



Press Release

February 20th, 2020

Cft: "Steady progress required in various areas"

Philipsburg – The Board of financial supervision Curaçao and Sint Maarten (Cft) urges the interim government to make progress in various areas. The 2020 budget has to be adopted as speedily as possible. In addition, measures must be taken to control costs and improve tax collection, enabling compensation for previous deficits as of the year 2021. It is also important to improve the budget and accountability cycle and to settle the large backlogs in the preparation and adoption of the financial statements.

Execution 2019 budget

On the basis of the third execution report of 2019, the Cft finds that Sint Maarten has realized a lower deficit up to and including September 2019 than was previously estimated. The year 2019 is expected to close with a deficit of ANG 47 million compared to a budgeted deficit of ANG 71 million. However, it remains necessary to take more measures to increase revenues and reduce expenditures in order to achieve budget surpluses from 2021 onwards.

Draft 2020 budget

The Cft received the revised draft 2020 budget on January 22nd, 2020. This displays a budget deficit of ANG 25 million and capital investments of about ANG 62 million. The Cft sent its response to this draft 2020 budget on February 5th and advised the Council of Ministers of Sint Maarten not to allow for delay in the 2020 budget process and to come swiftly to an adopted budget.

Considering the budget deficit in 2019 and the anticipated deficit in 2020, the Cft has discussed the liquidity position of Sint Maarten with the Minister of Finance and the Council of Ministers. It is in the interest of Sint Maarten that the deficit is turned into a structural surplus as soon as possible. Increasing income and in particular tax revenues is essential in this regard. The Cft emphasizes that the restructuring of the tax office has to take place quickly and that cost-saving measures have to be implemented.

Financial management

Since last year Sint Maarten has a Financial Management Improvement Plan that has been approved by the Council of Ministers. Nevertheless, no concrete improvements have been made in this area in the recent period. The lack of implementation capacity and financing have been indicated as the reasons for this. As a consequence, the agreement Sint Maarten made with the Board for an unqualified audit opinion on the 2021 financial statements, will require considerable extra effort. The Cft has called on the Minister of Finance of Sint Maarten to no longer wait with the implementation of the plan.

Financial statements

Sint Maarten has hired external support for the preparation of the 2017 and 2018 financial statements. However, the backlog in completing the accountability process for the years 2013 to 2018 endures. During its visit to Sint Maarten, the Cft emphasized the need to rapidly eliminate this backlog. This requires action from both the government and parliament.

Progress instruction

Based on the instruction of the Kingdom Council of Ministers in 2015, Sint Maarten has to compensate for the deficits from the past, eliminate payment arrears and make the health care system and the old age provision of the country financially sustainable. The deficits can only be compensated if there is a



budget surplus. In 2019, payment arrears were reduced by approximately ANG 50 million and agreements were reached with various creditors. However, the remaining payment arrears are still substantial. The draft legislation for the reform of the health insurance system has not yet been submitted to Parliament. The same applies to the draft legislation to raise the AOV age from 62 to 65 years. The revision of the civil servants' pension legislation was offered to Parliament in October 2018, but has not yet been approved. This revision involves shifting from a final pay pension scheme to an average pay pension scheme and raising the retirement age from 62 to 65 years.

Other matters

The Cft has been informed that the agreements to finance the recovery work at the airport have been signed. Essential is now to take the further steps which are needed to obtain a well-functioning airport that can contribute to further economic recovery.

The Board of financial supervision Curaçao and Sint Maarten visited Sint Maarten from February 17th to 20th where it held meetings with the Governor, the Minister of Finance, the Council of Ministers, the deputy Dutch Representative on Sint Maarten, the Social Care Insurance Agency (SZV), Sint Maarten Medical Center (SMMC), Sint Maarten Harbor Holding Company (SMHHC) and the Princess Juliana International Airport (PJIA).

[End of Press release]

Photo:

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Caption:

It is in the interest of Sint Maarten that the budget deficits are turned into structural surpluses as soon as possible.

Note for the editing department – not for publication

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