



Press Release

June 13, 2012

Cft: "Sint Maarten faces challenges in improving the sustainability of its public finances"

Philipsburg – The Board of Financial supervision (College financieel toezicht - Cft) held meetings during the past two days with the Council of Ministers, the Minister of Finance and the Parliament. Sint Maarten faces challenges in improving the long term sustainability of its public finances and the quality of its financial management.

Financial management

Improvement of financial management must be the main priority of the government of Sint Maarten. The Cft applauds the effort of the government to develop a five-year plan to improve financial management. This plan will be presented to the Council of Ministers and Parliament by the end of July 2012. It is important that Government and Parliament embrace the five-year improvement plan and devote all resources to timely execution.

An important element in improving financial management is to strengthen the functioning of the tax administration. The Cft urged the Government of Sint Maarten to finalize soon an action plan to achieve this. A broader tax base and an increase of tax compliance will enable the Government to provide an adequate level of public services.

Sustainable public finances

Sustainable public finances in the longer term will require structural reforms in the area of health care, social security and old age pensions. The government of Sint Maarten agreed with the Cft to intensify its efforts to identify the financial impact of projected developments in social security funds and health care costs, with the purpose of including these effects in the next multi-annual budget. This was one of the conditions of the Cft for approving the budget 2012. The Cft urges the Government to initiate reforms in the pension system with the aim to put this on a sustainable footing. Although this problem does not seem to be acute yet, measures have to be taken now to prevent major deficits in the near future.

Budget execution

The Cft requested the Government of Sint Maarten to present a budget amendment to address two shortfalls. The projected revenues from taxes on rental income from real estate owned by non-residents, which were incorporated in the budget 2012 for the amount of ANG 21 million, will not materialize. Secondly, the decision made by government to pay the remaining part of the COLA (Cost of Living Allowance; ANG 17 million) will have to be incorporated in the budget amendment. The Government of Sint Maarten will present this amendment shortly and the Cft will verify whether this will balance the budget of 2012.

Annual Accounts

Sint Maarten recently communicated to the Cft that the draft annual accounts for 2009 and 2010 each show a deficit of over ANG 30 million. The Government of Sint Maarten is requested to take measures to compensate for the deficits in accordance with the Kingdom Law on Financial Supervision. The annual accounts have to be sent to parliament as soon as possible.



Conclusion

Sound public financial management is a prerequisite for sound financial policy and for economic growth. Improvement of financial management will help to include all expenditures and revenues in the budget and to correct if needed during the execution of the budget. The Cft will not hesitate to use all instruments within the framework of the Kingdom Law on Financial Supervision to achieve sound financial management and a balanced budget in a sustainable way.

[End of Press Release]

Caption:

The Cft applauds the effort of the government to develop a five-year plan to improve financial management.

Note for the editing department - not for publication

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