

Ladies and gentlemen,

My name is:

Mr. Chesron Isidora
Chief Executive Officer
of Korpodeko

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Introduction

- An overview of the economic dynamics of Curaçao;
- Financial sector – Guaranteed funds – The old model;
- Curaçao's Sustainable Development Bank's (Korpodeko) solutions – The new model;
- And finalize with my concluding remarks.

An overview of the economic dynamics of Curaçao

- Curaçao has one of *the highest standards of living in the Caribbean*
- Its GDP is ranked 46th rank and nominal GDP is ranked 28th in the world
- *Its a high income economy* (World Bank).
- The island has a well-developed infrastructure (connectivity and data center)
- Oil refining, financial services and an upcoming tourism sector
- Curaçao has limited natural resources, poor soil and inadequate water supplies
- We are known for the fact that we provide service
- Utility costs (and personnel costs) are amongst the highest in the region
- Budgetary problems of the government present substantial challenges
- Even though 20 years late, the government is attempting to diversify the economy
- Curaçao has one of the best Internet speeds and reliability in the Western Hemisphere

Financial sector – Guaranteed funds – The old model

- In 2010 Curaçao transitioned to a new constitutional structure
- This change was accompanied by a debt relief provided by the Netherlands, which partly contributed to the decline in both current account overdrafts (lending rate) and passbook savings (deposit rate)
- Commercial bank liquidity (demand deposits) surged in line with the current account deficit to 30.9% of GDP in 2010
- The excess liquidity (of more than 500.000 million) in the domestic banks (and pension funds) required the Central Bank to utilize instruments of monetary policy
- SME's (small or medium sized enterprises) face serious challenges to get going in a market with high costs of personnel and utilities

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Financial sector – Guaranteed funds – The old model

- 1st attempt: the government owned bank failed
- 2nd attempt: through Korpodeko, extensions of up to 100% guarantees were provided
- 3th attempt: the guarantee model provided by commercial banks to finance SME's have had a failure rate of 90%
- In general new SME's technically fail at a rate of 75% within the first two years of operations in Curacao
- As it is known, SME's have structural limitations and one of them is fund access (high risk)

Curaçao's Sustainable Development Bank's (Korpodeko) solutions – The new model

- However, access to capital is not the problem
- Guarantees tend to mask lack of good planning and limited implementation skills
- Just guaranteeing the loan will not resolve the failure rate of the business, nor is it the solution of a durable fund
- It is within the aforementioned framework that Korpodeko has a stated mission: “To us, it’s not all about the money. It’s about entrepreneurship and personal development. We take it a step beyond by supporting you with the guidance and education you need to make this business a success”
- The solutions from Korpodeko’s viewpoint are clear cut:
 - (1) The individual client/SME is central to our objective
 - (2) We always have to work on the capabilities of the individual client
 - (3) Therefore we put emphasis on offering guidance and training to our clients

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Curaçao's Sustainable Development Bank's (Korpodeko) solutions – The new model

- Beyond this, Curacao's needs are different, the complexity of the economy demands risk capital guarantees (which regrettably isn't in the works)
- The risk capital guarantees should be for preferred shares or convertible debt instruments that are tradeable

Concluding remarks

- What I have presented (in brief) today are the solutions Korpodeko applies in its endeavor to be of optimal service to SME's, their representatives and our clients. This is the immediate need the government is trying to serve, but not the solution for the diversification that is being sought
- Our (new) model, compared to the old model which we would like to implement with commercial banking institutions, is different as it aims to meet reporting standard requirements, sharing the implementation risk and build the capacity of the guarantee through an embedded guidance and training program for participants

Thank you for listening!