

# Policy Compass Form for **internet consultation**

*Instruction for use:*

*This is the form for answering the Policy Compass questions for the benefit of the internet consultation. As from 29 March 2023, the answers to the questions of the Policy Compass are published with new internet consultations. Note that this form differs from the regular Policy Compass Form in some respects, as this form looks back at the steps prior to the consultation.*

*All text boxes in the form should be completed and questions cannot be deleted. If the proposal involves a technical change or is policy-neutral for any other reason then filling in 'N/A' with the questions that are not applicable suffices.*

*Delete the italicised text after answering the questions.*

**Title:**

(Fill in the publication title of the internet consultation here)

Subsidy Ordinance Credit Guarantee for SME Aruba, Curaçao, and St. Maarten

## ∞ Who are stakeholders and why?

[Explanatory note](#)

### **Auxiliary questions**

- Who are direct or indirect stakeholders in the relevant issue?  
SME entrepreneurs and credit providers in Aruba, Curaçao, and St. Maarten
- Who have relevant knowledge of and experience with the issue?  
The RVO, banks, and other credit providers, central banks of Aruba and Curaçao and St. Maarten.
- In what manner were stakeholders involved in the different stages of the policy process so far?  
All stakeholders were involved throughout the process.

# 1. What is the problem?

[Explanatory note](#)

## Auxiliary questions

a) What is the problem?

Lack of access to financing for entrepreneurs

b) What are the root causes of the problem?

There are limited financing opportunities for SMEs in the Caribbean part of the Kingdom and, as a result, there are also fewer companies that can continue their expansion by investing in the ACS countries. The degree of diversification of the economy is very limited. Local credit providers often finance only in the tourism and property sectors. The financial sector on the islands consists of about three large banks, a number of smaller banks, and non-banking credit providers. The banks in the Caribbean part of the Kingdom often have a high degree of risk aversion due to regulations like the IF7 standards. Due to the limited competition, they are not compelled to accept bigger risks. This implies that the banks often have higher reserves and capital, but provide relatively less financing to SMEs. The business landscape in the ACS countries is overwhelmingly made up of SMEs. This makes SMEs in the ACS countries essential to employment, competitiveness, and further economic growth. With virtually no financing schemes available in the ACS countries, SMEs are also often unable to attract financing and continue their expansion. This is putting a brake on the economy. Certainly in the segment exceeding €50,000 of credit, there is no instrument available, which was also revealed by a survey of the local banks by BZK. Apart from credit financing up to €50,000 where Qredits is already active in the ACS countries, there is no other suitable instrument available for the banks to provide business financing to SMEs.

c) What is the extent of the problem?

Affects the entire SME sector

d) What is the current policy and what did the evaluation reveal?

There is no policy

e) What is going to happen if the government does nothing (Zero Option)? What justifies government intervention?

The capital market in Aruba, Curaçao, and St. Maarten is not functioning properly. SMEs have insufficient access to capital. The BMKB ACS scheme aims to eliminate this market failure (as much as possible). The scheme can remove a financing impediment at local banks if there is a lack of collateral when providing credit to enterprises. The Central Bank of Aruba and the Central Bank of Curaçao and St. Maarten indicate that a lack of collateral is a clear impediment for financing.

This mainly concerns the larger credits of between €0.5 and €3 million (there is an adequate market on the islands for access to smaller micro-credits).

RVO issued a positive opinion on the deployment of this scheme to support enterprises in Aruba, Curaçao, and St. Maarten.

## 2. What is the proposed objective?

[Explanatory note](#)

### Auxiliary questions

- a) What are the policy objectives?

The Ministerial Ordinance aims to allow credit providers in Aruba, Curaçao, and St. Maarten to use the same facility as credit providers in the Netherlands and on Bonaire, St. Eustatius, and Saba. Opening up this ordinance will contribute to better access to capital for SMEs in Aruba, Curaçao, and St. Maarten and promote the economic growth in these three countries.

- b) What [sustainable development goals \(SDGs\) and broad welfare outcomes](#) do the objectives contribute to?

SDG 1: No poverty, SDG 8: Decent work and economic growth

### 3. What are the options to realise the objective?

[Explanatory note](#)

#### Auxiliary questions

- a) What are promising starting points to achieve the objective?

This form of support is only possible through a subsidy scheme

- b) Given the starting points, what are promising policy options?

N/A

- c) What is the [policy theory \(objectives tree\)](#) per promising policy option?

N/A

### 4. What are the consequences of the options?

[Explanatory note](#)

#### Auxiliary questions

- a) What are the expected consequences per policy option?

N/A

- b) What [mandatory tests](#) are applicable and what are the relevant results (where known)?

The scheme is subject to a state aid test, a legislative test, and a regulatory pressure test. The state aid and legislative tests have already been carried out. The regulatory pressure test will be conducted during the internet consultation.

## 5. What is the preferred option?

[Explanatory note](#)

### Auxiliary questions

a) What is the proposal?

Under the BMKB ACS, the Minister provides a subsidy in the form of a guarantee to the credit provider. The guarantee to the credit provider relates to the credit provided by the credit provider to the SME entrepreneur. An SME entrepreneur within the meaning of this scheme is an entrepreneur who runs a small or medium-sized enterprise. Small and medium-sized enterprises are those employing fewer than 250 persons and with an annual turnover not exceeding €50 million and/or an annual balance sheet total not exceeding €43 million. This is in line with the definitions that are applicable in the Netherlands. In practice, this will result in almost all entrepreneurs in Aruba, Curaçao, and St. Maarten being an SME entrepreneur within the meaning of this scheme. Hence, this renders this scheme broadly accessible. In addition, there are no administrative burdens for the entrepreneur. It is up to the credit provider to place the credit (whether or not at the request of the SME entrepreneur) under the guarantee. The credit provider will not ultimately be the beneficiary of the subsidy, but the SME entrepreneur to whom the credit provider provides credit. The State provides a 90% guarantee on credits issued by credit providers of up to a maximum of €1.5 million. The BMKB ACS only targets debt financing. Of the financing to be raised, 50% can be secured by the guarantee. That guarantee amounts to 90%. That implies that net 45% of the borrowed amount is secured. In case the credit is claimed by the credit provider from the SME entrepreneur, the credit provider reports directly to the RVO to claim the guarantee.

Credit providers can use the subsidy scheme to reduce the credit coverage gap. The subsidy decision is granted to the credit provider under the suspensive condition that an agreement is reached between the State and the credit provider within eight weeks of the decision. This corporate guarantee agreement mainly regulates the requirements that must be met by the SME entrepreneur. For example, BMKB ACS imposes conditions on amount, term, and suspension options of the state-guaranteed financing.

The BMKB ACS was set up to increase the credit opportunities offered by credit providers to SMEs with insufficient collateral. An essential element within the agreement is therefore that SMEs must dispose of sufficient profitability and continuity prospects.

As an additional safeguard, through inclusion in the corporate guarantee model agreement to be signed with new participating parties, it is stipulated that all proposed corporate guarantee credits must be submitted to the Minister for prior approval. Only after the Minister has given approval, and some other requirements have been met, has the guarantee been established. If the RVO, on behalf of the Minister, reaches the conclusion that the financings placed under the BMKB ACS are stable and compliant then the RVO can decide to suffice with prior notification instead of approval of the credit proposals.

The credit provider is liable to pay a one-time commission to the State after providing credit to an SME entrepreneur under this scheme.

In Aruba, Curaçao, and St. Maarten, the Central Bank of Aruba and the Central Bank of Curaçao and St. Maarten supervise the banking and credit sectors, respectively. Only credit providers that fall under the scope of the National Ordinance Credit Institutions Supervision Aruba, the National Ordinance Bank and Credit Institutions Supervision 1994 Curaçao or the National Ordinance Bank and Credit Institutions St. Maarten are qualified as credit providers within the meaning of the scheme and are eligible for subsidy. This does not distinguish between banks and other credit providers.

b) Does the proposal take the following into account:

- [effectiveness](#) and [efficiency](#);
- feasibility for all relevant parties (including [ability to get things done](#), [regulatory pressure](#), and [enforcement](#));
- broad social impact?

The scheme has no direct impact on the citizens. Indirect positive consequences are related to increased employment and better products and services that are being provided by companies. Applying for an SME Guarantee-credit is provided through one of the affiliated credit providers (who have experience in providing credit to enterprises). The entrepreneur does not need to initiate an application procedure for the BMKB. They merely request their credit provider to, where required, rely on the guarantee scheme. Hence, it does not result in administrative burdens for the entrepreneur. For the credit providers it does result in (limited) administrative burdens.

c) What are the risks and uncertainties of this proposal?

The success of the scheme depends on the willingness of credit providers (especially banks) to place loans under the scope of the scheme. Discussions were held with the central banks and credit providers. There appears to be a willingness to participate, but it is not a certainty.

d) What does the proposed [monitoring and evaluation](#) entail?

The scheme will be evaluated on effectiveness and efficiency every five years in the context of the periodic evaluation survey scheme.