



Translation of: Reaction to the first implementation report of 2024

Original title: Reactie op de eerste uitvoeringsrapportage 2024

In case of differences in interpretation between the English translation and the Dutch version of the text, or in legal proceedings or escalation procedures pursuant to applicable regulations, the original Dutch version shall always be leading.

Dear Ms. Gumbs,

On June 11th, 2024, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the implementation report (UR) on the first quarter of 2024. This is four weeks after the statutory deadline of May 13th, 2024.¹ With this letter you receive the Cft's reaction to the first UR.² In Annex 1 to this letter you will find a further clarification and substantiating figures to this reaction.

Conclusion

The first UR shows a preliminary surplus on the operational budget of ANG 23 million. This is ANG 8 million lower than was budgeted. Based on the UR, the Cft observes a strong deviation in the realization on several items in comparison to the budget. As an example, the tax income over the first quarter of 2024 is ANG 26 million lower than was budgeted. Also, regarding other items, such as the staff expenses and the expenses for goods and services, the preliminary realization strongly deviates from the budget. The differences are not sufficiently explained in the UR. Therefore, the informational value of the UR is limited, and the Cft cannot fully evaluate the development of the figures in the UR. The Cft requests that from now on, you provide the UR with more qualitative clarifications, which will lead to a better insight into the implementation of the budget. Based on this information, Sint Maarten can timely and adequately make adjustments during the year.

Explanatory statement

Income and expenses

In the first quarter of 2024, Sint Maarten realizes ANG 142 million in income. This is ANG 26 million less than was budgeted. Particularly the income from payroll tax, turnover tax and profit tax turns out to be lower than budgeted. The expenses in the first quarter of 2024 amount to ANG 119 million. This is ANG 18 million less than was budgeted.

The lower realization of the expenses is caused by lower staff expenses and expenses for goods and services. The first UR shows that for the remainder of 2024, Sint Maarten also anticipates a lower realization of the income and expenses. By the end of 2024, Sint Maarten expects a surplus on the operational budget of ANG 1 million, which is ANG 1 million less than was budgeted. According to the Cft, with this expected result on the operational budget, Sint Maarten is not yet giving sufficient substance to the legally required deficit compensation.³

Investments

In late 2023, Sint Maarten received a capital loan of ANG 61 million from the Netherlands. Due to the late adoption of the budget for 2023, Sint Maarten only invested ANG 1 million in that year. The remainder of the planned investment projects for 2023 were postponed to 2024. In the first quarter of 2024, Sint Maarten invested ANG 3 million. The Cft reiterates the importance of the implementation of the planned investment projects and urges Sint Maarten to accelerate this process.

Modification of budget 2024

The realization in the first quarter of 2024 confirms the necessity of revising the budget for 2024. With regard to the adopted budget for 2024, the Cft recommended Sint Maarten to revise the budget based on the most recent actual figures, and to modify these in such a manner that from 2024 onwards, the operational budget shows surpluses of at least 0.5 percent of the gross domestic product (GDP).⁴ This means a surplus of ANG 16 million in 2024.⁵ In your reaction to the Cft's advice, you state that you will not adopt this recommendation.⁶ Your intention is to include a plan in the fourth UR on 2024 with which Sint Maarten will give substance to the legally required deficit compensation. Considering the total of the deficit of ANG 594 million to be compensated,⁷ and partially based on the preliminary surplus of ANG 16 million in 2023, the Cft maintains its view that an annual surplus of at least 0.5 percent of the GDP is appropriate. The Cft requests you to submit the plan with which Sint Maarten multiannually gives substance to the deficit compensation as soon as possible.

The Cft also recommended Sint Maarten to modernize the tax system and the Tax Authorities, to structurally increase the tax income. This will also increase the liquidity position of the country. By the end of 2024, Sint Maarten only expects ANG 1 million in liquid resources. Also considering the upcoming hurricane season and the developments with the utility company GEBE, this prognosis causes the Cft concern. In its reaction to the adopted budget for 2024, the Cft already pointed out the necessity to structurally control expenses. Sint Maarten is currently working on a modification of draft budget for 2024, in which the country will revise the income and expenses, as well as include a new liquidity planning for 2024.

Subsequent steps

The Cft recommends you incorporate the actual figures on 2024 in a modification of budget for 2024 as soon as possible. Furthermore, the Cft's secretariat would like to discuss the improvement of the information value of the UR with your Ministry.

Trusting to have provided you with sufficient information.

Sincerely,

The Chair of the Board of financial supervision of Curacao and Sint Maarten

[signature]

Ms. L.M.C. Ongerling, MA

A copy of this letter was sent to:
The President of the Parliament of Sint Maarten
The Prime Minister of Sint Maarten
The Secretary General of the Ministry of Finance of Sint Maarten

Annex 2: Endnotes

¹ In accordance with Article 18, paragraph 1, of the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* – Rft) within six weeks after the end of each quarter, Sint Maarten’s administration is required to send a UR to the Cft and Parliament. The UR regarding the first quarter of 2024 would have to be submitted by May 13th, 2024, at the latest.

² Pursuant to Article 18 of the Rft, the Cft responds to the first UR of 2024. The Rft and the instruction given by the Kingdom Council of Ministers (*Rijksministerraad* – RMR) to the Sint Maarten administration in September of 2015 form the framework for the assessment of the UR. Official Gazette 2015, Decree of October 30th, 2015 to issue the Decree of September 8th, 2015, regarding the issuance of an instruction to the Sint Maarten administration to resolve the payment arrears that have arisen, to compensate the realized deficits on the operational budget in the period of 2010-2014, to fully include the health care and pension expenses in the budget for 2015 and the multiannual budget, and to take measures for the benefit of a sustainable system for pensions and social security. On April 18th, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

³ Article 18 of the Rft.

⁴ Cft, reference Cft 202400060, Advice pertaining to the adopted budget 2024, dated May 29th, 2024.

⁵ The Cft based its assessment on the nominal GDP of ANG 3.1 billion published by the International Monetary Fund (IMF) in IMF, 2023 Article IV Consultation discussion Curacao and Sint Maarten, Press Release and Staff Report, dated July 2023. The preliminary result for 2023 is also ANG 16 million.

⁶ Ministry of Finance, ref. no. 5120, Reaction to the Cft’s advice pursuant to Article 12 of the Rft pertaining to the adopted budget 2024, dated June 12th, 2024.

⁷ Over the period 2011-2023, Sint Maarten realized a (preliminary) deficit of ANG 594 million.