



# Translation of advice pertaining to the adopted amendment of the 2023 budget

Original title: Advies bij de vastgestelde begrotingswijziging 2023

*In case of differences in interpretation between the English and the Dutch version of 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 December 28, 2023, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the adopted National Ordinance concerning the amendment of the budget 2023 (BW). With this letter you receive Cft's advice pertaining to this BW.<sup>1</sup> In Annex 1 to this letter you will find a further clarification and substantiating figures for the advice.

## **Conclusion**

With the BW, the Cft's recommendations pertaining to the adopted budget 2023 have been adequately implemented.<sup>2</sup> For example, the BW contains multi-annual surpluses and a multi-annual estimate is provided for the capital budget. However, the BW was adopted well after the advice pertaining to the adopted budget 2023, and because of that, several of its components are no longer up to date. Now that the budgetary year is over, a further amendment of the budget is of limited added value. Therefore, the Cft recommends Sint Maarten to involve this advice in its budget for 2024.

The BW shows a surplus on the operational budget of ANG 1 million for the year 2023. However, this does not include the payable interest of ANG 3 million on the refinancing of the loans for liquidity support in 2023. In the third implementation report of 2023, the expected result has been adjusted to ANG 5 million.<sup>3</sup> However, the Cft assumes that Sint Maarten can close the year with a result between ANG 20 and 30 million.<sup>4</sup> Based on this expectation, according to the Cft, Sint Maarten can also create higher surpluses multi-annually and therefore advises you to incorporate this in the budget for 2024.

## **Explanatory statement**

On April 19, 2023, the Cft gave recommendations pertaining to the adopted budget 2023. The Cft recommended to modify the multi-annual budget in order for it to reflect surpluses on the operational budget from 2024 onwards, and to provide a multi-annual estimate for the capital budget.

Furthermore, the Cft requested to start drawing up a multi-annual investment agenda. In your reaction of April 26, 2023 to the advice pertaining to the adopted budget, you stated that Sint Maarten shall adjust the multi-annual estimates for the operational budget and shall include the multi-annual estimate for the capital budget in a BW.<sup>5</sup> The Cft did not receive the adopted BW until December 28, 2023.

In the BW, Sint Maarten adjusts the income upwards by ANG 23 million, which leaves the total income at ANG 518 million. Sint Maarten states that this is caused by higher tax income and other income. The increased income is caused on the one hand by a stronger recovery of the economy than was anticipated, and on the other hand by the execution of projects in the context of the Country Package.<sup>6</sup>

The total expenses are increased by ANG 22 million in the BW, totaling ANG 517 million. This is caused by higher expenses for personnel, goods and services and social benefits. The higher expenses for personnel are predominantly caused by increased expenses for the *Overheid Ziektekostenregeling* (OZR) and retroactive payments to the Sint Maarten Police Force (KPSM). Higher expenses for goods and services are caused among others by increased expenses for garbage collection services and depreciations. The increase of expenses for social benefits is attributed to the fact that the expenses for the PP cards were budgeted too low.

Based on the BW, Sint Maarten anticipates a result of ANG 1 million. In the mean time, in light of the most recent actual figures from the third implementation report (UR), Sint Maarten adjusted this to ANG 5 million. For 2024 and 2025, Sint Maarten budgets a surplus of ANG 2 million, and ANG 6 million for 2026. The multi-annual surpluses are lower than anticipated in your reaction of April 26, 2023 to the advice pertaining to the adopted budget. This is caused among others by the annual payable interest for the refinancing of the loans for liquidity support. The Cft anticipates a significantly higher result for 2023. The higher realization in 2023 will also have a positive effect on the multi-annual results. The Cft recommends Sint Maarten to involve this fact in its budget for 2024. In that context, the Cft recommends Sint Maarten to reserve the surpluses for financing of planned investments.

With the BW, Sint Maarten includes ANG 46 million in investments for 2024. For the years 2025 and 2026, Sint Maarten aims to realize an investment level of 1 percent of the gross domestic product (bbp). While it is a positive thing that Sint Maarten budgets investments multi-annually, the budgeted investment level is still below the average investment level in the region of 4 percent of the bbp. The Cft requests Sint Maarten to further elaborate the multi-annual investment agenda when drawing up the budget for 2024 and to work towards a higher investment level than is currently budgeted.

In early November of 2023, Sint Maarten received a capital loan of ANG 61 million for the realization of investments. Considering the time the capital loan was received, the Cft expects that the majority of the planned investments shall be moved up to 2024. The Cft recommends Sint Maarten to bear in mind the available implementation capacity for the realization of investments when drawing up the budget for investments for 2024.

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 Prime Minister of Sint Maarten

The Secretary General of the Ministry of Finance of Sint Maarten

## Annex 2: Endnotes

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<sup>1</sup> Pursuant to Article 12 of the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* - Rft), the Cft responds to the National Ordinance concerning the amendment of the budget 2023. The Rft, supplemented by the instruction given by the Kingdom Council of Ministers (*Rijksministerraad* - RMR) to the Sint Maarten administration in September 2015 form the framework for the assessment of the BW. 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 ordinary service in the period of 2010-2014, to fully include the health care and pension expenses in the budget for 2015 and the multi-annual 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.

<sup>2</sup> Cft, reference Cft 202300033, Advice pertaining to the adopted budget 2023, dated April 19, 2023.

<sup>3</sup> Cft, reference Cft 202300129, Reaction to the third implementation report 2023, dated December 01, 2023.

<sup>4</sup> 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.

<sup>5</sup> Ministry of Finance, ref. no. 4667-B, Reaction to the Cft's advice pursuant to Article 12 of the Rft pertaining to the adopted budget 2023, dated April 26, 2023.

<sup>6</sup> Country Package Sint Maarten, implementation agenda July 1 - September 30, 2023