



Entrepreneurship and SME Policy for Curaçao



MINISTRY OF
ECONOMIC DEVELOPMENT
OF CURAÇAO



Boosting Caribbean OCT Enterprises

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Entrepreneurship and SME Policy for Curaçao



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September, 2018

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List of abbreviations

ADECK	-	Curaçao Association of Small Entrepreneur
ANG	-	Antillean Guilder
B2B	-	Business to Business
BIP	-	Bureau of Intellectual Property
BSO	-	Business Support Organisation
BVI	-	British Virgin Islands
CBCS	-	Central Bank of Curaçao and St Maarten
CBS	-	Central Bureau of Statistics
CDI	-	Curaçao Development Institute
CINEX	-	Curaçao Investment and Export Promotion Agency
CHATA	-	Curaçao Hotel and Tourism Association
CITI	-	Curaçao Institute of Technology Innovation
COSME	-	Competitiveness of Small and Medium Enterprise
CTO	-	Caribbean Tourism Organisation
EU	-	European Union
FDI	-	Foreign Direct Investment
FNP	-	Fundashon Negoshi Pikiña
GDP	-	Gross Domestic Product
I(C)T	-	Information (and Communication) Technology
IP(R)	-	Intellectual Property (Rights)
Korpodeko	-	Curaçao Development Corporation
MEO	-	Ministry of Economic Development
NDP	-	National Development Plan
OBNA	-	Development Bank of the Netherlands Antilles
OCT	-	Overseas Countries and Territories
OCTA	-	Overseas Countries Technical Assistance
OECD	-	Organisation for Economic Cooperation and Development
R&D	-	Research and Development
RvO	-	Netherlands Enterprise Agency
SBA	-	Small Business Act
SBA	-	Small Business Administration
SBDC	-	Small Business Development Centre
SBO	-	Secondary Vocational School
SME	-	Small and Medium Enterprise
SOE	-	State Owned Enterprises
SVB	-	Social Security Company
TAC	-	Thierry Apotheker Company
UNDP	-	United Nations Development Programme
UoC	-	University of Curaçao
VNW	-	Representation of the Netherlands in Willemstad (Curaçao)
VSBO	-	Preparatory Vocational School



1. Introduction

The Government of Curaçao puts a high level of priority on promoting Small and Medium Enterprises (SMEs) as a means to accelerate growth and promote economic diversification, as well as creating jobs and income earning opportunities for its citizens. Within the Government the Ministry of Economic Development (MEO) is leading the SME policy process. An SME policy was developed in 2011.

This Policy recommended that it should be regularly updated. Given the time that has elapsed since then and changes in economic conditions, it is timely to update and revamp the SME Policy. The Ministry of Economic Development has requested the support of the Ecorys-COSME project, Improving the Regulatory and Business Environment for BSOs and SMEs in the Caribbean OCTs for updating the SME policy.

A first exploratory mission to Curaçao took place from 5 to 7 June 2017 by the team leader of the Ecorys-COSME project, Mr. Huib Poot, to discuss the approach of reviewing the existing SME policy. Subsequently, a second mission took place from 26 to 30 June during that same year. During this mission, a workshop on SME policy had been organised by the Ministry of Economic Development, which was held in the afternoon of 26th June in Landhuis Klein Kwartier.

The key note address of the workshop was given by the Minister of Economic Development, dr. I.S. (Steven) Martina. An introductory statement was also given by Mariëlla Olaria-Maduro, Director Business Services Division MEO. Subsequently presentations were made by Stephen Mambi, Policy Advisor at MEO on the existing SME Policy and by Huib Poot, Ecorys-COSME on the SME policy work done under the COSME programme and on an update of the SME policy for Curaçao based on a new SME policy framework.

These presentations were followed by a panel discussion and questions and comments by workshop participants. Issues raised included the need to coordinate SME policies and establishing a platform of information relevant for SMEs. The workshop counted over 50 participants representing government, private sector, business support organisations and several MSMEs.





During the following week, individual meetings were organised to further strengthen the revised SME policy. Key persons in organising the workshop and subsequent meetings were Dhariana Loth and Stephen Mambi of MEO. They also participated in the individual meetings.

Based on these meetings and consultations a draft SME policy document was prepared by Huib Poot. MEO contracted the local UNDP Democratic Dialogue team to support the revision of the SME policy, based on the draft SME policy document.

For further consultations on this draft report with relevant stakeholders a series of workshops has been organised. Initially, six workshops were organized and facilitated by experienced facilitators from the local UNDP team:

- 1 Workshop on Development of Entrepreneurship, PR, Education of 2.5 hours (9:00 -11:30 hrs.) on Thursday October 26th, 2017.
- 2 Workshop on Finance of 2.5 hours (9:00 -11:30 hrs.) on Friday October 27th, 2017.
- 3 Workshop on Development of Entrepreneurship Scouting, Coaching and Mentoring of 2.5 hours (9:00 -11:30 hrs.) on Monday October 30th, 2017.
- 4 Workshop on Implementation of annual performance measurements and impact measurements of 2.5 hours (14:00 -16:30 hrs.) on Monday October 30th, 2017.
- 5 Workshop on the Organization of the execution (Small Business Development Center/ SBDC of 1.5 hours (9:00 -10:30 hrs.) on Tuesday October 31st, 2017.
- 6 Workshop on Red Tape of 2.5 hours (14: 00 -16:30 hrs.) on Tuesday October 31st, 2017.



Based on the findings of the UNDP coordination team submitted to MEO, it was decided that two extra workshops needed to be held on the topics of finance and the organization of the execution of SME support services to achieve a better understanding of the issues to be addressed and to further review and agree on the policies and programs needed to resolve these issues.

These two workshops were held on:

- Wednesday November 8th 2017 extra workshop on Finance of 2.5 hours (14: 00 -16:30 hrs.
- Thursday November 9th, 2017 extra workshop on the Organization of the execution of 2.5 hours (14: 00 -16:30 hrs.).

Subsequently a Democratic Dialogue was held on Thursday November 30th, 2017 on the SME policy. A report with the findings of the Democratic Dialogue was submitted to MEO the 19th of December 2017. Taking into account the discussions at the workshops and the report on the Democratic Dialogue this report presents a revised update of the SME policy.

The report is structured as follows:

Chapter 2

Economic structure and performance of Curaçao, including an overview of the characteristics of the SME sector;

Chapter 3

Reviews economic strategies and policies in Curaçao;

Chapter 4

Elements of an SME policy;

Chapter 5

Presents the proposed updated SME policy for Curaçao;

Chapter 6

Presents an action plan to implement the SME Policies.

Furthermore, Annex 1 presents a summary of the 2011 SME Policy and Annex 2 summarises various studies on SME development.



2. Economic structure and performance of Curaçao

2.1 Overall economic performance

Basic macroeconomic data related to population and GDP of Curaçao are presented in Table 2.1. Curaçao had a total population of 160,012 per 1 January 2018.

The country has experienced lacklustre economic growth over the past decades. It has, however not suffered the negative growth rates experienced by the other OCTs after the 2008 international economic crisis.

According to Table 2.2, financial services still have a significant share in GDP, though this share has been declining in recent years, starting in 2010. The share of hotels and restaurants is relatively modest, but it can be assumed that considerable parts of the real estate, trade and transport sectors are tourism related. Curaçao has also a significant and increasing manufacturing sector, which includes the oil refinery and the ship repair activities. In terms of GDP by expenditure category presented in Table 2.3, the high contribution of capital formation is striking. In its analysis of the economy of Curaçao, the TAC report concluded that the combination of a high share of investment and low growth was due to poor competitiveness and rigidities in the business environment.¹

Investment has only modestly benefited from FDI inflows which amounted to \$69 million in 2011, \$68 million in 2012, negative FDI inflows in 2013, recovering to \$68 million in 2014 and increasing further to \$144 million in 2015, maintaining these levels in the following years with an inflow of \$131 million in 2016 and of \$170 million in 2017. This higher level of FDI inflows in recent years is due to investments in the banking and financial services, hotels and restaurants, real estate and construction sectors (CBCS).

1. TAC, Strategies for Long Term Economic Development for Curaçao, May 2013

Table 2.1 Macro-Economic Indicators

Population (2018)	160,012
GDP (\$ million) (2017)	3,070
GDP per capita (\$) (2017)	19,310
Annual GDP Growth rate 2000-2007 (%)	0.4
Annual GDP Growth rate 2008-2010 (%)	0.6
Annual GDP Growth rate 2011-2016 (%)	-0.4
Inflation rate 2017 (%)	1.6
Unemployment rate 2017 (%)	14.1

Source: Central Bureau of Statistics Curaçao

Table 2.2 Percentage distribution of GDP by sector

	2000	2005	2010	2015	2016
Agriculture, fishing and mining	0.6	0.6	0.5	0.5	0.4
Manufacturing	8.4	6.4	6.7	11.8	11.3
Electricity, gas and water	3.6	4.3	3.8	2.0	2.1
Construction	4.1	5.6	5.5	6.0	6.2
Trade	13.1	11.6	11.4	10.6	10.3
Hotels and restaurants	2.8	3.1	3.8	5.2	5.1
Transport, storage and communications	8.2	7.9	11.2	11.8	11.2
Real estate, renting and business activities	15.3	16.2	17.1	17.8	18.3
Education private	2.0	2.1	2.4	2.5	2.6
Health and social work	6.1	5.8	6.4	6.7	7.5
Others	4.9	5.8	5.0	5.6	5.5
Financial corporations	18.3	22.8	18.4	12.4	12.9
Public administration and defence; compulsory social security	12.7	7.6	7.8	7.1	6.6

Source: Central Bureau Statistics, Curaçao

Table 2.3 Percentage breakdown of GDP by expenditure category for Curaçao for 2016 (percentages)

	% of GDP
Consumption	66.1
Private consumption	48.8
Government consumption	17.3
Capital formation	47.4
Exports	57.3
Exports of services	53.1
Export of goods*	4.2
Imports	73.5
GDP	100

Source: *Excluding oil products, Estimates Ministry of Economic Development, Central Bureau of Statistics Curaçao

2.2 SME sector in Curaçao

For developing an appropriate SME policy, it is important to know the size of the SME sector, which activities are taken place, its dynamism and its main constraints. For Curaçao, a proper data base on businesses by size class has been established by the 2014 business census carried out by CBS commissioned by MEO. In establishing the frame for the census, CBS estimated that at the time there were 6,579 active businesses in Curaçao (with workers working 15 hours or more per week). From these businesses 5,425 participated in the census, though not all of these reported on all the questions.

To allocate businesses to different size classes, Curaçao applies a definition based on the number of persons employed, as well as turnover, i.e.

micro: 1-4 workers and a turnover <ANG 0.5 million,

small: 5-9 workers and a turnover <0.5 million and

medium businesses: 10-49 workers and a turnover of 0.5 to ANG 5 million.

Summary data from the 2014 business census for SMEs are presented in Table 2.4 below. In addition to the 4,357 MSMEs there were 122 large enterprises with 50 or more workers.

The largest shares of SMEs are in trade, followed by real estate and business service activities, hotels and restaurants, other services and transport and communications. Based on the figures below, it is clear that SMEs are mainly trade and service oriented. Business services include a large number of professionals. The census also found that 480 of all businesses (8.8%) reported that they exported, mainly in the region. The census furthermore presented data on judicial form, branches abroad, some information on administration and internet connections (3,239 had an internet connection and 1,108 had not).

Table 2.4 Distribution of SMEs by sector, 2014

	Number	%
Agriculture, hunting and forestry	29	0.7
Mining and quarrying	1	0.0
Manufacturing	221	5.1
Electricity, gas and water supply	11	0.3
Construction	165	3.8
Wholesale and retail trade	1,238	28.4
Hotels and restaurants	670	15.4
Transport, storage and communications	226	5.2
Financial intermediation	198	4.5
Real estate, renting and business activities	759	17.4
Education	72	1.7
Health and social work	366	8.4
Other community, social and personal service	401	9.2
Unknown		
Grand Total	4,357	100.0

Note: From the 4,254 businesses that participated in the business census data on size were obtained from 4,479 businesses.



Some information on the number of businesses can also be collected from the labour force surveys of which the latest was conducted in 2016. This survey includes estimates of the employed population by type of employment, including employers and self-employed (also distinguishing between those that employ and those that do not employ paid-workers). These two categories are an indication of the number of businesses of which the large majority are micro and small businesses.

These data are a useful complement of direct data on SMEs and will help in understanding the size of the small business sector. For Curaçao, the number of employers, self-employed amounted to 6,931 in 2014, or 10,9% of the labour force. This number is only slightly higher than the number of businesses that are active as estimated by CBS. The number from the labour force survey probably overestimates the number of businesses to some extent, as businesses may have multiple owners. On the other hand, the business census may not have covered self-employed persons working from home without a business sign.

Lack of available data over time limit the ability to assess the growth and competitiveness of SMEs in Curaçao. Most SMEs are, however, involved in trade and services and cater to the domestic economy and tourism. Consequently, their growth performance will be determined by developments in the purchasing power of the consumers and expenditure by tourists, which have only grown modestly in recent years. More fragmentary information suggests, however, that the adoption of modern technologies has stimulated innovative and creative small businesses in ICT, arts, crafts and fashion. Some of these businesses also have started targeting the export market through advertising and sales via internet.

2.3 Promising SME sectors

In the context of a recent OCT wide study on the scope for diversification in OCTs an assessment was also made for promising SME sectors for Curaçao.² The report distinguished between growth opportunities in mature sectors in Curaçao and in emerging sectors. The following table presents the main sectors and the potential growth areas for SMEs identified in the study.

Sectors	Growth potential for SMEs
Mature sectors	
Tourism: Small hotels and restaurants Real estate rental. Car rental, Construction, Retail to tourists, B2B goods (furniture, vehicles, art, etc.), B2B services (repair, maintenance, advertising, laundry, etc.)	<ul style="list-style-type: none"> • Efficiency enhancing services and products, including those related to energy, IT for hospitality management, financial management, new marketing methods, etc. • Product extensions such as tours, workshops, different cuisine, etc. • Cheaper lodging • Capacity building services with regard to standards and certifications
State owned enterprises (procurement) Repair and maintenance for government Construction, Training, Health care services Educational services, Trade of Furniture and supplies (office, furniture, etc.) Events (conferences and meetings organized for government) , Other Business services for government and SOEs	<ul style="list-style-type: none"> • Provide services to build capacity for other SMEs to serve government and other large accounts • Provide outsourcing services to SMEs serving large accounts
Manufacturing	Provide inputs into oil refining, construction, utilities, telecom and transportation
Financial Services: Securities Exchange, Fund Administration, Registration, Investor relations, Wealth and estate management, Fund Management, Brokerage and trading, Notaries, lawyers and accountants	Capacity building in financial services.
Emerging sectors	
Tourism diversification (creative arts, health and wellness, transnational education, medical tourism)	Artists and artisans, corporate trainers, athletes health and wellness professionals
Professional, business services and IT services	<ul style="list-style-type: none"> • Capacity building in management, marketing, sales, exports, finance, etc. • Provide B2B outsourcing services to the emerging sectors

The type of policies recommended in the Diversification Study to promote the development of these sectors include:

- Policies for standards and certification;
- Providing grants and incentives;
- Improve access for SMEs to public procurement;
- Making available information manuals;
- Support market research; Support cluster formation;
- (Sector specific) Mentoring/coaching and training to improve management, efficiency, marketing, quality and finance.

These policies are elaborated on in the chapter on the SME policy for Curacao.

2. A-Z Information Jamaica Ltd, Formulation of a Diversification Strategy and Implementation, COSME 2017

3. Economic strategies and policies in Curaçao




An important guide for Curaçao's medium and long term economic strategies and policies is the National Development Plan (NDP) 2015-2030. This plan aims to facilitate sustainable development in Curaçao. It focuses on five main areas: i) education, ii) economics, iii) sustainability with an emphasis on environment, iv) national identity and v) good governance. The economic pillar recognises the need to create jobs, whether as an employee or by starting an own business. The plan targets two sectors, logistics and tourism through four policy areas: i) investment promotion, ii) investment climate, iii) promotion of exports and iv) innovation.

Following the finalisation of the NDP a number of Tiger Teams have been established with representatives of the public and private sectors that are charged with proposing policies and programs in the economics areas to implement the NDP. The Tiger Teams cover the following areas:

- Logistics;
- Investment climate;
- Export;
- Innovation;
- Tourism;
- Investment promotion.

MEO, supported by UNDP, is the secretariat for these Tiger Teams.

An earlier report was the 2013 TAC report: Strategies for Sustainable Long Term Economic Development in Curaçao. The policies proposed in the TAC report aim in particular at improving the level of competitiveness of the country. Based on the low returns on investment (measured as the rate of growth over the share of investment in GDP) the report concluded that Curaçao's competitiveness was poor compared to comparable countries/ islands in the region. The report proposes reforms with respect to macro and fiscal policies, improving the business enabling environment (infrastructure, utilities, access to finance, regulatory framework) while simplifying the tax regime. It also proposes an industrial policy to target selected sectors through incentives, training, branding and support for export promotion. The strategy also focused on entrepreneurship development and SMEs.



In recent years the government has started reforming some incentive schemes, e.g. combining business establishment and hotel renovation sectors. In the “Landsverordening ter bevordering van de bedrijfsvestiging en hotelbouw” of 20 December 2016 companies in the following sectors can benefit from fiscal incentives:

- Hotels and related activities with a minimum investment of NAf 2,000,000
- Real estate development businesses with a minimum investment of NAf 2,000,000
- Industries that are engaged in research and development of process and product innovation, space- and shipping related activities, education and health, transport and logistics, creative industries, modern agriculture and fisheries, green energy and IT, with a minimum investment of NAf 1,000,000
- Existing businesses under a and c above expanding with a minimum investment of NAf 1,000,000

The incentives include:

- Exemption of real estate tax;
- Import duty exemptions on construction material and fixed assets used for business expansion;
- Tax concession of 2% corporate tax for a maximum of 11 years.

A special incentive regime applies to companies operating in the economic zones, also known as E-Zones, to whom also a substantially reduced profit tax of 2% applies. A competition law has recently been passed in Parliament. It involves the establishment of a Fair Trade Authority Curaçao with the main purpose of strengthening fair competition. The law foresees regulation in areas where the market is not operating optimally, i.e. utilities. It is expected that the competition law will also benefit small businesses, by reducing their operating costs, facilitating innovation, and export through facilitating the operation of more competitive markets.

Foreign investment promotion is the responsibility of MEO's CINEX. Foreign investors have access to incentives provided under the prevailing incentive regime. Foreign investors require a license which must be obtained from MEO³. There are furthermore conditions for minimum levels of investment for obtaining licenses by foreign investors. These minimum levels are ANG 1,000,000 in case activities are already carried out on Curaçao and ANG 250,000 in case of new activities.

³ Not required for persons born on the Netherlands Antilles operating sole proprietorships).



4. Elements of an SME policy

4.1 Role of SMEs

The international consensus is that SME promotion is of crucial importance to increase competitiveness and value addition as well as to develop national and local competitive advantages. It is also clear that SME policies by themselves are not sufficient to promote the development of SMEs. SME policies need to be embedded in a wider mix of industrial policy initiatives, innovation promotion activities and other competitiveness enabling measures. The effectiveness of SME policies depends therefore on the extent to which they are embedded into a wider systemic competitiveness context.

International experience illustrates that SMEs can be innovation-agents of change, introducing new products and responding to new internationally introduced production processes and market demands. However, this is not the case for all SMEs. For example, it has been documented that in 11 OECD countries high growth enterprises account for only 2 to 8% of all enterprises beyond 10 employees and innovative small enterprises (below 10 employees) account for only 1%⁴.

This does not mean that other SMEs are not innovative, but to a lesser extent. It is therefore necessary to differentiate between the challenges and potentials of different types of SMEs in formulating policies. This is also the case in Curaçao where a majority of SMEs are basic retail and service providers. However, as was noted before there is evidence that the adoption of modern technologies has stimulated innovative and creative small businesses in ICT, arts, crafts and fashion.

The development of high potential sectors requires a stimulating environment including high quality internet connections, access to information, access to technology, access to markets and associated inputs in terms of finance and to business services.

Generally, important factors impacting on the competitiveness of SMEs are the regulatory environment, access to low cost utilities and other costs of producing their services, access to technical and business skills, ability to bring some differentiates in the products or services they bring on the market, and access to finance of course. It is clear that the type of interventions in support of SME development will also vary depending on the stage of the SME (starter, existing, expanding, export).

⁴ OECD, High Growth Enterprises, What Governments Can Do to Make a Difference, OECD Studies on SMEs and Entrepreneurship, 2010.



4.2 The Democratic Dialogue on the SME Policy

The key elements of an SME policy for Curaçao were discussed at a Democratic Dialogue organised by the Ministry of Economic Development on November 30, 2017. The democratic dialogue methodology is based on the important role dialogue processes can play in advancement of peace, human development, and democratic governance and has been developed by UNDP. In the context of the democratic dialogue process a series of workshops were organized on the key components of the SME Policy. These findings were used in the Democratic Dialogue.

The major findings of the Democratic Dialogue are:

- 1 There is a need for revision and adaption of laws and regulations governing the business climate and entrepreneurship friendliness. It was also recommended to look into the scope of introducing fiscal incentives. Further consultations between the Ministry of Economic Development and the Ministry of Finance are necessary to determine what type of fiscal incentives can be considered.
- 2 Higher priority needs to be given to promoting exports. One of the instruments for export development is e-commerce. It is recommended that MEO supports facilitating the regulatory environment for e-commerce. Export development should also be integrated in the work of the tiger teams that have been established to implement the economic pillar of the NDP.
- 3 On the implementing structure of business support services the SBDC model was identified as highly appropriate. The organization of this SBDC has to involve the existing business support institutions. The government, however, should be the agency coordinating and monitoring implementation.
- 4 Raising awareness is a vital aspect for promoting entrepreneurship and SME development. Launching a mass media campaign is an essential first step. Awareness creation will also have to be introduced in schools. It is imperative that the Ministry of Education, Science, Culture and Sports joins the future deliberations on entrepreneurship with MEO.
- 5 The creation of a digital platform was suggested to give better support and guidance to entrepreneurs. The MEO has already taken initiatives for the creation of such a portal. There are, however, initiatives by other parties as well. It is important to check among the initiatives how they can complement each other and how to strengthen and improve existing platforms. It is not only important to start creating new platforms but these platforms need implementation capacity; sufficient manpower and funding to guarantee operational continuance.
- 6 Better data collection and sharing was also a concern among the participants. Improving data collection and sharing will help increase better monitoring and impact assessment of business support interventions.

5. Entrepreneurship and SME Policy for Curaçao

5.1 Introduction

In 2011 consultants were commissioned to formulate an SME policy for Curaçao⁵. The resulting SME policy contained a set of recommendations, including the establishment of a Small Business Administration, improving statistics on SMEs, introduction or strengthening of various support programmes and strengthening entrepreneurship training in the educational system. It recommends also regular updating of the policy. In this Chapter an updated SME policy is presented, taking into account recent economic developments and international best practices. In structuring the SME policy, a broad framework is followed distinguishing 7 policy principles, which are in turn broken down in SME policy dimensions and sub-dimensions. This framework is presented in Table 5.1 below.

Table 5.1 SME Policy Framework

No	SME Policy Principle	SME Policy Dimension	Sub-dimensions
1	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded	Education and training for entrepreneurship	<ul style="list-style-type: none"> • Policy framework for entrepreneurial learning, promotion of entrepreneurship • Entrepreneurship in education • Women's entrepreneurship
2	Design rules according to the "Think Small First" principle	Institutional and regulatory framework for SME policy making	<ul style="list-style-type: none"> • Institutional framework for SME policy development (SME definition, data collection on SMEs, SME statistics, SME agency, SME policy, SME policy coordination) • Incentives for SMEs (income tax, other fiscal incentives, import duty concessions) • Legislative simplification and regulatory impact assessment (monitoring and evaluation of SME policies; impact assessment of policies and programmes on SMEs, developing SME friendly legislation) • Public-private consultations
3	Make public administrations responsive to SMEs' needs	Operational environment for SMEs	<ul style="list-style-type: none"> • Business registration (costs, time expensive, information to be submitted, approval process) • Business licensing (costs, time, information to be submitted, approval process) • Operational licensing (health, safety)
4	Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs	<ul style="list-style-type: none"> • Support services for SMEs and start-ups • Public procurement 	<ul style="list-style-type: none"> • Information services for SMEs • Access and availability of business services and extent of government support • Participation of SMEs in public procurement
5	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions	Access to finance for SMEs	Sources of finance for SMEs (micro credit, loan guarantee scheme, credit information, credit information bureaux, angel networks, crowdfunding), business support offered.
6	Promote the upgrading of skills in SMEs and all forms of innovation and enable SMEs to turn environmental challenges into opportunities	Enterprise skills	Enterprise skills, training offered
		Innovation policy for SMEs and SMEs in a green economy	<ul style="list-style-type: none"> • Policy framework for SMEs on innovation and technology including incubators • Support services for innovative companies • Promotion of eco-efficient businesses, promotion of environmental management systems
7	Encourage and support SMEs to benefit from the growth of markets	Internationalisation of SMEs	Internationalisation of SMEs, export promotion strategy, export information, export training, export finance.

This framework is used in the following sections which presents the SME Policy for Curaçao.

⁵ Verburg Consultants and AEF Caribbean, Beleid Midden en Kleinbedrijf en Entrepreneurship (SME Policy and Entrepreneurship), Ministry of Economic Development, Willemstad 2011

5.2 SME Policy for Curaçao

5.2.1 Vision for the SME Policy



The vision for the updated Entrepreneurship and SME policy for Curaçao can be captured in the following statement:

The Entrepreneurship and SME policy will inspire passionate entrepreneurs to unlock the potential of Curaçao and to grow their businesses. It contributes to the development and diversification of the economy of Curaçao by serving domestic and, increasingly, export markets with high quality and innovative products and services.

Furthermore, it can be expected that building on the strong points of Curaçao including the logistics sector, tourism, oil refining, financial services, as well as its Caribbean history and culture, the SME sector fuelled by the Entrepreneurship and SME policy will contribute to the development of new sectors, such as event industry, film industry, alternative sources of energy, data sciences, fintech and others.

The SME policy is based on the following key principles:

- Stimulating the functioning of markets by eliminating obstacles and reducing regulatory constraints;
- Strengthening awareness about the opportunities of entrepreneurship;
- Promote and support start-ups;
- Support SMEs that want to grow through innovation and exports;
- Activate entrepreneurship in general.

In the sections below the key components of the entrepreneurship and SME policy are elaborated. It builds strongly on the 2011 SME Policy.

5.2.2 Education and training for entrepreneurship



Current situation

The 2011 SME policy proposed that there is a need to actively promote entrepreneurship. Several initiatives have been implemented such as the "Fundashon Negoshi Pikiña (FNP)⁶. Another initiative is through the "Raad van Kinderen" initiative of MEO where a class of a primary school has been selected to advise MEO on how to promote entrepreneurship.

At HBO and university level entrepreneurship is a regular subject. At the University of Curaçao (UoC), students are stimulated to develop business cases with mentorship of lecturers. This is now being supplemented by support to students actually setting up a business. The University is also involved in programs linking and promoting innovation and entrepreneurship. There is, however, a need for a more integrated and comprehensive program of promoting entrepreneurship and of training in entrepreneurial skills.

Policy goal

To improve awareness about entrepreneurship and the opportunities of working as an entrepreneur.

⁶ Under this program, students of basic and secondary vocational schools get the chance to establish a business in a protected environment. After some time, the protected environment is dismantled and then the business should be operated independently. The businesses get a voluntary coach and financial advisor. This experience helps students participating in this program in market-oriented thinking and working based on results.

Policies

A more integrated approach to awareness raising about entrepreneurship will be pursued. Current public awareness initiatives on entrepreneurship will further be strengthened. They will include awards and entrepreneurship competitions. Programs such as those of FNP and “De Raad van Kinderen” will be reviewed on their effectiveness and adjusted if necessary in a timely matter. A wider publicity campaign will be developed in which entrepreneurship as a fully-fledged career choice as opposed to working as an employee is promoted. An important component of the entrepreneurship awareness program will be integrating it in the regular education and in skills training programs.

The following policy priorities are to be pursued under the guidance of MEO:

- Work with the Ministry of Education to incorporate entrepreneurship in the curricula at all levels of education. This will be a gradual process as it also requires changes in the training programs for teachers and curricula will need to be developed;
- Strengthen skill training programs and include entrepreneurship in the programs;
- Promote awareness of entrepreneurship through awards and involvement of successful local business persons in promotional events;
- Implement the “Ekonomia ta den nos mes man” program under which the population per community is stimulated with respect to entrepreneurship through group discussions, workshops and individual sessions. A pilot project is operational in Otrobanda.;
- Continue support and possibly expand the Marshe Social Ekonomiko (BETH)⁷.

5.2.3 Institutional and regulatory framework for SME policy making:



Current situation

Institutional environment and SME policy coordination

An SME definition exists. As indicated in Chapter It is based on the number of persons employed and turnover: micro: 1-4 workers and a turnover <ANG 0.5 million, small: 5-9 workers and a turnover <0.5 million and medium businesses: 10-49 workers and a turnover of 0.5 to ANG 5 million. This definition is generally accepted as appropriate for the environment of Curaçao. SME policy coordination is the responsibility of MEO, but is in practice limited.

A new element in the discussions on SME policies and promotion relates to the establishment of an SBDC to coordinate the provision of business support services.

SME Policy in the context of overall economic policy

Overall economic policy is governed by the NDP 2015-2030 (See chapter 2).

Incentives for SMEs

There is a fiscal incentive for very small SMEs with a turnover of less than ANG 30,000 that do not have to pay turnover (OB) tax.

Policy goal

To strengthen the think-small-first principle, to improve information on SMEs and to strengthen SME policy coordination.

⁷ The BETH market is based on the free market concept in which micro, small and medium businesses have the opportunity to offer their product to the local population and tourists, currently operational on the first Saturday of the month on the Brion square. This market offers entrepreneurs a low cost platform to get in touch with their customers.

Policies:

Institutional framework of SME policy coordination and implementation

There is a need to strengthen the quality of SME policy formulation and coordination. This strengthening is proposed to be achieved by the following policies:

- Strengthening the role of MEO in leading SME policy formulation, monitoring and evaluation by formally giving it this responsibility;
- Developing a multi-annual SME policy and program implementation plan with specific measurable targets and a budget;
- Creating a Task Force with senior policy makers from relevant ministries (Economy, Finance, Labour, Infrastructure, Education) with the aim to coordinate the law-making process affecting SMEs;
- The Tiger Teams that have been established to formulate policies and programs in different economic fields in the context of the NDP will have in their Terms of Reference the requirement to specifically assess the effects of the policies and programmes on SMEs. At the same time relevant proposed SME policies will be fed into the work of these Tiger Teams, particularly related to the investment climate and various business support measures.

For monitoring the impact of SME policies collection of data and the conducting of studies will be promoted:

- The CBS will be engaged to conduct regular SME surveys based on samples and publishing the results. The 2014 business census can be used as a frame to draw the sample from. There is a need to adjust the sample regularly to take into account the constant flow of entry and exit of firms in the sector. The results of the survey will also give an insight in the impact of SME policy and support programs. Support programs implemented by BSOs with public funding will have measurable performance indicators to facilitate monitoring and impact assessment.
- The conducting of SMEs studies will be stimulated. Conducting research is costly, but is indispensable for proper policymaking and monitoring. It improves the understanding of strengths and weaknesses of SMEs and the need to develop policies. Perhaps this can be done in cooperation with the university. For students it could be an interesting way to get acquainted to SME research under professional guidance.

Incentives for SMEs

The introduction of significant incentives for SMEs in the taxation system and licensing system will be pursued. Under the present SME policy initiatives will be taken to:

- Consult with the Ministry of Finance on the scope of introducing selected fiscal incentives for SMEs, e.g. an SME tax deduction, a starter's deduction (for example for 3 years), a tax deduction for investments, and possibly a grace period for start-up businesses for paying turnover tax.
- Promote formalisation of SMEs currently operating informally by not paying taxes by introducing a 'grace period' of 2 years for SMEs to register and get their financial administration in order.

Legislative simplification and regulatory impact assessment

- Check all existing laws and regulations affecting businesses on SME friendliness and assess the costs of the most burdensome laws and regulations. This is also an awareness raising operation for policymakers.
- Introduce regulatory impact assessments (RIA) for all new laws and regulations affecting businesses. There should be an awareness of the impact of policies on SMEs. The conducting of these RIA's should be monitored by MEO.

5.2.4 Operational environment for SMEs



Current situation

All individuals or corporations wishing to engage in business activities in Curaçao are required to register at the Chamber of Commerce. A business license (vestigingsvergunning) from the Ministry of Economic Development is not required for the local sole proprietor type of businesses, but is required for all other types of businesses. For some types of businesses also operational licenses are required, e.g. hotels, restaurants, liquor stores, casinos, etc. New businesses should also register at the fiscal department and the social security office (SVB).

The 2011 policy proposes to improve the effectiveness and efficiency of procedures to start and run their businesses by reducing bureaucratic procedures and lowering barriers. It aimed at simplification of the business establishment process and to review the licensing policy possibly limiting licensing requirements to operational licenses.

Reforms in the business licensing process have already started. A large part of the procedures can be done online in the near future. Only the collection of the signed license still has to be done physically at the licence counter of the Ministry of BPD (governmental planning and services). The licenses are approved by the Head of the licensing Department of MEO. Licenses are generally approved within a period of 4 weeks. The longest time is required in the case investigation by the Admission Departments if necessary. That can take 4 weeks. MEO also approves certain operational licenses.

With respect to administrative barriers to operating a business, the monthly collection of turnover tax is an issue, as well as the collection of wage tax and various premiums (health and social security). Also completing the income tax return is a laborious and time consuming process.

Policy goals

To reduce the costs, procedures and length of time for licenses required for establishing a business and for administrative procedures to operate a business.

Policies

The on-going process of simplification of the business licensing process will continue, resulting in reducing the length of documents to be submitted, more on-line processing, abolishment of unnecessary licenses with the result of reducing the time and costs of the business licensing process. The ultimate aim is to reduce the time to issue a business license to nearly automatically within 3 days. In addition, the aim is to replace operational licenses by establishing operational conditions subject to inspections.

In the medium term, the rationale behind the current system of licenses will be reconsidered based on competitiveness considerations, as a licensing system can have an adverse effect on competition and therefore on economic growth. The location of businesses can be regulated in land use plans developed under the physical planning policy, whereas meeting other regulatory requirements can be addressed by inspections.

It will also be examined whether it is a feasible option to combine registration of businesses at the Chamber of Commerce with applying for a license and to do this on-line.

As already planned a working group will be established that is composed of relevant ministries and departments (Economy, Finance, Labour, Infrastructure, Education) and when relevant representatives of the private sector to improve coordination among relevant bodies involved in the licensing process.

Regarding administrative barriers to operating a business, a policy priority is simplification of procedures for completion of forms and making payments of taxes and premiums.

Other policies related to administrative barriers in starting and operating a business are:

- Exchange of data about enterprises between all relevant bodies dealing with businesses, with the exception of confidential information (turnover, profit, etc.).
- The government will cooperate with the private sector to implement a virtual one-stop-shop with all relevant information from different departments on establishing and operating a business. In this context a digital portal named MiNegoshi, recently developed by MEO will be completed and launched. It covers step by step what kind of information and actions are needed to start a business, register a business, open a bank account, and obtain a license (for the different legal forms of businesses, for locals and non-locals and for the different sectors). It also contains information on payment of taxes and premiums. This one-stop-platform will refer through a link to the websites of all departments and private sector representative bodies.
- The requirement to submit original documents⁸ at government offices will be phased out: Copies or scans should do. In case of any doubts the originals can be asked for.
- Introduce and allow the use of electronic signatures.

5.2.5 Support services for SMEs



Current situation

Business support services are provided by several bodies like the Chamber of Commerce and Adeck, as well as several operational divisions of MEO like Curaçao Innovation & Technology Institute (CITI) and Curaçao Development Institute (CDI). In addition a large number of private service providers/consultants work with SMEs.

Support services provided include information, training and advisory services. Government support to business support organisations has changed from providing blanket subsidies to project/activity based subsidies. In 2014 a new support program was introduced by MEO: Business Boost involving the provision of basic training in managing and operating a business. The first Business Boost was implemented by CITI. Since 2016 the Business Boost program is administered by Curacao Development Institute (CDI). The training was contracted to an NGO, Action Coach. For the first Business Boost program a total of 40 companies have benefited from the training. The total budget for the programme in 2014/15 was ANG. 400,000,-. For 2016/17 a new Business Boost program was introduced, planned with an allocation of Ang. 350,000 in which the support was more tailored to the needs of the small businesses to be supported. This program was implemented by CDI using trainers who themselves were also small business operators. Also for 2017/18 CDI implemented a Business Boost training program.

Support in improving the administration of small businesses is also provided by the personnel of the Tax Department (BAB) for maximally a year.

Policy goals

To improve the access to information and improve the coverage and quality of support services for SMEs.

⁸ In the case of foreigners there may be a need to check the originals in order to discover fraudulent documents.

Policies

A major concern is strengthening the coordination of the current system of business support programs implemented by the different actors.

In this context, the policies proposed include:

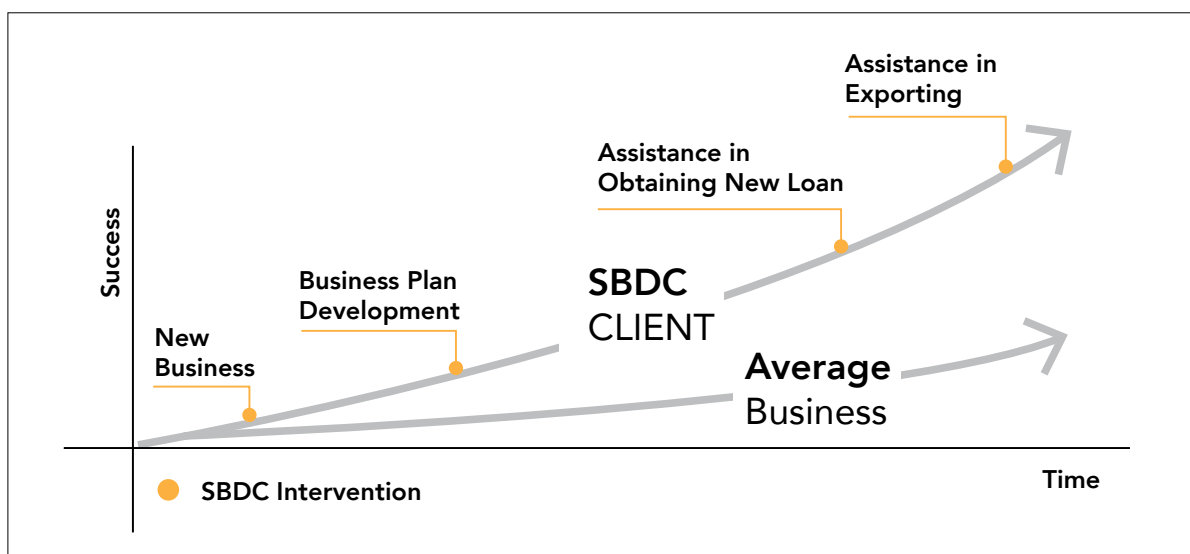
1. MEO will have a leading role in identifying business support priorities, allocating subsidies to implementing bodies and monitoring and evaluating implementation. The implementation of support services will be done by appropriate business support organizations in the private and public sectors, including CITI, CDI, Chamber of Commerce, Adeck and private service providers.
2. In the above context the establishment of a small business development centre model (SBDC) will be supported to coordinate and provide business support services. Options for implementing an SBDC model will be further explored. This model includes the acquiring of a data base to monitor the implementation of support services (Neoserra);
3. More attention will be paid to tailoring support services to the different stages of an SME. Starting SMEs have different support needs from existing SMEs that want to expand, and/or enter export markets (In Annex 3, the support needs of MSMEs at different phases of the life cycle are identified in more detail).

Based on various consultative meetings, such as the Democratic Dialogue on SME policy, it is proposed that the SBDC model is the most viable option to govern an SME business service implementation structure in Curacao. The mission of an SBDC is to promote MSME growth, innovation, productivity and revenue through business advisory services and training. The organization of this SBDC will consist of the current business service providers but MEO will house the secretariat with a Governing Board that has representatives of all stakeholders. This secretariat will monitor and oversee the implementation of the participating BSOs. MEO will form a commission to guide the execution of the SBDC. Participating institutions will be identified and selected based on their ability to provide the required services. A key element of the SBDC model is the measurement of performance, both at the output (activity) level and outcome (economic impact) level.

The services provided under the SBDC model will include:

- One-on-one technical assistance
- Confidential and free
- Group training
- Focused on specialized subjects and of interest to micro and small businesses
- Market research tailored to the client's needs
- Advocacy

The type of support interventions will vary over the life of a small business, as is illustrated in the graph below.



Services for starting entrepreneurs include:

- First training:
- How to formalize or start your business
- Feasibility study
- Consulting and training:
- Business plan

The focus is on creating economic impact assisting established MSMEs but without forgetting the starting entrepreneurs.

Services for established MSMEs:

- Business plan – operations, budget, financial statements, cash flow, balance sheets, etc.
- Marketing and sales
- Accounts management and accounting software

Services for advanced MSMEs (gazelles):

- Regulatory compliance
- Government contracts
- Human resources
- Tax and benefits management
- Certificate trainings in business administration with a focus on “gazelles”

5.2.6 Access to finance



Current situation

Lack of access to finance is often mentioned as one of the main obstacles to small business development. The banking sector is often blamed for being risk averse in not sufficiently lending to SMEs and for imposing too high collateral requirements. On the other hand, SMEs are criticised for not being ready to meet the loan requirements of the commercial banks. Banks complain that small businesses coming to apply for loans are ill prepared and that more support should be provided to assist small businesses to prepare business plans and to get their financials in order.

Apart from the regular commercial banking system, Curaçao has a number of financial institutions which are active on the market catering to SMEs. They include Korpodeko, OBNA and CDI. Most active is Korpodeko with close to 400 borrowers of which 80 percent are SMEs (average loan size US\$22,500). Korpodeko also provides advisory services and training to its clients (incentives scheme). Korpodeko also started to implement a micro credit scheme on a community basis in collaboration with the Ministry of Social Affairs (Ministerie van Sociale Zaken, Arbeid en Welzijn and MEO) targeting to review 400 candidates with loans to 40 small businesses of between ANG 3-5000 in the form of goods and services. CDI was recently set up. It has a small lending portfolio to a number of state-owned enterprises, but is mostly active in the field of providing technical assistance, particularly through the Business Boost program. It collaborates in the area of training with CITI, using CITI's facilities. In addition, Qredits has become operational in April 2018, which will provide loans up to a maximum of ANG 50,000.

Several representatives of institutions involved in facilitating lending to small businesses have participated in a COSME sponsored training of trainers on financial education organised by CDI in collaboration with the Chamber of Commerce.



Policy goals

To improve access to finance for SMEs.

Policies

A more integrated and coordinated approach to promote access to finance for SMEs will be implemented. This will involve a mix of instruments varying from lending to alternative sources of funding, such as angel investors and crowd funding. This will be supplemented by strengthening the capacity of SMEs in financial reporting and business planning. More attention will also be paid to tailoring financial instruments to the stages in the life cycle of businesses, whereby especially innovative start-ups and rapidly expanding and innovative businesses will benefit more from equity types of financing, whereas more traditional businesses will be able to access more traditional loans.

1. Support the operations of Qredits, a micro finance facility that has recently started operations with support from the Government of Curacao and targets lending to micro and small businesses with a maximum ceiling of US\$25,000; the program envisages that businesses will be able to graduate to larger loans based on their repayment performance;
2. Continue support to Korpodeko's programs benefiting SMEs;
3. Further examine the scope to merge Korpodeko and CDI (also OBNA?) to strengthen SME lending capacity and to facilitate the introduction new lending instruments;
4. Promote angel investors and crowd funding (maybe set up a venture capital fund linked to fiscal incentive);
5. Design and implement a loan guarantee fund through CDI which will be able to benefit small businesses with sound investment ideas, but lack of collateral; such a program should take into account international best practises in its conditions and administration;
6. Continue support for training in financial literacy implemented by CDI in collaboration with the Chamber of Commerce targeting micro businesses;
7. Training of SMEs in business plan preparation and financial record keeping.

5.2.7 Innovation and green economy



Current situation

An innovation strategy was formulated in 2015-16 in the context of the EU OCTA Innovation Programme.⁹ Also an innovation policy has been formulated.

In recent years initiatives to promote innovative business development have involved the establishment of incubators for innovative ICT and other technology based businesses, including a virtual incubator by CITI, an incubator operated by Curinde, Creative Lab and the incubator at Adeck. CITI proposes the establishment of a Science Park to be set up as an incubator. There is also collaboration between CITI and the University of Curaçao in incubator types of programs.

Innovation will be positively affected by strong vocational and technical training and education facilities. In Curaçao, vocational training takes place in preparatory secondary vocational education (VSBO) and in secondary vocational education (SBO). Education at the VSBO schools consists of a 2-year basic curriculum and a 2-year period of learning tracks in three sectors: Technology, Health and Personal Care and Welfare, and Economics. There are two SBO learning tracks: learning through practical experience (werkend leren, WL) and practical experience through learning (lerend werken, LW) and four qualification levels (assistant, professional, skilled worker and middle manager). SBO was introduced during the 2004-2005 academic year. The programs last between 1 and 4 years.

⁹ Ministry of Economic Development, Curaçao Innovation Strategy, December 2015.

Policy goals

To improve the operating environment for innovative businesses and adopting of green technologies.

Policies

MEO will ensure that the action plan contained in the Innovation Policy is implemented and that policies are implemented which support the implementation of the action plan. The policy objectives to be pursued are:

- More export oriented SMEs (support collaboration between knowledge institutions, consultancy bureaux and SMEs);
- Reinforcement of strong sectors (tourism, ICT and logistics and distribution).

Several business-related programs with links to innovation that have recently started will be continued with encouragement and support of the government:

- Connecting the Dots, involving two-day conferences for (potential) entrepreneurs with presentations, panel debates, workshops, pitching, etc. The Connecting the Dots platform consists of MEO, VNW, University of Curaçao, CITI, CINEX, Startup Curaçao and Creative Lab. The program concentrates on four themes: innovative financing options, innovative business models (Business Model Innovation); new emerging industries (e.g. creative industries) and export. One 2-day conference was conducted in June 2017. Two more are planned.
- Innovation certificate program implemented by the faculty of Social Sciences and Economics at the University of Curaçao which involves supporting innovative businesses;
- E-commerce incubator: Development of an e-commerce platform by CITI involving 10 entrepreneurs and a 1- week incubation program. E-commerce platforms are also being developed by CDI, Korpodeko and Adeck; More exchange of information and coordination of these e-commerce initiatives will be promoted. It is also proposed to review and improve the regulatory environment for e-commerce, particularly related to consumer security and payment systems. Commercial banks will be encouraged to take a more active interest in e-commerce and to reduce the tariffs for on-line payments. The Central Bank has a promotional role to play in this context.
- Support to the incubator/accelerator program: Also implemented by CITI with entrepreneurs from the creative sector;
- Encouragement of the incubator pavilion planned to be established by the University of Curaçao;
- Start-up Launch pad for start-up communities. This is a 1.5 year programme for 8-15 entrepreneurs of whom 5 will continue in an accelerator programme; of whom 2 will be promoted to a 'speed up' phase, while the other 3 will get the chance to become part of an incubator program. One entrepreneur from the Speed-up phase will accelerate to the Launch phase involving participation in an international competition. This program will be implemented by CITI with support from the EU OCTA Innovation Project (80% of the costs are covered by EU funding).
- Continuation of support to CITI's innovation award program.

Finally, it is important to promote the making use of the Intellectual Property infrastructure to protect the identity of the business and to assure ownership of new commercial ideas, products and services. New IP laws (on copyright, industrial designs and neighbouring rights) have been drafted and will be adopted. Efforts will be made to improve awareness about the importance of making use of IP also for SMEs by registering copy rights, trade names and trademarks, as well as getting patents for innovative designs. This will be done at the level of educational institutes and through BSOs in collaboration with BIP, the Bureau of Intellectual Property on Curacao. BSOs will also be encouraged to provide trainings to SMEs on how to make use of the IP infrastructure. Generally, the coordination and cooperation between the Ministry of Economic Development, BIP and BSOs in the field of promoting the use of IPRs will be strengthened.

5.2.8 Internationalisation



Current situation

Increasing priority is given to strengthening support in the area of export promotion. Businesses, including small businesses, have increasing scope for international marketing by developing websites on which to market their products. The Government has established CINEX to provide support in the area of export marketing.

Policy goals

To strengthen the capacity of SMEs to export.

Policies

Export promotion has become a key priority for the Government of Curacao as exports are envisaged to be the main source of economic growth in the coming years. SMEs are expected to play an important role in this export drive. In this context the Government intends to support an ambitious programme of export development also targeting SMEs, as elaborated below.

1. The Government's investment and export promotion agency, CINEX, will be sufficiently resourced to undertake its role in promoting exports and will cooperate with other bodies like the Chamber of Commerce that also provides information and support to do business abroad;
2. MEO will be collaborating with ITC (International Trade Centre based in Geneva) to formulate a National Export Strategy.
3. Continue with the National Export Awareness Week that was held for the first time from 21 to 25 May 2018;
4. There is considerable scope for strengthening support in the area of export marketing, linking it for example to incubator initiatives and other innovation related initiatives;
5. E-commerce will be facilitated by an appropriate regulatory framework protecting consumers, on-line traders and addressing cyber-crime; banks will be stimulated to make on-line payment possible at affordable rates; implementation of authorized digital signatures will be promoted; existing e-commerce initiatives (platforms), i.e. by Adeck and CITI will be supported; generally cooperation between stakeholders in e-commerce will be promoted; workshops and awareness raising on e-commerce will also be supported with roles for CITI, the Chamber, Adeck and also the university;
6. Support to developing a National Quality Infrastructure that will assure adequate standards and certification for export markets;
7. Promote better exploitation of OCT access to EU market.
8. Inform local SMEs about the benefits of Curacao being part of the Dutch Kingdom relating to export opportunities;
9. Promote access to incentives of the RvO for businesses that wish to export.



Action plan

The Table below presents an action plan for the key measures and actions included in the SME policy identifying the bodies responsible or to be engaged and whether the policy is a short-term or long term priority.

Table 6.1 Action plan for key SME policy measures

No	SME Policy Principle	SME Policy Dimension	Policies
1	Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded	Education and training for entrepreneurship	Review of support to current initiatives such as that of FNP and “De Raad van Kijnders”
			Development of a wider publicity campaign on Entrepreneurship
			Integration of entrepreneurship in the regular education and in skills training programs
2	Design rules according to the “Think Small First” principle	Institutional and regulatory framework for SME policy making	Institutional environment and SME policy coordination
			Strengthening the role of the Business Services Division of MEO in leading SME policy
			Make a multi-annual SME policy and program implementation plan with specific actions
			Establish a Task Force by MEO with senior policymakers from relevant ministries with the aim to coordinate the law making process affecting SMEs;
			Include in the ToRs of the Tiger Teams the requirement to assess the effects of policy work of the Tiger Teams
			Monitoring of SME policies, data collection and studies
			The CBS will be engaged to conduct regular SME surveys based on samples and indicators
			The conducting of SMEs studies will be stimulated including the conducting of local studies
			Incentives for SMEs
			Check all current incentives on SME friendliness
			Introduce selected fiscal incentives for SMEs e.g. an SME deduction, a starter’s discount in collaboration with the Ministry of Finance.
			Legislative simplification and regulatory impact assessment
			Check all existing laws and regulations affecting businesses on SME friendliness, burdensome laws and regulations
Introduce regulatory impact assessments (RIA) for all new laws and regulations affecting SMEs			
3	Make public administrations responsive to SMEs’ needs	Operational environment for SMEs	The on-going process of simplification of the business licensing process will continue
			Examined the feasibility of combining registration of businesses at the Chamber of Commerce
			Simplification of procedures for completion of forms and making payments and premiums. The payment requirements of the turnover tax (OB) will be reduced.
			The government will cooperate with the private sector to implement a virtual one-stop shop for establishing and operating a business.

	Responsible bodies	Short-term 2018-2019)	Medium term 2020-2023
nderen".	Monitoring by MEO	X	
	BSOs	X	
grams.	MEO with Min of Education		X
policy formulation, monitoring and evaluation	MEO	X	
measurable targets and a budget (SMART concept)	MEO in collaboration with other departments and BSOs	X	
(Economy, Finance, Labour, Infrastructure, Technology, Education) with	MEO with other ministries	X	
policies and programs on SMEs and feed proposed SME policies into the	MEO	X	
publishing the results.	MEO and CBS	X	
longitudinal studies of businesses.	MEO and University, consultants		X
	MEO, Min of Finance	X	X
deduction (for 3 years) and/or a tax deduction for investments in	MEO, Min of Finance		X
including measuring administrative costs for businesses of the most	MEO, other ministries	X	X
affecting businesses	MEO, other ministries		X
inve	MEO with private sector	X	X
of Commerce with applying for a license and doing this on-line.	MEO, CoC		X
to combine the collection of wage tax, as well as health and social security	MEO with Finance, Social Security, Health		X
e-stop-shop with all relevant information from different departments on	MEO, BSOs, private sector	X	

No	SME Policy Principle	SME Policy Dimension	Policies
4	Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs	Support services for SMEs and start-ups	The Ministry of Economic Development will monitor and evaluate the effectiveness based on the findings focus the support on the most effective business support a
			An assessment will be done of the scope for establishing a small business development services.
5	Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions	Access to finance for SMEs	Implement the microcredit scheme with Korpodeko and support the operations
			Continue support to Korpodeko's programs benefiting SMEs, including its new m
			Further examine the scope to merge Korpodeko and CDI (also OBNA?);
			Promote angel investors and crowd funding;
			Design and implement a loan guarantee fund through CDI;
			Training of SMEs in business plan preparation and presentation of financial inform
6	Promote the upgrading of skills in SMEs and all forms of innovation and enable SMEs to turn environmental challenges into opportunities	Innovation policy for SMEs and SMEs in a green economy	Implement the innovation policy and action plan
			Continue implementation of ongoing initiatives (connecting the dots. innovation
			Support and encourage e-commerce initiatives including reform of the regulator protection
			Encouragement of the incubator pavilion planned to be established by the Unive
			Continue selection of the most innovative enterprise by CITI.
7	Encourage and support SMEs to benefit from the growth of markets	Internationalisation of SMEs	The Government's investment and export promotion agency, CINEX will be sufficient cooperate with other bodies like the Chamber of Commerce which also provides
			Formulate National Export Strategy
			Organise National Export Awareness Week for 2019
			Strengthening support to export marketing, linking it for example to incubator in traditional initiatives, such as trade fairs.
			Training of small business persons in modern techniques in marketing, including skills.
			Support to developing a quality infrastructure that can assure adequate standard
			Support access to RvO incentives for potential exporters

	Responsible bodies	Short-term 2018-2019)	Medium term 2020-2023
cess of ongoing SME support services supported by the government and activities.	MEO with BSOs	X	X
development centre model (SBDC) to coordinate and provide business support	MEO with BSOs and private sector	X	
of Qredits	MEO with Korpodeko and Qredits	X	X
micro credit programme in collaboration with SOAW.	Korpodeko	X	X
	MEO		X
	Private sector		X
	CDI and, relevant financial institutions	X	
ation through BSOs;	BSOs	X	X
	MEO and relevant bodies	X	X
certification programme by the university, Startup Launch pad)	MEO and relevant bodies	X	
y environment for e-commerce related to payment systems and consumer	Central bank, banks	X	
iversity of Curaçao, as well as other incubator initiatives;	University of Curacao, other BSOs	X	
	Private sector	X	
ciently resourced to undertake its role in promoting exports and will information and support to do business abroad.	MEO, CoC	X	X
	MEO and BSOs	X	
	MEO with BSOs	X	
initiatives and other innovation related initiatives, as well as more	BSOs	X	
the needed IT skills, or by promoting business advisory services in these	BSOs	X	
ds and certification for export markets;	MEO, quality infrastructure body	X	
	MEO, private sector	X	

Annexes

Annex 1. Summary of 2011 SME Policy

The Small and Medium Enterprises (SME) sector in Curaçao is vital. It represents more than 30% of the Gross National Product, provides more than 50% of employment in the private sector and represents over 90% of all businesses. It makes SME one of the crucial pillars in our economy.

So far, the government of Curaçao has not supported this crucial group with comprehensive tailored and coordinated policies. This is about to change with the introduction of this SME and Entrepreneurship policy. Balanced attention is given to the needs of both start-ups as well as existing SME. Specific support is available for the development of Entrepreneurship in Curaçao, in order to provide a healthy continuously developing flow of entrepreneurs and enterprises.

This policy is linked with, supports and amplifies, existing initiatives, like Updating the Business Establishment Policy and Centralizing Economic Permits, aimed at lowering barriers for new and existing entrepreneurs. Moreover, this policy foresees in a central coordination approach of offered services and stimulating facilities.

Vision SME and Entrepreneurship

The government:

- Believes in market forces. It will not opt for market protection or regulation. Rather, it will activate, facilitate and stimulate in the commercial environment
- Will support SME across the board, both start-ups and existing businesses
- Will activate entrepreneurship, starting as early as childhood
- Will stimulate and support entrepreneurs and SMEs that want to grow through product innovation or process innovation, market innovation or through innovative technologies
- Will stimulate and support entrepreneurs and SMEs that want to grow through export – who contribute to the ideal of Curaçao as an international logistical hub in the Caribbean.

MKB and Entrepreneurship policy: 10 themes

1. Continuous vision development Every six months the Minister of Economic Development will lead a SME and Entrepreneurship Knowledge platform meeting. The platform consists of experienced entrepreneurs, economists specialised in the field of SME, Entrepreneurship and island economics and stakeholders. Based on their expertise, and external and internal factors, they will discuss current and future vision. This will support continuous vision development and is the foundation for the policy development.
2. Continuous policy development The existing policy is monitored, evaluated and a new policy is developed in a yearly policy cycle. From the Knowledge platform, smaller specific thematic groups will be derived to discuss in- depth specific policy issues. The Small Business Administration (SBA) to be set up, coordinates the dialogue and the general policy cycle.
3. Continuous information cycle
The policy was developed for and by SME's. This means that SME's play a role in policy formation, but also in the implementation, which will be organized as much as possible outside the government. Information on SMEs will be put in place. There will be a comprehensive registration of all SME's in a database with standardized definitions. The SBA coordinates and is the manager of the SME policy.
4. Policy execution: Small Business Administration The Small Business Administration Curaçao (SBA) will be developed. It will be the leading organisation which accounts for the coordination and execution of the policy. It will be responsible for coordinating the vision and policy cycles, and is the owner of the information of SME. The SBA organises the periodic policy monitoring, evaluation and effect measurements. The SBA manages the stimulation and supporting activities, which derives out of this policy. Through Service Level Agreements (SLA) the SBA coordinates and controls her activities with executing agencies – which are selected on a competitive procurement process in which the balance in price and quality is key.

5. Introduction of policy effect measurements As of 2012, a periodic (yearly) policy effect measurement is introduced. This measurement forms the basis for policy monitoring, evaluation and effect measurements. The first zero baseline will take place in 2011, on which the measurements of 2012 and onwards can be analysed. Furthermore, a concept of social Return on Investment is developed and introduced to determine the financial economic impact of the policy.
6. From Red Tape to Red Carpet Entrepreneurs will face more effective and efficient sets of procedures to start and run their organisations. The policy is aimed at reducing bureaucratic procedures and lowering barriers. The establishment process of companies will be simplified. The licensing policy will be reviewed. Returning bureaucratic procedures, like the 'OB-aangifte' process will be adjusted. Entrepreneurs will be supported through case management – 1-on-1 support – by the SBA, in order to support and navigate them through the woods of procedures, and to really find out where bottlenecks lie and what the needs of the entrepreneurs are.
7. Activation of entrepreneurship; Scouting, Coaching and Mentoring A process for Scouting, Coaching and Mentoring will be developed and incorporated into a Scouting, Coaching and Mentoring network. The network consists of old and existing entrepreneurs to recognise and identify talent, supported through public activities – like awards and talent shows. A cycle of mentoring by experienced entrepreneurs, coordinated specific training offers, and coordination of advice and coaching are ingredients for a successful Scouting, Coaching and Mentoring network.
8. Activation of entrepreneurship; PR, Social Lobby, education Public awareness on entrepreneurship needs to be improved. A publicity campaign will be developed in 2012 in which entrepreneurship as a fully fledged career choice is promoted. Programs will be developed in order to give Entrepreneurship a place in education.
9. To strengthen financial facilities A new simplified incentive scheme will be introduced for both starting and existing entrepreneurs. This facility will have characteristics of a credit guarantee scheme, supported by the government. The facility is aimed at strengthening innovation and export. It will enable entrepreneurs to strengthen their financial position in obtaining a commercial loan. Thus the maximum social return on investment (ROI) is generated from the scarce resources available.
10. To strengthen coordination of advice and training entrepreneurs A central coordination to strengthen the current training and advise supply for starting entrepreneurs. This will result in better facilitation of the supply and increase in familiarity and strengthen the access for entrepreneurs.

Summary of tangible new developments

- A central coordination office for SME entrepreneurs for their needs: Small Business Administration Office;
- Reduction of procedures and barriers for SME entrepreneurs;
- 1-on-1 support for SME entrepreneurs: case management and forms brigade;
- Easy and simple access credit guarantee scheme;
- Simulation and support of entrepreneurship in a Scouting, Coaching and Mentoring network;
- Introduction of a Business Incubation Programme;
- Awareness: Entrepreneurship as a career choice;
- Periodic policy cycle – supported by policy effect measurements based on predefined indicators and impact assessments of executing agencies;
- Closing Service Level Agreements with executing agencies; - Introduction of a SME database of SME enterprises.

Annex 2. Results of selected SME studies

The COSME programme has supported a number of studies to identify and analyse potential growth sectors/ industries, whether in the context of diversifying the economies of OCTs or in identifying innovative activities with potential for growth. The Ecorys-COSME project also conducted a study on Doing Business in OCTs. These studies and references they make to Curaçao are briefly reviewed in this chapter.

A.2.1 Trade and investment strategies

- One of these studies identified the following high potential sectors for the Caribbean OCTs:¹⁰
- Niche tourism (educational, health and wellness and cultural tourism)
- Professional services (with a focus on the offshore sector)
- Cottage industries (health foods, personal care, herbal teas, craft, music, festivals)
- Information technology
- Green technology

The proposed approach for the execution of a strategy to promote the development of these high potential sectors is that of an extensive use of national and regional clusters as well as working groups. It is also proposed to establish regional collaboration networks with the Caribbean Tourism Organisation for development of the niche tourism sector, the Caribbean National Services Coalitions for the professional services sector, CARILEC in the area of green technology and the Caribbean Knowledge and Learning Network for the IT sector. The Strategy also recommends a focus on 'Common Enablers' including the need for business environment reform, access to finance and the strengthening of business support organizations (BSOs). Finally, the Strategy speaks to the all important element of communication to secure buy-in by all stakeholders.

A.2.2 COSME Diversification study

Another study commissioned by COSME examined the scope for diversification in Caribbean OCTs¹¹. The report distinguished between growth opportunities in mature industries in Curaçao and in emerging industries. The following tables present the main industries, as well as sub-activities and the potential growth areas for SMEs identified in the study.

¹⁰ COSME, Trade and Investment Strategy, Steinbeis, September 2016. COSME, Opportunities for Collaboration, Trade and Investment between OCTs and the Wider Caribbean, Steinbeis, 30 March 2016.

¹¹ A-Z Information Jamaica Limited, Formulation of a Diversification Strategy and Implementation for Caribbean OCTs, COSME, 30 January 2017

Sectors	Growth potential for SMEs
Mature sectors	
Tourism: Small hotels and restaurants Real estate rental. Car rental, Construction, Retail to tourists, B2B goods (furniture, vehicles, art, etc.), B2B services (repair, maintenance, advertising, laundry, etc.)	<ul style="list-style-type: none"> • Efficiency enhancing services and products, including those related to energy, IT for hospitality management, financial management, new marketing methods, etc. • Product extensions such as tours, workshops, different cuisine, etc. • Cheaper lodging • Capacity building services with regard to standards and certifications
State owned enterprises (procurement) Repair and maintenance for government Construction, Training, Health care services Educational services, Trade of Furniture and supplies (office, furniture, etc.) Events (conferences and meetings organized for government) , Other Business services for government and SOEs	<ul style="list-style-type: none"> □ Provide services to build capacity for other SMEs to serve government and other large accounts □ Provide outsourcing services to SMEs serving large accounts
Manufacturing	Provide inputs into oil refining, construction, utilities, telecom and transportation
Financial Services: Securities Exchange, Fund Administration, Registration, Investor relations, Wealth and estate management, Fund Management, Brokerage and trading, Notaries, lawyers and accountants	Capacity building in financial services.
Emerging sectors	
Tourism diversification (creative arts, health and wellness, transnational education, medical tourism)	Artists and artisans, corporate trainers, athletes health and wellness professionals
Professional, business services and IT services	<ul style="list-style-type: none"> □ Capacity building in management, marketing, sales, exports, finance, etc. □ Provide B2B outsourcing services to the emerging sectors

The type of policies recommended to promote the development of these industries include:

- Policies for standard and certification;
- Providing grants and incentives;
- Improve access for SMEs to public procurement;
- Support making available information, manuals;
- Support market research;
- Support cluster formation;
- (Sector specific) Mentoring/coaching and training to improve management, efficiency, marketing, quality and finance.

A.2.3 Ecorys-COSME Doing Business study

Interesting results have become available in December 2016 from the study¹² on the Regulatory and Business Enabling Environment for doing business in the Caribbean OCTs which was also conducted under the Ecorys-COSME programme.¹³

This study used the standard World Bank Doing Business methodology¹⁴, adapted to the realities of the OCTs and the limited resources available for the project. This methodology uses a set of indicators based on standardised case scenarios with specific assumptions such as the size of a company, number of employees or assets, and the nature of the business. These scenarios have been as far as possible tailored to the specific realities of the OCT economies.

The OCT study focused on just five out of the usual ten indicators. These were:

- Starting a business
- Registering property
- Paying taxes
- Labour market relations
- Trading across borders/ importing

The results for 'Starting a business' and 'Paying taxes' are presented here as an example. Comparable figures relating to Starting a Business (a limited liability company) with two local shareholders are:

OCT	No. of days to start a business
Montserrat	36 for a national, 29 for a foreign
Cayman Islands	39 (NB: this includes 30 days for specific licenses such as landholding. As such in some cases the figure would be very much lower)
BVI	54
Turks and Caicos Islands	13
Anguilla	21
Aruba	28
Bonaire, Saba, Statia	30
Curaçao	21
St. Maarten	21

¹² See Annex 1.

¹³ Gilbert N. Addy and Tamira La Cruz, A Study to Assess the Business and Regulatory Environment for Doing Business in the Caribbean OCTs,, Road Town, 12 December 2016.

¹⁴ The Doing Business project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level. The Doing Business project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. By gathering and analysing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy. Source: www.doingbusiness.org



Comparable figures relating to Paying taxes are:

OCT1	Hours per year filing corporate income, sales tax (or its equivalent), labour taxes and mandatory contributions
BVI	Less than 10 hours
Montserrat	Less than 10 hours
Cayman Islands	Less than 10 hours
Turks and Caicos Islands	Less than 10 hours
Anguilla	Less than 10 hours
Aruba	72
Bonaire, Saba, Statia	13
Curaçao	15
St. Maarten	10

In the Doing Business study comparisons have been made with consistently high performing small island economies like Singapore, the Bahamas, Barbados, Mauritius, Seychelles, St. Vincent and the Grenadines, Antigua and Barbuda, Grenada, Malta and the Dominican Republic. The conclusion is that the indicators and sub-indicators of the OCTs are generally nowhere near the world's best.

The Doing Business consultants state that: "As economies develop and diversify, they strengthen and add to regulations to protect investor and property rights. They also find more efficient ways to implement existing regulations and eliminate outdated ones. One universally acknowledged means of facilitating the successful management of this process is through an effective system of Regulatory Impact Assessment (RIA).

"Regulatory issues are also largely governed by legislation. As such regulatory reform initiatives have to entail legislative and institutional issues besides the purely economic ones. Moreover piecemeal and unsystematic partial initiatives may not have significant measurable impact on the business regulatory, at least not in the short to medium term."

A.2.4 The SME Policy Index

In 2016 consultants engaged under the Ecorys-COSME project carried out a comparative study on SME policy implementation in the OCTs. In order to facilitate comparison of SME policy implementation among OCTs, as well as with other countries an SME Policy Index was used. The SME Policy Index is a benchmarking tool to assess, monitor and evaluate progress in policies that support SMEs. The tool is based on the EU Small Business Act (SBA), which represents a framework for SME policy development that takes into account international best practices in SME policies. The Index identifies strengths and weaknesses in policy design and implementation. It aims to support governments in setting targets for SME policy developments and facilitates engaging governments in policy dialogue and exchange of experiences within the region.

The EU Small Business Act SBA

The SBA is the political recognition of the central role of SMEs in the EU economy and for the first time puts into place a comprehensive SME policy framework for the EU and its Member States. In 2008 the EU Member States have committed themselves to implement the SBA in their countries. Main priorities of the SBA are:

- Promoting entrepreneurship;
- Less regulatory burden;
- Access to finance;
- Access to markets and internationalisation.

The founding principle of the SBA is the “Think Small First” principle. Thanks to this principle, SMEs’ interests are taken into account at a very early stage of policy making. This helps the EU develop SMEs-friendly legislation.

Based on the SBA policy framework the following principles were identified that should guide the conception and implementation of SME policies:

1. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded;
2. Design rules according to the “Think Small First” principle;
3. Make public administrations responsive to SMEs’ needs;
4. Adapt public policy tools to SME needs: create information and support services and facilitate SMEs’ participation in public procurement;
5. Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions;
6. Help SMEs to benefit more from the opportunities offered in markets in other OCTs
7. Promote the upgrading of skills in SMEs and all forms of innovation;
8. Enable SMEs to turn environmental challenges into opportunities;
9. Encourage and support SMEs to benefit from the growth of markets.

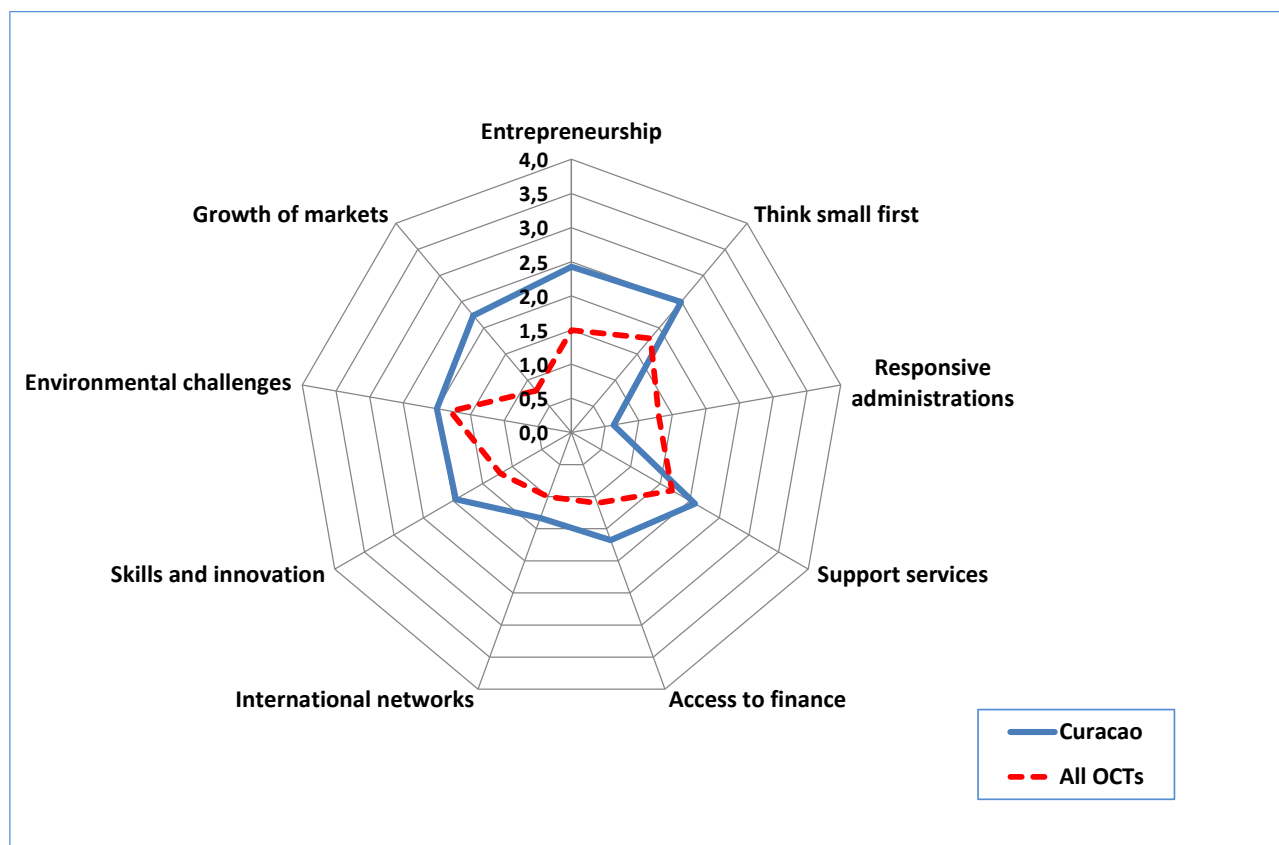
The table below presents the major outcomes of the application of the SME Policy Index in the OCTs. The average SME Policy Index of the 12 OCTs is 1.4, which is relatively low on a scale from 0 to 4. The lowest score (1.0) is for the Cayman Islands, the highest (1.9) for Curaçao, so there is not much deviation from the average. In Table 1 the highest score for each SBA principle has a bold blue border.

Table A2.1 Composition of the SME Policy Index of the 12 OCTs (scale 0 to 4)

SBA Principle	Anguilla	Aruba	Bonaire	BVI	Cayman	Curaçao	Montserrat	Saba	St. Maarten	St. Eustatius	St. Barth	Turks-Caicos	Average
Entrepreneurship	2.1	2.2	1.5	1.5	1.0	2.4	1.0	1.0	1.4	1.3	1.1	1.5	1.5
Think small first	1.4	2.4	2.5	1.9	1.9	2.5	1.4	1.5	1.7	1.6	2.0	1.0	1.8
Responsive administrations	0.6	0.9	1.0	2.0	0.7	0.6	2.8	1.0	1.9	1.3	1.6	1.3	1.3
Support services	1.5	2.2	1.7	1.6	1.6	2.1	1.3	2.2	1.5	1.3	1.9	2.0	1.7
Access to finance	1.1	1.2	1.3	1.0	1.0	1.7	0.9	1.3	0.9	0.8	0.8	1.0	1.1
International networks	0.3	2.0	0.7	1.0	0.7	1.3	0.3	1.3	0.3	1.3	1.3	1.3	1.0
Skills and innovation	1.4	1.6	1.1	1.7	1.3	2.0	0.9	0.3	0.8	1.1	1.1	1.4	1.2
Environmental challenges	1.3	2.3	2.7	2.3	0.7	2.0	0.3	2.3	1.3	2.3	2.7	1.3	1.8
Growth of markets	0.6	1.2	0.4	0.5	0.6	2.2	0.9	0.2	0.5	0.3	1.6	0.3	0.8
Average	1.2	1.8	1.4	1.5	1.0	1.9	1.1	1.2	1.2	1.3	1.6	1.2	1.4

The scores for the 9 SBA principles for Curaçao and for all OCTs together are presented in Figure 1 as a spider or radar chart.

Figure A2.1 The SME Policy Index of Curaçao



Apart from 'Responsive administrations' the scores for all principles are above the OCT average in Curaçao. To some extent this can be explained by the size: Curaçao is the largest of all OCTs in terms of population and the second in terms of GDP. Very small economies have only a few ways and means to develop policies to stimulate and facilitate entrepreneurship and SMEs. On the other hand: if we look at the international comparisons the scores of Curaçao are in absolute terms still rather low.

Based on the application of the SME Policy Index, especially measures to facilitate responsive administration should have a high priority for implementation. For instance:

- Reducing the time needed to register a business for all categories: locals and non-locals, sole proprietors and corporations.
- Making on-line registration possible.
- Reducing the costs of obtaining business and operational licenses.

Annex 3. Support needs of MSMEs by life cycle phase

Business Support Needs of MSMEs can be classified by key life cycle phases as follows:

- Ideas, start-ups, entrepreneurs, MSME's
- Start-up advice (market, legal, finance, etc)
- Entrepreneurial skill training
- Good business plan
- Learning events
- Easy and accessible regulations
- Business plan contests
- Business network/environment
- Start-up housing (scalable)
- Start-up capital

Growing companies

- Growth advice
- Organizational expertise (Marketing, HR, production, etc)
- Mentor/coach
- Specialized events (more profound)
- Business network/environment
- Easy and accessible regulations
- Growth capital
- Growth housing

Successful companies

- Advisory board/coach
- Profound knowledge for instance about internalisation through training or events
- Business network/environment
- Easy and accessible regulations
- Appropriate housing facilities
- Appropriate financing facilities

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It is noteworthy that the British OCTs as well as Bonaire, Saba and St. Eustatius do not administer corporate taxes. In the British OCTs only a few hours are generally spent per year filing these.

Entrepreneurship and SME Policy for Curaçao



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