

Linette A. Gibs

Subject: FW: Vragen en antwoorden mbt Ontwerp van landsverordening tot wijziging van de landsverordening begroting 2017 in verband met wijziging van de kapitaaldienst.pdf

Attachments: Ontwerp van landsverordening tot wijziging van de landsverordening begroting 2017 in verband met wijziging van de kapitaaldienst.pdf

From: Nancy R. Guishard-Joubert
Sent: Tuesday, September 25, 2018 9:17 AM

STATEN VAN SINT MAARTEN			
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From: Lieveld, Wilgo <Wilgo.Lieveld@sintmaartengov.org>
Sent: Tuesday, September 25, 2018 9:14 AM
To: Nancy R. Guishard-Joubert <nancy.joubert@sxmparliament.org>
Cc: Bruinhard, Jakira <Jakira.Bruinhard@sintmaartengov.org>
Subject: Vragen en antwoorden mbt Ontwerp van landsverordening tot wijziging van de landsverordening begroting 2017 in verband met wijziging van de kapitaaldienst.pdf

Beste Nancy,

Zoals afgesproken zou ik je bovengenoemde ontwerp landsverordening doen toekomen per email..

Het originele krijg je later op de dag.

Bij voorbaat dank.

Wilgo F. Lieveld
Director of the Cabinet of the Minister of Finance



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MINISTER OF FINANCE - SINT MAARTEN

Minister van Financiën - Sint Maarten

Philipsburg, September 25, 2018

To:

Parliament of Sint Maarten
Chairlady of Parliament, Mrs. Sarah A. Wescot-Williams
Wilhelminastraat # 1
Philipsburg, Sint Maarten

Reference: DIV #2803A

Subject: Ontwerp van landsverordening tot wijziging van de landsverordening begroting 2017 in verband met wijziging van de kapitaaldienst

Annex (es): 1

Dear Chairlady,

Please find attached the questions and answers pertaining to the above-mentioned subject.

I trust to have informed you sufficiently and in a timely manner.

P. F.M. Geerlings

Minister of Finance

Cc: The Council of Ministers



ST. MAARTEN

To the Chairwoman of Parliament
Wilhelminastraat 1
Philipsburg
Sint Maarten

Uw nummer: UV/250/2017-2018 Uw brief van: 25 juli 2018 Ons nummer: 2803A

Subject: Ontwerp van landsverordening tot wijziging van de landsverordening begroting 2017 in verband met wijziging van de kapitaaldienst.

Philipsburg,

Parliament in its meeting of the Central Committee has exchanged views with the Government on the Draft National Ordinance amending the National Ordinance Budget 2017 in connection with changes to the Capital Expenditures. Parliament considers the present draft to be adequately prepared when the questions below are answered in time for the public meeting so that the draft can be discussed in a public meeting.

The **United Democrats-faction** has taken note with interest of the draft. The faction mentions that the previous Government had informed Parliament of its intention to establish a National Development Bank as part of the entire budget process. A national ordinance was drafted by the Government to this effect that included an amendment to several other national ordinances as far as financial measures are concerned. For example, the same draft national ordinance on the National Development Bank, included changes to the so called "Speel vergunning verordening". It also contained changes to the National Ordinance General Land Taxes and several other national ordinances. This proposal apparently went to the Council of Advice, the Council of Advice advised on the proposal and returned it to Government. The faction would like to know if the Government is still pursuing this intention, so the establishment of a National Development Bank as well as the changes to some other national ordinances that were all incorporated in one amendment and officially not presented to Parliament.

1. What is Government's intention for an investment bank in the context of financial recovery of the country as a whole?

No decision has been taken on this subject. Possibilities and supposed added value of such are still being investigated.

The faction is aware of the fact that the Kingdom Government has reacted to the request for liquidity assistance for 2018.

2. Has the Government of Sint Maarten responded to that request already?

The matter of Liquidity support was handled in the Kingdom Council meeting of July 6th, 2018. Subsequently on August 1st, 2018 a loan agreement to the amount of NAf 32.6 million was proposed by the Kingdom Government. This loan is related to the replenishment of the liquidity shortage for the 1st quarter of 2018. The mandate for this new loan will be incorporated in a budget amendment 2018.

3. Can Government inform Parliament about the most recent meeting with officials of the World Bank and what that meant or means for the furtherance of the process in terms of making monies available from the Trust Fund?

Triggered by the steering committee, the World bank has been asked to perform survey's regarding:

- I. The current macroeconomic context in which Single Donor Trust Fund initiatives take place;
- II. Develop a better understanding of the organizational structure and key processes of the public sector of SXM;
- III. Identify core elements and key deliverables under the agreed Public Expenditure Review and a Functional Review.

A discussion took place with the representatives of the World bank about the added value of these survey's as well as about how the results will be used especially whether the outcome would influence future requests for liquidity aid. Concerns about possible undesirable consequences were shared.

In a recent presentation by representatives of ECLAC, Parliament was informed of Government's position on some priority areas.

4. One of these areas is fiscal reform. Is there any collaboration taking place in terms of what Government envisions as fiscal reform and the steps to be taken to come to fiscal reform etc.?

What we envision as a tax reform has been formulated by our Department of Fiscal Affairs in a draft law (with explanatory notes). Main concern is simplification of the system, narrow down the variety of taxes and move from direct to indirect taxes. The draft design is currently at the Cabinet Ministry of Finance and will be completed shortly.

The faction mentions that it doesn't hear much from the Central Bank of Curacao and Sint Maarten (CBCS) regarding Sint Maarten, Sint Maarten's economic recovery and Sint Maarten's financial situation.

5. Can Government inform Parliament of any matters that are being discussed with the Central Bank of Curacao and Sint Maarten (CBCS)?

CBCS has prepared and maintains multi annual financial projections for Sint Maarten. These projections are discussed and used by institutions like IMF for their fiscal reports. The latest CBCS report concerning Economic Developments and Outlook for 2018 (published in the post Irma period) has been important input in the preparation of Government's 2018 budget. Important issues have been discussed with CBCS concerning the economic developments and available instruments to jumpstart economy.

The **Sint Maarten Christian Party-faction** has taken note of the draft and is of the opinion that a national ordinance is a historic document hence the information in it should be as thorough, clear and factual as possible. The faction inquires if the situation about the liquidity help would be a grant or a loan.

7. Were the agreements made between the Minister of Finance and the State Secretary documented? If yes, how, and how were they convened (by e-mail, letter or verbally)?

These arrangements were not documented but were verbally stated by the former minister of finance after a consultation between him and the state secretary. At a later date the state secretary appeared to differ of opinion on this subject with our minister of finance and made clear that he had only authorized the liquidity help in the form of a loan. The honorable member of parliament needs to understand how these situations are dealt with in practice. Within the guidelines given by the level of minister/ state secretary, the civil service level prepares all the paperwork needed to fill in the details and ultimately formalize the decisions. These prepared papers need to be signed as in this case of for instance the loan agreement. The content of those documents and letters are prepared in an exchange of information between our ministry of finance and the Dutch ministry of kingdom affairs and if applicable with Cft. When the stage is reached that the political top agrees with what is prepared, the agreements can be signed by the minister and the state secretary. Agreements normally need several steps before they are finalized. Formal letters are always signed by the minister.

8. Did we request liquidity for other years as well?

At the start of negotiations, we applied for a loan that would cover liquidity shortages for the first quarter of 2018 as well. The ministry of kingdom affairs informed us that they did not have a mandate for 2018 and would only be able to cover the 2017 deficit. Because of the urgency of the matter the request was made fit, with the help of the ministry of kingdom affairs, within the mandate knowing we would have to apply again to obtain 2018 liquidity support.

9. Civil servants initially prepared a letter containing a request for NAfl. 80 million liquidity support. Was this letter really sent? Who signed this letter? The Minister of Finance or a civil servant? Can Parliament receive a copy of this letter?

The letter was prepared by the ministry and signed and send by MinFin. All formal correspondence has already been supplied to parliament together with the first budget amendment 2017.

10. It was mentioned that the Netherlands responded to this letter. is the Government of the Netherlands or its citizens meant with this?

“Netherlands” is meant to be the ministry of kingdom affairs. It is obvious that the state secretary is consulted by his staff before the ministry exchange information with us.

11. Who responded to this letter and how was the response? By letter, e-mail or phone?

“Netherlands” is meant to be the ministry of kingdom affairs. It is obvious that the state secretary is consulted by his staff before the ministry exchange information with us.

12. Can Parliament be informed of the exact date when the response was received?

The request is down to NAf 68 million. Based on what criteria?

And what is the rationale to decrease the amount from NAf 78 million to NAf 68 million?

There is no rationale nor criteria. Sint Maarten got the help from the Netherlands to the max level of aid that fitted within the mandate of the ministry of kingdom affairs at that time. That max level was 68 million. The faction understands that the Netherlands did not honor the Government's request.

13. What are the dates of this exchange of correspondence? Or was it done verbally?

The exchange with the Netherlands was prepared on public servant level in numerous telephone calls and mail correspondence. The final step was the presentation of the loan agreement by the Secretary of State.

The Explanatory Memorandum to the national ordinance states that the conditions of the new loan of NAf 50 million are the same as the old loan. However, the Explanatory Memorandum doesn't clarify what the conditions of the old loan were. Parliament is unaware what the loan terms are, if a grace period was given and in what period the loans have to be paid back.

14. Can the Government provide Parliament with the conditions of the old and new loan?

The honorable member of parliament apparently misunderstood the elucidation given about the loans. In the explanation on page 2 of the "memorie van toelichting" is stated that the existing loan stays the same ("de voorwaarden blijven gelijk") and refers to "staat E" that is part of the same budget amendment. There the honorable member can see the exact conditions that apply to the existing loan (21,7 mln; first line item) as well as to the new loan (50 mln; second line item).

15. Can the Government provide the financial progress report of the last half year of 2017 and the first progress report (Q1) of 2018?

The 1st quarterly report has been submitted to parliament

The **United St. Maarten Party-faction** has taken note of the draft and would like to focus the discussion on how we got here.

16. The faction asks if Parliament can receive the minutes from the meeting with the Kingdom partner, the Netherlands, to see how the discussion went? Or was the Minister asked to jump and was the reply how high?

Answer given at question 7.

17. One of the statements in sub 6 is that the Minister of Finance is mandated to make agreements for loans as referred to in sub 5. Is this authority strictly in the case of these two loans? Or is this more a mandate that is being given to the Minister of Finance for a certain time period for various loans?

Yes strictly the loans mentioned in art 5 can be submitted under this mandate.

18. Also mention is made of a new loan of NAf 50 million that is given at zero percent interest. The faction however doesn't see something mentioned regarding the interest rate for the first loan of NAf 21.7 million. Were any interest rates discussed?

Answer at question 13

19. On the topic of interest, what assurance do we have that the goalpost isn't moved on us again?

The loan is contracted for 30 years Zero percent and a grace period of 5 years. The contract cannot be changed unilaterally.

20. We are being told right now, it started as a grant, then it became a loan of an interest fee nature. Are there any provisions or anything that Parliament or Government have at their disposal to insure that we don't get any surprises a couple of years down the line?

Answer at question 19

21. Is there any other source or condition attached to these loans that the public needs to be aware of?

Answer at question 19

23. Does this Ordinance and this amendment take into account the loan and expected shortfall Government had?

The loan is to cover liquidity deficiencies that occur because of the shortfall.

24. According to the Committee of Financial Supervision (CFT) we had a smaller shortfall, less deficit. Does this affect our negotiations in terms of the liquidity support?

Less shortfall is very beneficial for Sint Maarten because the total amount of loans can be lower and leaves more maneuverability for future loans.

25. Do we have to go back to the table for any reason or does the agreement with the Netherlands still stand? This agreement only covers 2017 shortfall. For 2018 new arrangements will have to be made.

Entering into a loan or being given a guarantee on behalf of the Country has to be arranged by Ordinance. Therefore, it is necessary to amend the 2017 budget, because there is no approved 2018 budget.

26. The faction assumes this sentence was only there at that time, because this was written before the 2018 budget was approved. Is this the case and can this be confirmed?

Correct, budget 2017 was the only valid budget at the time.

27. Regarding the financial statement 2017, so not the "uitvoeringsrapportage". Can Government give an update on that as well, if those have been prepared or if there is a timeline for that? Do they reflect the possibility of the reality of this being approved?

According to the "comptabiliteitslandsverordening" the annual account is due per Sept 1 of the following year. Because of Irma and the existing backlog in finishing earlier accounts, this deadline will not be possible this year. The "uitvoeringsrapportage" from the fourth quarter of 2017 has been supplied to Parliament in April and presents a first impression of the development in income and expenditures. Alterations in the balance sheet will be incorporated in the balance sheet after all financial effects of have been determined (value mutations of i.e. real estate, participations and government owned companies).

The Minister of Finance

P. Geerlings

