Translation of: Advice pertaining to the adopted budget 2026

Original title: Advies bij de vastgestelde begroting 2026

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 September 24, 2026, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the adopted budget (VB) for 2026. As you know, this is well past the statutory deadline of December 15, 2025. This budget has little added value now that the budgetary year is almost over. You hereby receive the Cft's advice pertaining to the VB.[1]

Conclusion
For 2026 through 2029, Sint Maarten annually budgets a small surplus on the operational budget. However, the advice issued by the Cft regarding the 2026 draft budget (OB) has not been sufficiently followed up on[2], which means the Cft is still unable to adequately assess to which extent the estimates are realistic and therefore, it is unable to determine if the central budgetary standard set forth in Article 15, paragraph 1 of the Kingdom Act on Financial Supervision Curacao and Sint Maarten (Rijkswet financieel toezicht Curaçao en Sint Maarten - Rft) is being met. Therefore, the Cft cannot issue a positive advice regarding the loan request for investments in 2026.[3] Furthermore, the investment plans lack transparency and there is limited time to implement the investments before the end of this year. Lastly, the Cft observes that the multiannual surpluses are not an adequate reflection of reality, considering the significant risks associated with healthcare and government participations.

Subsequent steps
Given the limited amount of time remaining in this calendar year, the Cft no longer considers it worthwhile to adjust the budget by means of a budget amendment. Last year's experience, when a budget amendment drafted late in the year could not be adopted in time, underlines this.[4] The process for the 2027 budget is ongoing, and the Cft is of the opinion that the full focus should now be on that process, which means that the Cft will not issue recommendations regarding the 2026 budget, and there is no need for a mutual consultation trajectory in accordance with Article 12 of the Rft. The Cft will inform the Kingdom Council of Ministers about this.

Furthermore, the Cft refers to its advice issued on July 9, 2025, regarding the 2027 OB[5], which contains a great amount of overlap with the advice issued on February 24, 2026, regarding the 2026 OB. The Cft assumes that this will be followed up adequately, and has discussed this at length with you and your administrative organization.

Explanatory statement

Follow-up items advice pertaining to 2026 OB
Now follows a more detailed explanation of the status of the follow-up items from the advice issued regarding the 2026 OB:

1. *Provide an adequate explanation for significant changes (exceeding XCG 2.5 million) to the income and expenses in comparison to the VB 2025, and where necessary, adjust the estimates.*

The explanations have only been modified to a limited extent. In general, the estimates have been adjusted based on the actual figures of 2025. For the most part, the Cft is able to place the estimates of the income. The regular items, such as taxes and permits, broadly move along the same lines as the nominal economic growth of 4-5% per year as estimated by the IMF.[6]

However, the estimates of the expenses are harder to evaluate. In comparison to the 2025 VB, both the personnel expenses and the expenses for goods and services have been budgeted for an additional XCG 30 million. As regards the personnel expenses, the modifications are only explained in general terms based on the expectation that vacancies will be filled, job classification manuals are revised and an additional salary indexation (of 2.5%) will take place. In the goods and services entry, referral is made among others to expenses for projects and an inflation correction, however, a clear substantiation is not given. Furthermore, with regard to the 2026 OB, the Cft already had doubts regarding the extent to which the budgeted expenses for social benefits in 2026 were realistic. These expenses were budgeted lower than the ones in the 2025 VB without any further substantiation. This is again the case this time, and the amount is also lower (- XCG 5 million) in comparison to the preliminary realizations of 2025.[7]

2. *Include a clear overview of the project funds per economic category, providing insight into the annual effect on the income and expenses.*

This item was not followed up on. The requested overview of project funds has not been included. On the income side, the Cft was able to trace the amounts only for the year 2026 in the Book of Numbers. However, on the expenses side, the project funds are not directly traceable, therefore, the Cft is still unable to assess if the project funds have been included in the budget in a result-neutral manner.

3. *Include a realistic multiannual planning of the pending investments, and where necessary, adjust the intentions and the loan request.*

A realistic multiannual planning of the investments has not been included. The loan request remains in place and it has even been adjusted upward somewhat; from XCG 37.5 million to XCG 42.1 million. The new investment plans have also not been duly clarified. In the Book of Explanatory Notes, it is stated that the country intends to make XCG 98 million in new investments (p. 191). Subsequently, only a limited number of investment plans is described, of which the combined amount is considerably lower than this amount. For the 2027 budget, it remains important to come up with a realistic multiannual planning (follow-up item 5 of the advice pertaining to the 2027 OB) and to adjust the loan request accordingly.

4. *Make a critical reevaluation of the liquidity prognoses, and where necessary, revise it. An accurate assessment of the financial capacity of the Country is also essential when addressing precarious government entities, which must take place with great urgency.*

This item was somewhat followed up on. In the 2026 OB. the free cash position is not clear and its estimate is possibly too positive. This was adjusted in the 2026 VB. Sint Maarten now assumes a free cash position of XCG 5 million at the end of the year. However, the Cft is unable to duly verify this estimate, and furthermore, the amount is very limited. As was observed in the advice pertaining to the 2027 OB (follow-up item 4) the liquidity position must be improved, with a clear plan containing income-increasing and/or expense-decreasing measures (which will generally result in surpluses on the operational budget as well). Currently, the country has little to no possibilities to absorb unexpected setbacks or to formulate new policy.

5. *Thoroughly check the accuracy and consistency of the explanations, tables and substantiating figures. This is important for an orderly and verifiable budget. This item was partly followed up on.*

Some inaccuracies or inconsistencies have been eliminated, for example as regards the liquidity forecast. The tables included for this purpose now correspond. Meanwhile, the VB now contains other inaccuracies. In the text regarding the liquidity forecast on p. 189 of the Book of Explanatory Notes, another number is listed than in the table for the end balance of the free liquidities (XCG 41 million instead of XCG 5 million). Another example is the fact that different amounts have been included for interest expenses from the year 2027 forward in the loans overview in Statement E on page 21 of the Book of Explanatory Notes in comparison to the total overview of the expenses on page 17. The same applies to the permits, of which the amounts from 2027 forward differ in the tables on pages 14 and 15 of the Book of Explanatory Notes.

Financial management
The Cft is aware of and appreciates the fact that you try to break the cycle of delays and are on track for timely adoption of the 2027 budget. However, considerable effort is still required to improve the quality of the budget as well. The assessment framework that has been officially adopted and adjusted, among others at your request, is intended to provide practical guidance for the standards set forth in Article 15, paragraph 2 of the Rft. The Cft hereby reiterates its request for you to submit a written response regarding decision-making.

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

[1] 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 30, 2015to 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 18th, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

[2] Cft, reference Cft 202600018, Advice pertaining to Sint Maarten's draft budget for 2026, dated February 24, 2026.

[3] Pursuant to Article 16, paragraph 4 of the Rft, based on the intentions to take out loans, the Board assesses if the administration meets the standards set forth in Article 15.

[4] Ministry of Finance of Sint Maarten, DIV no.: 5818-A, Request for Article 11 Rft Advice on Draft Budget 2026, dated February 10, 2026.

[5] Cft, reference Cft 202600061, Advice pertaining to Sint Maarten's draft budget for 2027, dated July 9, 2026.

[6] IMF Staff Country Reports, Kingdom of the Netherlands-Curacao and Sint Maarten: 2025 Article IV Consultation, dated September 9, 2025.

[7] Cft, reference 202600032, Reaction to Sint Maarten's fourth implementation report 2026, dated March 27, 2026.