Emergency measures to mitigate the effects of COVID-19

April 4, 2020

Government Administration Building
Soualouga Rd. #1, Pond Island, Great Bay

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Appendix 1-5
0. Executive Summary

Economies across the world have been negatively impacted by the COVID-19 pandemic and St. Maarten is no exception. The necessary measures of closing the borders in order to control the spread of the virus has resulted in a practical halt of all economic activities on the island. The foremost effected are all economic activities that are directly related to tourism; the so called frontline or first tier. Depending on the source and what is considered “directly related, indirect and induced”, tourism accounts for 50 - 80 % of the GDP of St. Maarten. This further cements the need for substantial financial injection considering the current dilemma.

The severity of the economic and social impact can be considered even more profound than others in the region or internationally as the country finds itself in the recovery phase after Hurricanes Irma and Maria, which devasted the island in September 2017. There is already a high level of uncertainty, which is further exacerbated by not knowing how long this pandemic will last and how long it will take the global tourism sector to start recovering. This coupled with St. Maarten heading into its low season and hurricane season, puts the island in a vulnerable position.

The government acknowledges that it is imperative that adequate measures are taken to absorb the economic and social impact of this new shock and to achieve a rapid recovery of the economy. Businesses that are severely affected will need financial assistance and for those who risk losing their jobs, the creation of a social safety net is essential. These measures are presented and outlined in more detail below.

The Government of St. Maarten has put much effort into following the guidelines set forth by CFT for the budget 2020, but it is clear that the budget cannot finance the measures necessary to safeguard the health of the population, avoid social unrest and disruption of the already fragile economy. St. Maarten has implemented all measures in their power up until this point, however we need the support of The Netherlands.

The request for support totals ANG 254M for the first 3 months and can be summarized in the table below.
## Proposed Measures

<table>
<thead>
<tr>
<th>Measures</th>
<th>Section</th>
<th>March 2020</th>
<th>April 2020</th>
<th>May 2020</th>
<th>June 2020</th>
<th>Total second Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts in ANG *1M</td>
<td></td>
<td>2020</td>
<td>2020</td>
<td>2020</td>
<td>2020</td>
<td></td>
</tr>
</tbody>
</table>

### Direct relief

<table>
<thead>
<tr>
<th>Measures</th>
<th>Amounts in ANG *1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll Support Program</td>
<td>22.6</td>
</tr>
<tr>
<td>Income Support Program</td>
<td>33</td>
</tr>
<tr>
<td>Soft Loan Program</td>
<td>3</td>
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<tr>
<td>Underemployed</td>
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</tr>
</tbody>
</table>

### Government related

<table>
<thead>
<tr>
<th>Measures</th>
<th>Amounts in ANG *1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of Income</td>
<td>15.7</td>
</tr>
<tr>
<td>Extension of filing tax</td>
<td>12.4</td>
</tr>
<tr>
<td>Dividend Government Owned Entities</td>
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</tr>
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<td>Food Vouchers</td>
<td>0.4</td>
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<tr>
<td>Food boxes for vulnerable groups</td>
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</tr>
<tr>
<td>Meals on wheels for elderly</td>
<td>0.5</td>
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<td>Additional psycho-social care</td>
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### Additional Healthcare expenses

<table>
<thead>
<tr>
<th>Measures</th>
<th>Amounts in ANG *1M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional healthcare expenses</td>
<td>12.4</td>
</tr>
<tr>
<td>SZV with Government measures</td>
<td>16.06</td>
</tr>
<tr>
<td>OZR</td>
<td>16.06</td>
</tr>
<tr>
<td>SMMC</td>
<td>16.06</td>
</tr>
</tbody>
</table>

| Total | 19.1 | 120.24 | 61.84 | 52.74 | 253.92 |
1. Introduction

1.1. Problem Description

On March 6, 2020, Government of St. Maarten began implementing the necessary measures and travel restrictions to control the spread of COVID-19. The World Health Organization declared COVID-19 a national pandemic on March 11, 2020 of which St. Maarten responded with further tightening of its travel restrictions and public health measures. On March 22, 2020 our ports closed completely for transportation of persons, however remained open for cargo operations. The pandemic continues to expand with more than 175 countries having reported cases of COVID-19. The coronavirus outbreak has already brought considerable human suffering and major economic disruption, prompting governments worldwide to act swiftly and forcefully with targeted public-health responses and supportive macroeconomic policies.

With the closure of its borders, the economic activity in St. Maarten has drastically declined and is further projected to have continued adverse effects on the major economic pillar, tourism. The CBCS forecasts economic contraction of approximately 30% of our GDP if borders remain closed for 6 months. As a result, the impact is not limited to rapid increase of unemployment, but includes (i) businesses and individuals failing to meet financial obligations, (ii) increased government budget deficits due to sharp drop in tax revenues and increasing expenditures putting pressure on balance of payments and (iii) foreign reserves coming under pressure.

Based on the above elucidation St. Maarten is in dire need of financial assistance to implement measures to assist affected groups, mitigate any potential spillover effects and restore growth and confidence.

The Government of St. Maarten has put together a Relief and Economic Stimulus Program that captures direct relief for the following:

- Payroll support for businesses that are impacted;
- Income support for Sole proprietors, vendor license holders, bus and independent taxi drivers;
- Income support for unemployed;
- Liquidity support for Government;
- Liquidity support for Government owned entities.

We have included the financial needs for each section for the short, medium and long term in accordance with CBCS scenario. The assumptions and considerations are as follows:

- Initial 3 months- 0% economic activity;
- Following 3 months- 50% economic activity;
- Final 3 months- 75% economic activity;

We are concerned about using this premise of the CBCS as it is based on the Economic Impact Assessment made by the CBCS dated March 17, 2020. Since this date, there have been major developments regarding the economic activity, the spread of the pandemic within St. Maarten/St. Martin and our target markets for tourism, which have not been included in the assessment of March 17. The position of the island as it stands today is different and should be taken into consideration when assessing this Relief and Economic Stimulus Package.
Therefore, we have included an alternative but conservative outlook, which assumes recovery commencing in the fourth quarter of 2020. This assumption considers:

a. The impact of the pandemic on the economy is primarily dependent on tourism demand;
b. Tourism is highly dependent on the recovery in our primary sales markets, which suggests the period of closure of St. Maarten for foreign travel is not considered a constraint factor;
c. The forecasted weakening of tourism is a direct consequence of the fast increasing, widening and deepening economic impact of the corona crisis on the US, European and Latin American economies and the related levels of income in these regions;
d. As travel/vacation is a relative luxury good with a high income elasticity, a contraction of economic activity in our target markets will be reflected in reduced demand for tourism;
e. In connection with the previous factor, tourism numbers are not assumed to bounce back fast after the Corona crisis subsides, but rather over a 12-month period;
f. Stay-over demand is assumed to be primarily driven by economic- and disposable income-recovery in our target markets;
g. Cruise demand recovery is assumed to lag considerably, based on negative experiences with cruise vacations during the corona crisis and possible impact of the crisis on the cruise companies’ operations, logistics and general business model (risk mitigation measures).

1.2. Situation analysis

1.2.1. Public Health

The rise in healthcare expenses at this moment is inevitable as measures have already been taken to curb the contamination and spread of the virus. In compliance with the World Health organization (WHO), EOC and general international guidelines, SMMC downscaled all (elective) services where necessary to accommodate the influx of COVID-19 infected patients. A possible further outbreak of the virus in St. Maarten will put a more severe drag on economic activities and result in higher health care costs.

Preliminary figures received from the Ministry of Public Health, Labor and Social Affairs already reveal an increase of ANG 4.7M. This includes an estimate of patients in isolation per day which will require additional staff, epidemiologist support, PPE and further expansion of health care services. Additional ventilators, specialists and isolation chambers are extremely vital to contain further outbreak of the virus.

1.2.2. Social and Economic Impact

The COVID-19 crisis is nothing the world has ever seen before. Consumption, residential investment, retail sales, production and capital spending are collapsing sharply at an unprecedented speed. It is difficult to predict its impact as it is incomparable to a recession or natural disaster which effects are linear over a period and usually affect one country at a time. The COVID-19 pandemic has affected every region of the world which has gone into a freefall of economic activity. The speed, the depth and global reach of this pandemic is unknown, creating major uncertainties for policymakers in curbing the socio-economic effect.

In addition to the COVID-19 crisis being unique, St. Maarten is also faced with a very unique challenge. The country is experiencing its second disaster within two and a half years. At the start of 2020, St. Maarten was still in its recovery phase with numbers well below pre-Irma levels. From this we can
assume that many businesses and individuals have limited financial buffers to cope with this pandemic. We are also faced with the upcoming hurricane season which researchers are predicting to be active. Thus our response is threefold. It is imperative that we respond urgently to the crisis we are currently faced with, while still ensuring proper planning is in place for the upcoming hurricane season and further implementation of policies to boost the economy once this pandemic is over.

As such our financing request includes programs to assist in protecting the vulnerable groups of our society. We must ensure our unemployed are provided with proper income support to cover their basic needs. Implementation of efficient and properly funded food programs will allow us to ensure the safety and security of the elderly and other vulnerable groups. Income support for the business community will assist in preventing bankruptcies, job losses and further economic collapse. The rise in healthcare costs are also estimated to be seen in psychological and support services, mediation services and legal assistance which should be accounted for. These initiatives and funding needs are further outlined in the Debt Relief section.

In addition our response also includes programs that require funding so that they can be rolled out immediately to speed up economic recovery after the crisis is over. The inventory of hotel rooms is far behind pre-Irma levels and the Airport is still under construction. Even when St. Maarten reopens for business, the economic infrastructure is still not ready. Continued support of the Training Program (EISTP) is imperative to assist the unemployed with proper skills training that has a direct impact on our tourist product. Fast tracking projects out of the Trust Fund such as the MSMEs of which the objective is to support the recovery of micro, small, and medium sized enterprises through direct and immediate financial assistance, will largely contribute to the restoration of economic activity.

1.2.3. Enforcement of measures and safeguards for safety for the population

In preparation for a possible outbreak of the COVID-19 virus on Sint Maarten and anticipating the need to institute a complete shutdown of movement in and out of Sint Maarten, on Saturday, March 21, 2020, the Prime Minister and the Chair of EOC sent a request for military assistance via the Governor of Sint Maarten to the Minister of Defense of The Netherlands. At the time of completing this plan, the request was being handled internally (Dutch Government) and St. Maarten was still awaiting a response.

The Police force of St. Maarten is coordinating controls together with their French counterparts in order to enforce the restricted movement of persons, which has been implemented as a preventative measure on St. Maarten/St. Martin to avoid the further spread of the COVID-19 virus.
1.3. Impact on the economy if no relief measures implemented

If no relief is provided, we project our economy will go through 4 phases.

A short description of these phases are as follows:

Phase 1: Current situation, businesses decide to maintain operation, close and lay off workers or at least take measures to reduce costs.

Phase 2: Businesses seize operation, which results in a steep downsizing of the economy.

Phase 3: Businesses that remain operational go into survival mode and downsize personnel.

Phase 4: This situation is not sustainable, businesses seize operation, leading closure.

The timing of relief disbursement is vital in reducing the number of bankruptcies, further having a larger economic impact to recover from (arrow phase 2). The quicker the disbursement, the higher the number of businesses remain in operation. The support measures will strengthen phase 3 resulting in more businesses maintaining operations, which further mitigates the risk of massive lay offs (arrow phase 4).
2. Measures

2.1. Measures implemented

From the onset of the COVID-19 pandemic, the Government of St. Maarten was able to act swiftly in implementing emergency measures to ensure the safety of the population. These included:

- Implementation of curfew
- Enforcement
- Restriction of travel
- Pavilion installment to isolate infected patients
- Information dissemination
- Border control and cooperation with Saint Martin (French Side)
- Mandated non-essential business closure
- Activated the EOC (Emergency Operation Committee)
- Reducing and or deferring payments (GeBe, Taxes, Banks, student loans)
- Immediate closure of casinos

2.2. Direct Relief

Government has put together direct relief programs for businesses and individuals who are impacted by the COVID-19 pandemic. The uncertain nature of the pandemic makes economic forecasting variable. Based on this uncertainty we have included a short, medium and long-term projection in line with CBCS’ approach. This approach assumes no tourist related income for the first three months (April-June 2020), for the period (July-September) the tourist related income would be limited to 50% and the tourist income for the period October to December would increase to 75%.

We have also included an alternative outlook that is more conservative when projecting the recovery of the economy. This approach assumes there will be 0% tourist related income for the first 6 months (April- September), thereafter 25% tourist related income for the period October-December.

As mentioned in above sections, St. Maarten’s recovery is highly dependent on the economy of the US, Europe and other target markets and the strong public measures implemented by these countries to cushion economic impact. Hence, we strongly emphasize considering both presented scenarios.

Overview of the total costs of the payroll support and income support program combined under both scenarios are estimated:

<table>
<thead>
<tr>
<th>Period 2020</th>
<th>Number of months</th>
<th>Gross amount per month in ANG million</th>
<th>CBCS Scenario</th>
<th>Conservative Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 2</td>
<td>3</td>
<td>23.98</td>
<td>71.94</td>
<td>71.94</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>3</td>
<td>23.98</td>
<td>35.97</td>
<td>71.94</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>3</td>
<td>23.98</td>
<td>17.99</td>
<td>17.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>125.90</strong></td>
<td><strong>161.87</strong></td>
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</tbody>
</table>
### 2.2.1. Payroll Support for Businesses

To support businesses that are facing revenue losses and to assist in the prevention of lay-offs, government will provide eligible employers with payroll support. This initiative will ensure job retention and create a buffer for furthering economic impact. Government will pay 80% of the payroll of qualifying businesses with a minimum of ANG 1,150 for a full time employee. The program is estimated to cost ANG 22.6M per month.

The main condition is that qualifying companies should keep their employees on their payroll to prevent mass lay-offs. These companies will need to demonstrate that their revenue has decreased by more than 20% because of the Covid-19 pandemic. Revenue of February through March 2019 will be compared to that of 2020 for the same period. Monthly Tax & Premium Declarations will be used to determine if the 80% threshold is met. For newly established companies, conditions will vary.

In collaboration with SZV, an analysis of the sectors was done to determine the levels of impact, which further determined which companies under which sectors will qualify for this support program.

The Government is excluded from this calculation in addition to sectors listed on our business exemption list.

The Government Owned Companies that are included are as follows:

1. Airport, Harbor and Winair are labeled as high impact as operations have fully ceased.
2. Telem and GEBE have minimal impact and are not included in the calculation at this time

The outcome of the stimulus package will support approximately 40% of the workforce sector which is closely aligned with CBCS assessment of forecasted 30% contraction of the economy.

Following the scenario of the CBCS the total cost for the payroll support program is estimated to be:

<table>
<thead>
<tr>
<th>Period 2020</th>
<th>Number of months</th>
<th>Support Percentage</th>
<th>Gross amount per month in ANG million</th>
<th>Expenses for income support program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 2</td>
<td>3</td>
<td>100%</td>
<td>22.6</td>
<td>67.8</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>3</td>
<td>50%</td>
<td>22.6</td>
<td>33.9</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>3</td>
<td>25%</td>
<td>22.6</td>
<td>16.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>118.65</strong></td>
<td></td>
</tr>
</tbody>
</table>

Following the conservative outlook the total cost for the payroll support program is estimated to be:

<table>
<thead>
<tr>
<th>Period 2020</th>
<th>Number of months</th>
<th>Support Percentage</th>
<th>Gross amount per month in ANG million</th>
<th>Expenses for income support program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 2</td>
<td>3</td>
<td>100%</td>
<td>22.6</td>
<td>67.8</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>3</td>
<td>100%</td>
<td>22.6</td>
<td>67.8</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>3</td>
<td>25%</td>
<td>22.6</td>
<td>16.95</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>152.55</strong></td>
<td></td>
</tr>
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</table>
The Payroll Support program will be managed by the SZV which has all the relevant data to monitor compliance with the detailed procedures that are worked out in appendix 1. Appendix 1 provides a summary of the most important procedures to manage this payroll support.

2.2.2. Income Support for Sole Proprietors, Vendor License Holders, Bus and Independent Taxi and Tour Drivers

This proposal includes income support to sole proprietors, vendor license holders, independent bus and taxi drivers who are facing revenue losses due to COVID-19.

Government is proposing to pay up to ANG 1,150 to qualifying individuals. Tax administration will be handling all requests and payments will be processed by the treasury department.

Total cost of this program is estimated to be ANG 1.34M per month based on the assumption that all listed sole proprietors who have permits for public vending and public transportation are paid a maximum of ANG 1,150 per month.

Following the scenario of the CBCS total cost for the income support program is estimated to be:

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of months</th>
<th>Support Percentage</th>
<th>Gross amount per month in ANG million</th>
<th>Expenses for income support program</th>
</tr>
</thead>
<tbody>
<tr>
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<td>100%</td>
<td>1.38</td>
<td>4.14</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>3</td>
<td>50%</td>
<td>1.38</td>
<td>2.07</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>3</td>
<td>25%</td>
<td>1.38</td>
<td>1.04</td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>7.25</strong></td>
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</table>

Following the conservative outlook the total cost for the income support program is estimated to be:

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of months</th>
<th>Support Percentage</th>
<th>Gross amount per month in ANG million</th>
<th>Expenses for income support program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter 2</td>
<td>3</td>
<td>100%</td>
<td>1.38</td>
<td>4.14</td>
</tr>
<tr>
<td>Quarter 3</td>
<td>3</td>
<td>100%</td>
<td>1.38</td>
<td>4.14</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>3</td>
<td>25%</td>
<td>1.38</td>
<td>1.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>9.32</strong></td>
</tr>
</tbody>
</table>

See appendix 1 for more details regarding procedure of eligibility and disbursement.

2.2.3. Soft Loan Program (MSMEs)
In addition to the payroll support Businesses, The Government of St. Maarten will also make available ANG 33,000,000.00 of additional support which will be targeted to small and medium sized businesses. This will be an effective tool for helping viable businesses remain resilient during these very uncertain times.

Local banks have liquidity, however they may be reluctant to offer this kind of credit supply. There are three reasons for that reluctance: first, the banking sector has already sustained significant losses because of Irma, and secondly, the moratorium on repayments set by the banks themselves to aid the community, may have increased their credit risk, which could lead to additional loan loss provisions and losses in the (nearby) future.

Through this program Government will provide direct lending at a minimum interest rate of 2.5% to businesses which have viable business models for which access to funding has diminished. Businesses seeking support through this program would contact their financial institutions with whom they have a pre-existing relationship. Once the financial institutions have made their positive assessments, they will notify an Oversight Committee which will signal the transfer of funds to the respective banks. The respective financial institutions would then pay the qualifying business.

The businesses will have a grace period of six months before their first loan payment is made and will then have a minimum of two years to pay off their loan to their banks. Minimum monthly payments of 3% of the total borrowed amount for the duration of the two years at a 2.5% interest rate. After the two years, businesses will be granted another 3 years at an adjusted interest rate of 5%; there will be no minimum monthly payments allowed. All regular bank fees associated with the disbursement of the loan will be applied. Businesses will remit their monthly payments to the financial institutions which will then credit Central Banks accounts monthly.

Reference is made appendix 2 for the detailed procedures to qualify for the program

2.2.4. Unemployed

With no formal unemployment insurance, and only limited social assistance and anti-poverty measures, the capacity of the government of St. Maarten to cushion the impact of unemployment and reduced incomes in low-income households is constrained at a time of increased demand for social assistance to support consumption smoothing. Fiscal space to strengthen the social protection system is likely to remain limited over the medium term in light of the significant hurricane budget deficits that still exist.

In collaboration with the World Bank, the Ministry of VSA developed a scenario model to estimate the impact of the coronavirus on St. Maarten unemployment. If payroll support isn’t provided to assist in reducing mass layoffs, the model projects unemployment at approximately 5000 persons within the next 3 months.

We have tweaked the model to include a scenario in which payroll support is provided further limiting reducing layoffs. We have included this amount in our total request.

The cost of income support totals $681 per person ($555 stipend + $126 social security premium).

<table>
<thead>
<tr>
<th># of Beneficiaries</th>
<th>2020-Apr</th>
<th>2020-May</th>
<th>2020-Jun</th>
<th>Total</th>
<th>in ANG Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>w/ impact of payroll</td>
<td>926</td>
<td>1000</td>
<td>1000</td>
<td>2926</td>
<td>3.58</td>
</tr>
<tr>
<td>w/out relief</td>
<td>926</td>
<td>2485</td>
<td>1593</td>
<td>5005</td>
<td>6.14</td>
</tr>
</tbody>
</table>
2.3. Government Related

2.3.1. Direct

2.3.1.1. Loss of Income

2.3.1.1.1. Direct tax (Turn over tax, wage tax)

A scenario model has been set up to assess the impact of the corona crisis on the economy of St. Maarten and, eventually, on the government budget. The model was built in cooperation with and based on input by IMF, the World Bank and CBCS.

The model is intended to help with the windows of different effects:
1. Government revenue decline;
2. Increase in government costs:
   a. Increase in health care;
   b. Decrease in labour market/unemployment;
   c. Cost scaling up provisions tlv government.

The model is based on the following considerations:

- It is assumed that all economic activities will follow the trend of the turnover of businesses. Estimations are estimates across the board.
- It is assumed that the impact of the Corona crisis on the economy of St. Maarten and employment depends primarily on the demand for tourism.
- The closure period of St. Maarten for foreign travel is only of limited importance. In other words, even if St. Maarten were to open earlier than later, tourists will only return after the recovery of demand in our primary markets.
- This position is elected because of the rapidly increasing, widening and deepening of the economic impact of the Corona crisis on the US, Europe and Latin American economies and the associated income levels in these regions. Since travel/holidays are a relative luxury commodity, downsizing economic activity in our target markets will reflect in reduced tourism.
- In connection with this, tourism is not supposed to recover immediately after the Corona crisis but there is great uncertainty about the speed of recovery. In order to be able to estimate a first impression of the damage, 3 recovery scenarios are based on 3, 6 and 9 months respectively to achieve pre-Corona level.
- Demand for overnight stays is expected to be driven mainly by the recovery of economic and disposable income in our target markets. Cruise tourism is expected to lag significantly behind, given the negative experiences of outbreaks on cruise ships during the corona crisis. Cruise tourism is expected to eventually fully recover in the model, which in itself is an optimistic assumption.

The scenario model has the following main parameters (adjustable):

- Approximately 40% of the labour force is affected by a shock in tourism, in the short term. In other words, if all tourism activities drop to zero, 40% of the labour force will become unemployed in the short term. This number takes into account various sensitivities of each industry.
- A factor is included for increased employment sensitivity of each sector as the crisis lasts longer.
• Lay-offs will take place quickly with a spread over 2 months after loss of turnover but probably could be curbed with quickly published commitments on the assistance that will be provided to employers (e.g. as payroll support).

• Workers will be rehired by companies in parallel with restoring tourism levels, with a brief delay.

• There are now three scenarios regarding the depth of the Corona crisis and its impact on tourism demand; Optimistic (3 months of zero receipts staying over, 5 months in cruise sector) medium (6) and pessimistic (9) each followed by a 12-month gradual linear recovery.

• A zero-yield scenario of one month (April) followed by recovery is already no longer realistic. Some tour operators have cancelled their flights until June 1st and more are likely to follow. Demand is not expected to result in recovery before June.

The following table shows the scenarios based on the model as well as the scenario developed by CBCS. The CBCS scenario starts recovery as early as June but this can be considered too optimistic. We will monitor the real developments closely to adjust the figures when appropriate.

<table>
<thead>
<tr>
<th>Amounts in ANG *1M</th>
<th>MRT</th>
<th>APR</th>
<th>MEI</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEPT</th>
<th>OKT</th>
<th>NOV</th>
<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Income</td>
<td>31,433</td>
<td>51,836</td>
<td>34,977</td>
<td>33,615</td>
<td>37,143</td>
<td>37,366</td>
<td>33,058</td>
<td>39,067</td>
<td>32,676</td>
<td>47,695</td>
<td>45,478</td>
<td>38,356</td>
<td>462,500</td>
</tr>
<tr>
<td>% reduction 3 months</td>
<td>41</td>
<td>48</td>
<td>44</td>
<td>33</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Amount reduction 3 months</td>
<td>12,805</td>
<td>24,953</td>
<td>15,334</td>
<td>10,949</td>
<td>8,563</td>
<td>6,436</td>
<td>4,507</td>
<td>774</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>84,320</td>
</tr>
<tr>
<td>% reduction 6 mnd</td>
<td>41</td>
<td>48</td>
<td>44</td>
<td>46</td>
<td>43</td>
<td>42</td>
<td>36</td>
<td>18</td>
<td>15</td>
<td>16</td>
<td>15</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Amount reduction 6 months</td>
<td>12,805</td>
<td>24,953</td>
<td>15,310</td>
<td>15,545</td>
<td>15,912</td>
<td>15,654</td>
<td>11,854</td>
<td>7,161</td>
<td>4,805</td>
<td>7,712</td>
<td>6,662</td>
<td>3,798</td>
<td>142,372</td>
</tr>
<tr>
<td>% reduction CBCS</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Amount reduction CBCS</td>
<td>15,716</td>
<td>25,918</td>
<td>17,488</td>
<td>8,404</td>
<td>9,286</td>
<td>9,291</td>
<td>4,132</td>
<td>4,883</td>
<td>4,085</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>99,204</td>
</tr>
<tr>
<td>Amount after reduction CBCS</td>
<td>15,716</td>
<td>25,918</td>
<td>17,488</td>
<td>25,211</td>
<td>27,857</td>
<td>27,874</td>
<td>28,926</td>
<td>34,184</td>
<td>28,592</td>
<td>47,695</td>
<td>45,478</td>
<td>38,356</td>
<td>363,296</td>
</tr>
</tbody>
</table>

The consequences to St. Maarten as a result of the Corona virus shows in this model. Three things stand out:

1. Speed is essential to mitigate unemployment. Employers have started to drain reserves since March 14th and layoffs can only be mitigated by at least commitments on the assistance that will be provided to employers;

2. The volume of assistance to be provided depends, of course, mainly on the duration of the relapse. A 50% reduction in GDP is already causing social damage of around Ang 75 million per month. The volume also depends on the conditions given to the aid, such as the level of benefits. The level of these variables is not yet known to the parts of the public and we therefore count on the conditions already published for BES.

3. The government is facing a steep fall in its revenues and at the same time sees its costs increase significantly. This seriously increases the already existing budget deficit.

2.3.1.1.2. Dividends of Government owned Companies
Due to the impact of the Covid-19 crisis the government companies and government relation institutions will encounter huge financial constraints. It is therefore not realistic to expect that those companies/institutions will be able to pay for 2020 the budgeted amount of concessions and or dividend as included in the table below. Therefore, the income of the Government will be reduced further attributing to the loss of income for Government. The total impact is ANG 12.4M.

<table>
<thead>
<tr>
<th></th>
<th>Begrote ontvangsten 2019</th>
<th>Begrote ontvangsten 2020</th>
<th>Verschil bedrag</th>
<th>Verschil %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend Centrale Bank</td>
<td>2,000,000</td>
<td>-</td>
<td>(2,000,000)</td>
<td>-100%</td>
</tr>
<tr>
<td>Concession Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bureau Telecom &amp; Post</td>
<td>1,858,000</td>
<td>1,900,000</td>
<td>42,000</td>
<td>2%</td>
</tr>
<tr>
<td>Port St. Maarten (Harbour)</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>concession</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend Government Companies</td>
<td>1,200,000</td>
<td>-</td>
<td>(1,200,000)</td>
<td>-100%</td>
</tr>
<tr>
<td>Concession Revenue GEBE</td>
<td>6,200,000</td>
<td>6,500,000</td>
<td>300,000</td>
<td>5%</td>
</tr>
</tbody>
</table>

2.3.1.1.3. Extension filing profit tax and audits

As part of Government’s swift response, we have provided further tax relief to the community by extending filing of taxes. See below measures implemented:

2. Businesses are granted a postponement to file and pay the Provisional Profit Tax Return (due March 31 2020), on June 30, 2020 along with the Final Profit Tax Return. A request for extension on the filing of the Final Profit Tax Return can be submitted before June 30, 2020 based on art. 9 ALL.
3. For enterprises that are experiencing cash flow problems, extended payment arrangements are available. Taxpayers must be able to show, they are experiencing cash flow problems. The Receiver will handle these cases on an individual basis. Evidence of hardship is required.
4. Audits have already suspended (Includes personal audits).
5. Tax Returns can be dropped into the mailbox outside the Vineyard Building (includes personal taxes).

2.3.1.2. Increased Expenditures

2.3.1.2.1. Food Voucher Program

VSA has extensive experience with providing food vouchers after Hurricane Irma. In total roughly 3,000 food vouchers were issued and approximately 1,700 households were assisted. These numbers include incidental requests for assistance during the emergency phase. Food vouchers are a form of emergency relief, which can be used for temporary relief in cases of immediate job loss. Food vouchers can also be used for in-kind relief in addition to income support for the medium term.

Advantages: 1) access to immediate help and 2) direct access to basic necessities.
**Disadvantages**: 1) if due to shortages food prices go up, leading to less value of the voucher and 2) the administration required to process is considerable 3) more distribution challenges due to COVID-19 when issuing food vouchers, large gathering of groups should be avoided.

Next, a family cannot live off food vouchers alone, and households need other economic income support to cope with duration of unemployment.

Calculation is based on the following existing criteria: less than 3 persons in a household a Ang 150 Food Voucher per 2 weeks and 3 and more in a household a Ang 300 Food Voucher every 2 weeks. On a monthly basis: Ang 300 for families of 3 persons or less; Ang 600 for families of 3 persons or more. Based on the statistical yearbook 2017, roughly 60% are households of 3 persons or less and 40% consists of households of 3 persons or more.

**Assumptions**

In total there are approximately 15,000 households on Sint Maarten. Given the severity of economic impact VSA assumes that one third of the households will be in immediate need of in-kind support at one point in time.

If one applies the calculation model of CBCS, the statistics will be the following:
First 3 months: 2,500 households
Second 3 months: 1,250 households
Next 3 months: 625 households
Total **4,375 households**

Worst case scenario: VSA assumes that more households are in need of additional in-kind relief via Food Vouchers in addition to other form(s) of economic support via income support. Calculations are made with 2,500 households over a period of 6 months and 1,250 for a period of additionally 3 months and 625 households for another 3 months, which means up to 12 months.

<table>
<thead>
<tr>
<th>Food Vouchers</th>
<th>Q2 3 months</th>
<th>Q3 3 months</th>
<th>Q4 3 months</th>
<th>Worst Case (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Ang. 3.3M</td>
<td>Ang. 1.6M</td>
<td>Ang. 788K</td>
<td>Ang. 8.7M</td>
</tr>
</tbody>
</table>

Ultimate worst case scenario is providing food, in case of complete shut-down of the supermarkets to the entire registered population.

<table>
<thead>
<tr>
<th>Food packages</th>
<th>Worst case scenario emergency support in case no access to supermarkets</th>
<th>3.42 million ANG per month based on population of 40,616 Appr. 1,500 persons Costs per month</th>
<th>Depends on scaling up of the crises</th>
</tr>
</thead>
</table>

**2.3.1.2.2. Additional Social Care**
Providing social care to the people is the core business of VSA. Currently VSA has about 1,500 clients who receive some form of assistance. This assistance needs to be guaranteed. On top of this, providing more care can be expected due to stress related effects of the personal situation of the people, losing their jobs and facing difficult times. All crises lead to more social tension and unfortunately more forms of violence, inside and outside the household. Safety is an issue and measures needs to be in place to create stability so that people do not need to use other means to provide for their families. With food prices going up, families on financial aid will struggle even more.

Next, due to the social distancing, the elderly are especially vulnerable. Many of the elderly depend on family or friends for care. Extra measures need to be put in place for them. Also, many people depend on social safety nets in the form of churches and other NGO’s that provide for soup kitchens. These organization mainly depend on donations, which are drying up. Also subsidies for organizations that provide care for persons with additions and other social care (displacement etc.) come under pressure. In order to mitigate the risk, these subsidies should remain in government’s budget. The following measures need to be put in place immediately to be able to cope with social unrest and provide care for the extra vulnerable.

- Food boxes for vulnerable groups as a form of direct humanitarian aid, AND
- Meals services to vulnerable groups which cannot care/cook as for of direct humanitarian aid, AND
- Additional psycho-social support in different forms to decrease stress and increase safety.

Considerations

The number of VSA clients is currently 1,500. If there are no immediate measures taken for the general public this number will rise significantly due to a poverty gap that will develop rapidly. If measures are taken and income support and food vouchers are provided, the number does not need to rise. Based on this consideration, the group is in this sense stable. Food boxes for 1,500 costs per month 400,000 ANG, including operational costs.

For the elderly, given the CBCS model, the following calculation scheme is applied:
First 3 months meals to: 2,045 elderly
Next 3 months meals to: 1,022 elderly
Next 3 months meals to: 511 elderly

Additional psycho-social support will remain across the board. Given the expected negative impact VSA calculated this support for a duration of 12 months.

Worst case scenario is difficult to predict and to calculate, but the calculation included extension of support for 12 months instead of 9 months.

Assumptions

Food boxes for vulnerable groups, calculated based on existing clientele VSA: total 1,500
For the second quarter it is expected that the regular elderly day cares will not be accessible for elderly due to the travel restriction. Therefore this group needs to be supported by the Meals on wheels program. It is estimate that approximately 50% of the elderly of 63 and over, based on statistics from 2018 this number is 2,045. will use this program and will receive for 3 months, 2 meals a day at USD 10.
Additional psycho-social support: calculation based on total population and data from increase incidents after Irma.

<table>
<thead>
<tr>
<th>Food boxes 1.500 clients</th>
<th>Q2 3 months</th>
<th>Q3 3 months</th>
<th>Q4 3 months</th>
<th>Worst Case (12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ANG. 1.2M</td>
<td>ANG. 1.2M</td>
<td>ANG. 1.2M</td>
<td>ANG. 4.8M</td>
</tr>
<tr>
<td>Total</td>
<td>ANG. 1.2M</td>
<td>ANG. 2.4M</td>
<td>ANG. 3.6M</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Meals for elderly</th>
<th>Q2 3 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ANG. 3.3M</td>
<td>ANG. 5.1M</td>
</tr>
</tbody>
</table>

The table below represents additional psycho-social care that will be required for vulnerable groups. It includes additional cost for social workers and legal assistance and mediation costs for dismissals.

<table>
<thead>
<tr>
<th>Additional psycho-social care</th>
<th>Q2 3 months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ANG. 1.5M</td>
<td></td>
</tr>
</tbody>
</table>

2.3.1.2.3. Additional Healthcare Expenses

Additional urgent healthcare expenses include the following items for immediate and direct support to combat the COVID-19 pandemic:

<table>
<thead>
<tr>
<th>CPS</th>
<th>ANG 845k</th>
<th>ANG 145K</th>
<th>Contact tracing/ home visits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Estimated 250 patients in isolation</td>
<td></td>
<td></td>
<td>• Extra nurses (15)</td>
</tr>
<tr>
<td>- Avg 4 pp p/d 15 days</td>
<td></td>
<td></td>
<td>• Epidemiologist support (Data entry and Analyst)</td>
</tr>
<tr>
<td>- Surgical masks for isolated patients</td>
<td>ANG 145K</td>
<td></td>
<td>• Sample swabs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Information to general public</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• PPE (Gloves, Full suit, Goggles, Surgical mask, N95 masks)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SMMC</th>
<th>ANG 500K</th>
<th>ANG 1.1M</th>
<th>Expansion of service medium care pavilion</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Estimated based on 24 patients medium care</td>
<td></td>
<td></td>
<td>• Set up/ containers/ Equipping/ Operation</td>
</tr>
<tr>
<td>- Avg 1 month</td>
<td></td>
<td></td>
<td>Expansion of service severe care</td>
</tr>
<tr>
<td>- 6 patients severe care avg 1 month</td>
<td>ANG 1.1M</td>
<td></td>
<td>• Isolation chambers/ Ventilators/Specialists</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medical labs</th>
<th>ANG 400K</th>
<th>ANG 60K</th>
<th>Designated Isolation space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respiratory panel</td>
<td></td>
<td></td>
<td>• Security/3x meals/ Housekeeping/ Surgical masks/ Medication</td>
</tr>
<tr>
<td>Covid-19 test inc</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipping cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Testing equipment(HCLS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reagans</td>
<td>ANG 400K</td>
<td>ANG 60K</td>
<td></td>
</tr>
</tbody>
</table>

| General                      | ANG 1.6M     | ANG 1.6M  |                                         |
|------------------------------|--------------|-----------|                                         |
| Isolation space estimate based on: approximate 4 weeks |              |           |                                         |
| 150 rooms @ 360 /night       |              |           |                                         |

| Total                        | ANG 4.7M     |           |                                         |
2.3.2. Indirect

2.3.2.1. Effects of SZV

The drastic decrease of the St. Maarten’s economy will have a devasting effect on the income of the SZV. In the past, SZV had already sustained substantial loss of revenues, and increased expenses in several Funds as a result of the passing of Hurricanes Irma and Maria in 2017. SZV made an in-depth analysis of the estimated impact on the Covid-19 crisis on the projected income and the projected benefits (the expenses for SZV) of the various funds based on the recommended impact announced by the Central Bank of Curacao and St. Maarten.

The effects, without having the mitigating impact of the possible stimulus package that the Government of St. Maarten is considering is as follows for 2020:

<table>
<thead>
<tr>
<th>Funds</th>
<th>Budgeted Premium</th>
<th>Projected Premium</th>
<th>Projected Benefit</th>
<th>Total Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOV/AWW</td>
<td>122</td>
<td>93.6</td>
<td>88.1</td>
<td>28.4</td>
</tr>
<tr>
<td>ZV/OV</td>
<td>80.4</td>
<td>65.7</td>
<td>110.3</td>
<td>28.7</td>
</tr>
<tr>
<td>FZOG</td>
<td>6.2</td>
<td>6.2</td>
<td>13.5</td>
<td>0</td>
</tr>
<tr>
<td>AVBZ</td>
<td>23.3</td>
<td>17.5</td>
<td>20.6</td>
<td>5.8</td>
</tr>
<tr>
<td>CESS</td>
<td>0.6</td>
<td>0.5</td>
<td>0.2</td>
<td>4.7</td>
</tr>
<tr>
<td>Total</td>
<td>232.5</td>
<td>183.5</td>
<td>218.7</td>
<td>67.6</td>
</tr>
</tbody>
</table>

Reference is made to appendix 3 for a more detailed explanation of the impact on the various funds. Based on this table, considering the assumptions of the CBCS, the impact per quarter can be determined as pictured below. Furthermore, the possible impact of the stimulus package has been included as 50% of the premium reduction which result as following:

<table>
<thead>
<tr>
<th>Per Quarter (all amount in ANG x1M)</th>
<th>2/2020</th>
<th>3/2020</th>
<th>4/2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SZV impact no measures</td>
<td>38.63</td>
<td>19.31</td>
<td>9.66</td>
<td>67.60</td>
</tr>
<tr>
<td>SZV impact with measures</td>
<td>24.63</td>
<td>12.31</td>
<td>6.16</td>
<td>43.10</td>
</tr>
</tbody>
</table>

SZV is also administrating, on behalf of the Government of St. Maarten, the OZR program which is the healthcare program for civil servants and PP card holders. Also, this program will be affected as there will be more medical expenses and more PP card holders.

<table>
<thead>
<tr>
<th>Funds</th>
<th>Budgeted Premium</th>
<th>Projected Premium</th>
<th>Projected Benefit</th>
<th>Total Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>OZR</td>
<td>42.2</td>
<td>58</td>
<td>48</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Per Quarter (all amount in ANG x1M)</th>
<th>2/2020</th>
<th>3/2020</th>
<th>4/2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SZV impact no measures</td>
<td>9.14</td>
<td>4.57</td>
<td>2.29</td>
<td>16.00</td>
</tr>
</tbody>
</table>
2.3.2.2. Effects of SMMC

SMMC has requested liquidity support in order to be able to deliver the services required to accommodate this pandemic and improve after the crisis. The medical center has downscaled its services drastically to have the facility available for the influx of COVID-19 and to adhere to international standards. As of now, the hospital is on a maximum of 30.5% of its capacity and will be down to estimated 27.5% awaiting and during a possible outbreak.

**Measures already taken:**
- Most of SMMC services (non-essential care) have seized, or will be seized shortly;
- In patients (patients staying at the hospital) are phased out to zero;
- Elective surgeries and treatments are postponed;
- Consultations are prioritized for high urgency cases;
- For dialysis, chemotherapy, ER and complex deliveries which cannot be done outside SMMC, will be continued where needed.

SMMC is in the process of developing a new Hospital. The existing crisis clearly indicates the need for that and SMMC therefore will continue with this process which means that the available free cash is required for that Project. Downscaling of number of personnel is not considered as an option hence as soon as the Covid-19 crisis allows, they have to provide the now suspended services and they have to manage the backlog in treatments due to the Covid-19 suspension.

**Financial request**

Payroll is approximately 50% of the monthly expenses so only payroll support is not sufficient to support the Hospital as the expected cashflow forecast is 27.5% of normal levels due to the downsizing of services for the first three (3) months. Incremental revenue is expected from the possible influx of Corona patients; however, the forecasted gap is being requested to be financed. SMMC has not been included in the payroll support program as a more tailored approach is required to make sure that the hospital can both support the patients in need due to the Covid-19 virus, the emergency treatment for regular patients and to start up quickly with the elective services as soon as the crisis allows. In line with the assumptions of the CBCS the following support has been requested by SMMC:

<table>
<thead>
<tr>
<th></th>
<th>Expected Cash</th>
<th>Corona Period Cash</th>
<th>Liquidity Shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>6,667</td>
<td>3,334</td>
<td>3,334</td>
</tr>
<tr>
<td>April</td>
<td>6,667</td>
<td>1,833</td>
<td>4,834</td>
</tr>
<tr>
<td>May</td>
<td>6,667</td>
<td>1,833</td>
<td>4,834</td>
</tr>
<tr>
<td>June</td>
<td>6,667</td>
<td>1,833</td>
<td>4,834</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17,834</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Liquidity Shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>July- Dec 2020</td>
<td><strong>10.876</strong></td>
</tr>
</tbody>
</table>
2.4. Government Owned Entities

In this section a short evaluation is made of the main consequences of the Covid-19 impact on the Government Owned Entities based on the current information and, where possible the proposed financial support.

2.4.1 PJIAE

This year 2020 PJIAE was expected recover its business to an estimated level of 85% and start its reconstruction program after the devastation of the 2017 natural disaster, however, this was delayed because of the pandemic outbreak of the Corona Covid-19 virus. Together with the stakeholders, the company prepared a crisis program and informed the Managing Board, Supervisory Board and financiers of the program. It includes the drastic trimming of costs, capex, and bridging the crisis period (zero business) with available reserves and funds.

The company has approximately 270 employees with a payroll cost of Ang 2.3 million per month. It is clear that as of mid March that the revenues of the airport will almost be completely depleted whilst the majority of the operational expenses will continue.

It is the intent of Management in due consultation with their stakeholders and financiers, to continue with the project hence as soon as the crisis is over and people will start flying again, the airport should be able to facilitate this. In order to make this possible, the airport needs support its monthly payroll. Therefore, the airport has been included in the calculations for the payroll program as described in section 2.2.1 Payroll for business.

2.4.2. HARBOUR

The harbor of St. Maarten has had its challenges although it was able to reopen for Cruise ship calls before the end of December 2017, just months after the devastation of hurricanes Irma and Maria. The cruise related revenues will drop dramatically no cruise ships are expected for the coming period. Although the port has some agreements with the lines regarding minimal revenues, this will not directly generate cash. The cargo revenue will continue however due to less tourism related activities, this will decrease.

An initial economic impact assessment was reported on March 23, 2020 and the port has sufficient cash to continue its critical investments and keep the port operational but require support for the monthly payroll which is Ang 1.105.200 (USD 614.000) per month.

Therefore, the port has been included in the calculations for the payroll program as described in section 2.2.1 Payroll for business.

2.4.3. TELEM

TELEM is expected to be less disrupted due to its operational structure and revenue generators. The extent of the impact will range from decreased roaming revenues and there will be issues surrounding collections. An assessment was done by the management of TELEM of its cashflow and liquidity position on March 23rd, 2020 to determine if the company is at risk of needing financial support in the short run to maintain its operations.
Based on their initial assessment, the company can maintain its operational expense until July 2020 without income as its current cash position is at ANG 22.5M. Telem Group has 137 employees and the monthly payroll expenses amount to ANG 1.6M per month. If CAPEX is included, the company can maintain its operational expenses until June 2020 without income.

It is not forecasted that TELEM will see a drastic drop in revenues, thus no financial support is required. We expect them to make arrangements with their financiers to postpone obligations if required.

Telem has offered relief packages to their clients in the form of additional data and postponement of disconnection by a week. In addition, the company is seeking ways to increase bandwidth capacity to customers to accommodate working from home and students being home schooled. They are also working closely with schools to upgrade their connection, to allow for better remote connections.

2.4.4. GEBE

GEBE is projected to be less disrupted due to its operational structure, revenue generators and healthy cash reserve. Based on this, the company was able to swiftly offer relief to its consumers by lowering its fuel cost from ANG 0.23 to ANG 0.18, a reduction of 30% for a period of 3 to 6 months and option to extend once a new financial impact study is done.

Based on the company’s impact assessment, some challenges and risks on operations were identified. These included drastic increase in fuel prices, timeline of COVID-19 surpassing six (6) months, risk of being impacted by Hurricanes and the continued lag in the economy after six (6) months. The company has a cash balance of ANG 46.5M as per March 19, 2020 and is able to meet its monthly obligations.

The company has implemented work-at-home measures and efficient staff scheduling to ensure the safety of its staff. They have been facilitating online payments and payment arrangement for their consumers and have ensured no disconnection will be taking place during this period.

At this moment, no further financial support is proposed for GEBE.

2.4.5. WINAIR

Due to flight restrictions imposed by St. Maarten Government and the international world, WINAIR is currently non-operational.

A stress test was conducted on March 20, 2020 on the liquidity position of WINAIR. The outstanding receivables are uncollectable at this time, while majority of WINAIR’s payables are automatically deducted from bank account. Based on the highly regulated industry that they operate in, they are required to pay the majority of the payable without delay to prevent from being labelled as delinquent in the aviation world. To ensure a smooth restart after this pandemic, it is imperative that these expenses remain a priority for Winair.

| position as per 20/03/2020 |
|--------------------------|------------------|------------------|
| Cash                     | $ 3,200,000.00   | Payables         | $ (2,000,000.00) |
| Receivables              | $ 1,200,000.00   |                  |                  |
Based on their cashflow position, the payroll expenses for March and April will deplete all the cash reserves that they need to pay the other ongoing expenses. Therefore, Winair has been included in the calculations for the payroll program as described in section 2.2.1 Payroll for business.

### 2.5 Preparation for Recovery

The first rule of crisis communication is to “Be first. Be right. Be credible”.

We are looking at a US$ 5 million tourism recovery for the plan focused on New Website, Branding, Airline recovery and development, Tour Operator campaigns, PR and marketing off and on line. (Detailed plan is in Appendix 4).
2.6 Others

The programs mentioned under this section, specifically 2.5.1 and 2.5.2 are programs funded from the Trust Fund and do not form part of this proposal. However, we found it necessary to mention that the continuation and speedy implementation of these programs only aid to the recovery of the economy once this pandemic subsides.

We emphasize the importance of viewing the effects and measures being proposed, from a macro-lens. Programs that assist in the recovery of the economy are just as important as programs assisting in curbing the effects of this pandemic.

2.6.1 SMEs support

We thought it important to highlight the St. Maarten Enterprise Recovery Project being implemented by the National Recovery Program Bureau (NRPB). The development objective is to support the recovery of micro, small, and medium sized enterprises through direct and immediate financial assistance to contribute to the restoration of economic activity. This project is in its implementation and will work hand-in-hand with the Relief and Economic Stimulus package in restoring and revitalizing the economy of St. Maarten.

2.6.2 Training fund

Training Program falls outside the scope of the national budget. Currently the Steering Committee is deciding about the future of the program. Given the instruction of the Rijksministerraad that the Trust Fund cannot be used for the COVID-19 crises, the outcome of the decision of the Steering Committee has to be awaited.

2.6.3 Foreign exchange support

Transfer of the funds of the “St. Maarten Reconstruction, Recovery and Resilience Trust Fund” from the World Bank to the Central Bank of Curacao and St. Maarten (CBCS) is essential for the monetary union. The coronavirus (COVID-19) pandemic has affected tourism, which is the main source of foreign income in St. Maarten. This will inevitable have an impact on the foreign reserves and the import coverage, and will put significant pressure on the stability of the currency. Transferring the funds to an account at the CBCS will increase the monetary union’s foreign reserves, enabling the CBCS to strengthen its position in safeguarding the currency. Therefore, St. Maarten advocates the transfer of the funds from the World Bank to the CBCS. This transfer would only entail the administration of the funds and will not impact the current procedures between the National Recovery Program Bureau, Steering Committee and World Bank, nor will it impact current and future project commitments. (See included letter from the CBCS)

2.7 Damage control

The success of the pace of recovery after the pandemic is over, will depend crucially on the continuation of the reconstruction of St. Maarten post Irma. The St. Maarten Recovery, Reconstruction and Resilience Trust Fund was established to respond to the devastation caused by Hurricane Irma in September 2017. It is imperative that these funds be released into our economy without delay to ensure successful recovery.
2.8 Management Structure

The Government of St. Maarten considers it of utmost importance that an adequate and efficient fund management structure is established. Bearing in mind that efficiency is essential, it is equally important that proper accountability is designed. The following chart describes the proposed structure, which will be formally established.

**Structure for receipt and disbursement of Funds**

Additionally, while minimizing bureaucracy, proper criteria for accountability for each program, if not already established, will be created. The emphasis of controls after the fact will ensure that those who misuse the funds will result in government withdrawing the support, demanding repayment of funds and possible prosecution.
2.9 Awareness Campaign

An awareness campaign will commence immediately to ensure that recipients understand the programs that are available and the procedures to be followed to facilitate an efficient processing of participation in the program. The awareness campaign will also serve as a mechanism of checks and balances in particular as it relates to the payroll support program.

The Social Awareness programs, have started and will continue to include the Covid-19 specific Social Relief programs.

<table>
<thead>
<tr>
<th>Campaign Name</th>
<th>Campaign Objective</th>
<th>Campaign Duration</th>
<th>Campaign Components</th>
<th>Target Audience</th>
<th>Key Messages</th>
<th>Campaign Goals</th>
<th>Campaign Budget</th>
</tr>
</thead>
</table>
| Payroll Subsidy      | Provide Payroll subsidy to qualifying businesses, sole proprietors, vendors and the recently unemployed | April-June 3 Months | • News Outlets  
  • Government Facebook Page  
  • Facebook Ads  
  • Radio Advertisements  
  • Advertisements on News Outlets  
  • Flyers  
  • Creation of website  
  • Digital billboards | • Business Community  
  • Taxi Drivers  
  • Sole Proprietors  
  • Vendors  
  • Recently unemployed as a result of COVID-19 | • 80% Payroll subsidy for qualifying businesses.  
  • Individuals can receive a maximum of ANG 1150. | 80% of the target audience takes advantage of the support | ANG 27,000.00 |
| Soft Loan Program    | Government will provide ANG 33,000,000 in additional support to qualifying businesses and sole proprietors through their banks | April-June 3 Months | • News Outlets  
  • Government Facebook Page  
  • Facebook Ads  
  • Radio Advertisements  
  • Advertisements on News Outlets  
  • Flyers  
  • Creation of website  
  • Digital billboards | • Business Community  
  • Sole Proprietors | • Qualifying Businesses and sole proprietors can borrow up to 1.5x their average Jan 2020-Mar 2020 Payroll cost.  
  • Minimum interest rate of 2.5% | 80% of the target audience takes advantage of the program | ANG 27,000.00 |
Appendix 1

Payroll support for businesses

Procedure
- Employers must submit their Employee mutation forms to SZV. This is how employers are required to report changes regarding their employees to SZV. The changes that should be reported are: changes in wages, changes in the number of working hours per day, changes in the number of working days per week, changes in the contract duration and new contract information. As of April 15th 2020, these forms can be submitted online via SZV’s website. The complete procedure for submitting mutation forms can be found in appendix 2.
- Employers must submit their monthly ZV & OV declarations no later than April 15th 2020 for the support for April and no later than May 15th 2020 for the support for May. The complete procedure for submitting ZV & OV declarations can be found in appendix 3.
- Employers will submit the February and March 2019 Tax & Payment Declaration and February and March 2020 Tax & Payment Declarations as evidence of the revenue decrease of at least 20%.
- Qualification for this emergency stimulus package will not be affected by any arrears that the business may have.
- Employers will be required to sign a declaration before payments can be released ensuring that the payroll support received is based on accurate information and that the employees will receive their net salaries as per the payroll support plan.

Responsible entity
SZV will process the mutation forms and make the payments to the employers via bank transfer.

Income support for Sole Proprietors, Vendor License Holders, Bus and Independent Taxi Driver

Procedure
- Individuals must submit their stamped proof of copy of their 2018 Tax Returns (where applicable). As of April 5th 2020, these forms can be submitted online via (taxadministration@sintmaartengov.org). Included in the email is the individuals’ bank information.
- Individuals must submit valid vending permits, bus or taxi license.
- The temporary income support will not be subject to deductions for outstanding issues pre-COVID like arrears, outstanding permit fees or pending assessment.
- Individuals will be required to sign a declaration before payments can be released ensuring that the income support received is based on accurate information.
- The transaction will be made via bank transfer to the individuals where applicable.

Responsible entity
Tax administration will handle all requests. Payments will be handled by the Treasury department.

Taxi drivers

Procedure
- Associations will submit their driver’s mutation forms to SZV;
- SZV will determine how much payroll support the association will receive;
- Payments will be made to the associations which will then make the payments to the taxi drivers;
- The representative of the association will be required to sign a declaration before payments can be released ensuring that the payroll support received is based on accurate information and that their members will receive their net salaries as per the payroll support plan.
Responsible entity
Tax administration will handle all requests. Payments will be handled by the Treasury department.

Unemployed
Procedure

- Individuals must submit the emergency support registration form with supporting documentation to the Department of Labor Affairs. The emergency support registration form is broken down in three sections:
  1. Personal information: First and last name, date of birth, nationality, passport number, address, telephone number, email address, gender, marital status, dependents, bank information.
  2. Educational background
  3. Employment history: List previous three employers and last salary

- The Department of Labor Affairs will process the registrations.

Responsible entity
Registration will be executed by the Department of Labor Affairs. Payments will be handled by the Treasury department.

Abuse prevention
To avoid persons from abusing this emergency support, once the names have been compiled along with the individual’s crib number (where applicable), this will be screened for duplicates before payments are submitted. The identified duplicates will have to be investigated before that payment is executed.

Responsible entity
Still to be determined.
Appendix 2

Soft Loan Program

To support businesses that are facing revenue losses and to help prevent lay-offs, the government is proposing to provide eligible employers a temporary wage subsidy for a period of three months. The subsidy will be equal to 80% of their March 2020 payroll. Employers will be able to benefit immediately from this support by reducing their payments of wage tax and social premiums. The Government of St. Maarten will also make available ANG 33,000,000.00 of additional support which will be targeted to small and medium sized businesses. This will be an effective tool for helping viable businesses remain resilient during these very uncertain times. Through this program Government will provide direct lending at a minimum of 2.5% to businesses with viable business models whose access to funding has diminished. Businesses seeking support through this program would contact their financial institutions with whom they have a pre-existing relationship. Once the financial institutions have made their positive assessments they will notify an Oversight Committee who will signal the transfer of funds to the respective banks. The respective financial institutions would then pay the qualifying business.

The businesses will have a grace period of six months before their first loan payment is made and will then have a minimum of two years to pay off their loan to their banks. Minimum monthly payments of 3% of the total borrowed can be made over the duration of the two years at 2.5%. After the two years, businesses will be granted another 3 years at an adjusted interest rate of 5%, there will be no minimum monthly payments allowed. All regular bank fees associated with the disbursement of the loan will be applied.

Businesses will remit their monthly payments to the financial institutions who will then credit Central Banks accounts monthly.

Who would qualify for this program:

- Must have an existing relationship with a Financial Institution on the Island (*Must be the primary financial institution*).
- Small and Medium sized business with fewer than 550 employees (*Includes full and part time employees.*)
- An individual who operates as a sole proprietor.

What will Government ask the financial institutions to look for from qualifying Businesses (*No collateral is required but a personal or business guarantee will be mandatory for the disbursement of the loan*):

- If the business was in operation before March 15th, 2020 and had employees for whom they paid salaries and associated premiums and taxes or paid independent contractors.
- The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations.
- The business will use the loan proceeds to make mortgage, lease, and utility payments.
- That the business or individual does not have a duplicate application pending at another local institution for the same purpose and amounts.
How much will Businesses be allowed to borrow?

- Maximum loans for businesses can be up to 1.5x the businesses average monthly payroll cost between January 2020 – March 2020 that doesn’t exceed ANG 5,000,000.00.
- For Sole Proprietors the maximum loan can be up to 1.5x the individual’s average income from January 2020 - March 2020 that doesn’t exceed ANG 15,000.00
- Excluded from payroll cost are individuals who gross more than ANG 15,000.00 a month.

Incentive for Financial institutions to Cooperate?

- Government will negotiate .5% for the first two years and 1% for the additional 3 years with Financial institutions that have assisted in the program to cover administration cost.
Appendix 3

See attached SZV Covid 19 response

Appendix 4

PREPARATION FOR RECOVERY - Tourism Recovery Plan

Appendix 5

See attached letter d.d. April 3, 2020 CBCS – Trust Fund transfer to St. Maarten