the Dutch Caribbean after the transition. A 'legislative restraint' was agreed upon. If it were the intention to have limited new laws enter into force in addition to the revisions of the tax and social systems and the changes in the fields of education and healthcare, in practice the opposite occurs. Shortly before the New Year a comprehensive package of new environmental regulations for the Dutch Caribbean was adopted in the Higher House. In the area of rules relating to the financial markets a significant increase of the regulatory burden for banks and other financial institutions is under way.

There are good intentions behind all these rules. But it needs to be kept in mind that only 21,000 people live jointly on the islands of the Dutch Caribbean. The institutions of the three islands – businesses, governments, schools, hospitals – simply are not capable of processing so many new rules in such a short time.

- Coordination and alignment

I note that there is urgent need for new policy and speed and to coordinate the moment of implementation of previously established legal frameworks

interdepartmentally and to take (new) local policy into account. In making policy the confluence of measures and their effects on the islands was and is hardly looked at. An example. In recent years, Bonaire had a major reorganization of its finances under the supervision of the Financial Supervision Board (College financieel toezicht (Cft)), where the own income had to increase significantly. In order to realize this, a substantial increase of the leasehold fees has been provided.

At the same time, a new property tax is imposed in the new tax system on owners of commercial buildings and of homes that are not intended for personal occupation. And on top of that one can expect the costs of the sewerage charges soon. It is still unclear who will cover the costs for connection to the sewerage network, estimated to be a few thousand dollars per connection.

By using the real property as a basis for the assessment of all the different levies and taxes without coordination, the cumulation of these (new and increased) costs can have disastrous consequences for the owners. Forced sale cannot be excluded despite compensatory measures.

Therefore, to my opinion there is an urgent need for the introduction of an implementation test on new legislation for the Dutch Caribbean (see also: *Voorjaarsrapportage 2011*, p. 2). In Chapter 3 **Coordination National policy and alignment with local government** I will get back on that in detail.

- The free benefit

By analogy with the municipalities in the European part of the Netherlands, the public entities receive a benefit from the National Government each year. This benefit is available for discretionary spending.

The size of the budget and the free benefit granted for 2011 and 2012 has been established as follows:

	Bonaire	Statia	Saba
Budget 2011:			
\$ x 1,000	51,384	11,901	8,726
Free Benefit 2011:			
\$ x 1,000	19,739	7,805	6,721
Budget 2012:			
\$ x 1,000	52,085	11,923	7,982
Free Benefit 2012:			
\$ x 1,000	20,430	8,079	6,956

Source: CFT: Framework letter BES budget 2012/2013

The total budget of the island consists of three main components: the free benefit, own income (income from taxes etc.) and non-recurring income (e.g. benefits within the framework of SEI/USONA-projects). Due to the loss in the coming years of, for example, the SEI funds, the budget is expected to shrink.

Within the budgets there is (almost) no room to catch up with overdue maintenance. Unlike in the European part of the Netherlands the islands do not have (strategic) reserves and the financial capacity of the population is low. This makes the islands vulnerable to financial setbacks and offers little perspective for development.

The public entities indicate that the amount of the free benefit is not sufficient to cover the expenses that the local government must at least make in order to guarantee proper facilities to its citizens. For the regular maintenance and the much needed overdue maintenance of public space, such as roads, public buildings and utilities there is a lack of resources, as the islands indicate. The visitor to Bonaire and/or St. Eustatius knows from personal observation what this means.

The Ministry of the Interior is currently conducting a benchmark study on the amount of the free benefit. This study will be completed in the first quarter of 2012. It is important that measures follow swiftly after that because the differences between the levels of facilities that the local government and the national government offer are incomprehensible to citizens. Two examples. While the secondary schools now have *state-of-the-art* educational materials (financed by OCW), the roads on Bonaire and St. Eustatius are full of deep holes and a large part of the road network is dirt track (infrastructure is a task of the public entity). While the housing of the National departments can be considered modern and adequate from a Caribbean perspective, the public officials of the public entity have to rely on outdated and often inadequate housing.

This disparity just keeps raising more questions. The current lack of resources of the public entities results in a neglect of the public facilities that cannot be justified. These differences should be rectified quickly. That is not only a matter of adjusting the free benefit.

The local governments of the islands must increase the efficiency of the public spending and strengthen the financial management ensuring that more resources are available for the much-needed investments. The relationship between the tasks and the level of the available resources will be discussed during the “BES week” in March 2012 (please refer to the heading National government and local government in this chapter). In my opinion, that is also the moment to make agreements together on the elimination of overdue maintenance.

- The Dutch Caribbean and the region

The geographical location of the Dutch Caribbean is incomparable to that of the European part of our country. The three islands are, except for goods, almost solely accessible by airplane. Trade happens mostly through transshipment via the neighboring islands of Curaçao (next to Bonaire) and St. Maarten (next to St. Eustatius and Saba).

Before the transition such movement of persons, goods and services between the islands was free: it was movement within the country of the Netherlands Antilles. There were no levies and no restrictions. After the transition Bonaire, St. Eustatius and Saba were surrounded by the outer borders of the new countries Curaçao and St. Maarten.

That has major consequences for the inter-island trade and labor market. The person, who buys an article in Curaçao, pays the price of the item plus turnover tax there. Moreover, in Curaçao the seller has already paid import duties. If this item is then brought to an island of the Dutch Caribbean, 8% tax must be paid again in Bonaire or 6% in Saba or St. Eustatius, also on the costs of freight. In the outline agreement between Curaçao and the Netherlands on a new bilateral regulation to avoid double taxation between both countries, agreements were made on how to solve the issues with the transportation of goods from Curaçao to Bonaire and vice versa as of 1-1-2013. At the latest by May 1st 2012, Curaçao and the Netherlands will formalize the intended effect of the exemptions, the application thereof and the supervision thereof of the tax authorities involved in a covenant. New barriers were erected as well for the transportation of people: the person who makes a sailing trip from Bonaire to Curaçao, must first clear customs of the Dutch Caribbean and once in Curaçao, must clear customs inwards again. On the way back the reverse process must be followed. Before the transition the customs of the Netherlands Antilles offered free passage to such sailing boats.

The breakup of the Netherlands Antilles into different countries has led to a development which is exactly opposite to that of the Netherlands in Western Europe. The old free trade zone has given way to new barriers in trade. Not only between the countries but even within the islands of the Dutch Caribbean. These new walls inhibit the economic development of the islands. This obviously was not intended and repair is desired.

The regulations of the Netherlands Antilles determined that the European Dutchmen could stay for 180 days per year on the islands. Enforcement of that provision did not take place. Under the BES-regulation, this provision has been adopted, and enforcement does take place now. Individuals who wish to stay longer than 180 days must establish themselves officially and register as a citizen. This leads to the particular situation that European Dutchmen cannot stay longer than 180 days on the BES islands while this provision is not applicable the other way around. Before 10-10-10 it was easy for a resident of St. Maarten to work in St. Eustatius on business days and be home on the weekend. After 10-10-10 that is cross-border labor with all formalities and obstacles that come with the territory. The actual, previously existing, social and economic situation is no longer consistent with the constitutional situation created, in which new national borders have emerged. This hampers the economic development and functioning of the labor market. For example, a specialist who resides in one of the other countries of the Kingdom in the region cannot perform his work for more than 180 days per year on Bonaire.

It is desirable to make agreements soon with the surrounding countries of Curaçao, St. Maarten and Aruba to guarantee a free passage of goods for the Dutch Caribbean. The triple taxation (VAT, import duties and ABB) draws heavily on the purchasing power of the islanders. In the meantime, agreements have been made with Curaçao that result in a covenant that will probably be signed by May 1, 2012. It is desirable to make similar agreements with the government of St. Maarten.

In order to eliminate obstacles, the rules on labor migration would have to be adapted.

- The local government

In March 2011 the elections for the members of the Island Council were held on all three islands. This also marked the introduction of separation of powers. As a result

of the new Elections Act, the elections on St. Eustatius and Bonaire led to a doubling of parties in the Island Council. On both islands, the number of parties rose from two to four, with an Island Council of five and nine seats respectively. The fragmentation made the forming of an Executive Council more difficult. Both islands had an Executive Council crisis within one year after the elections resulting in Executive Councils with a totally different composition.

The introduction of separation of powers requires time to get used to just like in the European part of the Netherlands in the past. The small scale and breaking of old traditions and positions of commissioners contribute to the new system not being able to count (yet) on much enthusiasm. The Island Councils are searching with varying success for their role in the democratic process. In order to familiarize the local administration with the effect of the separation of powers, the Ministry of the Interior and Kingdom relations made resources available for training and coaching. Its implementation is largely done by the Association of Dutch Municipalities. Furthermore, the Ministry granted a two year grant (per island 60,000 euro per year) to ensure the Lieutenant Governors of personal legal support. Next year, together with the Dutch Association of Mayors, a training program will be developed to support the Lieutenant Governors to grow in their role in a dualistic administrative culture. In chapter 4 **Good Governance** I will elaborate on the functioning of local government.

- National government and local government

Between the European and Caribbean part of the Netherlands there is frequent traveling back and forth for consultation. The Caribbean islands have expressed the need for an opportunity to have structured periodical consultations. Reference was made to the so-called “BES-weeks” that were held in the preparation for the transition in the period of 2006 up to 2008. Interdepartmentally it was agreed upon that these “BES-weeks” will be organized again as of March 2012. Twice a year, representatives of the islands will be invited to consult in the Netherlands with representatives of the departments and other governmental institutions. During these weeks, the administrative consultation on the financial relations is held with the Minister of BZK, whereas the amount of the free benefit is established. The Ministry of BZK makes it possible for the administrators to come to the Netherlands twice a year for consultation. A point of attention is the contact between the Dutch parliament and the members of the Island Councils. In the old constitutional structure, the members of the Island Councils seem to have had much contact with the members of Parliament, definitely with members from their own island. This way they were hooked to the National administration. This lack of political contact with elected officials on another level – is erroneously considered by some council members as a democratic deficit- apparently is perceived as a loss. After all, in the Dutch Caribbean there is also no (elected) interim administration. An alternative could be to organize annually, in line with the BES-week, a well-prepared meeting between the members of the Island Council and the members of the Lower and Higher House. On my end I have, in addition to my conversations with the Executive Councils, regular meetings with (members of) the Councils on the island in which I also explain the National Government policy and forward their remarks.

3. Coordination National Government policy and alignment with local government

Coordination of National Government Policy and interdepartmental

An important task of mine as Kingdom Representative is to promote the collaboration among the national public officials working on the islands and the coordination between the National Government and the local government. In August I organized a meeting with the department heads and 'kwartiermakers' of the departments and of the 'Rijksdienst Caribisch Nederland', on bottlenecks in the policy of the National Government in the Dutch Caribbean. The most important conclusions of that consultation were (1) there is a lack of coordination and direction (2) there is a lack of best practices in the area of cultural communication, expertise of the islands and allocation of the policy units in the Ministries (3) there is a lack of proper agreements on the implementation of National policy with the governments of the islands. In addition, the direction from the departments is different. That makes it difficult as well for the local government to communicate uniformly with the National Government.

Among the department heads and 'kwartiermakers' there is support for strengthening of the coordination function of the Kingdom Representative. There is also room for that; the policy function in The Hague will move to the background and the executive function in the Dutch Caribbean will move more to the foreground. That means that there is more need for consultation and coordination on site.

I organize a consultation with the department heads / 'kwartiermakers' of the departments on a weekly basis, where the current issues are discussed. That meeting is used to discuss where there are opportunities for interdepartmental collaboration and where overlap in activities can be prevented. For 2012, the departments have indicated which projects and activities they intend to organize in the coming year. These activities and projects are processed in a uitvoeringsagenda. In consultation with the local government it will be discussed where the priorities are, what issues can be bundled and how we can best manage the absorption capacity of the islands. The principle is then that only projects and activities that are on the integrated implementation agenda will take place.

It is an illusion to assume that the islands with their limited administrative capacity would be able to keep up with the pace of the Dutch policy machines. But too often it is ignored that all the work in connection with new National Government policy has to be implemented in addition to the regular daily work. The avalanche of regulations that has been poured on the islands as of 10-10-10 requires a lot of the islands, too much oftentimes.

There is need for less pressure and more coordination. The agreement on legislative restraint must therefore be strictly complied with and where necessary it should be possible to pace and/or align the implementation and enforcement of previously established legal frameworks. In addition, there is a need for coordination and

foremost by an organization that is familiar with the local situation and that is on top of things. The previously suggested implementation test may offer a solution.

One can think of a situation in which it is required to present new regulation and amendment of existing regulation to the Kingdom Representative for advice. The recommendation may then be made after consultation by the Kingdom Representative with the local government. The test takes place based on a framework to be determined by the Council of Ministers aimed at the practical consequences of the new rules on the local situation in the Dutch Caribbean. The recommendation will be included in the explanation on new or amended regulations. As such, a Ministry will be obliged to give due consideration to the local impact of new and amended regulations. The ultimate responsibility for implementation of new legislation or regulations remains of course with the responsible Minister. This new coordinating and advising role of the Kingdom Representative may then be included in the evaluation that will take place five years after the transition.

In each policy case the question should be asked: “how will we organize the implementation together with the islands?”

It still shows that the reality in The Hague is a different one than the reality on the islands. New policy, no matter how well intended perhaps from a European Netherlands perspective, does not always work out as it was intended. The local touch is often indispensable. In that respect I note that the expertise on the islands is decreasing because the initial ‘kwartiermakers’ are pulled out. There is no liaison stationed (anymore) in the Dutch Caribbean from the departments BZK, V&J, Fin, and VWS. Within the departments, activities regarding the Dutch Caribbean are taken from a specialized project team to be subsequently placed ‘in line’. The inevitable result is that the responsibility decreases and that the knowledge within the departments evaporates. At the same time people are involved in the Caribbean files, without ever having been to the islands.

I see that the departments tend to use the Dutch standards in communication with the islands. It should be avoided that the population of the islands will be faced with ‘campaign after campaign’. Here as well, I see an important coordinating role for the Kingdom Representative.

To be able to deliver more customized work and as such give the local circumstances a prominent place, it is desirable that the departmental policy workers are present on the island and that they have a certain degree of policy freedom and room. Control solely from the departments in The Hague is virtually impossible. Many misunderstandings resulting in dissatisfaction among the population were created due to too rigid control from The Hague.

4. Good governance

The local government on the islands gets many new developments to process in a short period of time. The main difference is the implementation of the dual system

mentioned above. Looking back at the second half of 2011, there are positive experiences to be observed and there was also reason for concern.

Positive

In the meantime the islands have appointed Island Registrars. That certainly is a positive development, with which the Island Councils are better able to perform their tasks and responsibilities. More and more there is structure in the consultation. For example, in the past meetings were called on an ad hoc basis. Meanwhile, meeting schedules are set up, enabling the Island Councils to meet on a regular basis. The appointment of a Presidium from the Council is also new. It can be observed that the islands are seriously trying to work on their framework setting and supervisory tasks. The procedure to appoint a new Lieutenant Governor on Bonaire has been successfully completed in the meantime in good cooperation with the Council and the confidential committee formed from its midst.

The establishment of the necessary ordinances has been taken up and is starting to yield results. Complete implementation of the WoBES has not been realized yet, but I find that the terms set for that are probably too ambitious.

Concerns and points of attention

A reason for concern was the functioning of public administration in Bonaire. Decision making took place in part outside the public and even outside the administrative bodies. For example, the decision making of the Executive Council took place by consultation between the representatives of the coalition parties. The results of that consultation were recorded in writing in quasi decisions and were submitted for execution to the Executive Council. Since 10-10-10 decisions of the Executive Council were no longer published in the Official Bulletins. In addition, a member of the Island Council received a monthly fee from a commissioner of his party. This and more prompted me to send a letter of concern on September 1st to the members of the Island Council and the Executive Council. The Lieutenant Governor at the time expressed his concerns as well in an official report to the Island Council and Kingdom Representative. Shortly after sending the 'letter of concern' an administrative change took place, whereas new commissioners took office. With the current Executive Council the cooperation takes place constructively and in a positive atmosphere.

The appointment of the Island Registrar went less smoothly and apparently could not take place than with the smallest majority possible. The lack of proper agreements beforehand on the procedure is partly to blame, in my opinion. It is remarkable that the members of the confidential committee insist after the fact with me to withhold the approval of the appointment instead of consulting among them about what went wrong. I sent a letter about this to the Council. It remains difficult for the members of the Council to find their role in the new structure.

The financial household of St. Eustatius was also reason for concern. Irregular expenses were found and amendments to the budget were rejected by the 'College financieel toezicht' or Financial Supervision Board. Following this, the Minister of BZK decided to institute financial supervision beforehand, so the government may, in consultation with the Cft, put things in order financially. A bottleneck in this matter is that up till now St. Eustatius has not been able to fill the vacancy for a Head Finance. In the meantime, on St. Eustatius as well a newly composed Executive

Council recently took office. This after one of the former Executive Council parties withdrew its support to the Council.

The reorganization of the official organizations of the islands progresses slowly. There is no downsizing (yet) and the resources that were made available to create a social safety net, have not yet or only very limited been used for that purpose. It should also be noted that the labor market on the islands offers little to no room to relocate excess staff.

Financial relations

The financial relationship between the public entities and the National Government is based on the division of tasks. A free benefit is granted for the island tasks that are executed by the local government. In addition, the insular tasks are paid for from own income and special benefits. The amount of that benefit is a recurring discussion, in which the islands indicate they structurally have insufficient resources to fulfill their statutory duties properly. The lack of sufficient resources is among others the cause of the moderate to poor state of the facilities the local government is responsible for. The possibilities for development of for example a commercial park, whether or not in a public-private partnership are severely limited due to the FinBES Act banning external financing. Based on the FinBES a line ministry may decide to grant an interest-free loan for a specific public task. However, this is only possible if the public entity is able to pay back the loan through a discount on the free benefit. Considering the already limited financial room, it remains to be seen if this can be substantiated.

To get to a realistic relation between the resources and tasks, the islands agreed during the administrative consultation of March 2011, with the Minister of BZK to establish a reference framework. The study into that has been conducted as I'm writing this and the final results are expected in March 2012, after which the administrative decision making must take place.

Staff supervision

As mentioned before personnel decisions of the public entities are presented for approval to the Kingdom Representative. The staff supervision has been included in the WolBES to ensure good governance. Approval may be withheld due to conflict with the law of public interest. Although the law explicitly offers the possibility to establish further details of this supervision in a policy rule, this has not happened to date. Because a concrete assessment framework is lacking, supervision in my opinion is just an administrative process. For example, I lack the possibility to assess documents sent to me, such as a certificate of good conduct, in substantive terms. Noteworthy in this respect are also the contracts for services. These private law agreements need not be submitted to me for approval based on the WolBES. Therefore political appointments can always be molded in a contract for services and as such evade supervision. Incidentally, I also wonder about the moment of supervision, namely after the appointment of the candidate by the Executive Council, or in case of the Island Registrar, after appointment by the Island Council.

If the staff supervision shall achieve the objective for which it was introduced – which is to ensure good governance –, than further substance must be given to the supervision in a policy rule in which a clear assessment framework is included.

Regarding the issue of Certificates of Good Conduct, the practice in the European part of our country could be followed.

Handling of complaints

There is no facility available yet for complaints of citizens about the local government. The three islands have yet to make a choice about the Ombudsman. For complaints about the National Government the regulation is analogous to the situation in the European Netherlands; in first instance handling by the body the complaint is aimed against and in secondly by the National Ombudsman. In preparation for the visit of the Permanent House Committee for Kingdom Relations, the National Ombudsman sent an overview of the complaints that were received from the Dutch Caribbean. With a total of 83 this painted a concerning picture. However, inquiring at the Ombudsman has shown that reality is much more nuanced. Of the 83 complaints, 26 were of such general nature that they cannot be regarded as a complaint (that was about, for example, dissatisfaction with the new position of the island territory or the development of the purchasing power). Of the remaining 57 complaints, it turns out that a large part had not first been filed with the respective governmental body. In fact, the National Ombudsman fulfilled a primary function for the Dutch Caribbean. The complaints were still redirected to the respective departments for handling.

5. Progress per policy field

Education

The Ministry of OCW is investing heavily in the quality of education in the Dutch Caribbean. The improvements in education are often cited as an example of advantages of association with the Dutch polity. OCW prepared an education agenda 2011 – 2016, with the objective to establish commitments together on the strengthening of the quality of education. The focus in this approach is the improvement of the language and math levels and increasing the quality of the teachers, principals and school administrators. Over a year after 10-10-10 the main results from the CITO tests show that the performance of the students is improving. The schools pay extra attention to math and language (Dutch, English and Papiamentu) and additional care is provided to students with learning and behavioral problems. Furthermore, each school has prepared a school improvement plan. At the schools school coaches and teacher coaches are used to help with the quality effort. On each island an Expertise Center for Education Care was opened and each island has an insular care plan. The vocational education is under development on all three islands.

Regarding housing a 2011-2015 housing plan has been prepared for each island and on all three islands construction projects have been started. However, the construction costs are disappointing and there are unforeseen additional costs. OCW will claim additional resources for this at the Spring Memorandum. Additional resources were allocated for the furnishing of the school buildings, therefore making it possible to invest in books, teaching methods, play materials, furniture, digital text books and automation. Furthermore, there is additional financial room to improve the salaries of the teachers.

The BES Study financing Act provides possibilities to finance studies from vocational-level training to university level studies, including opportunities to study in the Caribbean region, the US and the Netherlands.

In my conversations with young people of the islands, their enthusiasm about the new opportunities for development resulting from the new constitutional situation was reflected.

Care

Healthcare on the islands and the implementation thereof had a difficult start, where there was much criticism and resistance regarding the changes and the manner in which patients were helped by the healthcare insurance office. The negative image lingers for a long time and is difficult to reverse. Well begun is half done, but here quite the opposite was the case. Much energy was vested in an improvement and communication action plan. In the end, that has led to much improvement. Through the efforts of VWS good results were achieved. Nowadays, everybody is assured of a broad package of care. Among others, medical emergency transportation from Saba and St. Eustatius is now possible day and night, contraceptives have been included in the healthcare package and in cooperation with the 'GGD' or public health service in The Hague the public healthcare is further developed. In cooperation with the country of St. Maarten, it is being assessed how the quality of care at the local medical center can be improved. An improvement which in time may lead to patients from Saba and St. Eustatius being able to make better use of the specialist care in St. Maarten. At first there was much resistance towards the medical missions for treatment in Guadeloupe and Colombia. In early December a delegation comprising of representatives of the local government, VWS, physicians, Kingdom Representative and communications traveled to Guadeloupe and Colombia. This way it was possible to get an idea on site of the care provided to patients that are sent abroad for specialist care to the hospitals in those countries. The trip has led to a good picture of the situation on site, more insight into the circumstances patients encounter and the quality of the care and assistance. The widely shared conclusion of the delegation was that the care provided in Colombia and Guadeloupe is of excellent quality.

The financial feasibility of the choices made of course remains to be seen in the future. In particular with regard to maintaining both options for medical missions for treatment abroad (Guadeloupe and Colombia) the financial feasibility, considering the sensitivity and attention for the subject, is interesting. Another important issue is the language in Guadeloupe (French). This language barrier poses problems, and must be solved shortly. In addition, I am concerned about the St. Elisabeth Hospital (SEHOS) in Curaçao where patients from Bonaire are sent for more specialized care. The cooperation is very difficult and there are many complaints about the quality of care in the SEHOS. The problem is that there are few alternatives. When purchasing

care capacity more use is made of the possibilities in Colombia and through twinning with the Netherlands and it might be possible to collaborate more with Aruba, but the capacity of the hospital there is limited. A final solution is not yet available. The Ministry of VWS is working hard on it.

As of mid-February the kidney dialysis will begin in phases in Bonaire. As a result, about 15 patients will no longer have to go up to three times a week to Curaçao for treatment. In some cases the loss of the daily allowance associated with the treatment in Curaçao has led to serious income problems for these patients. In cooperation with the public entity, a solution is being sought but it illustrates very well how complex the consequences of changes can be.

Social policy and welfare

The Ministry of SZW invests with the islands in an integrated approach to the social-economic issues. To this end, the department is working together with BZK, OCW, VWS and EL&I to promote the socio-economic development on the islands. This has led to two employment projects on St. Eustatius and opportunities to bring about improvements among others through job programs, neighborhood and sports facilities, childcare and housing. The island governments are responsible and, if desired, they can be supported by the departments.

In the wage loss benefit (based on the BES Healthcare Insurance Act and the BES Accident Insurance Act) still a back log from the period before 10-10-10 had to be eliminated. This put a severe pressure on the SZW unit of the RCN, whereas the employers who were confronted with arrears also made themselves heard. In the meantime, payout is on schedule.

After introduction of the BES Welfare Decision, reassessment of the old database was necessary. In a number of cases it turned out that persons had received too much. In an individual conversation with those persons the cause was considered. If there is no culpability, recovery can be waived. If recovery is required, the method of recovery is carefully considered, for example by making an arrangement. The procedure has been coordinated with the Executive Councils.

It has been agreed upon with the Executive Council of Bonaire that the execution of issuing work permits will remain at SZW. It had been previously agreed that the execution would be entrusted to the public entity as of January 1, 2012.

The benefits have been discussed with the Executive Councils. In view of the divergent price development the Minister of SZW decided on indexation of the amounts per island.

Security and Justice

The liaison of Security and Justice (V&J) left on October 1st. Now, in the short term the succession is being provided for, but the absence of a liaison has been experienced as a loss on the important V&J-files.

The capacity of the custodial institution on Bonaire is fully used. There is even a shortage of cell space, resulting in having to give prisoners early freedom. Specific cell space for female prisoners is still lacking, so that these cannot be accommodated.

Prisoners from Saba and St. Eustatius should be placed within the Dutch Caribbean. Due to lack of detention capacity on Saba and St. Eustatius those prisoners are

placed in the custodial institution in Bonaire. This is not ideal for several reasons. Not for the prisoners and not for their family.

The lack of cell space in the Dutch Caribbean is a matter of concern. Therefore, the realization of the intended new construction on Bonaire and St. Eustatius is very desirable and should be given high priority by the island governments.

The planned construction of a custodial institution on St. Eustatius experiences a lot of obstacles, due to the fact that the government of the island, despite the insistence of the Department of Custodial Institutions, does not come to choice in a diligent manner for a location. Thus, the issue identified above cannot be solved in the short term and the security chain experiences severe discomfort.

The courses for the prison staff have been completed, however the turnover is high. The police cells on Saba are currently not suitable to hold detainees. The adaptation of the cells progresses slowly.

The full staffing of the Dutch Caribbean Police Corps was not completed yet in 2011. Particularly, the lack of investigative capacity, especially given the increased crime, is a cause for concern.

In the past three years, the detention capacity of 26 operational spots has been increased to structurally 76 detention spots. Nevertheless, the population on the islands increasingly experiences, a sense of insecurity among others due to the lack further detention capacity and incomplete staffing of the Police Corps. Entrepreneurs and citizens actively seek publicity to draw attention to their concerns about security. During his visit to Bonaire the Minister of V&J, on behalf of the State Secretary of V&J, pledged to take measures in the area of detention capacity for 2012. For staffing of the Police Corps he also made commitments for 2012.

No actual substance has been given yet to the commitment to support the islands in the preparation of the statutorily mandatory plans for disaster relief and crisis management. The public entities hope that the assistance will be provided shortly and the drafting of the plans will be started.

Environment and spatial planning

In December the BES Act on Public Housing, Spatial Planning and the Environment (VROM) was discussed for the second time and adopted by the Higher House, after the State Secretary had prepared an implementation plan and made commitments on the financing of the EU-project for wastewater purification on Bonaire. This has paved the way to further give shape to the environmental and spatial planning policy on the islands.

On Bonaire the construction of the sewerage system and the wastewater purification plant is in full swing. The expectation is that the construction will be completed in the course of 2012. No clear agreements have been made as of yet on the operation of the plant. This may lead to a problem. With the entry into force of the BES VROM Act, the possibility has also been created to make the necessary ordinances for wastewater. The last phase of the project regards the connection of hotels and homes on the sewerage system. Consultation with stakeholders is still ongoing. According to initial, preliminary, calculations the connection costs for a private home amount to a few thousand dollars and for hotels and apartment complexes the costs run as high as some hundreds of thousands of dollars. Both private individuals and entrepreneurs have already made it known that such costs cannot be borne. New

discussions therefore are obvious. Currently, in consultation with the EU, a solution is sought with the Ministry of Infrastructure and the Environment (I&M).

St. Eustatius has worked hard on the realization of a potable water network. The expectation is that this EU-project too will be completed in 2012. After that, the public entity should incorporate a distribution company. The preparations for that are still ongoing.

The realization of the sewerage system on Bonaire and the potable water network on St. Eustatius is an assault on the already not very good road network of both islands. Roads were closed for a long time, holes and pits remained open longer and the repair of the roads leaves much to be desired. At several places, deep pits remain causing danger for traffic and damages to vehicles. All in all, a situation that would not be accepted in the European Netherlands.

The oil storage and transshipment terminal NuStar on St. Eustatius intends to significantly increase the storage capacity in the short term. The local government has welcomed the expansion plans. The Ministry of I&M supports the local government in the preparations of the required local permits. For the expansion permits of the Ministry of I&M are also required.

Energy supply

The manner in which energy is supplied on the islands is quite different from the situation in the European part of our country. Stand-alone electricity is produced. Because these are islands, there is no international connection with other grids. On St. Eustatius and Saba oil is the fuel as well as on Bonaire but it is combined there with wind that provides for an average of 30% of the production.

The energy companies are owned by the local governments, production and distribution are in one hand on Saba St. Eustatius hand. On Bonaire production and distribution are separated. The organization of the market is such that the consumer does not have a free choice between service providers. The energy prices are very high certainly in comparison to the European part of our country. The use of electricity is mostly employed for refrigeration and air conditioning. Beside rainwater, potable water made from salt water is used on the islands, a process that requires a lot of electricity.

The constellation can be compared well to the former situation in the European part of our country when there were utility companies. The lack of an adequate organization of sectors, in my opinion, results in the National Government being more responsible in comparison to the European Netherlands for policy choices regarding the guarantee of supply and regulatory frameworks of quality, accessibility and affordability.

In the BES Energy Supply Act (a continuation of the regulation under the Netherlands Antilles) the responsibility for the energy supply has been delegated to the public entities. In my opinion too great a responsibility that will soon surpass the capacity of the public entities without the assistance of the National Government. In the meantime this assistance has been promised by the Minister of Economic Affairs, Agriculture and Innovation (EL&I).

There are excellent opportunities on the islands for sustainable generation of energy. It mainly involves wind, solar and geothermal energy. The Ministry of EL&I has commissioned studies on the possibilities. In my opinion the Netherlands could have great benefit from the excellent conditions present on the three islands for experiments with sustainable energy generation. Also in the area of transportation an island where the distances are relatively short, offers good opportunities for use of other fuels than fossil fuels.

Saba, St. Eustatius and St. Maarten are powered by the 'Gemeenschappelijk Energiebedrijf Bovenwindse Eilanden' (GEBE). After the split of the Netherlands Antilles it was agreed that the shares of GEBE will be divided between the three countries. The costs for generating electricity on Saba and St. Eustatius are higher than on St. Maarten. The rates for consumers were kept the same for the three islands under the Netherlands Antilles. With the breakup of the Netherlands Antilles, the government of St. Maarten indicated not wanting to continue with this form of "cross subsidy". The alternative would be that Saba and St. Eustatius get electricity supplied against a substantially higher price. The residents of St. Eustatius and Saba cannot take this any more in addition to all price increases.

Upon initiative of the Ministry of EL&I the former top executive of NUON Ludo van Halderen made a proposal on the division of the shares and assets of GEBE as well as a proposal on how St. Eustatius and Saba each could incorporate an independent energy company. On October 27, 2011 St. Maarten and the two Dutch Windward Islands agreed on how to divide the shares and how to dismantle GEBE financially. As of January 1, 2012, St. Eustatius and Saba would have independently operating energy companies. This operation and its timetable proved more challenging than initially thought. On behalf of the Ministry, in the meantime advice is being given on the incorporation of the new companies and indicated as well how cost savings can be achieved.

Currently the production of electricity on Saba is very vulnerable. The plant is old and is at a high-risk location for weather conditions in the port.

On St. Eustatius it is possible to fall back on the production capacity of Nustar in case of calamities.

Both on the Windward Islands and on Bonaire EL&I wants to seriously promote the (further) realization of sustainable energy. The use of geothermal energy is being researched but requires a larger market than these two islands in order to be profitable. On the other hand wind energy can make St. Eustatius and Saba significantly less dependent on oil prices in the short term. To this end substantial investments are required. Without substantial financial aid from the National Government, in my opinion, it will not be possible to realize these sustainable solutions against an acceptable rate for the users. The Minister stated that he strives to have profitable energy companies on both Statia and Saba at the end of 2012.

Bonaire is supplied with electricity by the power plant of Ecopower. The company uses wind energy and an oil plant. The results from wind energy can be called spectacular and do justice to the image of Bonaire of a 'green island'. On average 30% of the energy demand is produced from wind energy and there are peaks of more than 50%. A remarkable fact is that not a penny of government subsidy was needed for the windmills. The distribution of electricity is done by the 'Water en Elektriciteit bedrijf Bonaire' (WEB). The shares of WEB are 100% owned by the public

entity Bonaire and WEB is part of the Bonaire Holding Maatschappij (BHM). A dispute between WEB and Ecopower about the rates has resulted in a difficult relationship between both companies and in liquidity problems at Ecopower. Due to this dispute even the power supply has been interrupted.

A mediation attempt by an expert designated by EL&I led to the initiation of conversations that aim to reach a solution of the dispute and takeover of Ecopower by WEB or BHM. If this fails then it has been agreed in the contract between WEB and Ecopower to start the arbitration proceedings as provided for. In the meantime, the arbitration process has been initiated simultaneously with the negotiations between Ecopower and WEB. This can bring about a solution for the rate dispute. Ecopower is part of the estate of the bankrupt Econcern. The Rabobank financed Ecopower. In the short term, a solution must be found that guarantees the continuity of the electricity supply at reasonable rates on Bonaire. Due to the scale on which and the condition under which energy is supplied the question must be addressed whether it is reasonable that the full costs are charged to the user. The comparison imposes itself in the charging of operational costs of the new sewerage system as it was recently addressed during the discussion of the BES VROM Act in the Higher House.

The Minister of EL&I recently indicated willingness to work on the actual solution of the issues on Bonaire.

Taxation and Customs

As of January 1, 2011 a new BES tax system came into force. This resulted in significant changes compared to the old, Dutch Antillean, system. Moreover, customized solutions were provided for each of the three islands of the Dutch Caribbean, allowing the application of legislation and regulation to lead to different outcomes per island. Not only the legislation has changed, also the collection has been professionalized. Under the Netherlands Antilles, the collection left much to be desired, causing backlogs and the government not receiving income. In the new situation collection is done adequately. On the islands of Saba and St. Eustatius there were almost no import duties and taxes before 1-1-11. The paperwork on the import of goods was experienced as unnecessarily burdensome and disproportionate. In the meantime, the Tax Authority and Customs are working on organizing the procedures around import and export in a more customer friendly manner.

The dissatisfaction with the new tax measures was handled diligently by the State Secretary of Finance. His quick visit to the islands and the speed with which the adjustments were adopted and measures were taken, were highly appreciated. The preliminary figures show that in 2011 the tax revenues amply surpassed the estimates. One of the commitments of the State Secretary was that surpluses in revenues must flow back to the islands. When implementing this commitment it will have to be taken into account that any tax cuts should actually work in a manner that the residents of the islands can benefit concretely from. For example, a reduction in the ABB, must lead to a decrease of prices and not to higher margins for the businesses. A mechanism to guarantee that is lacking, but certainly is necessary. The entrepreneurs in the Dutch Caribbean believe that the anticipated improvements in the business climate, as a result of the new tax system failed to materialize. Moreover, businesses holding much real estate, such as hotels, see the property tax that will be imposed in 2012 starting with the fiscal year 2011 as too

heavy a financial burden that cannot be borne. The objections against the part of the new tax system, in which a property tax has substituted the profit tax, are growing among entrepreneurs. They fear major financial consequences for especially the tourism industry and believe this is not according to the objective of the new system: contributing to economic development.

Finally, it may be noted that the zero rate for the import of energy-efficient cars corresponds with the number of cars in that category that was actually imported. This is due on the one hand to the criteria to qualify for the classification “very efficient”, being particularly demanding and on the other hand the infrastructure is not designed for such high-tech vehicles that are vulnerable in nature.

***Attention: The English version of this report is only an instrument for support and aid. The Dutch version is the official version.