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COUNTRY SINT MAARTEN



EXPLANATORY NOTES ON THE DRAFT BUDGET FOR FISCAL YEAR 2018

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Introduction

Kindly find enclosed the 2018 budget including a conservative compiled presentation of the financial outlook of Country Sint Maarten after Irma. This budget was prepared taking into account; the uncertainty related to hurricane Irma, the recovery rate of the economy and development of cost compared to the development of the income.

The framework has taken the below elaborations into account:

- As a result of hurricane Irma government revenues will decline in fiscal year 2018 simultaneously expenses will increase of which an unknown percentage of the expenses may be charged to the Trust Fund;
- The proposal of Sint Maarten to the Kingdom Council of Ministers to invoke Article 25 of the Kingdom Act was approved on March 27 2018 by the Kingdom Council of Ministers (RMR)
- Prior to receiving the aid promised by The Netherlands, the framework for management of the funds has to develop by various organizations including but not limited to the World Bank.
- According to legislation Parliament must approved the Country's budget within the legal timeframe. If the latter is not achievable then the last approved budget becomes applicable. Therefore for the first quarter of 2018 the adjusted 2017 budget figures were applicable.
- The budget is intended as a management tool and indicates the (policy) direction of Government. However a detailed holistic recovery plan is not yet available for St. Maarten. As a result the policy paragraphs that have been adjusted due to hurricane Irma cannot be presented at this time. The NRRP is the managing instrument for these recovery initiatives therefore the national budget will be dealt with separately. The recovery funds will be managed by the World Bank and will not be incorporated in the country's budget. Therefore a separate administration and accountability entity will be established. However for the sake of international entities such as IMF and Moody's; the figures have been consolidated. This policy document represents the policies of the ministries pre Irma. Nonetheless some initiatives have been transferred to the recovery plan in cases where such initiatives match the objective of said recovery plan.
- Pre-Irma the compensation of negatives results for fiscal years 2017 and 2018 totaling Naf 20 and Naf 24 million respectively were incorporated in the budgets. Post Irma said compensations are not achievable given the projected deficit of fiscal year 2018. We anticipate full recovery of the economy in 2020. No compensation will be feasible before said time.

The level of public expenditure

The level of public expenditure is based on the existing organizational and contractual situation. Measures were taken to reduce expenses where possible. The budget is mainly made up of fixed cost for example: long term contracts, personnel, rents, utilities, communication, garbage collection, school bus transportation etc. Due to the pressure of past budgets there is virtually no elasticity for any variable cost. Cost reduction requires rigorous measures across Government. Significant need post Irma resulted in tapping into government savings. Down-sizing is necessary due to the proportion of contracted services however this is a time-consuming measure that can only be realized with a considerable period of friction and incurred cost. Post Irma recovery requires more capacity from the Government organization however proposed measures to compensate the loss of revenue translates into an opposite requirement. Due to significant pressure on the budget Government is looking for ways to reduce cost and increase its revenues in as much as possible.

The most important measures are the short-term measures to reduce cost.

1. The reform of the pension system

The previous budget made mention of both the reform of the pension system and the reform of the health insurance system. The previously announced change to the pension system as of January 1st, 2018 is no longer feasible. We anticipate a new implementation date of July 1st, 2018.

2. Revision of the health insurance system

The introduction of a renewed health insurance system has been delayed. In view of the valid Kingdom Instruction of 2015 last; it is imperative to settle this issue in the 2018 budget and incorporate the proposed cost saving measures into the system.

3. Reform of the Tax Department and taxation system

Post Irma a decisive tax administration is of even greater importance.

In 2017 the first initiatives were taken to improve the Tax Administration such as implementation of a new ICT system, recruitment of employment agency personal to eliminate backlogs and execute additional checks and balances.

In 2018 we will look into simplifying processes and communication to the taxpayer. Finally an assessment will be made of the necessary investment to house the entire tax administration under one roof. A modernized taxation system is necessary which can only be realized by simplifying rules and regulations and reducing the number of tax categories. We will have to adjust our legislation in order to enforce measures to expand the taxpayer's basis. Such measure will result in more commercial activity.

4. Administrative reorganization

As a result of Irma we have experience some changes in expenditure that are not yet fully accounted for. Update of the rental database is necessary for office space as well as housing accommodation. An updated property database is also necessary and tighter management of cleaning services. We anticipate cost reduction following these measures.

1. General considerations

Introduction

The explanatory notes to the adjusted budget 2018 cannot be fully structured in the manner referred to in the National Accountability Ordinance. This National Ordinance focuses on the existence of a policy budget: the budget with explanatory notes constitutes the financial translation of the intended policy of the Government. Post Irma, the policy goals need to be adjusted and the aim to rebuild more strongly must be translated into a series of coherent measures that must take place in the country budget or in the recovery program. At the moment there are already initiatives that are a first step towards recovery, but a comprehensive recovery plan is still being drawn up in collaboration with the World Bank. The planning process started in early 2018 and will take several months before any consequences for the government budget will be noticed. This means that the present budget can only supervise the running of Government Departments and has no new policy elements. This also means that once the approach to recovery has been worked out, a budget amendment may become necessary.

Preliminary results: 2016 financial year statements.

When the 2018 budget was drafted the 2016 realized figures were not yet known. Initially a positive balance of Naf 1.1 million was reported down from Naf 25.3 million after the deficit compensation. It should be noted that that pre-Irma the financial ICT system suffered extended outages due to cyber-attacks following system outages post Irma. Therefore the fourth quarter reporting was based on manual calculations. Now that the system is operational we anticipate that this positive result may leave room for some correction.

Preliminary result 2017

It goes without saying that fiscal year 2017 will report a substantial deficit when compared to the original budget. The first budget amendment projected a deficit of around NAf 153 million, however the fourth quarterly report shows a less dramatic picture of the situation with a deficit of NAf 72 million, excluding balance adjustments.

Financial position

The country's financial position has become worrisome because of Irma. According to estimates, the consequences will be felt on a multi-annual basis and result in shortages in the fiscal budgets from 2017 through 2019. The 2018 budget is more or less in line with the expenditure level for fiscal year 2017. However due to the consequences of Irma, the annual indexation and higher costs of salary increments of civil servants, it can be concluded that ultimately 2018 will result in higher expenditure when compared to 2017.

One of the most important measures for improvement for Sint Maarten is compulsory health insurance.

Currently medical cost far exceed social premiums, therefore the situation is untenable. This is an urgent and important matter that requires immediate attention. We can no longer await the introduction of the National Health insurance. The country also faces other financial risk with regards to the deficit of the Post office and Winair. There is also risk associated with Government owned NV's such as the Harbour.

Liquidity position and loans

The liquidity position of the country of Sint Maarten is worrisome and needs to be strengthened in 2018 in order to maintain the Government apparatus. With the Netherlands, it must be worked out in what way deficits will be financed so that at least a sober but adequate level of service can continue to exist.

The fiscal year 2016 reported a positive financial result which strengthened our liquidity position. This enabled Government to meet its financial obligations post Irma.

The long-standing uncertainty about the support that would be granted by the Netherlands ended in 2017 after the decision of the Council of Ministers in November to grant liquidity support for that financial year to Sint Maarten. This decision leaves some room, but in 2018 another appeal will be needed for liquidity assistance from the Netherlands.

The financial buffers that are parked as deposits are of a limited size in relation to the risks that the Country runs on numerous fronts. Furthermore, from the year 2019 onwards, extra burdens must be taken into account as a result of conditions set by the Netherlands for repaying a loan of NAf 26 million in 2016. This has a financial impact of NAf 1.1 million in 2019, and NAf 5.2 million from the year 2020, which further limits the liquidity position.

Country Sint Maarten also has a bank account with the Central Bank on which the residual funds for capital investments approved by the CFT have been deposited. These residual funds are designated to investments that have to be made in the setting up of the new Executive Office and the ICT equipment. All capital investments are paid from this bank account.

In 2017, a loan was acquired of NAf 21.7 million. With regard to liquidity support, a loan of NAf 50 million has been agreed upon and will be redeemed in the first months of 2018.

There are no loans in the year 2018 that have to be refinanced.

Arrears in Payments

Payment arrears at the beginning of July 2017 amount to NAf 106.9 million. Of this, there is a NAf 50.8 million owed to SZV; NAf 39.2 million to APS and NAf 16.9 million to other creditors. It is expected that these payment arrears may substantially be reduced after the liquidity support materializes and the reserved means can be used to pay off SZV. In addition to that continued negotiations will be held with APS about further debt repayments.

Relevant information from external parties

The following sections provide insight into relevant information as provided by external parties.

1. Moody's

The American credit assessor Moody's issued a rating of 'Baa2 stable' for the Country for the year 2017. This rating is unchanged compared to previous years. The rating issued by Moody's indicates that there is an average credit risk for suppliers to the country. In addition, the rating indicates that there is a speculative risk for external investors.

2. Central Bank of Curaçao and Sint Maarten

In its publication "Economic Developments in 2017 and the 2018 outlook", the Central Bank outlines the situation after Irma. The bank reported revenue decline particular in the hospitality sector, however some compensation was reported from the construction sector. Nonetheless the economy in St. Maarten is expected to shrink by 9.1% in 2018.

The increase in private and public spending is not expected to be sufficient to compensate for the sharp fall in net foreign demand. This decrease is mainly caused by a decrease in exports. Taking into account that it will take some time before the production capacity of Sint Maarten reaches the pre-hurricane level.

Based on the prospects of the CBCS, a decline in Government revenue of at least NAf 50 million must be taken into account. However, the actual decline will be higher because revenue from levies that applies specifically to the hotel and catering industry (stay-over tax, time share) will almost completely disappear and across the board the revenues in the construction sector are estimated lower such as a drop in wage tax revenues (low wages, temporary staff). The previous estimates have recently been adjusted to approximately NAf 200 million negative.

2. Budget 2018

Draft budget 2018

Sint Maarten invoked article 25 of the Kingdom Act on Financial Supervision (KAFS) in order to deviate from the standards stipulated in Article 15 of the (KAFS) for the 2018 budget. Below is motivated norm-wise, as mentioned in the Kingdom Act, where deviations are made.

As a result of hurricane Irma and hurricane Maria, the tourist sector the lifeline of Sint Maarten is handicapped. Recovery is not feasible on the short term. Numerous redundancies have already been announced and hundreds of employees have already been sent home without a prospect of work. In addition to a sharp decline in stay-over taxes, time-share fees, car rental tax, etc., a very sharp decline in

wage/income tax, turn over tax and profit tax is also expected. For 2018, adjusted revenues are estimated to be approximately 38% lower, ranging from NAF 484 million to NAF 303 million.

The costs, on the other hand, increased from NAF 460 million to NAF 500 million. The increase in costs is mainly due to increases in the social and infrastructural area. Cost-saving measures continue to receive the full attention of the Government.

The projected government income will not be sufficient to cover the government expenses. This is a challenge not only in 2018 but it is also projected for the coming 2 years.

It should be noted here that insufficient data is available to make well-substantiated estimates. With the deployment of technical assistance from the IMF and the involvement of the World Bank, significantly more reliable projections can be made for the second half of the year.

Art 15.1.b. "The capital expenditure included in the budget and the multi-annual budget shall be covered by the funds reserved to cover this expenditure, taking into account the expected the incoming funds from the proceeds of monetary loans".

This standard is met as long as loans can be attracted to finance these capital expenditures.

Article 15.1.c. "The standard interest norm shall not be exceeded".

The interest charges of the public sector may not exceed an amount calculated at 5% of the average income of the previous 3 years. This requirement is achievable in 2018.

Article 15.2.a. "The budget and the multi-annual budget shall include all the expected revenues and expenditure "

In as much as possible the preparation of the Post Irma budget took all government revenues and expenditure into account. The exceptional situation that arose after the hurricane makes the realistic assessment of expenditure and revenue a tour de force. With the analysis of the World Bank in relation to the recovery program, it is expected that more realistic figures will be available and the estimates can be adjusted. Partially this takes in to account recovery estimates per sector including the recovery effects on government's monetary funds.

Gradually the realization figures will become available and provide a monthly increase in the reliability of the figures. Therefore forecast will appear more clear and works continue to progress. The Government therefore foresees the necessity to submit budget amendments to Parliament. A better view allows the visibility of our liquidity needs. It has been decided to request technical assistance from the IMF. The planning is that the IMF will produce their first financial report in May 2018.

This standard is met for as far as this can be overseen.

Article 15.2.b. "The revenue and expenditure captured in the budget shall be adequately explained".

The Government is aware that the explanatory notes to the revenues and expenditures must be improved. This will be implemented during the course of the year as we reap the benefits of the measures mentioned above.

This standard is met as much as possible.

Article 15.2.c. "The budget has been designed according to orderliness and controllability criteria.

The financial information captured in the draft budget is in an orderly and verifiable fashion for as much as reliable data is available.

For the aforementioned reasons, most of the required criteria have been achieved.

Article 15.3. "The budget shall be accompanied by a statement of the financial situation of the country".

Both IT problems and hurricanes have created a backlog in the processing of financial data and the preparation of reliable financial reports. A current complete financial position overview is not yet available. That is why this standard is not totally realizable. During the fiscal year 2018, with the assistance of the IMF, the Government will better be able to provide insight into the financial situation of the Country.

With the help of technical assistance (from the IMF, among others), the Government aims to achieve improvement of both the reliability of the figures presented and of the quality of the entire budget. We will then also allow our own staff to take part in the IMF reporting process. The Government is also considering contracting the IMF deployment for a longer period of time in order to; assist us with the preparation of the quarterly reports and cash flow projections.

The uncertainties related to the near future are great. The recovery of the economy depends, among other things, on the speed with which the projects that are financed from the Trust Fund can be carried out and the way in which the financing is ultimately structured. Based on the standard interest norm we still have room to acquire loans however based on the standards promoted by the Cft and respectively the IMP this is not the case since they both promote a percentage that should not exceed 40% of the GNP. There is also insufficient insight into the financial developments at the Government owned companies (Utilities, Harbor, Airport).

The aforementioned uncertainties result in precarious liquidity demands. Momentarily the monetary value cannot be correctly stated. The multi-year balance sheet shows a negative balance of NAf 197 million for the year 2018. In calculating the long-term perspective, account was taken of both indexation on income and the costs of 1%. However, no extra incidental and structural income has been taken into account.

Solutions to curb the financial gap should be prioritized such as enforcing the compliance of tax revenue collections. Additionally it is important to adequately manage the day-to-day operational cost and reduced the risk at government own companies.

Consequences of hurricane IRMA for the budget 2018

Revenues

Budgetted	484,518,115
Estimate of revenues Post-Irma	303,436,964
Lower revenues	181,081,151

Expenditure

Budgetted	460,518,115
Estimate of budget Post- Irma	500,545,551
Higher expenditure	40,027,436

Balance Deficit in comparison to budget 2018	221,108,587
No application of deficit compensation	-24,000,000
Budget deficit 2018	197,108,587

The cost has been derived from the available 2017 realization figures plus additional cost that is anticipated as a result of hurricane Irma. Revenue has been estimated by assessing the various income items and accounting for the achievable percentages post hurricane Irma.

2.1 Multi-annual budget projection

The multi-annual estimate below has been drawn up in the knowledge that there is still far-reaching uncertainty about the level of actual feasibility of a number of assumptions. The following assumptions have been used:

- It will take the economy 3 years to recover to a pre-Irma state;
- Government revenues will increase between 15 and 20% annually due to economic recovery, supplemented by the collection efforts at the Tax Department;
- The costs for the Government (personnel and equipment) will increase by an average of 1% per year;

- The cost of social services will gradually drop to a pre-Irma level after 2018;
- Subsidies, depreciation and bank charges will remain virtually unchanged;

Below table show the projected developments in revenue and cost during fiscal years 2017-2021.

We project a deficit of Naf 72 million at the end of 2017. The projections below show that the deficit will continue to accumulate totaling approximately Naf 500 million by the end of 2020. Stabilization of the economy is projected at the end of 2021 to a pre-Irma state arriving at a projected result of a positive Naf 4 million. It is still unclear how the aforementioned losses will be compensated according to existing legislation. At the requirement of the Kingdom Council of Ministers (RmR), the phenomenon of the compensation of losses will be coordinated with Cft. In order to be able to advise the Kingdom Council of Ministers (RmR) with motivated arguments in this respect.

Meerjarenbegroting	2017	2018	2019	2020	2021
Baten					
Belastingen	326,497,087	234,885,548	277,261,573	335,718,076	407,258,848
Vergunningen	13,262,954	12,959,629	16,199,536	22,679,351	25,919,258
Fees & Concessies	38,695,986	32,596,004	33,996,004	35,695,804	37,480,594
Overige Baten	29,672,553	22,995,783	24,145,572	28,974,686	34,769,624
Totaal Baten	408,128,580	303,436,964	351,602,684	423,067,917	505,428,324
Lasten					
Personeelskosten	197,784,981	199,885,029	201,883,880	203,902,718	205,941,746
Materiele lasten	120,028,418	110,729,630	103,500,000	104,535,000	105,580,350
Sociale voorzieningen	33,768,824	56,569,981	51,509,981	52,025,081	52,545,332
Afwaardering Vaste Activa					
Afschrijving	10,419,725	14,120,341	14,500,000	14,800,000	15,000,000
Subsidies	101,937,362	101,075,069	102,591,195	102,465,895	102,230,895
Studiebeurzen	3,530,596	4,154,268	4,449,221	4,216,582	4,515,959
Bank- en rente kosten	13,104,839	14,011,233	15,500,000	15,500,000	15,500,000
Totaal Lasten	480,574,746	500,545,551	493,934,277	497,445,276	501,314,282
	(480,574,746)				
Eindsaldo per jaar	(72,446,166)	(197,108,588)	(142,331,593)	(74,377,359)	4,114,042
Verlies compensatie	(72,446,166)	(269,554,753)	(411,886,346)	(486,263,705)	(482,149,663)

Multi-annual Budget projection	
Revenues	
Taxes	
Licenses	
Fees & concessions	
Further revenues	
Total of Revenues	
Personnel costs	
Material expenditures	
Social services	
Appraisal reduction fixed assets	
Writing-off	

Subsidies	
Study Financing	
Bank and interest expenses	
Total expenditure	
Balance per year	
Loss compensation	

Compensation of deficits from previous financial years

The provisional operational balance at the end of fiscal year 2017 totals Naf 72.4 million. This accumulated deficit will reduce Government's Retained Earnings and potentially cause a negative balance by the end of fiscal year 2018. According to the Kingdom Act accumulated deficits must be compensated with surpluses in subsequent years. However we anticipate accumulating losses up until 2020 totaling Naf 482 million as previously shown above. Negotiations are necessary with regards to these losses because compensation will not be feasible or realistic, since we do not anticipate arriving at a positive end result prior to 2021. The financial outlook for Country Sint Maarten is very challenging as such we have been advised by the Kingdom Council of Ministers to seek consultation from Cft on this matter.

Loan perspective

As per 1-1-2018 Government's long-term loans totals Naf 574.9 million. Included in this amount is an approved Naf50.00 million liquidity support loan from 2017. The collective sector reports a total long-term debt at the end of 1-1-2018 of Naf 594.1 million.

Below table shows the developments of the debt position for the collective sector:

Loans in NaFl x 10.000.000	2018	2019	2020	2021	2022	2023
Start position Collective sector	544.1	809.1	1,054.1	1,149.1	1,194.1	1,204.1
Add: Liquidity support 2017	50.0					(2.0)
Add: Liquidity support 2018	150.0	50.0				
Add: Liquidity support 2019		100.0	50.0			
Add: Liquidity support 2020			50.0	25.0		
Add: Tax Department	15.0	25.0	10.0			
Add: SMMC Nieuw Hospitaal	40.0	40.0	55.0			
Add: Other investments	10.0	30.0	30.0	20.0	10.0	10.0
Subtract: Expired loans			(100.0)			
Ending position collective sector	809.1	1,054.1	1,149.1	1,194.1	1,204.1	1,212.1
Gross National Product	1,550.0	1,725.0	1,900.0	2,000.0	2,020.0	2,040.0
Debt/ GNP in %	52.2	61.1	60.5	59.7	59.6	59.4

Explanatory notes of the changes in the debt position:

- a) Fiscal years 2018 through 2020 will require budget support and / or liquidity support. However the projected accumulated losses show a declining trend from Naf 197 million at the end of 2018 to approximately 75 million in 2020;
- b) In 2018 the project Tax Department reform will commence. This project is estimated at Naf 50 million to be disbursed over a period of 3 years. This project was transferred to the recovery trust fund;
- c) The project for the SMMC; New General Hospital will also commence in 2018. Currently it is unclear if Government will assume the financing obligation for this project;
- d) Capital investments that are not financed by the recovery trust fund have been kept to a minimum;
- e) Two governments bonds valued at Naf 50 million each, will mature in 2020;
- f) In 2021 it is anticipated is that the GNP will arrive at pre-Irma level.

Economic Developments

By the Central Bureau of Statistics the GNP of 2016 has been calculated to NAF 1.919 million.

GNP x Naf 1 miljoen	2016	2017	2018	2019	2020	2021
GNP	1,919	1,940	1,550	1,725	1,900	2,000
Increase		21	(390)	175	175	100
Increase in %		1.08	(25.16)	10.14	9.21	5.00

Under normal circumstances, the GDP of 2017 would have reached 1.940.

Quarterly budget

Expenditure

Expenditures are linearly distributed over the fiscal year with the exception of a peak in the second quarter due to vacation allowance.

Revenue

Customarily revenues show a seasonal pattern:

- a) However the seasonal pattern in 2018 and 2019 will be minimal;
- b) Profit tax revenue at the end of March, June, and December will show minimum fluctuations in 2018 and 2019;
- c) Number plates revenue will be higher in the first and second quarter;
- d) As the reconstruction works progresses and the economy recovers, we will realize a steady annual increase in Wage tax and TOT.

2.2 Cost development

Values in the expenditure per Economic Category derived from prior years multi-annual developments in the realization figures. The larger expenditures in the budget are based on existing vendor contracts and/or legislation. It goes without saying that any adjustments to existing contracts will encounter its own challenges and possible legal cost. Therefore we anticipate that only marginal changes are achievable in the 2018 budget. A budget amendment was submitted in 2017 post-Irma. Not all of the proposed projects were compulsory and thus some were transferred to the 2018 budget.

Certain initiatives fell under the context of reimbursable projects. A consensus was reached that said projects would be pre-financed by Sint Maarten and later same projects would be declared to the recovery trust fund. These projects included: The roof repair program, the hospitality training program, and VSA projects such as the voucher project. The aforementioned projects were transferred to the recovery trust fund and are no longer part of the 2018 budget.

2.3 Revenues development

All revenues are recorded using the cash method.

Wage tax and income tax

The levying of Wage Tax and Income Tax accounts for +30% of the total budgeted revenues. Prior year analysis shows that same revenues account for 7.1% of the GDP. We anticipate a decline in these revenue line items in 2017 and 2018 due to lost of income, related to post-Irma closers and skeleton staff operations during reconstruction.

We recognize a decrease in tax declarations forms and the associated monetary settlements in the period that follow directly after Irma. Gradually in the months that follow we noticed some more activity with regards to declarations and settlements. As a result fiscal year 2017 resulted in a more favorable result than initially forecasted directly after Irma. We anticipate that this trend will continue in the first quarter of 2018 followed by a significant decline. Therefore the 2018 budgetary income was forecasted as follows:

We looked at the monthly trends during fiscal years 2009 through 2017 and derived at and estimated income per line item. And average of 70 to 85% was applied to same estimated income over that period in order to derive at the projected 2018 figures.

Year	GDP (mln)	Wage Tax (mln)	
Jaar	BBP (mln)	Lombalasting (mln)	%
2008	1423.8	125.0	8.8
2009	1420.2	117.5	8.3
2010	1597.0	120.7	7.6
2011	1675.0	113.7	6.8
2012	1764.4	117.5	6.7
2013	1825.4	127.8	7.0
2014	1886.8	134.6	7.1
2015	1600.5	139.7	8.7
2016	1919.5	140.4	7.3
2017	1861.2	135.3	7.2
2018	1799.5	107.0	4.1

Turn over Tax

TOT together with Wage Tax and Income Tax represents 60% of the total budgeted income. TOT also suffered a significant decline in declarations and settlements in the period that followed directly after Irma. The same method as mentioned above was used to calculate the prior year estimated income level. The 2018 forecasted figures for TOT derived from 65 to 80% of the prior year estimated income. The 2nd and 3rd quarter represents the low season; we anticipate a decline in TOT revenues during this period.

Year	GDP	BToT	
Jaar	BBP (mln)	SBO	%
2008	1423.8	88.6	6.2
2009	1420.2	82.1	5.8
2010	1597.0	79.5	5.0
2011	1675.0	111.7	6.7
2012	1764.4	134.6	7.6
2013	1825.4	140.5	7.7
2014	1886.8	139.9	7.4
2015	1600.5	140.3	8.8
2016	1919.5	132.6	6.9
2017	1861.2	117.6	6.3
2018	1799.5	96.5	5.3

Profit tax

The profit tax revenue shows the following pattern:

Year	GDP(mln)	Profit tax	
Jaar	GDP (mln)	Winst E.	%
2008	1423.8	39.2	2.8
2009	1420.2	45.7	3.2
2010	1597.0	38.7	2.4
2011	1675.0	27.1	1.6
2012	1764.4	22.2	1.3
2013	1825.4	22.2	1.2
2014	1886.8	26.8	1.4
2015	1600.5	33.6	2.1
2016	1919.5	42.3	2.2
2017	1861.2	33.9	1.8
2018	1799.5	13.3	0.8

Excise duty on fuels

Petrol tax is 29 cents per liter for unleaded petrol. Prior year income developments are shown below:

Year	liters (mln)	Excise on fuel	
Jaar	Liters (mln)	E. Accijns	
2008	33	9.6	
2009	34.2	9.9	
2010	27.7	8	
2011	33.7	9.8	
2012	34.6	10	
2013	36.1	10.5	
2014	34.1	9.9	
2015	36.4	10.6	
2016	34.1	9.9	
2017	33.5	8.4	
2018	33.8	9.1	

Transfer tax

The sale of land and buildings require a transfer of Title of ownership.

The buyer has to pay a one-time transfer tax to government, which is around 4% of the sale price.

Motor vehicle tax

The Motor Vehicle Tax is estimated at NAF 9.3 million for 2018.

Guest stay-over tax and time-share fee

The guest stay-over tax and time-share fee revenues are as follows:

Year	GDP	Stay-over		Time share	
Jaar	BRP (mln)	Logeer	%	Timeshare	%
2008	1423.8	4.0	0.3	4.8	0.3
2009	1420.2	3.6	0.3	4.9	0.3
2010	1597.0	3.8	0.2	4.2	0.3
2011	1675.0	3.9	0.2	4.5	0.3
2012	1764.4	4.4	0.2	4.5	0.3
2013	1825.4	6.6	0.4	4.2	0.2
2014	1886.8	7.4	0.4	4.4	0.2
2015	1600.5	8.1	0.5	4.1	0.3
2016	1919.5	10	0.5	3.7	0.2
2017	1861.2	6.4	0.4	2.3	0.1
2018	1799.5	2.9	0.2	1.2	0.1

The forecasted stay-over tourist for fiscal year 2018 on Sint Maarten is 20-30% below normal occupancy.

Central Bank Curaçao and Sint Maarten

The Central Bank of Curaçao and Sint Maarten is the central bank for the Netherlands Antillean guilder and administers the monetary policy of Curaçao and Sint Maarten. The articles of incorporation state that the licensing fees collected by the Bank will be transferred to the Country where the right of collection originated. Prior Years figures reported and income level in this category between Naf 25-27 million. In the 2018 budget this income line item has been conservatively estimated at Naf 25 million.

Capital Expenditure

Included in the 2018 budget are capital investments totaling 28.9 million. This amount consists of NAF 21.7 million from deferred investments in 2017, NAF 8 million for improvement projects at the tax Department and the Financial Administration. An amount of NAF 5.3 million has been earmarked for study financing, and an amount of NAF 1.9 million is earmarked for the capital costs of semi-private organizations and NGOs. It has not yet been determine which investments can be financed via the recovery trust fund. The World Bank and government are still consulting on this matter. The assumption was made for capital expenditure that only those investments that were not realized in 2017 can be executed in 2018. If they are alterations to the investment programs a budget amendment will be deemed necessary.

Interest standard rate

The total interest burden of the collective sector amounts to NAF 15.7 million for 2018, whereby for the loans yet to be acquired it is assumed that they can be raised at a percentage of 1 to 1.5%. The total amount of interest costs remains well below the fixed interest rate norm of NAF 31.9 million.

Betreft	Nominale waarde		Rente per jaar
Bonds 2020	50,000,000	2.50%	1,250,000
Bonds 2025	73,500,000	2.63%	1,929,375
Bonds 2030	78,571,000	2.75%	2,160,703
Bonds 2035	50,000,000	2.88%	1,437,500
Bonds 2020	50,000,000	3.00%	1,500,000
Bonds 2016 -2023	26,000,000	1.50%	390,000
Bonds 2030	60,000,000	2.25%	1,350,000
Bonds 2030	45,400,000	2.38%	1,078,250
Bonds 2045	40,000,000	2.45%	980,000
Bond 2044	30,700,000	1.85%	567,950
Nog aan te trekken bond investeringen 2017	30,000,000	1.50%	450,000
Nog aan te trekken bond investeringen Bel.Dienst	34,000,000	1.50%	510,000
Nog aan te trekken bond investeringen 2018	30,000,000	1.50%	450,000
Totaal bonds	598,171,000		14,053,778
Bankkosten			125,000
Totaal bonds en bankkosten	598,171,000		14,178,778
Collectieve sector:			
SGG	5,060,106	7.00%	400,000
MIF	2,114,000		250,000
SMMC (RC)			150,000
BTP	12,000,000	6.25%	750,000
Totaal rente collectieve sector	617,345,106		15,728,778
Rentelastnorm			31,912,000
Onderbesteding op rentelastnorm			16,183,223

Concerning	Nominal value	Interest per year
Bonds		
Bonds to be attracted		
Total Bonds and Bank costs		
Collective sector		
Total interest collective sector		
Interest rate standard		
Under spending on the interest rate standard		

2.4 Liquidity development

Financial projections report losses at the end of 2018 totaling Naf 197 million. Liquidity shortages will commence in the second quarter of 2018. The absence of additional liquidity support as of March 2018 will result in the insolvency of Country Sint Maarten.

Below table demonstrates the forecasted liquidity developments during fiscal year 2018, commencing with the current account opening balance. It should be noted that this balance is inclusive of the Naf 21.7 million reserves for Capital Investments. Revenues are projected at Naf 90 million per quarter subsequently expenses are forecasted at Naf 130 million resulting in an average cash shortage of Naf 35 to Naf 40 million per quarter. This situation will lead to utilization of cash reserves and ultimately the insolvency of Country Sint Maarten.

Liquiditeitsbegroting - 2018	Kwartaal 1	Kwartaal 2	Kwartaal 3	Kwartaal 4	Totaal
Ontvangsten					
Belastingen	72,031,387	59,877,387	52,547,387	50,429,387	234,885,548
Vergunningen	2,332,733	5,054,255	3,628,696	1,943,944	12,959,629
Fees & Concessions	11,082,641	9,126,881	7,497,081	4,889,401	32,596,004
Terugbetaling NRP projecten			20,000,000		20,000,000
Lening BZK (liquiditeitssteun)		50,000,000			50,000,000
Overige Baten:	6,898,735	6,438,819	2,529,536	7,128,693	22,995,783
Totaal ontvangsten	92,345,498	130,497,342	86,202,700	64,391,425	373,436,965
Uitgaven					
Crediteuren	55,500,000	55,500,000	55,500,000	55,500,000	222,000,000
Lonen	25,500,000	25,500,000	25,500,000	25,500,000	102,000,000
Sociale lasten	14,142,495	14,142,495	14,142,495	14,142,495	56,569,981
Vakantiegeld		4,800,000			4,800,000
Subsidies	25,268,767	25,268,767	25,268,767	25,268,767	101,075,069
Aflossing leningen	1,447,000			1,023,333	2,470,333
Rente	180,152	6,072,911	180,152	5,696,669	12,129,884
Voor financiering NRP projecten	10,000,000	10,000,000			20,000,000
Betalingsachterstanden					0
Totaal uitgaven	130,038,415	141,204,174	120,591,415	127,131,265	529,045,269
Overstapen (minus) uitgaven	(39,692,918)	(10,706,832)	(34,388,714)	(62,739,840)	(147,528,304)
Saldo liquide middelen (begin kwartaal)	32,000,000	(7,692,918)	(18,479,749)	(52,868,464)	
Saldo liquide middelen (einde kwartaal)	(7,692,918)	(18,479,749)	(52,868,464)	(115,608,304)	

Liquidity Budget 2018	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
Revenue					
Taxes	72,031,387	59,877,387	52,547,387	50,429,387	234,885,548
Licenses	2,332,733	5,054,255	3,628,696	1,943,944	12,959,629
Fees & Concessions	11,082,641	9,126,881	7,497,081	4,889,401	32,596,004
Repayment NRP projects			20,000,000		20,000,000
Loans BZK (liquidity support)		50,000,000			50,000,000
Other revenue	6,898,735	6,438,819	2,529,536	7,128,693	22,995,783
Expenditure					
Debtors	55,500,000	55,500,000	55,500,000	55,500,000	222,000,000
Wages	25,500,000	25,500,000	25,500,000	25,500,000	102,000,000
Social premiums	14,142,495	14,142,495	14,142,495	14,142,495	56,569,981
holiday Allowances		4,800,000			4,800,000
Subsidies	25,268,767	25,268,767	25,268,767	25,268,767	101,075,069
Repayment of loans	1,447,000			1,023,333	2,470,333
Interest	180,152	6,072,911	180,152	5,696,669	12,129,884
Pre-financing of NRP projects	10,000,000	10,000,000			20,000,000
Total expenditure	132,038,415	141,284,174	120,591,415	127,131,265	521,045,267
Revenue minus expenditure	(39,692,918)	(10,786,831)	(34,388,714)	(62,739,840)	(147,608,304)
Balance liquid assets (begin of Quarter)	32,000,000	(7,692,918)	(18,479,749)	(52,868,464)	
Balance liquid asset (end of of Quarter)	(7,692,918)	(18,479,749)	(52,868,464)	(115,608,304)	

Fiscal year 2018 reports an operating shortage Naf 197 million which results from a forecasted shortage of Naf 197 million plus a liquidity loan of Naf 50 million.

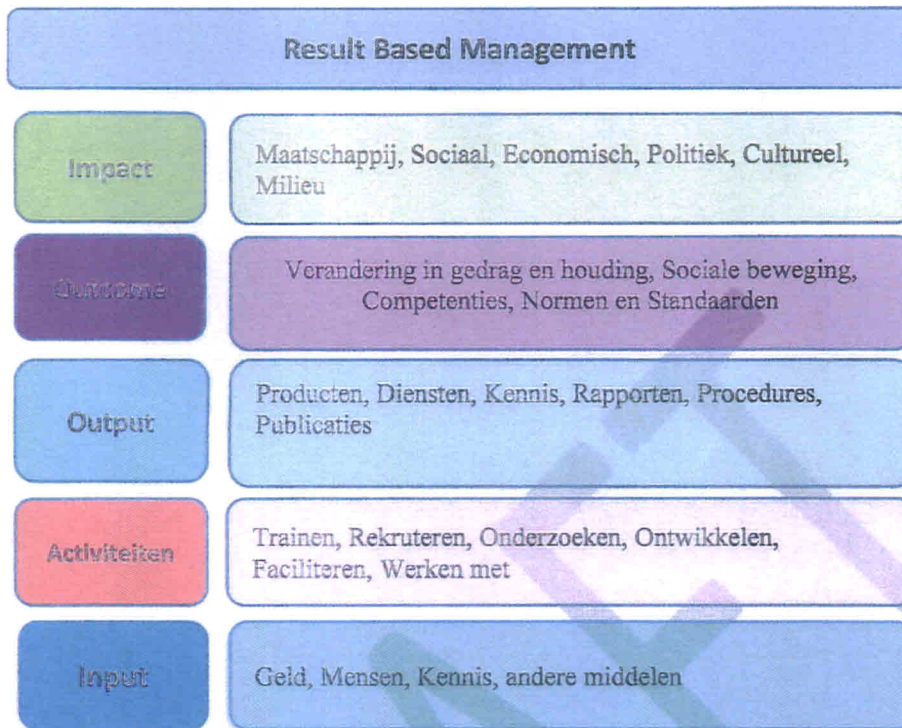
3. Policy part

This chapter outlines the 2018 policy that was prioritized per-Irma. Realization of said policy will only be attainable pending the availability of resources. This creates a lot of uncertainty regarding the feasibility of realizing the Country's goals. The recovery plan is not yet completed. Completion of said plan is imperative to determine the roadmap to recovery.

"Policy is the pursuit of achieving certain goals with certain policy instruments and doing such in a certain time order".

In an effort to incorporate the policy budget and the financial budget in one holistic file, the goals for fiscal year 2018 (which can only be achieved pending available resources) are described below:

In 2017, a beginning was made to formulate the policy priorities and the resulting policy actions according to the system of Result Based Management (hereafter to be called RBM). RBM enables the Ministries to translate the often more abstract strategic goals (impact and outcome) into actual operational objectives (output level of policy actions) and later to the implementation of activities as defined in the annual plans of implementing organizations.



RESULT BASED MANAGEMENT	
Impact	Society, Social, Economic, Political, Cultural, Environment
Outcome	Change in behavior and attitude, Social Mobility, Competences, Norms and Standards
Output	Products, Services, Knowledge, Reports, Procedures, Publications
Activities	Training, Recruiting, Researching, Developing, Facilitating, Working with
Input	Money, People, Knowledge, other resources

Policy formation, budget and policy implementation

Policy formation, budget and policy implementation In line with the Rft, aims to annually improve the relation between policy design and policy implementation. As a result of hurricane Irma and the reconstruction program, we experience an additional challenge. A substantial part of the resources for reconstruction will not be managed by government directly and will not be included in the government's operational budget. These funds will be managed by a separate Recovery Trust Fund. This will result in two operating budgets cycles: one for regular operations and one for the operations of the Recovery Trust Fund. The budget for regular operations relates to governments planning and accountability cycle of its regular operations.



To be inserted in the picture

	Strategic policy framework	
Reporting and evaluation	Strategic Cycle:	Operational policy framework
	Planning & control	1. Budget 2. Annual financial Statement 3. Year Account
Preparing	Operational Cycle	Monitoring
	Implementation	

The policy budget is the starting point of the budget cycle. The policy budget translates the objectives into required resources necessary for realization. In the accountability cycle the goals and spending justifications are reported. In fact the accountability cycle answers the question: Did we realize our objectives and at what cost.