



Investment Policy & Diversification Strategy Sint Maarten

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Executive Summary

Most economists will agree that high-performing investment is one of the key drivers of growth and development with direct and indirect benefits accruing to a country ranging from job creation to resources transfer and exports, among others. These significant benefits have given rise to fierce competition among countries for Foreign Direct Investment (FDI), as to the point where, countries are prioritizing the establishment of investment promotion entities with the specific responsibility to attract investors.

Attracting FDI is a central pillar of a country's national development plan or industrial policy. FDI can help in the economic development of the country where the investment is being made through job creation and employment, resource transfer, in terms of capital and technical knowledge, increased productivity and increments in income. A country's ability to attract, retain and absorb foreign direct investment (FDI) is a function of its overall investment policy and its investment promotion efforts. Sint Maarten has identified the attraction of diversified streams of investment flows as a priority and (a) vehicle(s) through which the country can realize its national development objectives.

In recent years, plagued by natural and unnatural events, the country has been experiencing declining investment flows. It is anticipated that recovery responses to the storms and COVID-19 and the developed investment promotion strategy will assist the country in realizing increased flows of domestic and foreign investment. Hence, through this document, the department of Economy, Transportation and Telecommunication (ETT) has embarked on this initiative of developing an investment policy and diversification strategy for Sint Maarten.

This strategy highlights the main elements to proactively target investors noting national development objectives of Sint Maarten. The strategy presents the methodology for selecting priority sectors for promotion and highlights the recommended pillars of Sint Maarten's strategy as being:

- 1. Proactive Promotion of Strategic Sectors** – Targeting strategic high-performance investments will ensure net gains to the economy.
- 2. Build on Base** – Priority actions include the strategic targeting of existing local and regional investors to encourage reinvestments, as these will secure results in the near to medium term.
- 3. Ease the Path for Investors** – A program will be developed that seeks to reduce the costs and risks to investing and doing business in Sint Maarten through, for example, statutory changes, regulatory adjustments, and administrative processes.

With regards to the lead entity responsible for implementing the strategy, it is recommended that an Investment Promotion Agency is established, or that an existing entity is designated as

such. An example of one such entity that can serve as the country's investment promotion agency is the Economic Development Corporation N.V. (EDC), which was established to attract and facilitate investors while pursuing economic development objectives. Another option is the Sint Maarten Investment Agency B.V. (SMIA), which is a newly established professional organization that strongly supports sustainable economic recovery as well as growth and earning capacity of the economy of Sint Maarten.

The designated entity would facilitate investor queries and carry out the following functions:

1. Investment attraction services (domestic and foreign)
2. Investment facilitation including "one-stop-shop" services
3. Communication and image building
4. Policy advocacy for an improved business environment.

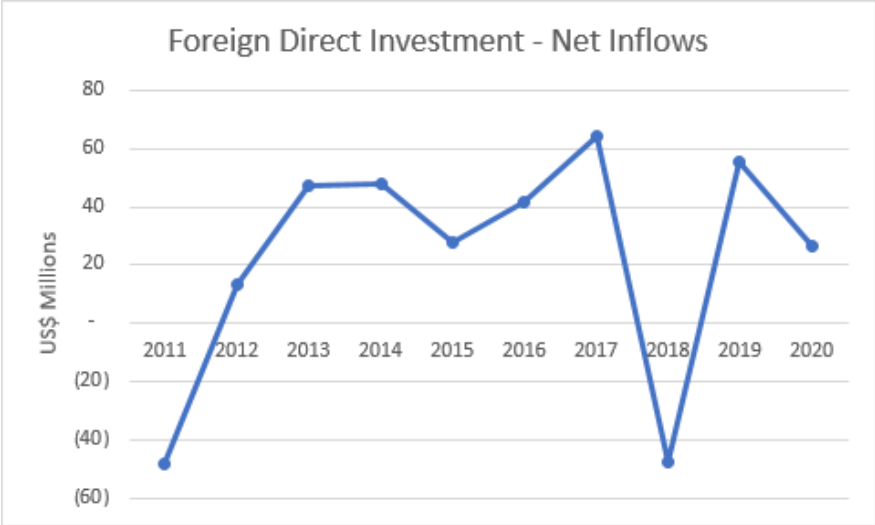
Once the lead entity is selected or established, the strategy recommends that an Investment Board consisting of private and public sector stakeholders provide guidance on a strategic level.

Finally, the designated entity would also serve as the monitoring body and present key performance indicators that would be used to measure and monitor the execution of strategic objectives as outlined in this document.

The established or designated investment promotion agency would report to the Minister of Tourism, Economy, Traffic and Telecommunication.

1.0 Introduction

With a population of just over 43,035¹ and on an area of 41km² (16 square miles), Sint Maarten, a country within the Kingdom of the Netherlands, is known for its thriving tourism industry, particularly in the yachting sub-sector and its strong retail and distribution trade.



As a result of the devastating hurricanes Irma and Maria in 2017 and the ongoing COVID-19 pandemic, tourism activities suffered tremendous decreases, putting many livelihoods at stake with a consequence of a decrease in tourism revenue.

Source:

World Bank

According to the Central Bank of Curacao and Sint Maarten (CBCS) in its 2020 Quarter 1 Bulletin, “Sint Maarten’s economic recovery from 2017’s Hurricane Irma ended in the first quarter of 2020 with a drop in real GDP (Gross Domestic Product) of 1.0% compared to the 8.2% expansion in 2019’s first quarter. Inflation eased from 0.7% in the first quarter of 2019 to 0.2% in 2020’s first quarter.

Sint Maarten’s 2019 GDP was US\$1.06 billion (*Naf. 1.89 billion*), with a real GDP growth of 8.2%. Due to the pandemic, Sint Maarten’s GDP decreased in 2020 by 26.8% according to the Central Bank of Curacao and Sint Maarten. The GDP is expected to increase by 3.6% in 2021.

There has been little diversification within the economy as tourism has been the main pillar. Over the past years, Sint Maarten has experienced an average deceleration in FDI flows, as seen in the table above, as well as slow economic growth.

The 2020-2024 Governing Program includes the following weaknesses and threats when referring to the current economy:

¹ World Bank Data

- Prohibitive costs of doing business and living
- Outdated fiscal legislation, considering the standard in the global financial sector
- Outdated tax system
- High corporate tax rates.

Sint Maarten's corporate profit tax is 34%. In addition, the income tax rates range from 12.5% to 47.5%.

Sint Maarten's nominal GDP average over the years 2012-2018 was Naf. 2 billion. The average profit tax collected was Naf. 28.8 million. Revenues derived from both profit and income tax are far lower on average compared to other tax types, such as wage tax and turnover tax, which are expensive to administer and collect. It can therefore be argued that they do not achieve their policy intentions. On the contrary, it may be achieving its opposite by making life difficult for businesses, especially small businesses trying to grow.

To achieve a higher growth path, Sint Maarten needs to make substantive supply-side adjustments that will make it easier to do business and invest. An attractive business climate encourages investment and promotes growth and innovation. Thankfully, fiscal reform combined with reforms to improve the investment climate forms part of the reform measures currently being undertaken with the assistance of the Kingdom government.²

Lastly, as a country still in the infancy of its development as a nation state, it is considered imperative that Sint Maarten embarks upon a growth process. This would require the development and execution of strategies that consider its existing socio-economic standing and a development trajectory that will result in an improved quality of life for its inhabitants. An Investment Policy & Diversification Strategy will form part of the repertoire of initiatives geared towards the realization of this goal.

1.1 Rationale for an Investment Policy & Diversification Strategy

Given the heavy reliance on the tourism sector and the need to seek alternative or other supportive means to boost economic growth and development on Sint Maarten, the existence of an effective Investment Policy & Diversification Strategy should be considered given its weight and benefits towards development. In addition, several sectors identified for potential development are heavily reliant on the input or injection of FDI, hence with the Investment Promotion Agency (IPA), this sector will be properly identified and displayed.

² Country package Sint Maarten in connection with liquidity support.

Developed and developing economies need foreign direct investment (FDI), and Sint Maarten is no exception. Most economists will agree that high-performing investment is one of the key drivers of growth and development and can yield positive returns for a host country in two ways:

- **Directly:** the potential creation of new jobs and/or retention of existing ones, increased tax revenues, increase of capital and financial resources, technology, technical knowledge, the transfer of organizational, managerial, and marketing practices and access to global value chains and distribution channels.
- **Indirectly:** with potential spill-over effects to the domestic economy including boosting exports, increased competitiveness, increase in the skills and expertise of the local labor force and enhanced technological capabilities through technology and knowledge transfer. These can contribute to the development of local industries, including dynamic clusters integrated into global value chains.

According to the International Monetary Fund (IMF), FDI has become an important source of private external finance for developing countries. It is different from other major types of external private capital flows in that it is motivated largely by the investors' long-term prospects for making profits in production activities that they directly control.”³ FDI creates direct benefits such as new capital and jobs, which in turn boost government tax revenues and foreign exchange.

FDI is more productive than domestic investments thereby enhancing productivity by introducing more competition on the domestic market for resources, products and services and enhancing the economy's overall productivity.⁴ In addition, FDI has the potential to connect a host country to the global economy through supplier linkages and it can also lead to an improvement in environmental and social conditions in the host country, for example, through the introduction of “cleaner” technologies.

The Vale Columbia Center study points out that firms engaging in FDI do so with four main motives:⁵

- *Market seeking.* Investors are in search of new consumers for their goods and services.
- *Resource seeking.* Investment is driven primarily by the availability of, and access to, natural resources, raw materials, or low-skilled labor in a host country.

³ IMF Finance & Development, March 1999, Volume 36, Number 1.

⁴ Does Foreign Direct Investment Increase the Productivity of Domestic Firms? In Search of Spill overs through Backward Linkages. The American Economic Review. Vol. 94. No. 3. June 2004.

⁵ Vale Columbia Center. 2013. “Investment Incentives: The Good, the Bad, and the Ugly.” Background paper for the Eighth Columbia International Investment Conference Columbia University, New York November 13–14, 2013.

- *Strategic asset seeking.* FDI is driven by a firm’s desire to acquire tangible or intangible assets (for example, advanced technology owned by a target company) to strengthen its own position or weaken the position of its competitors.
- *Efficiency seeking.* Investment is motivated by firms seeking to decrease their costs of production by transferring production to locations with low labor costs or rationalizing their operations.

The study analyzes the impact of tax incentives on investors’ investment decisions based on the four motives for FDI. A typology has been developed to illustrate that the effectiveness of tax incentives on investors’ decisions varies by the nature of the business and its motive for FDI.

Table 1. Typology of FDI and Response to Tax Incentives

Type of Investment	Factors that Drive Investments	Response to Investment Incentives
Resource-Seeking FDI	Location of natural resources, raw materials, low-skilled labor, agglomeration benefits	Low response. FDI driven primarily by non-tax factors.
Market-Seeking FDI	Market potential – Market dimensions – Income per capita – Customer-specific preferences – Kind of goods and services to be provided	Low response. Level playing field between firms is critical (same tax system for all competitors).
Strategic-Asset-Seeking FDI	Acquisition of strategic assets – Brands and market positioning – Know-how – Technology – Distribution networks – Human capital	Low response. FDI is driven by the location of the asset. However, lower taxes on capital gains reduce the cost of the transfer of these assets.
Efficiency-Seeking FDI	Lower costs – Mostly export oriented – Availability of skills at low costs – Close to markets – Low relocation costs	High response to tax incentives. Firms are expected to compete globally, hence, the lower the costs, the better their ability to compete globally.

Source: IMF. Unleashing Growth and Strengthening Resilience in the Caribbean, November 2017.

1.2 The Role of Investment Promotion

Attracting investments requires a strategic focus on a country’s image, brand awareness, and perceptions to influence an investor’s decision to invest in a country. Companies make investment location decisions based on their available information as well as their understanding of a country’s location offering. Investment promotion is the attraction of investment through

the creation of an environment favorable to domestic and foreign investments and the proactive engagement of investors.

The basic activities undertaken by a country to attract investments are:

- **Image Building:** Investors will make decisions about an investment destination based on the information they have access to, whether it be from official sources or based on a country's reputation. A country must play a role in creating the perception others have of its value as an investment destination – making that impression. This involves the development of a country brand and the communication of that brand identity and message on websites, sales packages, investment guides, among others.
- **Investor lead generation:** An Investment Promotion Agency (IPA) must proactively target specific investors in the sectors that match the country's economic priorities as defined in the national development plans. Lead generation is about creating investment leads using direct marketing techniques such as direct mailing, telephone campaigns, investor forums and seminars and individual presentations to investors. Given the heightened competition between locations and countries, IPAs must be proactive in approaching investors.
- **Investor Facilitation:** After an investor has indicated an interest in investing in a host country, there are several steps that must be taken to ensure that they are not faced with challenging administrative procedures to establish a business, secure licenses, permits and approvals as well as real estate and utilities. Investor facilitation refers to the range of services provided in a host country that can assist an investor in establishing a business and maintaining it. Some countries have adopted a "one-stop-shop" solution where its IPA provides services that simplify and support an investor through the investment process.
- **Aftercare and Policy Advocacy:** Investors need continued support after they have made the initial establishment into a project. Aftercare focuses on retaining investors and encouraging reinvestments. As reinvestment is a significant share of FDI, keeping investors satisfied and convincing them to reinvest is less costly with returns in a shorter timeframe. Aftercare also provides an opportunity to encourage links between foreign investors and local suppliers. Advocating for policy changes that support the development of a competitive local supplier base and that encourage the removal of obstacles to investors and improving the regulatory environment, impact changes in laws, government policies and administration, immigration, labor, education, real estate, among others is a critical part of aftercare that will enhance private investment's impact on the economy. Of note, some IPAs are also responsible for export and tourism promotion, the development of clusters, the granting of approvals and the governing of special economic zones.

1.3 The Role of an Investment Policy

An investment policy considers the benefits to a country of FDI, articulating the developmental priorities of a country and the rationale for use of investment promotion as a tool to achieve these goals. It contemplates the instruments to better capture the benefits of FDI – including the entity responsible for carrying out investment promotion – its organizational structure, mandate, relationships, among others. In developing the Investment Policy and Diversification Strategy, consideration was given to what the entity will be focused on doing, provide direction, clearly prescribing the scope of initiatives to be undertaken, what will the entity promote and how will it promote, in other words, what are the instruments, functions and techniques to be used to achieve tangible results. It also indicates a period for execution.

Foreign Investment has become a crucial pillar for development in the Caribbean. Most countries have transitioned from agriculture to services-based economies. The sector ranges from tourism, offshore financial services, agri-processing, creative industries, and light manufacturing. While most Caribbean IPAs fulfill the roles and responsibilities as an investment agency, the IPAs tend to vary across the region. Size of the country, focus of investment sectors, public service regulations and budgetary considerations are some of the items that need to be considered. The Caribbean IPAs and Focus Priority Sectors table below outlines the various IPAs in the Caribbean.

Table 2. Caribbean IPAs and Focus Priority Sectors

Country	Population (Millions)	Sovereign State?	Investment Promotion Agency	Standalone Body?	IP Only?	Investment Focus (select)
Anguilla & Barbuda	0.015	BOT	Ministry of Finance, Economic Development, Commerce, Land & Physical Planning and Tourism	N	N	Tourism, international business, offshore financial services
Antigua & Barbuda	0.096	✓	Antigua and Barbuda Investment Authority (ABIA)	✓	✓	Tourism, IT-enable services, outsourcing, agriculture
Aruba	0.106	DCC	Aruba Investment Authority (ARINA)	✓	✓	Tourism, agriculture, knowledge economy. Logistics, creative industries

Bahamas	0.386	✓	Bahamas Investment Authority	✓	✓	Tourism, information and data processing, light manufacturing, assembly industries, banking, and other financial services
Barbados	0.287	✓	Invest Barbados	✓	✓	ICT, manufacturing, banking, ships' registration, fintech, alternative/ renewable energy
Belize	0.408	✓	Beltraide	✓	N	Tourism, outsourcing, agribusiness, agro-processing, fishing, aquaculture, logistics, sustainable energy, light manufacturing,
British Virgin Islands	0.030	BOT	Office of the Premier	N	N	—
Cayman Islands	0.064	BOT	Ministry of Financial Services, Commerce and Environment	N	N	Tourism international business, financial services, ICT/tech
Curacao	0.163	DCC	Curacao Investment & Export Promotion Agency (CINEX)	✓	N	Tourism, financial services, oil refinery and renewable energy, IT, Logistics, manufacturing,

						trans-national education
Dominica	0.072	✓	Invest Dominica Authority	✓	✓	Tourism, ICT, manufacturing, services, renewable energy
Dominican Republic	10,627	✓	Dominican Republic Export and Investment Center (ProDominicana)	✓	N	Agribusiness, energy, ICT/Outsourcing . Logistics, manufacturing, ministry, tourism
Grenada	0.111	✓	Grenada Investment Development (GIDC	✓	✓	Tourism, ICT/outsourcing, real estate
Guyana	0.786	✓	Guyana Office for Investment (GO-Invest)	✓	✓	Agro-processing, energy, forestry, ICT/outsourcing, manufacturing, mining, services, tourism
Haiti	11.123	✓	Centre de Facilitation des Investissements en Haiti	✓	✓	Apparel, tourism, agribusiness, ICT/outsourcing
Jamaica	2.935	✓	Jamaica Promotions Limited (JAMPRO)	✓	N	Agribusiness, energy, creative industries, global digital services, logistics and infrastructure, mining, manufacturing, tourism
Montserrat	0.005	BOT	Office of the Premier	N	N	-----
Saint Kitts & Nevis	0.052	✓	St. Kitts Investment Promotion Agency (SKIPPA)	✓	✓	Agriculture, tourism, financial services, ICT, renewable

						energy, international education, light manufacturing, ship registration
Saint Lucia	0.182	✓	Invest Saint Lucia	✓	✓	Infrastructure, manufacturing, ICT/outsourcing, real estate development, tourism
Saint Vincent & the Grenadines	0.110	✓	Invest SVG	✓	✓	Agro- processing, creative industries, light manufacturing, renewable energy, tourism
Sint Maarten	0.042	DCC	Department of Economy, Transportation, and Telecommunicati on	N	N	Electronic and light manufacturing, green initiatives, offshore education, tourism
Suriname	0.576	✓	InvestSur	✓	✓	ICT/outsourcing, manufacturing, offshore bulk transshipment port, tourism, real estate development
Turks & Caicos Islands	0.038	BOT	Invest Turks & Caicos	✓	✓	Tourism, financial services, agriculture, fisheries, manufacturing

BOT – British Overseas Territory DCC – Dutch Constituent Country IP – Investment Promotion

Source: Caribbean Export Development Agency

2.0 Defining the Policy's Scope

The National Investment Policy & Diversification Strategy is built on a foundation that clearly defines the national development objectives of the country, the priority sectors for promotion

and the country’s value proposition. These have already been defined by the Government of Sint Maarten as fostering economic growth and an increased standard of living within an improved business environment in the country.

In addition, the defined national development objectives seek to:

- Create more businesses in the economy
- Diversify the economy
- Enhance the labor force
- Improve the global perception of Sint Maarten
- Position Sint Maarten as a global investment attraction hub, ready to do business.

These above development goals determine the strategic objectives of the National Investment Policy & Diversification Strategy, Country SWOT and Value Proposition.

The diagram below highlights some of the country’s selling points and areas for improvement in terms of economic development (SWOT).

Table 3. Sint Maarten SWOT

Strengths	Weaknesses
<ul style="list-style-type: none"> • Economic growth • Strategic location in North-Eastern Caribbean • Multi-language • Yachting sector • Diversified room inventory sector • Cooperation with St. Martin 	<ul style="list-style-type: none"> • Political unpredictability • Limited diversification: "One Pillar Economy" • Tourism – Mature industry • COVID-19 effects on economy • Low value-added in tourism and marine sectors • Vocational training/skills mismatch • Lack of public private partnership • High corporate tax • Modernizing infrastructure • Absence of Government funds
Opportunities	Threats

<ul style="list-style-type: none"> • Associate Member – OECS • MOU with the Netherlands and the Dominican Republic • New public infrastructure investments: General Hospital, Resort, Port of Sint Maarten, and N.V. GEBE • Fiber optic cable project • Residency through Investment policy • Agri-tourism • Fiscal and other tax reforms • Approved MSME Policy 	<ul style="list-style-type: none"> • Airport ranking and rebuilding • Environmental protection & sustainability • Geo-political uncertainty • Hurricane preparedness • Moody’s credit rating as a result of COVID-19 • Investor Uncertainty • Missing out on U.S. Pre-clearance
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Guided by the SWOT, aspects of Sint Maarten’s value proposition will be used in promotional efforts to perpetuate an image in the investor’s mind of the ideal place to do business. The investment website developed by the Department of Economy, Transportation & Telecommunication (ETT) highlights several key areas of Sint Maarten’s value proposition, including tax free living and a modern infrastructure, among others.

Sustainable Foreign Direct Investment (FDI) development refers to foreign investment that will assist Sint Maarten to achieve its SDGs (Sustainable Development Goals) and in turn the national social, economic, and environmental objectives. The increasing prominence of sustainable FDI is not only due to the SDGs but also because many of the foreign investments in the recent past have taken place at the expense of social and environmental goals. The concept and adoption of sustainable FDI policies varies based on the development priorities e.g., it involves focusing on developing people skills and a talent pool by attracting FDI at the higher levels of the value chain, in turn allowing the country to develop a knowledge-based economy. Investments should have a low-carbon footprint and be environmentally sustainable.

2.1 Target Sectors

The content of the Investment Policy & Diversification Strategy revolves around the question of “what to promote.” In this policy, this decision is guided by an understanding of the country’s business competitiveness and attractiveness for investment opportunities in (a) sector(s) on the one hand, and the perceptions and investment intentions of investors on the other.

Through consultations and research, the Department of Economy, Transportation & Telecommunication (ETT), within the Ministry of Tourism, Economic Affairs, Traffic and Telecommunication (TEATT) identified a list of sectors for promotion in its 2017 investment guide. These include Tourism developments, with a focus on boutique hotels, medical tourism and agri-tourism and hybrid conference developments, Rum Distilleries, the Logistics Hub (air

and seaport), Telecommunications, Training & Education, Light Manufacturing or Electronics Assembly and Green Initiatives. These are aligned to the priority sectors highlighted in the country's MSME Policy.

The following methodology was used to identify from an extensive list of sectors and sub-sectors, the viable options for targeted focus by the NIPS, the Netherlands International Partnership for Sustainability.

- A short-list of sectors/sub-sectors are identified simply by evaluating the number of mentions as priority sectors/sub-sectors in various policies and/ or reports as well as through stakeholder consultations. Emphasis will be placed on the sectors for which there is some consensus that there are opportunities for investments.
- The identification within each sector of niche opportunities that could be pursued given the island's location strengths.
- An assessment of key location features or local support infrastructure, including policies and legislation, incentives, training programs, as well as global demand trends, will assist in determining the potential for attracting investments.
- Guided by the findings from the above, the identification of a maximum of two or three opportunities for targeting in the near-term (Tier 1) and a second set of opportunities for longer-term focus (Tier 2).
- The identification of source markets for investment generation based on the identified sectors and other promotional strategies.

An effective Diversification Strategy identifies 2 or 3 priority sectors for targeting and focuses on the proactive promotion of those sectors to potential investors.

Table 4. Priority Sectors

Sectors/Sub-sectors	MSME Policy, 2021	Investment Guide, 2017	Stakeholders' Consultation	CAIPA's report ⁶ 2021	Number of Mentions
Agriculture	✓		✓	✓	3
Creative Industries	✓		✓	✓	3
Education (including offshore)		✓		✓	2
Financial Services	✓			✓	2

⁶ CAIPA Help Desk Support to Improve Quality of Investment Promotion in 3 CAIPA OCT Member States, Sint Maarten, Final report dated January 6th 2021.

Logistics/Transshipment Hub		✓	✓	✓	3
Marine	✓		✓		2
Digital Nomad					0
Resident through Investment					0
Niche Tourism (Boutique Hotels, Culinary Tourism, Medical Tourism, Agri-tourism, Fisheries, Rum Industry)		✓	✓	✓	3
Real Estate (including second homes)		✓	✓		2
Renewable Energy		✓	✓		2
Film Commission					0
Telecommunications/E-Business/Data Processing/Fiberoptic	✓	✓		✓	3
Light Manufacturing	✓	✓		✓	3

Source: MSME Policy, Investment Guide, CAIPA report, Stakeholder's Consultation

The number of mentions from the various sources presents a shorter list of 6 sectors with the highest number of mentions. A subjective evaluation will have to be conducted to identify the top 2 or 3 sectors for promotion – Tier 1. Table 5 provides a preliminary assessment of the key issues surrounding each of the above sectors.

Table 5. Assessment of the Main Issues Surrounding the Sectors

Sectors	Sub-Sectors	Supply Side Considerations	Subjective Rating
Agriculture	High-Tech Farming	This is primarily indoor farming, using high technology to increase yields, reduce costs and utilize sustainable farming practices. Examples of these include green houses, hydroponics and aquaponics. In small island territories like Sint Maarten, such farming practices would be the preferred choice and could be positioned as an opportunity for local investors. However, start-up costs for these ventures are usually an impediment. Virtually all agricultural produce in Sint Maarten is imported creating a compelling investment proposition to supply domestic demand and tourism. Food security is a priority focus for the	Medium

		country. Sint Maarten is small and has very little arable land for farming. Very few islanders are interested in farming as a profession. Few opportunities exist for training in sustainable farming practices.	
Logistics	Airport City (Aerotropolis)	The Government of Sint Maarten envisages an economic sub-region with commercial activities centered on and around the Airport spurred by the significant global growth in the aviation industry, the ideal location of Sint Maarten as a hub in the Caribbean and the strong linkages to tourism (nationally and regionally). The Princess Juliana Airport (SXM Airport) would be the central pillar of the strategy and will include US pre-clearance, an aviation school and an airport hotel. The aim would be to generate revenue streams in and near the terminal. Travelers by boat from neighboring islands would pre-clear at SXM Airport and the government would impose fees. The airport would also serve as the airlift cargo hub for the region.	Medium
Logistics	Port Transshipment Hub	Over the past 35 years, global trade has increased by nearly 600%, propelling the growth of logistics hubs in virtually every country around the world. Logistics hubs are typically home to large clusters of distribution facilities that are highly sought after by major real estate investors and logistics operators. The expansion of the cargo hub at the Port of Sint Maarten is a viable undertaking given the Port's strategic location in the eastern Caribbean with access to US and South American markets.	Medium
Marine	Marine Training Facility	Sint Maarten is positioned to take advantage of the opportunity to be the Center of Excellence in Caribbean in the maritime industry. Attracting an offshore maritime focused academy could be a viable investment opportunity for packaging and promotion.	High
Marine	Light Manufacturing (assembly)	Already, Sint Maarten has an advantage in the trading of marine equipment. Opportunities may exist for the assembly and export of equipment. The absence of any Red Tape for importing goods could make this a viable investment opportunity. In addition, the assembly industry competes based on low wages. In comparison to other countries involved in the assembly industry, the wages in Sint Maarten are much higher, however, the proximity to nearshore markets may compensate.	High
Marine	Marine Ancillary Services	Sint Maarten is the Caribbean leader in this sector excelling in the trading of marine equipment, the provision of high quality marine technical services, with significant investments in marinas and related infrastructure. The industry requires a stable and smart regulatory environment, in line with international standards; there are environmental issues including waste disposal and treatment as well as the reduction of exhaust and noise emissions are critical to a country whose economy relies on tourism. These and other ancillary services can be packaged as investment opportunities for locals. Other services include e.g., canvas work, chandleries, engine repairs, machine shops, rigging and sail-making as well as hotels, restaurants, and shops.	High
Niche Tourism	Digital Nomad	The Digital Nomad policy program will allow holders of American, Canadian, and Dutch passport, as well as holders of a Schengen Visa, to stay in Sint Maarten as a tourist for a maximum period of 3 – 6 months with the possibility to work digitally from their hotel or other place of stay. The minimum download speed offered by internet telecommunications companies should be 100 Mbps at an affordable rate.	High

Niche Tourism	Residence by Investment	The residence by investment program would require a foreign national to invest a to-be-determined amount in Sint Maarten to gain residency there. That foreign investor is then entitled to take up residence and after a certain number of years apply for permanent residence. Fast, reliable, and affordable Internet is required for this program. The minimum download speed offered by internet telecommunication companies should be 100 Mbps at an affordable rate.	High
Niche Tourism	Culinary Tourism Developments/ Restaurants	The island boasts a rich cultural mix of Caribbean and European heritages expressed in the unique culinary repertoire that distinguishes the island from its neighbors. Developing an opportunity for investments around the Taste of Sint Maarten event could be a near-term win. Restaurants, bars, cafes and other food festivals and tours are investment opportunities that locals and foreigners could explore.	High
Niche Tourism	Film Commission	The Film Commission will attract motion media production crews (movies, television, and commercials) to shoot on Sint Maarten and offer support so that productions can accomplish their work without problems or difficulties. Activities to promote other local tourism sectors, i.e., arts & crafts, fashion, gastronomy and music, will be included.	High
Niche Tourism	Medical Tourism	Sint Maarten has a thriving tourism sector and the flight connections or accessibility to take advantage of this opportunity. In addition, the development of the new hospital for Sint Maarten would see the expansion of the Sint Maarten Medical Center (SMMC) with the inclusion of a medical tourism wing. There are also opportunities to create linkages with the University of St. Martin and the American University of the Caribbean.	Medium
Niche Tourism	Agri-tourism	Agri-tourism projects will take the tourist to see and to be involved with agricultural activities such as touring the St. Peters Community Garden. Organized tours for tourists can be arranged in collaboration with the Sint Maarten Tourist Bureau.	Medium
Niche Tourism	Hybrid Conference Tourism	Hybrid conferences, - Live events plus options to participate virtually of high production value to keep attendees engaged. Hybrid events will help the industry steadily gain traction as the world waits for a COVID-19 vaccine. Post COVID-19 this segment will continue to grow for meeting and conference planners as well as incentive organizers.	Medium
Tele-communications	E-Business Data Processing Centers	The Government of Sint Maarten invested in the telecoms sector to enhance the industry in the country. The main provider is TelEm Group providing mobile and internet services. In the area of download speed for the internet, which would be the basis for e-business and data-processing activities, TelEm recently made investments to upgrade speed and reliability through the introduction of a fiber optic network.	Medium

2.2 The Approach

Based on the foregoing, the following priorities are proposed for the strategy to ensure net gains to the economy.

Sint Maarten will proactively promote the sectors that are ranked as being high – Tier 1 sectors. It is believed that these sectors are competitive and present an offering that is similar or superior to similar locations and can be immediately promoted.

These include:

- Niche tourism developments.
 - Digital Nomad program
 - Residence by Investment program
 - Boutique hotels (upscale health and wellness spas, retreats)
 - Culinary tourism developments
 - Agri-tourism
 - Film Commission
- Marine industry
 - Maritime Training Facility
 - Assembly of marina equipment and
 - Marine ancillary services (canvas work, chandleries, engine repairs, machine shops, rigging and sail-making as well as hotels, restaurants and shops)

The sectors that are ranked medium should be further developed as a part of a medium-term strategy – Tier 2. These include:

- Agriculture
 - High tech farming (green houses, aquaponics, agro-ponics)
- Logistics
 - Airport City (Aerotropolis)
 - Port transshipment hub

All other sectors will be considered as those for which Sint Maarten will respond to queries and facilitate once there is interest.

2.3 Build on Base

Priority actions include the strategic targeting of existing local and regional investors to encourage reinvestments as these will secure results in the near to medium term. The engagement of local investors and potential local investors in a business linkages program is quite imperative.

2.4 Ease the Path for Investors

Government will develop programs and amend policies where applicable that seek to reduce the costs of and risks to investing and doing business in Sint Maarten through, for example, statutory changes, regulatory adjustments, and administrative processes. The environment for doing business in the country will improve and studies have shown that there is a strong positive correlation between a business-friendly environment and elevated levels of FDI. Priority actions include streamlining (business) licensing and permits as well as the provision of incentives.

Tax incentives in the Caribbean have been an integral part of the tax systems since the 1970s. They were enacted to attract private investment in tourism, manufacturing, and agro-industries to diversify the economy away from primary commodity exports—sugar and bananas—that were adversely affected by the dismantling of preferential trading arrangements with Europe in the 1990s. Concessions for investment in sectors such as tourism and manufacturing have been provided through targeted legislation.

Caribbean governments' use of tax incentives, particularly in the tourism sector, is the increased competition in this market in the Caribbean. Regional destinations feel compelled to offer generous incentives to both existing and potential investors as they fear that otherwise these investors will move their existing or potential investment to a competing destination. These incentive schemes strengthen competitiveness by compensating investors for distortions and inefficiencies in the economy. However, from the investors' perspective, evidence suggests that tax incentives themselves do not necessarily make a country more attractive; investment location decisions are driven more by overall cost competitiveness.

Tax incentives have had a positive impact on FDI in the Caribbean, particularly in the tourism industry. The incentives have imposed significant costs on host economies because they have resulted in large revenue losses, exacerbating already-weak fiscal conditions, including rising public debt levels. A study by the Vale Columbia Center notes that by any measure—whether percent of government revenues, percent of the value of the investment for which incentives are provided, or the cost per job created—these incentives have proven to be costly.⁷ The IMF's policy advice has emphasized streamlining incentives schemes to minimize costs and reduce distortions by not favoring specific activities, while underscoring the importance of structural reforms to improve competitiveness and the domestic economic and business environment to attract private investment.⁸

3.0 The Investment Promotion & Diversification Strategy

3.1 Proactive Promotion Strategic Sectors

The sectors identified for proactive promotion in the near term are:

⁷ Ibid 7

⁸Tax Law Design and Drafting (volume 2; International Monetary Fund: 1998; Victor Thuronyi, ed.) Chapter 23, Income Tax Incentives for Investment.

- Niche tourism developments.
 - Digital Nomad
 - Residence by Investment
 - Boutique hotels (upscale health and wellness spas, retreats)
 - Culinary tourism developments
 - Agri-tourism
 - Film Commission
- Marine Industry
 - Maritime Training Facility
 - Assembly of marina equipment
 - Marine ancillary services (canvas work, chandleries, engine repairs, machine shops, rigging and sail-making as well as hotels, restaurants, and shops).

3.2 Develop Investment Packages

A first step in the promotion of these sectors would be the development of investment packages.

The packaging of investment projects involves the preparation of a document, like a prospectus, profiling the sector, presenting the business case, and providing detailed information on the investment opportunity including the benefit of investing in the project in Sint Maarten. Information to present may include: detailed project description, location of the project in Sint Maarten, incentives or support offered by the government, information on Purchasing Power Parity (PPP) possibilities, real estate allocated and zoned for the developments, the strengths of Sint Maarten in the sector, wages, availability of skilled labor, immigration requirements, productivity information related to the sector, tourism growth trends, comparative data to allow for benchmarking, incentives, among others – information that the potential investor will need to decide.

3.3 Identify Investor Source Markets

Identifying the target markets of potential investors is the next step. Proactively promoting the sectors identified must start by determining the most reasonable geographical sources of potential investment in the selected sectors and subsectors.

The selection of the geographical investment source will result from the combination of the following criteria, namely:

- Countries that are significant outward investors in developing countries
- Countries that dominate the industry/subsectors
- Countries with cultural/historical ties with the host country
- The proximity to major markets
- The key trade and investment partners of the host country.

The following countries are recommended for targeting. Of note, the Caribbean is mentioned, particularly as it relates to tourism because several strong boutique hotel brands are born from the Caribbean or make the Caribbean their home and these regional investors are potentials for targeting.

Table 6. Recommended Countries to Target for Investments

Sector	Country 1	Country 2	Country 3	Country 4
NICHE TOURISM DEVELOPMENTS/SERVICES				
Digital Nomad	USA	Canada	Europe – Schengen Countries	Kingdom of the Netherlands
Residence by Investment	USA	Europe	Caribbean	Latin America
Boutique hotel development (wellness retreats/spas)	Caribbean	USA	Europe - Spain	Domestic Investment
Culinary tourism developments	Domestic Investment	Caribbean	Europe - Netherlands	Latin America
Film Commission	USA	European	Caribbean	Latin America
MARINE INDUSTRY				
Maritime Training Facility	Domestic Investment	USA	Europe - UK	Kingdom of the Netherlands
Assembly of Marine Equipment	Domestic Investment	Asia - China	New Zealand	Europe - UK
Marine Ancillary Services	Domestic Investment	USA		

3.4 Identify Potential Investors

A list of potential investors specific to the sectors being promoted should be developed and contact information for each investor researched. A profile of the main targets should also be developed so that Sint Maarten has a better understanding of the nature of the investor’s business.

3.5 Marketing Activities

Once the investment packages have been developed, the target markets defined and the potential investors defined, there are several avenues that should be explored to begin promoting the niche tourism sector.

- Website development: The development of an online presence is the most effective method in proactive promotion as it is economical and provides global reach. The

investment packages will be displayed on a website that provides information to potential investors about the projects and puts them in touch with investment facilitators.

- Social media campaign: A strategic social media campaign should be undertaken.
- (Virtual) Road show: The campaign will be taken on the road, when possible, to strategic markets e.g., the Netherlands where Sint Maarten has an advantage, and the USA due to its proximity. Other territories that could be considered will be based on a review of demand trends for the projects identified.
- Board-room presentations: Presentations should be given to global brands identified that the country would like to attract to its territory.
- Strategic partnerships: The engagement of Chambers of Commerce in targeted countries will also be a strategy employed so that continued promotion to their members could ensue.
- Overseas Office: The overseas offices of the Kingdom will be engaged to assist with the promotion of these projects.
- Hosting of an investment forum: Sint Maarten will invite potential investors to the territory to highlight its offering.
- Trade fairs and shows: The projects/initiatives will be promoted at targeted trade fairs and trade shows relevant to the investment opportunity. A few of these include:
 - Niche tourism: CHICOS, CHRIS, World Medical Tourism Congress, Shared Ownership Conference, Golf Business Conference, Golf Industry Show.
 - Marine - Yachts Miami Beach, Opportunities in Superyachts Conference, Refit International Exhibition & Conference, Superyacht Design Symposium.

The sectors that are ranked as medium will be further developed as a part of a medium strategy – Tier 2. This will require engagement with the relevant stakeholders to develop an action plan that will target critical location determinants relevant to investors in that sector. The sectors include:

- Agriculture
 - High tech farming (green houses, aquaponics, agroponics, agri-tourism)
- Logistics
 - Airport City (Aerotropolis)
 - Port transshipment hub

3.6 Build on Your Base

The “base” in this section refers to foreign, regional as well as local investors already operating on Sint Maarten. Priority actions include the strategic targeting of existing local and regional investors to encourage reinvestments as these will secure results in the near to medium term. The engagement of local investors and potential local investors in a business linkages program is recommended.

3.7 Reinvestment Strategy

One of the components of direct investment, reinvestment of earnings (or reinvested earnings), is a major source of FDI inflows. Given the significant magnitude of reinvestments as a share of total FDI flows, particularly in developing countries, significant attention should be paid to it by policymakers. The main policy objective will be to increase the reinvestment rate in order to keep as much of these earnings as possible in the host economy. Servicing of landed investments can significantly boost their country's FDI flows and can have positive impacts on the country's balance of payments lowering the level of "income leakage" from the domestic economy.

A key recommendation therefore is for Sint Maarten to develop and implement a strategy targeting reinvestments, focusing on existing investors' needs and measures to assist landed investors expand their businesses with spill-over effects for the local economy. Possible best practices in the targeting of reinvestments:

- Understand the investor community - full knowledge on which foreign investors have already established in the country, the nature of their operation and who the key corporate decision makers are.
- Develop objectives of the program - based on both the feedback from existing investors and the economic development needs of the country.
- Assess resources and design a program - the actual stock of foreign investors in the country, as well as the objectives of the program, will help to determine the resources needed and services to be provided.
- Segment, target and design the program focusing on operational and strategic services on the existing investors that make or have the potential to make the biggest impact on the local economy.
- Deliver services - develop an "account management system" for delivering these services. This involves segmenting the community of inward investors into key accounts and allocating company servicing to specific "account managers".
- Monitor and evaluate activities and results – so the impact of the program can be assessed.

Given the above best practices, it is being proposed that Sint Maarten should firstly undertake an assessment of existing local and foreign investors with a special focus on the targeted sectors where possible. This will include the following steps:

- **Step 1:** A list of investors will be developed with contact information. Collaboration with the CAIPA's (Caribbean Association of Investment Promotion Agencies) secretariat could provide some assistance in the development of a database of regional investors.
- **Step 2:** These investors will then be polled to increase understanding of their needs and reinvestment interests. An online survey tool could be used to facilitate accurate recording of responses, monitoring & evaluation of progress in implementing the survey and analysis of the results.

- **Step 3:** Once the information has been collated and reviewed, investment packages targeting the needs of these re-investors will be developed. These packages may also include incentives specific to these re-investors.
- **Step 4:** The investment packages will then be promoted to the potential investors and account managers appointed to work with the existing investors on the development of the investment opportunities.

3.8 Partnerships with Local Investors – Linkages to FDI

The linkage between the FDI firm and the local MSME is potentially one of the fastest and most effective ways of ensuring there is a high retention of FDI earnings in the domestic economy, upgrading domestic enterprises, engendering a transfer of skills and technology, promote market diversification and production efficiency, among others. Additionally, given the restriction of MSMEs, linking with FDI will be beneficial. Some of the restrictions to MSMEs include:

- Their inability to meet international production/services standards on quality, prices, delivery, health, labor and environment.
- They lack the information, experience, contacts, human and financial resources, management and technology systems and entrepreneurial skills required to take advantage of FDI.

FDI linking themselves to local suppliers will prove extremely beneficial to foreign firms as well. Globalization and competition can encourage foreign firms to form strategic alliances with key local suppliers. Strategically, it may also be in their best interest to assist local suppliers to develop and innovate and often actively participate in linkages programs by providing human or financial resources, training, coaching, and mentoring. An example of such programs in the Caribbean includes the Sandals’ success in sourcing local food from farmers. With the assistance of the Rijksdienst Voor Ondernemend (RVO) Nederland, a business partner scan to find suitable parties, such as agents, distributors, and dealers can be carried out and the initial contacts can also be set up.

To take advantage of the benefits of linking foreign firms to local MSMEs (Micro, Small and Medium sized Enterprises), programs must be developed with a proactive and dedicated team for linkage and development. Proactively identifying investors with the potential to increase their local content, engaging with them, and securing their agreement to participate in a program and developing a key account management strategy to link them to local suppliers who can meet their needs are steps that will be taken by the Government of Sint Maarten. This will increase local content and ensure the absorption of FDI into the local economy.

It is therefore imperative that, given limited resources and an identified “super-sector,” priority focus be placed on that one sector to optimize resources and provide focused attention to ensure a higher probability of success in the interim.

3.9 Implement a Business Environment Reform Program

A healthy business environment that increases the ease with which investors can conduct business is essential for growth and sustainable development. For the purposes of this policy, the business environment is described as the complex of policies, legal, institutional, and regulatory conditions that govern business activities and affect the performance of enterprises.

The business environment forms a part of the broader investment climate, with the latter including other elements such as the rule of law, political stability, economic predictability, infrastructure, equitable and efficient labor markets, open financial markets, skills and human resource development.

With limited resources, the Government of Sint Maarten will focus on improving the business environment, which is perceived as an “easier to attain” goal in the near to medium term. Securing wins in the near to medium term will set the pace for future successes in implementing a more aggressive reform agenda.

In addition, a program of reforms to improve the business environment will assist in bolstering investor confidence in the domestic economy.

The objectives of the business environment reform agenda will be to:

- Provide relevant easily accessible information on doing business in Sint Maarten.
- Reduce business costs by reducing the number of procedures and the time taken to apply for permits and approvals, thereby increasing profits and investment income of firms – savings and earnings that they may invest or reinvest.
- Reduce risks or perceptions of high risks.
- Proactively communicate to domestic and foreign investors the government’s efforts at improving the business environment.

Table 7. Ease of Doing Business Indicators

Indices	What they Measure
Starting a Business	Procedures, time, cost, and minimum capital to open a new business.
Dealing with construction permits	Procedures, time, and cost to build (i.e. a warehouse).
Getting Electricity	Procedures, time, and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.
Registering Property	Procedures, time, and cost to register commercial real estate.
Getting Credit	Strength of legal rights index, depth of credit information index.
Protecting Investors	Indices on the extent of disclosure, extent of director liability and ease of shareholder suits.

Paying Taxes	Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit.
Trading across Borders	Number of documents, cost and time necessary to export and import.
Enforcing Contracts	Procedures, time, and cost to enforce a debt contract.
Resolving Insolvency	The time, cost and recovery rate (%) under bankruptcy proceedings.

Source: World Bank Doing Business 2019 Report

A study undertaken by Addy and La Cruz assessing the business environment in the OCTs identifies challenges associated with Starting a Business in Sint Maarten and information transparency.⁹ The study notes that:

- Starting a Business – Benchmarked against the best performers in the global rankings, it was noted that it takes about 21 working days to start a business in Sint Maarten (Non-national owned limited liability company), while the regional best is 6 days. Efforts will be directed at rationalizing business licensing requirements, proactively addressing bureaucratic red tape through the centralization and streamlining of the business registration process. Improving efficiency in government services will be a priority in order to foster a competitive investment environment. On the Government of Sint Maarten’s website, under the Business icon, information regarding the types of licenses needed and contact information is available.
- Register a property: It takes 42 days to register property in Sint Maarten compared with the region’s most efficient time of 17 days.

Another consideration not made in the study that needs to be addressed as a priority is the below, with a view to improving the standard to international best practices:

- Work permit and immigration related procedures and requirements. To improve Sint Maarten’s competitiveness and growth potential and allow for the enhancement of the country’s location value proposition to investors, a flexible labor market equipped with appropriate skills is needed. A close examination of the country’s work permit policies (for foreign labor) must be assessed with labor market reforms that address factors that hinder the market’s flexibility and render the country unattractive to prospective investors. Benchmarking the country’s policies and procedures to good practice locations

⁹ A study to assess the Regulatory and Business Enabling Environment for doing business in the Caribbean OCTs, Client: Ecorys on behalf of the Deputy Regional Authorizing Officer, British Virgin Islands Road Town, 12 December 2016.

is a good place to start. Once the new procedures are agreed on, efforts should be made to improve efficiency and timeliness in granting required permits for foreign workers.

The following steps will need to be taken:

- Review the indicators in the latest Doing Business Report with a view to understanding the good practices of highly ranked countries within and outside the region.
- Map the procedures, number of days and procedures for each indicator in Sint Maarten benchmarking these with competitors.
- Draft policy discussion papers that present this information.
- Identify at least 1 champion in the private sector and the public sector to drive reform. The ideal private sector “champion” will have a wide appreciation of business concerns, both by sector and by scale, possess a compelling reputation across government as an honest broker and can get media attention. This champion might be a motivated entrepreneur, or an elected leader of an association.
- Establish a structured platform for evidence-based Public Private sector Dialogue (PPD) that brings together all the relevant stakeholders needed to help resolve the issues. Establish the PPD forum as a platform where frank discussion and knowledge-sharing is encouraged - a “neutral space”. This point is particularly important. The public sector must display sufficient capacity, political will, and leadership to engage and the private sector, led by the designated champion, must be organized, have leadership, and feel a basic sense of security in speaking out to government without fear of being penalized. The PPD should validate the proposed business areas for immediate reform.
- From these stakeholders, identify and convene working groups whose role will be to focus attention on solutions to the challenges faced in the areas identified for reform. The composition of the working groups is essential to the success of the reform agenda. The groups will have active private sector participants and public sector representatives relevant to the area to be reformed. The working groups should meet at least once every 4-6 weeks and should have specific timeframes for completion of their recommendations, approval by the government, and execution of reform initiatives.

A communications strategy to reinforce the reform process should also be developed.

3.10 Impact Investing

Impact investing is a general investment strategy that seeks to generate financial returns while also creating a positive social or environmental impact. Investors who follow impact investing consider a company's commitment to corporate social responsibility or the duty to positively serve society.

Socially responsible investing and impact investing are often used synonymously, alongside other terms like ethical investing and sustainable investing. They usually refer to a similar idea: Using your investing dollars to make a positive difference in the world.

Impact investors often use environmental, social and governance, or ESG factors, which are a set of guiding principles that focus on environmental, social and corporate governance concerns, when choosing investments. Many independent research firms use ESG scores to help grade investments along an ethical curve. For example, if you're creating an impact portfolio focused on the environment, you may look for investments that receive a high ESG score in the environmental category.

There are generally three strategies for making portfolios more impactful:

- Exclude investments in what they consider "unethical" companies.
- Include "ethical" investments.
- Include and exclude investments.

Impact investing works by channelling investor funding into companies that promote good in the world or avoiding those that do not, i.e., an investor may choose to put their investment funding toward a renewable energy company over an oil company.

Impact investment fund reports provide information about the real-world changes the fund is making through its investment choices. However, specific investments are not the only ways of making an impact; activism can also have an effect.

The Global Impact Investing Network's 2020 Annual Impact Investor Survey estimates that the current impact investing market is roughly \$715 billion. That number is likely growing, since the financial flows into sustainable funds more than doubled from 2019 to 2020 and the number of available funds rose 30% from 2019.¹¹

3.11 Corporate Social Responsibility

According to the World Bank, Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life in ways that are both good for business and good for development.

The investment policy is formulated to strengthen the alignment,

- Ensuring that the interventions are optimal
- Good for both business and the development
- Feasible in relation to institutional constraints of public sector agencies
- Value drivers of business.

Sint Maarten Government views the CSR to enhance sustainable development strategies, to compete with the “right” type of FDI inflows. There is a general agreement on the following points: The term CSR can be interpreted in a wide range of ways.

CSR will represent a new mindset about the changing role of business in this society and government has considered the following when forming its CSR policies:

- History
- Culture
- Business climate
- Public awareness

The lead should be taken by the Investment Promotional Agency or the Economic Development Corporation.

Corporate social responsibility (CSR) is the idea that a business has a responsibility to the society that exists around it.¹⁰ Organizations that embrace corporate social responsibility are typically organized in a manner that empowers them to be and act in a socially responsible way. It is a form of self-regulation that can be expressed in initiatives or strategies, depending on an organization’s goals.

“Socially responsible” means varies from organization to organization. Firms are often guided by a concept known as the triple bottom line, which dictates that a business should be committed to measuring its social and environmental impact, along with its profits. The adage “profit, people, planet” is often used to summarize the driving force behind the triple bottom line.

Corporate social responsibility is broken into four categories: environmental, philanthropic, ethical, and economic responsibility.

3.11.1. Environmental Responsibility

Environmental responsibility refers to the belief that organizations should behave in as environmentally friendly a way as possible. It is one of the most common forms of corporate social responsibility. Some companies use the term “environmental stewardship” to refer to such initiatives.

Companies that seek to embrace environmental responsibility can do so in several ways:

¹⁰ “Business in Society.” Harvard Business School Online. April 8, 2021

- Reducing pollution, greenhouse gas emissions, the use of single-use plastics, water consumption, and general waste.
- Increasing reliance on renewable energy, sustainable resources, and recycled or partially recycled materials.
- Offsetting negative environmental impact; for example, by planting trees, funding research, and donating to related causes.

3.11.2. Ethical Responsibility

Ethical responsibility is concerned with ensuring an organization is operating in a fair and ethical manner. Organizations that embrace ethical responsibility aim to achieve fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers.

Firms can embrace ethical responsibility in diverse ways. I.e., a business might set its own, higher minimum wage if the one mandated by government does not constitute a “livable wage.” A business might require that products, ingredients, materials, or components be sourced according to free trade standards. In this regard, many firms have processes to ensure they are not purchasing products resulting from slavery or child labor.

3.11.3. Philanthropic Responsibility

Philanthropic responsibility refers to a business’s aim to actively make the world and society a better place.

In addition to acting as ethically and environmentally friendly as possible, organizations driven by philanthropic responsibility often dedicate a portion of their earnings. While many firms donate to charities and nonprofits that align with their guiding missions, others donate to worthy causes that do not relate to their business. Others create their own charitable trust or organization to give back.

3.11.4. Economic Responsibility

Economic responsibility is the practice of a firm backing all its financial decisions in its commitment to do good in the areas listed above. The end goal is not to simply maximize profits, but positively impact the environment, people and society.

The benefits of CSR

1. CSR increases employee engagement
2. CSR improves bottom-line financials
3. CSR supports local and global communities
4. Contributes to the United Nations’ 17 Sustainable Development Goals

5. Increases investment opportunities
6. Present press opportunities
7. Increases customer retention and loyalty
8. CSR improves employer branding

4.0 From Vision to Action - Executing Framework

4.1 Lead entity for Investment Promotion

Determining the right institutional structure for a country's Investment Promotion Agency (IPA) is a function of the government.

This differs from country to country based on the political environment, local government culture, existing organizational structures and in some cases, it is also a function of personalities.

The most common IPA structures are:

- An integral unit of a major ministry (e.g., Ministry of Finance or Ministry of Economic Development)
- A Ministry with sole responsibility for investments
- A Unit within the Prime Minister's or President's Office
- An autonomous entity that reports to a cabinet minister.

IPAs (Investment Promotion Agencies) or EDOs (Economic Development Organizations) are established as legal entities by a government law that states its mandate and organizational objectives. The legal status of IPAs should ensure stability and are independent in operations and effective communication with the government. It has been observed that the legality and ability to have direct contact with the top decision-making body of the country (head of state, cabinet) significantly enhances the FDI attraction capabilities. It is stated that "strong reporting mechanisms to the highest political level, as well as participation by the private sector, contribute to increasing the IPA's visibility and credibility and thus reinforce effectiveness in attracting FDI. Over 80% of the global IPAs are government entities with operational independence while the remainders are public-private partnerships or fully private agencies (where there is an absence of a government body).

Given the financial challenges of government, it is recommended that in the interim an existing agency is designated as the Investment Promotion Agency of Sint Maarten. An example of one such entity that can serve as the country's investment promotion agency is the Economic Development Corporation N.V. (EDC), which was established to attract and facilitate investors while pursuing economic development objectives. Another option is the Sint Maarten Investment Agency B.V. (SMIA), which is a newly established professional organization that

strongly supports sustainable economic recovery as well as growth and earning capacity of the economy of Sint Maarten.

The purpose of the designated agency will be to promote the country to investors and bolster investor confidence. However, the agency will not be the sole entity for investment attraction as all entities in Sint Maarten, by improving their environment for doing business related to their functions, help to attract investments to the country. Communicating what it means to be a lead entity is important. Effective managing relationships with all stakeholders in Sint Maarten will also assist the designated entity in positioning itself as the lead entity for investment promotion in the country.

The specific functions of the agency will include:

- Investment attraction services (domestic and foreign)
- Investment facilitation including “one-stop-shop” services
- Communication and image building
- Policy advocacy for an improved business environment.

The government will communicate this mandate to all stakeholders to gain buy-in and collaboration as the investment promotion agency cannot function on its own without input and support from key line Ministries, agencies, and the private sector.

Providing a one-stop-shop for investors can be challenging in practice. Coordination among the many ministries concerned with economic affairs and regulation remains a challenge. Different departments and agencies have different points of view and responsibilities and hence might not all see investment proposals in the same way. These departments or agencies are often the ones most qualified to assess a project in their area of competence, particularly its environmental impact. The following Ministries will require cooperation for the one-stop-shop:

-
-
- Ministry of TEATT – Business licenses
- Ministry of Finance – Taxes and Fiscal matters
- Ministry of VROMI – Building, Hindrance, and Environmental Permits
- Ministry of VSA – Labor and Health Permit
- Ministry of Justice – Residence Permits

The agency must have a clear strategy for inter-governmental communication. In some ways it must act as a diplomat within government, conveying to government the concerns of business and balancing these against the different regulatory imperatives in different agencies. If there is no IPA, clear responsibility should be assigned to a lead ministry to develop a sound strategy for investment and create regular procedures for dealing with business and managing change. A mandate from the Government will be required.

There are various approaches to IPA design to ensure effective cooperation among government departments, including:

- leading the IPA through a board composed of key government departments
- appointing IPA liaisons to key ministries
- transferring legal authority to the IPA to issue the relevant permits
- positioning the IPA so that it reports directly to the prime minister or minister of economic development to have direct access to help in managing cooperation issues on investments.

It is recommended to have the IPA report directly to the Minister of Tourism, Economy, Transportation and Telecommunication.

Artificial intelligence (AI) has become an area of strategic importance and a key driver of economic development particularly during COVID-19. The recommended structure is because of the key economic requirements which include:

- Human agency and oversight
- Technical robustness and safety
- Privacy and Data Governance
- Transparency
- Diversity, non-discrimination and fairness
- Societal and environmental well-being
- Accountability

Staff needs to be designated to outfit the entity and carry out the functions defined. Understandably, the availability of resources will define the number of resources that can be allocated to undertake each function. It is recommended that at least 3 personnel be dedicated to the investment promotion functions noted above. On average, in the Caribbean, the IPA staff is about 5 -10 people in the smaller territories, not including support staff. In addition, a good global practice is that the personnel employed have some private sector experience.

It is proposed that the positions to be considered for filling and the suggested job functions could be:

- Director
 - Manage the work of the IPA ensuring the execution of the strategic objectives
 - Oversee the day-to-day operations
 - Design and implement an overseas marketing and promotion program
 - Generate new investor leads
 - Manage the execution of the reform agenda
 - Represent Sint Maarten on outward missions
 - Liaise with external networks and agencies
 - Develop action plans, budgets and KPIs

- Senior Investment Facilitation Officer
 - Respond to investor inquiries
 - Handle investor inquiries
 - Assist an investor with all the regulatory, permitting, legal, and operational issues of setting up a new operation
 - Manage the Business Linkages Program

- Communication Officer
 - Responsible for the Department’s external communications with stakeholders, domestic and overseas media, and social media channel
 - Develop a public relations strategy ensuring that potential investors recognize the Department as the first point of contact when seeking to invest in Sint Maarten
 - Design and implement a communication campaign geared towards increasing confidence among domestic and foreign investors in the economy. The campaign must focus on steps being taken by the Government to return the economy to a stable footing and sustain growth
 - Design and implement communication protocols to standardize and smoothen communication procedures
 - Provide support to the business reform agenda under the leadership of the Senior Officer.

The IPA should engage the University of St. Martin to secure part-time interns to assist with administrative tasks on an “as-needed” basis. For example, the organization of investment-related meetings, conducting research into source markets and potential investment leads, and the preparation of first draft reports. Interns can also assist in data gathering, which is a critical part of the work of the IPA.

The IPA’s reporting structure is critical to determining its success. The reporting mechanisms for IPAs vary. Some report directly into the head of state, others into a Minister or Prime Minister, other high-level government official or Steering Committee/Board. For Sint Maarten, the entity remains within the line Ministry of TEATT. It is recommended within this policy, however, that the framework include an Investment Board, whose members are appointed from key private and public sector entities to provide guidance on a strategic level to the IPA.

Successful IPAs regionally and internationally, are known for their high political visibility and strong private sector participation. Other government entities relevant to the attraction of investments should also be included on this Board, bearing in mind that its articles of incorporation should not allow for more than seven (7) to allow for efficient decision-making. It is anticipated that the Investment Board will be one of the initiatives that will be used to bridge the gap between the government and the private sector. The Investment Board should be chaired by (a representative of) the Minister of Tourism, Economic Affairs, Traffic and

Telecommunication (TEATT), with the private sector representative acting as Deputy pending approval by the Corporate Governance Council.

The Investment Board will be responsible for managing the strategic direction of the IPA and provide guidance on the execution of initiatives articulated in the strategy; it will not evaluate individual investor inquiries, requests, or applications. The IPA will serve as Secretariat to the Board providing frequent updates on progress made.

4.2 Measuring Performance

The next challenge is to identify the means to measure and evaluate the IPA's performance, based on its strategic objectives. The monitoring and evaluation (M&E) mechanisms will be stipulated in the IPA's operational plan. Given that the mandate and activities of the IPA are based on the investment promotion strategy, measuring the entity's performance reflects the extent to which the objectives have been achieved and successfully implemented.

For the IPA, this will not be possible without proper data, both quantitative and qualitative. To secure quantitative data, it is recommended that the IPA plans early and puts in place a strategy to collect FDI and domestic investment data. This may require partnerships with the Statistics Department and the Central Bank of Curacao and Sint Maarten (CBCS). In addition, the measurement indicators must reflect the fact that investment promotion is a continuous process and requires a considerable amount of time before it generates any form of measurable output (i.e., new jobs, increased exports, capital attraction).

The performance of the IPA needs to also be measured using interim objectives and indicators to check whether its performance is still in line with the long-term objective. The performance of the IPA is to be measured using Key Performance Indicators (KPIs). These are the translation of strategic objectives and outputs into quantified measurable indicators. The KPIs are to be used to measure the extent to which defined objectives were realized. An example of whether the IPA has been successful in executing the business reform agenda is an indicator that measures the number of reforms made by the government initiated by the IPA.

Frequently used best practice KPIs (Key Performing Indicators) are:

- Number of reforms introduced by the government influenced by the IPA
- Number and value of investment prospects in the pipeline at a given point in time or on average over a defined period (i.e., how many meaningful project interests are in the IPA's pipeline of projects)
- Total FDI flow into the country facilitated by the IPA
- Total domestic investments facilitated by the IPA
- Number and value of business linkages contracts signed as a direct result of IPA activities.

In addition to the above, interim indicators that could be used by Sint Maarten include:

- Number of serious enquiries facilitated

- Number of policy reforms drafted and presented to government
- Number of companies visiting the island on investment missions
- Number of site visits facilitated
- Number of outward missions undertaken
- Number of qualified investment leads generated
- Number of BLP (Business Limited Partnership) agreements signed
- Number of investment packages developed

4.3 Securing Success

The most essential element to this strategy's success is collaboration. The IPA should engage with all stakeholders to safeguard buy-in and cooperation in its execution.

Collaboration goes hand in hand with communication. A strategy must be developed to keep stakeholders informed of steps being taken by the IPA. An attractive monthly newsletter could be developed for this sole purpose.

Once the Investment Policy & Diversification Strategy has been finalized and published, the next step would be to appoint the members of the Investment Board and designate a lead entity to act as the country's interim IPA. A draft action plan should be presented to the Board for guidance and approval. The Action Plan should include specific initiatives to be undertaken under each priority area with defined outcomes and outputs.

The following are activities that should be undertaken during the first 6-8 months after the policy has been published and members of the investment board appointed:

- Ensure capacity building/training for the IPA's staff (this could take the form of training provided by CAIPA (Caribbean Association of Investment Promotion Agencies), visits to good practice regional IPAs or support from the Netherlands)
- Host initial Investment Board meeting to agree on the draft Action Plan and Budget for the IPA
- Undertake a study to define the value proposition of Sint Maarten for the priority sectors
- Develop promotional material using this information
- Develop/ maintain the IPA's website
- Develop at least 3 priority investment packages
- Undertake a global launch of Sint Maarten's strategy, developed collateral material and website (this could include a series of activities such as a launch in the country, an online webinar to include regional and international stakeholders and/or meetings in the Netherlands to which potential investors could be invited)
- Develop a calendar of events to be displayed on the website.

5.0 Summary of Recommendations

Sint Maarten needs investments in order to grow. A proactive strategy is recommended in order to bolster investor confidence and stimulate domestic and foreign investment flows. Actively promoting Sint Maarten's location value proposition to potential investors in strategic sectors, providing support to potential investors and working to improve the country's business environment will assist in securing new FDI and encourage domestic investments. An Investment Promotion Agency will play a significant role in achieving this goal.

The main recommendations mentioned in this report are:

- Proactively promote investments into the following niche tourism sub-sectors in the near term:
 - Digital Nomad
 - Residence by Investment
 - Boutique hotels (upscale health and wellness spas, retreats)
 - Culinary and Agri-tourism developments
 - Film Commission
 - Marine industry, including a Maritime Training Facility; assembly of marina equipment; and marine ancillary services
- Work with the relevant stakeholders to identify and execute initiatives that will assist in developing the Tier 2 sectors for promotion in the medium term. These include:
 - High tech farming (green houses, aquaponics, agro-ponics)
 - Medical Tourism (given the construction of a brand new General Medical Hospital)
 - Logistics:
 - The Airport City (Aerotropolis) including Fixed Based Operations, Aviation Training entities, Car Park Facilities, and other aerotropolis capital improvement projects.
 - Port transshipment hub
- Develop a program that links local investors to foreign investments and the sectors to be promoted to domestic investors.
- Identify aspects of the business environment that need reform based on global best practices and develop a work program with working groups to resolve these issues.
- An existing entity should be designated as the lead entity attracting and facilitating investors on Sint Maarten until such time that Sint Maarten can establish its own Investment Promotion Entity.
- An Investment Board made up of private and public sector stakeholders should be constituted to provide guidance to the IPA on a strategic level.
- The main functions to be undertaken by the IPA (or interim designated entity) would include:
 - Investment attraction services (domestic and foreign)
 - Re-investment facilitation including "one-stop shop" services
 - Communication and image building and
 - Policy advocacy for an improved business environment.