



Translation of: Advice pertaining to the adopted budget 2025

Original title: Advies bij de vastgestelde begroting 2025

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 July 10th, 2025, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the adopted budget (VB) for 2025. This is over six months after the statutory deadline set to December 15th, 2024.¹ You hereby receive the Cft's advice pertaining to this VB.² In Annex 1 to this letter you will find a further clarification and substantiating figures to this advice.

Background

On September 29th, 2024, the Cft issued an advice pertaining to Sint Maarten's draft budget (OB) for 2025. The Cft considered that it could not be determined if the OB met the standards set forth in the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten – Rft*) and made a number of recommendations. In response, Sint Maarten amended the budget and submitted it to Parliament. During the budget debate, several memoranda of modification and amendments were submitted. The amended budget was adopted on July 9th, 2025.

Conclusion

Both for 2025 and multiannually, Sint Maarten budgets surpluses on the operational budget. However, the Cft is unable to assess if the budget meets the central budgetary standard set forth in the Rft.³ The explanation given for the income and expenses estimate is not sufficient, which leaves the Cft unable to assess if the budget is realistic. Furthermore, the Cft considers the introduction of the tourist tax as from January 1st, 2026 to be uncertain. There are also risks with regard to the financial situation of the healthcare funds. The late adoption of the budget for 2025 is highly concerning and is an indicator of the fact that there are structural shortcomings in the budgetary process (and in the broader sense, in financial management). This influences the implementation of budget, including the intended investments and puts pressure on Parliament's right to budget.

Subsequent steps

The Cft considers it important that Sint Maarten implements several amendments to the budget. Pursuant to Article 12, paragraph 2 and paragraph 3 of the Rft, the Cft makes the following recommendations:

1. Provide sufficient substantiation of the estimate of the income and expenses. Amend the budget if recent realization data give reason to do so.
2. Substantiate the feasibility of the introduction of the tourist tax as from January 1st, 2026, or revise the budget.

3. Reconsider the intended investments based on the available implementation capacity and the late adoption of budget for 2025. Provide sufficient explanation of the multiannual capital budget.

Pursuant to Article 12 paragraph 4 of the Rft, the Cft requests that you respond to this advice within 14 days, namely by August 7th, 2025, at the latest, and when doing so, that you state the manner in which Sint Maarten intends to give substance to these recommendations. The Cft advises you to incorporate the recommendations in a modification of draft budget to be submitted to the Cft as soon as possible. Furthermore, the Cft requests you draw up a planning, giving priority to the budgetary process for 2026. The Cft would gladly engage in conversation with you regarding the improvement of the budgetary process.

Explanatory statement

Result

In the budget, Sint Maarten presents a surplus of XCG 8 million on the operational budget in 2025. For the years 2026 and 2027, a surplus of XCG 13 million is budgeted, followed by an XCG 8 million surplus in 2028. The budgeted results are based on the actual figures up to and including the second quarter of 2024, the budget amendment 2024 and the economic growth estimate of the International Monetary Fund for 2024.⁴ With regard to the OB 2025, the Cft already observed that it could not be assessed sufficiently if the estimated income was realistic, and anticipated a risk of a lower realization of the income.⁵

Income

For 2025, Sint Maarten budgets the income at XCG 586 million. The budgeted tax income amounts to XCG 453 million, a 9 percent increase in comparison to the preliminary realization in 2024.⁶ The substantiation of this increase is insufficient. In 2025, a (real) economic growth of 3 percent is expected.⁷ In the budget for 2025 no new policy intentions have been included that support further increase. With regard to the multi-annual estimate, the Cft anticipates risks regarding the introduction of the tourist tax, which still depends on legislation and implementation. The budget does not offer any insight into the timeline and does not contain any further concretization of this intention. If the introduction of the tourist tax as from January 1st, 2026 is postponed, it is unsure if a balance on the operational budget is achieved in 2026.

Expenses

The expenses budgeted for 2025 are XCG 577 million. The personnel expenses increase by XCG 33 million (15 percent) in comparison to 2024. Approximately half thereof is substantiated in the budget and relates to a restructuring of cost items and wage indexation. The explanation of the remainder is missing.

Capital budget

For 2025, Sint Maarten budgets a total of XCG 278 million in investments, of which the majority is related to postponed projects from 2023 and 2024.

Sint Maarten already received the resources for these investments. For 2025, Sint Maarten includes an additional capital loan of XCG 52 million. Over the passed years, the execution of the investment projects fell behind due to limited capacity and late adoption of budgets.⁸ Due to the accumulation of non-realized investment intentions already loaned resources remain on the balance. Sint Maarten pays interest on these loans. Therefore, the Cft requests that you reconsider the intended investment projects for 2025.

Healthcare

The financial situation of the healthcare funds requires special attention, due to increasing deficits and the lack of structural reforms. This means that a liquidity problem may arise with the Executive Organization for Social and Healthcare Insurances (*Sociale en Ziektekosten Verzekeringen*) on the

short term. If measures are not implemented timely, the deficits will start to put pressure on the Country's budget. The Cft requests that you concretize this task on the short term, in both policy and coverage. The Cft would gladly provide substantive input on solutions to reduce the deficits with the healthcare funds. Healthcare will be a focal point of the Cft's visit in September of 2025.

Taxation

Furthermore, the Cft again draws attention to the reinforcement of the tax system and the Tax Authorities. The limited implementation capacity and the lack of reforms to modernize the tax system, are important issues that impede sustainable budgetary policy. This modernization is needed to increase income and to create space for new policy. The Cft also points out the lack of insight into the development of tax income, which complicates drawing up a realistic budget.

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

¹ Article 14 paragraph 1 of the Rft. Sint Maarten did not comply with the statutory term set to December 15th, 2024. On April 4th, 2025, the Kingdom Council of Ministers (*Rijksministerraad* – RMR) urged Sint Maarten to adopt the budget for 2025 before April 30th, 2025. This deadline was also not observed by Sint Maarten. Ministry of the Interior and Kingdom Relations, reference 2025-0000282307, Processing Cft notification in Kingdom Council of Ministers of April 4th, 2025, dated April 15th, 2025. On June 30th, 2025, the RMR furthermore urged Sint Maarten to adopt the budget for 2025 before July 15th, 2025. Ministry of the Interior and Kingdom Relations, reference 2025-0000421925, Processing Cft notification in Kingdom Council of Ministers of June 30th, 2025, dated July 9th, 2025.

² The Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* – 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 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 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 18th, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

³ This assessment is somewhat uncertain, considering the fact that some components of the budget do not meet the criteria of a complete, orderly and verifiable budget (Article 15, paragraph 2 of the Rft) and therefore, it cannot be concluded with certainty that the central budgetary standard is being met. Only when adopting the annual accounts on the relevant budgetary year, based on the judgment of an auditor (an unqualified audit opinion regarding reliability), a conclusive assessment can be made if the central budgetary standard has in fact been met.

⁴ IMF, 2024 Article IV Consultation discussion Curaçao and Sint Maarten, Press Release and Staff Report, dated September 2024.

⁵ Cft, reference 202400115, Advice pertaining to the draft budget 2025, dated September 29th, 2024.

⁶ Minister of Finance of Sint Maarten, Execution report/uitvoeringsrapportage 2024, dated February 27th, 2025.

⁷ IMF, Staff concluding statement of the 2025 Article IV mission, dated June 24th, 2025.

⁸ Cft, reference 202500054, Reaction to the fourth implementation report 2024, dated June 4th, 2025. Cft, reference 202500066, Reaction to the first implementation report 2025, dated July 2nd, 2025.