



# Translation of: Reaction to the fourth implementation report of 2024

Original title: Reactie op de vierde uitvoeringsrapportage 2024

*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 May 21<sup>st</sup>, 2025, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the implementation report (UR) on the fourth quarter of 2024.<sup>1</sup> This is over three months after the statutory deadline for submission of February 11<sup>th</sup>, 2025. The Cft urges you to pay attention to timely submission of the implementation reports. The UR regarding the first quarter of 2025 already had to be submitted as well. With this letter you receive the Cft's reaction to the fourth UR of 2024.<sup>2</sup> 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 XCG 0.7 million,<sup>3</sup> 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).<sup>4</sup> Sint Maarten followed the Cft's recommendation to avoid a deficit in the fourth UR,<sup>5</sup> which is a positive development. However, the Cft urges you to pay attention to the fact that the intended investments are falling behind on the budgeted level. Lastly, the Cft observes that the explanations in the fourth UR are not sufficient and at times completely lacking, which makes it impossible to adequately assess the development of the figures.

## **Subsequent steps**

For some time now, the Cft has been drawing attention to the necessity to solve the banking description issues. At current, part of the income is not classified correctly, which limits the insight into the realization. Furthermore, the UR does not contain a multi-annual liquidity prognosis nor an overview of the free liquidity, which leaves the Cft unable to assess Sint Maarten's liquidity position.

Therefore, the Cft reiterates its request to solve the issue regarding the banking descriptions as soon as possible, thus making it possible that the other income is attributed to the correct tax and license types.<sup>6</sup> The Cft also requests that from now on, a multi-annual liquidity prognosis is included in the UR.

The Cft requests Sint Maarten to include a more adequate explanation in the following implementation reports, making a clear distinction between incidental and structural differences. Such explanation is of importance to increase the level of insight into the implementation of the budget. The Cft would gladly engage in conversation with you regarding the further improvement of the implementation reports.

## **Explanatory statement**

### Result operational budget

Up to and including the fourth quarter of 2024, Sint Maarten realizes a positive result of XCG 0.7 million and in doing so, for the time being it meets the central budgetary standard set forth in the Rft, as well as the required deficit compensation. In the adopted budget amendment 2024, a surplus was budgeted of XCG 2.6 million for the year 2024 in its entirety. Like it did in its responses to the first, second and third URs of 2024, on several entries, the Cft observes deviations from the realization in comparison to the budget.<sup>7</sup> For some components, these differences are insufficiently explained. When preparing the advice pertaining to the adopted budget for 2025, the Cft shall further analyze the differences.

### Income

Up to and including the fourth quarter of 2024, Sint Maarten realizes XCG 522 million in income, which is XCG 28 million less than was budgeted for 2024 (XCG 550 million). On virtually all entries, the realization of the income is lower than budgeted. However, since part of the income cannot be attributed to the correct tax and license types, the insight into the realization remains limited. Considering the fact that the realization is lower than anticipated, the Cft recommends Sint Maarten to closely monitor the development of the income in 2025.

For some time now, the Cft has been expressing its concern about the fact that Sint Maarten's income is lower than expected. It urges Sint Maarten to increase its income, among others by introducing a tourist tax, by focusing on the collection of lodging tax and by introducing a universal health insurance. The Cft stresses the importance of rapid implementation of the plans in order to generate more income.

### Expenses

For 2024 in its entirety, Sint Maarten budgets XCG 547 million in expenses. Up to and including the fourth quarter of 2024, XCG 521 million thereof was realized, XCG 26 million less than was budgeted. The lower realization is mostly the consequence of lower expenses for goods and services and lower personnel expenses.

According to Sint Maarten, the lower realization on the goods and services entry is related to the limited available liquidities. For some time now, Sint Maarten's liquidity position has been a point of attention. Therefore, it is of importance that a multi-annual liquidity prognosis is included in the next UR, in order to gain a better insight into Sint Maarten's financial standing on the medium term.

### Investments

For 2024, Sint Maarten budgets XCG 280 million in investments, XCG 90 million of which is related to delayed projects from 2023. Up to and including the fourth quarter of 2024, Sint Maarten invested XCG 41 million thereof.

For some time now, the Cft has been expressing its concerns regarding the progress of Sint Maarten's investment projects. In early December of 2024, Sint Maarten received a new loan from the Netherlands (XCG 132 million) for the construction of a new prison and the purchase of generators for the utility company GEBE. The Cft urges Sint Maarten to prioritize the actual execution of investment projects.

### Financial management

Sint Maarten's financial management is not yet in order. This is expressed among others in the quality of the implementation reports. The fourth UR shows that in the fourth quarter, little progress has been made in the improvement of financial management. In this context, the Cft refers to the format that was presented to you in light of the second UR, in order to improve the quality of the implementation reports.

### Public sector

Sint Maarten is required to report annually on the expense, income, deficit and debt figures of the public sector.<sup>8</sup> Despite repeated requests to do so, Sint Maarten has not yet submitted the 2021 and 2022 figures for the public sector to the Cft. It is therefore impossible to assess if the interest expense standard is exceeded. The Cft also requested Sint Maarten to submit the annual accounts for 2024 of the government entities by November 29<sup>th</sup>, 2024 at the latest.<sup>9</sup> The Cft has not yet received all requested annual accounts.

Sint Maarten was required to determine the public sector for the years 2024 and 2025 before April 1<sup>st</sup>, 2023. Sint Maarten shared a proposal for the determination of the public sector with the Ministry of the Interior and Kingdom Relations and the Central Bureau for Statistics of the Netherlands. It is unclear when the determination of the public sector may be expected.

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 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

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<sup>1</sup> 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.

<sup>2</sup> Pursuant to Article 18 of the Rft, the Cft responds to the fourth UR of 2024. 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<sup>th</sup>, 2015 to issue the Decree of September 8<sup>th</sup>, 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 multi-annual budget, and to take measures for the benefit of a sustainable system for pensions and social security. On April 18<sup>th</sup>, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

<sup>3</sup> In this advice, we use the denomination XCG for the currency of Curacao and Sint Maarten. As of March 31<sup>st</sup>, 2025, this currency has replaced the previously used ANG, at a fixed exchange rate of 1:1.

<sup>4</sup> 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) 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.

<sup>5</sup> Cft reference 202400110. Advice pertaining to the second implementation report of 2024, dated September 6<sup>th</sup>, 2024.

<sup>6</sup> Cft reference Cft 202400069, Advice pertaining to the first implementation report 2024, dated June 25<sup>th</sup>, 2024

<sup>7</sup> Cft reference Cft 202400069, Advice pertaining to the first implementation report 2024, dated June 25<sup>th</sup>, 2024 and Cft, reference Cft 202400110, Advice pertaining to the second implementation report of 2024, dated September 6<sup>th</sup>, 2024, and Cft, reference 202400148, Advice pertaining to the third implementation report 2024.

<sup>8</sup> Article 24 of the Rft.

<sup>9</sup> Cft, reference Cft 202400121, Reports public sector and request annual accounts government (affiliated) entities, dated October 25<sup>th</sup>, 2024.