



ECONOMIC POLICY

A STRONG AND RESILIENT ECONOMY
2019-2022



Economic Policy

National Strategic Plan Implementing SDGs



Investment Policy



Reduce Cost of Living



Sound Public Finance Management



Entrepreneurs Development Policy



Trade & Export Policy



Macro Economic Policy



Contents

Foreword of the Minister of Finance, Economic Affairs and Culture.....	6
Introduction.....	8
1. Economic Vision	11
2. Current Conditions	13
2.1 Global economy in a snapshot	13
2.2 Impact of Global Economy on Local Economy.....	14
2.3 Leading Economic Indicators Aruba 2014-2017	15
2.4 Gross Domestic Product.....	16
2.5 State of the Tourism Industry	19
2.6 Overview of current fiscal situation and tax reform.....	21
3. Sustainable Economic Growth	25
3.1 Social and Environment factors for Sustainable Development	25
3.2 Implementation of the SDGs in Aruba	30
4. Moving Forward.....	35
4.1 Entrepreneurs Development	36
4.2 Investment for Diversification	38
4.3 International Opportunities for Trade and Export.....	38
4.4 Empowered Consumers.....	40
5. Promising sectors.....	43
5.1 Tourism	43
5.2 Knowledge Economy	44
5.3 Agriculture.....	45
5.4 Logistics.....	45
5.5 Circular Economy	45
5.6 Creative Industries.....	46
5.7 Enabling ecosystem to support economic development.....	47
5.8 Investment in infrastructure.....	48
Proposed actions in 2018-2019.....	49
Monitoring and Evaluation	49
Annex A: Vision & Economic Goals	49
Annex B: Monitoring Indicators	49
Annex C: Tables and Graphs.....	49
Annex D: Composition of the SME Policy Index of the 12 OCTs (scale 0 to 4).....	49
Annex E: Cost of doing business	49



Foreword of the Minister of Finance, Economic Affairs and Culture

Since the Wever-Croes cabinet took office, the Government's central purpose has been to turn the disrupted government finances into a sustainable, responsible financial policy, which is a prerequisite for creating a solid and resilient economy. At the same time, the government worked together with important stakeholders to formulate an economic vision and economic policy. It's our determination to build a more successful country, with opportunities for all Arubans to flourish, through increasing sustainable economic growth.

A robust and diverse economy is vital to our national prosperity and in creating the wealth to support high quality public services. Ensuring that growth is shared and sustainable is the key to unlocking all of Aruba's potential and strengthening our greatest asset - the people of Aruba.

Our people are creative and resilient, and we are home to a very diverse and multicultural workforce. We will continue to build on the strengths of our society, to create a more competitive and sustainable economy.

As we look forward, we want to achieve more than simply return to a slight positive economic performance, after a couple of years of recession. We need to tackle the underlying challenges in our economy and labor market, increase the labor productivity, competitiveness and sustainability of the Aruban economy. We need to ensure that there are sufficiently skilled and well-paid job opportunities available, take advantage of the opportunities presented by globalization, innovation and technological change and ensure that the benefits of economic success are shared by everyone.

The Aruban economy was challenged after the closure of the oil refinery, and we depend only on one economic sector. The dependency on tourism has increased heavily since the nineties, which urges the need to diversify our economy. Previous diversification efforts had failed, partly because they were perceived as being owned only by the Government. This policy is therefore, broad-based scope, non-partisan and inclusive, the recipient of input from the public and private sectors, Trade Unions, NGOs and external agencies. Through a participatory process specific economic sectors were identified. This Economic policy sets out an overarching framework for how we aim to achieve a more productive, cohesive and fairer Aruba. It prioritizes boosting investment and innovation, supporting inclusive growth and maintaining our focus on increasing internationalization.

Creating more prosperity and justice is a shared national effort. Only by working together with the broader public and private sector in Aruba, the third sector, trade unions, companies and communities we will be able to create a society in which the benefits of economic growth are more evenly distributed, and future economic growth is stronger and more sustainable.



Introduction



The government has the responsibility to create an enabling environment in which businesses can develop, can stimulate competitiveness and can innovate. The Aruban economy has been dependent for decades on one or two economic sectors at a time, starting with gold, phosphate, aloe, oil and tourism. Although diversification of the economy has been the aim of many governments since the Status Aparte it has been difficult to achieve.

In 2005, on request of the government of Aruba, the Foreign Investment Advisory Services (FIAS) in cooperation with the World Bank prepared a report called the “Diversification for Sustainable Growth and Reduction of Risk – steps towards the design and implementation of a strategy”. This report emphasized that, for a small island economy, a concomitant small population, a resulting small domestic market (in spite of high per capita income), and essentially no natural resources, possibilities for diversifying the economy into other activities are limited. This is still the case in 2018. Three areas for diversification were identified in the FIAS report; Education, Health Care and diversification within Tourism. The FIAS report, besides giving specific criteria's to keep in mind when diversifying the economy, also made an important statement concerning the tax system in Aruba. With the different and more difficult goal of fostering diversification through investments in other activities, which do not have a proven track record that makes their advantages in Aruba obvious, FIAS analysis shows that Aruba's tax system needs quite a few reforms to make it work effectively.

Recently, the IMF together with local experts assisted the Government of Aruba with recommendations on the reform of taxation in Aruba. Cabinet Wever-Croes has the tax reform and sound public finance management as a

high priority on the agenda for the coming years and has committed to implement the necessary actions.

The reality is that notwithstanding many efforts of diversification in the last 13 years, Aruba has not succeeded in diversifying its economy. The Aruban situation even worsened since 2012, after the closure of the oil refinery, Aruba's economy is depending only on one economic sector. Our dependency on tourism has increased heavily since the nineties therefore the need to diversify the economy is now more relevant than ever. In May 2018 the government requested OCO Global as consultancy service, to help define Promising Sectors for diversification of the economy of Aruba. Through a participatory process consulting government and private sector experts, specific areas were identified. **The areas identified are Tourism (specific niche products), Knowledge Economy, Agriculture, Logistics, Circular Economy and Creative Industries. Whereas the “Physical” opportunities for economic diversification remain somewhat limited due to the relatively small size of local markets, there are many “digital” opportunities for economic diversification that remain underexploited and unexplored.**

Following the criteria's for diversification and the tax recommendation of the Department of Taxes and the IMF, the support to entrepreneurs and a well-defined investment promotion strategy, it should be possible to start the road towards diversification.

We must keep in mind that diversification requires a collaborative effort between the private and public sector and that it takes years before real results can be seen. In order to develop these sectors a promotion strategy will be developed and specific incentive programs.

Recently the Aruba Tourism Authority (ATA)

embarked in a trajectory to study the Tourism Carrying Capacity for Aruba and also to identify niches in the tourism sector to develop the Aruban product in a sustainable way. These actions to fortify the Tourism Sector in combination with a Sustainable Economic Policy should mark the road for the coming years. Another perfect alignment with the Economic Policy of the Minister of Finance, Economic Affairs and Culture is the Destination Development Plan (ATA, 2017). This plan identified the following priorities; "Foster innovation and entrepreneurship; become a data intelligence-driven island; and Enhance digital communication and facilitate knowledge sharing". Regarding above mentioned priorities the Central Bank of Aruba's "Isla Innovativo" also presented a policy note on Innovation and offered a "strategic framework for developing human-centered policies and best-practices to strengthen Aruba's innovation capacity and increase its economic resilience". "Isla Innovativo" focuses on: i. fortification of Aruba's current and future innovation capacity, ii. acceleration of the digital transformation and iii. building the work force of tomorrow. This aligns with the National Innovation Plan and the E-government approach as well with the goals of this Economic Policy

This Economic Policy will focus on the development of a sustainable economic growth with the following objectives; (1) to contribute to a higher quality of life for all citizens, (2) to create inclusive and decent jobs, (3) to facilitate new innovative business opportunities and (4) to stimulate local and foreign investment. In this respect several activities will be implemented such as to improve the investment climate through the reduction of the cost of doing business (elimination of red tape) in order to create a level playing field for local and foreign entrepreneurs, to promote investments in the promising sectors, to stimulate and educate

entrepreneurship, to stimulate and facilitate the export of goods and services and to empower consumers. Innovation and education are the primary drivers of the economic policy moving Aruba, its businesses and workforce into a new era of international competitiveness. Concepts such as e-commerce, e-business, start-ups, tech enabled companies, social entrepreneurship and incubators will sculpt the new entrepreneur's ecosystem.

To facilitate the development of the economy of Aruba the Government will have a strong facilitator's role to stimulate entrepreneurship, investments, trade and export and protection of the consumer, while the private sector will be the driving force of the economic development. Preconditions for the development of the economy are innovation and creative thinking, education, entrepreneurial mindset, a fair tax system and investment promotion.

The Minister in this endeavor will focus on an economic growth that takes into account the environmental and social policies in order to have a sustainable growth. In this regard, Policy Coherence for sustainable development and the implementation of the SDGs play an important role. It is pivotal to approach the economic policy in an integrated way with the social, environmental governance dimensions at all stages of this policy making. Alignment with labor policy, social policy, education policy, safety and security policy, environmental policy are fundamental for a sustainable economic development. Taking therefore into consideration that policy coherence is needed across all sectors and that strong partnership in national, regional and international context are necessary. At the same time strengthening institutions and fostering partnership within government institutions and with the private sector are important to implement the Economic Policy successfully.

1

Economic Vision



1. Economic Vision



The Aruba government in its government program “Hunto pa Aruba, 2017”¹ has explicitly indicated their vision for the Economic Policy for the period 2017-2021.

“To improve the investment climate in Aruba and to stimulate an innovative, competitive and diversified economy, which contributes to a higher quality of life for all citizens”

The goal of the economic policy of the Minister of Finance, Economic Affairs and Culture is to stimulate sustainable economic development in which the citizens and the natural environment will play a prominent role. The government pursues this goal through:

1. Stimulating economic growth
2. Reducing cost of living
3. Diversifying our economy
4. Creating a sustainable primary sector
5. Policy on the labor market and the enhancement of production
6. Developing the region of San Nicolas and neighborhood and Oranjestad.

As mentioned above, the government will implement a policy to safeguard a high level of quality of governance for a healthy and sustainable development and for the creation of investment and employment opportunities. At the same time, the focus is to reduce the cost of living, the cost of doing business on Aruba and reduce the red tape. This is necessary for a healthy investment climate that will lead to economic growth, which encompasses more job creation and business opportunities, while reducing living expenses, all of which improves well-being in each home.

As far as the social sector is concerned, the government (2017-2021) acknowledges that this sector is large, complex and coherent with other policy sectors that influence and reinforce each other. The government puts emphasis on the central role of the human being in their policy. Attention will be paid to social problems in the community caused by various factors. These are serious financial problems, the problem of drug addiction and family problems. The government will address during the period 2017-2021 the social problems by working with more experts, identifying problems at an early stage, paying attention to family problems, protection of vulnerable groups and give young people more perspective in their lives. The vision of the government is to focus and strengthen the family nucleus, protect vulnerable groups and to create cohesion and social responsibility in the Aruban community.

Finally, regarding tourism the government's main objective for the period 2017-2021 is to increase the quality of the tourism product to attract high-income tourists and create more activities to increase the participation of tourism in our economy (Hunto pa Aruba, 2017)

¹ Annex A

2

Current Conditions





2. Current Conditions

2.1 GLOBAL ECONOMY IN A SNAPSHOT

The global economy is struggling with many challenges. According to the IMF, there are currently three threats to the world economy: the tensions on the trade front, fiscal and financial risks and the ongoing struggle to achieve 'inclusive' or solidary growth. The latest trade war between the US and China could trim the global economic growth further through 2020.

After reaching its highest growth in 2017 during the past 6 years the world economy is expected to grow with another 3.9 percent per year in 2018 and 2019, according to the IMF. By 2020 it is expected that this growth will moderate to 2.9 percent as global slack dissipates, trade and investment moderate, and financing conditions tighten, according to the World Bank.

Among advanced economies, growth divergences between the United States on one side, and Europe and Japan on the other, are widening. According to the IMF, growth is slowing in the Eurozone, Japan and the United Kingdom. A growth of 2.2 percent in 2018 and 1.9 percent in 2019 are estimated for the Eurozone. According to the Centraal Plan Bureau (CPB) in the Netherlands, the uncertainty about the monetary policy of the European Central Bank (ECB), the Italian banks that remain in the danger zone due to distressed loans and weak profitability, will have its impact on the Eurozone economy. Also, growth prospects among the emerging markets and the developing economies appear to be uneven, due to rising oil prices, higher returns in the United States,

trade strains, and market pressures on the currencies of some economies. Growth in emerging market and developing economies (EMDEs) is projected to reach 4.9 percent and 5.1 percent in 2019 and 2020, up from 4.7 percent in 2018 (IMF, 2018). According to the

Centraal Planbureau (CPB) of the Netherlands, Russia and Brazil as commodity producers are showing economic growth.

The Dutch economy continues to grow, which is supported by an increase in domestic consumption, exports, government spending and investment, which amounts to 3.3 percent in 2017 and 2.5 percent in 2018 (CPB, 2018). In 2017 the consumption grew rapidly due to the increase in disposable income, partly as a result of the growth of employment. Companies and government also contribute to growth: both business investment and government spending are increasing. In the year 2019 the economy will grow slightly less hard, under the influence of a more moderate growth in investments. The Netherlands is currently benefiting from the favorable economic developments in Europe and the rest of the world as an open economy. On the other hand, the Netherlands runs relatively larger risks if the economy turns in Europe or beyond (Miljoenennota, 2018).

As mentioned before the global economy is confronting its challenges and one important challenge that the world is dealing with, according to United Nations, is the environment degradation, inequalities and institutional obstacles to development. The Sustainable Development Goals (SDG) have been presented as a tool to help countries deal with these obstacles. Considering OECD, close attention has to be made to skills development and innovation capacity, the promotion of business dynamics and diffusion of knowledge, and preserving social cohesion by helping workers to make the most of a dynamic labor market.

While economic growth, as measured by GDP, is not an end in itself, it remains a precondition for enhancing human welfare. It provides the resources necessary for improving health, education, and security. It is therefore important for countries to closely monitor factors that determine competitiveness, while keeping an eye on the wider societal goals and related tradeoffs ensuring that future economic growth will require solutions that are more creative than any we have seen so far (World Economic Forum, 2017). Regarding education, international organizations such as the OECD stress the importance of higher education, with its role to bring the technology closer to the population.

"Governments, businesses, and individuals are experiencing high levels of uncertainty as technology and geopolitical forces reshape the economic and political order that has underpinned international relations and economic policy for the past 25 years. At the same time, the perception that current economic approaches do not serve people and societies well enough is gaining ground, prompting calls for new models of human-centric economic progress" (World Economic Forum, 2017).

2.2 IMPACT OF GLOBAL ECONOMY ON LOCAL ECONOMY

As we know, global developments have an impact on Aruba's economy. If we take a closer look at neighboring countries, like the United States, the economic growth in the United States at the beginning of 2018 has remained solid, 2.9 percent due to temporary fiscal stimulus. The US-dollar has increased by about 5 percent in the weeks of July 2018. Although there is a solid economic growth in the United States, investors are looking forward to the 'tax cuts' that President Trump announced in early 2017, which can lead to inflationary pressures that will increase the interest rates. This may have as a consequence an economic slowdown in the United States. Another global concern is the trade relationship between US and China which

may further slowdown the global economic growth. Chinese products are being levied with 10 percent tariffs, and as of 2019 they will be increased to 25 percent.

"In the Central American region, agricultural export is expected to pick up and in the Caribbean a growth is expected from post-hurricane reconstruction, tourism, and commodity prices" (World Bank, 2018)

Other regions that influence the economy of Aruba is the region of Latin America and the Caribbean. Forecasts indicate that due to encouraging private consumption and investment these regions will accelerate.

The political and economic situation in Venezuela brings new challenges for Aruba in many ways. Not only it affects directly our economy, but it also effects the security and safety in the region in general and in Aruba in particular. This situation will be closely monitored, and its consequences minimized.

Regarding Aruba's economy, considering external volatility and our vulnerabilities, Aruba has no other choice then to address and prepare for these international challenges. Aruba will have to address the international challenges as stated by the IMF by encouraging income mobilization and restoring fiscal buffers, economic diversification, strengthening employees' skills, adaptation to promote innovative and technological change and addressing openness of trade.

Another important aspect nowadays, which the economy paradigms cannot leave behind anymore, is the human aspect. As part of a new economic model, the Aruban government has acknowledged the need of the human and social aspect as part of the economic growth. On behalf of this, the government has embraced the human-centered approach to innovation. The government of Aruba hopes to create more opportunities for the workforce, youth and generations to come, to build resilience in the Aruban economy through

diversification and to increase government efficiency, trust and transparency. Aruba will make use of all the available resources to stimulate a sustainable economic growth and the wellbeing of its citizens. Economic diversification, an increase in productivity, fostering entrepreneurship and creating an environment for innovation is high on the government strategic priorities.

Finally, Aruba acknowledges that economic growth of our island can come at an environmental cost. The government has committed itself to focus on the SDG Agenda 2030, which has an integral character, with the aim that the public sector, the community as well as the private sector cooperate to improve the economic, social and environmental dimensions on the island. This in order to achieve a balanced and sustainable development on our island.

2.3 LEADING ECONOMIC INDICATORS ARUBA 2014-2017

This chapter gives a brief outline of the most relevant economic indicators of the economy. It is not the intention to give an exhaustive explanation of the indicators but more an overview of the trends in order to understand where we are standing at this point in time.

The Central Bureau of Statistics published in March 2019 the National Accounts of Aruba, for the period 2013-2017. These figures indicate a growth of real and nominal GDP between 2013 and 2017 of respectively 635 million and 500 million florin. According to these calculations, nominal GDP grew with 2.4% in 2014, 5.6% in 2015, 1.6% in 2016 and 3.1% in 2017. Real GDP growth was slightly different: 0.3% in 2014, 5.7% in 2015, 2.0% in 2016 and 2.0% in 2017.

Growth during past years was realized in particular due to increased exports (312 million) decreased imports (-287 million), private and public consumption grew only moderately and investments decreased with 10 million florin between 2013 and 2017.

The decreased amount of public investments (64 million in 2013, and only 47 million in 2017) proves that sizable government plans did not materialize in the last couple of years. The introduction of the crisis levy in July 2018 will likely affect real GDP through reduced consumption in both the 2018 and 2019. In this respect we must also take into consideration the tax reform presented in December 2018 by the Government. The potential effects of the tax reform have, by the date of finalizing this document, not been accounted for by the CBA, but will certainly have a positive effect on the real GDP for 2019. The CBA will review their projections in the coming months using the results of the National Accounts (2013-2017).

To pursue a prudent financial and economic policy, a nominal growth of the GDP of 1 percent is assumed for the upcoming years.

The presented indicators will be used to determine the baseline of the economy in 2017 and to monitor the economy in the following years. It is important to keep in mind that as said before, to achieve a sustainable development, trade-offs will need to be made. This means that within a policy coherence approach it is possible to focus on other non-economic indicators (such as the SDGs) to evaluate progress. And that instead of focusing on the traditional economic growth the Government will focus primary on the quality of life for all citizens and a development in which the environment is not negatively affected. This means a refocus of the economic model of Aruba and the development of new economic sectors.

A chapter specifically for tourism indicators has been included to illustrate the high dependence on this sector and the risks involved. We are at the crossroad of important decisions related to the carrying capacity of the island, to balance the need to protect the environment and to create new economic development.

Even though the economy has slowly been growing and more jobs have been created in the tourism sector, this does not reflect in the

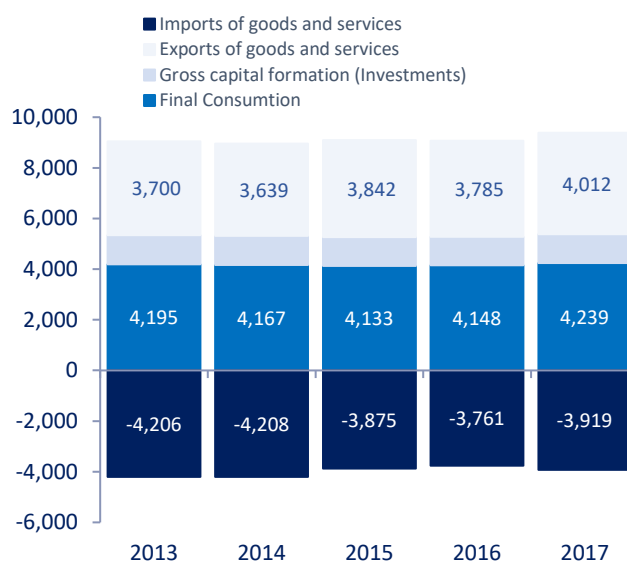
salaries of the labor force in the tourism sector. The expected increase in the room inventory will lead to more demand for low skilled labor and low salaries. The question remains if the internal labor market is able to absorb this extra demand for low skilled labor without the import of foreign labor. Probably the import of foreign labor cannot be excluded as history showed. This influx of foreign labor will put extra pressure not only on the labor market, but also on the housing sector, educational system and health care. Aruba is a small island and considered one of the best tourist destinations in the Caribbean. To remain attractive to the visitors, the livability on the island will play a role on how the visitors experience Aruba as a tourism product. Given the expected room expansion and its consequences on the livability on the island, the experience of the visitors could be negatively affected and putting at risk not only the whole tourist industry but also the economic development of Aruba. Therefore, the government will enforce a moratorium on hotels in the region of north, only permitting those hotel and condominium projects that have already been committed. In the center of Oranjestad and San Nicolas small boutique hotels of maximum 15 rooms each will be permitted. In the Oranjestad port area the construction of a maximum of 100 rooms will be approved. To stimulate new business activities in San Nicolas a hotel of 600 rooms will be constructed. All these hotel projects must comply with regulations to safeguard the environment and use sustainable building materials and technologies.

2.4 GROSS DOMESTIC PRODUCT

The recently published National Accounts show that nominal GDP grew with 1.6% in 2016 and 3.1% in 2017. Real GDP grew with 2.0% in 2016 as well in 2017. The nominal GDP per capita increased from 45,460 florin annually in 2013 to 49,351 florin in 2017.

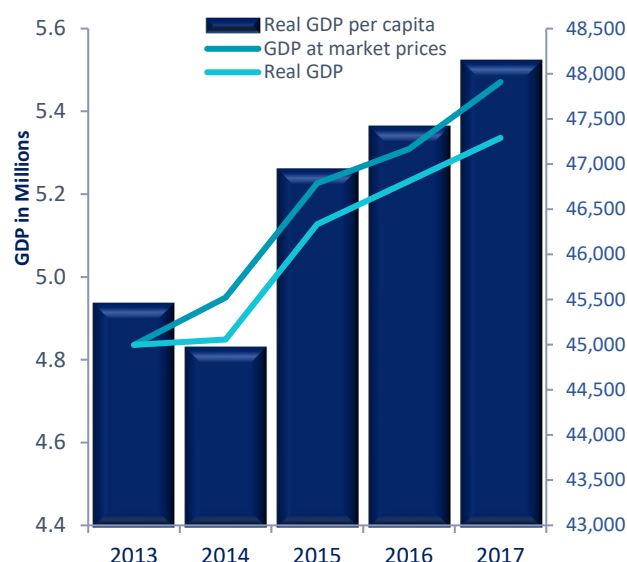
Recently published economic projections for the years 2018 and 2019 will be revised by the CBA, based on the National Accounts data published by the CBS.

Graph 1: GDP at market prices, Import, Export, consumption and capital formation, '13-'17



Source: CBS

Graph 2: Real and nominal GDP & GDP per capita. '13 -'17



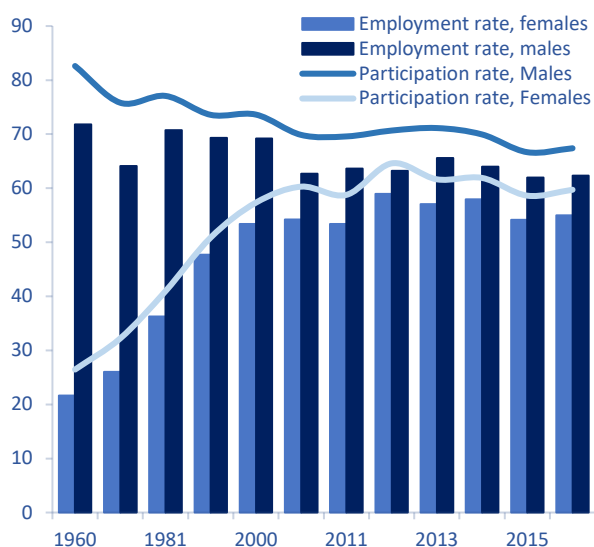
Source: CBS

2.4.1 EMPLOYMENT

During the year 2014 until 2016, the labor participation has been fluctuating (graph 3). In 2015 a decline in the labor participation rate can be seen, 62.4 percent compared to 65.6 percent in 2014. The unemployment rate also shows a

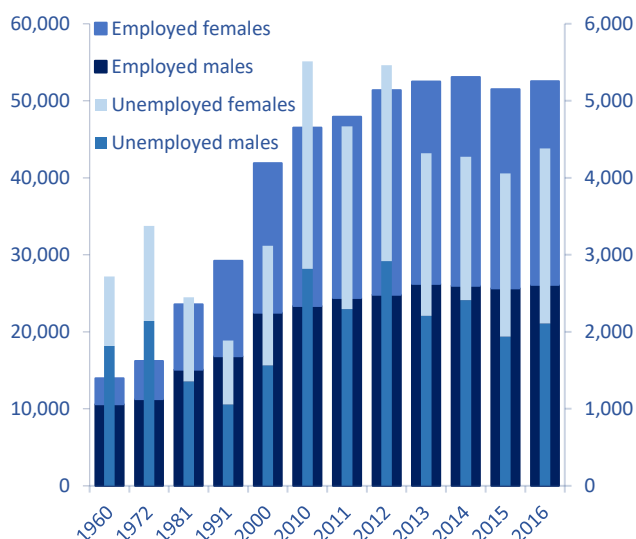
fluctuation (graph 4), with a decrease in 2015 reaching 7.3 percent, and increase again in 2016 to 7.7 percent.

Graph 3: Employment, - and participation rates, by sex, 1960-2016



Source CBS

Graph 4: Employed and unemployed persons by sex, 1960-2016



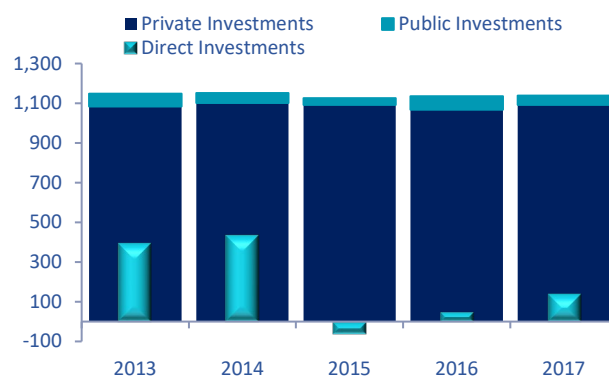
Source CBS

2.4.2 INVESTMENTS

The Total Gross Capital Formation (graph 5) shows a decrease since 2013 (1 percent). This decrease is clearly seen in both the public and the private sector since 2013. The Private Gross

Capital formation decreased from Afl. 1,084 million in 2013 to Afl. 1091 million in 2017. The Public Gross Capital Formation in the public sector also shows a decrease from Afl. 64 million in 2013 to Afl. 47 million in 2017, equaling a decrease of 27 percent. The CBA conducts an annual Direct Investment Survey (DIS) for collecting the direct investment related data on inward direct investment positions by immediate counterpart country, consisting of equity and debt instruments. The Direct Investment in Aruba (graph 5), has declined in 2015 compared to 2014, but this has been picking up since 2016 with an amount of Afl. 156.9 million in 2017.

Graph 5: Private, public and total gross capital formation and direct investments in Aruba, 2013-2017



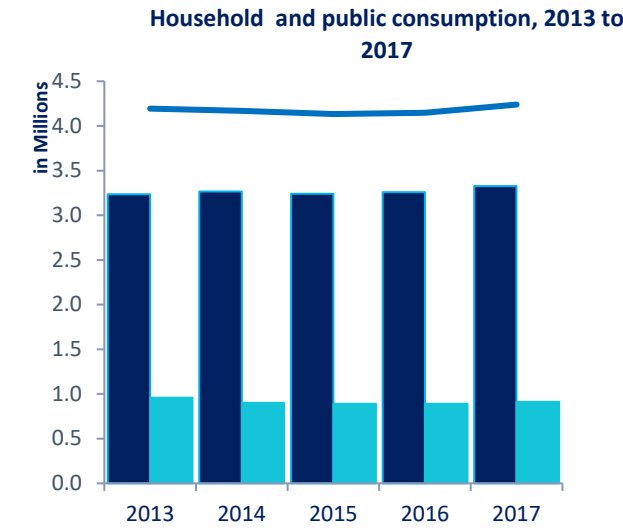
Source, CBS & CBA

2.4.3 CONSUMPTION

The Final Consumption (graph 6) shows a slight increase since 2013. In total, Final consumption increased with 4 million florin, equaling 1 percent. Consumption seems to pick up in 2017 with an increase in consumption of 2.2%.

The drop of consumption is clearly seen in the government from Afl. 960 million in 2013 to Afl. 913 million in 2017. In contrary of a decline in government consumption, an increase in household consumption can be observed during the past years. Household consumption increased with 91 million florin between 2013 and 2017.

Graph 6: Private, public and total consumption, 2013-2017

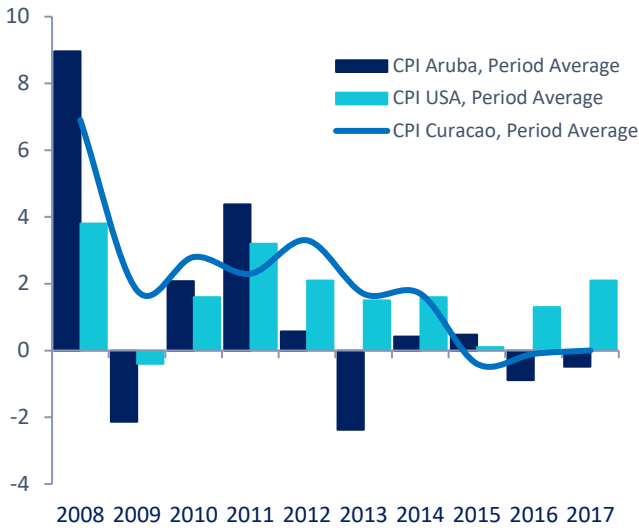


Source, CBA

2.4.4 CONSUMER PRICE INDEX

The consumer price index (graph 7) period average percent change, indicates the development of the average inflation. The development of the CPI shows a considerable decline of -0.9 percent in 2016 and -0.5 percent in 2017 compared to 2014 and 2015 mainly caused by reductions in energy costs.

Graph 7: Development of the period average inflation, Aruba, Curacao, USA, 2008-2017

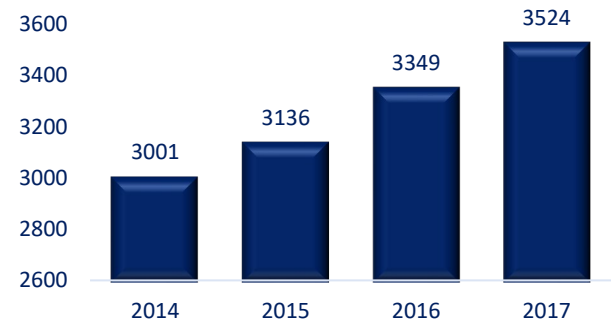


Source, CBS

2.4.5 BUSINESSES

The total amount of active businesses as registered at the SVB has been growing since 2014 (graph 8). In 2014, there was a total of 3001 active businesses and it has been increasing since then, reaching an amount of 3524 active businesses in 2017.

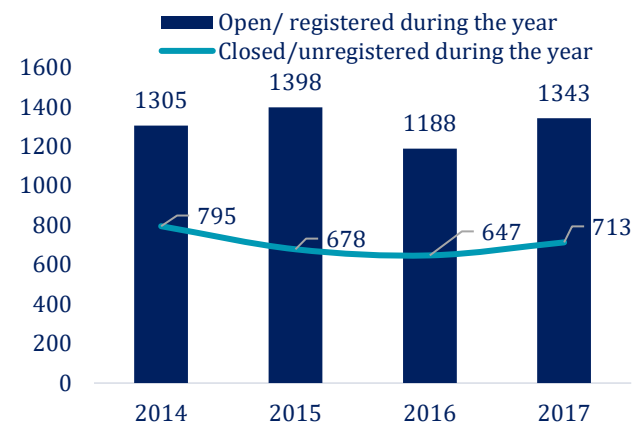
Graph 8: Total number of active businesses, 2014-2017



Source, CBS 2018, SVB data file: Note these are businesses excl. sole proprietorship

The amount of new registered (opening) businesses (graph 9) from 2014 until 2017 has been fluctuating. The data shows that in 2016 there has been a decline in the total businesses registered compared to the years before, but it has been picking up in 2017 by an amount of 1343 business. This fluctuation is also seen in the amount of closing businesses. The data shows that there has been a decrease for businesses closing, although in 2017 the amount of closed /unregistered businesses is increasing.

Graph 9: Open/registered versus closed / unregistered businesses

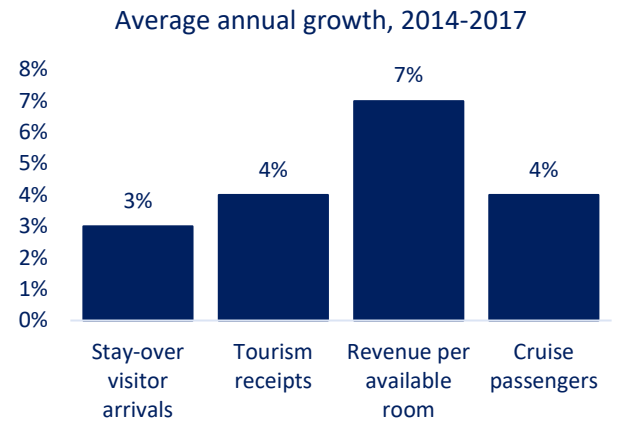


Source: Chamber of Commerce, 2018, Note these are businesses excl. sole proprietorship

2.5 STATE OF THE TOURISM INDUSTRY 2

Any strategy to diversify the economy of Aruba must consider the important role that tourism plays in the economy and search for alignment and synergies with the economic and environmental policies. The following graphs gives us a glimpse of the state of the tourism industry in Aruba for the period 2014-2017 and the direction the tourism policy will follow to contribute to a sustainable development.

Graph 10: Key performance indicators – tourism industry, 2014-2017



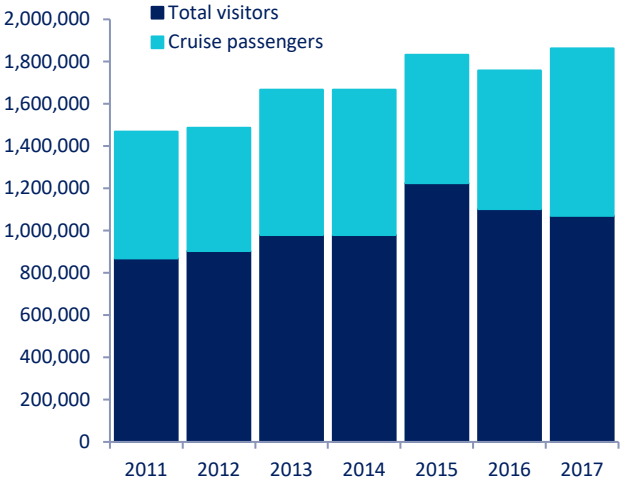
Source: ATA

Over the last 4 years stay-over visitor arrivals grew on average with 3 percent (graph 10). During this period steep fluctuations (graph 11) were observed, that are linked to the challenged domestic economic and political situation in Venezuela, however also to a strong demand out of the US in 2017 (+11 percent). When we exclude arrivals from our second largest market Venezuela, we see a growth of 9 percent in 2017 over a year basis. The strong growth out of the US market is projected to continue in 2018, however accompanied with a strong decline out of Venezuela. Consequently, the ATA projects 2018 to end with a decline of 1 percent in stay-over visitor arrivals.

The average annual growth rate of Tourism Receipts is 4 percent over the period 2014-2017

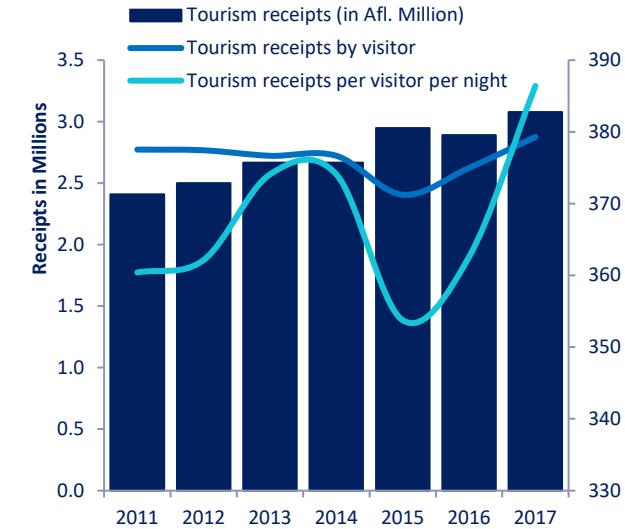
(graph 12). In 2017 Tourism Receipts grew with 6.5 percent in comparison to 2016 (graph 10). In 2018 Tourism Receipts is projected to grow by 4 percent.

Graph 11: Stay-ever visitors and cruise passengers, 2011 to 2017



Source: ATA

Graph 12: Total tourism receipts, and receipts per visitor and per visitor per night, 2011 to 2017

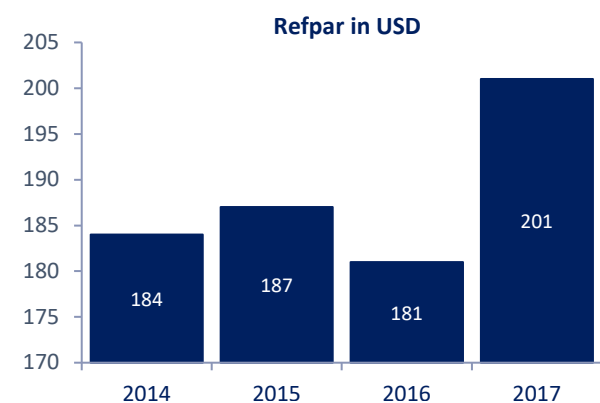


Source: CBA and ATA

The average annual growth of revenue per available room is 7 percent over the 2014-2017 period (graph 13). RevPar has shown a consistent increase, closing 2017 with an increase of 11 percent, which was exceptional (graph 13). Compared to the other Caribbean

destinations, Aruba improved its ranking position from # 7 highest RevPar in 2013 to 3rd position in 2017. AHATA projects that RevPar will grow by 13 percent in 2018. The average annual growth rate of cruise passenger arrivals is 4 percent over the 2011-2017 period (graph 14). The cruise industry will maintain its growth in the period ahead with arrivals estimated to consolidate in 2018.

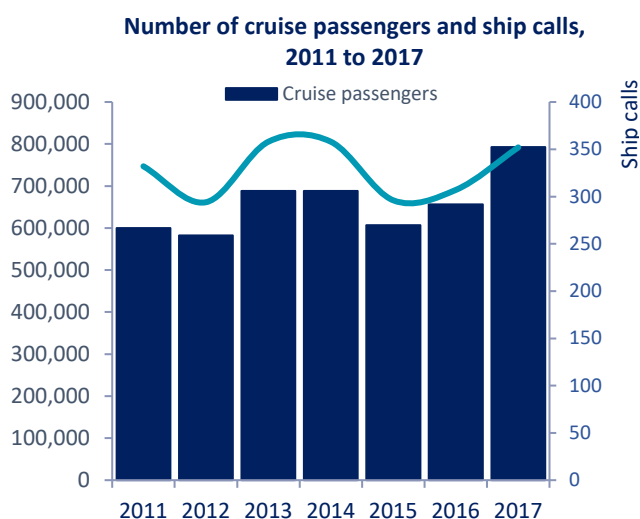
Graph 13: Revenue per available room



Source: ATA

The above-mentioned statistics show a continued growth in tourism arrivals and tourism receipts indicating a strong tourism industry, still the question remains on how much this growth contributes to the wellbeing of the local population, especially the labor force working in this industry and which has been the impact of tourism on the environment.

Graph 14: Cruise Passenger Arrivals and ship calls



Source: ATA

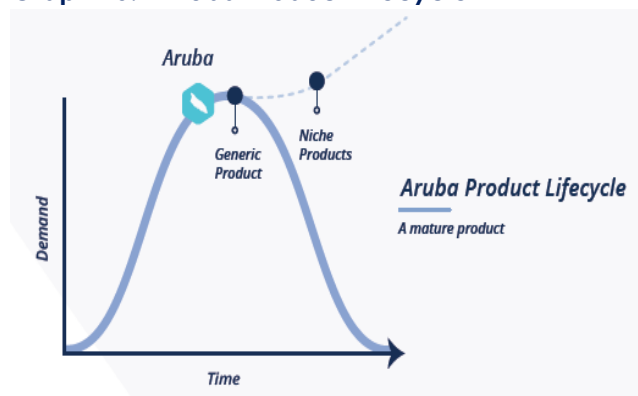
2.5.1 CARRYING CAPACITY

Considering the rapid changing landscape of the tourism industry and the new travelers' demands, ATA completed its Destination Development Plan (DDP) in 2017, where its strategic priorities as a destination were presented for a sustainable destination development. As part of the Destination Development Plan (DDP) implementation strategy, the ATA made a commitment to all stakeholders to undertake a carrying capacity study. This study is completed in the last quarter of 2018. The purpose of this study was to ".... define a sustainable tourism growth model for Aruba that is economically viable, environmentally bearable and social equitable." The ATA has identified that Aruba's 90s tourism model does not apply today nor will it apply in the future. The most important reasons are the following;

- Mature product – requires diversification
- Diminishing returns / digressive growth
- Maintain competitive advantage
- Rapid changing tourism industry
- New traveler demands
- Density

With this analysis ATA reached an important conclusion; "Aruba has reached its carrying capacity, overstretching its resources beyond sustainable levels".

Graph 15: Aruba Product Lifecycle



Imperative in the immediate future is the implementation of a new tourism growth model based on a High Value-Low Impact framework

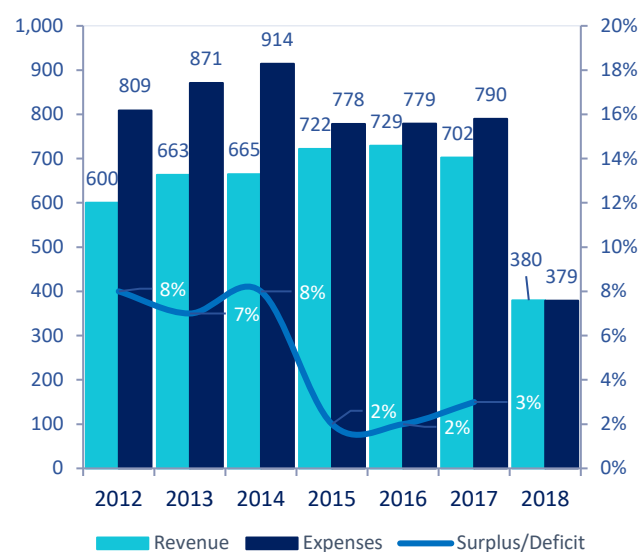
with benefits for the community, the visitors and the environment is necessary. Finally, key actions have been identified that will be undertaken to manage Aruba's capacity, which are the following:

- Visitor Flow Management: monitor, control and decrease (in case needed) capacity at key tourist locations.
- Indicator Framework: continue to assess visitor use at each priority site and manage tourism flows so as to enhance overall visitor experience.
- Balanced Growth: advocate and facilitate continuous dialogue between stakeholders so as to seek alignment and foster a sustainable tourism development, including a balanced accommodation mix.
- Execute Roadmap.

2.6 OVERVIEW OF CURRENT FISCAL SITUATION AND TAX REFORM³

The government has made considerable progress to reduce its fiscal deficit in recent years. The central government deficit was an average of 2.0 percent of GDP in 2015 to 2016, down from 9.4 percent in 2014 (graph 16). The fiscal improvement reflects measures to reform the pension and health system in 2014, the establishment of CAft (College Aruba financieel toezicht, an independent council in charge of fiscal oversight), ongoing expenditure cuts, and more efficient tax collection within the fiscal framework that was established in 2015.

Graph 16: Government Revenue and Expenditures (US\$ in millions, deficit as % of GDP)



Source: Department of Finance.

Aruba continues to implement measures to keep the general government deficits on a declining path. The following principal macroeconomic assumptions form the basis for the central government's 2018 budget:

Principal Budgetary Assumptions for 2018 & 2019

Projected nominal GDP growth: 1.0 percent
Projected inflation: 0.3 percent

Source: Ministry of Finance, Economic Affairs and Culture.

The Government uses a conservative nominal GDP growth rate of 1.0 percent in the 2018 budget to diminish any possible downside risks. Projected for 2018 are revenues of AFL 1,363.59 million (US\$ 757.55 million) and expenditures of AFL 1,513.49 million (US\$ 840.83 million).

The revised fiscal consolidation plan, under the supervision and recommendations of CAft involves reducing spending and boosting tax revenues. In 2019 the deficit is projected at 0.5 percent, in 2020 a surplus of 0.5 percent is projected and in 2021 a surplus of 1.0 percent. The Government has demonstrated the ability and commitment to implement fiscal responsible policies. In order to curb the national debt and guarantee sustainable and sound public

³ Department of Finance Aruba

finances, a number of measures took effect on July 1, 2018.

2.6.1 TAX REFORM

The government is currently carrying out an extended tax reform through a four-phased plan. The first phase primarily concerns legislative changes to the wage tax, personal income tax, property tax and turnover tax. The aforementioned changes were approved by the Parliament of Aruba in January 2019. In addition, the so-called "sin taxes" were introduced. A sin tax is an excise or import duty specifically levied on cigarettes, alcohol and other unhealthy products.

As of January 1, 2019, the rates for wage tax and income tax have been reduced in such a way that a total of 30,000 people will not be subject to Aruba wage tax/income tax. In addition, 25,000 taxpayers will be subject to a lower wage tax/income tax rate. Several measures are also being taken to ensure that senior citizens or retired persons will benefit from this tax reform. The property tax rates have been adjusted in such a way that tax is now levied based on the property value, and ranges from 0 to 0.6 percent. Finally, the income tax on dividends has been reduced from 25 percent to 10 percent. During the second phase, the focus will be on the indirect taxes (among others the BBO and the import duties). During the third phase, taxes paid by businesses will be modernized (profit tax, dividend tax) and the income tax system will be simplified and modernized. Finally, in the fourth phase the taxes which are paid by tourists will be reviewed.

Main highlights of recent changes to the Aruba tax legislation include:

- The introduction of a self-assessment ("VAS") for the corporate income tax in order to increase compliance;
- The reduction of the corporate income tax rate from 28 percent to 25 percent;
- The introduction of a temporary crisis tax of 1.5 percent (effective per July 1, 2018);
- The increase of excise on gasoline;

- The reduction of the top tax rate of 58 percent to 52 percent;
- Elimination of inheritance tax.

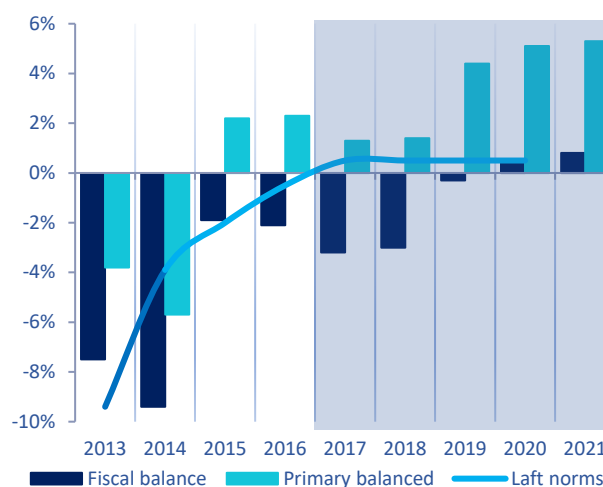
Furthermore, for the upcoming period the current administration, plans to optimize tax collection through:

- Increasing the levels of compliance (i.e. for all direct and indirect taxes and social premium contributions);
- Implementation of a new tax collection software system and increasing the effectiveness of the current tax processes;
- Digitalization of various tax forms;
- Improved administrative structures and procedures;
- Reducing and/or eliminating the existing backlogs.

2.5.2 BUDGET POLICY

Since 2003, the Government of Aruba has implemented a budget policy that is aimed at reducing fiscal deficit with the goal of achieving balanced budget in the near future. The current administration wants to achieve sustainable public finances during the course of 2018-2021 (graph 17).

Graph 17: Fiscal balance as % of GDP



Source: Department of Finance.

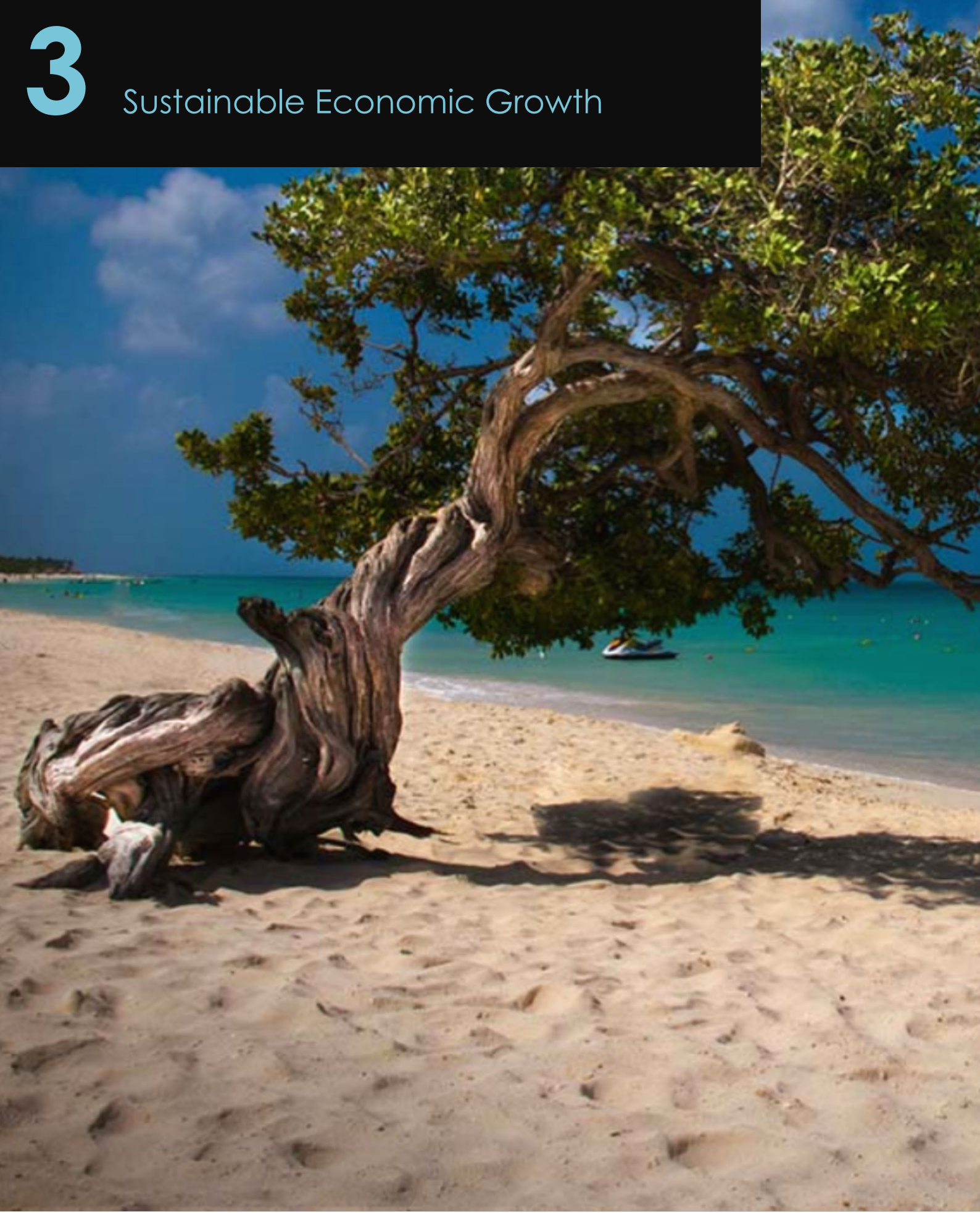
Note: LAft norms refer to the fiscal balance. The results for 2013-2017 are of the Central Government (GOA) only

As with policies to support economic growth, the government has set out a long-term program to:

- ensure the improvement and sustainability of public finances in the medium and long term;
- re-focus on the process-based improvement of public finances through new budget rules;
- continuing with financial supervision as to further increase transparency;
- avoid overloading the future generations by working on debt reduction;
- and position Aruba as a leading global model for small island future economy resilience.

3

Sustainable Economic Growth



3. Sustainable Economic Growth



The aim of the Minister of Finance, Economic Affairs and Culture is to foster a sustainable economic growth by stimulating new innovative businesses, creating inclusive and decent jobs, stimulate local and foreign investment that will contribute to a higher quality of life of all citizens in Aruba. The Minister in this endeavor will focus on an economic growth that takes into account the environmental and social policies in order to have a sustainable economic growth. In this regard Policy Coherence for sustainable development plays an important role. It is pivotal to approach the economic policy in an integrated way with the social, environmental governance dimensions at all stages of this policy making. Taking also into consideration that policy coherence is across all sectors .

In the following pages the social and environmental governance factors are being described. We know that Economic Policy on its own cannot achieve Sustainable Development and that trade-offs have to be made. For example, many challenges we face every day when envisioning economic growth have to do with choices to limit environmental degradation and choices to increase the wellbeing and quality of life of all citizens. So do we choose to continue with the economic growth in tourism as we know even if it means environmental degradation? Is the economic growth really increasing the wellbeing and quality of life of all citizens?

3.1 SOCIAL AND ENVIRONMENT FACTORS FOR SUSTAINABLE DEVELOPMENT

3.1.1 SOCIAL FACTORS FOR A SUSTAINABLE DEVELOPMENT

Sustainability (meeting today's needs without compromising the resources of the future generations) and the fostering of the standard of living and the economic health of the nation state, is contended to be a primary concern of economic development. Social development is directly or indirectly related to economic development and pertains to improvements in living conditions and the standard of living in general.

The government accord 'Hunto Pa Aruba' promotes an inclusive and people centered development. In fact, studies from, e.g., the World Bank based on insights from different countries indicate that the main determinant of poverty alleviation is the combination of economic growth and reduction in inequality, leading to a (more) socially inclusive and sustainable economic development. In this light

we assert that in the context of the Economic Policy, next to economic growth, the reduction of inequality is paramount in attaining the Government's policy aspirations.

Fueled by the expansion of the tourism and related industries, Aruba experienced a remarkable economic growth since the 1990's, and did withstand several global economic and financial crises as well as domestic economic shocks and financial challenges since the turn of the century to maintain a general growth trend. On the other hand, this economic growth did not necessarily translate into real improvement of economic and living conditions of the general population. This economic growth was greatly spurred by more people working more hours facilitated through the importation of relatively large number of migrant workers filling mostly low skilled and low wages jobs, and not necessarily

through increased productivity. The proportion of the foreign-born population grew to 44,3 percent in 2010 compared to 18,5 percent at the time of the 1981 Population and Housing Census, and 44.3 percent of the economically active population was not born in Aruba. Notwithstanding the relatively high unemployment rates throughout the 21st century, just one year of negative net migration was registered since the year 1990. As the real GDP increased at about the same rate as the population, the GDP per capita remained rather flat since the early 1990's implying that there was likely no discernible ensuing rise in the population's material well-being during this period.

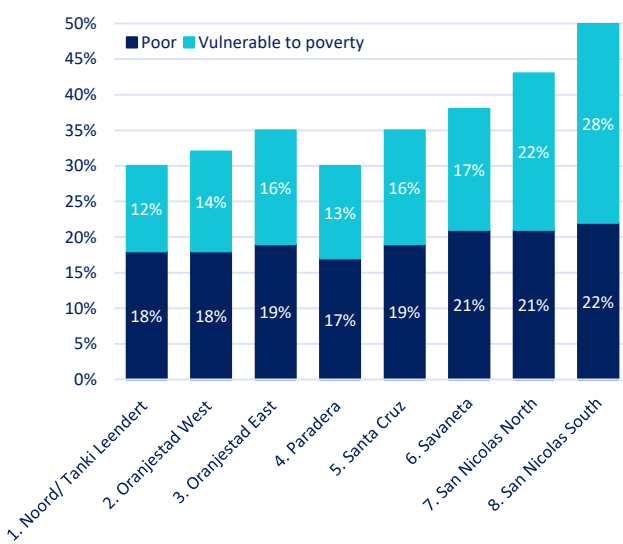
In terms of welfare outcomes, the unemployment rate increased progressively from 0.6 percent in 1991 to 10.6 percent in 2010 before dropping to 7.7 percent in the year 2017 with the unemployment rate under the youth (ages 15-24) becoming as high as 28.9 percent in 2010 while the world average unemployment rate was 13.1 percent, and that of the Latin American and Caribbean region (15.1 percent) in that same year. The latter was estimated at 17.9 percent in 2016.

Additional evidence of notable inequalities is the fact that Aruba's income distribution has been worsening according to the estimations by CBS Gini coefficient that ranged between 0.40 to 0.41 between 1991 and 2006 and increased to 0.44 in 2010. Further, the wage dispersion in 2010, or the gap between those with the highest incomes and those with the lowest incomes, compared to that in 1993 remained practically the same. The above-stated suggests that the working class did not benefit from the tight labor throughout most of the 1990's, and hence, arguably did not get a fair share of the economic boom. What is more, the real wages have been stagnant across the whole income distribution since 2006.

Moreover, based on the 2010 Census data, one in five households was deemed poor when applying the normative relative poverty threshold of 60 percent of the median

equivalized monthly income (Afl. 2,300), and 27 percent when applying the threshold of 70 percent, which equated to a monthly income of Afl. 1,610.

Graph 18: Poor households and households vulnerable to poverty by region

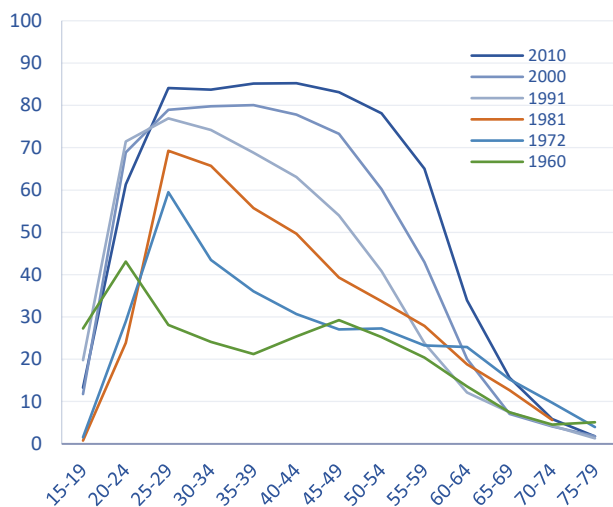


Source, CBS

In this light we introduce the phenomenon of vulnerable employment with workers enduring high level of instability. According to the 2010 Census data, approximately 30 percent (29.3 percent) of the workers in the Hotel and Restaurant industry branch had a gross monthly income of Afl. 1,550 or less, and 58.3 percent grossed below Afl. 2,000 per month. Similar results were obtained for the trade and construction branches of industry where proportions were tallied at respectively 56.8 percent and 45.6.

While the participation rate of women has improved notably since the second part of last century, and is amongst the highest in the world (59,5 percent in 2010), women are overrepresented in the lower income categories and underrepresented in the higher ones.

Graph 19: Participation rates for females, 1960-2010



Source, CBS

The rate for wage equality was 0.7 in the year 2010. In particular single female parents are lagging as 42 percent of the single mothers and 25 percent of the single fathers reported a monthly income of less than Afl. 2,000, according to the 2010 Census data. Actually, a majority (54 percent) of adults disagreed with the statement that social differences in Aruba are just and fair, according to findings of the 2009 Aruba Welfare Survey data.

Based on selected available indicators, the output in education is deemed subpar in different aspects. Despite having practically full school participation at both the primary and secondary levels and a very low illiteracy rate, merely 12 percent of the population, of which just 36 percent was born in Aruba, attained an equivalent of Bachelor Degree level or higher in 2010. Also the average retention rates in, e.g., the primary schools are considered relatively high. For the academic years 2014-2015 and 2015-2016, the average retention rate per beginning 2015 was 5.0 percent for boys and 6.2 percent for girls. Lastly, noteworthy is the fact that the proportion of the youth population (15-24) not attending school at the time of the administration of the respective Population and Household Censuses who reported not attaining any secondary school's diploma grew from circa 37 percent in the year 2000 to circa 42 percent

in 2010.

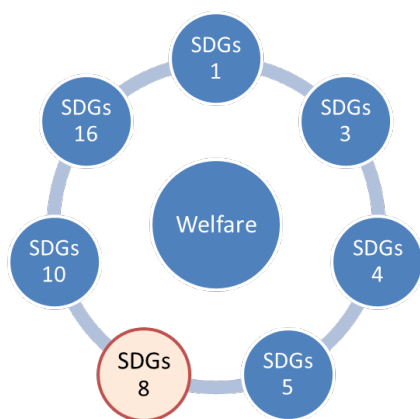
In this context, it is contended that inequality is a main policy issue in Aruba. With the census in 2020 we will have new data to be able to re-evaluate the situation although indications are that the equality has not improved. Hence, the need for a (more) integrated and targeted developmental oriented approach to help those in crisis and those furthest back not to fall through the cracks. The social policy is high on the agenda of the government and programmatic responses will be directed in breaching those gaps that are deemed unfair, preventable and predictable. The government has prepared and is executing the national social crisis plan in which the human centered approach is used to identify the social problems and come with specific actions to solve these problems.

Social protection will play a key part in reducing inequality. Identified policy objectives include the strengthening, on tripartite basis, of the labour legislations' implementation scheme; for example, enacting the bill pertaining to occupational safety and health and increasing the enforcement capacity of labour inspection through capacity enhancement and imposition of fines as mechanisms promoting decent work. It also entails coordinated interventions across sectors and domains to help students at risk to stay in school and achieve their potentials, and placement of the youth in the labour market, in addition to strengthening the child protection and safety system. A human rights-based approach promoting linking to or including the target groups in mainstream programs is favoured. As mandated by the present government, the SDGs framework promoting an integrated sustainable development approach will serve as a contour for the realization of the above stated.

The government decided to implement an Integral Social Crisis Plan with the following general goals:

1. Establishing a broad and integrated 'child protection system' across the entire social, care,

education and justice chain, so that a child grows up safely and healthily in Aruban society. 2. Strengthening the socio-economic security of vulnerable young people and children in Aruban society by preventing and combating the social disadvantages of the target group and their educators, such as school dropout, unemployment, crime and violence problems, such as domestic violence, abuse, and neglect. The social plan will have very important impact on the implementation of the SDGs.



A better balance between policies promoting flexibility of the labour market vis-à-vis the protection of workers, with special attention to the issues of low-income (single parent) households, migrant workers and the youth are also high on the agenda. Special attention will be given to make it attractive for employers to employ the marginalized group (physically and mentally challenged citizens) of Aruba.

It is relevant to mention that labour market policies are essential for a well-functioning economy. Labour force participation, especially

Another program that has been introduced to (re)educate and guide teenage/single mothers to make them fully suitable to enter the labor force, “*Riba Caminda Pa Trabou*, is a joint collaboration and pilot project between the Departamento di Progreso Laboral (DPL), Department of Social Affairs (DSZ) and the Labor Department (DAO).

As for the evaluation and revision of the existing/applicable labor laws and regulations, a Tripartite Committee has been appointed, that

of youth and young professionals requires significant attention and policy direction. Dedicated labour market policies are required to recruit and attract young qualified professionals in order to develop innovative businesses. Furthermore, attention will be given to the growing gap between educational supply and industry demand for qualified professionals with the right skills.

The current labor policy is aimed at improving labor productivity and tackling the unemployment problem, particularly among the younger generation, single mothers and teenage mothers.

The Government has also taken the initiative to develop an interactive policy process with relevant partners to produce a National Action Plan (NAP) on youth employment. The main objectives of the NAP are the achievement of significant decreases in the Youth Unemployment rate and the NEET rate as well as achieve significant increases in the youth Labour Force Participation rate and Youth Employment rate. Increase the number of youth who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship, in other words increase the employability of young persons and design targeted interventions to help young people overcome the specific barriers and disadvantages they face in entering and remaining in the labor market. The NAP will directly contribute to the Accelerator Youth Empowerment and therefore contribute to the implementation of the SDGs.

also consists of members of the public sector, the private sector and the unions: *Dialogo Tripartite Social Laboral*. The purpose of this Committee is, among other things, to study the applicable labor laws and regulations and to not only report their findings but also to provide a comprehensive advice or proposal on possible changes, where deemed necessary.

3.1.2 ENVIRONMENTAL FACTORS FOR A SUSTAINABLE DEVELOPMENT⁴

It is evident that a new era has arrived for Aruba. An era in which the conservation of our environment and our natural resources can no longer be neglected and should be balanced with our economic development. Balancing nature and environmental targets with social and economic targets are in line with the United Nations Sustainable Development Goals (SDGs).

For many years, the economic interest was the decisive force for the development of Aruba. Our nature and environment received little attention. The consequence was that we lost more of our natural environment and biodiversity. In the last century, the economy of Aruba was mainly driven by the oil refinery followed by the tourism industry. The population growth, the increasing level of facilities and the expansion of the facilities for the benefit of tourism have had an impact on our nature and environment. This is an international problem and hence a new frame of mind is to stimulate a more sustainable way of thinking. It is time that we talk about the actual sustainable development of our island and begin implementing the concept "Build with Nature" in which we create a balance between responsible economic development while considering the protection of our natural environment.

As an island with major challenges, we are committed to work more coherently towards the transformation of our way of thinking. We have to decide what we want for our country. For example, the waste management concerns on Aruba is now being addressed in an integral and professional manner. All stakeholders must be involved, everyone needs to participate and contribute in finding a solution for a problem we have been confronted with for decades. Furthermore, we also need to focus on protecting vulnerable natural assets and habitats, which contain a biodiversity of endemic species. Our nature and environment is part of the Aruban economic development and undoubtedly coherent to our future. In order to have coherent policies, the integration of sustainable actions into the government policies and therefore also into the Economic Policy will be stimulated. In this context it is also necessary to stimulate and teach all citizen and visitors to take ownership and value our Aruban nature.

Looking forward to a coherent policy within different areas of governance, the Ministry of Spatial Development, Infrastructure and Environment, has in a participatory process with stakeholders identified four priorities for the coming years that will also contribute to a sustainable development, namely:

- Solid Waste
- Habitat and Species
- Environment and Health
- Climate Change

Another important aspect is legislation. The attention for sustainable development in Aruba has increased in recent years, but the legislation has been falling behind. A focus on updating the legal instruments as well as on various international treaties for the protection of nature and environment will also be a priority.

⁴ Directie Natuur en Milieu (DNM)

3.2 IMPLEMENTATION OF THE SDGs IN ARUBA

The Government of Aruba has adopted the United Nations Agenda 2030 for Sustainable Development. In this regard Aruba has initiated the process to localize the 17 Sustainable Development Goals (SDGs) as part of the policy of the Government of Aruba. A national process has started in 2017 to identify and localize the SDGs target in the context of Aruba. The implementation of the SDGs aims to achieve a sustainable economic growth taking into account the social and environmental dimensions. Economic growth must be realized in the coming years together with the increase of the quality of life of all citizens in Aruba, while protecting our environment.

In May 2017 a participatory process with stakeholders from the private and public sector and NGO's identified a group of accelerators following the Mainstreaming, Acceleration and Policy Support (MAPS) framework from the United Nations. For the period 2019-2022, nine accelerators have been identified to start with as a catalyst for the implementation of the SDGs in Aruba. Those accelerators have been identified within the 5 pillars for the UN-SDGs; People, Planet, Prosperity, Partnership and Peace. For People the accelerators identified are; (1) Quality of Life and Wellbeing, (2) Youth Empowerment, for Planet the accelerator is; (3) Natural Resource Management, for Prosperity the accelerators are; (4) Energy Efficiency & Energy Diversification, (5) Entrepreneurship and Enabling Business Environment, (6) Sustainable Tourism, for Peace the accelerators are; (7) Strengthening Institutional Quality and Capacity, (8) Strengthening Statistical Capacity and for Partnership the accelerator is (9) Aruba as a model for Sustainable Development.

While all three accelerators in Prosperity are relevant to create economic development, this document will focus on Entrepreneurship & Enabling Business Environment as this one is the responsibility of the Minister of Finance, Economic Affairs and Culture. Still we acknowledge that alignment between the policies related to all accelerators are important to achieve Sustainable Economic Growth. Some specific SDG targets and indicators have been chosen that will be monitored in the economic policy (Annex B).

To implement and monitor the SDGs and the associated targets and indicators, Aruba will require strategies and roadmaps for multiple phases/time periods. These phases will be divided in Phase I 2019-2022, Phase II 2023-2026 and 2030. For phase I, a National Strategic Plan (NSP) 2019-2022 will be created. The NSP formulates national goals and how these goals will be implemented with a detailed Action Plan, resource specification and related time planning. These resources include human and financial capital. The NSP will include long-term strategies at the national level with an interdisciplinary and multi-sectoral approach. The long-term strategies will be formulated within the framework of the UN methodology with the participation of stakeholders that directly and/or indirectly influence sustainable development in Aruba. To realize the SDGs in Aruba, Expert Working Groups (EXWGs) for the Pillars People, Planet and Prosperity have been instituted through a ministerial decree. The EXWG will work according to a framework for the NSP report prepared beforehand by the Department of Economic Affairs, Commerce and Industry.

The SDG Commission has embarked in a participatory process with the assistance of the different agencies within the United Nations and are involving all stakeholders. In this respect the Department of Economic Affairs, Commerce and Industry in close collaboration with the expert working groups (EXWG), represented by different departments, institutions and ministries have initiated the participatory planning process for the national Strategic Plan 2019-2022.

This participatory process which also includes the preparation of the National Strategic Plan includes public sector and private sector institutions, individual businesses as well as NGO's and Civil Society. These institutions play an important role in the implementation of the SDGs. Additional to this an intensive campaign will start in early 2019 to create awareness and ownership by all parties in the implementation of the SDGs in Aruba.

Accelerators



The National Statistical System and the investment in the statistical capacity in Aruba will empower the Central Bureau of Statistics to produce reliable and verifiable data needed to create in the near future evidence-based policies and create a broad statistical capacity within other relevant departments and NGO's to produce reliable data.

Goals 1, 2, 7, 8, 9, 10, 11, 13, 14 and 15 have been

identified as the most relevant goals for the accelerator Entrepreneurship & Enabling Business Environment. The spin off effects and synergies offered by the different actions to support this accelerator will contribute to the pathway to achieve the targets of these goals. This accelerator will have a direct impact on goals 8, 9 and 10 and indirectly on goals 1, 2, 7, 11, 13, 14 and 15.



4

Moving Forward



4. Moving Forward



In the last decade economic growth in Aruba has been mostly attributable to the growth in the tourism sector and government investments through the Fondo Desaroyo Aruba (FDA) and Public Private Partnership projects. Current figures indicate that, despite the aforementioned, economic growth has been moderate and that businesses are struggling to survive. The closure of the oil refinery in 2012 only aggravated this situation. In the meantime, the business community has in many occasions vociferated their concern for the economic development of the island and requested the government to take responsibility and create an environment where investment and entrepreneurship can flourish.

The Minister of Finance, Economic Affairs and Culture acknowledges the concerns from the private sector and other stakeholders and agrees that Aruba needs a coherent policy that will guide Aruba into a sustainable economic development. A development in which the citizens are central and where economic growth should not be in detriment of the natural environment.

In this regard the Economic Policy for the period 2019-2022 will have four main objectives;

- 1. To contribute to a higher quality of life for all citizens**
- 2. To create inclusive and decent jobs**
- 3. To facilitate new innovative business opportunities**
- 4. To stimulate local and foreign investment**

The creation of inclusive and decent jobs is the primary objective of any economic policy. And to create inclusive and decent jobs, entrepreneurship and investment will be stimulated and promoted. Innovation and business development through education and training are essential drivers to foster entrepreneurship and investment.

Therefore, this Economic Policy will be focused on four pillars; (1) Entrepreneurship Development, (2) Investment for Diversification, (3) International Cooperation for Trade and Export and (4) Empowered Consumers. Each one of these pillars includes activities that will contribute to strengthening the business sector and create economic development in a sustainable way.

Each pillar will include specific actions to be implemented by the Government in close cooperation with the private sector. The private sector's active participation is a condition sine qua none for the success of the Economic Policy.



4.1 ENTREPRENEURS DEVELOPMENT

SMEs play a crucial role in the growth and development of Aruba's economy as they comprise approximately 4000 SMEs in Aruba. In addition, they represent 97 percent of all active businesses, 52 percent of employment in the private sector and 52 percent of the total amount of wages and salaries in the private sector. Entrepreneurship has become more and more an imperative tool to attain a dynamic environment of sustainable economic development in Aruba. In this regard an Entrepreneurs Development Policy has been developed to create the right ecosystem for

businesses.

The challenge that is mostly expressed in the Aruban business community is the high cost of doing business in Aruba due to bureaucracy. The aforementioned has been confirmed by an SME Policy Index Study in 2016 done by consultants of the EU COSME Program (Annex D), where Aruba has scored higher than the 12 OCTs' average on almost all relevant policy principles, with the exception of "Responsive Administrations". The relatively low score in the study on "Responsive Administrations" was caused mainly by the long

and complex procedures to get permits and licenses.

The Entrepreneurs Development Policy encompasses actions to tackle the high cost of doing business in Aruba. As challenges increase with the rapid technological change and globalization, SME's are confronted with a complex environment forcing them to think global and act local (Glocal). As the complexity increases, Aruban SMEs have to put the right strategies in place to embrace these changes in order to improve their competitiveness. Therefore the Entrepreneurs Development Policy of Aruba will not only address the improvement of the business climate, but also to foster an entrepreneurial environment to breed new innovative and sustainable enterprises in Aruba.

In Aruba's case the Entrepreneurs Development Policy will aim to cultivate an environment wherein businesses are stimulated to participate and generate growth so that they can contribute more meaningfully to a diversification of the economy through the creation of jobs and wealth. To achieve this goal, the policy delineates clear actions and stakeholders in the following areas:

1. Education and training for SMEs as well as education alignment to the labor market;
2. Institutional and regulatory framework;
3. Operational environment when starting a business;
4. Business development and Support Services;
5. Access to credit/finance/equity;
6. Innovation and Blue Economy;
7. Internationalization of SMEs;
8. Social entrepreneurship/social innovation.

The Government has set priorities after having consulted the most important stakeholders of Aruba and will focus firstly on:

- Education and training for SMEs by consolidating the supply of workshops

and training for SMEs;

- Institutional and regulatory framework through simplification of the tax regime for the SME;
- Improving the operational environment when starting a business and reducing red tape by introducing a One-stop-shop;
- Innovation by making online payments possible, reliable and accessible

Within the priorities that have been set, it will be imperative to take into consideration the continuous technological advancement, consumer awareness, and new ideas on holistic development (People, Planet, Profit). The attention to efficiency and innovation in new business models stimulated by the introduction into the Aruban economy of e-business, e-commerce, business incubators and startups, will support the Aruban business community to succeed in the coming years. Business incubators will give young entrepreneurs a new innovative and competitive edge for their businesses in Aruba that will be able to compete within the global business environment.

Adding on, as the carrying capacity of Aruba is once again discussed by many stakeholders in Aruba, it will be important to also stimulate social entrepreneurship for the coming years. During the ESER Regional Conference in Aruba in September 2018, several entrepreneurs seem to have this business model and can be identified as social enterprises. A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative way and uses its profit primarily to achieve objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders. This kind of social innovators in addition to innovative businesses will be the right mix to bring the Aruban economy to the next level.

4.2 INVESTMENT FOR DIVERSIFICATION

Economic diversification is essential to any economy as it protects the economy over time and ensures limited exposure to single points of failure. With this in mind, it can be stated that there is a need for a comprehensive investment policy in Aruba. This will need to be geared towards economic growth and diversification, quality job-creation and more income for the National Treasury; as well as stimulating local investments.

For diversification to take place, innovation and business development has to be vital in Aruba's investment strategy. Innovation encourages the dissemination of technology in all aspects of Aruba's economy. It can lead to clusters consisting of technology firms, suppliers and research institutes. It can also lead to improvement and efficiency of domestic firms that cater the local and international markets. Lastly, it will lead to sustainable solutions to the challenges a small island like Aruba is facing on the road towards the SDG agenda 2030.

The red tape well known in small island economies is nothing strange in Aruba. In Annex E an overview of the most relevant indicators for the Cost of Doing Business have been identified for Aruba. Government and private sector stakeholders agree that the cost of doing business in Aruba creates an unnecessary red tape that discourages local and foreign investment. Therefore, the Government will identify in close collaboration with the private sector a strategy to reduce the cost of doing business and create a red carpet for local and foreign investors including a digital One Stop Shop for all licenses and permits. This will be part of the e-government platform the government will create in the coming years.

As Aruba positions itself as a Nation of Innovation, it will become attractive for high-skilled labor. Knowledge migrants will foster strong ties with Aruba, which may lead to further investment in solid projects. Start-ups will be a new way of doing business in Aruba which will foster and attract knowledge migrants. In

addition, Arubans living abroad will be more willing to return to Aruba, visit Aruba more often, provide knowledge transfer to Aruba or invest in private and even public projects. Within the investment strategy, the government will attract knowledge migrants and educated Arubans to the new and innovative job opportunities in Aruba.

A participatory approach is vital to get all stakeholders on board and guide all towards one direction and one vision. This will facilitate dialogue between public and private sector stakeholders and ensure coherence with other policy areas, including innovation policies in support of technological advancement, enterprise development and export. This process will result in an Investment Policy for 2019-2022 to align and brand Aruba as business destination in order to develop the Promising Sectors for Aruba, which will be elaborated in the next section.

4.3 INTERNATIONAL OPPORTUNITIES FOR TRADE AND EXPORT

Historically Aruba has exported an array of goods and services during different periods in time, such as phosphate, gold, aloe, oil and tourism. In 1923, when the oil refinery was established in Aruba, Aruba became known as an exporter of oil products derived from imported crude. Later on Aruba became well known for its tourism. Except for the export of services related to the tourism industry and trade through the Free Zone Aruba NV, Aruba is not presently known as an export economy. The economic activities are primarily catered to the local market.

Current export figures show that the Aruban export of goods represent a small fraction of the share of the local economy. However, export of services (tourism receipts) related to the tourism industry represent almost 63 percent Aruba's GDP.

The government of Aruba is committed to continue to create economic activities to support a sustainable economy through

diversification. Furthermore internationalization of Aruban businesses will be necessary to make Aruba more visible in the regional and international market for investment, trade and export. Internationalization will become an important activity in support of the creation and sustainability of the new Promising Sectors in the Aruban economy.

Besides the export of services, this is a perfect opportunity for Aruban companies to develop their expertise and production capacity with respect to the export of goods. There are some examples of Aruban companies that are already carrying out export activities and are exporting products such as aloe vera products and office furniture. Export is imperative in the continuous creation of qualified jobs and wealth for all citizens. Hence, the trade and export policy of the Government is to create a business climate that fosters export of services and goods. The objectives of the Trade and Export Policy will be:

- To create the necessary climate to stimulate local entrepreneurs and foreign investors to export non-traditional services and goods from Aruba.
- To facilitate Aruban businesses with the American and European continent as to strengthen trade between Aruba and the USA, Canada, EU region, Central and South-America and the Caribbean region.
- To educate local entrepreneurs about exporting.
- To engage with the wider Caribbean and the OCTs in particular to create new trade and export facilities.
- To become a testing and showcasing environment for technology and sustainable innovation for trade and export.

The results aimed with the trade and export policy are to 1. increase export of goods and services from Aruba to the different regions, 2. to attract foreign investors to use Aruba as the Business Gateway for goods and services and 3. to assist local entrepreneurs to diversify their

markets through export of their services and goods.

There is a potential to export services and goods from Aruba. SMEs do have the need to expand their market. This is often difficult in Aruba due to the limited size of the market restricting the production capacity (economies of scale). Other constraints impeding SME's to explore the possibilities to export are financial resources to increase the production capacity and the lack of information regarding export. Furthermore, it takes a lot of time and effort to set up an exporting business endeavor. Therefore, it is the government's role to assist the SME with the necessary information and the steps to take to be successful in export.

Aruba should attract foreign companies which aim to do business in the areas of exporting services and goods. In the 1920's when the oil refinery established in Aruba, its main goal was to export the oil products refined in Aruba. In the 1980's the main goal of the hotels established in Aruba was to export services. In both cases, special tax regimes were created to assist the establishment of these industries that would grow to be the two most important industries in Aruba counting for almost 100 percent of Aruba's export. Today the aim is to create the facility for local export and for foreign companies to use Aruba as the Gateway for their services and goods. The Trade and Export Policy, to be created, will enable an ecosystem that will stimulate trade and export. Exprodesk in close collaboration with RVO will give local companies the needed assistance to export. In cooperation with the Aruba Trade Board, which consists of the Department of Economic Affairs, Commerce and Industry, the Department of Foreign Affairs, the Aruba Investment Agency, the Aruba Chamber of Commerce and Industry, the Aruba Trade and Industry Association and the Free Zone Aruba NV, the government of Aruba will facilitate and establish the conditions necessary for investment, trade and export to take place.

4.4 EMPOWERED CONSUMERS

Consumers protection consists of a group of laws and organizations designed to ensure the rights of consumers, supported by accurate information in the marketplace. The laws are designed to provide additional protection for those most vulnerable in society.

Three areas of consumer protection in Aruba need attention:

- Outdated and missing laws and regulations;
- The necessary organization to solve disputes between the consumer and the seller;
- Information to broaden the consumer's limited knowledge.

With reference to the laws and regulations necessary to fortify the consumer rights in Aruba, the Civil Code of Aruba (Burgerlijk Wetboek Aruba, BWA), public rights, international conventions and the United Nations regulations will be considered. Although the BWA has regulations on product liability, consumer purchase and general conditions, there are several regulations missing concerning consumer law. Without appropriate and complementary regulations, consumers are not fully protected. The following law – and regulations are missing and will be revised:

- The 'Regulation complementing BWA' which sums up the subjects requiring a settlement or adaptation in the BWA. As far as consumer protection is concerned, changes are required in Book 7. Although this regulation has been proclaimed, it has not yet entered into force. There is a draft 'adaptation Regulation BWA' (Ontwerp- Aanpassingsverordening BWA) in the making;
- In the interests of judicial matters and in addition to the rules of the BWA, it has been decided to lay down rules on agreements via electronic web. A draft regulation on agreements via electronic means is at the Parliament;

- Reviewing the Commodities Act (Warenwet) is essential for consumer law. The Commodities Act dates from 1917. The Commodities Act states principles to which food products and other consumer products must comply. The Parliament handled the regulation on labelling (etikettering) in 2017 but needs to be proclaimed;
- The Weights and Measures Act (Ijkwet) will also be reviewed. The intention is to take over the legislation of the Netherlands for most part;
- Activities related to the regulation on consumer disputes (Landsverordening regeling consumentengeschillen) will be reevaluated;
- The draft regulation on consumer credit will be further developed;
- The Competition Act/ Aruba Fair Trade Authority (mededingingswet) is currently at the Parliament waiting to be handled.
- Legislation on e-commerce and digital payments.

Aruba does not have an independent consumer association that promotes the interests of consumers. The CAS, is a consumer association for many years that has recently been reactivated. Dienst Huur- en Consumentenzaken (DHC) does provide information to consumers, but cannot mediate in disputes between buyer and seller. Only on the subject of 'rent' is the DHC active with disputes between tenants and property owners. A consumer authority that can mediate both in individual disputes and in the treatment of collective complaints will be established. The consumer authority will be included under the competition authority (mededingingsautoriteit), since both supervise the market and are partly independent from the Government.

There is a lack of information as far as it concerns consumer affairs. Information on the rights and obligations of consumers via websites, social media, radio and TV talk shows and separate segments in the newspaper, are missing. The consumer is not quite aware of the steps he has to take when he feels a disadvantage and does

not know where he can go to obtain information. The consumer should be informed of where they can go for help or guidance and where they submit their complaints. Without information, the consumer is not aware of his rights and obligations.

Consumers who are critical and cost-conscious, and who regularly compare products on quality and price, are important in every economy. Price transparency and critical, active-looking consumers are important for competition. In promoting transparency and the awareness process, the public authorities have a strong role to play. An example of price-conscious

purchasing is the choice of B-brand/generic products. Consumers should be informed of their alternatives and technology will play an important role in this. An App has been created "Control di Prijs" where the consumers can follow the prices of "canasta basico" products. More features will be added to the App to increase the level of information for the consumers and entrepreneurs. An active awareness campaign to educate the consumer will be promoted in order to fortify his knowledge on his rights and the awareness of the power he can play in the market.

5 Promising Sectors



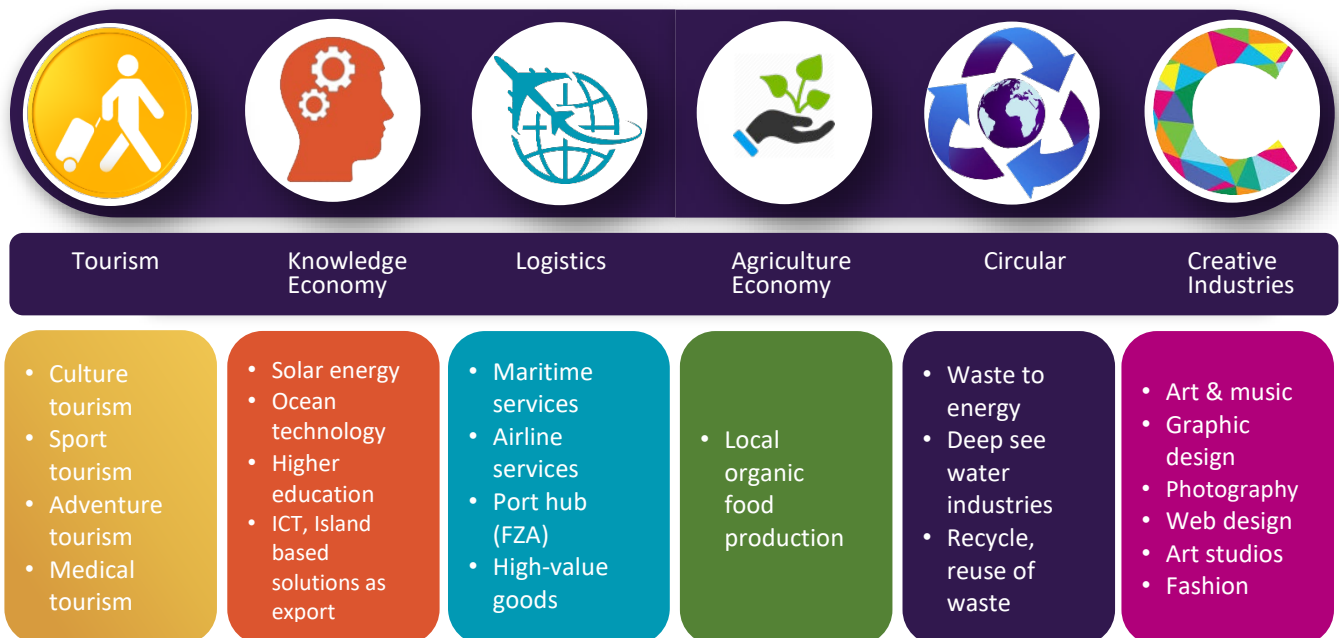


5. Promising sectors

As we are moving forward to create inclusive and decent jobs, promoting entrepreneurship, investment, innovation and business development, there is an implicit collective understanding of the sectors that the economy of Aruba needs to engage in. A participatory session was held by the Minister of Finance, Economic Affairs and Culture in May of 2018 aimed at presenting potential new sectors to develop in the Aruban economy. However, the consultation did not bring about new sectors, but confirmed the diversification strategy we have been talking about for years. The sectors vary in degrees of technology depth but are summarized in six Promising Sectors: Tourism, Knowledge Economy, Agriculture, Logistics, Circular Economy and Creative Industries. The key-sectors and their specific sub-sectors for focus are presented below. All these sectors can be developed from the current economic pillars and skillbase of Aruba. The Promising Sectors will

have the ability to deliver economic return to the island, create a regional presence with international engagement and are achievable in a foreseeable period. However, the achievement of this diversification will require significant engagement from all actors on this island in a concerted effort to develop the economy in the next 10 years. The aim is that these sectors will grow to represent at least 15 percent of GDP.

The aim of this Economic Policy is to foster a clear and explicit understanding and alignment of the economic sectors to be developed in the course of the coming decade. These sectors will be named the Promising Sectors and are as follows. The Promising Sectors are not named in order of importance.



5.1 TOURISM

The role of Tourism in expanding economic opportunity remains somewhat of a paradox for Aruba. There are clearly cited examples of tourism ventures and companies that

collaborate with the community through local business linkages and bring economic prosperity to the Aruban people. Furthermore, the Tourism Sector is the main contributor to the government's revenues. On the other hand, there is the issue of the carrying capacity of

Aruba which is becoming more and more relevant. This becomes a substantial challenge to Aruba to adopt business practices of Tourism investors that play for the longer term, deliver greater economic returns to the country, considering its carrying capacity.

Within this framework, the Aruba Tourism Authority (ATA) has developed a Niche Product Development Plan to stimulate diversification within the Tourism sector. The stakeholders meeting in May 2018 also presented niche tourism sectors apart from the study realized by ATA. These propositions were in the areas of Culture, Sport, Adventure and Medical Tourism. These propositions can be easily incorporated within the ATA Niche Product Development Plan.

The ATA study indicated the following niches:

- Nature based activities
- Cultural based activities
- Nautical tourism - Kite surfing
- Weddings
- Wellness

The Medical Tourism niche was deemed inconclusive by the ATA Study, but is a niche worth focusing on with an eventual alignment between the Ministry of Tourism, Health and Sport and the Ministry of Finance, Economic Affairs and Culture.

The ATA has identified several focus countries that are of importance in developing these niches. These are the potential markets for the high-end tourists which Aruba is aiming at. For Medical Tourism, Colombia remains a potential partner given its close location to Aruba and the history of cooperation between the medical sectors of Aruba and Colombia.

Increasing the share of affluent visitors (high income traveler) has been one of the ATA's main priorities for the past years to drive visitor spending. The shift in focus for this next strategic period will require some changes in how the ATA approaches the affluent classification, as affluent not automatically translates itself into high-spending. The affluent attraction strategy

shall be complemented by an increased focus on high spenders.

The ATA seeks to grow the tourism industry with a clear and compelling aspiration to drive prosperity for the Aruban community through sustainable tourism, which is based on significantly growing tourism receipts by 2025, by growing value faster than volume.

5.2 KNOWLEDGE ECONOMY

Economic development is getting more dependent on the ability to initiate, disseminate and implement innovations. The creation of a science and technology knowledge-based society and economy will be the tool to guarantee innovation in Aruba, to ensure the competitiveness of Aruba's economy and the internationalization of Aruban businesses. Therefore, Knowledge Economy has been named as the second Promising Sector for Aruba.

Because Knowledge Economy can be a very broad concept, there have been subsectors identified during the consultations in May. The subsectors to be developed under Knowledge Economy are:

1. Solar Energy
2. Ocean technology for Cooling
3. Higher Education for export
4. ICT Island Based Solutions based on efficiency and innovation for export

For most of these subsectors the intention is to develop new technologies, adopt them locally to tackle local challenges on the island and to showcase these solutions as export services. Regarding Higher Education for export, the intention will be to attract knowledge institutions from the EU (the Netherlands) or USA to Aruba and hence offer the curriculum to local and international students. The SISSTEM faculty at the University of Aruba and the possibility for research that will be available at the SISSTEM in collaboration with other international universities and research centers will increase these possibilities in Aruba. The SISSTEM Faculty is aimed

to start partially in the academic year 2019-2020 and be fully operational in 2022. The students to be attracted will be mainly from upcoming Latin American countries, the Caribbean and other countries. Further study will show which specific Latin American markets has a demand for accredited US or European institutions.

5.3 AGRICULTURE

The Government of Aruba will stimulate local agricultural production to firstly, meet the local demand for fruits and vegetables. Secondly, local agricultural production will support the niche development of Health and Wellness within the Tourism Sector as well as supporting the healthy lifestyle on Aruba. Therefore, local organic food production will be an important part of this Promising Sector. To ensure that local food production is labeled as organic, the government will develop a regulatory framework that guarantees organic standards and quality infrastructure. The Government of Aruba will also further continue collaboration with countries which can offer the local agricultural sector knowledge and partnerships. Colombia, especially La Guajira, can become a “go-to” place for knowledge and best practices for local organic producers. The Netherlands also has ample experience in new technologies for food production

The Agricultural Sector should also support a sustainable economic development through specialization of an export crop in Aruba and eventually processing of this crop for the export market. The export crop will be aimed for the European and other markets.

Further the Government of Aruba believes that medicinal cannabis is a valid trajectory to embark on. Cannabis is increasingly recognized as a valid tool to fight pain by the international medical and scientific community. Cannabis-based medicines are used for a wide range of illnesses.

Aloe Vera has been a successful export product

for Aruba. The Aruba Aloe Company has succeeded to globalize its products through trial and error without an active facilitating role of the Government. These local success stories should be able to benefit from the attractive investment climate that will be created to develop the Promising Sectors.

5.4 LOGISTICS

Aruba has a safe and secure Multi Cargo Sea Terminal in Barcadera controlled by the Aruba Ports Authority and operated by ASTEC. This may conduce with the right investment, economic activities as warehousing of high value-added goods, light industrial manufacturing, industrial marine services, maintenance and repair services of ships and yachts, ship anchoring and free zone activities. With this in mind the anchoring fees will be revised to attract anchoring in Aruba's waters. Another interesting business opportunity is ship registry and to continue to stimulate transshipment possibilities. The Fast Ferry in San Nicolas will also create new opportunities for SME's to export their products to Curacao.

For the air connectivity, Aruba will look into further developing airline registry and a maintenance and repair hub. A study will be undertaken to investigate if Aruba will be able to utilize the capabilities of the airline connectivity and sector including the aviation registry to locate new revenue generation to the island. Furthermore, Aruba can develop itself as an export hub for the islands and perhaps some parts of South America if the air connectivity is developed further. The Aruba Airport Authority and the masterplan 2030 envisions the expansion of the airport. The possibilities for export to the USA can be expanded with the pre-clearance for goods.

5.5 CIRCULAR ECONOMY

As the global economy continues to grow, so does the externalities of economic development for Aruba, including the challenges of meeting

the increasing demand for products and services. By 2025 Aruba will reach an estimated total waste production of approximately 150 thousand tons a year. The traditional and linear “take-make-waste” industrial model is no longer viable in the face of rapid population growth, resource constraints, urbanization, water insecurity and other trends, even in Aruba.

Therefore, this paradigm is giving way to the circular economy, a model that focuses on careful management of material flows through product design, reverse logistics, business model innovation and cross-sector collaboration. In essence, the circular economy is about moving from a system of waste to one of “endless resourcefulness.” This more regenerative model affords a viable business opportunity to successfully tackle environmental priorities, drive performance, innovation and competitiveness, and stimulate economic growth and development. International community is actively demanding to stop the production of this much waste and locally the introduction of new laws and regulations will have to limit the import of some specific kind of products.

In Aruba more than 90 percent of our consumption is imported. Still there are several opportunities to develop a circular economy in Aruba. The ability to convert waste into recycled energy is technology that is readily available at the moment. It needs processes and structures to achieve this but the outcomes can be accomplished. Although the population of Aruba is small, the volume of waste generated is quite high due to the Tourism Industry. The government has initiated a program to explore the possibility for Waste to Energy. In addition, Recycling/Re-use of Waste can be stimulated as a commercial reality. Using Ocean Technology for cooling, Aruba can meet the extensive cooling requirements on the island due to its tropical climate and extensive Tourism sector and can re-use the water that initially was used for cooling. These are all components of the circular economy that can be applied to Aruba supporting and developing the sustainable development of Aruba.

In Aruba we already have several companies who are using recycling as their business model using specific types of waste; scrap metal, car tires, organic materials, cooking/car oil, concrete and demolition material to name some. Recycling of some specific types of waste can form new business opportunities and contribute to new job creation. An assessment and feasibility will be undertaken to identify the impact on the environment and on the community as well as the economic affordability of these business opportunities. To further develop this business model, the government will contribute to a sound ecosystem that stimulates SME to start a recycling business model. Rules and regulations as well as certification of the products must be available to export the recycled product and to import products. Also, awareness and acceptance of the use of these products must be supported. Emphasis will be placed on the encouragement of the import and consumption of products that are produced by companies that have these business models. Volumes of specific types of waste are limited in Aruba therefore the government will stimulate the collaboration within the Dutch Caribbean and the wider Caribbean.

5.6 CREATIVE INDUSTRIES

Cultural and Creative industries go further than activities based on cultural, artistic or creative expressions. As Creative Industries are part of the Promising Sectors it will mean for Aruba economic activities that are in a further stage of the value chain, for example industrial and manufacturing operations. The development of Creative Industries in Aruba will entail Art & Music, Graphic design, Photography, Web design, Art studios and Fashion.

Creative industries generate economic wealth, create jobs (particularly for young people) and stimulate innovation. Creative industries require specific qualitative skills and can develop creative entrepreneurship in media, fashion, music, performing arts, visual arts, publishing and more.

However, there are certain conditions that need to be in place. A framework for the enforcement of intellectual property rights that protect the originators' interests is imperative to stimulate creation and innovation. Many creative entrepreneurs are still part of the informal sector and lack a business mindset. The Government will make the process to start up a business more attractive and offer ample business support by participating in incubator models. This will be done through a fiscal regime that supports creative activities and businesses. When the entrepreneurs in creative industries finally decide to start a business they encounter many hurdles, especially the access to finance is the most difficult, where creative industries are not officially recognized or are seen as risky activities. To develop this Promising Sector, the Government of Aruba will be a facilitator of a conducive climate, will invest in resources to attract investors and creative businesses and will develop and preserve institutions such as museums, libraries, galleries and heritage sites.

5.7 ENABLING ECOSYSTEM TO SUPPORT ECONOMIC DEVELOPMENT

AREA

AREA is an Innovation District platform to help re-imagine and re-design key business and innovation opportunity areas in Aruba, and in turn ignite economic energy and increase quality of life in those areas. The focus will be on incorporating 'Smart City' elements into these areas (sustainability, accessibility, data collection and monitoring, digital infrastructure, internet-of-things, city mapping, place-making, co-working and creative meeting spaces, affordable living for young professionals and students, community gardens, urban farming etc.) to create vibrant urban living, shopping, working, business, and recreation areas. The initial focus will be on Oranjestad and San Nicolas.

Set up of the AREA platform and development of the project road map is spearheaded by a

Project Manager and a Steering Committee appointed by the Prime Minister.

Desired Outcomes:

- Better quality of life
- Vibrant downtown living, shopping, and recreation areas
- Increased accessibility for citizens and visitors with special needs
- Cohesive branding for the area, creation of "new" boutique destinations
- Renewed economic activity and energy
- Acceleration of knowledge-economy

Strategic Innovation Fund

In collaboration with private sector partners, the Government of Aruba is setting up a Strategic Venture Fund to stimulate entrepreneurship and accelerate innovation, improve the business environment for startups and SMEs, and to stimulate investment in the Promising Sectors identified.

eGovernment

eGovernment starts with the standardization and digitization of core processes - within the government and between cooperating agencies. This involves a redesign of government administrative procedures for efficiency and transparency. The Aruba Government's vision is to transition into a government that understands that the citizen's experience with government transactions is as, if not more, important than the outcome of the transaction itself. The goal is to become the human-centered government of the future.

The Government is in the process of developing its e-Government road map with support from partners the Government of Estonia. The road map will be presented at the beginning of Q3 2019. This will also support development of our knowledge economy, which is an important building block in achieving a balanced growth model within the boundaries of our island's carrying capacity. With seamless public service experience, the private sector can focus on their businesses, on being better corporate citizens, and help the nation drive inclusive growth.

5.8 INVESTMENT IN INFRASTRUCTURE

The Government will allocate yearly approximately AWG 50 million for investments at different ministries. The projects encompass innovation, digitalization & automation systems, social housing, environmental protection, maintenance & renovation of roads and government buildings and public transport. These investments in infrastructure will give an additional impulse to the economy.

The ministry of Spatial Development, Infrastructure and Environment, identified the following infrastructural priorities: housing, repairing 50% of road-infrastructure and establishing an integral waste-management system. In general, the projects of this ministry are centered on consistent implementation of existing policy and adhering to rules and regulations as well as increasing efficiency. It is found that a lack of transparent processes as well as integrity regarding infrastructural projects, has led to inefficient allocation of funds and financial loss.

The focus of this ministry is on the basic mechanisms that need to be in place to meet the objectives. All the investments will be in accordance with the Spatial Development Plan (ROP) and will comply with several conditions such as, ensuring responsible use of natural resources, adoption of modern and sustainable technologies, and methods. It should be noted that the ministry will also evaluate infrastructural projects based on their expediency. In addition, the ministry is also focusing on achieving the Sustainable Development Goals and especially goals, 9, 10, 7, 11, 8.

Housing

The construction of the 1000 houses (of which minimally 200 are social houses) on a yearly basis in the coming four years will support the social and economic plan. The construction of the social houses will fall under the responsibility of the Aruba Housing Foundation (FCCA) and innovation and sustainability will be highly motivated. New land parcels will be available for the construction of houses and commercial

buildings following the ROP and strict regulations (including the implementation of the 'Build with Nature' concept). The processes of issuing lease land and construction permits will be streamlined and modernized as part of the e-government roadmap.

Roads

The Watty Vos Boulevard is planned to be delivered in August 2019 and the maintenance of existent roads are planned for the coming years. Additional, on a yearly basis an estimated of AWG. 9 million will be used to maintain existent roads.

Waste Management

Waste management is high on the agenda of the government. An estimated US\$ 300 million project based on a Build Own Operate construction (BOO) is being developed. The national "Waste to energy" working group has been installed by the government and is being assisted by WEB N.V. A Request for Information has been published regarding technologies that can be used for a waste-to-energy facility on Aruba. TNO is assisting the taskforce on a Request for Information, with the aim to close and remediate the 'Parkietenbos' landfill and provide alternative waste-disposal solutions. The possibility for recycling of specific types of waste will be possible in order to create new business activities and stimulate the circular economy in Aruba.

Tourism infrastructure

The Ministry of Tourism and the ATA will invest in the maintenance of the tourist attractions on the island as well as the enhancement of the tourism product in general.

The Aruba Airport Authority is expanding the Queen Beatrix terminal and parking apron, "Gateway 2030", an investment of AWG 500 million with the aim to improve passenger experience and operational effectiveness. Besides the Gateway 2030 project, during 2017-2022, AAA will also invest over AWG 226.1 million in capital expenditures for regular maintenance and expansion.

The Aruba Port Authority (masterplan 2030) includes a combination of own investment and

private investment of approximately AWG 800 million in the period 2019-2030. The masterplan for the development of the port area includes the expansion and modernization of the cruise terminal, construction of a recreational/green area along the seaside, beautification of the ex-Bushiri public beach, construction of a retail and office area in combination with condominiums and two boutique hotels.

Plans for the Fast ferry are developing, and the intention is that the ferry will dock in San Nicolas stimulating this way investments and economic activities in the area of San Nicolas.

The government will enforce a moratorium on hotels in the region of north, only permitting those hotel and condominium projects that have already been committed. In the center of Oranjestad and San Nicolas small boutique hotels of maximum 15 rooms each will be permitted. In the Oranjestad port area the construction of a maximum of 100 rooms will be approved. To stimulate new business activities in San Nicolas a hotel of 600 rooms will be constructed. All these hotel projects must comply with regulations to safeguard the environment and use sustainable building materials and technologies.

Water and Energy

The water and electricity company (WEB) and the electricity distribution company (ELMAR) will continue to invest in modernization and use of sustainable technologies in order to safeguard a reliable, constant and fair price (Sustainable, Affordable and Reliable). To further stimulate sustainable energy, the Expansion of Vader Piet, a second Wind Park named 'Ricon', is in its initiation phase. This project is expected to take two years and an estimated investment of AWG 100 million. The construction of the "Sunrise Solar Park" in San Nicolas is in its execution phase, with an investment of AWG 20 million by WEB N.V.

In an attempt to reduce our dependence on fossil fuels and move towards energy independence, Utilities N.V. is investing in the conversion of Heavy Fuel Oil to Liquid Natural Gas with an expected period of 2 years and an estimated AWG 300 million investment. There is also a terminal and storage expansion project in the pipeline, for the import and transport of Liquid Natural Gas. This project is planned for the upcoming two years, with an estimated investment of AWG 100 million.

Proposed actions in 2018-2019

	Objective
Entrepreneurs policy and action plan	Through close cooperation between government and private sector assist local entrepreneurs with information, training and coaching to innovate and consolidate entrepreneurship towards sustainable economic growth
Investment Policy and action plan	Reduce red tape and create a red carpet for local and foreign investors, Innovate the processes of permit an licenses and introduce a Digital One stop Shop for investment in line with the Government innovation plan for e-government
Export policy and Action Plan	Assist companies to prepare for export of services and goods, eliminate barriers to export and promote trade in the region and between Aruba, the USA and the EU
Competition law	Introduce a level playing field for entrepreneurs and sound competition that will result in protection of consumers
National Strategic Plan	Create a National Strategic Plan for the implementation of the Sustainable Development Goals following UN Agenda 2030 and the government program (Hunto pa Aruba, 2017)

Monitoring and Evaluation

There is an increasing need to prepare policies that are evidence based. Hereford there is a need for accurate and high-quality data that is in line with international definitions and methodologies. This will ensure that priorities and efficient use of limited resources are used in those policies that will have a greater impact for a sustainable development. It is therefore important that policies are constantly monitored, and the results are being measured against the proposed goals. To monitor the Economic Policy and its performance, 3 set of indicators have been identified.

A first set of macroeconomic indicators will be monitored to evaluate the yearly performance of the economy. Those indicators are yearly produced by the DEACI, CBS and/or CBA.

Secondly a set of the SDG targets have been identified and localized to the local situation to be monitored based on the economic policy implementation.

And lastly, to monitor the development in the promising sector a baseline of the actual situation in these sectors is necessary. This can be a rather complicated process as we must identify which established companies are at this moment operating in these sectors. To be able to produce the baseline of the promising sectors the Central Bureau of Statistics is assisting the Department of Economic Affairs to identify these companies based on the profile companies that will be considered to have business activities directly related to each promising sector. This will be an approximation and will by no means reflect 100 percent the reality. The same methodology will be used to identify new companies in the promising sectors after 2 and 4 years. The baseline is not included in the Economic Policy at the moment of approval as this analysis is not yet completed. It will be included at the moment it is completed

Annex A: Vision & Economic Goals

The Aruba government in its government program “Hunto pa Aruba, 2017” ⁵has explicitly indicated their vision for the Economic Policy for the period 2017-2021.

“To improve the investment climate in Aruba and to stimulate an innovative, competitive and diversified economy, which contributes to a higher quality of life for all citizens”

The goal of the economic policy of the Minister of Finance, Economic Affairs and Culture is to stimulate sustainable economic development in which the citizens and the natural environment will play a prominent role. The government pursues this goal by:

“

by (1) increasing efficiency and effectiveness in public services; (2) eliminating red tape; (3) streamlining all permits issued by the government; (4) creating equal opportunities for local and foreign investors; (5) promoting entrepreneurship and SMEs; (6) promoting new financing modalities for microfinancing; and (7) introducing fiscal incentives to promote youth entrepreneurship. With regards to the consumers, the government will (8) reevaluate the “Canasta basico” (9) intensify control on pricing; and (10) introduce severe sanctions to those not complying with the law; (11) reinforce “Huur- en consumentenzaken” and; (12) stimulate the creation of an independent body for consumer protection. Finally, regarding investments the government will (13) introduce fiscal incentives; and (14) stimulate the creation of an investment fund to create new economic sectors focused on high-tech companies, startups, e-business, incubators, fintech companies

”

1

Stimulate
Economic
Growth

“

by (1) adapting the “Canasta basico”; (2) explore possibilities to import high quality and value products from Latin America; (3) cooperate with local entrepreneurs to assist the sector of agriculture with technology, (4) assist the private sector to create a local market for vegetables and fruits at lower prices and to reactivate the local agriculture, fisheries and husbandry combined with local arts and crafts for locals and tourists and finally, (5) in collaboration with the partners in the Kingdom create possibilities for maritime transport of products from other regions.

”

2

Reducing the
cost of living

“

by (1) introducing a Development Bank to stimulate the creation of local SMEs and give them the necessary guidance to succeed and create new jobs; (2) The government will fortify the financial sector with a niche and will introduce fiscal incentives for local entrepreneurs.

The government is committed to attract foreign investors and steer investments to support its economic strategy. This will be done by (1) identifying promising sectors for Aruba and (2) determining the priorities within an investment strategy, which will lead to a National Investment Policy 2018-2021 (Strategic

”

3

Diversifying
our economy

“

by (1) creating infrastructure for a strong primary sector; (2) creating possibilities for modern and technological innovative agriculture and; (3) support sustainable and circular agricultural products such as hemp.

Furthermore, the government will (4) develop agriculture, fisheries and husbandry into an economic pillar; (5) create facilities for hydroponics near WEB and; (6) make water prices for the primary sector more accessible.

”

4

Creating a
sustainable
primary

“

by (1) implementing a national program to increase productivity; (2) encourage collaboration between public and private sector to create incentives to bring back local young professionals in the labor market; (3) fill jobs as much as possible with local workers and; (4) guarantee labor law protection and continuity of work.

Further, the government will (5) reinforce inspection and compliance of labor laws; (6) assist those workers in need of work and those having conflicts at work.

Finally, the government will (7) introduce part-time work with secondary benefits and; (8) stimulate through fiscal incentives 50+ and young people to enter the work force.

5

Policy on the labor market and the enhancement of production

“

by (1) stimulating creative industries in San Nicolas; (2) create attractive investment opportunities for the development of SN; (3) prepare with stakeholders from SN a plan to create a place for “Outing” in SN; (4) create a zoning plan for the development of SN and; (5) create fiscal incentives to stimulate this development.

6

Developing the region of San Nicolas and neighborhood

”

As mentioned above, the government will implement a policy to safeguard a high level of quality of governance for a healthy and sustainable development and for the creation of investment and employment opportunities. At the same time, the focus is to reduce the cost of living, the cost of doing business on Aruba and reduce the red tape. This is necessary for a healthy investment climate that will lead to economic growth, which encompasses more job creation and business opportunities, while reducing living expenses, all of which improves well-being in each home.

As far as the social sector is concerned, the government (2017-2021) acknowledges that this sector is large, complex and coherent with other policy sectors that influence and reinforce each other. The government puts emphasis on the central role of the human being in their policy. Attention will be paid to social problems in the community caused by various factors. These are serious financial problems, the problem of drug addiction and family problems. The government will address during the period 2017-2021 the social problems by working with more experts, identifying problems at an early stage, paying attention to family problems, protection of vulnerable groups and give young people more perspective in their lives. The vision of the government is to focus and strengthen the family nucleus, protect vulnerable groups and to create cohesion and social responsibility in the Aruban community.

Finally, regarding tourism the government's main objective for the period 2017-2021 is to increase the quality of the tourism product to attract high-income tourists and create more activities to increase the participation of tourism in our economy (Hunto pa Aruba, 2017).

Annex B: Monitoring Indicators

economic Indicators

Indicators	Baseline 2017	Target 2019	Target 2020	Source
Number of new registered businesses	2016: 1188 2017: 1343 2018: 1243 (nov)			KvK
Number of new Jobs created	4,7246			DAO/CBS
Total Foreign Direct Investment	142 million ⁷			CBA
Total local Investment	1,038 million ⁸			CBA/DEACI
Total Private Investment	991 million ⁹			CBA/DEACI
Total Private Consumption	4,009 million ¹⁰			CBA/DEACI
Total Export (excl. FZA)	86 million ¹¹			CBS/CBA
Total import (Excl. FZA)	2,046 million ¹²			CBS/CBA
GDP real growth (average)	2.3 %			CBA/CBS/DEACI
GDP per capita (real)	30,228.4 ¹³			CBS/DEACI
Total Unemployment	5,116 ¹⁴			DAO
Youth unemployment	19.4 %			DAO
Inflation (CPI) period average	-0.5% ¹⁵			CBS
Contribution per sector to economy	Dependent on NA			CBS
Employed persons per sector	See Table 1			CBS
Total salaries per sector	See Table 2			CBS

6 Jobs & Salaries 2013-2017 by economic activity, 2018 CBS

7 Annual Statistical Digest, 2017 CBA

8 Economic Outlook, 2018 CBA

9 Annual Statistical Digest, 2017 CBA

10 Economic Outlook, 2018 CBA

11 Foreign Trade Statistics, Fourth Quarter, 2016-2017 CBS

12 Foreign Trade Statistics, Fourth Quarter, 2016-2017 CBS

13 Statistical Tables Fourth Quarter 2017, 2018 CBA

14 Kernarbeidsmarkt cijfers, 2018 DAO

15 Consumer Price Index, 2017 CBS

TABLE 1: Jobs by Economic Activity by the end of each year


Economic Activity Rev 4	2013	2014	2015	2016	2017
Agriculture, forestry, fishing, Mining and quarrying	27	21	26	29	33
Manufacturing	1,059	1,112	1,130	1,175	1,332
Electricity, gas, steam and air conditioning supply	194	193	196	197	195
Water supply; sewerage, waste management and remediation	498	503	504	518	531
Construction	2,185	2,191	2,351	2,623	2,646
Wholesale and retail trade; repair of motor vehicles and moto	7,868	7,987	8,027	8,034	8,829
Transportation and storage	1,940	1,982	2,208	2,318	2,351
Accommodation and food service activities	10,357	10,851	11,102	11,290	12,296
Information and communication	944	951	933	932	931
Financial and insurance activities	1,823	1,823	1,822	1,856	2,000
Real estate activities	368	410	461	586	520
Professional, scientific and technical activities	1,085	1,170	1,172	1,223	1,367
Administrative and support service activities	5,078	5,220	5,637	5,893	7,622
Public administration and defense; compulsory social security	4,790	4,532	4,355	4,279	4,341
Education	1,878	1,935	2,055	2,033	2,213
Human health and social work activities	2,358	2,337	2,381	2,473	2,737
Arts, entertainment and recreation	1,530	1,555	1,537	1,529	1,703
Other service activities	571	652	678	716	781
Grand Total	44,553	45,425	46,575	47,704	52,428



Source: SVB, DRH per December 31st of each year

TABLE 2: Monthly Wages by Economic Activity by the end of each year

Economic Activity Rev 4	2013	2014	2015	2016	2017
Agriculture, forestry, fishing, Mining and quarrying	65,468	51,668	69,122	76,630	91,571
Manufacturing	3,847,885	3,942,816	4,012,218	4,162,457	5,251,111
Electricity, gas, steam and air conditioning supply	1,272,917	1,294,932	1,293,660	1,316,064	1,307,621
Water supply; sewerage, waste management and remediation activities	2,655,754	2,804,879	2,972,219	3,073,768	3,213,566
Construction	6,919,926	6,927,421	7,375,715	8,066,425	8,084,816
Wholesale and retail trade; repair of motor vehicles and motorcycles	22,069,693	22,688,226	22,962,373	23,320,378	24,849,982
Transportation and storage	7,164,404	7,315,358	8,129,591	8,717,170	8,549,963
Accommodation and food service activities	32,274,755	33,860,570	34,681,597	35,201,196	37,973,395
Information and communication	3,939,598	4,056,839	4,181,046	4,245,940	4,178,609
Financial and insurance activities	10,430,738	10,400,073	10,516,702	10,749,309	11,333,956
Real estate activities	1,230,495	1,348,607	1,441,667	1,697,246	1,613,498
Professional, scientific and technical activities	4,802,947	5,345,002	5,312,900	5,493,524	6,059,256
Administrative and support service activities	10,990,963	11,283,201	12,280,233	12,942,395	16,376,264
Public administration and defense; compulsory social security	21,127,832	20,340,806	19,903,009	19,740,723	19,996,076
Education	8,687,357	8,982,129	9,443,143	9,649,617	10,574,209
Human health and social work activities	11,442,901	11,703,109	11,840,830	12,196,068	14,049,140
Arts, entertainment and recreation	5,066,718	5,048,395	5,062,868	5,092,989	5,562,138
Other service activities	1,496,608	1,670,919	1,729,759	1,779,397	1,898,234
Grand Total	155,486,959	159,064,951	163,208,652	167,521,296	180,963,404

Source: SVB, DRH per December 31st of each year

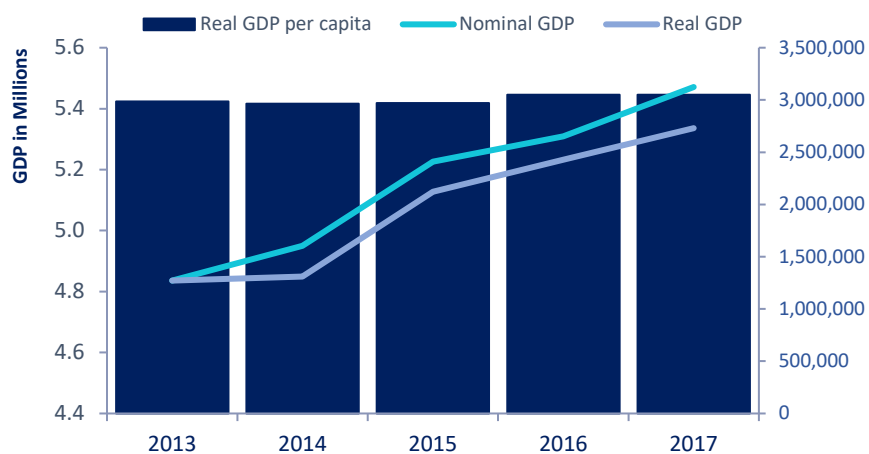
8 DECENT WORK AND ECONOMIC GROWTH  Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 2. % gross domestic product growth per annum	8.1.1 Annual growth rate of real GDP per capita	Annual growth rate of real GDP per capita is calculated as the % change in the real GDP per capita between two consecutive years. Real GDP per capita is calculated by dividing GDP at constant prices by the population of a country.	CBS
	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors	8.2.1 Annual growth rate of real GDP per employed person	Annual growth rate of real GDP per employed person conveys the annual % change in real DGP per employed person	CBS
	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services	8.3.1 Promotion of informal employment in non-agriculture employment, by sex Promotion of informal employment in agriculture employment by sex	This indicator presents the share of non-agricultural employment which is classified as informal employment	CBS
	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	8.5.1 Average hourly earnings of female and all employees, by occupation, age and persons with disabilities 8.5.2 Unemployment, by sex, age and persons with disabilities	This indicator provides information on the mean hourly earnings from paid employment by sex, occupation, age and disability status The unemployment rate conveys the percentage of persons in the labor force who are unemployed	CBS
	8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training	8.6.1 Proportion of youth (aged 15-24 years) not in education, employment or training	This proportion of youth (ages 15-24 years) not in education, employment or training, also	CBS

			known as “the NEET rate”, conveys the number of young person’s not in education, employment or training as a percentage of the total youth population.	
	8b By 2020, develop and operationalize a national strategy for youth employment and implement the Global Jobs Pact of the International Labor Organization (ILO)			DAO Action Plan for youth employment
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and GDP, in line with national circumstances	9.2.1 Manufacturing value added as proportion of GDP per capita 9.2.2 Manufacturing employment as a proportion of total employment		CBS
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors by 2030, encouraging innovation and substantially increasing the number of research and development workers and public and private research and development spending	9.5.1 Research and development expenditure as a proportion of GDP 9.5.2 Researchers (in full time equivalent) per 1000 inhabitants		CBS
10 REDUCED INEQUALITIES 	10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average	10.1.1 Growth rates of household expenditure or income per capita among the bottom 40 percent of the population and the total population		CBS
Reduce inequality within and among countries	10.4 Adopt policies, especially fiscal, wage and social protection markets and institutions and strengthen the implementation of such regulations	10.4.1 Labor share of GDP, comprising wags and social protection transfers		CBS

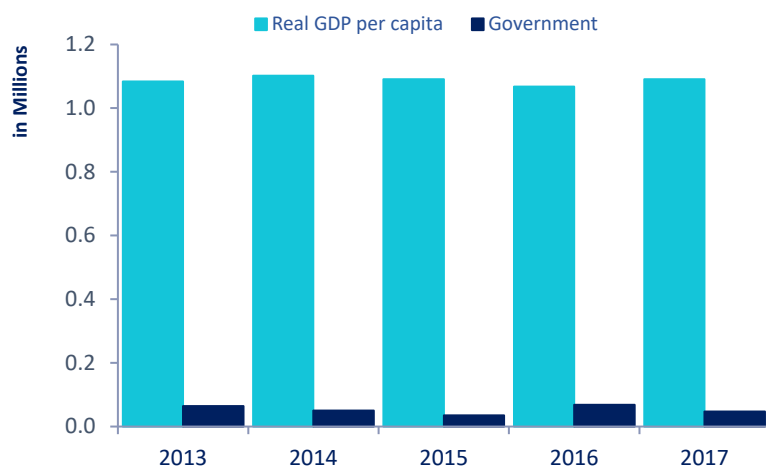
Data or text in red means that data is localized for Aruba

Annex C: Tables and Graphs

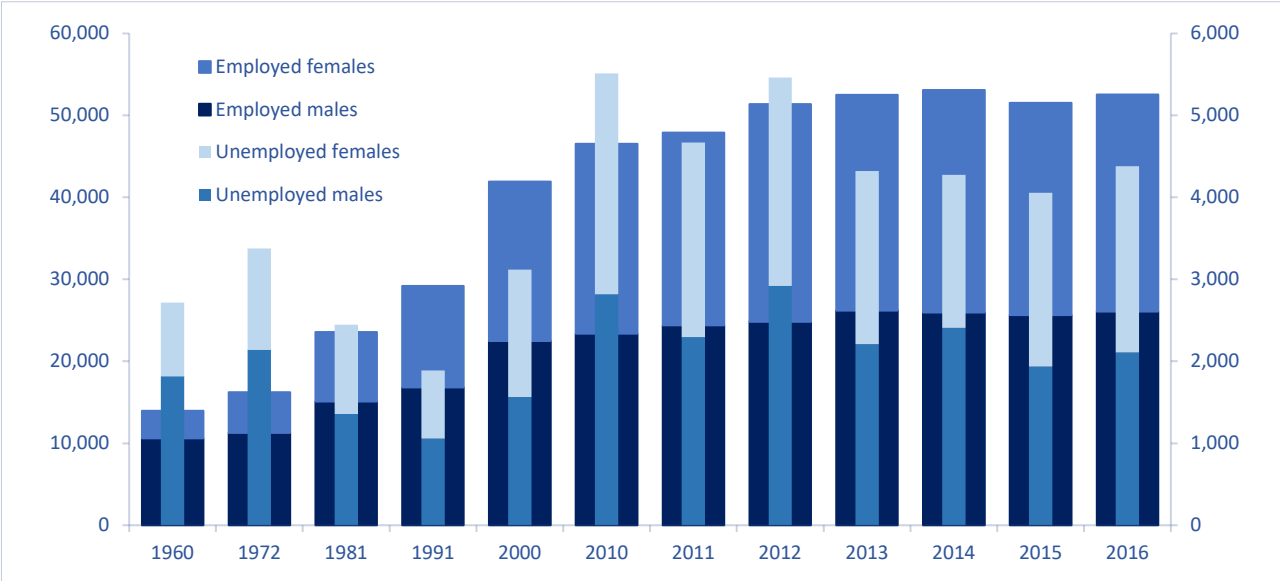
GDP per capita, Real GDP & Nominal GDP, 2013 to 2017



Private and Public investments, 2013 to 2017

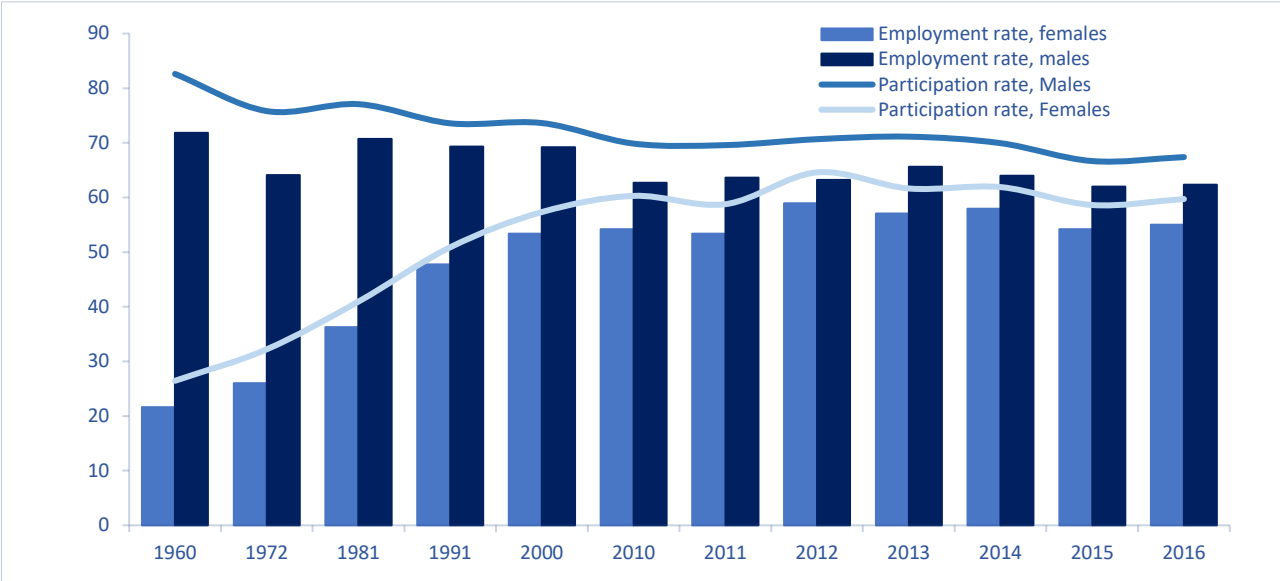


Employed and unemployed persons by sex, 1960-2016

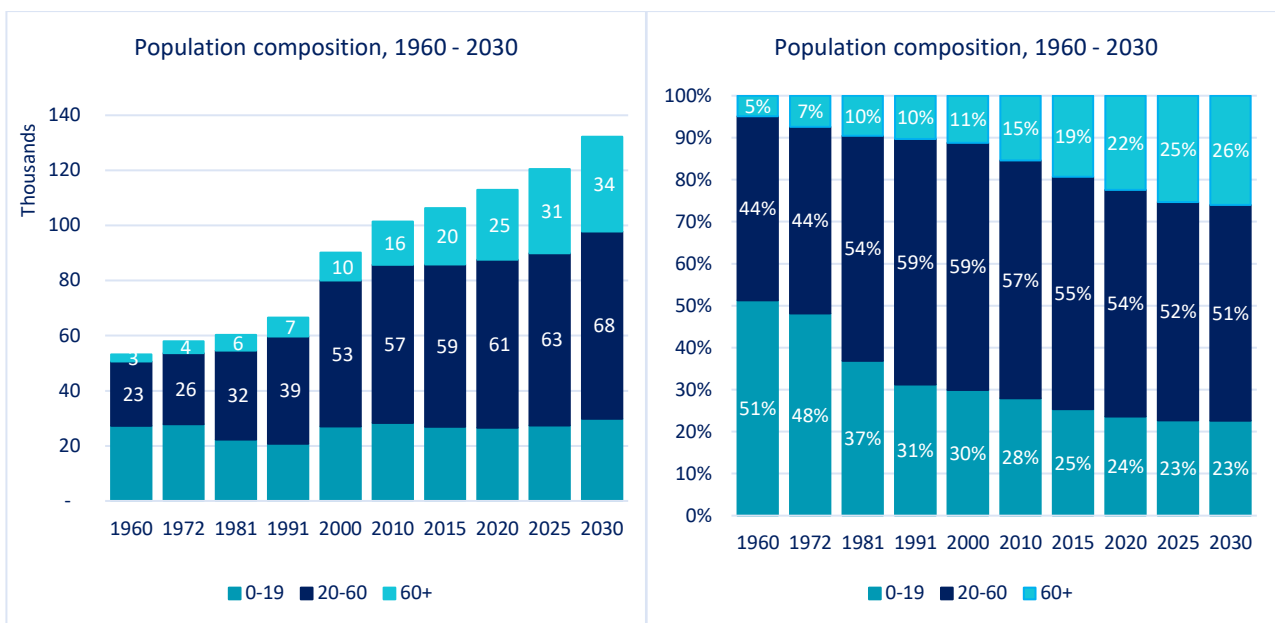


Source: CBS

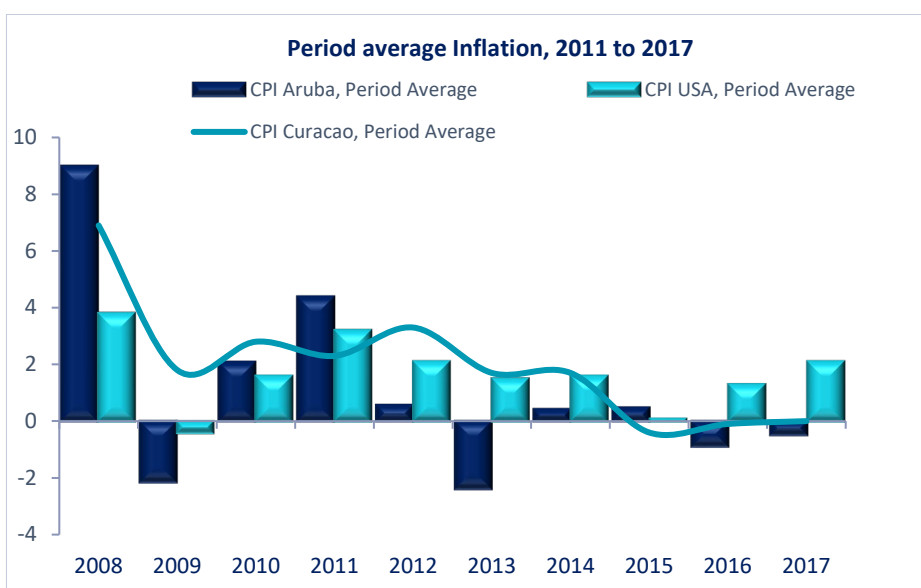
Employment, - and participation rates, by sex, 1960-2016



Source: CBS



Source: CBS – Quarterly Demographic Bulletins 2012 – 2018



Source: CBS, Consumer Price Index, 2018

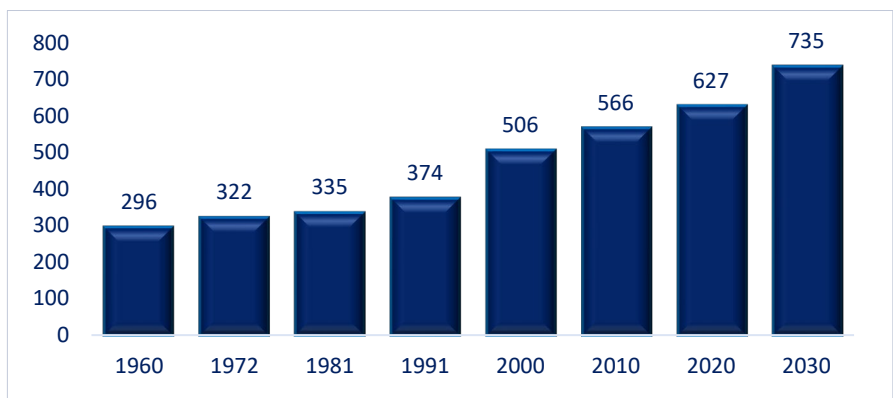
1. Population

Year	Youth	Elderly	Very old		Working Age Population	Total Population	Ratio (E/Y) Ageing index	Ratio (E/Y) Ageing index	Potential Support Ratio
	< 20 yr.	60+	75+	80+	20-64	Total	60+/0-14	65+/0-14	20-64/65+
60	27,278	2,604	567	284		53,199	11.83	7.48	
72	27,903	4,301	748	341		57,908	20.47	12.19	
81	22,236	5,744	1,266	560		60,312	36.79	25.57	
91	21,169	6,784	1,976	1,069	46,067	67,382	40.74	27.99	9.88
00	27,272	10,217	2,367	2,367	63,239	91,040	48.48	31.92	9.40
10	28,457	15,843	3,912	1,909	70,201	101,939	75.11	50.46	6.60
11	28,545	16,647	4,140	2,019	71,523	103,677	79.31	53.20	6.41
12	28,588	17,637	4,388	2,190	72,792	105,477	84.27	56.18	6.19
13	28,510	18,574	4,665	2,355	73,962	107,289	88.71	59.16	5.97
14	28,319	19,439	4,913	2,486	74,615	108,358	93.39	62.12	5.77
15	28,160	20,449	5,148	2,605	68,318	110,089	98.72	65.72	5.02
16	27,899	21,277	5,314	2,730	68,522	110,617	103.43	69.01	4.83
17	27,625	22,219	5,513	2,855	68,542	111,083	108.86	73.08	4.59
18	26,811	23,533	5,909	3,153	68,823	111,849	120.53	81.42	4.33

Source: CBS

2. Population density

Year	Total Population	Poulation density
1960	53,199	296
1972	57,908	322
1981	60,312	335
1991	67,382	374
2000	91,040	506
2010	101,939	566
2020	112,881	627
2030	132,223	735

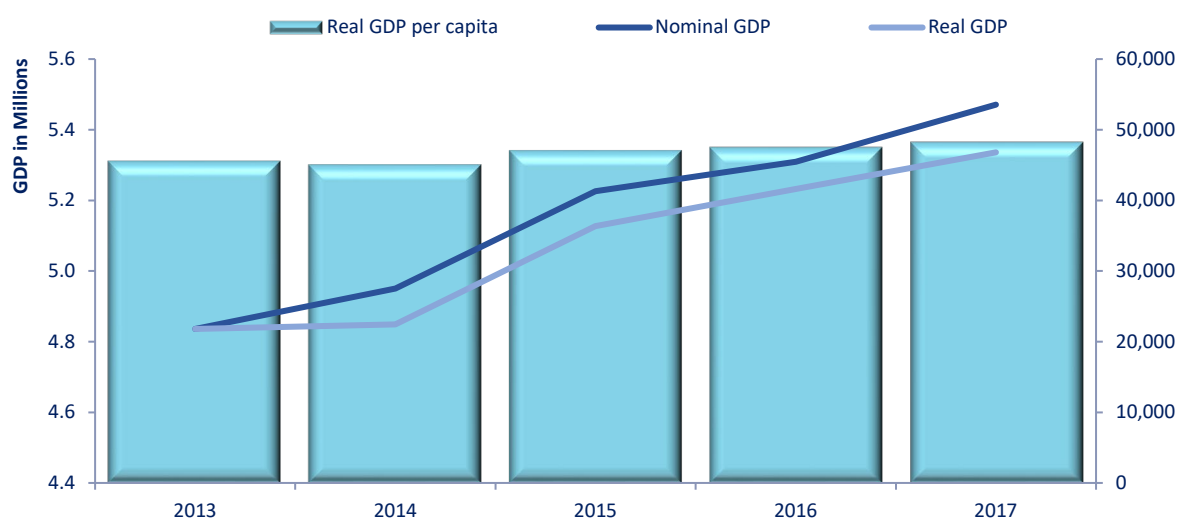


Source: Volksstelling 1960, 1972, 1981, 1991, 2000, 2010. *Note: for the years beyond 2010, medium projections were made.

3. Gross Domestic Product

Year	GDP at market prices	Exports of goods and services	Imports of goods and services	Final Consumption	Gross capital formation (Investments)	Real GDP	Nominal GDP per capita	Real GDP per capita	Direct Investments	Change in real GDP per capita	Midyear population
2013	4,836	3,700	4,206	4,195	1,148	4,836	45,460	45,458	395		106,383
2014	4,950	3,639	4,208	4,167	1,152	4,849	45,907	44,972	435	-1.1%	107,823
2015	5,226	3,842	3,875	4,133	1,127	5,127	47,845	46,940	-62	4.4%	109,225
2016	5,309	3,785	3,761	4,148	1,136	5,232	48,108	47,411	50	1.0%	110,354
2017	5,471	4,012	3,919	4,239	1,138	5,336	49,351	48,137	142	1.5%	110,850

GDP per capita, Real GDP & Nominal GDP, 2013 to 2017



Source: CBS

4. Consumer Price Index

Year	Aruba			Core Inflation					USA	Curacao
	Monthly % change	End of period % change	Period average % change	Food	Electricity	Water supply	Gasoline and diesel	Core inflation	Period average % change	
2008	-4.5	-1.9	9.0	1.3	2.1	1.3	1.0	3.3	3.8	6.9
2009	0.2	6.8	-2.1	0.5	-1.7	-1.1	-1.6	1.8	-0.4	1.8
2010	0.0	-0.7	2.1	-0.3	1.4	0.7	0.6	-0.3	1.6	2.8
2011	-0.1	6.1	4.4	0.5	0.9	0.6	1.1	1.2	3.2	2.3
2012	-0.2	-3.7	0.6	0.3	0.2	-0.2	0.2	0.1	2.1	3.3
2013	0.3	0.1	-2.4	0.0	-1.3	-1.1	-0.2	0.2	1.5	1.7
2014	1.3	2.2	0.4	0.3	0.3	0.0	-0.2	0.1	1.6	1.7
2015	0.6	-0.9	0.5	0.2	0.8	0.0	-1.4	0.9	0.1	-0.4
2016	0.2	-0.3	-0.9	-0.1	-0.5	0.0	-0.9	0.5	1.3	-0.1
2017	0.8	-0.3	-0.5	0.1	-1.2	0.0	0.5	0.2	2.1	0.0

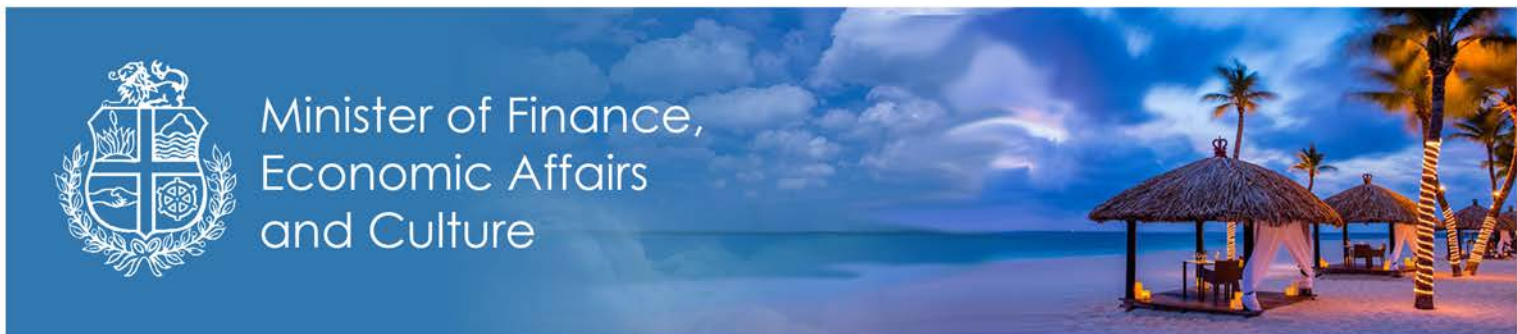
Source: CBS, Consumer Price Index, 2018.

Annex D: Composition of the SME Policy Index of the 12 OCTs (scale 0 to 4)

SBA Principle	Anguilla	Aruba	Bonaire	BVI	Cayman	Curaçao	Mont- serrat	Sab a	St. Maarten	St. Eustatius	St. Barth	Turks- Caicos	AVG
Entrepreneurship	2.1	2.2	1.5	1.5	1	2.4	1	1	1.4	1.3	1.1	1.5	1.5
Think small first	1.4	2.4	2.5	1.9	1.9	2.5	1.4	1.5	1.7	1.6	2	1	1.8
Responsive administrations	0.6	0.9	1	2	0.7	0.6	2.8	1	1.9	1.3	1.6	1.3	1.3
Support services	1.5	2.2	1.7	1.6	1.6	2.1	1.3	2.2	1.5	1.3	1.9	2	1.7
Access to finance	1.1	1.2	1.3	1	1	1.7	0.9	1.3	0.9	0.8	0.8	1	1.1
International networks	0.3	2	0.7	1	0.7	1.3	0.3	1.3	0.3	1.3	1.3	1.3	1
Skills and innovation	1.4	1.6	1.1	1.7	1.3	2	0.9	0.3	0.8	1.1	1.1	1.4	1.2
Environmental challenges	1.3	2.3	2.7	2.3	0.7	2	0.3	2.3	1.3	2.3	2.7	1.3	1.8
Growth of markets	0.6	1.2	0.4	0.5	0.6	2.2	0.9	0.2	0.5	0.3	1.6	0.3	0.8
Average	1.2	1.8	1.4	1.5	1	1.9	1.1	1.2	1.2	1.3	1.6	1.2	1.4

Annex E: Cost of doing business

Doing business in Aruba	Bottlenecks	Recommendations
1. Starting a business	Lengthy government procedures	Simplify and speed up issuing of permits, One website with doing business all in information, e-government, create new benefits and specific incentives for Startups such as Startup visa. Support and coach SME's to start new business (IDEA)
2. Getting credit/Finance	Conservative banking sector, high interest rates, collateral requirements high, difficult access by SME's	Guarantee fund for SME and Startups, Flexibility of banking sector including FATF implementation regulations at banks, crowdfunding, More intensive promotion of Qredits
3. Paying taxes	Complicated tax system, unexpected changes in tax system creates uncertainty	Simplify tax system, improve tax products, tax reform
4. Trading across borders	Business have little information on trade agreements, customs clearance takes too long, multiple import duty tariffs	More information on trade agreements, introduce a harmonized customs tariff schedule, simplify customs procedures, export guidance for SME (EXPRODESK), introduce online payments
5. Labor market regulations	Lack of flexibility	Reform labor laws
6. Alignment of education with labor market	Education and manpower training does not meet new and modern necessities in the labor market	Revise curriculum in schools and adapt to necessities of labor market
7. Infrastructure	Technological infrastructure (broad band, facilities for e-commerce) are insufficient developed Physical infrastructure, procedures for land and construction permits are too long and inefficient	Improve accessibility and reliability of technological infrastructure Alignment of policies and procedures between different institutions



Minister of Finance,
Economic Affairs
and Culture