



Press release

October 30th, 2019

Cft: "More progress is needed on long outstanding matters and the draft budget 2020"

Philipsburg – The Board of financial supervision (Cft) reiterates once again that Sint Maarten needs to make more progress on a number of outstanding matters, such as the pension reforms, the reduction of the healthcare expenses and the reform of the tax administration. Despite the current political situation, the Board still urges Sint Maarten to do all that is possible in order to take the necessary steps forward and to start the fiscal year 2020 with an approved budget.

Draft budget 2020 and 2019 execution

The 2020 draft budget still shows a deficit of 24 million guilders, therefore approval will be needed of the Kingdom Council of Ministers based on article 25 of the consensus Kingdom law on financial supervision. This article allows the country to deviate from the balanced budget rule under special circumstances such as the aftermath of hurricanes Irma and Maria. The Cft recommends to lower the expenses 2020 to a more realistic level and that Sint Maarten should start the fiscal year 2020 with an approved budget.

Regarding the 2019 budget execution, Sint Maarten expects to end with a deficit of 41 million guilders which is lower than budgeted (71 million guilders). As for liquidity, the second quarter report 2019 shows 84.8 million guilders in liquidity. In order to qualify for liquidity support 2019 Sint Maarten also has to comply with certain conditions which are not met yet, such as the increase of the pension age of the civil servants from 62 to 65 including the change from a final salary pension system to an average salary pension system and the decrease of the salaries of the members of parliament.

Also the Cft has understood that the finance agreements with the trust fund and EIB for the recovery of the Airport are not signed yet and emphasizes once again the importance of the recovery of the airport for securing and further enhancing the country's economic prospects.

Outstanding matters

The Cft expects that in the near future Sint Maarten should have regained its 2016 pre-Irma budget levels and therefore be able to be in compliance with the consensus Kingdom law on financial supervision. However, in order to accomplish this, a number of long-standing matters need to be addressed as soon as possible. At the top of this list is the planned reform of the tax administration. This plan was approved by the Council of Ministers last April, but its implementation has yet to start. It is anticipated that this long-awaited reform will contribute to structural growth of government revenues. These additional revenues will, amongst others, enable Sint Maarten to compensate for current and historical deficits and to decrease the sizeable arrears. So far, Sint Maarten has been making some payments on these arrears and has recently signed agreements with Telem and SZV.

Other outstanding matters are the improvement of financial management and reform of the pension and healthcare system. Regarding the reform of the pension and healthcare system, the Cft requests special attention given the adverse impact this may have on the government budget if left unattended. The draft legislation for the revision of civil servants' pension has been submitted to Parliament in October 2018 but is not yet approved. The increase in the AOV age from 62 to 65 still has to be presented to Parliament.

The current lack of funds has been mentioned as the principal reason why the improvement plan for financial management has not been carried out yet. This may delay the agreed upon date of 2021 on which Sint Maarten will have obtained an unqualified auditors' report regarding its financial statement of that year. The Cft advises Sint Maarten to exert itself to expedite implementation of the plan. As for past financial statements, the 2016 financial statements have not received positive opinions from the auditor nor from the General Audit Chamber of Sint Maarten. Sint Maarten intends to hire technical assistance to



prepare the 2017 and 2018 financial statements since drafting these financial statements are still outstanding. Also, the financial statements of 2015 and 2016 still have to be approved by the Parliament.

The Board of financial supervision Curaçao and Sint Maarten visited Sint Maarten from October 28th to 30th and held meetings with the Governor, the Minister of Finance, the Council of Ministers, the Financial Committee of Parliament, the member of the National Recovery Steering Committee on behalf of Sint Maarten, the National Program Bureau and the Progress Committee Sint Maarten and the Law Enforcement Council.

[End of Press release]

Photo:

Edgardo Lynch

Caption:

Cft requests the attention of Sint Maarten for long outstanding matters.

Note for the editing department – not for publication

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