Translation of: Reaction to the first implementation report of 2026

Original title: Reactie op de eerste uitvoeringsrapportage 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 Minister Gumbs,

On June 26, 2026, the Board of financial supervision of Curacao and Sint Maarten (Cft) received Sint Maarten's implementation report (UR) on the first quarter of 2026. This UR would have to be submitted to the Cft six weeks after the first quarter of 2026 at the latest.[1] With this letter you receive the Cft's reaction to the first UR. In Annex 1 to this letter, you will find further clarification and substantiating figures.

Conclusion
In the first quarter of 2026, Sint Maarten realizes a preliminary surplus of XCG 39 million on the operational budget, which means that for the time being, Sint Maarten meets the central budgetary standard set forth in the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* – Rft) and the legally required deficit compensation. Furthermore, it is positive that higher tax income is being realized in comparison to the same quarter of 2025, the implementation report maps out the financial risks more clearly, and that efforts are being made to allocate the 'other income' entry of the correct tax category.

There are still considerable risks regarding the implementation of the investment agenda, the liquidity position, the healthcare funds and several government entities. Also, the developments regarding the capital budget have not been adequately clarified in the first UR. Since the 2026 budget has not yet been adopted, a comparison is made with the 2025 budget in accordance with the Rft, which means that there is limited possibility to evaluate if the implementation of budget is in line with the current budgetary policy.

Subsequent steps

The Cft requests that:
- In future implementation reports, you further substantiate the expected realization for the budgetary year (the "Outlook") and explicitly explain significant deviations from the adopted budget;
- You actively aim for the implementation of the investment agenda and where necessary adjust the plans (also refer to the advice pertaining to the draft budget for 2027) in order to use the available capital resources efficiently. In this context, the next UR must include a clear updated overview of the capital budget and the progress that is being made with regard to the investment agenda;

- You keep aiming actively at the improvement of the liquidity position and the elimination of payment arrears, and better substantiate future liquidity forecasts and have these be in line with the multiannual estimates set forth in the budget.
- You determine the public sector in accordance with the Kingdom Act on Financial Supervision and submit the required information to the Cft.

Explanatory statement

Realization 2026 budget
Since the 2026 budget has not yet been adopted, in the implementation report, the budgetary year 2026 as included in the adopted budget for 2025 is used as a basis for comparison. Therefore, the informational value of the comparison is limited. The Cft reiterates the importance of a timely adoption of the budget, in order to adequately manage the implementation of the budget during the year.

The implementation report does include an updated "outlook" for the entire year based on the realizations so far. The Cft requests that in future implementation reports, you explicitly explain the development of this expected realization for the current year and the main deviations from the prior adopted budget.

Investments
Of the XCG 278 million in capital investments budgeted for 2026, in the first quarter, only XCG 1 million have been realized. The presented figures are not in line with the figures presented in the fourth UR of 2025, in which part of these investments appeared to have already been made. The Cft requested this be clarified. However, aside from the amount, it is clear that the execution of investment projects is behind schedule. The Cft reiterates the importance of a realistic multiannual investment agenda, and timely execution of the planned investments.

Lastly, the Cft requests you pay attention to earlier requests to also specify in the implementation reports which part of the pending investments has already been committed, and which part has not (and may therefore possibly still be reallocated).

Liquidity
The implementation report shows that in 2026, the liquidity position decreases considerably, and that by the end of 2026, the freely available liquid resources will be limited. The Cft considers it important that Sint Maarten closely monitors its liquidity position and builds up financial room to be able to absorb potential setbacks.

Furthermore, the Cft observes that the liquidity forecast is only explained to a limited extent in the implementation report, which complicates adequate monitoring and assessment of the development of the liquidity position. The Cft requests Sint Maarten to better align future liquidity forecasts with the multiannual forecasts from the budget, and to provide a clear substantiation of the assumptions and developments used.

Public sector
The Cft is currently unable to assess if the interest expense standard is exceeded, since 1) the final reports of the public sector on the years 2021 through 2025 have not yet been submitted and 2) the public sector has not yet been determined. Sint Maarten stated that it has issued an assignment to draw up these reports. The Cft considers it positive that steps are being taken to determine the public sector and to submit the reports on the public sector after all. This should lead to results in the short term, so that it can be assessed if the 2028 budget meets the interest expense standard.

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 President of the Parliament of Sint Maarten
The Prime Minister of Sint Maarten
The Secretary General of the Ministry of Finance of Sint Maarten

Annex 2: Endnotes

[1] In accordance with Article 18, paragraph 1, of the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten* – Rft) within six weeks after the end of each quarter, Sint Maarten's administration is required to send a UR to the Cft and Parliament.