



## Press Release

June 29<sup>th</sup>, 2022

### **Cft: "Utilize Sint Maarten's economic recovery to put budget in order"**

**Philipsburg – A significant budget deficit is expected for the year 2022 for Sint Maarten, despite a real economic growth of 7.5 percent. The Board of financial supervision Curaçao and Sint Maarten (Cft) urges Sint Maarten to limit its expenditures and increase its tax benefits in the short term by taking compliance-enhancing measures, and collecting the ground leases and the license fee for casinos and lotteries. It is important that a number of targeted investments also take place.**

Sint Maarten's economy has grown with 8 percent in 2021. The International Monetary Fund (IMF) expects a growth of 7.5 percent for the year 2022. This is largely due to the recovery of (cruise) tourism. Sint Maarten should utilize this economic recovery to put public finances in order, meet repayment obligations and make necessary investments.

#### **2022 and 2023 budget**

The 2022 adopted budget shows a deficit of ANG 124 million on the ordinary service. The Cft advised Sint Maarten to reduce the deficit by limiting its expenditures and increasing the tax income. As a result, a deficit of well below ANG 100 million in 2022 is feasible. In 2023, a balance on the regular service should be possible, followed by surpluses in 2024. Relevant in this regard is the fact that Sint Maarten has to repay a loan of ANG 73.5 million in 2025. Targeted investments can contribute to sustainable economic growth. Sint Maarten has to take advantage of the opportunities that the Country Package is offering to this end and provide sufficient substantiation for the intended investments. It must also be stated what the effects of the investments are on the multi-year budget.

#### **Increase of tax benefits**

Viewed from an international perspective, Sint Maarten's tax revenues are low at around 17 percent of Gross Domestic Product (GDP). Sint Maarten has to raise its tax revenues to a higher level, so as to cover its annual expenditures and surpluses be generated. The Cft advises Sint Maarten to swiftly implement the recommendations regarding the introduction of a casino tax and extension of the lodging tax on the rental of homes to tourists. It is also striking that Sint Maarten does not levy any tax on real estate. Modernization of the tax system and the Tax Department is necessary to improve compliance.

#### **Control of wage subsidy scheme**

On April 30, 2022, the executive entity Social Health Insurance (SZV) completed its audit of the implementation of the wage subsidy scheme in 2020 and 2021. So far, the SZV has paid out ANG 95 million in wage subsidies. It follows from the audit that a total of ANG 0.7 million in wage subsidies in all likelihood has been disbursed unjustly. The Cft has requested the Minister of Finance to expand the control on a number of components.

#### **Care and social security**

The financial health of the Health Insurance Fund/Accident Fund (ZV/OV) and the Health Insurance Fund for Government Pensioners (FZOG) on Sint Maarten is worrisome. The deficits in these funds are made up for by surpluses in other funds, in particular the General Old Age Insurance (AOV fund). Sint Maarten



took the first steps in 2022 with regard to the implementation of economization measures. The legislation on the introduction of generic medicines is being implemented. This can save approximately ANG 6 million annually. It is also important that over-the-counter drugs are made more austere. At the beginning of 2022, the Parliament of Sint Maarten also approved legislation regarding the increase of the ZV/OV wage limit to ANG 120,000. During the discussions, the Cft emphasized the importance of a rapid implementation of this legislation.

### **Financial management**

The financial management of Sint Maarten is seriously deficient. This is reflected in the quality of the annual accounts. Measures have been agreed in the Country Package and the underlying implementation agenda to improve financial management. The Cft considers it prudent that Sint Maarten has started to implement improvement processes.

On June 27<sup>th</sup> and 28<sup>th</sup>, 2022 the members of the Cft spoke with the Governor, the Council of Ministers, the Minister of Finance and the Finance Committee of Parliament of Sint Maarten. The Cft also met with the Sint Maarten Medical Center (SMMC) and the Sint Maarten Harbor Holding Company N.V. (SMHHC). On June 27<sup>th</sup>, the Cft Bonaire, Sint Eustatius and Saba met virtually with the Executive Council of Saba.

On June 28<sup>th</sup>, 2022, the Chairman of the Cft held a lecture on Sint Maarten bearing the title: "*Sint Maarten's Road to Sustainable Public Finances.*" The speaker's notes and the sheets are available on [www.cft.cw](http://www.cft.cw).

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**Photo:**

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**Caption:**

The Cft advised Sint Maarten to reduce the deficit by limiting expenditures and increasing tax revenues.

**Note for the editing department – not for publication**

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