



Translation of: Reaction to the fourth implementation report 2023

Original title: Reactie op de vierde uitvoeringsrapportage 2023

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 Mr. Irion,

On March 27, 2024, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the implementation report (UR) on the fourth quarter of 2023.¹ Pursuant to the Kingdom Act on Financial Supervision (*Rijkswet financieel toezicht – Rft*), this UR would have to be submitted by February 12, 2024 at the latest. With this letter you receive Cft's reaction to this UR.² In Annex 1 to this letter you will find a further clarification and substantiating figures to this reaction.

Conclusion

The fourth UR shows a preliminary surplus on the operational budget of ANG 16 million, which means that for 2023, as yet, Sint Maarten meets the central budgetary standard set out in the Kingdom Act on Financial Supervision Curacao and Sint Maarten (*Rijkswet financieel toezicht Curaçao en Sint Maarten – Rft*).³ Therefore, the preliminary realization is ANG 15 million higher in comparison to the adopted amendment of the budget (BW) 2023, in which the surplus was estimated at ANG 1 million.

In 2023, Sint Maarten increased the number of topics that is explained in the UR. This is a positive development, however, an adequate analysis of the differences between the realization and the budget is missing. Furthermore, the other income item still contains a large portion of income that is not attributed to the right types of taxes and/or permits. Because of this, the insight into the implementation of the budget is insufficient, which limits the possibility to timely adjust the budget when needed. The Cft shall engage with you in a dialogue regarding the enhancement of the information value of the UR.

Explanatory statement

In the UR, Sint Maarten compares the realization up to and including the fourth quarter of 2023 with the BW 2023. Up to and including the fourth quarter of 2023, Sint Maarten realizes ANG 511 million in total income, 7 million lower than was budgeted.

The tax income portion amounts to ANG 408 million, which is ANG 14 million lower than was budgeted. The other income item amounts to ANG 34 million.

Up to and including the fourth quarter of 2023, Sint Maarten realizes ANG 495 million in expenses. This is ANG 22 million lower than was budgeted. The staff expenses are lower than budgeted, mostly due to the fact that budgeted vacancies were not filled. The expenses for goods and services are ANG 20 million lower than budgeted. This is predominantly due to the fact that budgeted projects were not carried out.

It is important that Sint Maarten keeps working on the improvement of the UR's quality. The current explanation of differences in income and expenses that have arisen, and the non-attributed income under the other income item limit the possibility to assess the implementation of the budget. Therefore, the Cft requests Sint Maarten to include a more extensive analysis starting in the first UR of 2024. Also, Sint Maarten must reach a solution as soon as possible regarding the correct attribution of the other income item.⁴

The realization of the investments does not reach the level that was budgeted. Due to – among others – the late adoption of the budget for 2023, Sint Maarten did not have access to the capital loan of ANG 61 million for investments until November of 2023. Up to and including the fourth quarter of 2023, Sint Maarten realizes ANG 1 million in investments. For some time now, the Cft has pointed out the necessity to structurally increase the investment level and it again requests Sint Maarten to start drawing up a multiannual investment agenda.

The Cft again draws attention to the debt payable to several government entities. By the end of 2023, the total payment arrears to government entities amounted to ANG 142 million. These are mainly payment arrears to the implementing body Social Security and Health Care Insurance (*Sociale en Ziektekostenverzekering* - SZV). One of the causes of these arrears is the fact that the expenses for the government health insurance scheme (*overheidsziektekostenregeling* - OZR) and the PP cards were structurally budgeted too low. The Cft has requested Sint Maarten to estimate these expenses at the right level in the budget for 2024, and to conclude the deliberations with the SZV regarding the repayment arrangement as soon as possible. Furthermore, Sint Maarten must factor in the bond loan of ANG 73 million that will expire in 2025.

Trusting to have provided you with sufficient information.

Sincerely,

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

Ms. L.M.C. Ongerling, MA

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 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. The UR regarding the fourth quarter of 2023 would have to be submitted by February 12, 2024, at the latest.

² Pursuant to Article 18 of the Rft, the Cft responds to the fourth UR. 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 UR. Official Gazette 2015, Decree of October 30, 2015 to 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 operational budget in the period of 2010-2014, to fully include the health care and pension expenses in the budget for 2015 and the multiannual budget, and to take measures for the benefit of a sustainable system for pensions and social security. On April 18, 2019, the RMR decided to extend the instruction, however, the new deadlines have never been decided.

³ Article 15 paragraph 1 sub a of the Rft.

⁴ Cft, reference Cft 202300129, Reaction to the third implementation report 2023, dated December 1, 2023, Cft reference Cft 202300092, Reaction to the second implementation report 2023, dated September 13, 2023. Cft reference Cft 202300046, Reaction to the first implementation report 2023, dated May 31, 2023.