



Press release

June 26th, 2019

Cft: Budget approval key for progress

Philipsburg – The Board of financial supervision (Cft) appeals to Sint Maarten to approve the already much delayed 2019 budget. This approval is needed in order to obtain loans such as the loan for the recovery of the airport and to start with projects to structurally increase government income, such as the reform of the tax administration and the improvement of financial management. The key message of the Cft during this visit: translate plans into actions and tangible results.

Sint Maarten still does not have an approved 2019 budget. The Cft calls on Parliament to decide on the draft budget as soon as possible. A budget for 2019 will provide government with a legal basis for its intended expenditures and is a precondition to set in motion key projects and therefore needed loans. The Cft stresses the importance of a strengthened tax administration, which must lead to the much needed structural increase in government revenues. These future revenues can be used to carry out the necessary government tasks, solve the current payment arrears and lower the country's debt.

The implementation of the new plan to improve financial management is delayed, while no significant progress has been made with the original plan during the past years. This lack of significant progress puts the agreement with Sint Maarten to obtain an unqualified auditors' report on the 2021 financial statements under pressure. Cft chairman Raymond Gradus: "The Cft urges to carry out the implementation of these important improvements without any further delay."

Other matters that were discussed during the visit of the Cft are the 2019 budget performance, the preparation of the 2020 budget, liquidity support and the current status of the 2015 Kingdom Council instruction. To comply with this instruction, Sint Maarten has to compensate its past deficits, solve its payment arrears and make the country's healthcare system and old-age provision sustainable. With regards to the latter, Sint Maarten has proposed to increase the AOV age from 62 to 65 years in 2020. The Cft advises Sint Maarten to start with the 2020 budgeting process so there will be a draft in the upcoming months and to include the increase of the AOV age. The Cft expresses its disappointment that the promised adjustment to the pension legislation has not been implemented yet. Further delay is highly undesirable.

The debt to GDP ratio of Sint Maarten is expected to rise from 37 to 51 percent in 2019. This increase is mainly due to the intended loan for capital expenditures, the loan for the recovery of the airport and liquidity support. The Cft will monitor the development of the debt to GDP ratio with the aim to keep it at a sustainable level.

In 2010, the Netherlands agreed to take over 70 percent of the outstanding debt of the former Netherlands Antilles. At the same time, the Kingdom Act financial supervision was adopted and the Cft was founded to help the countries Sint Maarten and Curaçao in preventing the recurrence of an unsustainable debt position. As a result of the Kingdom Act, a low interest rate applies for the current outstanding debt and new capital investment loans. This interest is significantly lower than the interest rate in other Caribbean countries. Sint Maarten has thus more financial freedom to allocate funds to the needs of the people of Sint Maarten.

The Cft again requests the attention of the government for the completion of the financial statements of the previous years in order to complete the accountability process. The financial statements for 2013 and 2014 have been approved by Parliament, but still need to be put into effect by the Governor. The 2015 and 2016 financial statements have not yet been submitted to Parliament and the financial statements of 2017 and 2018 still have to be prepared.



The Board of financial supervision Curaçao and Sint Maarten visited Sint Maarten from June 24th to 26th and held meetings with the Governor, the Minister of Finance, the Council of Ministers and the program manager for the reform of the tax administration.

[End of Press release]

Photo:

Cft

Caption:

Budget approval urgently needed in order to realize plans.

Note for the editing department – not for publication

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