



# SINT MAARTEN'S ROAD TO SUSTAINABLE PUBLIC FINANCES

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# PART I - SETTING THE SCENE



## STARTING POSITION PRE-IRMA AND PRE-CORONA

- GDP per capita: USD 29,125 (2019).
- Unemployment: 6.2 percent (2017).
- Tourism: 4 percent growth per year (2010-2016).
- Resilience: Tourism +50 percent; 8 percent economic growth (2019).
- Kingdom: The Statute, checks and balances, trust fund, liquidity support, defence.

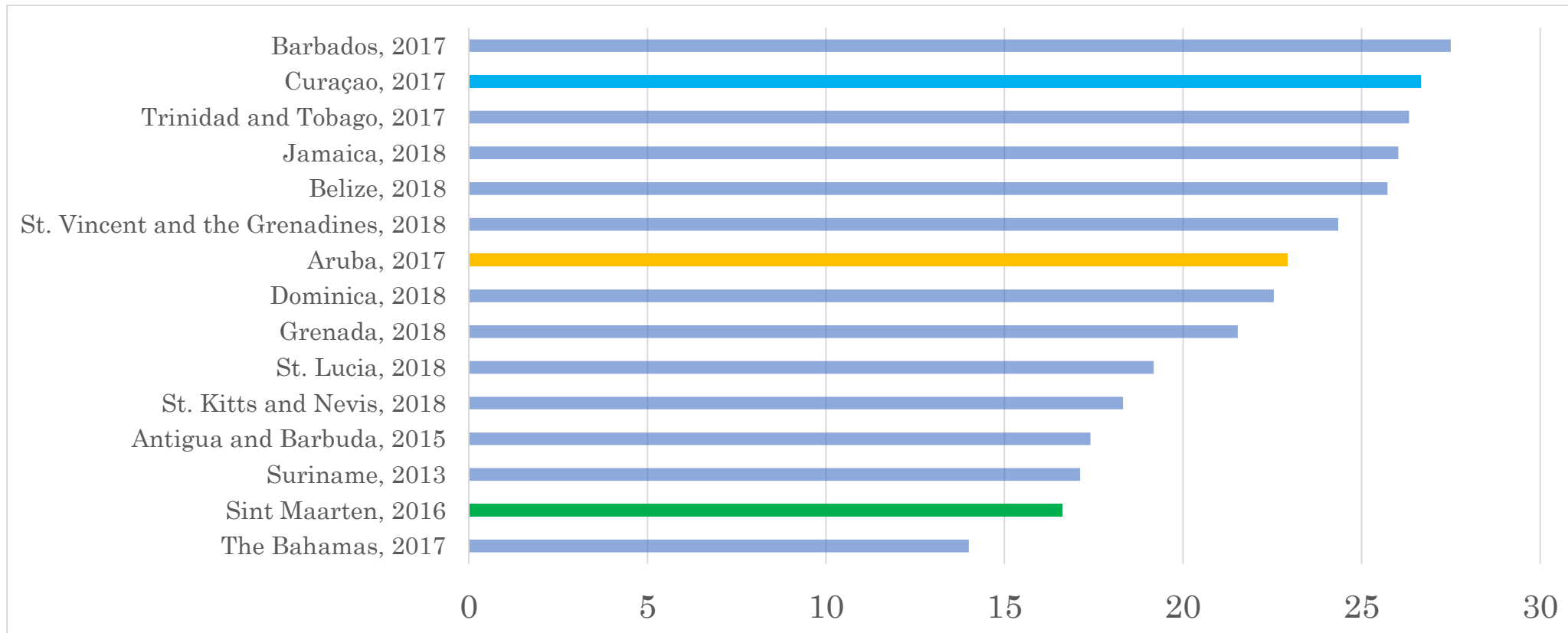
# SINT MAARTEN IN REGIONAL PERSPECTIVE

- The debt ratio – in 2019 at relatively safe level – has risen faster than in other Caribbean countries:

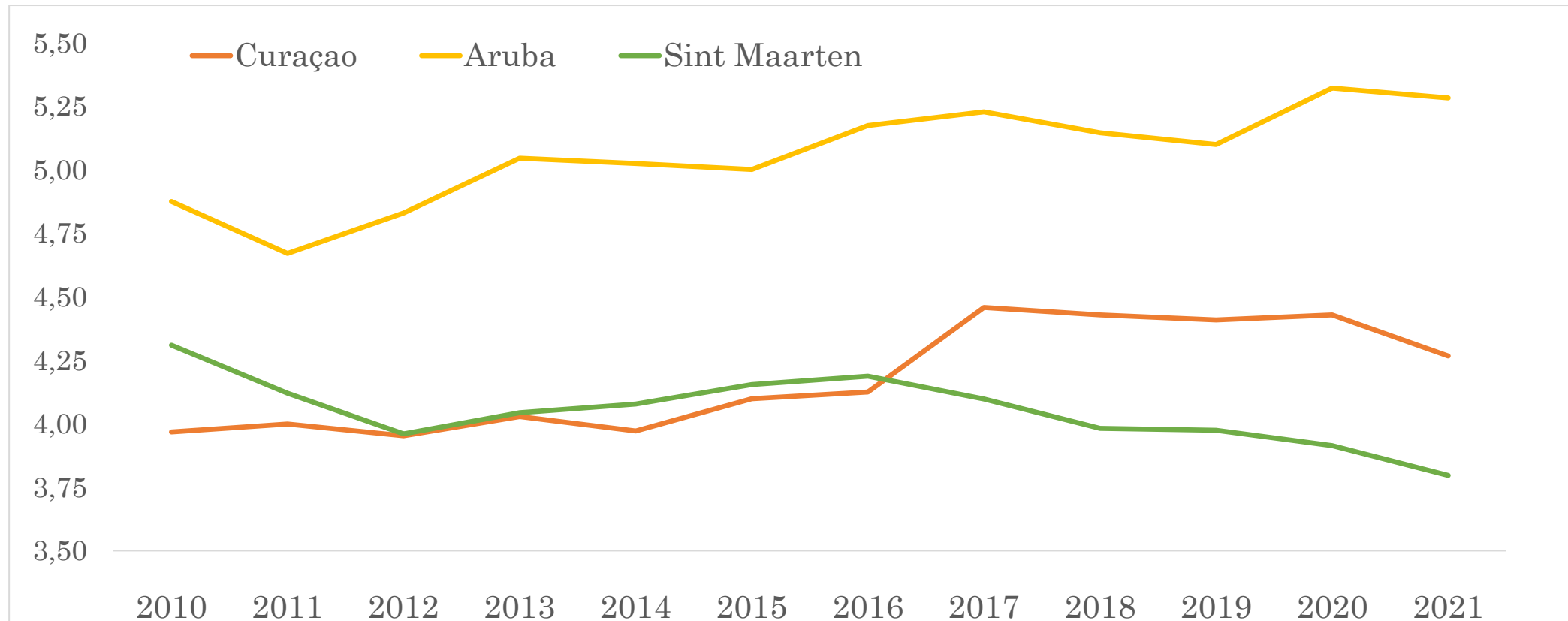
	Debt ratio (% GDP)		
	Before corona (2019)	After corona (2021)	%-point change
Sint Maarten	42.8	72.9	+28.6
Caribbean average	66.4	87.5	+21.1

- Despite the debt increase, public investment is relatively low.

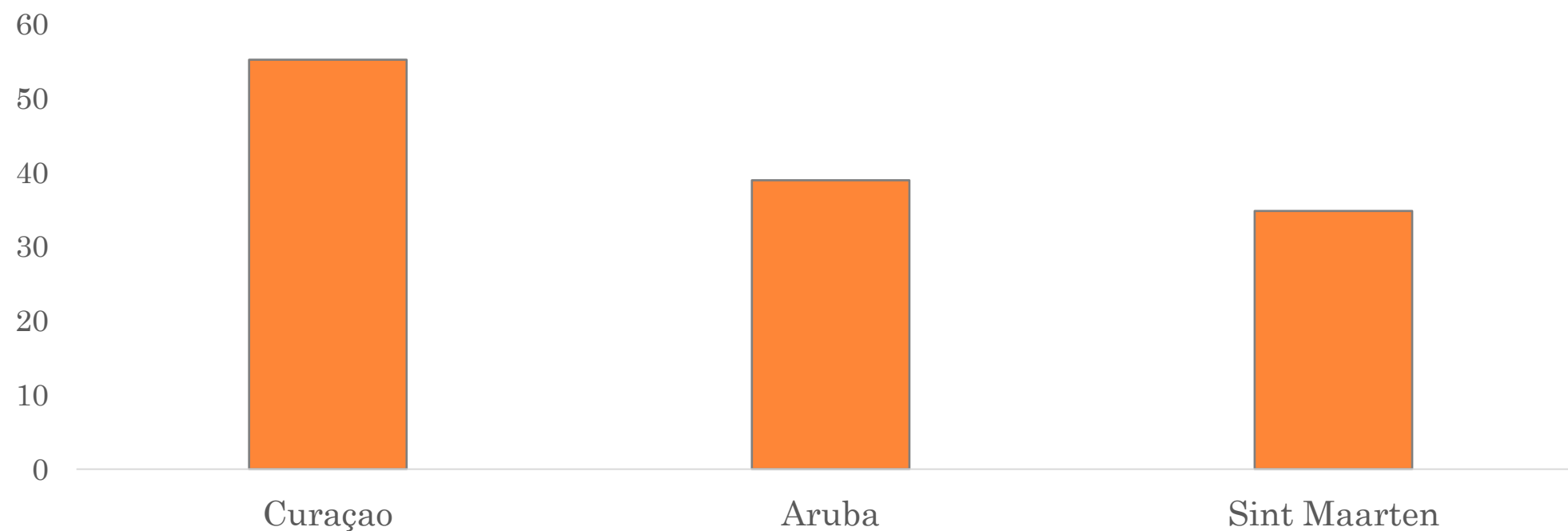
# TAX REVENUES, % GDP



# DEVELOPMENT OF THE REAL MINIMUM WAGE, USD PER HOUR, (PURCHASING POWER PRICES 2010), 2010 - 2021



# STATUTORY MINIMUM WAGE TO GDP PER CAPITA %, (2019)

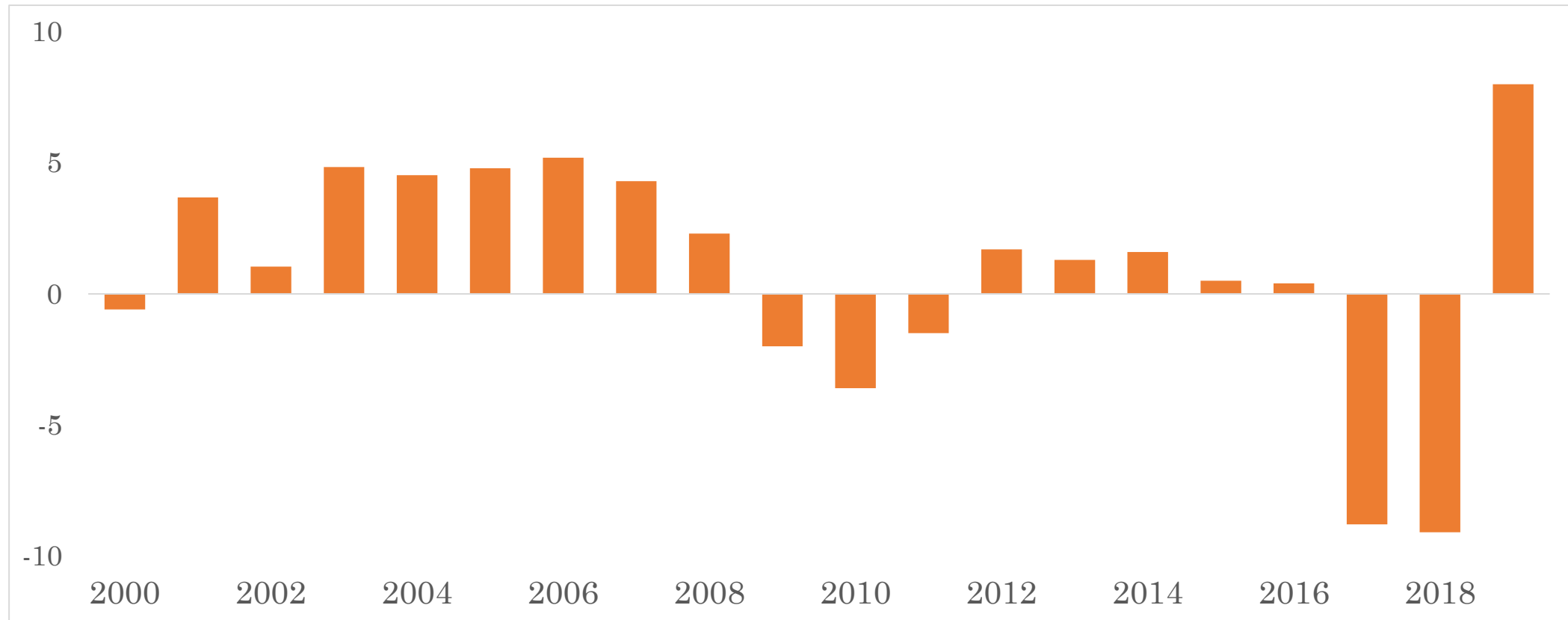




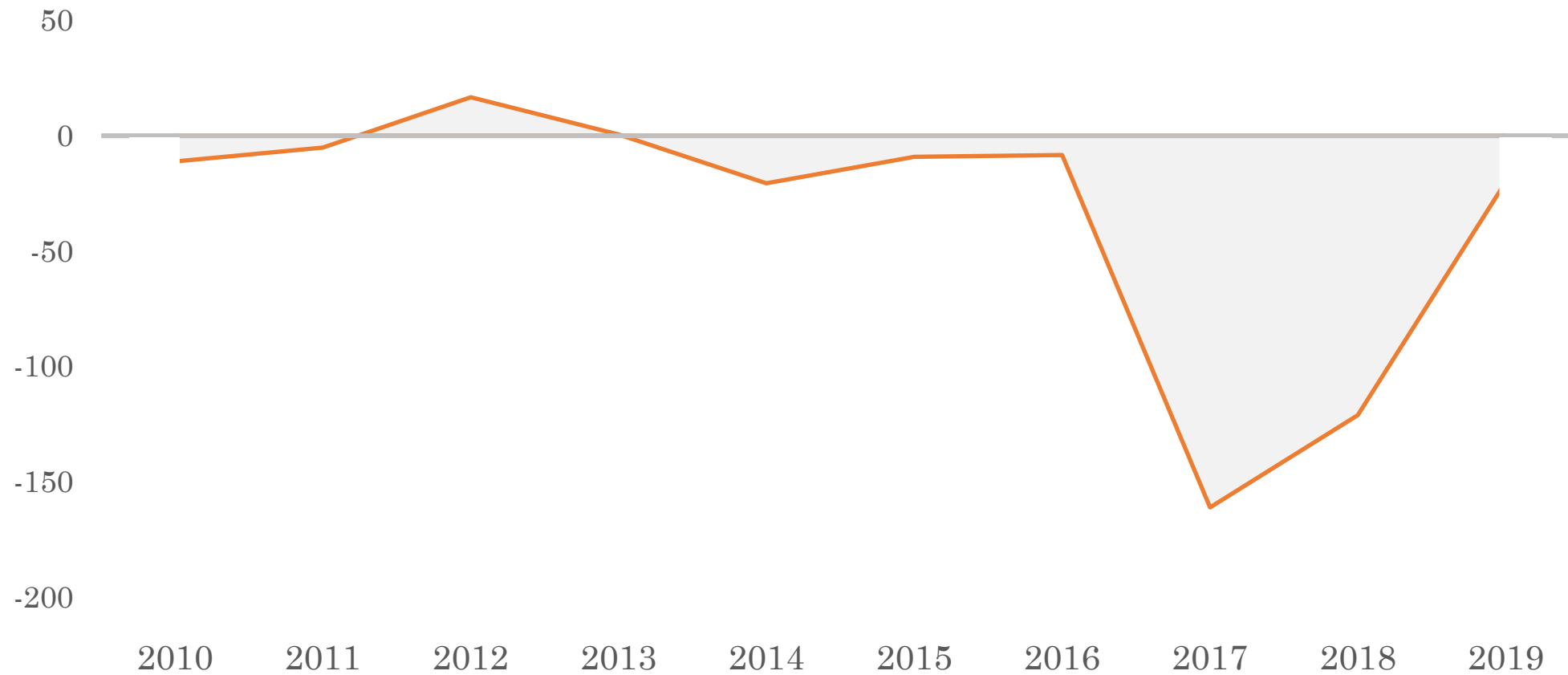
## PART II - ECONOMY AND PUBLIC FINANCES UNTIL 2020



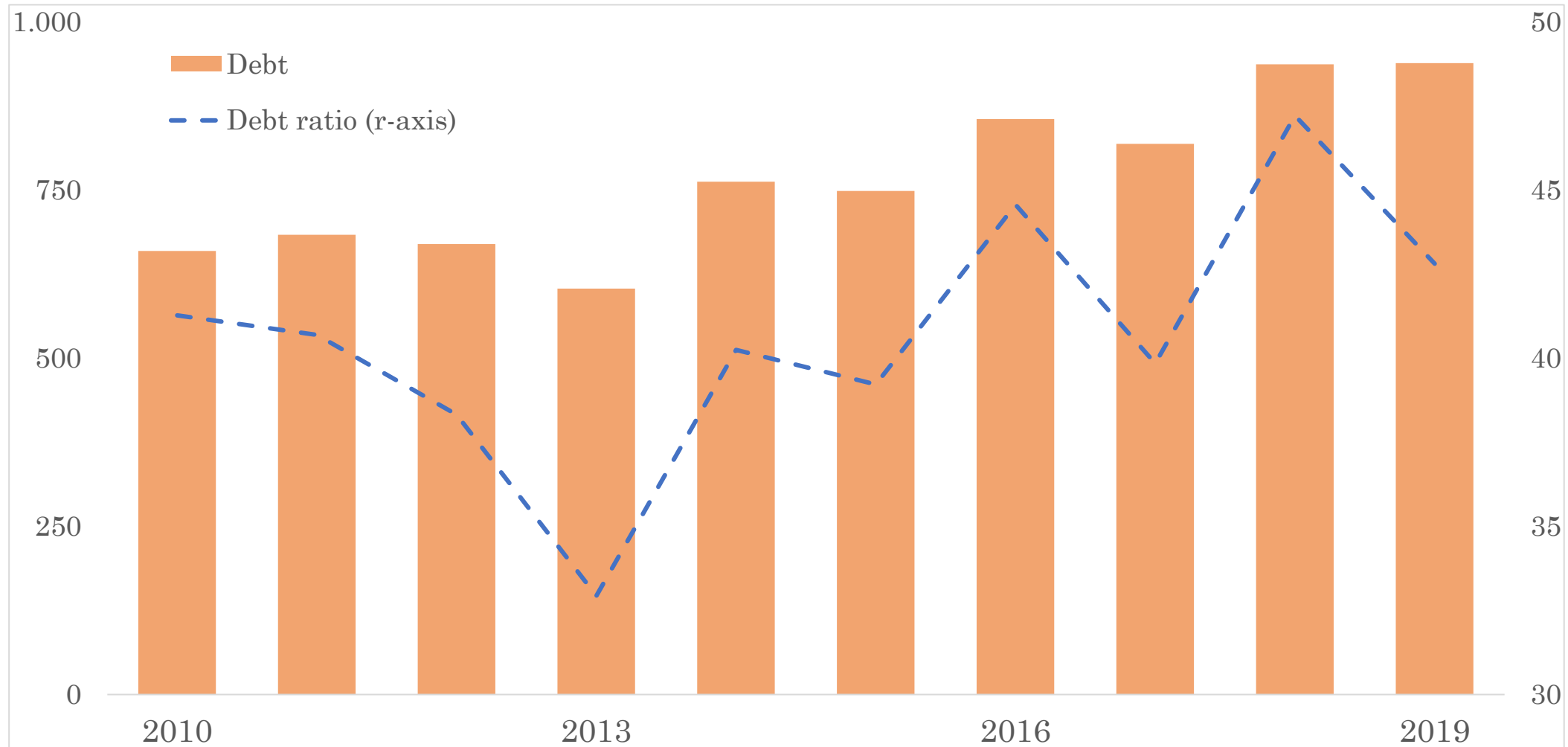
# REAL ECONOMIC GROWTH (% GDP), 2000-2019



# CURRENT BUDGET BALANCE, (x ANG MLN), 2010-2019



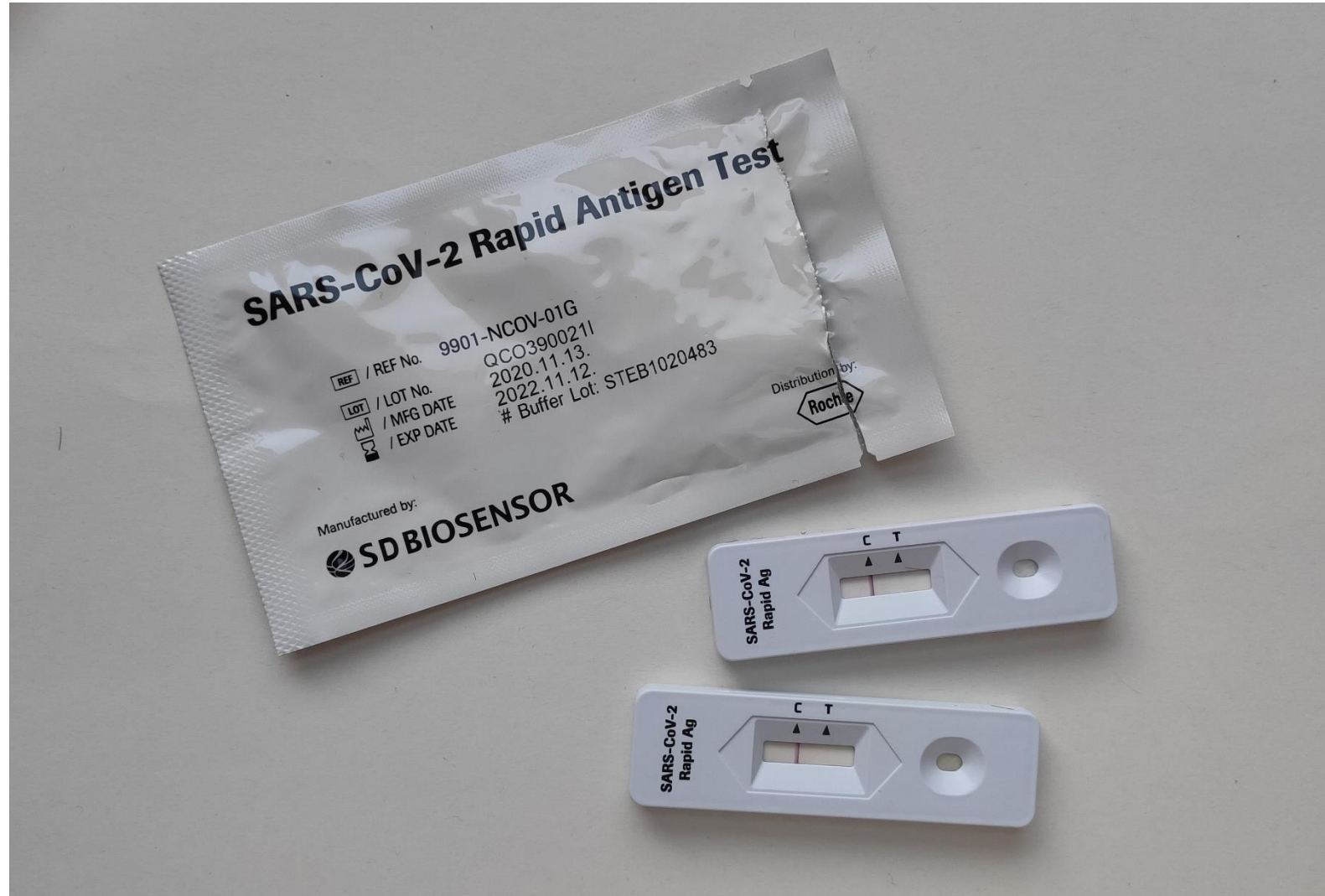
# GOVERNMENT DEBT, (x ANG MLN); GOVERNMENT DEBT, (% GDP, R-AS), 2010-2019



# CONCLUSIONS I

- Debt-to-GDP ratio has been maintained at a relatively safe level until 2019.
- Tax-to-GDP ratio is low and leaves room for a potential tax increase.
- Sint Maarten has a more skewed income distribution.
- Purchasing power of the minimum wage fell drastically, making low-income groups more vulnerable.

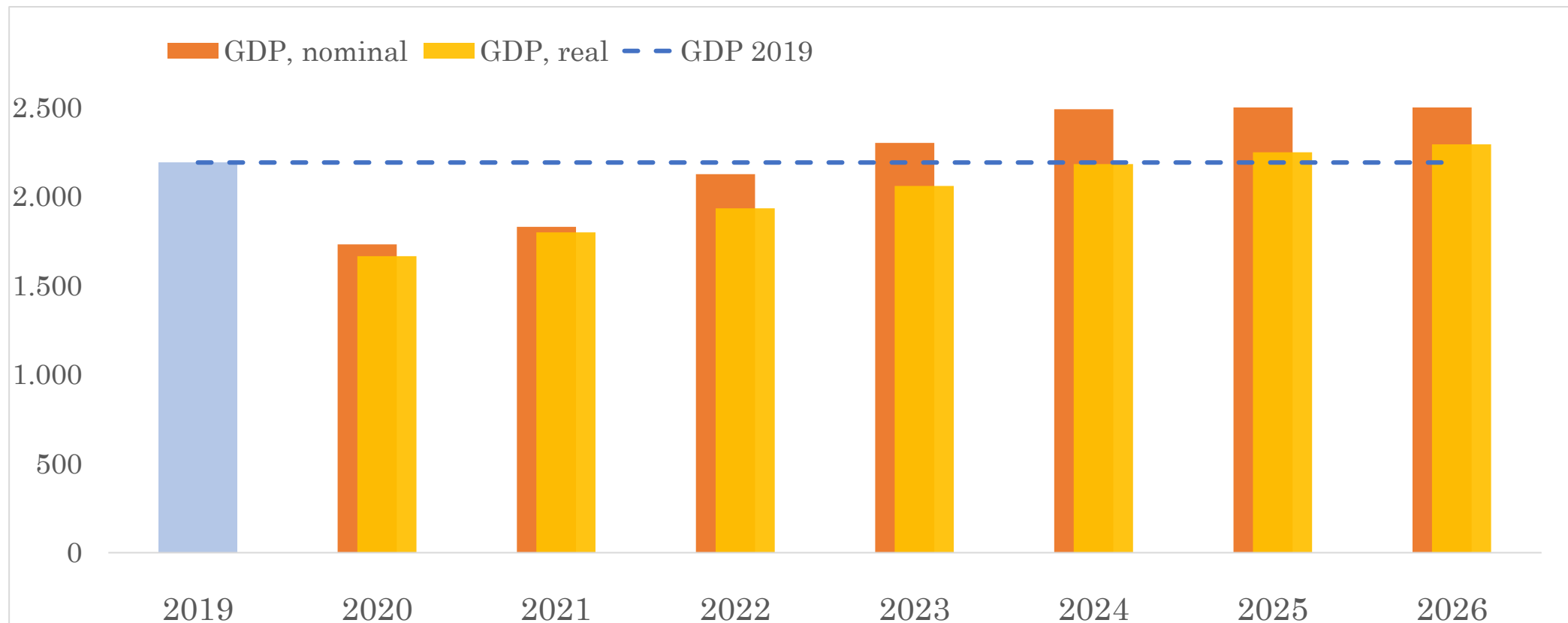
# PART III - CORONA PANDEMIC AND RECOVERY



## INCREASED GOVERNMENT DEBT, 2020-2021

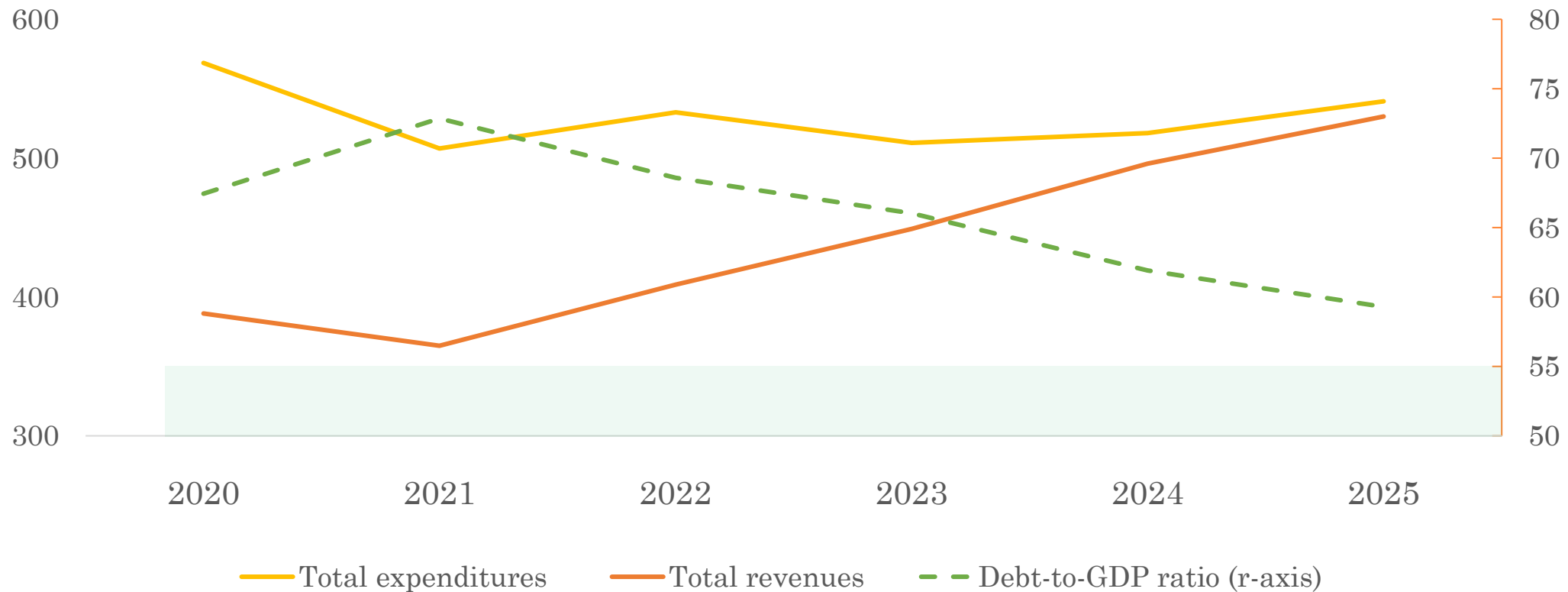
- The government debt increased in 2020 and 2021 with ANG 396 million, to ANG 1,334 million.
- Loan European Investment Bank (Princess Juliana International Airport).
- Liquidity loans of ANG 292 million against 0 percent interest rate (refinanced till October 2023):
  - 2020 : ANG 175 million
  - 2021 : ANG 117 million
  - 2022 : Not yet decided

# ECONOMIC GROWTH FORECASTS: STRONG RECOVERY, 2019-2026





# MULTI-YEAR BUDGET (x ANG MLN); GOVERNMENT DEBT, (%GDP, R-AXIS), 2020-2025



## SUB-CONCLUSIONS II

- Economic recovery to pre-pandemic levels is forecasted in 2023 and 2024.
- If government takes control over expenditures and raises a few taxes, the current budget in 2023 will be balanced and from 2024 there will be a surplus.
- With sufficient fiscal space public investment can be raised and still the debt-to-GDP-ratio could be within safe margins.

# PART IV - FINANCIAL SUPERVISION WITHIN THE KINGDOM



# THE BOARD ON FINANCIAL SUPERVISION

- The Cft has been an independent advisor since 2010 for the countries and the Council of Ministers of the Kingdom.
- The members of the Board perform their duties without burden or consultation.



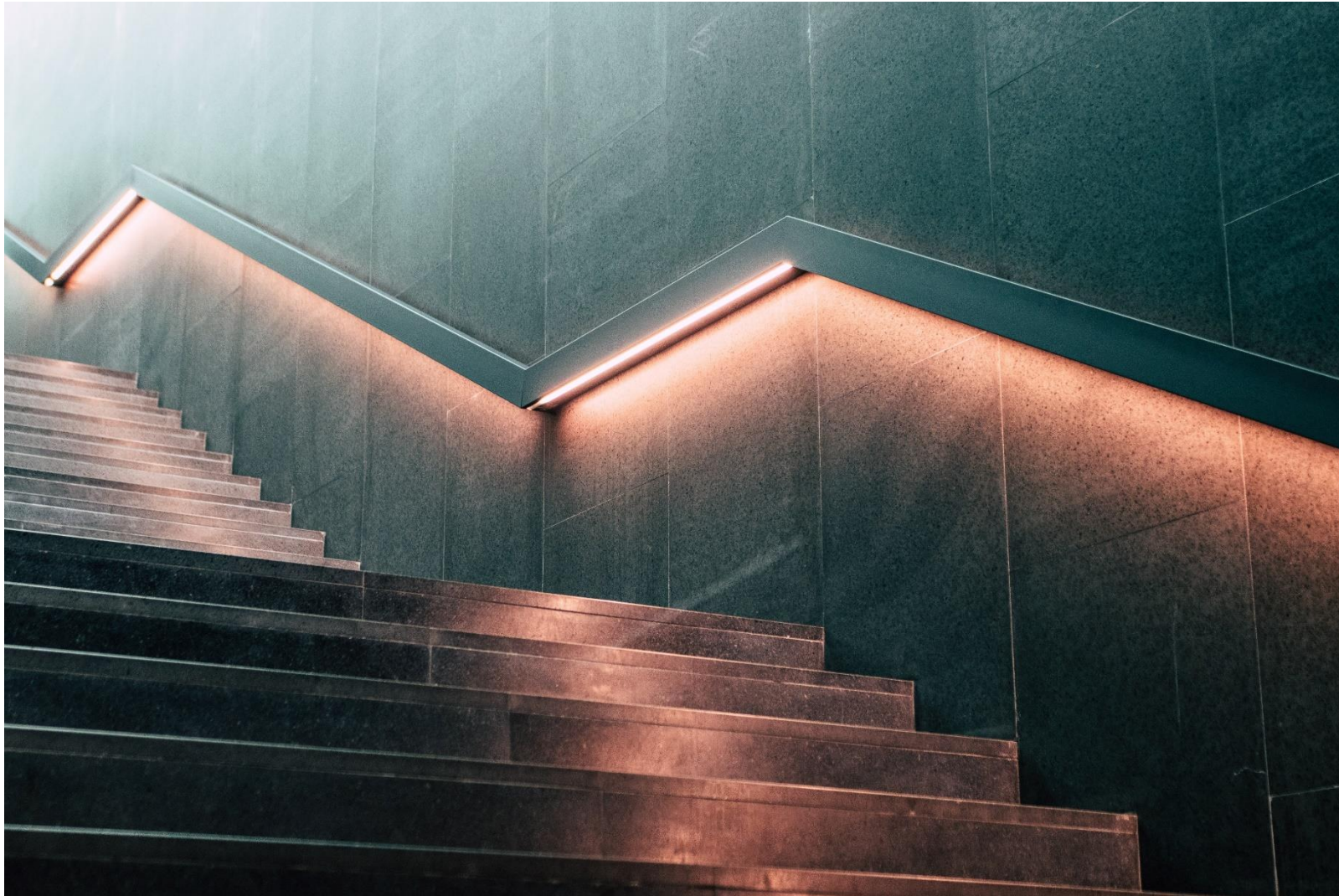
## RESULTS FINANCIAL SUPERVISION

- 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.
- Dutch subscription for capital expenditures' loans: low interest.

# IMPORTANCE OF A TIMELY BUDGET

- Adopted budget should be send to Cft before 15th of December.
- Draft budget on the second Tuesday of September (*‘Comptabiliteitsverordening of Sint Maarten’*).
- Sint Maarten has never succeeded in delivering the adopted budget on time to the Cft.

# PART V - PERSPECTIVE OF SUSTAINABLE PUBLIC FINANCES



# BALANCED CURRENT BUDGET AND SURPLUSES

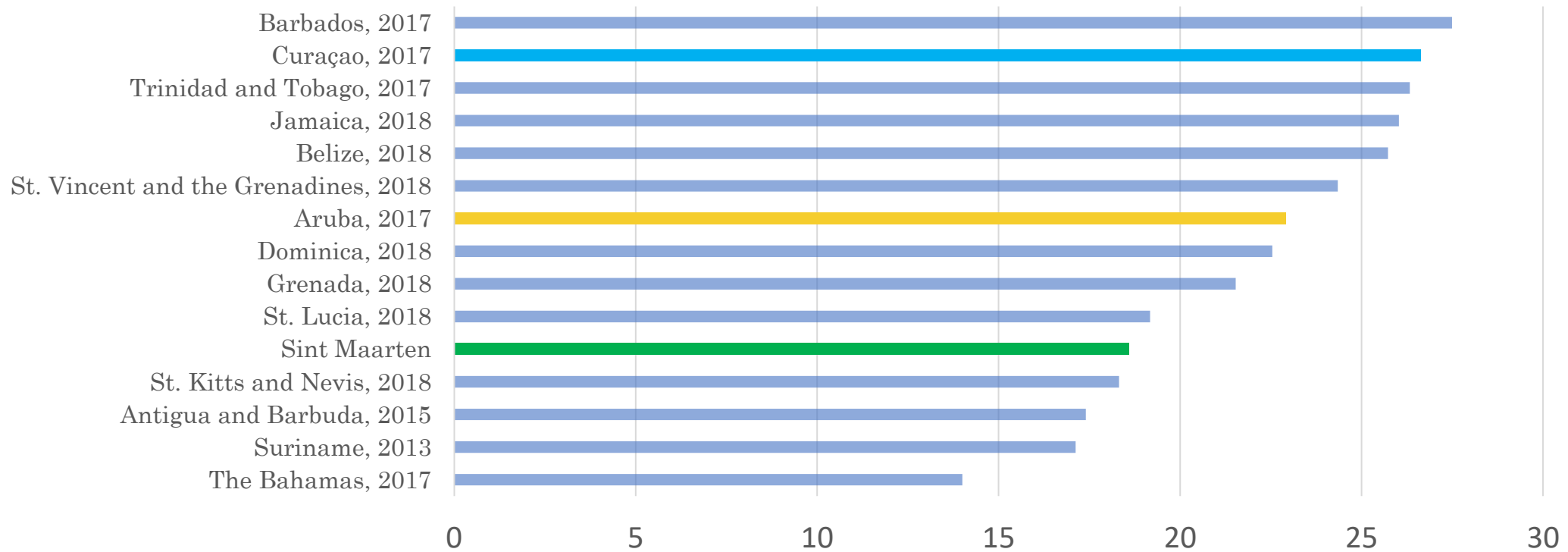
- Sint Maarten should achieve a balanced current budget in 2023, followed by surpluses in 2024 and 2025.
- Surpluses can be used for:
  - The repayment of loans
  - Investments
  - Allocation of surpluses for potential budget risks



# STRENGTHENING AND BROADENING THE TAX BASE

1. Short term tax reforms, 2023.
2. Restructuring of the Tax Authority and better compliance.
3. Reforms from 2024.

# ROOM FOR TAX INCREASES



# SOCIAL SECURITY FUNDS

- Aging population (World Bank, 2020).
  - From 5 percent population 60 years and older in 2002 to 13.5 percent in 2018.
- Aggregate shortage in the healthcare funds of ANG 325 million (2021).
- The pension fund (AOV) will have deficits in 2031.
- Need for further structural reforms (Country Package):
  - General Health Insurance
  - Increase in retirement age

# PUBLIC FINANCE IN TIMES OF RISING ENERGY PRICES EXTRA CHALLENGING

- Inflation is rising due to the energy and food crises and energy importing countries become poorer.
- Sint Maarten is considering to raise minimum wage.
- Space for fiscal policy is very limited, raising debt in time of rising interest is not a solution.

# FINANCIAL MANAGEMENT

- Country package:
  - Building institutional capacity
  - Timely adoption of planning and control documents (budget, annual report, etc.)
- Sint Maarten needs to include a multi-year overview in the budget, in order to enable planning and implement long-term policy.

# CONCLUSIONS

- Sint Maarten can achieve a balanced current budget in 2023 and surpluses from 2024.
- To achieve current budget surpluses, Sint Maarten needs to:
  - Strengthen and broaden the tax base
  - Take control over expenditures
  - Mitigate the risk of aging to social funds
  - Improve financial management
- Surpluses can also be used to support the sustainable development of the country.