



Translation of: Your reaction to the advice pertaining to the adopted budget 2024.

Original title: Uw reactie op het advies bij de vastgestelde begroting 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 May 29th, 2024, the Board of financial supervision of Curacao and Sint Maarten (Cft) issued its advice pertaining to Sint Maarten's adopted budget for 2024.¹ In its advice, the Cft gave six recommendations for modification of the budget. The Cft requested you to state on June 12th, 2024 at the latest, how Sint Maarten intends to give substance to these recommendations, and how to incorporate the aforementioned in an amended draft budget (OBW). On June 12th, 2024, the Cft received your reaction.² Pursuant to Article 12, paragraph 5, of the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* – Rft) you hereby receive the Cft's reaction to your letter. The Cft sends a copy of this reaction to Parliament of Sint Maarten.

Conclusion

Based on your letter, the Cft cannot yet determine if the budget, after the modifications you proposed, will comply with the norms of the Rft. The implementation thereof in the OBW 2024 will be determinative. In your reaction, you stated that Sint Maarten will adopt five of the Cft's six recommendations in the OBW. You will amend the budget based on the most recent actual figures and will ensure cost control. You will also revise the introduction of the tourist tax and the sales of the Winair shares. Furthermore, you will take into account the execution capacity for the investment projects. You state you will not adopt the recommendation regarding the deficit compensation. The Cft applauds your commitments. It will now be a matter of adequately incorporating these commitments into the OBW 2024, whilst also giving adequate substance to the legally required deficit compensation.³ The Cft's recommendations regarding the budget and your response thereto are further explained in Annex 1.

Explanatory statement

Deficit compensation

In the period of 2011–2023, Sint Maarten realized a (preliminary) deficit of ANG 594 million.⁴ This deficit must be compensated by the country. Nonetheless, in your reaction you state you shall not adopt the Cft's recommendation regarding the deficit compensation. Your intention is to include a plan in the fourth implementation report (UR) of 2024 in which you will give substance to the legally required deficit compensation. Considering the total of the deficit to be compensated, and partially based on the preliminary surplus of ANG 16 million in 2023, the Cft maintains its view that a surplus of at least 0.5 percent of the gross domestic product (GDP) is reasonable and feasible for 2024. The fact that a tourist tax to be levied at the border cannot be (timely) introduced, will have a negative effect on the expected result for 2024, as will the increase of the expenses. This requires further amendment of the budget. The Cft urges you to make the utmost effort to achieve a positive result of at least 0.5 percent of the GDP (ANG 16 million) in 2024 as well. In its reaction to the first UR of 2024, the Cft requested you to submit the plan with which Sint Maarten intends to give substance to the deficit compensation as soon as possible.⁵

Investments

The fact that from 2023 onwards, Sint Maarten includes several investment projects in its budget is commendable. However, in this context, it is of importance that you take the capacity for the implementation of these investments into account. The construction of a new prison and the government participation in GEBE (may) require further resources in 2024. You submitted a separate loan request for the prison on June 17th, 2024.⁶ The Cft responded on June 19th, 2024, and requested you to incorporate the loan request in the OBW 2024, and to further substantiate it.⁷ With regard to a possible solution for GEBE, the Cft also recommends you provide further clarification and explanation in the OBW 2024.

Budget 2025

On February 16th, 2024, the Kingdom Council of Ministers (*Rijksministerraad* – RMR) requested you to work towards a planning and timely adoption of the budget for 2025.⁸ On March 12th, 2024, Sint Maarten presented a planning for the budgetary process for 2025.⁹ According to this planning, Sint Maarten would have to submit its draft budget for 2024 to the Cft for advice by May 31st, 2024. This deadline has not been met. On May 31st, 2024, the Minister of Finance of Sint Maarten stated that a further timeline for the 2025 budget shall be communicated, after conclusion of the modification of budget for 2024.¹⁰ The Cft again foresees the risk of a late adoption of the budget and urges you to provide a new timeline for the budget for 2025 when submitting the OBW 2024, in order to realize a timely adoption.

Subsequent steps

The Cft requests you to respond pursuant to Article 13, paragraph 1 by July 3rd, 2024, at the latest, and to attach the promised OBW 2024 to the response. At the same time, the Cft would also like to receive the planning to achieve a timely adoption of the budget for 2025.

You stated that, when submitting the OBW 2024, you will also submit the perspective on the status of the debt of the healthcare funds to the other funds of the Executive Organization for Social Security and Health Care Insurance (SZV) requested by the Cft, as well as the missing annual accounts and reports of the public sector and other government entities. Based on your reaction and the OBW, the Cft shall determine if the budget meets the requirements set forth in the Rft or if the RMR needs to be notified.

Trusting to have provided you with sufficient information.

Sincerely,

The Chair of the Board of financial supervision of Curaçao 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 Cft, reference Cft 202400060, Advice pertaining to the adopted budget 2024, dated May 29th, 2024.

² Ministry of Finance, ref. no. 5120, Response to article 12 advice CFT, dated June 12th, 2024.

³ Article 18 of the Rft.

⁴ Over the period 2011-2023, Sint Maarten realized a (preliminary) deficit of ANG 594 million.

⁵ Cft, reference Cft 202400069, Reaction to the first implementation report of 2024, dated June 25th, 2024.

⁶ Ministry of Finance, ref. no. 5120-A, Loan Request for Prison Investment Project, dated June 17th, 2024.

⁷ Cft, reference Cft 202400068, Reaction to the loan request for the new prison, dated June 19th, 2024.

⁸ Ministry of the Interior and Kingdom Relations, reference 2024-0000143328, Processing Cft notification in Kingdom Council of Ministers of February 16th, 2024, dated March 14th, 2024.

⁹ Ministry of Finance, Budget 2025 Time schedule, dated March 13th, 2024.

¹⁰ Ministry of Finance, ref. no. 5094, Update on timeline budget 2025, dated May 31st, 2024.