



WORKING TOWARDS SUSTAINABLE GOVERNMENT FINANCES

**‘IT TAKES TWO TO TANGO,
BUT DANCING LESSONS TOO’**

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PRESENTATION UNIVERSITY OF SINT MAARTEN

AGENDA

- Legal framework
- Cft and Tasks
- Budget cycle
- Toolbox
- Results
- Evaluation Rft
- For discussion

NEDERLANDSCHE
WETBOEKEN

OPGELEVEN
DOOR
J.A. FRUIN
Bewerkt door Th. A. Fruin



1914

W. J. M. Nijhoff

NEDERLANDSE
WETBOEKEN

OPGELEVEN
DOOR
J.A. FRUIN
BEWERKT DOOR
PH.A.J. CREMERS
A.J. WERKAMP-BEENS
B.J.M.P. CREMERS

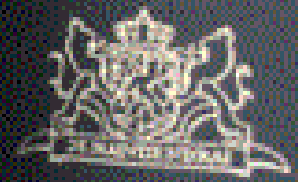


2002

KLUWER

NEDERLANDSE
WETBOEKEN

OPGELEVEN
DOOR
J.A. FRUIN
BEWERKT DOOR
PH.A.J. CREMERS
A.J. WERKAMP-BEENS
B.J.M.P. CREMERS



2004

KLUWER

LEGAL FRAMEWORK

KINGDOM ACT FINANCIAL SUPERVISION CURAÇÃO AND SINT MAARTEN

- New constitutional structure as of “10-10-10”
- Financial conditions
 - Restructuring debts: in 2010 the Netherlands took over the debt in the amount of NAf 3.4 billion (€ 1.48 billion)
 - Financial supervision with the aim to accomplish and guarantee sustainable government finances

ACT ON THE FINANCES OF THE PUBLIC ENTITIES BONAIRE, SINT EUSTATIUS EN SABA

- New constitutional structure as of “10-10-10”
- Financial framework similar to ‘Gemeentewet 1992 (*Municipal-law*)’
- Cft BES is supervisor on behalf of the Minister of the Interior and Kingdom affairs

ARUBA ORDINANCE ON TEMPORARY FINANCIAL SUPERVISION

On request of the Governor the Cft examined the budget 2014 of Aruba ('Debt ratio of more than 80%')

Recommendations to achieve a balanced budget and surplus

Protocol signed May 2nd, 2015
LAft in place as of August 1st, 2015
New protocol has to be in place asap

CFT: WHO ARE WE AND WHAT ARE OUR TASKS?



WHAT IS THE CFT?

- Three Boards of financial supervision:
 - Cft Curaçao and Sint Maarten (four members)
 - Cft BES (three members)
 - CAft (three members), since August 2015
- Chairman and members appointed on behalf of the Kingdom
- Members nominated by the countries (or BES public entities)
- Members act independently
- Supported by secretariat
- Offices in Willemstad, Phillipsburg and Oranjestad

CFT CURAÇAO AND SINT MAARTEN



Legal basis: Kingdom act financial supervision

CFT ARUBA



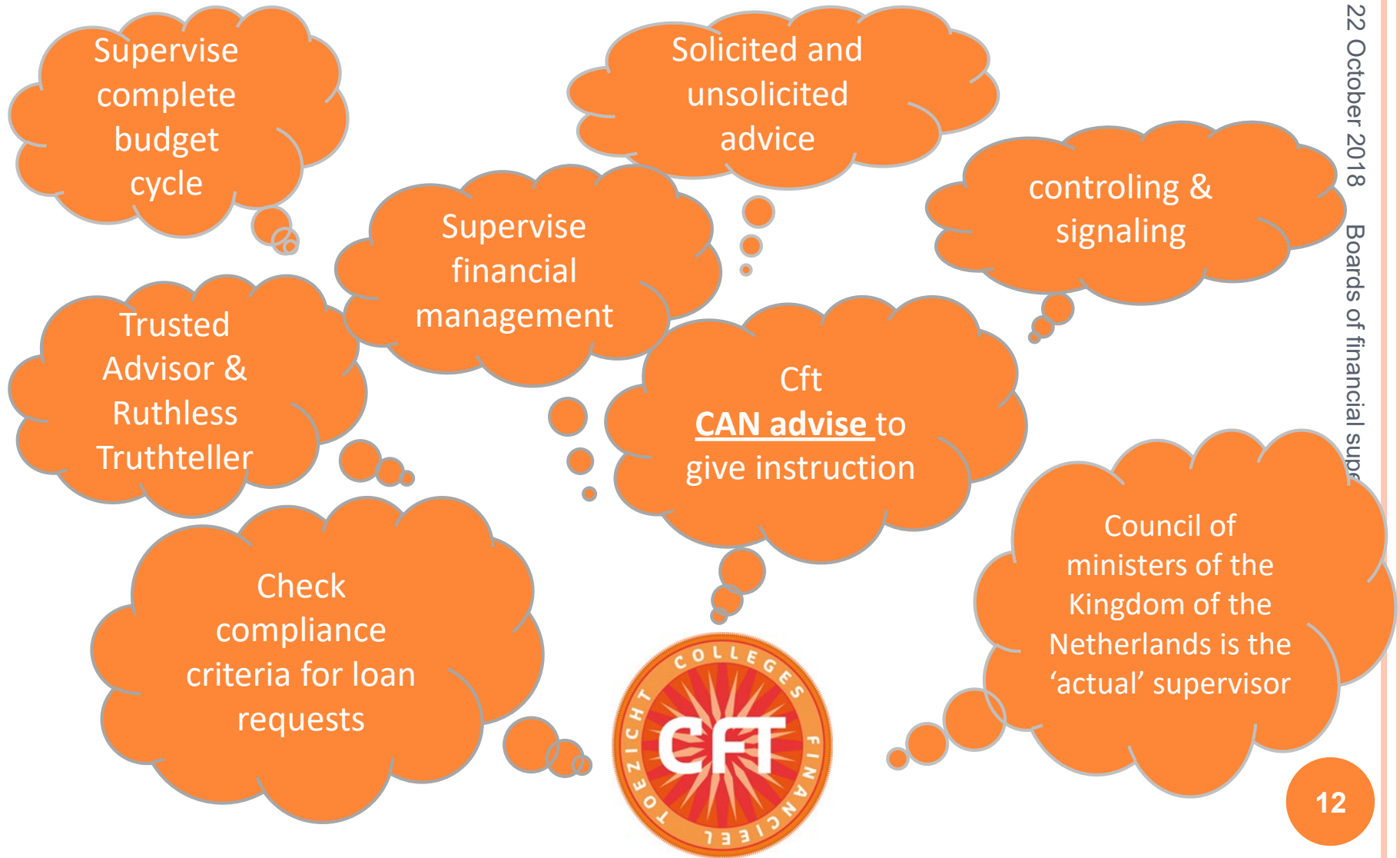
Legal basis: Aruba ordinance on temporary financial supervision

CFT BONAIRE, SINT EUSTATIUS AND SABA



Legal basis: act on the finances of the public entities Bonaire, Sint Eustatius en Saba (wet FinBES)

TASKS BOARD OF FINANCIAL SUPERVISION CUR/SXM



Supervision aimed at the management of the budget cycle and financial management

Secretary of state approves budget; Cft advices



Controlling and correcting

Secretary of state can intervene, for example, 'voorafgaand financieel toezicht'

Decisions with financial consequences require approval of the minister

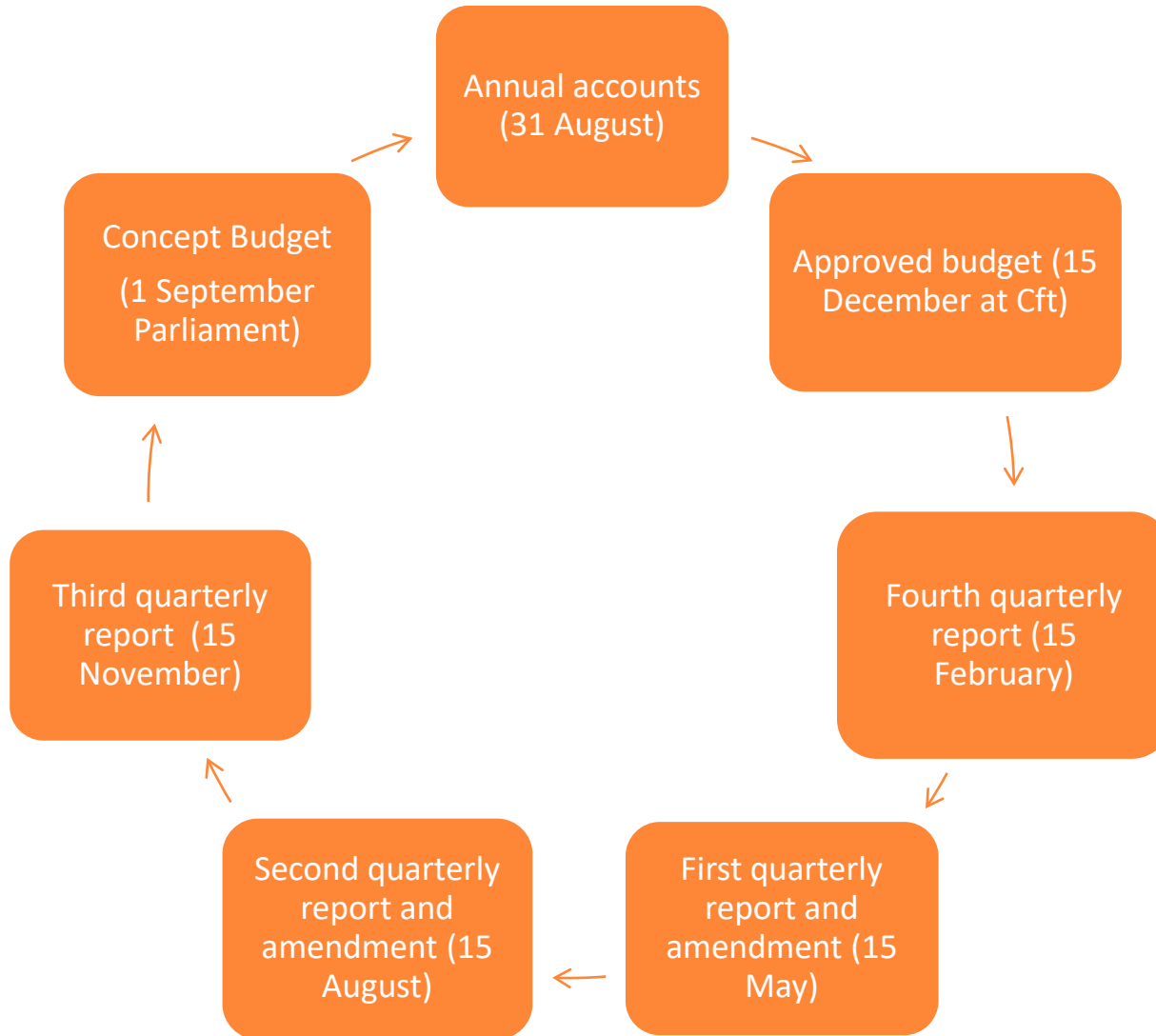
TASKS CFT BES

Supervision is NOT temporary – similar to municipalities of the Netherlands



Budget cycle

BUDGET CYCLE





Toolbox

- **Art. 15 Rft (art. 14 Laft)**

Central rule: balanced yearly budget and interest burden rule for Curaçao and Sint Maarten

Deficit and surplus rule for Aruba

- **Art. 11 Rft (art. 10 Laft)**

Solicited and unsolicited advice on the draft budget

- **Art. 12 Rft (art. 11 Laft)**

Advice on approved budget (not a policy based judgement)

Give recommendations to the government

- **Art. 13 Rft (art. 12 Laft):** advise the Kingdom Council of ministers to give the government an instruction:

- Ultimum remedium
- Advice instruction is not compulsory
- Instruction can only concern compliance of art. 15 Rft

- **Art. 17 Rft (art. 16 Laft):** check against the central rule during implementation of the budget

Possible instruction via art. 12 and 13 Rft

- **Art. 14 Rft (art. 13 Laft):** approved budget has to be submitted in time

Cft can advise the Council to give an instruction to submit the budget as soon as possible.

SPECIAL CIRCUMSTANCES SINT MAARTEN

- **Art. 25 Rft (art. 23 Laft/ art. 21 lid 3 FinBES)**

Special circumstances allow deviation from article 15 of the Rft

Decision made by the Kingdom Council of ministers

For SXM budget 2017 and 2018 art. 25 is applied and based on this there will be liquidity support

Sources of Information C(A)ft:

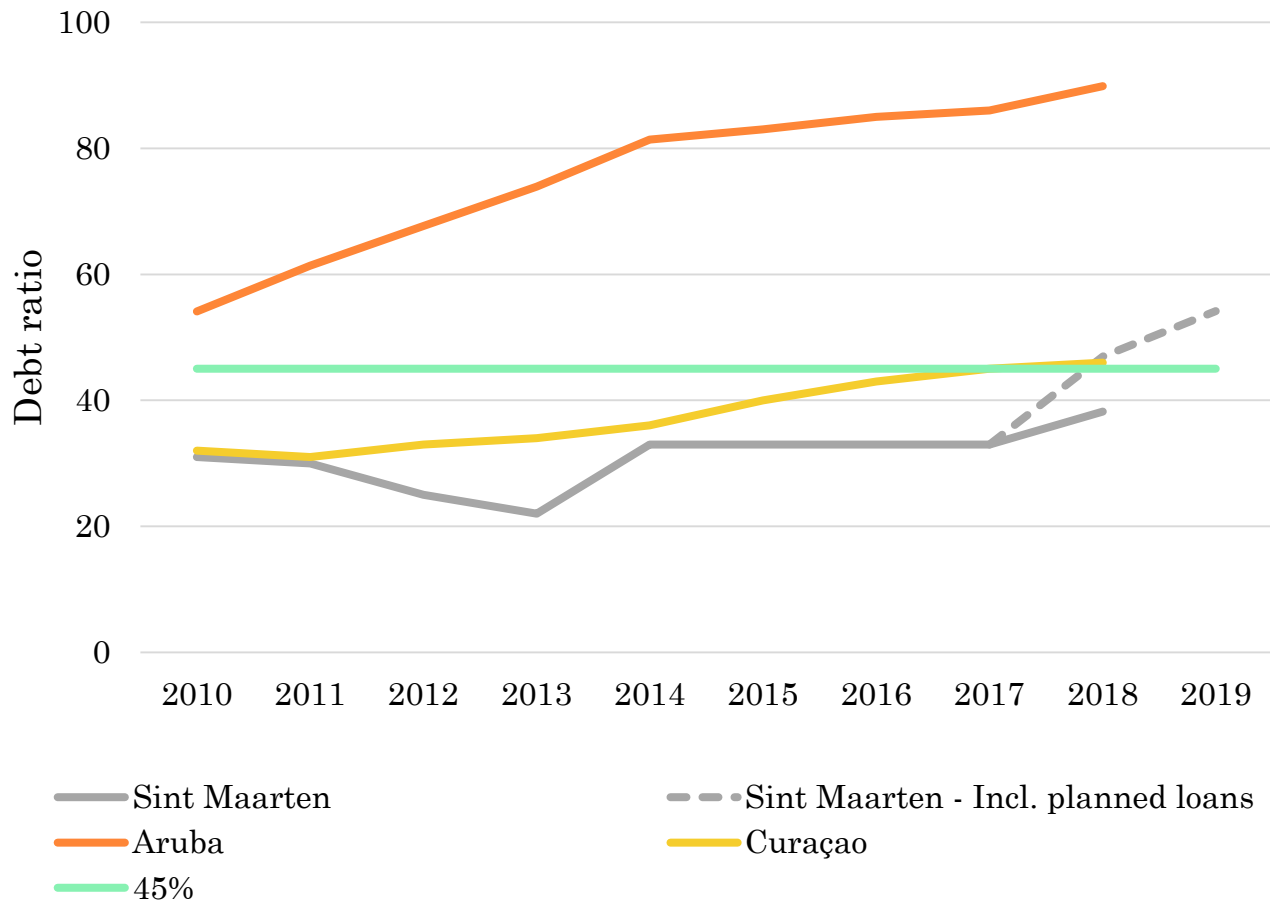
- Reports by other public institutions
- Art. 8 Rft/Laft: government must provide all information to the Cft deemed necessary to exercise its tasks

WHAT ARE THE RESULTS OF FINANCIAL SUPERVISION?

In general:

- Steps towards a better budget discipline
- Supervision has a positive effect on the public debate regarding government finances (transparency)
- Quarterly reports and annual accounts are being drawn up, submitted and approved
- More confidence by institutions etc.: better scores IMF, Fitch, Standard&Poors
- Dutch subscription for capital expenditures' loans: interest very low

DEBT RATIOS 2010 - 2018



SINT MAARTEN

- Achieving balanced budget is a huge challenge, also due to hurricane Irma
- Importance improvement financial management
- Sint Maarten is making steps towards compliance with the binding instruction set in 2015
- Financial and economic recovery efforts

RECOMMENDATIONS EVALUATION COMMITTEE RFT 2015

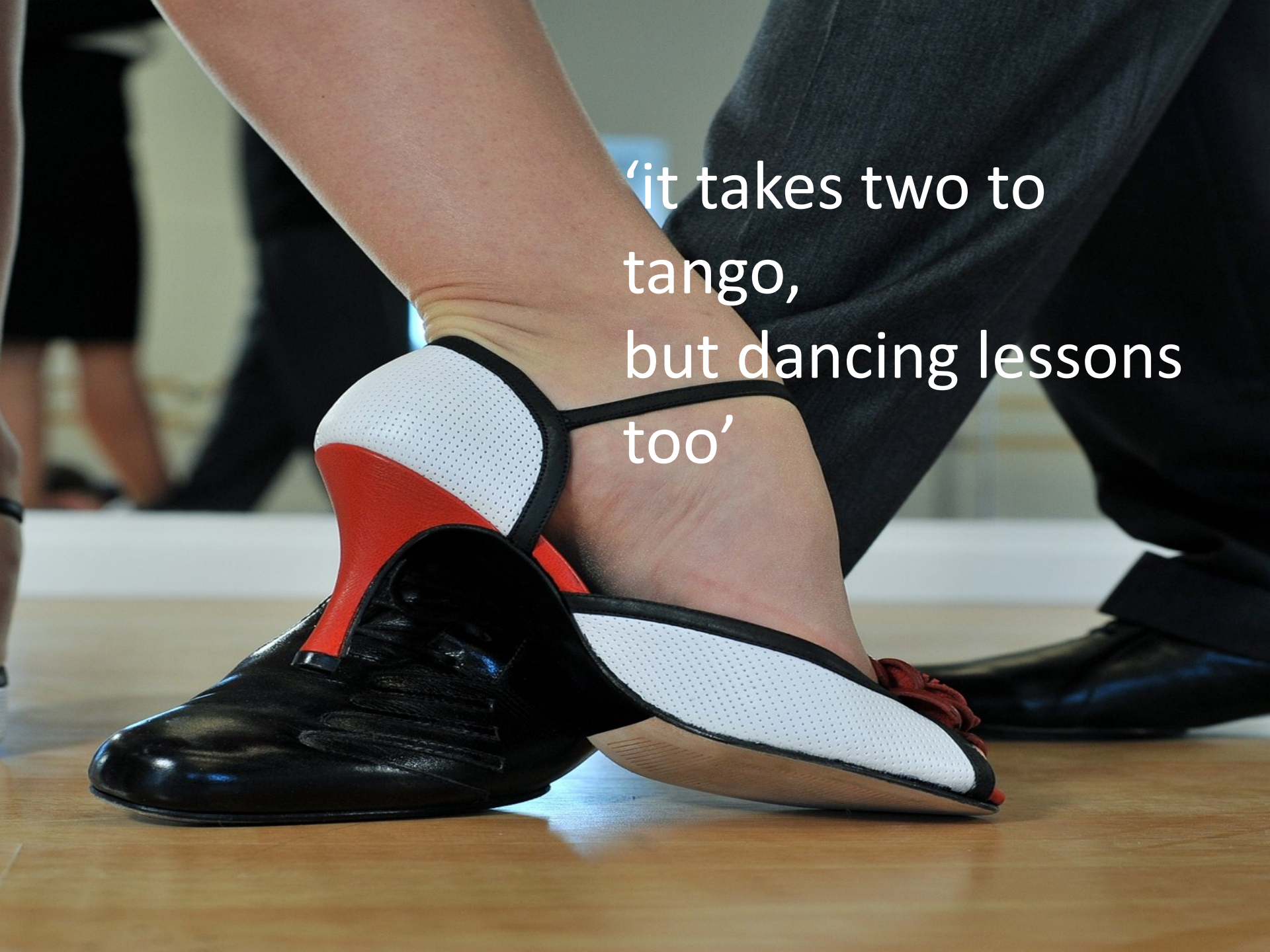
- Improve 'own' institutions
- Good financial management is a necessary precondition for orderly budget discipline
- Make arrangements regarding the capital budget
- The countries should incorporate a debt ratio related rule in their own legislation

SITUATION 2018

- None of the countries complied with the balanced budget rule over the past three years
- Financial supervision has to remain in the near future
- Act of finances of the BES will not be evaluated; not a temporary law
- For Aruba a new framework (protocol and ordinance) is negotiated

FOR DISCUSSION

- Sustainable finance: what is a sustainable debt ratio and should it be incorporated in the Rft?
- An enforceable obligation to provide information?
- Financial management as a norm ?



'it takes two to
tango,
but dancing lessons
too'