



Translation of reaction to the third implementation report 2023

Original title: Reactie op de derde uitvoeringsrapportage 2023

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

Dear Mr. Irion,

On November 17, 2023, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the implementation report (UR) on the third quarter of 2023. With this letter you receive Cft's reaction to this UR.¹ In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction.

Conclusion

Up to and including the third quarter of 2023, the income development exceeds expectations in comparison to the adopted budget for 2023 (hereafter: the budget). Up to and including the third quarter of 2023, Sint Maarten realizes a budget surplus of ANG 31 million, mostly caused by a higher realization of income. However, due to an expected increase of the expenses, Sint Maarten anticipates it will close the budgetary year with a surplus of ANG 5 million. In doing so, it would meet the central budgetary norm.

In your reaction of April 26, 2023, to the Cft's advice pertaining to the adopted budget for 2023, you stated that Sint Maarten would adjust the budget by means of a budget amendment (BW). However, the BW has yet to be adopted. Due to these delays in the budgetary process, despite your commitments, the budget has not yet been adjusted to the Kingdom Act Financial Supervision, and it is no longer up to date. The Cft reiterates the importance of the timely and comprehensive completion of the budgetary process. The Cft requests Sint Maarten to adopt the BW 2023 as timely as possible.

The Cft observes that the payment arrears which Sint Maarten has with several government entities are increasing, and considers it important that Sint Maarten prioritizes the reduction of these payment arrears. Another recurring concern is the increasing category of other income. This income is largely made up of income that has not yet been allocated to the correct tax and permit categories. The increase of the non-allocated income is an impediment for the evaluation of the budget execution. The Cft advises Sint Maarten to correctly allocate this income prior to the start of 2024.

Explanatory statement

The UR shows a preliminary surplus on the operational budget up to and including the third quarter of 2023 of ANG 31 million. This surplus exceeds the previously budgeted deficit of ANG 8 million by ANG 39 million. The realization of the income is ANG 34 million higher than expected, as a consequence of higher tax income and a higher realization of the other income. The expenses are ANG 5 million lower than budgeted, mostly due to lower expenses for personnel, and goods and services. On the other

hand, the expenses for subsidies, and for transfers and social benefits increased. This is partially caused by higher health care expenses.

For the end of 2023, Sint Maarten anticipates a positive result of ANG 5 million. This is an upward adjustment of ANG 4 million in comparison to the second UR of 2023. Based on historical data and the realization up to and including the third quarter of 2023, the Cft anticipates a surplus of approximately ANG 20 to 30 million by the end of 2023.² The Cft advises Sint Maarten to reserve these surpluses to finance a higher investment level in 2024.

Sint Maarten's government is indebted to several government entities. By the end of the third quarter of 2023, the total payment arrears to government entities amounted to ANG 152 million. These are mainly payment arrears to the executing body of the Social and Health Insurances (*Sociale en Ziektekostenverzekering* - SZV). One of the causes of these significant arrears is the fact that the expenses for the government health insurance scheme (*overheidsziektekostenregeling* - OZR) and the PP cards were budgeted too low. The Cft urges Sint Maarten to include an accurate estimate of these expenses in the budget for 2024, and to conclude the deliberations with the SZV regarding the payment arrangement as soon as possible.

In early November of 2023, Sint Maarten received a capital loan of ANG 61 million for the realization of investments. Now that this loan has been received, the Cft recommends having the execution of the planned investment projects commence as soon as possible.

Trusting to have provided you with sufficient information.

Sincerely,

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

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

¹ Pursuant to Article 18 of the Kingdom Act Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* - Rft), the Cft responds to the third UR. 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 30, 2015 to issue the Decree of September 8, 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 18, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

² Determining the expected balance on the operational budget by the end of 2023 is complicated by the fact that ANG 27 million has not yet been allocated to the correct tax and permit categories, which forms an obstacle for the evaluation of the realization vs. the budget.