Translation of: Advice pertaining to draft budget amendment for 2025

Original title: Advies ontwerpbegrotingswijziging 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 October 22nd, 2025, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the draft budget amendment (OBW) 2025.[1] You hereby receive the Cft's advice pertaining to this OBW.[2] In Annex 1 to this letter you will find a further clarification and substantiating figures to this advice.

Conclusion
In the OBW, Sint Maarten sufficiently implemented the recommendations agreed upon pertaining to the advice issued by the Cft regarding the adopted budget (VB) 2025[3]. This was an important condition for the country to be able to take out a new investment loan. Based on the realization figures that are known at current, the Cft also considers a surplus for 2025 to be feasible. At the same time, the Cft has several points of attention regarding the continued process and future budgetary documentation.

Subsequent steps
After having thoroughly checked its accuracy and consistency, the Cft requests that you submit the budget amendment to Parliament as soon as possible, and to adopt it before the end of the year. Furthermore, the Cft requests that as regards implementation, you keep aiming at a surplus on the operational budget and in doing so, at a healthy liquidity position and the required deficit compensation.

For 2026 and subsequent years, the Cft requests that:
- You also keep aiming at a surplus on the operational budget and in doing so, at a healthy liquidity position and the required deficit compensation.
- In budgetary documentation, you give adequate explanations regarding the differences in the development of multiannual income and expenses, you keep ensuring the documentation is orderly and verifiable, and you include recent realization figures in the estimates.
- You execute the intended investments as soon as possible, and you provide a realistic multiannual investment agenda pertaining to the budget for 2026.
- You submit the draft budget for 2026 as soon as possible, in order for it to be adopted prior to the statutory deadline of December 15th, 2025[4] and therefore, prior to the start of the upcoming budgetary year.

Explanatory statement

Result

Up to and including 2028, Sint Maarten expects to realize small surpluses. The expected surpluses have been adjusted downward in comparison to the adopted budget. For 2025, currently a surplus of XCG 6 million is estimated (this was XCG 9 million). Based on the latest realization figures (2nd UR 2025) the Cft considers this is feasible. For 2026 and 2027, a surplus of XCG 7 million is estimated, followed by a XCG 1 million surplus in 2028. The Cft considers the surpluses for future years to be uncertain, among others due to the fact that the development of tax income remains unclear.

Sint Maarten postponed the effects of the introduction of the tourist tax from 2026 to 2027. In doing so, the country is implementing the Cft's recommendation pertaining to the adopted budget to substantiate the feasibility of the introduction of the tourist tax as from January 1st, 2026, or to reconsider the introduction. This amendment results in the loss of XCG 18 million in tax income for 2026. Based on the adopted budget, this would lead to a negative result of XCG 4 million. However, Sint Maarten manages to avoid this deficit and even turns it into a positive result, apparently mainly as a consequence of the downward adjustment of the expense items subsidies and personnel expenses. These amendments are not sufficiently explained in the OBW.

Income

The total income for 2025 of XCG 591 million set forth in the OBW exceeds the amount set forth in the adopted budget (which was XCG 585 million) by XCG 6 million. For 2025, the tax income is largely kept in line with the adopted budget. The shifts mainly take place in the entry 'other income'. Project funding for the Temporary Work Organization (TWO), which before was not included in the budget due to the fact that the plans had not yet been determined, has now been added, while the execution of the SPEAR program (Sustaining Program Effectiveness and Advancing Resilience) has been postponed to 2026. According to Sint Maarten, these shifts are result-neutral (the effect on the income is the same as on the expenses), however, the OBW does not immediately show this. A clearer overview in the OBW of the changes in comparison to the original budget for each year and for each budget entry would be helpful.

Expenses

The total expenses for 2025 of XCG 585 million set forth in the OBW exceed the amount set forth in the adopted budget (which was XCG 577 million) by XCG 8 million. This increase is mainly due to the project funds that have been added from TWO, and is somewhat offset by the execution of the SPEAR program that has been postponed to 2026.
This leads to an increase of the goods and services entry for 2025, although the increase is not fully explained. Furthermore, the personnel expenses have been adjusted slightly downward, due to the fact that vacancies are not being filled. Other expenses remained the same or changed only marginally.

Capital budget

In the OBW, Sint Maarten adjusted the investments on the capital budget downwards. In doing so, the country is implementing a recommendation issued by the Cft regarding the adopted budget to reconsider the investment ambition based on the available implementation capacity. New investments for 2025 now amount to XCG 40 million, for which a capital loan is taken out of XCG 30 million (which was XCG 52 million). Nevertheless, the intended investments remain substantial, totaling XCG 260 million, due to the fact that planned investments from earlier years are still pending. It is essential that pending investments are executed, not only considering the public importance, but also considering the pressure of the interest expenses on the budget. In the assessment of possible new loan requests for 2026, the Cft will include the cumulative risk of the pending loans.

Liquidity position

The latest developments of Sint Maarten's liquidity position worry the Cft. In the adopted budget, the free liquidity by the end of 2025 was estimated at XCG 23 million, increasing to XCG 49 million by late 2028. In the OBW, the free liquidity by the end of the year is now estimated at XCG 10 million, and for future years a continuous negative end balance is anticipated, amounting to XCG 8 million in 2028. The advice of the International Monetary Fund is to keep a liquidity buffer of at least a months' worth of expenses, which in Sint Maarten's case would be approximately XCG 50 million.

The Cft would like to officially engage Sint Maarten in conversation about maintaining a healthy liquidity position. To achieve this, structural income must be generated, and further payment arrears must be prevented, while eliminating current payment arrears. At present, payment arrears to the Executive Organization for Social Security and Healthcare Insurance (*Uitvoeringsorgaan Sociale en Ziektekosten Verzekeringen* – SZV) which is in a precarious loss-making situation, amount to over XCG 100 million. Furthermore, risks have been identified regarding the utility company GEBE, which could lead to an urgent need for liquidity of the country.

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. Ongering, 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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[1] Ministry of Finance, ref. no.5675-A, Request article 11 advice Budget Amendment 2025, dated October 22nd, 2025.
[2] 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 2025. 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, 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.
[3] Cft, reference 202500070, Advice pertaining to the adopted budget 2025, dated July 24th, 2025.
[4] Article 14 paragraph 1 of the Rft.