Translation of: Advice pertaining to the draft budget for 2027

Original title: Advies bij de ontwerpbegroting 2027

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 Minister Gumbs,

On June 25, 2026, you requested the Board of financial supervision of Curacao and Sint Maarten (Cft) to issue an advice regarding Sint Maarten's draft budget (OB) 2027, in accordance with Article 11 of the Kingdom Act on Financial Supervision (*Rijkswet financieel toezicht* – Rft).[1] The Cft appreciates the fact that this submission took place much earlier compared to previous years. You hereby receive the advice.[2] In Annex 1 to this letter you will find a further clarification and substantiating figures.

Conclusion

Sint Maarten budgets a XCG 8 million surplus on the operational budget in 2027, and in the years after, it also expects a small surplus or a budgetary balance. However, a number of considerable risks to public finance – Including the deficits at the healthcare funds and the financial issues at several participations – have not been incorporated into the budget, which means the balance standard set forth in the Rft has not yet been met.[3] Furthermore, not all income and expenses are sufficiently substantiated and verifiable, which leaves the Cft unable to adequately assess the results[4].

Furthermore, the Cft is concerned by the limited liquidity and the large payment arrears of the country. Lastly, the Cft is critical of a new loan request for capital investments since there is no clear investment agenda, many of the planned investments from previous years have not yet been followed up on, and the interest expense standard cannot be assessed.

Subsequent steps

The Cft recommends you implement or follow up on the following topics in the 2027 budget:

1. Lawful coverage of the annual deficits at the Executive Organization for Social Security and Health Care Insurance (SZV);
2. A solution for the immediate risks to public finance at participations;
3. A substantiation of significant amendments to the income and expenses in comparison to the preliminary 2025 realizations and a revision of the tables, figures and explanations as regards accuracy and consistency;
4. A plan for measures to increase income and/or save costs to improve the liquidity position;
5. A realistic multi-annual investment agenda that sets out when the planned investments are realized and concluded, and that provides clarity on whether there are still amounts remaining that may be reallocated;
6. Determination of the public sector and submission of the reports on the public sector, so that the interest expense standard from 2027 onwards may be assessed.

Budgetary process
As you are aware, the 2026 budget is far too late. The budget is currently at Parliament for approval, however, pursuant to the Rft, it should have already been adopted by December 15 of last year. This complicates policy-making and structuring public finance. Therefore, the Kingdom Council of Ministers (RMR) requested you to ensure the 2027 budget is adopted timely by means of an improvement plan. You took measures to do so. The Cft appreciates the relatively early 2027 draft budget and your determination to submit an improved budget - in accordance with the deadline reported to the RMR - to Parliament on September 8.[5] In doing so, you create a margin to adopt the budget in accordance with the statutory deadline and the request of the RMR by December 15 of this year at the latest.[6] The Cft does reiterate that a timely and improved budget will still require considerable efforts on your part and on the part of the rest of the government. Several components of the budget must be amended, and the considerable risks regarding the healthcare funds, the government entities and the country's liquidity must be incorporated.

The Cft sees that you acknowledge the risks and have started addressing them, and would like to remain in close contact with you regarding this matter. The aim is to take the much-needed steps this year to ensure public finance is healthier and to produce a valuable budget. In doing so, the Cft hopes to avoid being forced to advise the RMR to issue a new formal instruction.

Explanatory statement

Result
For 2027, Sint Maarten estimates a surplus on the operational budget of XCG 8 million and for 2027 through 2030 it also expects a small surplus or a budgetary balance. However, the budget does not yet meet the balance standard set forth in Article 15 of the Rft since essential risks to the budgetary balance as regards the healthcare funds and the government entities have not yet been incorporated into the budget. Also, several estimates of the income and expenses have not been sufficiently substantiated or are not sufficiently verifiable, which means the result cannot be adequately assessed either.

Income
The total income in 2027 is estimated at XCG 670 million, which means it exceeds the XCG 565 million in income that has been preliminarily realized in 2025 by 19 percent. The difference is mainly due to higher tax income (+ XCG 40 million) and higher project funds from the Netherlands among others for the Temporary Work Organization (TWO) and the World Bank Trust Fund (+ 59 million).

With approximately 4% per year, the increase of the tax income roughly corresponds to the nominal economic growth. The higher project funds are the result of the fact that several projects have been delayed and are now budgeted again before the programs expire. Furthermore, it is noticeable that the income from permits is estimated relatively high in comparison to recent realization figures, and that a structural dividend has been budgeted from the Central Bank of Curacao and Sint Maarten (CBCS) while the degree of certainty of this income has not yet been substantiated.

Sint Maarten estimates the majority of the income based on the 2025 realizations in comparison to the GDP. It extrapolates these ratios to the subsequent years, multiplied by the expected GDP for the corresponding year (based on the IMF Article IV figures, September 2025)[7]. The Cft is able to follow this methodology. Also, the use of recent realization figures is a way of giving substance to the assessment framework for financial management which we are currently discussing with you for possible administrative stipulation.

Meanwhile, the estimates are also optimistic, since they assume continued economic growth. The Cft recommends Sint Maarten to take into account new economic outlooks wherever possible, of both the IMF and the CBCS, as well as new realization figures of public finance as soon as they become available.

The country needs additional income in order to better be able to absorb risks – such as a deterioration of the global economy – and to create more space for policy-making. Over the past years, the budget has largely been lacking in policy, which is a missed opportunity. In comparison to similar countries in the region, Sint Maarten has a relatively low tax burden, and by means of a well-considered approach, it can generate additional income. The government is also aware of possibilities. Recently, efforts were made to increase tax compliance, which may have contributed to an increase of approximately XCG 30 million in tax income in the first quarter of 2026 in comparison to the same time period in 2025. This could be implemented structurally. Furthermore, the planned tourist tax may generate up to XCG 18 million per year from 2027 onwards, provided the legislative process is concluded timely. Also, there are plans for a dividend tax, a gambling tax and reforms of turnover tax and profit tax.

Expenses
The total expenses in 2027 are estimated at XCG 662 million, which means they exceed the XCG 544 million in preliminarily realized expenses for 2025 by approximately 22 percent. The largest increases can be found in the categories personnel expenses (+ XCG 65 million) and goods and services (+ XCG 54 million).
Over the past years, these expenses did not meet the budgeted level since vacancies were not filled and projects were postponed. The government assumes that the intentions will still be realized in the coming years.

It is difficult to trace if the projects have been budgeted cash-neutral, meaning whether the same increase in expenses has been included as it has been for the income. Therefore, the Cft requests Sint Maarten to include a table of the project funds in the next version of the budget, clarifying the income and expenses per economic category and per year.
Furthermore, it is noticeable that the social benefits are lower than budgeted in 2026 and 2027 in comparison to the realizations in 2025 (- XCG 4 million) and that the subsidy expenses increase significantly as from 2028 (+ XCG 14 million). There is no clear explanation given for either of these changes. As regards the increase of the subsidies in 2028, it is stated that a road fund will be established, however, the choices made in this context and the expenses arising from it are not further explained.

Investments and loan request
A new loan request of XCG 57 million for investments has been included in the 2027 budget. The budget does not adequately clarify which investments this relates to exactly, and how this is related to the loan request and the investment intentions for 2026, of which the budget still has not been approved either. Furthermore, there is still approximately XCG 200 million in the books for planned investments from previous years that have not yet been executed. The country pays interest on the capital loans that have been taken out for these investments (approximately XCG 5.5 million, and the new loan request would lead to an additional XCG 2 million in interest). This might be justified provided the amounts are well spent, but for the time being, this is not the case for a large part.

The Cft has repeatedly requested a multiannual investment agenda, which is again not included in the OB 2027. In order to adequately evaluate the loan request, a multiannual investment agenda is essential. The Cft requests Sint Maarten to include this in the next version of the budget. The multiannual investment agenda must include a realistic and well substantiated plan for the amounts that have not yet been used, which clarifies 1) when the intended investments will be realized and concluded and 2) which amounts may still be reallocated. Furthermore, it must address any possible new intentions to invest, and when those investments will be realized and concluded.

Lastly, it is problematic that it cannot be assessed if the loan request meets the interest expense standard since information on the public sector is missing. Pursuant to the Rft, this is a legal requirement and the Cft emphasizes that this must be complied with.[8] The Cft understood that the government has given instructions to the Foundation Government Accounting Bureau (*Stichting Overheidsaccountantsbureau* – SOAB) to help with the determination and reporting of the public sector. This should lead to results in the short term, so that from next year onwards it can be assessed if the budget meets the interest expense standard. Currently, the Cft does not have any information indicating that the interest expense standard is being exceeded.

Liquidity
Sint Maarten does not have liquidity to be able to absorb unexpected setbacks or to make new policy. The country anticipates that by the end of 2027 (according to one prognosis) it will have XCG 5 million in free resources available, while it has payment arrears of approximately XCG 145 million. An improvement of the cash balance and the elimination of payment arrears can only be achieved by generating new income or by cost control. The Cft recommends Sint Maarten to draw up a clear and feasible plan for this (also refer to the possibilities under *Income*) and would appreciate to be involved in this process.

Furthermore, the liquidity forecasts must become more consistent and more reliable. Currently, too often there is still a difference in forecasts between the budgetary documents without a clear explanation, or the figures are hard to identify. As an example, in the table on page 22 of the Explanations Book for the OB27, an end balance for free liquidities of XCG 5 million is listed for 2027, while in the table on page 171 an end balance for free liquidities of XCG 0 is listed for 2027 and in the accompanying text, a negative end balance of XCG 8 million is mentioned.

Healthcare and social security
The annual deficits at the healthcare funds and the Executive Organization Social Security and Health Care Insurance (SZV) pose a realistic threat to Sint Maarten's public finance. According to estimations of the SZV, in the period 2027 through 2030, the deficits at the healthcare funds (ZV, OV and FZOG) amount to approximately 35 million per year, and the SZV itself faces operational deficits of approximately 20 million per year in the same time period.[9] Currently, the deficits are partially absorbed by means of surpluses and reserves of other social security funds, including the pension fund AOV. Ultimately, it leads to a loss at SZV (of approximately XCG 15 to XCG 25 million per year), which will cause the liquid reserves to be depleted within a few years. Furthermore, the Cft questions the legality of the cross-financing between the funds pursuant to the current national ordinances for healthcare and social security. It requests Sint Maarten to come up with an independent legal judgment. Without such judgment, the Cft will assume that the cross-financing is unlawful, and Sint Maarten must take measures to lawfully cover the future deficits as from 2027 after all.

The introduction of a general health insurance (GHI) and a tourist tax, as well as measures at SZV, according to Sint Maarten's estimations should cover part of the deficits. Furthermore, the introduction of a fluctuation fund, as part of the GHI legislation, could lead to lawful coverage of the deficits from the buffers of the fluctuation fund. The Cft is aware of the fact that plans have been made and requests the government to actually implement the plans. The legislative proposals for the GHI and the tourist tax are in an advanced stage and must now really be implemented as from January 1, 2027.

This does not mean that all risks regarding healthcare and social security will be eliminated, but it does buy time. According to Sint Maarten's estimates, it will lead to smaller deficits, that can moreover be covered lawfully from a fluctuation fund. This means the country will have more room to anticipate aging of the population and further increase of the healthcare expenses. Also, work can be done to find a solution for the total debt of approximately XCG 500 million that has been accumulated over the years between the healthcare funds and SZV to the other social security funds. The country is the guarantor and therefore, as a general rule, the government should have to pay this amount back. The Cft understands that a solution for the accumulated debts requires more time than is feasible for incorporation in the 2027 budget. The Cft was made aware of the fact that the government is currently verifying if (partial) remission of the debt is possible by using reserves from the fluctuation fund that still has to be established. The Cft recommends Sint Maarten to also seek legal advice on this topic.

Lastly, the fact that the government has also accumulated a debt to the SZV of what is estimated to be more than XCG 100 million for the health expenses arrangement for government personnel (OZR), among others, is problematic. A payment schedule for repayment thereof must be put in place in the short term. This may enhance the SZV’s liquidity position and is also of importance to the hospital (SMMC), which also depends on these payments. It is positive that you want to resolve this issue and have given instructions to SOAB to identify the arrears, so that a payment schedule can be agreed upon.

Participations
The telecom company TELEM, the energy and water supplier GEBE and the postal services PSS face severe financial problems. For TELEM and PSS this is an immediate risk to public finance since short-term payment obligations cannot be met. The Cft recommends to better identify these risks and to incorporate them in the 2027 budget, if needed with a provision or other appropriate financial solution.

The Cft also recommends to draw up a strategy for the three insolvent entities aimed at viability or market solutions. Any financial consequences thereof must also be incorporated into the budget. Looking ahead, it is important to implement a participations policy that is executed with the required capacity and expertise, in order to prevent these types of precarious situations in the future.

Trusting to have provided you with sufficient information.

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

[signature]
Hans Hoogervorst

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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[1] Minister of Finance, Request for Article 11 Rft Advice on Draft Budget 2027, DIV no.: 5952-A, dated June 25, 2026.
[2] 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 draft budget. 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 multi-annual budget, and to take measures for the benefit of a sustainable system for pensions and social security.
[3] Article 15, paragraph 1, sub a of the Rft.
[4] Article 15, paragraph 2 of the Rft.
[5] Cft, reference 202600036, Developments 2026 budget and improvement plan budget 2027 budget Sint Maarten, dated April 28, 2026.
[6] BZK, reference 2026-0000061400, Copy of letter to Sint Maarten regarding 2026 budget, dated February 11, 2026.
[7] IMF Staff Country Reports, Kingdom of the Netherlands-Curacao and Sint Maarten: 2025 Article IV Consultation, dated September 9, 2025.
[8] Article 15 paragraph 1 sub c of the Rft.
[9] SZV, Combined Budget 2026, Including Combined Revised 2025 Budget, dated March 31, 2025.