



Working towards a Sustainable Financial Future for Sint Maarten



OUR FINANCIAL RECOVERY PLAN

2018 - 2022



Introduction

For us as a government to achieve our goals in the Governing program (including our plans, policies, NRRP) and thereby achieve our objectives as intended for our country, we need to recover financially in order to fund and continue funding all our initiatives & investments.

If we do not act urgently and diligently we will face several risks. Therefore, within a good public financial management framework, we need to:

- 1 Baseline: Where we are financially
- 2 Recognize: What are the risks we face
- 3 Envision: What are our objectives
- 4 Realize: How will we achieve our objectives

Our focus cannot be exclusively on the numbers, but focus needs to be on the complete governmental organization which after all needs to realize the numbers. So we look forward to the support of all stakeholders in achieving our objectives.

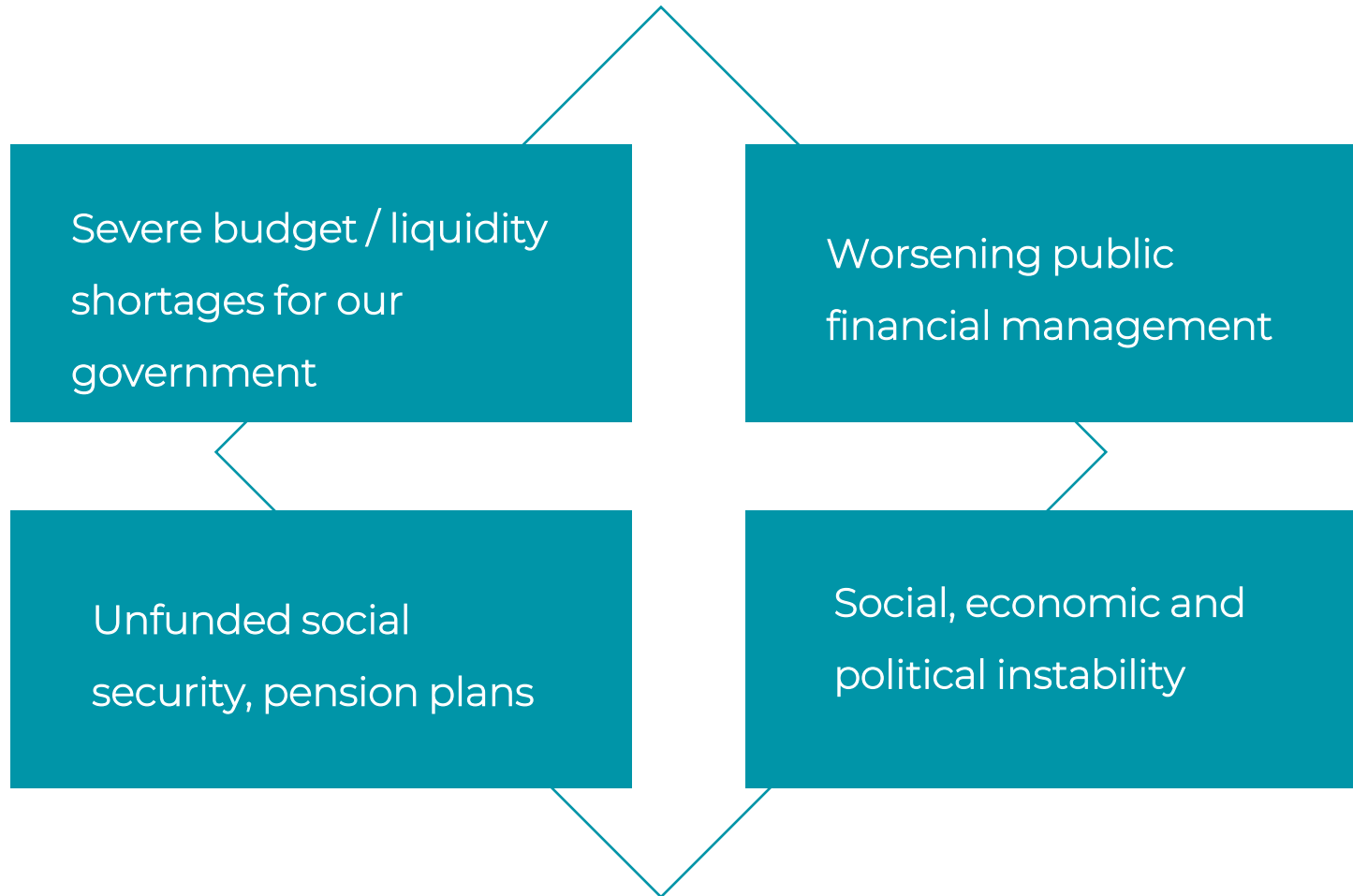
1

Baseline: Where we are

- Sint Maarten gained the status of country within the Dutch Kingdom as per 10.10.2010 with a **collective debt** as a country of **NAf. 400 million**.
- During the period 2010 until mid-2017 our **collective debt increased** with **NAf. 40 million** due to accumulated budget deficits as a result of a lack in proper public financial management and less than expected compliance of our citizens and companies .
- In 2017 Sint Maarten was struck by hurricanes Irma and Maria resulting in a destructive state of our Island and presenting us with related **additional budget deficits** estimated at approx. **NAf. 320 million**.
- Our **recovery and resilience efforts** (NRRP) after the hurricanes have been estimated at **NAf. 4.2 billion**.

2

Recognize: What are the risks we face



3

Envision: What are our goals

2018 - 2019

Restructuring and recovering

2020

Reaching a balanced budget

From 2021

Reaching financial sustainability with budget surpluses in order to fulfill financial obligations

3

Future budget surpluses will be applied as follows:

40%

to partially redeem **debts from the recent loans** for liquidity support and/or other possible loans;

40%

to solve the remaining **payment arrears** especially towards SZV, APS and other creditors;

20%

to form a **liquidity buffer** for first response in times of possible future disasters (as suggested by the IMF report of May 2018).

4

Realize: How will we achieve our goals

Through taking **steps** and carrying **our own responsibility** by:

A Achieving balanced budget by 2020 and realizing surpluses from 2021

B Financing part of our Governing Program initiatives

C Improving our public financial management

Agreeing with the Netherlands on extraordinary measures for extraordinary circumstances:

D Approval of loans and changes in current financial framework

E Grant the necessary financial assistance for liquidity support and regular capital account

F Lending of funds to jumpstart our economy and execute projects

Additional steps: through international/regional bodies:

G International grants or loans for the remaining gap of the governing program incl. NRRP

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Steps to create a financial sustainable Sint Maarten

To achieve our objectives we will focus on:

1. **increasing tax income** especially through enhanced compliance as the main government revenue;
2. **improving efficiency** by taking the necessary income generating and cost cutting measures;
3. **agreeing on applicable budget norms** (as in Rft) with the Netherlands, considering the accumulated debts and current financial situation and the turn around that is required;
4. **eradicating debts towards APS, SZV and other creditors;**
5. **finalizing the Annual accounts** of the period 2013 – 2017;
6. **improving other aspects of public financial management;** and
7. **taking organizational measures** to increase the efficiency of our governmental departments (detail slide)

We will achieve our goals

Through taking **steps** and carrying **our own responsibility** by:

A Achieving balanced budget by 2020 and realizing surpluses from 2021

B Financing part of our Governing Program initiatives

C Improving our public financial management

Through taking **steps** and carrying **our own responsibility** by:

A

Achieving balanced budget by 2020 and realizing surpluses as from 2021

- Implementation of strict measures for revenue increase and cost control

Increase revenue:

1. Create higher tax awareness
2. Raise tax compliance
3. Implement tax reforms
4. Other income generating measures

Implement cost control:

1. Take cost cutting measures
2. Introduce sustainable arrangements for sickness & social security policies and
3. Finalize the pension plans civil servants

- Several additional steps concerning subsidized institutions and government related entities;
- Taking organizational measures to increase the efficiency of our governmental departments

Through taking **steps** and carrying **our own responsibility** by:

Taking organizational measures to increase the efficiency of our governmental departments

- Restructuring Tax Administration:
 - Compliance with international regulations
 - Focus areas: IT-system, tax compliance, completeness and accuracy of the data, backlogs, staffing / management and housing
 - Tax Reform
 - Integration in Audit Team Sint Maarten and extend further cooperation with SZV
- Improve Public Financial Management (organization, IT, processes) across government
- Modernizing government, improving service level and “achieve more with less”
- Implementing a pool of technical assistance

Through taking **steps** and carrying **our own responsibility** by:

B

Financing part of our Governing Program initiatives (incl. NRRP)

- Part of the execution must be arranged for in our own annual budgets
- Part of the process is to determine projects of the NRRP that needs to be financed through the capital account, some are already included in this financial recovery plan
- Total capital account annually NAf. 70 million for 7 years up to 2025 (total NAf. 490 million);
- Get approval for these loans based on art. 16 Rft.

Through taking **steps** and carrying **our own responsibility** by:



Improving our public financial management

- Improve the Budget & Financial reporting cycle
- Meet legal requirements for the Government's audited Financial Statements & Annual Report, incl. the transparency of public finances (such as Finalizing the financial accounts 2013 – 2017)
- Enhance our Financial Management processes (12 points project)
- Optimize internal organization Ministry of Finance and financial management within other ministries (procedures)
- Train management and staff to improve knowledge / service levels
- Review and adapt financial laws, policies and procedures;
- Introduce an improved Financial Administration System (ERP + E-Gov), to improve management of our assets and liabilities

To achieve our goals we will also need to

Agree with the Netherlands on extraordinary measures for extraordinary circumstances:

- D** Approval of loans and changes in current financial framework
- E** Grant the necessary financial assistance for liquidity support and regular capital account
- F** Lending of funds to jumpstart our economy and execute projects

Agree with the Netherlands on extraordinary measures for extraordinary circumstances:

D

Approval of loans and changes in current financial framework

- Approval of loans of **NAf. 70 million annually for 7 years** via the Capital account to execute part of the Governing Program;
- Extra **liquidity support** of **NAf. 20 million in 2019** to deal with payment arrears
- Approval of changes in current financial framework to assist us in restructuring our financial position:
 - discuss interpretation and application of Articles 15, 16, 18 and 25 Rft with the Netherlands;
 - inform the Netherlands of the management of the national debt within a maximum debt quote of 66,5% of GDP until 2025;
 - come to an agreement on the outcome of the Rft evaluation, which is planned for Q4 2018.

Agree with the Netherlands on extraordinary measures for extraordinary circumstances:



Grant the necessary financial assistance for liquidity support and regular capital account

- Immediate **urgent liquidity support** via the trust fund as a grant of approx. NAf. 172 million for the remaining months in 2018, 2019 and 2020.
- **Financing the regular capital** account for a maximum of NAf. 30 million annually for 7 years in the form of a grant (as suggested in the IMF report of May 2018).

Agree with the Netherlands on extraordinary measures for extraordinary circumstances:



Lending of funds to jumpstart our economy and execute projects

- To kick start our economic recovery in 2019 a loan of at least NAf. 250 million to help the society, business community and government owned companies with rebuilding the economy.
- Support in seeking financial assistance for bridging the remaining gap in the Governing Program (incl. NRRP) of approx. NAf. 1.7 billion (after considering the Trust fund, insurance payments and other loans for a total amount of NAf. 2.5 billion).

And finally we will also, if required

Additional steps: through international/regional bodies:



International grants or loans for the remaining gap of the governing program incl. NRRP

- Decide on taking necessary additional steps by way of securing funding through:
 - EU funding and other international financial institutions;
 - Possible combined reconstruction efforts with government Saint Martin;
 - Private investments;
 - Public-private partnerships;
 - Capital investors.
- Priority setting within the NRRP based on the available funding;
- Come to an agreement with government owned companies that they independently fund their own projects (if possible).

The projected figures, after our steps

Government of Sint Maarten												
Estimated effects	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Totals
Budget result	-72	-144	-88	-16	48	65	70	70	75	80	85	173
Compensate deficits												
Budget deficits from the past	-40											-40
Budget deficits related to Irma	-72	-144	-88	-16								-320
Compensation from budget surpluses					48	65	70	70	75	32		360
Cumulative	-112	-256	-344	-360	-312	-247	-177	-107	-32	0	0	0
Depreciation		15	14	14								
Liquidity support needed	-72	-129	-74	-2								
Grants												
Liquidity support as a grant from Trust Fund		96	74	2								172
Capital account as a grant from the Netherlands			30	30	30	30	30	30	30			210
1. Loans	522	594	681	1,015	1,079	1,130	1,174	1,216	1,258	1,270	1,226	522
Liquidity support as a loan	72	33	20									125
Regular capital account as a loan (incl. gov. prog projects)		55								20	20	95
Loans for NRRP capital account			70	70	70	70	70	70	70			490
Other loans			250									250
Current liabilities regular redemption		-1	-6	-6								-13
Allocation of 40% of budget surplus for redemption					-19	-26	-28	-28	-30	-32	-34	-197
Extra redemption from remaining liquidity surplus									-28	-32	-34	-94
Cumulative loans	594	681	1,015	1,079	1,130	1,174	1,216	1,258	1,270	1,226	1,178	1,178
Estimated GDP	1,855	1,712	1,755	1,781	1,808	1,835	1,862	1,890	1,919	1,948	1,977	
in % of GDP	32.0%	39.8%	57.8%	60.6%	62.5%	64.0%	65.3%	66.5%	66.2%	62.9%	59.6%	
2. Payment arrears	215	159	115	97	99	82	57	30	2	(0)	0	
New arrears	24	6	2	2	2	1	1					
Regular redemption	-80	-50	-20									
Redemption 40% of budget surplus					-19	-26	-28	-28	-2			-103
Cumulative	159	115	97	99	82	57	30	2	0	0	0	
3. Building a liquidity buffer												
20% of budget surplus					10	13	14	14	15	16	17	99
Cumulative	0	0	0	0	10	23	37	51	66	82	99	99

“Coming together is a beginning.
Keeping together is progress.
Working together is success.”

