



Translation of: Reaction to the second implementation report of 2024

Original title: Reactie op de tweede 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 August 23rd, 2024, the Board of financial supervision of Curacao and Sint Maarten (Cft) received the implementation report (UR) on the second quarter of 2024.¹ With this letter you receive the Cft's reaction to the second UR.² In Annex 1 to this letter you will find a further clarification and substantiating figures to this reaction.

Conclusion

The realization up to and including the second quarter of 2024 is ANG 23 million lower than was budgeted. The Cft foresees a considerable risk of a lower realization of the income of ANG 20-30 million. Therefore, despite the fact that the expenses are also lower than budgeted, the Cft anticipates a risk of a deficit on the operational budget by the end of 2024. The Cft therefore urges Sint Maarten to maximally control the expenses in order to avoid a deficit. The Cft also requests you to report about the realization by means of monthly reports.

Explanatory statement

Income and expenses

Just like it did for the first UR of 2024, on several items, the Cft observes a strong deviation of the realization in comparison to the budget. These differences are not sufficiently explained in the UR. In the first half of 2024, Sint Maarten realizes ANG 261 million in income. This is ANG 55 million less than was budgeted. Particularly the income from payroll tax, income tax and profit tax turns out to be lower than budgeted. The expenses in the first half of 2024 amount to ANG 256 million, which is ANG 31 million less than was budgeted. The lower realization of the expenses is caused by lower staff expenses and expenses for goods and services.

The prognosis for the entirety of 2024 that was included in the second UR shows that Sint Maarten anticipates a lower realization of both income and expenses. By the end of 2024, Sint Maarten expects a surplus on the operational budget of ANG 2 million. This prognosis is not further explained in the UR. In the second half of the year, Sint Maarten generally realizes more expenses than income. This worries the Cft. In order to close the year 2024 without a deficit on the operational budget, the Cft considers it necessary that Sint Maarten controls expenses to the greatest extent possible. At this time, the Cft

does not consider a further adjustment of the budget amendment 2024 to be opportune. In order to adequately monitor the implementation of the budget in the second half of 2024, the Cft requests you to report monthly on the realization from August 2024 onwards.

Investments

In late 2023, Sint Maarten received a capital loan of ANG 61 million from the Netherlands for investments. Due to the late adoption of the budget for 2023, Sint Maarten only invested ANG 1 million in that year. The remainder of the planned investment projects were postponed to 2024. In the first half of 2024, Sint Maarten invested ANG 5 million. The country also initiated several procurement projects, which should lead to execution in the second half of the year. The Cft reiterates the importance of accelerating the execution of the intended investment projects.

ENNIA solution

Sint Maarten is working on a budget amendment for 2024, in which the country includes a loan request for ANG 132 million for the financing of generators for the utility company GEBE, the new prison and the Mental Health Foundation. Furthermore, on October 10th, 2024, the loan for liquidity support will be refinanced. If before this date no agreement is reached regarding a solution for the ENNIA issue, then the interest on this refinancing will be increased.³ It is expected that this shall lead to the interest charge norm being exceeded⁴, which in turn shall lead to Sint Maarten being unable to take out the ANG 132 million loan.

Subsequent steps

In the second UR, Sint Maarten presents a changed status for the budget amendment 2024 in comparison to the version for which the Cft issued an advice on July 12th, 2024.⁵ The Cft recommends you adopt the budget amendment as soon as possible. When implementing the budget, Sint Maarten must make the utmost effort to control the expenses, thus preventing a deficit on the operational budget by the end of the year. The Cft requests that for the months of August through December 2024, as soon as possible after the end of each month, you submit a report broadly outlining the development of the income and the expenses to the Cft. Based on these reports, the Cft will monitor the realization in comparison to the budget.

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

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. The UR regarding the second quarter of 2024 would have to be submitted by August 12th, 2024, at the latest.

² Pursuant to Article 18 of the Rft, the Cft responds to the second 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 30th, 2015 to issue the Decree of September 8th, 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 18th, 2019, the RMR decided to extend the instruction, however, the new deadlines have not yet been decided.

³ Dutch Parliament, meeting year 2023–2024, 36 410 IV, no. 70.

⁴ Article 15 paragraph c of the Rft. Despite repeated requests to do so, Sint Maarten has not yet submitted the 2021 and 2022 figures for the public sector to the Cft. Based on the second UR, the Cft anticipates that if the interest on the loan for liquidity support is increased, the interest charge norm will be exceeded.

⁵ Cft, reference Cft 202400078, Advice pertaining to the draft budget amendment 2024, dated July 12th, 2024.