



Press release

November 4th, 2021

Cft: "Adopt the budget this year still"

Philipsburg – Sint Maarten has submitted a draft 2022 budget to the Board of financial supervision Curaçao and Sint Maarten (Cft) and needs to adopt it this year still, in accordance with the Financial supervision act (Rft). The Cft insists in particular on limiting expenditure and increasing income by improving tax compliance, among others. The government of Sint Maarten is facing major challenges, but with the support of the Netherlands and the trust fund, it can implement much-needed reforms and work on structural improvements.

The economy of Sint Maarten is recovering well. For this year, the IMF estimates real economic growth of 4% and of 15% for the coming year. Next year, 1 million cruise passengers are expected and 1.1 million passenger movements at the airport. For further recovery, the renovation of the airport is essential. It is furthermore important to invest in the coming years in road infrastructure and the port.

Timely budget adoption

Sint Maarten has great difficulty with the timely adoption of budgets and documents on financial reporting. Sint Maarten adopted the 2021 budget on September 9th. According to the Rft, this should have already been the case on December 15th of the former year. Sint Maarten submitted the draft 2022 budget to the Cft on October 27th. The Cft insists that the 2022 budget be adopted in time, for the government to obtain a mandate from Parliament for the implementation of the budget.

Public debt and wage costs subsidy

In 2021 Sint Maarten received ANG 118 million in liquidity support from the Netherlands in the form of a 0% interest loan. Sint Maarten's public debt increases to ANG 1,398 million, which amounts to approximately 79 percent of gross domestic product. Per inhabitant this amounts to more than ANG 23,000. An important part of this support was spent on wage cost subsidies. In 2020, ANG 72 million in wage cost subsidy was paid to companies, and the amount estimated for 2021 is ANG 53 million. The wage cost subsidy has been stopped per October 1st. Sint Maarten does have a considerable delay in the processing of the subsidy requests and the final determining of the wage cost subsidies. The Cft has urged to settle this backlog before December 1st, 2021, and to show which part of the wage cost subsidy has been overpaid.

Balanced budget in 2023

For 2022 Sint Maarten expects a still significant budget deficit. In order to limit a further build-up of debt, Sint Maarten should reduce expenditure and increase income, in the first instance through compliance-enhancing measures. Sint Maarten should arrange for a balanced budget before 2023 and a surplus for later years, so that the debt repayment can be started. A balance on the regular budget service has the advantage that Sint Maarten can claim capital loans with Dutch registration.

Healthcare funds

The financial situation of the healthcare funds on Sint Maarten is troubling. The deficits of the Healthcare Insurance (ZV), Accident Insurance (OV) and the Retired Civil Servants Healthcare Fund (FZOG) are estimated to increase to ANG 328 million by the end of 2021. This is an unsustainable situation. Therefore, on January 1, 2022, the wage limit for the health and accident plan will be raised to ANG 120,000, the contribution for employees in the public sector will be brought more in line with that in the private sector and political authorities will start to contribute to health insurance. It is furthermore important to replace specific medicines with generic medicines in the short term. This will enable Sint Maarten to save approximately ANG 12 million annually.



Financial management

The Cft emphasizes the importance of improving financial management in collaboration with the temporary work organization and assumes that the deadlines set are actually met. The Cft is positive about the measures included in the Country Package, including setting up a compliance program at the tax authorities. It is necessary that the discussion with the Netherlands about making support available is concluded as soon as possible, so that Sint Maarten can get started with these essential projects. Regarding financial management, the Cft has also drawn attention to asset management, including the capital goods transferred from the trust fund.

Trust fund

Despite the COVID-19 crisis, the necessary progress has been made in the projects of the trust fund in recent years. The reconstruction of the airport terminal has started and will be completed in 2023. The Cft has taken note with interest of projects that make working capital and soft loans available to small and medium-sized companies and improve the social resilience of the population. However, some spatial planning projects will require a longer horizon than 2025.

The members of the Cft Curaçao and Sint Maarten visited Sint Maarten from November 2nd to 4th and held talks with the Acting Governor, the Minister of Finance, the Council of Ministers and the Finance Committee of Parliament. The Cft also visited the National Recovery Plan Bureau (NRPB), Princess Juliana International Airport (PJIA), the General Audit Chamber of Sint Maarten (ARS) and the administrator of the Social Health Insurance (SZV).

On November 1st, the Cft Bonaire, Sint Eustatius and Saba visited Saba and held talks with the Executive Council, the Island Council and the electricity company of Saba.

[End of press release]

Photograph:

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Caption:

Sint Maarten has to adopt its budget and take the measures in the healthcare sector before January 1st.

Note for the editing department – not for publication

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