

THE ECONOMIC IMPACT OF SMALL BUSINESSES ON THE ECONOMY OF BONAIRE



- **How much are they?**
- **What are their needs?**
- **How big is their economic impact?**

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Kralendijk, April 2004

PREFACE

With great pleasure this research study is presented for the island of Bonaire containing data of small enterprises. Throughout the world there is growing evidence that small enterprises play an important role in the national economic development of any country. Small Enterprises provide the majority of existing and new jobs and produce much of the creativity and innovation that fuels economic progress.

We have often heard that small enterprises is the backbone of the Bonaire's economy, but never before has a study been done to measure the real impact of small enterprises (SMEs) on the economy of Bonaire. Reason why the Small Business Center also named Centrum Klein Bedrijf (CKB) has developed a Term of References to obtain statistics about small and micro enterprises, their true impact in terms of value added and employment. This is a step in the right direction in an attempt to increase the awareness of the impact of small enterprises on the economy.

The expected results of this research study is that CKB will have an overview of the overall economic impact that micro and small businesses has on the economy of Bonaire. This information may later be used to assist Government and stakeholders in acquiring external funding for economical development.

Besides the measuring of the impact of small enterprises on the economy, Centrum Klein Bonaire wants to examine ways to create economic prosperity through the expansion of existing SMEs. It also means a landmark in achievement for so many involved in the micro and small business sector on Bonaire.

This research study has been based on a thorough field survey and supported by documentation of the SESNA Think Tank Group (STT). This study also contains text tables, analysis of the data's, supported by relevant supporting documentation or references of the concerned source and annexes. It is worth mentioning that the national accounts published by the Central Bureau of Statistics have been used. It provides a comprehensive, consistent and flexible set of macro-economic accounts, which can be used for economic and analysis and policy purposes.

Overall market, segments, and sector information are presented as background information on the Bonaire market structure.

Although this research study was kept short, it contains a lot of information about small enterprises. The data presented is the most recent data available.

Kralendijk, March 2004

Meredith Cecilia, MBA

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Acronyms and Abbreviations

AKIB	Asosashon di Komersio i Industria Boneriano
CBS	Central Bureau of Statistics
CKB	Centrum Klein Bedrijf
DEZA	Dienst Economische Zaken en Arbeidsaangelegenheden
EDF	European Development Fund
ERNA	Eilanden Regeling Nederlandse Antillen
EU	European Union
GDP	Gross Domestic Product
IT	Information Technology
KKN	Kamer van Koophandel en Nijverheid
MSE	Micro and Small Enterprises
NAO	National Authorizing Officer
NAVB	Netherlands Antilles Closed Company
NGO	Nongovernmental Organization
NV	Naamloze Vennootschap
SESNA	Small Enterprise Stimulation Netherlands Antilles
SME's	Small Micro Enterprises
SSS	Sint Maarten, Sint Eustatius, Saba
STT	SESNA Think Tank

1 INTRODUCTION ON BONAIRE

The Netherlands Antilles, forming part of the Caribbean Archipelago, consist of the Leeward Islands and the Windward islands.

Bonaire is one of the islands of the Leeward Dutch Antilles. The capital is Kralendijk. The distinction between the Windward and Leeward Island dates back to the time of the transatlantic sailing and regard the location of the islands to the northeast trade winds.

1.1 Location and Climate

The Leeward Islands, Curacao and Bonaire are located at 12° N and between 68° and 70° W. They lie at a distance of 30 to 90 km from the coast of South America. The Windward Islands, Saba, Sint Eustatius and the southern part of Sint Maarten (SSS) lie at 18° N and 63° W. The distance between the Windward and Leeward islands is 900 km.

Bonaire is located 30 miles (46 km) east from Curacao, 50 miles (80 km) north of Venezuela and 86 miles (129 km) east from Aruba. The total area in square kilometers is 288 and the population density per square kilometer is 48.

The capital of Bonaire is Kralendijk. Bonaire enjoys a mild tropical climate, fairly constant throughout the year.

1.2 Short History

The Arawacs inhabited the island of Bonaire. In 1499 the Leeward Islands were “discovered” by the Spaniard Alonzo de Ojeda. Bonaire and Curacao were taken over by the Dutch in 1634. The Dutch Parliament enacted the first constitution of the Netherlands Antilles in 1865. This constitution has been revised several times. The most important revision was that of 1954, which resulted in the establishment of so called “Statute” This is the principal legal act within the Kingdom of the Netherlands, which regulates internal self-government for the island of the Netherlands Antilles.

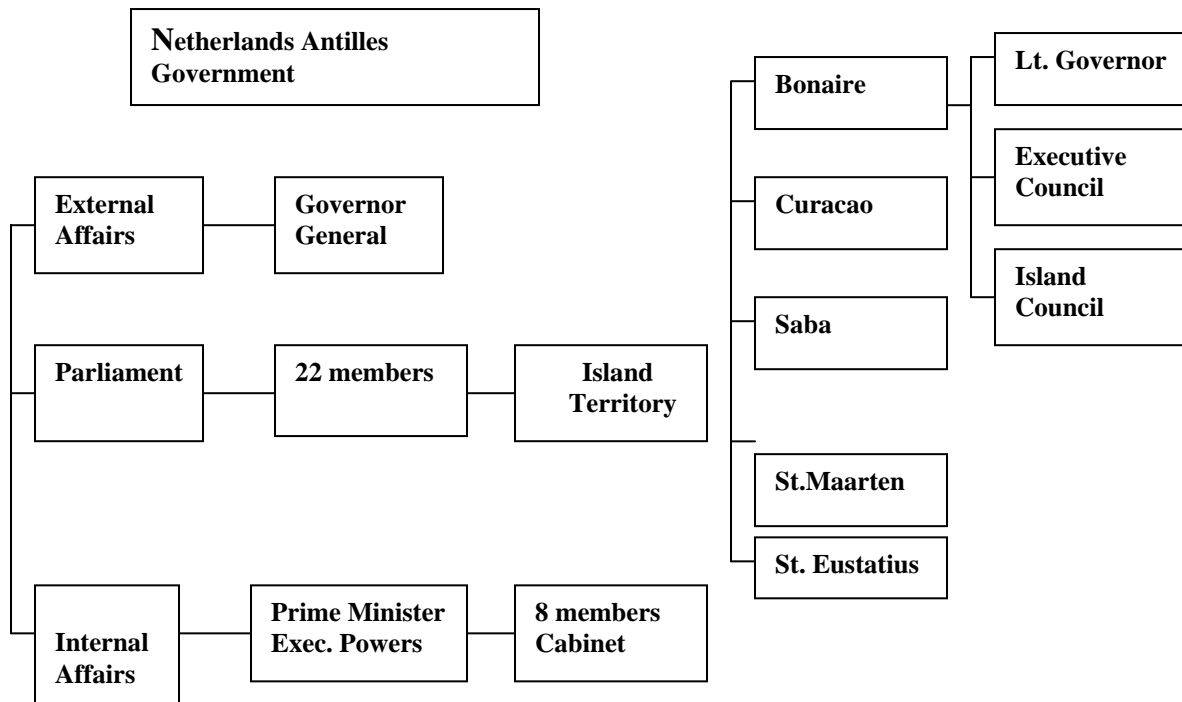
1.3 Actual Constitution

The Netherlands Antilles forms an integral part of the Kingdom of the Netherlands. The Sovereign of the Kingdom is head of the State and is represented in the Netherlands Antilles by the Governor. The Governor with the legislative body called the “Staten”; consisting of 22 members, form the legislative power. The Governor with the Council of Ministers forms the Central Government, with executive power in internal affairs.

The executive power in external affairs rests with the Council of Ministers of the Kingdom. The Minister Plenipotentiary, who has full voting power, represents the Netherlands Antilles in this Council.

Besides the Central Government each islands has its executive Council, Island Council and a Lieutenant Governor. The Island Government administers the domestic affairs within the island territory as stipulated in the Constitution of the Islands Regulation (ERNA).

The Island territory's Government is finally subject to and invariably interacts with the Central Government in Willemstad Curacao, and the Kingdom Government in The Hague, Holland. The Island territory's limited self-government is outlined in the ERNA and can be amended by a Central Government ordinance (federal ordinance). This has to be approved by the Kingdom Government, led by the Netherlands. The main responsibilities of Central Government include the introduction and passing of laws on the levying of taxes. The local Governments have the right to propose additional subjects that should be determined by the local Government ordinance or those that should not belong to its care or should be regulated by parliament. The primary governing bodies in the territory are the Island Council, the Executive Council, and the Office of the lieutenant Governor. All international affairs for the Netherlands Antilles falls under the auspicious and responsibility of the Kingdom Government of the Netherlands.



1.4 Population

Population figures are available from different sources. The continuous registration of births, deaths and arrivals and departures takes place at the island registry offices. These figures concern only the legal population. Other source of population figures is the population censuses. The population of Bonaire was till 31 January 2003, 13832¹ inhabitants. Most of the inhabitants are concentrated around Kralendijk. The population has a variety of ethnical background.

On Bonaire fifty three per cent of the population currently residing on Bonaire was born locally, which means that nearly fifty percent of persons is born abroad.

The number of persons residing on Bonaire with a Dutch nationality is 86 per cent. In the 14 per cent of non-Antillean the distribution various over different nationalities like Dominicans, Venezuelans, Colombians and Peruvians.

1. Total Population by nationality and sex

Nationality	Male	Female	Total
Dutch	5496	5308	10804
American (US resident)	142	128	270
Argentinean	5	4	9
Australian	0	1	1
Barbadian	1	0	1
Brazilian	3	4	7
Belgian	12	7	19
English (UK resident)	16	12	28
Residents of BRD	22	19	41
Citizens of Dom.Rep.	215	258	473
Citizens of Trinidad & Tobago	11	4	15
Indian	12	4	16
Indian	0	2	2
Dominican	13	17	30
Canadian	6	0	6
Costa Rican	9	4	13
Cuban	6	1	7
Chilean	180	196	376

Colombian	53	26	79
Chinese	19	4	23
Ecuadorian	0	1	1
Finnish	5	5	10
French	3	1	4
Filipino	11	11	22
Guyana's	14	29	43
Haitian	1	1	2
Honduran	15	12	27
Italian	0	1	1
Citizens of Iceland	2	2	4
Jamaican	10	8	18
Lebanese	1	1	2
Moroccan	3	4	7
Norwegian	49	9	58
Portuguese	98	71	169
Peruvian	6	1	7
Spanish	1	0	1
Salvador	47	58	105
Suriname	1	0	1
Tsjechian	1	1	2
Uruguayan	354	198	552
Venezuelan	5	4	9
Zweedse	6	9	15
Swiss	2	1	3
South Africa	1	0	1
Slovaks			
	6857	6427	13284
Total			

Source: Island Registry, January 2003

2 Population 2003 Island territory of Bonaire

	Male	Female	Total
30-11-2003	6816	6438	13254
Born	5	6	11
Immigrate	27	24	51
Deceased	3	1	4
Emigrate	25	24	49
31-12-2003	6820	6443	13263
Bonaire, 5-01-2004			
Source: Island Registry			

1.5 Households

There are 3,677 households in Bonaire. The average household size of 2.9. Thirty per cent of the households is female headed in 15 per cent of those households the head of the households has a partner (husband or cohabitant). In the household with a male head 70 per cent has a partner.

3 Some characteristics of households, Bonaire – in %

	2001
Household size (%)	
1 person	20.6
2 persons	25.5
3 persons	20.6
4 persons	18.2
5 persons	8.1
6 or more	7.0
Total	100.0
Average household size (Number of persons)	2.9
Nuclear families (in %):	70.8
One nuclear family	4.2
Two or more nuclear families	25.0
No nuclear families	
Total	100.0
Head (in %)	
Male	70.0
Female	30.0
Total	100.0

Source: Fourth Population and Housing Census, 2001

1.6 Language

The language usually spoken on the island of Bonaire is Papiamentu, which is a Creole one with elements of the African, Portuguese, Spanish, English and Dutch Language. In the vast majority of the households, Papiamentu is the most spoken 72.6%.

The official language is Dutch, although at different formal occasions the local language is being used more and more.

4. Language spoken most in the household, Bonaire, 2001

Language	in %
Papiamentu	72.6
Spanish	11.5
Dutch	10.5
English	4.0
Chinese	0.7
Portuguese	0.2
Other	0.5
Total	100.0

Source: Fourth Population and Household Census, 2001

2 SMALL ENTERPRISES STIMULATION PROGRAM

In June 1998 the European Commission in Brussels decided to co-finance the “Small Enterprise Stimulation Programs in the Netherlands Antilles” (SESNA) within the 7th European Development Fund (EDF). The Financing Agreement,

N.5814/NEA was signed on July 22, 1998 in Brussels and on August 21, 1998 in Curaçao. The National Authorizing Officer (NAO) had the Financing Agreement translated into the Operational Implementation Plan to provide guidance for the islands to participate in the SESNA Program.

The Small Enterprise Stimulation Netherlands Antilles (SESNA) is a tailor-made Economic support programme designed and implemented in full partnership between the:

- Central Government of the Netherlands Antilles
- Island Government of Bonaire, Curaçao, Saba, St. Eustatius and St. Maarten
- Private sector on all 5 islands and
- European Union represented by the European Development Fund (EDF)

The overall programme objective is to strengthen the contribution of the Small Business sector to economic growth throughout the five islands of the Netherlands Antilles. The SESNA programme is focusing on the creation of new jobs by promoting the incubation of new business ventures, the fostering of business and product innovation and the preservation of existing jobs in established business entities.

The SESNA programme consists of two main service components:

1. The SESNA Non-financial Services, which provides direct business advisory Services, training and information to the small businessman and woman through a SESNA Advisory Unit on each of the 5 islands.
2. The SESNA Financial Services, which provides to small businesses on all 5 island a loan facility for both working capital and capital investment purpose. This Financial Services is channeled through a local financial/credit institution.

The above stated two Services are logically linked, but the organization and management are strictly separated from each other.

2.1 THE ROLE OF CENTRUM KLEIN BEDRIJF

Centrum for Small Businesses also named Centrum Klein Bedrijf has a vital role in the development of small businesses on the island of Bonaire.

Centrum Kleinbedrijf Bonaire (CKB) firmly believes that in order for Bonaire to reach its full potential for economic and social development, everyone must focus his or her attention on the country's small and medium enterprises.

Throughout the world, one finds the SMEs to be the employee, the customer and the supplier who provide goods and services to the local market. They also provide the majority of entrepreneurship in any economy. Bonaireans are as entrepreneurial as any other people of the world, and as in other parts of the world, they require government support. Reason why the Executive Council of Bonaire has established Centrum Klein Bedrijf by executing the Memorandum of Association of a Foundation by the offices of Notary Public A.P.Knuf on 20 April 1999. The Island Council approved the establishment and financing of the Foundation on 22 December 1998. The objective of the CKB is to promote and to stimulate the micro and small business sector on the Island of Bonaire.

The CKB is a tri-partite 5- year project, which is financed by the European Community, the Bonaire Government and the Private Sector. The Government and the Private Sector. The Government has taken the financial steps to ensure that the European funds will be released for the financing of this project.

The Centrum has a fulltime manager, and a fulltime assistant manager who reports directly to a board comprising of members from the local Government and the Private Sector.

The services that the CKB renders are Training and Advisory related. The CKB provide hands-on tailor made advice to the different groups on an individual basis. Classroom sessions are provided to the Micro and A small Enterprises (MSE) at an affordable cost. The training and advisory services are high quality control driven in order to create willingness among the MSE to pay for the services rendered by the CKB.

The intention of providing training services is to equip entrepreneurs of micro and small businesses become more successful and professional in their business. The selection of training topics will be based upon feedback received from the MSE. This will lead to a better knowledge and awareness of the MSE sectors needs.

The CKB will not always be capable of rendering all sorts of specific information services to Micro Small Enterprises, but the CKB will use its network contacts to provide information on where to get the requested advice. The CKB will also grant advice upon request to the Island Government, in particular to the Department of

Economic Affairs. Advice rendered to policy makers will, nevertheless, be solely in regards to MSE promotion. The advice given will be based on “field experience”.

According to its Memorandum the foundation will realize its objective by:

- Implementing the SESNA Programme on Bonaire;
- Providing training and business advice in the form of individual advice and group training courses;
- To act as an advising unit concerning the Island Government micro-and small businesses sector policies;
- Co-operating with other organizations and persons, with the same objectives.

2.2 The Government socio-economic policy for entrepreneurship

In the introduction of the Government agreement, the political parties, which will form a new Government for the period 2002-2006, indicate a few action points for an economic development and social recovery. In this integral development program they focused on the micro and small enterprises and how to strengthening their role in the economy. The Government realizes the important role of small enterprises in the economy and how vital their participation is in reducing unemployment.

According to the current Government socio-economic policy their objectives is based on four areas. These are:

1. Good Governance
2. Financial Recovery
3. Economic Recovery
4. Social Recovery

In the economic recovery special attention was dedicated to stimulate more participation of small businesses in the economy.

The achieve the above mentioned the government wants to execute the following:

- Provide information to the Bonaire business community
- Consultancy/professional advise to the Bonaire business community
- Trained entrepreneurs and employees of Bonaire businesses
- Financing Small businesses by given them soft loans
- Economic zone for private sector logistic and e-commerce activities.
- Modern infrastructure for business activities
- Reduction of ‘red tape’
- Better registration of companies by updating it regularly
- Improve functioning of organizations that represent and advise private sector such as Chamber of Commerce, AKIB etc.
- Stimulate actions to improve business climate in Bonaire
- Focus on the fiscal situation

- Decentralization to the island of Bonaire
- Support private investment plans with strategic public investments funded
- Stimulate small companies to produce and sell local products
- Stimulate participation of the capital market and banking sector by introducing special packages for the entrepreneur.

Besides the above mentions the Government starts searching for ways to improve the sector for micro and small enterprises and they asked the European Union for financial and technical help. The European Commission in Brussels approved on June 17 of 1998 the “Small Enterprise Stimulating Program Netherlands Antilles (SESNA) / the 17-th European Development Funds (EDF). The island council of Bonaire established in 1998 the Centrum for Small Businesses to promote and to stimulate the micro and small business sector on the Island of Bonaire. The small enterprises had to pay a small fee for relevant business consultant en business training. The Island Council was convinced that the participation of the Centrum for Small Business in the SESNA project would vitalize the business sector for micro and small enterprises for the development of the economy in general.

2.3 An inventory by Centrum for Small Business

To render better service to the micro and small businesses on Bonaire, the CKB made an inventory of the problems the small businesses encounter. The table below shows us the different kind of problems they registered during the survey.

5. Bottlenecks for small businesses

	Bookkeeping	Admini- stration	Tax	Hygiën & Security on Workplace	Legal Advice	Marketing	Other	Total
Number of Businesses	8	10	12	7	9	17	4	67
Percent	12%	15%	18%	10%	13%	26%	6%	100%

A high percentage (26%) of the 67 respondent claim that they had difficulties with marketing. Once they have the product they don't really know how to use the four strategic P's (Price, Promotion, Product, Place) to get return on their investment.

Remarkable is that 18% of the small businesses had problem with taxation, and only 12% of the respondent had problems with bookkeeping and 15% had problems with the administration of the business.

The survey concluded that there is a lot of necessity on technical support in the areas of marketing, financial management especially cashregistration and management. These three areas together represent 45% from the respondent from the survey.

Close to 69% recognize that they needed support in one or more business areas.

6. Type of counseling and training support

	Book-keeping	Admini-stration	Taxation	Hygiën & Security	Legal	Marketing	Other	Total
Number of Businesses	30	31	35	25	35	27	16	199
Percent	15%	16%	18%	13%	18%	14%	8%	100%

Bookkeeping, administration and taxation can be considered into the same category. In this category 49% of the persons interviewed requested financial management training. The small businesses requested also legal assistance, CKB will consider this in the future to employed a legal assistant or lawyer to assist entrepreneurs when it comes to legal matters

Close to 57% from the interviewed persons was not willing to pay for the services rendered by the CKB. This unwillingness to pay can be considered as a problem for the exploitation from the Centrum for Small Businesses.

7. Willingness to pay for consultancy and training by CKB

	Yes	No	Total
Number of Businesses	30	39	69
Percent	43%	57%	100%

A majority of the respondents prefer training in the evening hours.

8. Preference traininghours

	08.00-12.00	14.00 –17.00	18.00-21.00	Total
Number of Businesses	10	9	23	42
Percent	24%	21%	55%	100%

3 THE ECONOMY OF BONAIRE

3.1 Main characteristics in 2002

The main characteristics of the economy in 2002 will be analyzed in the following section.

The real gross domestic product for Bonaire decreased by 3.0 percent. This could be deduced out of the first results of Economic Indicator Analysis 2002. This development is the result of a fall in the production of several industries. Although there is a drop in the gross domestic product it is less negative than the years before.

The data are based on production indicators of the most important production of goods and services like agriculture, fishery and mining. Manufacturing, utilities and construction), the *commercial sector* (such as trade, Hotels, Restaurants & Cafe's(Horeca), transport and communication, financial intermediation, real estate renting, business activities and private education.) and other community, social & personal service activities and private households w/Employed Persons)

For the production of goods the agriculture, fishery and mining have dropped with 7 percent. Utilities (water and electricity) have decreased with 2 percent after a negative growth of 4 percent in 2001. Industry and construction has also decreased with 15 percent and 12 percent.

The value added for the financial intermediation industry dropped with 16 percent. A considerable growth is notice in the Hotel, Restaurant & Cafe, the 1 percent in 2001 have changed into 24 percent growth.

The growth in transportation (more flights to Bonaire) has had the desired effect on stay over tourism in Bonaire. The stay over tourism is used as an important indicator in this sector.

The value added of transportation and communication has remain mostly the same. The financial intermediation shows a growth of 3 percent due the financial activities of an increase in the business activities of the commercial banks.

The sector of business activities contribute considerably to the economy of Bonaire.(their participation rate is almost 11 percent in the gross domestic product). Although there is a negative development in this sector with almost 11 percent.

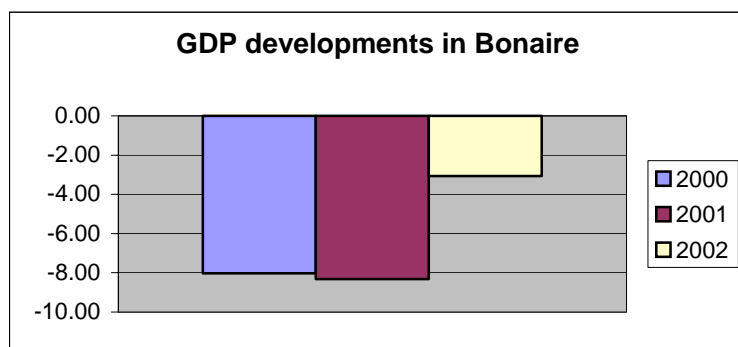
In the non-commercial sector, the public administration sector has the value added been decreased with 6 percent, and there was nearly a growth in the Health and social work sector. The value added from the private household has decreased with 1 percent.

9. Percentage changes in GDP

<i>ISIC</i>	<i>Sector</i>	<i>Percentage changes in comparison to the year before</i>		
		2000*	2001*	2002*
	Production of Goods			
<i>ABC</i>	Agriculture, Fishery and Mining	5	-36	-7
D	Manufacturing	-4	-6	-15
E	Utilities: Electricity and Water	-3	-4	-2
F	Construction	-17	-27	-12
	Trade			
G	Wholesale and Retail	-16	-3	-16
H	Hotels, restaurant's & cafés (Horeca)	-9	1	24
I	Transport, Storage & Communication	-8	-16	0
J	Financial intermediation	5	2	3
KM	Business activities and private education	-12	-8	-11
	Non-commercial			
L	Public Administration Overheid	-4	-4	-6
N	Health and Social Work	-4	3	9
O	Other community	1	-1	-1
P	Private households w/Employed Persons	-21	-36	-1
	Interest Margin	5	2	1
	Real GDP	-8.0	-8.3	-3.1

* Note: All values are estimated

10. GDP Developments



3.2 Main characteristics in 2003

According to the figures of the Central Bureau of Statistics of the Netherlands Antilles the economy of Bonaire has measured a growth in 2003. The growth percent for Bonaire is 3.4; the main characteristics will be analyzed in the following section.

The real gross domestic product for Bonaire increased by 3.0 percent. This could be deduced out of the first results of Economic Indicator Analysis 2003.

This development is the result of a positive development in the production of several industries.

The gross domestic product shows a positive development in comparison with the years before.

The data are based on production indicators of the most important production of goods and services like agriculture, fishery and mining. Manufacturing, utilities and construction), the *commercial sector* (such as trade, Hotels, Restaurants & Cafe's(Horeca), transport and communication, financial intermediation, real estate renting, business activities and private education.) and other community, social & personal service activities and private households w/Employed Persons)

For the production of goods the agriculture, fishery and mining have increased with 5 percent. Utilities (water and electricity) have increased with 7 percent after a negative

growth of 2 percent in 2002. Industry had decreased with 11 percent and construction has increased with 21 percent.

The value added for the financial intermediation industry increased with 16 percent. A considerable growth is notice in the Hotel, Restaurant & Cafe sector. The 24 percent in 2002 have changed into 13 percent growth in 2003.

The growth in transportation (more flights to Bonaire) has had the desire effect on stay over tourism in Bonaire. The stay over tourism is used as an important indicator in this sector.

The value added of transportation and communication has decrease with 7 percent. The financial intermediation shows a growth of 5 percent due the financial activities of an increase in the business activities of the comercial banks.

The sector of business activities contribute consideraly to the economy of Bonaire.(their participation rate is almost 11 percent in the gross domestic product). An positive development is notice with almost 10 percent.

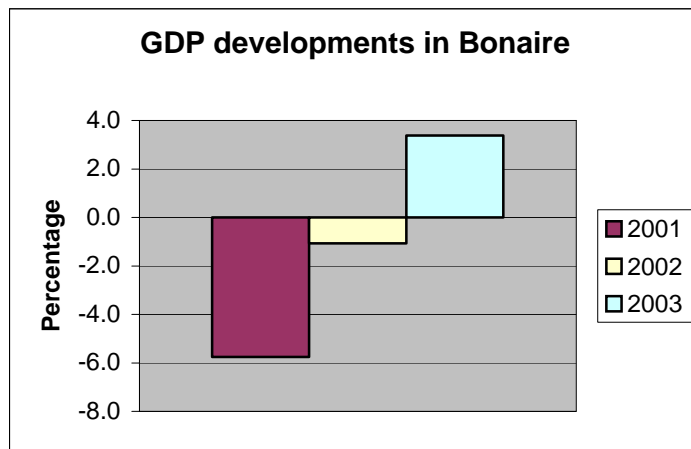
In the non-commercial sector,the public administration sector has the value added been decreased with 3 percent, and there was a dropped of 2 percent in the Health and social work sector. The value added from the private household has increased with 3 percent.

11. Percentage changes in GDP

<i>ISIC</i>	<i>Sector</i>	<i>Percentage changes in comparison to the year before</i>		
		2001*	2002*	2003*
	Production of Goods			
<i>ABC</i>	Agriculture, Fishery and Mining	-36	-7	46
D	Manufacturing	-6	-19	-11
E	Utilities: Electricity and Water	-4	-2	6
F	Construction	-27	-12	21
	Trade			
G	Wholesale and Retail	-3	-15	5
H	Hotels, restaurant's & cafés (Horeca)	1	24	13
I	Transport, Storage & Communication	-16	0	-7
J	Financial intermediation	2	3	5
KM	Business activities and private education	12	6	10
	Non-commercial			
L	Public Administration Overheid	-4	-5	-3
N	Health and Social Work	-3	9	-2
O	Other community	-1	-1	-10
P	Private households w/Employed Persons	-36	-1	3
	Interest Margin	2	3	5
	Real GDP	-5.8	-1.1	3.4

* Note: All values are estimated

12. GDP Developments



3.2.1 Conjuncture Survey

The CBS used information of the economic situation “Conjuncture Survey” of 2003 to make an estimate. In the Conjuncture survey question about employed persons, turnover and investment was asked.

Main reason for the growth in the economy of Bonaire was the positive development in the stay-over tourism. Bonaire registered a very high percent of 23. Other important factors for the growth are the group of incoming North America and Europe visitors. After the events of nine-eleven we saw the number of visitors of this region drop but now in 2003 there’s a recovery with more visitors coming this side. As for Europe the appraisal of the Euro made it possible that the prizes for the Caribbean destinations decreased so that the European visitors to the island of Bonaire increased considerably.

In the conjuncture survey most of the businesses in Bonaire had a negative enterprise results at the end of the year. For Bonaire the average was 56.4 percent. Questions about confidence in the future economy was asked and in Bonaire 25 percent of the enterprises had less confidence and 13 percent had more confidence while two third of the enterprises status-quo showed no changes in their opinion.

Questions were asked about future expectations enterprises have about personnel, investments and turnover. Remarkable for Bonaire is that enterprises in different business

sector foresee no changes, an exception is the construction sector where enterprises expected a considerable decrease in personnel, transport and turnover. Enterprises expect a decrease in investment in 2003 but foresee that in 2004 the situation will maintain itself status quo with no further decrease.

4. THE ECONOMIC IMPACT OF SMALL BUSINESSES

Some of the main results are summarized in the following paragraphs.

4.1 Some important facts

By any measure, small businesses make large contributions to the Bonaire's economy. The micro businesses account in 2004 with 69.3 percent and the small businesses with 15 percent of the total business sector. Micro businesses contributed in absolute figures with 661 jobs and small businesses provide 533 jobs. The value added from the micro businesses contribute in 2001 with 19229.1 (* 1.000) the small businesses value added in 2001 was 23544.5(*1000). The Gross Domestic Product from the micro enterprises was 7.79 (*1mln.) and the small businesses 9.53(*1mln.)

The Central Bureau of Statistics has estimated the above-mentioned figures in April 2004 by using the 1998 Business Census Database. Since the Business Census data are relatively outdated, the structural characteristics of the economy of Bonaire will be emphasized. Recent data from different sources such as Chamber of Commerce and Industry, the Central Bureau of Statistics were used to guarantee an up-to-date and complete reflection of the local market, that regularly has been up-dated, with data from the Chamber of Commerce and the Department of Economic Affairs (DEZA)

4.2 Business Census and National Accounts

An important data source for measuring the impact of small enterprises on the economy of Bonaire is the Business Census and National Accounts survey. In 1998 the Business Census was carried out to improve the basic data and define the sectors. The results of these surveys provide information about the enterprises in Bonaire and about the profit and loss account, tables and balance sheets.

Before any impact of small enterprises can be measure on the economy of Bonaire an inventory of the micro and small enterprises on the island has to be made. The best way to start is by the Business Census. The Business Census gives a pretty good idea of the micro and small enterprises on the island and the sectors they represent in order to know its importance for the economy in particular in respect of employment.

The businesses to be included had to comply with one of the following criteria:

- a) Average working hours of at least 15 per week;
- b) Production and sale of at least Naf. 50,000 per annum;
- c) Value of assets at least Naf. 50,000 at the end of the last book year.

The business, which was not included in the Business Census, was:

1. Self-employed drivers of taxis and mini-busses;
2. Sellers of Lottery;
3. Farmers, livestock, fishermen;
4. Market vendors;
5. Sellers of vouchers;
6. Owners of bread trucks (mobile roll truck)

Next to the Business Census there is another survey that can measure the economic impact on the economy of Bonaire. This survey is the National Accounts. Economic activities in a country are characterized by numerous transactions between different sectors, namely the government, the financial and non-financial sector, the household sector, the non-profit institutions and the rest of the world. In order to understand this complex economic process, it is important to have an adequate system. National Accounts provide this insight for they give an overview of the economic process in a certain year. This overview is based on an international system of classifications, the System of National Accounts. This survey starts every year in June and data are requested of the year before. It takes about six months to collect all the data after which the processing begins.

All enterprises with 10 or more employees have to cooperate each year with this survey. From the small enterprises (with less than 10 employees) a random sample is taken. Once an enterprise is selected, it stays in the sample for four consecutive years.

The survey covers about 30% (=1900) of all enterprises in the Netherlands Antilles. It is conducted separately for the different islands of the Netherlands Antilles.

The following data by enterprise can be derived from the survey:

- Output
- Intermediate consumption
- Wages and salaries
- Profit tax
- Gross capital formation
- Depreciation
- Interest, dividends and retained earnings

4.2.1 Types of enterprises

The Business Census distinguishes 4 major types of enterprises, which are defined according to the amount of persons employed and the turnover of the enterprise. In this research study our focus is only on 2 types of enterprises the micro and small enterprises. The middle-sized and large enterprises will stay out of the picture.

Definition of the micro and small enterprises are:

5. *Micro enterprises*: enterprises with less than 5 persons employed and a turnover of less than half a million guilders per year.
6. *Small enterprises*: enterprises with between 5 and 10 persons working or a turnover between half and 5 million guilders per year.
7. *Middle-sized enterprises*: enterprises with between 10 and 50 persons working and turnover between half a million and five million guilders per year.
8. *Large enterprises*: enterprises with 50 or more persons working, and a turnover between half a million guilders per year.

4.2.2 The Results of the Business Census 1998

The Central Bureau of Statistics (CBS) conducted between May and August of 1998 a business census for the Netherlands Antilles. The results for Bonaire shows us that micro enterprise are in the majority.

The business sector on Bonaire according to size and employment is shown in the table below:

11. Business by Size on Bonaire, 1998

Size business	Number	% Total	Employment	% Employed
Micro	435	64.5%	780	16.5%
Small	68	10.1%	432	9.1%
Medium	164	24.3%	2,670	56.5%
Large	7	1.0%	842	17.8%
Total	674	100%	4,724	100.0%

Source: Business Census 1998

12. Employment in businesses by company size

Company size	
Micro	780
Small	432
Medium	2670
Large	842
Total	4724

Source: Business Census 1998

13. Business per Industry, Bonaire 1998

Industry	
Agriculture and mining	5
Manufacturing	35
Electricity, gas and water	1
Construction	46
Trade	211
Hotels and restaurants	116
Transport and communication	26
Financial services	25
Business services	111
Education	3
Health and social work	23
Other services	72
Total	674

Source: Business Census 1998

14. Establishments, Businesses and Subsidiaries, Bonaire 1998

Establishments	Businesses	Subsidiaries	Subsidiaries Per 1000 businesses
729	674	55	81.6

Source: Business Census 1998

15. Businesses by Legal Status, Bonaire 1998

Legal Status	247
Individual proprietorship	4
Common partnership	29
Foundation	388
Limited Liability Company	6
Other and unknown	674

Source: Business Census 1998

16. Businesses Bonaire by annual turnover

Annual Turnover in thousands of guilder, 2004	
< 500	477
500 – 5000	127
> 5000	19
n.a.	51
Total	674

Source: Business Census 1998

4.2.3 Update of number of Businesses in 2004

In April 2004 there were an estimated of 366 micro businesses and 79 small businesses in Bonaire.

The table below shows the sectors combined with employment, added value and gross domestic product.

17. Micro < 5 employed persons

	Number of Business	Number of Employed persons	Participation in total %	Value Added 2001 *1.000	GDP 247.0 * 1 mln.
					Participation GDP
Agriculture	2	4	100.0	176.4	0.07
Industry	17	40	68.0	790.4	0.32
Construction	12	31	41.4	2784.6	1.13
Trade	114	225	73.5	2874.2	1.16
Horeca	69	123	67.0	657.5	0.27
Transport	13	22	61.9	3964.8	1.61
Financial Services	16	23	66.7	1810.0	0.73
Business Activities	73	106	82.0	4607.5	1.87

Education	1	3	50.0	Figures not available	
Health	12	24	60.0	979.0	0.40
Other community	37	60	66.1	584.7	0.24
	366	661	69.3	19229.1	7.79

Source: Update Statistical Department of Enterprises

18. Small >4 en < 10 employed persons

	Number of Business	Number of employed persons	% in total	Value Added 2001	GDP 247.0	
					* 1 mln.	% GDP
Construction	9	62	1.7	1071.3		0.43
Trade	26	175	4.9	7086.1		2.87
Horeca	19	124	3.6	4726.3		1.91
Transport	2	14	0.4	Figures not available		
Financial Services	6	46	1.1	1722.6		0.70
Business Activities	11	75	2.1	5950.8		2.41
Education	0	0	0.0	Figures not available		
Health	2	12	0.4	2128.9		0.86
Other Community	4	25	0.8	858.5		0.35
	79	533	15.0	23544.5		9.53

Source: Update Statistical Department Enterprises

19. Average Wage-cost per Employee by Legal Status of the Business 2000

Legal Status	Bonaire
	X1000 Nafl
Limited liability company	35.4
Individual proprietorship	24.8
Foundation	41.3
Common partnership	84.0
Other	28.0
Total	35.6

Source: National Accounts Survey 2000

20. Average Wage-costs per Employee by Company size, 2000

Company size	Number of employees	Turnover in mln Naf	Neth.Antilles X1000Naf ¹	Bonaire
Micro	<5	<0.5	31.1	32.0
Small	5-<10	<0.5	24.2	26.0
Medium 1)	10-<50	0.5-<5	35.9	33.5
Large	>50	>5	43.7	40.0
Total			43.1	35.6

Source: National Accounts Survey 2000

1) Medium also includes companies that are either small or large on one condition only.

4.2.4 Labour

As was stated in the Economic Development Program Bonaire 2004-2007 small business development is one of the main challenges sustainable economic growths. They are convinced that stimulation of small businesses will contribute to the economic base of Bonaire. And it will generate employment within the private sector.

In the paragraph above information about employed personnel in the micro and small businesses has been presented in this paragraph labour market data in general is presented. The data is taken from different sources, of which the most important ones are the Population and Housing Census and the Labour Force Sample Surveys.

On this occasion persons of 15 years and older were asked questions on employment. Thus, it could be established how many persons held a job and how many were looking for a job. Together they formed the labour force.

The figures presented are the net result of the development that during the period (June 2000- September 2002) has taken place. It is therefore a picture of the labour market at a given moment in time.

The employed population in Bonaire has decreased with 1154 persons, a decline of 21 percent. Possible factors are the migration to foreign countries and the growth in the job-seekers population. The actual employed population counts approximately 4300 persons in Bonaire.

Employed population by Sex

The employed male population experienced a decrease of ca. 26 percent. In June 2000, the male employed population was 2980 and in September 2002, the employed male population is 2195. Also here migration can be a factor and an increase in the job-seekers population.

The total female employed population has decreased with 370 persons. This is a 15 percent decrease. The actual employed female population is 2138.

Employed population by Age

Youth employment population is the proportion of the age group 15-24. This group has decreased with 235 persons. The percentage is 39 % among the youth. Of the persons in the age-group 15-24, 363 held a job in September 2002.

Of those age-group 25-44, also experienced a decrease in the employed population. This group has decreased with 860 persons. The percentage is 27 percent; it is evident that this is related with migration. Employed population in this age group is 2372 persons.

Employed Population by Status in Employment

From the employed population in Bonaire, 55 percent is in permanent service, 12 percent is employer or own account worker and 33 percent works in other employments. In comparison with the year 2000 is the employers in permanent service lesser then in the year 2002. The employer or own account worker decreased also with 1 percent. Employed population in other employments such as casual jobs, temporary service and contract experienced an increase of 3 percent.

Unemployment rates

In 2002, the unemployment rate, that is the proportion of persons looking for a job with regard to the total labour force, was 11,6 %. Currently there are 571 persons looking for a job.

Unemployed population by Sex

Table 13, shows us that the male population looking for a job in 2002 has increased with more than 50 percent. Currently there are nearly 300 male persons in Bonaire without a job.

The female population looking for a job has multiplied itself in comparison with the year 2000. There are currently 280 persons looking for a job. The unemployment rate under the female population has increased from 5,1% in 2000 to 11,6% in 2002. This is an increase of 6.5 percent. Both the increase of the persons looking for a job as a decrease in the working population is the causes.

Remarkable in Bonaire is that the unemployment rate among the male population nearly even is of the unemployment rate of the female population.

Unemployment population by Age

In September 2002, is the unemployment rate among the youth population 32 %.
 A total of 167 youth population was looking for a job was in September 2002.
 The total youth unemployment rate has to be seen as the ratio on the total unemployment percentage. In relation with the total unemployment rate is the ratio in Bonaire is 2.1. The norm international is less than 2 percent.

In the age group 25-44, the persons looking for a job increased with 118, an increase of nearly 84 %.

15. Development of the Population and Economically Active Population

Total	Jun-00	2-Sep	Mutation	% mutation
1. Employed population	5488	4334	-1154	-21.0
2. Unemployed	322	571	249	77.3
3. Economically Active (1+2)	5810	4905	-905	-15.6
4. Economically Not Active	2364	2306	-58	-2.5
5. Population 15+	8174	7211	-963	-11.8
Population 0-14	2939	2717	-222	-7.6
6. Total Population	11113	9928	-1185	-10.7
7. Participation rate	52.3	49.4	-2.9	
8. Unemployment rate %	5.5	11.6	6.1	
9. Employed/Total population (%)	49.4	43.7	-5.7	

Source CBS, Labour Force, 2002

16. Male Population

	Jun-00	2-Sep	Mutation 2000-2002	% mutation
1. Employed population	2980	2195	-785	-26.3
2. Unemployed	188	290	102	54.3
3. Economically Active (1+2)	3168	2485	-683	-21.6
4. Economically Not Active	840	886	46	5.5
5. Population 15+				
Population 0-14	4008	3371	-673	-15.9
6. Total Population	1489	1381	-108	-7.3
7. Participation rate %	5497	4752	-745	-13.6
8. Unemployment rate %	57.6	52.3	-5.3	
9. Employed/Total Population (%)	5.9	11.6	5.7	
	54.2	46.2	-8.0	

Source CBS, Labour Force 2002

17. Female Population

	Jun-00	2-Sep	Mutation 2000-2002	% mutation
1. Employed population	2508	2138	-370	-14.8
2. Unemployed	134	281	147	109.7
3. Economically Active	2642	2419	-223	-8.4
4. Economically Not Active	1524	1420	-104	-6.8
5. Participation rate %	4166	3839	-327	-7.8
	1450	1337	-113	-7.8
	5616	5176	-440	-7.8
	47.0	46.7	-0.3	
	5.1	11.6	6.5	
	44.7	41.3	-3.4	

Source CBS, Labour Force 2002

4.3 Bonaire Foreign Trade

4.3.1 Introduction

All data show below is preliminary estimates. Trade statistics are economic statistics, which serve a variety of needs. The trade flow of goods is analyzed using various adopted commodity classifications.

Import statistics covers all goods cleared through customs for home use from abroad or from national free zone. Export statistics cover all goods of national origin to be dispatched to another country. This coverage is consistent with the so-called "Special Trade System". For various reason certain goods such as monetary gold, banknotes and coins in circulation are excluded from the foreign trade statistics according to the United Nations recommendations. All movements of goods in free circulation between Curacao and Bonaire are excluded. One has to bear in mind, however that a portion of the foreign trade of Bonaire goes through Curacao and is therefore also excluded.

In the case of import, the partner country or area of consignment is the place from which goods are dispatched to Bonaire without any commercial transaction in intermediate countries. In the case of export, the partner country or area is defined as the country of destination known at the time of dispatchment as the final country to which good are delivered.

4.3.2 Bonaire Imports

In 2002 the island of Bonaire has imported less from the South American area, which showed a decline from 5 million to 3 million (40%). Imports from Venezuela and Colombia both were 1 million less compared to 2001. The imports from Asia remained equal as to 2001, but the import of goods from Japan declined around 33%, that is 1 million. From the European Union 4 percent less has been imported. The Netherlands has decreased with 1 million (5%) in imports. Another import decrease is noted from North America with 9 million, which is 27 percent less compared to 2001. Like in Curacao, Bonaire's major imports are from the USA.

Bonaire Import in 2002 by Country and SITC Section

All values in 1000 ANG

Country:	Import 2002							7
	SITC section							
	0	1	2	3	4	5	6	
AMERICAN SAMOA	0	0	0	0	0	0	0	
ANTIGUA & BARBUDA	79	0	0	0	0	0	0	
ARGENTINA	54	0	0	0	0	0	19	
ARUBA	84	166	3	3	0	10	103	
AUSTRALIA	0	0	0	0	0	0	0	
AUSTRIA	0	0	0	0	0	0	1	
BARBADOS	0	0	0	0	0	0	4	
BELGIUM	44	0	10	0	0	1	5	

BRASIL	100	0	0	0	0	0	132	
BRITISH VIRGIN ISLANDS	0	0	0	0	0	0	0	
BRUNEI DARUSSALAM	0	0	0	0	0	0	0	
CANADA	28	0	0	0	0	0	1	
CHINA	67	0	0	0	0	0	60	
COLOMBIA	0	0	25	0	0	0	182	
DENMARK	0	0	0	0	0	0	28	
DOMINICA	0	0	0	0	0	0	0	
DOMINICAN REPUBLIC	1	1	0	0	0	4	47	
ECUADOR	55	0	3	0	0	0	25	
FINLAND	0	0	0	0	0	0	0	
FRANCE	0	1	0	0	0	0	2	
GERMANY	0	0	1	0	0	1	195	
HAITI	0	0	0	0	0	0	0	
HONG KONG – CHINA	9	0	0	0	0	22	9	
INDONESIA	0	0	0	0	0	0	0	
IRAN	0	0	0	0	0	0	0	
ISRAEL	0	0	0	0	0	0	99	
ITALY	4	78	63	0	2	26	33	
JAMAICA	0	0	0	0	0	0	0	
JAPAN	0	0	0	0	0	0	0	
MEXICO	0	1	0	0	0	0	4	
NAMIBIA	0	0	0	0	0	6	0	
NETHERLANDS	5871	1022	119	36	52	1082	3600	
NEW ZEALAND	0	0	0	0	0	0	0	
PANAMA	0	0	0	0	0	0	2	
PORTUGAL	0	0	2	0	0	0	393	
PUERTO RICO	10	6	4	0	1	73	117	
SOUTH KOREA	0	0	0	0	0	0	0	
SPAIN	0	0	0	0	0	0	41	
ST. VINCENT & GRENADINES	0	0	0	0	0	0	4	
SUDAN	0	0	0	0	0	0	0	
SURINAM	0	0	0	0	0	0	0	
SWEDEN	0	0	0	0	0	0	0	
SWITZERLAND	5	0	0	0	0	0	29	
TAIWAN	0	0	0	0	0	0	60	
THAILAND	0	0	0	0	0	0	10	
TRINIDAD & TOBAGO	0	0	0	351	0	0	150	
TURKS & CAICOS ISLANDS	0	0	0	0	0	0	0	
UNITED KINGDOM	0	10	0	0	0	0	28	
UNITED STATES OF AMERICA	6263	385	172	168	243	627	3609	
VENEZUELA	964	226	49	0	0	13	1023	
WINDWARD ISLANDS ST.MAARTEN	4	0	0	1	0	11	23	
YUGOSLAVIA	0	0	0	0	0	0	6	
CURACAO FREEZONE	0	0	0	0	0	1	0	
GRAND TOTAL	13643	1896	450	560	298	1877	10042	1

4.3.3 Bonaire Exports

Exports from Bonaire to the South American area showed an increase of 2 million (50%), which is represented mostly by Venezuela. The export markets that have remained unchanged are the Caribbean and the Central American area. All other important export market areas have decreased in values. An important export market of Bonaire, namely the USA, has declined to 5 million in exports. This is an approximate rate of 29 percent decline. The European Union also has declined in exports from Bonaire with 1 million, that is 50 percent in 2002.

Bonaire Export in 2002 by Country and SITC Section

All values in 1000 ANG

Country	Export 2002						
	SITC section						
	0	1	2	3	5	6	7
ARGENTINA	0	0	0	0	0	0	6
ARUBA	9	0	168	0	50	3	63
AUSTRALIA	0	0	39	0	5	2	29
DOMINICAN REPUBLIC	0	0	0	0	0	0	0
GABON	0	0	24	0	0	0	0
GERMANY	0	0	0	0	0	0	0
ITALY	0	0	0	0	0	0	1
JAMAICA	0	0	0	0	0	0	0
NETHERLANDS	0	0	10	0	0	83	166
NIGER	0	0	0	0	0	0	0
PANAMA	0	0	238	0	0	0	0
SOUTH AFRICA	0	0	0	0	0	0	0
SPAIN	0	0	0	0	0	3	0
ST. VINCENT & GRENADINES	0	0	88	0	0	0	0
SURINAM	6	0	0	0	0	0	0
TRINIDAD & TOBAGO	0	0	399	0	0	0	0
TURKEY	0	0	124	0	0	0	0
UNITED STATES OF AMERICA	0	0	4740	0	0	5	15
VENEZUELA	3943	6	2061	0	0	8	0
WINDWARD ISLANDS ST.MAARTEN	0	0	0	0	0	1	1
GRAND TOTAL	3958	6	7891	0	55	104	282

5 FINANCING SMALL BUSINESSES

Bonaire has a well-developed banking system, various non-banking financial intermediaries and a postal checking system supervised by the Central Bank from the Netherlands Antilles. The Central Bank was established in 1828 and is the oldest Central Bank in the Americas. The banking system provides both local and international services in an environment of confidentiality, while ensuring security and stability. Bonaire has its own branch. The bank is a well-organized and well-run institution, which has, for the most part, placed only limited restrictions on Foreign Exchange.

Other banks, trust offices, and other financial institutions have the resources and technical capability to accommodate all the requirements of its international clientele. The commercial banks are also equipped with trust, insurance, and investment departments that provide both local and international services. Credit to the domestic private sector, savings accounts, and time and demand deposits accounts have increased substantially in recent years enabling the private banks to extend medium and long-term loans to firms and individual entrepreneurs.

Although no official data is available a majority of small businesses have used some form of financing.

Methods that small businesses use are:

- Trade credit
- Business credit cards
- Personal credit cards
- Combination of credit lines, leases and loans.

All loans are granted to customers located in the Netherlands Antilles.

The Bank uses the allowance method in providing for loan losses. Accordingly, all loan losses are charged to the allowance for possible loan losses and all recoveries are credited thereto. The allowance for possible loan losses charged to

Expenses. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectable, based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

6 CONCLUSIONS

The information acquired and as stated throughout this research study, not only clearly illustrates that micro and small businesses are essential and that they have a major impact on the economy of Bonaire, but it also gives us a view of the bottlenecks and the economic difficulties which needs urgent attention.

The major area of attention, which we feel that the micro and small businesses can assist in bringing about an upswing, is employment generation. During the last five years the economy of Bonaire has experienced a serious increase in unemployment. This can be attributed to the migration of skilled laborers and an increase in jobseekers. Even though the economy of Bonaire has grown with 3.4%, the unemployment rate, if continued on this trend will definitely have a negative social impact within the community at large, i.e. more migration, less purchasing power, less tax payers and a higher crime rate etc. etc.

The author has noticed that Government has identified these bottlenecks and has taken a pro-active approach in reducing this trend and applauds it. This because of the fact that cutting back on unnecessary expenses is good and sound, but it has to be accompanied by the introduction of employment generation exercises, which will ultimately increase Governments income and assure a well being for the population in general.

The introduction of attractive incentives for potential and existing investors, the elimination of unnecessary bureaucracies and red tapes, the introduction of a one stop shop should be seen as the basis for stimulating economic activities within this sector. It is in this context that the “Stichting Centrum Kleinbedrijf (CKB)” as outlined in its 2004 – 2007 business plan in close cooperation with the Department of Economic Affairs (DEZA) can play a major role in the stimulation of micro and small entrepreneurs through its business training, advisory and information services.

We would like to thank management and members of the CKB board for entrusting us with the conduction of this very important research and hope that the gathered information will fulfill its intended objective.

Thanks,

M.D.C

